

**LODI CITY COUNCIL
SHIRTSLEEVE SESSION
CARNEGIE FORUM, 305 WEST PINE STREET
TUESDAY, JANUARY 10, 2012**

A. Roll Call by City Clerk

An Informal Informational Meeting ("Shirtsleeve" Session) of the Lodi City Council was held Tuesday, January 10, 2012, commencing at 7:15 a.m.

Present: Council Member Hansen, Council Member Johnson, Council Member Katzakian, Mayor Pro Tempore Nakanishi, and Mayor Mounce

Absent: None

Also Present: City Manager Bartlam, City Attorney Schwabauer, and City Clerk Johl

B. Topic(s)

B-1 Receive Presentation by David Clovis, General Manager, California Joint Powers Risk Management Authority (CM)

David Clovis, representing the California Joint Powers Risk Management Authority (CJPRMA), provided a PowerPoint presentation regarding the CJPRMA and pooling. Specific topics of discussion included the history of insurance pooling and CJPRMA, insurance market trends, CJPRMA members, memorandum of coverage, limits, total member payroll, liability rates, Lodi net cost and benefit, property program, total insured values and rates, and added services.

In response to Council Member Hansen, Mr. Clovis stated that, while there have been some tort reform efforts made in California, they were largely unsuccessful due to opposing lobbying efforts and California remains an uncapped state.

In response to Council Member Hansen, Mr. Clovis stated the CJPRMA pool does cover alleged civil rights violations.

In response to Mayor Mounce, Mr. Clovis stated that, while Vallejo did file for bankruptcy, it remains an active participating member of the pool because it is continuing to pay its premiums and self-insured retention (SIR) and the bankruptcy itself has not impacted other pool members.

In response to Council Member Hansen, Mr. Clovis stated the City of Lodi has a \$10 million per occurrence program with CJPRMA with some limited exceptions.

In response to Council Member Hansen, Mr. Clovis stated by board action CJPRMA can drop a city due to a high number of losses or significant negative impact on other members. He stated the pool generally only accepts agencies into the program who have a better loss ratio than the pool itself.

In response to Council Member Johnson, Mr. Clovis briefly described the make-up of the primary pool participants, which generally consist of smaller cities pooled together into one group.

In response to Council Member Hansen, Mr. Clovis stated an agency's payroll is the primary basis for the percentage payment in the pool.

In response to Council Member Hansen, Mr. Clovis stated assets are similar to cash on hand in that it is what the pool uses to pay for losses based on a fiscal year.

In response to Council Member Johnson, Mr. Clovis stated broker services are reviewed annually when evaluating programs to ensure the pool is receiving the best service and rates.

In response to Council Member Hansen, Mr. Clovis stated natural disasters other than earthquakes and floods are covered by the City's policy.

In response to Mayor Pro Tempore Nakanishi, Mr. Clovis stated that, while he is not sure of the exact number, there must be approximately 70 other pools in the State of California. Mr. Clovis stated larger cities are generally self-insured internally and counties are generally a part of the California State Association of Counties Excess Insurance Authority pool because they carry a higher risk factor with health services and other programs.

In response to Council Member Hansen, Mr. Clovis confirmed that ultimately it is the public taxpayers' dollar that pays for the losses and the approximately \$32,000 of insurance costs annually for the City.

In response to Myrna Wetzel, Mr. Clovis stated insurance premiums for members in the pool do vary based on the level of SIR and the payroll of the member, which is the primary factor used to determine the pro-rata share.

C. Comments by Public on Non-Agenda Items

None.

D. Adjournment

No action was taken by the City Council. The meeting was adjourned at 8:00 a.m.

ATTEST:

Randi Johl
City Clerk



**CITY OF LODI
COUNCIL COMMUNICATION**

AGENDA TITLE: Receive Presentation by David Clovis, General Manager, California Joint Powers Risk Management Authority (CJPRMA)

MEETING DATE: January 10, 2012

PREPARED BY: Risk Manager

RECOMMENDED ACTION: Receive presentation by David Clovis, General Manager, California Joint Powers Risk Management Authority (CJPRMA).

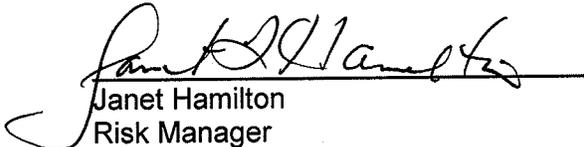
BACKGROUND INFORMATION: CJPRMA was established in 1986 as a general liability insurance pool for public agencies. During the 1980s, commercial insurance carriers had withdrawn coverage for public agencies, forcing those agencies to self-insure and join with other agencies to form insurance pools in order to protect public assets. Today, CJPRMA provides coverage and services to almost 100 public agencies. The City of Lodi currently participates in coverage programs for excess general liability, property, boiler and machinery, and vehicle physical damage through CJPRMA.

Additional services are provided to the members through the Risk Management Program. These services include a wide variety of training programs, audits of facilities and programs, and extensive consultation services. The CJPRMA Risk Management Program is designed to supplement and enhance existing member programs in order to increase their level of effectiveness.

General Manager Clovis will discuss the long term financial advantage of participation in insurance pools as well as the added value of Risk Management services. Details on premium rates and historical experience rebates will be provided.

FISCAL IMPACT: Not applicable.

FUNDING AVAILABLE: Not applicable.

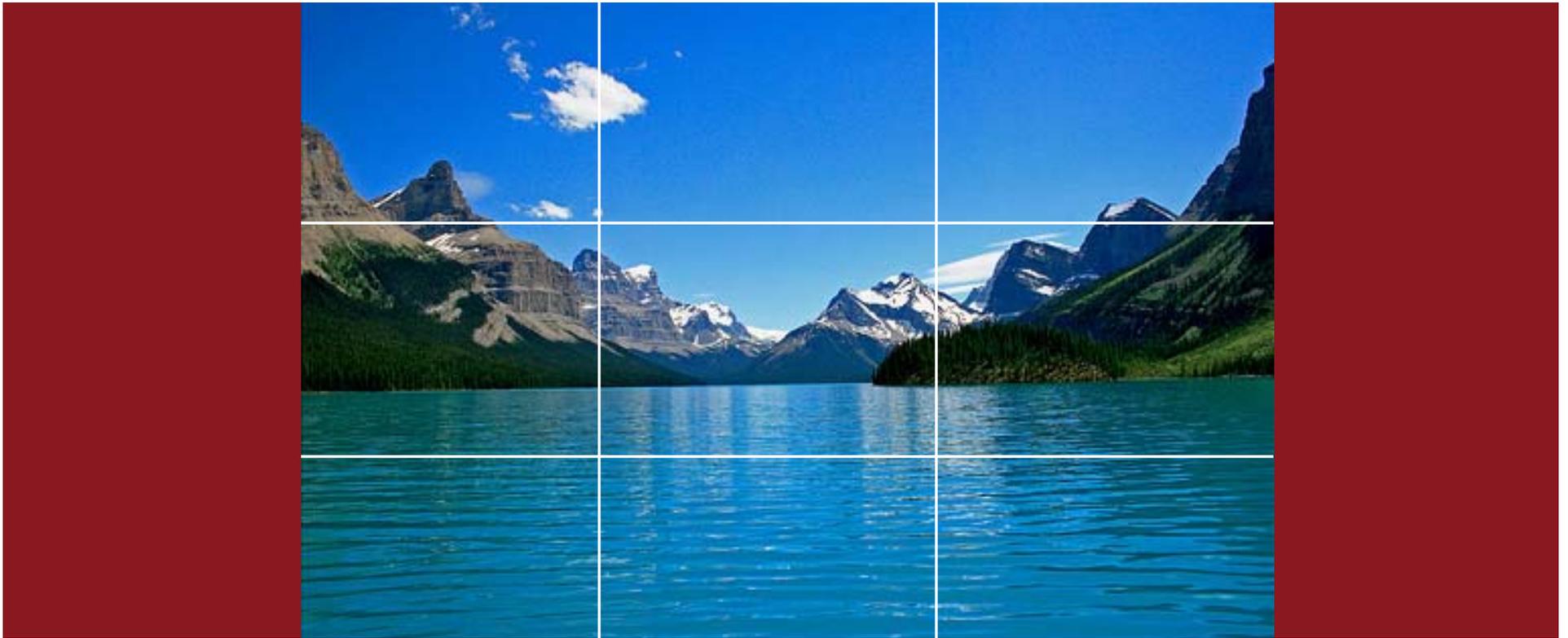

Janet Hamilton
Risk Manager

APPROVED: _____


Konradt Bartlam, City Manager



CALIFORNIA JOINT POWERS RISK MANAGEMENT AUTHORITY





CJPRMA



California Joint Powers Risk Management Authority

By:

David Clovis
General Manager
January 10, 2012

CALIFORNIA JOINT POWERS RISK MANAGEMENT AUTHORITY

CJPRMA



- History of Insurance Pooling
- Making of CJPRMA
- Facts & Figures
- Programs
- Services



CJPRMA

MARCH 24, 1986

\$1.95

TIME

STOCK SURGE
How the Boom
Machine
Works

Sorry, America, Your Insurance Has Been Canceled



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Historical Perspective

- **Insurance Market Trend**
 - Insurance market reversed itself every six to seven years.
- **In the 1980's**
 - Insurance for public agencies unavailable.
 - Widespread formation of JPAs for risk sharing purposes occurred.

Pooling in the early years

- MOST were simply joint purchase arrangements, because Self Insured Retentions (SIRs) were as low as \$100,000 each loss.
- “Pooling”, or the sharing of risk, became more prominent in the early 1980’s when Liability pools started forming.
- The number of JPAs in California tripled in 1986 due to the nationwide Liability insurance crisis.
 - \$5 million stop sign claim in Walnut Creek (1985)

Creation of CJPRMA

- Insurance market in California
- Lack of affordable insurance
- Profit margin
 - We can do it better!
 - *If we build it-they will join!*



CJPRMA Members

Alameda

Chico

Fairfield

Fremont

Livermore

Lodi

Manteca

Petaluma

Redding

REMIF

Richmond

Roseville

San Leandro

San Rafael

Santa Rosa

SCORE

Stockton

Sunnyvale

Vacaville

Vallejo

YCPARMIA



CJPRMA

First Steps

- Creation of M.O.C.
- Initial coverage \$10 million limits
- Premium contributions
 - \$624,772 (6/86)
 - \$2,666,750 (6/87)
- Initial payroll \$139,500,000

CJPRMA Today

- 17 Cities
- 4 Primary JPA's
- 100 Member Agencies
- 1.58 Billion dollars of payroll
- \$96.5 million assets
- Geographically centered in Northern California



Memorandum of Coverage

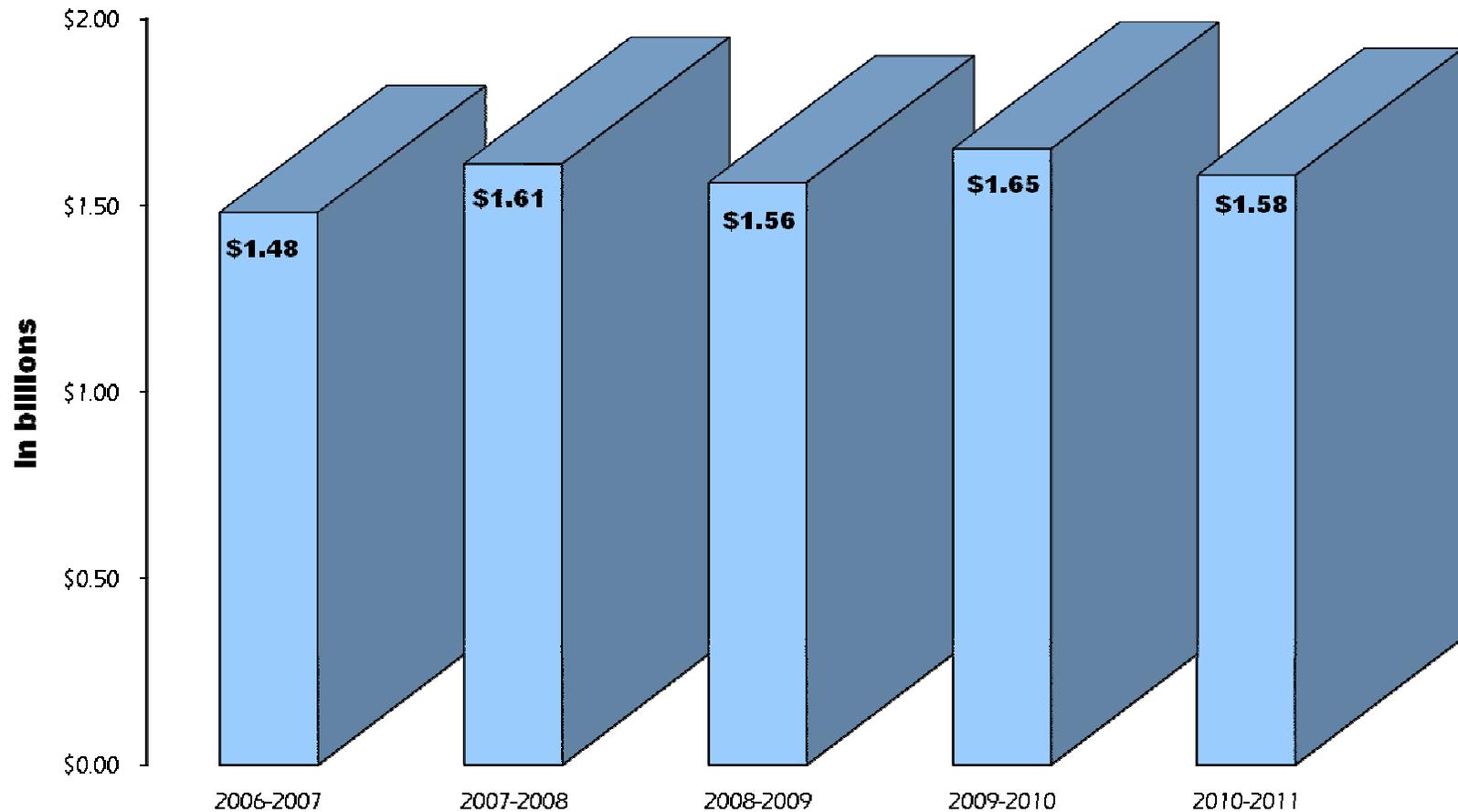
- General Liability
- Auto Liability
- Public Officials
- Employment Practices
- Special Events



Limits

- Self Insured Retentions (SIR)
 - \$500,000
 - \$1,000,000
- Coverage Limits
 - \$5,000,000 Retained Limit
 - Re-insurance \$35,0000,000

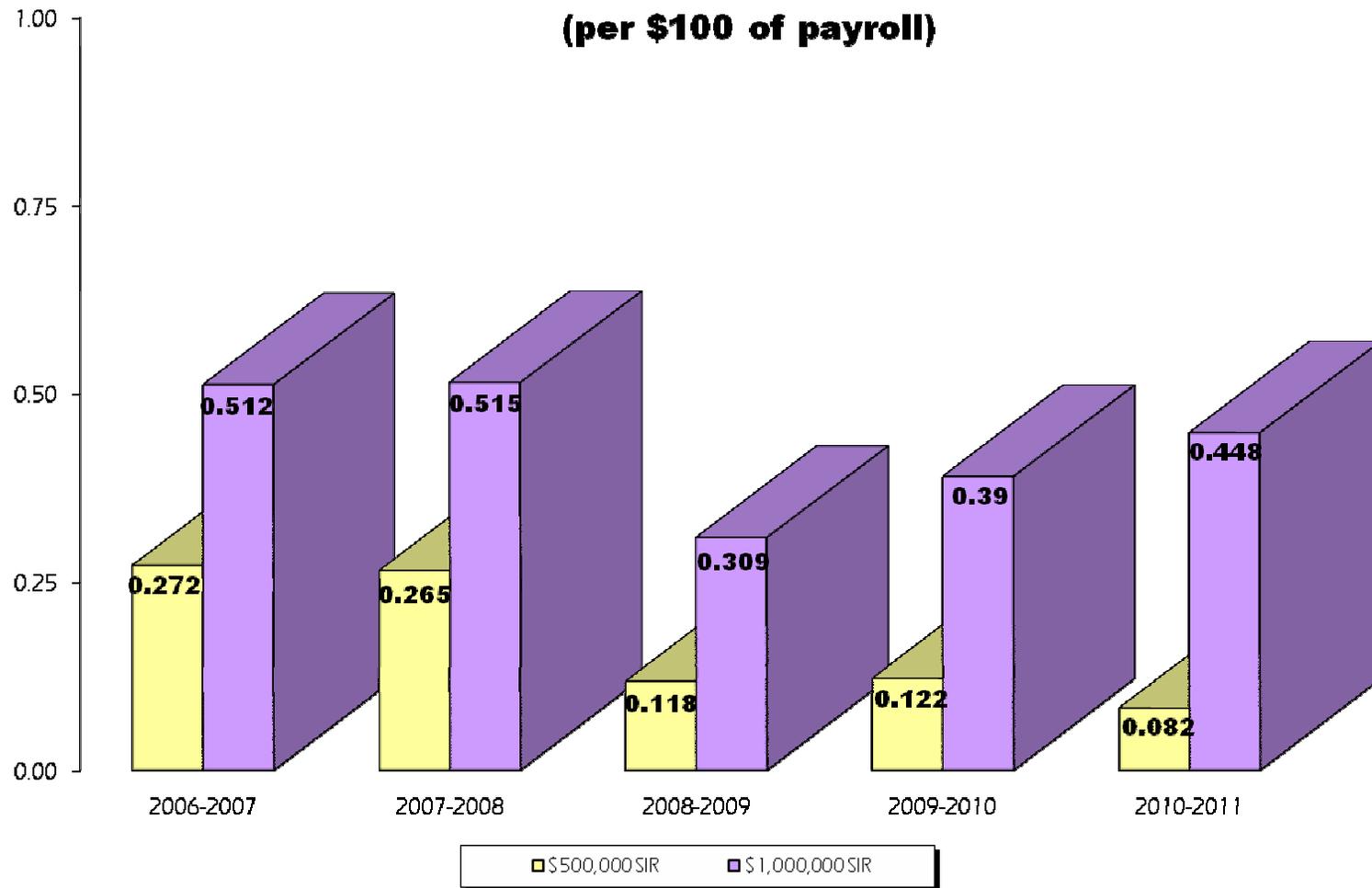
Total Member Payroll



Since 2007, the amount of member payroll has increased by \$100 million (6.8%), to a total of approximately \$1.58 billion. This is the basis upon which member contributions are calculated and allows for the effective sharing of risk.

Liability Rates

(per \$100 of payroll)



Since 2007, liability rates have decreased by .19/\$100 of payroll (69.8%), for a \$500,000 retained limit, and by .064/\$100 of payroll (12.5%) for a \$1 million retained limit. These decreases reflect the organization's strong financial position and its responsiveness to the members' financial difficulties.

Lodi Net Cost

	LODI
Contributions	\$ 5,291,675
Redistributions	\$ 2,543,509 (48.1%)
Net	\$ 2,748,166
Current Equity	\$ 1,926,171 (36.4%)
Cost of Coverage	\$ 821,995 (15.5%)
Average Cost Per Year	\$ 32,880 25 Years

Lodi Net Benefit

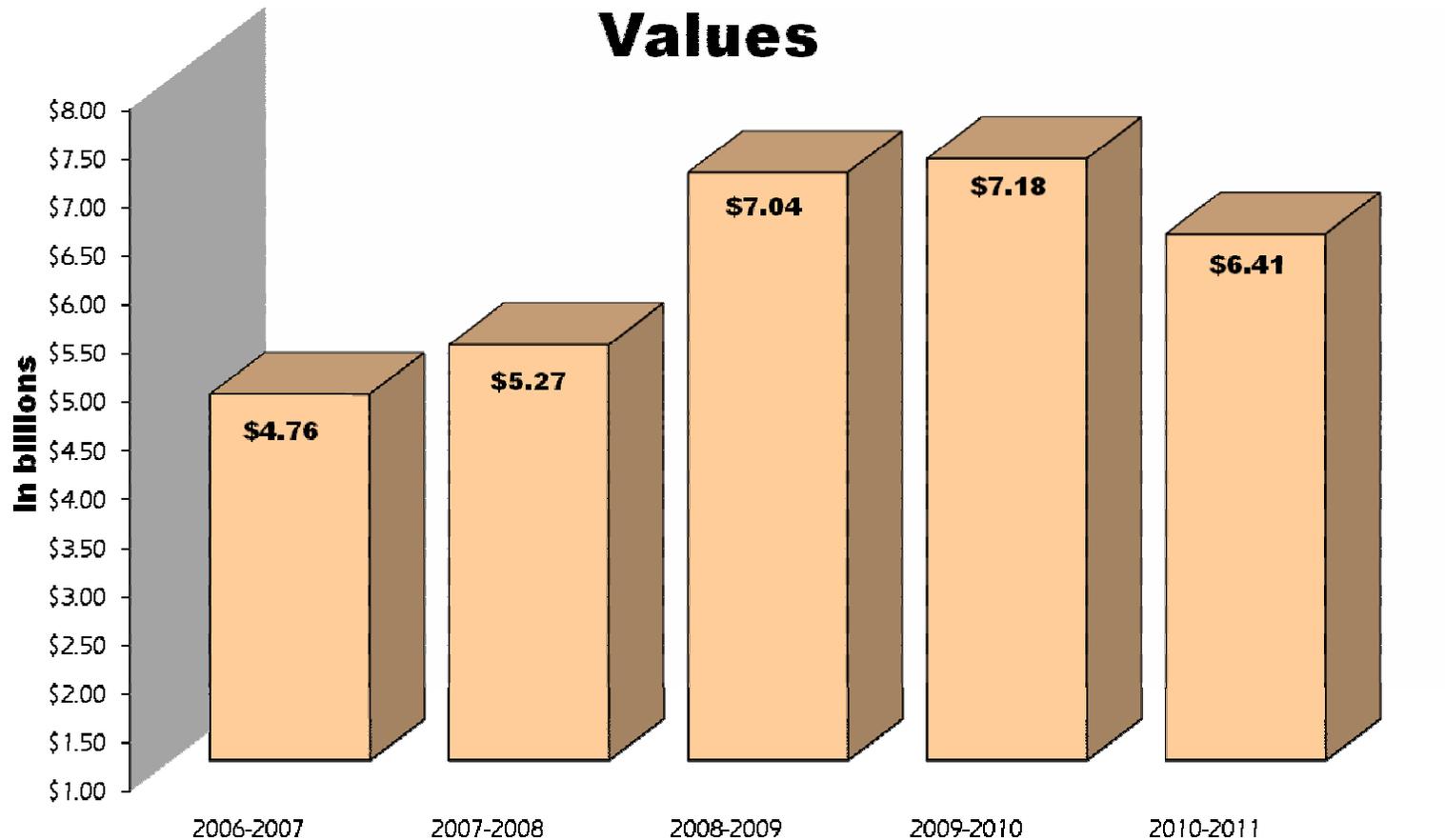
	<i>LODI</i>
Redistributions	\$ 2,543,509
Current Equity	\$ 1,926,171
Claims Paid	\$ 3,403,431
<hr/>	
Total Benefit	\$ 7,873,111
Member Contributions	\$ 5,291,675
Net Benefit	\$ 2,581,436

Property Program

- All risks-Memorandum of Coverage
- \$300,000,000 Limits
- \$25,000 Deductible
- \$6.4 Billion of covered property



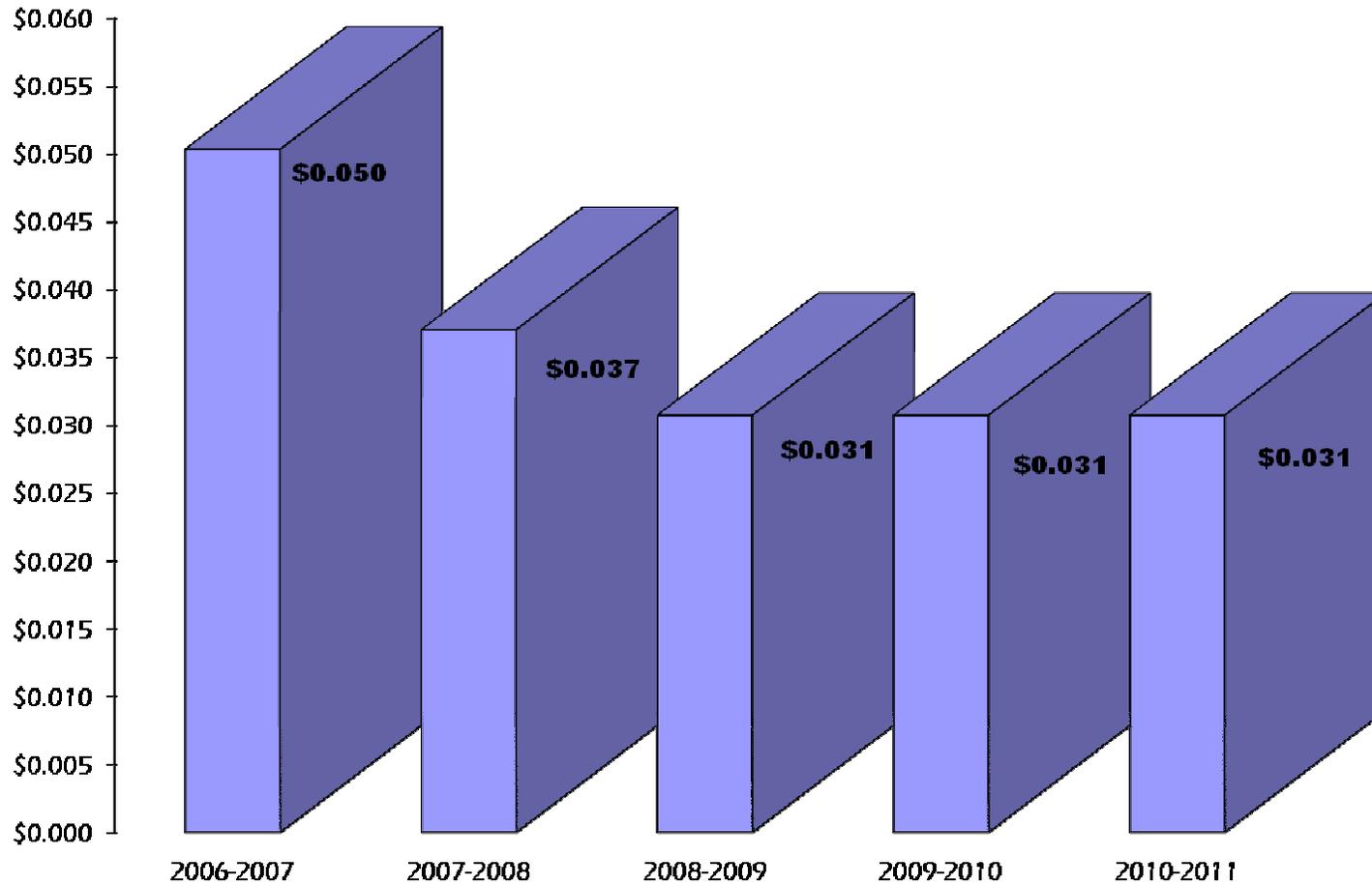
Property Program - Total Insured Values



CJPRMA provides a commercially insured program for the property of its members. Since 2007, the total insured value of that property has increased approximately \$1.65 billion (34.6%), from \$4.7 billion to over \$6 billion.

Property Program - Rates

(per \$100 of valuation)



Other Programs

- Auto Physical Damage
- Special Events

Added Services

- Risk Management support services
- Risk Management Training
 - Contractual Risk Transfer
 - Associate in Risk Management
 - Board Member Orientation
- RMIS System
- Property valuation services
- Risk Management staff support

Questions

