

**NORTH BAY SCHOOLS INSURANCE AUTHORITY
BOARD OF DIRECTORS MEETING
April 21, 2021**

MINUTES

CALL TO ORDER: The meeting was called to order at 12:01 p.m. by President Henson.

ATTENDANCE: Board Members in attendance:
Michelle Henson, Fairfield-Suisun Unified School District
Via videoconference/Zoom:
Tim Rahill, Benicia USD
Matt Best, Davis Joint USD
Monique Stovall, Dixon USD
Josh Schultz, Napa County Office of Education
Dana Page, Napa Valley USD (joined at 12:03 p.m.)
Sal Abbate, Solano Community College
Mike Minahen, Solano County Office of Education (left at 1:22 p.m.)
Trudy Barrington, Travis USD
Chris Hulett, Vacaville USD
Absent:
Vallejo City Unified School District

Staff and Guests in attendance
Janet Selby, NBSIA
Carrie Green, NBSIA
Via videoconference/Zoom:
Karen Antunes, NBSIA
Kami Liñan, NBSIA
Brandon Schlenker, NBSIA
Vahé Hovakimian, NBSIA
Robert Cutbirth, General Counsel, Freeman Mathis & Gary
James Wilkey, Senior VP, ABD (presentation under Item 4)
Dan Howell, Senior Executive VP, Alliant (presentation under Item 4)
Mike Harrington, Bickmore Actuarial (presentation under Item 4)

APPROVAL OF AGENDA

Motion was made by Rahill, seconded by Schultz, and carried unanimously to approve the agenda as presented (*Ayes: Abbate, Best, Barrington, Henson, Hulett, Minahen, Rahill, Schultz, Stovall; Noes: none; Abstained: none; Absent: Page, Vallejo City USD*)

PUBLIC COMMENTS

None.

REPORTS TO BOARD OF DIRECTORS

Liability and Cyber Insurance Market Update, James Wilkey, ABD

Mr. Wilkey presented an executive summary slide deck with a state of the insurance market analysis for liability and cyber coverage. Wilkey reported that all lines are in a hard market and will see some level of rate increase and limits in coverage. Losses are outpacing rates, and the pandemic has resulted in an increase in business interruption claims. Cyber liability has been the most difficult renewal this year due to an increase in claims and exposures with the number of individuals working remotely. Long-term partners are also exiting the California insurance market, impacting capacity. On a positive note, BASIC is now partnering with other pools through the Schools Program Alliance (SPA) to group purchase excess coverage. This has already been beneficial to our renewals, with increases in excess rates likely to be much lower than in years past.

Property Insurance Market Update, Daniel Howell, Alliant

Mr. Howell provided an update to the Board on the current market and status of property insurance renewals. He provided information on SPA, which began providing property excess coverage as of 7/1/2020, and will add liability effective 7/1/2021. SPA had two reportable wildfire claims this past season and is doing modeling and risk assessments to determine areas for prevention and best position members for excess coverage. The renewal goals for 2021 are stability in excess carrier relationships, increased limits, and a flat renewal. For NBSIA, the renewal goal would decrease rates by about 9%, keeping the total contribution flat notwithstanding the increase in total insured values.

2021 Actuarial Reports, Mike Harrington, Bickmore Actuarial

Mike Harrington presented a slide deck on the 2021 actuarial reports for all self-funded programs and the captive. Overall, he reported that estimates in PL have caught up with trends. For PL, he noted that the program is now funded above the 90% confidence level, with improvement in loss trends and reduction in the self-funded rates for both liability and property. He did caution about current industry loss trends including COVID-19, wildfires, and AB 218. Workers' comp and the captive continue to outperform expectations. Loss rates are down, and funding is strong and well-positioned to meet future obligations. Lastly, the workers' compensation and general liability experience modification reports were presented, showing various changes by Member.

MEMBER REPORTS AND COLLABORATION

None.

ACTION ITEMS

Approval of Consent Calendar

Motion was made by Rahill, seconded by Stovall, and carried unanimously to approve the Consent Calendar. Consent items: Minutes from regular meeting January 29, 2021; Quarterly Financial Reports at December 31, 2020 (unaudited); and 2021 Actuarial Studies for all self-funded programs. (*Ayes: Abbate, Best, Barrington, Henson, Hulett, Minahen, Page, Rahill, Schultz, Stovall; Noes: none; Abstained: none; Absent: Vallejo City USD*)

Finance and Administration

Revision to Board Investment Policy

Selby provided background on NBSIA Board Investment Policy 3.2, section (8.2) on "Maximum Maturities," which currently allows investment over five years maturity solely in US Treasuries or Agencies and limited to 10 years maturity. All purchases over five years currently require preapproval by two members of the Executive Committee.

Selby reviewed the proposal to amend the Investment Policy, to add municipal bonds of any state and negotiable certificates of deposit (full FDIC protection) as additional security types between five- and 10-year maturity; and to remove the requirement for pre-approval of each purchase over five years maturity. The goal of these changes is to enable better returns in certain market environments and stay nimble in securing the best offerings, while maintaining overall portfolio safety and duration goals. Selby noted that the policy retains the limit in total investments over five years. Staff will continue to provide regular reports to the Executive Committee on the overall portfolio status including liquidity and duration.

Motion was made by Schultz, seconded by Hulett, and carried unanimously to approve the amendments to the Investment Policy as presented and recommended by the Executive Committee. *(Ayes: Abbate, Best, Barrington, Henson, Hulett, Minahen, Page, Rahill, Schultz, Stovall; Noes: none; Abstained: none; Absent: Vallejo City USD)*

Revisions to JPA Bylaws

At the January 2021 meeting, the NBSIA Board expressed support for extending direct representation to the smaller Napa Districts to increase capacity for leadership and add diversity of perspective.

Selby reported that following that meeting, she reached out to the four "upvalley" Napa districts regarding their interest in participating on the NBSIA Board. Two of those districts – St. Helena and Calistoga – responded positively. Howell Mountain and Pope Valley did not request direct representation.

After consulting with general counsel, Selby proposed revisions to the Bylaws that would allow St. Helena and Calistoga direct board representation. By rule, the amended Bylaws and expanded Board would go into effect as of May 1, 2021.

Motion was made by Page, seconded by Schultz, and carried unanimously to approve the amendments to the JPA Bylaws as presented and recommended by the Executive Committee. *(Ayes: Abbate, Best, Barrington, Henson, Hulett, Minahen, Page, Rahill, Schultz, Stovall; Noes: none; Abstained: none; Absent: Vallejo City USD)*

Dental/Vision Programs

Dental Rates for 2021/22

Based on the strong financial position of the program and reduced cost trends for the past few years, staff are recommending a 3% decrease in the current rates. The decrease effectively eliminates the current discounting and reduces rates to a level reflective of actual cost trends.

Motion was made by Hulett, seconded by Best, and carried unanimously to approve the dental rates as presented. *(Ayes: Abbate, Best, Barrington, Henson, Hulett, Minahen, Page, Rahill, Schultz, Stovall; Noes: none; Abstained: none; Absent: Vallejo City USD)*

Vision Rates for 2021/22

Selby presented the proposed vision rates with a 3% decrease based on lower cost trends.

Motion was made by Best, seconded by Abbate, and carried unanimously to approve the vision rates as presented. *(Ayes: Abbate, Best, Barrington, Henson, Hulett, Minahen, Page, Rahill, Schultz, Stovall; Noes: none; Abstained: none; Absent: Vallejo City USD)*

Workers' Compensation Program

Workers' Compensation Rates for FY2021/22 - NBSIA

In terms of current funds, Selby reported that the NBSIA program remains financially strong, with funding above the 95% confidence level and a healthy reserve for rate stabilization and catastrophic losses.

The captive is reinsuring losses as of July 1, 2019 and coming up on its two-year anniversary. The captive is also funded above the 95% confidence level.

The projected self-funded loss rate is down just under 7% at the discounted, expected level. Payroll estimates are coming in lower than projected, and operational expenses are subject to increase with inflation and other factors. As a result, the manual rate including losses and operational expenses increased slightly from \$1.87 to \$1.88.

The rate has been capped at \$1.80 since 2016/17. With declining payroll and inflation in program expenses, staff recommended easing the capped rate up gradually over the next few years. Accordingly, the recommended proposed rates increase the capped rate from \$1.80 to \$1.82 for FY2021-22. This represents a 2% increase, and essentially accounts for inflation.

Motion was made by Rahill, seconded by Best, and carried unanimously to approve the workers' compensation contributions using a base rate of \$1.82 as recommended and presented. *(Ayes: Abbate, Best, Barrington, Henson, Hulett, Minahen, Page, Rahill, Schultz, Stovall; Noes: none; Abstained: none; Absent: Vallejo City USD)*

Workers' Compensation Rates for FY2021/22 – Vallejo City USD

Selby reported that the VCUSD self-insurance fund is healthy, at above the 85% confidence level. Actuarial estimates for ultimate loss and loss adjustment expenses for 2021/22 decreased by \$425,000 due to favorable loss development last year. This resulted in a 17% decrease in the loss funding rate at expected. At the 85% confidence level and including expenses, the loss rate has dropped from \$3.19 to \$2.67.

NBSIA will continue to work closely with district leadership on risk management and prevention strategies. The common goal remains positioning VCUSD to join the financial risk pool.

Motion was made by Page, seconded by Stovall, and carried unanimously to approve the workers' compensation contribution rates for VCUSD as presented. *(Ayes: Abbate, Best, Barrington, Henson, Hulett, Minahen, Page, Rahill, Schultz, Stovall; Noes: none; Abstained: none; Absent: Vallejo City USD)*

Property/Liability Program

Renewal of Endorsements to Memorandum of Liability Coverage (MOLC)

Selby reported that the Board previously approved Endorsements #3 (Limited COVID Coverage) and #4 (Class Action Defense Coverage) to the 2020-21 MOLC. These coverages were added mid-year in response to pandemic-related exposures.

In the FY2021-22 renewal process, there is the option to keep these coverages or eliminate them. Selby recommended continuing coverage and reported that most pools are providing some type of coverage within their pooled layer, as excess coverage often excludes both communicable disease and injunctive/declaratory relief claims. She reported that in talking with our actuary, determining a funding rate would be difficult due to the lack of claims experience. Moreover, the program funding has strengthened since last year and liability under both coverages is limited. Therefore, Selby suggested that funding come from existing program reserves with no additional charge.

Motion was made by Schultz, seconded by Best, and carried unanimously to recommend continuing coverage provided by MOLC Endorsements #3 and 4 for FY2021-22, as presented and recommended by the Executive Committee. *(Ayes: Abbate, Best, Barrington, Henson, Hulett, Minahen, Page, Rahill, Schultz, Stovall; Noes: none; Abstained: none; Absent: Vallejo City USD)*

NON-ACTION DISCUSSION ITEMS

PL Program Rates

Selby reported that staff is continuing to work on developing rates for FY2021-22 and are waiting on final premiums from excess carriers. Currently, renewals look better than in prior years. Estimated rate changes for FY21-22 were presented for general liability, property and auto, cyber liability and crime coverage. Negotiations have been disrupted by COVID-19, and carriers are being very cautious in underwriting.

For the current year, the Board elected to fund at a 90% confidence level to strengthen funding. For FY2021-22, the Board may opt to move back to 85% with some assurance that actuarial estimates are closer to current loss trends.

Rate estimates will be distributed in the coming weeks to assist Members with budgeting, with the caveat that they are subject to change. Final rates will be brought to the Board for final approval in June.

SELF AB 218 Liability Assessment

Rob Cutbirth provided an update to the Board on discussions with SELF regarding their AB 218 assessment plan. Issues are generally focused on the methods used to value claims and exposures, assign claims by coverage year, and clarity of communication. The Board asked questions about further assessments and what happens to any unused funds, and Cutbirth responded that we are including that question in discussions. There are still additional conversations to be had, but overall, Cutbirth feels that progress is being made and reported the goal of agreeing on a reasonable path forward.

Staff Reports

Workers' Compensation Manager, Kami Liñan, provided an update to the Board on claims activity. She reported that volume is still flat, with just a slight increase as member districts return to in-person instruction. A more detailed report will be presented at the June 23rd Board Meeting.

Property/Liability Manager, Brandon Schlenker, presented an update to the Board regarding property appraisals. The last full appraisals were in 2013. Staff have budgeted for full appraisals in FY2021-22, with some associated costs covered by SPA. It is anticipated that appraisals will begin early next year.

Executive Director's Report

Selby provided an update on the June 2021 Strategic Planning Session. The focus will be on Education 2030, the future of public education and the impact of those changes on the pool. The process will start in June and culminate in January 2022 with development of a five-year strategic plan. Selby also reported on the annual Captive Board Meeting held on 4-16-21, and that CAJPA is planning for an in-person conference this September in South Lake Tahoe.

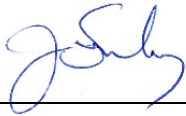
NON-ACTION DISCUSSION ITEMS

Board Briefing

The Board was provided with a briefing including articles of interest, recent Member Alerts, legislative updates, and upcoming training and meetings.

ADJOURNMENT

There being no further business, the meeting was adjourned at 1:40 p.m.

Respectfully submitted by:  (signature on file) Date: 4/21/2021

Approved by Board of Directors: 6/23/2021