

**INDEPENDENT CITIES RISK MANAGEMENT AUTHORITY****MINUTES OF THE  
GOVERNING BOARD MEETING  
Wednesday, April 12 & Thursday, April 13, 2017  
8:30 A.M.**

A meeting of the Governing Board was held on Wednesday, April 12 and Thursday, April 13, 2017, in Redondo Beach, California.

**MEMBERS PRESENT:**

Alhambra	Richard Bacio
Bell	Sergio Ibarra
Downey	Anil Gandhi
El Monte	John Nguyen
	Alex Hamilton
El Segundo	Mike Dugan
	Joe Lillio
Fullerton	Gretchen Beatty
Glendora	Vicki Cross
	Cecilia Todd
Hawthorne	Olivia Valentine
Hermosa Beach	Vanessa Godinez
Huntington Park	Edgar Cisneros
Inglewood	Sara Nazir
Manhattan Beach	Christine Tomikawa
Monterey Park	Tom Cody
	Raquel Richards
	Chu Thai
San Fernando	Michael Okafor
	Nick Kimball
South Gate	Nellie Cobos

**MEMBERS ABSENT:**

Baldwin Park  
Redondo Beach

**NON-MEMBERS PRESENT:**

RPA	Cindy LaMantia
	Tyler LaMantia
	Beth Lyons
	Ashley O'Brian
	Christina Floe

Sara Peterson Consulting	Sara Peterson
Johnson Schachter & Lewis	Luther Lewis
Carl Warren & Company	Tom Boylan John Beringer Sean Rasmussen Todd Johnson
James Marta & Co	David Becker
Bay Actuarial Consultants	Jack Joyce
Arthur J. Gallagher	Susan Blankenburg Kylie Bailey

**1. CALL TO ORDER**

President Tom Cody called the meeting to order at 8:46 a.m.

**2. ESTABLISHMENT OF QUORUM/INTRODUCTIONS**

Introductions took place and it was determined a quorum was present.

**3. PUBLIC COMMENTS**

None

**4. APPROVAL OF AGENDA AS POSTED OR AMENDED**

*Motion was made by Richard Bacio, seconded by Olivia Valentine, and unanimously carried to approve the agenda as presented.*

**5. CONSENT CALENDAR**

*Motion was made by Gretchen Beatty, seconded by Richard Bacio, and unanimously carried to approve the consent calendar as presented.*

**6. OPEN SESSION**

**ICRMA Strategic Planning**

Strategic planning facilitator Sara Peterson provided a status update on ICRMA's 2014-2017 Strategic Plan.

The Board performed a SWOT analysis, discussed the future, and identified strategic initiatives:

- Reduce uncertainty and stabilize long-term costs
- Focus on visibility and engagement, member recruitment and retention
- Deepen knowledge and understanding (use of resources, loss control, knowledge at the table)

Members discussed the budget process and gained greater understanding of the elements and timelines involved in producing ICRMA's budget.

The Board discussed methodology to unify the current structure between the members, ICRMA, and the TPAs. Members have contracts directly with the TPAs, which can create a disconnect. This structure makes it difficult for ICRMA and the TPAs to communicate, and has resulted in data being difficult to compile and analyze. This and other data issues have delayed actuarial studies and loss analyses. The Board previously encouraged all cities to engage in three-party contracts with ICRMA and the TPA, and a handful did so. In February the Board also discussed the option of moving to a single TPA for all members in the respective programs (Liability and Workers' Compensation).

By majority consensus of the Board, staff was directed to explore a uniform three-party contract in the liability program and report back to the Board at a future meeting. Those in favor were Gretchen Beatty, Nick Kimball, Olivia Valentine, Joe Lillio, Vicki Cross, Anil Gandhi, Sergio Ibarra, Nellie Cobos, John Nguyen, and Tom Cody. Those opposed were Richard Bacio, Sara Nazir, and Christine Tomikawa. Vanessa Godinez abstained.

A strategic planning recap prepared by the facilitator is attached to the minutes.

The meeting recessed at 3:48 p.m. and resumed at 8:30 a.m. the following day.

### **Liability Program Discussion**

John Beringer reported on the status of the Liability Program. He discussed lessons learned and issues he has observed with the program. He has noticed that attorney fees vary dramatically among attorneys for claims with essentially the same facts. John advised that he represents the collective interests of ICRMA and is a resource for individual members. Minimizing costs, ensuring timely reporting, and pursuing efficient claim resolution will result in lower costs members.

John noted he is developing two programs to assist the members:

- Vendor Cost Containment Program: Vendor fees (e.g., court reporting) can be as high as 25% of the costs incurred. John is working with a variety of vendors to secure a discount for ICRMA members.
- Expert Witness Program

### **Review of Proposed Revisions to the 2017/18 Liability MOC**

The Claims Committee reviewed revisions to the MOC at its March 13 meeting and recommended multiple revisions to the Board. Subsequent to the meeting, two additional revisions were noted for discussion with the Board. Changes are detailed in the redline version of the MOC attached to the agenda. The Board discussed at length the following language:

*Unless ICRMA assumes control of the claim, ICRMA will not settle a claim without the MEMBER's consent; however, the MEMBER may not unreasonably withhold such consent.*

*If the MEMBER withholds consent to any settlement that ICRMA recommends, then ICRMA's liability for the claim will not exceed the amount for which the claim could have been settled, plus claim expenses incurred by ICRMA up to the date of the MEMBER's refusal to consent. When total claim expenses and damages reach the amount for which the claim could have been settled, plus claim expenses incurred by ICRMA up to the date of the MEMBER's refusal to consent, ICRMA has no further liability for claim expenses or damages and has the right to withdraw its defense of the claim. The MEMBER agrees to accept the tender of the defense when ICRMA withdraws.*

General Counsel confirmed the ICRMA Board makes the decision to take control of a claim, not staff. Christine Tomikawa relayed Greg Borboa's concerns that the members may be exposed to more claims if there is a perception that ICRMA is "too quick to settle." Borboa was also concerned that the provision places disposition of member claims that are within the retained limit into the hands of the pool. After extensive discussion, the Board provided suggestions and asked that counsel make language revisions for presentation to the Board in May or June.

Language to address claims which contain both covered and uncovered damages was discussed. The additional language is designed to ensure that all necessary information is available to allow for a determination to be made regarding apportionment, and to allow for that determination to be made as early as possible. The Board provided suggestions and asked that counsel make language revisions.

Exclusion 17 on page 20 was revised and no longer excludes Employment Practices coverage for transit employees. This coverage was excluded in 2014 to avoid coverage conflicts with CalTIP, however, CalTIP is no longer offering the coverage effective July 1, 2017. Coverage for other transit-related operations continues to be excluded.

The proposed exclusion regarding marijuana licensing and permitting was discussed at length. Nick Kimball asked if other pools have the exclusion, or if any claims have arisen out of them. Since marijuana is now legal in the State of California, many members are exploring issuing business permits. Susan Blankenburg advised that the market is still somewhat behind the times on this issue, and anticipates that the reinsurers will likely want more detailed information and may impose a sublimit. The Board asked that the proposed exclusion be revised to exclude coverage for members with marijuana operations.

*Motion was made by Olivia Valentine, seconded by Vicki Cross, and unanimously carried to approve the changes discussed.*

### **Unaudited Financial Statements as of December 31, 2016**

Following are financial highlights to date for the 2016-2017 fiscal year.

#### Statement of Net Position

- Total Assets at \$106.2M; 60.3% is cash and investments
  - Receivables \$467K; a reduction of \$1.6M or 77.6% due to member payment activity.
  - Prepaid expenses \$5M related to insurance premiums for next two quarters.

- Investments \$48.7M, an increase of \$3.5M due to deposits and interest income.
- Assessment Receivable \$36M includes assessment approved by the Board
- Total Liabilities at \$80M
  - Claims liabilities \$67.4M, an increase of \$19M or 39.2% due to elevated claims.
  - Deferred Revenue \$12.4M related to member deposits for next two quarters.
- Net Position at \$26.1M, an increase of \$16.5M or 173.4%.

#### Budget-to-Actual Comparison Highlights

- Revenues at \$24.7M. Increase from budget due to the approved liability program assessment.
- Claims Expense at \$4.3M. \$2.1M decrease from budget based on last year's actuarial reports. Updated actuary reports will revise claims expenses by year end.
- General and Administrative Expenses at \$793K; \$92.9K less than approved budget mostly due to timing of services utilized and unused funds for Loss Control Services, Litigation Management, Defense Cost Initiative, Data Collection Solution and Marketing.

*The Board reviewed and filed the report.*

#### **Broker Stewardship Report**

Susan Blankenburg presented the 2016 Broker Stewardship Report. She advised that most of the lines of coverage would renew at a flat rate. Highlights included:

##### Liability Program

- Lower Self-Insured Retention successfully secured by adding a layer of \$2M excess of \$3M, underwritten on a quota shared basis, by Brit and Berkley.
- Drone coverage was included to enhance the coverage.
- Clash coverage continues to be included in the coverage.

##### Workers' Compensation

- Lowered the self-insured retention from \$5M to \$3M and ultimately reduced rate by 13% from original quote.
- Safety National renewed the risk control services fund of \$10,000 for pool consulting services, training materials, online training, live training, ergonomics analysis, etc.

##### Cyber Liability Program

- Higher member limits were secured, going from \$1M to \$2M per member.
- Lower self-insured retention was achieved, reducing member's per claim deductible from \$25,000 to \$10,000.
- Two cyber risk incidents were reported to Gallagher's claims department

*The Board reviewed and filed the report.*

### **Property & Auto Physical Damage Program Discussion**

Susan Blankenburg presented market indications for the Property and Auto Physical Damage (APD) programs.

The Administration team presented the option of transitioning these programs to a self-insured model. Jack Joyce of Bay Actuarial, evaluated the feasibility and costs of such a program, and his study was included in the packet for Board review.

- Numbers are likely to come down at least \$50,000 from those presented.
- Any Earth Movement coverage currently being purchased will remain commercially insured and carved out.
- Staff recommends fully funding the \$500,000 aggregate, at least for the first year.

*Motion was made by Richard Bacio, seconded by Anil Gandhi, and carried unanimously to develop a self-insured property/APD program.*

### **Workers' Compensation Program Actuarial Study**

Bay Actuarial Consultants prepared the attached draft actuarial study to aid ICRMA in determining the appropriate funding levels for the Workers' Compensation Program. To facilitate this decision making process, the actuary projected the Program's 2017/18 losses, which were used to develop contribution rates. The actuary also provided current estimates of the programs' ultimate losses for all program years, which are used to determine the Program's outstanding liabilities for financial reporting purposes.

#### Difference in Funding versus Projected

Enclosed in the packet for review was a report (Ultimate Loss Illustration) of amount paid vs. actuarial projections going back to 2003. This comparison demonstrates how the program is performing financially, by fiscal year, at a glance.

#### 2017/18 Funding

The Board of Directors approved funding the 2016-17 program year at a 57% confidence level and 2% discount. The actual amount was similar to that projected at a 70% confidence level and 3% discount, but reflected a more accurate interest rate for the program's investment performance. For 2017-18, funding the Program at a higher confidence level (keeping the discount rate assumption at 2%) is recommended.

*Direction was given to provide estimates at various confidence levels for the 2017/18 renewal.*

### **Workers' Compensation Program**

Todd Johnson presented updates of the Workers' Compensation program, noting that there is a strong program in place but services are being underutilized. Several items in particular were discussed:

At its meeting on February 9, the ICRMA Board directed staff to explore the concept of utilizing a single TPA to adjust ICRMA member workers' compensation claims. RPA has collected several

requests for proposal samples. To perform a cost analysis, members are asked to send the following to RPA for review and compilation:

- 1) current contract between the city and its TPA, and
- 2) total amount paid to the TPA for each of the past two years.

Company Nurse:

Enclosed in the packet was a five year comparison report prepared by Company Nurse. ICRMA currently spends \$5,000/month for the Company Nurse reporting tool and some triage analysis. As discussed in February, ICRMA members find value in the services being provided by Company Nurse (all members of the workers' compensation program except one use the services). Carl Warren and RPA team members will continue to evaluate and consider the services in the larger context of the single TPA discussion.

Structured Return to Work Program:

At its February 9 meeting, the ICRMA Board voted to eliminate funding for the structured return to work program and directed staff to review the contract termination/non-renewal provisions. The RTW Now contract will expire on June 30, 2017, so will not be renewed at that time. Carl Warren is working with RTW Now to preserve/export ICRMA data. RPA will work with Carl Warren to evaluate its contract due to discontinuation of the program.

The Board also discussed the fact that 70% of program costs are medical, 15% of that are pharmacy charges. Pharmacy Benefits Management (PBM) and Managed Provider Networks (MPN) help mitigate medical expenses on WC claims, yet very few ICRMA members utilize a PBM or participate in an MPN. Only one or two members currently utilize a PBM, or participate in an MPN. More information will be presented on these cost containment tools during future meetings.

The Board recessed for lunch at 11:28 AM and resumed open session at 12:15 PM.

### **Review Proposed Revisions to the Workers' Compensation Memorandum of Coverage (MOC)**

At its March 13 meeting, the Claims Committee reviewed the revisions and recommended the Board adopt the 2017/18 WC MOC. The suggested revisions included in the packet displayed each proposed change with commentary:

#### Page 10

- Language was changed to eliminate a conflict regarding "Notice".
- The language under "Settlement" was changed to clarify that claims with total incurred amounts, in excess of the Covered Member's Retained Limit, cannot be settled without the *prior* written consent of ICRMA. Language was also added to specify the consequence if such prior approval is not obtained: "If a claim is settled without the prior written consent of the Authority, the Authority may, but is not obligated to, approve the settlement; if the Authority elects not to do so, the Authority shall not be obligated to pay any portion of the settlement." This is consistent with the intent of the provision and is designed to avoid the settlement of the specified claims without ICRMA's consent.

*Motion was made by Olivia Valentine, seconded by Alex Hamilton, and unanimously carried to adopt the 2017-18 Workers' Compensation Memorandum of Coverage.*

### **Resolution Eliminating Administrative Committee Meeting Requirement**

During the past several years, the Board has been reviewing and discussing its governing documents. As part of a discussion about optimal structure, the Board decided to eliminate the Administrative Committee and thus it has not met since September 2015.

Because the governing document adoption is not expected to take place for several more months, interim general counsel has recommended the Board formalize and ratify its decision to eliminate the Administrative Committee via a resolution.

*Motion was made by Gretchen Beatty, seconded by Mike Dugan, and unanimously carried to adopt the resolution.*

### **Announce Officer and Administrative Committee Candidates**

Gretchen Beatty announced the slate of candidates recommended by the Nominating Committee:

President:	Tom Cody (Monterey Park)
Vice President:	Nick Kimball (San Fernando)
Secretary:	Vanessa Godinez (Hermosa Beach)
Treasurer:	Joe Lillio (El Segundo)
Representative:	Richard Bacio (Alhambra)
Representative:	Nellie Cobos (South Gate)
Representative:	Sergio Ibarra (Bell)
Representative:	Vicki Cross (Glendora)
Alternate:	Gretchen Beatty (Fullerton)
Alternate:	Sara Nazir (Inglewood)

The Nominating Committee selected a roster of representative and alternate candidates for Board consideration prior to counsel's recommendation regarding the resolution. Staff recommended that the Administrative Committee representatives be considered for ad hoc committees.

Officer elections will be held at the June 15 meeting. The President thanked the outgoing officers for their service and thanked the incoming officers for their assistance.

### **Vendor Staffing Updates and Performance Evaluation Process**

Beth Lyons provided vendor staffing updates as follows:

Claims Litigation Management: Carl Warren is working to fill the Liability Claims Assistant position. Additionally, since the workers' compensation (WC) program claim count is lower than liability and the structured return to work program has been identified for elimination, Carl Warren will be allocating resources previously dedicated to WC to liability.

Financial Management Services: Ritesh Sharma of James Marta & Co. accepted a new position and left the firm in February. Nicole Rushing and David Becker are currently sharing Ritesh's responsibilities.

Administration & Risk Management Services: RPA hired Christina Floe to fill the Analyst/Clerical position. Marco Guardi will no longer be providing risk control services for ICRMA due to assignment of other duties. RPA is actively working to identify a replacement. In the meantime, members may contact Beth or Ashley for risk control needs.

In the coming months RPA staff will work with general counsel to develop vendor performance evaluation process and measures.

**Risk Control Service Utilization**

Member utilization of service days was discussed by the Board. More than halfway through the program year, usage of service days has been low. The Board requested that staff make city-specific recommendations based on perceived issues, starting with a risk assessment. Olivia Valentine suggested it would be helpful for staff to have a meeting with the City Managers to present on the available services. Giving every city a risk assessment by year's end would use available days, but Gretchen advised that it could be overwhelming. Beth suggested doing one specific assessment for all members; possibly Auto Liability. *Direction was given and no action was taken.*

The Board went into Closed Session at 12:38 PM and came out at 1:06 PM.

Luther Lewis reported the Board discussed the following claims and took action as follows:

- Rousseau v. Monterey Park - the Board approved settlement as requested for an 81% PD Stipulation award equal to \$176,682.50.
- Cardenas v. Manhattan Beach – no action taken.
- Medina v. El Monte - the Board granted settlement authority.

There being no further items to discuss, the meeting adjourned on April 13 at 1:11 PM.