



**MINUTES OF THE  
GOVERNING BOARD MEETING  
Thursday, August 10, 2017  
10:00 A.M.**

A meeting of the Governing Board was held on Thursday, August 10, 2017, in Downey, California.

**MEMBERS PRESENT:**

Alhambra	Richard Bacio
	Velia Rodriguez
Bell	Howard Brown (arrived 10:08)
	Sergio Ibarra
El Monte	John Nguyen
El Segundo	Mike Dugan
	Joe Lillio
Fullerton	Gretchen Beatty
Glendora	Cecilia Todd
Hawthorne	Olivia Valentine
	Dennis Hernandez
Hermosa Beach	Vanessa Godinez
Huntington Park	Martha Castillo (left at 1:14)
	Donna Schwartz (left at 1:14)
Inglewood	Ken Campos (arrived 10:16)
Lynwood	Yolanda Delgadillo
Monterey Park	Tom Cody
San Fernando	Nick Kimball
South Gate	Nellie Cobos (left at 2:21)
	Denise Diaz (arrived 10:13, left at 11:20)

**MEMBERS WITHOUT BOARD REPRESENTATION:**

Baldwin Park  
Downey

**NON-BOARD MEMBERS PRESENT:**

El Monte	Angela McCray
Glendora	Shama Curian
RPA	Tyler LaMantia
	Beth Lyons
	Ashley O'Brian
	Christina Floe
	Bob May
Johnson Schachter & Lewis	Luther Lewis

Facilitator	Sara Peterson
Arthur J. Gallagher & Co.	Susan Blankenburg Kylie Bailey
AdminSure	Mike Reed
Carl Warren & Company	John Beringer Dwight Kunz Todd Johnson Tom Boylan
James Marta & Co.	Jim Marta
Aleshire & Wynder	Glen Tucker (arrived 10:13) Marsha Yasuda

**1. CALL TO ORDER**

President Tom Cody called the meeting to order at 10:06 AM.

**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 Dennis Hernandez, Hawthorne, seconded by Gretchen Beatty, Fullerton, and unanimously carried to approve the agenda as presented.*

**5. CONSENT CALENDAR**

*Motion was made by Richard Bacio, Alhambra, seconded by Gretchen Beatty, Fullerton, and unanimously carried to pull Item I, CAJPA Accreditation Approval, and approve the consent calendar as presented.*

Bacio pulled Item I., CAJPA Accreditation Approval, and asked Executive Director Beth Lyons to provide a verbal report. Ms. Lyons reported that CAJPA Accreditation Consultant Robin Johnson conducted an accreditation review for ICRMA over the summer.

Mr. Johnson was very thorough in his analysis, having reviewed over 100 documents and procedures submitted by RPA. On July 14, he performed a site visit at RPA's office in Irvine. Mr. Johnson reviewed additional documents, interviewed RPA staff, and ultimately asked that ICRMA's executive director attend the CAJPA Accreditation Committee meeting on August 1 to discuss the pool's financial status and assessment plan.

After discussion and multiple questions, the CAJPA Accreditation Committee found ICRMA was in substantial compliance with Accreditation standards and unconditionally granted ICRMA Accreditation with Excellence through April 1, 2020. Mr. Johnson subsequently issued a report with three suggestions, all related to governing documents and administrative contracts. These suggestions will be discussed by the Board under Item H., Review Governing Documents. A representative from CAJPA will be present at the Board's meeting in October to officially recognize this accomplishment.

*Motion was made by Richard Bacio, Alhambra, seconded by Gretchen Beatty, Fullerton, and unanimously carried to receive and file the report.*

## **6. OPEN SESSION**

### **A. Risk Control Updates**

The Board adopted the 2017-18 Risk Control plan in June. The plan outlines risk control and service benchmarks. Prior to the adoption, staff worked with several members in the areas of training, loss analysis and identification of key loss exposures.

Loss Control Director Bob May reported that Bell hosted two Driver Awareness Training sessions for members of the pool. Staff provided assistance in contractual indemnity and sidewalk inspection programs as well. A liability claim analysis was conducted for El Segundo.

RPA staff also conducted member visits to the following agencies: Bell, El Segundo, Downey, Alhambra and El Monte. Future visits are scheduled for Huntington Park, Hawthorne, South Gate and Glendora. It is anticipated that all agencies will be visited before the end of the year.

Several agencies have requested training in Contractual Risk Transfer, including the use of the ICRMA Contracts Manual. These trainings have been scheduled for October 23 in Huntington Park, and April 26 in Downey. Registration information is available in on the ICRMA website.

The loss control team is also developing a risk management evaluation tool to help identify key loss areas both in liability and workers' compensation. Member risk assessment will begin this fall.

Nellie Cobos asked about online trainings. Assistant Executive Director Ashley O'Brian advised that BRIT's TEAM platform is no longer available, due to the change in reinsurance liability carriers that took place at renewal, but Safety National's suite of services is available for all ICRMA members.

*The Board reviewed and filed the loss control report.*

### **B. University Training Opportunities**

Bob May presented the schedule of ICRMA University session topics. Registration information for all sessions will be sent out approximately six weeks prior to each.

*The Board reviewed and filed the University training opportunities report.*

C. Amend Contract with Origami Risk Software Company

In 2014 ICRMA's previous administrator implemented the Origami claim management software for its pool clients. When ICRMA transitioned to a new administrative vendor in 2016, the Origami contract was also transitioned. ICRMA entered into a direct contract with Origami for an annual fee of \$39,950 and began the process of separating claim records to ensure its database was separate from the previous administrator's structure. During the past year RPA staff has also been working with Origami to discuss its long-term vision regarding data and to scope the process and reports necessary to consolidate data from the multiple TPAs.

Subsequent to ICRMA's budget approval in June, RPA held a planning meeting with Origami. During this discussion, it became clear that the existing structure was not going to be sufficient for ICRMA needs. For example, the previous administrator was only maintaining reported claims, so there were less than 5,000 claims. To ensure accurate, consistent, and compiled data needed by the actuary and broker, however, all ground-up claims for both programs must be imported, thus the claim count is closer to 80,000.

The additional hosting, network, and storage, as well as several other items, resulted in an increase in the contract for a total annual fee of \$73,450. ICRMA budgeted \$40,000 for 2016-17. The increase represents an unbudgeted amount of \$33,500 which will be allocated to the liability program.

Fortunately, due to a premium credit available in the liability program, funds were available to offset the entire unbudgeted amount. When the budget was approved, reinsurance carrier Safety National's quote assumed Fullerton would attach at \$6 million. Fullerton instead elected to attach at \$8M, so Safety National provided a premium credit. The premium decreased by \$35,544.

ICRMA's top priorities related to Origami include compiling the TPA data and providing fiscal year-end reports for the finance team. RPA staff is also validating the status of the TPA data cleanup and ensuring TPA data feeds are set-up to run monthly. In the coming months, RPA will work with Origami to determine the best methodology to merge the ICRMA reported data and claim files with the existing ground up data from the TPAs. Origami will help review workflow and processes, identify and create reports, and provide training to ensure ICRMA's team operates effectively and supports ICRMA's needs.

*Motion was made by Sergio Ibarra, Bell, seconded by Gretchen Beatty, Fullerton, and unanimously carried to approve a contract amendment with Origami Risk to reflect a total annual fee of \$73,450 for 2017-18 and 2018-19 and authorize the Executive Director to execute the contract amendment.*

D. Property Appraisal Ad Hoc Committee Recommendation

It has been five years since ICRMA's property program participants have funded a formal appraisal of covered locations. Standard practice is to perform appraisals at least once every five years.

In 2007, AssetWorks conducted a full appraisal of 1,400 ICRMA member buildings for \$146,900. In 2012, AssetWorks conducted a desk update appraisal of 1,400 buildings, plus onsite appraisal of 95 added buildings which had not been appraised in 2007, for a total cost of \$25,625.

RFPs were sent to six appraisal firms in June requesting cost indications for full on-site appraisal of roughly 800 buildings valued over \$100,000. The cost indications received for a full appraisal were significantly higher than the \$40,000 allocated in the program for appraisals, which was based off of the cost of the previous, primarily desk update, appraisal.

A Property Appraisal Ad Hoc Committee was formed to review the responses received, and give direction. Their recommendation to the Board was to negotiate desk appraisals, and a specified number of onsite appraisals, with Duff and Phelps, for an amount not to exceed \$40,000. This would avoid having to collect additional funds, while keeping valuations up-to-date and accurate. Upon review, the Board agreed that it did not want to collect more money, however, felt full onsite appraisals were due.

*Motion was made by Richard Bacio, Alhambra, seconded by Nick Kimball, San Fernando, and unanimously carried to negotiate a full appraisal with Duff & Phelps, using the funds allocated for 2017/18, and budgeting the remainder in 2018/19. RPA staff was directed to work with Duff & Phelps to determine an appropriate appraisal inspection schedule.*

E. Cyber Program Deductible

In the broker's renewal proposal presented to the Board on May 22, the Cyber program information depicted a deductible of \$10,000 for \$2M/\$5M limits. The Board ultimately selected \$3M/\$10M limits and believed the deductible for the increased limits would remain at \$10,000. The carrier was expecting a \$15,000 deductible for the higher limits, but unfortunately that wasn't clearly outlined in the presentation or the written proposal. RPA discovered the issue in late June during a review of the final insurance proposal.

The broker requested the carrier provide the \$3M/\$10M limits with a \$10,000 deductible at the premium approved in the ICRMA budget, but the carrier was unwilling to do so. The Board considered the following options: 1) Reduce the deductible to \$10,000 and invoice the members the additional \$17,740 premium, or 2) Make no changes and clearly note the \$15,000 deductible for \$3M/\$10M limits in the budget and other program documents.

*Motion was made by Richard Bacio, Alhambra, seconded by Olivia Valentine, Hawthorne, and unanimously carried to recognize the corrected program deductible of \$15,000 and maintain the invoiced premium.*

F. Broker Contract with Arthur J. Gallagher

ICRMA's broker services agreement with Arthur J. Gallagher (AJG) expires on October 31, 2017. The Governing Board discussed the expiration of this contract at its February meeting, the service received from the brokerage team, and directed RPA to negotiate a contract with AJG.

The last RFP for broker services was issued in 2011. The Board elected not to issue a broker RFP earlier in 2017, due to the excellent service provided by broker Susan Blankenburg and her team. Blankenburg appreciated the Board's sentiments and proposed fees she felt were reasonable and reflective of her understanding regarding the changes the pool is experiencing. The proposed contract terms included the following:

- Three year term with two optional one year extensions
  - Three (3) year Insurance Brokerage Agreement with Arthur J. Gallagher (AJG)
  - Two optional one (1) year extensions
- Base compensation fee of \$200,000, with no commissions earned on ICRMA programs.
  - Programs include liability, workers' compensation, property/APD/B&M, earthquake & flood, crime, and cyber.
- Base compensation fee to be increased annually, beginning in 2018, equal to the San Francisco-Oakland-San Jose CPI-U (change measured August – August), or 3%, whichever is less.
  - In effect, the total 2017-18 broker compensation will be reduced from \$260,000 to \$222,596 (\$200,000 flat fee and retention of \$22,596 in commissions already earned).
  - In 2018-19, broker compensation is estimated at \$206,000 (\$200,000 flat fee x 3% increase)
- The broker may continue to earn commission for placement of ancillary lines placed by members directly through the broker as well as new programs created for ICRMA

Three issues were identified for Board discussion:

1. Confirm the Board believes the proposed compensation is appropriate
2. Affirm the Board wishes to eliminate commissions for placement of ICRMA programs
3. Provide feedback regarding the "trigger" related to fee adjustments due to changes in membership/exposures. Current contract language reads as follows: *"In the event that the total exposure base for an ICRMA insurance line changes by 20% in either direction, the parties agree to re-open discussions with respect to the appropriate fee for services."*

*Motion was made by Richard Bacio, Alhambra, and seconded by Sergio Ibarra, Bell to approve a five-year contract at the proposed terms. After discussion, Bacio amended his motion to approve a three-year contract with the option for two one-year extensions. Sergio Ibarra seconded. After additional discussion, Bacio made another amendment, to approve a three-year contract, basing compensation increases on the Los Angeles/Long Beach CPI-U, and issue an RFP after three years. Sergio Ibarra withdrew his second and the motion died.*

*Tom Cody, Monterey Park, made a motion to approve a two-year contract at the stated amounts using the Los Angeles CPI-U or 3%, whichever is less, as the basis of increase; include language to trigger a contract negotiation of ICRMA's exposure base changes, and issue an RFP during the second year of the contract. Richard Bacio suggested an amended motion to approve a three-year contract with the same terms, and the amendment died. Nick Kimball, San Fernando, seconded the original motion made by Tom Cody. Motion carried, with Richard Bacio opposed.*

Gretchen Beatty, Fullerton, stated that the decision was based on fiscal prudence, and thanked Susan for her work over the past several decades.

#### G. Workers' Compensation Staffing Update

Carl Warren & Company is in the process of exiting the workers' compensation line of business as a *primary* workers' compensation claim administrator. Carl Warren is still maintaining a resident staff of workers' compensation claims professionals, however, and the necessary technical resources to manage the ICRMA workers' compensation program and legacy claims for a variety of clients. As a company, Carl Warren's strategic focus remains to be the premier General Liability TPA for public and private entities.

With these strategic changes, there has been some impact to the workers' compensation team. Specifically, Sean Rasmussen accepted a new opportunity in early July and Estelle Freeman accepted a new opportunity early August. Todd Johnson, Director of WC, remains with Carl Warren and has consistently provided oversight of the ICRMA program since the program moved to Carl Warren in July of 2016. The Carl Warren workers' compensation team is continuing to manage responsibilities as outlined in the contract and communicate with the primary TPAs regarding the workers' compensation claims that may present an exposure to the ICRMA.

The Carl Warren contract will be presented to the Board in October for amendment approval, to reflect elimination of the structured return to work program & reassignment of staffing to the liability program, as well as the current key staff members assigned to the account on both programs.

*The Board received and filed the workers' compensation staffing update.*

The Board recessed for lunch at 11:54 AM and reconvened in open session at 12:45 PM.

#### H. Review Governing Documents

In December, the ICRMA Board of Directors approved staff's recommendation that ICRMA continue its governing document revisions with another phase of consulting work. The purpose of this phase would be to bring ICRMA's governing documents in line with proposed Bylaw changes.

The Board reviewed proposed revisions to the Bylaws draft with an emphasis on the Board Appointment Process, clarifications to Dividend/Assessment language, and Dispute Resolution Process, questions regarding financial penalty provisions; as well as outlines for other documents in process. They also discussed the JPA amendment/approval process to be placed in said draft.

Board members were advised to send any feedback to Sara Peterson by August 31. The next revision will be provided to the Board by email by September 11, in order for final edits to be presented for approval and adoption at the October Board meeting.

*The Board reviewed and provided feedback.*

#### I. Liability Program Assessment Update

In early April 2017, the finance team distributed assessment designation forms to all members and former members. All cities had the option of paying the assessment in a lump sum or requesting a 10 year payment plan. Cities that returned signed payment agreements to ICRMA by June 15<sup>th</sup> were allowed to fund the deficit over the next ten years. The complete assessment was due and payable by cities that did not sign and return the payment agreement by June 15<sup>th</sup>.

Two members returned designation forms after the deadline: Baldwin Park (June 22) and Inglewood (June 28). Invoices sent on June 30 reflected the 10 year payment plan installment, rather than the lump sum, as requested by the cities.

The following cities had not returned designation forms and were invoiced for the full assessment: Lynwood, Redondo Beach, and Whittier. Lynwood subsequently made payment in full.

The Board was asked to ratify the Executive Director's action to allow payment over 10 years for Baldwin Park and Inglewood, and provide the Executive Director with the authority to approve any additional 10 year payment plan requests received by August 30, 2017.

*Motion was made by Gretchen Beatty, Fullerton, seconded by Sergio Ibarra, Bell, and unanimously carried to ratify approval of 10 year payment plan requests for Baldwin Park and Inglewood and authorize the Executive Director to approve any additional requests received by August 30, 2017.*

#### J. Accounts Receivable Status Report

The Finance team provided an overview of accounts receivable as of August 3, 2017, including assessment invoices, deferral invoices, and interest invoices.

*The Board received the update on payments received for annual contributions and assessments, and provided direction to the finance team.*

K. Approve Revised ICRMA 2017-18 Budget

Subsequent to the adoption of the 2017-18 ICRMA budget in June, several corrections and enhancements were noted. The budget was also presented with the option to keep the cyber premium status quo and reflect a \$15,000 deductible, or to change the deductible to \$10,000 and reflect additional premium due from the members. Multiple labeling revisions were also made.

*Motion was made by Olivia Valentine, Hawthorne, seconded by Gretchen Beatty, Fullerton, and unanimously carried to review and approve the proposed amendments and adopt the revised 2017-18 budget with the \$15,000 cyber deductible noted.*

The Board entered closed session at 1:49 PM.

At 2:24 PM, the Board entered open session. Lewis reported the Board discussed the following claims and took action as follows:

- Ramos v. Bell – authority was granted up to \$500,000
- Rosby v. Hawthorne - authority was granted up to \$599,999.99
- Rodriguez v. Upland – authority was granted up to \$700,000 with authorization to negotiate liens
- Kitahara v. Monterey Park – allocation of the Sprouts policy limit was approved as follows: City - \$100,000 and \$900,000 – plaintiffs

There being no further items to discuss, the President thanked the Board for attending, and the meeting adjourned at 2:25 PM.