

**POOLED LIABILITY ASSURANCE NETWORK JOINT
POWERS AUTHORITY
(PLAN JPA)**

**MINUTES OF THE BOARD OF DIRECTORS
MEETING OF JUNE 17, 2021**

A regular meeting of the Board of Directors was held on June 17, 2021, via videoconference.

MEMBERS PRESENT: Marc Zafferano, President, San Bruno
Pak Lin, Treasurer, Colma
Maria Ojeda, American Canyon (*Arrived during Agenda Item 5.B*)
Michael Guina, Burlingame
Will Fuentes, Campbell
Lisa Hisatomi, Dublin
Brenda Olwin, East Palo Alto
Maria Saguisag-Sid, Foster City (Alternate)
Lisa Lopez, Half Moon Bay
Ann Ritzma, Hillsborough (*Alternate*) (*Left during Agenda Item 5.D*)
Sarina Revillar, Los Altos Hills
Robert Schultz, Los Gatos
Mike Sung, Millbrae
Lauren Lai, Milpitas
Donald Larkin, Morgan Hill
Lenka Hovorka, Newark
Yulia Carter, Pacifica
Jeremy Dennis, Portola Valley
Joe Chinn, Ross (*Left during Agenda Item 5.D*)
Jenny Liu, San Carlos (Alternate)
Mary Furey, Saratoga
Leah Lockhart, South San Francisco
Christina Penland, Suisun City
Suzanne Creekmore, Tiburon (Alternate)
Kevin Bryant, Woodside

MEMBERS ABSENT: George Rodericks, Atherton
Mike Dotson, Benicia
Kristina Alfaro, Cupertino

OTHERS PRESENT:

Jon Paulsen, General Manager
Katie Sullivan, Assistant General Manager
Ritesh Sharma, Finance Manager
Terrie Norris, Risk Control Manager
Will Portello, Litigation Manager
Susan DeNardo, Litigation Manager
Miguel Baes, Sedgwick
Donna Zager, Sedgwick
Becky Richard, Bickmore Actuarial
Rob Kramer, CARMA Executive Director
Dan Schwarz, CARMA Vice President
Greg Rubens, Board Counsel
Seth Cole, Alliant Insurance Services
Cindy Safe, Woodside
Renuka Dhadwal, Foster City
Jason Wong, South San Francisco

1. CALL TO ORDER

The June 17, 2021, Board of Directors meeting was called to order at 9:32 a.m. by President Marc Zafferano.

2. INTRODUCTIONS

Roll call introductions were made and it was determined there was a quorum present.

3. APPROVAL OF AGENDA AS POSTED (OR AMENDED)

The agenda was approved as posted.

4. PUBLIC COMMENTS

None.

5. POOLED LIABILITY PROGRAM

A. Expiring Program Structure and Renewal Options

Seth Cole, Senior Vice President at Alliant Insurance Services (Alliant), was present and provided updates on PLAN's liability reinsurance and excess insurance renewals.

Mr. Cole informed the Board the excess liability coverage is hardening significantly due to social inflation, years of high losses, aggressive litigation trends, adverse results. The largest areas of concern are law enforcement liability, sexual abuse and molestation, and dangerous conditions of property. He noted public agencies with a history of exposure to large verdicts and liability settlements will continue to see increase and the marketplace for coverage will continue to retract.

Mr. Cole reviewed the expiring Liability Program structure, the markets approached for coverage, and the conceptual program structure and pricing for 2021/22.

B. Draft 2021/22 Liability Program Budget

The 2021/22 Liability Program draft budget was compiled using the same structure as the expiring 2020/21 program structure. The 2021/22 budget breakdown is as follows:

| | |
|-------------------------|--------------|
| PLAN JPA Layer | \$6,106,998 |
| Reinsurance/Excess Cost | \$8,390,002 |
| Administration | \$2,228,157 |
| Total | \$16,725,157 |

Ritesh Sharma, Finance Manager, reviewed the following changes made when compiling the budget:

- Payroll Data Collection: at the March 2021 Special Board of Directors meeting, the Board approved gathering five years of historical payroll data from the member cities. Payroll data was collected from all members in a timely fashion.
- Liability Experience Modification (ex-mod) Methodology Change: the current ex-mod methodology is based on member loss experience and payroll from past five years, losses limited to \$250,000 per occurrence, and creditability given to payroll, limited to a minimum of 20% and a maximum of 90%.

The proposed change to the ex-mod calculation beginning in the 2021/22 program is capping the annual ex-mod change at 30% year over year.

- Liability Contribution Capping: The current contribution methodology caps member contributions at 30% annually. At the March 2021 Special Board of Directors meeting, staff recommended moving away from capping contribution changes in favor of capping the ex-mod. However, due to the payroll basis changes, staff recommended capping contributions at 40% in the first year of implementation (2021/22), 50% in the

second year (2022/23), and 60% in the third year (2023/24). The fourth year contribution and all future years would then be uncapped in terms of liability contributions.

C. CARMA JPA Alternative

CARMA is an excess liability insurance joint powers authority (JPA) comprised of five risk and insurance JPAs. The total member includes 104 California cities and 35 vector control districts.

Jon Paulsen, General Manager, and Rob Kramer, CARMA Executive Director, stated member JPA's would participate in the 2021/22 program year at a \$1,000,000 per occurrence self-insured retention (SIR) with CARMA's pooled layer from \$1,000,000 to \$10,000,000, followed by reinsurance to \$15,000,000 and excess liability insurance up to a total program limit of \$30,000,000.

Mr. Kramer informed PLAN JPA's membership has been prospectively approved by the CARMA Board of Directors. PLAN JPA would be joining CARMA at the pooled layer of \$9,000,000 excess of \$1,000,000 and would need to procure liability reinsurance and excess insurance above \$10,000,000.

Mr. Paulsen presented an analysis of comparable program structures, pricing, and the potential benefits and concerns of joining an excess liability pool such as CARMA.

D. Proposed Governing Document Changes

It is best practice for the Board of Directors to review PLAN JPA's Liability Memorandum of Coverage (MOC) annually to ensure it is up to date on language and provide any necessary clarifications to coverages.

Mr. Paulsen reminded the Board there were several changes in procedures that were authorized by the Board during the 2020/21 program year (i.e. payroll collection for form basis) plus several new proposed changes to budgeting methodology for the Board's consideration. Additionally, should PLAN authorizing joining CARMA for the 2021/22 liability program year, it would require several additional changes required to the current governing documents. These changes include a resolution from PLAN authorizing the joining of CARMA, acceptance of the CARMA JPA agreement, and changes in the MOC to align with the CARMA MOC.

6. POOLED PROPERTY PROGRAM

A. Expiring Program Structure and Renewal Options

Mr. Cole reviewed the current state of the market for property and cyber coverage. He noted 2020 was the 5th worst loss year ever with a record number of weather-related events with greater than \$1 billion in damage and 2021 will set record for most claims in history of industry for Quarter 1 and will extend to a difficult market.

Mr. Cole informed the Board cyber crime is expected to reach \$6 trillion in 2021 with the average paid loss rising to \$359,000 in 2020, from \$145,000 in 2019. He stated public entities are one of the most targeted industries and pools are seeing 100-500% premium increases at renewal with many carriers opting out of providing coverage for public entities.

Alliant approved over 50 markets and have come to the following options:

- Option 1: Alliant Property Insurance Program (APIP) Shared and Layered Program with a 35-40% rate increase for the “good guys”; and 50%+ for the loss leaders.
- Option 2: Standalone Shared and Layered Program could not be competitive with current or renewal premium.
- Option 3: Single Carrier – Travelers

B. Draft 2021/22 Property Program Budget

The Property Program budget was presented at the 70% confidence level with a 2% discount factor. The proposed 2021/22 program structure is to pool losses from the members’ SIR (\$5,000) up to \$500,000 (prior year SIR was \$225,000) per occurrence with zero aggregate deductible and excess coverage purchased up to \$1 billion. Specific to auto physical damage (APD) coverage, first party vehicle loss are similarly pooled from the members’ SIR (\$5,000) up to \$100,000, rather than \$225,000, with zero aggregate deductible.

Mr. Sharma reviewed the 2021/22 Property Program budget breakdown, as follows:

- PLAN Layer \$1,023,000
- Excess Property Cost \$3,799,997
- Excess Cyber Cost \$350,000
- Total \$5,172,997

Due to changes in the Property Program SIR and the elimination of the aggregate deductible, staff discussed alternative options for confidence level funding and program surplus.

C. Member Self-Insured Retention Alternatives

As reviewed in the previous topic, the Property Program budget was presented at the 70% confidence level with a 2% discount factor. Mr. Sharma reviewed the

D. PLAN Obligations and Proposed Governing Document Changes

As with the Liability Program MOC, it is best practice for the Board to review the Property Program MOC annually to ensure it is up to date on language and provide necessary clarifications to coverages. Additionally, depending on the Board's direction for the 2021/22 Property Program structure, it may be necessary to amend the Property Master Program Document specific to confidence level funding, target surplus equity, and/or other program changes.

Mr. Paulsen informed the Board staff is recommending updates to clarify PLAN and member obligations for specific coverage areas including unscheduled infrastructure, cyber, and pollution claims.

7. CLOSING COMMENTS

A. Board of Directors

None.

B. Staff

None.

8. ADJOURNMENT

The Regular Meeting of the PLAN JPA Board of Directors was adjourned at 12:34 p.m.



Katie Sullivan, Assistant Board Secretary