



## AGENDA

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

**JPA:** ACCEL FINANCE COMMITTEE MEETING

**DATE/TIME:** Thursday, October 16, 2025 at 10:00 AM

**LOCATION:** Casa Las Palmas  
323 East Cabrillo Blvd  
Santa Barbara, CA 93102

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

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

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

### PAGE

- A. CALL TO ORDER**
- B. CONSENT CALENDAR (A)**
- 3-5 1 1. Approval of Minutes for the September 23, 2025 Finance Committee Meeting  
*Members will review this item and may take action to approve or amend.*
- C. REPORTS**
- 1. FINANCE COMMITTEE (A)**
- 6-7 a) IBNR Update Report Timing  
*The Committee will discuss the timing of IBNR Update Report. Action may be taken to make a recommendation to the Board or direction given.*
- 8-31 1 b) Retrospective Rating Plan Calculation Inputs Deadlines  
*The Committee will discuss deadlines of when to input updates to reserves and IBNR for the Retro calculation. Action may be taken to make a recommendation to the Board or direction given.*
- 32-36 1 c) Late Payments of Premium  
*The Committee will discuss potential penalties for late payments of premium. Action may be taken to make a recommendation to the Board or direction given.*



**D. PUBLIC COMMENTS**

(I)

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

**ADJOURNMENT**



**MINUTES OF THE  
ACCEL FINANCE COMMITTEE  
MEETING**

**Item No. B.1  
Finance Committee  
October 16, 2025**

**Tuesday, September 23, 2025 at 1:30 PM**

**LOCATION:  
Teleconference**

Link:

<https://alliantinsurance.zoom.us/j/99923677933?pwd=NxreLRPb8593davLFNSC7vzXl2FfIO.1>

Meeting ID: 999 2367 7933

Passcode: 680346

Dial: (669) 444 9171

**MEMBERS PRESENT:**

Rafaela King, City of Monterey (Joined 1:33pm)  
Marquie Lugo, City of Ontario Alternate  
Marisa Kahn, City of Santa Barbara Alternate  
Oles Gordeev, City of Santa Monica  
Andrew Guzman, City of Visalia

**MEMBERS ABSENT:** None

**GUESTS AND CONSULTANTS:**

Conor Boughey, Alliant Insurance Services  
Lorissa Huey, Alliant Insurance Services  
Thomas Joyce, Alliant Insurance Services  
Adam Randolph, Crowe (Left 1:58pm)  
Joe Pieksza, Crowe (Left 1:58pm)

**A. CALL TO ORDER**

Oles Gordeev called the meeting to order at 1:32pm.

**B. CONSENT CALENDAR**

**B1. Approval of Minutes for the September 4, 2025 Finance Committee Meeting**

A motion was made to approve the consent calendar.

**MOTION:** Marquie Lugo **SECOND:** Andrew Guzman **MOTION CARRIED**



	Rafaela King	Marquie Lugo	Marisa Kahn	Oles Gordeev	Andrew Guzman
Aye	X	X	X	X	X
Nay					
Abstain					

### C. REPORTS

#### C1. FINANCE COMMITTEE

##### C1a. ACCEL 2024-25 Financial Audit Draft

Adam Randolph and Joe Pieksha of Crowe presented the initial draft of the 2024-25 financial audit.

Conor Boughey described an issue that arose this year due to the late approval of new reserves at June 2025 Board of Directors Meeting and the subsequent clash with IBNR. The Board will discuss at the October 2025 Board Meeting about not granting new reserve authority at June Board Meetings and to move the IBNR Update Report to after 7/1.

Direction was given that the Actuary will re-issue the INBR Update Report as of 6/30 to reflect the new outstanding liability, and the Program Administrators will re-submit the ACCEL financials to be audited prior to the October 2025 Board Meeting.

The Program Administrators will work with the Treasurer to decide whether or not to bring this back to the Committee level before being presented to the Board.

##### C1b. ACCEL Travel Expense Policy – Proposed Changes

Thomas Joyce walked through the proposed changes to the ACCEL Travel Expense Policy, which included the inclusion of room service, and defining that alcohol expenses are excluded from meals. The Committee reviewed and discussed other possible changes.

A motion was made to recommend to the Board to adopt the proposed changes as presented in the agenda packet and increase the conference cap amount from \$5,000 to \$6,000.

**MOTION:** Rafaela King **SECOND:** Oles Gordeev **MOTION CARRIED**



	Rafaela King	Marquie Lugo	Marisa Kahn	Oles Gordeev	Andrew Guzman
Aye	X	X	X	X	X
Nay					
Abstain					

### C1c. Review of Retrospective Rating Plan Calculation – Reduce Minimum Contribution and Increase Claims Cap

This item is a continuation of last meeting’s discussion about the Retrospective Plan Calculation (RPC), specifically a review of the minimum contributions of whether to reduce it or remove it and the increase the claims cap from \$4M to \$9M. The Committee requested the Program Administrators to provide an interactive model to share on screen. The purpose of this is to evaluate potential changes to the RPC calculation.

Conor Boughey spoke to the Committee and demonstrated the RPC interactive model to the Committee and walked through various claims scenarios and how these affected the membership at different minimum contribution rates. The Committee did want to increase the claims cap.

A motion was made to recommend that the Board remove the minimum member contribution for the RPC effective 7/1/26.

**MOTION:** Andrew Guzman **SECOND:** Rafaela King **MOTION CARRIED**

	Rafaela King	Marquie Lugo	Marisa Kahn	Oles Gordeev	Andrew Guzman
Aye	X	X	X	X	X
Nay					
Abstain					

### D. PUBLIC COMMENTS

There were no public comments.

### ADJOURNMENT

Oles Gordeev adjourned the meeting at 2:35pm.



**Authority for California Cities Excess Liability**

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

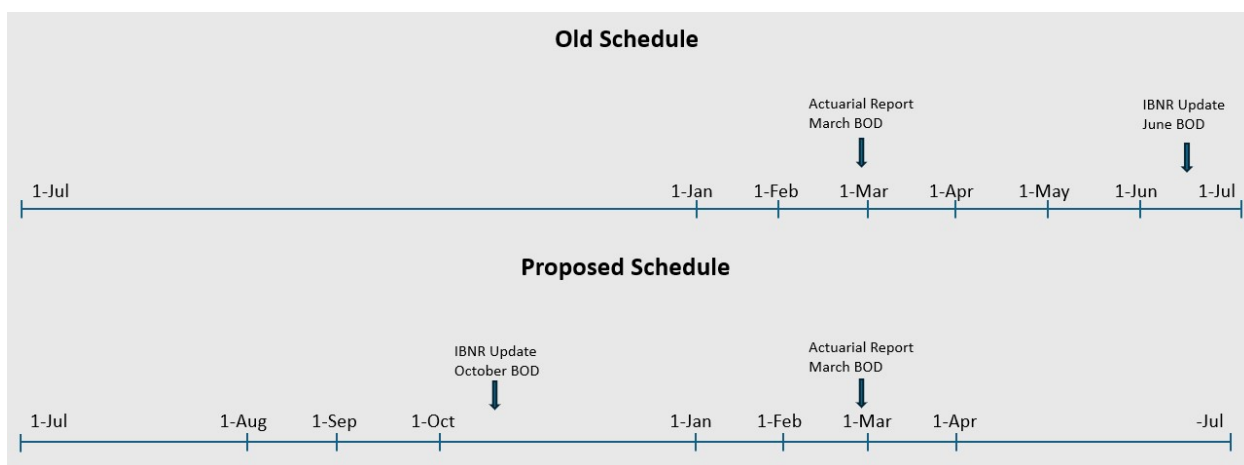


**Item No. C.1.a**  
**Finance Committee**  
**October 16, 2025**

**IBNR UPDATE REPORT TIMING**

**ISSUE:** ACCEL receives the annual actuarial study ahead of the Spring Board Meeting, and then receives an actuarial update at the June Board Meeting with forward projections for IBNR as of year end (6/30). The reports include the following year’s funding rates, and a year-end projected outstanding liability. With this timing, the June Board Meeting reserve changes are not captured and can lead to a substantial variance in claims liabilities for year-end timing. We propose changing the actuarial timing to the following.

In July, ACCEL sends Bickmore Actuarial a 6/30 loss run. This updated IBNR report will be drafted in late July/early August and will include an updated estimate of Outstanding Liabilities as of June 30 to be presented at the October Board Meeting. Mike Harrington noted that many other public entities set the due date for their June 30 IBNR update after July 1, to ensure the valuation reflects all claims activity through the end of the fiscal year.



**RECOMMENDATION:** Staff recommends the Committee review the proposed changes to the actuarial timeline and take action to provide a recommendation to the Board or give other direction.

**Additional Consideration**

**In favor:** The Committee may recommend the Board move the IBNR Update Report to the October Board Meeting in order to approve the outstanding liabilities without using a forward looking estimate. This will avoid potential issues with reserve changes causing year end variances.

**Against:** A vote against making a recommendation to the Board is to either endorse the current schedule or to recommend other changes.

# ACCEL

## Authority for California Cities Excess Liability

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



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

**BACKGROUND:** The IBNR Update Report outlines the IBNR developed by Bickmore based on the December 31, 2024, loss run, reserves as of June 30, 2025, and the new IBNR based on the updated reserve information.

In past years, ACCEL received an actuarial study every other year. On the years ACCEL did not receive an actuarial study, Bickmore would provide an IBNR update based on updated reserves in order to avoid negative IBNR on a given year. ACCEL now receives an actuarial study every year based on December 31 loss run data.

**ATTACHMENT:** None



**Item No. C.1.b**  
**Finance Committee**  
**October 16, 2025**

### RETROSPECTIVE RATING PLAN CALCULATION INPUTS DEADLINES

**ISSUE:** The Finance Committee oversees the Retrospective Rating Calculation Plan (RPC), which is outlined in the Financial Plan Policy and Procedure (P&P). Member Cities are beholden to budgetary planning and require months of notice to make the adjustments necessary for 7/1 retro assessments. At times, significant changes to reserves and IBNR have been approved close to 7/1 which can have a significant effect on the RPC results. The Committee is to discuss potential deadlines to changes for these input numbers as they affect the RPC.

The Financial Plan P&P is silent on the dates of when we input IBNR and Reserves as of date. Included in the attachment are proposed changes to the P&P:

IBNR:

- *Current* - Silent
- *Proposed* – 12/31 results in the current year actuarial study.

Reserves:

- *Current* - Silent
- *Proposed* – as of Spring BOD. Reserves shall be inputted with the 12/31 loss run and updated through Board actions through the mail date for the June Board Meeting. Any reserve changes at the June Board meeting will not be included in the RPC results.

**RECOMMENDATION:** Staff recommends the Committee review RPC calendar and take action to make a recommendation to the Board to adopt a schedule of deadlines for changes to reserves and IBNR.

#### Additional Consideration

**In favor:** A vote in favor indicates that the Committee is in favor of adopting deadlines for IBNR and reserve updates, which would provide some budget stability and avoid “shocks” in the anticipated retro assessments close to 7/1.

**Against:** A vote against would indicate that the Committee is in favor of IBNR and reserve updates being accepted when they happen to arise.

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

**BACKGROUND:** ACCEL’s claim costs are shared amongst members using payroll as a new program year begins and then adjusted at a later date based on how claims have developed in our pooled layer. The formula ACCEL adopted is called the Rating Plan Calculation (RPC) and it is

*A California Joint Powers Authority*

# ACCEL

## Authority for California Cities Excess Liability

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contained in the Financial Plan, which is attached. The current formula was developed in 2007 after 2 years of review and consideration. The prior retro calculation was in place since the foundation of ACCEL in 1987, and until 2007. The revised calculation made many changes, including, each year stands on its own, only claims in the pooled layer effect share of loss, and the factors of determining share of costs was changed, as outlined in the chart below:

Preliminary Member Contribution, Weighing Payroll-to-Losses		Minimum Member Contribution	Maximum Contribution "Curve"	Apply Claim Cap Maximum
<i>Payroll</i>	<i>Losses</i>	3.00%	200% - 300%	\$4,000,000
65%	35%			

Effective July 1, 2021, the Board took action to tweak the RPC to reduce the Minimum Member Contribution from 3% to 2%.

The last time the Board amended its Financial Plan was in June 2025, and the proposed changes included updates to:

- Section IVf. Pre-Funding Future Assessments  
 In order to avoid future year assessments, the Board allows Members to pre-fund future assessments in the Test Years that shows a negative balance. A Member may request to pre-fund assessments in the Test Years as follows:
  1. Any of the Test Years show a negative balance. The Member may request to pre-fund a negative Test Year, regardless of whether the other Test Years show a positive balance.
    - The Member may request, in writing, to pre-fund a test year’s assessment.
    - The Board must approve the request.

**ATTACHMENT:** Financial Plan (proposed redline)

**ADMINISTRATIVE POLICY AND PROCEDURE**

**SUBJECT: FINANCIAL PLAN**

**DATE: 1987**

**AMENDED DATE: ~~June-October 162~~, 2025**

**REVIEWED DATE: September ~~423~~, 2025~~4~~**

**STATEMENT**

The purpose of this Financial Plan is to capture the variety of interrelated financial activities associated with managing the ACCEL Shared Risk Liability Program and the funds held by the Authority on behalf of Members for payment of claim-related expenses.

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**SUMMARY**

The ACCEL Liability Program is designed and intended to share risk among Members for losses \$9,000,000 excess \$1,000,000 losses. This is the “core” program and focus of ACCEL. At times ACCEL may purchase traditional insurance or reinsurance that replaces layers of the shared risk program. From time to time optional programs have been developed for Members. Historical options allow a member to retain risk at \$500,000 each occurrence and purchase insurance above a \$10,000,000 limit of liability.

Deposits are collected by the Authority each year based on actuarial analysis, and action by the Board of Directors. The deposit paid each July is the rate times hundredths of estimated DE-9 payroll.

The members’ deposits to ACCEL are applied to a specific Program Year. The members’ deposits are credited with investment income at the rate earned on the Authority's investments. Each program year “stands alone.” Funds are not carried forward to succeeding years. Continuity of overall funding is created through **Fund Transfers** (Program Year borrowing - defined in Section IV).

**I. POLICY & PROCEDURE (P&P):**

Rating Plans are calculated each year subject to the terms addressed in Sections *II* and *III* this P&P.

- The Board determines the amount of *Retained Funds (Incurred But Not Reported - IBNRs)* to be maintained in each Program Year Members are then notified of the funds available for return/assessment or to transfer to another program year to cover expected deficits as of June 30.
- If Members wish to move funds into other program years or to maintain the funds on account for return or assessment during a later fiscal year (after new deposits are paid), the Members should notify the Treasurer (with a copy to the office of ACCEL and President) by June 30.

- Funds transferred to other program years prior to June 30 will be correctly reflected in the Member Account Summary (MAS) effective June 30. Funds paid to Members will be reflected on the date paid in the next fiscal quarter.
- Members may transfer funds between program years and pool layers prior to funds declared through the calculation process. The **steps** for transferring are detailed in Section *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.

## **CALCULATION OF ANNUAL DEPOSITS**

### ***IIa. Summary***

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

The deposit premium allocation shall be reviewed by the Finance Committee and may include the application of an ex-mod, surcharge, or other Board approved allocation methodology. Members may be charged a special surcharge as determined by the Finance Committee.

The deposit premiums are presented at the June Board Meeting and require approval from the Board annually. Invoices are submitted to each Member after the budget is approved and payments are due within thirty days of July 1<sup>st</sup>.

The ACCEL Bylaws, Article XII Liability Program, Section E. Deposit (and Audited) Premium Calculations contains the following directions regarding the calculation of deposits. The exposure base is measured by payroll. Payroll is defined in the Bylaws as, the year's preceding DE6 (or equivalent) payroll (Subject Wages) for quarters ending March 31, June 30, September 30 and December 31.

Administrative Expenses are included in the annual deposit and is defined in Section VIII. Administrative Expenses of this P&P.

The following additional procedures are followed to calculate the annual deposit:

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

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

Ex Mod Inputs:

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

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

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

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

Sample Calculation with Numbers:

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

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

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

### ***IIc. Steps***

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

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

### ***III. RETROSPECTIVE RATING PLAN (RRP) - Through June 30, 2007***

#### ***IIIa. Definitions***

**Deposits** - The deposit for each Member Agency shall be calculated and paid as stated in the Bylaws.

**Pooled Costs** - The pooled costs of each program in each year (called a Program Year) will include only pooled losses and loss expenses.

Administrative expenses will be paid for by equal assessments against all Members.

**Allocated Losses** - Beginning five years after the end of the Program Year, ACCEL will calculate each Member's share of pooled losses. This calculation will be done annually in June and separately for each Program Year and Layer. Each Member's share will reflect that Member's *RRP Share Of Loss Percentages*. The *RRP Share Of Loss Percentages* are calculated by using the layer of loss from \$25,000 per occurrence to \$500,000 per occurrence. (That is, losses less than \$25,000 will not be considered, the first \$25,000 of each loss will be ignored, and no loss will be counted for more than \$475,000.)

Each Member's experience will be given weight to the extent that such experience is credible. The weights will range from about 50% (for a Member with \$10,000,000 payroll) to about 90% (for a Member with about \$90,000,000 payroll). This ensures that large Members will be extensively experience rated, and that small Members will not get by with only nominal allocations just because of a few years of good fortune in claims experience.

Losses are revalued each year using the December 31 loss run and as reviewed and modified by ACCEL's claims auditor.

The cost allocation calculation for each program year will be redone annually until all claims are closed. Each Program will be accounted for separately, although **Fund Transfer** borrowing is allowed under the terms in this in Section *IV*.

### ***IIIb. Timeline***

#### **EXAMPLE (FOR 1996/97 YEAR)**

July 1, 1996	Pay deposits based on 1996/97 estimated payroll for covered exposures.
September 1997	Adjust deposits to reflect audited payroll (less certified exposure exemptions).
April 2001	Retrospective Calculations for information purposes only.
July 1, 2002	First Retrospective adjustments due or payable.
July 1, 2003	Second Retrospective adjustments due or payable.
July 1, Successive	Retrospective adjustments due or payable until all claims are Years closed.

### ***IIIc.RRP Formula***

Each Member's share of all pooled losses will depend on its size, any special Exposure Factors (surcharges) agreed to and the Member's Experience Modification.

A Member's Experience Modification reflects its own loss experience rate to the extent it is credible. To the extent that the Member's own experience is not credible, the Experience Modification reflects the average experience of all Members.

#### **RRP FORMULA**

- 1) **Reported Liability Losses** - Member's share of paid losses and case reserves \$475,000 excess of \$25,000 incurred in the program year being calculated plus the following three years.



3)	Audited payroll in 1996-97 fiscal year	\$	40,000,000	\$	400,000,000
4)	% share of (3)		10%		100%
5)	Average loss rate per \$100 of payroll 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		
<b>Share of Pooled Losses Calculation</b>					
8)	Audited payroll in 1996/97 program year <sup>2</sup>	\$	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.
<b>Allocation of Losses Calculation</b>					
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
<b>Assessment or Return of Contributions</b>					
15)	Retained Funds (board to determine amount annually) [x (12)]		-0-		
16)	Contribution (1.2% <sup>3</sup> x \$40,000,000)	\$	480,000		
17)	Accumulated interest on contribution	\$	180,000		
18)	Total in account:	\$	660,000		
17)	Return of contribution [(18) - ((14) - (15))]	\$	323,800		

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

The share of risk that each member assumes is based on the size of the member (DE9 payroll or other Board approved payroll basis), losses the member incurs during the program year which fall into ACCEL's pooled layer (excepted as otherwise noted in this RPC), and the Member's pool deposit for that program year. Effective July 1, 2007, the Rating Plan Calculation (RPC) has become the foundation piece of this Financial Plan Policy. Three years after the expiration of the program year, ACCEL calculates each Member's Contribution (a member's percentage share of loss).

Beginning three years after the end of the Program Year, ACCEL will calculate each Member's share of pooled losses. The calculation will be performed annually in June. The RPC Member Contribution is calculated based on claims or losses \$9,000,000 excess of \$1,000,000. For example, losses less than \$1,000,000 will not be taken into account for this calculation and if there

<sup>2</sup> Include payroll for all months of participation in the 1996/97 pool.

<sup>3</sup> The rate is adjusted annually by the Board. This example uses a \$1.20 rate per hundredths of payroll.

is a \$1,100,000 claim then \$100,000 of it will be used for the calculation. The IBNR input into the RPC will be the amount of IBNR included in the current year Actuarial Study as of 12/31. The Reserves input into the RPC will be the amount of reserves as of the agenda mail date for the June Board Meeting (reserves approved a the Spring Board meeting or a Special Board meeting prior to the mail date of the June Board meeting will be included). .

#### ***IVa. Definitions***

**Deposits** - The deposit for each Member Agency shall be calculated and paid as stated in the Bylaws.

**Member Contribution** – Member’s percentage share of loss.

**Excess Claims or Losses**- Total Incurred Claims or Losses which impact an ACCEL pooled layer (i.e, those claims or losses excess of a member’s \$1,000,000 SIR)

#### ***IVb. Timeline Example***

##### **EXAMPLE FOR 2007/2008 PROGRAM YEAR**

July 1, 2007	Members pay deposits based on 07/08 estimated payroll for covered exposures.
September 2008	Adjust deposits to reflect audited payroll
April 1, 2010	Perform Test RPC Formula for informational purposes only
July 1, 2011	Perform RPC Formula
June 2011	ACCEL Board approves RPC adjustments; assessments/refunds determined
July 1, Subsequent Years Following	RPC adjustments due and payable until all claims in program year are paid and the Board approves closing the Program Year.

#### ***IVc. Rating Plan Calculation (RPC) Formula***

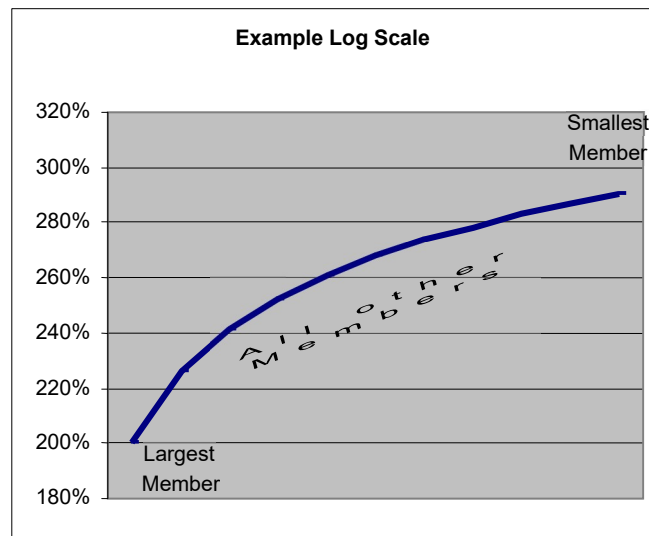
A formula is used to determine the Rating Plan Calculation (RPC) and is calculated in the following steps:

**Step 1:** Determine a Member’s Contribution. Members’ Contributions depend on the size of the member using to the Board-approved payroll basis, any excess losses the members incur, and the rate charged. In this calculation, payroll is given a 65% weight and excess claims a 35% weight.

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

**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%			

#### IVd. Rating Plan Calculation Example

An RPC example is shown in the following Steps.

**TABLE 2**

1	2	3	4	5	6	7	8
MEMBER	Payroll	% of Payroll	Claim's	% of Excess Claim's	Pool Deposit Based on \$0.90 Rate	Member Contribution \$	Member Contribution %
Member A	\$96,000,000	19.01%	\$5,000,000	66.67%	864,000	2,676,733	35.69%
Member B	\$ 43,000,000	8.51%		0.00%	387,000	415,099	5.53%
Member C	\$ 52,000,000	10.30%	\$2,000,000	26.67%	468,000	1,201,980	16.03%
Member D	\$ 44,000,000	8.71%		0.00%	396,000	424,752	5.66%
Member E	\$ 17,000,000	3.37%		0.00%	153,000	164,109	2.19%
Member F	\$ 32,000,000	6.34%		0.00%	288,000	308,911	4.12%
Member G	\$ 44,000,000	8.71%	\$500,000	6.67%	396,000	599,752	8.00%
Member H	\$ 48,000,000	9.50%		0.00%	432,000	463,366	6.18%
Member I	\$ 40,000,000	7.92%		0.00%	360,000	386,139	5.15%
Member J	\$ 71,000,000	14.06%		0.00%	639,000	685,396	9.14%
Member K	\$ 18,000,000	3.56%		0.00%	162,000	173,762	2.32%
<b>TOTAL</b>	<b>\$505,000,000</b>	<b>100.00%</b>	<b>\$7,500,000</b>	<b>100.00%</b>	<b>4,545,000</b>	<b>7,500,000</b>	<b>100.00%</b>

**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
<b>LARGEST Member A</b>	<b>1</b>	<b>200%</b>	<b>864,000</b>	<b>1,728,000</b>
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
<b>SMALLEST Member E</b>	<b>11</b>	<b>291%</b>	<b>153,000</b>	<b>444,488</b>
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
<b>TOTAL</b>			<b>4,545,000</b>	<b>11,243,510</b>

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
<b>TOTAL</b>	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
<b>MEMBER</b>	<b>Incurred Claims</b>	<b>Overage to be Allocated by % of Payroll</b>	<b>RPC Allocation</b>	<b>Payroll Allocation</b>	<b>Total Allocation</b>	<b>Percentage of Total Losses</b>
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%
<b>TOTAL</b>	\$7,500,000	\$ 1,000,000	\$6,500,000	\$1,000,000	\$ 7,500,000	100.00%

Note that, in the event Total Annual Claims Cost (TACC) of all members during one year exceed all members' Maximum Contributions, additional claims costs are allocated as a percentage of payroll.

#### ***IVe. Calculating the Availability of a Return or Assessment***

The RPC Calculation will determine the amount Members are allocated towards a Program Year's Total Incurred claims. In order to calculate the availability of a Retrospective Return or Assessment the following steps must be taken:

1. Calculate the Results of the RPC Calculation
2. Record the Program Year Deposit
3. Record any Deposit Adjustments (e.g. interest, retro payments previously paid, fund transfers, audit adjustments, etc.)
4. Allocate the program year IBNR based on the Member Deposit percentage
5. The Availability of Return or Assessment will be calculated by adding the Member Program Year Deposit and Member Deposit Adjustments and then deducting the results of the Member's RPC Calculation and the Allocated Member IBNR, as illustrated below:

1	2	3	4	5	6	7
			(2) + (3)			(4) - (5) - (6)
<b>MEMBER</b>	<b>Deposits</b>	<b>Deposit Adjustments</b>	<b>Total Deposit</b>	<b>RPC Result</b>	<b>IBNR Allocation</b>	<b>Member Return or (Assessment)</b>
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)
<b>TOTAL</b>	<b>\$4,545,000</b>	<b>\$ 2,000,000</b>	<b>\$ 6,545,000</b>	<b>\$ 7,500,000</b>	<b>\$ 225,000</b>	<b>\$ (1,180,000)</b>

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

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 1<sup>st</sup>.

- 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 2<sup>nd</sup> and 3<sup>rd</sup> installments are charged interest beginning on this late date of 3/31/2023; compounding interest at a rate of ½ of a percent of the outstanding balance
- Members can choose to pay greater than the 1/3 due and the remainder will be equally allocated to the 2<sup>nd</sup> and 3<sup>rd</sup> 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.
  - By June 1<sup>st</sup>, the Member may request, in writing, the Assessment be postponed for one year.
  - The Board must approve the request.

2. A Member's positive balance in the Test Year is less than its negative Assessment Position balance
  - By June 1<sup>st</sup>, the Member may request, in writing, that the net difference be collected.
  - The Board must approve the request.

### **Pre-Funding Future Assessments**

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

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

### ***IVg.* Modification of RPC Inputs**

The following updates to the formula and the effective dates are scheduled below. The following modifications are intended to be slight changes to the RPC outlined above, a major modification or new rating plan will result in a new section of this P&P.

**Effective for the Program Year starting July 1, 2021 and following:** The Board took action at the June 2021 Board Meeting to modify the calculation as follows;

- The Minimum Contribution in IIC. Rating Plan Calculation (RPC) Formula, Step 2 changed from 3% to 2%
- 

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

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

## **V. ADMINISTRATIVELY SUSPENDING THE RRP AND RPC CALCULATIONS**

### ***Va.* Summary**

ACCEL's rating plan is recalculated each year based on current year inputs such as claims payments, investment income and other financial factors that impact the funds available for return or assessment. When a Program Year is fully developed, and no new claim development is occurring, the calculation of that Program Year may no longer be necessary.

Upon review of the calculation, a Program Year may be "Suspended" by Board action. Once the Program Year is Suspended, the final contribution percentage will be used to allocate the

remaining funds in the Member Account Summary. The Member Account Summary will transfer the remaining funds in the program year to more recent open years or distribute the funds to the Member agencies.

## ***Vb.* Steps**

The following steps will be taken to administratively Suspend years:

1. RRP and RPC calculations will be completed and approved at the June Board Meeting.
2. Following the adoption of the retro calculations, the Board may take action to Suspend years in which no claims activity (payments or reserves) excess of \$1,000,000 are expected. The Board will take action directing the Program Administrators which years are Suspended. The Board will pass a resolution recognizing the Suspended Program Years.
3. Any funds available for Member return or assessment will be moved to an open year through a Fund Transfer.
4. A Suspended year will no longer be calculated once Board Action is taken to Suspend a year.
5. The Board may take action to open a Suspended Program Year. Upon doing so, the Program Year will be recalculated as needed.

**Note: ACCEL's Financial Plan previously contained the following language:**

*Once the Program Year is closed, the final contribution percentage will be used to allocate the remaining funds in the Member Account Summary. The Member Account Summary will transfer the remaining funds in the program year to open years or distribute the funds to the Member agencies.*

*If an occurrence in a closed year requires payment, all years impacted by the recalculation of the formula will/shall be re-opened by majority vote by the Board. The allocation for new payments will be calculated and approved by the Board.*

## **VI. RESTRICTING RETRO FUNDS AVAILABLE FOR RETURN**

### ***Via.* Summary**

ACCEL acknowledges its task to maintain prudent funding within the organization. To achieve this task, the Board may take action to restrict the total funds available for withdrawal in a given year. The Board may wish to take action to declare a reduction of available retro for withdrawal than the full amount calculated by the RRP and RPC calculations.

The purpose for restricting the Retro funds available for withdrawal is to protect ACCEL during which time known or expected financially significant events may impact the organization. ACCEL

shall not restrict funds on a long term basis. A restriction will only occur for a single retro calculation. Funds will be unrestricted for the next year's calculation, at which point the Board may take action to restrict funds based on the new unencumbered RRP and RPC calculations.

## ***VIIb. Steps***

The following steps will be taken to restrict the retro funds available for return to members:

1. RRP and RPC calculations will be completed and approved at the June Board Meeting.
2. Following the adoption of the retro calculations, the Board may take action to restrict a portion of the funds available for return due to deteriorating financial position.
3. These funds will be held by ACCEL, and not declared available for return (undeclared).
4. Funds will be withheld from specific years as instructed by the Board of Directors.
5. Funds will either be withheld by the same percentage established by the RRP and RPC calculations for "Percentage Share of Loss" or by a separate Board approved calculation.
6. Funds will be returned for the same amount as they were withheld prior to the initiation of the following year's calculation.

## ***VII. FUND TRANSFER***

### ***VIIa. Summary***

ACCEL recognizes the possible need and advantages of allowing its Members to transfer funds from separate program years in different pool layers. The Member may transfer funds from another layer or program year in accordance with Board policy.

The purpose of transferring is to permit Members to cover Incurred claims and reserves without assessing the Member when there are sufficient funds available in other solvent layers or other program years. Transferring is not allowed for payment of future deposits or administrative expenses.

### ***VIIb. Steps***

All of the following provisions and conditions will be adhered to for a Member to transfer funds between pool layers and Program Years:

1. A Member can only transfer funds from a year that has funds available after "Retain Funds (IBNR)" are adopted by the Board.

2. The FIFO accounting concept will be utilized (i.e. transferring will start with the earliest program year from which funds are available).
3. A Member's future calculation of "returns" will be used to offset any transferred amounts before any funds are returned to the Member who has moved funds.
4. Should two or more members desire to transfer funds and should there be insufficient funds available under this policy and procedure to meet those members' needs, the amount available for individual member transferring will be on a pro-rata basis, among the transferring cities, determined by the amount of the members' audited deposits. The aggregate amount available for transfer will be the lesser of 5. a) or b) below.
5. a) The maximum amount allowable for transfer will not exceed 50% of that year's total deposit (less the implications of any insurance premiums paid).
  - b) The maximum amount available for transfer will be those funds available after deducting pool reserves (including Retained Funds) from pool layer deposits. The formula for determining "pool reserves" will be: reserves plus (IBNR) times a conservative loading factor of 1.5.
6. The maximum amount available to an individual Member for transfer will be those funds available after subtracting 200% of such individual Member's financial obligation for its share of total ACCEL losses for a pool layer in any program year from such individual Member's total audited deposit for such program year.
7. Provisions 5 and 6 notwithstanding, 100% of those funds held or transferred into a pool layer in any program year, which represent declared retrospective returns, will be available for transfer.

## **VIII. MEMBER ACCOUNT SUMMARY (MAS)**

### **VIIIa. MAS Summary & Explanation**

The MAS is the document of the Authority governing cash flow. This multi-page spreadsheet lists each Member's *cash position* in the Liability Program and is presented quarterly to the Board for acceptance.

The MAS is a source document that captures Member's movement of funds, excluding the General & Administrative Account. Information is captured in the following categories for both the *current* year and *prior* years:

- Deposits
- Interest
- Funds Transferred
- Claims Adjustment
- Retros (*RRP Adjustments*)

There are two sets of calculations: (*Current* and *Prior Years*) because interest on Members funds held by the Authority is calculated on a daily basis. *Current Year's* information is documented separately and consolidated every July 1 to the *Prior Year's* section. This allows for the allocation of interest correctly, based on the daily balance in the current year.

The Funds Transfer **row** depicts money that has been moved from any one program or program layer to another program year or program layer. A check and balance will be visible in the report run as of June 30<sup>th</sup> 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

<b>ACCEL Estimated Earnings Report</b>			
<b>Program Year 2 (FY 87/88)</b>			
<b>Calculated at: 30-Jun-99</b>			
	<b>MODESTO</b>	<b>VISALIA</b>	<b>SANTA MONICA</b>
<b>Excess of \$1,000,000 Layer</b>			
Retros All %	5.48%	5.33%	19.40%
<b>Prior Years:</b>			
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
<b>Current Year:</b>			
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
<b>Excess of \$500,000 Layer</b>			
Retros All %	18.51%	17.82%	0.00%
<b>Prior Years:</b>			
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
<b>Current Year:</b>			
Deposit Adjustment	0	0	0

**ACCEL Estimated Earnings Report  
 Program Year 2 (FY 87/88)  
 Calculated at: 30-Jun-99**

	<b>MODESTO</b>	<b>VISALIA</b>	<b>SANTA MONICA</b>
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
<b>Total Both Layers:</b>	<b>45,406</b>	<b>16,582</b>	<b>11,559</b>

The estimated interest income for this report assumed an average rate of return of: 6.3237%

**VIIIb. Recognition of Returns and Transfer of Funds**

To receive a Board declared RRP Return or Transfer Funds, a letter to the Treasurer (with a copy to the office of ACCEL and the President) is required from the Member. These letters will be attached to the next quarterly MAS when generated and agendized for Board acceptance. Changes will be initialed and dated as made in the MAS. Members should check to ensure changes are accurate.

**IX. ADMINISTRATIVE EXPENSES**

General and Administrative costs are shared equally by all Members with two exceptions; payments due from former members and specific travel funds budgeted as described in *P&P: Travel Expense*.

**IXa. Calculation and Payment**

The general and administrative costs, shared equally by Members, are adopted in a budget each year prior to July 1, as required by the Joint Powers Agreement. This budget includes estimates for all expenses plus a contingency reserve. Invoices are submitted to each Member after the budget is approved and payments are due July 1<sup>st</sup>. At the end of the fiscal year, excess funds are credited to Members on the same pro rata basis.

**IXb. Obligations to ACCEL by Former Member**

The *P&P: Obligations to ACCEL by Former Member* governs the responsibilities of former members until their participating Program Years are administratively closed.

**X. ADMINISTRATIVE PROCEDURES**

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

***Xa.* Actuarial Analysis**

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

***Xb.* Unallocated Loss Adjustment Expense**

Unallocated Loss Adjustment Expenses (ULAE) will be treated as a current expense in each fiscal year to properly account for these funds. In the event that the Authority dissolves, future ULAE will be allocated to the current expenses of the ongoing budget of the Authority.



**Item No. C.1.c**  
**Finance Committee**  
**October 16, 2025**

### LATE PAYMENT OF PREMIUM

**ISSUE:** At the June 2025 Board Meeting, a potential issue arose where a Member City potentially would have been unable to pay their 7/1/25-26 premiums by the ACCEL deadline. The Member was able to make the premium payment, but the potential for future issues still exists. The Finance Committee should discuss how such potential future situations are to be handled.

Given the difficult liability environment for CA cities, excess liability premiums have become substantial. Issues may arise in the future where a Member is unable to meet their 7/1 premium obligations, which would put an additional burden on the other Member's of ACCEL. Premium payments are traditionally due net 30 once the invoice has been sent. Traditional insurance companies typically allow for premiums to be financed, but ACCEL is a not a traditional insurance company.

**RECOMMENDATION:** Staff recommends the Committee discuss how ACCEL should handle potential situations of late premium payment and may take action to recommend the Board adopt changes or provide direction.

#### Additional Consideration

**In favor:** A vote in favor indicates that the Committee would like to propose rules governing late payments of premium and may outline a financing program that would discourage Members from requesting installments. Coverage is afforded to Members based on receipt of a premium payment.

**Against:** A vote against indicates the Committee would not allow Members to take installments and require Members to pay on time. This maintains the current policy of premiums due in full, net 30. ACCEL's annual contribution allows ACCEL to gain investment income and also inject new money into ACCEL's short term accounts to pay claims, while maintaining our long term funds at Chandler. If installments are granted, once this practice is started, it will be hard to return to one annual installment.

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

**BACKGROUND:** PRISM's late payment resolution is attached. Monthly or quarterly payment plans are also available to PRISM members with varying interest rates per year. This year's interest rate on installment plans was 4.5%.

Other pools such as CARMA and CJPRMA are silent on late payments. This means all payments are due when invoiced.



At the June 2020 Board Meeting, the issue of possible installments was discussed by the ACCEL Board for the first time. Possible installments of two were discussed with one to be paid in July and one to be paid in January, six months later. Direction was given to create an Ad Hoc Committee only if ACCEL receives a hardship request from one of its Members. The Ad Hoc Committee will consider an installment plan of 70% down, net 30 as the first installment, and the remaining 30% as the second installment with a minimum 2% interest rate.

**ACCEL's 5x5 MOC** states the below:

- Page 39: E. CANCELLATION AND NON-RENEWAL

1. If this Memorandum of Coverage has been in effect for more than 60 days, the Authority may not cancel the Memorandum of Coverage except for nonpayment of premium. If the Authority cancels the Memorandum of Coverage because the Member Agency has failed to pay a premium when due, the Authority may cancel this Memorandum of Coverage by mailing written notice of cancellation to the Member Agency at the address shown on the Declarations stating when, not less than 20 days thereafter, such cancellation shall be effective.

If this Memorandum of Coverage has been in effect for less than 60 days and is not a renewal, the Authority may cancel the Memorandum of Coverage by mailing or delivering to the Member Agency written notice of cancellation at least 90 days before the effective date of cancellation if there has been:

- (a) A material misstatement or misrepresentation; or
- (b) Failure to comply with underwriting requirements established by the Authority.

If the Authority cancels the Memorandum of Coverage, the final premium will be calculated pro rata based on the time the Memorandum of Coverage was in force.

- Page 42: K. MEMBER AGENCY

The Member Agency named in the Declarations is authorized to act on behalf of all Covered Party's with respect to the giving and receiving of notice of cancellation and receiving any return premium that may become payable under this Memorandum of Coverage. The Member Agency named in the Declarations is responsible for the payment of all premiums but the other Covered Party's jointly and severally agree to make such premium payments in full if the Member Agency fails to pay the amount due within thirty days after the Authority gives a written demand for payment to the Member Agency.

**ACCEL's 4x1 MOC** is silent on potential late payments.

**ACCEL's Bylaws** are silent on potential late payment penalties but note the below in New Members Section:



- 2. Coverage shall become effective the first day of the month chosen by the prospective member 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 governing body approval to make payment of fees and the deposit.

**ACCEL's JPA Agreement** is silent on potential late payments but notes the below:

- Page 6: 3. To pay deposits and any adjustments thereto promptly to the Authority when due;

**ACCEL's Financial Plan** simply notes that payments are due within 30 days of July 1:

- Page 2: 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.
- Page 4: 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.

While not being comparable because of the potential insurance coverage implications, ACCEL does have policies and procedures for late payments of retro assessments and payment plan options. These are detailed below:

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 1<sup>st</sup>.
- 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.

**ATTACHMENT:** PRISM Resolution

**Resolution No. B12-002**

**A RESOLUTION OF THE BOARD OF DIRECTORS OF THE CSAC EXCESS INSURANCE AUTHORITY ADOPTING AN INVOICING AND PAYMENT POLICY**

**WHEREAS**, the CSAC Excess Insurance Authority recognizes the importance of making timely payments to insurers, claimants, and others who provide coverage and services to members;

**WHEREAS**, late payment to insurers and others may result in cancellation of coverage or services which may affect all members of a program;

**WHEREAS**, the timely payment of Authority invoices by some members and the untimely payment of Authority invoices by others creates an inequity among members; and

**WHEREAS**, the JPA provides that penalties for late payment of Authority invoices may be determined and assessed by the Board of Directors (Article 17(e)).

**NOW, THEREFORE, BE IT RESOLVED THAT THE BOARD OF DIRECTORS OF THE CSAC EXCESS INSURANCE AUTHORITY HEREBY ADOPTS THE FOLLOWING POLICY, WHICH SUPERCEDES AND REPLACES RESOLUTION NO. 06-002:**

- I. EIA shall endeavor to mail invoices to members as soon as practicable.
- II. Invoices shall be due and payable upon receipt and shall become delinquent 30 calendar days from the date of invoice or effective date of coverage or on some other specified delinquent date, whichever is latest.
- III. A "Delinquent Notice" shall be mailed by EIA on or about the delinquent date reminding the member of the terms of this policy.
- IV. Following a grace period of 15 calendar days from the mailing of the delinquent notice, interest will be assessed on any amounts which remain unpaid. The interest charge will accrue beginning on the first day following the delinquent date but will be waived on any amounts paid during the grace period.
- V. The interest rate shall be equal to the rate established by the Inter-fund Borrowing Policy plus 4%.
- VI. A separate invoice for interest charges shall be mailed to members upon receipt of funds after the expiration of the grace period.
- VII. Any invoices remaining unpaid for a period of 90 days beyond the grace period shall be reviewed by the Executive Committee.

VIII. Notwithstanding any other provision to the contrary regarding late payment of invoices or cancellation from a program, at the discretion of the Executive Committee, any member that fails to pay an invoice when due may be given a ten (10) day written notice of cancellation.

**PASSED AND ADOPTED** by the Board of Directors of the CSAC Excess Insurance Authority, this 1<sup>st</sup> day of June, 2012, by the following vote:

**AYES:** Counties of Alameda, Butte, Contra Costa, El Dorado, Fresno, Inyo, Kings, Lassen, Mendocino, Merced, Nevada, Orange, Placer, Riverside, Sacramento, San Diego, San Joaquin, San Luis Obispo, Santa Barbara, Santa Clara, Shasta, Sierra, Solano, Stanislaus, Sutter, Tehama, Trinity, Tulare, Ventura, Yuba and Thomas Vance, Charlie Mitchell, Teri Enos-Guerrero, Larry Moss, Scott Schimke and Ashley Fenton

**NOES:** None

**ABSENT:** Counties of Alpine, Amador, Calaveras, Colusa, Del Norte, Glenn, Humboldt, Imperial, Kern, Lake, Madera, Marin, Mariposa, Modoc, Mono, Monterey, Napa, Plumas, San Benito, Santa Cruz, Siskiyou, Sonoma, Tuolumne, Yolo and Marlon Robbins, Kimberly J. Greer, Deborah Grant and Lynne Margolies

**ABSTAIN:** None

ATTEST:

  
Michael Fleming  
Chief Executive Officer/Secretary

  
Scott Schimke  
President, CSAC Excess Insurance Authority