



MOTION: Alvaro Valdez **SECOND:** Rhonda Combs **MOTION CARRIED**

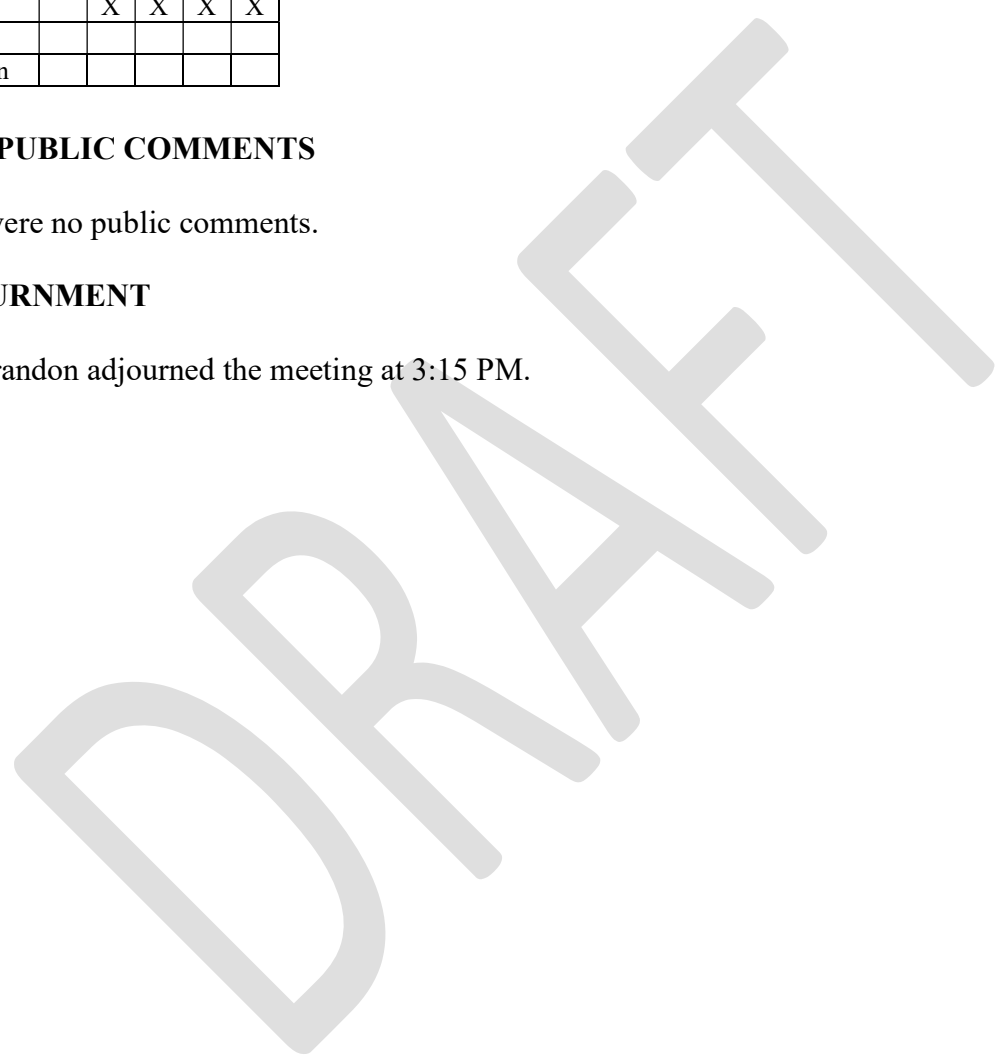
	Tracey Matthews	Alvaro Valdez	Rhonda Combs	Mark Howard	Ross Brandon
Aye		X	X	X	X
Nay					
Abstain					

D. PUBLIC COMMENTS

There were no public comments.

ADJOURNMENT

Ross Brandon adjourned the meeting at 3:15 PM.



ACCEL

Authority for California Cities Excess Liability

c/o Alliant Insurance Services, Inc.
 Corporation Insurance License No. 0C36861
 560 Mission Street, 6th Floor, San Francisco, CA 94105



Example Scenario:

Policy Loss Limit: \$30,000,000
 Member Limit: \$10,000,000

Triggered Losses: Member 1: \$10,000,000
 Member 2: \$10,000,000

Member 3: \$10,000,000
 Member 4: \$10,000,000
 Member 5: \$10,000,000

TOTAL: \$50,000,000

LLSF Result: $\frac{\$30,000,000}{\$50,000,000} \times \$10,000,000 = \$6,000,000$

RECOMMENDATION: It is recommended that the Committee take action to recommend the Board adopt this proposed policy & procedure or provide direction to the Program Administrators to make further changes.

Additional Considerations

In favor: The Committee may want to recommend adoption of this policy & procedure to provide governance for situations in which the aggregate limit on the policy could be eroded and would govern disputes for how to allocate available limits.

Against: The Committee may want to propose an alternative method for aggregate limit distribution.

FISCAL IMPACT: No financial impact is expected from the recommended action.

BACKGROUND: ACCEL has discussed a group parametric earthquake policy at the October 2024 Strategic Planning Meeting, the January 2025 Board Meeting, the March 2025 Special Board Meeting and a bind order is likely on a shared limits policy effective 7/1/25. When introducing a shared limits group purchase policy, there are considerations regarding limits sharing. The Program Administrators drafted this proposed policy & procedure in light of this and were able to take cues from other JPA's that have placed similar policies in the past.

ATTACHMENT: Proposed Policy & Procedure – Parametric Earthquake Aggregate Limit Erosion

ADMINISTRATIVE POLICY AND PROCEDURE

SUBJECT: PARAMETRIC AGGREGATE EROSION

DATE: June 12, 2025

AMENDED DATE:

REVIEWED DATE:

STATEMENT

ACCEL purchases insurance policies on behalf of Members, some insurance coverages include aggregate limits which may be eroded by Member claims. ACCEL bound a parametric earthquake policy with shared aggregate limits. The purpose of this policy and procedure is to outline the method for fund distribution in the event of aggregate limit exhaustion or other scenarios that require a sharing of limits between members. Because this policy’s coverage trigger is earth shaking as opposed to building damage, ACCEL would know the full amount of the claim recovery shortly after the event.

The parametric policy includes certain maximum amounts that the insurer is liable to pay in the event of a loss. These are known as “Loss Limits” these limits are shared by all Members of ACCEL that participate in this parametric placement. For example, limits could be exhausted in the following situations:

- More than one agency is involved in the same loss event resulting in total payable claims in excess of the aggregate
- A series of unassociated loss events during the policy term involve more than one Member resulting in total payable claims in excess of the aggregate.

PROCEDURE

The following Loss Limit Sharing Formula (LLSF) shall govern recoveries by Member Agencies from the parametric insurance carrier in any case where the total payable claims of affected Member agencies exceed either a per occurrence loss limit or an annual aggregate loss limit specified in the policy such that, in either case, the insurance coverage available is insufficient to pay all payable claims of affected Member Agencies.

In the event ACCEL members exhaust the Loss Limit available, the following Loss Limit Sharing Formula (LLSF) will be applied to each Member’s recovery:

$$\frac{\text{Policy Loss Limit}}{\text{Total Amount Owed to All Members}} \times \text{Member Loss Limit} = \text{Member Payable}$$

Example Scenario:

Policy Loss Limit: \$30,000,000

Member Limit: \$10,000,000

Triggered Losses: Member 1: \$10,000,000

Member 2: \$10,000,000

Member 3: \$10,000,000

Member 4: \$10,000,000

Member 5: \$10,000,000

TOTAL: \$50,000,000

LLSF Result: $\frac{\$30,000,000}{\$50,000,000} \times \$10,000,000 = \$6,000,000$

In the event that limits must be shared by different members under the parametric earthquake policy, each member’s recovery will be reduced by an equal share. For example, if the total limit available for an event is \$10M, and two members individually are entitled to \$7M and \$5M (12M total), their recovery would be reduced to \$5,833,333 and \$4,166,667 respectively by following the LLSF.

In any event where it appears that the LLSF may require proration of Member Agencies’ claims, the Board shall be, and is, empowered to instruct the insurer concerning the manner in which claims of affected Member Agencies shall be paid so as to achieve the objectives required by this Policy. However, in exercising this power, the Board shall give due consideration to the needs of affected Member Agencies for expeditious administration and prompt payment of their claims, and payment of proper claims shall not be unduly delayed because of the application of this Policy & Procedure.

In the event that the Loss Limit is eroded by separate events during the policy year, Members accepting payments agree to reimburse ACCEL for any reductions in reimbursements due to the application of the LLSF for events which occur later in the policy year.