

**SCHOOLS EXCESS LIABILITY FUND
SPECIAL BOARD OF DIRECTORS MEETING
Friday, June 1, 2007 - 10:00 A.M.**

**SELF Office - 1531 "I" Street, Suite 300
Sacramento, CA 95814**

MINUTES

BOARD MEMBERS PRESENT

John Didion (Alternate for Gregoryk)	SCC
Wes Combes	Area II
Richard Hare (Alternate for Falappino)	Area III
Lynn April Hartline	Area VI
Sandra Lepley (via teleconference 10:17 a.m.)	Area V
Nancy Anderson (via teleconference)	Area VI
Scott Miller	NCC
Charlene Minnick, Vice Chair	CSU
Teresa Scott	NCC
Denise Smith (via teleconference)	Area VI
Travis Steagall	Area V

ALTERNATES PRESENT

Tom Kesey (via teleconference)	NCC
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BOARD MEMBERS ABSENT

Clifton Anderson	Area I
John Falappino	Area III
Paula Tanguay	Area VI
Eric Johnston	Area VI
Becky Slaughter	Area IV
Eva Lueck	Area VI
Peter Hardash	SCC
Michael Gregoryk, Chair	SCC

SELF STAFF

Nat Lord	Chief Executive Officer
Pat Moody	Chief Fiscal Officer
Steve Schempp	Workers' Compensation Claims Examiner
Lois Gormley	Director of Communications
Ann Gorman	Executive Assistant

SELF CONSULTANTS

Keith Grand	Marsh Risk Services
Susan Blankenberg	Marsh Risk Services
John LaPlante	LaPlante, Spinelli & Donald

Randy Rendig
Robin Stewart
Susan Denious

George Hills Co.
Kronick, Moskovitz, Tiedemann & Girard
Kronick, Moskovitz, Tiedemann & Girard

OTHERS PRESENT

Doug Ross

Keenan & Associates

I. CALL TO ORDER

Minnick called the meeting to order at 10:00 a.m. and welcomed everyone.

II. INTRODUCTIONS

Participants took turns introducing themselves. Minnick asked Alternate John Didion to vote for Mike Gregoryk and Alternate Richard Hare to vote for John Falappino.

III. AGENDA – JUNE 1, 2007

A. AMENDMENTS/ADJUSTMENTS

Minnick noted an item that just recently came to the Board's attention, Change of Retention Request, should be added as Item IX H and that two new membership applications should also be added to the consent agenda as Item V. B and V C. Additionally, Minnick suggested taking the Closed Session items immediately following Public Comment and then proceeding on to the Action Items in the event that time ran short.

B. APPROVAL

Steagall made a motion, seconded by Scott, to adopt the agenda as amended.

Vote: Unanimous.

IV. MINUTES - BOARD OF DIRECTORS MEETING - MARCH 30, 2007

A. AMENDMENTS/ADJUSTMENTS

Minnick noted that her affiliation should be corrected from Area VI to CSU.

B. APPROVAL

Steagall made a motion, seconded by Scott, to approve the March 30 minutes as amended.

Vote: Unanimous.

V. CONSENT CALENDAR

- A. MEMBER REAPPLICATION – PALMDALE USD
- B. NEW MEMBER APPLICATION - NORTHCOAST PREPARATORY & PERFORMING ARTS ACADEMY
- C. NEW MEMBER APPLICATION – ROCKY POINT CHARTER SCHOOL

Hartline made a motion, seconded by Combes, to approve the Consent Calendar.

Vote: Unanimous.

VI. PUBLIC COMMENTS

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

XII. CLOSED SESSION (taken out of order)

At 10:09 a.m., Scott made a motion, seconded by Combes, to adjourn to closed session for the purpose of discussing pending claims.

Vote: Unanimous.

A. LIABILITY CLAIMS – RANDY RENDIG, GEORGE HILLS CO.

- 1. Kirst v. Paramount
- 2. Houghton v. Hart (SELF v. Westchester)
- 3. Cross v. Huntington Beach

B. WORKERS' COMPENSATION CLAIMS

- 1. CCCSIG v. SELF
- 2. Garden Grove School District v. SELF
- 3. Marin v. SELF
- 4. San Joaquin v. SELF
- 5. Baca v. San Bernardino City Unified
- 6. Crane v. Compton Unified
- 7. Duffy v. San Bernardino City Unified
- 8. Gabaldon v. San Bernardino City Unified
- 9. McCombs v. San Bernardino City Unified

10. Stratford v. San Bernardino City Unified
11. Simmons v. Long Beach Unified School District
12. Tighe v. Long Beach Unified School District
13. Englent v. San Joaquin Delta Community College
14. Bibee v. Shoreline Unified School District
15. Puga v. San Rafael High School District
16. Sanchez v. Reed Union School District
17. Scott v. Novato Unified School District
18. Czarnecki v. San Bernardino County Office of Education

At the conclusion of the closed session, Steagall made a motion, seconded by Lepley, to return to open session at 11:39 a.m.

Vote: Unanimous.

Minnick reported that during the Closed Session, the Board provided direction to claims staff and legal counsel. She also expressed the Board's appreciation for the incredible amount of work by legal counsel, John LaPlante and Robin Stewart and by board members, particularly Paula Tanguay and Travis Steagall, in their successful efforts to settle an ongoing piece of litigation.

At 11:40 a.m. the Board took a short recess.

IX. ACTION ITEMS (Out of Order)

A. APPROVE COVERAGE OPTION - \$19M X \$1M LAYER

Lord gave a brief presentation on options for the \$4 million excess of \$1 million layer. He reported that Marsh obtained two quotes, one from Everest/CV Star and another from Insurance Company State of Pennsylvania. He said the quotes include \$4 million per occurrence or wrongful act, no annual general aggregate, and a \$4 million annual aggregate per district for products-completed operations, employment practices, employee benefits and errors and omissions. He noted purchasing the coverage would take the current 65-70 percent confidence level to a 99 percent confidence level.

Lord reviewed projected losses and premium costs and recommended that the Board purchase the coverage from Everest/CV Star.

Hare made a motion, seconded by Scott, to purchase the coverage.

Vote: Unanimous.

B. APPROVE COVERAGE OPTION - EXCESS WORKERS' COMPENSATION PROGRAM

Lord noted that at the last Board meeting, the Board voted to accept Ace's quote for excess workers' compensation coverage with \$100 million limits, at rates lower than last year's. He said Marsh was able to negotiate even more favorable rates for the same coverage.

Lord reported that the staff also obtained a quote from Ace for statutory limit coverage, and in speaking with the members involved in that program, many expressed the desire to obtain the statutory coverage however no one was anticipating statutory coverage this year.

He suggested shoring up that program from a quality claims management perspective in the workers' compensation arena and rebuilding it to get it back on a better keel and then getting a statutory quote into the program for 2008/2009.

Lord recommended going with Option 5 this year as that would make the most sense for the program at this point.

Combes made a motion, seconded by Smith, to approve Option 5, the coverage with ACE American.

Vote: Unanimous.

C. APPROVE EXPERIENCE MODIFIERS – EXCESS WORKERS COMPENSATION PROGRAM

The Finance Committee had the opportunity to review the ex-mods at its May 24 meeting. They were done by an outside actuary.

Scott said Mark Priven presented the recalculated ex-mods to the Finance Committee and she made a motion to approve them. Hartline seconded the motion.

Vote: Unanimous

D. APPROVE FINANCIAL STATEMENTS – FEBRUARY, MARCH & APRIL

Moody said April's statements were not included because she had done a third quarter budget revision and wanted to get that approved before

putting out the April financials.

Scott said the Finance Committee reviewed the statements for February and March at its meeting last week and they are recommending to the full board that those statements be approved.

Scott made a motion to approve the statements for February and March and it was seconded by Steagall.

Vote: Unanimous

E. APPROVE OPERATING BUDGET – 2007/2008

Scott said the Finance Committee also reviewed the operating budget and the committee recommends to the full board to approve the 2007/2008 Operating Budget. She commended John Falappino for all his hard work, in conjunction with Moody, in preparing the budget.

Scott made a motion, seconded by Hare, to approve the 2007/2008 Operating Budget.

Vote: Unanimous

F. APPROVE 2007/2008 MEETING CALENDAR – EXECUTIVE COMMITTEE

Smith made a motion, seconded by Anderson, to approve the Executive Committee's 2007/2008 meeting calendar as presented.

Vote: Unanimous

G. APPROVE REVISED MARCH BUDGET

Scott said the Finance Committee had reviewed the revised budget. She commended Moody for the notes that accompanied the revision.

Scott made a motion, seconded by Hartline, to approve the revised March budget.

Vote: Unanimous

H. REQUEST FOR CHANGE IN RETENTION – SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

Minnick directed to Board's attention to the letter that had been distributed from San Bernardino seeking consideration for a late change of SIR in the Excess Workers' Compensation Program. The district missed the March 1 deadline, outlined in SELF's Bylaws, to change its retention.

Lord advised the Board that staff had engaged in several conversations with Sandra Walker on this matter and had advised her to write to the Board as it was beyond his power to waive a Bylaw for her. The Bylaw, which was revised in November, is very clear about the deadline for retention changes.

Walker was invited to address the Board in person but declined and said she didn't feel that would be necessary, Lord said. She stressed that the district had been good members in the program and admitted she'd made a mistake and was seeking assistance from the Board. Lord said it seemed she was in a difficult budgeting position.

He said the Excess Workers' Compensation pool Program is a separate pool from the Excess Liability pool and said the Board should keep that in mind when making its decision. Lord said he was not aware of any precedent one way or the other on this.

Lord said he feels badly for Sandra but the rules clearly say what the deadline date is. He said he did not have a recommendation--the decision was at the Board's pleasure.

Anderson asked if allowing the district to change its retention level now would have a negative impact on the pool. She noted that this was the first year for the new deadline, however she felt that the notification to the members had been adequate.

Lord said the at the end of the day, it would probably be a sum zero game. The reduction in premium collected would likely be offset by the savings on claims payments to the district as a result of raising the SIR from \$350,000 to \$750,000.

Anderson said that while she is a stickler for rules, she can sympathize with members and individuals who might have been confused by the change. She proposed allowing the change but making it clear to the district it is a one-time thing for this year only and that in light of the number of late reported claims

SELF is seeing from the district they should to allow SELF to come in and talk with them about their claims handling practices and proper reporting.

Hare asked if there was any need to notice any of the other members in that program that may have had the same problem.. Lord said none of the other members had indicated a problem with the new retention change date.

Stewart recommended that if the Board chooses to allow the change that it be made very clear to the district this is a one-time only dispensation.

Schempp said Sandra and her claims examiners did attend SELF's Workers' Compensation workshop in southern California in April and their claims handling practices were discussed at that time.

Lord said he will make a point, should the board allow the change, to meet with

Sandra and explain to her what a gracious thing the Board has done for the district and see what staff can do to assist them with their claims.

Anderson made a motion, seconded by Steagall, to allow the San Bernardino City Unified School District a one-time only dispensation for the late change of retention in the Excess Workers' Compensation Program.

Vote: Ayes: 9

Noes: 1

Motion carried.

VIII. COMMITTEE REPORTS/ACTION

A. EXECUTIVE COMMITTEE

Hartline reported that nothing out of the ordinary occurred at the recent, May 4 Executive Committee meeting.

B. FINANCE COMMITTEE

Scott said Finance met last week and in addition to the action taken today, the committee also affirmed the investment policy with a couple of minor changes to it.

Lord said interest rates are at a unique spot in the volatility universe, the short term rates in the 3 to 5 year range are at a high that probably won't

be seen again for some time and SELF is taking some advantage of that.

He commended Moody for taking full advantage off beefing up the portfolio for the long term.

C. LIABILITY CLAIMS AND COVERAGE COMMITTEE

No report.

D. WORKERS' COMPENSATION CLAIMS AND COVERAGE COMMITTEE

No report.

E. MEMBER SERVICES AND COMMUNICATIONS COMMITTEE

No report.

XI. INFORMATION/DISCUSSION ITEMS (Taken out of order)

A. INVESTMENT REPORT

Minnick noted the investment summary for March 2007 was included in the meeting packet for informational purposes.

VII. TIME CERTAIN

None

XI. CHIEF EXECUTIVE OFFICER'S REPORT

Lord said he is enjoying the work at SELF and has had an opportunity to meet with a number of JPA and individual members during the last couple of months. He said he thinks SELF is succeeding in bringing its positive message to the members.

Lord said he is in the process of reviewing the MOC's and will have some suggestions for changes in those documents for the Board at a future date.

Additionally, the Board will receive a report at its next meeting on significant pending legislation, Lord said. Staff has met with School Services, and conducted walked through a significant book of legislation that more will be know about

which bills will move forward after this week.

SELF is keeping a close eye on legislation that may adversely impact its members and will have recommendations for the Board on some of those pieces of legislation.

Lord reported that the PRIMA conference is coming and several staff members are participating in that. Staff continues to get out amongst the members and talk about SELF in a positive way, assuring them that SELF is alive and well and here to help. He also mentioned that SELF has submitted proposals to a number of conferences to lead discussions on various liability issues.

Lord reported that he and his wife had moved into their new home.

XIII. CHAIR'S REPORT

Minnick reported that her mother had recently passed away but had seen SELF's annual report before passing and given it her yearly report card. Minnick said her mother was concerned to see the fire on the cover but wanted everyone to know she had not forgotten them.

Minnick made note of the next meeting and asked if there was any other business.

XIV. AGENDA ITEMS/NEXT MEETING

June 7, 2007 - 10:00 a.m.

Workers' Compensation Claims & Coverage Committee
SELF Office

June 21, 2007 – 10:00 a.m.

Liability Claims & Coverage Committee
SELF Office

June 21, 2007 – 1:00 p.m.

Member Services Committee
SELF Office

June 22, 2007 - 8:30 a.m.

Board of Directors
SELF Office

VIII. ADJOURNMENT

There being no further business, a motion was made by Scott, seconded by Combes, to adjourn. The motion was carried unanimously and the meeting was adjourned at 12:14 p.m.