

**CSAC EXCESS INSURANCE AUTHORITY**  
**GENERAL LIABILITY 2 COMMITTEE**

**FINAL AGENDA**

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CSAC Excess Insurance Authority	Friday, April 28, 2017
Web Conference/Telephonic Meeting	10:30 a.m.
<a href="http://csac-eia.webex.com">http://csac-eia.webex.com</a>	Fourth Meeting – 2017
Teleconference Number: 866-469-3239	
Meeting Number: 801 674 703	

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As to each agenda item, the Committee may take action and/or receive informational reports as appropriate.

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**ROLL CALL/INTRODUCTIONS**

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- 1.A. Establishment of Quorum/Introductions .....4
- 1.B. WebEx Protocol

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**CONSIDERATION OF OFF AGENDA ITEMS**

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Pursuant to Government Code Section 54954.2(b), except as provided in this paragraph, no action or discussion shall be taken at a regular meeting on any item which does not appear on the posted Final Agenda. Pursuant to Government Code Section 54954.2 (b)(2) an item may be added to the Final Agenda after the Final Agenda has been posted upon a determination by a two-thirds vote of the Committee (or an unanimous vote if less than two-thirds of the Committee is present); the vote shall be on a motion stating that there is a need to take immediate action and that the need for action came to the attention of the Committee subsequent to the Final Agenda being posted. Any such motion shall be accompanied by distribution of a written statement on a form provided by the office of the Chief Executive Officer/Secretary of the Board, to be included in the record, stating the facts upon which it can be determined that the need to take action arose after the Final Agenda was posted. In addition, action may be taken on an item not on the posted Final Agenda under the circumstances stated in Government Code Section 54954.2 (b)(1) [emergency] and 54954.2 (b)(3) [continued regular meetings].

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**CONSENT AGENDA**

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The following Consent Agenda is expected to be routine and non-controversial. It will be acted upon by the Committee at one time without discussion. Any Committee member, staff member, or interested party may request that any item be removed from the Consent Agenda for later discussion.

- 2.A. Approval of Minutes, March 2, 2017 .....5  
*An action to approve the Minutes of the above meeting.*
- 2.B. Approval of Minutes, April 7, 2017 ..... 10  
*An action to approve the Minutes of the above meeting.*
- 2.C. Notices of Intent for Potential Withdrawal..... 12  
*An action to acknowledge receipt of the report.*

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**GENERAL BUSINESS**

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- 3.A. 2017/18 Renewal Terms (Alliant) ..... 13  
*An action to approve the 2017/18 renewal for the Program.*
- 3.B. Risk Transfer to EIO (Gina) ..... 30  
*An action to transfer the 2017/18 GL2 Corridor Retention risk to the EIO.*
- 3.C. GL2 Memorandum of Coverage (MOC) Amendment Regarding Drones (Brian)32  
*An action to approve the proposed amendments to the GL2 MOC.*
- 3.D. Liability Claims Auditor Contracts (Mike P.) ..... 49  
*An action to approve new contracts for the liability claims auditors.*
- 3.E. Alliant Brokerage Agreement (Mike F.) ..... 51  
*An action to recommend to the Executive Committee approval of Alliant's Scope of Tasks and commission rates for the GL2 Program.*
- 3.F. 2016/17 Budget Revision (Vicki) ..... 58  
*An action to recommend to the Executive Committee to approve a 2016/17 budget revision for the GL2 Program.*

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**PUBLIC COMMENT**

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This portion of the agenda is reserved for members of the general public to address the Committee on any matter not on this agenda that is under the jurisdiction of the Committee.

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**FUTURE MEETINGS**

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**CLOSED SESSION**

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*For the following claim(s)/litigation item(s), those in attendance may include members of the Committee and their alternates, legal counsel, as well as authorized staff, which may include the CEO, COO, CCO, claims manager and the primary claims handler and their supervisor.*

*Pursuant to Government Code Section 54956.95, the Committee will hold a closed session to discuss the following claim(s):*

- 4.A. Petrov v. Alameda County

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**ADJOURNMENT**

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*Disability Access: All posted locations for this meeting are wheelchair accessible and disabled parking is available. If you are a person with a disability and you need disability-related modifications or accommodations to participate in this meeting, please contact the Meeting Planner at (916) 850-7300 or (916) 850-7800 (fax). Requests for such modifications or accommodations must be made at least two full business days before the start of the meeting.*

**CSAC EXCESS INSURANCE AUTHORITY**  
**GENERAL LIABILITY 2 COMMITTEE**

**TELEPHONIC ADDRESS LIST**

CSAC Excess Insurance Authority  
 Web Conference/Telephonic Meeting  
<http://csac-eia.webex.com>  
 Teleconference Number: 866-469-3239  
 Meeting Number: 801 674 703

Friday, April 28, 2017  
 10:30 a.m.  
 Fourth Meeting – 2017

<b>CSAC Excess Insurance Authority</b>		75 Iron Point Circle, Suite 200 Folsom, CA 95630	(916) 850-7300
<b>Alameda County</b>	Karen Caoile	125 12th Street, 3rd Floor Oakland, CA 94607	(510) 272-3871
<b>Contra Costa County</b>	Sharon Hymes-Offord	2530 Arnold Drive, Suite 140 Martinez, CA 94553	(925) 335-1442
<b>El Dorado County</b>	Marco Sandoval	330 Fair Lane Placerville, CA 95667	(530) 621-6084
<b>ERMAC</b>	Donald White	24035 El Toro Road Laguna Hills, CA 92653	(949) 707-2620
<b>City of Montebello</b>	Francesca Schuyler	1600 West Beverly Blvd. Montebello, CA 90640	(323)-887-1350
<b>City of Oakland</b>	Deborah Grant	150 Frank Ogawa Plaza, Ste 2352 Oakland, CA 94612	(510) 238-7165
<b>Riverside County</b>	Mike Bowers	4080 Lemon Street Riverside, CA 92502	(951) 955-9016
<b>City of Sacramento</b>	Patrick Flaherty	915 I Street, 4 <sup>th</sup> Floor Sacramento, CA 95814	(916) 808-8587
<b>City of San Diego</b>	Claudia Castillo Del Muro	1200 Third Ave., Suite 1000 San Diego, CA 92101	(619) 236-6784
<b>Sacramento County</b>	Paul Hight	9616 Micron Avenue, Suite 600 Sacramento, CA 95827	(916) 876-5019
<b>San Bernardino Co.</b>	Rafael Viteri	222 West Hospitality Lane 3 <sup>rd</sup> Floor San Bernardino, CA 92415-0016	(909) 386-8730
<b>San Joaquin County</b>	Tanya Moreno	44 N. San Joaquin St, Suite 330 Stockton, CA 95202	(209) 468-3274
<b>Santa Clara County</b>	Lance Sposito	2310 N. First Street, Suite 203 San Jose, CA 95131	(408) 441-4342
<b>Santa Cruz County</b>	Enrique Sahagun	701 Ocean Street, Room 510 Santa Cruz, CA 95060	(831) 454-2251
<b>Tulare County</b>	Robert Anderson	3530 West Mineral King, Ste. E Visalia, CA 93291	(559) 623-0289

**Establishment of Quorum/Introductions**  
**Quorum: 8**

**Chair:**

None Appointed

**Vice Chair:**

Claudia Castillo Del Muro, City of San Diego

For the General Liability 2 (GL2) Committee, each County member has one vote by either the County's representative to the Board of Directors or the alternate. If both are in attendance, the County will need to determine who is going to be the voting member before the meeting begins. Each public entity is represented by one voting member and one alternate who can vote in the absence of the voting member, as long as the county seats retain 60% of the vote.

<b>County</b>	<b>Board Member</b>	<b>Alternate Board Member</b>
Alameda County	<input type="checkbox"/> VACANT	<input type="checkbox"/> Karen Caoile
Contra Costa County	<input type="checkbox"/> Sharon Hymes-Offord	<input type="checkbox"/> Denise Rojas
El Dorado County	<input type="checkbox"/> Marco Sandoval	<input type="checkbox"/> Robert Schroeder, Sr.
Riverside County	<input type="checkbox"/> Michael Stock	<input type="checkbox"/> Mike Bowers
Sacramento County	<input type="checkbox"/> Steve Page	<input type="checkbox"/> Paul Hight
San Bernardino County	<input type="checkbox"/> Ken Hernandez	<input type="checkbox"/> Rafael Viteri
San Joaquin County	<input type="checkbox"/> Tanya Moreno	<input type="checkbox"/> Ted Cwiek
Santa Clara County	<input type="checkbox"/> Lance Sposito	<input type="checkbox"/> VACANT
Santa Cruz County	<input type="checkbox"/> Enrique Sahagun	<input type="checkbox"/> VACANT
Tulare County	<input type="checkbox"/> VACANT	<input type="checkbox"/> Robert Anderson

<b>Public Entity</b>	<b>Public Entity Member</b>	<b>Alternate PE Member</b>
ERMAC	<input type="checkbox"/> Don White	<input type="checkbox"/> TBD
City of Montebello	<input type="checkbox"/> Francesca Schuyler	<input type="checkbox"/> Kristina Zendzhiryan
City of Oakland	<input type="checkbox"/> Deborah Grant	<input type="checkbox"/> TBD
City of Sacramento	<input type="checkbox"/> Patrick Flaherty	<input type="checkbox"/> Barbara Brenner
City of San Diego	<input type="checkbox"/> Claudia Castillo Del Muro	<input type="checkbox"/> Kris Griffin

**CSAC EXCESS INSURANCE AUTHORITY**  
**GENERAL LIABILITY 2 COMMITTEE**

**MINUTES**

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Hilton Arden West  
2200 Harvard Street  
Sacramento, California 95815  
916-922-4700

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Thursday, March 2, 2017  
4:00 p.m.  
Second Meeting – 2017

The meeting was called to order by the Chair, Barbara Lubben, at 4:33 p.m.

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**ROLL CALL/INTRODUCTIONS**

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**1.A. Members Present**

1. Barbara Lubben, Alameda County
2. Sharon Hymes-Offord, Contra Costa County
3. Marco Sandoval, El Dorado County – left after 3.C.
4. Donald White, ERMAC
5. Patrick Flaherty, City of Sacramento
6. Claudia Castillo Del Muro, City of San Diego
7. Paul Hight, Sacramento County
8. Lance Sposito, Santa Clara County
9. Rafael Viteri, San Bernardino County
10. Enrique Sahagun, Santa Cruz County
11. Robert Anderson, Tulare County

**Members Absent**

1. Francesca Schuyler, City of Montebello
2. Deb Grant, City of Oakland
3. Mike Stock, Riverside County
4. Tanya Moreno, San Joaquin County

**Others Present**

1. Karen Caoile, Alameda County
2. Nazie Arshi, Alliant Insurance Services
3. Kevin Bibler, Alliant Insurance Services
4. Sarah Carlisle, Alliant Insurance Services
5. Tom E. Corbett, Alliant Insurance Services
6. Gordon DesCombes, Alliant Insurance Services
7. Carola King, Alliant Insurance Services
8. Linette Lee, Alliant Insurance Services
9. Lilian Vanvieldt, Alliant Insurance Services
10. John Hall, Farmer, Smith & Lane
11. Steve Underwood, EIA Legal Counsel

12. Puneet Behl, EIA Staff
13. Gina Dean, EIA Staff
14. Michael Fleming, EIA Staff
15. Heather Fregeau, EIA Staff
16. Brian Kelley, EIA Staff
17. Max Larkin, EIA Staff
18. Mike Pott, EIA Staff
19. Kelli Snelling, EIA Staff
20. Doug Taylor, EIA Staff
21. Vicki Walter, EIA Staff

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## **CONSIDERATION OF OFF AGENDA ITEMS**

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There were no items to consider.

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## **CONSENT AGENDA**

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### **2.A. Approval of Minutes, February 2, 2017**

### **2.B. Notices of Intent for Potential Withdrawal**

(Motion 1) Moved by Claudia Castillo Del Muro and seconded by Marco Sandoval to approve the Consent Agenda, as presented. Motion passed unanimously with 10 voting yes (Lubben, Hymes-Offord, Sandoval, Flaherty, Castillo Del Muro, Hight, Sposito, Viteri, Sahagun, and Anderson) and 1 abstaining (White).

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## **GENERAL BUSINESS**

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### **3.A. 2017/18 Renewal Status**

Alliant briefly reviewed with the Committee the change to the Program's structure in recent years, which included the addition of a Corridor Deductible, SIR increases for some members as a result of loss experience, and the implementation of Individual Member Corridor Deductibles (IMCDs) for 5 members.

On the SIR to \$10M layer, Alliant is currently working with QBE and Munich on renewal terms and is pushing to have them significantly increase the \$50M aggregate, as well as the \$20M additional aggregate limit from Munich, or remove it all together.

On the \$5M xs \$20M layer, both Markel and AmTrust Syndicate are expected to provide renewal terms; however, Markel has indicated they may want to

reduce their coverage on this layer. Alliant will continue to work with AmTrust Syndicate, Great American, Brit, and Safety National to fill out the layer.

Alliant then presented the Committee with a draft proposal for the \$10M xs \$10M layer for consideration. Alliant noted the expectation is for all terms and conditions to remain unchanged except for the premium. Alliant and staff recommended approval of the 2017/18 renewal terms for the \$10M xs \$10M layer with Markel (45%), Great American (30%), and Brit (25%), with all terms and conditions to remain unchanged except for the premium.

(Motion 2) Moved by Marco Sandoval and seconded by Lance Sposito to approve the 2017/18 renewal terms for the \$10M xs \$10M layer with Markel (45%), Great American (30%), and Brit (25%), with all terms and conditions to remain unchanged except for the premium. Motion passed unanimously with 11 voting yes (Lubben, Hymes-Offord, Sandoval, White, Flaherty, Castillo Del Muro, Hight, Sposito, Viteri, Sahagun, and Anderson).

### **3.B. Risk Transfer to EIO**

This item was pulled from the agenda.

### **3.C. Discussion Regarding Transit Exposures**

At the Committee's last meeting, discussion began regarding the Committee's appetite for accepting fixed-route transit into the Program, which is currently excluded as part of the GL2 Program's Memorandum of Coverage (MOC). Staff briefly reviewed with the Committee some of the pros and cons of accepting this coverage into the Program that were also discussed at the last meeting. Staff reached out to two transit pools and also researched some actual transit data.

Per the Committee's request at their last meeting, staff was able to provide additional information regarding transit exposures and losses. Staff reached out to two national transit pools and conducted some additional research on-line from national transit websites. A summary of the information was share shared with the Committee, including the most typical loss causes and costs. Staff also shared with the Committee that some technological advances are being made on buses to help reduce accidents. The technology is similar to what is seen on newer care models including early warning system, installation of cameras, and adaptive breaking systems. In an effort to provide some context, the Committee was provided with a brief comparative loss analysis between some of the data that was provided and some of the GL2 loss data (non-transit).

Alliant preemptively reached out to a few carriers to see if there is an interest in covering this exposure and while they would reserve the right to evaluate each prospect on its own merits generally speaking they were not opposed to covering fixed route transit exposures. The carriers that responded also noted that they would be involved in the underwriting process for new prospects, and they could ensure that the appropriate amount of premium would be charged.

After significant discussion, the Committee determined that they would be open to consider prospects that solely operate with fixed route transit exposure on a case-by-case basis, with no guarantee of acceptance.

(Motion 3) Moved by Patrick Flaherty and seconded by Marco Sandoval to consider prospects that solely operate with fixed route transit exposure on a case-by-case basis. Motion passed with 8 voting yes (Lubben, Sandoval, White, Flaherty, Sposito, Viteri, Sahagun, and Anderson) and 3 opposing (Hymes-Offord, Hight, and Castillo Del Muro).

### **3.D. MOC Intent of Coverage**

Staff, along with coverage counsel, briefly reviewed with the Committee the discussions from previous meetings regarding a situation where a reinsurer declined to reimburse a portion of defense fees/costs because they included administrative proceedings. Even though this particular issue has been resolved, it raised the question of what is the Program's MOC intent for coverage regarding this. Staff was instructed to bring back various options, as well as the impacts of each option, to modify the GL2 MOC after consulting with legal counsel.

Staff presented the Committee with 3 options to address the coverage of defense fees/costs. Option 1 eliminates the MOC's "defense cost" coverage for a "claim;" Option 2 amends "defense cost" to eliminate non-damages administrative proceedings; and Option 3 broadens "defense cost" to cover related administrative proceedings. Staff and legal counsel recommended Option 2 for modifying the Program's MOC.

(Motion 4) Moved by Claudia Castillo Del Muro and seconded by Sharon Hymes-Offord to approve a modification to the GL2 MOC to clarify coverage by amending "defense costs" to eliminate non-damages administrative proceedings, effective March 2, 2017, subject to carrier approval. Motion passed unanimously with 10 voting yes (Lubben, Hymes-Offord, White, Flaherty, Castillo Del Muro, Hight, Sposito, Viteri, Sahagun, and Anderson).

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### **PUBLIC COMMENT**

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There was no public comment.



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**FUTURE MEETINGS**

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The next meeting will be held at the call of the Chair.

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**CLOSED SESSION**

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*For the following claim(s)/litigation item(s), those in attendance may include members of the Committee and their alternates, legal counsel, as well as authorized staff, which may include the CEO, COO, CCO, claims manager and the primary claims handler and their supervisor.*

*Pursuant to Government Code Section 54956.95, the Committee held a closed session to discuss the following claim(s):*

- 4.A. Moreno v. Tulare County
- 4.B. Soriano v. Riverside County
- 4.C. LaPaglia v. Riverside County – This item was pulled from the agenda

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**ADJOURNMENT**

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The meeting adjourned at 5:51 p.m.

Respectfully submitted,



Kelli Snelling  
Executive Secretary

**CSAC EXCESS INSURANCE AUTHORITY**  
**GENERAL LIABILITY 2 COMMITTEE**

**MINUTES**

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CSAC Excess Insurance Authority	Friday, April 7, 2017
Web Conference/Telephonic Meeting	10:30 a.m.
	Third Meeting – 2017

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The meeting was called to order by the Vice Chair, Claudia Castillo Del Muro, at 10:35 a.m.

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**ROLL CALL/INTRODUCTIONS**

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**1.A. Members Present**

1. Karen Caoile, Alameda County
2. Sharon Hymes-Offord, Contra Costa County
3. Marco Sandoval, El Dorado County
4. Mike Bowers, Riverside County
5. Patrick Flaherty, City of Sacramento
6. Claudia Castillo Del Muro, City of San Diego
7. Lance Sposito, Santa Clara County
8. Rafael Viteri, San Bernardino County
9. Tanya Moreno, San Joaquin County
10. Enrique Sahagun, Santa Cruz County
11. Robert Anderson, Tulare County

**Members Absent**

1. Donald White, ERMAC
2. Francesca Schuyler, City of Montebello
3. Deborah Grant, City of Oakland
4. Paul Hight, Sacramento County

**Others Present**

1. Lilian Vanvieldt, ERMAC/Alliant Insurance Services
2. Steve Underwood, EIA Legal Counsel
3. Michael Fleming, EIA Staff
4. Heather Fregeau, EIA Staff
5. Randy Lingenfelter, EIA Staff
6. Kelli Snelling, EIA Staff

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**SELECTION OF CHAIR**

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**2.A. Selection of Chair**

(Motion 1) Moved by Claudia Castillo Del Muro to select Lance Sposito as the Chair for the remainder of 2017. Motion passed unanimously by roll call vote with 11 voting yes (Caoile, Hymes-Offord, Sandoval, Bowers, Flaherty, Castillo Del Muro, Sposito, Viteri, Moreno, Sahagun, and Anderson).

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### CONSIDERATION OF OFF AGENDA ITEMS

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There were no items to consider.

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### PUBLIC COMMENT

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There was no public comment.

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### FUTURE MEETINGS

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The next meeting will be held on **Friday, April 28, 2017, at 10:30 a.m.**, at the **EIA office in Folsom.**

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### CLOSED SESSION

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*For the following claim(s)/litigation item(s), those in attendance may include members of the Committee and their alternates, legal counsel, as well as authorized staff, which may include the CEO, COO, CCO, claims manager and the primary claims handler and their supervisor.*

*Pursuant to Government Code Section 54956.95, the Committee held a closed session to discuss the following claim(s):*

3.A. Aavang, et al. v. City of San Diego

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### ADJOURNMENT

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The meeting adjourned at 11:16 a.m.

Respectfully submitted,



Kelli Snelling  
Executive Secretary

**SUBJECT:** Notices of Intent for Potential Withdrawal

**ACTION FOR CONSIDERATION:** Acknowledge receipt of the report.

**BACKGROUND:**

Pursuant to the Joint Powers Agreement, a member may withdraw from a program only at the end of a program's policy year, and only if the member gives the Authority at least sixty (60) days advance written notice of such action. Notices of intent to withdraw are provisional, and members may rescind the withdrawal notice at any time prior to the expiration of the policy term, with the exception of the Property Program which requires rescission 30 days prior to the renewal for members with premiums in excess of \$1M and 15 days prior for members with a premium of less than \$1M. Some members routinely issue the notice of intent, which provides them the opportunity to conduct their due diligence in the marketplace. At this time, we have received notices of intent to withdraw from the following members, and have provided a status where known:

<b>Member</b>	<b>Program</b>	<b>Status</b>
Sacramento County	GL2	Routine

**FISCAL IMPACT:**

If the above members were to withdraw, EIA will end up underfunding administrative costs by their respective portion.

**RECOMMENDATION:** None

**TYPE OF VOTE REQUIRED:** Majority vote of the Committee (8)

**SUBJECT:** 2017/18 Renewal Terms

**ACTION FOR CONSIDERATION:**

- 1) Approval of the renewal terms for the SIR to \$10M layer.
- 2) Approval of the renewal terms for the \$5M xs \$20M layer.

**BACKGROUND:**

As discussed at previous meetings, the Program continues to see increased losses with an 11% increase, year-over-year, to the total incurred losses in the SIR to \$10M layer. In recent years, the Program's structure has been adjusted to include a large Corridor Deductible (aggregate deductible above members' SIRs) to help mitigate premium increases. There have also been increases to individual member's SIRs in response to loss experience and, again, to offset premium increases. Last year Individual Member Corridor Deductibles (IMCDs) were included for 5 members.

The Program was restructured last year as AmTrust was replaced with QBE in the SIR to \$10M layer. While QBE's pricing justified the change, the fact that they could only offer an aggregate limit created a challenge. Even though the \$50M aggregate, coupled with the group Corridor Deductible and the various IMCDs, provided considerable limits to the Program, Alliant recommended, and the Committee approved, binding an additional \$30M in aggregate limits from Munich American to raise the overall limit for the layer to exceed the 90% confidence level. Alliant has been working with QBE and Munich on renewal terms and has been pushing to increase the aggregate limit or remove it all together.

QBE has recently provided a quote for a flat renewal with terms and conditions (including their \$50M aggregate limit) the same as expiring. The proposal is attached for the Committee's review. QBE has also provided indicated pricing of \$2,400,000 for an additional \$50M limit, but has not provided a formal quote for that additional limit.

Alliant continues to negotiate with Munich and is attempting to secure a proposal for the Committee's consideration in time for the meeting. It is anticipated that this will include an increase to the aggregate limit at a flat premium or a very modest increase. Alliant is also attempting to secure commitment from Munich to either remove the aggregate entirely or again increase it for next year (2018/19). If the Munich proposal is available in advance of the meeting, it will be provided to the Committee members via e-mail.

The current \$5M xs \$20M layer is shared on a 50/50 quota share basis between Markel and AmTrust Syndicate (formerly ANV). Early in the process Markel advised that they

did not want to participate on the layer given their participation and pricing on the \$10 xs \$10 layer of the Program. AmTrust Syndicate agreed to take a larger share of the layer and Alliant secured quotes from two other Lloyds of London syndicates to fill out the layer as follows: AmTrust Syndicate (65.57%), Hiscox Syndicate (24.59%) and Apollo Casualty Consortium Syndicate (9.84%). Attached is a proposal for the three Lloyd's syndicate representing the same terms, conditions and premiums as expiring. Alliant also sought quotes from other markets, and Great American indicated they would be willing to do a 50% share of the layer at a flat premium.

Alliant will be at the meeting to provide further details and an update on the ongoing negotiations.

**FISCAL IMPACT:**

- 1) The 2016/17 premium for QBE's participation in the SIR to \$10M layer was \$19,373,823 and the structure included a \$17,801,550 Group Corridor Deductible. The quote for the 2017/18 term represents a flat premium and the Group Corridor Deductible will remain the same.
- 2) The 2016/17 premium for the \$5M xs \$20M layer was \$1,580,270, and the quoted premium for 2017/18 is flat.

**RECOMMENDATION:**

- 1) Staff and Alliant recommend the Committee approve renewal terms with QBE for the \$10M xs \$10M layer as proposed, and to direct Alliant to continue negotiations with both QBE and Markel to achieve the highest aggregate limit possible.
- 2) Staff and Alliant recommend approval of the renewal of the \$5M xs \$20M layer as proposed with AmTrust Syndicate (65.57%), Hiscox Syndicate (24.59%) and Apollo Syndicate (9.84%).

**TYPE OF VOTE REQUIRED:** Majority vote of the Committee (8)

**CSAC EXCESS INSURANCE AUTHORITY (CSAC EIA)**  
**GENERAL LIABILITY 2 PROGRAM (GL2)**  
**2017/2018 PRELIMINARY EXCESS PROPOSAL**  
**\$10,000,000 LAYER**

	<b>PRESENT QBE Insurance Corporation</b>	<b>PROPOSED QBE Insurance Corporation</b>
<b>COMPANY AFFORDING COVERAGE</b>	QBE Specialty Insurance Company	QBE Specialty Insurance Company
<b>A.M. BEST'S GUIDE RATING</b>	A (Excellent); Financial Size Category XIV (\$1,500,000,000 to \$2,000,000,000) as of 5/13/2016	A (Excellent); Financial Size Category XIV (\$1,500,000,000 to \$2,000,000,000) as of 4/20/17
<b>STANDARD &amp; POOR'S</b>	A+ (Positive)	A+ (Positive)
<b>CALIFORNIA STATUS</b>	Not Admitted	Not Admitted
<b>GOVERNING LAW STATE</b>	California	California
<b>ARBITRATION JURISDICTION STATE</b>	California	California
<b>COVERAGE TERM</b>	July 1, 2016 to July 1, 2017	July 1, 2017 to July 1, 2018
<b>COVERAGE PROVIDED</b>	<p>Excess Follow Form Insurance. Coverage follows CSAC EIA General Liability II Program (GLII) Memorandum of Coverage (Occurrence form) including</p> <ul style="list-style-type: none"> <li>• Bodily Injury</li> <li>• Personal Injury</li> <li>• Property Damage</li> <li>• Public Officials Errors and Omissions</li> <li>• Automobile Liability</li> <li>• Contractual Liability</li> <li>• Employment Practices Liability</li> <li>• Non-Owned Aircraft Liability</li> </ul> <p>Property Damage arising from Subsidence (does not apply to City of Montebello, City of Sacramento, City of San Diego, City of Oakland or ERMAC)</p>	Same as present

**NOTE: THIS PROPOSAL IS FOR INFORMATIONAL PURPOSES ONLY AND DOES NOT AMEND, EXTEND OR ALTER THE POLICY IN ANY WAY. PLEASE REFER TO THE POLICY FORM FOR COMPLETE COVERAGE AND EXCLUSION INFORMATION.**

Alliant Insurance Services, Inc. • 1301 Dove Street • Suite 200 • Newport Beach, CA 92660  
 PHONE (949) 756-0271 • www.alliant.com • License No. 0C36861

**CSAC EXCESS INSURANCE AUTHORITY (CSAC EIA)**  
**GENERAL LIABILITY 2 PROGRAM (GL2)**  
**2017/2018 PRELIMINARY EXCESS PROPOSAL**  
**\$10,000,000 LAYER**

	<b>PRESENT</b> <b>QBE Insurance Corporation</b>	<b>PROPOSED</b> <b>QBE Insurance Corporation</b>
<b>LIMIT(S)</b>	\$ 9,000,000 Per occurrence, offense, or wrongful act and annual aggregate as respects completed operations for all members except: <ul style="list-style-type: none"> <li>• \$ 8,000,000 as respects City of Sacramento, Santa Clara County and Sacramento County</li> <li>• \$ 7,000,000 as respects City of Oakland, City of San Diego and San Bernardino County</li> <li>• \$ 6,500,000 as respects Riverside County</li> </ul> <ul style="list-style-type: none"> <li>• Annual aggregate applies to Property Damage arising from Subsidence per member per the limits shown above (excluded for City of Montebello, City of Oakland, City of Sacramento, City of San Diego and ERMAC)</li> <li>• Aggregate and occurrence limits and retentions apply separately by layer per participating member and per member of participating JPA</li> <li>• Limits and member's self-insured retentions are eroded by defense costs</li> <li>• \$50,000,000 Annual Program Aggregate</li> </ul>	Same as present
<b>CORRIDOR RETENTION</b>	\$17,801,550* Applies per occurrence, offense, or wrongful act and in the aggregate to covered loss in excess of the members' Retentions and any applicable Individual Member Corridor Retention.	

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**CSAC EXCESS INSURANCE AUTHORITY (CSAC EIA)**  
**GENERAL LIABILITY 2 PROGRAM (GL2)**  
**2017/2018 PRELIMINARY EXCESS PROPOSAL**  
**\$10,000,000 LAYER**

	PRESENT QBE Insurance Corporation	PROPOSED QBE Insurance Corporation
<b>INDIVIDUAL MEMBER CORRIDOR RETENTIONS</b>	<ul style="list-style-type: none"> <li>• \$ 2,000,000 City of San Diego</li> <li>• \$ 1,000,000 City of Sacramento</li> <li>• \$ 500,000 City of Montebello</li> <li>• \$ 250,000 ERMAC</li> <li>• \$ 2,000,000 Riverside County</li> <li>• \$ 500,000 Santa Clara County</li> </ul> <p>Individual Member Corridor and subsequently Program Corridor Retention must be exhausted by payments of covered loss before Program limits apply in excess of the members' retained limit</p>	Same as present
<b>INDIVIDUAL MEMBER'S SELF-INSURED RETENTIONS</b>	See Attachment A	See Attachment A
<b>FORMS &amp; ENDORSEMENTS</b>	<ul style="list-style-type: none"> <li>• Policy Form: QBEX-3010 (05-16)</li> <li>• Schedule of Participating Members</li> <li>• Limits of Insurance Endorsement</li> <li>• Schedule of Retentions Endorsement</li> <li>• Group Corridor Retention Endorsement</li> <li>• Cancellation Amendatory Endorsement</li> <li>• Subsidence Coverage Amendatory Endorsement</li> <li>• Service of Suit Clause California</li> </ul>	Same as present with policy form TBD

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	<b>PRESENT QBE Insurance Corporation</b>	<b>PROPOSED QBE Insurance Corporation</b>
<b>TERMS AND CONDITIONS</b>	<ul style="list-style-type: none"> <li>• Payment is due and payable within 30 days of effective date.</li> <li>• California surplus lines tax of 3% and .2% stamping fee in addition to the premium quoted</li> <li>• Surplus Lines Acknowledgement Form prior to binding</li> <li>• 25% Minimum earned premium</li> <li>• Premiums are based on expiring membership and limits.</li> <li>• Premiums are flat for annual coverage period (not subject to audit)</li> <li>• Additional Premiums will be charged for any additional named insured or new member additions added during the reinsurance year unless otherwise agreed.</li> <li>• Prior approval of additional members and additional named insureds required prior to binding</li> </ul>	Same as present
<b>ANNUAL PREMIUM</b>	\$ 19,373,823 Annual Premium 910,570 Alliant Broker Fee 619,962 3.2% CA Surplus Lines Tax and Fee <u>17,801,550</u> Annual Corridor \$ 38,705,905 Total annual cost	Same as present
<b>BROKER COMMISSION/FEE</b>	4.7% (\$ 910,570) Alliant Broker Fee 4.0% (\$ 774,953)* APEX Insurance Agency Inc *includes 1% (\$193,738) to support claims oversight position	Same as present

*\*In the course of placing various programs and products on behalf of CSAC EIA, Alliant Insurance Services, Inc. may either elect, or find it necessary, to utilize intermediary brokers such as Excess & Surplus Lines Brokers (sometimes referred to as "wholesalers") and/or Reinsurance Brokers (herein after collectively referred to as "intermediary brokers"). While Alliant Insurance Services, Inc. is not customarily privy to such information, we will endeavor to secure and provide CSAC EIA with confirmation of all compensation (commission, fees and/or other income) derived by all such intermediary brokers as a direct or indirect result of a CSAC EIA related placement. While making best efforts to provide CSAC EIA with this information, Alliant Insurance Services, Inc. is relying on information volunteered by the intermediary brokers and therefore cannot guarantee the delivery, nor warranty the accuracy, of such information.*

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Please be advised that this proposal is also expressly conditioned on there being no material change in the risk between the date of this proposal and the inception date of the proposed policy (including the occurrence of any claim or notice of circumstances that may give rise to a claim under any policy which the policy being proposed is a renewal or replacement). In the event of such change of risk, the insurer may, at its sole discretion, modify, or withdraw this proposal, whether or not this offer has already been accepted.

**This proposal is not confirmation of insurance and does not add to, extend, amend, change, or alter any coverage in any actual policy of insurance you may have. All existing policy terms, conditions, exclusions, and limitations apply. For specific information regarding your insurance coverage, please refer to the policy itself. Alliant Insurance Services, Inc. will not be liable for any claims arising from or related to information included in or omitted from this proposal of insurance.**

Alliant embraces a policy of transparency with respect to its compensation from insurance transactions. Details on our compensation policy, including the types of income that Alliant may earn on a placement, are available on our website at [www.alliant.com](http://www.alliant.com). For a copy of our policy or for any inquiries regarding compensation issues pertaining to your account you may also contact us at: Alliant Insurance Services, Inc., Attention: General Counsel, 701 B Street, 6th Floor, San Diego, CA 92101.

Analyzing insurers' over-all performance and financial strength is a task that requires specialized skills and in-depth technical understanding of all aspects of insurance company finances and operations. Insurance brokerages such as Alliant Insurance typically rely upon rating agencies for this type of market analysis. Both A.M. Best and Standard and Poor's have been industry leaders in this area for many decades, utilizing a combination of quantitative and qualitative analysis of the information available in formulating their ratings.

A.M. Best has an extensive database of nearly 6,000 Life/Health, Property Casualty and International companies. You can visit them at [www.ambest.com](http://www.ambest.com). For additional information regarding insurer financial strength ratings visit Standard and Poor's website at [www.standardandpoors.com](http://www.standardandpoors.com).

Our goal is to procure insurance for you with underwriters possessing the financial strength to perform. Alliant does not, however, guarantee the solvency of any underwriters with which insurance or reinsurance is placed and maintains no responsibility for any loss or damage arising from the financial failure or insolvency of any insurer. We encourage you to review the publicly available information collected to enable you to make an informed decision to accept or reject a particular underwriter. To learn more about companies doing business in your state, visit the Department of Insurance website for that state.

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**CSAC EXCESS INSURANCE AUTHORITY (CSAC EIA)  
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**ATTACHMENT A**

<b>MEMBER</b>	<b>SIR</b>	<b>INDIVIDUAL MEMBER CORRIDOR</b>	<b>LIMIT</b>
Alameda County	\$ 1,000,000		\$ 9,000,000
City of Montebello	\$ 1,000,000	\$ 500,000	\$ 9,000,000
City of Oakland	\$ 3,000,000		\$ 7,000,000
City of Sacramento	\$ 2,000,000	\$ 1,000,000	\$ 8,000,000
City of San Diego	\$ 3,000,000	\$ 2,000,000	\$ 7,000,000
Contra Costa County	\$ 1,000,000		\$ 9,000,000
El Dorado County	\$ 1,000,000		\$ 9,000,000
ERMAC	\$ 1,000,000	\$ 250,000	\$ 9,000,000
Riverside County	\$ 3,500,000	\$ 2,000,000	\$ 6,500,000
Sacramento County	\$ 2,000,000		\$ 8,000,000
San Bernardino County	\$ 3,000,000		\$ 7,000,000
San Joaquin County	\$ 1,000,000		\$ 9,000,000
Santa Clara County	\$ 2,000,000	\$ 500,000	\$ 8,000,000
Santa Cruz County	\$ 1,000,000		\$ 9,000,000
Tulare County	\$ 1,000,000		\$ 9,000,000

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 \$5,000,000 EXCESS \$20,000,000 LAYER**

	<b>EXPIRING</b> Evanston Insurance Company (Markel Re) and ANV	<b>RENEWAL</b> Lloyd's Syndicates
<b>COMPANY AFFORDING COVERAGE</b>	1. Evanston Insurance Company (Markel Re) 2. ANV Syndicate	1. AmTrust Syndicate 1861 (65.5715%) 2. Hiscox Syndicate 0033 (24.5918%) 3. Apollo Casualty Consortium Syndicate 9984 (9.8367%)
<b>A.M. BEST'S GUIDE RATING</b>	1. A (Excellent); Financial Size Category XV (\$2,000,000,000 or greater) as of 7/8/2016 2. A (Excellent); Financial Size Category XV (\$2,000,000,000 or greater) as of 7/8/2016	A (Excellent); Financial Size Category XV (\$2,000,000,000 or greater) as of 4/18/17
<b>STANDARD &amp; POOR'S</b>	Not Applicable	Not Applicable
<b>CALIFORNIA STATUS</b>	Not Applicable (reinsurance)	Not Applicable (reinsurance)
<b>GOVERNING LAW STATE</b>	1. California 2. California	California
<b>ARBITRATION JURISDICTION STATE</b>	1. California 2. California	California
<b>COVERAGE TERM</b>	July 1, 2016 to July 1, 2017	July 1, 2017 to July 1, 2018

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	<b>EXPIRING Evanston Insurance Company (Markel Re) and ANV</b>	<b>RENEWAL Lloyd's Syndicates</b>
<b>COVERAGE PROVIDED</b>	Facultative Reinsurance of CSAC EIA General Liability II (GL2) Program Memorandum of Coverage (Occurrence Form) including: <ul style="list-style-type: none"> <li>• Bodily Injury</li> <li>• Personal Injury</li> <li>• Property Damage</li> <li>• Public Officials Errors and Omissions</li> <li>• Automobile Liability</li> <li>• Contractual Liability</li> <li>• Employment Practices Liability</li> <li>• Non-Owned Aircraft Liability</li> </ul>	Same as present
<b>LIMIT(S)</b>	<p>1. 50% Evanston Insurance Company (Markel Re)</p> <p>2. 50% ANV Syndicate</p> <p>\$ 5,000,000 Per occurrence, offense or wrongful act excess of Underlying Limits</p> <p>\$ 5,000,000 Annual aggregate for completed operations</p> <ul style="list-style-type: none"> <li>• Occurrence and aggregate limits and retentions apply separately by layer per member and separately per member of a JPA</li> </ul> <p>Limits do not recognize any annual aggregate erosion underneath (no drop down)</p>	<p>Same as present except Quota Share splits as follows:</p> <p>1. 65.5715% AmTrust Syndicate</p> <p>2. 24.5918% Hiscox Syndicate</p> <p>3. 9.8367% Apollo Casualty Consortium Syndicate</p> <p>\$ 5,000,000 Per occurrence, offense or wrongful act excess of Underlying Limits</p> <p>\$ 5,000,000 Annual aggregate for completed operations</p> <ul style="list-style-type: none"> <li>• Occurrence and aggregate limits and retentions apply separately by layer per member and separately per member of a JPA</li> </ul> <p>Limits do not recognize any annual aggregate erosion underneath (no drop down)</p>

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	<b>EXPIRING</b> Evanston Insurance Company (Markel Re) and ANV	<b>RENEWAL</b> Lloyd's Syndicates
<b>UNDERLYING LIMIT(S)</b>	\$20,000,000 Per occurrence, offense or wrongful act \$20,000,000 Annual aggregate for completed operations <ul style="list-style-type: none"> <li>• Underlying Limits noted above are inclusive of member's self-insured retention (see attached)</li> <li>• Limits and retentions apply per participating member and per member of participating JPA</li> <li>• Defense costs erode all limits and retentions</li> </ul>	Same as present

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	<b>EXPIRING</b> Evanston Insurance Company (Markel Re) and ANV	<b>RENEWAL</b> Lloyd's Syndicates
<b>FORMS AND ENDORSEMENTS</b>	<ul style="list-style-type: none"> <li>• Certificate of Casualty Facultative Reinsurance</li> <li>• Certificate of Casualty Facultative Reinsurance Declarations</li> <li>• Schedule of Endorsements</li> <li>• Limits Endorsement</li> <li>• Schedule of Retentions Endorsement</li> <li>• Cancellation Clause (Credit Rating Trigger) Amendatory Endorsement</li> <li>• Claims Amendatory Endorsement</li> <li>• Definition of Expenses Amendatory Endorsement</li> <li>• Notification of Claim or Suit Endorsement</li> <li>• Cancellation Amendatory Endorsement</li> <li>• Employee Benefits Limitation Endorsement</li> <li>• Fair Labor Standards Act Exclusion</li> <li>• Subsidence Exclusion</li> <li>• Violation of Communication or Information Law Exclusion</li> <li>• Claims Reporting Amendatory Endorsement</li> <li>• Schedule of Participating Members Endorsement</li> <li>• Strip Search Exclusion</li> <li>• Economic or Trade Sanctions Condition Endorsement (OFAC)</li> <li>• War Exclusion Endorsement</li> <li>• Insolvency Fund Exclusion Endorsement</li> <li>• Participating Insurance Endorsement</li> <li>• Services of Suit Clause- ANV only</li> <li>• Sanctions Clause- ANV only</li> </ul>	Same as present

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	<b>EXPIRING Evanston Insurance Company (Markel Re) and ANV</b>	<b>RENEWAL Lloyd's Syndicates</b>
<b>IN-HOUSE DEFENSE COSTS</b>	<ul style="list-style-type: none"> <li>• Carriers agreed to allow those members who utilize in-house counsel for claims handling charges applicable to the MOC to apply those costs to their self-insured retention. In house defense costs coverage provided by carriers limited to the actual hourly cost or \$200 per hour, whichever is less.</li> <li>• CSAC EIA is required to report in-house defense counsel on a quarterly basis and break out defense cost between in-house counsel and third-party defense costs within the report.</li> <li>• Markel reserves the right to audit both CSAC EIA and the individual members claims handling practices including determination and reporting of in-house counsel claims cost</li> </ul>	<p>Same as present except the deletion of:</p> <ul style="list-style-type: none"> <li>• CSAC EIA is required to report in-house defense counsel on a quarterly basis and break out defense cost between in-house counsel and third-party defense costs within the report.</li> <li>• Markel reserves the right to audit both CSAC EIA and the individual members claims handling practices including determination and reporting of in-house counsel claims cost</li> </ul>

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	<b>EXPIRING</b> Evanston Insurance Company (Markel Re) and ANV	<b>RENEWAL</b> Lloyd's Syndicates
<b>TERMS AND CONDITIONS</b>	<ul style="list-style-type: none"> <li>• The Retained Limit does not recognize any Completed Operations Annual Aggregate Erosion underneath and is on an Each and Every basis</li> <li>• Limits and Retentions apply per participating member and per member of a participating Joint Powers Authority</li> <li>• Defense expense is inside the limit and Individual participating Member retained limit and on an excess of loss basis</li> <li>• Premium payment due within 45 days of effective date</li> <li>• Premiums based on current membership and limits (see attachment A)</li> <li>• Premiums are flat for annual coverage period (not subject to audit)</li> <li>• CSAC EIA agrees to participate in quarterly claims calls to discuss loss information and development that impact Markel participation, including any Lead exposure claims (Markel Only)</li> <li>• An additional premium will be charged for any entity added during the reinsurance contract</li> <li>• New Member additions subject to review of current exposure and loss data prior to binding</li> <li>• 25% Minimum earned premium waived for potential cancellation as a result of carrier rating downgrade (Cancellation Clause (Credit Rating Trigger) Amended Amendatory Endorsement)</li> </ul>	<p>Same as present except the deletion of:</p> <ul style="list-style-type: none"> <li>• CSAC EIA agrees to participate in quarterly claims calls to discuss loss information and development that impact Markel participation, including any Lead exposure claims</li> </ul>

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	<b>EXPIRING</b> Evanston Insurance Company (Markel Re) and ANV	<b>RENEWAL</b> Lloyd's Syndicates
<b>ANNUAL PREMIUM</b>	\$ 790,135 Markel (50%) 790,135 ANV (50%) \$ 1,580,270 Total Premium Premium based on membership as shown on schedule of members and retentions	\$ 1,580,269 Premium based on membership as shown on schedule of members and retentions
<b>COMMISSION</b>	Markel: 6.24% (\$ 49,304) Alliant Insurance Services 3.76% (\$ 29,709) AmWINS Insurance Brokerage of California- Wholesaler/Intermediary* ANV: 10% (\$ 79,014) Alliant Insurance Services 5% (\$ 39,507) RKH Specialty-Wholesaler/Intermediary*	10% (\$ 158,030) Alliant Insurance Services 5% (\$ 79,013) RKH Specialty-Wholesaler/Intermediary*

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Alliant embraces a policy of transparency with respect to its compensation from insurance transactions. Details on our compensation policy, including the types of income that Alliant may earn on a placement, are available on our website at [www.alliant.com](http://www.alliant.com). For a copy of our policy or for any inquiries regarding compensation issues pertaining to your account you may also contact us at: Alliant Insurance Services, Inc., Attention: General Counsel, 701 B Street, 6th Floor, San Diego, CA 92101.

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A.M. Best has an extensive database of nearly 6,000 Life/Health, Property Casualty and International companies. You can visit them at [www.ambest.com](http://www.ambest.com). For additional information regarding insurer financial strength ratings visit Standard and Poor's website at [www.standardandpoors.com](http://www.standardandpoors.com).

Our goal is to procure insurance for you with underwriters possessing the financial strength to perform. Alliant does not, however, guarantee the solvency of any underwriters with which insurance or reinsurance is placed and maintains no responsibility for any loss or damage arising from the financial failure or insolvency of any insurer. We encourage you to review the publicly available information collected to enable you to make an informed decision to accept or reject a particular underwriter. To learn more about companies doing business in your state, visit the Department of Insurance website for that state.

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 \$5,000,000 EXCESS \$20,000,000 LAYER**

**ATTACHMENT A**

<b>MEMBER</b>	<b>SIR</b>	<b>INDIVIDUAL MEMBER CORRIDOR</b>
Alameda County	\$ 1,000,000	
City of Montebello	\$ 1,000,000	\$ 500,000
City of Oakland	\$ 3,000,000	
City of Sacramento	\$ 2,000,000	\$ 1,000,000
City of San Diego	\$ 3,000,000	\$ 2,000,000
Contra Costa County	\$ 1,000,000	
El Dorado County	\$ 1,000,000	
ERMAC	\$ 1,000,000	\$ 250,000
Riverside County	\$ 3,500,000	\$ 2,000,000
Sacramento County	\$ 2,000,000	
San Bernardino County	\$ 3,000,000	
San Joaquin County	\$ 1,000,000	
Santa Clara County	\$ 2,000,000	\$ 500,000
Santa Cruz County	\$ 1,000,000	
Tulare County	\$ 1,000,000	

**NOTE: THIS PROPOSAL IS FOR INFORMATIONAL PURPOSES ONLY AND DOES NOT AMEND, EXTEND OR ALTER THE POLICY IN ANY WAY. PLEASE REFER TO THE POLICY FORM FOR COMPLETE COVERAGE AND EXCLUSION INFORMATION.**

Alliant Insurance Services, Inc. • 1301 Dove Street • Suite 200 • Newport Beach, CA 92660  
 PHONE (949) 756-0271 • www.alliant.com • License No. 0C36861

**SUBJECT:** Risk Transfer to EIO

**ACTION FOR CONSIDERATION:**

Approve transferring the risk for the GL2 Program's Group Corridor Deductible exposure of \$17,801,550 for the 2017/18 year to the Excess Insurance Organization (EIO) for a premium of \$16,377,426.

**BACKGROUND:**

As discussed under the previous agenda item, QBE is proposing to renew the first excess layer with the Group Corridor Deductible of \$17,801,550, which is the same as the 2016/17 year. Enclosed is a proposal for the Committee to once again consider transferring that Group Corridor Deductible exposure to the EIA's captive, the EIO. The transfer of risk is similar to transferring risk to any other insurance company. The risk becomes that of the EIO, and not the GL2 Program, so there would be no assessment risk.

The premium to transfer risk for the \$17,801,550 Group Corridor Deductible will be \$16,377,426 which is 8% below the Group Corridor Deductible amount. This transaction will generate a \$1,424,124 premium savings for the members.

**FISCAL IMPACT:**

If the GL2 Program transfers its \$17,801,550 Group Corridor Deductible risk, a premium discount of 8%, or \$1,424,124, can be passed on to the members. This premium reduction will be included in the premium allocation, and has been anticipated in premium estimates provided to the members.

**RECOMMENDATION:**

Staff recommends the Committee approve transferring risk for the \$17,801,550 Group Corridor Deductible for 2017/18 to the EIO. The premium for transferring this risk to the Captive is \$16,377,426, which is 8% below the Group Corridor Deductible limit.

**TYPE OF VOTE REQUIRED:** Majority vote of the Committee (8)

**CSAC Excess Insurance Authority  
GL2 Program  
2017/18 Proposal  
Reinsurance of Group Corridor Deductible Exposure**

<b>PROPOSAL</b>	
<b>COMPANY AFFORDING COVERAGE</b>	Excess Insurance Organization, Inc.
<b>A.M. BEST'S GUIDE RATING</b>	Not Applicable
<b>STANDARD &amp; POOR'S RATING</b>	Not Applicable
<b>CALIFORNIA STATUS</b>	Not Applicable
<b>GOVERNING LAW STATE</b>	Utah
<b>DISPUTE RESOLUTION</b>	Per EIA Joint Powers Agreement, Article 31
<b>POLICY TERM</b>	July 1, 2017 to June 30, 2018
<b>COVERAGE PROVIDED</b>	Reinsurance of EIA's GL2 Memorandum of Coverage for the designated coverage period, including: <ul style="list-style-type: none"> <li>• Bodily Injury</li> <li>• Personal Injury</li> <li>• Property Damage</li> <li>• Public Officials Errors and Omissions</li> <li>• Automobile Liability</li> <li>• Contractual Liability</li> <li>• Employment Practices Liability</li> <li>• Non-Owned Aircraft Liability</li> </ul>
<b>RETAINED LIMITS</b>	Each member's SIR as scheduled with the EIA, plus their Individual Member Corridor Deductible if applicable
<b>LIMITS</b>	Difference between the member's self-insured retention, plus their Individual Member Corridor Deductible if applicable, and \$10,000,000 per occurrence, offense, or wrongful act, subject to a maximum Aggregate Limit of \$17,801,550 during the policy period.
<b>DEFENSE COSTS</b>	Defense Costs erode all limits and retentions
<b>MAJOR EXCLUSIONS (Including but not limited to)</b>	Per GL2 Program Memorandum of Coverage
<b>NEW MEMBER ADDITIONS</b>	As approved by the EIA's GL2 Committee
<b>PREMIUM</b>	\$16,377,426
<b>COMMISSION</b>	None

**SUBJECT:** GL2 Memorandum of Coverage (MOC) Amendment Regarding Drones

**ACTION FOR CONSIDERATION:**

An action to approve the proposed Endorsement No. U-14 to the GL2 MOC, effective July 1, 2017.

**BACKGROUND:**

During the February 4, 2015 Underwriting Committee meeting, staff discussed the new exposure coming from the increasing usage of drones/UAVs (Unmanned Aerial Vehicles) along with the various functions and uses for them. At the time, it was questioned whether the aircraft exclusion would eliminate coverage for such equipment. Staff issued a survey to the GL1 Program members regarding their knowledge, use, and/or potential future use of drones and reported back to the Underwriting Committee. The results of the survey showed it was still too early to recommend any changes to the MOC as the emerging use of drones/UAVs was still evolving, but to bring back this discussion at a later time.

At the last Underwriting Committee meeting, staff discussed resurveying the members regarding drones/UAVs as the exposure has continued to evolve and expand in their usage, availability, affordability, and legal rules surrounding drones/UAVs. One of the purposes for the survey was to continue to keep a finger on the pulse of our members' use of drones and to ensure the MOC is still responding to the members needs for this exposure. Another purpose was to be able to share with our reinsurers that we are in active dialogue with our members regarding this use of drones.

The surveys were sent out to both GL1 and GL2 participants on March 9, 2017 to 129 invitees, which included a copy of the newly passed regulation by the Federal Aviation Administration (FAA) on Small Unmanned Aircraft Rules (Part 107) and asked the invitees a total of 6 questions. Following are some highlights of the results and attached is a more detailed summary of the survey results.

***Drone/UAV Survey Results***

The membership's participation with the survey was very positive with a successful response rate of 74%, as 96 survey invitees completed and submitted the survey.

- Out of the 96 submissions, 41% are currently using drones/UAVs, 23% are not currently but plan to in the future, and 36% are not currently using drones/UAVs and do not plan on using them in the future.



- The indicated purpose or future purpose of the participants use for their drones consist of:
  - ✓ Topographical surveillance
  - ✓ Criminal scene investigations
  - ✓ Assist with search and rescue efforts
  - ✓ Construction project surveillance
  - ✓ Photography/videography for marketing purposes
  - ✓ Fire scene investigations
  - ✓ Educational purposes
  
- Out of the drones the participants are using or plan to use, all of them range between 2 and 6.4 lbs, have a diagonal length between 14 and 55”, and can operate up to 14,000 feet in elevation. Most of the drones indicated are of the quadcopter type, though there were a few fixed winged models mentioned. The drones range in speed of 35-55 mph, depending on type and model.
  
- For the types of drones mentioned in the survey results, it is mostly standard for them to come stocked with an attached photo or video camera. Different models vary on the degree of sophistication of their built in camera capabilities (as some participants wish to utilize cameras with infrared capabilities in the future), but most utilize some sort of imaging hardware. Some of the survey participants also noted GPS measuring equipment and other mapping equipment are carried or are intended to be carried by their UAVs as well.
  
- Out of 36 of those participants who responded and who are operating or planning on operating drones, 22 responded they currently or will fully operate drones within FAA’s Rule Part 107, while 14 state they do not operate within FAA’s Rule Part 107.
  
- Out of those participants operating drones, 10 of them contract out their operating services and 8 out of those 10 do so according to risk management best practices with an established contract specifying the scope of services, nature of operations, guidelines, and a hold harmless agreement.

One area where there might be some potential concern are the number of survey responses who responded that they do not operate their drones within the FAA’s Small Unmanned Aircraft Rule (Part 107). Out of the 36 participants that answered this question, 14 indicated they do not operate within the FAA’s Rule Par 107. According to Part 107 Rules, the pilot of the drone must have their Remote Pilot Airman Certificate, the drone itself needs to be less than 55 lbs, and the drone needs to be registered with the FAA. In addition to the pilot and drone requirements, the FAA also lists the following drone operating rules below:

- Class G airspace
- Must keep the aircraft in sight (visual line of sight)
- Must fly under 400 feet

- Must fly during the day
- Must fly at or below 100 mph
- Must yield right of way to manned aircraft
- Must NOT fly over people
- Must NOT fly from a moving vehicle

*A more in depth summary of the FAA's Small Unmanned Aircraft Rule Part 107 is attached as a part of this item.*

It is unknown which aspects of the FAA's Part 107 Rules the survey participants fall outside of, but it is something to consider when evaluating potential modifications to GL2 MOC, as respects to coverage for drones/UAVs.

### ***GL2 MOC Modifications for Consideration***

As indicated in the background, one of the purposes in surveying the members regarding UAV/Drone usage, was to see if the GL1 and GL2 MOC language is continuing to meet the members' needs in this area. While we believe the MOC continues to afford coverage in alignment with the members' increased usage of drones, staff has identified potential options for minor amendments of the GL1 and GL2 MOC for the Committee's consideration:

1. No Change – Under the current definition of "Aircraft", drones/UAVs would not be excluded under Exclusion E and coverage for bodily injury and property damage arising out of the ownership, maintenance, or operation of drones/UAVs. Coverage is provided so long as they are not meeting the definition of "Aircraft". Since the "Aircraft" definition encompasses the transportation of persons as well as property; any drone carrying equipment other than navigating instruments would be excluded.
2. Add Definition of UAV/Drone – Adding the following wording to the end of Exclusion E, as well as including the definition of UAV in the MOC, would clarify the intent of the MOC's purpose and provide coverage for drones/UAVs that fit within the parameters of its definition.

*Additional Definition of UAV:*

**Unmanned Aerial Vehicle (UAV)** or drone means an aircraft (with its aerial system or control device) that is not controlled directly by a person from within or on the aircraft.

*Additional wording to the end of Exclusion E:*

This exclusion does not apply to claims arising out of the ownership, operation, use, maintenance, or entrustment to others of any **Unmanned Aerial Vehicle (UAV)** that is an unmanned aircraft system owned or operated by or rented to or loaned by or on behalf of any Member of the Authority or Entity.

Staff is recommending the Committee consider making this modification to the MOC to provide clarity to the definition of UAVs/Drones. The proposed draft endorsement is attached for the Committee's consideration.

3. Restrict Coverage for Drones Not in Compliance with FAA Rule Part 107 – Adding the highlighted wording to the end of the additional definition of UAV noted in the above option in conjunction with the additional wording to the end of Exclusion E, would restrict coverage for drones/UAVs only to those that are operated within FAA's Part 107 Rules. This would potentially eliminate coverage to those current members who indicated they are operating drones outside of FAA Part 107 Rules.

*Additional Definition of UAV:*

**Unmanned Aerial Vehicle (UAV)** or drone means an aircraft (with its aerial system or control device) that is not controlled directly by a person from within or on the aircraft as regulated by the Federal Aviation Authority (FAA) Small Unmanned Aircraft Regulations (Part 107).

Staff is not recommending this option as the results of the surveys indicate that by making this modification, we are potentially restricting coverage that members currently have, which is not the intent. While from the survey alone, staff is not sure where each member feels they may fall or operate outside of the confines of the FAA guidelines, we can reasonably discern the drones are fitting the "physical" specifications detailed in the guidelines. However, perhaps not all of the drones are being registered or perhaps not all operators of the drones are meeting all of the certification requirements. So in order to keep the coverage as broad as possible, we are not recommending this option with that stipulation regarding the FAA's Part 107 Rules.

#### **FISCAL IMPACT:**

The way the current GL2 MOC reads, coverage for drones/UAVs operations is currently being provided. If the Committee chooses to restrict that coverage in some way, there could potentially be a reduction in the amount of future claim payments made for drone operations outside of the specified restrictions, but these amounts would most likely be negligible and insignificant.

The Program has not had any claims related to drones or drone operations to date.

#### **RECOMMENDATION:**

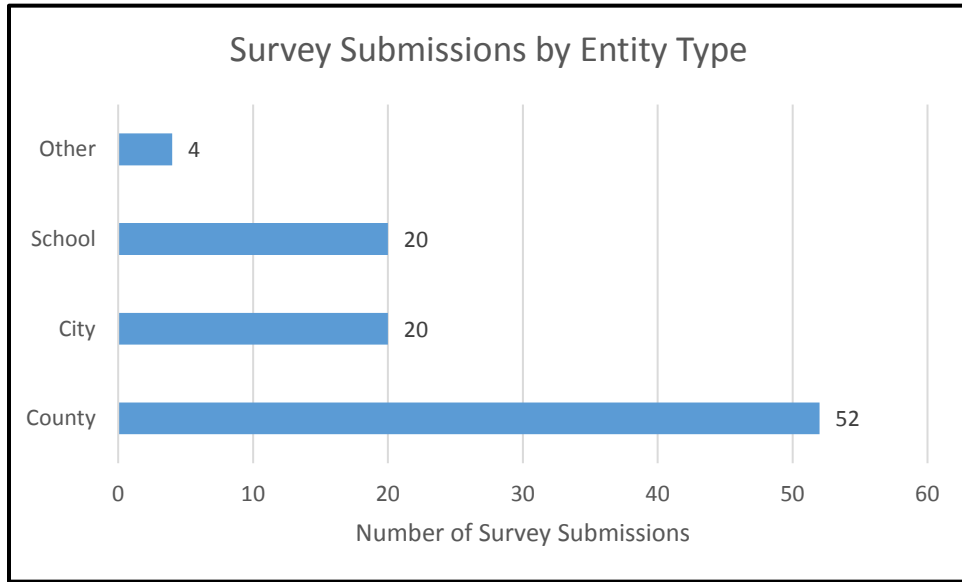
Staff is recommending the GL2 Committee consider making the modification to the MOC as laid out in Option #2, which adds a definition for UAVs/Drones and adds additional language to Exclusion E indicating that this exclusion does not apply to UAVs/Drones, effective July 1, 2017.

**TYPE OF VOTE REQUIRED:** Majority vote of the UW Committee (8)

## 2017 Done Survey Results

Number of Total Survey Invitees = 129  
 Number of Total Survey Submissions = 96  
 Total Survey Response Rate = 74%

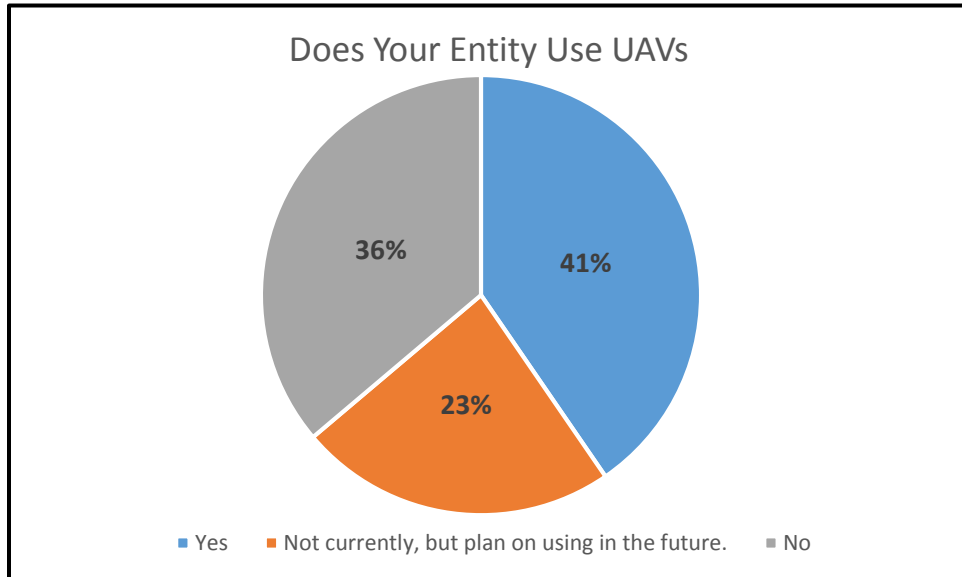
Number of Total Survey Submissions by Entity Type:



### Question 1:

Does your entity/agency use any UAVs (owned or contracted)?

Response	Response Count	Percent
Yes	38	40%
Not currently, but plan on using in the future.	22	23%
No	34	36%
<b>Total</b>	<b>94</b>	<b>100%</b>



**Question 2:**

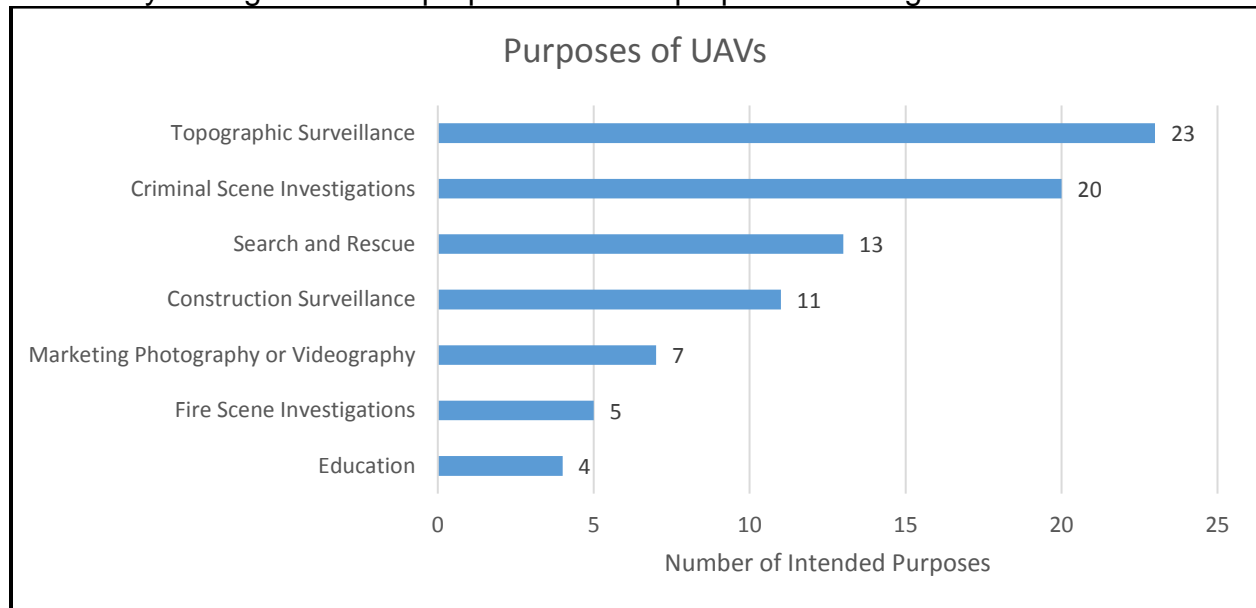
Please describe what type(s) of UAVs you use or intend to use in the future (size, weight, max altitude, max groundspeed, etc.)

Model	Type	Weight (in lbs)	Diagonal Size (inches)	Operating Time (in mins)	Max Flight Speed (mph)	Max Ascent (feet)
DJI Phantom 2	Quadcopter	2.20	13.78	25	35	
DJI Phantom 3	Quadcopter	2.68	13.78	25	35	19,685
DJI Phantom 4	Quadcopter	3.04	13.78	28	45	19,685
DJI Phantom 4 Pro	Quadcopter	3.06	13.78	30	45	19,685
DJI Mavic	Quadcopter	1.64	13.19	27	40	16,404
DJI Inspire 1 Pro	Quadcopter	6.33	22.01	15	40	14,763
Trimble UX-5HP	Fixed Wing	6.39	39.37	35	53	16,404
Albris SenseFLY	Quadcopter	3.97	31.5	22	27	
Senterra Phoenix 2	Fixed Wing	3.97	55.12	60	45	18,000

*\*See attached Drone Model Specifications Sheet to view photos of the drone models*

**Question 3:**

For what your organization’s purpose or future purpose for using each UAV?



**Question 4:**

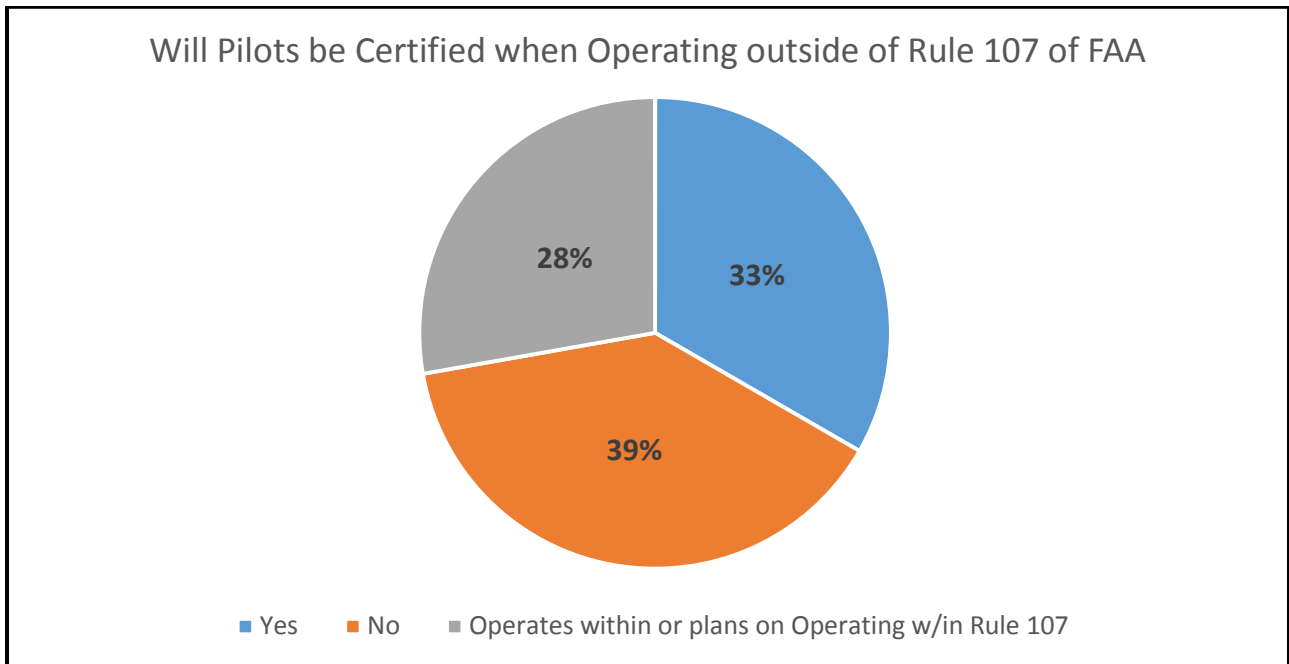
Does the UAV (or intended UAV) carry any instruments or other cargo? If so, please describe:

Most of the UAV models submitted by the survey participants come stocked with an attached photo or video camera. Different models vary on the degree of sophistication of their built in camera capabilities (as some participants wish to utilize cameras with infrared capabilities in the future), but most utilize some sort of imaging hardware. Some of the survey participants also noted GPS measuring equipment and other mapping equipment are carried by their UAVs as well.

**Question 5:**

The FAA has adopted Rule 107 governing the operation of UAV's (Summary of Small Unmanned Aircraft Rule, Part 107). Will the UAV(s) operated outside the parameters of Rule 107 include certification of the remote pilot?

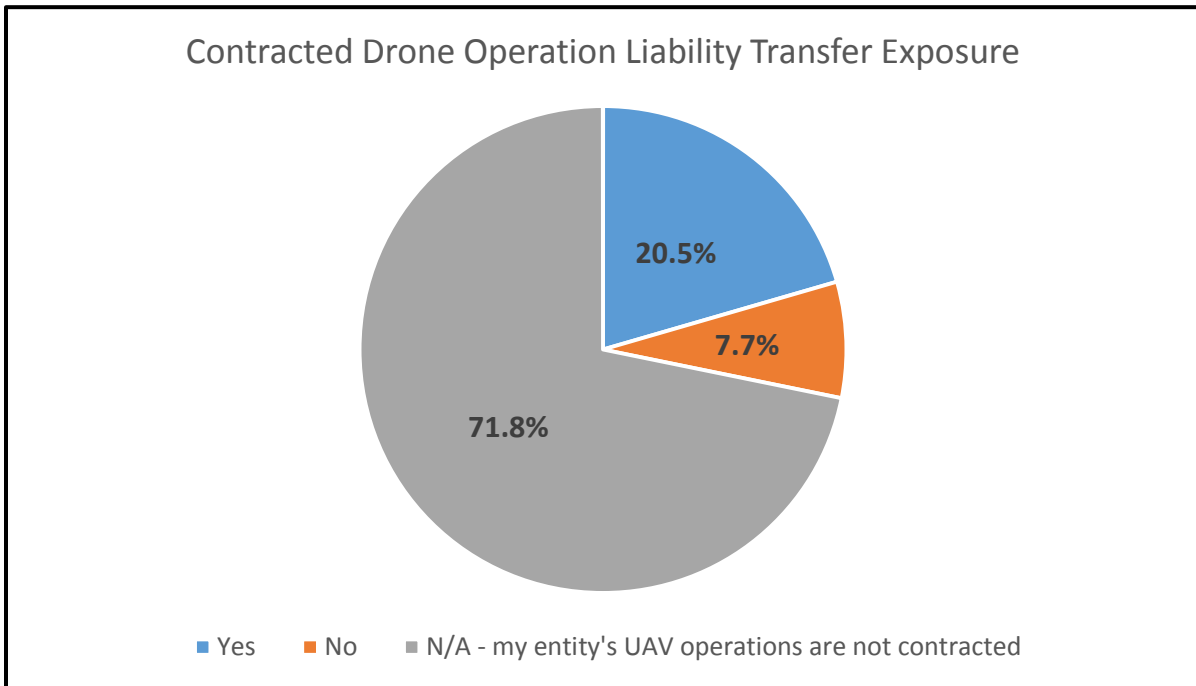
Response	Response Count	Percent
Yes	12	33%
No	14	39%
Operates within or plans on Operating w/in Rule 107	10	28%
<b>Total</b>	<b>36</b>	<b>100%</b>



**Question 6:**

If the operations of UAV's for your agency/entity are contracted, is there a contract in place containing the scope of services, nature of operation, guidelines (operational or otherwise), and Hold Harmless & Indemnification language indemnifying the agency in accordance with best risk management transfer of risk practices?

Response	Response Count	Percent
Yes	8	20.5%
No	3	7.7%
N/A - my entity's UAV operations are not contracted	28	71.8%
<b>Total</b>	<b>39</b>	<b>100%</b>



## Drone Model Specifications:

Model	Type	Weight (in lbs)	Diagonal Size (inches)	Operating Time (in mins)	Max Flight Speed (mph)	Max Ascent (feet)
DJI Phantom 2	Quadcopter	2.20	13.78	25	35	
DJI Phantom 3	Quadcopter	2.68	13.78	25	35	19,685
DJI Phantom 4	Quadcopter	3.04	13.78	28	45	19,685
DJI Phantom 4 Pro	Quadcopter	3.06	13.78	30	45	19,685
DJI Mavic	Quadcopter	1.64	13.19	27	40	16,404
DJI Inspire 1 Pro	Quadcopter	6.33	22.01	15	40	14,763
Trimble UX-5HP	Fixed Wing	6.39	39.37	35	53	16,404
Albris SenseFLY	Quadcopter	3.97	31.5	22	27	
Sentera Phoenix 2	Fixed Wing	3.97	55.12	60	45	18,000

### DJI Phantom 2:



### DJI Phantom 3 (Standard):





**DJI Phantom 4:**



**DJI Phantom 4 Pro:**



**DJI Phantom Mavic:**



**DJI Inspire 1 Pro:**



**Trimble UX-5HP:**



**Albris Sense FLY:**



**Sentera Phoenix 2:**



# FAA News



Federal Aviation Administration, Washington, DC 20591

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June 21, 2016

## SUMMARY OF SMALL UNMANNED AIRCRAFT RULE (PART 107)

<b>Operational Limitations</b>	<ul style="list-style-type: none"><li>• Unmanned aircraft must weigh less than 55 lbs. (25 kg).</li><li>• Visual line-of-sight (VLOS) only; the unmanned aircraft must remain within VLOS of the remote pilot in command and the person manipulating the flight controls of the small UAS. Alternatively, the unmanned aircraft must remain within VLOS of the visual observer.</li><li>• At all times the small unmanned aircraft must remain close enough to the remote pilot in command and the person manipulating the flight controls of the small UAS for those people to be capable of seeing the aircraft with vision unaided by any device other than corrective lenses.</li><li>• Small unmanned aircraft may not operate over any persons not directly participating in the operation, not under a covered structure, and not inside a covered stationary vehicle.</li><li>• Daylight-only operations, or civil twilight (30 minutes before official sunrise to 30 minutes after official sunset, local time) with appropriate anti-collision lighting.</li><li>• Must yield right of way to other aircraft.</li><li>• May use visual observer (VO) but not required.</li><li>• First-person view camera cannot satisfy "see-and-avoid" requirement but can be used as long as requirement is satisfied in other ways.</li><li>• Maximum groundspeed of 100 mph (87 knots).</li><li>• Maximum altitude of 400 feet above ground level (AGL) or, if higher than 400 feet AGL, remain within 400 feet of a structure.</li><li>• Minimum weather visibility of 3 miles from control station.</li><li>• Operations in Class B, C, D and E airspace are allowed with the required ATC permission.</li><li>• Operations in Class G airspace are allowed without ATC permission.</li><li>• No person may act as a remote pilot in command or VO for more than one unmanned aircraft operation at one time.</li><li>• No operations from a moving aircraft.</li><li>• No operations from a moving vehicle unless the operation is over a sparsely populated area.</li><li>• No careless or reckless operations.</li><li>• No carriage of hazardous materials.</li></ul>
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	<ul style="list-style-type: none"> <li>• Requires preflight inspection by the remote pilot in command.</li> <li>• A person may not operate a small unmanned aircraft if he or she knows or has reason to know of any physical or mental condition that would interfere with the safe operation of a small UAS.</li> <li>• Foreign-registered small unmanned aircraft are allowed to operate under part 107 if they satisfy the requirements of part 375.</li> <li>• External load operations are allowed if the object being carried by the unmanned aircraft is securely attached and does not adversely affect the flight characteristics or controllability of the aircraft.</li> <li>• Transportation of property for compensation or hire allowed provided that- <ul style="list-style-type: none"> <li>○ The aircraft, including its attached systems, payload and cargo weigh less than 55 pounds total;</li> <li>○ The flight is conducted within visual line of sight and not from a moving vehicle or aircraft; and</li> <li>○ The flight occurs wholly within the bounds of a State and does not involve transport between (1) Hawaii and another place in Hawaii through airspace outside Hawaii; (2) the District of Columbia and another place in the District of Columbia; or (3) a territory or possession of the United States and another place in the same territory or possession.</li> </ul> </li> <li>• Most of the restrictions discussed above are waivable if the applicant demonstrates that his or her operation can safely be conducted under the terms of a certificate of waiver.</li> </ul>
<p><b>Remote Pilot in Command Certification and Responsibilities</b></p>	<ul style="list-style-type: none"> <li>• Establishes a remote pilot in command position.</li> <li>• A person operating a small UAS must either hold a remote pilot airman certificate with a small UAS rating or be under the direct supervision of a person who does hold a remote pilot certificate (remote pilot in command).</li> <li>• To qualify for a remote pilot certificate, a person must: <ul style="list-style-type: none"> <li>○ Demonstrate aeronautical knowledge by either: <ul style="list-style-type: none"> <li>▪ Passing an initial aeronautical knowledge test at an FAA-approved knowledge testing center; or</li> <li>▪ Hold a part 61 pilot certificate other than student pilot, complete a flight review within the previous 24 months, and complete a small UAS online training course provided by the FAA.</li> </ul> </li> <li>○ Be vetted by the Transportation Security Administration.</li> <li>○ Be at least 16 years old.</li> </ul> </li> <li>• Part 61 pilot certificate holders may obtain a temporary remote pilot certificate immediately upon submission of their application for a permanent certificate. Other applicants will obtain a temporary remote pilot certificate upon successful completion of TSA security vetting. The FAA anticipates that it will be able to issue a temporary remote pilot certificate within 10 business days after receiving a completed remote pilot certificate application.</li> <li>• Until international standards are developed, foreign-</li> </ul>

	<p>certificated UAS pilots will be required to obtain an FAA-issued remote pilot certificate with a small UAS rating.</p> <p>A remote pilot in command must:</p> <ul style="list-style-type: none"> <li>• Make available to the FAA, upon request, the small UAS for inspection or testing, and any associated documents/records required to be kept under the rule.</li> <li>• Report to the FAA within 10 days of any operation that results in at least serious injury, loss of consciousness, or property damage of at least \$500.</li> <li>• Conduct a preflight inspection, to include specific aircraft and control station systems checks, to ensure the small UAS is in a condition for safe operation.</li> <li>• Ensure that the small unmanned aircraft complies with the existing registration requirements specified in § 91.203(a)(2).</li> </ul> <p>A remote pilot in command may deviate from the requirements of this rule in response to an in-flight emergency.</p>
<b>Aircraft Requirements</b>	<ul style="list-style-type: none"> <li>• FAA airworthiness certification is not required. However, the remote pilot in command must conduct a preflight check of the small UAS to ensure that it is in a condition for safe operation.</li> </ul>
<b>Model Aircraft</b>	<ul style="list-style-type: none"> <li>• Part 107 does not apply to model aircraft that satisfy all of the criteria specified in section 336 of Public Law 112-95.</li> <li>• The rule codifies the FAA's enforcement authority in part 101 by prohibiting model aircraft operators from endangering the safety of the NAS.</li> </ul>

## ENDORSEMENT NO. U-14

### CSAC EXCESS INSURANCE AUTHORITY GENERAL LIABILITY II

#### AMENDATORY ENDORSEMENT – EXCLUSION E

It is understood and agreed that the definition of **Unmanned Aerial Vehicle (UAV)** is added to the definition section and includes the following:

“**Unmanned Aerial Vehicle (UAV)**” or drone means an aircraft (with its aerial system or control device) that is not controlled directly by a person from within or on the aircraft.

It is understood and agreed that Exclusion E and Endorsement No. U-11 is deleted and replaced with the following:

To **bodily injury** and **property damage** arising out of any **covered party's** ownership, maintenance, loading or unloading, use or operation of any:

1. **Aircraft;**
2. Airfields;
3. Runways;
4. Hangars; or
5. Buildings or other properties in connection with aviation activities.

This exclusion shall not apply, however, (1) to liability arising out of the ownership, operation, rental, or loan of vehicles licensed for highway use while being operated away from the premises of any airfield owned or operated by the **covered party**; or (2) to **non-owned aircraft** operated by or on behalf of the **covered party**;

This exclusion does not apply to claims arising out of the ownership, operation, use, maintenance or entrustment to others of any **Unmanned Aerial Vehicle (UAV)** that is an unmanned aircraft system owned or operated by or rented to or loaned by or on behalf of any Member of the Authority or Entity.

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


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

**Effective Date:** July 1, 2017

**Memorandum No.:** EIA 17 EL-00

**Issued to:** ALL MEMBERS

Issue Date: *(date of when coverage docs are issued)*

  
Authorized Representative  
CSAC Excess Insurance Authority

DRAFT



**SUBJECT:** Liability Claims Auditor Contracts

**ACTION FOR CONSIDERATION:**

1. Approve a new 3-year contract with Praxis beginning July 1, 2017 and ending June 30, 2020, in the amount of \$125.00 per claim file reviewed.
2. Approve a new 3-year contract with Risk Management Services (RMS) beginning July 1, 2017 and ending June 30, 2020, as outlined in the following table.

**BACKGROUND:**

For the past 3 years, the EIA has contracted with 2 auditors, Ken Maiolini with RMS and Brian Stiefel with Praxis, to audit the PGL, GL1, and GL2 Programs' members. The current 3 year contract for each auditor is set to expire on June 30, 2017. Staff has reached out to both auditors to obtain rate proposals for a new 3 year contract.

The current contract with Praxis is \$110 per file for excess level claims and \$125 per file for primary level claims. Praxis has now proposed \$125 per file for all types of claims. This pricing is inclusive of all related travel costs and includes all overhead and administrative fees incurred in the preparation of the subject audit reports. If a member chooses to have their audit conducted remotely, Praxis has agreed to a charge of \$100 per file. A remote review would require Praxis having access to the entity's claims system and/or copies of their claims files being audited.

RMS' current fee schedule, as well as their proposed scheduled, is outlined below:

	<b>Current Rates 7/1/14 – 6/30/17</b>	<b>Proposed Rates 7/1/17 – 6/30/20</b>
Northern CA Members (includes EIA)	\$55/claim; 1-50 claims	\$60/claim; 1-50 claims
	\$43/clam; 51-100 claims	\$48/claim; 51-100 claims
	\$36/claim; 101-150 claims	\$41/claim; 101-150 claims
	\$33/claim; 151-200 claims	\$38/claim; \$151-200 claims
Southern CA Members (San Luis Obispo South)	\$67/claim; 1-50 claims	\$72/claim; 1-50 claims
	\$49/claim; 51-100 claims	\$54/claim; 51-100 claims
	\$40/claim; 101-150 claims	\$48/claim; \$101-150 claims
	\$36/claim; 151-200 claims	\$41/claim; 151-200 claims

\$85/hour for quantifying claim information for members with no demonstrative claim activity or other non-audit activities requested or directed by the EIA. Annual increases in per claim billing rate and hourly fees will be allowed at a rate not to exceed 5% upon approval of the EIA.

**FISCAL IMPACT:**

Audits are performed every 2 years; therefore, the same entities/TPAs are generally audited every other year. Overall, the fiscal impact is an increase of approximately \$3,000 more than the 2015/16 year for the 2017/18 year; \$17,000 more than the 2016/17 year for the 2018/19 year; and \$3,000 more than the 2015/16 year for the 2019/20 year for a total of \$23,000 over the next 3 year contract. The reason for the larger increase in the 2017/18 year is due to a larger number of members in line for for an audit in that fiscal year. It is also due to some reassignments to Praxis because of potential conflict with Mr. Maiolini completing the audit.

**RECOMMENDATION:**

Staff recommends the Committee approve a new 3-year contract with Praxis beginning July 1, 2017 and ending June 30, 2020 with Praxis in the amount of \$125.00 per claim file reviewed. Staff also recommends the Committee approve a new 3-year contract with RMS beginning July 1, 2017 and ending June 30, 2020 as outlined in the table above.

**TYPE OF VOTE REQUIRED:** Majority vote of the Committee (8)

**SUBJECT:** Alliant Brokerage Agreement

**ACTION FOR CONSIDERATION:**

Recommend to the Executive Committee approval of the renewal of the Alliant contract specific to the GL2 Program with minor changes to Addendum A-2, no changes to Addendum D, and continuing with a maximum commission rate of 6.25%.

**BACKGROUND:**

Approximately every 3 years, the Executive Committee reviews the Brokerage Agreement between the EIA and Alliant Insurance Services. The Executive Committee's last extensive review was prior to the implementation of the January 1, 2014 Brokerage Agreement. At that time, the GL2 Committee also reviewed the Scope of Services provided and the corresponding compensation. In preparation for the Executive Committee's next review of the Alliant Brokerage Agreement, all committees will be asked for input and approval relating to the programs under their jurisdiction. The decisions made by the GL2 Committee will be referred back to the Executive Committee for incorporation into the master Alliant Contract. The goal will be to renew the master contract, effective January 1, 2018.

The Agreement limits the amount of income Alliant can receive on the GL2 Program based upon a "maximum" broker fee and/or commission percentage. Currently, this maximum percentage is set at 6.25% for the GL2 Program. If, for any reason, Alliant receives compensation in excess of the maximum, they are required to rebate the excess income to the EIA. Alliant has not historically reached the maximum income on the GL2 Program. A 10-year history of Alliant's income for this Program is shown below. Historically, Alliant has rebated a percentage of income to the EIA to help offset EIA administrative expenses. These rebate amounts are also itemized in the income table.

	Premium Basis	Alliant Income			Commission Percentage			Maximum Allowed
		Gross	Rebate	Net	Gross	Rebate	Net	
<b>2007/08</b>	11,300,000	847,700	248,800	598,900	7.50%	2.202%	5.30%	6.25%
<b>2008/09</b>	10,446,443	782,364	228,702	553,662	7.49%	2.189%	5.30%	6.25%
<b>2009/10</b>	14,186,489	950,044	211,834	738,210	6.70%	1.493%	5.20%	6.25%
<b>2010/11</b>	11,343,420	842,629	149,699	692,930	7.43%	1.320%	6.11%	6.25%
<b>2011/12</b>	18,061,667	1,092,422	207,590	884,832	6.05%	1.149%	4.90%	6.25%
<b>2012/13</b>	19,467,217	1,177,097	225,126	951,971	6.05%	1.156%	4.89%	6.25%
<b>2013/14</b>	22,700,000	1,372,320	263,280	1,109,040	6.05%	1.160%	4.89%	6.25%
<b>2014/15</b>	19,484,451	1,181,547	214,818	966,729	6.06%	1.103%	4.96%	6.25%
<b>2015/16</b>	22,998,092	1,395,065	252,170	1,142,895	6.07%	1.096%	4.97%	6.25%
<b>2016/17</b>	28,644,607	1,244,909	27,300	1,217,609	4.35%	0.095%	4.25%	6.25%

In addition, the Alliant contract allows a broker fee for public entity members of 10% on the first \$100k of premium, 5% on premium between \$100k - \$1M, and 3% on premium over \$1M.

The Scope of Tasks (Addendum A-2) attached, outlines the services provided by Alliant under the existing contract. There are minor “clean-up” items recommended to clarify existing tasks performed by Alliant. This addendum applies to both GL1 and GL2 programs.

Also attached is Addendum D to the Agreement. Specifically, paragraph 3.a. (highlighted) outlines the underwriting services to be provided by Alliant Underwriting Services (AUS), which may relate to the GL2 Program.

### **FISCAL IMPACT:**

The setting of the maximum commission rate in the contract provides the framework for Alliant's compensation. The actual commission earned on the insurance contracts is disclosed to the Committee, and approved annually, as part of the renewal process. In addition, after the end of the policy period, Alliant reports all income earned and this information is subject to the EIA's audit/verification process. The amount of compensation earned by brokers varies widely and is highly dependent on the complexity of the insured and the services provided. The EIA programs are some of the most complex in the industry and as outlined in Addendum A-2, full services are provided. As a frame of reference, staff was able to obtain published information from ACE Insurance and Zurich Insurance on typical commissions paid for liability lines of coverage.

The following information was published by ACE Insurance as their “ACE Producer Compensation”.

#### **ASL 17 Other Liability Insurance**

The commission ranges set forth below are applicable to all Other Liability Insurance Policies, which may include the following coverages: Directors and Officers Liability, Errors and Omissions, General Liability, Miscellaneous Professional Liability, Employment Practices Liability, Contractual Liability, Excess, and Umbrella.

Standard Commission: 1% - 30%

Contingent Commission: 0% - 7%

The following information was published by Zurich Insurance as their “Agent/Broker Compensation Disclosure”.

**Line of Business: Other Liability**

<i>Policy Type</i>	<i>Lowest commission rate paid in 2015<sup>1</sup></i>	<i>5<sup>th</sup> percentile commission rate paid in 2015<sup>2</sup></i>	<i>Average commission rate paid in 2015<sup>3</sup></i>	<i>95<sup>th</sup> percentile commission rate paid in 2015<sup>4</sup></i>	<i>Maximum commission rate<sup>5</sup></i>
<i>New</i>	0.00%	10.00%	18.94%	25.00%	100.00%
<i>Renewal</i>	0.15%	10.00%	19.54%	28.50%	57.09%

**Notes:**

- The percentages shown above only reflect those policies where a commission was paid; they do not include policies where the customer paid a fee in lieu of Zurich paying a commission.
- In addition to the commission amounts set forth above, Zurich may pay an additional commission or fee to some of its producers for additional services they provide to Zurich, such as underwriting. This additional commission can range from 1% to 11% of premium.

<sup>1</sup> 0% of the policies have a commission lower than this amount

<sup>2</sup> 5% of the policies have a commission lower than this amount

<sup>3</sup> Average Commission Rate is the mean commission

<sup>4</sup> 95% of the policies have a commission lower than this amount

<sup>5</sup> Maximum Commission Rate is generally the most Zurich will pay for this line of business. The maximum shown is based on policy type for a particular insurance market segment, and is provided above on a countrywide basis only and is subject to individual state requirements.

**RECOMMENDATION:**

Staff is recommending minor changes to the Scope of Tasks (A-2). There are no changes recommended to Addendum D and the maximum commission rate is recommended to remain at 6.25%. The Scope of Tasks (Addendum A-2) also governs the GL1 Program and will be reviewed by the Underwriting Committee for potential changes at their meeting on May 3, 2017.

**TYPE OF VOTE REQUIRED:** Majority vote of the Committee (8)

## ADDENDUM A-2

### SCOPE OF TASKS

#### EXCESS LIABILITY INSURANCE PROGRAMS

1. Assist CSAC EIA and members in analysis of exposures, loss control programs and contractual requirements. This will include review of present insurance contracts held by potential members with specific recommendations and comments on all of the above mentioned areas.
2. Market and place various insurance contracts as necessary. In the area of marketing and placement, Alliant will directly involve CSAC EIA in discussion with and selection of the Insurance Company(ies).
3. Assist CSAC EIA to collect Underwriting Data from the Members for preparation of submissions to underwriters.
- ~~3.4.~~ [If applicable, calculate the results of any rating plan as part of the renewal process.](#)
- ~~4.5.~~ Inform CSAC EIA and Members of any market changes and recommend Program changes if/when necessary.
- ~~5.6.~~ Assist CSAC EIA with policy/memorandum wording and coverage amendments.
- ~~6.7.~~ Assist CSAC EIA with [the development of](#) Program structures and [setting of](#) funding approaches.
- ~~7.8.~~ Conduct at least annual meetings between CSAC EIA representatives and underwriters.
- ~~8. Review Board meeting agenda, when requested, for changes in the exposures which would necessitate any changes in Insurance programs.~~
9. Assist CSAC EIA Members in reviewing purchase order agreements, leases, and other contracts to determine if a risk or exposure can be transferred.
10. Assist the Members and CSAC EIA with the handling and negotiation of any excess claims as well as those within any pooled layers.
11. Market the Programs with all potential Member participants by phone, mail and personal visits.
12. Provide individual renewal quotations for each participant outlining all terms, conditions and premiums.
13. Provide cash flow comparison of CSAC EIA Programs versus current Member insured or self insured Programs.
14. Provide all policyholder services such as review, transmittal, endorsements, certificates as warranted or requested.
- [15.](#) Assist CSAC EIA and the Member with compliance of all State and Federal financial responsibilities, regulations as respects liability exposures.
- [15.16.](#) [Assist in the development of agenda materials for committee and/or board meetings.](#)

- ~~16.~~17. Attend all meetings and make periodic presentations as requested by CSAC EIA.
- ~~17.~~18. Upon mutual agreement, provide loss control services as reasonably requested by CSAC EIA or Members.
19. Annually disclose the percentage of commission income to be received by Alliant as part of the renewal proposal presented to committees and/or the Board of Directors.
- ~~18.~~20. Assist EIA in communicating services available to members.

## ADDENDUM D

### ADDITIONAL SERVICES/REMUNERATION

1. Alliant will employ a Sr. Project Coordinator – EIA Liaison who will be housed in the EIA office and shall act as a liaison between EIA staff and Alliant staff.
2. CSAC EIA shall employ the services of a Specialist – Employee Benefits who shall act as in-house support person dedicated to the EIAHealth and Employee Benefits Programs. Alliant shall reimburse CSAC EIA for 50% of the budgeted cost (salary and benefits) of this position.
3. **Underwriting and Appraisal Services**
  - a. At the request of CSAC EIA, AUS shall provide a review of exposure and losses in relation to premium for EWC, PWC, PGL, GL1 and/or GL2 Programs on specified prospective new members. CSAC EIA shall compensate AUS at a rate of 2% of annual premium for EWC, PWC, GL1 and GL2 prospects that are reviewed and become members, and 7% of annual premium for PGL reviews that become members. Renewal reviews shall also be provided at a rate of 2% for each program on specified members. The new or renewal fee for any prospect or member shall not exceed \$20,000.
  - b. AUS shall provide underwriting services to the EIAHealth Program on an on-going basis at the direction of the EIAHealth Committee. AUS shall receive \$3.00 per employee per month for such services.
  - c. AUS shall provide underwriting services to the EIA Life and Disability Program on an on-going basis at the direction of the EIA Committee. AUS shall receive 2% of annual premium for Life and AD&D as well as Disability coverages.
  - d. AUS shall provide underwriting services to the Property Program on an on-going basis including analysis of new member applications as requested by the Property Committee. AAS shall provide appraisal service for the Property Program as outlined in Addendum A-1. AUS shall receive commission income (in addition to commission income maximum specified in Addendum B) for such services that shall not exceed .75%.
4. CSAC EIA members may contract directly with Alliant or a related entity for additional services not provided by this Agreement. In such cases, CSAC EIA may invoice the member for such services and remit payment to Alliant.
5. Alliant has disclosed, and the EIAHealth Committee has approved Alliant's receipt of fees for service from Express Scripts in the amount of \$.35 per retail, and \$1.40 per mail order prescription, and \$.60 per EGWP enrollee per month.
6. Alliant shall employ a loss control professional to specialize in school risks and be available for consultation and training to CSAC EIA school members and other Alliant school clients. The Alliant loss control professional shall provide services to CSAC EIA school members in collaboration with CSAC EIA loss prevention staff. Alliant shall allocate an equitable share of the cost to provide such services to CSAC EIA school



members and Alliant school clients. The total cost allocable to CSAC EIA school members shall not exceed \$150,000. Each CSAC EIA school member shall annually be advised by Alliant of the amount of their Alliant loss prevention charge.

**GENERAL LIABILITY 2 COMMITTEE MEETING**  
**April 28, 2017**

**AGENDA ITEM: 3.F.**

**SUBJECT:** 2016/17 Budget Revision

**ACTION FOR CONSIDERATION:**

Recommend to the Executive Committee approval of 2016/17 budget revision for the GL2 Program, in the amount of \$300k.

**BACKGROUND:**

The Board of Directors adopted the 2016/17 budget at their June 2016 meeting.

An increase of \$300k is now being requested in the GL2 Program. This is due to payment of the legal fees on a disputed claim that was not covered by the reinsurer. This claim was discussed at length at the GL2 Committee meeting on September 22, 2016. The Committee approved coverage and payment of the legal expenses on this claim. Staff is now requesting a revision to the 2016/17 budget due to the increase in the GL2 Program administration expenses, as a result of this payment. There is a contingency of \$50k available in the GL2 Program, but it is not sufficient to cover these legal fees.

Staff is recommending that the contingency be left intact, and the GL2 Program administration expenses be increased by \$300k. From a funding perspective, the EIA over collected \$302.6k in broker fees in which the GL2 Committee, at their September 22, 2016 meeting, voted to leave in Net Position.

**FISCAL IMPACT:**

This 2016/17 budget revision increases the GL2 Program's administrative expenses by \$300k, and decreases the GL2 Program's Net Position by the same amount.

**RECOMMENDATION:**

Staff recommends approval of the \$300k increase in the 2016/17 budgeted GL2 Program administrative expenses. The Executive Committee will be considering this at their May 4, 2017 meeting and it is anticipated they will make a recommendation at that time.

**TYPE OF VOTE REQUIRED:** Majority vote of the Committee (8)

CSAC EXCESS INSURANCE AUTHORITY  
REVENUE AND EXPENSE BUDGET  
Line Item Summary for All Programs  
July 1, 2016 to June 30, 2017

	CAFR Actual 2015/16	Current Budget 2016/17	Revised Budget 2016/17	Increase	Percent of Total Revenue or Total Expense
<b>REVENUES:</b>					
Premiums for Transferred Risk	493,749,250	510,653,186	510,653,186	0	64.76%
Dividend Income	232,389	201,750	201,750	0	0.03%
Broker Fees	9,385,697	9,748,615	9,748,615	0	1.24%
Contributions for Retained Risk	163,031,197	184,314,061	184,314,061	0	23.38%
Public Entity Participation Fees	655,463	721,019	721,019	0	0.09%
Member Growth	0	50,000,000	50,000,000	0	6.34%
Investment Income	13,344,197	10,417,014	10,417,014	0	1.32%
Financing Charges	442,330	60,000	60,000	0	0.01%
Administration Fees	18,830,010	20,041,786	20,041,786	0	2.54%
Member Services	747,513	1,027,941	1,027,941	0	0.13%
Tenant Income	443,946	460,580	460,580	0	0.06%
Other Income	86,410,612	849,886	849,886	0	0.11%
<b>TOTAL REVENUES</b>	<b>787,272,604</b>	<b>788,495,838</b>	<b>788,495,838</b>	<b>0</b>	<b>100.00%</b>
<b>Expenditures</b>					
Member Dividends	6,032,340	2,216,750	2,216,750	0	0.28%
Insurance Purchased	496,527,761	498,673,649	498,673,649	0	63.93%
Broker Fees	9,125,742	9,748,615	9,748,615	0	1.25%
Provision for Claims	213,524,014	167,013,797	167,013,797	0	21.41%
Unallocated Loss Adjustment Expense	9,400,117	1,731,000	1,731,000	0	0.22%
Member Growth Premium/Provision for Claim	0	50,000,000	50,000,000	0	6.41%
Program Services	13,744,756	30,661,552	30,961,552	300,000	3.97%
Member Services	1,907,774	2,390,841	2,390,841	0	0.31%
Member Subsidies	1,055,655	2,000,000	2,000,000	0	0.26%
General Administration Expense	9,574,758	13,698,381	13,698,381	0	1.76%
Building Operation Expense	285,044	361,420	361,420	0	0.05%
Depreciation	828,671	682,300	682,300	0	0.09%
Delegated to Committees	0	570,000	570,000	0	0.07%
<b>TOTAL EXPENDITURES</b>	<b>762,006,632</b>	<b>779,748,304</b>	<b>780,048,304</b>	<b>300,000</b>	<b>100.00%</b>
Net Increase or (Decrease)	25,265,972	8,747,534	8,447,534	(300,000)	
<b>NET POSITION - JULY 1</b>	112,406,645	140,025,658	140,025,658		
Cumulative Effect of Change in Accounting Principle - Pension	0	0	0		
<b>NET POSITION - JUNE 30</b>	137,672,617	148,773,192	148,473,192		

**CSAC EXCESS INSURANCE AUTHORITY  
GENERAL LIABILITY 2 PROGRAM**

**Revised Budget**

**July 1, 2016 to June 30, 2017**

Sources and Uses of Financial Resources	CAFR Actual 2015/16	Current Budget 2016/17	Revised Budget 2016/17	Increase (Decrease)
<b><u>REVENUES:</u></b>				
Premiums for Transferred Risk	22,998,092	41,000,000	41,000,000	0
Contributions for Retained Risk	9,142,250	0	0	0
Public Entity Broker Fees	419,435	628,462	628,462	0
Public Entity Participation Fees	57,623	65,000	65,000	0
Investment Income and Finance Fees	171,996	108,000	108,000	0
General Administration Fees	1,804,445	1,375,254	1,375,254	0
Development Fees	0	0	0	0
Other Income, Legal Expense Reimbursement	1	0	0	0
<b>TOTAL REVENUES</b>	<b>34,593,842</b>	<b>43,176,716</b>	<b>43,176,716</b>	<b>0</b>
<b><u>EXPENDITURES:</u></b>				
Retained and Transferred Risk				
Premium for Transferred Risk	22,998,092	41,000,000	41,000,000	0
Provision for Claims, Current Year	9,425,000	0	0	0
Provision for Claims - Prior Year	0	0	0	0
GLII Commission Rebate	(252,170)	0	0	0
Broker Fees	419,435	628,462	628,462	0
Provision for ULAE	150,435	10,000	10,000	0
Total Retained and Transferred Risk	32,740,792	41,638,462	41,638,462	0
Program Administration				
ISO Fees	9,356	7,000	5,000	(2,000)
Member Actuarial Studies	33,000	24,000	24,000	0
Uncovered Disputed Claims		0	329,345	329,345
Legal Services	100,699	125,000	125,000	0
Member Claims Audit	19,398	36,750	36,750	0
EIA Claims Audit	0	0	0	0
Crisis Management Services	0	100,000	72,655	(27,345)
Financing Expense	0	0	0	0
Total Program Administration	162,453	292,750	592,750	300,000
Appropriation Delegated to GLII Committee	0	50,000	50,000	0
<b>TOTAL EXPENDITURES</b>	<b>32,903,245</b>	<b>41,981,212</b>	<b>42,281,212</b>	<b>300,000</b>
<b><u>TRANSFERS:</u></b>				
Transfers out to:				
General Administration	(1,463,613)	(1,315,307)	(1,315,307)	0
GASB 68 Pension Funding	0	0	0	0
Loss Prevention Subsidies	(10,000)	(11,000)	(11,000)	0
Claims System Costs	(24,193)	(33,195)	(33,195)	0
Risk Management Subsidy Dividend	(49,335)	(57,623)	(57,623)	0
Investment Fees	(4,328)	(6,461)	(6,461)	0
<b>TOTAL TRANSFERS</b>	<b>(1,551,469)</b>	<b>(1,423,586)</b>	<b>(1,423,586)</b>	<b>0</b>
Net Increase or (Decrease)	139,127	(228,082)	(528,082)	(300,000)
<b>NET POSITION - JULY 1</b>	<b>551,350</b>	<b>796,032</b>	<b>796,032</b>	
<b>NET POSITION - JUNE 30</b>	<b>690,477</b>	<b>567,950</b>	<b>267,950</b>	