SOUTH BAY AREA SCHOOLS INSURANCE AUTHORITY
EXECUTIVE COMMITTEE MEETING MINUTES
WEBEX MEETING
March 26, 2020

MEMBERS PRESENT
James Crawford, President, Campbell Union School District
Eric Dill, Vice President, Santa Clara Unified School District
Mike Mathiesen, Treasurer, Mountain View-Los Altos Union High School District
Ron Lebs, Secretary, Metropolitan Education 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
Angelique King, Carl Warren & Company
Rich McAbee, Carl Warren & Company
Joyce Fairley Ray, Carl Warren & Company
Kevin Wong, Gilbert Associates, Inc.

A. CALL TO ORDER

The meeting was called to order at 9:37 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 as presented.

MOTION: Wendy Zhang **SECOND:** Ron Lebs **MOTION CARRIED**
AYES: 5 **NOES: 0** **ABSTAIN: 0** **ABSENT: 0**

AYES: Crawford, Dill, Mathiesen, Lebs, Zhang
NAYS: None
ABSENT: None

D. PUBLIC COMMENT

There were no public comments.

E. CONSENT CALENDAR

1. **Executive Committee Meeting Minutes – December 5, 2019**
2. **Financial Report for Quarter Ending December 31, 2019**
3. **Investment Report for Quarter Ending December 31, 2019**

Mr. Kevin Wong noted the net position is $702,285 vs. $2,496,687 one year ago. The main driver of this decrease is the increase in IBNR (incurred, but not reported) which is taken from the most recent actuarial study. The IBNR is $2,922,081 vs. $1,455,684 one year ago. IBNR has increased due to the impact from increased molestation settlements and overall increased settlement awards made by juries.

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

MOTION: Eric Dill **SECOND**: Wendy Zhang **MOTION CARRIED**
AYES: 5 **NOES: 0** **ABSTAIN: 0** **ABSENT: 0**

AYES: Crawford, Dill, Mathiesen, Lebs, Zhang
NAYS: None
ABSENT: None

F. GENERAL ADMINISTRATION

1. COVID-19/Insurance Market Update

Mr. Matt Gowan presented an insurance market update. The Liability market remains very hard due to molestation claims and the impact of AB 218 which became law on January 1, 2020. This law extends the statute of limitations for molestation to age 40 and creates a 3 year period for previously time barred claims to be filed. The JPA's Liability insurance carrier up to $5 million limit is CSAC EIA which does not have a large impact from AB 218 because they didn't write coverage for schools until the early 2000's. The increase in the number of claims against schools and increasing settlement awards is affecting the Liability market. The Property market continues to harden due to catastrophic losses caused by hurricanes, hailstorms, floods and wildfires.

Regarding COVID-19, the insurance industry is concerned about business interruption claims. The insurance industry underwrites business income loss based on physical damage such as fire, but did not anticipate a business shutdown due to COVID-19. This could potentially have a large impact on the insurance industry depending on how lawsuits for COVID-19 business income loss are settled. In Workers' Compensation coverage, communicable disease is often treated as a single occurrence; if someone alleges they contracted COVID-19 at work, staff advises to turn the claim into the claim adjuster to investigate compensability. The JPA's Liability insurance has coverage for school nurses providing medical professional services. Also, in staff's opinion, there would be nothing in the Liability policy that specifically bars coverage for suits arising from a pandemic; it would be difficult for someone to prove negligence arising from COVID-19. The same would apply to Public Officials Errors and Omissions coverage. Regarding Cyber Liability, there is coverage for claims when working from home on a district laptop or working on a home computer on district business.

Mr. Gowan also discussed SELF (Schools Excess Liability Fund) where the JPA has Liability coverage from $5 million to $55 million limit. SELF has been hit especially hard by AB 218. Since SELF's inception as a pool in 1986, every California school district, with the exception of L.A. Unified, has been a member of SELF. The SELF rate is increasing by 70%. SELF is also discussing

if it will be necessary to have an AB 218 assessment. SELF has already seen 19 AB 218 claims going back to the 1980's.

2. Property Appraisal Request for Proposal Results

At the December 5, 2019 meeting, the Executive Committee decided to issue a Request for Proposal (RFP) for Property Appraisals as the JPA's last appraisal was performed in 2013. The RFP was sent to four firms and all four responded. Staff presented a handout comparing the responses to the RFP. The firms who responded are:

- AssetWorks Inc. with fee of $181,950
- CBIZ Valuation Group with fee of $217,890
- Duff & Phelps(formerly American Appraisal) with fee of $155,000
- HCA Asset Management with fee of $210,000

Ms. Joan Crossley stated all firms would provide the same appraisal service so there is no difference in the service offered.

Mr. Gowan noted that the JPA's Property insurance program is APIP (Alliant Property Insurance Program) which pays for appraisals for buildings valued over $5 million. Once the appraisal is complete, staff will send the invoice for buildings valued over $5 million to APIP for reimbursement. Ms. Crossley noted the JPA has approximately 2,426 buildings, but only 101 buildings are valued over $5 million.

After discussion, the Executive Committee decided to award the contract to perform property appraisals to Duff & Phelps.

A motion was made to engage Duff & Phelps to perform the property appraisal.

MOTION: Ron Lebs **SECOND**: Eric Dill **MOTION CARRIED**
AYES: 5 **NOES: 0** **ABSTAIN: 0** **ABSENT: 0**

AYES: Crawford, Dill, Mathiesen, Lebs, Zhang
NAYS: None
ABSENT: None

3. Five Year Loss Control Plan – Year 4

Ms. Crossley 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 items for Years 1-3. The loss control item for Year 4 is playground inspections including sports fields. Mr. Gowan noted this is currently budgeted at $198,000, but the Executive Committee may decide the loss control item can be postponed due to the budget increase that will be discussed later in the meeting. The Executive Committee said loss control will be discussed during the budget discussion.

4. Electronic Document Delivery Form

Ms. Crossley said Alliant Insurance Services has been sending documents electronically to the JPA members for many years. In order to comply with existing law, Alliant Insurance Services needs the JPA to execute a signed Electronic Document Delivery form

A motion was made to elect to receive all documents electronically and execute the Electronic Document Delivery Form.

MOTION: Ron Lebs **SECOND**: Eric Dill **MOTION CARRIED**
AYES: 5 **NOES: 0** **ABSTAIN: 0** **ABSENT: 0**

AYES: Crawford, Dill, Mathiesen, Lebs, Zhang
NAYS: None
ABSENT: None

5. Slate of Officers for June 11, 2020 Meeting

Mr. James Crawford noted that his contract to act as JPA President expires June 30, 2020. Mr. Eric Dill said he can move from Vice President to President. Mr. Dill said Ms. Delores Perley at Evergreen School District stated she could serve on the Executive Committee if needed. After discussion, the Executive Committee will recommend the following slate of officers to the Board of Directors at the June 11, 2020 meeting:

President: Mr. Eric Dill, Santa Clara Unified School District
Vice President: Ms. Delores Perley, Evergreen School District
Treasurer: Mr. Mike Mathiesen, Mountain View-Los Altos Union High School District
Secretary: Mr. Ron Lebs, Metropolitan Education District
Member at Large: Ms. Wendy Zhang, Milpitas Unified School District

G. FINANCIAL

1. Preliminary Revenue and Expense Budget for July 1, 2020-2021

Mr. Gowan presented the Preliminary Revenue and Expense budget for July 1, 2020-2021 at the current 80% confidence level. The Liability funding, which is determined by the actuary, is increasing 28.5%. CSAC EIA provides Liability coverage from $250,000 to $5 million and the premium is estimated to increase by 20%. CSAC EIA is financially strong and there is no reduction in coverage even in this hard market. SELF provides Liability coverage from $5 million to $55 million and is being hard hit by AB 218 claims. The SELF premium is increasing by 68.5%. Last year the JPA marketed its Excess Liability coverage and had no success finding a competitive market; the market has worsened this year.

The Property funding, which is determined by the actuary, increased by 3.6%. The Property premium is estimated to increase by 22%; approximately 7% of that is due to increases in total insured values.

The overall budget is estimated to increase by 28.5% or approximately $1,470,613.

Mr. Gowan said increasing the JPA's Liability SIR would also increase the Liability funding for that higher SIR and transfer more risk to the JPA; it would not reduce the budget. Mr. Gowan said staff looked at increasing the individual member deductible which is currently $10,000 to see if that would significantly reduce the JPA's Liability funding. The JPA would save 2.6% by increasing the member deductible to $20,000. The JPA would save 9.6% if the member deductible is $50,000, but that higher deductible would be passed onto individual members. Mr. Mike Mathiesen commented that any savings would be a wash; the member premium would decrease somewhat, but when claims occur, the savings would be lost by paying the higher deductible. Mr. Dill said in the past he was a member of another JPA and chose a higher deductible, but the cost of claims at the higher deductible was greater than the savings on the premium.

Loss control is budgeted at $198,000. The Executive Committee decided to postpone the scheduled loss control of playground inspections as it would reduce the budget by approximately 2.9%.

2. Monitoring Changes in Claims Payments and Reserves

Ms. Joyce Fairley Ray said more claims were closed in the quarter ending December 31, 2019 than in the previous quarter. The total incurred increased by over $1 million from the previous quarter because reserves needed to be increased on several claims including a claim for a student injured by a shot put and a molestation claim.

H. COMMENTS FOR THE GOOD OF THE ORDER

There were no comments for the good of the order.

ADJOURNMENT

The meeting was adjourned at 11:09 a.m.

Reviewed and Approved by: _____

Date: June 15, 2020