



MINUTES

SCHOOLS ASSOCIATION FOR EXCESS RISK  
(SAFER)

BOARD OF DIRECTORS MEETING  
APRIL 17, 2009  
10:00 A.M.

WESTIN HOTEL  
1 OLD BAYSHORE HIGHWAY  
MILLBRAE, CALIFORNIA 94030  
(650) 692-3500

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I. CALL TO ORDER

The meeting was called to order by President Thomas Fallo at 10:00 A.M.

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II. ROLL CALL

**OFFICERS:**

STATEWIDE ASSOCIATION OF COMMUNITY COLLEGE  
SOUTHERN CALIFORNIA REGIONAL LIABILITY EXCESS FUND

Thomas Fallo, President  
Curtis Stephan, Treasurer

**BOARD REPRESENTATIVES:**

NORTHERN CALIFORNIA REGIONAL LIABILITY EXCESS FUND  
NORTHERN CALIFORNIA REGIONAL LIABILITY EXCESS FUND  
NORTHERN CALIFORNIA REGIONAL LIABILITY EXCESS FUND  
SOUTHERN CALIFORNIA REGIONAL LIABILITY EXCESS FUND

William Assad  
Reginald Crowell  
Stacy Lane  
Sue McCann

**MANAGER:**

KEENAN & ASSOCIATES

Graham Grice  
Leslie Delozier  
Ron Martin  
Mary Boyer

SETECH (a division of Keenan & Associates)

**OTHER:**

Dwain McDonald

**ABSENT:**

NORTHERN CALIFORNIA REGIONAL LIABILITY EXCESS FUND  
SOUTHERN CALIFORNIA REGIONAL LIABILITY EXCESS FUND  
SOUTHERN CALIFORNIA REGIONAL LIABILITY EXCESS FUND  
STATEWIDE ASSOCIATION OF COMMUNITY COLLEGE  
STATEWIDE ASSOCIATION OF COMMUNITY COLLEGE

Brent Swanson, Vice President  
Herb Bartelt, Secretary  
Barry Blade  
Sharlene Coleal  
Ed Maduli

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**III. APPROVAL OF AGENDA**

2008/2009-024

The agenda was approved as presented.

PUBLIC COMMENTS: None

BOARD CONSIDERATION: Motion was made by Curtis Stephan, seconded by William Assad, and unanimously carried to approve the agenda as presented.

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**IV. APPROVAL OF MINUTES**

2008/2009-025

The minutes were approved as presented.

PUBLIC COMMENTS: None

BOARD CONSIDERATION: Motion was made by Sue McCann, seconded by Curtis Stephan, and unanimously carried to approve the minutes as presented.

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**V. CORRESPONDENCE**

2008/2009-026

None to present.

PUBLIC COMMENTS: None

BOARD CONSIDERATION: None.

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**VI. FINANCIAL**

**TREASURER'S REPORT**

2008/2009-027

The Treasurer's Agent SETECH presented the Treasurer's Report for the periods ending 12/31/08 and 3/31/09. As mandated by Section 53646 of the California Government Code, the Authority disclosed that it is able to meet its pool's expenditure requirements for the next six months. The information is reported on a cash basis. The Manager reviewed in detail the following balances:

	<b>12/31/08 Report Balance Year to Date</b>
Audited Beginning Net Assets as of 07/01/08:	\$ 4,257
Total Operating Revenues:	36,089,913
Total Operating Expenditures:	36,092,088
Total Non Operating Revenues	117,907
Net Increase/(Decrease):	115,732
Ending Net Assets as of 12/31/08:	<u>\$ 119,989</u>

The Manager reviewed payment order number 2008/2009-02 for the period 10/01/08 through 12/31/08 in the amount of \$5,397,365.00.

**03/31/09 Report  
Balance Year to Date**

Unaudited Beginning Net Assets as of 07/01/08:	\$ <u>4,257</u>
Total Operating Revenues:	36,116,155
Total Operating Expenditures:	36,118,830
Total Non Operating Revenues	131,773
Net Increase/(Decrease):	129,098
Ending Net Assets as of 12/31/08:	\$ <u>133,355</u>

The Manager reviewed payment order number 2008/2009-03 for the period 01/01/09 through 03/31/09 in the amount of \$190,863.00.

PUBLIC COMMENTS: None.

BOARD CONSIDERATION: Motion was made by Curtis Stephan, seconded by William Assad, and unanimously carried to receive and file the treasurer's report for the periods ending 12/31/08, 03/31/09 as presented.

**LAIF ACCOUNT**

**2008/2009-028**

The Treasurer's Agent SETECH stated in accordance with California Government Code and CAJPA the Manager is required to present monthly transaction reports for the LAIF account which was set-up in July 2008. The monthly reports for October – March were presented.

PUBLIC COMMENTS: None.

BOARD CONSIDERATION: Motion was made by Stacy Lane, seconded by Sue McCann, and unanimously carried to receive and file the monthly LAIF statements for months October - March.

**FINANCIAL AUDIT PROPOSALS 2008/2009-029**

The Assistant JPA Manager reported in accordance with the "Financial Audit Policy" approved by the Board on June 3, 2005 the Authority is required to conduct at least annually a financial audit by an outside company. The Authority's three-year contract with Guill, Blankenbaker & Lawson (GB&L) for financial auditing services expired June 30, 2008.

At the direction of the Board the Manager sent out RFPs to seven firms, three of which responded with proposals. After review of the proposal summary the Board chose James Marta pending the terms of the cancellation clause in the contract.

PUBLIC COMMENTS: None.

BOARD CONSIDERATION: Motion was made by Sue McCann, seconded by Stacy Lane, and unanimously carried to approve James Marta as the financial auditor for SAFER pending satisfactory terms of the cancellation clause of the contract.

## VIII. UNDERWRITING

The Manager provided a presentation on the state of the market and then discussed each coverage in detail.

- State of the Insurance Market
  - Losses are significant: \$100B in total losses; \$50B in Catastrophes, which is the second largest year on record
  - Financial Deterioration of carriers: profitability declines predicted at 80% from prior year; investment portfolio declines up to 40%
  - Underwriting results have diminished: combined ratios approaching 100%+; surplus premium capacity decline in excess of \$200B
  
- AIG Update
  - AIG has formed a new holding company titled AIU Holdings, which includes Commercial Insurance (CI). CI 2008 statutory surplus is over \$26B and policy holder interests are protected by the State Insurance Regulators.
  - At 12/31/08, the CI companies' statutory surplus is more than \$5B greater than any of their US peers and is essentially flat since June 30, 2008, despite significant natural catastrophe losses, deterioration of global financial markets and the challenges faced by AIG. CI's balance sheet has performed well because 1) their underwriting and diverse risk selection and 2) their investment portfolio is generally conservative.
  
- 2009-2010 Marketing Goals & Strategy
  - The Manager stated they are expecting fair renewals based on the program loss experience and the member gain sharing clauses for good experience. The carriers are financially strong and premium funding terms are compatible with the projected cash flow challenges of the members. The Manager stated they have taken on a broad and aggressive marketing approach providing submissions to all potential carriers, held face-to-face meetings with over 50% of the world's largest reinsurers and established direct communication with all other carriers.
  - Getting sympathy from the reinsurers because they understand the state of California is going to be late in paying the school districts.
  - The Manager is still negotiating if the reinsurers will allow the spread of contribution payments as they did this program year.

### EXCESS PROPERTY PROGRAM RENEWAL

2008/2009-030

The Manager provided a presentation on the excess property program renewal:

- Historical Program Results
  - Excess property rates for the \$5M x/s \$250K have decreased 55% over the last 4 program years even though loss ratios have continuously exceeded 100%.
  
- 2009 Budget Forecast/Market Predictions
  - There are capacity limitations due to the cost of capital
  - Most cedents/insureds received increases at January 1 renewal
  - SAFER loss ratios for the last two years have exceeded 100%
    - 2006/2007 114%

- 2007/2008 154%
- Flat renewal indicated by lead markets.
- Program Advantages
  - The Manager stated they have credibility of data, spread of risk, all reinsurers are A- rated or better. The combined pools have over \$50B in total insured values.

PUBLIC COMMENTS: None.

BOARD CONSIDERATION: None.

## **EXCESS LIABILITY PROGRAM RENEWAL**

**2008/2009-031**

The Manager provided a presentation on the excess liability program renewal:

- Historical Program Results
  - Excess casualty rates per ADA/FTES for \$4M x/s \$1M layer & \$20M x/s \$5M layer– SAFER is in the third year of a 3 year rate guarantee so rates have been stable. \$20M x/s \$5M layer received a discount of 29% in the second year of rate guarantee.
- 2009 Budget Forecast/Market Predictions
  - Rates are increasing especially for D&O exposures
  - Industry combined ratios exceed 100%
  - Capacity diminishing due to lack of new capital
  - 2009/2010 rates are guaranteed for a third year.
- Program Advantages
  - The Manager stated they have credibility of data, spread of risk, all reinsurers are A- rated or better. The combined pools have over 2.5 million in ADA/FTES.

PUBLIC COMMENTS: None.

BOARD CONSIDERATION: None.

## **ANCILLARY COVERAGES RENEWAL REPORT**

**2008/2009-032**

The Manager provided an informational presentation on the auxiliary program renewals. The Manager stated that historical combined ratios average 45% and they are currently researching retaining vs. transferring options for each individual SAFER members who provide these coverages for the members, not through SAFER.

- EDP – Loss Ratio 75%
  - Carrier quoted 20% rate increase with an increase in the deductible from \$250 to \$2,500
  - Negotiated 2009/2010 renewal at expiring terms and conditions
- Crime –
  - Negotiated 2009/2010 renewal at expiring terms and conditions
- Equipment Breakdown –
  - Poor loss history for 2007/2008

- Combined ratio 152%
- 2005/2006 and 2006/2007 combined ratios exceeded 100%
- Renewal – NCR & SCR Rate: \$0.00327 with \$1,000 deductible
  - SWACC Rate: \$0.00327 with \$10,000 deductible or \$0.00383 with \$5,000 deductible

PUBLIC COMMENTS: None.  
BOARD CONSIDERATION: None.

### **EXPERIENCE MODIFICATION POLICY**

**2008/2009-033**

The Manager reported the Authority approved implementing an experience modification factor for the property layer \$5M x/s \$250K at the November Board meeting. The NCR, SCR and SWACC \$5M x/s \$250K excess property layers were combined into a single contract via the SAFER JPA to reduce frictional costs therefore resulting in a reduction in rates. The experience amongst each Pool varies considerably in this layer and the experience modification formulas will be used to account for each member's individual loss experience. The Property Experience Modification Policy was drafted to incorporate the system's formula approved at the November meeting.

PUBLIC COMMENTS: None.  
BOARD CONSIDERATION: Motion was made by Sue McCann, seconded by Stacy Lane, and unanimously carried to approve the Property Experience Modification Policy as presented.

### **NEW MEMBERS**

**2008/2009-034**

The Manager reported they have received an inquiry from the New Haven Unified School District requesting membership for excess liability coverage above a \$1,000,000 per occurrence retention. Currently they are with SELF for the excess liability coverage but will officially withdraw effective 6/30/09. Ron Martin advised the district is with a local broker whom they are trying to work with and bring New Haven USD into NCR; however if that does not happen this program year the district will still need excess liability coverage. The Manager is requesting approving New Haven USD for excess liability coverage \$24M x/s \$1M effective 7/1/09 pending the district does not join NCR.

PUBLIC COMMENTS: None.  
BOARD CONSIDERATION: Motion was made by Curtis Stephan, seconded by Stacy Lane, and unanimously carried to approve New Haven USD for excess liability coverage \$24M x/s \$1M limits effective 7/1/09.

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## **IX. ADMINISTRATION**

### **AGRiP DESIGNATED REPRESENTATIVE RESOLUTION**

**2008/2009-035**

The Manager advised the Association of Governmental Risk Pools (AGRiP) was organized in late 1998 as a membership organization for public entity risk and benefits pools in North America. It is a successor to the Pooling Section that operated for nearly 20 years under the auspices of the Public Risk Management Association. SAFER officially joined the AGRiP organization in 2009 and needs to appoint a representative to the Board.

PUBLIC COMMENTS: None.

BOARD CONSIDERATION: Motion was made by Curtis Stephan, seconded by William Assad, and unanimously carried to appoint JPA Manager Graham Grice as the AGRiP Board representative for SAFER.

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**X. INFORMATION**

**MEMBER COMMENTS**

None.

**MANAGER COMMENTS**

None.

**OTHER COMMENTS**

None.

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**XI. AGENDA ITEMS NEXT MEETING**

Members and others may suggest items for consideration at the next Board of Directors meeting, which will be held in San Francisco on June 5, 2009 at 10:00 A.M.

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**XII. ADJOURNMENT**

There being no further business to discuss, the meeting was adjourned at 10:45 A.M.

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