

AUTHORITY FOR CALIFORNIA CITIES EXCESS LIABILITY

BYLAWS

Amended December 2, 1986

Amended October 13, 1989

Amended December 7, 1990

Amended February 5, 1991

Amended February 19, 1992

Amended October 11, 2001

Amended May 2, 2003

Amended December 5, 2003

**BYLAWS
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**BYLAWS
of the
AUTHORITY FOR CALIFORNIA CITIES EXCESS LIABILITY**

For the regulation of the Authority for California Cities Excess Liability, except as otherwise provided by statute or Agreement creating the Authority for California Cities Excess Liability.

**ARTICLE I
DEFINITIONS**

The terms in these Bylaws shall be defined in the Agreement creating the Authority for California Cities Excess Liability, unless otherwise specified herein.

- A. "Retained Limit" shall mean the amount of each occurrence which the Member Agency shall pay directly.
- B. "Aggregate Limit" shall mean the amount, which is equal to three times the occurrence limit.

**ARTICLE II
OFFICES**

The principal executive office for the transaction of business of the Authority is hereby fixed and located at:

Authority for California Cities Excess Liability
c/o Driver Alliant Insurance Services
600 Montgomery Street, 9th Floor
San Francisco, CA 94111-2711

The Board shall have the authority to change the location of the principal executive office from time to time. Any such change shall be noted in the Bylaws by the Secretary, and this section shall be amended to state the new location. Official notice shall comply with Section 53051 of the California Government Code.

Other business offices may at any time be established by the Board at any place or places where the Authority is qualified to do business.

**ARTICLE III
MEETINGS**

In addition to a required regular meeting as called for by the Joint Powers Authority agreement, the Board shall meet on an as-needed basis, as determined by the Board. Official minutes of the Board meetings shall be kept by the Authority at its principal executive office.

**ARTICLE IV
ELECTION OF OFFICERS AND APPOINTMENT OF COMMITTEE
MEMBERS**

The Board of Directors shall elect the officers from among the Board members. For each fiscal year, the officers shall be elected in the following manner:

- A. Each Board member may place another Board member in nomination for each office.
- B. Each Board member shall cast one vote for the candidate of his/her choice for each office.
- C. All terms of office shall be for one year. The officers shall begin serving terms upon the beginning of the fiscal year immediately following the election. The terms of office shall end on June 30 of each year.
- D. Elections shall be held whenever there is an office vacancy.
- E. Officers shall hold their positions as individuals and not as a representative of a specific public entity.

Underwriting, Claims and Finance committee members shall be appointed by the Executive Committee. Ad hoc committees may be appointed by the President.

**ARTICLE V
DUTIES OF THE OFFICERS**

The duties of the officers shall be as follows:

A. President

The duties of the President shall be to:

- 1. Preside at all meetings of the Board of Directors.
- 2. Serve on the Underwriting Committee.
- 3. Appoint ad hoc committees.
- 4. Perform such other duties as the Board may specify.

B. Vice President

The duties of the Vice President shall be to:

- 1. Act as the President in the absence of the President.
- 2. Serve as chairperson of the Underwriting Committee.
- 3. Perform such other duties as the Board may specify.

C. Secretary

The duties of the Secretary shall be to:

1. Cause minutes to be kept as specified in the Agreement.
2. Perform such other duties as the Board may specify.

D. Treasurer

The duties of the Treasurer shall be those specified in Section 6505.5 or 6505.6 of the California Government Code, and to:

1. Maintain or cause to be maintained all accounting and other financial records of the Authority.
2. Serve as chairperson of the Finance Committee.
3. Provide written quarterly financial/profit and loss statements in accordance with Government Code Section S6505.5(e). These reports shall be submitted to the Board of Directors at the next regularly scheduled meeting following their completion.
4. Perform other duties as specified by the Board

**ARTICLE VI
COMPOSITION AND DUTIES OF COMMITTEES**

The operation of the Authority shall be overseen by four standing committees: Executive, Underwriting, Finance, and Claims.

Executive Committee

A. Composition

The Executive Committee shall be comprised of the president, vice president, secretary and treasurer.

B. Duties

1. Oversee the day-to-day management of the Authority.
2. Make payments pursuant to previously authorized contracts within budget limits.
3. Authorize and reimburse expenses incurred for budgeted activities within budget limits.
4. Such other duties as may be specified for by the Board of Directors.

Underwriting Committee

A. Composition

The Underwriting Committee shall be comprised of the president, vice president, and two Board members appointed by the Executive Committee. The Vice President shall serve as the chairperson.

B. Duties

1. Review membership criteria and applications of prospective members.
2. Recommend deposit amounts.
3. Recommend retrospective adjustments.
4. Oversee administration of actuarial services.
5. Interpret and make recommendations on revisions to the Memorandum of Coverage.
6. Review and recommend any coverage or exposure issues brought to the Board.
7. Review and make recommendations to the Board on all underwriting related issues (non-specific claim related issues) on all Authority documents.
8. Perform other underwriting duties as may be necessary.

Finance Committee

A. Composition

The Finance Committee shall be composed of the treasurer and other Board members as appointed by the Executive Committee. One member of the committee shall be a finance or assistant finance director of an Authority member. The Treasurer shall act as the chairperson.

B. Duties

1. Recommend to the Board on how funds shall be invested.
2. Review the independent auditors' proposed audit scope and approach.
3. Review the performance of the independent auditor(s).
4. Recommend the appointment of the independent auditor(s) and review audit fees.
5. At the direction of the Board, review, with counsel, any legal matters that could have significant impact on the financial statements.
6. Review and make recommendations to the Board to maintain or change the Investment Policy in accordance with California Government Code.

Claims Committee

A. Composition

The Claims Committee shall generally be made up of three Board members appointed by the Executive Committee with one person being designated as Chair by the appointed Board members.

B. Duties

1. Monitor proper claim reporting to ACCEL by all member cities.
2. Recommend to the Board appointment of the claims auditor and claims administrator.
3. Administer claims auditing and claims administration contracts.
4. Recommend and keep current claims administration policy and procedures.
5. Review and provide oversight regarding the handling and defense of all claims reported per the policy and procedures.
6. Keep Board of Directors completely informed on all claims matters.
7. Interpret coverage issues, as they relate to specific claims, and make recommendations to the Board.
8. Make case settlement recommendations to the Board.
9. Perform other duties as may be assigned by the Board.

ARTICLE VII BUDGET

The annual budget shall provide for and show the following:

- A. General and administrative costs;
- B. Deposits, projected interest income and other income;
- C. The audited estimated claims reserve and allocated claims adjustment costs.

ARTICLE VIII DISBURSEMENT OF FUNDS

The disbursement of funds shall be in accordance with the following:

A. Issuance of Checks

1. A register of all checks issued since the last Board meeting shall be provided at the subsequent Board meeting and approved by the Board.
2. Those members of the Executive Committee having check signing authority shall make payments pursuant to previously authorized contracts, which are within budget limits. This authority includes the power to authorize and reimburse expenses incurred for budgeted activities, which are within budget limits. The issuance of such payments shall be governed as follows:

- a. The disbursement of checks in an amount of \$20,000 or less shall require the signature of any two of the four Executive Committee members.
- b. The disbursement of checks over \$20,000 shall require the signature of any three of the four Executive Committee members.

B. Unencumbered Operating Funds

1. Unencumbered operating funds shall be allocated back to each member city at the end of each Fiscal Year. Any return shall be used as an offset on the following years fund deposit.
2. Any city leaving ACCEL shall receive any unencumbered operating funds on an equal prorata basis at the end of the Fiscal Year in which they leave.

**ARTICLE IX
INVESTMENT OF FUNDS**

The investment of funds shall be in accordance with the Investment Policy adopted by the Board of Directors. Such investment shall be overseen by the Finance Committee.

An investment advisory group composed of Finance personnel from member cities may advise the Committee on matters of investment.

A member city's Finance Director or his/her designee may act as the investment manager of the Authority's funds. If so, there shall be a written agreement prepared. The agreement shall address such areas as service charges, claim payment or withdrawal procedures, authorized investment vehicles and maturities, allocation of pooled investment earnings, and interim financial reporting.

**ARTICLE X
FINANCIAL AUDIT**

An annual financial audit shall be made by a Certified Public Accountant with respects to all receipts, disbursements, and other transactions. A report of such financial audit shall be filed as a public record with each of the Member Agencies in accordance with the Government Code. All costs of such financial audit shall be paid by the Authority. The charge for such audit shall be charged against the Member Agencies in the same manner as all other administrative costs.

**ARTICLE XI
SETTLEMENT OF CLAIMS**

All claims settlement recommendations shall be presented by the Claims Committee to the Board for its approval prior to final settlement.

ARTICLE XII LIABILITY PROGRAM

The Liability Program shall be governed in accordance with the following:

A. Coverage

The excess liability program shall provide pooled self-insurance protection limits and coverages as specified in the Memorandum of Coverage for each Program Year.

B. Program Year

The program year shall begin on July 1 and shall end on the following June 30 for each Member Agency who enters the program effective on July 1. Should a Member Agency enter into the program after July 1, their initial program year shall be the balance of the current program year plus the subsequent program year from July 1 through June 30. The initial program year may only be amended by a two-thirds vote of the Board.

C. Underlying Coverage

1. All Member Agencies shall report underlying coverage for coverages A, B, and D as defined in the Memorandum of Coverage.
2. Except for those underlying policies in effect at the time a member joins ACCEL, the Authority will not recognize as satisfaction of a member's obligation for self-insured retention any underlying scheduled policies that do not receive written approval of ACCEL.

D. Terms and Conditions of Coverage for New Member

A member joining ACCEL will have coverage for losses under the terms and conditions of the Memorandum of Coverage in effect on the date of the loss.

E. Claims Audit

1. An annual claims audit shall be made on each Member Agency's claims prior to the annual retrospective calculations for retrospective adjustments, and a report of such claims audit shall be filed with each Member Agency.
2. Claims audit costs shall be paid by the Authority. The costs for such audit shall be allocated to the Member Agencies in the same manner as all other administrative costs.

F. Deposit Calculations

1. For the purpose of determining the deposit, estimated payroll ¹for the upcoming Program Year shall be received by the Treasurer by May 1 of every year.

¹ Payroll shall consist of Gross DE6 payroll (or equivalent) for quarters ending June 30, September 30, December 31, and March 31.

2. For purposes of auditing the deposit, actual payroll information including computerized payroll data showing any payroll to be omitted from coverage, along with a verification letter from the city's Finance Officer for the most recently ended Program Year, shall be submitted to the Program Administrator no later than June 30th of that Program Year. For those members not providing such information by that date, ACCEL shall assign the task to an auditing firm and assess the cost of such work directly to the member agency.

G. Retrospective Adjustment

1. On or after July 1, 1989 any member joining ACCEL, other than at the beginning of the Program Year, shall have their loss experience and payroll included in their initial Program Year's retrospective adjustment calculations in accordance with the Program Year definition contained in Article XII B.1.
2. For purposes of performing the retrospective adjustment, as well as for other underwriting functions, loss data common to all members shall be collected in accordance with policy and procedure developed for that purpose.

H. Underwriting Standards

The Board of Directors shall develop underwriting requirements and guidelines that shall be met and reviewed in the membership underwriting process. These requirements and guidelines shall be those in Article XIII of these Bylaws and/or those adopted as policy and procedures.

ARTICLE XIII NEW MEMBERS

Membership to ACCEL shall be in accordance with the following:

A. Application for Membership

The Underwriting Committee shall provide prospective members with application forms, and establish procedures for their completion and submission. The application form shall include, but not be limited to, a request for the following information:

1. Underwriting data for the current year;
2. Underwriting data for the prior five years;
3. Incurred losses, paid and reserved, including all allocated losses and administrative expenses equal to or greater than \$25,000, including payments made by insurance companies above an SIR, for the prior five years;
4. A copy of the most recent claims audit and actuarial reports, if any;
and
5. A copy of the most recent audited financial statements.

B. Application Fee

In accordance with Administrative Procedure, "Applicant Fee Structure," each prospective new member shall submit a non-refundable application fee of \$2,500, along with its completed application form. The application fee shall be considered a part of the operating budget.

C. Membership Approval

1. Membership shall be approved by a two-thirds vote of the Board.
2. Once a city is accepted for membership, the invitation shall be good for 90 days after approval of the Board of Directors. If the city joins ACCEL by Council action, coverage may be, at the option of said city, retroactive to the first of the month in which the City Council approved membership. Coverage shall become effective the first day of the month chosen by the city within the approval period authorized by the Board of Directors. In no case shall coverage become effective during the middle of the month unless specifically approved by the Board of Directors. The new member shall have 30 days from date of Council approval to make payment of fees and the deposit.
3. Administrative fees shall be prorated on a quarterly basis.
4. Any city joining ACCEL other than at the beginning of a Fiscal Year shall have contributions prorated to the end of the Fiscal Year in which they are covered.
5. A new Board member shall submit a Conflict of Interest Form 730 at time of the members acceptance to membership and annually thereafter in accordance with State

D. Participation

1. All new members must participate in the \$9,000,000 excess \$1,000,000 ACCEL Liability Program for three (3) full Program Years regardless of when they join.

All new members are eligible to participate in other ACCEL Shared Risk Programs upon approval by a majority vote of the Board of Directors. Applications to participate in optional shared risk programs will be evaluated by the Underwriting Committee and then presented to the Board along with their recommendations.

Participation in the \$9,000,000 excess \$1,000,000 ACCEL Liability Program is required while participating in other ACCEL Shared Risk Programs.

**ARTICLE XIV
AMENDMENTS**

These Bylaws may be amended by a two-thirds vote of the Board provided that any amendment is compatible with the purposes of the Authority, is not in conflict with the Agreement and has been submitted to the Board at least 30 days in advance.

Any such amendment shall be effective immediately, unless otherwise designated.

ARTICLE XV
OPTIONAL POOLED PROGRAMS

From time-to-time, various members may join together to take advantage of the benefits of joint purchase of such programs as, but not limited to, excess Liability and Workers' Compensation insurance, premium financing, and claims auditing services. All brokerage fees for placement and servicing excess coverage, and direct costs for outside services, will be borne by the participants of the program(s). Decisions affecting the programs will be made by only those members participating in the program(s).

In addition to joint purchase insurance programs, members may participate in other shared risk programs created by the Authority, including but not limited to; underlyer self-insured liability retention options, Excess Worker's Compensation, etc. Applications to these programs are evaluated by the Underwriting Committee and then presented to the Board along with their recommendation.

Once approved, participating members agree to:

1. Members joining any alternative Shared Risk Program agree to participation for no less than three (3) full Program Years from the date of participation; and
2. Ongoing participation in the \$9,000,000 excess \$1,000,000 ACCEL Liability Program while participating in other ACCEL shared risk programs.