Monterey Educational Risk Management Authority
P.O. Box 3320, Salinas, CA 93912
www.merma.org

EXECUTIVE COMMITTEE MEETING

EMERGENCY MEETING

A Action
I Information

1 Attached
2 Hand Out
3 Separate Cover
4 Verbal
5 Previously Mailed

Date: June 26, 2013
Time: 3:00 PM

Location: MERMA
Conference Room Upstairs
76 Stephanie Drive
Salinas, CA 93901
(831) 783-3300

PAGE

A. CALL TO ORDER

B. ROLL CALL

C. APPROVAL OF AGENDA AS POSTED — A 1

D. PUBLIC COMMENTS
This time is reserved for members of the public to address the Executive Committee on matters of MERMA that are of interest to them.

Pg. 1 **E. CONSENT CALENDAR** — A 1
All matters listed under the consent calendar are considered routine with no separate discussion necessary. Any member of the public or Executive Committee may request any item to be considered separately.

Pg. 2 1. Draft – Special Executive Committee Meeting Minutes – May 9 , 2013
Pg. 4 2. Draft – Executive Committee Meeting Minutes – May 23, 2013

Our mission is to protect the human resources
And financial assets of our member districts in order to support
The future of public education.

Monterey Educational Risk Management Authority
P.O. Box 3320, Salinas, CA 93912
www.merma.org

F. ADMINISTRATIVE REPORTS

1. **President's Report** — I 4
   *Sara Perez will address the Executive Committee on items pertaining to MERMA - **VERBAL***

2. **MERMA Administrative Update** — I 4
   *Pool Consultant, Alliant, will address the Committee on matters pertinent to MERMA - **VERBAL***

3. **Executive Committee** — I 4
   *The Executive Committee Members may comment or report on various matters or concerns of the JPA. - **VERBAL***

G. JPA BUSINESS

Pg. 13

1. **FY 13/14 Interim Staff Management** — A 1
   The Ad Hoc Committee will review, discuss and recommend to the Executive Committee to approve Alliant's revised Scope of Work which has been amended to include additional services to the JPA.

Pg. 24

2. **Review of 2013/2014 Excess Workers' Compensation Renewal** — A 1
   Matt Gowan, Alliant, will provide the Committee with a verbal update of the Excess Workers' Compensation renewal for the 2013/2014 coverage year. The Committee should review, approve and recommend execution of CSAC EIA documents included.

Pg. 74

3. **MERMA 2013/2014 Memorandum of Coverage** — A 1
   JPA Pool Consultant has drafted a Memorandum of Coverage for review and approval by the Executive Committee for distribution to MERMA members to provide evidence of Workers' Compensation coverage.

Pg. 94

4. **MERMA Employees COLA Increase or Increase in Contribution to Benefits** — A 1
   The Executive Committee will be asked to consider financial assistance to MERMA Staff in either the form of a COLA increase or an increase in the amount the JPA contributes towards their benefits.

Our mission is to protect the human resources
And financial assets of our member districts in order to support
The future of public education.

Monterey Educational Risk Management Authority
P.O. Box 3320, Salinas, CA 93912
www.merma.org

Pg. 97
Pg. 98

5. **Managed Care Update** I 1
   a. David Donn Consulting (DDC) will update the Executive Committee on StrataCare and Managed Care.
   b. Matt Gowan and DDC will provide the Committee with an update on Brent North's work on Corvel - Verbal

H. CLOSING COMMENTS

ADJOURNMENT

Next Executive Committee Meeting – July 25, 2013

IMPORTANT NOTICES AND DISCLAIMERS:

Per Government Code 54954.2, persons requesting disability related modifications or accommodations, including auxiliary aids or services in order to participate in the meeting, are requested to contact Connie Martin at Monterey Educational Risk Management Authority (MERMA) at (831) 783-3300.

The Agenda packet will be posted on the MERMA website at www.merma.org. Documents and material relating to an open session agenda item that are provided to the MERMA Executive Committee less than 72 hours prior to a regular meeting will be available for public inspection and copying at 76 Stephanie Drive, Salinas, CA 93901.

Access to some buildings and offices may require routine provisions of identification to building security. However, MERMA does not require any member of the public to register his or her name, or to provide other information, as a condition to attendance at any public meeting and will not inquire of building security concerning information so provided. See Government Code section 54953.3

Our mission is to protect the human resources
And financial assets of our member districts in order to support
The future of public education.

Agenda Item E.

CONSENT CALENDAR

ACTION ITEM

ISSUE: Items on the Consent Calendar should be reviewed by the Executive Committee and, if there is any item requiring clarification or amendment, such item(s) should be pulled from the agenda for separate discussion.

RECOMMENDATION: The Pool Consultant recommends adoption of the Consent Calendar after review by the Executive Committee. *Items requested to be pulled from the Consent Calendar by a member will be placed in order, back on the agenda, by the President.*

FISCAL IMPACT: None.

BACKGROUND: The Executive Committee places the following items on the Consent Calendar for adoption. The Executive Committee may accept the Consent Calendar as presented, or pull items for discussion and separate action while accepting the remaining items.

ATTACHMENT(S):

1. Draft – Special Executive Committee Meeting Minutes – May 9, 2013
2. Draft - Executive Committee Meeting Minutes – May 23, 2013

MINUTES OF THE SPECIAL EXECUTIVE COMMITTEE MEETING
May 9, 2013

The Executive Committee of the Monterey Educational Risk Management Authority met at 76 Stephanie Drive, Salinas, CA at 9:15 a.m., on May 9, 2013.

Executive Committee Members Present

Sara Perez, President
Veronica Flournoy, Vice President
Mike Brusa
Melody Canady
Gerald (Jerry) Stratton

CALL TO ORDER

Sara Perez called the meeting to order at 9:19 a.m.

ROLL CALL

APPROVAL OF AGENDA POSTED

Sara Perez asked for a motion to approve the agenda as posted.

MOTION: Melody Canady **SECONDED:** Veronica Flournoy **MOTION CARRIED**

JPA BUSINESS

FY 13/14 Staff Management Oversight Options

The Executive Committee discussed Oversight Options as prepared by Alliant, Pool Consultant, and presented by the Ad Hoc Committee.

Sara Perez reported that no action was taken, but direction was given to the Ad Hoc Committee.

CLOSING COMMENTS

None

ADJOURNMENT

Motion was made to adjourn the meeting at 10:45 a.m.

MOTION: Jerry Stratton **SECONDED:** Veronica Flournoy **MOTION CARRIED**

UPCOMING MEETING

Next meeting will be held on May 23, 2013.

President/Vice President_____

Interim Management _____

Date _____

MINUTES OF THE EXECUTIVE COMMITTEE MEETING
May 23, 2013

The Executive Committee of the Monterey Educational Risk Management Authority met at 76 Stephanie Drive, Salinas, CA at 1:00 p.m., on May 23, 2013

Executive Committee Members Present

Sara Perez, President
Veronica Flournoy, Vice President
Mike Brusa
Melody Canady
Gerald (Jerry) Stratton

Guests and Staff

Matt Gowan, Alliant Insurance Services
Susan Adams, Alliant Insurance Services
Gary Metzler
Connie Martin

CALL TO ORDER

Sara Perez called the meeting to order at 1:45 pm

ROLL CALL

APPROVAL OF AGENDA POSTED

Sara Perez asked for a motion to approve the agenda as posted.

MOTION: Melody Canady **SECOND:** Jerry Stratton **MOTION CARRIED**

PUBLIC COMMENTS

None

CONSENT CALENDAR

The following items were discussed and approved:

1. Executive Committee Minutes – April 18, 2013
2. Board Report and Payment Register – April 2013

MOTION: Melody Canady **SECONDED:** Jerry Stratton **MOTION CARRIED**

ADMINISTRATIVE REPORTS

President's Report

None

MERMA Administrative Update

Susan Adams handed out an update report provided by Kim Stemler. Kim was not able to attend the meeting. Susan informed the Executive Committee that there is still a lot of lack of trust; it does not seem to be resolved yet. Susan stated that she doesn't think Kim has been in the office a lot. Kim has had one group meeting and has met with staff individually. Kim is going to keep working with those individuals with the EC input.

Susan stated that she was at the JPA all day yesterday. Susan stated that she does not think that there has been real resolving after speaking with staff. Susan informed the Committee that when she met with the staff, she asked them to think about things that could be done differently here at the JPA. She wanted to hear everyone's input, what would help the JPA run better, from day to day, what would help them with their job, what would help make things more efficient, more cost effective. Susan stated that she met with the staff during a pizza lunch; everyone was in attendance, which was the first time everyone has actually been in the office together at one time. Susan stated that quite a few things were discussed to make the office more efficient. The biggest thing that came out of the meeting was probably the claims software program, QISS. The QISS system really doesn't do what could be done technically. Susan stated that technology is out there so let's use it. Why are we still doing things the old way, hard way, keeping all the files in storage, some of the files are huge? Susan stated the JPA is going to have to start looking at costs; maybe due to the cost, some things won't be possible. Matt Gowan stated that he had given the JPA quotes a few years ago regarding a new claims system and it was quite expensive. Matt informed the Committee that there are two systems out there; Valley Oaks and he thinks the other is Integra. Matt stated that they are very popular. Matt stated that they are great programs, you can report online, you can run all your statistics, and you look at things coded. Susan stated the York system, and other claims systems for cities that she works with, report online and information goes directly to the adjuster. You don't have paper coming in, people recoding stuff, codes getting done differently. Susan stated there is a lot of paper going back and forth. Susan stated the bills are sent to StrataCare on a daily basis via Fed-Ex and then they are fed-ex back from StrataCare to the JPA. Matt stated that the other claims programs are more efficient. Sara Perez stated that it sounds like the JPA is behind the times. Susan also mentioned that the JPA has two large copiers

MERMA Administrative Update (continued)

and neither one of them copies in color. Susan summarized that it is these types of things that can be looked at some more. Susan informed the Committee that she did add money into the proposed budget to buy new computers.

Two staff members have new computers and the rest of the staff does not, and the JPA staff is on the old Office 2003 system. The old Microsoft 2003 system is not compatible with the Microsoft Office 2008. JPA staff is unable to read documents being sent from CPA, Alliant, etc. Melody Canady stated the JPA staff needs to get updated systems. Susan also stated that the JPA also needs to buy a laptop computer to be used for disaster recovery or by the claim staff for the claims reviews.

Regarding the claims reviews, Susan stated that she has attended a few of the claims reviews and the examiner makes several photo copies the claims. Susan suggested that the examiner speak with their districts and find out what they want. Do they just want an update on the new claims? Please ask your district before you start on the claims review process regarding updating all the claims, photocopying etc.

Susan informed the Committee that she suggested direct dial phones and why do all calls go through the receptionist? Susan was told that all calls have always gone through the receptionist, that's the way it's always been done. Susan informed the Committee that direct dial phones can be done easily at the JPA because the JPA has sufficient incoming lines if the Committee chooses to go that route.

Susan also informed the Committee that she asked the JPA staff for their telephone numbers to make a telephone list in case of a disaster or emergency so that she can be able to reach all JPA staff. Also Susan informed the Committee that she authorized that if only one employee is left in the office after 4:30 pm especially during winter time, don't stay alone. If everyone else is leaving and one employee is supposed to work until 5 pm, please leave at 4:30 also. Susan stated that usually there are 3 to 4 employees that work until 5 pm but sometimes staff may be at meetings, ill, vacations, etc. Susan does not feel it is safe for 1 employee to walk out alone in the parking lot, especially during the winter time. Susan again stated that it is rare that it happens but she did receive a call from an employee asking for approval to leave at 4:30 pm. Susan stated the parking lot is not the safest place, there are homeless people in the parking lot from time to time.

Also in working through governing documents, she realized that the JPA does not have Memorandum of Coverage that should be issued to the members. Susan stated that each district will get their own Memorandum of Coverage so when districts get requests for coverage they provide a copy of the coverage. The memorandum will outline both MERMA's coverage and the excess insurance coverage. Susan stated that memorandum of coverage will be created as of July 1.

And finally, Susan informed the Committee that she will be at the MERMA office every other week. Susan mentioned that she attended the benefits meeting with the staff at MCOE.

ADMINISTRATIVE REPORTS (CONTINUED)

Claims Manager
None

Loss Control Manager
None

Executive Committee

Sara Perez asked Mike Brusa and Jerry Stratton about telephone call. Mr. Stratton stated that they have not had the telephone call yet, but it is scheduled for 11 am on May 24th.

JPA BUSINESS

Matching Safety Funds

Gary Metzler, Loss Control Manager gave an update on the Matching Safety Funds. Gary provided a memo that describes the Matching Safety Program and Gary informed the Committee that this item is also on the Board of Directors' agenda mostly as a reminder that there are still a lot of funds available. Only about 1/3 of the funds have been actually requested and encumbered. Gary stated that the JPA will go into the next fiscal year with another balance of several thousand dollars. To date, $43,448.49 has not been requested, and the funds do not carryover. The Committee did allow for a carryover once and then a policy was set to use or lose it. Gary stated the districts have a whole year to use their funds. Sara Perez stated that her district normally waits until the end of year to submit their request. Jerry Stratton stated that his district is working on their request.

MERMA JPA Staff - 2013-14 Benefits

Susan Adams stated that the Committee is probably aware that rates have gone up and the last time she was in the office it was brought to her attention. This is something that she has never really dealt with before, but Susan referred to the JPA Employee Handbook. The reason she referred to the handbook was because the JPA had heard that two units from MCOE were pulling from MCSIG. The MCOE Management team is staying with MCSIG. Susan informed the Committee that the employee handbook language states that the JPA will follow MCOE. So what does that mean? Does it mean that the JPA will have to pull from MCSIG? Apparently, the JPA is not a separate member of MCSIG. The JPA is under the MCOE umbrella. Melody Canady stated JPA should get to go to CVT as well. Susan stated that JPA did not know what to do so she called Garry Bousum but did not get an answer. Susan informed the Committee that MCSIG states that they consider the JPA part of management so the JPA would stay with MCSIG. Sara Perez stated that she thought the JPA followed MCOE in terms of the cap and benefit package. Susan stated that the insurance plans have changed. Susan stated that this needs to be clarified. The JPA should be a separate group and should establish a cap separately from MCOE. Melody stated that it makes you wonder, is the JPA a part of the management group or is the JPA part of the classified

MERMA JPA Staff – 2013-14 Benefits (continued)

group? Sara stated that at this point, the Committee should have the executive say as to whether the JPA is a separate group. Sara stated if the staff wants to stay with MCSIG they can, but again whatever cap was in effect for last year would continue unless the Committee decides otherwise. Susan stated the cap did not change from last year. Susan informed the Committee that staying with the MCOE cap would impact JPA staff greatly, especially the staff with family plan. Susan asked if the Committee would want to look at increasing the cap? Sara stated that this project was started with a sub-committee. Veronica Flournoy and Melody Canady were assigned to review the employee handbook and recommend language revisions to the Committee. Melody stated that they did not touch on the benefits portion of the handbook. Sara stated that the benefits were a concern with Veronica Flournoy but this issue was placed on the back burner because so much else was going on with JPA. Sara stated that at some point the Committee does need to revisit this issue. Melody stated that the language must be specific as to whether MERMA belongs under MCOE management or MCSIG. She stated that the Committee must try to decide where staff belongs. She stated that usually the Executive Director should handle this issue and Executive Director should consult and discuss with the Committee. Jerry Stratton stated the language following MCOE would be interrupted as cost coverage or level of benefits. Susan Adams stated that what needs to be clarified is the MERMA staff considered management or are they classified? Because MCOE classified employees have withdrawn from MCSIG. Mr. Stratton stated that he believes the intent was that the MERMA staff was grouped with classified at MCOE. If this is the case, they should have followed MCOE classified. Sara Perez stated that she did not recall this, not that it didn't happen; Mr. Stratton stated that there was discussion on this issue a couple of years ago. Sara stated that it probably wasn't as important back then as it is now. Sara stated that Sherrell Freeman feels that the MERMA staff is part of the MCOE management. Susan Adams informed the Committee that MCSIG's administrative manager informed Susan that the MERMA staff is considered management. Mike Brusa stated that the MERMA staff are not MCOE employees. Mike Brusa stated that the MERMA staff was connected more a long time ago with MCOE but the fact is that they are two different groups of employees so the language is really simply just about a convenience of what you do. The Committee needs to clarify that the MERMA staff is not connected with MCOE; MERMA is their own group. The Committee needs to determine whether they are classified or management; and then move forward and the other part of it is just the mechanical way of what the costs are and that's probably why the language was written that way because it was easier to figure out. Melody agreed with Mike, she stated because the MERMA staff did not have a vote of this. Sara asked the Committee if it was their intent to have the handbook language revised to clarify that MERMA is a separate group of employees and do they want to stay with the MCOE cap for now until the Committee decides what to do? Sara asked Susan Adams to come up with language that establishes MERMA as a separate group. Susan stated she thinks it will have to go one step further and working with MCSIG to let them know MERMA is a separate entity from MCOE. Susan will work with MCSIG to establish MERMA as a separate entity. Mike Brusa also stated that Susan look into whether the MERMA staff is considered classified or management. Sara stated there was no action except to provide language change in the handbook and direct Susan Adams to work with MCSIG to establish MERMA as a separate entity. Sara asked that the language in handbook be clarified and brought back to the Committee at the June meeting for approval.

2013-2014 Excess Workers' Compensation Renewal

The Executive Committee annually reviews the excess insurance renewal proposals as provided by Matt Gowan of Alliant Insurance Company. Matt determines if improvements can be made to limit coverage, premium and plans. Matt provided the Executive Committee with several options regarding the 2013-14 Excess Insurance Renewal. Matt stated that he is looking for direction from the Committee so that the information may be presented at the full board meeting following the Executive Committee meeting. Matt handed out a folder that will be provided to the full board. Matt stated that the workers' compensation market is hardening due to a number of things. One of the things is return investments. Insurance companies got to invest a little more when the market was soft, they were getting a 20%, and no one is getting that right now. Another thing is medical inflation; medical costs are going up significantly. Matt stated that many insurance companies are operating at a loss right now. They have tried to keep it flat during the slow economy for the past few years and they just can't do it anymore so insurance premiums are going up. Matt informed the Committee that he did a full bid this year which he does not do every year. In soft years the JPA has been with Star insurance which is through US Specialty. Matt informed the Committee that for quite a few years US Specialty has been very loyal to the JPA, but their rates are going up, maybe 10 to 25 % increase for renewal. Matt informed the Committee that Star Insurance came back with a 16% increase, with a $400,000 SIR. Matt stated if the JPA stayed with Star Insurance the JPA is looking at 16 percent increase, at a rate of $2.81. Matt also provided other insurance quotes to the Committee which were higher than Star Insurance. Matt informed the Committee that he was able to get quotes from CSAC (California State Association of Counties) Excess Insurance Authority this year. CSAC EIA is the largest JPA in California. Matt stated that CSAC EIA is a super JPA. Matt went into full detail explaining the CSAC EIA program to the Committee. Matt stated the quote with CSAC EIA is $400,000 exactly where the JPA is now, underwrote the JPA to a $.26 rate which is almost the same as the JPA's current rate. The JPA would keep the excess insurance at $400,000; discounted funding at the 70% confidence level is where the big increase occurred. Matt stated that he will remind the full board that mostly because the JPA decreased discount factor from 4 to 3%. Matt explained to the Committee that CSAC EIA coverage is statutory. Matt talked about options regarding the SIR. Matt looked at the full spectrum in regards to the SIR. In the information provided to the Committee, Matt explained the columns listing the SIR. $125,000 is the lowest SIR that CSAC EIA offers and it is the one that penciled out the best. Matt consulted with the JPA's actuary and asked the actuary to give the JPA actuarial funding at various levels and the actuarial funding at 70% confidence level is 6,259,000, at a $125,000 SIR, the rate is $.72, $2,340,000 which comes out at a billing rate of $2.655, which is significantly less than the $2.77. This saves the JPA about $370,000 overall on claims cost. It reduces the risk of catastrophic loss to $125,000 per claim. Matt informed the Committee that he asked Susan Adams to prepare a proposed 2013-14 budget at $125,000 SIR. Matt stated that this would be his recommendation to the full board, that they consider CSAC EIA with an SIR of $125,000. Sara Perez asked if going with an SIR of $125,000, would the premium be $2,340,000. Matt stated yes, the JPA would get to reduce the actuarial funding from $8,000,000 to $6,000,000. Sara asked if the JPA would actually be able to recoup this money. Matt stated yes, because he asked Bickmore Risk Insurance (actuary), to give actuarial funding at various levels from primary up to a million dollars and combined the actuarial funding, which the JPA has to budget and pay for in the rate at the various SIR levels. Matt stated he would inform the full board at their meeting, that the JPA is keeping the insurance rates relatively flat which is great news in a market that's hardened and the

JPA is increasing the

2013-2014 Excess Workers' Compensation Renewal (continued)

coverage to statutory which is good news and the JPA is saving money and the JPA is lowering the risk.

Matt also asked CSAC EIA to give the JPA a primary quote. The primary quote is a first dollar quote, they cover the claims from dollar one. You pay your money and you walk away but the JPA gets to maintain control of the claims, maintains economy as a JPA and maintains self insurance certificate, which is completely different if the JPA were to go with a full insurance company. If the JPA went with a full insurance company, the JPA would give up economy on the claims, and the JPA would give up its self insurance certificate. With CSAC EIA EIA's primary quote, MERMA is still a JPA, still make own decisions, CSAC EIA would be taking all the risks, transferring the risk. CSAC EIA gave the JPA a primary quote of $2.74, no funding because it is fully insured which gives the JPA a premium of $8,900,000. If JPA goes with the primary quote expenses and claims costs are all included in their quote, they unbundle their claims to one of five third party administrators. Matt estimated the JPA would unbundle new claims to a third party administrator, old claims could not be transferred right away, so Matt estimated 50% of staff cost which is approximately $400,000, expenses would be estimated at $50,000, their office equipment (computers, etc), their claims system, their bill review. Matt estimated that the ultimate cost would be 8.9 million which is slightly less than $125,000 quote, so he interviewed them about the JPA's unique situation, facility and staff that the JPA wants to maintain. Matt spoke with their third party administrator LWP, a professional company that administers claims in this area. This third party administrator handles claims for the city of Carmel and the Monterey Diocese. Third party administrator they would move their adjustors into the JPA office, they would interview JPA adjustors about transferring the adjustors they need to handle new claims. So whoever wants to handle new claims will have the opportunity to interview with them. The office would be maintained at the JPA office, but they would be employees of LWP. Matt stated that is an interesting concept for the Committee to discuss, this concept would modernize the JPA but then it creates other issues. Sara asked if the Committee were to consider going with the primary option, would the savings be $667,000 on the insurance renewal over Star Insurance? Matt stated yes. Sara asked if the JPA starts out with the $125,000 SIR and then has more time to consider the primary option and at some point the Committee wants to seriously consider the primary, would the JPA be able to switch to the primary option in the middle of year or would the Committee have to wait a whole year. Matt stated that if the JPA went with the Star Insurance, the JPA cannot leave early. Matt stated that with CSAC EIA, if the JPA joined at $125,000, the JPA could join at mid-term; say September 1 or January 1. Melody and Jerry stated that this is an interesting concept. Jerry Stratton stated it would reduce liability. Matt informed the Committee that CSAC EIA has some additional resource services the JPA can get. They have their own loss control services, return to work program, company nurse, they provide claims oversight so they would audit the JPA's claims auditor, online seminars, information sheets. They are big online training.

2013-2014 Excess Workers' Compensation Renewal (continued)

Matt stated that he did not think that a decision could be made on all these options today with the full board. In situations like this before, the full board authorizes the Executive Committee to make decision and report back to them. Matt recommends that the full Board authorize the Executive Committee to make the decision on the excess insurance renewal. The Executive Committee will ask for authorization from the full board at their meeting. No action taken, the Committee will wait for the direction of the full board.

2013-14 FY Budget

Susan Adams presented the proposed 2013-14 Budget to the Executive Committee for their review. Susan provided the Executive Committee with a graph showing them why their individual EMFs changed. Susan informed the Committee the Executive Director's salary and benefits had been deleted from the proposed budget. Susan informed the Committee that she increased the travel budget for 4 people to attend PARMA and CAJPA conferences. Susan included $12,000 for new computers and lap top, and included $5,000 for the disaster recovery program.

Matt stated that the full board needs to be reminded the JPA declared an offset of rate reduction of $1,732,000 in 2012, which was most of the JPA's excess funds but Matt stated the JPA is still in the black because the discount factor was lowered from 4 to 3%.

Veronica Flournoy asked if the proposed budget indicated an increase for administrative consultants since more duties are being provided by them. Executive Committee informed Veronica that discussion will be held on the following day via conference call. Veronica asked that it be noted that an additional fee will be added. Sara stated that it could be addressed by a budget increase later. Veronica Flournoy asked about the health & welfare and wanted to know if this is because the JPA staff is following MCOE? Sara informed Veronica that a discussion was held earlier regarding benefits. Sara informed Veronica that there will be some language revisions to the employee handbook. Veronica agreed because now MCOE, except for their management, is not a member of MCSIG, who is the JPA staff following, management or classified? Sara informed Veronica that Susan will be looking into establishing the JPA as a separate group.

After much discussion the Executive Committee approved the proposed Budget as presented and will recommend the proposed 2013-14 Budget with $125,000 S.I.R. to the Board of Directors for adoption.

MOTION: Veronica Flournoy **SECONDED:** Jerry Stratton **MOTION CARRIED**

CLOSING COMMENTS

None

ADJOURNMENT

Motion was made to adjourn the meeting at 2:55 p.m.

MOTION: Jerry Stratton **SECONDED:** Melody Canady **MOTION CARRIED**

UPCOMING MEETING

Next meeting will be held on Tuesday, June 25, 2013.

President/Vice President_____

Interim Management _____

Date _____

Agenda Item G.1.

FY 13/14 INTERIM STAFF MANAGEMENT

ACTION ITEM

ISSUE: On April 18, 2013 the MERMA EC reviewed various options for 'interim staff management' structure/services and determined it would be best to expand the current Alliant service agreement to provide this additional role. An Ad Hoc committee (Mike Brusa and Jerry Stratton) was appointed to provide future details and a recommendation at the June EC meeting.

The goal was to increase Alliant's time commitment and in-office time and to achieve specific tasks that were not part of the original Pool Administration Agreement. Alliant currently is involved in the Interim Management *Oversight* role. Alliant staff is committed to two 6 hour days twice a month, on a regular schedule. Effective July 1, 2014 Alliant is able to double this time in the office and be in Salinas almost every week. *(They may request some changes in the EC meeting dates to reduce travel and better allow for this additional commitment).* Their expanded role would include developing and managing much needed and overdue staff reviews as well as a number of issues that have been highlighted in Bold on the attached Scope. Attached to this Agenda Cover are two documents for EC Member review:

- **The (modified) *Scope of Service* Proposal.**
- **Second Amendment to Alliant Agreement.**

RECOMMENDATION: The Ad Hoc committee recommends the EC approve this amendment for the revised Scope of Work in the Agreement for FY 2013/14

FISCAL IMPACT: Currently, MERMA is contracted to pay Alliant $4,100 a month ($49,200 for FY 13/14) plus two, $5,000 scheduled bonus payments in July of both 2013 and 2014. The additional proposed services under the Amended Agreement incorporate the 'Bonus' tasks from the original contract. As a result the combined cost of the new contract is $105,000 for FY 13/14; this is $8,750 a month.

BACKGROUND: The Ad Hoc Committee conducted a series of negotiations with Alliant. The first step involved clearly identifying the additional items and detailing the Scope so that clear objectives could be achieved.

The second step involved reviewing the additional hours committed to the service level. During this process, Alliant realized that an overlap existed with the 'Bonus Tasks' previously listed; it was determined that it would be best to tie those items into the Amendment for clarity. The Ad Hoc committee has thoroughly reviewed these hours and rates with Alliant and agrees that they are reasonable and appropriate for the additional tasks being, provided as reflected in the attached scope of work. Legal is reviewing indemnity language to be included in the amendment for EC approval at the meeting on June 25th.

The issue of Professional Liability exposures is being considered; Alliant carries both E&O and EPL insurance but, if acting in this role they will need MERMA to indemnify and defend them involving employment actions that may arise (except of course for their sole negligence). This is presently being addressed with MERMA and Alliant legal counsel. The Amendment has ***draft*** language that is still being discussed with them, and a revision will be presented to the EC at the meeting.

Effective April, 2013 Alliant committed to an increase of time at the MERMA office adding two days, every other week of on-site service on a senior pool administrator on a regular schedule. Susan's time commitment creates increased staff and Member in-person access. Her physical presence in MERMA's office currently has been increased approximately 6 hours both Mondays and Tuesday every other week; while there she would be 1) working on MERMA administrative items, 2) meeting with MERMA staff and 3) working as needed on MERMA projects *(but not exclusively).*

ATTACHMENT:

1. The (modified) ***Scope of Service*** Proposal.

2. SECOND AMENDMENT TO THE POOL ADMINISTRATION AND CONSULTING SERVICES AGREEMENT

Addendum D

Scope of Services

A. "IAS": Assume management responsibility for services of the JPA, including personal, claims administration, loss control, and finance.

B. "CS": Plans, directs and oversees the activities of the JPA's programs.

C. "IAS": Manages the development and implementation of the JPA's goals and objectives, strategic plan, policies and regulations, procedures and priorities.

D. "CS": Works with Staff and the Board on proper policies and procedure in order for MERMA to be CAJPA accredited. This will include Pre-Accreditation Gap Analysis which is the work involved preparing the CLIENT for CAJPA Accreditation, insuring that all systems are in place within the organization. Whether or not MERMA chooses to proceed with CAJPA Accreditation, the "Gap Analysis" presents written insight into the JPA and allows for incremental improvements during the following year(s). POOL CONSULTANT with staff will prepare accreditation Scope of Work timeline, work completed and timeline for completion. POOL CONSULTANT will review with Executive Committee decision to proceed with accreditation and work with CAJPA accreditation committee as directed by the Executive Committee. This will also include creating a Target Equity Policy which involves approving various equity goals and measuring progress toward this goal or target. The purpose is to create a measurement of your organization's success compared with other similar organizations, create a developing window into how your organization changes over time. This also will give the CLIENT a process to measure dividend potential. POOL CONSULTANT will prepare target equity worksheets and present to both the Executive Committee and Board They will also work with Executive Committee to develop a JPA policy and procedure for return of dividend to members as appropriate.

E. "CS": Analyze loss data and directs the development of strategies for reducing losses within each member district through oversight of Loss Control staff.

F. "IAS": Establish, within Board policy, appropriate staffing and service levels requirements; monitors and evaluates the efficiency and effectiveness of all service delivery methods and procedures.

G. "IAS": Assess and monitor the workload of all staff, systems, and internal reporting relationships; identify opportunities for improvements in service, direct and implement changes as necessary and appropriate.

H. "CS": Prepare the JPA Annual Operating budget, with oversight from the accountant, outlining significant changes in the budget, options and recommendations Executive Committee and Board for approval.

I. "CS": Approve major purchases within the JPA's annual budget with authority as agreed by the EC.

J. **"CS**": Procures and maintain all insurance policies necessary for the protection of the JPA's financial assets, as well as JPA personnel's Health and Welfare coverage.

K. **"CS**": Negotiates and makes recommendations to the Executive Committee on all contracts necessary for the efficient operation of the JPA, except our own.

L. **"IAS":** Evaluates the agencies and personnel contracted by the JPA. This will include reviewing services of accountant, actuary and auditor for pricing, process and quality of work. Will review with and make recommendation to Executive Committee and manage the RFP process for actuary service, accounting service and JPA auditor as needed.

M. **"CS**": Consults with legal counsel.

N. **"CS**": Direct the preparation of agendas, reviews minutes and oversees all other mailings for JPA members for accuracy and completeness.

O. **"CS**": Prepares MERMA reports, when required, for review by the Executive Committee.

P. **"CS**": Attends all Executive and general meetings of the JPA.

Q. **"CS**": Serves as a resource to all committees and sub-committees of the JPA.

R. **"IAS":** Investigates and works to resolve difficult and sensitive inquiries and complaints related to all programs and services administered by the JPA.

S. **"CS**": Keeps appropriate school district personnel and management advised of pertinent claims-related information as required.

T. **"IAS":** Increase MERMA staff and/or Management's time meetings with Member districts, on average, a minimum of one visit per year in addition to historic Loss Control and previous Claims Reviews.

U. **"IAS":** In coordination with services necessary of the Coach/Trainer, review and improve job descriptions for all employees to ensure consistent approach to the specific positions. Selects, trains, motivates JPA personnel and provides orientation for newly hired JPA personnel.

V. **"IAS":** Develop an appropriate Review Process and provide all employees with an annual review; documenting improvement standard to be timely achieved, and managing corrective actions as necessary.

W. **"CS**": Evaluate and implement processes and procedures which would allow the JPA to operate effectively and efficiently with its members. This includes creating a JPA Administration Calendar which documents the CLIENT workflow to assure that all time sensitive projects are achieved efficiently and essential work is not missed or repeated. It encompasses utilizing the workflow repetitively so the organization can better anticipate change and respond timely. It also assists with the smooth transfer of administration duties.

POOL CONSULTANT will develop with staff and the Executive Committee a Program Administration Calendar. Thereafter, the calendar will be updated and presented quarterly.

X. **"CS**": Reviews effectiveness of claims computer data base. Works with JPA staff to produce proper reports.

Y. **"CS**": Attends and participates in professional associations to ensure current knowledge of trends and innovations in the field of self-administration of workers' compensation, loss control and other related issues.

Z. **"IAS":** Act as the key spokesperson for the JPA to members, governing boards and industry contacts.

AA. **"CS**": Oversee administrative function(s) necessary to assist the Executive Committee and/or governing board in the ongoing operation of the JPA.

BB. **"CS**": Develop a format and implement a JPA Program Manual that can be used as a long-term tool by members, staff and governing bodies.

CC. **"CS**": Oversee the preparation of an 'Annual Report' for distribution to members.

DD. **"CS**": Create a Memorandum of Coverage to evidence coverage for members for MERMA's retained layer.

EE. **"CS**": Provide senior level support to MERMA's Financial Auditors and Accountant, as required; work with these firms on an ongoing basis to achieve improved reporting.

FF. **"CS**": Work with staff to develop and utilize underwriting guidelines and standards for prospective new members.

GG. Provide information to Actuary for preparation of Experience Modifications, funding rates and OBEP reports; develop protocols to effectively communicate this information to members for useful application.

HH. **"CS**": Review actuarial reports including Experience Modification report generated annually and JPA financial reports to recommend funding to Executive Committee and Board. Work with Actuaries and other service providers to prepare comprehensive reports that are presented effectively to the EC and Board.

II. **"CS**": Assess and recommend improvements to the MERMA website such as JPA documents, Member Contact information, financial information, calendar, etc. Find avenues for members' increased use of these communication tools.

JJ. **"IAS":** Solutions Conversion - This task involves both the move to a long-term management structure along with the development of the timeline to achieve the best solution. Solutions Conversion encompasses all of the Deliverables to prepare the CLIENT for a permanent solution. POOL CONSULTANT will prepare a State of the JPA report and make recommendations for ongoing pool management.

Addendum E

Annual Fee

Compensation

A. **Annual Fee.** During the TERM of this AGREEMENT Amendment the monthly FEE will be according to the following:

1. The Annual FEE $105,000 will be paid until July 1, 2014, unless this AGREEMENT is earlier terminated.

2. If this AGREEMENT is extended (see Section XIII, TERM), the annual FEE may be negotiated with the CLIENT and adjusted as approved by the Board.

B. **Payment.** All FEES are paid quarterly, in advance. For the purposes of this AGREEMENT the payment plan would be as follows:

1.	July 1, 2013:	$26,250
2.	October 1, 2013	$26,250
3.	January 1, 2013	$26,250
4.	April 1, 2013:	$26,250

SECOND AMENDMENT TO THE
POOL ADMINISTRATION AND CONSULTING SERVICES AGREEMENT

This Second Amendment to the Pool Administration and Consulting Services Agreement (this "Amendment") is made and entered into on the 26th day of June, 2013, by and between MONTEREY EDUCATIONAL RISK MANAGEMENT AUTHORITY ("Client") and ALLIANT INSURANCE SERVICES, INC. ("Pool Consultant" and, together with Client, the "Parties", and each, a "Party"). This Amendment is entered into with reference to the following facts and circumstances:

Recitals

WHEREAS, Client and Pool Consultant have entered into a Pool Administration and Consulting Services Agreement, dated December 1, 2012, as amended by an Amendment to the Pool Administration and Consulting Services Agreement dated March 1, 2013 (collectively, the "Agreement"); and

WHEREAS, Client and Pool Consultant desire to amend the Agreement such that Pool Consultant will provide certain consulting and interim administration services to Client on the terms and subject to the conditions set forth herein;

NOW, THEREFORE, in consideration of the premises set forth above and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

Agreement

1. Definitions. Capitalized terms used and not defined in this Amendment, including in the addendum attached hereto, have the respective meanings assigned to them in the Agreement.

2. Amendments to the Agreement. As of the Effective Date (defined below), the Agreement is hereby amended or modified as follows:

(a) The definition of "SERVICE" now appearing in Section III of the Agreement is hereby amended in its entirety to read as follows:

> "**SERVICE**" or "**SERVICES**" has the meaning given such term in Section IV of this AGREEMENT.

(b) Section IV of the Agreement is hereby amended to read in full as follows:

IV. SCOPE OF SERVICE

POOL CONSULTANT agrees to provide the services described in Addendum D (the "SERVICES") attached to the Second Amendment to the Pool Administration and Consulting Services Agreement dated June 26, 2013 (the "SECOND AMENDMENT"), which services shall commence on the Effective Date as defined therein and include Consulting Services ("CONSULTING SERVICES") along with additional Interim Administration Services ("INTERIM ADMINISTRATION SERVICES"), both described in Addendum D. [These two service commitments are coded either **"CS**" or **"IAS"** to properly reference their purpose.]

(c) Section V of the Agreement is hereby amended to read in full as follows:

V. ADDITIONAL SERVICES

Addendum C, listing the ***Solutions Deliverables*** that were outlined in the POOL CONSULTANT'S Proposal is deleted along with the referenced **BONUSES** to be paid. Both these are incorporated into the new Scope of Work.

The ***Solutions Deliverables*** and other Task may be expanded or amended to better meet the CLIENT's needs during the term of this AGREEMENT by mutual consent.

(d) Section VI.A of the Agreement is hereby amended to read in full as follows:

A. Annual Fee. CLIENT shall pay POOL CONSULTANT a FEE, a BONUS and other compensation as set forth in Addendum E attached to the SECOND AMENDMENT.

(e) *Section XVIII of the Agreement is hereby amended by inserting at the end of such Section the following paragraph:*

Additionally, CLIENT shall indemnify, hold harmless, and defend POOL CONSULTANT and its officers, directors, employees, agents, affiliates, successors and permitted assigns (collectively, "INDEMNIFIED PARTY") against any and all losses, damages, liabilities, deficiencies, claims, actions, judgments, settlements, interest, awards, penalties, fines, costs, or expenses of whatever kind, including attorneys' fees, that are incurred by INDEMNIFIED PARTY, (a) to the extent that CLIENT would be required to defend and

indemnify an employee pursuant to California Government Code sections 995 et seq. and (b) arising out of any third-party claim (including, but not limited to, any claim relating to unfair labor practices, employment discrimination, harassment, retaliation, equal pay, wage and hours or any other employment related matter arising under applicable laws) alleging:

(i) any negligent or more culpable act or omission of INDEMNIFIED PARTY or its personnel (including any reckless or willful misconduct) in connection with the performance of the INTERIM ADMINISTRATION SERVICES; or

(ii) any bodily injury, death of any person or damage to real or tangible personal property caused by the negligent or more culpable acts or omissions of INDEMNIFIED PARTY or its personnel (including any reckless or willful misconduct) in connection with the performance of the INTERIM ADMINISTRATION SERVICES; or

(iii) any failure by INDEMNIFIED PARTY to comply with any applicable federal, state or local laws, regulations or codes in the performance of the INTERIM ADMINISTRATION SERVICES.

The rights of POOL CONSULTANT to be indemnified, held harmless, and defended by CLIENT, and the obligations of CLIENT to indemnify, hold harmless, and defend POOL CONSULTANT, as set forth above will survive any termination or expiration of this AGREEMENT.

3. Date of Effectiveness; Limited Effect. This Amendment will become effective on the date first written above (the "Effective Date"). Except as expressly provided in this Amendment, all of the terms and provisions of the Agreement are and will remain in full force and effect and are hereby ratified and confirmed by the Parties. Without limiting the generality of the foregoing, the amendments contained herein will not be construed as an amendment to or waiver of any other provision of the Agreement or as a waiver of or consent to any further or future action on the part of either Party that would require the waiver or consent of the other Party. On and after the Effective Date, each reference in the Agreement to "this AGREEMENT," "the AGREEMENT," "hereunder," "hereof," "herein" or words of like import, will mean and be a reference to the Agreement as amended by this Amendment.

4. Representations and Warranties. Each Party hereby represents and warrants to the other Party that:

(a) It has the full right, power and authority to enter into this Amendment and to perform its obligations hereunder and under the Agreement as amended by this Amendment.

(b) The execution of this Amendment by the individual whose signature is set forth at the end of this Amendment on behalf of such Party, and the delivery of this Amendment by such Party, have been duly authorized by all necessary action on the part of such Party.

(c) This Amendment has been executed and delivered by such Party and (assuming due authorization, execution and delivery by the other Party hereto) constitutes the legal, valid and binding obligation of such Party, enforceable against such Party in accordance with its terms.

Except for the express representations and warranties set forth in the Agreement and in this Section 4 of this Amendment, (i) neither Party hereto nor any person on such Party's behalf has made or makes any express or implied representation or warranty whatsoever, either oral or written, whether arising by law, course of dealing, course of performance, usage of trade or otherwise, all of which are expressly disclaimed, and (ii) each Party hereto acknowledges that it has not relied upon any representation or warranty made by the other Party, or any other person on such other Party's behalf, except as specifically provided in this Section 4.

5. Miscellaneous.

(a) This Amendment is governed by, and construed in accordance with, the laws of the State of California, without regard to the conflict of laws provisions of such State.

(b) This Amendment shall inure to the benefit of and be binding upon each of the Parties and each of their respective successors and assigns.

(c) The headings in this Amendment are for reference only and do not affect the interpretation of this Amendment.

(d) This Amendment may be executed in counterparts, each of which is deemed an original, but all of which constitutes one and the same agreement. Delivery of an executed counterpart of this Amendment electronically or by facsimile shall be effective as delivery of an original executed counterpart of this Amendment.

(e) This Amendment constitutes the sole and entire agreement of the Parties with respect to the subject matter contained herein, and supersedes all prior and contemporaneous understandings, agreements, representations and warranties, both written and oral, with respect to such subject matter.

(Signatures on next page)

(Signature page to Second Amendment)

IN WITNESS WHEREOF, the Parties have executed this Amendment as of the date first written above.

Client:

MONTEREY EDUCATIONAL RISK MANAGEMENT AUTHORITY

By: _____
Sara Perez, President

Pool Consultant:

ALLIANT INSURANCE SERVICES, INC.

By: _____
Michael Simmons, Vice Chairman – Public Entities

2013/2014 EXCESS WORKERS' COMPENSATION RENEWAL

ACTION ITEM

ITEM: Matt Gowan from Alliant will update the Executive Committee on the Excess Workers' Compensation renewal with CSAC EIA effective July 1, 2013. The Committee should review, approve and recommend execution of CSAC EIA documents included.

RECOMMENDATION: JPA Consultant recommends the Committee approve the attached documents and authorize President Sara Perez to executes the attached documents.

FISCAL IMPACT: None

BACKGROUND: The Board of Directors on June 12, 2013, approved renewing the Excess Workers' Compensation coverage effective July 1, 2013 with CSAC EIA at a $125,000 SIR. CSAC EIA is a Joint Powers Authority. Attached are two documents that require the signature of the President Sara Perez.

ATTACHMENTS:

1. CSAC EIA Joint Powers Agreement
2. CSAC EIA Excess Workers' Compensation Memorandum of Understanding

Adopted: October 5, 1979
Amended: May 12, 1980
Amended: January 23, 1987
Amended: October 7, 1988
Amended: March 1993
Amended: November 18, 1996
Amended: October 4, 2005
Amended: February 28, 2006

JOINT POWERS AGREEMENT
CREATING THE CSAC EXCESS INSURANCE AUTHORITY

This Agreement is executed in the State of California by and among those counties and public entities organized and existing under the Constitution of the State of California which are parties signatory to this Agreement. The CSAC Excess Insurance Authority was formed under the sponsorship of CSAC. All such counties, hereinafter called member counties, and public entities, hereinafter called member public entities, [collectively "members"] shall be listed in Appendix A, which shall be attached hereto and made a part hereof.

RECITALS

WHEREAS, Article 1, Chapter 5, Division 7, Title 1 of the California Government Code (Section 6500 et seq.) permits two or more public agencies by agreement to exercise jointly powers common to the contracting parties; and

WHEREAS, Article 16, Section 6 of the California Constitution provides that insurance pooling arrangements under joint exercise of power agreements shall not be considered the giving or lending of credit as prohibited therein; and

WHEREAS, California Government Code Section 990.4 provides that a local public entity may self-insure, purchase insurance through an authorized carrier, or purchase insurance through a surplus line broker, or any combination of these; and

WHEREAS, pursuant to California Government Code Section 990.6, the cost of insurance provided by a local public entity is a proper charge against the local public entity; and

WHEREAS, California Government Code Section 990.8 provides that two or more local entities may, by a joint powers agreement, provide insurance for any purpose by any one or more of the methods specified in Government Code Section 990.4 and such pooling of self-insured claims or losses is not considered insurance nor subject to regulation under the Insurance Code; and

WHEREAS, the counties and public entities executing this Agreement desire to join together for the purpose of jointly funding and/or establishing excess and other insurance programs as determined;

NOW THEREFORE, the parties agree as follows:

ARTICLE 1
DEFINITIONS

"CSAC" shall mean the County Supervisors Association of California, dba California State Association of Counties.

"Authority" shall mean the CSAC Excess Insurance Authority created by this Agreement.

"Board of Directors" or **"Board"** shall mean the governing body of the Authority.

"Claim" shall mean a claim made against a member arising out of an occurrence which is covered by an excess or primary insurance program of the Authority in which the member is a participant.

"Executive Committee" shall mean the Executive Committee of the Board of Directors of the Authority.

"Fiscal year" shall mean that period of twelve months which is established by the Board of Directors as the fiscal year of the Authority.

"Government Code" shall mean the California Government Code.

"Insurance program" or **"program"** shall mean a program of the Authority under which participating members are protected against designated losses, either through joint purchase of primary or excess insurance, pooling of self-insured claims or losses, purchased insurance or any other combination as determined by the Board. The Board of Directors or the Executive Committee may determine applicable criteria for determining eligibility in any insurance program, as well as establishing program policies and procedures.

"Joint powers law" shall mean Article 1, Chapter 5, Division 7, Title 1 (commencing with Section 6500) of the Government Code.

"Loss" shall mean a liability or potential liability of a member, including litigation expenses, attorneys' fees and other costs, which is covered by an insurance program of the Authority in which the member is a participant.

"Member county" shall mean any county which, through the membership of its supervisors in CSAC, has executed this Agreement and become a member of the Authority. "Member county" shall also include those entities or other bodies set forth in Article 3 (c).

"Member Public Entity" shall mean any California public entity which does not maintain a membership in CSAC, has executed this Agreement and become a member of the Authority, "Member Public Entity" shall also include those entities or other bodies set forth in Article 3(c).

"Occurrence" shall mean an event which is more fully defined in the memorandums of coverage and/or policies of an insurance program in which the participating county or participating public entity is a member.

"Participating county" shall mean any member county which has entered into a program offered by the Authority pursuant to Article 14 of this Agreement and has not withdrawn or been canceled therefrom pursuant to Articles 20 or 21.

"**Participating public entity**" shall mean any member public entity which has entered into a program offered by the Authority pursuant to Article 14 of this Agreement and has not withdrawn or been canceled therefrom pursuant to Articles 20 or 21.

"Self-insured retention" shall mean that portion of a loss resulting from an occurrence experienced by a member which is retained as a liability or potential liability of the member and is not subject to payment by the Authority.

"Reinsurance" shall mean insurance purchased by the Authority as part of an insurance program to cover that portion of any loss which exceeds the joint funding capacity of that program.

ARTICLE 2
PURPOSES

This Agreement is entered into by the member counties and member public entities in order to jointly develop and fund insurance programs as determined. Such programs may include, but are not limited to, the creation of joint insurance funds, including primary and excess insurance funds, the pooling of self-insured claims and losses, purchased insurance, including reinsurance, and the provision of necessary administrative services. Such administrative services may include, but shall not be limited to, risk management consulting, loss prevention and control, centralized loss reporting, actuarial consulting, claims adjusting, and legal defense services.

ARTICLE 3
PARTIES TO AGREEMENT

(a) There shall be two classes of membership of the parties pursuant to this Agreement consisting of one class designated as Member Counties and another class designated as Member Public Entities.

(b) Each member county and member public entity, as a party to this Agreement, certifies that it intends to and does contract with all other members as parties to this Agreement and, with such other members as may later be added as parties to this Agreement pursuant to Article 19 as to all programs of which it is a participating member. Each member also certifies that the removal of any party from this Agreement, pursuant to Articles 20 or 21, shall not affect this Agreement or the member's obligations hereunder.

(c) A member for purposes of providing insurance coverage under any program of the Authority, may contract on behalf of, and shall be deemed to include:

Any public entity as defined in Government Code § 811.2 which the member requests to be added and from the time that such request is approved by the Executive Committee of the Authority.

Any nonprofit entity, including a nonprofit public benefit corporation formed pursuant to Corporations Code §§ 5111, 5120 and, 5065, which the member requests to be added and from the time that such request is approved by the Executive Committee.

(d) Any public entity or nonprofit so added shall be subject to and included under the member's SIR or deductible, and when so added, may be subject to such other terms and conditions as determined by the Executive Committee.

(e) Such public entity or nonprofit shall not be considered a separate party to this Agreement. Any public entity or nonprofit so added, shall not affect the member's representation on the Board of Directors and shall be considered part of and represented by the member for all purposes under this Agreement.

(f) The Executive Committee shall establish guidelines for approval of any public entity or nonprofit so added in accordance with Article 3(c) and (d).

(g) Should any conflict arise between the provisions of this Article and any applicable Memorandum of Coverage or other document evidencing coverage, such Memorandum of Coverage or other document evidencing coverage shall prevail.

ARTICLE 4
TERM

This Agreement shall continue in effect until terminated as provided herein.

ARTICLE 5
CREATION OF THE AUTHORITY

Pursuant to the joint powers law, there is hereby created a public entity separate and apart from the parties hereto, to be known as the CSAC Excess Insurance Authority, with such powers as are hereinafter set forth.

ARTICLE 6
POWERS OF THE AUTHORITY

The Authority shall have all of the powers common to General Law counties in California, such as Alpine County and all additional powers set forth in the joint powers law, and is hereby authorized to do all acts necessary for the exercise of said powers. Such powers include, but are not limited to, the following:

(a) To make and enter into contracts.

(b) To incur debts, liabilities, and obligations.

(c) To acquire, hold, or dispose of property, contributions and donations of property, funds, services, and other forms of assistance from persons, firms, corporations, and government entities.

(d) To sue and be sued in its own name, and to settle any claim against it.

(e) To receive and use contributions and advances from members as provided in Government Code Section 6504, including contributions or advances of personnel, equipment, or property.

(f) To invest any money in its treasury that is not required for its immediate necessities, pursuant to Government Code Section 6509.5.

(g) To carry out all provisions of this Agreement.

Said powers shall be exercised pursuant to the terms hereof and in the manner provided by law.

ARTICLE 7
BOARD OF DIRECTORS

The Authority shall be governed by the Board of Directors, which shall be composed as follows:

a) One director from each member county, appointed by the member county board of supervisors and serving at the pleasure of that body. Each member county board of supervisors shall also appoint an alternate director who shall have the authority to attend, participate in and vote at any meeting of the Board when the director is absent. A director or alternate director shall be a county supervisor, other county official, or staff person of the member county, and upon termination of office or employment with the county, shall automatically terminate membership or alternate membership on the Board.

b) Ten directors consisting of seven directors and three alternate directors chosen in the manner specified in the Bylaws from those participating as public entity members. A director or alternate public entity director shall be an official, or staff person of the public entity member, and upon termination of office or employment with the public entity, shall automatically terminate membership or alternate membership on the Board.

c) Member county directors shall consist of a minimum of 80% of the eligible voting members on the Board. The public entity member directors shall be reduced accordingly to ensure at least 80% of the Board consists of county director members (By way of example, if the number of county members is reduced from the current 54 by member withdrawals to a level of 28, then county members would be at the 80% level, 28/35. If the county members go to 27, then the public entity members would lose one seat and would only have 6 votes).

Any vacancy in a county director or alternate director position shall be filled by the appointing county's board of supervisors, subject to the Provisions of this Article. Any vacancy in a public entity director position shall be filled by vote of the public entity members.

A majority of the membership of the Board shall constitute a quorum for the transaction of business. Each member of the Board shall have one vote. Except as otherwise provided in this Agreement or any other duly executed agreement of the members, all actions of the Board shall require the affirmative vote of a majority of the members; provided, that any action which is restricted in effect to one of the Authority's insurance programs, shall require the affirmative vote of a majority of those Board members who represent counties and public entities participating in that program. For purposes of an insurance program vote, to the extent there are public entity members participating in a program, the public entity Board members as a whole shall have a minimum of one vote. The public entity Board members may in no event cast more votes than would constitute 20% of the number of total county members in that program (subject to the one vote minimum). Should the number of public entity Board votes authorized herein be less than the number of public entity Board members at a duly noticed meeting, the public entity Board members shall decide among themselves which Board member shall vote. Should they be unable to decide, the President of the Authority shall determine which director(s) shall vote.

ARTICLE 8
POWERS OF THE BOARD OF DIRECTORS

The Board of Directors shall have the following powers and functions:

(a) The Board shall exercise all powers and conduct all business of the Authority, either directly or by delegation to other bodies or persons unless otherwise prohibited by this Agreement, or any other duly executed agreement of the members or by law.

(b) The Board of Directors may adopt such resolutions as deemed necessary in the exercise of those powers and duties set forth herein.

(c) The Board shall form an Executive Committee, as provided in Article 11. The Board may delegate to the Executive Committee and the Executive Committee may discharge any powers or duties of the Board except adoption of the Authority's annual budget. The powers and duties so delegated shall be specified in resolutions adopted by the Board.

(d) The Board may form, as provided in Article 12, such other committees as it deems appropriate to conduct the business of the Authority. The membership of any such other committee may consist in whole or in part of persons who are not members of the Board; provided that the Board may delegate its powers and duties only to a committee of the Board composed of a majority of Board members and/or alternate members. Any committee which is not composed of a majority of Board members and/or alternate members may function only in an advisory capacity.

(e) The Board shall elect the officers of the Authority and shall appoint or employ necessary staff in accordance with Article 13.

(f) The Board shall cause to be prepared, and shall review, modify as necessary, and adopt the annual operating budget of the Authority. Adoption of the budget may not be delegated.

(g) The Board shall develop, or cause to be developed, and shall review, modify as necessary, and adopt each insurance program of the Authority, including all provisions for reinsurance and administrative services necessary to carry out such program.

(h) The Board, directly or through the Executive Committee, shall provide for necessary services to the Authority and to members, by contract or otherwise, which may include, but shall not be limited to, risk management consulting, loss prevention and control, centralized loss reporting, actuarial consulting, claims adjusting, and legal services.

(i) The Board shall provide general supervision and policy direction to the Chief Executive Officer.

(j) The Board shall receive and act upon reports of the committees and the Chief Executive Officer.

(k) The Board shall act upon each claim involving liability of the Authority, directly or by delegation of authority to the Executive Committee or other committee, body or person, provided, that the Board shall establish monetary limits upon any delegation of claims settlement authority, beyond which a proposed settlement must be referred to the Board for approval.

(l) The Board may require that the Authority review, audit, report upon, and make recommendations with regard to the safety or claims administration functions of any member, insofar as those functions affect the liability or potential liability of the Authority. The Board may forward any or all such recommendations to the member with a request for compliance and a statement of potential consequences for noncompliance.

(m) The Board shall receive, review and act upon periodic reports and audits of the funds of the Authority, as required under Articles 15 and 16 of this Agreement.

(n) The Board may, upon consultation with a casualty actuary, declare that any funds established for any program has a surplus of funds and determine a formula to return such surplus to the participating counties and participating public entities which have contributed to such fund.

(o) The Board shall have such other powers and duties as are reasonably necessary to carry out the purposes of the Authority.

ARTICLE 9
MEETINGS OF THE BOARD OF DIRECTORS

(a) The Board shall hold at least one regular meeting each year and shall provide for such other regular meetings and for such special meetings as it deems necessary.

(b) The Chief Executive Officer of the Authority shall provide for the keeping of minutes of regular and special meetings of the Board, and shall provide a copy of the minutes to each member of the Board at the next scheduled meeting.

(c) All meetings of the Board, the Executive Committee and such committees as established by the Board pursuant to Article 12 herein, shall be called, noticed, held and conducted in accordance with the provisions of Government Code Section 54950 et seq.

ARTICLE 10
OFFICERS

The Board of Directors shall elect from its membership a President and Vice President of the Board, to serve for one-year terms.

The President, or in his or her absence, the Vice President, shall preside at and conduct all meetings of the Board and shall chair the Executive Committee.

ARTICLE 11
EXECUTIVE COMMITTEE

The Board of Directors shall establish an Executive Committee of the Board which shall consist of eleven members: the President and Vice President of the Board, and nine members elected by the Board from its membership.

The terms of office of the nine non-officer members shall be as provided in the Bylaws of the Authority.

The Executive Committee shall conduct the business of the Authority between meetings of the Board, exercising all those powers as provided for in Article 8, or as otherwise delegated to it by the Board.

ARTICLE 12
COMMITTEES

The Board of Directors may establish committees, as it deems appropriate to conduct the business of the Authority. Members of the committees shall be appointed by the Board, to serve two year terms, subject to reappointment by the Board. The members of each committee shall annually select one of their members to chair the Committee.

Each committee shall be composed of at least five members and shall have those duties as determined by the Board, or as otherwise set forth in the Bylaws.

Each committee shall meet on the call of its chair, and shall report to the Executive Committee and the Board as directed by the Board.

ARTICLE 13
STAFF

(a) **Principal Staff.** The following staff members shall be appointed by and serve at the pleasure of the Board of Directors:

(1) **Chief Executive Officer.** The Chief Executive Officer shall administer the business and activities of the Authority, subject to the general supervision and policy direction of the Board of Directors and Executive Committee; shall be responsible for all minutes, notices and records of the Authority and shall perform such other duties as are assigned by the Board and Executive Committee.

(2) **Treasurer.** The duties of the Treasurer are set forth in Article 16 of this Agreement. Pursuant to Government Code Section 6505.5, the Treasurer shall be the county treasurer of a member county of the Authority, or, pursuant to Government Code Section 6505.6, the Board may appoint one of its officers or employees to the position of Treasurer, who shall comply with the provisions of Government Code Section 6505.5 (a-d).

(3) **Auditor.** The Auditor shall draw warrants to pay demands against the Authority when approved by the Treasurer. Pursuant to Government Code Section 6505.5, the Auditor shall be the Auditor of the county from which the Treasurer is appointed by the Board under (2) above, or, pursuant to Government Code Section 6505.6, the Board may appoint one of its officers or employees to the position of Auditor, who shall comply with the provisions of Government Code Section 6505.5 (a-d).

(b) **Charges for Treasurer and Auditor Services.** Pursuant to Government Code Section 6505, the charges to the Authority for the services of Treasurer and Auditor shall be determined by the board of supervisors of the member county from which such staff members are appointed.

(c) **Other Staff.** The Board, Executive Committee or Chief Executive Officer shall provide for the appointment of such other staff as may be necessary for the administration of the Authority.

ARTICLE 14
DEVELOPMENT, FUNDING AND IMPLEMENTATION OF INSURANCE PROGRAMS

(a) **Program Coverage.** Insurance programs of the Authority may provide coverage, including excess insurance coverage for:

(1) Workers' compensation;

(2) Comprehensive liability, including but not limited to general, personal injury, contractual, public officials errors and omissions, and incidental malpractice liability;

(3) Comprehensive automobile liability;

(4) Hospital malpractice liability;

(5) Property and related programs;

and may provide any other coverages authorized by the Board of Directors. The Board shall determine, for each such program, a minimum number of participants required for program implementation and may develop specific program coverages requiring detailed agreements for implementation of the above programs.

(b) **Program and Authority Funding.** The members developing or participating in an insurance program shall fund all costs of that program, including administrative costs, as hereinafter provided. Costs of staffing and supporting the Authority, hereinafter called Authority general expenses, shall be equitably allocated among the various programs by the Board, and shall be funded by the members developing or participating in such programs in accordance with such allocations, as hereinafter provided. In addition, the Board may, in its discretion, allocate a share of such Authority general expense to those members which are not developing or participating in any program, and require those counties and public entities to fund such share through a prescribed charge.

(1) **Development Charge.** Development costs of an insurance program shall be funded by a development charge, as established by the Board of Directors. The development charge shall be paid by each participant in the program following the program's adoption by the Board. Development costs are those costs actually incurred by the Authority in developing a program for review and adoption by the Board of Directors, including but not limited to: research, feasibility studies, information and liaison work among participants, preparation and review of documents, and actuarial and risk management consulting services. The development charge may also include a share of Authority general expenses, as allocated to the program development function.

The development charge shall be billed by the Authority to all participants in the program upon establishment of the program and shall be payable in accordance with the Authority's invoice and payment policy.

Upon the conclusion of program development: any deficiency in development funds shall be billed to all participants which have paid the development charge, on a pro-rata or other equitable basis, as determined by the Board; any surplus in such funds shall be transferred into the Authority's general expense funds.

(2) **Annual Premium.** Except as provided in (3) below, all post-development costs of an insurance program shall be funded by annual premiums charged to the members participating in the program each policy year, and by interest earnings on the funds so accumulated. Such premiums shall be determined by the Board of Directors upon the basis of a cost allocation plan and rating formula developed by the Authority with the assistance of a casualty actuary, risk management consultant, or other qualified person. The premium for each participating member shall include that participant's share of expected program losses including a margin for contingencies as determined by the Board, program reinsurance costs, and program administrative costs for the year, plus that participant's share of Authority general expense allocated to the program by the Board.

(3) **Premium Surcharge**

(i) If the Authority experiences an unusually large number of losses under a program during a policy year, such that notwithstanding reinsurance coverage for large individual losses,

the joint insurance funds for the program may be exhausted before the next annual premiums are due, the Board of Directors may, upon consultation with a casualty actuary, impose premium surcharges on all participating members; or

(ii) If it is determined by the Board of Directors, upon consultation with a casualty actuary, that the joint insurance funds for a program are insufficient to pay losses, fund known estimated losses, and fund estimated losses which have been incurred but not reported, the Board of Directors may impose a surcharge on all participating members.

(iii) Premium surcharges imposed pursuant to (i) and/or (ii) above shall be in an amount which will assure adequate funds for the program to be actuarially sound; provided that the surcharge to any participating member shall not exceed an amount equal to three (3) times the member's annual premium for that year, unless otherwise determined by the Board of Directors.

Provided, however, that no premium surcharge in excess of three times the member's annual premium for that year may be assessed unless, ninety days prior to the Board of Directors taking action to determine the amount of the surcharge, the Authority notifies the governing body of each participating member in writing of its recommendations regarding its intent to assess a premium surcharge and the amount recommended to be assessed each member. The Authority shall, concurrently with the written notification, provide each participating member with a copy of the actuarial study upon which the recommended premium surcharge is based.

(iv) A member which is no longer a participating member at the time the premium surcharge is assessed, but which was a participating member during the policy year(s) for which the premium surcharge was assessed, shall pay such premium surcharges as it would have otherwise been assessed in accordance with the provisions of (i), (ii), and (iii) above.

(c) **Program Implementation and Effective Date.** Upon establishment of an insurance program by the Board of Directors, the Authority shall determine the manner of program implementation and shall give written notice to all members of such program, which shall include, but not be limited to: program participation levels, coverages and terms of coverage of the program, estimates of first year premium charges, program development costs, effective date of the program (or estimated effective date) and such other program provisions as deemed appropriate.

(d) **Late Entry Into Program.** A member which does not elect to enter an insurance program upon its implementation, pursuant to (c) above, or a county or public entity which becomes a party to this Agreement following implementation of the program, may petition the Board of Directors for late entry into the program. Such request may be granted upon a majority vote of the Board members, plus a majority vote of those board members who represent participants in the program. Alternatively, a county or public entity may petition the Executive Committee for late entry into the program, or a program committee, when authorized by an MOU governing that specific program, may approve late entry into that program. Such request may be granted upon a majority vote of the Executive Committee or program committee.

As a condition of late entry, the member shall pay the development charge for the program, as adjusted at the conclusion of the development period, but not subject to further adjustment,

and also any costs incurred by the Authority in analyzing the member's loss data and determining its annual premium as of the time of entry.

(e) **Reentry Into A Program.** Any county or public entity that is a member of an insurance program of the Authority who withdraws or is cancelled from an insurance program under Articles 21 and 22, may not reenter such insurance program for a period of three years from the effective date of withdrawal or cancellation.

ARTICLE 15
ACCOUNTS AND RECORDS

(a) **Annual Budget.** The Authority shall annually adopt an operating budget pursuant to Article 8 of this Agreement, which shall include a separate budget for each insurance program under development or adopted and implemented by the Authority.

(b) **Funds and Accounts.** The Auditor of the Authority shall establish and maintain such funds and accounts as may be required by good accounting practices and by the Board of Directors. Separate accounts shall be established and maintained for each insurance program under development or adopted and implemented by the Authority. Books and records of the Authority in the hands of the Auditor shall be open to inspection at all reasonable times by authorized representatives of members.

The Authority shall adhere to the standard of strict accountability for funds set forth in Government Code Section 6505.

(c) **Auditor's Report.** The Auditor, within one hundred and twenty (120) days after the close of each fiscal year, shall give a complete written report of all financial activities for such fiscal year to the Board and to each member.

(d) **Annual Audit.** Pursuant to Government Code Section 6505, the Authority shall either make or contract with a certified public accountant to make an annual fiscal year audit of all accounts and records of the Authority, conforming in all respects with the requirements of that section. A report of the audit shall be filed as a public record with each of the members and also with the county auditor of the county where the home office of the Authority is located and shall be sent to any public agency or person in California that submits a written request to the Authority. The report shall be filed within six months of the end of the fiscal year or years under examination. Costs of the audit shall be considered a general expense of the Authority.

ARTICLE 16
RESPONSIBILITIES FOR FUNDS AND PROPERTY

(a) The Treasurer shall have the custody of and disburse the Authority's funds. He or she may delegate disbursing authority to such persons as may be authorized by the Board of Directors to perform that function, subject to the requirements of (b) below.

(b) Pursuant to Government Code Section 6505.5, the Treasurer shall:

(1) Receive and acknowledge receipt for all funds of the Authority and place them in the treasury of the Treasurer to the credit of the Authority.

(2) Be responsible upon his or her official bond for the safekeeping and disbursements of all Authority funds so held by him or her.

(3) Pay any sums due from the Authority, as approved for payment by the Board of Directors or by any body or person to whom the Board has delegated approval authority, making such payments from Authority funds upon warrants drawn by the Auditor.

(4) Verify and report in writing to the Authority and to members, as of the first day of each quarter of the fiscal year, the amount of money then held for the Authority, the amount of receipts since the last report, and the amount paid out since the last report.

(c) Pursuant to Government Code Section 6505.1, the Chief Executive Officer, the Treasurer, and such other persons as the Board of Directors may designate shall have charge of, handle, and have access to the property of the Authority.

(d) The Authority shall secure and pay for a fidelity bond or bonds, in an amount or amounts and in the form specified by the Board of Directors, covering all officers and staff of the Authority, and all officers and staff who are authorized to have charge of, handle, and have access to property of the Authority.

ARTICLE 17
RESPONSIBILITIES OF MEMBERS

Members shall have the following responsibilities under this Agreement.

(a) The board of supervisors of each member county shall appoint a representative and one alternate representative to the Board of Directors, pursuant to Article 7.

(b) Each member shall appoint an officer or employee of the member to be responsible for the risk management function for that member and to serve as a liaison between the member and the Authority for all matters relating to risk management.

(c) Each member shall maintain an active safety program, and shall consider and act upon all recommendations of the Authority concerning the reduction of unsafe practices.

(d) Each member shall maintain its own claims and loss records in each category of liability covered by an insurance program of the Authority in which the member is a participant, and shall provide copies of such records to the Authority as directed by the Board of Directors or Executive Committee, or to such other committee as directed by the Board or Executive Committee.

(e) Each member shall pay development charges, premiums, and premium surcharges due to the Authority as required under Article 14. Penalties for late payment of such charges, premiums and/or premium surcharges shall be as determined and assessed by the Board of Directors. After withdrawal, cancellation, or termination action under Articles 20, 21, or 23, each member shall pay promptly to the Authority any additional premiums due, as determined and assessed by the Board of

Directors under Articles 22 or 23. Any costs incurred by the Authority associated with the collection of such premiums or other charges, shall be recoverable by the Authority.

(f) Each member shall provide the Authority such other information or assistance as may be necessary for the Authority to develop and implement insurance programs under this Agreement.

(g) Each member shall cooperate with and assist the Authority, and any insurer of the Authority, in all matters relating to this Agreement, and shall comply with all Bylaws, and other rules by the Board of Directors.

(h) Each member county shall maintain membership in CSAC.

(i) Each member shall have such other responsibilities as are provided elsewhere in this Agreement, and as are established by the Board of Directors in order to carry out the purposes of this Agreement.

ARTICLE 18
ADMINISTRATION OF CLAIMS

(a) Subject to subparagraph (e), each member shall be responsible for the investigation, settlement or defense, and appeal of any claim made, suit brought, or proceeding instituted against the member arising out of a loss.

(b) The Authority may develop standards for the administration of claims for each insurance program of the Authority so as to permit oversight of the administration of claims by the members.

(c) Each participating member shall give the Authority timely written notice of claims in accordance with the provisions of the Bylaws.

(d) A member shall not enter into any settlement involving liability of the Authority without the advance written consent of the Authority.

(e) The Authority, at its own election and expense, shall have the right to participate with a member in the settlement, defense, or appeal of any claim, suit or proceeding which, in the judgment of the Authority, may involve liability of the Authority.

ARTICLE 19
NEW MEMBERS

Any California public entity may become a party to this Agreement and participate in any insurance program in which it is not presently participating upon approval of the Board of Directors, by a majority vote of the members, or by majority vote of the Executive Committee.

ARTICLE 20
WITHDRAWAL

(a) A member may withdraw as a party to this Agreement upon thirty (30) days advance written notice to the Authority if it has never become a participant in any insurance program pursuant to Article 14, or if it has previously withdrawn from all insurance programs in which it was a participant.

(b) After becoming a participant in an insurance program, a member may withdraw from that program only at the end of a policy year for the program, and only if it gives the Authority at least sixty (60) days advance written notice of such action.

ARTICLE 21
CANCELLATION

(a) Notwithstanding the provisions of Article 20, the Board of Directors may:

(1) Cancel any member from this Agreement and membership in the Authority, on a majority vote of the Board members. Such action shall have the effect of canceling the member's participation in all insurance programs of the Authority as of the date that all membership is canceled.

(2) Cancel any member's participation in an insurance program of the Authority, without canceling the member's membership in the Authority or participation in other programs, on a vote of two-thirds of the Board members present and voting who represent participants in the program.

The Board shall give sixty (60) days advance written notice of the effective date of any cancellation under the foregoing provisions. Upon such effective date, the member shall be treated the same as if it had voluntarily withdrawn from this Agreement, or from the insurance program, as the case may be.

(b) A member that does not enter one or more of the insurance programs developed and implemented by the Authority within the member's first year as a member of the Authority shall be considered to have withdrawn as a party to this Agreement at the end of such period, and its membership in the Authority shall be automatically canceled as of that time, without action of the Board of Directors.

(c) A member which withdraws from all insurance programs of the Authority in which it was a participant and does not enter any program for a period of six (6) months thereafter shall be considered to have withdrawn as a party to the Agreement at the end of such period, and its membership in the Authority shall be automatically canceled as of that time, without action of the Board of Directors.

(d) A member county that terminates its membership in CSAC shall be considered to have thereby withdrawn as a party to this Agreement, and its membership in the Authority and participation in any insurance program of the Authority shall be automatically canceled as of that time, without the action of the Board of Directors.

ARTICLE 22
EFFECT OF WITHDRAWAL OR CANCELLATION

(a) If a member's participation in an insurance program of the Authority is canceled under Article 21, with or without cancellation of membership in the Authority, and such cancellation is effective before the end of the policy year for that program, the Authority shall promptly determine and return to that member the amount of any unearned premium payment from the member for the policy year, such amount to be computed on a pro-rata basis from the effective date of cancellation.

(b) Except as provided in (a) above, a member which withdraws or is canceled from this Agreement and membership in the Authority, or from any program of the Authority, shall not be entitled to the return of any premium or other payment to the Authority, or of any property contributed to the Authority. However, in the event of termination of this Agreement, such member may share in the distribution of assets of the Authority to the extent provided in Article 23 provided; however, that any withdrawn or canceled member which has been assessed a premium surcharge pursuant to Article 14 (b) (3) (ii) shall be entitled to return of said member's unused surcharge, plus interest accrued thereon, at such time as the Board of Directors declares that a surplus exists in any insurance fund for which a premium surcharge was assessed.

(c) Except as provided in (d) below, a member shall pay any premium charges which the Board of Directors determines are due from the member for losses and costs incurred during the entire coverage year in which the member was a participant in such program regardless of the date of entry into such program. Such charges may include any deficiency in a premium previously paid by the member, as determined by audit under Article 14 (b) (2); any premium surcharge assessed to the member under Article 14 (b) (3); and any additional amount of premium which the Board determines to be due from the member upon final disposition of all claims arising from losses under the program during the entire coverage year in which the member was a participant regardless of date of entry into such program. Any such premium charges shall be payable by the member in accordance with the Authority's invoice and payment policy.

(d) Those members which who have withdrawn or been canceled pursuant to Articles 20 and 21 from any program of the Authority during a coverage year shall pay any premium charges which the Board of Directors determines are due from the members for losses and costs which were incurred during the county's participation in any program.

ARTICLE 23
TERMINATION AND DISTRIBUTION OF ASSETS

(a) A three-fourths vote of the total voting membership of the Authority, consisting of member counties, acting through their boards of supervisors, and the voting Board members from the member public entities, is required to terminate this Agreement; provided, however, that this Agreement and the

Authority shall continue to exist after such election for the purpose of disposing of all claims, distributing all assets, and performing all other functions necessary to conclude the affairs of the Authority.

(b) Upon termination of this Agreement, all assets of the Authority in each insurance program shall be distributed among those members which participated in that program in proportion to their cash contributions, including premiums paid and property contributed (at market value when contributed). The Board of Directors shall determine such distribution within six (6) months after disposal of the last pending claim or other liability covered by the program.

(c) Following termination of this Agreement, any member which was a participant in an insurance program of the Authority shall pay any additional amount of premium, determined by the Board of Directors in accordance with a loss allocation formula, which may be necessary to enable final disposition of all claims arising from losses under that program during the entire coverage year in which the member was a participant regardless of the date of entry into such program.

ARTICLE 24
LIABILITY OF BOARD OF DIRECTORS, OFFICERS, COMMITTEE MEMBERS AND LEGAL ADVISORS

The members of the Board of Directors, Officers, committee members and legal advisors to any Board or committees of the Authority shall use ordinary care and reasonable diligence in the exercise of their powers and in the performance of their duties pursuant to this Agreement. They shall not be liable for any mistake of judgment or any other action made, taken or omitted by them in good faith, nor for any action taken or omitted by any agent, employee or independent contractor selected with reasonable care, nor for loss incurred through investment of Authority funds, or failure to invest.

No Director, Officer, committee member, or legal advisor to any Board or committee shall be responsible for any action taken or omitted by any other Director, Officer, committee member, or legal advisor to any committee. No Director, Officer, committee member or legal advisor to any committee shall be required to give a bond or other security to guarantee the faithful performance of their duties pursuant to this Agreement.

The funds of the Authority shall be used to defend, indemnify and hold harmless the Authority and any Director, Officer, committee member or legal advisor to any committee for their actions taken within the scope of the authority of the Authority. Nothing herein shall limit the right of the Authority to purchase insurance to provide such coverage as is hereinabove set forth.

ARTICLE 25
BYLAWS

The Board may adopt Bylaws consistent with this Agreement which shall provide for the administration and management of the Authority.

ARTICLE 26
NOTICES

The Authority shall address notices, billings and other communications to a member as directed by the member. Each member shall provide the Authority with the address to which communications are to be sent. Members shall address notices and other communications to the Authority to the Chief Executive Officer of the Authority, at the office address of the Authority as set forth in the Bylaws.

ARTICLE 27
AMENDMENT

A two-thirds vote of the total voting membership of the Authority, consisting of member counties, acting through their boards of supervisors, and the voting Board members from member public entities, is required to amend this Agreement.

.

ARTICLE 28
PROHIBITION AGAINST ASSIGNMENT

No member may assign any right, claim or interest it may have under this Agreement, and no creditor, assignee or third party beneficiary of any member shall have any right, claim or title to any part, share, interest, fund, premium or asset of the Authority.

ARTICLE 29
AGREEMENT COMPLETE

This Agreement constitutes the full and complete Agreement of the parties.

ARTICLE 30
EFFECTIVE DATE OF AMENDMENTS

Any amendment of this Agreement shall become effective upon the date specified by the Board and upon approval of any Amended Agreement as required in Article 27. Approval of any amendment by the voting boards of supervisors and public entity board member's must take place no later than 30 days from the effective date specified by the Board.

ARTICLE 31
DISPUTE RESOLUTION

When a dispute arises between the Authority and a member, the following procedures are to be followed:

(a) Request for Reconsideration. The member will make a written request to the Authority for the appropriate Committee to reconsider their position, citing the arguments in favor of the member and any applicable case law that applies. The member can also, request a personal presentation to that Committee, if it so desires.

(b) Committee Appeal. The committee responsible for the program or having jurisdiction over the decision in question will review the matter and reconsider the Authority's position. This committee appeal process is an opportunity for both sides to discuss and substantiate their positions based upon legal arguments and the most complete information available. If the member requesting reconsideration is represented on the committee having jurisdiction, that committee member shall be deemed to have a conflict and shall be excluded from any vote.

(c) Executive Committee Appeal. If the member is not satisfied with the outcome of the committee appeal, the matter will be brought to the Executive Committee for reconsideration upon request of the member. If the member requesting reconsideration is represented on the Executive Committee, that Executive Committee member shall be deemed to have a conflict and shall be excluded from any vote.

(d) Arbitration. If the member is not satisfied with the outcome of the Executive Committee appeal, the next step in the appeal process is arbitration. The arbitration, whether binding or non-binding, is to be mutually agreed upon by the parties. The matter will be submitted to a mutually agreed arbitrator or panel of arbitrators for a determination. If Binding Arbitration is selected, then of course the decision of the arbitrator is final. Both sides agree to abide by the decision of the arbitrator. The cost of arbitration will be shared equally by the involved member and the Authority.

(e) Litigation. If, after following the dispute resolution procedure paragraphs a-d, either party is not satisfied with the outcome of the non-binding arbitration process, either party may consider litigation as a possible remedy to the dispute.

ARTICLE 32
FILING WITH SECRETARY OF STATE

The Chief Executive Officer of the Authority shall file a notice of this Agreement with the office of California Secretary of State within 30 days of its effective date, as required by Government Code Section 6503.5 and within 70 days of its effective date as required by Government Code Section 53051.

IN WITNESS WHEREOF, the undersigned party hereto has executed this Agreement on the date indicated below.

DATE: _____ MEMBER:_____

(Print Name of Member)

BY: _____

(Authorized signature of Member)

Seal:

APPENDIX A
JOINT POWERS AGREEMENT
CSAC EXCESS INSURANCE AUTHORITY

MEMBERS (AS OF FEBRUARY 01, 2010)

ALAMEDA COUNTY
AMADOR COUNTY
BUTTE COUNTY
CALAVERAS COUNTY
COLUSA COUNTY
CONTRA COASTA COUNTY
DEL NORTE COUNTY
EL DORADO COUNTY
FRESNO COUNTY
GLENN COUNTY
HUMBOLDT COUNTY
IMPERIAL COUNTY
INYO COUNTY
KERN COUNTY
KINGS COUNTY
LAKE COUNTY
LASSEN COUNTY
MADERA COUNTY
MARIN COUNTY
MARIPOSA COUNTY
MENDOCINO COUNTY
MERCED COUNTY
MODOC COUNTY
MONO COUNTY
MONTERERY COUNTY
NAPA COUNTY
NEVADA COUNTY
ORANGE COUNTY
PLACER COUNTY
PLUMAS COUNTY
RIVERSIDE COUNTY
SACRAMENTO COUNTY
SAN BENITO COUNTY
SAN DIEGO COUNTY
SAN JOAQUIN COUNTY
SAN LUIS OBISPO COUNTY
SANTA BARBARA COUNTY
SANTA CLARA COUNTY
SANTA CRUZ COUNTY
SHASTA COUNTY
SIERRA COUNTY
SISKIYOU COUNTY
SOLANO COUNTY
SONOMA COUNTY
STANISLAUS COUNTY
SUTTER COUNTY
TEHAMA COUNTY
TRINITY COUNTY
TULARA COUNTY
TUOLUMNE COUNTY
VENTURA COUNTY
YOLO COUNTY
YUBA COUNTY

ALAMEDA COUNTY MEDICAL CENTER
AMADOR REGIONAL TRANSIT SYSTEM
ANAHEIM UNION HIGH SCHOOL DISTRICT
ANTELOPE VALLEY HEALTHCARE DISTRICT
AUTHORITY FOR CALIF. CITIES EXCESS LIABILITY
BAY AREA HOUSING AUTHORITY RMA
BERKELEY UNIFIED SCHOOL DISTRICT
BIG INDEPENDENT CITIES EXCESS POOL
BURBANK REDEVELOPMENT AGENCY
CALAVERAS COUNTY SUPERIOR COURT
CALIF. ASSOC. FOR PARK & RECREATION INS.
CALIFORNIA FAIR SERVICES AUTHORITY
CAMPBELL UNION HIGH SCHOOL DISTRICT
CAMPBELL UNION SCHOOL DISTRICT
CAPITOL AREA DEVELOPMENT AUTHORITY
CASITAS MUNICIPAL WATER DISTRICT
CENTRAL SIERRA CHILD SUPPORT AGENCY
CITY OF ALAMEDA
CITY OF ATSCADERO
CITY OF BAKERSFIELD
CITY OF BELL
CITY OF BELMONT
CITY OF BURBANK
CITY OF BURLINGAME
CITY OF CALABASAS
CITY OF CARMEL BY THE SEA
CITY OF CHULA VISTA
CITY OF CLAREMONT
CITY OF CONCORD
CITY OF CORONA
CITY OF COVINA
CITY OF CUPERTINO
CITY OF DALY CITY
CITY OF DEL MAR
CITY OF DOWNEY
CITY OF EL CAJON
CITY OF EL CENTRO
CITY OF EL MONTE
CITY OF ELK GROVE
CITY OF ESCONDIDO
CITY OF FAIRFIELD
CITY OF FONTANA
CITY OF FREMONT
CITY OF FRESNO
CITY OF GARDEN GROVE
CITY OF GOLETA
CITY OF HAWTHORNE
CITY OF HEMET
CITY OF IMPERIAL BEACH
CITY OF IRVINE
CITY OF LAGUNA HILLS
CITY OF LANCASTER
CITY OF LEMON GROVE

CITY OF LOMPOC
CITY OF LONG BEACH
CITY OF MAYWOOD
CITY OF MERCED
CITY OF MILLBRAE
CITY OF MISSION VIEJO
CITY OF MONTEBELLO
CITY OF MORENO VALLEY
CITY OF NAPA
CITY OF NATIONAL CITY
CITY OF NEEDLES
CITY OF OAKLAND
CITY OF OCEANSIDE
CITY OF POMONA
CITY OF RANCHO CORDOVA
CITY OF REDDING
CITY OF REDWOOD CITY
CITY OF RIALTO
CITY OF RICHMOND
CITY OF RIDGECREST
CITY OF SACRAMENTO
CITY OF SAN BUENAVENTURA
CITY OF SAN CLEMENTE
CITY OF SAN DIEGO
CITY OF SANTA CLARA
CITY OF SANTA ROSA
CITY OF SIMI VALLEY
CITY OF SOLANO BEACH
CITY OF SOUTH SAN FRANCISCO
CITY OF STOCKTON
CITY OF SUNNYVALE
CITY OF TORRANCE
CITY OF VISALIA
CITY OF WALNUT CREEK
CITY OF WHITTIER
CITY OF YUBA CITY
COLUSA COUNTY SUPERIOR COURT
COMM. DEVELOPMENT COMM. OF LA COUNTY
CONTRA COSTA CO. IHSS PUBLIC AUTHORITY
CORONA NORCO UNIFIED SCHOOL DISTRICT
COUNCIL OF SAN BENITO CO. GOVERNMENTS
DEL NORTE COUNTY SUPERIOR COURT
DEL NORTE IHSS PUBLIC AUTHORITY
EAST BAY REGIONAL PARK DISTRICT
EAST SAN GABRIEL VALLEY ROP
EL DORADO COUNTY SUPERIOR COURT
ELK GROVE UNIFIED SCHOOL DISTRICT
EVERGREEN ELEMENTARY SCHOOL DISTRICT
EXCLUSIVE RISK MGMT. AUTHORITY OF CALIF.
FIRST 5 CONTRA COSTA CHLD & FAMILIES COMM
FIRST FIVE SACRAMENTO COMMISSION
GOLD COAST TRANSIT
GOLDEN EMPIRE TRANSIT DISTRICT
GOLDEN STATE RISK MANAGEMENT AUTHORITY
GSRMA JPA ADMINISTRATION
HOUSING AUTHORITY OF THE CO. OF RIVERSIDE
HUMBOLDT IHSS PUBLIC AUTHORITY
HUNTINGTON BEACH UNION HIGH SCHOOL DIST
IHSS PUBLIC AUTHORITY OF MARIN
IMPERIAL COUNTY IHSS PUBLIC AUTHORITY
IRVINE RANCH WATER DISTRICT
KERN HEALTH SYSTEMS
KERN IHSS PA
KINGS COUNTY AREA PUBLIC TRANSIT AGENCY
KINGS WASTE & RECYCLING AUTHORITY
LAKE COUNTY SUPERIOR COURT
LAKE ELSINORE UNIFIED SCHOOL DISTRICT
LASSEN COUNTY SUPERIOR COURT
LOCAL AGENCY WC EXCESS JPA
MADERA IHSS PUBLIC AUTHORITY
MARIN COUNTY TRANSIT DISTRICT
MERCED IHSS PUBLIC AUTHORITY
MILITARY DEPT OF THE STATE OF CALIFORNIA
MONTEREY SALINAS TRANSIT AUTHORITY
MORONGO BASIN TRANSIT AUTHORITY
MOUNTAIN COMMUNITIES HEALTHCARE DIST
MT. DIABLO UNIFIED SCHOOL DISTRICT
MUNICIPAL POOLING AUTHORITY
NORTHERN CALIF CITIES SELF INSURANCE FUND
NORTHERN CALIF SPECIAL DISTRICTS INS. AUTH
OMNITRANS
ORANGE COUNTY FIRE AUTHORITY
ORANGE COUNTY SANITATION DISTRICT
ORANGE COUNTY SUPERIOR COURT
PASIS - SAN BERNARDINO
PASIS - SAN DIEGO
PUBLIC AGENCY RISK SHARING AUTH OF CALIF
PUBLIC ENTITY RISK MANAGEMENT AUTHORITY
REGIONAL COUNCIL OF RURAL COUNTIES
RIVERSIDE IHSS PUBLIC AUTHORITY
RIVERSIDE TRANSIT AGENCY
SACRAMENTO AREA FLOOD CONTROL AGENCY
SACRAMENTO COUNTY CONTRACTS
SACRAMENTO COUNTY IHSS PUBLIC AUTHORITY
SACRAMENTO METROPOLITAN CABLE TELEVISION COMMISSION
SAN BENITO COUNTY SUPERIOR COURT
SAN BENITO IHSS PUBLIC AUTHORITY
SAN BERNARDINO CO. SPECIFIED DEPTS
SAN BERNARDINO IHSS PUBLIC AUTHORITY
SAN DIEGO COUNTY IHSS PUBLIC AUTHORITY
SAN DIEGO HOUSING COMMISSION
SAN DIEGO METRO TRANSIT SYSTEM
SAN DIEGO UNIFIED SCHOOL DISTRICT
SAN JOAQUIN IHSS PUBLIC AUTHORITY
SAN JOSE UNIFIED SCHOOL DISTRICT
SAN LUIS OBISPO COUNTY SUPERIOR COURT
SAN LUIS OBISPO REGIONAL TRANSIT AUTH.
SAN MATEO CO. SCHOOLS INSURANCE GROUP
SANTA BARBARA METRO TRANSIT DISTRICT
SANTA CLARA CO. VECTOR CONTROL DISTRICT
SANTA CRUZ CO. FIRE AGENCIES INS. GROUP
SANTA CRUZ COUNTY SUPERIOR COURT
SANTA CRUZ METROPOLITAN TRANSIT DISTRICT

SCHOOLS INS. RISK MANAGEMENT AUTHORITY
SHASTA IHSS PUBLIC AUTHORITY
SONOMA COUNTY AS RESPECTS THE FAIR
SONOMA CO. EMPLOYEES' RETIREMENT ASSOC.
SOUTH COUNTY AREA TRANSIT
SOUTHERN CALIF SCHOOLS RISK MANAGEMENT
SPECIAL DISTRICT RISK MANAGEMENT AUTH.
STANISLAUS COUNTY SUPERIOR COURT
SUTTER BUTTE FLOOD CONTROL AGENCY JPA
SUTTER IHSS PUBLIC AUTHORITY
SPORTS & OPEN SPACE AUTH OF SANTA CLARA
TORRANCE UNIFIED SCHOOL DISTRICT
TOWN OF COLMA
TRANSPORTATION CORRIDOR AGENCIES
TRINDEL INSURANCE FUND
TULARE IHSS PUBLIC AUTHORITY
TUOLUMNE COUNTY SUPERIOR COURT
TURLOCK IRRIGATION DISTRICT
UC HASTINGS COLLEGE OF LAW
VAN HORN REGIONAL TREATMENT FACILITY
WEST SAN GABRIEL LIABILITY & PROPERTY JPA
WEST SAN GABRIEL WC JPA
YOLO PUBLIC AGENCY RISK MGMT INS AUTH

Adopted: March 5, 1993
Amended: October 4, 1996
Amended: October 6, 2006
Amended: March 6, 2009

MEMORANDUM OF UNDERSTANDING
EXCESS WORKERS' COMPENSATION PROGRAM

This Memorandum of Understanding is entered into by and between the CSAC Excess Insurance Authority (hereinafter referred to as the "Authority") and the participating members who are signatories to this Memorandum.

1. **Joint Powers Agreement.** Except as otherwise provided herein, all terms used herein shall be as defined in Article 1 of the Joint Powers Agreement Creating the CSAC Excess Insurance Authority (hereinafter referred to as "Agreement"), and all other provisions of the Agreement not in conflict with this Memorandum shall be applicable.

2. **Annual Premium.** The participating members, in accordance with the provisions of Article 14(b)(2) of the Agreement, shall be assessed an annual premium for the purpose of funding the Excess Workers' Compensation Program (hereinafter referred to as the "Program"). Annual premiums shall include expected losses for the policy period, including incurred but not reported losses (IBNR), as well as a margin for contingencies based upon a confidence level as determined by the Board of Directors of the Authority (hereinafter Board), and adjustments, if any, for a surplus or deficit from all program policy periods. In addition, the premium shall include program reinsurance costs and program administrative costs, plus the Authority's general expense allocated to the Program by the Board for the next policy period.

3. **Cost Allocation.** Each participating member's share of annual premium shall be determined pursuant to a cost allocation plan as described in Article 14(b)(2) of the Agreement. The Board approved cost allocation plan is attached hereto as Exhibit A and may be amended from time to time by an affirmative vote of the majority of the Board representing the members participating in the Program.

4. **Dividends and Assessments.** The Program shall be funded in accordance with paragraph 2 above. In general, the annual premium, as determined by the Board, will be established at a level which will provide adequate overall funding without the need for adjustments to past policy period(s) in the form of dividends and assessments. However, should the Program for any reason not be adequately funded, except as otherwise provided herein, pro-rata assessments to the participating members may be utilized to ensure the approved funding level for those policy periods individually or for a block of policy periods, in accordance with the provisions of Article 14(b)(3) of the Agreement. Pro-

rata dividends will be declared as provided herein. Dividends may also be declared as deemed appropriate by the Board.

5. **Closure of Policy Periods.** Notwithstanding any other provision of this Memorandum, the following provisions are applicable:

(a) Upon reaching ten (10) years of maturity after the end of a program period, that period shall be "closed" and there shall be no further dividends declared or assessments made with respect to those program periods except as set forth in paragraph 6(a), below;

(b) Notwithstanding sub-paragraph (a) above, the Board may take action to leave a policy period "open" even though it may otherwise qualify for closure. In addition, the last ten (10) policy periods shall always remain "open" unless the Board takes specific action to declare any of the last ten (10) policy periods closed.

(c) Dividends and assessments (other than as outlined in paragraph 6(a), below) shall be administered to the participating members based upon the proportion of premiums paid to the Program in "open" periods only. For purposes of administering dividends and assessments pursuant to this sub-paragraph, all "open" policy periods shall be considered as one block. New members to the Program shall become eligible for dividends and assessments upon participating in the Program for three consecutive policy periods (not less than 24 months). Participating members who withdraw from the Program prior to the three year policy period restriction are still eligible for any assessments that arose out of the policy years they participated in the Program.

6. **Declaration of Dividends.** Dividends shall be payable from the Program to a participating member in accordance with its proportionate funding to the Program during all "open" policy periods except as follows:

(a) A dividend shall be declared at the time a program period is closed on all amounts which represent premium surcharge amounts assessed pursuant to Article 14(b)(3) of the Agreement where the funding exceeds the 80% confidence level. This dividend shall be distributed based upon each member's proportionate share of assessment paid and accrued to the policy period being closed.

7. **Memorandum of Coverage.** A Memorandum of Coverage will be issued by the Authority evidencing membership in the Program and setting forth terms and conditions of coverage.

8. **Claims Administration.** Each participating member is required to comply with the Authority's Underwriting and Claims Administration Standards (including Addendum A - W.C. Claims Administration Guidelines) as amended from time to time, and which are attached hereto as Exhibit B and incorporated herein.

9. **Late Payments.** Notwithstanding any other provision to the contrary regarding late payment of invoices or cancellation from a Program, at the discretion of the Executive Committee, any member that fails to pay an invoice when due may be given a ten (10) day written notice of cancellation.

10. **Disputes.** Any question or dispute with respect to the rights and obligations of the parties to this Memorandum regarding coverage shall be determined in accordance with the Joint Powers Agreement Article 31, Dispute Resolution.

11. **Amendment.** This Memorandum may be amended by two-thirds of the CSAC Excess Insurance Authority's Board of Directors and signature on the Memorandum by the member's designated representative who shall have authority to execute this Memorandum. Should a member of the Program fail to execute any amendment to this Memorandum within the time provided by the Board, the member will be deemed to have withdrawn as of the end of the policy period.

12. **Complete Agreement.** Except as otherwise provided herein, this Memorandum constitutes the full and complete agreement of the members.

13. **Severability.** Should any provision of this Memorandum be judicially determined to be void or unenforceable, such determination shall not affect any remaining provision.

14. **Effective Date.** This Memorandum shall become effective on the effective date of coverage for the member and upon approval by the Board of any amendment, whichever is later.

15. **Execution in Counterparts.** This Memorandum may be executed in several counterparts, each of which shall be an original, all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the undersigned have executed this Memorandum as of the date set forth below.

Dated: 3/6/2009

CSAC Excess Insurance Authority

Dated: _____

_____

Member Entity: _____

EXHIBIT A

EXCESS WORKERS' COMPENSATION PROGRAM
COST ALLOCATION PLAN

As delegated by the Board of Directors, the Executive Committee will determine the specific allocation of all costs among the members subject to the following parameters:

Actuarial Analysis

An annual actuarial analysis will be performed using loss data and payroll collected from the members. The analysis will determine the necessary funding rates at various confidence levels and using various discount assumptions. Different rates may be developed for different groups or classes of business as is deemed necessary or appropriate by the Executive Committee. At the March Board meeting, the Board of Directors will select the funding level rates and discount factors to be used based upon the actuarial analysis and recommendations from the actuary, the Underwriting Committee and the Executive Committee.

Pool Contributions

The total needed deposit pool contribution will be determined by multiplying the rates described above by the payroll for all of the members participating in the pool. Estimated payroll for the year being funded will be used. The Executive Committee may break the pool into different layers for allocation purposes, and may apply a different loss experience modification for each layer as is deemed appropriate based on loss frequency. In general, the lower layers will be subject to greater experience modification and the higher layers will be subject to lower experience modification or no experience modification. Within the layers, the larger members will be subject to greater experience modification than the smaller members. After the experience modification has been applied for each layer, there will be a pro-rata adjustment back to the total needed deposit pool contribution. This amount will be collected from the members at the beginning of the policy period. The actual payroll for the period will be determined after the completion of the policy period and an adjustment to each member's pool contribution will be made to account for the difference between the estimated and actual payroll. Additional contributions will be collected or return contributions will be refunded as appropriate.

Reinsurance Premiums

The reinsurance premium will be determined through negotiations with the reinsurer(s) and approved by the Board upon recommendation of the

Underwriting and Executive Committees. This premium will then be allocated among the members based upon their estimated payroll. Adjustments will be made based on the actual payroll upon completion of the policy period in the same manner as described in the Pool Contribution section above.

EIA Administration Fees

The total EIA Administration Fees will be determined through the annual budgeting process with an appropriate amount allocated to the Excess Workers' Compensation Program. These fees will be allocated among the members as determined by the Executive Committee. In general, the basis for this allocation will be each member's percentage of the total pool contributions and reinsurance premium.

Deviation From the Standard

The Executive Committee may establish policies to deviate from the standard allocation methodology selected for each year on a case-by-case basis, if necessary. They may also elect to further delegate some or all of the decision-making authority described herein to the Underwriting Committee.

Exhibit B

Adopted:	December 6, 1985
Amended:	January 23, 1987
Amended:	October 6, 1995
Amended:	October 1, 1999
Amended:	October 3, 2003
Amended:	October 1, 2004
Amended:	March 6, 2009

CSAC EXCESS INSURANCE AUTHORITY
UNDERWRITING AND CLAIMS ADMINISTRATION STANDARDS

I. GENERAL

A. Each Member shall appoint an official or employee of the Member to be responsible for the risk management function and to serve as a liaison between the Member and the Authority for all matters relating to risk management.

B. Each Member shall maintain a loss prevention program and shall consider and act upon all recommendations of the Authority concerning the reduction of unsafe conditions.

II. EXCESS WORKERS' COMPENSATION PROGRAM

A. Members of the Excess Workers' Compensation Program, except those members of the Primary Workers' Compensation Program whose responsibilities are outlined in Section IV below, shall be responsible for the investigation, settlement, defense and appeal of any claim made, suit brought or proceeding instituted against the Member.

1. The Member shall use only qualified personnel to administer its workers' compensation claims. At least one person in the claims office (whether in-house or outside administrator) shall be certified by the State of California as a qualified administrator of self-insured workers' compensation plans.

2. Qualified defense counsel experienced in workers' compensation law and practice shall handle litigated claims. Members are encouraged to utilize attorneys who have the designation "Certified Workers' Compensation Specialist, the State Bar of California, Board of Legal Specialization".

3. The Member shall use the Authority's Workers' Compensation Claims Administration Guidelines (Addendum A) and shall advise its claims administrator that these guidelines are utilized in the Authority's workers' compensation claims audits.

B. The Member shall provide the Authority written notice of any potential excess workers' compensation claims in accordance with the requirements of the Authority's Bylaws. Updates on such claims shall be provided pursuant to the reporting provisions of the Authority's Workers'

Compensation Claims Administration Guidelines (Addendum A) or as requested by the Authority and/or the Authority's excess carrier.

C. A claims administration audit utilizing the Authority's Workers' Compensation Claims Administration Guidelines (Addendum A) shall be performed once every two (2) years. In addition, an audit will be performed within twelve (12) months of any of the following events:

1. There is an unusual fluctuation in the Member's claim experience or number of large claims, or

2. There is a change of workers' compensation claims administration firms, or

3. The Member is a new member of the Excess Workers' Compensation Program.

The claims audit shall be performed by a firm selected by the Authority unless an exception is approved. Recommendations made in the claims audit shall be addressed by the Member and a written response outlining a program for corrective action shall be provided to the Authority within sixty (60) days of receipt of the audit.

D. Each Member shall maintain records of claims in each category of coverage (i.e. indemnity, medical, expense) or as defined by the Authority and shall provide such records to the Authority as directed by the Board of Directors, Claims Review Committee, Underwriting Committee, or Executive Committee. Such records shall include both open and closed claims, allocated expenses, and shall not be capped by the Member's self-insured retention.

E. The Member shall obtain an actuarial study performed by a Fellow of the Casualty Actuarial Society (FCAS) at least once every three (3) years. Based upon the actuarial recommendations, the Member should maintain reserves and make funding contributions equal to or exceeding the present value of expected losses and a reasonable margin for contingencies.

III. GENERAL LIABILITY PROGRAMS

A. Members of the General Liability I or General Liability II Programs, except those members of the Primary General Liability Program whose responsibilities are outlined in Section V below, shall be responsible for the investigation, settlement, defense and appeal of any claim made, suit brought or proceeding instituted against the Member.

1. The Member shall use only qualified personnel to administer its liability claims.

2. Qualified defense counsel experienced in tort liability law shall handle litigated claims. Members are encouraged to utilize defense counsel experienced in the subject at issue in the litigation.

3. The Member shall use the Liability Claims Administration Guidelines (Addendum B) and shall advise its claims administrator that these guidelines are utilized in the Authority's liability claims audits.

B. The Member shall provide the Authority written notice of any potential excess liability claim in accordance with the requirements of the Authority's Bylaws. Updates on such claims shall be provided pursuant to the reporting provisions of the Authority's Liability Claims Administration Guidelines (Addendum B) or as requested by the Authority and/or the Authority's excess carrier.

C. A claims administration audit utilizing the Authority's Liability Claims Administration Guidelines (Addendum B) shall be performed once every three (3) years. In addition, an audit will be performed within twelve (12) months of any of the following events:

1. There is an unusual fluctuation in the Member's claims experience or number of large claims, or

2. There is a change of liability claims administration firms, or

3. The Member is a new member of the General Liability I or General Liability II Program.

The claims audit shall be performed by a firm selected by the Authority unless an exception is approved. Recommendations made in the claims audit shall be addressed by the Member and a written response outlining a program for corrective action shall be provided to the Authority within sixty (60) days of receipt of the audit.

D. Each Member shall maintain records of claims in each category of coverage (i.e. bodily injury, property damage, expense) or as defined by the Authority and shall provide such records to the Authority as directed by the Board of Directors or applicable committee. Such records shall include open and closed claims, allocated expenses, and shall not be capped by the Member's self-insured retention.

E. The Member shall obtain an actuarial study performed by a Fellow of the Casualty Actuarial Society (FCAS) at least once every three (3) years. Based upon the actuarial recommendations, the Member should maintain reserves and make funding contributions equal to or exceeding the present value of expected losses and a reasonable margin for contingencies.

IV. PRIMARY WORKERS' COMPENSATION PROGRAM

A. Members of the Primary Workers' Compensation Program shall provide the third party administrator written notice of any claim in accordance with the requirements of the Authority. Members must also cooperate with the third party administrator in providing all necessary information in order for claims to be administered appropriately.

B. The Authority shall be responsible for ensuring qualified personnel administer claims in the Primary Workers' Compensation Program and that claims are administered in accordance with the Authority's Workers' Compensation Claims Administration Guidelines (Addendum A).

C. The Authority shall be responsible for ensuring a claims administration audit utilizing the Authority's Workers' Compensation Claims Administration Guidelines (Addendum A) is performed once every two (2) years.

D. The Authority shall be responsible for obtaining an actuarial study performed by a Fellow of the Casualty Actuarial Society (FCAS) annually.

V. PRIMARY GENERAL LIABILITY PROGRAM

A. Members of the Primary General Liability Program shall provide the third party administrator written notice of any claim or incident in accordance with the requirements of the Authority. Members must also cooperate with the third party administrator in providing all necessary information in order for claims to be administered appropriately.

B. The Authority shall be responsible for ensuring qualified personnel administer claims in the Primary General Liability Program and that claims are administered in accordance with the Authority's Liability Claims Administration Guidelines (Addendum B).

C. The Authority shall be responsible for ensuring a claims administration audit utilizing the Authority's Liability Claims Administration Guidelines (Addendum B) is performed once every two (2) years.

D. The Authority shall be responsible for obtaining an actuarial study performed by a Fellow of the Casualty Actuarial Society (FCAS) annually.

VI. PROPERTY PROGRAM

A. Members of the Property Program shall maintain appropriate records including a complete list of insured locations and schedule of values pertaining to all real property. Such records shall be provided to the Authority or its brokers as requested by the Executive or Property Committees.

B. Each Member shall perform a real property replacement valuation for all locations over $250,000. Valuations shall be equivalent to the Marshall Swift system and shall be performed at least once every five (5) years. New members shall have an appraisal or valuation performed within one year from entry into the Program.

VII. MEDICAL MALPRACTICE PROGRAM

A. Program I

1. Members of Medical Malpractice Program I (hereinafter Program I) shall be responsible for the investigation, settlement, defense and appeal of any claim made, suit brought or proceeding instituted against the Member.

    a. Members of Program I shall use only qualified personnel to administer its health facility claims.

    b. Qualified defense counsel experienced in health facility law shall handle litigated claims.

    c. Members of Program I shall use the "Claims Reporting and Handling Guidelines" in the CSAC Excess Insurance Authority Medical Malpractice Program Operating and Guidelines Manual (hereinafter Operating and Guidelines Manual), and shall advise its claims administrator that these claims handling guidelines are utilized in the Authority's medical malpractice claims audits.

2. Members of Program I shall provide the Authority written notice of any potential excess claim or "major incident" in accordance with the requirements of the Authority and of the excess carrier as stated in the Operating and Guidelines Manual. Updates on such claims or major incidents shall be provided as requested by the Authority.

3. A claims administration audit utilizing the Authority's Claims Reporting and Handling Guidelines in the Operating and Guidelines Manual shall be performed once every three (3) years. In addition, an audit will be performed within twelve (12) months of any of the following events:

    a. There is an unusual fluctuation in the Member's claims experience or number of large claims, or

    b. There is a change of health facility claims administration firms, or

    c. The Member is a new member of the Medical Malpractice Program, or

d. The Medical Malpractice Committee requests an audit. The claims audit shall be performed by a firm(s) selected by the Authority. Recommendations made in the claims audit shall be addressed by the Member and a written response outlining a program for corrective action shall be provided to the Authority within sixty (60) days of receipt of the audit.

4. Each Member shall maintain records of claims in each category of coverage (i.e. bodily injury, property damage, expense) or as defined by the Authority and shall provide such records to the Authority as directed by the Board of Directors or applicable committee. Such records shall include open and closed claims, allocated expenses, and shall not be capped by the Member's self-insured retention.

5. Members of Program I shall obtain an actuarial study performed by a Fellow of the Casualty Actuarial Society (FCAS) at least once every three (3) years. Based upon the actuarial recommendations, the Member should maintain reserves and make funding contributions equal to or exceeding the present value of expected losses and a reasonable margin for contingencies.

6. The Member shall have an effective risk management program in accordance with the "Risk Management Guidelines" as stated in the Operating and Guidelines Manual.

B. Program II

1. For Medical Malpractice Program II (hereinafter Program II) Members, the Authority shall be responsible for the investigation, settlement, defense and appeal of any claim made, suit brought or proceeding instituted against the Member. The Authority may contract with a third party administrator for handling of such claims.

2. The Authority shall be responsible for ensuring the third party administrator uses qualified personnel to administer Program II claims.

3. The Authority shall be responsible for ensuring qualified defense counsel experienced in health facility law shall handle litigated claims.

4. The Authority shall be responsible for ensuring a claims administration audit utilizing the Authority's Claims Reporting and Handing Guidelines in the Operating and Guidelines Manual shall be performed once every two (2) years.

The claims audit shall be performed by a firm(s) selected by the Authority. Recommendations made in the claims audit shall be

addressed by the third party administrator and a written response outlining a program for corrective action shall be provided to the Authority within sixty (60) days of receipt of the audit.

5. The Authority shall be responsible for obtaining an actuarial study performed by a Fellow of the Casualty Actuarial Society (FCAS) annually.

6. The Member shall have an effective risk management program in accordance with the "Risk Management Guidelines" as stated in the Operating and Guidelines Manual.

VIII. SANCTIONS

A. The Authority shall provide the Member written notification of the Member's failure to meet any of the above-mentioned standards or of other concerns, which affect or could affect the Authority.

B. The Member shall provide a written response outlining a program for corrective action within sixty (60) days of receipt of the Authority's notification.

C. After approval by the Executive or applicable Program Committee of the Member's corrective program, the Member shall implement the approved program within ninety (90) days. The Member may request an additional sixty (60) days from the Executive or applicable Program Committee. Further requests for extensions shall be referred to the Board of Directors.

D. Failure to comply with subsections B or C may result in cancellation of the Member from the affected Authority Program in accordance with the provisions in the Joint Powers Agreement.

E. Notwithstanding any other provision herein, any Member may be canceled pursuant to the provision of the Joint Powers Agreement.

Adopted: December 6, 1985
Amended: March 4, 1988
Amended: October 7, 1988
Amended: October 6, 1995
Amended: October 1, 1999
Amended: June 6, 2003
Amended: March 2, 2007
Amended: July 1, 2009

ADDENDUM A
WORKERS' COMPENSATION
CLAIMS ADMINISTRATION GUIDELINES

The following Guidelines have been adopted by the CSAC Excess Insurance Authority (hereinafter The Authority or the EIA) in accordance with Article 18(b) of the CSAC Excess Insurance Authority Joint Powers Agreement. It is the intent of these Guidelines to comply with all applicable Labor Code and California Code of Regulations Sections. In the event that there exists a conflict between the Guidelines, the Labor Code or the Code of Regulations, the most stringent requirement shall apply.

I. CLAIM HANDLING - ADMINISTRATIVE

A. Case Load

1. On or after July 1, 2007, the claims examiner assigned to the Member shall handle a targeted caseload of 150 but not to exceed 175 indemnity claims. This caseload shall include future medical cases with every 2 future medical cases counted as 1 indemnity case.

2. Supervisory personnel should not handle a caseload, although they may handle specific issues.

B. Case Review and Documentation

1. Documentation should reflect any significant developments in the file and include a plan of action. The examiner should review the file at intervals not to exceed 45 calendar days. Future medical files should be reviewed at intervals not to exceed 90 calendar days. The supervisor shall monitor activity on indemnity files at intervals not to exceed 120 calendar days. Future medical files shall be reviewed by the supervisor at intervals not to exceed 180 calendar days. An accomplishment level of 95% shall be considered acceptable.

2. File contents shall comply with Code of Regulations Sections 10101, 10101.1 and 15400, and be kept in a neat and orderly fashion. An accomplishment level of 95% shall be considered acceptable.

3. All medical-only cases shall be reviewed for potential closure or transfer to an indemnity examiner within 90 calendar days following claim file creation. An accomplishment level of 95% shall be considered acceptable.

C. Communication

1. Telephone Inquiries

Return calls shall be made within 1 working day of the original telephone inquiry. All documentation shall reflect these efforts. An accomplishment level of 95% shall be considered acceptable.

2. Incoming Correspondence

All correspondence received shall be clearly stamped with the date of receipt. An accomplishment level of 95% shall be considered acceptable.

3. Return Correspondence

All correspondence requiring a written response shall have such response completed and transmitted within 5 working days of receipt. An accomplishment level of 95% shall be considered acceptable.

D. Fiscal Handling

1. Fiscal handling for indemnity benefits on active cases shall be balanced with appropriate file documentation on a semi-annual basis to verify that statutory benefits are paid appropriately. Balancing is defined as, “an accounting of the periods and amounts due in comparison with what was actually paid”. An accomplishment level of 95% shall be considered acceptable.

2. In cases of multiple losses with the same person, payments shall be made on the appropriate claim file.

II. CLAIM CREATION

A. Three Point Contact

Three point contact shall be conducted with the injured worker, employer representative and treating physician within 3 working days of receipt of the claim by the third party administrator or self administered entity. If a nurse case manager is assigned to the claim, initial physician contact may be conducted by either the claims examiner or the nurse case manager. In the event a party is non-responsive, there should be evidence of at least three documented attempts to reach the individual. Medical-only claims shall have this three point contact requirement as well. An accomplishment level of 95% shall be considered acceptable.

B. Compensability

1. The initial compensability determination (accept claim, deny claim or delay acceptance pending the results of additional investigation) and the reasons for such a determination shall be made and documented in the file within 14 calendar days of the filing of the claim with the employer. In the event the claim is not received by the third party administrator or self administered entity within 14 calendar days of the filing of the claim with the employer, the third party administrator or self administered entity shall make the initial compensability determination within 7 calendar days of receipt of the claim. An accomplishment level of 100% shall be considered acceptable.

2. Delay of benefit letters shall be mailed in compliance with the Division of Workers' Compensation (DWC) guidelines. In the event the employer does not provide notice of lost time to the third party administrator or self administered entity timely to comply with DWC guidelines, the third party administrator or self administered entity shall mail the benefit letters within 7 calendar days of notification. An accomplishment level of 100% shall be considered acceptable.

3. The final compensability determination shall be made by the claims examiner or supervisor within 90 calendar days of employer receipt of the claim form. An accomplishment level of 100% shall be considered acceptable.

C. Reserves

1. Using the information available at claim file set up, an initial reserve shall be established at the most probable case value. An accomplishment level of 95% shall be considered acceptable.

2. The initial reserve shall be electronically posted to the claim within 14 calendar days of receipt of the claim. An accomplishment level of 95% shall be considered acceptable.

III. CLAIM HANDLING – TECHNICAL

A. Payments

1. Initial Temporary and Permanent Disability Indemnity Payment

a. The initial indemnity payment shall be issued to the injured worker within 14 calendar days of knowledge of the injury and disability. In the event the third party administrator or self administered entity is not notified of the injury and disability within 14 calendar days of the employer's knowledge, the third party administrator or self administered entity shall make payment within 7 calendar days of notification. Initial permanent disability payments shall be issued within 14 calendar days after the date of last payment of temporary disability. This shall not apply with salary continuation. An accomplishment level of 100% shall be considered acceptable.

b. The properly completed DWC Benefit Notice shall be mailed to the employee within 14 calendar days of the first day of disability. In the event the third party administrator or self administered entity is not notified of the first day of disability until after 14 calendar days, the DWC Benefit Notice shall be mailed within 7 calendar days of notification. An accomplishment level of 100% shall be considered acceptable.

c. Self imposed penalty shall be paid on late payments in accordance with Section III. A. 7 of this document. An accomplishment level of 100% shall be considered acceptable.

d. Overpayments shall be identified and reimbursed timely where appropriate. The third party administrator or self administered entity shall request reimbursement of overpaid

funds from the party that received the funds. If necessary, a credit shall be sought as part of any resolution of the claim. An accomplishment level of 95% shall be considered acceptable.

2. Subsequent Temporary and Permanent Disability Payments

   a. Eligibility for indemnity payments subsequent to the first payment shall be verified, except for established long-term disability. An accomplishment level of 100% shall be considered acceptable.

   b. Self imposed penalty shall be paid on late payments in accordance with Section III.A.7 of this document. An accomplishment level of 100% shall be considered acceptable.

3. Final Temporary and Permanent Disability Payments

   a. All final indemnity payments shall be issued timely and the appropriate DWC benefit notices sent. An accomplishment level of 100% shall be considered acceptable.

   b. Self imposed penalty shall be paid on late payments in accordance with Section III.A.7 of this document. An accomplishment level of 100% shall be considered acceptable.

4. Award Payments

   a. Payments on undisputed Awards, Commutations, or Compromise and Releases shall be issued within 10 calendar days following receipt of the appropriate document. An accomplishment level of 95% shall be considered acceptable.

   b. For all excess reportable claims, copies of all Awards shall be provided to the Authority at time of payment. An accomplishment level of 95% shall be considered acceptable.

5. Medical Payments

   a. Medical treatment billings (physician, pharmacy, hospital, physiotherapist, etc.) shall be reviewed for correctness,

approved for payment and paid within 60 working days of receipt. An accomplishment level of 100% shall be considered acceptable.

b. The medical provider must be notified in writing within 30 working days of receipt of an itemized bill if a medical bill is contested, denied or incomplete. An accomplishment level of 100% shall be considered acceptable.

c. A bill review process should be utilized whenever possible. There should be participation in a PPO and/or MPN whenever possible.

6. Injured Worker Reimbursement Expense

a. Reimbursements to injured workers shall be issued within 15 working days of the receipt of the claim for reimbursement. An accomplishment level of 95% shall be considered acceptable.

b. Advance travel expense payments shall be issued to the injured worker 10 working days prior to the anticipated date of travel. An accomplishment level of 95% shall be considered acceptable.

7. Penalties

a. Penalties shall be coded so as to be identified as a penalty payment. An accomplishment level of 100% shall be considered acceptable

b. If the Member utilizes a third party administrator, the Member shall be advised of the assessment of any penalty for delayed payment and the reason thereof, and the administrator's plans for payment of such penalty, on a monthly basis. An accomplishment level of 95% shall be considered acceptable.

c. If the Member utilizes a third party administrator, the Member, in their contract with the administrator, shall specify who is responsible for specific penalties.

B. Medical Treatment

1. Each Member shall have in place a Utilization Review process. An accomplishment level of 100% shall be considered acceptable.

2. Disputes regarding spine surgery shall be resolved using the process set forth in Labor Code Section 4062(b). An accomplishment level of 100% shall be considered acceptable.

3. Nurse case managers shall be utilized where appropriate. An accomplishment level of 95% shall be considered acceptable.

4. If enrolled in a Medical Provider Network, the network shall be utilized whenever appropriate.

C. Apportionment

1. Investigation into the existence of apportionment shall be documented. An accomplishment level of 100% shall be considered acceptable.

2. If potential apportionment is identified, all efforts to reduce exposure shall be pursued. An accomplishment level of 100% shall be considered acceptable.

D. Disability Management

1. The third party administrator or self administered entity shall work proactively to obtain work restrictions and/or a release to full duty on all cases. The TPA or self-administered entity shall notify a designated Member representative immediately upon receipt of temporary work restrictions or a release to full duty, and work closely with the Member to establish a return to work as soon as possible. An accomplishment level of 95% shall be considered acceptable.

2. The third party administrator or self administered entity shall notify a designated Member representative immediately upon receipt of an employee's permanent work restrictions so that the Member can determine the availability of alternative, modified or regular work. An accomplishment level of 100% shall be considered acceptable.

3. If there is no response within20 calendar days, the third party administrator or self administered entity shall follow up with the

designated Member representative. An accomplishment level of 100% shall be considered acceptable.

4. Members shall have in place a process for complying with laws preventing disability discrimination, including Government Code Section 12926.1 which requires an interactive process with the injured worker when addressing a return to work with permanent work restrictions.

5. Third party administrators or self administered claims professional shall cooperate with members to the fullest extent, in providing medical and other information the member deems necessary for the member to meet its obligations under federal and state disability laws.

E. Vocational Rehabilitation/Supplemental Job Displacement Benefits

1. Vocational Rehabilitation – Dates of injury prior to 1/1/04: Benefits pursuant to Labor Code Section 139.5 shall be timely provided. An accomplishment level of 100% shall be considered acceptable.

2. Supplemental Job Displacement Benefits – Dates of injury 1/1/04 and after: Benefits pursuant to Labor Code Section 4658.5 shall be timely provided. An accomplishment level of 100% shall be considered acceptable.

3. The third party administrator or self administered entity shall secure the prompt conclusion of vocational rehabilitation/SJDB and settle where appropriate. An accomplishment level of 95% shall be considered acceptable.

F. Reserving

1. Reserves shall be reviewed at regular diary and at time of any significant event, e.g., surgery, P&S/MMI, return to work, etc., and adjusted accordingly. This review shall be documented in the file regardless of whether a reserve change was made. An accomplishment level of 95% shall be considered acceptable.

2. Indemnity reserves shall reflect actual temporary disability indemnity exposure with 4850 differential listed separately. An accomplishment level of 100% shall be considered acceptable.

3. Permanent disability indemnity exposure shall include life pension reserve if appropriate. An accomplishment level of 100% shall be considered acceptable.

4. Future medical claims shall be reserved in compliance with SIP regulation 15300 allowing adjustment for reductions in the approved medical fee schedule, undisputed utilization review, medically documented non-recurring treatment costs and medically documented reductions in life expectancy. An accomplishment level of 100% shall be considered acceptable.

G. Resolution of Claim

1. Within 10 working days of receiving medical information indicating that a claim can be finalized, the claims examiner shall take appropriate action to finalize the claim. An accomplishment level of 95% shall be considered acceptable.

2. Settlement value shall be documented appropriately utilizing all relevant information. An accomplishment level of 95% shall be considered acceptable.

H. Settlement Authority

1. No agreement shall be authorized involving liability, or potential liability, of the Authority without the advance written consent of the Authority. An accomplishment level of 100% shall be considered acceptable.

2. The third party administrator shall obtain the Member's authorization on all settlements or stipulations in excess of the settlement authority provided in any provision of the individual contract between the Member and the claims administrator. An accomplishment level of 100% shall be considered acceptable.

IV. LITIGATED CASES

The third party administrator or self administered entity shall establish written guidelines for the handling of litigated cases. The guidelines should, at a minimum, include the points below, which may be adopted and incorporated by reference as "the guidelines".

A. Defense of Litigated Claims

1. The third party administrator or self administered entity shall promptly initiate investigation of issues identified as material to potential litigation. The Member shall be alerted to the need for in-house investigation, or the need for a contract investigator who is acceptable to the Member. The Member shall be kept informed on the scope and results of investigations. An accomplishment level of 95% shall be considered acceptable.

2. The third party administrator or self administered entity shall, in consultation with the Member, assign defense counsel from a list approved by the Member. (Note: If a Member is a County, to comply with Government Code Section 25203, the Member's list should be approved by a two-thirds vote of the governing board.) An accomplishment level of 95% shall be considered acceptable.

3. Settlement proposals directed to the Member shall be forwarded by the third party administrator, self administered entity or defense counsel in a concise and clear written form with a reasoned recommendation. Settlement proposals shall be presented to the Member as directed so as to insure receipt in sufficient time to process the proposal. An accomplishment level of 95% shall be considered acceptable.

4. Knowledgeable Member personnel shall be involved in the preparation for medical examinations and trial, when appropriate or deemed necessary by the Member so that all material evidence and witnesses are utilized to obtain a favorable result for the defense. An accomplishment level of 95% shall be considered acceptable.

5. The third party administrator or self administered entity shall comply with any reporting requirement of the Member. An accomplishment level of 95% shall be considered acceptable.

B. Subrogation

1. In all cases where a third party (other than a Member employee or agent) is responsible for the injury to the employee, attempts to obtain information regarding the identity of the responsible party shall be made within 14 calendar days of recognition of subrogation potential. Once identified, the third party shall be contacted within 14 calendar days with notification of the Member's right to subrogation and the recovery of certain claim expenses. If the third party is a governmental entity, a claim shall be filed with the governing board

(or State Board of Control as to State entities) within 6 months of the injury or notice of the injury. An accomplishment level of 95% shall be considered acceptable.

2. Periodic contact shall be made with the responsible party and/or insurer to provide notification of the amount of the estimated recovery to which the Member shall be entitled. An accomplishment level of 95% shall be considered acceptable.

3. The file shall be monitored to determine the need to file a complaint in civil court in order to preserve the statute of limitations. An accomplishment level of 95% shall be considered acceptable.

4. If the injured worker brings a civil action against the party responsible for the injury, the claims administrator shall consult with the Member about the value of the subrogation claim and other considerations. Upon Member authorization, subrogation counsel shall be assigned to file a Lien or a Complaint in Intervention in the civil action. An accomplishment level of 95% shall be considered acceptable.

5. Whenever practical, the claims administrator shall aggressively pursue recovery in any subrogation claim. They should attempt to maximize the recovery for benefits paid, and assert a credit against the injured worker's net recovery for future benefit payments. An accomplishment level of 95% shall be considered acceptable.

V. EXCESS COVERAGE

A. Claims meeting the definition of reportable excess workers' compensation claims as defined by the Memorandum of Coverage Conditions Section shall be reported to the Authority within 5 working days of the day on which it is known the criterion is met. Utilize the Excess Workers' Compensation First Report Form available through the EIA website. An accomplishment level of 100% shall be considered acceptable.

B. Subsequent reports shall be transmitted to the Authority on a quarterly basis on indemnity claims and on a semi-annual basis on future medical claims sooner if claim activity warrants, or at such other intervals as requested by the Authority, in accordance with Underwriting and Claims Administration Standards. Utilize the Excess Workers' Compensation Status Report Form available through the EIA website, or a comparable form to be approved by the Authority. An accomplishment level of 95% shall be considered acceptable.

C. Reimbursement requests should be submitted in accordance with the Authority's reporting and reimbursement procedures on a quarterly or semi-annual basis depending on claims payment activity. Utilize the Excess Workers' Compensation Claim Reporting and Reimbursement Procedures available through the EIA website. An accomplishment level of 95% shall be considered acceptable.

D. A closing report with a copy of any settlement documents not previously sent shall be sent to the Authority. An accomplishment level of 95% shall be considered acceptable.

2013/2014 WORKERS' COMPENSATION MEMORANDUM OF COVERAGE

ACTION ITEM

ITEM: JPA Pool Consultant created a Memorandum of Coverage (MOC) to provide to MERMA members. The MOC along with the Excess Workers' Compensation coverage MOC will provide members annually with a coverage document to evidence coverage. The Executive Committee should review and approve this MOC to distribute as evidence of coverage.

RECOMMENDATION: Approve the Memorandum of Coverage.

FISCAL IMPACT: None

BACKGROUND: MERMA does not have a Memorandum of Coverage. When a member requests evidence of coverage, they have been provided a Proof of Coverage letter detailing the Excess Workers' Compensation carrier.

JPA Pool Consultant has created a Memorandum of Coverage that together with the Excess Workers' Compensation providers coverage document, details the coverage, exclusions, terms and conditions of the coverage.

ATTACHMENTS:

1. Proof of Coverage letter currently used
2. 13-14 MERMA Workers' Compensation Declaration Page – Gonzales Unified School District
3. MERMA Memorandum of Coverage – WCOM-13
4. CSAC EIA Memorandum of Coverage 7/1/13

MERMA
Monterey Educational
Risk Management Authority
P.O. Box 3320
Salinas, CA 93912
www.merma.org

ADMINISTRATION
(831) 783-3300
Fax: (831) 783-3309

CLAIMS
(831) 783-3311
Fax: (831) 783-3333

LOSS CONTROL
(831) 783-3300
Fax: (831) 783-3309

May 15, 2013

Milena Dicks
Pacific Grove Unified School District
435 Hillcrest Avenue
Pacific Grove, CA 93950

Re: **Proof of Workers' Compensation Coverage**
Pacific Grove Unified School District

Dear Ms. Dicks:

This letter is to certify that Pacific Grove Unified School District is a member of the Monterey Educational Risk Management Authority (formerly Monterey County Schools Workers' Compensation JPA) and accordingly has workers' compensation coverage for all of their employees.

Excess Insurance Coverage

Carrier	:	US Specialty Underwriters
WC Limit	:	$50,000,000 Limit
S.I.R.	:	$400,000
Policy Number	:	WCE-0755659-12
Policy Effective Date	:	7/1/12
Policy Expiration Date	:	7/1/13
Security	:	Star Insurance Company

Any questions, please contact our office.

Sincerely,

Hallie Pacheco

for Susan Adams
Interim Management

SA:hp

MERMA

MONTEREY EDUCATIONAL RISK MANAGEMENT AUTHORITY

WORKERS' COMPENSATION
UNDERLYING MEMORANDUM OF COVERAGE
DECLARATIONS

MEMORANDUM NO: MWC 2013-05

1. MEMBER ENTITY: **Gonzales Unified School District**
600 Elko Street
Gonzales, CA 93926

2. COVERAGE PERIOD: July 1, 2013 through June 30, 2014

3. COVERAGE LIMITS:
a. Workers Compensation $125,000 Each Occurrence

FORMS AND ENDORSEMENTS: WCOM-13
FORMING PART OF THE POLICY AT INCEPTION

MERMA President, Sara Perez **Date**

Coverage afforded to the Member Entity stated above shall be the same as that provided under the CSAC EIA Excess Insurance Authority (CSAC EIA) Memorandum of Coverage effective July 1, 2013.

MONTEREY EDUCATIONAL RISK MANAGEMENT AUTHORITY
WORKERS' COMPENSATION
UNDERLYING MEMORANDUM OF COVERAGE
FORM NO. WCOM-13

1. INSURING AGREEMENT

In consideration of the payment of the required deposit and subject to all the terms of this Memorandum of Coverage, Monterey Educational Risk Management Authority (hereinafter MERMA) agrees to pay on behalf of the Member Agency loss resulting from any accident or disease covered by the terms of the CSAC EIA Excess Insurance Authority (hereinafter CSAC EIA) Memorandum of Coverage effective for the Coverage Period shown under Item 2 of the Declarations to this Memorandum, except as amended by the following provisions:

2. LIMITS OF LIABILITY

The Limits of Liability applicable to this Memorandum of Coverage are as stated under Items 3a and 3b of the Declarations. This Memorandum of Coverage does not include a self-insured retention.

3. GLOSSARY

The conditions of this Memorandum of Coverage shall be applied as if the glossary of words listed below had been included with the word or words each time they appear in this Memorandum of Coverage.

LOSS-means the ultimate net loss as defined in the Memorandum of Coverage issued by CSAC EIA for this period concurrent with the period stated in the declarations and amended by the Memorandum.

MEMBER AGENCY- a signatory to the Joint Powers Agreement forming the Monterey Educational Risk Management Authority. This meaning shall apply to the term Member Agency notwithstanding any other definition to the contrary in, or any document incorporated into, this Memorandum.

4. OTHER INSURANCE

The coverage afforded by this Memorandum of Coverage shall be excess over any other valid and collectible insurance or coverage available to the Member Agency and applicable to any part of the ultimate net loss, whether such other insurance or coverage is stated to be primary, excess, contingent or otherwise, unless such other insurance or coverage specifically applies as excess insurance or coverage over the limits provided in this Memorandum of Coverage.

5. NOTICE OF LOSS

Upon the happening of any occurrence likely to involve MERMA under this Memorandum of Coverage, the Member Agency shall give notice as soon as practicable to the Claims Administrator of MERMA. Such notice shall contain particulars sufficient to identify the Member Agency and provide fullest information obtainable at the time. The Member Agency shall forward to MERMA Claims Administrator all written notices, demands or legal papers received by the Member Agency or the Member Agency's representative, together with copies of reports or investigations, with respect to such loss.

6. DEFENSE

MERMA shall assume charge of the investigation, settlement or defense of any claims made, or suits brought, or proceedings instituted against the Member Agency, which in the opinion of MERMA may create liability on the part of MERMA under the terms of this Memorandum of Coverage.

7. PAYMENT OF LOSS

Upon final determination of loss, MERMA will promptly pay on behalf of the Member Agency the amount of loss falling within the terms of this Memorandum of Coverage.

8. CANCELLATION

This Memorandum of Coverage may be canceled in accordance with the terms of the JPA Agreement and Bylaws of MERMA.

To be valid, this agreement must be signed by either the President or Vice-President of MERMA. The Agreement will be issued by the Program Administrator.

Ms. Sara Perez, President **Date**

CSAC EXCESS INSURANCE AUTHORITY
EXCESS WORKERS' COMPENSATION PROGRAM
MEMORANDUM OF COVERAGE

CSAC Excess Insurance Authority (hereinafter Authority) agrees with the **Covered Party** named in the Declarations made a part hereof, in consideration of the payment of the premium and subject to all of the terms of this Memorandum, as follows:

COVERAGE AGREEMENTS

I. APPLICATION OF MEMORANDUM: This Memorandum applies to **loss** sustained by the **Covered Party** because of liability imposed upon the **Covered Party** by:

A. The **Workers' Compensation Act** of California or the **Workers' Compensation Act** of any state other than California, provided that California is the injured **employee's** normal state of employment or residence, or

B. **"**Employers' Liability**"**

on account of **bodily injury or occupational disease** sustained by **employees** of the **Covered Party**, while engaged in operations of the **Covered Party**, as a result of **occurrences** taking place during the coverage period and while this Memorandum is in force.

The indemnity afforded by this Memorandum under Coverage Agreement I.B. for **loss** because of liability imposed by **"**Employers' Liability**"** applies only as respects such operations in California including **employees** who are regularly engaged in such operations in California but who may be temporarily outside California in connection with such operations. As respects liability imposed by **"**Employers' Liability**",** the Authority shall have no obligation to indemnify the **Covered Party** for damages imposed in any lawsuit brought in, or any judgment rendered by, any court outside of the United States of America, its territories or possession, or Canada, or to any action on such judgment wherever brought.

The Authority's liability under Coverage Agreement I.B. includes **bodily injury** or **occupational disease** to the master and members of the crew of a vessel, subject to the following:

A. The **bodily injury** or **occupational disease** must occur in the territorial limits of, or the operation of a vessel sailing directly between the ports of the Continental United States of America, Alaska, Hawaii, or Canada.

B. This coverage does not apply to:

1. **bodily injury** or **occupational disease** covered by a protection and indemnity coverage or similar policy issued to or on behalf of the **Covered Party**

2. The duty to provide transportation, wages, and maintenance.

II. RETENTION AND INDEMNITY: As respects **loss** which the **Covered Party** sustains as a result of each **occurrence**, the **Covered Party** shall retain **loss** in the amount of the **Covered Party's** Retention specified in the Declarations, and the Authority agrees to indemnify the **Covered Party** against **loss** in excess of such Retention. Notwithstanding the application of this Memorandum to **loss** sustained by the **Covered Party** under Coverage Agreements I.A. or I.B., and regardless of the number of entities named in the Declarations, or otherwise qualifying as **Covered Parties**, the maximum amount of the **Covered Party's** Retention and the maximum limit of the Authority's indemnity hereunder shall not exceed the amounts specified in the Declarations.

DEFINITIONS

Wherever used in this Memorandum, the following definition of terms shall apply:

I. **BODILY INJURY:** The term **bodily injury** shall include death resulting therefrom but shall not include **occupational disease**.

II. **COMMUNICABLE DISEASE** shall mean a disease caused by an infectious organism, which is transmissible from one source to another, directly or indirectly.

III. **COVERED PARTY** shall include all entities named in the Declarations and any related "employer" as defined by any applicable **Workers' Compensation Act**.

IV. **EMPLOYEE**: The term **employee** shall mean, as respects liability imposed upon the **Covered Party** by the **Workers' Compensation Act** of any applicable state, any person performing work which renders the **Covered Party** liable under any **Workers' Compensation Act**, provided such person's normal employment or residence is located in California, for **bodily injury** or **occupational disease** sustained by such person.

V. **JOINT POWERS AGREEMENT** or **AGREEMENT** shall mean the Joint Powers Agreement, as amended, creating the CSAC Excess Insurance Authority.

VI. **LOSS**: The term **loss** shall mean only such amounts as are actually paid by the **Covered Party** as benefits under the applicable **Workers' Compensation Act**, or in payment of amounts imposed upon the **Covered Party** by "Employers' Liability", in settlement of claims for such benefits or damages, or satisfaction of

awards or judgments for such benefits and damages, including court costs, interest upon awards or judgments, and allocated investigation, and legal expenses, but the term **loss** shall not include as expenses, salaries paid to **employees** of the **Covered Party**, nor fees and retainers paid to any service organization.

VII. **OCCUPATIONAL DISEASE**: The term **occupational disease** shall include death resulting therefrom and cumulative injuries.

VIII. **OCCURRENCE**: (A) All **bodily injury** sustained by one or more **employees**, as a result of a single accident or event, shall be deemed to arise from a single **occurrence**. (B) **Occupational disease** sustained by each **employee** shall be deemed to arise from a separate **occurrence**, and the **occurrence** shall be deemed to take place on the last day of the last exposure, in the employment of the **Covered Party**, to conditions causing or aggravating the disease OR the date upon which the employee first suffered disability and either knew, or in the exercise of reasonable diligence should have known, that such disability was caused by his or her employment with the **Covered Party**, whichever comes first. C) All **occupational disease** sustained by one or more **employees** as a result of an outbreak of the same **communicable disease** shall be deemed to arise from a single **occurrence.** An outbreak of the same **communicable disease** that spans more than one coverage period shall be deemed to take place during the first such coverage period.

IX. **WORKERS' COMPENSATION ACT:** The term **Workers' Compensation Act** shall include any separate occupational disease act, but shall not include the non-occupational disability benefit provisions of any such act. The term **Workers' Compensation Act** includes the United States Longshore and Harbor Workers Compensation Act (33 USC Sections 901-950). Coverage for **loss** shall be limited, by amount and time of payment, to the benefits which would be available under the **Workers' Compensation Act** of the state where the injured employee is normally employed, if that law applied.

EXCLUSIONS

Liability under Coverage Agreement I.A. does not apply to:

I. The **Covered Party's** obligation to pay salary in lieu of temporary disability benefits as required by Labor Code Section 4850 or the **Covered Party's** obligation to pay wages or salary as required by Education Code Sections 44984 and 45192, except to the extent that the **Covered Party** would be obligated to pay temporary disability benefits if Labor Code Section 4850 or Education Code Sections 44984 and 45192 did not apply;

II. The **Covered Party's** obligations pursuant to Labor Code Section 4856;

III. Punitive or Exemplary Damages, fines or penalties assessed against or imposed upon the **Covered Party**:

A. On account of **bodily injury** or **occupational disease** sustained by any **employee**; or

B. On account of the conduct of the **Covered Party** or any of its agents (i) in the investigation, trial or settlement of any claim for benefits under the applicable **Workers' Compensation Act** or for damages at law, or (ii) in failing to pay or delaying the payment of any such benefits or damages; or

C. On account of violation of any statute or regulation; or

D. On account of **bodily injury** or **occupational disease** intentionally caused or aggravated by the **Covered Party**; or

E. On account of **bodily injury** arising out of termination of employment; or

F. On account of **bodily injury** arising out of the coercion, demotion, reassignment, discipline, defamation, harassment or humiliation of, or discrimination against any **employee**.

Liability under Coverage Agreement I.B. does not apply to:

I. Liability assumed by the **Covered Party** under any contractual agreement;

II. **Bodily injury** or **occupational disease** to an employee while employed in violation of law with the actual knowledge of the **Covered Party**;

III. Any obligation imposed by a workers' compensation, occupational disease, unemployment compensation, or disability benefits law, or any similar law;

IV. **Bodily injury** or **occupational disease** intentionally caused or aggravated by the **Covered Party**;

V. Loss arising out of the coercion, criticism, demotion, evaluation, reassignment, discipline, defamation, harassment, humiliation, discrimination against or termination of any **employee** or any personnel practices, policies, acts or omissions;

VI. Fines or penalties assessed against or imposed upon the **Covered Party** on account of violation of any statute or regulation;

VII. Loss arising out of operations for which the **Covered Party** has violated or failed to comply with any Workers' Compensation Law;

VIII. Loss arising out of operations for which the **Covered Party** has rejected any Workers' Compensation Law;

IX. Punitive or Exemplary Damages, fines or penalties assessed against or imposed upon the **Covered Party**:

A. On account of **bodily injury** or **occupational disease** sustained by any **employee**; or

B. On account of the conduct of the **Covered Party** or any of its agents (i) in the investigation, trial or settlement of any claim for benefits under the applicable **Workers' Compensation Act** or for damages at law, or (ii) in failing to pay or delaying the payment of any such benefits or damages; or

C. On account of violation of any statute or regulation; or

D. On account of **bodily injury** or **occupational disease** intentionally caused or aggravated by the **Covered Party**; or

E. On account of **bodily injury** arising out of termination of employment; or

F. On account of **bodily injury** arising out of the coercion, demotion, reassignment, discipline, defamation, harassment or humiliation of, or discrimination against any **employee**.

CONDITIONS

I. PREMIUMS: The Board of Directors of the Authority shall assess the premium for the Excess Workers' Compensation Program to participating **Covered Parties**. Such premiums shall be calculated in accordance with Article 14 of the **Joint Powers Agreement**.

II. VOLUNTEERS: This Memorandum shall apply to **loss** on account of **bodily injury** or **occupational disease** sustained by volunteer workers while acting within the scope of their duties for or on behalf of the **Covered Party,** provided that, prior to the **occurrence**, the Governing Board of the **Covered Party** has adopted a resolution as provided in Division 4, Part 1, Chapter 2, Article 2, of the California Labor Code, declaring such volunteer workers to be **employees** of the **Covered Party** for purposes of the **Workers' Compensation Act**; or provided that such volunteer workers are statutorily deemed by the **Workers'**

Compensation Act to be **employees** for the purposes of workers' compensation.

III. ADMINISTRATION AND REPORTING OF CLAIMS: The **Covered Party** shall be responsible for the investigation, settlement, defense or appeal of any claim made or suit brought, or proceeding instituted against the **Covered Party**, and the **Covered Party** shall have the duty to give immediate notice to the Authority upon learning of any of the following:

A. Any **occurrence** for which total incurred (paid to date plus remaining reserves) exceeds 50% of the **Covered Party's** Retention;

B. Any **occurrence** which causes serious injury to two or more **employees**;

C. Any **occurrence** which results in:

1. A fatality;
2. An amputation of a major extremity;
3. Any serious head injury (including skull fracture or loss of sight of either or both eyes);
4. Any injury to the spinal cord;
5. Any second or third degree burn of 25% or more of the body;
6. A permanent total disability as defined in the **Workers' Compensation Act** of the State of California;

D. The reopening of any case in which a further award might exceed 50% of the **Covered Party's** retention.

The **Covered Party** shall not make any voluntary settlement or voluntarily make a lump sum payment or commutation or one-time payment in lieu of periodic indemnity payments to **employees** or their dependents involving **loss** to the Authority except with the prior written consent of the Authority.

The **Covered Party** shall promptly forward to the Authority any requested information on individual **occurrences** claims, or cases, and shall provide such information to the Authority within thirty (30) days in a form satisfactory to the Authority, including the amounts paid and the estimated future payments or outstanding reserves.

The Authority, at its own election and expense, shall have the right to participate with the **Covered Party** in, or to assume in the name of the **Covered Party**, control over the investigation, settlement, defense, or appeal of any claim, suit, or proceeding which might involve liability of the Authority.

IV. SERVICE ORGANIZATION: As a condition precedent to recovery hereunder, it is agreed that the **Covered Party** will engage one or more service organizations and/or in-house staff acceptable to the Authority to perform on behalf of the **Covered Party**, and without charge to the Authority, such services as may be acceptable to the Authority during the currency of this Memorandum and until the final settlement of all claims arising out of **occurrences** which take place while this Memorandum is in force. The performance of such services shall not constitute any undertaking on behalf of the Authority, nor relieve the **Covered Party** of any of its obligations under the terms of this Memorandum.

V. ASSISTANCE AND COOPERATION: In the event the Authority elects to participate with the **Covered Party** in, or to assume in the name of the **Covered Party**, control over the investigation, defense, or appeal of any claim, suit, or proceeding, the **Covered Party** shall cooperate to the fullest extent with the Authority and its representatives.

Upon the Authority's request, the **Covered Party** shall direct its service organization and/or other representatives to cooperate with and assist the Authority in all matters relative to such investigation, settlement, defense, or appeal.

If the Authority elects to assume control as described above, the Authority shall give written notice of such election to the **Covered Party**. Upon receipt of such written notice, the **Covered Party** shall not, except at its own cost, voluntarily make any payment, assume any obligation, or incur any expense other than such immediate medical or other services at the time of injury as are required by the **Workers' Compensation Act** or such immediate medical and surgical relief as may become imperative at the time of an **occurrence**.

VI. LOSS PAYABLE: The Authority shall pay any **loss** for which it may be liable under this Memorandum in the following manner:

A. As respects Coverage Agreements I.A., payment shall first be made by the **Covered Party** in accordance with the provisions of the **Workers' Compensation Act**, and the Authority shall reimburse the **Covered Party** for such **loss** periodically, at intervals of not less than one (1) month, upon receipt from the **Covered Party** of proofs of payment which is acceptable to the Authority in content and form.

B. As respects Coverage Agreement I.B., liability under this Memorandum with respect to any **occurrence** shall not attach unless and until the Authority's liability shall have been fixed and rendered certain either by final judgment against the **Covered Party** after actual trial or by written agreement of the **Covered Party**, the claimant, and the Authority. Such **losses** shall be due and payable within thirty (30) days after they

are respectively claimed and proven in conformity with this Memorandum.

VII. PAYMENTS THE **COVERED PARTY** MUST MAKE: The **Covered Party** shall be responsible for any payments in excess of the benefits regularly provided by the **Workers' Compensation Act**, including but not limited to those required because:

A. of serious and willful misconduct on the part of the **Covered Party**;

B. the **Covered Party** knowingly employs an employee in violation of the law;

C. the **Covered Party** fails to comply with a health or safety law or regulation; however, this does not apply to recommendations promulgated by the Joint Commission for Accreditation of Health;

D. of discharge, coercion, or discrimination against any employee in violation of the **Workers' Compensation Act**;

E. of claims relating to or in any way arising out of California Labor Code Section 132(a);

F. of the unreasonable delay or failure to make payments of compensation by or on behalf of the **Covered Party**, including the legal fees associated with defending resulting claims or suits;

G. the **Covered Party** violates or fails to comply with the **Workers' Compensation Act**.

If the Authority makes any payments on behalf of the Covered Party in excess of the benefits regularly provided by the Workers' Compensation Act, the Covered Party will reimburse the Authority promptly.

VIII. SUBROGATION: In the event of any payment under this Memorandum, the Authority shall be subrogated, to the extent of such payment, to all the **Covered Party's** rights of recovery therefore, and the **Covered Party** shall execute all papers required and shall do everything that may be necessary to secure such rights. Any amount recovered as a result of such proceedings, together with all expenses necessary to the recovery of any such amount shall be apportioned as follows: The Authority shall first be reimbursed to the extent of its actual payment hereunder. If any balance then remains, said balance shall be applied to reimburse the **Covered Party**. The expenses of all proceedings necessary to the recovery of such amount shall be apportioned between the **Covered Party** and the Authority in the ratio of their respective recoveries as finally settled. If

there should be no recovery in proceedings instituted solely on the initiative of the Authority, the expenses thereof shall be borne by the Authority.

IX. INSPECTION AND AUDIT: The Authority shall be permitted but not obligated to inspect the **Covered Party's** operations at any time. Neither the Authority's right to make inspections nor the making thereof nor any report thereon shall constitute an undertaking on behalf of or for the benefit of the **Covered Party** or others to determine or warrant that such operations are safe or harmful, or are in compliance with any law, rule or regulation. The Authority may examine and audit the **Covered Party's** books and records at any time during the currency hereof and until three (3) years after the final settlement of all claims or payments made on account of accident or disease occurring during the term of this Memorandum as far as such books and records relate to the subject matter of this Memorandum.

X. OTHER COVERAGE: If the **Covered Party** has other coverage against a **loss** covered by this Memorandum, the Authority's coverage shall apply in excess of any other coverage.

XI. BANKRUPTCY AND INSOLVENCY: In the event of the bankruptcy or insolvency of the **Covered Party** or any entity comprising the **Covered Party**, the Authority shall not be relieved thereby of the payment of any claims under this Memorandum because of such bankruptcy or insolvency.

XII. ASSIGNMENT: No assignment of the **Covered Party's** interest hereunder shall be binding upon the Authority unless its consent is endorsed hereon.

XIII. NOTICE OR PAYMENT: If more than one entity qualifies as a **Covered Party** under the definition of **Covered Party** or by endorsement to this Memorandum, all notices, stipulations and payments to or by the entity first named in the Declarations shall be binding upon all other **Covered Parties**.

XIV. CHANGE OR WAIVER: The terms of this Memorandum shall not be waived or changed except by endorsement issued to form a part hereof, signed by a duly authorized representative of the Authority.

XV. CANCELLATION: This Memorandum may be canceled by the **Covered Party** only at the end of the Memorandum Period and pursuant to the provisions of Article 20(b) of the **Joint Powers Agreement**. The Authority may cancel this agreement pursuant to the provisions of Article 21 (a)(1) and (a)(2) of the **Joint Powers Agreement** or the Authority's invoice and premium payment policy as established by the Board of Directors. This Memorandum does not apply to any **loss** as a result of any **occurrences** taking place at or after the effective date of any such cancellation.

Any return of unearned premium in the event of cancellation by the Authority shall be determined pursuant to Article 22 of the **Joint Powers Agreement.**

XVI. ACCEPTANCE: By acceptance of this Memorandum, the **Covered Party** agrees that each of the persons, firms or organizations named in the Declarations as the **Covered Party** is, or upon learning of the necessity therefore will become, qualified to operate with the permission of the proper authorities as a self-insurer under the **Workers' Compensation Act** of California; that the statements in the application for this Memorandum are the **Covered Party's** agreements and representations; that this Memorandum embodies all agreements existing between the **Covered Party** and the Authority or any of its agents relating to this coverage; and that full compliance by the **Covered Party** with all the terms of this Memorandum is a condition precedent to the Authority's liability hereunder.

XVII. CONFORMANCE WITH **WORKERS' COMPENSATION ACT**: Any term of this Memorandum which conflicts with any provision of the California **Workers' Compensation Act** is changed by this provision to conform to said law.

IN WITNESS WHEREOF, the Authority has caused this Memorandum to be executed and attested, but this Memorandum shall not be valid unless countersigned by an authorized representative of the Authority.

ENDORSEMENT NO. U-1

CSAC EXCESS INSURANCE AUTHORITY
EXCESS WORKERS' COMPENSATION

WAR AMENDATORY ENDORSEMENT

It is understood and agreed that this Memorandum shall not apply to **loss** directly or indirectly caused by, resulting from or in connection with war, invasion, acts of foreign enemies, hostilities or warlike operations (whether war be declared or not), civil war, rebellion, revolution, insurrection, civil commotion assuming the proportions of or amounting to an uprising, military or usurped power, regardless of any other cause or event contributing concurrently or in any sequence to the **loss**.

This Memorandum shall also not apply to **loss** directly or indirectly caused by, resulting from or in connection with any action taken in controlling, preventing, suppressing or in any way relating to the above.

It is further agreed that nothing herein shall act to increase the Authority's limit of indemnity.

This endorsement is part of the Memorandum of Coverage and takes effect on the effective date of the Memorandum of Coverage unless another effective date is shown below. All other terms and conditions remain unchanged.

Effective Date: **Memorandum No**.: EIA 13 EWC-00

Issued to: ALL MEMBERS

Issue Date: June 24, 2013

Authorized Representative
CSAC Excess Insurance Authority

ENDORSEMENT NO. U-2

CSAC EXCESS INSURANCE AUTHORITY
EXCESS WORKERS' COMPENSATION

CLARIFICATION OF COVERAGE AMENDATORY ENDORSEMENT

A. It is understood and agreed that Definition VI. **LOSS** is deleted in its entirety and replaced by the following:

VI. **LOSS**: The term **loss** shall mean only such amounts as are actually paid by the **Covered Party** as benefits under the applicable **Workers' Compensation Act**, or in payment of amounts imposed upon the **Covered Party** by Employers' Liability, in settlement of claims for such benefits or damages, or satisfaction of awards or judgments for such benefits and damages, including court costs, interest upon awards or judgments, and allocated investigation, adjustment and legal expenses, but the term **loss** shall not include as expenses, salaries paid to **employees** of the **Covered Party**, nor fees and retainers paid to any service organization.

Notwithstanding the foregoing, **loss** does not include any amounts paid by the **Covered Party** as benefits, or in payment of amounts imposed upon the **Covered Party** by Employers' Liability, deriving solely from any **Covered Party's** enactment, resolution or other act establishing either a presumption of work-related illness or injury or any other expansion of benefits beyond those prescribed by the applicable **Workers' Compensation Act**. Despite any such enactment resolution or act, the **Covered Party** shall retain the burden of establishing **loss** within the Memorandum of Coverage.

It is further agreed that nothing herein shall act to increase the Authority's limit of indemnity.

This endorsement is part of the Memorandum of Coverage and takes effect on the effective date of the Memorandum of Coverage unless another effective date is shown below. All other terms and conditions remain unchanged.

Effective Date: **Memorandum No**.: EIA 13 EWC-00

Issued to: ALL MEMBERS

Issue Date: June 24, 2013

Authorized Representative
CSAC Excess Insurance Authority

ENDORSEMENT NO. U-3

CSAC EXCESS INSURANCE AUTHORITY
EXCESS WORKERS' COMPENSATION

CARVE OUT REPORTING REQUIREMENT ENDORSEMENT

It is understood and agreed that the following is added to the **CONDITIONS** section of the Memorandum of Coverage:

XVIII. CARVE OUTS: In the event a **Covered Party** is considering entering into a labor management agreement that establishes an alternative dispute resolution process pursuant to Labor Code Section 3201.7, with one or more bargaining unit(s), to amend any portion of the Workers' Compensation claims process, that proposed carve out agreement must be submitted to the Authority for review prior to implementation. Failure to provide such documentation prior to implementation may result in the benefits provided under such carve out agreement, and any expenses related thereto, not being covered under the Memorandum of Coverage.

It is further agreed that nothing herein shall act to increase the Authority's limit of indemnity.

This endorsement is part of the Memorandum of Coverage and takes effect on the effective date of the Memorandum of Coverage unless another effective date is shown below. All other terms and conditions remain unchanged.

Effective Date: **Memorandum No.:** EIA 13 EWC 00

Issued to: ALL MEMBERS

Issue Date: June 24, 2013

Authorized Representative
CSAC Excess Insurance Authority

ENDORSEMENT NO U-4

CSAC EXCESS INSURANCE AUTHORITY
EXCESS WORKERS' COMPENSATION

WAIVER OF SUBROGATION ENDORSEMENT

It is understood and agreed that Section VIII. **SUBROGATION** of the **CONDITIONS** section of the Memorandum of Coverage is deleted in its entirety and replaced by the following:

VIII. SUBROGATION: In the event of any payment under this Memorandum, the Authority shall be subrogated, to the extent of such payment, to all the **Covered Party's** rights of recovery therefore, and the **Covered Party** shall execute all papers required and shall do everything that may be necessary to secure such rights. Any amount recovered as a result of such proceedings, together with all expenses necessary to the recovery of any such amount shall be apportioned as follows: The Authority shall first be reimbursed to the extent of its actual payment hereunder. If any balance then remains, said balance shall be applied to reimburse the **Covered Party**. The expenses of all proceedings necessary to the recovery of such amount shall be apportioned between the **Covered Party** and the Authority in the ratio of their respective recoveries as finally settled. If there should be no recovery in proceedings instituted solely on the initiative of the Authority, the expenses thereof shall be borne by the Authority.

However, in the event of any loss payment under this Memorandum for which you have waived the right of recovery in a written contract entered into prior to the loss, we hereby agree to also waive our right of recovery but only with respect to such loss.

It is further agreed that nothing herein shall act to increase the Authority's limit of indemnity.

This endorsement is part of the Memorandum of Coverage and takes effect on the effective date of the Memorandum of Coverage unless another effective date is shown below. All other terms and conditions remain unchanged.

Effective Date: **Memorandum No.:** EIA 13 EWC-00

Issued to: ALL MEMBERS

Issue Date: June 24, 2013

Authorized Representative
CSAC Excess Insurance Authority

MERMA EMPLOYEES INCREASE IN COLA OR CONTRIBUTION TO BENEFITS

ACTION ITEM

ISSUE: At the May 23, 2013 Executive Committee**,** a report was provided to the Committee detailing the increase cost to employees for their benefits. JPA Pool consultant has been requested to readdress this with the Executive Committee as employees have not had an increase in COLA since 2007 and their contribution to benefits as of July 1, 2013 will increase 150%.

RECOMMENDATION: It is recommended that the Executive Committee consider amending the 2013-2014 budget to either provide staff with a cost of living allowance or increase the employer provided portion of medical insurance premium payment or provide other direction to JPA Pool Consultant.

FISCAL IMPACT: A 3% increase based on the projected 13/14 JPA payroll would be approximately $28,000. This could be either in the form of a COLA or increase in the insurance premium benefit. The cost to increase the cap provided by MERMA to offset the benefits increase would be approximately $28,000.

BACKGROUND: The Executive Committee approved a COLA of 3.3 percent in July of 2007. No COLA has been provided since that date. In the meantime, staff has had reductions in the employer amount applied to the cost of medical insurance with increased cost to the employee and reduced level of benefits.

In 2012/13 MERMA provides a contribution toward employee benefits which in 2012/13 was 88% of the total cost of benefits. If the cap is not increased in 2013/14, the contribution decreases to 74% resulting in increases ranging from $105.61 for employee only to $273.64 for employees, monthly.

ATTACHMENT(S): Cost Analysis Exhibit on Benefits

Plan III	2012/13	2012/13		2013/14	2013/14			
	ER Pays	**EE Pays**	TOTAL	ER Pays	**EE Pays**	TOTAL	% Inc.	$$ Inc.
EE Only	$ 503.78	**$ 69.89**	$ 573.67	$ 503.78	**$ 175.50**	$ 679.28	151%	$ 105.61
EE+1	$ 1,007.56	**$ 136.55**	$ 1,144.11	$ 1,007.56	**$ 347.18**	$ 1,354.74	154%	$ 210.63
EE + Family	$ 1,309.83	**$ 176.53**	$ 1,486.36	$ 1,309.83	**$ 450.17**	$ 1,760.00	155%	$ 273.64
	ER Pays	**EE Pays**	EE%	ER Pays	**EE Pays**	EE%	Rate % Inc.	
EE Only	$ 503.78	**$ 69.89**	12%	$ 503.78	**$ 175.50**	26%	112%	
EE+1	$ 1,007.56	**$ 136.55**	12%	$ 1,007.56	**$ 347.18**	26%	115%	
EE + Family	$ 1,309.83	**$ 176.53**	12%	$ 1,309.83	**$ 450.17**	26%	115%	

0.87817	0.741638	
0.88065	0.743729	
0.88123	0.744222	

Comparison of increase to salary range

	Avg. Salary	EE Only	EE+1	EE+2
Classified Supv and Admin	$100,000	1	1	0
Examiners	$ 70,000	2	2	1
Admin Staff	$ 65,000	0	1	1
Clerical	$40,000	1	1	1

2013	Increase ER Pays	No Change **EE Pays**	TOTAL
EE Only	$ 609.39	**$ 69.89**	$ 679.28
EE+1	$ 1,218.19	**$ 136.55**	$ 1,354.74
EE + Family	$ 1,583.47	**$ 176.53**	$ 1,760.00

		# EE's	
EE Only	$ 609.39	4	$ 2,437.56
EE+1	$ 1,218.19	5	$ 6,090.95
EE + Family	$ 1,583.47	3	$ 4,750.41
2013 Total Monthly Contribution			$ 13,278.92
2012 Total Monthly Contribution			$ 10,982.41
Additional Monthly Contribution			**$ 2,296.51**
12 months			12
Annual Additional Contribution			**$ 27,558.12**

2012			
EE Only	$ 503.78	4	$ 2,015.12
EE+1	$ 1,007.56	5	$ 5,037.80
EE + Family	$ 1,309.83	3	$ 3,929.49
2012 Total Contribution			$ 10,982.41

2013/14	**2013/14**	
ER Pays	**EE Pays**	TOTAL
$ 609.39	**$ 69.89**	$ 679.28
$ 1,218.19	**$ 136.55**	$ 1,354.74
$ 1,583.47	**$ 176.53**	$ 1,760.00

MANAGED CARE SERVICES

INFORMATION ITEM

ISSUE: David Donn and Court Orsborn from David Donn Consulting (DDC) will update the Executive Committee on the current status of StrataCare including an overview of service issues that MERMA staff and provides have been experience with StrataCare. Matt Gowan and DDC will update the Committee on the work Brent North done with Corvel.

RECOMMENDATION: None

FISCAL IMPACT: $6,624 for Brent North.

BACKGROUND: MERMA entered in an agreement for StrataCare to provide MERMA with Managed Care Services effective February 1, 2012.

ATTACHMENT(S):

1. Program Summary as of June, 2013
2. StrataCare Operations Update June 20, 2013