



**SOUTH BAY AREA SCHOOLS INSURANCE AUTHORITY
EXECUTIVE COMMITTEE MEETING MINUTES
ZOOM MEETING
October 7, 2021**

MEMBERS PRESENT

Mike Mathiesen, President, Mountain View-Los Altos Union High School District
Mark Schiel, Vice President, Santa Clara Unified School District
Delores Perley, Treasurer, Los Gatos-Saratoga Joint Union High School District
Rebecca Westover, Secretary, Mountain View Whisman School District
Wendy Zhang, Member at Large, Milpitas Unified School District

MEMBERS ABSENT

None

GUESTS & CONSULTANTS

Matt Gowan, Alliant Insurance Services
Joan Crossley, Alliant Insurance Services

A. CALL TO ORDER

The meeting was called to order at 9:36 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: Delores Perley SECOND: Mark Schiel MOTION CARRIED

AYES: 5 NOES: 0 ABSTAIN: 0 ABSENT: 0

AYES: Mathiesen, Schiel, Perley, Westover, Zhang

NAYS: None

ABSENT: None

D. PUBLIC COMMENT

There were no comments from the public.

E. CONSENT CALENDAR

1. Executive Committee Meeting Minutes – June 10, 2021
2. Unaudited Financial Report for Quarter Ending June 30, 2021
3. Investment Report for Quarter Ending June 30, 2021
4. Engagement Letter for SBASIA Actuarial Study as of 12/31/21



**SOUTH BAY AREA SCHOOLS INSURANCE AUTHORITY
EXECUTIVE COMMITTEE MEETING MINUTES
ZOOM MEETING
October 7, 2021**

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

MOTION: Wendy Zhang SECOND: Delores Perley MOTION CARRIED

AYES: 5 NOES: 0 ABSTAIN: 0 ABSENT: 0

AYES: Mathiesen, Schiel, Perley, Westover, Zhang

NAYS: None

ABSENT: None

F. GENERAL ADMINISTRATION

1. Claims Audit

Mr. Matt Gowan said a claims audit is performed every two years. The auditor, Risk Management Services, scored Carl Warren & Company at 100% which is excellent.

2. Claims Service Contract with Carl Warren & Company

Mr. Gowan said the claims service contract with Carl Warren & Company expires on June 30, 2022. Mr. Gowan stated the JPA can either solicit a renewal quote or issue a Request for Proposal (RFP) for claims services. After discussion, the Executive Committee asked that staff solicit a renewal quote from Carl Warren & Company.

3. Accounting Contract with Gilbert Associates, Inc.

Mr. Gowan stated the accounting contract with Gilbert Associates expires on June 30, 2022. Back in 2019, the JPA issued a RFP for Accounting Services; the RFP was sent to four firms, but only Gilbert Associates provided a proposal. The Executive Committee asked that staff solicit a renewal quote from Gilbert Associates, Inc.

4. Upcoming Meetings and AB361

Mr. Mike Mathiesen said the Executive Committee needs to decide whether to hold future meetings in person or via Zoom. Staff obtained a legal opinion on the new law AB 361 which allows government agencies to continue virtual meetings as long as a state of emergency is declared. In order to continue Zoom meetings and not have to follow the Brown Act teleconference requirements about posting the agenda at each member location, the Executive Committee would need to meet every 30 days and vote that the state of emergency affects the ability of the members to meet safely in person. Otherwise the JPA can continue Zoom meetings, but will have to follow the Brown Act teleconference posting requirements. Ms. Wendy Zhang asked if the JPA can meet in person, but also have an option for some members to join via Zoom or telephone. The Executive Committee said that might be a good idea and asked staff to look into whether the teleconference posting requirements would have to be followed.



**SOUTH BAY AREA SCHOOLS INSURANCE AUTHORITY
EXECUTIVE COMMITTEE MEETING MINUTES
ZOOM MEETING
October 7, 2021**

5. Insurance Market and Strategies

Mr. Gowan provided an early update on the insurance market. In the Property market, the first quarter of 2021 was the worst first quarter for losses ever. In addition, 2020 was the worst firestorm loss year ever. The latest Marshall & Swift third quarter property inflation trend factors have been received and the factors are 12.43% for buildings and 6.73% for contents. This factor is applied to property values to make sure the values are accurate if a building burns and needs to be replaced. The high factors are due to labor shortages, increased material costs and supply chain problems.

Mr. Gowan said potential strategies to mitigate the hard market include parametrics which can be used for catastrophic loss such as firestorm, hurricanes or earthquake. Parametrics is not insurance; if your entity meets certain factors such as experiencing a Category 3 hurricane, the insurance carrier pays a fixed amount of money without a lengthy claim process. For example, if the JPA were able to obtain parametric coverage for firestorm, in theory it would reduce the overall property rate or potentially open up other insurance markets not currently available. Mr. Gowan said this is theoretical for the JPA at this time and staff will need to look into the process.

Another strategy is analytics which is a deep dive into the insurance coverage. For example, the JPA has a very broad Property insurance policy which includes items such as fine arts coverage which may not be needed. The JPA is better off with this broad policy, but if the policy becomes outrageously expensive, then potentially a custom Property insurance program can be created using multiple insurance carriers to provide only the insurance coverage needed. This can be risky because an insurance coverage may be eliminated thinking it's not needed only to have a loss for that very coverage.

Staff can also look into individual deductibles for members to see if there are any cost savings; for example a large school district may have \$25,000 deductible while a smaller district has \$5,000 deductible.

Staff can also check into corridor deductibles which provide a separate deductible for the largest risk such as firestorm or molestation. For example, there could be a \$250,000 SIR for Liability claims except for molestation claims which have a \$1 million corridor deductible.

Mr. Gowan said the Liability market continues to be hard primarily due to settlement inflation and increasing molestation claims due to AB 218 which increased the time limit for filing molestation claims. In addition, some Liability insurance carriers have left California or reduced their capacity.

Workers' Compensation has been stable for a number of years. Fortunately, the education sector was not hit by a significant amount of COVID claims. Although currently stable, there may be a hardening market in the future due to a recent increase in the medical billing schedule in California and continued medical inflation.

Mr. Gowan stated the Cyber Liability market is the biggest concern. The Cyber market imploded due to significant increases in claims especially ransomware. The market stopped writing new Cyber policies and would only renew existing policies with a significant premium increase. The insurance carriers hoped the significant increases would stabilize the market, but Cyber insurance



**SOUTH BAY AREA SCHOOLS INSURANCE AUTHORITY
EXECUTIVE COMMITTEE MEETING MINUTES
ZOOM MEETING
October 7, 2021**

carriers have already seen large Cyber losses this year. Cyber underwriters will require loss control and will not renew accounts that have weak cyber security controls. The next item on the JPA's loss control plan happens to be a cyber security audit which is advantageous for the JPA's upcoming Cyber renewal.

The Crime insurance and Deadly Weapon Response Program insurance remain stable. There are no expected coverage changes and there should only be a slight inflation increase in the premiums.

G. COMMENTS FOR THE GOOD OF THE ORDER

There were no comments for the good of the order.

ADJOURNMENT

The meeting was adjourned at 10:48 a.m.

Reviewed and Approved by: 

Date: 12-3-21