



MINUTES

SCHOOLS ASSOCIATION FOR EXCESS RISK
(SAFER)

BOARD OF DIRECTORS MEETING
JUNE 5, 2009
10:00 A.M.

PHYSICAL LOCATION

LE MERIDIEN HOTEL SAN FRANCISCO
333 BATTERY STREET
SAN FRANCISCO, CALIFORNIA 94111
(415) 296-2900

CONFERENCE CALL LOCATIONS

BUCKMAN MITCHELL
500 NORTH SANTA FE
Visalia, CA 93292
(559) 733-1181

I. CALL TO ORDER

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

II. ROLL CALL

OFFICERS:

STATEWIDE ASSOCIATION OF COMMUNITY COLLEGE	Thomas Fallo, President
NORTHERN CALIFORNIA REGIONAL LIABILITY EXCESS FUND	Brent Swanson, Vice President*
SOUTHERN CALIFORNIA REGIONAL LIABILITY EXCESS FUND	Herb Bartelt, Secretary
SOUTHERN CALIFORNIA REGIONAL LIABILITY EXCESS FUND	Curtis Stephan, Treasurer

BOARD REPRESENTATIVES:

NORTHERN CALIFORNIA REGIONAL LIABILITY EXCESS FUND	William Assad
NORTHERN CALIFORNIA REGIONAL LIABILITY EXCESS FUND	Reginald Crowell
SOUTHERN CALIFORNIA REGIONAL LIABILITY EXCESS FUND	Barry Blade
STATEWIDE ASSOCIATION OF COMMUNITY COLLEGE	Sherry Hassan
STATEWIDE ASSOCIATION OF COMMUNITY COLLEGE	Ed Maduli

BOARD ALTERNATES:

NORTHERN CALIFORNIA REGIONAL LIABILITY EXCESS FUND	Kimberly Dennis
NORTHERN CALIFORNIA REGIONAL LIABILITY EXCESS FUND	Stacy Lane

MANAGER:

KEENAN & ASSOCIATES	Graham Grice
	Leslie Delozier
SETECH (a division of Keenan & Associates)	Mary Boyer*

*participated via conference call

OTHERS:

MARSH

Susan Blackenberg

III. APPROVAL OF AGENDA

2008/2009-36

The Manager requested agenda items 2008/2009-41 and 2008/2009-42 be taken in reverse order.

PUBLIC COMMENTS: None

BOARD CONSIDERATION: Motion was made by William Assad, seconded by Herbert Bartelt, and unanimously carried by roll call vote to approve the agenda as amended.

IV. APPROVAL OF MINUTES – April 17, 2009

2008/2009-37

The minutes were approved as presented.

PUBLIC COMMENTS: None

BOARD CONSIDERATION: Motion was made by Herbert Bartelt, seconded by William Assad, and carried by roll call vote to approve the minutes as presented; Ed Maduli and Sherry Hassan both abstained.

V. CORRESPONDENCE

2008/2009-38

The Manager presented the following correspondence:

- 1) May 12, 2009 Letter to James P. Marta awarding his firm the financial auditing contract for the Authority effective 7/1/09 – 6/30/11 pending the contract was satisfactory.
- 2) May 12, 2009 Email from James P. Marta advising of acceptance of the contract and termination clause.
- 3) May 12, 2009 Letter to James P. Dougherty of Larson & Rosenberger LLP advising SAFER's decline of their proposal.
- 4) May 12, 2009 Letter to Greg Cook of Vavrinek, Trine, Day & Co LLP advising SAFER's decline of their proposal.

PUBLIC COMMENTS: None

BOARD CONSIDERATION: None.

VI. CLAIMS & COVERAGE

CLOSED SESSION/OPEN SESSION

2008/2009-39

The Board went into closed session at 10:05 a.m. and came out at 10:23 a.m.

OPEN SESSION

President Fallo reported there was no action taken during the closed session only a review of the property and liability claims history.

PUBLIC COMMENTS: None.

BOARD CONSIDERATION: None.

VII. FINANCIAL

PRELIMINARY BUDGET

2008/2009-40

SETECH on behalf of the Treasurer presented the 2009/2010 preliminary budget and reported the following information:

Total Revenues:	<u>\$ 37,676,045</u>
Total Expenditures:	37,682,795
Total Non Operating Revenues & Expenditures:	
Investment Income:	43,750
Beginning Net Assets:	159,304
Ending Net Assets:	<u>\$ 196,304</u>

SETECH advised the budget was prepared using estimated figures for total insured values, average daily attendance, and full-time equivalent students so the final budget figures will change.

President Fallo asked the Board what they would like to do with the ending net assets and after discussion it was decided the Authority would start reimbursing the members for travel to and from the meetings.

PUBLIC COMMENTS: None.

BOARD CONSIDERATION: Motion was made by Herbert Bartelt, seconded by Sherry Hassan, and unanimously carried by roll call vote to approve the preliminary budget as presented.

VIII. UNDERWRITING

2009/2010 FINAL EXCESS PROPERTY TERMS & CONDITIONS
(moved from agenda item 42 to item 41)

2008/2009-41

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%
- 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.

The Manager negotiated a flat renewal despite the poor loss history stating the long-term relationships were key in the renewal. There was a change in players on each of the excess property layers that make up the \$250M limit. Barry Blade asked if the Board should be concerned that Lexington has the majority of each of these layers and the Manager stated that property is short tail meaning it pays out quickly and the carrier has an A rating i.e. a large surplus equity.

PUBLIC COMMENTS: None.

BOARD CONSIDERATION: Motion was made by William Assad, seconded by Ed Maduli, and unanimously carried by roll call vote to approve the 2009/2010 excess property terms and conditions as presented.

2009/2010 FINAL EXCESS LIABILITY TERMS & CONDITIONS
(moved from agenda item 41 to agenda item 42)

2008/2009-42

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.

The Manager advised there is still the potential for up to a \$20M rebate/commutation if losses keep trending the way they are now.

PUBLIC COMMENTS: None.

BOARD CONSIDERATION: Motion was made by Ed Maduli, seconded by Sherry Hassan, and unanimously carried by roll call vote to approve the 2009/2010 excess liability terms and conditions.

SAFER CORRIDOR PARTICIPATION

2008/2009-43

The Manager reported due to the departure of a large local JPA from one of the Authority's members as of July 1, 2008, the second year of the three year program the Authority's members total ADA/FTES was 2,374,687 or 70,275 ADA/FTES below the minimum threshold set by reinsurers. That shortfall resulted in loss of minimum premium to reinsurers of about \$250,000. Rather than go back to the membership and assess them for additional amounts SAFER agreed to assume a very small corridor of risk. The Board elected not to charge any contribution at that time as it felt there was minimal chance of their layer being impacted.

The Manager is working with the \$4M x/s \$1M layer reinsurers to secure an additional 3 year contract or

negotiate the SAFER corridor out of the current contract. The Manager stated Max Re and Catlin are both very interested in cancelling the current contract and negotiating a new 3 year contract however the key is XL Re as they are the lead reinsurer so if they do not agree with the renegotiation the Authority will have to stay with the current contract. XL Re is in a run-off position and the SAFER contract is a revenue generating contract so they are not sure they can get them to buy-in, but would like direction to try.

The Board requested more information before they take action on whether to retain the corridor or sell to Meritage for \$0.04 ADA/FTES. The Manager advised they will call a special Board meeting prior to June 30 to discuss the 2009/2010 excess liability options.

PUBLIC COMMENTS: None.

BOARD CONSIDERATION: Motion was made by William Assad, seconded by Ed Maduli, and unanimously carried by roll call vote to receive and file the report and give direction to the Manager to research the option of negotiating a new three year contract.

\$4M EXCESS \$1M LAYER CORRIDOR

2008/2009-44

The Manager on behalf of the Authority exercise due diligence for the layer \$4,000,000 per occurrence excess \$1,000,000 per occurrence each year by researching the reinsurance/insurance markets to obtain the most appropriate terms and condition for the Authority's member exposures.

Since the 2004/2005 program year in order for the SAFER members to continue to enjoy the most favorable rates in the liability layer of \$4M excess \$1M the Manager's captive insurance company, Meritage Insurance Group has assumed a corridor of risk within that layer. Meritage receives a rate for taking on this liability; however there are no commissions or fees received by the Manager for placing this coverage. The Authority has been offered the option to purchase the "corridor of risk" and have respectfully declined each year.

The Manager provided details of the premiums versus the estimated liabilities incurred for the Meritage corridor of risk. The amounts of reported losses have developed about as expected, but there is still much uncertainty in these estimates. For 2004/2005 program year losses far exceeded the maximum Meritage participation. For the last two program years, losses are estimated to be higher than the Meritage participation attachment point. These estimates though are little more than the average of the prior years adjusted for inflation and changes in ADA/FTES. There is some risk that losses could penetrate or exceed the Meritage corridor in all years.

The Manager noted that the Meritage corridor attaches at the reinsurers 80% loss ratio and they don't resume coverage until the Meritage corridor has reached a loss ratio in excess of 250%. Essentially that means that Meritage and its parent, Keenan, would lose over 2.5 times the premium received, whereas the reinsurers would have made a 20% margin on their premiums.

PUBLIC COMMENTS: None.

BOARD CONSIDERATION: Motion was made by William Assad, seconded by Herbert Bartelt, and unanimously carried by roll call vote to continue Meritage's participation in the "corridor of risk" for program year 2009/2010.

NEW MEMBERS

2008/2009-45

The Manager advised there will be an increase in ADA/FTES for the 2009/2010 program year through the Authority's members.

PUBLIC COMMENTS: None.

BOARD CONSIDERATION: None.

IX. ADMINISTRATION

DESIGNATION OF POSTAL & MAILING ADDRESS

2008/2009-46

The Manager advised that annually, the Authority designates an official posting and mailing address. The Authority's current posting and mailing address is:

Posting Address

Lancaster School District
44711 North Cedar Avenue
Lancaster, CA 93534

Mailing Address

SAFER JPA Manager
2355 Crenshaw Blvd., Suite 200
Torrance, CA 90501

PUBLIC COMMENTS: None.

BOARD CONSIDERATION: Motion was made by Herbert Bartelt, seconded by Barry Blade, and unanimously carried by roll call vote to designate the official posting and mailing address as stated above.

AUTHORIZATION OF SIGNATURES

2008/2009-47

The Manager advised annually the Authority reviews those authorized to sign documents on behalf of the Authority. Officers and the Manager are authorized to sign checks and documents on behalf of the Authority, with two signatures required on checks over \$5,000.

PUBLIC COMMENTS: None.

BOARD CONSIDERATION: Motion was made by Sherry Hassan, seconded by Herbert Bartelt, and unanimously carried by roll call vote to approve the Officers and Manager to sign checks and documents on behalf of the Authority for the 2009/2010-program year.

FAIR POLITICAL PRACTICES COMMISSION

2008/2009-48

The Manager advised the Board that enclosed within the agenda packet was correspondence from the Manager which notifies the Authority that Keenan & Associates files one original statement (Form 700) for each of those employees required to disclose any conflicts of interest with the Fair Political Practices

Commission. The Manager advised the Board if they felt there were any additional employees of Keenan & Associates that should file a Form 700 to please provide those names at that time.

PUBLIC COMMENTS: None.

BOARD CONSIDERATION: Motion was made by Sherry Hassan, seconded by Ed Maduli, and unanimously carried by roll call vote to accept the Fair Political Practice Commission correspondence from Keenan & Associates.

ESTABLISH 2009/2010 MEETING SCHEDULE

2008/2009-49

The Assistant Manager presented suggested dates for the 2009/2010 program year:

- October 2, 2009 or October 30, 2009 – San Diego
- June 4, 2010 – San Francisco

PUBLIC COMMENTS: None.

BOARD CONSIDERATION: Motion was made by Herbert Bartelt, seconded by Sherry Hassan and unanimously carried by roll call vote to approve the 2009/2010 meeting schedule as follows:

- October 30, 2009 – San Diego
- June 4, 2010 – San Francisco

X. INFORMATION

MEMBER COMMENTS

Thomas Fallo gave his best to Barry Blade who is retiring effective 6/30/09.

MANAGER COMMENTS

None.

OTHER COMMENTS

None.

XI. AGENDA ITEMS NEXT MEETING

The next Board of Directors meeting is scheduled for October 30, 2009 at 10:00 a.m. in San Diego, CA.

XII. ADJOURNMENT

There being no further business to discuss, the meeting was adjourned at 11:15 a.m.
