



AGENDA

LEGEND: A - Action may be taken
I - Information
1 - Included
2 - Handout
3 - Separate
4 - Verbal

JPA: ACCEL FINANCE COMMITTEE MEETING

DATE/TIME: Monday, May 11, 2026 at 11:00 AM

LOCATION: Teleconference

Link: <https://alliantinsurance.zoom.us/j/91901968363?pwd=QAHMByeawB35Tjr7S3ir26eagt5haj8.1>

Meeting ID: 919 0196 8363

Passcode: 721352

Dial: (669) 900 6833

In accordance with the requirements of the Brown Act, notice of this meeting must be posted in publicly accessible places, 72 hours in advance of the meeting, at the office of ACCEL's Secretary.

Per Government Code section 54954.2, persons requesting disability-related modifications or accommodations, including auxiliary aids or services in order to participate in the meeting, are requested to contact Alliant Insurance Services at (415) 403-1400, 24 hours in advance of the meeting. Access to some buildings may require routine provision of identification to building security. However, ACCEL does not require any member of the public to register his or her name, or to provide other information, as a condition to attendance at any public meeting and will not inquire of building security concerning information so provided. See Government Code section 54953.3.

- MEMBER LOCATIONS VIA TELE - CONFERENCE**
- City of Monterey, 735 Pacific Street, Suite A, Monterey, CA 93940
 - City of Ontario, 200 North Cherry Avenue, Ontario, CA 91764
 - City of Santa Barbara, 735 Anacapa Street, Santa Barbara, CA 93101
 - City of Santa Monica, 1685 Main Street, Room 131, Santa Monica, CA 90401
 - City of Visalia, 220 North Santa Fe Street, Visalia, CA 93292

PAGE

- A. CALL TO ORDER**
- B. CONSENT CALENDAR (A)**
- 3-4 1 1. Approval of Minutes for the March 5, 2026 Finance Committee Meeting
Members will review this item and may take action to approve or amend.
- C. REPORTS**
- 1. FINANCE COMMITTEE**
- 5-8 1 a) Updated FY 26-27 Draft Administrative Budget (A)
Members will review a draft of the FY 26/27 Administration Budget and may take action to provide a recommendation to the Board or give direction.
- 9-34 1 b) Proposed Changes: ACCEL Financial Plan Policy and Procedure – Payment Plans (A)
The Committee will discuss the proposed edits to the Financial Plan. Action may be taken to make a recommendation to the Board or direction given.
- 35-37 1 c) Rating Plan Calculation – Structure and Use of Actuarial Data (A)
The Committee will discuss the Retro structure and the use of actuarial data, and may take action to make a recommendation to the Board or provide further direction.



D. PUBLIC COMMENTS

(I)

4 *The public is invited at this point to address the Committee on issues of interest to them.*

ADJOURNMENT



**MINUTES OF THE
ACCEL FINANCE COMMITTEE
MEETING**

**Item No. B.1
Finance Committee
May 11, 2026**

Thursday, March 5, 2026 at 8:30 AM

LOCATION:

Teleconference

Link: <https://alliantinsurance.zoom.us/j/93317089752?pwd=m3sPQRvE0AMlaVFnl2pP7Qcf1O8C02.1>

Meeting ID: 933 1708 9752

Passcode: 265208

Dial: (669) 444 9171

MEMBERS PRESENT:

Rafaela King, City of Monterey
Marquie Lugo, City of Ontario Alternate
Greg Milligan, City of Santa Barbara
Oles Gordeev, City of Santa Monica
Andrew Guzman, City of Visalia

MEMBERS ABSENT:

None

GUESTS AND CONSULTANTS:

Conor Boughey, Alliant Insurance Services
Lorissa Huey, Alliant Insurance Services
Thomas Joyce, Alliant Insurance Services
Amy Meyer, Maze & Associates (9:00am – 9:44am)
Vikki Rodriguez, Maze & Associates (9:00am – 9:44am)
Meghan Skilling, Maze & Associates (9:00am – 9:44am)
Bob Green, Gilbert CPA's (10:00am – 10:23am)
Raul A. Hernandez, Gilbert CPA's (10:00am – 10:23am)
Joe Pieksha, Crowe LLP (10:58am – 11:49am)
Adam Randolph, Crowe LLP (10:58am – 11:49am)

A. CALL TO ORDER

Oles Gordeev called the meeting to order at 8:33 AM.

B. CONSENT CALENDAR

B1. Approval of Minutes for the February 18, 2026 Finance Committee Meeting

A motion was made to approve the consent calendar.



MOTION: Greg Milligan **SECOND:** Rafaela King **MOTION CARRIED**

	Rafaela King	Marquie Lugo	Greg Milligan	Oles Gordeev	Andrew Guzman
Aye	X	X	X	X	X
Nay					
Abstain					

C. REPORTS

C1. FINANCE COMMITTEE

C1a. Financial Auditor Interviews

The Committee initially met to review scoring rubrics for the interviews and to finalize questions for the selected firms. Interviews then began promptly at 9am with Maze & Associates. After the Maze interview, the Committee debriefed the interview prior to the next. At 10am, the interviews with Gilbert CPA’s began and were followed by a similar debrief among the Committee. Lastly, the incumbent Crowe LLP interviews began at 10:58am and lasted until 11:49am. After Crowe’s departure, the Committee discussed in depth which of the three firms to recommend to the Board. The Committee decided on Maze.

A motion was made to recommend that the Board approve Maze & Associates to serve as the next financial auditor for ACCEL.

MOTION: Oles Gordeev **SECOND:** Andrew Guzman **MOTION CARRIED**

	Rafaela King	Marquie Lugo	Greg Milligan	Oles Gordeev	Andrew Guzman
Aye	X	X	X	X	X
Nay					
Abstain					

D. PUBLIC COMMENTS

There were no public comments.

ADJOURNMENT

Oles Gordeev adjourned the meeting at 12:14 PM.



Item No. C.1.a
Finance Committee
May 11, 2026

UPDATED FY 26/27 DRAFT ADMINISTRATIVE BUDGET

ISSUE: The Board amended the ACCEL Bylaws at its January 2022 Board Meeting which expanded the Finance Committee's Duties:

9. Review and recommend Administrative Budget to the Board.

The Draft FY 26/27 Administrative Budgets are being presented to the Finance Committee at today's meeting for the second time since at the March 2026 Board Meeting, there were some changes needed to be added such as increasing the Training budget from \$30K to \$35K and the potential for a New Member. This will be presented at the June Board Meeting for annual adoption.

Two Draft Administrative Budgets are being presented because of the potential for a 14th Member addition to ACCEL.

At the March 2026 Board Meeting, direction was given to the Program Administrators to insert a column that shows the actual budget to date.

RECOMMENDATION: The Program Administrators recommend the Committee review the Draft Administrative Budgets and take action to make a recommendation to the Board to adopt at the June Board Meeting or give further direction.

Additional Consideration

In favor: The budget reflects the best estimate of anticipated expenses in the next fiscal year. Approval of the budget presented includes an increase in professional service contract fees and administrative expenses of Meeting Expenses and Training Budget. The decrease to legal services recognizes reduced fees compared to prior terms. We view this presentation as a conservative budget and is in line with current inflationary trends. Unspent administrative budget funds are applied as a credit to next year's admin expenses.

Against: If the Committee would like to amend the budget, we could approach the figures more conservatively by increasing or decreasing the training budget or legal budget. The budget estimates are based on contracted amounts, estimated travel expenses and small (less than \$5,000) budget line items.

FISCAL IMPACT: The Administrative Budget is currently drafted to an increase from \$920,968 to \$950,478, a **3.20% increase**. Should a 14th Member be added to ACCEL, the proposed budget is \$988,218, a **7.30% increase**. However, the cost per Member would **decrease by 0.36%**.

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



BACKGROUND: Each year the Program Administrators review the compensation section of each consultant's contract with ACCEL, review the budget to date documents and update the Budget to reflect any changes. In addition, the Program Administrators also evaluate any changes in ACCEL's operations that may affect the Budget. Any unused funds are rolled over from one program year to the next. At the March, 2026 Board Meeting, the Board approved a 14th Member to join ACCEL.

The adjustments include:

1. Adjust the Professional Services line items to match the current term of each contract.
 - a. New Member Fee added for Claims Auditor and Program Administrator Contracts.
2. CAJPA Accreditation budgeted amount (charged every three years, not included).
3. Legal Services.
4. Travel and Training Budget
5. Meeting Expense Budget

ATTACHMENT:

- (1) Draft FY 26/27 Administrative Budget w/ 13 Members
- (2) Draft FY 26/27 Administrative Budget w/ 14 Members

ACCEL
Draft Budget for 2026-27
Administrative Expenses

DESCRIPTION	2025-26 Administrative Budget	2025-26 Actual as of 5/1/2026	2026-27 Administrative Budget	% Change for Planned Budget
PROGRAM ADMINISTRATION	\$ 353,780	\$ 353,780	\$ 362,625	3%
CLAIMS ADMINISTRATION - ANNUAL	\$ 334,750	\$ 334,750	\$ 345,125	3%
CLAIMS AUDIT	\$ 57,958	\$ 57,958	\$ 57,958	0%
INVESTMENT SERVICES	\$ -	\$ -	\$ -	0%
CUSTODIAL ACCOUNT/BANKING FEE	\$ 6,500	\$ 2,886	\$ 6,500	0%
LEGAL (Coverage Counsel)	\$ 15,000	\$ 1,960	\$ 14,000	-7%
FINANCIAL AUDIT + SUPP SCHEDULES	\$ 35,000	\$ 33,000	\$ 32,630	-7%
ACCOUNTING SERVICES	\$ 500	\$ -	\$ 500	0%
INSURANCE AND BONDS	\$ 26,000	\$ 22,049	\$ 26,000	0%
MEETING EXPENSES (incl. Teleconferences)	\$ 12,000	\$ 5,784	\$ 15,000	25%
PRESIDENT'S CAJPA TRAVEL	\$ 1,500	\$ 450	\$ 1,500	0%
CAJPA ACCREDITATION ⁽¹⁾	\$ -	\$ -	\$ -	-100%
TECHNOLOGY SERVICES	\$ 1,000	\$ -	\$ 1,000	0%
ACTUARIAL (Bickmore)	\$ 14,480	\$ 14,480	\$ 15,140	5%
WC ACTUARIAL	\$ -	\$ -	\$ -	0%
MEMBERSHIPS	\$ 4,000	\$ 4,000	\$ 4,000	0%
CONSULTING SERVICES	\$ 500	\$ -	\$ 500	0%
SAFETY SERVICES	\$ 500	\$ -	\$ 500	0%
MISC. EXPENSES	\$ 500	\$ -	\$ 500	0%
CONTINGENCY	\$ 4,000	\$ -	\$ 4,000	0%
CAJPA TORT LIABILITY PROJECT	\$ -	\$ -	\$ -	0%
Membership Travel and Training:				
Board Member Travel	\$ 23,000	\$ 28,110	\$ 28,000	22%
Board Member Training	\$ 30,000	\$ 17,241	\$ 35,000	17%
<i>SUBTOTAL Member Travel</i>	\$ 53,000	\$ 45,351	\$ 63,000	19%
TOTAL ADMIN BUDGET	\$ 920,968	\$ 876,449	\$ 950,478	3.20%
Total Per Member:	\$ 70,843.69 (13 Members)	\$ 67,419.17 (13 Members)	\$ 73,113.69 (13 Members)	3.20%

Notes:

⁽¹⁾ CAJPA Accreditation is only paid every three years, last paid in January 2025
RPC Audit is completed every five years, last presented in October 2022

ACCEL
Draft Budget for 2026-27
Administrative Expenses

DESCRIPTION	2025-26 Administrative Budget	2025-26 Actual as of 5/1/2026	2026-27 Administrative Budget	% Change for Planned Budget
PROGRAM ADMINISTRATION	\$ 353,780	\$ 353,780	\$ 390,519	10%
CLAIMS ADMINISTRATION - ANNUAL	\$ 334,750	\$ 334,750	\$ 345,125	3%
CLAIMS AUDIT	\$ 57,958	\$ 57,958	\$ 60,958	5%
INVESTMENT SERVICES	\$ -	\$ -	\$ -	0%
CUSTODIAL ACCOUNT/BANKING FEE	\$ 6,500	\$ 2,886	\$ 6,500	0%
LEGAL (Coverage Counsel)	\$ 15,000	\$ 1,960	\$ 14,000	-7%
FINANCIAL AUDIT + SUPP SCHEDULES	\$ 35,000	\$ 33,000	\$ 32,630	-7%
ACCOUNTING SERVICES	\$ 500	\$ -	\$ 500	0%
INSURANCE AND BONDS	\$ 26,000	\$ 22,049	\$ 28,000	8%
MEETING EXPENSES (incl. Teleconferences)	\$ 12,000	\$ 5,784	\$ 15,000	25%
PRESIDENT'S CAJPA TRAVEL	\$ 1,500	\$ 450	\$ 1,500	0%
CAJPA ACCREDITATION ⁽¹⁾	\$ -	\$ -	\$ -	-100%
TECHNOLOGY SERVICES	\$ 1,000	\$ -	\$ 1,000	0%
ACTUARIAL (Bickmore)	\$ 14,480	\$ 14,480	\$ 15,140	5%
WC ACTUARIAL	\$ -	\$ -	\$ -	0%
MEMBERSHIPS	\$ 4,000	\$ 4,000	\$ 4,000	0%
CONSULTING SERVICES	\$ 500	\$ -	\$ 500	0%
SAFETY SERVICES	\$ 500	\$ -	\$ 500	0%
MISC. EXPENSES	\$ 500	\$ -	\$ 500	0%
CONTINGENCY	\$ 4,000	\$ -	\$ 4,000	0%
CAJPA TORT LIABILITY PROJECT	\$ -	\$ -	\$ -	0%
Membership Travel and Training:				
Board Member Travel	\$ 23,000	\$ 28,110	\$ 30,154	31%
Board Member Training	\$ 30,000	\$ 17,241	\$ 37,692	26%
<i>SUBTOTAL Member Travel</i>	\$ 53,000	\$ 45,351	\$ 67,846	28%
TOTAL ADMIN BUDGET	\$ 920,968	\$ 876,449	\$ 988,218	7.30%
Total Per Member:	\$ 70,843.69 (13 Members)	\$ 67,419.17 (13 Members)	\$ 70,587.01 (14 Members)	-0.36%

Notes:

⁽¹⁾ CAJPA Accreditation is only paid every three years, last paid in January 2025
RPC Audit is completed every five years, last presented in October 2022



Item No. C.1.b
Finance Committee
May 11, 2026

PROPOSED CHANGES:
ACCEL FINANCIAL PLAN POLICY AND PROCEDURE –
PAYMENT PLANS

ISSUE: Per the ACCEL Financial Plan Policy and Procedure, Members that are in an assessment position have until June 1st to submit their request to use a payment plan.

ACCEL Member Entity Finance Directors provided feedback in the attached redline version of the policy for the Committee's consideration.

RECOMMENDATION: The Program Administrators recommend the Committee review the proposed edits to the Financial Plan and take action to provide a recommendation to the Board at the June 2026 Board Meeting, or give direction.

Additional Consideration

In favor: In order to soften the financial impact of large assessments, ACCEL took action to allow payment plans. Members in need of smoothing the effect of assessments should request a payment plan, but also keep in mind any future assessments will stack on top of a payment plan unless it is paid back prior to requesting a new plan. As a result, members should be strategic about when they request payment plans.

The redlined changes provide clarity around the payment plan interest, and when payments plans can be requested by a Member. Documenting financial hardship ensures payment plans are granted only to those with genuine need, preventing unnecessary use and protecting the other Members as there is less money in ACCEL losing out on interest, and weakens the pool's net position.

When a Member takes a payment plan, the owed funds remain with the Member's city, generating interest for them instead of the pool. Increasing the interest rate from ½ percent to LAIF instead discourages these payment plans, helping the pool avoid lost interest and retain more funds within ACCEL.

Against: When assessments become due, they should be paid. If they are not paid and instead a payment plan is taken, the Member runs the risk of compounding retro results and further increasing future year costs.

Members may vote against adding redlined changes of documenting financial hardship because it could be seen as creating an administrative barrier and making the process more restrictive discouraging Members from using the payment plan option.



The Committee may not want to increase the current interest rate of ½ percent as it can be too punitive to the Members, and want to keep the interest rate of ½ percent, while the late fee is LAIF plus 1%

FISCAL IMPACT: ACCEL is not cash flow restricted, so offering up the payment plan terms is not problematic for this year's Retro, but there could be down road considerations that prevent it from being offered annually. In general, our RRPC calculations have been as follows:

1. ACCEL does not release RRPC money until the following year's Contributions are paid in July.
2. In the few instances where members owed ACCEL, the RRPC money was due effective June 30th and either reflects in our financial audit as paid. (An auditor would track 'significant subsequent event' or an account receivable if not collected yet).
3. If a Member owes their RRPC for a current year, but will see a return of money in the following year (*Test Year*), ACCEL has historically waived the payable by Board action at the June Board meeting.

BACKGROUND: The high amounts of the RPCs due are a direct result of unexpected claims payments on previously unknown claims that occurred 30 years ago and just recently settled. No claim reserve had been set to hold back funds as the claims were entirely unanticipated actuarially.

Payment Plan prior events:

2020:

1. Bakersfield – Paid off payment plan early.
2. Ontario – Paid off payment plan and took a 2021 new payment plan.
3. Gardena - processing payments per the plan.

Anaheim and Visalia had a 2020 retro assessment and paid the amount in full, no payment plan.

2021:

1. Anaheim paid the amount in full, no payment plan.
2. Ontario – processing payments per the 2021 payment plan

2022: Anaheim, Bakersfield, Ontario, and Visalia, they paid off the assessment in full.

2023: City of Modesto requested a payment plan but did not need to use it after it was approved by the Board.

2024: All Members in an assessment position did not want to take a payment plan, they paid the assessment in full.

2025: All Members in an assessment position did not want to take a payment plan, they paid the assessment in full.



At the May 14, 2020 Special Board Meeting, the Board took action to establish a 2020 Retro three-year payment plan with the second and third years having compounding interest of around 1/2 percent (50 Basis Points) of Member's outstanding balances.

The Financial Plan states the following in Section *IVf*:

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; compounding interest at a rate of ½ of a percent of the outstanding balance
- 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

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Corporation Insurance License No. 0C36861

560 Mission Street, 6th Floor, San Francisco, CA 94105



- 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

ATTACHMENT: Financial Plan Policy & Procedure – Proposed Edits

ADMINISTRATIVE POLICY AND PROCEDURE

SUBJECT: FINANCIAL PLAN

DATE: 1987

AMENDED DATE: ~~October 16, 2025~~ March 19, 2026

REVIEWED DATE: ~~October 16, 2025~~ May 11, 2026

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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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 *IIb*. 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.

CALCULATION OF ANNUAL DEPOSITS

***IIa.* Summary**

Each year ACCEL funds the Program Year with deposit premium collected from the Members. The following section outlines the steps taken to calculate the deposit premium.

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.

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 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 March 31, June 30, September 30 and December 31.

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:

***Iib.* Ex-mod Calculation**

The Board approves the following ex-mod calculation to be applied to annual deposits starting July 1, 2024 as follows:

Ex Mod Inputs:

1. Payroll: oldest 8 years of most recent 10 years
2. Claims: oldest 8 years of most recent 10 years, excess of \$1M and capped at \$5M
 - a. Unless directed otherwise by the Board, the prior year's Rating Plan Calculation (RPC) will be used for this calculation
3. Calculate loss rate based on member's percentage share of payroll and claims.
4. Apply 35% credibility factor to loss rate to create ex-mod
5. Cap ex-mod at maximum of 1.2 and minimum of 0.8

***Iibi.* Sample Ex-Mod Calculation**

$$\left(\frac{8 \text{ year member claims}}{8 \text{ year ACCEL claims}}\right) / \left(\frac{8 \text{ year member payroll}}{8 \text{ year ACCEL payroll}}\right) = \text{Loss Rate}$$

$$\text{Credibility factor of } 0.35 \times \text{Loss Rate} + (1 - \text{Credibility of } 0.35) = \text{Ex-Mod}$$

Sample Calculation with Numbers:

$$\left(\frac{\$1,600,000}{\$40,000,000}\right) \times \left(\frac{80,000,000}{\$1,000,000,000}\right) = 0.4$$

$$0.35 \times 0.4 + (1 - 0.35) = 0.79$$

As this is below the 0.8 minimum, this theoretical member would be using an ex-mod of 0.8 for the purposes of determining annual deposit premium.

IIc. Steps

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

1. The sum of the prior year four quarters ending on March 31, June 30, September 30 and December 31, Subject Wages to determine payroll.
2. The actuarial rate is presented by the actuary annually. The Board will select the funding rate at the Spring or June Board Meeting. The confidence level funding is adopted by the Board at the June Board Meeting.
3. Payroll divided by one hundred and then multiplied by the actuarial rate equals the annual deposit.
4. The deposit premium is then modified by applying the ex-mod/surcharge.
5. The Board will vote to approve the allocation. Any further modification to the allocation requires Board approval.

III. 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.

IIIc.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.

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	\$	7.50	\$	3.75
	Relative loss ration (% of payroll)		2.00		
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		

IV. 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

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.

is a \$1,100,000 claim then \$100,000 of it will be used for the calculation. The IBNR input into the RPC will be the amount of IBNR included in the current year Actuarial Study as of 12/31. The Reserves input into the RPC will be inputted with the 12/31 loss run from the most recent year and updated through Board action as of May 1. Any Reserve changes at a Special Board Meeting between May 1 and the June Board Meeting or at the June Board Meeting will not be included.

IVa. 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)

IVb. 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.

IVc. Rating Plan Calculation (RPC) Formula

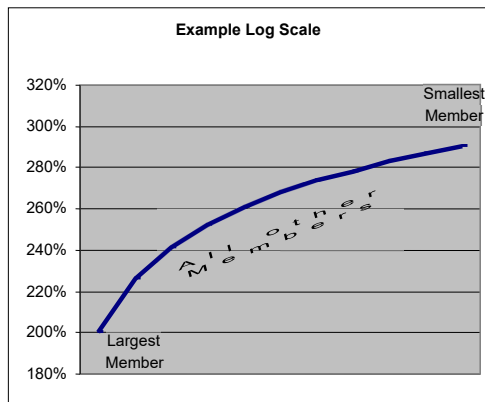
A formula is used to determine the Rating Plan Calculation (RPC) and is calculated in the following steps:

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.

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

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
Payroll	Excess Losses	3.00%	200% - 300%	\$4,000,000
65%	35%			

IVd. Rating Plan Calculation Example

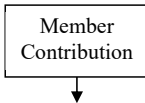
An RPC example is shown in the following Steps.

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).

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



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.

IVe. 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)

IVf. Assessment Calculation, Payment Plans, Request for Deferral, & Pre-funding

Assessments are due in full upon receipt. Payment plans are an exception and may be granted if necessary by Board approval.

Commented [LH1]: Finance Directors' suggested language:
 Add this to the beginning of IVf:
 Assessments are due in full upon receipt. Payment plans are an exception and may be granted only upon a showing of financial necessity (via finance and/or audit reports) and with Board approval.

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.

Payment plans may be considered only when the Member demonstrates a documented financial hardship or when the assessment amount is disproportionately large relative to the Member's annual deposit.

Commented [LH2]: Finance Directors' suggested language:
Consider adding this wording:
Payment plans may be considered only when the Member demonstrates a documented financial hardship or when the assessment amount is disproportionately large relative to the Member's annual deposit.

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.~~ Interest accrues on the 2nd and 3rd installments at ½ percent (50 basis points). Late payments accrue penalty interest at the current LAIF rate plus 1%
- f. Installments are equal annual payments unless otherwise approved by the Board.
- g. A payment plan may be paid off early with no penalty.
- h. For any single Member, no more than one payment plan may be taken at a time.

Commented [LH3]: Finance Directors' suggested language
Consider adding the following clarity:
1. Failure to make any scheduled payment within thirty (30) days of the due date shall constitute default, and the remaining balance shall become immediately due and payable.
2. When feasible, ACCEL may offset all or a portion of an assessment against funds otherwise payable or transferable to the Member prior to approving a payment plan.

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

Year 1:

- o One-Third **due** June 30, 2022
- o No interest unless payment is late and penalty applies
- o Late penalty applies if 1/3 payment not received by March 31, 2023
- o The penalty is the LAIF rate (as of March 31, 2023) **plus** 1%
- o The 2nd and 3rd installments are charged interest beginning on this late date of 3/31/2023; compounding interest at a rate of ½ of a percent (50 basis points) of the outstanding balance
- o 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:

- o Second (1/3) installment and ½ of a percent (50 basis points) interest are **Due** June 30, 2023 Net 30
- o If payment is late (30 days), interest accrues at LAIF rate **plus** 1% compounded interest
- o The third installment continues to accrue interest at the lower "long-term" payment rate.

Year 3:

- Third (1/3) installment and ½ of a percent (50 basis points) 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.
 - By June 1st, 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
 - By June 1st, the Member may request, in writing, that the net difference be collected.
 - The Board must approve the request.

Pre-Funding Future Assessments

In order to address future year obligations, the Board allows Members to pre-fund future assessments in the Test Years that shows a negative balance. A Member may request to pre-fund assessments in the Test Years as follows:

1. Any of the Test Years show a negative balance. The Member may request to pre-fund a negative Test Year up to the full balance of the negative test year, regardless of whether the other Test Years show a positive balance.
 - The Member may request, in writing, to pre-fund a test year's assessment.
 - The Board must approve the request.

***IVg.* 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%

Effective for the Program Year starting July 1, 2026 and following: The Board took action at the October 2025 Board Meeting to modify the calculation as follows;

- The Minimum Contribution in **IIIC. Rating Plan Calculation (RPC) Formula, Step 2** has been removed entirely.

V. ADMINISTRATIVELY SUSPENDING THE RRP AND RPC CALCULATIONS

***Va.* 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.

***Vb.* Steps**

The following steps will be taken to administratively Suspend years:

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 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. Any funds available for Member return or assessment will be moved to an open year through a Fund Transfer.
4. A Suspended year will no longer be calculated once Board Action is taken to Suspend a year.

5. 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. 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.

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.

VIII. 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
Clm 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.

IX. ADMINISTRATIVE EXPENSES

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*.

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.

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.

X. ADMINISTRATIVE PROCEDURES

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

Xa. Actuarial Analysis

Actuarial Analysis are conducted annually with reviews of IBNR analyzed each June 30th of the year. The Actuarial Study is presented at the Spring Board Meeting. The IBNR Update Report is presented at the October Board Meeting.

Xb. 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.



Item No. C.1.c
Finance Committee
May 11, 2026

RATING PLAN CALCULATION – STRUCTURE AND USE OF ACTUARIAL DATA

ISSUE: ACCEL’s Financial Plan Policy and Procedure (P&P) governs the key financial calculations and reports that produce the Member Account Summary (MAS), Retrospective Rating Plan (RRP), Rating Plan Calculation (RPC) and other financial factors such as the restriction of retro funds.

The data that is inputted into the Retro Calculation includes losses as 12/31 and updated through May 1, interest from the MAS as of 12/31, and IBNR as of 12/31. The Board adopted these parameters in the Financial Plan, Page 9 states:

“The IBNR input into the RPC will be the amount of IBNR included in the current year Actuarial Study as of 12/31. The Reserves input into the RPC will be inputted with the 12/31 loss run from the most recent year and updated through Board action as of May 1. Any Reserve changes at a Special Board Meeting between May 1 and the June Board Meeting or at the June Board Meeting will not be included.”

The Retro is adopted annually at the June Board Meeting, with two drafts presented beforehand. The first draft is an early estimate provided at the January Board Meeting and does not include interest or IBNR, since the MAS as of 12/31 has not yet been finalized and the Actuarial Report is not available until March. The second draft is presented at the March Board Meeting as the official draft version, as it includes IBNR as of 12/31 from the Actuarial Study, which is presented at the same meeting, along with the finalized MAS as of 12/31.

ACCEL obtains two actuarial studies, the March study focuses on rates setting and evaluates loss data as of 12/31. The second report is provided at the October Board meeting and includes year end data as of 6/30 and matches the financial audit that is presented at the same meeting. The financial audit and actuarial study will have year end data. The RPC is a large estimate included in the audit, and is based on 12/31 IBNR and claims updates through 5/1.

Now that ACCEL obtains these two studies each year, we realize that data may not match between our reports if we continue to base the RPC on 12/31 data. The RPC is always recalculated and involves many estimates. The Committee may want to keep the current format of reports, or request that the Administrators push back the RPC presentation to the October meeting to be sure the data matches the year end reports.

RECOMMENDATION: The Program Administrators recommend the Committee discuss the Retro Calculation structure and what actuarial data to utilize, and provide a recommendation to the Board or provide further direction to the Program Administrators.

Additional Consideration

A California Joint Powers Authority



In favor of no change: A vote in favor would indicate that Members prefer to know what their assessments or amounts available from the Retro are at 7/1, rather than wait 3 months until the October Board Meeting.

The way the RPC is currently designed is based on using estimates for the final Retro which is approved at the June Board Meeting. Members who would like a retro payment would be able to request as soon as the July 1 deposits are paid so Members may want to get their money faster. Also, Members who are in an assessment position will receive one invoice at July 1 with the deposit premium and retro assessment.

Against no change: A vote against indicates that Members may prefer to use finalized reports, since the Actuary is no longer using future data projections and is using final data reports, we now have data that aligns directly with the financial audit.

If the final Retro is moved to the October Board Meetings, Members will have to wait 3 months more for any Retro payments and if they are in an assessment position, they would have to process another invoice around November 1st in addition to the July 1 deposit.

FISCAL IMPACT: The fiscal impact cannot be determined at this time.

BACKGROUND: The RPC calculation was adopted in 2008 after several years of review with ACCEL's Underwriting Committee, Board and consultants. Since 2008, no modifications to the calculation have been made.

Since inception in 1986, ACCEL has utilized a Retrospective Rating Plan (RRP) that bases its percentage Share of Loss on both payroll and loss experience. Each Member's size has an impact on the weighting of its loss experience through a Creditability Factor. There has been an interesting turn of events the past few years and this has caused Members to question the relevancy of the RRP for ACCEL, as the pool exists today.

At the June 2017 Board Meeting, the board took action to administratively suspend fiscal years up to FY 2007/08, and this year's retro calculation shows the prior funds on account, rolling forward to the FY 2008/09 year.

At the June 2024 Board Meeting, the Board took action to administratively suspend fiscal years up to FY 2012/13, and this year's retro calculation shows will show the prior funds on account, rolling forward to the FY 2013/14 year. The FY 2008/09 year had to be unsuspending at the June 2025 Board Meeting and re-suspended at the March 2026 Board Meeting.

Also, please remember that the FY 2021/22 year calculation is the test year, and is calculated in the retro formula.

The RPC is calculated in the following steps:



Step 1: Determine a Member's Contribution. Members' Contributions depend on the size of the member using payroll, any losses the members incur and the rate charged.

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

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.

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 **IIC. Rating Plan Calculation (RPC) Formula, Step 2** changed from 3% to 2%

Effective for the Program Year starting July 1, 2026 and following: The Board took action at the October 2025 Board Meeting to modify the calculation as follows;

- The Minimum Contribution in IIC. Rating Plan Calculation (RPC) Formula, Step 2 has been removed entirely.

Step 3: A maximum Member Contribution is established. The member with the smallest payroll will pay no more than 3 times their pool deposit towards any Claim, and the member with the largest payroll will pay no more than 2 times their pool contribution towards any Claim. All other members' maximum Member Contribution will be scaled on a logarithmic curve. In the event that all Members reach their Maximum Contribution, an assessment is made, based on percentage share of payroll.

Final Step 4: A claims cap of \$4,000,000 per claim is established. The first \$4,000,000 of each 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.

ATTACHMENT: None