

# CSAC EXCESS INSURANCE AUTHORITY

## BOARD OF DIRECTORS

### MEETING SUMMARY

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Hilton Arden West  
2200 Harvard Street  
Sacramento, California 95815

Friday, March 6, 2020  
8:30 a.m.  
First Meeting – 2020

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#### **Amendments to Joint Powers Agreement**

The Board **approved the proposed amendments to the Joint Powers Agreement**, effective June 30, 2020. The amendments will primarily change the organization's name to **Public Risk Innovations, Solutions and Management (PRISM)** and remove the requirement for counties to maintain their membership in CSAC to be considered a county member. Other non-substantive amendments are also being made to clean up the document or for consistency with current practice. The documents will be distributed to the Board members shortly for execution.

#### **Excess Workers' Compensation (EWC) Program**

Highlights of the Board's review and actions for the EWC Program are as follows:

- Overall, the Program has an actuarially **projected equity of \$47M**, which is equivalent to the 86% confidence level.
- Based on the Target Funding Guidelines, the Board approved pool rates for 2020/21 based on the **80% confidence level, discounted at 3%**.
- Pool rate changes will vary for each member based on their rating group. On average, **county rates will be flat, school rates up 3.5%, low safety rates down 7%, and high safety rates are up 1%**.
- The Board authorized the **renewal of the excess placements** with Great American, ACE/Chubb, and Safety National. Authority was delegated to the Underwriting Committee Chair to finalize renewal terms with Liberty on the Statutory xs \$50M layer.
- Approval was given to transfer the Program's Corridor Retention risks to the EIO.
- The Board approved **modifications to the premium allocation methodology** as respects premium surcharges.
- The pool allocation was set and the administrative charges for the Program, in the amount of \$8,926,292, were set for 2020/21.

#### **General Liability 1 (GL1) Program**

Highlights of the Board's review and actions for the GL1 Program are as follows:

- The Board reviewed the Program's financial position, noting the intended benefit of doing the Loss Portfolio Transfer (LPT) transaction last year is working as designed, even with continued adverse loss development.
- Consistent with the plan outlined last year, the Board approved pool rates for 2020/21 based on the **75% confidence level, discounted at 1.75%**. Rates are expected to be based on an **80% confidence level next year**.
- Pool rate changes will vary for each member based on their rating group. On average, **county rates will be up 21% and school rates up 12%**.

- The Board authorized **renewal** of the excess placement **with Great American** and **delegated authority to the Underwriting Committee to finalize renewal terms on the other excess placements**. The President and Vice President were requested to call a special meeting of the Executive Committee and/or Board if the final terms include coverage restrictions that warrant consideration by those larger groups.
- Approval was given to transfer the Program's aggregated Corridor Retention risks to the EIO.
- The Board approved **modifications to the premium allocation methodology** as respects premium surcharges.
- The pool allocation was set and the administrative charges for the Program, in the amount of \$5,793,547, were set for 2020/21.
- **Proposed amendments to the Memorandum of Coverage** to clarify coverage will be circulated to the members for review and comment.

### **Property Program Renewal**

Alliant updated the Board on the status of the Property Program renewal. Highlights of the renewal are as follows:

- After much negotiation by Alliant, AIG has agreed to a new 2-year, non-cancellable deal on the Primary Layer, which is significant as this allows the Program to maintain the Tower structure and premium increases to be phased in.
- The Property Committee has philosophically agreed to have the Program take risk excess of \$25M, of up to \$10M per Tower, to fill gaps or replace high-priced capacity in this All-Risk including Earthquake and Flood layer. Coverage would not be aggregated and would not be fully-funded. It is anticipated that some of this risk would be transferred to the EIO.
- While rates are going up again in 2020/21, we will continue to provide better coverage and price than entities can get outside the Program.

### **Other Matters**

- The Board established the 2020/21 fiscal year internal borrowing rate at 2.2%.
- A minor amendment was made to the Investment Policy.

### **Informational Reports**

The Board received several informational reports, a few of which are noted below:

- Reports were given by staff and Alliant regarding how the EIA's programs might respond as respects COVID-19;
- Reports were given by the various committee chairs on the status of the Programs and/or services they oversee;
- **Updated premium estimates for 2020/21** were distributed at the meeting;
- **Renewal status reports** for the various programs and the efforts to expand outside of California; and
- Investment portfolio report from Chandler Asset Management.

The **next meeting** of the Board will be **Friday, June 5, 2020** at the **Hilton Arden West in Sacramento**.