



# Executive Committee Standard Operating Procedures

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## **Introduction**

In every conversation we have, every initiative we explore, and every action we take, we must hold them up against PRIMIS's Mission, Vision and Core Values. Together, the Mission, Vision and Core Values are our strategic framework and clarify why PRISM exists and what we aim to be. As you review this document, please keep these in mind:

### **Mission:**

PRISM is a member-directed risk sharing pool of public agencies committed to providing risk coverage programs and risk management services, which drive member stability, efficiency, and best practices.

### **Vision:**

PRISM will continue to be internationally recognized as a leading risk sharing pool for its member-directed operating philosophy and commitment to member fiscal sustainability. PRISM will continue to influence and shape the future of the risk management profession.

### **Core Values:**

PRISM is dedicated to preserving a member-directed culture, defining standards for quality and performance throughout the industry, and ensuring programs and services are:

- **C**ompetitive in scope and price over the long term
- **A**daptable and customized to meet member needs, based on high-quality standards
- **R**esolute in delivering timely solutions that address present and emerging risks
- **E**quitable in allocating costs and services between various members in a fair and consistent manner
- **S**table in supporting cost-effective, fiscally prudent operations *and* long-term solvency, and in building long-term relationships with members and program/service partners.

## **Composition**

The Committee consists of 11 members, which are elected by the Board of Directors. There are designated seats as follows:

- President
- Vice President
- County Administrative Officer (CAO) Representative
- County Board of Supervisors (BOS) Representative
- County Risk Manager Representative
- County Financially-Oriented Representative (preferably with an investment background)
- Three (3) County At-Large Representatives
- Two (2) Public Entity Representatives

Individuals serving on the Executive Committee must be either a Board or Alternate Board Member, with the exception of the Financially-Oriented Representative. The Past President and Legal Counsel also serve on the Executive Committee in an advisory capacity (non-voting).

Any member of the Board may be elected to serve as President or Vice President, but in no event can there be more than 2 public entity directors on the Executive Committee at one time (Bylaws, Article IV.1.).

Reference: [Committee Composition](#)

Reference: [Bylaws, Article IV.1.](#)

## **Roles**

### **Committee:**

The Executive Committee is responsible for conducting the business of PRISM between meetings of the Board and as delegated to the Committee by the Board (JPA Article 8 and Article 11, Bylaws Article IV and VII, Board Resolution No. 88-004). In general, the Executive Committee is responsible for:

- Setting the strategic direction of the organization
- Ensuring the policies adopted by the Board are implemented
- Oversight of the operations of all PRISM programs and services
- Oversight of personnel matters
- Oversight on financial matters
- Oversight of the Excess Workers' Compensation and General Liability 1 Programs
- Oversight of the Master Rolling Owner Controlled Insurance Program (MR OCIP) (MR OCIP MOU, Article 3)

Reference: [JPA, Article 8 and Article 11](#)

Reference: [Bylaws, Article IV and VII](#)

Reference: [PRISM Strategic Plan](#)

Reference: [Business Continuity Plan](#)

Reference: [Resolution No. 88-004](#)

Reference: [MR OCIP MOU](#)

### **President:**

- Serves as the Chair of the Executive Committee
- Call/Authorize non-regularly scheduled meetings as needed
  - Staff will contact the President to arrange date, time, location (in-person or web conference)
  - Once authorized, staff will notify the Committee members via e-mail
- Call the meeting to order
- Orchestrate agenda items
- Recognize members to facilitate orderly debate
- Preside over voting
- Enforce rules of the group
- Expedite the business of the group
- Declare meeting adjournment
- Serves on the Personnel Sub-Committee and Governance Sub-Committee.

### **Vice President:**

- The Vice President's role is to assume the responsibilities of the President in their absence
- Serves on the Personnel Sub-Committee and Governance Sub-Committee

### **Advisory Committees to Support Executive Committee:**

The following committees have been established to provide support to the Executive Committee. Unless authority has been delegated, the committees make recommendations to the Executive Committee.

[Underwriting Committee](#) – Responsible for all underwriting functions for the Excess Workers' Compensation and General Liability I Programs.

[Claims Review Committee](#) – Responsible for all claim matters for the Excess Workers' Compensation and General Liability I Programs.

[Finance Committee](#) – Responsible for all financial matters; including budgets, internal controls, and investments.

[Legislative Committee](#) – Responsible for monitoring pending legislation, taking positions and authorizing the provision of data and testimony.

[Risk Control Committee](#) – Responsible for risk, safety, loss prevention and training services provided to the members.

[Technology Committee](#) – Responsible for technology related products and services provided for staff and the members.

[Governance Sub-Committee](#) – Responsible for to acting as an advisory committee to the CEO and PRISM staff, make recommendations on committee appointments, and perform any other tasks delegated by the Executive

Committee (1/8/09 Executive Committee Minute Order, item 8.A. and 1/10/13 Executive Committee Minute Order, item 6.B.).

[Personnel Sub-Committee](#) – Responsible for addressing personnel matters such as the CEO contract, staff salaries, benefits and staff positions.

[Member Services Committee](#) – Responsible for evaluating new and existing services to be provided to PRISM members, responsible for oversight and contractor selection for the Enterprise Risk Consultants Program, and responsible for EAGLE awards program.

The Past President serves on the Governance and Personnel Sub-Committees. The Executive Committee has clarified that the past President position is intended to be filled by the most immediate past President who is available to fulfill the role (11/20/14 Executive Committee Minute Order, item 5.C.).

Reference: [1/8/09 Executive Committee Minute Order](#).

Reference: [1/10/13 Executive Committee Minute Order](#)

Reference: [11/20/14 Executive Committee Minute Order](#)

### **Staff:**

- Assist the President in facilitating meetings, prepare agendas, take minutes and summarize meetings for those not in attendance
- Advisory to the Committee
- Will make recommendations to assist the Committee
- [Gina Dean](#) is the staff liaison for this Committee.

### **Broker:**

- Advisory to the Committee
- Will make recommendations to assist the Committee

Reference: [Alliant Brokerage Contract](#)

### **Legal Advisor:**

In accordance with the Bylaws, Michael Pott and Steve Underwood have been designated as PRISM's General Counsel. The General Counsel responsibilities are shared between Mike Pott, on staff, and Steve Underwood through a contract. The Executive Committee has determined that Steve Underwood's travel expenses are reimbursed for attendance at meetings.

Reference: [10/5/84 Board of Directors Minute Order](#)

Reference: [Steve Underwood Contract](#)

Reference: [General Counsel Responsibilities](#)

### **Consultants:**

PRISM utilizes consultants for various services, including but not limited to actuarial, legal advice, third party claims administration and underwriting. Their roles are:

- Advisory to the Committee
- May make recommendations to assist the Committee

## **Organizational Responsibilities**

### **Oversight of Personnel Matters:**

The Executive Committee is responsible for all personnel matters. Generally, matters are addressed by the Personnel Sub-Committee, with a recommendation to the Executive Committee for action. Personnel matters include the CEO's contract, approval of staff positions, position classifications, salary ranges, benefits, personnel policies, and any claims or legal issues.

### **Oversight of Contracts:**

The Committee oversees and monitors the performance of PRISM's vendors, including but not limited to the broker. They also periodically review the contract for adequacy. A Service Provider Contracting Policy has been adopted by the Committee.

The Executive Committee has authority to renegotiate terms with the broker. When the public entity members first joined PRISM programs through the CPEIA, the Executive Committee authorized a special broker fee to be calculated, on both pool and insurance premiums, in order to compensate the producers bringing the business to PRISM (4/18/01 Minutes, item V.C.3.). In 2021, the Executive Committee also approved a 5% compensation arrangement for non-California business that is only placed in the EWC, GL1 or GL2 pools (1/7/21 Minutes, item 6.B.). Also, in an effort to ensure transparency with the members and avoid misunderstandings about Alliant's compensation, the Executive Committee directed staff to implement an audit process consisting of a random sampling to confirm the compensation being paid by insurers on PRISM business. The results will be reported to the Executive Committee annually (5/5/11 Minutes, item 7.B.).

In June 1994, the Board authorized PRISM to enter into a contract with the City of San Diego to allow access to PRISM's services and coverage in the General Liability 2 Program. The contract remains in place today since there are special provisions that aren't necessarily addressed by the membership as a public entity.

The Executive Committee has oversight of the following contracts:

- [Alliant Brokerage Contract](#)
- [Steve Underwood Legal Services Contract](#)

Reference: [Service Provider Contracting Policy](#)

Reference: [4/18/01 Executive Committee Minute Order](#)

Reference: [5/5/11 Executive Committee Minute Order](#)

Reference: [1/7/21 Executive Committee Minute Order](#)

Reference: [Most recent report regarding Alliant compensation](#)

### **Membership:**

The Executive Committee has been delegated authority, by the Board of Directors, to approve new entities to join PRISM. Entrance into the various programs is determined by the applicable governing committee. Approval by a committee is good through the year in which they applied, or 60 days, whichever is greater (3/4/04 Minutes, item 5.1.).

The Executive Committee has authority to approve non-member entities for participation in PRISM's miscellaneous programs. This authority has been delegated to staff, who discloses PRISM they have exercised to the Executive Committee at their next meeting (8/2/01 Minutes, item VI.F).

The Executive Committee has also been delegated authority by the Board to waive the 60-day notice of withdrawal provisions of the JPA, on a case by case basis. This is particularly important when final renewal quotes are issued after the 60-day deadline has passed (Board Resolution No. 03-002).

With many public agencies struggling financially, some PRISM members may file or may consider filing for bankruptcy protection. The Executive Committee has determined that additional monitoring of those members should take place and directed staff accordingly (Bankruptcy Monitoring Policy, adopted 12/6/12).

Reference: [3/4/04 Executive Committee Minute Order](#)

Reference: [8/2/01 Executive Committee Minute Order](#)

Reference: [Resolution 03-002](#)

Reference: [Monitoring Guidelines for Members in Bankruptcy 12/6/12](#)

### **Committee Appointments:**

Pursuant to Article VI.3. of the Bylaws, the Board has delegated authority to the Executive Committee to make all appointments to the various committees of PRISM. The Committee has enlisted assistance from the Governance Sub-Committee, with input from the committee chairs, to make recommendations for the various appointments. Based on the premise that participation in the organization will lead to member loyalty, the Governance Sub-Committee has been asked to take a broad view of the nominees to ensure a good spread of participation amongst the membership and opportunities to get new members involved.

The Executive Committee has established a policy to recognize members for serving on PRISM committees or the Board. Members are generally recognized with a plaque or other token of appreciation, depending on the type of service provided.

Reference: [Service Recognition Policy 2/4/21](#)

### **Oversight of Public Entity Board Election:**

The Executive Committee is responsible for establishing rules and procedures for the election of the public entity board members. They also serve as the nominating committee to certify the results.

Reference: [Public Entity Board Election Procedures 11/21/13](#)

### **Financial Matters:**

The Executive Committee oversees the financial status of PRISM and the various programs. Some authorities have been delegated by the Board to the Executive Committee:

- The Executive Committee will review all invoices that have remained unpaid for 90 days and they have been delegated authority to issue a 10-day notice of cancellation if a member fails to pay an invoice or premium payment (Resolution B12-002)
- While the Board retains authority to adopt the budget, they have delegated authority to the Executive Committee and program committees the ability to transfer funds within budget categories with the exception of contingency transfers (Resolution 05-001)
- The Executive Committee may waive competitive bidding where there are limitations on the source of the supply, and the expenditure could exceed \$25k (Resolution 10-002)
- The Executive Committee has been charged with making a determination whether any supply, material, or equipment valued at more than \$1k, should be declared surplus for purposes of disposition (Resolution 10-003)
- A Service Provider Policy has been adopted to document contracting authority and the competitive bidding process for services
- Three payment options have been established for members using PRISM's claims system, SIMS, in order to ensure members have flexibility in paying the expense
- A travel reimbursement policy has been adopted outlining expenses that are reimbursement to members for traveling to PRISM meetings
- A travel policy has also been adopted to address members traveling for Authority business not associated with a committee or board meeting (Authority Sponsored Member Travel Policy)
- The Executive Committee oversees and approves the General Administration Budget Policies on an annual basis

Reference: [Resolution No. B12-002](#)

Reference: [Resolution No. 05-001](#)

Reference: [Resolution No. 10-002](#)

Reference: [Resolution No. 10-003](#)

Reference: [SIMS Payment Options 6/6/13](#)

Reference: [Travel Reimbursement Policy](#)

Reference: [Authority Sponsored Member Travel Policy](#)

Reference: [Service Provider Contracting Policy](#)

Reference: [General Admin Budget Policies](#)

### **Dispute Resolution:**

Procedures have been established in the Joint Powers Agreement to address disputes between the members and PRISM. Generally, when a dispute arises, the member makes a request for reconsideration. If the member is not satisfied with the result, they can make an appeal to the committee governing the program or having jurisdiction over the matter at hand. If the member is not satisfied with the result, they can make an appeal to the Executive Committee. Next steps for resolution, if the member is still not satisfied, are arbitration and then litigation.

Reference: [Joint Powers Agreement, Article 31](#)

### **Claim Settlement Authority:**

Pursuant to Article XI of the Bylaws, the Board has delegated full settlement authority to the Executive Committee for the full limits of coverage for any claim involving coverage under any PRISM program that is not delegated to another committee by an MOU. The Board has also delegated settlement authority, for up to \$5M, to the Claims Review Committee for claims in the EWC and GL1 Programs.

Reference: [Bylaws, Article XI](#)

### **Expense Policies:**

From time to time, the Executive Committee is asked to direct staff on the procedures for paying expenses approved through the budget. Some of the areas the Committee have provided direction are:

- Reimbursement under the actuarial subsidies will be made for studies conducted within 18 months of the reimbursement request and that reimbursement will be made for no more than 2 eligible studies per program per year (6/29/06 Minutes, item 5.E.)
- Determining the threshold for which 2 signatures are required on checks (10/5/06 Minutes, item 6.A.2.)
- Use of the E&O Deductible Fund, to finance other deductible exposures, of PRISM but to refer the matter back to the Finance Committee if the balance of the fund drops below \$175,000 (5/3/07 Minutes, item 6.F. and 5/31/12 Minutes, item 5.C.)
- Member options for distribution of dividend funds
- Expense reimbursement can be made for members or prospective members to attend PRISM meetings or events upon approval (Expense Reimbursement Policy 5/5/11)

Reference: [6/29/06 Executive Committee Minute Order](#)

Reference: [10/5/06 Executive Committee Minute Order](#)

Reference: [5/3/07 Executive Committee Minute Order](#)  
Reference: [5/31/12 Executive Committee Minute Order](#)  
Reference: [5/21/09 Executive Committee Minute Order](#)  
Reference: [5/3/12 Executive Committee Minute Order](#)  
Reference: [Policy Statement Re: Dividend Distribution Options 3/26/09](#)  
Reference: [Expense Reimbursement Policy 5/5/11](#)  
Reference: [General Admin Budget Policies](#)

## **Delegation of Authority:**

### Public Entity Member Designated Representative

PRISM is a public entity member of the organization for purposes of securing workers' compensation, liability, property and dental coverages. As such, the Executive Committee has designated the CEO as PRISM's designated representative to act on behalf of PRISM.

Reference: [Executive Committee Resolution No. 10-002](#)

### Staff Authority Regarding Legislative Matters

The Executive Committee has authorized staff to respond to media inquiries regarding legislative issues and have requested to be notified via email of the responses given to any such inquiries (12/3/08 Minutes, Item 5.F).

The Committee has also authorized staff to testify on legislation as directed by the Legislative Committee, and has requested that staff notify the Executive Committee via email if testimony is going to be provided opposing or supporting any bill and to inform them of the position that will be taken (8/5/10 Minutes, item 5.F.).

Reference: [12/3/08 Executive Committee Minute Order](#)

Reference: [8/5/10 Executive Committee Minute Order](#)

## **Program Responsibilities**

Program committees, consisting of GL2, PWC, Property, Medical Malpractice, and PRISMHealth, have authority to make all decisions regarding their respective programs. Information regarding the status of these programs is reported to the Executive Committee, who maintains general oversight of all PRISM Programs. Occasionally, the Executive Committee may be asked to decide or take action on an item affecting a program, when the implications may affect other aspects of the organization. As an example, as of October 1, 2020, the Executive Committee approved joining BETA Healthcare Group, a joint powers agency, in order for the Med Mal Program to purchase coverage on behalf of the members.

Each PRISM program has determined its own appetite for risk, which generally ranges between very low to neutral (PRISM Risk Tolerance). A low tolerance for risk creates a bias towards transfer of risk. A high tolerance for risk is characterized by a bias toward retention of risk.

Pursuant to Article 3 of the MR OCIP MOU, the Executive Committee has authority to determine all matters regarding the program structure, membership, and premium/rate setting. The Executive Committee has determined:

- The Executive Committee has also approved a different broker compensation arrangement for placements using the Tower 1 excess limits, which is in addition to the standard MR OCIP broker fee. Commission for the Tower 1 excess limits will be capped at 7.5% or as part of a quoted fee specifically developed in response to a competitive bid process, which such fee to be disclosed and approved by the Executive Committee as part of that prospective new member's application process (11/21/13 Minutes, Item 4.D.1.).
- The addition of projects as low as \$1M in value will be allowed once a member has bound a project large enough to qualify for Tower 1 or Tower 2 (1/9/14 Minutes, Item 4.E.).
- An alternative rating structure has been developed for Heavy Civil construction (6/5/14 Minutes, Item 4.D.2.).
- Some administrative authority has been delegated to staff regarding placement of projects into the towers and authorizing the pass through of costs in the invoicing process.
- For Tower 2, program period 1 (2013-2018) and period 2 (2016-2021) have been internally combined as respects the aggregate deductible and associated funding (12/9/21 Minutes, Item 4.C.1).
- The Committee has adopted budget policies.

The Executive Committee also takes responsibility for Miscellaneous Programs, except for the employee benefits miscellaneous programs which are governed by the Employee Benefits Committee.

Reference: [PRISM Risk Tolerance](#)

Reference: [11/21/13 Executive Committee Minute Order](#)

Reference: [1/9/14 Executive Committee Minute Order](#)

Reference: [6/5/14 Executive Committee Minute Order](#)

Reference: [12/9/21 Executive Committee Minute Order](#)

Reference: [Policy on Approval of New Members and Projects, Delegation of Authority to Staff](#)

Reference: [MR OCIP Budget Policies](#)

Reference: [Miscellaneous Programs Budget Policies](#)

The EWC and GL1 Programs are ultimately governed by the Board, with assistance from the Executive, Underwriting and Claims Review Committees. Provisions relating to these 2 programs are summarized in the following.

## **Governing Documents:**

### Underwriting & Claims Admin Guidelines

The Underwriting Committee oversees the provisions of the Guidelines and may recommend changes to the Executive Committee and Board from time to time in regard to:

- The requirement for members to have an actuarial review at least once every 3 years
- Maintaining and providing loss data to PRISM upon request

The Underwriting and Claims Review Committees have established a policy regarding the application of the guidelines.

Reference: [Underwriting & Claims Admin Standards](#)

Reference: [WC Claims Standards \(Addendum A\)](#)

Reference: [Liability Claims Standards \(Addendum B\)](#)

Reference: [Application of EWC Standards & Guidelines Policy Statement 9/27/02 & 11/15/02](#)

### Memorandums of Understanding

The Underwriting Committee oversees the provisions of the EWC & GL1 Program MOUs and will recommend changes to the Executive Committee and Board from time to time.

The Underwriting Committee also makes recommendations to the Executive Committee and Board on:

- Premium allocation methodologies,
- Funding levels for the upcoming year,
- Assessments and dividends, and
- Purchased insurance and/or reinsurance.

Reference: [EWC MOU 3/6/09](#)

Reference: [GLI MOU 3/6/09](#)

### Controlled Unaffiliated Business (CUB) Agreements

The Executive Committee oversees the provisions of the EWC & GL1 CUB Agreements. The CUBs are a service agreement between PRISM and non-California participants, and are a requirement of Utah regulators to establish a relationship between PRISM and the participant. Amendments may be made from time to time, with approval from Utah regulators, and execution of the amended CUB will be a condition of the participant's renewal, similar to the process when PRISM MOUs are amended.

Reference: [EWC CUB 1/1/22](#)

Reference: [GL1 CUB 1/1/22](#)

## **Membership:**

### Approval of New Members

The Board has adopted a resolution delegating authority to the Executive Committee to approve new members in the EWC and GL1 Programs, and the Executive Committee has further delegated such authority to the Underwriting Committee. The Underwriting Committee evaluates each prospective member and approves, denies, or approves with contingencies. The applicable governing committee approves members for participation in the other PRISM programs.

Reference: [RES 01-001 Authority to Add Public Entities to EWC & GLI](#)

Reference: [Executive Committee Delegation of Authority Policy Statement](#)

## **Coverage Matters:**

### Memorandums of Coverage

The Underwriting Committee oversees the provisions of the EWC and GL1 Program Memorandums of Coverage (MOC) and may recommend changes to the Executive Committee and Board from time to time.

The Program purchased reinsurance from CastlePoint for the 2010/11 and 2011/12 years. Castlepoint has since filed for bankruptcy. Castlepoint's claim responsibilities have been turned over to CIGA, who have denied coverage in some situations where they believe other coverage is available. The Board has adopted a policy that if, after pursuing CIGA and/or any excess insurer that might be deemed to provide other coverage, PRISM is unable to obtain a reimbursement from those sources and/or the other insurance is determined to require additional contribution from a member from their SIR fund, the EWC Program will assume the liability for the amount and/or any amount that would otherwise fall to the member.

Reference: [EWC MOC 7/1/21](#)

Reference: [GLI MOC 7/1/21](#)

Reference: [Policy Regarding Disputed Claims with CIGA](#)

### MOC Endorsements

The Board has delegated authority to staff to issue non-premium bearing MOC endorsements including additional insured endorsements, racing exclusion endorsements and underlying insurance endorsements (1/6/00 Minutes, item IV.A.3.). Staff is also authorized to re-issue all endorsements properly added on a previous MOC at renewal.

The Board has delegated authority to the Executive Committee to approve additional named insureds, pursuant to JPA Article 3(b). However, the Executive Committee has further delegated authority for this responsibility to the Underwriting Committee.

Reference: [Executive Committee Delegation of Authority Policy Statement](#)  
Reference: [1/6/00 Executive Committee Minute Order](#)

## **Premium Calculations:**

### Premium Allocation Methodologies

The Underwriting Committee oversees the provisions of the EWC and GL1 premium allocation methodologies and may recommend changes to the Executive Committee and Board from time to time. Most recently, the allocation methodologies were amended beginning with the 2011/12 year. The allocation change is being phased in and will be completely implemented by 2015/16.

The Executive Committee has established the following policies related to premium calculations:

- Determining the process for payroll audits in the EWC Program and determining that a payroll audit is not required in the GL1 Program (10/3/02 Minutes, item 4.B.7);
- Special exceptions for rating of schools in the GL1 Program; and
- GLI premiums for lower pool limits.

Reference: [EWC Premium Allocation Methodologies](#)

Reference: [GL1 Premium Allocation Methodologies](#)

Reference: [EWC Payroll Audit Process 3/6/09](#)

Reference: [10/3/02 Executive Committee Minute Order](#)

Reference: [GLI School Support Groups Policy 6/4/03](#)

Reference: [GLI School Premium Allocation Policy 6/5/03](#)

Reference: [GLI Minimum Premium for Lower Pool Limits 2/4/10](#)

### Target Funding Policies

The EWC and GL1 Target Funding Policies are reviewed annually by the Underwriting Committee, Executive Committee and the Board of Directors. The Underwriting Committee will recommend changes to the Executive Committee and Board from time to time.

Reference: [EWC Target Funding Guidelines](#)

Reference: [GL1 Target Funding Guidelines](#)

### Actuarial Discount Assumption

The Board approves the actuarial discount assumption to be used in evaluating the outstanding portfolio of losses and the rates for future funding. This decision is based on the long-term investment projections so the assumption rate does not change frequently. The Underwriting and Executive Committees will make recommendations to the Board on the appropriate discount assumption, which is currently 3% for the EWC Program and 1.75% for the GL1 Program.

### Program Budget Policies

Each year, the Board reviews the Program budget policies and receives input from the Underwriting, Finance, and Executive Committees for any changes. As part of the process for obtaining the Government Finance Officers Association (GFOA) Award for a Distinguished Budget, it was recently recommended that the program budget policies include both short and long term goals, which have been incorporated.

Reference: [EWC Program Budget Policies](#)

Reference: [GL1 Program Budget Policies](#)

### Premium Credit for CAJPA Accreditation

The Board has adopted a policy to provide premium credits in the EWC and GL1 Programs, for member JPAs that have been granted accreditation status by the CAJPA. The premium credit is determined as of May 1st each year based on the level of accreditation. This policy was affirmed by the Underwriting Committee at their 12/19/13 meeting.

Reference: [EWC & GL1 Policy Stmt Re CAJPA Accreditation Credits 3/4/05](#)

## **Delegation of Authority:**

### Additional Named Insureds

The Board has adopted a policy to delegate some authority to staff to approve additional named insureds. If the request falls outside of the parameters outlined for staff, the Underwriting Committee has authority to approve the additional named insured.

With the dissolution of redevelopment agencies in 2012, the Board recognized that some members may have a unique situation and need to add their affiliated successor agency and/or oversight board as an additional covered party. Authority was delegated to the Executive Committee to make those determinations on a case by case basis (6/1/12 Board minutes, item 3.D.5.).

Reference: [EWC & GL1 Delegation of Authority to Add Public Entities-Additional Named Insureds 3/2/01](#)

Reference: [6/1/12 Board of Directors Minute Order](#)

### Approval of Affiliated Non-Profit Named Insureds

The Underwriting Committee has been delegated authority by the Board to approve the addition of non-profit entities as additional named insureds in the EWC and GL1 programs.

Reference: [NonProfits Policy Statement Amended 5/31/12](#)

## **Other Policy Decisions:**

### GL1 EIO Recapture Provision

In 2019, the GL1 Program transferred a LPT Corridor to PRISM ARC (the captive). Although this Corridor risk is aggregated, it is adjusted for both exposure and experience. The GL1 Program experienced significant adverse development in the quarter ending December 31, 2019, resulting in a reduction in PRISM ARC's surplus. Because the GL1 Program presented all other programs with a significant loss, the Board adopted a policy for the GL1 Program to repay a portion of the loss. The exact amount of the reimbursement will be determined based upon the minimum PRISM ARC surplus requirement set by the PRISM ARC Board of Directors for the ensuing year.

Reference: [GL1 EIO Recapture Provision Policy Statement](#)

### Renewal Timeline Policy

The Underwriting Committee oversees the provisions of the Renewal Timeline Policy and will:

- Recommend changes to the Executive Committee and Board from time to time, in regard to established due dates and penalties;
- Make the final decision on any appeals of penalties; and
- Determine how to proceed for any member that has not submitted data by December 31st.

Reference: [EWC & GL1 Renewal Timeline Policy Statement 10/3/14](#)

The Executive Committee also retains responsibility for matters regarding PRISM's Master Rolling Owner Controlled Insurance Program (MR OCIP), as well as the various Miscellaneous Programs.

## **Meetings**

### **Code of Conduct/Ethics Policy:**

The Board has adopted a Code of Conduct, which is applicable to all members, staff, committees and the Board.

Reference: [Code of Conduct](#)

### **Scheduling:**

The Executive Committee generally meets the first Thursday of the month. Most of the time, the Executive Committee meeting immediately following a Board meeting, is cancelled (April, July, and November). However, the Committee will meet as needed and at the call of the President.

Reference: [2022 Schedule of Meetings & Topics](#)

### **Quorum:**

Pursuant to the Bylaws, a quorum consisting of a majority of the Committee plus one is necessary to start a meeting (at least 7 members).

Reference: [Bylaws, Article IV.5.](#)

### **Voting:**

#### Voting Requirements

Pursuant to the Bylaws, the voting requirement is a majority of the Committee (at least 6 members) for all actions of the Executive Committee.

#### Conflicts

Pertinent PRISM Code of Conduct Provisions:

2. We are committed to the concepts of democratic, effective and efficient governance by responsible, knowledgeable members of the Board of Directors and Committees with an understanding that official decisions made, and actions taken by PRISM, are always made in the best interests of PRISM's membership, as opposed to the interests of PRISM's staff, service providers, or other outside interests.

9. We are committed to the principle that conflicts of interest (defined as situations in which a person has a financial or other interest or the appearance of a conflicting interest that would call into question the person's ability to act in an impartial manner with respect to a matter affecting PRISM) should be avoided and where present shall be fully disclosed. This includes situations when a member of the Board, a Committee, staff, or vendor has personal interests (including those of his/her family) that are contrary to his/her loyalty to PRISM.

#### Vote on behalf of PRISM or the Entity I Represent?

Attorney General Opinion No. 00-708 dated 12/8/00, concluded that a member of the governing board (in this case the Executive Committee) of a joint powers agency may cast a valid vote on a matter before the agency that is inconsistent with the position by the legislative body which appointed the member.

Reference: [Attorney General Opinion No. 00-708](#)

#### Voting When Conflict Arises

According to FPPC:

- Disqualification
  - For financial interest (exception when action required)
- Abstention
  - Conflicting loyalties
  - Perception you can't be fair
  - Ethical dilemmas (exception for necessity to take action)

According to Roberts Rules of Order:

- Duty to vote if you have an opinion
- Right to abstain
- Personal interest - must abstain except:
  - Vote for self in an election
  - Vote if other's interests are included in the motion

### **Closed Session:**

Closed sessions may be held in accordance with the provisions of state law and the Brown Act. Information discussed in closed session is confidential. In addition to the Executive Committee and Legal Counsel, only individuals necessary for the discussion will be present. The Executive Committee has appointed PRISM's General Counsel, the Claims Review Committee's Legal Counsel, and the Claims Review Committee's Alternate Legal Counsel to serve as legal counsel to PRISM's Board of Directors and all PRISM Committees for purposes of obtaining legal advice during closed sessions in accordance with the Brown Act (2/2/12 Executive Committee Meeting, Item 5.B.).

On occasion, a member, through its representative(s), will ask to speak in Closed Session on an item that is being reviewed by the Executive Committee. Additionally, there are occasions where a member of the Executive Committee will have one of their entity's claims come up for settlement authority, reimbursement authority, or for discussion regarding a coverage issue. The Executive Committee approved a policy statement addressing this (1/6/22 Executive Committee Meeting, Item 6.C.).

Reference: [2/2/12 Executive Committee Minute Order](#)

Reference: [Policy Regarding Member's Participation in Closed Session Discussion Regarding a Claim From That Member's Entity](#)

## **Glossary of Terms**

**Aggregate:** The term used to describe the cumulative amount of all losses for a period of time.

**Aggregate Stop Loss:** A financial arrangement with the JPA's excess carrier that caps the aggregate to a predetermined limit, at which point the excess carrier would "drop down" and pay losses within the JPA's SIR or pooled layer.

**Attachment Point:** The dollar amount of a loss where the next layer of insurance begins to pay for the loss.

**CAJPA (California Association of Joint Powers Authorities):** Association of insurance and risk management pools in California. CAJPA performs regulatory and legislative lobbying, as well as accreditation of JPAs, to promote financial stability and best management practices.

**Commutation:** A clause in a reinsurance agreement which provides for estimation, payment and complete discharge of all future obligations for reinsurance losses incurred, regardless of the continuing nature of certain losses.

**Confidence Level:** The confidence level is a percentage estimate of the ultimate pool layer costs. The actuary's expected costs are shown at slightly more than average (approximately 55%). About half the time, the actual costs will be lower than the actuary's estimates and half the time the actual costs will be higher. To be more conservative, pools set aside additional sums of money to increase the chance that enough funds are available to pay claims. For example, if the actuary's estimate at the 70% confidence level is \$1M, then there is a 30% chance that losses will exceed \$1M.

**Deposit Premium:** Amount of premium paid at the beginning of the coverage period, which is then adjusted to a final premium amount at the end of the coverage period. This is most common in workers' compensation, where premiums are based on estimated payroll amounts at inception and adjusted based on actual payroll amounts afterwards.

**EWC:** PRISM's Excess Workers' Compensation Program.

**GL1:** PRISM's General Liability 1 Program.

**GL2:** PRISM's General Liability 2 Program.

**IBNR (Incurred But Not Reported):** This is an actuarial term referring to the estimated future loss development, as well as the estimated cost of claims that have happened but are not yet included in the claims data. A reserve for IBNR is established by the actuary as part of the Ultimate Loss Costs to contemplate for these future estimated costs.

**Incurred Loss:** This is the expected value of any claim. It includes the amount already paid plus the estimated amount yet to be paid (reserves).

**Inverse Condemnation:** Both the United States Constitution and the California Constitution require that a private citizen be compensated if property is "taken" by a public entity. When the property is taken proactively, it is called eminent domain. When the property is taken "accidentally," without due course, it is called inverse condemnation.

**Limit of Liability:** The most that will be paid in a loss.

**Loss Adjustment Expense:** All expenditures of an insurer associated with its adjustment, recording, and settlement of claims, other than the claim payment itself.

**Loss Development:** The process of change in amount of losses as a policy or accident year matures, as measured by the difference between paid losses and estimated outstanding losses at one point in time, and paid losses and estimated

outstanding losses at some previous point in time. In common usage, it might refer to development on reported cases only, whereas a broader definition also would take into account the IBNR claims.

**MOC (Memorandum of Coverage):** The policy or coverage document issued by the JPA outlining coverage to its members.

**Non-Admitted Insurer:** An insurance company not licensed in a state may engage in business in the state if an admitted, properly filed company issues the policy and reinsures losses to the non-admitted reinsurer.

**Occurrence:** An accident or event, which results in personal injury or property damage, neither expected nor intended from the standpoint of the member.

**PGL:** PRISM's Primary General Liability Program.

**Policy Year:** The year commencing with the effective date of the policy or with an anniversary of that date.

**Pooled Loss:** The portion of a loss that is allocated to, or paid by, the self-insured pool. For example, the JPA Liability Program I pools, or self-insures the difference between a members' SIR and \$5M of each occurrence. Loss costs exceeding this amount are paid by excess insurance.

**PWC:** PRISM's Primary Workers' Compensation Program.

**Outstanding Reserve:** The claims administrator's estimate of the ultimate expected value of each claim. As monies are paid out for a claim, the outstanding reserve amount is decreased.

**SIR (Self Insured Retention):** This is the amount of each loss for which the member will be responsible. Once the value of the claim has exceeded their SIR, the member may seek reimbursement for those expenses in excess of their SIR.

**Surplus:** The excess of assets over liabilities of an insurance carrier. Surplus determines an insurer's or reinsurer's ability to write business. PRISM refers to its "surplus" as Net Equity.

**Ultimate Net Loss:** The total sum that the insured, or any company as his insurer, or both, become obligated to pay either through adjudication or compromise.

**Wholesale Broker:** A licensed broker providing specialized insurance products to retail insurance agents and brokers. A wholesale broker will utilize insurers who can consider accounts that the retail agent cannot place with their standard markets. These insurers underwrite specialized or hard to place insurance.