



**SOUTH BAY AREA SCHOOLS INSURANCE AUTHORITY
EXECUTIVE COMMITTEE MINUTES
CAMPBELL, CALIFORNIA
March 7, 2019**

MEMBERS PRESENT

James Crawford, President, Campbell Union School District
Megan Reilly, Vice President, Santa Clara County Office of Education
Mike Mathiesen, Treasurer, Mountain View-Los Altos Union High School District
Wendy Zhang, Member at Large, Milpitas Unified School District

MEMBERS ABSENT

Robert Clark, Secretary, Mountain View Whisman School District

GUESTS & CONSULTANTS

Matt Gowan, Alliant Insurance Services
Joan Crossley, Alliant Insurance Services
Ron Lebs, Metropolitan Education District
Ron Wheelahan, Mountain View Whisman School District
Eric Dill, Santa Clara Unified School District
Brandon Schlenker, Carl Warren & Company
Eric Lucero, CSAC EIA
Mark Davis, Davis & Young
Kevin Wong, Gilbert Associates, Inc.
John Falappino, SELF
Lois Gormley, SELF

A. CALL TO ORDER

The meeting was called to order at 9:38 a.m.

B. ROLL CALL

The above-mentioned members were present constituting a quorum.

C. APPROVAL OF AGENDA

A motion was made to approve the agenda.

MOTION: Mike Mathiesen	SECOND: Megan Reilly	MOTION CARRIED
AYES: 4	NOES: 0	ABSENT: 1
	ABSTAIN: 0	

AYES: Crawford, Reilly, Mathiesen, Zhang
NAYS: None
ABSENT: Clark

D. PUBLIC COMMENT

There were no comments from the public.



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E. CONSENT CALENDAR

1. Executive Committee Meeting Minutes – December 6, 2018
2. Investment Report for Quarter Ending September 30, 2018
3. Financial Report for Quarter Ending December 31, 2018
4. Investment Report for Quarter Ending December 31, 2018

Mr. Kevin Wong noted that claims recovery receivable is at \$1.1 million; last December it was only \$250,000. This is due to several large claims with payments over the JPA's \$250,000 Liability SIR. Claims reserves are down to \$1.9 million from \$2.4 million a year ago.

A motion was made to approve the items in the Consent Calendar as presented.

MOTION: Mike Mathiesen SECOND: Megan Reilly MOTION CARRIED
AYES: 4 NOES: 0 ABSTAIN: 0 ABSENT: 1

AYES: Crawford, Reilly, Mathiesen, Zhang
NAYS: None
ABSENT: Clark

F. CLAIMS

1. **Closed Session Pursuant to Government Code Section 54956.95**
 - a. Zussman vs. Santa Clara Unified School District

The Executive Committee entered closed session at 9:44 a.m. The Executive Committee returned from closed session at 9:49 a.m. Mr. James Crawford reported that the closed session item was discussed and appropriate actions were taken.

AYES: Crawford, Reilly, Mathiesen, Zhang
NAYS: None
ABSENT: Clark

G. FINANCIAL

1. **SELF (Schools Excess Liability Fund) Update**

Mr. Matt Gowan said the JPA purchases Excess Liability insurance from SELF for the \$5 million to \$55 million Liability layer. Mr. Gowan introduced Mr. John Falappino, Interim CEO, and Ms. Lois Gormley, Director of Communications & Member Services, from SELF. Mr. Falappino began the presentation by stating the SELF Board has selected a new CEO and an announcement will be forthcoming. The SELF Board moved up the timeline on rate setting from April to early March. The 2019-2020 SELF rate is \$9.87 per ADA which is an increase of \$1.27 from the 2018-2019 rate. Mr. Falappino stated SELF has a \$90 million aggregate limit in its upper layers (\$30 million excess \$25



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million) that can withstand three full limit losses; most competitors only have \$25 million aggregate limit. Mr. Falappino noted judgements and settlements are on the rise for sexual molestation claims and Liability rates are increasing; he discussed several large claims in California. Ms. Lois Gormley reiterated that the Liability climate in California has been worsening for the last several years and that deterioration is now spreading across the country. Ms. Gormley discussed resources available to the JPA as SELF members. If a school district is providing loss control training, SELF can provide up to \$500 in funds to supplement the training budget for that school district. The SELF Resource Center provides online training on the SELF website for no charge. Another tool available is the NASDTEC LEA Clearing House; it's a searchable national database that can be used during the hiring process to see if potential employees had certificates or licenses denied, revoked or suspended as actions against a certificate are not prosecuted as a criminal offense; there is a fee to access the database.

2. Preliminary Revenue and Expense Budget for July 1, 2019 - 2020

Ms. Joan Crossley said staff distributed three budgets with three different confidence levels, 70%, 75% and 80%. Mr. Gowan said currently the JPA uses a 70% confidence level, but the Executive Committee has talked about possibly raising the confidence level due to the increase in claims payments. Staff distributed a handout showing the JPA's loss ratio is 201% in the \$25 million Liability insurance layer using claims for the last six years. Mr. Gowan said he recommends raising the confidence level to at least 75%.

Mr. Gowan presented the Preliminary Revenue and Expense budget for July 1, 2019-2020 at the current 70% confidence level. The Liability funding, which is determined by the actuary, is increasing 5.2%. CSAC EIA provides Liability coverage from \$250,000 to \$5 million and the premium is estimated to increase by 25%. CSAC EIA is still in the underwriting process so it's an estimate only. Mr. Gowan said staff did market this layer to both excess insurance carriers and reinsurance carriers; a total of 14 markets were approached. Some carriers would not consider the JPA due to loss history; others said the premium would double or they were no longer covering California schools. Mr. Brandon Schlenker commented that he attends many school Board meetings and all schools are having the same Liability insurance issues; some schools are looking at 40% increases. SELF rates have been established so the SELF premium will increase by 13.7%. Mr. Eric Dill commented that with all the Liability insurance issues in California, he would advocate moving to the 80% confidence level.

The Property funding, which is determined by the actuary, increased by 2.2%. The Property premium is estimated to increase by 10.7%; most of that is due to increases in total insured values. The Property renewal quote has not been received yet so this is just an estimate.

The overall budget is estimated to increase by 11% or approximately \$461,009.

After discussion, the Executive Committee said the subject of increasing the confidence level will be brought back at the next meeting for a decision.



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3. Monitoring Changes in Claims Payments and Reserves

Mr. Brandon Schlenker of Carl Warren & Company reviewed the changes in claims payments and reserves over the last quarter ending December 31, 2018. The total incurred decreased by \$320,000, but that leaves the total incurred for claims at \$2.4 million which is still high. Mr. Schlenker noted there's potentially large claims pending for employment practices liability, two claims for property and a few personal injury claims.

4. Accounting Services Request for Proposal Results

Mr. Gowan said Gilbert Associates has been the JPA's accountant since 2012. Their accounting contract expires June 30, 2019 and the Executive Committee decided to test the market for pricing and issue a RFP for accounting services. The RFP was sent to five firms, but two declined and two did not respond. Gilbert Associates responded with an annual fee of \$32,000 the first year, \$33,000 the second year and \$34,000 the third year. Mr. Gowan commented those fees are in line with the fees provided by several firms back in 2011 which is the last year that a RFP for accounting services was issued. Ms. Crossley commented that Bickmore quoted \$34,150 back in 2011.

A motion was made to contract with Gilbert Associates, Inc. to perform accounting services for the period of July 1, 2019 - June 30, 2022.

**MOTION: Megan Reilly SECOND: Mike Mathiesen MOTION CARRIED
AYES: 4 NOES: 0 ABSTAIN: 0 ABSENT: 1**

AYES: Crawford, Reilly, Mathiesen, Zhang
NAYS: None
ABSENT: Clark

H. GENERAL ADMINISTRATION

1. Five Year Loss Control Plan – Year 3

Ms. Gowan said the JPA has a loss control plan with five loss control items that will take place over five years. The JPA completed the loss control item for Year 1 and Year 2 is almost complete. The loss control item for Year 3 is fire/electrical inspection including infrared testing for hot spots. Mr. Gowan also suggested training for coaches, volunteer coaches and athletic directors that would include the topics of bullying, molestation, Title IX and heat index. Mr. Gowan said this training was performed for a JPA in Southern California and was well received. CSAC EIA has \$5,000 in funds that can be applied towards the cost of this training. Mr. Gowan said he will work on getting additional details on the training for coaches and bring it back at the next meeting. The Executive Committee asked staff to issue a RFP for the infrared surveys and present the proposals at the May meeting.



**SOUTH BAY AREA SCHOOLS INSURANCE AUTHORITY
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CAMPBELL, CALIFORNIA
March 7, 2019**

2. Alliant Deadly Weapon Response Program

Ms. Crossley said this is just a reminder that the firm, Firestorm, which provides crisis management services for the Alliant Deadly Weapon Response Program has offered to provide an active shooter vulnerability assessment conference call to members at no charge. Ms. Crossley said risk management personnel at Santa Clara County Office of Education participated in the conference call and found it beneficial. Ms. Megan Reilly said the call took about 45 minutes to an hour; Firestorm asks questions about current security policies and then issues a report ranking the school district based on industry standards. Ms. Reilly commented that it's good to have a facilities person, human resources person, school resource officer on the conference call if possible.

3. Administration Contract

Mr. Gowan said the administration contract with Alliant Insurance Services expires on June 30, 2019. The annual fee has remained flat for the last three years at \$160,000. The contract contains an option to extend the contract for two more years at annual fee of \$164,800. Mr. Gowan said in light of member budgets, he proposes a three year contract keeping the annual fee flat at \$160,000 with an option to extend the contract for an additional two years at 3% increase.

A motion was made to approve the Administration Contract with Alliant Insurance Services, Inc. for the period of July 1, 2019 – June 30, 2022.

**MOTION: Megan Reilly SECOND: Mike Mathiesen MOTION CARRIED
AYES: 4 NOES: 0 ABSTAIN: 0 ABSENT: 1**

AYES: Crawford, Reilly, Mathiesen, Zhang
NAYS: None
ABSENT: Clark

4. Underwriting Policy

Ms. Crossley said the JPA is accredited with CAJPA. The JPA adopted an underwriting policy in May 2016 to meet a new CAJPA requirement. The underwriting policy contains a provision that the policy be reviewed every three years by the Executive Committee. There are no recommended changes to the underwriting policy.

A motion was made to adopt the Underwriting Policy as presented.

**MOTION: Mike Mathiesen SECOND: Megan Reilly MOTION CARRIED
AYES: 4 NOES: 0 ABSTAIN: 0 ABSENT: 1**

AYES: Crawford, Reilly, Mathiesen, Zhang
NAYS: None
ABSENT: Clark



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5. Claims Audit

Mr. Gowan said Risk Management Services conducted a claims audit at Carl Warren & Company from December 26, 2018 to January 6, 2019. As noted in the audit, Carl Warren & Company scored 98%. The auditor's report said claims handling meets or exceeds industry standards and there are no recommendations.

6. Slate of Officers for June 13, 2019 Meeting

Every June, the Board of Directors elects the Executive Committee officers and a Member at Large for the annual term of the office beginning July 1. The current Executive Committee members said they can continue in their positions if needed. Mr. Ron Wheelehan noted that Robert Clark, the current Secretary, is out on leave, but will return in May.

I. COMMENTS FOR THE GOOD OF THE ORDER

Mr. Brandon Schlenker said Carl Warren & Company has undergone a change in ownership for the first time in their 75 year history. The company was purchased by a private equity firm called Van Brook. There will be no changes in company structure and the JPA's claims team will remain the same.

ADJOURNMENT

The meeting was adjourned at 12:00 p.m.

Reviewed and Approved by: _____

Date: _____