



**SCHOOLS EXCESS LIABILITY FUND
BOARD OF DIRECTORS MEETING
MINUTES**

Time: Tuesday, March 29, 2022, 12:30 P.M.

Webinar Meeting Location: Pursuant to Executive Order: N-35-20

Log-In Information: <https://us02web.zoom.us/j/87409859422?pwd=MWFYdGhBc3A4UWpPaHA4M3JCVWFwQT09>

MEMBERS

Renee Hendrick, Chair	Area VI Representative
Craig Schweikhard, Vice Chair	Area V Representative
Toan Nguyen, Comptroller	Area VI Representative
David Flores, Secretary	Area II Representative
Steven Salvati, Member-at-Large	Area VI Representative
Thuy Wong	Area I Representative
Ryan Robison	Area III Representative
Susan Rutledge	Area IV Representative
Terese McNamee	Area V Representative
Stephan Birgel (voting for Javier Gonzales)	Area VI Representative
Jeff Grubbs	Area VI Representative
Tony Nahale	Area VI Representative
Fred Williams (voting for Lisa Bailey)	Southern California Community Colleges Representative
Joe Allison (voting for Bernata Slater)	Northern California Community Colleges Representative

ALTERNATES

Cindy Wilkerson	Area III Representative
Wael Elatar	Area VI Representative

GUESTS

Ian Skelly	Gallagher Re
Byrne Conley	SELF Counsel
Nichole Koenes	Risk Program Administrators (RPA)
Lori Jundt	Risk Program Administrators (RPA)
Mark Priven	Bickmore Actuarial
Mike Harrington	Bickmore Actuarial
Kevin Wong	Gilbert Associates

SELF STAFF

Dave George	Chief Executive Officer
Lois Gormley	Director of Communications and Member Services
Jimmy Rowe	Director of Claims
Susan Casey	Executive Assistant
Alan Grant	Systems Analyst

EX OFFICIO

Janet Finley

California Department of Education

I. CALL TO ORDER

Board Chair Renee Hendrick called the meeting to order at 12:30 p.m. Executive Assistant Susan Casey called the roll and confirmed the presence of a quorum.

II. INTRODUCTIONS

Board members, alternates, guests, and staff took turns introducing themselves.

III. AGENDA –March 29, 2022

A. Amendments/Adjustments

None.

B. Approval

Flores made a motion, seconded by Nahale, to adopt the agenda as proposed.

Vote: Hendrick – aye
Schweikhard – aye
Nguyen – aye
Flores – aye
Salvati – aye
Wong – aye
Robison – aye
Rutledge – aye
McNamee – aye
Birgel – aye
Grubbs – aye
Nahale – aye
Williams – aye
Allison – aye

Motion passed.

IV. MINUTES – December 10, 2021

A. Amendments/Adjustments

None.

B. Approval

Schweikhard made a motion, seconded by Robison, to approve the minutes of the December 10 meeting as presented.

Vote: Hendrick – aye
Schweikhard – aye
Nguyen – aye

Flores – aye
Salvati – aye
Wong – aye
Robison – aye
Rutledge – aye
McNamee – aye
Birgel – aye
Grubbs – aye
Nahale – aye
Williams – aye
Allison – aye

Motion passed.

V. ACTION ITEM

A. Resolution of the Board Relating to Teleconference Meetings and Agendas

Schweikhard made a motion, seconded by Nahale, to approve the resolution as presented.

Vote: Hendrick – aye
Schweikhard – aye
Nguyen – aye
Flores – aye
Salvati – aye
Wong – aye
Robison – aye
Rutledge – aye
McNamee – aye
Birgel – aye
Grubbs – aye
Nahale – aye
Williams – aye
Allison – aye

Motion passed.

VI. PUBLIC COMMENTS

There were no members of the public who wished to address the Board.

VII. COMMITTEE REPORTS

A. Executive Committee 1. March 3, 2022

Executive Committee Chair Renee Hendrick reported that the Executive Committee and Finance Committee met jointly on March 3.

Hendrick noted that it was time for the annual CEO evaluation, and she advised Board members that they would be receiving survey forms soon.

B. Finance Committee

1. March 3, 2022

Finance Committee Chair Toan Nguyen said the main purpose of the joint meeting with the Executive Committee was to discuss rates. He noted that the committee also heard a presentation on the financial audit from Kevin Wong, Gilbert Associate and reviewed SELF's investment reports and financial reports.

C. Liability Claims and Coverage Committee

1. January 20 & March 17, 2022

Liability Claims and Coverage Committee Chair David Flores stated that the committee met in January and March, and the primary focus of both meetings was AB 218 claims.

D. Member Services and Communications Committee

1. March 17, 2022

Member Services and Communications Committee Chair Cindy Wilkerson reported that the committee had a presentation from Public School Works, a prospective vendor seeking inclusion in SELF's Risk Services Clearinghouse; Gormley provided an update on recent conferences and outreach efforts; and the committee reviewed upcoming publications.

E. Workers' Compensation Claims & Coverage Committee

1. March 17, 2022

Workers' Compensation Claims and Coverage Committee Chair Tony Nahale said the committee heard a presentation from Khai Sim, ESM Solutions, about their recent work with specific members to review claims and assist with claim management. Nahale advised that there are now under 200 open claims with SELF incurred losses, and the positive trend is continuing. He noted that the committee also discussed one claim in closed session.

Hendrick expressed her appreciation to committee members for the time and effort they spend on committee activities.

VIII. CHIEF EXECUTIVE OFFICER'S REPORT

George noted that SELF established an ad hoc committee to look at further funding for AB218 claims. He said the committee has been meeting monthly and hopes to provide the board with a recommendation later in the spring.

George announced that SELF hired Craig Nunn, to fill the new claims staff person approved by the Board in October. He said Nunn comes from George Hills and has extensive experience in claims handling.

George reported that the CFO search continues, and he thanked Hendrick and Nguyen for participating in the most recent candidate interviews.

George advised that he had been in contact with, a large K-12 pool that had expressed interest in joining SELF.

George mentioned AB 2777, a bill that appears to be an effort similar to AB 218 but aimed at adults. He noted that the bill would extend the statute of limitations for sexual assault to ten years, with a retroactive window.

George provided a timeline of the AB 218 ad hoc committee's timeline for determining the amount of the next assessment. He said the actuaries will be taking a detailed look at AB 218 claims as of March 31 and will develop updated projections. He indicated that SELF will offer members the option of paying during this fiscal year or next fiscal year to take optimal advantage of their funding resources.

George indicated that there were two remaining items identified in the CAJPA accreditation process, and both are being addressed as part of items on this meeting agenda. Once completed, he said, SELF is recommended for accreditation "with excellence," the highest rating.

George reviewed recent and upcoming outreach activity, including participation in a panel discussion at a recent AGRIP conference, hosting a JPA symposium in January, and a presentation on risk management basics to school district risk management staff.

George reported that based on direction from the Board in December, the staff issued a request for qualifications (RFQ) for a captive feasibility study. He said the RFQ was sent to four firms, and the staff selected AIG Captive Solutions to conduct the study. He stated that a preliminary report will be ready in time for the June Board meeting, and further details can be discussed at the strategic planning meeting in September.

IX. PRESENTATION

A. Reinsurance Renewal Update

George observed that it would be prudent for SELF to review its layered reinsurance structure every few years to maximize efficiency. He displayed a chart depicting the current reinsurance structure, the current premium, and the goal of funding at a 75 percent confidence level. He pointed out that purchasing reinsurance might not always be the best option for SELF, depending on premiums. He added that the staff will be bringing some recommendations to the Board in June regarding the reinsurance layers if further analysis indicates other viable options.

Ian Skelly, Gallagher Re, provided an update on the reinsurance market, reviewed this year's renewal marketing efforts, and discussed estimated pricing.

Skelly commented that California is viewed by reinsurers as a high-risk state, which is reflected in higher renewal rates. He said the anticipated increases did not fully materialize, so the market appears to show signs of softening. Skelly added that the property insurance market is likely to continue to harden as some reinsurers are pulling back.

Skelly observed that one common theme across all lines is that renewals are taking longer to finalize. He noted that capacity and demand are factors that drive pricing, and there were no new major reinsurance company formations in 2021.

Skelly advised that underlying and lower layers for both property and casualty are being heavily scrutinized, and actuaries and underwriters are expecting an ongoing increase in frequency and severity of claims.

Skelly remarked that casualty rate increases are starting to subside. He noted that cyber liability continues to be an industry-wide challenge. He showed a slide summarizing SELF's recent loss data and exposure estimates.

Skelly displayed a list of about 70 markets that were approached as part of this year's renewal. He said that because of WillisRe's integration into GallagherRe, a new wholesale partner, RPS, provides great market access and influence. He reported that he and SELF representatives held 31 marketing meetings, most of which were in person.

Skelly observed that SELF created helpful marketing videos last year to explain SELF's organization and purpose to reinsurers, and new videos on five different topics were created for this year. He said the videos received favorable feedback, and he commended the staff for their excellent work.

Skelly noted that reinsurers were pleased with SELF's year-over-year financial improvements, risk management initiatives, and claims handling and transparency. He remarked that reinsurers especially like the quarterly claims calls and access to claims information.

Skelly said all incumbent markets express an intent to renew this year. He displayed a chart showing expected reinsurance rates based on the initial feedback from reinsurers.

Skelly identified next steps in the renewal process. He stated that GallagherRe will obtain a couple remaining quotes, continue to negotiate with incumbents and new markets, focus on SELF's good loss experience rather than recent loss development, and assess the most efficient layered reinsurance structure for SELF.

X. CONSENT ITEMS

- A. Accept Investment Report – Second Quarter 2021/2022
- B. Accept Financial/Treasurer's Report Ending December 31, 2021
- C. Accept Investment Compliance Report – Month Ending October 31, 2021, November 30, 2021, and December 31, 2021
- D. Approve New Contracts
- E. Accept Membership Withdrawals from SELF JPA and/or Individual Programs

Grubbs made a motion, seconded by Rutledge, to approve the Consent Items.

Vote: Hendrick – aye
Schweikhard – aye
Nguyen – aye
Flores – aye
Salvati – aye
Wong – aye
Robison – aye
Rutledge – aye
McNamee – aye
Birgel – aye
Grubbs – aye
Nahale – aye
Williams – aye
Allison – aye

Motion passed.

XI. ACTION ITEMS

A. Approve Financial Audit

Nguyen made a motion, seconded by Flores, to approve the financial audit.

Kevin Wong, Gilbert Associates, gave a summary of the results of the financial audit for the period ending June 30, 2021, ~~as augmented with data from the actuarial study as of October 31, 2021.~~ He noted that he provided a detailed report to the Finance and Executive Committee on March 3.

Wong reviewed the sections of the audit report regarding responsibilities, auditing standards, and management interactions. He said the auditors gave SELF an unqualified opinion, the best rating possible. He noted there were no difficulties encountered by the auditors, and SELF management and staff were well prepared and helpful. Wong stated that the audit was completed in mid-January, a bit later than usual, ~~mostly due to waiting for the October 31 actuarial report.~~

Wong drew attention to the financial statements in the audit report. He presented a graph showing the change in SELF's financial position compared to the previous year. He noted that claims liabilities increased in 2021, but total assets increased to a higher degree, resulting in an overall increase in net position. Wong reviewed the statement of revenues, expenses, and changes in net position.

Wong said additional details are provided in the notes and supplemental data in the audit report. He noted that the unqualified opinion makes SELF eligible for CAJPA accreditation "with excellence."

Hendrick thanked Wong for his report.

Vote: Hendrick – aye
Schweikhard – aye
Nguyen – aye
Flores – aye
Salvati – aye
Wong – aye
Robison – aye
Rutledge – aye
McNamee – aye
Birgel – aye
Grubbs – aye
Nahale – aye
Williams – aye
Allison – aye

Motion passed.

B. Accept Excess Liability Program Actuarial Study 10/31/21

Schweikhard made a motion, seconded by Flores, to accept the actuarial study.

Mark Priven, Bickmore Actuarial, introduced Mike Harrington, Bickmore Actuarial, and welcomed him to the team. Harrington remarked that it was good to be able to meet in person again.

Priven reviewed the results of the actuarial report for the period ending October 31, 2021. He explained that the October update allows SELF to provide reinsurers with the most current data.

Priven advised that liabilities increased since the prior report for period ending June 30, 2021. He noted the report projects rate increases of about 4 percent in the lower \$4 million excess of \$1 million layer and about 8 percent for the higher layers above \$5M.

Priven displayed a chart showing the change in liabilities from the prior report. He pointed out that case reserves went down substantially, but IBNR increased as more detailed information on sexual abuse and molestation (SAM) claims has become available. He said new AB 218 claims are likely to be reported before the end of the three-year window, and some may trickle in after that as well.

Priven presented a chart showing liabilities at various discount rates and confidence levels. He noted that SELF currently uses a 1.75 percent discount rate. He reviewed a comparison of projected rates for various layers at different confidence levels.

Priven displayed a chart showing losses by date of occurrence, payments, and case reserves. He observed that there are no payments or reserves for the most recent years, but there have been significant increases in reserves for SAM claims, many from old years. Priven noted that the report separates AB218 claims from other SAM claims. He showed a chart depicting losses in the SELF layer by date of payment or setting of reserves.

Priven stated that the actuaries looked at individual member deductible options for a \$2.5 million and a \$5 million deductible above the \$5 million layer. He indicated that the pricing was based on maintaining funding at a 75 percent confidence level.

Hendrick thanked Priven for his report.

Vote: Hendrick – aye
Schweikhard – aye
Nguyen – aye
Flores – aye
Salvati – aye
Wong – aye
Robison – aye
Rutledge – aye
McNamee – absent during voting
Birgel – aye
Grubbs – aye
Nahale – aye
Williams – aye
Allison – aye

Motion passed.

C. Membership Conversion

Birgel made a motion, seconded by Williams, to approve the conversion as proposed.

Director of Communications and Member Services Lois Gormley explained that when CharterSafe joined SELF, they joined as a master member covering all of their underlying schools; however, there were about 17 schools that had joined SELF individually prior to that, so their individual status remained. She said CharterSafe would now like to bring all of its members together under the master membership.

Gormley reported that SELF counsel Byrne Conley drafted a conversion resolution for approval of the individual members' boards, and 13 of the 17 have submitted approved resolutions. She noted that the deadline is March 31, and four are still outstanding. She recommended that the Board approve the resolutions already received and any others received before the deadline.

Vote: Hendrick – aye
Schweikhard – aye
Nguyen – aye
Flores – aye
Salvati – absent during voting
Wong – abstain
Robison – aye
Rutledge – aye
McNamee – aye
Birgel – aye
Grubbs – aye
Nahale – aye
Williams – aye
Allison – aye

Motion passed.

D. Approve Broker Services Contract

Schweikhard made a motion to approve the broker services contract for the next year and issue an RFP for the following year. The motion died for lack of a second.

McNamee made a motion, seconded by Salvati, to approve the broker services contract.

Schweikhard noted that SELF changed brokers three years ago after issuing an RFP to an incumbent and three others. He recalled that WillisRe (now GallagherRe) was highest bidder, , AJ Gallagher was the lowest bidder, and AON was \$100,000 lower than Willis. He observed that GallagherRe is now charging the same price as the Willis bid.

Schweikhard expressed concern about extending the contract for another couple years. He cautioned that SELF may not be getting the best value for its brokerage services. He pointed out that there are competitors who are just as good as GallagherRe who would be willing to provide the services for less.

Hendrick commented that SELF has developed a very positive relationship with the brokers, and they have worked hard to expand participation in SELF's excess reinsurance program.

George said SELF's original three-year contract was with WillisRe, now operating under the name GallagherRe. He advised that the staff recommends continuing the contract for two years. He noted that the broker has done a good job for SELF during the recent hard market conditions. George stated that the Finance and Executive Committees recommends extending the contract for two years, and then the Board can decide at that point whether to issue an RFP.

Schweikhard clarified that he did not disagree that Willis/GallagherRe had achieved good results for SELF, but his concern was that their services were much more expensive than the alternatives. He said he wanted to make sure SELF made the correct decision in selecting the best choice in broker.

George commented that the current brokerage fee of \$600,000 per year is less than what SELF had been paying for the past ten or twelve years. He indicated that when SELF selected WillisRe originally, one of the factors in the decision was WillisRe's pooling expertise. He added that if SELF had selected AJ Gallagher, the pricing would likely have increased because AJ Gallagher would have hired a reinsurance broker to complete placement of SELF's reinsurance.

After discussion, the Board voted on the staff recommendation.

Vote: Hendrick – aye
Schweikhard – no
Nguyen – aye
Flores – aye
Salvati – aye
Wong – aye
Robison – aye
Rutledge – aye
McNamee – aye
Birgel – aye
Grubbs – aye
Nahale – aye
Williams – aye
Allison – aye

Motion passed.

At 2:07 p.m., the Board took a brief recess. The meeting was reconvened at 2:27 p.m.

E. Approve 2022/23 Rates

Schweikhard made a motion, seconded by Nahale, to propose the 2022/23 rates as recommended.

George said a number of factors are taken into account in setting rates, including compliance with SELF's equity policy, insuring self-insured layers at a minimum 75

percent confidence level, and estimated reinsurance costs, and then a relativity factor is applied to differentiate between K-12 and community college members. He observed that this year is unique because SELF has a 3-year rate guarantee, with a structured reinsurance product in the \$5m x \$5m layer.

George observed that there is still a hard market, and prices are still increasing. He pointed out that SELF will have a three-year rate guarantee in the \$5 million excess of \$5 million layer, and that layer represents about 50 percent of SELF's costs from an actuarial standpoint. He noted that administrative costs are holding fairly steady, and non-AB 218 claim statistics are actually improving. As a result, George added, estimates are coming down a bit on those claims, and all growth has been for AB 218 cases.

George presented a slide showing the staff's rate recommendations. He said the proposed K-12 rate would be \$19.38, a 4.8 percent increase, and the community college rate would be \$11.23, a 3 percent increase. He reviewed the proposed rates for minimum and flat rate members.

George noted that ASCIP will be taking a \$2.5 million annual aggregate deductible, and he showed the resulting K-12 and community college rates for that deductible. He said the \$5 million aggregate deductible figures are included as a placeholder because one potential member had expressed interest, but there were no members taking that option at this time.

George displayed a graph showing the rate progression for SELF's members. He pointed out that SELF increased rates substantially two years ago, resulting in flatter increases for members now. He discussed SELF's reinsurance structure and pricing.

George stated that based on the financial audit and the actuarial report, the AB 218 program is underwatering a negative position, but the traditional Excess Liability Program is doing well with the rate structure adopted over the past several years. He added that if the proposed 2022-23 rate structure is approved, that situation will continue to improve.

George advised that the proposed rates meet SELF's equity policy, fund the SELF-insured layer in excess of an 80 percent confidence level, provide a conservative estimate of reinsurance costs with a healthy buffer, and applies the current relativity rate.

Rutledge said the committees discussed how potential changes in the way ADA is calculated could affect SELF's rates. She clarified that ADA statistics are available a year behind, so the current figures are based on 2019-2020 ADA for this year's premiums. George confirmed that understanding. Rutledge noted that ADA is declining in many districts, in part due to the pandemic, and they are concerned about impacts on future funding.

Williams asked for clarification of the minimum and flat-rate members. Director of Communications and Member Services Lois Gormley explained that the flat rate is for non-ADA members, such as ROPs or workers' compensation JPAs that have liability coverage, and the minimum is for very small school districts or charter schools.

Hendrick noted there is pending legislation that would allow school districts to use a three-year average to calculate ADA. Gormley advised that there are three or four proposals before the legislature offering different options. George said the staff will keep the Board informed as the legislation moves forward.

Vote: Hendrick – aye
Schweikhard – aye
Nguyen – aye
Flores – aye
Salvati – aye
Wong – aye
Robison – aye
Rutledge – aye
McNamee – aye
Birgel – aye
Grubbs – aye
Nahale – aye
Williams – aye
Allison – aye

Motion passed.

XII. CLOSED SESSION

Flores made a motion, seconded by Schweikhard, to adjourn to closed session for the purpose of discussing pending claims.

Vote: Hendrick – aye
Schweikhard – aye
Nguyen – aye
Flores – aye
Salvati – aye
Wong – aye
Robison – aye
Rutledge – aye
McNamee – aye
Birgel – aye
Grubbs – aye
Nahale – aye
Williams – aye
Allison – aye

Motion passed. The Board adjourned to closed session at 2:33 p.m.

A. Liability Claims

- Conference with Legal Counsel (Gov. Code, § 54956)
 - ASCIP v. SELF Arbitration, Doe vs. Big Oak Flat-Groveland Unified School District

At the conclusion of the closed session, Schweikhard made a motion, seconded by Nahale, to resume the open meeting.

Vote: Hendrick – aye
Schweikhard – aye
Nguyen – aye
Flores – aye
Salvati – aye

Wong – aye
Robison – aye
Rutledge – aye
McNamee – aye
Birgel – aye
Grubbs – aye
Nahale – aye
Williams – aye
Allison – aye

Motion passed. The open meeting was resumed at 2:48 p.m.

Byrne Conley reported that during the closed session, the Board unanimously approved acceptance of the arbitration award and payment of the claim.

XIII. CHAIR’S REPORT

Hendrick thanked everyone for participating.

XIV. FUTURE MEETINGS

The Board reviewed the schedule of upcoming meetings.

XV. ADJOURNMENT

There being no further business, Flores made a motion, seconded by Birgel, that the meeting be adjourned.

Vote: Hendrick – aye
Schweikhard – aye
Nguyen – aye
Flores – aye
Salvati – aye
Wong – aye
Robison – aye
Rutledge – aye
McNamee – aye
Birgel – aye
Grubbs – aye
Nahale – aye
Williams – aye
Allison – aye

Motion passed. The meeting was adjourned at 2:50 p.m.