

Ad Hoc Committee Meeting

DATE/TIME: Wednesday, December 14, 2022 at 1:30 PM

LOCATION: Teleconference

Link: <https://alliantinsurance.zoom.us/j/97851792057?pwd=amc0c0hrN0VuNzY2bzZmeENTNnZuZz09>

Meeting ID: 978 5179 2057

Passcode: 965298

Dial: (669) 900-6833

Ad Hoc Committee Members:

Tracey Matthews, City of Anaheim

Jena Covey, City of Bakersfield

Rafaela King, City of Monterey

Sandra Blanch, City of Palo Alto

Ross Brandon, City of Santa Cruz

Oles Gordeev, City of Santa Monica

Guests & Consultants:

Mike Harrington, Bickmore Actuarial

Conor Boughey, Alliant

Lorissa Huey, Alliant

Marcus Beverly, Alliant

AD HOC COMMITTEE GOALS AND TASKS:

1. ACCEL's Deposit Funding Allocation
 - a. Ex-Mod
 - b. Surcharge
2. Establish Next Meeting
3. After Review, Present Top 3 to Board of Directors
4. Board Review: March 30&31, 2023

First Meeting Agenda ACCEL's Deposit Funding

ISSUE: During ACCEL's Strategic Planning, the Board reviewed the considerations for ACCEL to (1) allow SIR options and (2) update the funding model to more appropriately allocate deposit premiums (*ACCEL will continue to calculate the Rating Plan Calculation (RPC) to determine final costs*). After discussion, the Board formed an Ad Hoc Committee to review different funding models and report back to the Board by the March Board meeting with the Top 3 options to consider.

In summary, the Ad Hoc Committee's tasks are:

STEP 1:

1. Develop Three Different Options and present to the Board
2. Establish Next Meeting Goals and Set Meeting Dates
 - a. Prior to the 2nd Ad Hoc Committee, an idea was to record a webinar of the options developed from today's meeting.
 - b. Next BOD Meeting is January 19, 2023
3. Deadline: March 30 and 31, 2023 Board Meeting in Burbank

STEP 2:

4. Self-Insured Retentions and Rate Stabilization

Ex-Mod / Surcharge: One method of managing this scenario is to apply an ex-mod to the deposit premium, this would impact members with significant claims experience are charged a higher rate, and members without claims experience receive some discount. This would impact the upfront deposit, but the retro would still determine the actual program year cost. An ex-mod would not impact the end of the day cost, and could lead to smaller members with sparse claims experience being assessed due to lower deposit premiums. Should an ex-mod be used in conjunction with a retro program?

a. Ex-Mod or Surcharge:

- i. An **Ex-Mod** evaluates each member's loss performance compared to their relative size. If a member is having higher than average losses, they would be given a high ex-mod. Conversely, if a member is having lower than average losses, they would have a reduced premium.
 1. Advantage: Lower cost for 'good' members.
 2. Disadvantage: Lower premium generated compared to surcharge. Premium swings.
 3. Many pools utilize an Ex-Mod.
- ii. A **Surcharge** would only be applied to members with poor loss performance. Members who are performing better than average would remain average, while loss leaders would be charged an additional amount. The net effect would be a larger total deposit for ACCEL.
 1. Advantage: Higher premium collected by ACCEL, from poor performing members. Good members fund at average, allowing greater returns.
 2. Disadvantage: No upfront credit for being a good member.
 3. CJPRMA and PRISM utilize a surcharge.

Considerations with an ex-mod or surcharge:

1. Years Included:

- a. **Range:** 4 to 10 years are frequently considered.
- b. **Advantage to More Years:** Smoother transitions as each year counts less, consistent claim issues will result in consistently high deposit.
- c. **Advantage to Less:** Move on from history faster, more immediate impact of claim.

2. Claims to Include:

- a. **Predictive Layer:** Actuaries like to use layers with significant frequency to establish credible trends, such as the \$100K to \$1M layer. All members have a level of activity to evaluate. ACCEL moved away from this model in the RPC because it was not predictive of the claims excess of \$1M.
- b. **Actual Layer:** When calculating ACCEL costs and especially a penalty, only claims in the ACCEL layer should be considered. If a member has poor performance in the 100K to \$1M layer, but no excess claims, we should not penalize them. Also, ACCEL controls this layer's loss data and member differences in reserving or tracking claims are eliminated. ACCEL moved to this model in the RPC.

3. Maximum and Minimum Impact

- a. **Range:** 10-50% could be considered. The RPC is 35% loss sensitive.
- b. **High Maximum:** Deposit impacts greater than 20% are significant. A 50% ex-mod could result in a deposit adjustment to a large member of \$2.4M.
- c. The goal is to right-size deposit premium, not penalize. The RPC calculates actual return/assessment.

BACKGROUND: The proposed changes to the Financial Plan Policy and Procedure (P&P) is a new section, "Calculation of Annual Deposits". The Ad Hoc Committee's recommendation will be captured in an update in the Financial Plan Policy and Procedure (P&P). The Financial Plan is overseen by Finance Committee. This will ultimately need to be reviewed for approval by the Board prior to the June 2023 Board Meeting.

ATTACHMENT:

(from the October 2022 Strategic Planning)

1. Actuarial Presentation from Mike Harrington
2. Member Loss Ratio Review
3. CJPRMA Surcharge P&P
4. Actuarial Based Ex-Mods

5. ExMod/Surcharge Discussion Spreadsheet
6. ACCEL's Financial Plan – Working Document

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Authority for California Cities Excess Liability

Discussion Regarding the Excess Liability Program

Strategic Planning Meeting
Thursday, October 13, 2022

Mike Harrington, FCAS, MAAA
President, Bickmore Actuarial



This document was designed for discussion purposes only and is not intended to present detailed information on our analysis and findings. It is incomplete, and not intended to be used, without the accompanying oral presentation and discussion.

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Topics of Discussion

- You Be The Actuary!
 - Historical Variability
- 2022-23 Funding Guidelines
 - a.k.a. Rates
- Cost Sharing Alternatives
 - Pooling
 - Retrospective Rating
 - Experience Modification Factors
 - Deductibles





Reserve Analysis Liability Program

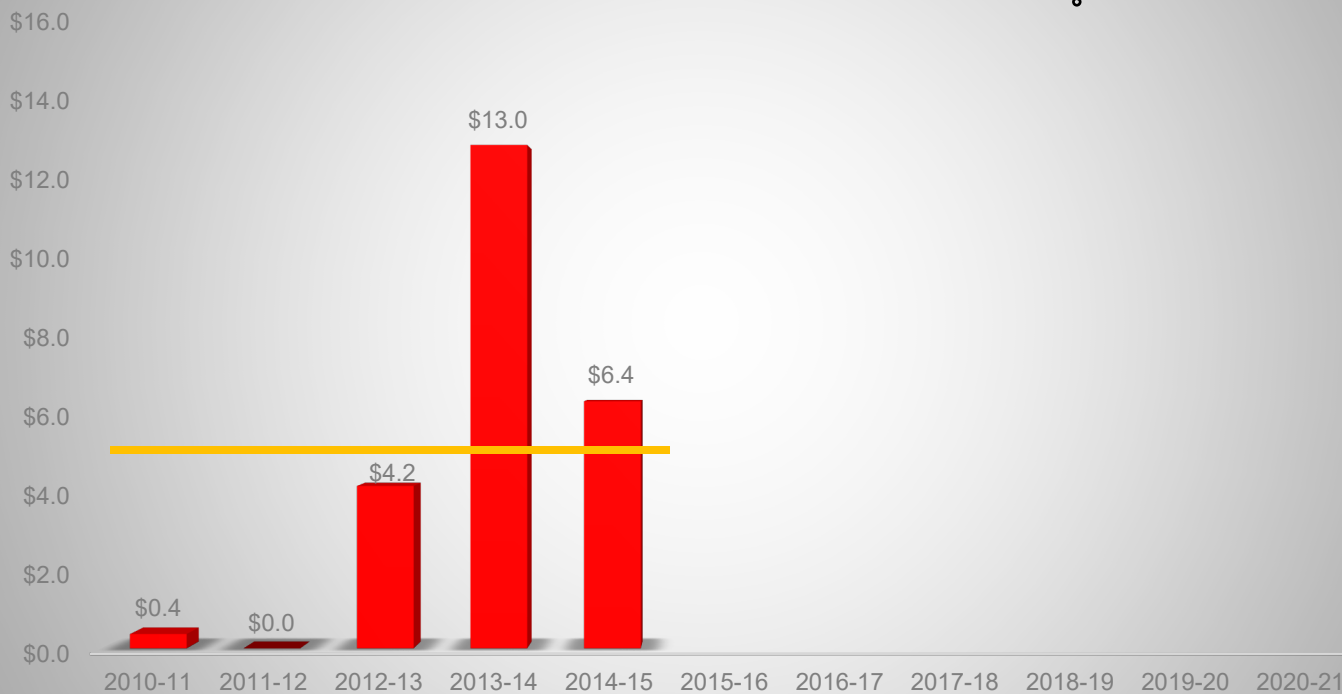


Looking
Back!

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Variability of Historical Ultimate Losses – You Be The Actuary!

What is the next ultimate??

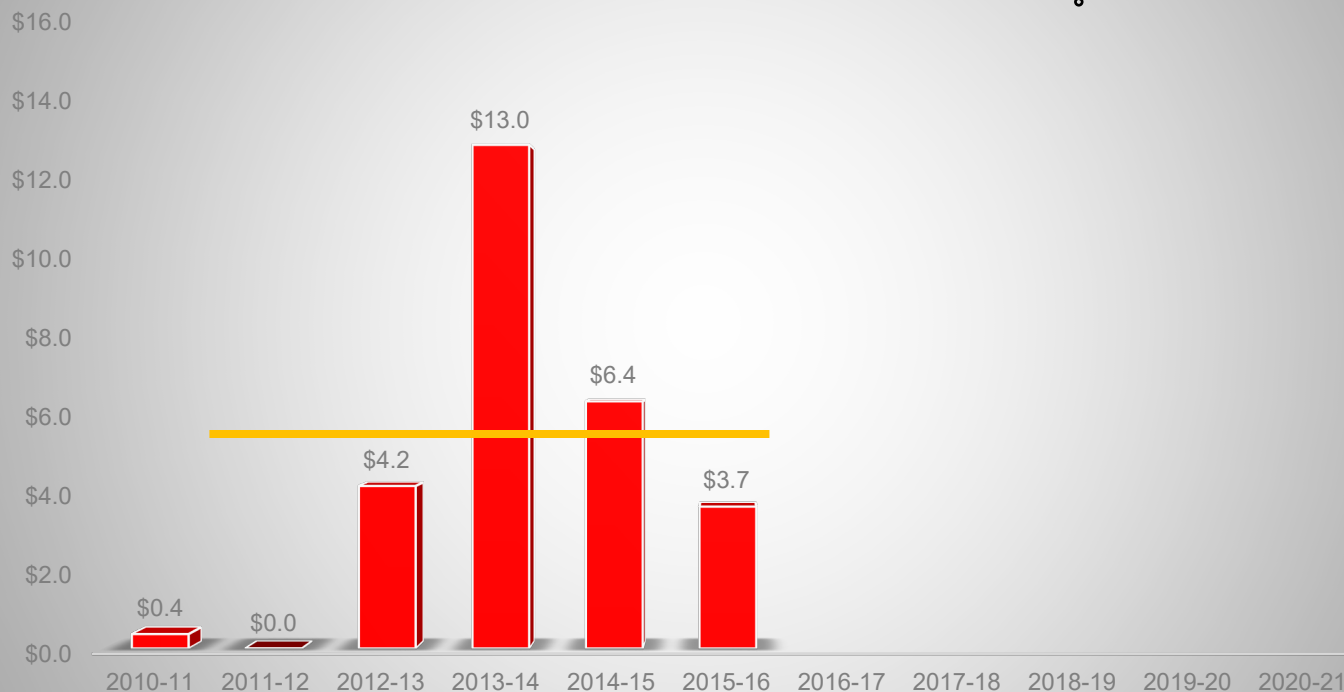


5-Yr Avg @ 2014-15 = \$4.8M

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Variability of Historical Ultimate Losses – You Be The Actuary!

What is the next ultimate??

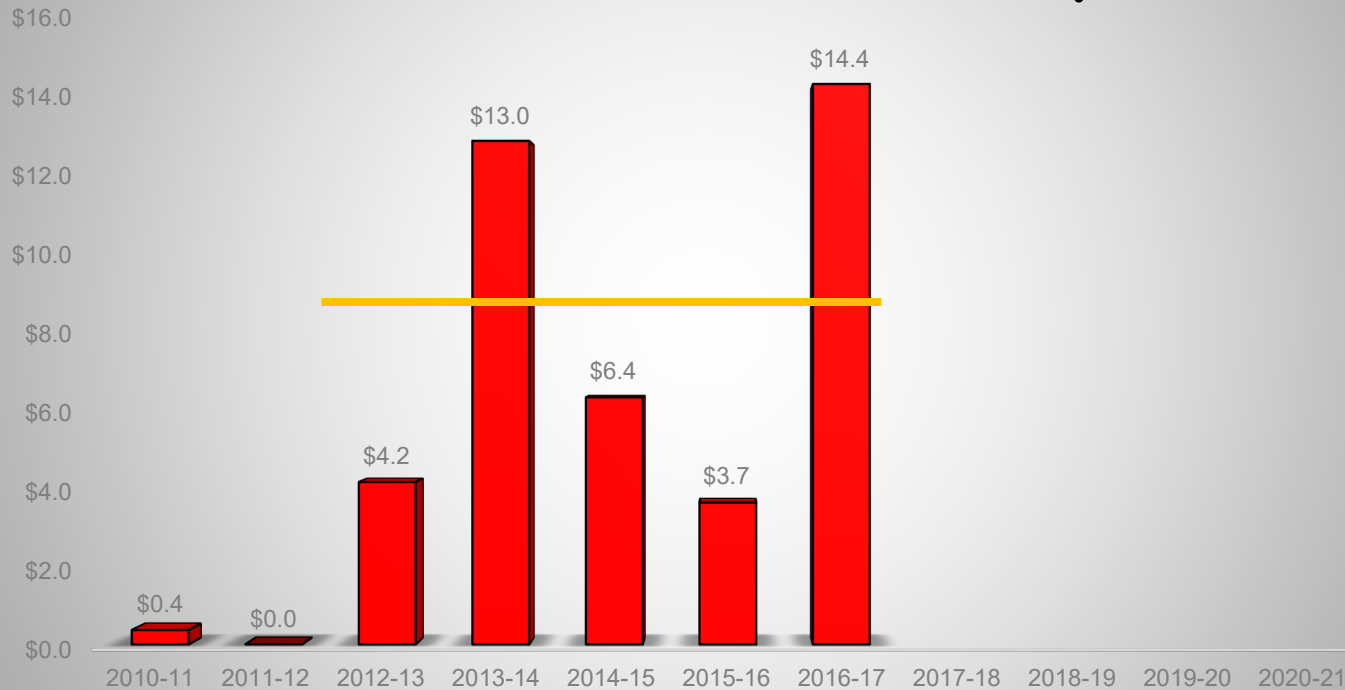


5-Yr Avg @ 2015-16 = \$5.4M

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Variability of Historical Ultimate Losses – You Be The Actuary!

What is the next ultimate??

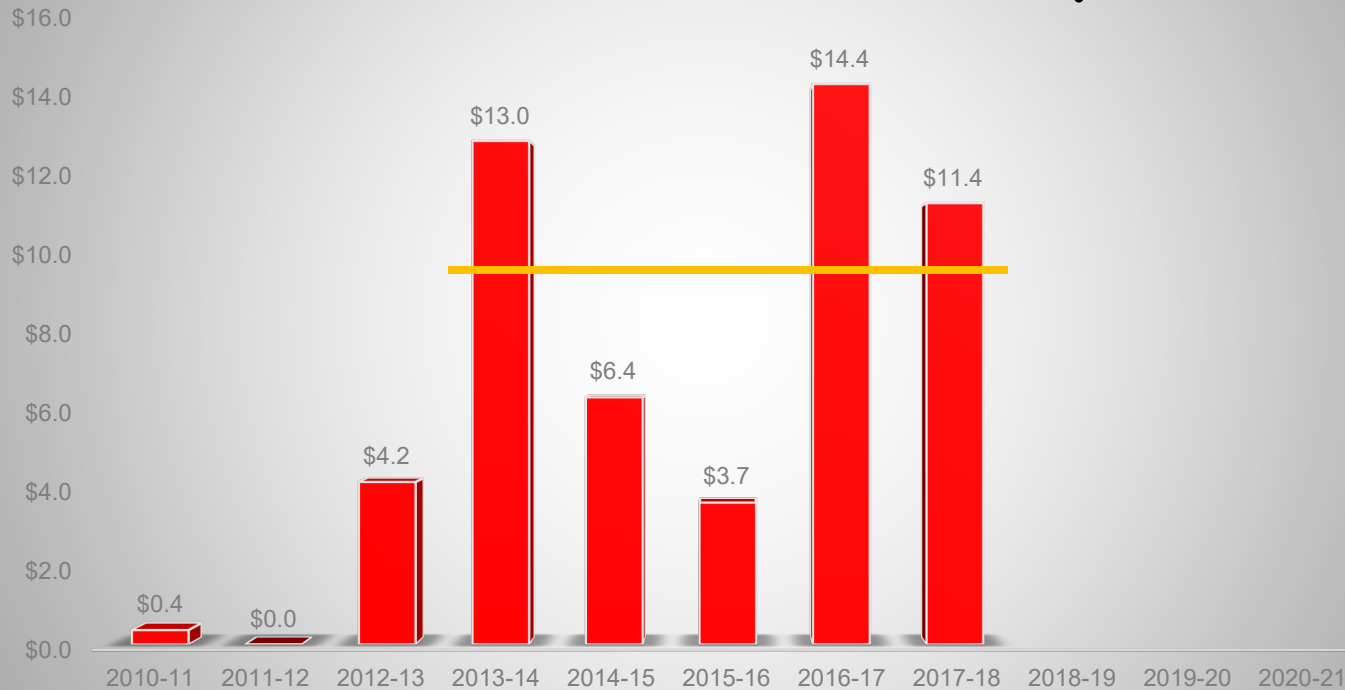


5-Yr Avg @ 2016-17 = \$8.3M

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Variability of Historical Ultimate Losses – You Be The Actuary!

What is the next ultimate??

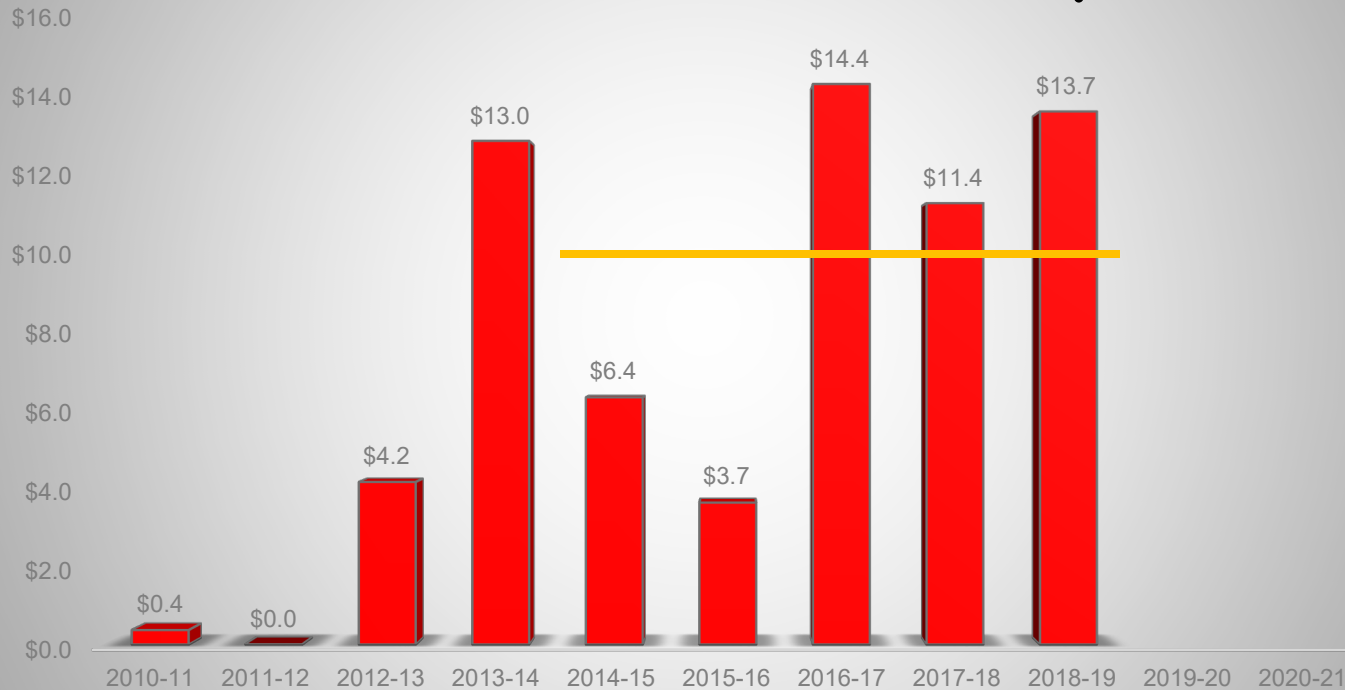


5-Yr Avg @ 2017-18 = \$9.8M

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Variability of Historical Ultimate Losses – You Be The Actuary!

What is the next ultimate??

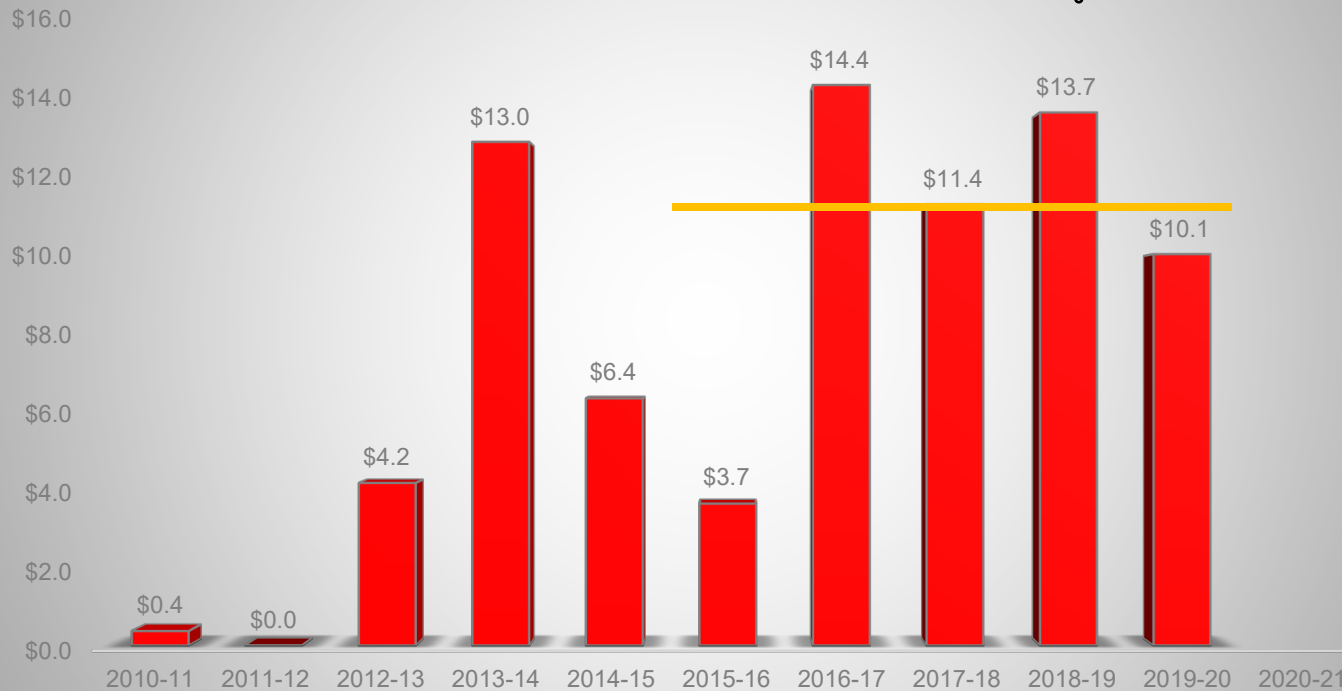


5-Yr Avg @ 2018-19 = \$9.9M

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Variability of Historical Ultimate Losses – You Be The Actuary!

What is the next ultimate??

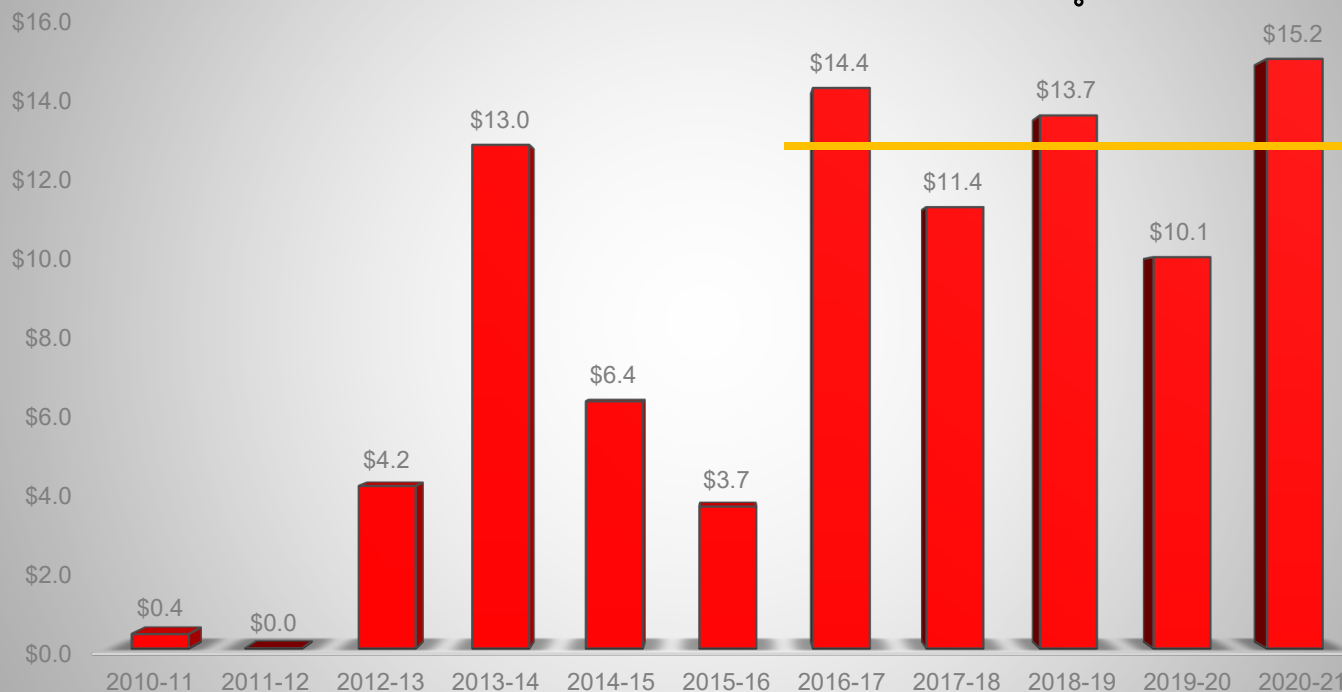


5-Yr Avg @ 2019-20 = \$10.7M

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Variability of Historical Ultimate Losses – You Be The Actuary!

What is the next ultimate??



New
Norma
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5-Yr Avg @ 2020-21 = \$13.0M

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Average Annual Change

- Five Year Average Ultimate Losses
 - 2014-15 = \$4.8M
 - 2020-21 = \$13.0M
- Average Annual Change +18%
- Not Gradual → New Normal
- **Theme of the Industry!**





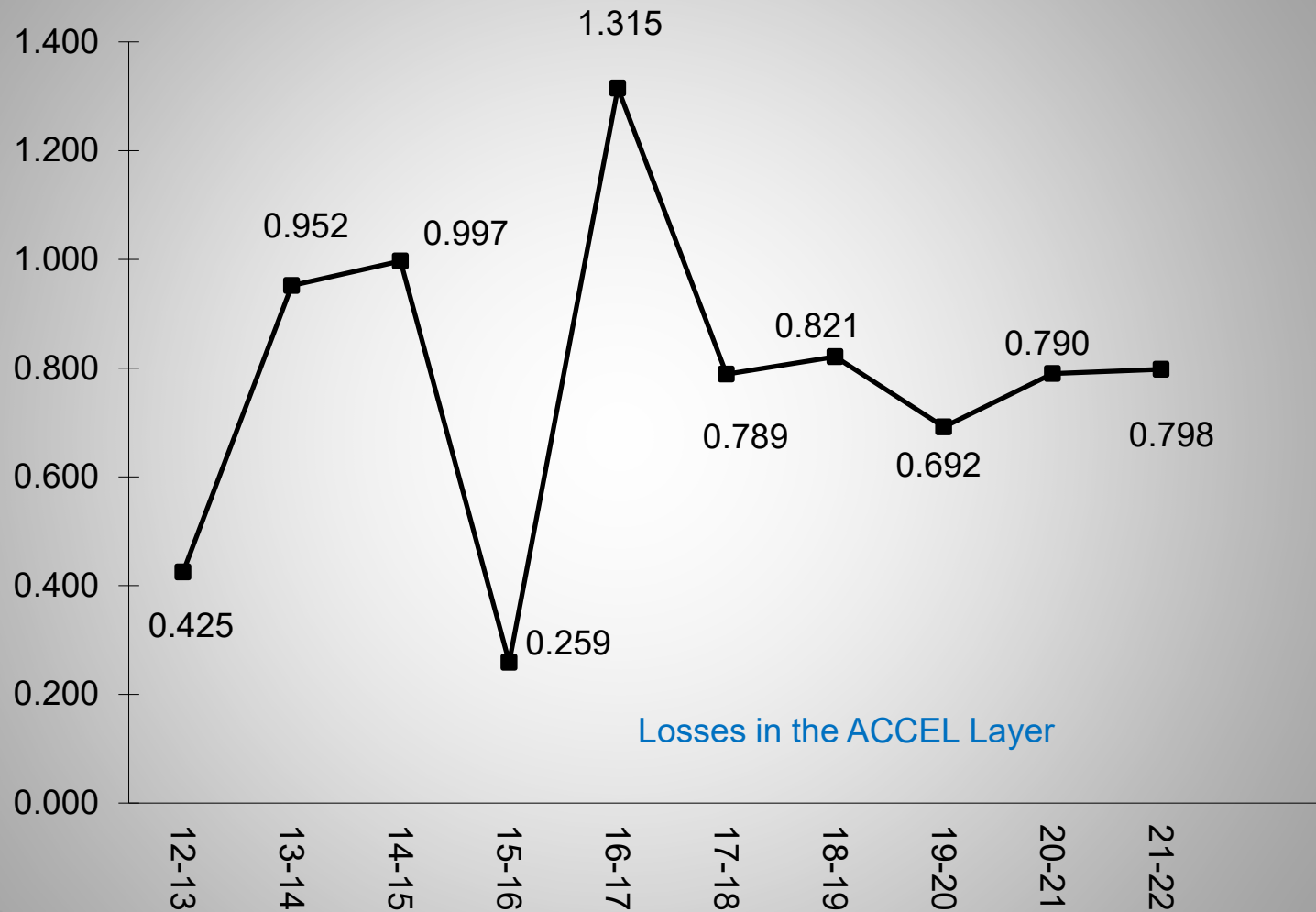
Rate Analysis



Looking
Ahead!

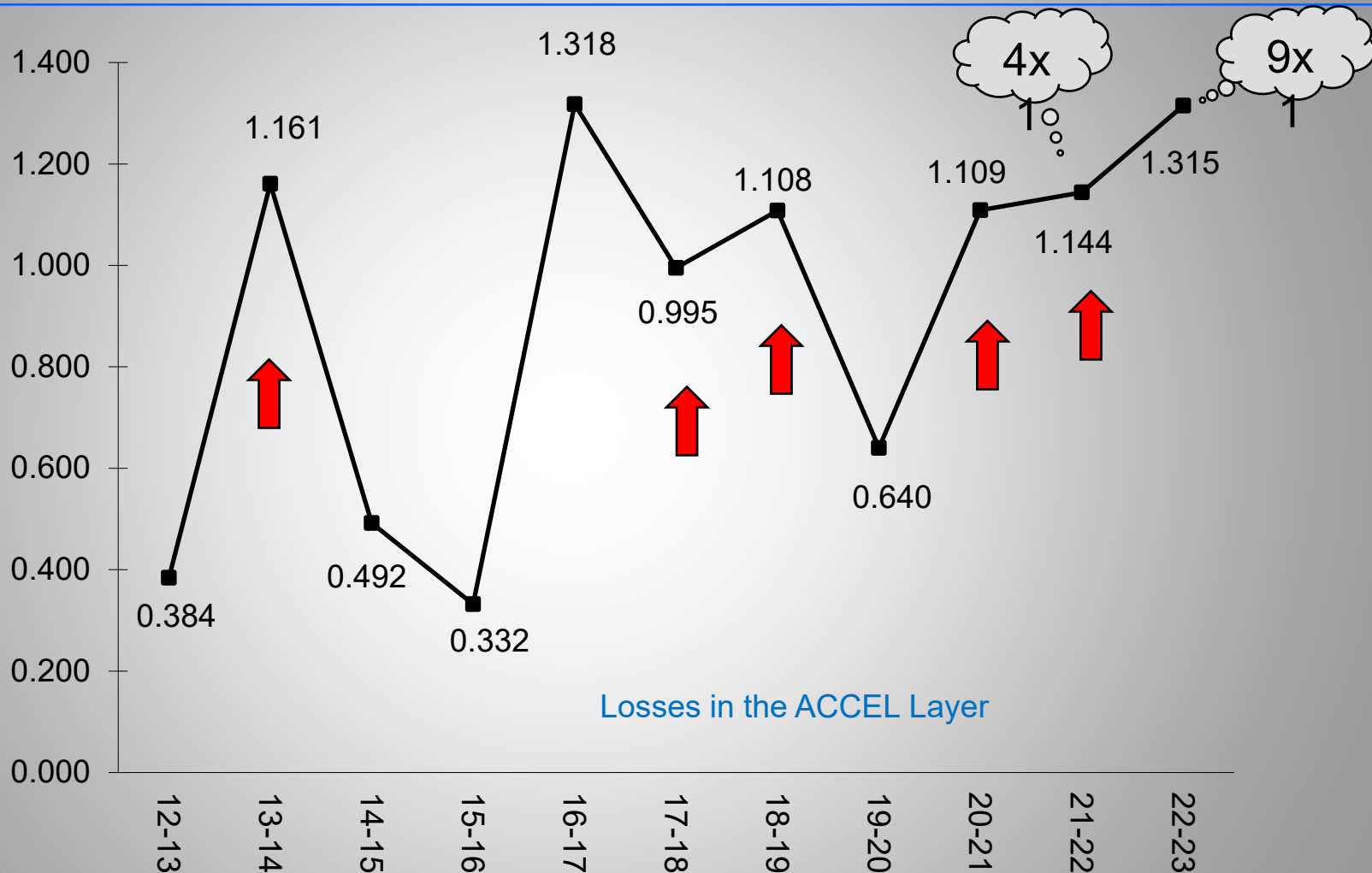
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Loss Rate – Cost per \$100 payroll (PRIOR)



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Loss Rate – Cost per \$100 payroll (CURRENT)



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Comparison of Undiscounted Base Loss Rates to Prior

Layer	Prior Report 2021-22	Current Report 2022-23	Percent Change
\$1M-2M	\$0.380	\$0.427	12.4%
\$1M-3M	\$0.608	\$0.688	13.2%
\$1M-4M	\$0.718	\$0.825	14.9%
\$1M-5M	\$0.798	\$0.938	17.5%
\$1M-\$10M	\$1.109	\$1.315	18.6%
\$5M-\$10M	\$0.311	\$0.377	21.4%
\$1M-\$15M	\$1.281	\$1.528	n/a
\$10M-\$15M	\$0.173	\$0.213	n/a

From Graphs →

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Discounted 2022-23 Funding Rates for Loss and ALAE

	Expected Undiscounted	2% Discount Factor	Expected Discounted	70%	Confidence Levels				
					75%	80%	85%	90%	
\$1M-2M	\$0.427	0.921	\$0.393	\$0.458	\$0.487	\$0.520	\$0.561	\$0.616	
\$1M-3M	0.688	0.921	0.634	0.739	0.785	0.839	0.905	0.993	
\$1M-4M	0.825	0.921	0.760	0.885	0.941	1.005	1.085	1.191	
\$1M-5M	0.938	0.921	0.864	1.007	1.070	1.143	1.234	1.354	
\$1M-\$10M	1.315	0.921	1.211	1.411	1.499	1.602	1.729	1.898	
\$5M-\$10M	0.377	0.921	0.347	0.404	0.430	0.459	0.496	0.544	
\$1M-\$15M	1.528	0.921	1.407	1.629	1.742	1.861	2.009	2.205	
\$10M-\$15M	0.213	0.921	0.196	0.228	0.243	0.259	0.280	0.307	

Selected Pool Rate
\$1.354 + \$0.430 = \$1.784

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Discounted 2022-23 Funding Amounts for Loss and ALAE

	Expected	75%	80%	85%	90%
\$1M-2M	\$5,599,000	\$6,938,000	\$7,408,000	\$7,992,000	\$8,775,000
\$1M-3M	9,032,000	11,183,000	11,952,000	12,892,000	14,146,000
\$1M-4M	10,827,000	13,405,000	14,317,000	15,457,000	16,967,000
\$1M-5M	12,308,000	15,243,000	16,283,000	17,579,000	19,289,000
\$1M-\$10M	17,252,000	21,355,000	22,822,000	24,631,000	27,039,000
\$5M-\$10M	4,943,000	6,126,000	6,539,000	7,066,000	7,750,000
\$1M-\$15M	20,044,000	24,816,000	26,512,000	28,620,000	31,412,000
\$10M-\$15M	2,792,000	3,462,000	3,690,000	3,989,000	4,373,000

Based upon estimated 2022-23 payroll of \$1,424,584,000

Loss Rates are multiplied
by Payroll to get Premiums

Premium Calculation



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Premium Setting Methodologies

- Pooled Rating
 - Member premiums not adjusted. Same rate for all.
- Retrospective Rating
 - Member premiums are adjusted after experience for each program year matures.
- Prospective Rating
 - Member premiums are adjusted before experience for each program year emerges.

(i.e.)

**Can Use a Combination of Methods
and Incorporate Different Deductibles**

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Premium Calculation

Basic Pooled premium calculation goes as follows:

- Single base rate calculated based on pool experience
- Expected Losses =
Total Payroll x Base Rate
- Add provision for claims administration, excess insurance, and other expenses



ACCEL Method!
Single Deductible of \$1,000,000
Retrospective Rating

Retrospective Rating



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Retro Rating – The Concept

First, a base rate is calculated based upon the experience of the entire pool, and used to determine the initial premium.

Several years after program year ends, a calculation is done for the year comparing premiums collected and claim costs incurred for each member, according to a pre-determined formula.

- If losses allocated to the member are greater than premiums paid in, then a refund is given.
- Conversely, if losses allocated to the member are less than premiums paid in, then an assessment is given.

The calculation is typically repeated over a multi-year period and tried up each year until a year is “closed”.

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ACCEL Rating Plan Calculation (RPC)

- Deposit Premium (DP) x Actuarial Rate x Member Payroll
- Rating Plan Calculation (RPC) is as follows:
 - Preliminary Contribution = 65% x Member % of Total Payroll + 35% x Member % of Excess Losses
 - Minimum Contribution is 2% of Pool Deposit
 - Maximum Contribution is 200% to 300% of Pool Deposit
 - Cap Allocated Losses at \$4M x \$1M
 - Any amount in the \$5M x \$5M layer allocated based upon Member % of Total Payroll
- IBNR allocated based upon Member % of Total Payroll
- ✓ Return/(Assessment) = DP – RPC – IBNR

Experience Rating



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Ex-Mods – The Concept

First, a base rate is calculated based upon the experience of the entire pool, and used to determine the initial premium.

Next, an X-Mod is calculated for each member, representing the relationship between the “experience” of the member and the “experience” of the pool.

- A factor greater than 1.00 indicates that the member’s expected loss rate is worse than the pool average.
- Conversely, a factor less than 1.00 indicates that the member’s expected loss rate is better than the pool.



**X-Mods Determine a
“Member Specific
Rate”**

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Premium Calculation

Basic X-Mod premium calculation goes as follows:

- Single base rate calculated based on pool experience
- Expected Losses =
Total Payroll \times Base Rate \times X-Mod
- Add provision for claims administration, excess insurance, and other expenses



**Member
Specific
Rate**

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Payroll and Losses by Member – \$100K - \$1M Incurred

<u>Member</u>	<u>Payroll</u> <u>(\$00's)</u>	<u>Incurred</u> <u>Losses</u>	<u>Incurred</u> <u>Loss Rate</u>	<u>Relativity</u> <u>Factor</u>
Anaheim	23,519,124	26,808,883	1.14	1.26
Bakersfield	10,594,542	7,323,775	0.69	0.76
Burbank	11,066,148	6,479,999	0.59	0.65
Modesto	8,154,619	10,223,025	1.25	1.38
Monterey	3,893,012	1,609,820	0.41	0.46
Mountain View	7,465,454	3,960,542	0.53	0.59
Ontario	9,447,154	14,306,498	1.51	1.67
Palo Alto	11,115,535	4,218,457	0.38	0.42
Salinas	2,273,505	1,541,003	0.68	0.75
Santa Barbara	9,537,653	5,190,079	0.54	0.60
Santa Cruz	6,292,681	7,593,947	1.21	1.33
Santa Monica	20,575,474	23,710,969	1.15	1.27
Visalia	4,655,234	3,552,612	0.76	0.84
Grand Total	128,590,137	116,519,610	0.91	1.00

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10 Years (2012-13 to 2021-22)

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Payroll and Losses by Member – \$1M - \$5M Incurred

<u>Member</u>	<u>Payroll</u> <u>(\$00's)</u>	<u>Incurred</u> <u>Losses</u>	<u>Incurred</u> <u>Loss Rate</u>	<u>Relativity</u> <u>Factor</u>
Anaheim	23,519,124	30,547,363	1.30	2.16
Bakersfield	10,594,542	7,696,440	0.73	1.21
Burbank	11,066,148	6,044,631	0.55	0.91
Modesto	8,154,619	7,400,000	0.91	1.51
Monterey	3,893,012	-	0.00	0.00
Mountain View	7,465,454	500,000	0.07	0.11
Ontario	9,447,154	2,900,000	0.31	0.51
Palo Alto	11,115,535	2,000,000	0.18	0.30
Salinas	2,273,505	1,031,389	0.45	0.76
Santa Barbara	9,537,653	266,761	0.03	0.05
Santa Cruz	6,292,681	5,241,710	0.83	1.39
Santa Monica	20,575,474	13,610,365	0.66	1.10
Visalia	4,655,234	-	0.00	0.00
Grand Total	128,590,137	77,238,659	0.60	1.00

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10 Years (2012-13 to 2021-22)

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Sample X-Mod Calculation

Excludes 2020-21 and
2021-22

Too Green!

	4-Year	8-Year	4-Year	8-Year	
	\$100K-\$1M	\$100K-\$1M	\$1M-\$5M	\$1M-\$5M	Weighted
Member	X-Mod	X-Mod	X-Mod	X-Mod	X-Mod
Anaheim	1.200	1.162	1.500	1.460	1.416
Bakersfield	0.815	0.873	0.757	1.054	0.923
Burbank	0.771	0.790	1.040	0.954	0.945
Modesto	0.918	1.143	0.899	0.898	0.925
Monterey	0.743	0.805	0.822	0.815	0.809
Mountain View	0.655	0.803	0.731	0.755	0.743
Ontario	1.388	1.396	0.856	0.843	0.956
Palo Alto	0.751	0.660	0.822	0.750	0.763
Salinas	1.060	1.034	0.994	1.004	1.009
Santa Barbara	0.745	0.688	0.693	0.691	0.697
Santa Cruz	1.305	1.024	1.265	1.060	1.142
Santa Monica	1.195	1.184	1.002	1.040	1.058
Visalia	0.867	0.943	0.800	0.797	0.820
Grand Total	1.000	1.000	1.000	1.000	1.000
Weights	10%	10%	30%	50%	

80% Weight to Pool Losses

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Sample X-Mod Premium Calculation

			Initial		Modified	
	Payroll	Pool	Pool	Final	Pool	X-Mod
<u>Member</u>	<u>(\$00's)</u>	<u>Rate</u>	<u>Premium</u>	<u>X-Mod</u>	<u>Premium</u>	<u>Impact</u>
Anaheim	2,467,740	1.784	4,402,448	1.416	6,234,573	1,832,125
Bakersfield	1,175,930	1.784	2,097,859	0.923	1,936,353	(161,507)
Burbank	1,187,910	1.784	2,119,231	0.945	2,002,642	(116,589)
Modesto	907,120	1.784	1,618,302	0.925	1,496,539	(121,763)
Monterey	378,570	1.784	675,369	0.809	546,442	(128,927)
Mountain View	853,960	1.784	1,523,465	0.743	1,131,616	(391,848)
Ontario	1,137,190	1.784	2,028,747	0.956	1,940,459	(88,288)
Palo Alto	1,231,250	1.784	2,196,550	0.763	1,675,913	(520,637)
Salinas	650,910	1.784	1,161,223	1.009	1,172,104	10,880
Santa Barbara	987,540	1.784	1,761,771	0.697	1,227,681	(534,090)
Santa Cruz	683,900	1.784	1,220,078	1.142	1,393,692	173,614
Santa Monica	2,062,190	1.784	3,678,947	1.058	3,893,885	214,938
Visalia	521,630	1.784	930,588	0.820	762,680	(167,908)
Grand Total	14,245,840		25,414,579		25,414,579	0

**Xmods Do Not Generate Additional
Premium
"Balanced Plan"**

Surcharge Rating



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Alternative Premium Calculation – Surcharges

An alternative to the X-Mod is an experience-based surcharge:

- Determine the Loss Ratio (LR) for each member
- Recommend 8 to 10 years
- $LR = \text{Actual Member Losses} / \text{Member Contributions}$
- Members with loss ratios over 100% have paid out more on claims than they have contributed in contributions

e.g.

Loss Ratio	Surcharge
101% - 120%	10%
121% - 140%	15%
141% - 160%	20%
161% - 180%	25%

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Sample Surcharge Premium Calculation

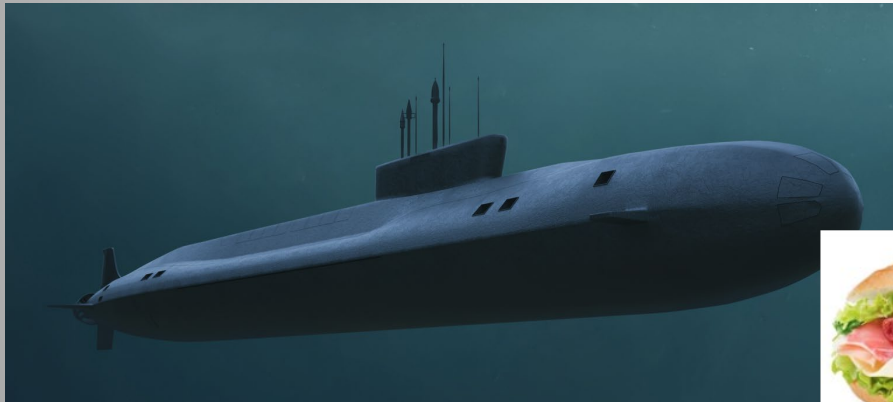
			Initial	10-Yr	Modified	
	Payroll	Pool	Pool	Loss Ratio	Pool	Surcharge
Member	(\$00's)	Rate	Premium	Surcharge	Premium	Impact
Anaheim	2,467,740	1.784	4,402,448	30%	5,723,182	1,320,734
Bakersfield	1,175,930	1.784	2,097,859	0%	2,097,859	0
Burbank	1,187,910	1.784	2,119,231	0%	2,119,231	0
Modesto	907,120	1.784	1,618,302	20%	1,941,962	323,660
Monterey	378,570	1.784	675,369	0%	675,369	0
Mountain View	853,960	1.784	1,523,465	0%	1,523,465	0
Ontario	1,137,190	1.784	2,028,747	0%	2,028,747	0
Palo Alto	1,231,250	1.784	2,196,550	0%	2,196,550	0
Salinas	650,910	1.784	1,161,223	0%	1,161,223	0
Santa Barbara	987,540	1.784	1,761,771	0%	1,761,771	0
Santa Cruz	683,900	1.784	1,220,078	20%	1,464,094	244,016
Santa Monica	2,062,190	1.784	3,678,947	20%	4,414,736	735,789
Visalia	521,630	1.784	930,588	0%	930,588	0
Grand Total	14,245,840		25,414,579		28,038,778	2,624,200

Surcharges Do Generate Additional Premium

"Unbalanced Plan"

Bickmore

Sub-Pool Rating



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Alternative Premium Calculation – Multiple Pools

You can account for subsets of the Pool as Sub-Pools:

- Separate members into pools based on:
 - Member size
 - Loss experience
- Separate coverage layers into different pools and members may participate in some layers, but not others (i.e. different deductibles) – **Next Section!**
- Only makes a difference if sub-pool experience is taken into account (i.e. member specific rates, or x-mods)

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Discounted 2022-23 Funding Rates for Loss and ALAE - Current

	Expected Undiscounted	2% Discount Factor	Expected Discounted	70%	Confidence Levels				
					75%	80%	85%	90%	
\$1M-3M	0.688	0.921	0.634	0.739	0.785	0.839	0.905	\$0.993	
\$3M-5M	0.250	0.921	0.230	0.268	0.285	0.304	0.329	0.361	
\$5M-\$10M	0.377	0.921	0.347	0.404	0.430	0.459	0.496	0.544	

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Discounted 2022-23 Funding Rates for Loss and ALAE – Size Based

<u>Layer</u>	<u>Current</u>	<u>Option 1</u>		<u>Option 2</u>	
		<u>A</u>	<u>B</u>	<u>A</u>	<u>B</u>
\$1M-3M	\$0.993	1.245	0.876	1.079	0.879
\$3M-5M	0.361	0.452	0.318	0.392	0.320
		+25%	-12%	+9%	-11%
\$5M-\$10M	0.430	0.430	0.430	0.430	0.430
Total	\$1.784	\$2.127	\$1.624	\$1.901	\$1.629
		+19%	-9%	+7%	-9%

Option 1
 Pool A Anaheim, Santa Monica
 Pool B All Others

Option 2
 Palo Alto
 Pool A Anaheim, Santa Monica, Bakersfield, Burbank,
 Pool B All Others

ACCEL Discounted 2022-23 Funding Rates for Loss and ALAE – Experience Based

<u>Layer</u>	<u>Current</u>	<u>Option 3</u>		<u>Option 4</u>	
		<u>A</u>	<u>B</u>	<u>A</u>	<u>B</u>
\$1M-3M	\$0.993	1.230	0.856	1.166	0.836
\$3M-5M	0.361	0.447	0.311	0.424	0.304
		+24%	-14%	+17%	-16%
\$5M-\$10M	0.430	0.430	0.430	0.430	0.430
Total	\$1.784	\$2.107	\$1.597	\$2.02	\$1.570
		+18%	-10%	+13%	-12%

Option 3 Pool A Anaheim, Santa Monica, Santa Cruz
 Pool B All Others

Option 4 Pool A Anaheim, Santa Monica, Santa Cruz, Modesto,
 Salinas Pool B All Others

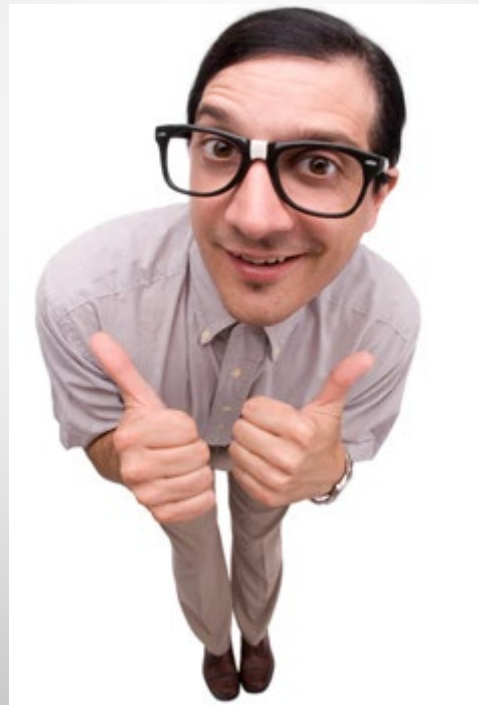
ACCEL

Sample Premium Calculation – Option 1

		Pool	Initial	Sub-Pool	Modified	
	Payroll	Base	Pool	Base	Pool	
Member	(\$00's)	Rate	Premium	Rate	Premium	Impact
Anaheim	2,467,740	1.784	4,402,448	2.127	5,248,824	846,376
Bakersfield	1,175,930	1.784	2,097,859	1.624	1,909,818	(188,041)
Burbank	1,187,910	1.784	2,119,231	1.624	1,929,275	(189,957)
Modesto	907,120	1.784	1,618,302	1.624	1,473,246	(145,056)
Monterey	378,570	1.784	675,369	1.624	614,832	(60,536)
Mountain View	853,960	1.784	1,523,465	1.624	1,386,909	(136,555)
Ontario	1,137,190	1.784	2,028,747	1.624	1,846,901	(181,846)
Palo Alto	1,231,250	1.784	2,196,550	1.624	1,999,663	(196,887)
Salinas	650,910	1.784	1,161,223	1.624	1,057,138	(104,086)
Santa Barbara	987,540	1.784	1,761,771	1.624	1,603,856	(157,916)
Santa Cruz	683,900	1.784	1,220,078	1.624	1,110,716	(109,361)
Santa Monica	2,062,190	1.784	3,678,947	2.127	4,386,229	707,282
Visalia	521,630	1.784	930,588	1.624	847,175	(83,413)
Grand Total	14,245,840		25,414,579		25,414,579	0

Overall Premium Remains The Same

Deductible Rating



ACCEL

Alternative Premium Calculation – Varying The Deductible

You can use deductibles, or more correctly self-insured retentions (SIRs) to change the layers of losses covered by the pool:

- Raise all members to a single higher deductible:
 - Current Level = \$1,000,000 for all members
 - Raise all members to \$2M, \$3M, etc.
- Raise selected members to higher deductibles:
 - Based upon pool loss experience
 - Rather than trading dollars through the pool, the member retains more of each loss

ACCEL

Premium Calculation

Basic Deductible premium calculation goes as follows:

- Single base rate calculated based on pool experience
- Expected Losses =
Total Payroll x Base Rate x **Ded Factor**
- Add provision for claims administration, excess insurance, and other expenses

ACCEL

Large City Retentions

<u>City</u>	<u>Self-Insured-Retention</u>
City 1	3,000,000
City 2	Unlimited
City 3	5,000,000
City 4	7,500,000
City 5	2,000,000
...	
Anaheim	1,000,000
Santa Monica	1,000,000

Largest 10 California Cities (by Revenue) (excluding LA and SF)

ACCEL Discounted 2022-23 Funding Rates for Loss and ALAE – Deductible Options

<u>Layer</u>	<u>Current</u>	<u>Option 5</u>		<u>Option 6</u>		
		<u>A</u>	<u>B</u>	<u>A</u>	<u>B</u>	<u>C</u>
\$1M-3M	\$0.993	n/a	\$0.870	n/a	n/a	\$0.870
\$3M-5M	0.361	0.428	0.316	n/a	0.364	0.316
		+19%	-12%	-	+1%	-12%
\$5M-\$10M	0.430	0.430	0.430	0.430	0.430	0.430
Total	\$1.784	\$0.858	\$1.616	\$0.430	\$0.794	\$1.616
		-52%	-9%	-76%	-55%	-9%



Option 5
\$3,000,000

Pool A

Anaheim, Bakersfield, Santa Monica at

Pool B

All Others at \$1,000,000

Option 6

Pool A

Anaheim at \$5,000,000

Pool B

Bakersfield, Santa Monica at \$3,000,000

Pool C

All Others at \$1,000,000

ACCEL

Sample Premium Calculation – Option 5

		Pool	Initial	Sub-Pool	Modified	
	Payroll	Base	Pool	Base	Pool	
Member	(\$00's)	Rate	Premium	Rate	Premium	Impact
Anaheim	2,467,740	1.784	4,402,448	0.858	2,117,000	(2,285,448)
Bakersfield	1,175,930	1.784	2,097,859	0.858	1,008,795	(1,089,064)
Burbank	1,187,910	1.784	2,119,231	1.616	1,920,169	(199,062)
Modesto	907,120	1.784	1,618,302	1.616	1,466,293	(152,009)
Monterey	378,570	1.784	675,369	1.616	611,931	(63,438)
Mountain View	853,960	1.784	1,523,465	1.616	1,380,363	(143,101)
Ontario	1,137,190	1.784	2,028,747	1.616	1,838,184	(190,563)
Palo Alto	1,231,250	1.784	2,196,550	1.616	1,990,225	(206,325)
Salinas	650,910	1.784	1,161,223	1.616	1,052,148	(109,075)
Santa Barbara	987,540	1.784	1,761,771	1.616	1,596,286	(165,486)
Santa Cruz	683,900	1.784	1,220,078	1.616	1,105,474	(114,604)
Santa Monica	2,062,190	1.784	3,678,947	0.858	1,769,091	(1,909,856)
Visalia	521,630	1.784	930,588	1.616	843,176	(87,411)
Grand Total	14,245,840		25,414,579		18,699,134	(6,715,000)

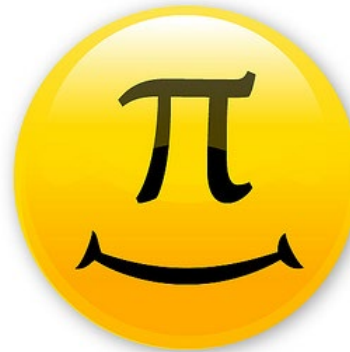
Overall Premium Decreases!

ACCEL

Questions

Ask an Actuary !

Call 1-800-[(10x)²-2x+34]



Have an
Irrational Day
3.14



Claims - Total Incurred (BOLD = RESERVE) - Capped at \$4M per Claim															TOTAL		
	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-2014	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	14 Year Claims	10 Year Claims	5 Year Claims
Anaheim	\$ -	\$ 857,008	\$ 1	\$ -	\$ 2,274	\$ 2,428,410	\$ 3,025,672	\$ 2,930,000	\$ 1,363,395	\$ 2,919,638	\$ 2,818,837	\$ 7,617,077	\$ 3,444,331		\$ 27,406,643	\$ 26,549,634	\$ 16,799,883
Bakersfield	\$ 2,500,000	\$ 1,341,307	\$ 1	\$ -	\$ -	\$ -	\$ 4,000,000	\$ 2,750,000			\$ 946,440				\$ 11,537,748	\$ 7,696,440	\$ 946,440
Burbank	\$ -	\$ 4,463,701	\$ 1	\$ -	\$ -	\$ 1,641,201				\$ 1,203,430		\$ 3,200,000			\$ 10,508,333	\$ 6,044,631	\$ 4,403,430
Modesto			\$ 1	\$ 375,159	\$ -	\$ -		\$ 700,000	\$ 700,000	\$ 2,000,000				\$ 4,000,000	\$ 7,775,160	\$ 7,400,000	\$ 6,000,000
Monterey			\$ 1	\$ -	\$ -	\$ -									\$ 1	\$ -	\$ -
Mountain View	\$ -	\$ -	\$ 1	\$ -	\$ -	\$ -	\$ 500,000								\$ 500,001	\$ 500,000	\$ -
Ontario	\$ 1,748,019		\$ 1	\$ -	\$ -	\$ -			\$ 900,000	\$ 2,000,000					\$ 4,648,020	\$ 2,900,000	\$ 2,000,000
Palo Alto			\$ 1	\$ -	\$ -	\$ -					\$ 2,000,000				\$ 2,000,001	\$ 2,000,000	\$ 2,000,000
Salinas												\$ 1,031,389			\$ 1,031,389	\$ 1,031,389	\$ 1,031,389
Santa Barbara			\$ 1	\$ -	\$ -	\$ -			\$ 213,056	\$ 22,966	\$ 32,264				\$ 268,287	\$ 268,286	\$ 55,230
Santa Cruz			\$ 1	\$ -	\$ -	\$ -				\$ 741,710	\$ 4,500,000				\$ 5,241,711	\$ 5,241,710	\$ 5,241,710
Santa Monica	\$ 583,936		\$ 1	\$ -	\$ -	\$ 137,133	\$ 5,937,394	\$ 4,071,071		\$ 4,531,443		\$ 504,397	\$ 2,500,000		\$ 18,265,374	\$ 17,681,437	\$ 7,535,840
Visalia			\$ 1	\$ -	\$ -	\$ 1,863,393									\$ 1,863,394	\$ 1,863,393	\$ -
TOTAL	\$ 4,831,955.00	\$ 6,662,016.49	\$ 12.00	\$ 375,159.00	\$ 2,274.00	\$ 6,070,136.65	\$ 13,463,066	\$ 10,451,071	\$ 3,176,451	\$ 13,419,187	\$ 10,297,542	\$ 12,352,863	\$ 5,944,331	\$ 4,000,000	\$ 91,046,063	\$ 79,176,921	\$ 46,013,923

Deposits															TOTAL		
Deposits	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-2014	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	14 Year Deposit	10 Year Deposit	5 Year Deposit
Anaheim	\$ 1,005,189	\$ 1,019,718	\$ 1,151,925	\$ 1,269,562	\$ 1,182,713	\$ 1,120,987	\$ 1,116,116	\$ 1,192,665	\$ 1,221,612	\$ 1,161,774	\$ 1,329,394	\$ 1,481,463	\$ 1,707,796	\$ 2,438,683	\$ 18,399,597	\$ 13,953,203	\$ 8,119,110
Bakersfield	\$ 462,621	\$ 488,803	\$ 494,649	\$ 538,163	\$ 509,015	\$ 521,672	\$ 841,028	\$ 2,632,987	\$ 478,585	\$ 528,844	\$ 543,415	\$ 617,875	\$ 710,077	\$ 1,031,732	\$ 10,399,466	\$ 8,415,230	\$ 3,431,943
Burbank	\$ 475,020	\$ 537,877	\$ 592,417	\$ 673,628	\$ 703,382	\$ 625,774	\$ 610,588	\$ 545,289	\$ 498,909	\$ 541,399	\$ 575,988	\$ 657,056	\$ 739,000	\$ 1,055,680	\$ 8,832,007	\$ 6,553,065	\$ 3,569,123
Modesto	\$ 420,535	\$ 440,639	\$ 438,181	\$ 485,800	\$ 428,095	\$ 416,870	\$ 408,873	\$ 371,666	\$ 338,158	\$ 390,041	\$ 424,735	\$ 498,863	\$ 587,974	\$ 830,674	\$ 6,481,104	\$ 4,695,949	\$ 2,732,287
Monterey	\$ 158,072	\$ 179,445	\$ 195,535	\$ 229,351	\$ 214,633	\$ 207,011	\$ 204,192	\$ 186,494	\$ 174,578	\$ 191,588	\$ 205,185	\$ 247,128	\$ 287,048	\$ 404,013	\$ 3,084,273	\$ 2,321,870	\$ 1,334,962
Mountain View	\$ 290,555	\$ 305,123	\$ 339,531	\$ 385,814	\$ 363,501	\$ 353,331	\$ 352,937	\$ 326,062	\$ 313,649	\$ 350,602	\$ 390,047	\$ 451,463	\$ 546,257	\$ 776,354	\$ 5,545,226	\$ 4,224,203	\$ 2,514,723
Ontario	\$ 420,321	\$ 435,647	\$ 462,235	\$ 510,268	\$ 473,885	\$ 478,021	\$ 409,531	\$ 413,807	\$ 472,903	\$ 977,734	\$ 422,794	\$ 472,903	\$ 587,146	\$ 1,071,041	\$ 7,851,666	\$ 6,023,195	\$ 3,270,217
Palo Alto	\$ 479,691	\$ 507,870	\$ 529,664	\$ 610,569	\$ 572,773	\$ 594,674	\$ 519,759	\$ 513,450	\$ 505,665	\$ 502,586	\$ 552,961	\$ 688,200	\$ 821,104	\$ 1,161,964	\$ 8,560,930	\$ 6,433,136	\$ 3,726,815
Salinas												\$ 170,119	\$ 437,990	\$ 595,428	\$ 1,203,537	\$ 1,203,537	\$ 1,203,537
Santa Barbara	\$ 398,962	\$ 435,284	\$ 476,791	\$ 515,208	\$ 477,859	\$ 470,745	\$ 489,024	\$ 454,148	\$ 430,165	\$ 475,874	\$ 519,277	\$ 584,548	\$ 670,556	\$ 934,553	\$ 7,332,994	\$ 5,506,749	\$ 3,184,808
Santa Cruz	\$ 256,987	\$ 254,315	\$ 290,261	\$ 308,836	\$ 292,182	\$ 292,318	\$ 294,665	\$ 280,583	\$ 275,370	\$ 310,872	\$ 339,094	\$ 389,711	\$ 454,186	\$ 642,237	\$ 4,681,617	\$ 3,571,218	\$ 2,136,100
Santa Monica	\$ 751,506	\$ 810,661	\$ 897,688	\$ 1,017,744	\$ 989,105	\$ 1,056,945	\$ 1,036,179	\$ 953,035	\$ 903,839	\$ 1,027,801	\$ 1,118,775	\$ 1,284,209	\$ 1,528,673	\$ 2,121,838	\$ 15,497,998	\$ 12,020,399	\$ 7,081,296
Visalia	\$ 153,869	\$ 170,115	\$ 186,420	\$ 207,540	\$ 195,889	\$ 196,821	\$ 205,251	\$ 342,709	\$ 202,066	\$ 233,042	\$ 252,088	\$ 287,295	\$ 342,334	\$ 488,879	\$ 3,464,618	\$ 2,746,374	\$ 1,603,638
TOTAL	\$ 5,273,328	\$ 5,585,497	\$ 6,055,297	\$ 6,752,483	\$ 6,403,032	\$ 6,335,169	\$ 6,488,143	\$ 8,212,895	\$ 6,320,330	\$ 6,137,217	\$ 6,723,862	\$ 7,945,076	\$ 9,549,328	\$ 13,553,076	\$ 101,334,732	\$ 77,668,127	\$ 43,908,559

Loss Ratio															TOTAL		
Loss Ratio	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-2014	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	14 Year Loss Ratio	10 Year Loss Ratio	5 Year Loss Ratio
Anaheim	0%	84%	0%	0%	0%	217%	271%	246%	112%	251%	212%	514%	202%	0%	149%	190%	207%
Bakersfield	540%	274%	0%	0%	0%	0%	476%	104%	0%	0%	174%	0%	0%	0%	111%	91%	28%
Burbank	0%	830%	0%	0%	0%	262%	0%	0%	222%	0%	487%	0%	0%	0%	119%	92%	123%
Modesto	0%	0%	0%	77%	0%	0%	0%	188%	207%	513%	0%	0%	0%	482%	120%	158%	220%
Monterey	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Mountain View	0%	0%	0%	0%	0%	142%	0%	0%	0%	0%	0%	0%	0%	0%	9%	12%	0%
Ontario	416%	0%	0%	0%	0%	0%	0%	0%	92%	473%	0%	0%	0%	0%	59%	48%	61%
Palo Alto	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	362%	0%	0%	0%	23%	31%	54%
Salinas												606%	0%	0%	86%	86%	86%
Santa Barbara	0%	0%	0%	0%	0%	0%	0%	0%	50%	5%	6%	0%	0%	0%	4%	5%	2%
Santa Cruz	0%	0%	0%	0%	0%	0%	0%	0%	0%	239%	1327%	0%	0%	0%	112%	147%	245%
Santa Monica	78%	0%	0%	0%	0%	13%	573%	427%	0%	441%	0%	39%	164%	0%	118%	147%	106%
Visalia	0%	0%	0%	0%	0%	947%	0%	0%	0%	0%	0%	0%	0%	0%	54%	68%	0%

	14 Year Loss Ratio	10 Year Loss Ratio	5 Year Loss Ratio
Anaheim	149%	190%	207%
Bakersfield	111%	91%	28%
Burbank	119%	92%	123%
Modesto	120%	158%	220%
Monterey	0%	0%	0%
Mountain View	9%	12%	0%
Ontario	59%	48%	61%
Palo Alto	23%	31%	54%
Salinas	86%	86%	86%
Santa Barbara	4%	5%	2%
Santa Cruz	112%	147%	245%
Santa Monica	118%	147%	106%
Visalia	54%	68%	0%

vs. Current Deposit	
10 Year	5 Year
78%	98%
41%	10%
35%	51%
57%	93%
0%	0%
4%	0%
19%	26%
12%	24%
12%	23%
2%	1%
55%	109%
66%	56%
24%	0%

**CALIFORNIA JOINT POWERS
RISK MANAGEMENT AUTHORITY**

AGENDA BILL

ITEM: 11	TITLE: APPROVAL OF ANNUAL REVIEW OF MEMBERS LOSS HISTORY AND SURCHARGES
MEETING: 08/18/2022	
GENERAL MANAGER: A.B.G .	

Recommended Actions

The general manager recommends the Board of Directors approve the Annual Review of Members Loss History and Surcharges for Program Year 2023/24.

Strategic Direction

Strategic Goal #3, “100% Member Retention;” Strategic Goal #5, “Evaluate Premium Allocation;” Strategic Goal #6, “Evaluate Options to Increase Pool Equity”

Item Explanation

Board of Directors Policy B25 (Annual Review of Members Loss History) requires an annual review of member loss history that utilizes an eight-year period ending June 30 of the current year. The policy evaluates all members and compares total contributions for the eight-year window and total CJPRMA incurred losses. If a member has a loss ratio that exceeds 100%, the member will be subject to a surcharge in the following program year. Surcharges will be applied according to the table below.

Loss Ratio	Surcharge
101-120%	10%
121-140%	15%
141-160%	20%
161-180%	25%
181+%	30%

The single highest loss in the eight-year period is excluded from the calculation of the loss ratio, and A \$2.5 million cap is applied to all losses. The Member Loss Experience Rating 10 Year Rolling Average for PY 08/09 – 17/18 is attached to this agenda bill. (Exhibit 1)

Using the policy methodology, five members will be subject to surcharges in 2023/24.

Member	Loss Ratio with \$2.5M Cap	Surcharge
Alameda	175%	25%
NCCSIF	141%	20%
Redding	128%	15%
Richmond	102%	10%
Stockton	206%	30%

The policy contains the following language:

If a member is at the highest loss ratio tier (181+%) for consecutive years, the following shall apply:

- *Second year at highest tier: Surcharge increase from 30% to 35%.*

This is the second year in a row that Stockton has been at the highest tier, so Stockton’s surcharge in program year 2023/24 will be 35%.

The policy also contains this provision:

- *A member can choose to increase its SIR to the next highest retention and will only be responsible for 50% of the surcharge.*
- *A member can choose to increase its SIR two levels and avoid the surcharge completely.*

If any of the members subject to the surcharge choose to increase their SIR, they will be able to reduce their surcharge for program year 2023/24.

Staff recommends that the Board of Directors approve the review of member loss history and the surcharges for program year 2023/24.

Fiscal Impact

The estimated total cost of surcharges to the affected members is \$1.4 million - \$2.8 million. The low end of the estimate is based on all members increasing their retention one level to get a 50 percent reduction of the surcharge. The high end of the estimate is based on no members increasing retention. The real impact will be determined by the actual cost of contributions and reinsurance premium next program year.

Exhibits

1. Member Loss History PY 14/15 – 21/22



Wednesday, October 5, 2022

Authority for California Cities Excess Liability
c/o Alliant Insurance Services
Attn: Conor Boughey, Pool Administrator
560 Mission Street, 6th Floor
San Francisco, California 94105

Re: Experience Modification Plan for the Self-Insured Excess Liability Program

Dear Mr. Boughey:

As you requested, we have prepared an experience modification plan for the self-insured excess liability program for ACCEL (the Pool). The factors included in this report are derived based upon data provided by the Pool, including historical payrolls and incurred losses valued as of June 30, 2022. The attached exhibits detail the calculations.

The experience modification factor (x-mod) for each member represents the relationship between the experience of the member and the experience of the pool as a whole. Generally, a factor greater than 1.00 indicates that the members expected loss rate is worse than the pool average. Conversely, a factor less than 1.00 indicates that the members expected loss rate is better than the pool average.

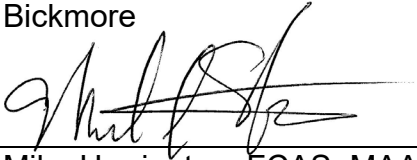
Experience modification factor calculations typically involve the capping of loss experience. Capping losses reduces the impact of single large fortuitous losses, and makes the plan more sensitive to the frequency of claims, a measure that is typically easier for the member to control. Increasing the cap introduces more volatility in the factors from year to year, but encourages the members to contain losses to the extent possible. Given that this is an excess liability program, we have not capped the losses in the calculation since the layers involved are inherently volatile. We have used losses capped at two levels (1) \$100,000 to \$1,000,000, the underlying layer, and (2) \$1,000,000 to \$5,000,000, the pool layer per occurrence. We give 20% weight to the underlying layer losses and 80% weight to the pool layer losses.

The calculation of the x-mod is based upon a combination of (1) four years (2016-17 to 2019-20) and (2) eight years (2012-13 to 2019-20) of incurred loss experience. The payroll and capped losses are summed by member, and the losses are divided by payroll to calculate a raw loss rate by member. A weight is assigned to each member's raw loss rate. The largest member (Anaheim) receives a 75% weight for the \$100,000 to \$1,000,000 losses and a 50% weight for the \$1,000,000 to \$5,000,000 losses, while all other members receive a scaled weight based upon their size relative to the largest member. We assign the remaining weight to the Pool loss rate and calculate an initial x-mod. Then we balance the plan with an off-balance factor to ensure that the plan is revenue neutral.

As always, it has been a pleasure working with you on this project. Please feel free to call Mike Harrington at (916) 244-1162 with any questions you may have about this report.

Sincerely,

Bickmore

A handwritten signature in black ink, appearing to read "Mike Harrington", written over a horizontal line.

Mike Harrington, FCAS, MAAA
President, Actuarial Consulting, Bickmore
Fellow, Casualty Actuarial Society
Member, American Academy of Actuaries

Authority for California Cities Excess Liability

Excess General Liability Program

Calculation of Proposed X-Mod

Department (A)	2022-23 Payrolls (00) (B)	4-Year	8-Year	4-Year	8-Year	Selected Ex-Mod (G)
		\$100K-\$1M	\$100K-\$1M	\$1M-\$5M	\$1M-\$5M	
		Ex-Mod (C)	Ex-Mod (D)	Ex-Mod (E)	Ex-Mod (F)	
Anaheim	2,467,740	1.200	1.162	1.500	1.460	1.416
Bakersfield	1,175,930	0.815	0.873	0.757	1.054	0.923
Burbank	1,187,910	0.771	0.790	1.040	0.954	0.945
Modesto	907,120	0.918	1.143	0.899	0.898	0.925
Monterey	378,570	0.743	0.805	0.822	0.815	0.809
Mountain View	853,960	0.655	0.803	0.731	0.755	0.743
Ontario	1,137,190	1.388	1.396	0.856	0.843	0.956
Palo Alto	1,231,250	0.751	0.660	0.822	0.750	0.763
Salinas	650,910	1.060	1.034	0.994	1.004	1.009
Santa Barbara	987,540	0.745	0.688	0.693	0.691	0.697
Santa Cruz	683,900	1.305	1.024	1.265	1.060	1.142
Santa Monica	2,062,190	1.195	1.184	1.002	1.040	1.058
Visalia	521,630	0.867	0.943	0.800	0.797	0.820
Total	14,245,840	1.000	1.000	1.000	1.000	1.000
Weights		10%	10%	30%	50%	100%

Authority for California Cities Excess Liability

Excess General Liability Program

Calculation of 2022-23 Experience Modification (4-Year Experience Period, \$100,000 - \$1,000,000 Loss Cap)

Department (A)	2016-2017 to 2019-2020		2016-2017 to 2019-2020 Payrolls (00) (D)	2016-2017 to 2019-2020		Experience Weight (G)	Indicated Ex-Mod (H)	Balanced Ex-Mod (I)	2022-23 Payrolls (00) (J)
	Limited Loss (B)	Limited Loss Distribution (C)		Payroll Distribution (E)	Indicated Differential (F)				
Anaheim	14,901,251	24.3%	10,200,877	18.7%	1.297	75.0%	1.223	1.200	2,467,740
Bakersfield	3,318,164	5.4%	4,246,304	7.8%	0.694	55.5%	0.830	0.815	1,175,930
Burbank	3,110,084	5.1%	4,443,070	8.2%	0.621	56.6%	0.785	0.771	1,187,910
Modesto	3,354,779	5.5%	3,421,316	6.3%	0.870	50.2%	0.935	0.918	907,120
Monterey	488,845	0.8%	1,670,620	3.1%	0.260	32.9%	0.757	0.743	378,570
Mountain View	1,093,738	1.8%	3,154,656	5.8%	0.308	48.1%	0.667	0.655	853,960
Ontario	8,136,785	13.3%	4,113,373	7.6%	1.756	54.7%	1.414	1.388	1,137,190
Palo Alto	3,142,906	5.1%	4,689,944	8.6%	0.595	58.0%	0.765	0.751	1,231,250
Salinas	1,491,002	2.4%	971,686	1.8%	1.362	22.2%	1.080	1.060	650,910
Santa Barbara	2,481,348	4.0%	3,980,149	7.3%	0.553	53.9%	0.759	0.745	987,540
Santa Cruz	5,267,512	8.6%	2,671,565	4.9%	1.750	44.0%	1.330	1.305	683,900
Santa Monica	12,979,628	21.2%	8,859,700	16.3%	1.300	72.3%	1.217	1.195	2,062,190
Visalia	1,545,181	2.5%	2,001,346	3.7%	0.685	37.1%	0.883	0.867	521,630
Total	61,311,223	100.0%	54,424,607	100.0%	1.000		1.019	1.000	14,245,840

Authority for California Cities Excess Liability

Excess General Liability Program

Calculation of 2022-23 Experience Modification (4-Year Experience Period, \$1,000,000 - \$5,000,000 Loss Cap)

Department (A)	2016-2017 to 2019-2020		2016-2017 to 2019-2020 Payrolls (00) (D)	2016-2017 to 2019-2020		Experience Weight (G)	Indicated Ex-Mod (H)	Balanced Ex-Mod (I)	2022-23 Payrolls (00) (J)
	Limited Loss (B)	Limited Loss Distribution (C)		Payroll Distribution (E)	Indicated Differential (F)				
Anaheim	16,799,884	40.0%	10,200,877	18.7%	2.133	50.0%	1.567	1.500	2,467,740
Bakersfield	946,440	2.3%	4,246,304	7.8%	0.289	29.4%	0.791	0.757	1,175,930
Burbank	4,403,430	10.5%	4,443,070	8.2%	1.284	30.3%	1.086	1.040	1,187,910
Modesto	2,000,000	4.8%	3,421,316	6.3%	0.757	25.1%	0.939	0.899	907,120
Monterey	0	0.0%	1,670,620	3.1%	0.000	14.1%	0.859	0.822	378,570
Mountain View	0	0.0%	3,154,656	5.8%	0.000	23.6%	0.764	0.731	853,960
Ontario	2,000,000	4.8%	4,113,373	7.6%	0.630	28.7%	0.894	0.856	1,137,190
Palo Alto	2,000,000	4.8%	4,689,944	8.6%	0.552	31.5%	0.859	0.822	1,231,250
Salinas	1,031,389	2.5%	971,686	1.8%	1.375	10.0%	1.038	0.994	650,910
Santa Barbara	53,706	0.1%	3,980,149	7.3%	0.017	28.1%	0.724	0.693	987,540
Santa Cruz	5,241,710	12.5%	2,671,565	4.9%	2.542	20.8%	1.321	1.265	683,900
Santa Monica	7,535,840	17.9%	8,859,700	16.3%	1.102	46.5%	1.047	1.002	2,062,190
Visalia	0	0.0%	2,001,346	3.7%	0.000	16.4%	0.836	0.800	521,630
Total	42,012,399	100.0%	54,424,607	100.0%	1.000		1.045	1.000	14,245,840

Authority for California Cities Excess Liability

Excess General Liability Program

Calculation of 2022-23 Experience Modification (8-Year Experience Period, \$100,000 - \$1,000,000 Loss Cap)

Department (A)	2012-2013 to 2019-2020		2012-2013 to 2019-2020 Payrolls (00) (D)	2012-2013 to 2019-2020		Experience Weight (G)	Indicated Ex-Mod (H)	Balanced Ex-Mod (I)	2022-23 Payrolls (00) (J)
	Limited Loss (B)	Limited Loss Distribution (C)		Payroll Distribution (E)	Indicated Differential (F)				
Anaheim	25,518,783	23.1%	18,583,640	18.6%	1.244	75.0%	1.183	1.162	2,467,740
Bakersfield	7,323,775	6.6%	8,242,686	8.2%	0.805	57.1%	0.889	0.873	1,175,930
Burbank	6,379,999	5.8%	8,690,326	8.7%	0.665	58.4%	0.804	0.790	1,187,910
Modesto	9,260,525	8.4%	6,340,377	6.3%	1.324	50.6%	1.164	1.143	907,120
Monterey	1,609,820	1.5%	3,135,875	3.1%	0.465	33.6%	0.820	0.805	378,570
Mountain View	3,960,542	3.6%	5,757,537	5.8%	0.623	48.2%	0.818	0.803	853,960
Ontario	14,119,948	12.8%	7,172,771	7.2%	1.784	53.7%	1.421	1.396	1,137,190
Palo Alto	4,173,457	3.8%	8,653,032	8.6%	0.437	58.3%	0.672	0.660	1,231,250
Salinas	1,491,002	1.3%	971,686	1.0%	1.391	13.6%	1.053	1.034	650,910
Santa Barbara	3,795,477	3.4%	7,562,571	7.6%	0.455	55.0%	0.700	0.688	987,540
Santa Cruz	5,968,947	5.4%	4,924,878	4.9%	1.098	44.3%	1.043	1.024	683,900
Santa Monica	23,298,137	21.1%	16,451,093	16.4%	1.283	72.6%	1.205	1.184	2,062,190
Visalia	3,552,612	3.2%	3,611,971	3.6%	0.891	36.8%	0.960	0.943	521,630
Total	110,453,025	100.0%	100,098,443	100.0%	1.000		1.018	1.000	14,245,840

Authority for California Cities Excess Liability

Excess General Liability Program

Calculation of 2022-23 Experience Modification (8-Year Experience Period, \$1,000,000 - \$5,000,000 Loss Cap)

Department (A)	2012-2013 to 2019-2020		2012-2013 to 2019-2020 Payrolls (00) (D)	2012-2013 to 2019-2020		Experience Weight (G)	Indicated Ex-Mod (H)	Balanced Ex-Mod (I)	2022-23 Payrolls (00) (J)
	Limited Loss (B)	Limited Loss Distribution (C)		Payroll Distribution (E)	Indicated Differential (F)				
Anaheim	26,547,363	38.3%	18,583,640	18.6%	2.065	50.0%	1.533	1.460	2,467,740
Bakersfield	7,696,440	11.1%	8,242,686	8.2%	1.350	30.7%	1.107	1.054	1,175,930
Burbank	6,044,631	8.7%	8,690,326	8.7%	1.006	31.9%	1.002	0.954	1,187,910
Modesto	3,400,000	4.9%	6,340,377	6.3%	0.775	25.4%	0.943	0.898	907,120
Monterey	0	0.0%	3,135,875	3.1%	0.000	14.4%	0.856	0.815	378,570
Mountain View	500,000	0.7%	5,757,537	5.8%	0.126	23.7%	0.793	0.755	853,960
Ontario	2,900,000	4.2%	7,172,771	7.2%	0.585	27.8%	0.885	0.843	1,137,190
Palo Alto	2,000,000	2.9%	8,653,032	8.6%	0.334	31.8%	0.788	0.750	1,231,250
Salinas	1,031,389	1.5%	971,686	1.0%	1.535	10.0%	1.054	1.004	650,910
Santa Barbara	266,761	0.4%	7,562,571	7.6%	0.051	28.9%	0.726	0.691	987,540
Santa Cruz	5,241,710	7.6%	4,924,878	4.9%	1.539	20.9%	1.113	1.060	683,900
Santa Monica	13,610,365	19.7%	16,451,093	16.4%	1.196	47.0%	1.092	1.040	2,062,190
Visalia	0	0.0%	3,611,971	3.6%	0.000	16.3%	0.837	0.797	521,630
Total	69,238,659	100.0%	100,098,443	100.0%	1.000		1.050	1.000	14,245,840

**Authority for California Cities Excess Liability
Cost Allocation Plan
Excess General Liability Program**

Historical Payrolls (\$00)

Member (A)	2012-2013 (B)	2013-2014 (C)	2014-2015 (D)	2015-2016 (E)	2016-2017 (F)	2017-2018 (G)	2018-2019 (G)	2019-2020 (G)	2020-2021 (G)	2021-2022 (H)
Anaheim	1,975,427	2,031,900	2,106,346	2,269,090	2,503,567	2,510,955	2,541,363	2,644,993	2,467,744	2,467,740
Bakersfield	974,793	981,145	1,007,547	1,032,898	1,023,381	1,047,246	1,056,662	1,119,015	1,175,926	1,175,930
Burbank	1,080,687	1,058,814	1,050,336	1,057,419	1,084,724	1,113,654	1,099,703	1,144,989	1,187,912	1,187,910
Modesto	723,669	721,682	711,912	761,798	799,877	845,531	874,961	900,948	907,122	907,120
Monterey	361,402	362,125	367,532	374,195	386,413	418,860	427,155	438,191	378,567	378,570
Mountain View	624,667	633,130	660,314	684,770	734,551	765,191	812,882	842,032	853,958	853,960
Ontario	724,834	734,451	774,343	825,770	890,589	995,163	1,065,971	1,161,650	1,137,193	1,137,190
Palo Alto	919,927	996,990	1,064,558	981,613	1,041,359	1,166,441	1,221,880	1,260,264	1,231,253	1,231,250
Salinas	0	0	0	0	0	0	325,886	645,800	650,909	650,910
Santa Barbara	865,528	881,841	905,611	929,442	977,924	990,759	997,851	1,013,615	987,542	987,540
Santa Cruz	521,594	544,821	579,725	607,172	638,596	660,528	675,872	696,569	683,903	683,900
Santa Monica	1,830,595	1,850,554	1,902,819	2,007,425	2,106,921	2,176,626	2,274,811	2,301,342	2,062,191	2,062,190
Visalia	363,276	366,787	425,402	455,159	474,743	486,940	509,425	530,238	521,633	521,630
Total	10,966,401	11,164,240	11,556,443	11,986,752	12,662,643	13,177,894	13,884,423	14,699,647	14,245,854	14,245,840

**Authority for California Cities Excess Liability
Cost Allocation Plan
Excess General Liability Program**

Historical Primary Losses by Member (\$100K to \$1M)

Member (A)	2012-2013 (B)	2013-2014 (C)	2014-2015 (D)	2015-2016 (E)	2016-2017 (F)	2017-2018 (G)	2018-2019 (G)	2019-2020 (G)	2020-2021 (G)	2021-2022 (H)
Anaheim	2,478,705	3,056,114	2,619,019	2,463,694	3,341,390	3,279,641	3,905,221	4,375,000	1,290,100	900,000
Bakersfield	1,594	1,299,744	2,422,783	281,490	1,004,410	1,577,348	516,406	220,000	0	0
Burbank	33,698	1,552,963	171,810	1,511,445	1,325,944	526,140	1,077,500	180,500	100,000	0
Modesto	1,304,831	1,026,304	2,535,176	1,039,434	2,317,286	868,093	166,000	3,400	962,500	0
Monterey	41,115	350,000	21,417	708,444	0	0	0	488,845	0	0
Mountain View	0	1,134,955	831,849	900,000	0	70,363	273,543	749,832	0	0
Ontario	178,930	2,035,657	669,755	3,098,822	4,115,522	363,980	2,800,477	856,806	186,549	0
Palo Alto	224,131	800,568	0	5,851	781,199	1,520,375	0	841,333	45,000	0
Salinas	0	0	0	0	0	0	1,281,001	210,001	50,001	0
Santa Barbara	1,928	412,201	0	900,000	928,091	935,000	418,257	200,000	1,234,602	160,000
Santa Cruz	0	32,653	397,460	271,323	1,927,971	2,351,197	192,430	795,914	1,625,000	0
Santa Monica	2,154,275	3,064,255	3,225,374	1,874,604	4,973,077	1,471,150	2,584,401	3,951,000	412,832	0
Visalia	1,681,122	3,047	323,262	0	0	812,270	0	732,911	0	0
Total	8,100,330	14,768,461	13,217,904	13,055,107	20,714,889	13,775,557	13,215,236	13,605,542	5,906,585	1,060,000

**Authority for California Cities Excess Liability
Cost Allocation Plan
Excess General Liability Program**

Historical Excess Losses by Member (\$1M-\$5M)

Member (A)	2012-2013 (B)	2013-2014 (C)	2014-2015 (D)	2015-2016 (E)	2016-2017 (F)	2017-2018 (G)	2018-2019 (G)	2019-2020 (G)	2020-2021 (G)	2021-2022 (H)
Anaheim	2,428,410	3,025,672	2,930,000	1,363,397	2,919,639	2,818,837	7,617,077	3,444,331	0	4,000,000
Bakersfield	0	4,000,000	2,750,000	0	0	946,440	0	0	0	0
Burbank	1,641,201	0	0	0	1,203,430	0	3,200,000	0	0	0
Modesto	0	0	700,000	700,000	2,000,000	0	0	0	4,000,000	0
Monterey	0	0	0	0	0	0	0	0	0	0
Mountain View	0	0	0	500,000	0	0	0	0	0	0
Ontario	0	0	0	900,000	2,000,000	0	0	0	0	0
Palo Alto	0	0	0	0	0	2,000,000	0	0	0	0
Salinas	0	0	0	0	0	0	1,031,389	0	0	0
Santa Barbara	0	0	0	213,055	21,442	32,264	0	0	0	0
Santa Cruz	0	0	0	0	741,710	4,500,000	0	0	0	0
Santa Monica	137,133	5,937,393	0	0	4,531,443	0	504,397	2,500,000	0	0
Visalia	0	0	0	0	0	0	0	0	0	0
Total	4,206,743	12,963,065	6,380,000	3,676,452	13,417,663	10,297,542	12,352,863	5,944,331	4,000,000	4,000,000

	PY 22/23 Payroll	%	Current Deposit Premium
Anaheim	\$252,450,219	17%	\$4,791,505
Bakersfield	138,338,483	9%	\$2,625,664
Burbank	126,410,338	9%	\$2,399,268
Modesto	95,758,960	7%	\$1,817,505
Monterey	38,372,940	3%	\$728,318
Mountain View	84,371,814	6%	\$1,601,377
Ontario	113,212,045	8%	\$2,148,765
Palo Alto	121,262,095	8%	\$2,301,555
Salinas	65,567,776	4%	\$1,244,476
Santa Barbara	101,155,636	7%	\$1,919,934
Santa Cruz	70,730,576	5%	\$1,342,466
Santa Monica	198,558,320	14%	\$3,768,637
Visalia	56,374,147	4%	\$1,069,981
Total	\$1,462,563,349	100%	\$27,759,452

Actuarial Rate: 1.898

	PY 22/23 Payroll	%	Current Deposit Premium
Anaheim	\$252,450,219	17%	\$4,791,505
Bakersfield	138,338,483	9%	\$2,625,664
Burbank	126,410,338	9%	\$2,399,268
Modesto	95,758,960	7%	\$1,817,505
Monterey	38,372,940	3%	\$728,318
Mountain View	84,371,814	6%	\$1,601,377
Ontario	113,212,045	8%	\$2,148,765
Palo Alto	121,262,095	8%	\$2,301,555
Salinas	65,567,776	4%	\$1,244,476
Santa Barbara	101,155,636	7%	\$1,919,934
Santa Cruz	70,730,576	5%	\$1,342,466
Santa Monica	198,558,320	14%	\$3,768,637
Visalia	56,374,147	4%	\$1,069,981
Total	\$1,462,563,349	100%	\$27,759,452

Actuarial Rate: 1.898

Ex Mod											
4 year						8 year					
\$100k-1M			\$1M-5M			\$100k-1M			\$1M-5M		
Ex Mod	Deposit	Change	Ex Mod	Deposit	Change	Ex Mod	Deposit	Change	Ex Mod	Deposit	Change
1.206	\$5,776,965	\$985,460	1.500	\$7,187,258	\$2,395,753	1.162	\$5,567,567	\$776,062	1.46	\$6,995,598	\$2,204,092
0.818	\$2,148,417	-\$477,247	0.757	\$1,987,628	-\$638,036	0.873	\$2,292,713	-\$332,951	1.054	\$2,767,450	\$141,786
0.774	\$1,856,734	-\$542,534	1.040	\$2,495,239	\$95,971	0.790	\$1,894,714	-\$504,554	0.954	\$2,288,902	-\$110,366
0.922	\$1,675,284	-\$142,221	0.899	\$1,633,937	-\$183,568	1.143	\$2,077,961	\$260,456	0.898	\$1,632,120	-\$185,386
0.746	\$543,524	-\$184,795	0.822	\$598,678	-\$129,641	0.805	\$586,602	-\$141,716	0.815	\$593,579	-\$134,739
0.658	\$1,052,982	-\$548,396	0.731	\$1,170,607	-\$430,770	0.803	\$1,286,636	-\$314,741	0.755	\$1,209,040	-\$392,337
1.394	\$2,995,295	\$846,530	0.856	\$1,839,343	-\$309,422	1.396	\$2,999,105	\$850,340	0.843	\$1,811,409	-\$337,356
0.754	\$1,735,737	-\$565,817	0.822	\$1,891,878	-\$409,677	0.660	\$1,519,145	-\$782,409	0.75	\$1,726,166	-\$575,389
1.065	\$1,324,987	\$80,511	0.994	\$1,237,010	-\$7,467	1.034	\$1,287,134	\$42,658	1.004	\$1,249,454	\$4,978
0.748	\$1,436,579	-\$483,355	0.693	\$1,330,514	-\$589,420	0.688	\$1,320,058	-\$599,876	0.691	\$1,326,674	-\$593,260
1.311	\$1,760,177	\$417,711	1.265	\$1,698,220	\$355,754	1.024	\$1,375,297	\$32,831	1.06	\$1,423,014	\$80,548
1.200	\$4,521,434	\$752,797	1.002	\$3,776,174	\$7,537	1.184	\$4,460,465	\$691,828	1.04	\$3,919,382	\$150,745
0.870	\$931,404	-\$138,577	0.800	\$855,985	-\$213,996	0.943	\$1,008,919	-\$61,063	0.797	\$852,775	-\$217,206
12.47	\$27,759,520	\$68	12.18	\$27,702,469	-\$56,983	12.51	\$27,676,316	-\$83,137	12.12	\$27,795,563	\$36,111

Surcharge							
5 year				10 year			
Loss Ratio	Surcharge Amount	Deposit	Change	Loss Ratio	Surcharge Amount	Deposit	Change
207%	30%	\$6,228,957	\$1,437,452	190%	30%	\$6,228,957	\$1,437,452
28%		\$2,625,664	\$0	91%		\$2,625,664	\$0
123%	15%	\$2,759,158	\$359,890	92%		\$2,399,268	\$0
220%	30%	\$2,362,757	\$545,252	158%	20%	\$2,181,006	\$363,501
0%		\$728,318	\$0	0%		\$728,318	\$0
0%		\$1,601,377	\$0	12%		\$1,601,377	\$0
61%		\$2,148,765	\$0	48%		\$2,148,765	\$0
54%		\$2,301,555	\$0	31%		\$2,301,555	\$0
86%		\$1,244,476	\$0	86%		\$1,244,476	\$0
2%		\$1,919,934	\$0	5%		\$1,919,934	\$0
245%	30%	\$1,745,206	\$402,740	147%	20%	\$1,610,960	\$268,493
106%	10%	\$4,145,501	\$376,864	147%	20%	\$4,522,364	\$753,727
0%		\$1,069,981	\$0	68%		\$1,069,981	\$0
		\$30,881,649	\$3,122,197			\$30,582,626	\$2,823,173

ADMINISTRATIVE POLICY AND PROCEDURE

SUBJECT: FINANCIAL PLAN

DATE: 1987

AMENDED DATE: October 12, 2022

REVIEWED DATE: ~~August 24, 2022~~ December 14, 2022

STATEMENT

The purpose of this Financial Plan is to capture the variety of interrelated financial activities associated with managing the ACCEL Shared Risk Liability Program and the funds held by the Authority on behalf of Members for payment of claim-related expenses.

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- a. MAS Summary & Explanation
- b. Recognition of Returns and Transfer of Funds

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- a. Calculation and Payment
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- a. Actuarial Analysis
- b. Unallocated Loss Adjustment Expense

SUMMARY

The ACCEL Liability Program is designed and intended to share risk among Members for losses \$9,000,000 excess \$1,000,000 losses. This is the “core” program and focus of ACCEL. At times ACCEL may purchase traditional insurance or reinsurance that replaces layers of the shared risk program. From time to time optional programs have been developed for Members. Historical options allow a member to retain risk at \$500,000 each occurrence and purchase insurance above a \$10,000,000 limit of liability.

Deposits are collected by the Authority each year based on actuarial analysis, and action by the Board of Directors. The deposit paid each July is the rate times hundredths of estimated DE-9 payroll.

The members’ deposits to ACCEL are applied to a specific Program Year. The members’ deposits are credited with investment income at the rate earned on the Authority’s investments. Each program year “stands alone.” Funds are not carried forward to succeeding years. Continuity of overall funding is created through **Fund Transfers** (Program Year borrowing - defined in Section IV).

I. POLICY & PROCEDURE (P&P):

Rating Plans are calculated each year subject to the terms addressed in Sections II and III this P&P.

- The Board determines the amount of *Retained Funds (Incurred But Not Reported - IBNRs)* to be maintained in each Program Year Members are then notified of the funds available for return/assessment or to transfer to another program year to cover expected deficits as of June 30.
- If Members wish to move funds into other program years or to maintain the funds on account for return or assessment during a later fiscal year (after new deposits are paid), the Members should notify the Treasurer (with a copy to the office of ACCEL and President) by June 30.

- Funds transferred to other program years prior to June 30 will be correctly reflected in the Member Account Summary (MAS) effective June 30. Funds paid to Members will be reflected on the date paid in the next fiscal quarter.
- Members may transfer funds between program years and pool layers prior to funds declared through the calculation process. The **steps** for transferring are detailed in Section *IVb*. As provided for herein, members may choose to access these funds to mitigate the need for assessments when sufficient funds are available in other solvent layers or prior program years.
- Members must request in writing to the Treasurer (with a copy to the office of ACCEL and the President) both release of funds and the movement of funds to and from program years, but irrespective of the request, negative years will always be adjusted to positives and First In First Out (FIFO) accounting will be used to reduce negative balances.
- When the need for an assessment of a Member for additional funds is recognized (e.g., as a result of a claim payment), a Member may transfer funds from another program year and will submit a written request to the Treasurer (with a copy to the office of ACCEL and the President).
 - 1) The Program Administrator will calculate the amount of funds available for transfer, notify the President, and instruct the Treasurer to arrange transfer of the funds requested based on the Board Policy limitations.
 - 2) If a Member's program year-end Incurred Losses exceed the program year's deposit (plus accumulated interest), the Program Administrator will notify the Member by the June meeting of each year.
 - 3) The Member must then notify of their intent to activate transfer. This will be retroactively effective to June 30, and the Treasurer's financial statements will be revised accordingly.
- Each Member's share of claims paid changes over time and is dependent on the most recent calculation. Percentage share of losses is updated in the MAS annually, effective July 1st.
- For years when a "Percentage Share of Loss" cannot be determined, percentage of payroll will be used.

II. CALCULATION OF ANNUAL DEPOSITS

IIa. Summary

The ACCEL Bylaws, Article XII Liability Program, Section E. Deposit (and Audited) Premium Calculations contains the following directions regarding the calculation of deposits. The exposure base is measured by payroll. Payroll is defined in the Bylaws as, the year's preceding DE6 (or equivalent) payroll (Subject Wages) for quarters ending June 30, September 30, December 31 and March 31.

The deposit premiums are presented at the June Board Meeting and require approval from the Board annually. Invoices are submitted to each Member after the budget is approved and payments are due within thirty days of July 1st.

The deposit premium allocation shall be reviewed by the Finance Committee and may include the application of an ex-mod, surcharge, or other Board approved allocation methodology. Members may be charged a special surcharge as determined by the Finance Committee.

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Administrative Expenses are included in the annual deposit and is defined in Section VIII. Administrative Expenses of this P&P.

The following additional procedures are followed to calculate the annual deposit.

~~II~~b.Steps

The following steps will be taken to calculate the annual deposits:

1. Take the sum of the four quarters June 30, September 30, December 31, and March 31 Subject Wages to determine payroll.
2. The actuarial rate is determined by the actuary annually.
 - a. Section IXa. Actuarial Analysis of this P&P defines the frequency.
3. The confidence level funding is adopted by the Board at the June Board Meeting.
4. Payroll dividend by hundredths multiplied by the actuarial rate equals the annual deposit.
5. The deposit premium is then modified by applying the following ex-mod/surcharge.

Deposit Calculation Formula:

$$\frac{(\text{Subject Wages } 6/30 + 9/30 + 12/31 + 3/31)}{100} \times \text{Actuarial Rate} = \text{Annual Deposit}$$

EXAMPLE:

	<u>1</u>	<u>2a</u>
		<u>(1/100) X 2b = 2a</u>
<u>Member</u>	<u>FY DE9 Subject Wages at June 30, September 30, December 31, and March 31</u>	<u>Pooled Layer Deposit @ ~ 90% Confidence Level</u>
Member A	\$252,450,219	\$3,418,176
Member B	138,338,483	1,873,103
Member C	126,410,338	1,711,596
Member D	95,758,960	1,296,576
Member E	38,372,940	519,570
Member F	84,371,814	1,142,394
Member G	113,212,045	1,532,891
Member H	121,262,095	1,641,889
Member I	65,567,776	887,788
Member J	101,155,636	1,369,647
Member K	70,730,576	957,692
Member L	198,558,320	2,688,480
Member M	56,374,147	763,306
<u>TOTAL:</u>	<u>\$1,462,563,349</u>	<u>\$19,803,108</u>
	<u>Rate per \$100 Payroll:</u>	<u>2b</u> 1.354

~~H.III.H.~~ **RETROSPECTIVE RATING PLAN (RRP) -
Through June 30, 2007**

IIIa. Definitions

Deposits - The deposit for each Member Agency shall be calculated and paid as stated in the Bylaws.

Pooled Costs - The pooled costs of each program in each year (called a Program Year) will include only pooled losses and loss expenses.

Administrative expenses will be paid for by equal assessments against all Members.

Allocated Losses - Beginning five years after the end of the Program Year, ACCEL will calculate each Member's share of pooled losses. This calculation will be done annually in June and separately for each Program Year and Layer. Each Member's share will reflect that Member's RRP *Share Of Loss Percentages*. The RRP *Share Of Loss Percentages* are calculated by using the layer of loss from \$25,000 per occurrence to \$500,000 per occurrence. (That is, losses less than \$25,000 will not be considered, the first \$25,000 of each loss will be ignored, and no loss will be counted for more than \$475,000.)

Each Member's experience will be given weight to the extent that such experience is credible. The weights will range from about 50% (for a Member with \$10,000,000 payroll) to about 90% (for a Member with about \$90,000,000 payroll). This ensures that large Members will be extensively experience rated, and that small Members will not get by with only nominal allocations just because of a few years of good fortune in claims experience.

Losses are revalued each year using the December 31 loss run and as reviewed and modified by ACCEL's claims auditor.

The cost allocation calculation for each program year will be redone annually until all claims are closed. Each Program will be accounted for separately, although **Fund Transfer** borrowing is allowed under the terms in this in Section *IV*.

IIIb. Timeline

EXAMPLE (FOR 1996/97 YEAR)

July 1, 1996	Pay deposits based on 1996/97 estimated payroll for covered exposures.
September 1997	Adjust deposits to reflect audited payroll (less certified exposure exemptions).
April 2001	Retrospective Calculations for information purposes only.

July 1, 2002	First Retrospective adjustments due or payable.
July 1, 2003	Second Retrospective adjustments due or payable.
July 1, Successive	Retrospective adjustments due or payable until all claims are Years closed.

IIIH.c.RRP Formula

Each Member's share of all pooled losses will depend on its size, any special Exposure Factors (surcharges) agreed to and the Member's Experience Modification.

A Member's Experience Modification reflects its own loss experience rate to the extent it is credible. To the extent that the Member's own experience is not credible, the Experience Modification reflects the average experience of all Members.

RRP FORMULA

- 1) **Reported Liability Losses** - Member's share of paid losses and case reserves \$475,000 excess of \$25,000 incurred in the program year being calculated plus the following three years.
- 2) **% Reported Liability Losses** - Member's proportional share of paid losses and case reserves \$475,000 excess of \$25,000 incurred in the program year plus the following three years.
- 3) **Audited Payroll** - Member's audited payroll during the 12-month program year.
- 4) **% Payroll** - Member's proportional share of audited payroll during the 12-month program year.
- 5) **Relative Loss Rate** - Member's share of losses divided by Member's share of payroll.
- 6) **Credibility Factor** $\frac{\text{Payroll}}{\text{Payroll} + \$10,000,000}$

Examples:	Payroll	Credibility
	\$10,000,000	50%
	30,000,000	75%
	90,000,000	90%
- 7) **Experience Modification** - Member's credibility times relative loss rate, plus (1.0 - Member's Credibility) times average Relative Loss Rate.

Example:	Member's Relative Loss Rate	=	2.00
	Member's Credibility Factor	=	80%
	Average Relative Loss Rate	=	1.00
Experience Modification:	(80% of 2.00) plus (20% of 1.00)	=	1.80
- 8) **Special Exposure Factor** - Any special exposure surcharges will be agreed upon before the beginning of the program year.
- 9) **Total Exposure** - Member's audited payroll times the experience modification times the special exposure factor.
- 10) **% Total Exposure** - Member's proportional share of total exposure.
- 11) **Incurred Program Year Claims** - Claims for each program year within pooled layer.
- 12) **Allocated Losses** - Program year pool layer losses times the Member's share of total exposure.
- 13) **Retained Funds** - In order to maintain a certain level of capital for loss payments from time-to-time the ACCEL Members may elect to retain some portion of the annual contribution. This figure will be above the actuarial developed IBNR. The retained funds are allocated to Members using the Member's share of total exposure (Column #10).
- 14) **Contribution** - Actual premium deposit.

- 15) **Interest on Contribution**
- 16) **Total in Account** - Total of Contribution and Interest.
- 17) **Funds for Return or Surcharge** - Total in account less allocated losses and retained funds.

IIIId. Example of RRP

Program Year: 1996/97
 Date of Review: April 1, 2001

Experience Modification Calculation		<u>Member</u>	<u>ACCEL</u>
1)	Paid losses and Case Reserves \$475,000 Excess \$25,000 incurred from 7/1/96 ¹ To 6/30/00 as of 12/31/01	\$ 3,000,000	\$ 15,000,000
2)	% Share of (1)	20%	100%
3)	Audited payroll in 1996-97 fiscal year	\$ 40,000,000	\$ 400,000,000
4)	% share of (3)	10%	100%
5)	Average loss rate per \$100 of payroll Relative loss ration (% of payroll)	\$ 7.50 2.00	\$ 3.75
6)	Credibility Factor - Weight given to city Experience. (payroll) / (payroll + \$10,000,000)	80%	
7)	Experience Modification	1.80	
Share of Pooled Losses Calculation			
8)	Audited payroll in 1996/97 program year ²	\$ 40,000,000	\$ 400,000,000
9)	Experience Modification	1.80	1.05 avg.
10)	Exposure factor (may vary to reflect special exposures)	1.00	1.02 avg.
Allocation of Losses Calculation			
11)	Total exposure	\$ 72,000,000	\$ 428,400,000
12)	Share of 1996/97 pool	16.81%	
13)	Total pooled losses arising 1996/97		\$ 2,000,000
14)	Allocated losses [(12) x (13) from Column 2]		\$ 336,200
Assessment or Return of Contributions			
15)	Retained Funds (board to determine amount annually) [x (12)]		-0-
16)	Contribution (1.2% ³ x \$40,000,000)	\$ 480,000	
17)	Accumulated interest on contribution	\$ 180,000	
18)	Total in account:	\$ 660,000	
17)	Return of contribution [(18) - ((14) - (15))]	\$ 323,800	

¹ Includes losses for all months of participation in 1996/97 pool.

² Include payroll for all months of participation in the 1996/97 pool.

³ The rate is adjusted annually by the Board. This example uses a \$1.20 rate per hundredths of payroll.

III.IV. ~~***III.***~~ **RATING**
PLAN CALCULATION (RPC) – Effective July 1, 2007

The share of risk that each member assumes is based on the size of the member (DE9 payroll or other Board approved payroll basis), losses the member incurs during the program year which fall into ACCEL's pooled layer (excepted as otherwise noted in this RPC), and the Member's pool deposit for that program year. Effective July 1, 2007, the Rating Plan Calculation (RPC) has become the foundation piece of this Financial Plan Policy. Three years after the expiration of the program year, ACCEL calculates each Member's Contribution (a member's percentage share of loss).

Beginning three years after the end of the Program Year, ACCEL will calculate each Member's share of pooled losses. The calculation will be performed annually in June. The RPC Member Contribution is calculated based on claims or losses \$9,000,000 excess of \$1,000,000. For example, losses less than \$1,000,000 will not be taken into account for this calculation and if there is a \$1,100,000 claim then \$100,000 of it will be used for the calculation.

IIIaIVa. **Definitions**

Deposits - The deposit for each Member Agency shall be calculated and paid as stated in the Bylaws.

Member Contribution – Member's percentage share of loss.

Excess Claims or Losses- Total Incurred Claims or Losses which impact an ACCEL pooled layer (i.e, those claims or losses excess of a member's \$1,000,000 SIR)

IVHh. Timeline Example

EXAMPLE FOR 2007/2008 PROGRAM YEAR

July 1, 2007	Members pay deposits based on 07/08 estimated payroll for covered exposures.
September 2008	Adjust deposits to reflect audited payroll
April 1, 2010	Perform Test RPC Formula for informational purposes only
July 1, 2011	Perform RPC Formula
June 2011	ACCEL Board approves RPC adjustments; assessments/refunds determined
July 1, Subsequent Years Following	RPC adjustments due and payable until all claims in program year are paid and the Board approves closing the Program Year.

IVHc. Rating Plan Calculation (RPC) Formula

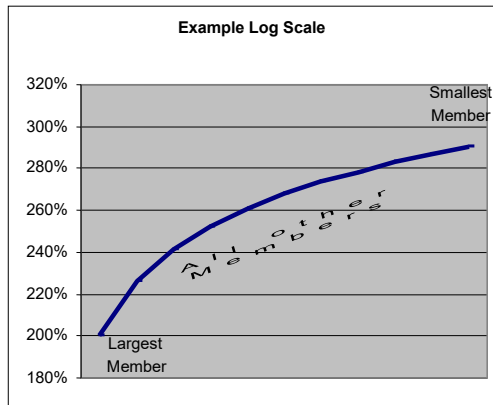
A formula is used to determine the Rating Plan Calculation (RPC) and is calculated in the following steps:

Step 1: Determine a Member's Contribution. Members' Contributions depend on the size of the member using to the Board-approved payroll basis, any excess losses the members incur, and the rate charged. In this calculation, payroll is given a 65% weight and excess claims a 35% weight.

$$\left\{ \left[\left(\frac{\text{Member's Payroll}}{\text{Total Payroll}} \times 65\% \right) + \left(\frac{\text{Member's Excess Claims}}{\text{Total Excess Claims}} \times 35\% \right) \right] \times \text{Total Excess Claims} \right\} = \text{Members Contribution}$$

Step 2: A 3% minimum Member Contribution is established. If a Member's Contribution is less than 3%, the difference is deducted from all other members. This process is recalculated until the 3% minimum is met.

Step 3: A maximum Member Contribution is established. The member with the smallest payroll will normally (see NOTE below) pay no more than 3 times their pool deposit towards any Excess Claims in a program year, and the member with the largest payroll will pay no more than 2 times their pool deposit towards any Excess Claims in a program year. All other members' maximum Member Contributions will be scaled on a logarithmic curve. See below diagram example.



PLEASE NOTE: In the event that all Members reach their Maximum Contribution, an assessment will be made, based solely on percentage share of payroll.

Final Step 4: A cap of \$4,000,000 Excess \$1,000,000 (Member's SIR) per Excess Claim is established. That is the first \$4,000,000 of each Excess Claim is allocated by the determined Member Contribution. Amounts in excess of \$4,000,000 per claim will be allocated by members' percentage share of payroll.

TABLE 1 below summarizes the formula guidelines of the Rating Plan Calculation.

TABLE 1

Step 1		Step 2	Step 3	Step 4
Calculate Preliminary Member Contribution, Weighing Payroll-to-Excess Losses		Apply Minimum Contribution	Apply Maximum Contribution Curve	Apply Excess Claim Cap Maximum
<i>Payroll</i>	<i>Excess Losses</i>	3.00%	200% - 300%	\$4,000,000
65%	35%			

IVHd. Rating Plan Calculation Example

An RPC example is shown in the following Steps.

TABLE 2

1	2	3	4	5	6	7	8
MEMBER	Payroll	% of Payroll	Claim's	% of Excess Claim's	Pool Deposit Based on \$0.90 Rate	Member Contribution \$	Member Contribution %
Member A	\$96,000,000	19.01%	\$5,000,000	66.67%	864,000	2,676,733	35.69%
Member B	\$ 43,000,000	8.51%		0.00%	387,000	415,099	5.53%
Member C	\$ 52,000,000	10.30%	\$2,000,000	26.67%	468,000	1,201,980	16.03%
Member D	\$ 44,000,000	8.71%		0.00%	396,000	424,752	5.66%
Member E	\$ 17,000,000	3.37%		0.00%	153,000	164,109	2.19%
Member F	\$ 32,000,000	6.34%		0.00%	288,000	308,911	4.12%
Member G	\$ 44,000,000	8.71%	\$500,000	6.67%	396,000	599,752	8.00%
Member H	\$ 48,000,000	9.50%		0.00%	432,000	463,366	6.18%
Member I	\$ 40,000,000	7.92%		0.00%	360,000	386,139	5.15%
Member J	\$ 71,000,000	14.06%		0.00%	639,000	685,396	9.14%
Member K	\$ 18,000,000	3.56%		0.00%	162,000	173,762	2.32%
TOTAL	\$505,000,000	100.00%	\$7,500,000	100.00%	4,545,000	7,500,000	100.00%

Step 1: Example of preliminary Member Contribution Calculation for Member A (See Table 2 above).

$$\left\{ \left[\left(\frac{\$96,000,000}{\$505,000,000} \times 65\% \right) + \left(\frac{\$5,000,000}{\$7,500,000} \times 35\% \right) \right] \times \$7,500,000 \right\} = \$2,676,733$$

Member Contribution

Step 2: Apply 3% Minimum Contribution. Members E & K's figures from **Column 8** above will be adjusted to a minimum of 3%. To achieve the 3% minimum, a difference of 1.49% will be deducted from the remaining members on a pro-rata basis. This step will be based on the Percentage Member Contribution calculated in Column 8 above.

Step 3: Apply 200%-300% Maximum Contribution. Member A is the largest member and a 200% Maximum Contribution is applied. Member E is the smallest member and a 300% Maximum Contribution is applied. All other Members fall on a logarithmic scale between 200% and 300%. See TABLE 3A below. Please see Step #5 to explain how Total Annual Claims Costs (TACC) above the Maximum Contribution are allocated.

TABLE 3A

1	2	3	4	5
MEMBER	Rank Based on Payroll	200% to 300% Curve Parameter	Pool Deposit Based on \$0.90 Rate	Maximum Claims Payment based on Pool Contribution Maximum
LARGEST Member A	1	200%	864,000	1,728,000
Member B	7	273%	387,000	1,058,267
Member C	3	241%	468,000	1,130,081
Member D	5	261%	396,000	1,032,581
SMALLEST Member E	11	291%	153,000	444,488
Member F	9	283%	288,000	814,869
Member G	5	261%	396,000	1,032,581
Member H	4	252%	432,000	1,090,064
Member I	8	278%	360,000	1,002,580
Member J	2	226%	639,000	1,445,193
Member K	10	287%	162,000	464,807
TOTAL			4,545,000	11,243,510

Table 3B below shows reallocation of claims payment based on applied 3% minimum, 200%-300% maximum. As you can see, Members A and C have reached their Claims Payment Maximum, therefore, the remaining Members will incur the difference (see Table 3B, Column 5).

TABLE 3B

1	2	3	4	5	6
MEMBER	Member Contribution (% applied to claims incurred of \$7.5MM)	Members who have reached their Maximum Claims Payment	Amount over Capped Claims Maximum	Percent of Redistribution	Allocation Calculation
Member A	2,634,826.33	\$1,728,000	\$ 906,826.33	0.00%	\$ 1,728,000.00
Member B	408,600.31			11.10%	\$ 515,123.25
Member C	1,183,162.26	\$1,130,081	\$ 53,081.57	0.00%	\$ 1,130,080.69
Member D	418,102.64			11.36%	\$ 527,102.86
Member E	225,000.00			6.11%	\$ 283,657.96
Member F	304,074.65			8.26%	\$ 383,347.53
Member G	590,362.88			16.03%	\$ 744,271.69
Member H	456,111.98			12.39%	\$ 575,021.30
Member I	380,093.31			10.32%	\$ 479,184.42
Member J	674,665.63			18.32%	\$ 850,552.34
Member K	225,000.00			6.11%	\$ 283,657.96
TOTAL	7,500,000.00		\$ 959,907.90	100.00%	\$ 7,500,000.00

Step 4: If there are Excess Claims that exceed \$4,000,000, a Claims Cap of \$4,000,000 per claim is applied. Claims payment amounts over \$4,000,000 are reallocated by Members' percentage share of payroll. As previously shown on Table 2, Members A, C and G have incurred claims totaling \$7,500,000. Table 4 below shows how the claims are reallocated based on the \$4,000,000 per claim maximum. Column 2 shows the amount per claim which needs to be reallocated.

TABLE 4

1	2	3	4	5	6	7
MEMBER	Incurred Claims	Overage to be Allocated by % of Payroll	RPC Allocation	Payroll Allocation	Total Allocation	Percentage of Total Losses
Member A	\$5,000,000	\$ 1,000,000	\$1,497,600.00	\$190,099.01	\$1,687,699.01	23%
Member B			\$ 446,440.15	\$ 85,148.51	\$ 531,588.66	7%
Member C	\$2,000,000		\$ 979,403.27	\$102,970.30	\$1,082,373.56	14%
Member D			\$ 456,822.48	\$ 87,128.71	\$ 543,951.19	7%
Member E			\$ 245,836.90	\$ 33,663.37	\$ 279,500.27	4%
Member F			\$ 332,234.53	\$ 63,366.34	\$ 395,600.87	5%
Member G	\$500,000		\$ 645,035.47	\$ 87,128.71	\$ 732,164.18	10%
Member H			\$ 498,351.79	\$ 95,049.50	\$ 593,401.30	8%
Member I			\$ 415,293.16	\$ 79,207.92	\$ 494,501.08	7%
Member J			\$ 737,145.36	\$140,594.06	\$ 877,739.42	12%
Member K			\$ 245,836.90	\$ 35,643.56	\$ 281,480.46	4%
TOTAL	\$7,500,000	\$ 1,000,000	\$6,500,000	\$1,000,000	\$ 7,500,000	100.00%

Note that, in the event Total Annual Claims Cost (TACC) of all members during one year exceed all members' Maximum Contributions, additional claims costs are allocated as a percentage of payroll.

IVHe. Calculating the Availability of a Return or Assessment

The RPC Calculation will determine the amount Members are allocated towards a Program Year's Total Incurred claims. In order to calculate the availability of a Retrospective Return or Assessment the following steps must be taken:

1. Calculate the Results of the RPC Calculation
2. Record the Program Year Deposit
3. Record any Deposit Adjustments (e.g. interest, retro payments previously paid, fund transfers, audit adjustments, etc.)
4. Allocate the program year IBNR based on the Member Deposit percentage
5. The Availability of Return or Assessment will be calculated by adding the Member Program Year Deposit and Member Deposit Adjustments and then deducting the results of the Member's RPC Calculation and the Allocated Member IBNR, as illustrated below:

1	2	3	4	5	6	7
			(2) + (3)			(4) - (5) - (6)
MEMBER	Deposits	Deposit Adjustments	Total Deposit	RPC Result	IBNR Allocation	Member Return or (Assessment)
Member A	\$ 864,000	\$ 380,198	\$ 1,244,198	\$ 1,687,699	\$ 42,772	\$ (486,273)
Member B	\$ 387,000	\$ 170,297	\$ 557,297	\$ 531,589	\$ 19,158	\$ 6,550
Member C	\$ 468,000	\$ 205,941	\$ 673,941	\$ 1,082,374	\$ 23,168	\$ (431,601)
Member D	\$ 396,000	\$ 174,257	\$ 570,257	\$ 543,951	\$ 19,604	\$ 6,702
Member E	\$ 153,000	\$ 67,327	\$ 220,327	\$ 279,500	\$ 7,574	\$ (66,748)
Member F	\$ 288,000	\$ 126,733	\$ 414,733	\$ 395,601	\$ 14,257	\$ 4,874
Member G	\$ 396,000	\$ 174,257	\$ 570,257	\$ 732,164	\$ 19,604	\$ (181,511)
Member H	\$ 432,000	\$ 190,099	\$ 622,099	\$ 593,401	\$ 21,386	\$ 7,312
Member I	\$ 360,000	\$ 158,416	\$ 518,416	\$ 494,501	\$ 17,822	\$ 6,093
Member J	\$ 639,000	\$ 281,188	\$ 920,188	\$ 877,739	\$ 31,634	\$ 10,815
Member K	\$ 162,000	\$ 71,287	\$ 233,287	\$ 281,480	\$ 8,020	\$ (56,213)
TOTAL	\$4,545,000	\$ 2,000,000	\$ 6,545,000	\$ 7,500,000	\$ 225,000	\$ (1,180,000)

IVHf. Assessment Calculation, Payment Plans, & Request for Deferral

ACCEL annually calculates the RRP and/or RPC. The calculation results at the end of any single year may show a positive, zero, or negative balance for an individual Member. A Member with a zero or negative balance upon completion of the annual RRP or RPC calculation shall be considered in an "Assessment Position".

Assessment

The ACCEL Board may issue an assessment to any Member in an Assessment Position. ACCEL will invoice any assessment to the Member at the beginning of the policy year (July 1). The following terms apply to any assessment:

1. Any assessment balance is due upon receipt of the invoice. Payment is due within 30 days except as otherwise authorized by the Board.
2. Any payment received on the unpaid balance after 30 days is considered late. All late payments shall accrue interest on the balance at the rate of LAIF plus 1%, unless otherwise authorized by the Board.
3. If a Member is more than 90 days delinquent on the payment plan, the Program Administrators will report to the Board at the next Board Meeting for further action.

Current or Prior Members may request a Payment Plan for their Assessment following these steps:

- a. The Member must submit a written request to the Program Administrators prior to June 1st.
- b. The Board will consider any requests to establish a Payment Plan at a Board meeting prior to the June Board Meeting.
- c. The Board may take action to authorize a Payment Plan at the June Board Meeting.
- d. The Board may not consider any proposed payment plan with a duration greater than three (3) years.
- e. All Payment Plans approved by the Board shall include interest calculated at a reasonable rate established by the Board.

Example of Payment Plan for FY 2021-22 RPC Results:

Year 1:

- One-Third **due** June 30, 2022
- No interest unless payment is late and penalty applies
- Late penalty applies if 1/3 payment not received by March 31, 2023
- The penalty is the LAIF rate (as of March 31, 2023) **plus** 1%
- The 2nd and 3rd installments are charged interest beginning on this late date of 3/31/2023
- Members can choose to pay greater than the 1/3 due and the remainder will be equally allocated to the 2nd and 3rd installments.

Year 2:

- Second (1/3) installment and interest are **Due** June 30, 2023 Net 30
- If payment is late (30 days), interest accrues at LAIF rate *plus* 1% compounded interest
- The third installment continues to accrue interest at the lower “long-term” payment rate.

Year 3:

- Third (1/3) installment and interest are **Due** June 30, 2024, Net 30
- If payment is late (30 days), interest accrues at LAIF rate *plus* 1% compounded interest

Request for Deferral of Assessment

The Board recognizes that the timing of claim payments used in the RRP or RPC and annual contributions to the pool do not always align. Occasionally, when the RRP or the RPC calculation identifies an assessment position for a Member, the Test Year calculation in the subsequent policy period may eliminate the negative position. The Board recognizes the potential to move from a negative position to a positive position without the need for an infusion of funds from the Member. A Member may request to defer an assessment under these specific parameters:

1. The Test Year shows a positive balance that is greater than the Member’s negative balance.
 - The Member may request, in writing, the Assessment be postponed for one year.
 - The Board must approve the request.
2. A Member’s positive balance in the Test Year is less than its negative Assessment Position balance
 - The Member may request, in writing, that the net difference be collected.
 - The Board must approve the request.

IVHg. Modification of RPC Inputs

The following updates to the formula and the effective dates are scheduled below. The following modifications are intended to be slight changes to the RPC outlined above, a major modification or new rating plan will result in a new section of this P&P.

Effective for the Program Year starting July 1, 2021 and following: The Board took action at the June 2021 Board Meeting to modify the calculation as follows;

- The Minimum Contribution in **IIIC. Rating Plan Calculation (RPC) Formula, Step 2** changed from 3% to 2%

~~IV.~~ **IV. ADMINISTRATIVELY SUSPENDING THE RRP AND RPC CALCULATIONS**

IVa. Summary

ACCEL's rating plan is recalculated each year based on current year inputs such as claims payments, investment income and other financial factors that impact the funds available for return or assessment. When a Program Year is fully developed, and no new claim development is occurring, the calculation of that Program Year may no longer be necessary.

Upon review of the calculation, a Program Year may be "Suspended" by Board action. Once the Program Year is Suspended, the final contribution percentage will be used to allocate the remaining funds in the Member Account Summary. The Member Account Summary will transfer the remaining funds in the program year to more recent open years or distribute the funds to the Member agencies.

IVb. Steps

The following steps will be taken to administratively Suspend years:

- ~~1.~~ 6. RRP and RPC calculations will be completed and approved at the June Board Meeting.
- ~~2.~~ 7. Following the adoption of the retro calculations, the Board may take action to Suspend years in which no claims activity (payments or reserves) excess of \$1,000,000 are expected. The Board will take action directing the Program Administrators which years are Suspended. The Board will pass a resolution recognizing the Suspended Program Years.
- ~~3.~~ 8. Any funds available for Member return or assessment will be moved to an open year through a Fund Transfer.
- ~~4.~~ 9. A Suspended year will no longer be calculated once Board Action is taken to Suspend a year.
- ~~5.~~ 10. The Board may take action to open a Suspended Program Year. Upon doing so, the Program Year will be recalculated as needed.

Note: ACCEL's Financial Plan previously contained the following language:

Once the Program Year is closed, the final contribution percentage will be used to allocate the remaining funds in the Member Account Summary. The Member Account Summary will transfer the remaining funds in the program year to open years or distribute the funds to the Member agencies.

If an occurrence in a closed year requires payment, all years impacted by the recalculation of the formula will/shall be re-opened by majority vote by the Board. The allocation for new payments will be calculated and approved by the Board.

~~VI. V.~~ **RESTRICTING RETRO FUNDS AVAILABLE FOR RETURN**

VIa. Summary

ACCEL acknowledges its task to maintain prudent funding within the organization. To achieve this task, the Board may take action to restrict the total funds available for withdrawal in a given year. The Board may wish to take action to declare a reduction of available retro for withdrawal than the full amount calculated by the RRP and RPC calculations.

The purpose for restricting the Retro funds available for withdrawal is to protect ACCEL during which time known or expected financially significant events may impact the organization. ACCEL shall not restrict funds on a long term basis. A restriction will only occur for a single retro calculation. Funds will be unrestricted for the next year's calculation, at which point the Board may take action to restrict funds based on the new unencumbered RRP and RPC calculations.

VIb. Steps

The following steps will be taken to restrict the retro funds available for return to members:

1. RRP and RPC calculations will be completed and approved at the June Board Meeting.
2. Following the adoption of the retro calculations, the Board may take action to restrict a portion of the funds available for return due to deteriorating financial position.
3. These funds will be held by ACCEL, and not declared available for return (undeclared).
4. Funds will be withheld from specific years as instructed by the Board of Directors.
5. Funds will either be withheld by the same percentage established by the RRP and RPC calculations for "Percentage Share of Loss" or by a separate Board approved calculation.
6. Funds will be returned for the same amount as they were withheld prior to the initiation of the following year's calculation.

~~VI. VII.~~ **FUND TRANSFER**

VIIa. Summary

ACCEL recognizes the possible need and advantages of allowing its Members to transfer funds from separate program years in different pool layers. The Member may transfer funds from another layer or program year in accordance with Board policy.

The purpose of transferring is to permit Members to cover Incurred claims and reserves without assessing the Member when there are sufficient funds available in other solvent layers or other program years. Transferring is not allowed for payment of future deposits or administrative expenses.

VIIb. Steps

All of the following provisions and conditions will be adhered to for a Member to transfer funds between pool layers and Program Years:

1. A Member can only transfer funds from a year that has funds available after “Retain Funds (IBNR)” are adopted by the Board.
2. The FIFO accounting concept will be utilized (i.e. transferring will start with the earliest program year from which funds are available).
3. A Member's future calculation of "returns" will be used to offset any transferred amounts before any funds are returned to the Member who has moved funds.
4. Should two or more members desire to transfer funds and should there be insufficient funds available under this policy and procedure to meet those members’ needs, the amount available for individual member transferring will be on a pro-rata basis, among the transferring cities, determined by the amount of the members' audited deposits. The aggregate amount available for transfer will be the lesser of 5. a) or b) below.
5. a) The maximum amount allowable for transfer will not exceed 50% of that year's total deposit (less the implications of any insurance premiums paid).
b) The maximum amount available for transfer will be those funds available after deducting pool reserves (including Retained Funds) from pool layer deposits. The formula for determining "pool reserves" will be: reserves plus (IBNR) times a conservative loading factor of 1.5.
6. The maximum amount available to an individual Member for transfer will be those funds available after subtracting 200% of such individual Member's financial obligation for its share of total ACCEL losses for a pool layer in any program year from such individual Member's total audited deposit for such program year.
7. Provisions 5 and 6 notwithstanding, 100% of those funds held or transferred into a pool layer in any program year, which represent declared retrospective returns, will be available for transfer.

~~VII.VIII.~~ **MEMBER ACCOUNT SUMMARY**
~~(MAS)VII.~~ **MEMBER ACCOUNT SUMMARY (MAS)**

VIIIa. MAS Summary & Explanation

The MAS is the document of the Authority governing cash flow. This multi-page spreadsheet lists each Member's *cash position* in the Liability Program and is presented quarterly to the Board for acceptance.

The MAS is a source document that captures Member's movement of funds, excluding the General & Administrative Account. Information is captured in the following categories for both the *current* year and *prior* years:

- Deposits
- Interest
- Funds Transferred
- Claims Adjustment
- Retros (*RRP Adjustments*)

There are two sets of calculations: (*Current* and *Prior* Years) because interest on Members funds held by the Authority is calculated on a daily basis. *Current* Year's information is documented separately and consolidated every July 1 to the *Prior* Year's section. This allows for the allocation of interest correctly, based on the daily balance in the current year.

The Funds Transfer **row** depicts money that has been moved from any one program or program layer to another program year or program layer. A check and balance will be visible in the report run as of June 30th of changes made in the current year to assure that funds have been moved and not received as "*Retros*." (In addition, Members excess insurance premiums may be paid out of their deposit rate, and are deducted from the balance.) Changes to the MAS are made quarterly reflecting investment earnings, deposits paid, claims paid and *Retros* paid.

Changes by Members to the MAS are made based on submissions to the Treasurer in accordance with this policy.

MAS EXAMPLE

ACCEL Estimated Earnings Report			
Program Year 2 (FY 87/88)			
Calculated at: 30-Jun-99			
	MODESTO	VISALIA	SANTA MONICA
Excess of \$1,000,000 Layer			
Retros All %	5.48%	5.33%	19.40%
Prior Years:			
Aud Dep	323,624	132,213	578,656
Interest	151,425	65,929	286,567
Fnd Transfer	0	0	0
Cln Adj	(39,144)	(38,073)	(138,575)
Retros	(425,848)	(184,753)	(715,775)
Balance Fwd.	10,057	(24,684)	10,873
Current Year:			
Deposit Adjustment	0	0	0
Estimated Interest	634	778	686
Fund Transfer	0	0	0
Claim Paid Allocation	0	0	0
Retros	0	40,719	0
Current Year Activity	634	41,497	686
Total 9 xs 1	10,691	16,813	11,559
Excess of \$500,000 Layer			
Retros All %	18.51%	17.82%	0.00%
Prior Years:			
Audit Deposit	129,499	52,885	0
Interest	68,149	24,011	0
Fund Transfer	0	0	0
Claim Adjustment	(92,550)	(89,100)	0
Retros	(72,442)	(44,313)	0
Balance Fwd.	32,656	(56,517)	0
Current Year:			
Deposit Adjustment	0	0	0
Estimated Interest	2,059	(318)	0
Fund Transfer	0	0	0
Claim Paid Allocation	0	0	0
Retros	0	56,604	0
Current Year Activity	2,059	56,286	0
Total 500 x:	34,715	(231)	0
Total Both Layers:	45,406	16,582	11,559
The estimated interest income for this report assumed an average rate of return of:			6.3237%

VIIIb. Recognition of Returns and Transfer of Funds

To receive a Board declared RRP Return or Transfer Funds, a letter to the Treasurer (with a copy to the office of ACCEL and the President) is required from the Member. These letters will be attached to the next quarterly MAS when generated and agendized for Board acceptance. Changes

will be initialed and dated as made in the MAS. Members should check to ensure changes are accurate.

~~VIII~~.IX. ~~VIII~~.
~~IX~~. ADMINISTRATIVE EXPENSES

Commented [LH2]: Consider moving to the next section calculation of deposits to discuss with FC

General and Administrative costs are shared equally by all Members with two exceptions; payments due from former members and specific travel funds budgeted as described in *P&P: Travel Expense*.

~~VIII~~IXa. Calculation and Payment

The general and administrative costs, shared equally by Members, are adopted in a budget each year prior to July 1, as required by the Joint Powers Agreement. This budget includes estimates for all expenses plus a contingency reserve. Invoices are submitted to each Member after the budget is approved and payments are due July 1st. At the end of the fiscal year, excess funds are credited to Members on the same pro rata basis.

~~VIII~~IXb. Obligations to ACCEL by Former Member

The P&P: *Obligations to ACCEL by Former Member* governs the responsibilities of former members until their participating Program Years are administratively closed.

~~IX~~.X. ~~IX~~. ADMINISTRATIVE PROCEDURES

General procedures of the Authority that impact other items in the Financial Plan P&P may be listed here.

~~IX~~a. Actuarial Analysis

Actuarial Analysis are conducted annually with reviews of IBNR analyzed each June 30th of the year.

~~IX~~b. Unallocated Loss Adjustment Expense

Unallocated Loss Adjustment Expenses (ULAE) will be treated as a current expense in each fiscal year to properly account for these funds. In the event that the Authority dissolves, future ULAE will be allocated to the current expenses of the ongoing budget of the Authority.