



**FIRE AGENCIES INSURANCE RISK AUTHORITY MINUTES OF THE BOARD AND EXECUTIVE BOARD MEETING**

**March 15, 2021 at 10:00 a.m.**

**To be posted by all Districts in accordance with the Ralph M. Brown Act, California Government Code Section 54950, et seq.**

Telephonic Meeting held on WebEx

**PRESENT:** Brian Boggeln (Alpine FPD); Mark Pomi (Kentfield FPD); President Criss Brainard (San Miguel Consolidated FPD); Sean Bailey (Northstar CSD); Ken Musso (South Placer FPD); Don Butz (Lakeside FPD); Scott Draper (Mason Valley FPD); Mike Sims (Bonita-Sunnyside FPD); Rhonda Haynes (Orange County FA); Mark Johnson (Fresno FPD).

**Absent:** Reno DiTullio Jr (Aromas Tri-County FPD); Howard Wood (Vacaville FPD); Richard Pearce (Tiburon FPD).

**Staff:** Susan Blankenburg (FAIRA General Manager); Zack Phillips (Arthur J. Gallagher); Ryan Jacques (Arthur J. Gallagher); Alex Banks (FAIRA Administrative Analyst); Natalie Bates (Arthur J. Gallagher); Jim Smith (FAIRA).

**ITEM 1 - CALL TO ORDER AND DETERMINATION OF A QUORUM**

President Criss Brainard called the meeting to order at 10:00 am and confirmed we have a quorum.

**Item 2 – Confirmation of Agenda**

A **motion** was made to approve the Agenda.

***M/S/P Butz/Bailey***

Motion passed via Roll Call. Approvals by: Mike Sims, Bonita-Sunnyside; Brian Boggeln, Alpine; Rhonda Haynes, OCFA; Mark Pomi, Kentfield; Criss Brainard, San Miguel; Scott Draper, Mason Valley; Mark Johnson, Fresno County; Don Butz, Lakeside; Sean Bailey, Northstar.

**ITEM 3 - ORAL COMMUNICATIONS TO THE BOARD, OPPORTUNITY FOR PUBLIC COMMENT WITH RESPECT TO MATTERS NOT ON THE AGENDA**

There was no public comment.

**Item 4.1 – Implementation of Experience Modifications**

Susan Blankenburg advised that in 2008, we had an actuary present FAIRA with a report for implementing experience modifications. At that time, the market was soft and favorable, resulting in the FAIRA Board electing to decline the implementation. The marketplace we are currently in is much different than in 2008. Ms. Blankenburg believes the time is right to re-visit the idea of implementing experience modifications. Zack Philips worked with Ms. Blankenburg and the Gallagher actuary. Faisal Alabsy worked on the project under the direction of Mr. Phillips and Ms. Blankenburg. After many drafts due to a good deal of back-and-forth, a final report was completed, which is in front of the Board today. Experience modifications typically cap losses. Staff is recommending that losses be capped at \$50,000 with 25% weight for losses and 75% for exposure. This would include a maximum credit of 10%, and a debit not to exceed 15%.

A **motion** was made to accept staff's recommendation of implementing experience modifications capped at \$50,000 with a 25% weight on losses and 75% on exposure.

***M/S/P Bailey/Sims***

Motion passed via Roll Call. Approvals by: Mike Sims, Bonita-Sunnyside; Brian Boggeln, Alpine; Rhonda Haynes, OCFA; Mark Pomi, Kentfield; Criss Brainard, San Miguel; Scott Draper, Mason Valley; Mark Johnson, Fresno County; Don Butz, Lakeside; Sean Bailey, Northstar.

**Item 4.2 – Actuarial Study from Bay Actuarial**

Ms. Blankenburg noted that since we are not self-insured and have a deductible plan, we are not required to get a study every year. The purpose of this study is to verify our funding for the annual aggregate of \$750,000. She added that considering the deterioration of the current marketplace we expect that carriers will require higher deductibles and rate increases across all lines. We asked for a host of options to fund for higher deductibles. She reminded the Board we are at a \$100,000 deductible now with an annual aggregate of \$750,000 and that options were requested for Deductibles as high as \$1,000,000 and Annual Aggregates up to \$2,000,000. She advised that in reviewing the study, there were a couple of key takeaways. Since 2018 FAIRA's Liability rates are up 20%, Property is up 33%, and Auto Physical Damage is up 40%.

A **motion** was made to accept staff's report on the actuarial study.

***M/S/P Butz/Sims***

Motion passed via Roll Call. Approvals by: Mike Sims, Bonita-Sunnyside; Brian Boggeln, Alpine; Rhonda Haynes, OCFA; Mark Pomi, Kentfield; Criss Brainard, San Miguel; Scott Draper, Mason Valley; Mark Johnson, Fresno County; Don Butz, Lakeside; Sean Bailey, Northstar.

**Item 4.3 – Professional Property Appraisals**

Ms. Blankenburg informed the Board that the last property appraisals were done in late 2016 and early 2017. With the hardening of the property insurance market, it is important to have accurate valuations on all buildings. The project is expected to take a minimum of three months. Three different appraisers were approached, with the two best options from Duff & Phelps at \$140 per building and CBIZ at \$138 per building. Each vendor has based their proposal on appraising buildings in excess of either \$50,000 or \$100,000 in value. It is staff's recommendation to approve a vendor at the threshold of your choice. Each appraiser carries adequate limits of E&O insurance. Ms. Blankenburg offered to reach out to each firm and get their best and final fee. Mike Sims asked if she has heard anything about the two firms and she advised they come with plenty of references with Public Sector buildings. Director Brainard asked what Ms. Blankenburg would recommend and she advised that the \$50,000 threshold would be sufficient. President Brainard asked if we can form a motion to allow staff to pursue best and final numbers from each firm and give staff direction to execute a contract not to exceed \$140 per building. Don Butz noted that a building may get left off if we go with the \$50,000 threshold. Ms. Blankenburg advised that she is almost positive all buildings on schedule have their buildings in excess of \$50,000, but we will report at the next meeting if this is the case and will provide a list of Members with buildings under \$50,000. Rhonda Haynes asked if Members can do their own appraisals and if so, will it affect the overall price. Ms. Blankenburg advised that if we combined all our Members, there is an immediate 25% discount afforded.

A **motion** was made to allow FAIRA staff to engage each firm with a not to exceed \$140 per building for all buildings over \$50,000 and allow staff to re-negotiate with each vendor.

***M/S/P Butz/Sims***

Motion passed via Roll Call. Approvals by: Mike Sims, Bonita-Sunnyside; Brian Boggeln, Alpine; Rhonda Haynes, OCFA; Mark Pomi, Kentfield; Criss Brainard, San Miguel; Scott Draper, Mason Valley; Mark Johnson, Fresno County; Don Butz, Lakeside; Sean Bailey, Northstar.

**Item 4.4 – CAJPA Data Analysis Report**

Ms. Blankenburg reminded the Board that FAIRA contributed \$5,000 toward the Tort Liability Study and that the report is expected at the next Board Meeting.

*No action required.*

**Item 4.5 – FAIRA Webinars**

Ms. Blankenburg informed the Board of three upcoming webinars. One will be on Diversity, Equality, and Inclusion in the workplace directly following the meeting. Another is on Hiring, Firing, and (Almost) Everything In Between on April 29th. Peter Flanderka who is presenting the information is available to FAIRA Members for two hours of free consultation related to employment practices concerns. The last

presentation is by Chris Daly, who owns and instructs Drive to Survive. He is offering a free one-hour presentation on preventing rollovers on March 29th.

*No action required.*

#### **Item 4.6 – FDAC Agreement**

The Board was advised by Ms. Blankenburg that the FDAC agreement is due to expire on June 30<sup>th</sup>, 2021. What staff has done is included an updated agreement that would reflect the 2021-2022 term. Director Butz asked if we did this last year and Ms. Blankenburg answered that we do this every year, but in 2018 Dale Bacigalupi updated the wording in the agreement so it firmly stated that the FDAC exclusively promotes FAIRA. She added that staff has found great value in the work FDAC has done on behalf of the Membership. Director Butz noted that he is a little apprehensive moving forward knowing that the FDAC may not be holding their end of the deal and if we are entitled to a refund to the prior years. Ms. Blankenburg recommended that staff, the Board President and Vice President work to address these concerns that FAIRA may have. President Brainard asked if we can table this for the next meeting after the discussion has been had. Mark Johnson specifically mentioned items 3.7 and 3.8 on the agreement and is not sure the FDAC is holding true to those.

A **motion** was made to table this item until the FAIRA staff, Board President, and Vice President have the opportunity to discuss with the FDAC to ensure we are a strategic partner with FAIRA.

#### ***M/S/P Butz/Pomi***

Motion passed via Roll Call. Approvals by: Mike Sims, Bonita-Sunnyside; Brian Boggeln, Alpine; Rhonda Haynes, OCFA; Mark Pomi, Kentfield; Criss Brainard, San Miguel; Scott Draper, Mason Valley; Mark Johnson, Fresno County; Don Butz, Lakeside; Sean Bailey, Northstar.

#### **Item 4.7 – Distribution of 10 Year Loss Reports**

Ms. Blankenburg advised that for the last few years, Alex Banks has been sending Districts with a loss ratio of 30% or higher a loss report. A copy of an example that is sent was provided to the Board.

*No action required.*

#### **Item 4.8 – FAIRA Loss Experience**

FAIRA has been with Allied World since 2016, Ms. Blankenburg advised. FAIRA's loss experience has deteriorated due to a combination of EPLI claims, fires, and a mudslide. Allied World sent Ms. Blankenburg an excel sheet showing the loss ratio for each year since 2016. Our average loss ratio per year since that date is 108%. Once all claims are fully developed it could reach 200%. Carriers typically like to be in the 50-55% range.

*No action required.*

**Item 4.9 – FAIRA Board of Directors**

President Brainard informed the Board that Director Ken Musso will assume the position on the FAIRA Board, replacing Director Eric Walder who has retired from South Placer. Ms. Blankenburg reminded the Board that at the September 2020 meeting, President Jonathan Wilby was not present due to him accepting a role outside of FAIRA. The position was offered to Director Brainard, who at the time held the role of Vice President, which he accepted. With the vacancy of the Vice President role vacant, President Brainard offered the position to Director Butz, who was the Elected Executive Board Member. With that role opening, President Brainard appointed Rhonda Haynes of OCFA. Ms. Blankenburg asked for a brief background on Director Musso. He comes from Central San Mateo County where he was an Assistant Fire Chief. With a 32 year career in the fire industry, he now holds a position on the South Placer Fire Board. FAIRA staff was advised of the promotion of David Fulcher at Aromas-Tri County. Reno DiTullio Jr. will assume the position on the FAIRA Board. Lastly, we will be having an election for four seats. The reason for only four of the six seats that come due July 1, 2021 is that two of the seats are permanent seats; one for Nevada Districts, and the second for our largest Member, Orange County Fire.

*No action required.*

**Item 4.10 – Annual Board and Executive Meeting**

Ms. Blankenburg advised it was recommended that we do our best to have a face-to-face meeting in June. Upon reaching out to Director Haynes, she advised that Orange County has a training facility that is large enough to host the FAIRA Board of Directors and the FAIRA and Gallagher staff. The current plan is to have a dinner following the meeting. President Brainard affirmed that though this is the current plan, we can adjust to the regulations that will be in place due to COVID-19. Another option would be an in-person meeting with a catered lunch if restaurants are not in a position to accommodate our group. As a last resort option, the meeting will take place on WebEx. It will be made available on WebEx to all Directors who are unable to attend. Mark Pomi, Sean Bailey and Director Butz all agreed that this sounds ideal to them. Director Haynes added that there are great restaurants nearby that we can go to and that OCFA should be opening up in April and has tentatively scheduled the room for the meeting. Director Brainard added that the closest airport to the OCFA facility is John Wayne Airport.

*No action required.*

**Item 5.1 – Gallagher Service Team**

Ms. Blankenburg announced that Natalie Bates has taken Eric Kikalo's position on the Gallagher Brokerage Team. She has a wealth of experience in insurance and the public sector.

*No action required.*

### **Item 5.2 – Stewardship Report**

Ryan Jacques presented the annual strategic review. At the 2020 renewal, we had premium increases with the primary package and excess at roughly 20%. The package was bound with a 5% rate increase. Gallagher is seeing significant increases with public sector clients such as fire, police, and any client with a high EPLI risk. As far as program structure, last year an option to increase the crime limit from \$1M to \$2M was presented which the Board elected to bind. As a reminder, each Member has a limit of \$11M with no policy aggregate on the auto. Mr. Jacques added that over 1,300 certificates of insurance were issued on behalf of FAIRA. He then touched on the state of the marketplace and affirmed that it has deteriorated further since last year's renewal. Three of the carriers that write public entity in California have exited the marketplace, making options to receive competitive quotes at an all-time low. Gallagher is seeing public entity rate increases from as low as 10% to an excess of 100% in a few cases. Cyber is one of the most challenging lately due to the increase in ransomware claims. Gallagher is looking at breaking out the package and marketing specific lines of coverages to see if FAIRA will benefit from separate policies rather than a package policy. Gallagher is exploring all deductible and retention programs. They are also entertaining an increased aggregate deductible from \$750,000 to \$1,500,000. Mr. Jacques reiterated that we are in a hard market but the Gallagher team is doing all they can to ensure the best possible renewal.

*No action required.*

### **Item 5.3 – Renewal Status**

Ms. Bates informed the Board that renewal applications were sent on January 13, 2020, with a due date of February 12<sup>th</sup>. On February 8<sup>th</sup>, only 30% of the applications had been received. Follow-up emails and calls were initiated to ensure completion. Within the following 10 days, Gallagher has received all but six applications. The Gallagher Team is still following up on the outstanding applications. The overall exposures for FAIRA are up from expiring, with total property near \$1B. Auto values are close to \$500M, with 1,000 heavy-duty vehicles. FAIRA has close to 3,000 firefighters and 1,400 paramedics. The Membership reported a total of 300,000 response calls. Gallagher, in efforts to ensure the best possible renewal for FAIRA, has been in contact with five primary liability markets, six excess markets, eight property markets, and going on 20 auto physical damage markets. With a hard market and carriers exiting California, it is best to start marketing efforts early on. Ms. Bates then discussed historical rates. The increase last year was mostly in part to the excess liability market. The average five-year rate increase is 5%. Ms. Bates restated that Gallagher is exploring other deductible and aggregate options. It still is too early to tell what pricing will be like for the upcoming renewal.

*No action required.*

### **Item 6.1 – Audited Financial Statement Year Ending June 30, 2020 and 2019**

Mr. Phillips reminded the Board that physical copies of the audited financials were mailed to each Director. The audit this year went much smoother than last as the audit firm had a better understanding of FAIRA and estimating how the deductible plan is impacting FAIRA's bottom-line. The overall financial results were on budget. Assets on hand are over \$3,000,000, with \$2,600,000 in equity, making a strong financial position. Mr. Phillips advised that we have hit the \$750,000 deductible aggregate for both the 2018-19 and 2019-20 terms, and likely to hit it in the current term. Ms. Blankenburg asked Mr. Phillips to note on the new auditor for the year, and he stated that there is a requirement that the audit partner changes over so it is the same firm, just a new partner at the firm, which meets the mandated requirements.

A **motion** was made to approve the Audited Financial Statement as presented.

***M/S/P Pomi/Haynes***

Motion passed via Roll Call. Approvals by: Mike Sims, Bonita-Sunnyside; Brian Boggeln, Alpine; Rhonda Haynes, OCFA; Mark Pomi, Kentfield; Criss Brainard, San Miguel; Scott Draper, Mason Valley; Mark Johnson, Fresno County; Don Butz, Lakeside; Sean Bailey, Northstar; Ken Musso, South Placer.

**Item 6.2 – Deductible Update**

Mr. Phillips presented three years of deductibles. He reminded the Board of the \$750,000 deductible aggregate. Ms. Blankenburg added that carrier's goals are to set the aggregate at a limit that ideally won't be hit, and FAIRA has reached it twice and most likely a third with the current term.

*No action required.*

**Item 6.3 – Review of KCM Investments**

Mr. Phillips advised that the market is very volatile right now. Currently, we have a 2% return which is good for bonds. We are likely to be at budget, though it is hard to be sure at this point.

*No action required.*

**Item 7.1 – Fleet Safety Analysis**

Jim Smith, Gallagher's Loss Control Consultant, provided the Board with an update on the fleet safety analysis. Gallagher is currently finalizing the details of the Gap Analysis now, which will be done at the end of March 2021. The analysis is going to be a three-step process that has a six-month follow-up. The process is going to include a self-audit report. This is the documentation that will go out to each selected Member. Following that will be the on-site portion where Gallagher will visit each Member. The last part of the process is the action items and recommendations that come from the review. The target completion date is June 2021.

*No action required.*

**Item 7.2 – Drive to Survive Online Course**

Mr. Banks advised that due to Covid, Drive to Survive 2020 was postponed. Chris Daly previously did not have an online course but in light of Covid has created one. He is offering a 25% discount, which lowers the price to \$35 per seat, to FAIRA if 101 or more seats are purchased. Mr. Banks advised that we believe in-person classes can potentially be started again at the beginning of 2022. Director Butz noted he would rather wait until we can meet in person for Chris to come teach, and the \$3,500+ that would be spent on this go towards EPLI courses. President Brainard asked if things open up, would Mr. Daly want to do an in-person class sooner than the first quarter of 2022. Mr. Banks advised that he believes Mr. Daly is ready to get out teaching as soon as it makes sense with Covid. That dates of late November or December were presented by President Brainard and Mr. Banks confirmed he will reach out to Mr. Daly to see his availability. President Brainard and Director Musso both expressed interesting in hosting a course.

*No action required.*

**Item 7.3 – Core360 Loss Control Platform Update**

Mr. Banks informed the Board that 27 FAIRA Districts, including 380 users, have registered for the Core360 Loss Control Portal, most of which to satisfy state-mandated sexual harassment training. If anyone is interested in registering they can reach out to Mr. Banks. Director Butz asked if we can send an updated course listing and Ms. Blankenburg advised we will send an updated flyer with the course listing which will also be posted on the FAIRA website. Ms. Blankenburg added that we will highlight the AB1825 and SB1343 hour's requirements.

*No action required.*

**Item 8.1 – Potential Litigation. [Government Code 54956.9(b)]**

**Item 8.2 – Potential Litigation. [Government Code 54956.9(a)]**

**Item 8.3 – FAIRA Claims and Loss Report**

*No action required.*

**Item 9 – Other Business**

No other business.

**Item 10 – Presidents Report (as needed)**

No other business.

**Item 11 – Correspondence and Informational Items**

Documents that were sent to the Membership were provided.



*No action required.*

**Item 12 – Adjournment**

The meeting was adjourned at 12:18 p.m.

A **motion** was made to adjourn the meeting.

***M/S/P Sims/Butz***