



Small Cities Organized Risk Effort
A Joint Powers Authority

Small Cities Organized Risk Effort (SCORE) Long Range Planning Meeting October 29, 2015

Member Cities Present:

John Busch, City of Biggs
Laurie Van Groningen, City of Colfax
Randy Johnsen, City of Dunsmuir
Marilyn Seward, City of Etna
Linda Romaine, Town of Fort Jones
Robert Jankovitz, City of Isleton
Dan Hinrichs, City of Isleton
Roger Carroll, Town of Loomis
Cricket Strock, Town of Loomis
Don Kincade, City of Montague
Shelley Gray, City of Montague
Robert Meacher, City of Portola

Susan Scarlett, City of Portola
Brooke Woodcox, City of Rio Dell
John Duckett, City of Shasta Lake
Laura Redwine, City of Shasta Lake
Jared Hancock, City of Susanville
Gwenna MacDonald, City of Susanville
Jenny Coelho, City of Tulelake
Diana Howard, City of Weed
Steve Baker, City of Yreka
Rhetta Hogan, City of Yreka
Debbie Ramirez, City of Yreka

Member Cities Absent:

Muriel Howarth Terrell, City of Mt. Shasta
Jim Goodwin, City of Live Oak

Kathy LeBlanc, City of Loyalton

Consultants & Guests

Michael Simmons, Alliant Insurance Services
Marcus Beverly, Alliant Insurance Services
Michelle Minnick, Alliant Insurance Services
Michael Christian, Jackson Lewis

Dori Zumwalt, York Risk Services
Cameron Dewey, York Risk Services
Kristina Patterson, York Risk Services
Craig Nunn, York Risk Services

BREAKFAST & TRAINING SCORE ORIENTATION FOR NEW MEMBERS AND REVIEW FOR ESTABLISHED BOARD MEMBERS

Marcus Beverly presented the Board with an introduction to the SCORE JPA to help familiarize new members and provide a refresher for returning Board members. He provided a background of the composition of SCORE and its members, the documents that govern the pool, how the pool is funded, the layers of coverage available, programs that are available for members to participate in, and vendors who provide services to our members.



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There was discussion regarding the difference between Crime Coverage and a Crime Bond and it was indicated that Crime Coverage does not fulfill the bond requirements unless the City passes a City Resolution which must be approved by a county judge annually.

A. CALL TO ORDER

Mr. Roger Carroll called the meeting to order at 9:02a

B. ROLL CALL

The above mentioned members were present constituting a quorum. Cities absent from this meeting were the City of Mt. Shasta, City of Loyalton, and City of Live Oak.

C. APPROVAL OF AGENDA AS POSTED

A motion was made to approve the Agenda as posted.

MOTION: Steve Baker

SECOND: John Duckett

**MOTION CARRIED
UNANIMOUSLY**

AYES: Busch, Van Groningen, Johnsen, Seward, Romaine, Jankovitz, Carroll, Kincade, Meacher, Woodcox, Duckett, Hancock, Coelho, Howard, Baker

NAYS: None

ABSENT: Howarth Terrell, Goodwin, LeBlanc

D. PUBLIC COMMENT

There were no public comments.

E. OPENING COMMENTS

E1. PRESIDENT'S REPORT

Roger Carroll mentioned that he attended the CAJPA Conference in South Lake Tahoe in September and mentioned that he attended a session related to Board meeting governance titled Jurassic Parliament. He noted for a Board with more than twelve members the President is to reserve comment on issues. He went on to highlight that every member should be afforded the chance to speak on a topic before one member can speak twice on an issue. He encouraged members to attend this session if they have the opportunity at another conference as it contained relevant information.

F. IMPORTANT FUNDING ITEMS

F1. MINI-CITIES POOL COMPOSITION

Marcus Beverly mentioned that all SCORE members participate in the Workers' Compensation (WC) program with the exception of the City of Isleton. Members were provided with details regarding how funding is developed for the Banking Layer, Shared Layer and Excess Layers. He



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noted that there is a Mini-Cities pool which acts as one member of the WC program and indicated that this is actually the largest SCORE member of the group. Payroll for the Mini-Cities pool ranges from approximately \$134,000-\$962,000 but it was noted that while the City of Dunsmuir has payroll of approximately \$557,000 (less than three of the participating Mini-Cities members). The Board was asked to consider if it is equitable for Dunsmuir to pay as a regular member with payroll above \$500,000 when other members (who are participating in the Mini-Cities pool) are paying less in premium with higher payroll numbers.

Marcus Beverly went on to mention that when a Mini-Cities member is moved out of the Mini-Cities pool there are two variables to consider: 1) Moving a member out of the Mini-Cities pool will change the EX Mod for the remaining Mini-Cities members and the member's own EX Mod and 2) The Administrative Expense for the member who is being removed from the Mini-Cities pool will increase.

There was a discussion regarding how to define the Mini-Cities pool and what criteria should be used to determine its composition. Mike Simmons noted that when SCORE started the Workers' Compensation program everyone had a deductible of \$2,500 and it was then increased to a deductible of \$25,000 and there were members who were not able to meet that criterion and so the Mini-Cities Pool was formed. As the Mini-Cities pool has developed over the years to become the largest member of the SCORE pool there is a need to discuss the composition of the Mini-Cities Pool members and if it is equitable for the pool as a whole. It was suggested that the EX Mod be incorporated into the Administrative Expenses formula.

Some members noted a dramatic increase in premiums and it was mentioned that the bulk of the increase in premium is due to the increase in Administrative Expenses. Individual cities were reminded that it might be an increase in premium for one member but the impact for the other two cities is not as dramatic due to the individual Experience Modifier (EX Mod) for each member. The Board also discussed how the current Administrative Expenses are allocated to members and it was noted that Alliant charges a fee per member. Marcus Beverly indicated that currently half of the total Administrative Expenses are shared equally among all members and the other half is weighted by payroll.

The Program Administrators were provided with direction to present the Board with a spreadsheet showing the three largest Mini-Cities members moving up into regular members (which is to include 3 options for the Administrative Expenses split at: 25% fixed/75% percentage of payroll, 33% fixed/66% percentage of payroll, and 50% fixed/50% percentage of payroll). It was noted that the spreadsheet should show that the largest members are not absorbing the Administrative Expenses increase and that next year the departing Mini-Cities members shall not see an increase in Administrative Expense of more than 25% (PA is to provide an explanation of what is the best way and why).

Jared Hancock noted while the members of the Mini-Cities pool are treated as one member he noted that they still have full votes regarding pool decisions. He requested that the Program Administrators evaluate the bylaws regarding voting rights (specific to the Mini-Cities having 9 votes when they are



treated as one member in the Workers' Compensation pool) and present this information to the Board at the January Meeting.

A motion was made to have the PA evaluate the bylaws regarding voting rights in relation to the Mini-Cities Pool to be presented at the January Board Meeting.

MOTION: Jared Hancock

SECOND: John Busch

**MOTION CARRIED
UNANIMOUSLY**

AYES: Busch, Van Groningen, Johnsen, Seward, Romaine, Jankovitz, Carroll, Kincade, Meacher, Woodcox, Duckett, Hancock, Coelho, Howard, Baker

NAYS: None

ABSENT: Howarth Terrell, Goodwin, LeBlanc

A motion was made to have the Program Administrators present a spreadsheet to the Board which shows the three largest members of the Mini-Cities Pool moving up into regular members (to include 3 options for administrative expense at 25%/75%, 33%/66%, and 50%/50%), with the Administrative Expenses for the largest members not increasing at all, and that next year no departing Mini-Cities members shall see an increase in Administrative Expenses of more than 25% - Program Administrators are to also provide an explanation of which administrative expense is most equitable and provide rationale.

MOTION: Robert Meacher

SECOND: Brooke Woodcox

**MOTION CARRIED
UNANIMOUSLY**

AYES: Busch, Van Groningen, Johnsen, Seward, Romaine, Jankovitz, Carroll, Kincade, Meacher, Woodcox, Duckett, Hancock, Coelho, Howard, Baker

NAYS: None

ABSENT: Howarth Terrell, Goodwin, LeBlanc

The Board also requested the formation of an AD Hoc Committee—to be comprised of one large member, one moving Mini-Cities member and one Mini-Cities member—to participate in the analysis of the Mini-Cities composition and the three options for administrative expense at 25%/75%, 33%/66%, and 50%/50%. The AD Hoc Committee shall have some flexibility to choose the option that is most equitable to be presented to the Board at the January meeting. The following members agreed to be part of the AD Hoc Committee: Susan Scarlett from Portola (moving Mini-Cities member), Jared Hancock from Susanville (large member), Laurie Van Groningen from Colfax (one Mini-Cities member), and Linda Romaine from Fort Jones.

F2. LOSS OF MEMBER FINANCIAL IMPACT

Marcus Beverly presented a hypothetical representation of the SCORE pool composition and the financial impact of Administrative Expenses for the remaining members in the event a member of SCORE decided to leave the pool. The models presented represent what the potential impact of losing one of the larger members and the potential impact of losing one of the medium sized members. He noted that if a member leaves the SCORE pool the total Administrative Expenses



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decreases but the remaining members would have a greater share of the Administrative Expenses as there are fewer members to split the cost between. Marcus Beverly indicated the reason this has been presented to the Board was to illustrate the impact of losing a member and noted that SCORE could take action to divert money from the Shared Layer annually or increase the amount of Contingent Reserves to help reduce the impact to remaining members.

No motion was made on this item.

F3. PROPERTY PROGRAM POOLED LAYER

Marcus Beverly reminded members that the Board approved a \$5,000 Deductible for the Property Program at the last meeting and there was an increase in the rate. He then presented information regarding the option of creating a self-funded shared layer in the Property Program to help determine what funding would be necessary to support one of the following options: a \$5,000 layer, a \$25,000 layer and also a \$45,000 layer. Marcus Beverly indicated that the claims in the past five years have been the worst and presented an analysis of what we would have paid out if we had been pooling a self-funded shared layer in the Property Program of \$5,000 in the past.

In order to calculate what amount should be used to fund the self-funded shared layer it was recommended that we calculate using the worst year of losses and multiplying by 1.5 making the recommended funding approximately \$36,000 in the initial year. The advantage to creating a self-funded shared layer in the Property Program would be to help a member absorb the impact of the market cycle. It would also allow us (in bad years) to raise the deductible to a \$10,000 total (members would only be responsible for paying a \$5,000 deductible and the pooled layer would help absorb the additional \$5,000). Members were reminded that if the deductible for the property program is increased to \$10,000 automobiles that are reported under that program will also see an increase in the deductible.

Mike Simmons indicated that it may be beneficial to set up a risk sharing pooled layer in the Property Program which could be used in the future but noted that the administrative costs associated with it would be larger than the \$3,000 in savings in the first year (another risk shared program indicates the auditor would have to audit that program, fund it, allocate it, adjusting claims within that layer). Mike Simmons noted that if members chose to proceed with the creation of a self-funded shared layer he recommended amending the SCORE documents to allow the Property Program to be able to pull money from other programs (in a bad year the Property Program borrow money from other programs—to avoid assessing members—with the intent to repay the money back to that program with interest).

Mike Simmons also mentioned that for those members who purchase Flood coverage, Automobile coverage, Cyber coverage and Pollution coverage will need to be addressed as these fall under the Property Program. Marcus Beverly indicated that the exposure base for the Property Program is Total Insured Values (TIV) based upon values that are declared by members each year. He went onto indicate that we could separate out the values of those properties that are in a flood zone and members would pay a higher rate for those properties.



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The Program Administrators were provided with direction to present this information again to the Board at the March meeting using the correct rates and actual numbers loss numbers.

No motion was made on this item.

***NOTE: At this time the Board of Directors asked to review Item G.4. Target Funding Benchmarks prior to reviewing Item G.1. EPL Updates and & Trends Lunchtime Presentation.**

G4. TARGET FUNDING BENCHMARKS

Marcus Beverly presented information regarding the benchmarks for the pool. He noted there three major loss exposures (benchmarks) that are used: 1) Exposure to large losses, 2) Reserving errors and 3) Pricing errors/underwriting errors (outstanding liabilities of the past). The purpose of this information was to provide guidance in the development of annual funding and the dividend and assessment decisions. Marcus Beverly highlighted the following:

- Net Position to self-insured retention (SIR) in General Liability has been trending down but we are still above the benchmark (able to take 7 full SIR losses and still be above the benchmark).
- Net Position to self-insured retention (SIR) in Workers' Compensation has been trending downward and noted that when we raised the SIR from \$150,000 to \$250,000 there was a drop in the Net Position
- Expected liabilities to Net Position in General Liability are well within benchmark and holding steady
- Expected liabilities to Net Position in Workers' Compensation we are still outside of our benchmark
- Change in expected liabilities – both programs (General Liability and Workers' Compensation) had a 17% decrease
- Summary of benchmarks on the General Liability show that we are above the benchmark but trending down
- Summary of benchmarks on the Workers' Compensation show we are within the benchmark and shows a healthy increase
- SCORE is well funded to meet its future needs

Dori Zumwalt from York Risk Services asked for an explanation of self-insured retention (SIR) – Marcus Beverly mentioned that each member has their own SIR of \$25,000 which is paid out of your budget and the SCORE pool pays from \$25,001 to \$250,000 - excess layer will pick up at \$250,001 on every claim (LAWCX for WC and CJPRMA for GL).

Shelley Gray had a question about how refunds are allocated. Marcus Beverly explained that we use a Dividend and Assessment Plan (DAP) to determine the refunds which are calculated based upon a 10 year rolling average of premiums less the amounts that have been paid on members' behalf.



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G. TRAINING PRESENTATIONS

G1. EPL UPDATE & TRENDS – LUNCHTIME PRESENTATION

Michael Christian from Jackson Lewis presented 2015 Law Updates to the Board and reviewed case law that have recently been put into effect. He mentioned that members of ERMA receive one hour free of hotline use each month and encouraged those who are a member of ERMA to take advantage of this service.

G2. “LESSONS LEARNED” – CASE STUDIES PRESENTATION

Marcus Beverly and Cameron Dewey presented information related to lessons that have been learned regarding claims. Information was presented to the BOD to show exposures that members have and also for members to discuss potential solutions and preventative measures in a collaborative effort to decrease the number of claims. They mentioned there should be documentation for any work being completed for the city. Marcus Beverly also recommends that there should always be an agreement which includes a Hold Harmless language and an additional insured endorsement. John Busch requested that a copy of the presentation be sent to all members.

G3. SOCIAL MEDIA IN THE WORKPLACE PRESENTATION

Michael Christian from Jackson Lewis presented information related to the use of Social Media in the workplace and reviewed tactics that employers can use to help combat unprofessional behaviors.

H. CLOSING COMMENTS

I. AJOURNMENT

The meeting was adjourned at 3:36 PM

NEXT MEETING DATE: October 30, 2015 in Anderson, CA

Respectfully Submitted,

Brooke Woodcox, Secretary

Date