



Ad Hoc Committee Meeting

DATE/TIME: Tuesday, February 14, 2023 at 2:00 PM

LOCATION: Teleconference

Link: <https://alliantinsurance.zoom.us/j/96832218323?pwd=MktZdVFCaW9YcnpITXkvMjBMYmpndz09>

Meeting ID: 968 3221 8323

Passcode: 627457

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

Thomas Joyce, Alliant

AD HOC COMMITTEE GOALS AND TASKS:

1. ACCEL's Deposit Funding Allocation
 - a. Ex-Mod → Actual Pool Layer, 8 years, 30% max, 35% credibility factor weight to loss experience
 - b. Surcharge (show as information only)
2. Establish Next Meeting – *Third one if needed*
3. After Review, Present Top 3 to Board of Directors
4. Board Review: March 30 & 31, 2023



Second Meeting Agenda
ACCEL's Deposit Funding

ISSUE: At the first Ad Hoc Committee held on December 14, 2022, the Committee requested the Administrators to focus on the following for today's meeting:

Ex Mod

- Actual pool layer
- 8 years
- 30% max/min
- Credibility Factor 35% weight to loss experience

The Committee also agreed a recorded webinar of the surcharge and Ex Mod options were not necessary prior to this meeting. Mike Harrington, ACCEL's actuary will calculate the Ex Mods for the purposes of this Ad Hoc Committee's project, then later on assign it to the Program Administrators.

The Board was updated on the Ad Hoc Committee's progress at the January 2023 Board Meeting. From that meeting, the Board requested that the Committee reevaluate whether 30% is equitable amongst the membership and to look at other percentages. Also, the Board commented that if the Board were to implement a surcharge or Ex-Mod, a July 1, 2024 effective date is more reasonable than July 1, 2023.

There are 3 options in the attachment that show the following (from Mike Harrington):

Option 1

- 8 years (excluding latest 1.5 years)
- \$1M - \$5M layer losses only
- Credibility (35% flat for all members)
- Max/Min of 0.70 to 1.30 on the Ex-mod

Option 2

- 8 years (excluding latest 1.5 years)
- \$1M - \$5M layer losses only
- Credibility (35% flat for all members)
- Max/Min of 0.80 to 1.20 on the Ex-mod

Option 3

- 8 years (excluding latest 1.5 years)
- \$1M - \$5M layer losses only
- Credibility (35% flat for all members)
- Max/Min of 0.75 to 1.25 on the Ex-mod

In the attachments is the same document, "ExMod/Surcharge Discussion Spreadsheet" from the first Ad Hoc Meeting that included options A, B, C, and D for Ex-mods, and E and F for Surcharges. The



Committee requested to continue to consider E & F, which the Committee may still want to present to the Board as the three final options.

The Program Administrators will draft appropriate language in the Financial Plan Policy and Procedure (P&P) to match the Ad Hoc Committee's direction by the March 30 and 31, 2023 Board Meeting. Prior to the March Board Meeting, the Finance Committee will also meet to review the P&P, or it may be presented to the Finance Chair, Oles Gordeev instead.

BACKGROUND: 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.

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.

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:

1. Ex-Mod 3 Options Spreadsheet
2. Ex-Mod supporting documents
3. Member Loss Ratio Review
4. ExMod/Surcharge Discussion Spreadsheet
5. ACCEL's Financial Plan – Working Document

| Option 1 | | | | | | |
|---------------|---|--------------|-----------------|----------------|---------------------|-----------------|
| Member | Estimated 2022-2023 Payrolls (00) | Base Rate | Base Premium | Final X-Mod | Modified Premium | X-Mod Impact |
| Anaheim | 2,467,740 | 1.784 | 4,402,448 | 1.300 | 5,723,183 | 1,320,734 |
| Bakersfield | 1,175,930 | 1.784 | 2,097,859 | 1.131 | 2,372,899 | 275,040 |
| Burbank | 1,187,910 | 1.784 | 2,119,231 | 1.009 | 2,138,796 | 19,564 |
| Modesto | 907,120 | 1.784 | 1,618,302 | 0.928 | 1,501,213 | (117,089) |
| Monterey | 378,570 | 1.784 | 675,369 | 0.700 | 472,758 | (202,611) |
| Mountain View | 853,960 | 1.784 | 1,523,465 | 0.700 | 1,066,425 | (457,039) |
| Ontario | 1,137,190 | 1.784 | 2,028,747 | 0.861 | 1,747,098 | (281,649) |
| Palo Alto | 1,231,250 | 1.784 | 2,196,550 | 0.773 | 1,696,913 | (499,637) |
| Salinas | 650,910 | 1.784 | 1,161,223 | 1.196 | 1,388,320 | 227,097 |
| Santa Barbara | 987,540 | 1.784 | 1,761,771 | 0.700 | 1,233,240 | (528,531) |
| Santa Cruz | 683,900 | 1.784 | 1,220,078 | 1.198 | 1,461,142 | 241,065 |
| Santa Monica | 2,062,190 | 1.784 | 3,678,947 | 1.077 | 3,961,179 | 282,232 |
| Visalia | 521,630 | 1.784 | 930,588 | 0.700 | 651,412 | (279,176) |
| Total | 14,245,840 | | 25,414,579 | | 25,414,579 | 0 |

| Option 2 | | | | | | |
|---------------|---|--------------|-----------------|----------------|---------------------|-----------------|
| Member | Estimated 2022-2023 Payrolls (00) | Base Rate | Base Premium | Final X-Mod | Modified Premium | X-Mod Impact |
| Anaheim | 2,467,740 | 1.784 | 4,402,448 | 1.200 | 5,282,938 | 880,490 |
| Bakersfield | 1,175,930 | 1.784 | 2,097,859 | 1.123 | 2,355,115 | 257,256 |
| Burbank | 1,187,910 | 1.784 | 2,119,231 | 1.002 | 2,122,766 | 3,535 |
| Modesto | 907,120 | 1.784 | 1,618,302 | 0.921 | 1,489,962 | (128,340) |
| Monterey | 378,570 | 1.784 | 675,369 | 0.800 | 540,295 | (135,074) |
| Mountain View | 853,960 | 1.784 | 1,523,465 | 0.800 | 1,218,772 | (304,693) |
| Ontario | 1,137,190 | 1.784 | 2,028,747 | 0.855 | 1,734,004 | (294,743) |
| Palo Alto | 1,231,250 | 1.784 | 2,196,550 | 0.800 | 1,757,240 | (439,310) |
| Salinas | 650,910 | 1.784 | 1,161,223 | 1.187 | 1,377,916 | 216,692 |
| Santa Barbara | 987,540 | 1.784 | 1,761,771 | 0.800 | 1,409,417 | (352,354) |
| Santa Cruz | 683,900 | 1.784 | 1,220,078 | 1.189 | 1,450,192 | 230,114 |
| Santa Monica | 2,062,190 | 1.784 | 3,678,947 | 1.069 | 3,931,491 | 252,544 |
| Visalia | 521,630 | 1.784 | 930,588 | 0.800 | 744,470 | (186,118) |
| Total | 14,245,840 | | 25,414,579 | | 25,414,579 | 0 |

| Option 3 | | | | | | |
|---------------|---|--------------|-----------------|----------------|---------------------|-----------------|
| Member | Estimated 2022-2023 Payrolls (00) | Base Rate | Base Premium | Final X-Mod | Modified Premium | X-Mod Impact |
| Anaheim | 2,467,740 | 1.784 | 4,402,448 | 1.250 | 5,503,060 | 1,100,612 |
| Bakersfield | 1,175,930 | 1.784 | 2,097,859 | 1.129 | 2,369,335 | 271,475 |
| Burbank | 1,187,910 | 1.784 | 2,119,231 | 1.008 | 2,135,583 | 16,351 |
| Modesto | 907,120 | 1.784 | 1,618,302 | 0.926 | 1,498,958 | (119,344) |
| Monterey | 378,570 | 1.784 | 675,369 | 0.750 | 506,527 | (168,842) |
| Mountain View | 853,960 | 1.784 | 1,523,465 | 0.750 | 1,142,598 | (380,866) |
| Ontario | 1,137,190 | 1.784 | 2,028,747 | 0.860 | 1,744,473 | (284,274) |
| Palo Alto | 1,231,250 | 1.784 | 2,196,550 | 0.771 | 1,694,364 | (502,186) |
| Salinas | 650,910 | 1.784 | 1,161,223 | 1.194 | 1,386,235 | 225,011 |
| Santa Barbara | 987,540 | 1.784 | 1,761,771 | 0.750 | 1,321,329 | (440,443) |
| Santa Cruz | 683,900 | 1.784 | 1,220,078 | 1.196 | 1,458,947 | 238,870 |
| Santa Monica | 2,062,190 | 1.784 | 3,678,947 | 1.075 | 3,955,228 | 276,281 |
| Visalia | 521,630 | 1.784 | 930,588 | 0.750 | 697,941 | (232,647) |
| Total | 14,245,840 | | 25,414,579 | | 25,414,579 | 0 |

Authority for California Cities Excess Liability

Excess General Liability Program

Calculation of 2022-2023 Modified Premium

| Member | Estimated 2022-2023 Payrolls (00) | Base Rate | Base Premium | Final X-Mod | Modified Premium | X-Mod Impact |
|---------------|---|--------------|-------------------|----------------|---------------------|-----------------|
| Anaheim | 2,467,740 | 1.784 | 4,402,448 | 1.300 | 5,723,183 | 1,320,734 |
| Bakersfield | 1,175,930 | 1.784 | 2,097,859 | 1.131 | 2,372,899 | 275,040 |
| Burbank | 1,187,910 | 1.784 | 2,119,231 | 1.009 | 2,138,796 | 19,564 |
| Modesto | 907,120 | 1.784 | 1,618,302 | 0.928 | 1,501,213 | (117,089) |
| Monterey | 378,570 | 1.784 | 675,369 | 0.700 | 472,758 | (202,611) |
| Mountain View | 853,960 | 1.784 | 1,523,465 | 0.700 | 1,066,425 | (457,039) |
| Ontario | 1,137,190 | 1.784 | 2,028,747 | 0.861 | 1,747,098 | (281,649) |
| Palo Alto | 1,231,250 | 1.784 | 2,196,550 | 0.773 | 1,696,913 | (499,637) |
| Salinas | 650,910 | 1.784 | 1,161,223 | 1.196 | 1,388,320 | 227,097 |
| Santa Barbara | 987,540 | 1.784 | 1,761,771 | 0.700 | 1,233,240 | (528,531) |
| Santa Cruz | 683,900 | 1.784 | 1,220,078 | 1.198 | 1,461,142 | 241,065 |
| Santa Monica | 2,062,190 | 1.784 | 3,678,947 | 1.077 | 3,961,179 | 282,232 |
| Visalia | 521,630 | 1.784 | 930,588 | 0.700 | 651,412 | (279,176) |
| Total | 14,245,840 | | 25,414,579 | | 25,414,579 | 0 |

Authority for California Cities Excess Liability

Excess General Liability Program

Calculation of 2022-2023 Experience Modification (8-Year Experience Period, \$1,000,000 - \$5,000,000 Loss Cap)

| Member | 2012-2013 to 2019-2020 Limited Loss | Limited Loss Distribution | 2012-2013 to 2019-2020 Payrolls (00) | 2012-2013 to 2019-2020 Payroll Distribution | Indicated Differential | Experience Weight | Indicated Ex-Mod | Capped Ex-Mod | Balanced Ex-Mod | 2022-2023 Payrolls (00) |
|---------------|--|---------------------------------|--|--|---------------------------|----------------------|---------------------|------------------|--------------------|----------------------------|
| Anaheim | 26,547,363 | 38.3% | 18,583,640 | 18.6% | 2.065 | 35.0% | 1.373 | 1.300 | 1.300 | 2,467,740 |
| Bakersfield | 7,696,440 | 11.1% | 8,242,686 | 8.2% | 1.350 | 35.0% | 1.123 | 1.123 | 1.131 | 1,175,930 |
| Burbank | 6,044,631 | 8.7% | 8,690,326 | 8.7% | 1.006 | 35.0% | 1.002 | 1.002 | 1.009 | 1,187,910 |
| Modesto | 3,400,000 | 4.9% | 6,340,377 | 6.3% | 0.775 | 35.0% | 0.921 | 0.921 | 0.928 | 907,120 |
| Monterey | 0 | 0.0% | 3,135,875 | 3.1% | 0.000 | 35.0% | 0.650 | 0.700 | 0.700 | 378,570 |
| Mountain View | 500,000 | 0.7% | 5,757,537 | 5.8% | 0.126 | 35.0% | 0.694 | 0.700 | 0.700 | 853,960 |
| Ontario | 2,900,000 | 4.2% | 7,172,771 | 7.2% | 0.585 | 35.0% | 0.855 | 0.855 | 0.861 | 1,137,190 |
| Palo Alto | 2,000,000 | 2.9% | 8,653,032 | 8.6% | 0.334 | 35.0% | 0.767 | 0.767 | 0.773 | 1,231,250 |
| Salinas | 1,031,389 | 1.5% | 971,686 | 1.0% | 1.535 | 35.0% | 1.187 | 1.187 | 1.196 | 650,910 |
| Santa Barbara | 266,761 | 0.4% | 7,562,571 | 7.6% | 0.051 | 35.0% | 0.668 | 0.700 | 0.700 | 987,540 |
| Santa Cruz | 5,241,710 | 7.6% | 4,924,878 | 4.9% | 1.539 | 35.0% | 1.189 | 1.189 | 1.198 | 683,900 |
| Santa Monica | 13,610,365 | 19.7% | 16,451,093 | 16.4% | 1.196 | 35.0% | 1.069 | 1.069 | 1.077 | 2,062,190 |
| Visalia | 0 | 0.0% | 3,611,971 | 3.6% | 0.000 | 35.0% | 0.650 | 0.700 | 0.700 | 521,630 |
| Total | 69,238,659 | 100.0% | 100,098,443 | 100.0% | 1.000 | | 1.002 | 0.995 | 1.000 | 14,245,840 |

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

Historical Payrolls (\$00)

| Member | 2012-2013 | 2013-2014 | 2014-2015 | 2015-2016 | 2016-2017 | 2017-2018 | 2018-2019 | 2019-2020 | 2020-2021 | 2021-2022 |
|---------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| 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 Excess Losses by Member (\$1,000,000 - \$5,000,000 Loss Cap)

| Member | 2012-2013 | 2013-2014 | 2014-2015 | 2015-2016 | 2016-2017 | 2017-2018 | 2018-2019 | 2019-2020 | 2020-2021 | 2021-2022 |
|---------------|------------------|-------------------|------------------|------------------|-------------------|-------------------|-------------------|------------------|------------------|------------------|
| 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 |

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

2022-2023 Loss Rates

| Layer | Undiscounted | | Discounted | | | | | Selected |
|------------|--------------|----------|------------|---------|---------|---------|---------|----------|
| | Expected | Expected | 70% | 75% | 80% | 85% | 90% | |
| \$1M-2M | \$0.427 | \$0.393 | \$0.458 | \$0.487 | \$0.520 | \$0.561 | \$0.616 | \$0.616 |
| \$1M-3M | \$0.688 | \$0.634 | \$0.739 | \$0.785 | \$0.839 | \$0.905 | \$0.993 | \$0.993 |
| \$1M-4M | \$0.825 | \$0.760 | \$0.885 | \$0.941 | \$1.005 | \$1.085 | \$1.191 | \$1.191 |
| \$1M-5M | \$0.938 | \$0.864 | \$1.007 | \$1.070 | \$1.143 | \$1.234 | \$1.354 | \$1.354 |
| \$1M-\$3M | \$0.688 | \$0.634 | \$0.739 | \$0.785 | \$0.839 | \$0.905 | \$0.993 | \$0.993 |
| \$3M-\$5M | \$0.250 | \$0.230 | \$0.268 | \$0.285 | \$0.304 | \$0.329 | \$0.361 | \$0.361 |
| \$5M-\$10M | \$0.377 | \$0.347 | \$0.404 | \$0.430 | \$0.459 | \$0.496 | \$0.544 | \$0.430 |
| \$1M-\$10M | \$1.315 | \$1.211 | \$1.411 | \$1.499 | \$1.602 | \$1.729 | \$1.898 | \$1.784 |

| 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 | \$ 422,734 | \$ 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% |

| | 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.

TABLE OF CONTENTS

★ **SUMMARY**

I. ~~POLICY & PROCEDURE (P&P)~~

II. **CALCULATION OF ANNUAL DEPOSITS**

~~a.~~ Summary

~~b.~~ Steps

III. ~~RETROSPECTIVE RATING PLAN (RRP) – Through June 30, 2007~~

a. Definitions

b. Timeline Example

c. RRP Formula

d. Example of RRP

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

a. Definitions

b. Timeline Example

c. RPC Formula

d. Example of RPC

e. Calculating the Availability of a Return or Assessment

f. Assessment Calculation, Payment Plans & Request for Deferral

g. Modifications to RPC Inputs

V. ~~ADMINISTRATIVELY SUSPENDING THE RRP AND RPC CALCULATIONS~~

a. Summary

b. Steps

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

a. Summary

b. Steps

VII. ~~FUND TRANSFER~~

a. Summary

b. Steps

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

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

~~VII.IX.VIII~~ ADMINISTRATIVE EXPENSES

- a. Calculation and Payment
- b. -Obligations to ACCEL by Former Member

~~VIII.X.IX~~ ADMINISTRATIVE PROCEDURES

- 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.

Commented [LH1]: NEW

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**IV**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:

| | 1 | 2a |
|----------------------|---|--|
| | | <i>(1/100) X 2b = 2a</i> |
| <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. |

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.
- 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

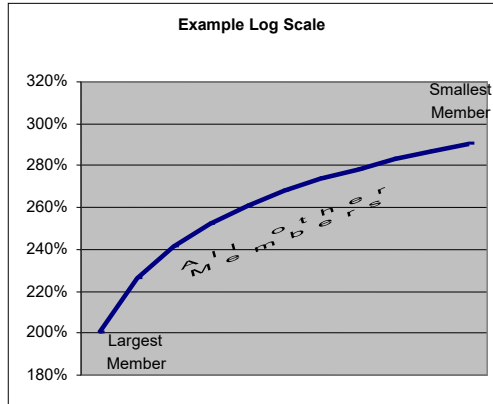
A formula is used to determine the Rating Plan Calculation (RPC) and is calculated in the following steps:

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.

IV~~III~~e. 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.

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%

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

~~IVa.~~ 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.~~ 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 |
| 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.

~~VIII.IX.~~ ~~VIII.~~
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.a~~ **IX.a. 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.b~~ **IX.b. 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.~~ **IX.a. Actuarial Analysis**

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

~~IX.b.~~ **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.