California Association

of

Joint Powers Authorities

Accreditation Report

of

Trindel Insurance Fund

CONFIDENTIAL
(See Sections B & C)

Prepared by

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February 12, 2013

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I. BACKGROUND

• Description of JPA

Trindel Insurance Fund (Trindel) is a Joint Powers Authority established pursuant to California Government Code Section 6500 et. seq. Membership is limited to California counties. Trindel is dedicated to assisting with the insurance needs of its members by providing the most stable cost effective risk-financing mechanisms, insurance program monitoring and loss prevention services available. Trindel was originally formed by Del Norte and Trinity counties in 1980. Trindel then expanded with the addition of 5 (five) counties (Alpine, Colusa, Lassen, Modoc and Sierra) during the insurance crisis of the mid 80s, added San Benito County in 1991, Mono County in 2000 and Plumas County as of 1-1-2010**.** After a lengthy study and comprehensive analysis at the Trindel Board meeting on October 27, 2000 the Board of Directors voted to not actively recruit new members, but would accept new members if they met adopted criteria. The members currently employ 3,105 FTE staff to serve a population of 200,824, as of January 1, 2012. The members own property with a declared value of $587,349,299 as of January 1, 2012.

Mission Statement
Trindel insurance Fund benefits and meets the needs of the public, member counties and employees through the most stable, cost effective risk financing mechanisms, for selected property, workers compensation, liability and other coverages. Trindel manages programs to assure fiscal soundness, superior service, stability of cost, and effective loss prevention.

Vision Statement
Trindel Insurance Fund is an innovative cost-conscious joint powers authority providing leadership in loss prevention and coverage. It is financially sound and successful with increasing membership promoted by the benefits provided through:

- Excellent coverage management
- Loss prevention and other educational programs
- Effective management information systems
- Pro-active response to changes in the insurance industry

Program Summary
In concept and practice Trindel is a banking arrangement with its members wherein, over time, each member is fiscally responsible for their own losses and costs. All members share the Administration and Safety Officer costs equally. Trindel acts as the cash flow mechanism for the members. Should a member be responsible for several large losses in any given year or time period the pooled cash will pay the bills and the member will, over time, repay Trindel. Trindel uses its ability to combine the size of the members in order to obtain better insurance and pricing for selected insurance programs and the purchase of services to benefit all members.

Program Summary

Program	Member Retention	Self Insured Retention	Excess Coverage
Workers Comp	300,000	0	CSAC-EIA to statutory
Property	25,000	0	CSAC-EIA to $15M
Liability	100,000		To $25M additional excess except Alpine and Plumas Counties

Total Covered Payroll is $159,133,869

Total Insured Values is $596,279,838

Workers' Compensation Program

The Workers' Compensation Program began in 1980 as a self-insured program with excess coverage until July 1, 1997. With the soft market, at that time, it was decided to fully insure this program through membership in the CSAC-Excess Insurance Authority Primary Workers' Compensation Program (PWC), effective 7-1-2008 all Trindel members have withdrawn from the PWC. Trindel continually reviews this program to see if there are more cost effective alternatives (looking at the level of self-insurance on a regular basis), it was through this process that the Trindel Board determined it was in the best interests of the members to withdraw from the PWC effective 7-1-2008. The members are now self insured for the first $300,000 of each occurrence with excess insurance purchased above this self insured layer through the CSAC Excess Insurance Authority's excess workers compensation program. The members are still subject to assessment for all the PWC Program years. Claims are administered by internally with Trindel simply acting as a bank as it does for all the other programs. All members are required to participate in the workers compensation program.

Liability/Property Program

The Liability/Property Program began in 1985 as a self-insured program with excess coverage. The members purchase excess general liability, includes auto, E & O and employers liability, coverage through CSAC-Excess Insurance Authority to $15 million with a $100,000 Self-Insured Retention (SIR). All members, except Alpine and Plumas, also purchase additional excess coverage up to $25 million through CSAC-Excess Insurance Authority. Claims are administered by George Hills Co., Inc. George Hills also acts as a clearing house for claims that may have coverage in other areas or have overlapping coverage's or issues, i.e. aircraft, boiler & machinery, crime/bond, medical malpractice, pollution and watercraft and directs the claim to the appropriate insurer. They also coordinate coverage if more than one policy is impacted and aggressively pursue subrogation where appropriate. The members purchase excess property insurance through CSAC-Excess Insurance Authority with a $25,000 SIR for real property and a $10,000 SIR for vehicles, coverage includes all risk, earthquake (except for San Benito and Trinity, Del Norte purchases earthquake for selected locations) and flood (earthquake and flood have higher SIRs and lower limits). San Benito and Trinity do not purchase earthquake coverage due to their locations, which makes it very expensive. The other members are in zone 2 and thus have limited earthquake coverage at no additional cost. The majority of the members purchase replacement cost new coverage for their vehicles and contractors equipment. Appraisals, of all locations, with a value in excess of $25,000, are done every 5 years; the most current appraisals were started during 2003-04 and completed in July 2004. Updated appraisals are currently being done with an expected completion in the summer of 2009. Trindel provides for an annual actuarial study to determine the necessary premium for each member to attain a reserve for claims, including unpaid and IBNR (incurred but not reported) at the 90% confidence level, reserves are booked at expected, 50% confidence level. Overall the program is funded at the 95%+. The members are charged a deductible per occurrence for all property losses, the deductible currently is $1,000 per occurrence, and there is no deductible for liability. All members are required to participate in the Liability/Property Program, with Trindel simply acting as a bank as it does for all the other programs.

Medical Malpractice Program

The Medical Malpractice Program was implemented at the October 27, 1998 Board meeting as a way for the members to set aside funds for potential deductible losses. Each member is to maintain funds, for one deductible payment, on deposit with Trindel. All members, except Lassen County participate in this program. The deductible is currently $5,000 per claim; San Benito and Plumas have a $10,000 deductible. Coverage is purchased by the individual members through the CSAC-Excess Insurance Authority, with Trindel simply acting as a bank as it does for all the other programs. All members, except Del Norte and Trinity, have accumulated at least one deductible payment on deposit with Trindel. Due to the small deductibles and negligible loss history in this program, no actuarial study is done on this program. Trindel pays any deductibles that are due and bills the member for the same amount in the ensuing fiscal year.

Pollution Programs

Landfill Program:
The Landfill Pollution Program was started on May 17, 2001 when Trindel Insurance Fund purchased a pollution policy for landfill coverage for those members that did not already have a policy for pollution coverage for their landfills. Unlike the other programs this program is purchased by Trindel and the members are named insureds, those insured through this policy are Modoc, Mono, San Benito and Sierra Counties. The current policy is a 3 year prepaid policy expiring May 17, 2010. The other members either have coverage through a different source or do not need the coverage. The deductible is $100,000 per claim.

Other than Landfill Program:
All members have also purchased pollution coverage, for other than landfills, from CSAC Excess Insurance Authority with a deductible of $100,000. Trindel is simply acting as a bank as it does for all the other programs on this part of this program.

Website: trindel.org

Service Providers

Service	Organization
Actuary	Bickmore Risk Services
Financial Auditor	Gallina LLP
Investment Advisor	N/A (LAIF/County Treasury)
Investment Custodian	N/A (LAIF/County Treasury)
Program Administrator	Self-Administered
Financial Accounting	Self-Administered
Claims Auditor	Nicholas L. Cali
Claims Auditor	Susan M. Wright & Assoc.
Claims Administrator - WC	Self-Administered
Claims Administrator - P/L	George Hills

B. Consultant Activities

Data was received from TRINDEL on October 2012 with follow up information received through January 30th 2013.

C. Purpose / Limitations

California Association of Joint Powers Authorities (CAJPA) Accreditation Program reviews the organizational structure and activities of a joint powers Authority (JPA), comparing the JPA with standards adopted by the Association believed to be advantageous to the preservation and performance of the individual JPA and JPA's in California as a whole.

This review was conducted for the purpose of forming an opinion on the general operations of the JPA in accordance with the accreditation best practices standards.

CAJPA does not guarantee that accreditation by CAJPA ensures the legality of the JPA, its governing document, its contracts or practices. In addition, by accrediting the JPA CAJPA does not guarantee the JPA's solvency or liquidity at the time of the accreditation or any time before or after such accreditation. Neither does accreditation guarantee that an accredited JPA is administered in such a way that the JPA and its programs are, or will continue to be, financially sound.

D. Distribution and Use

This report has been prepared solely for the internal use of CAJPA as a guide in determining the applicant's compliance with the CAJPA Accreditation Standards in force at the time of the accreditation review. No further use or distribution is authorized without the prior written consent of CAJPA and the consultant

Judgments as to the conclusions, recommendations, methods, and data contained in the report should be made only after studying the report in its entirety and understanding the limitations inherent in the analysis, as outlined in the "limitations" section. Of particular note is the limitation that we cannot assure or guarantee the financial soundness of the applicant JPA.

The supporting data, analysis, description, exhibits, and appendices to this report are provided to support the conclusions stated herein and are not necessarily suitable for any other purpose. Furthermore, CAJPA and its accreditation consultants are available to explain any matter presented herein, and it is assumed that the user of this report will seek such explanation as to any matter in question.

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II. FINDINGS AND RECOMMENDATIONS

We find Trindel Insurance Fund to be in substantial compliance with current Accreditation Standards. The Accreditation Committee confers continuous accreditation effective October 31, 2012 for a period of three years.

A. Full Accreditation Requirements

None

B. Accreditation with Excellence Requirements

None

C. Suggestions

IX. Underwriting

The new underwriting standard adopted by the CAJPA board sets forth requirements for the establishment of an underwriting policy with certain items to be identified in the policy and a periodic process of review. The Accreditation Committee elected to make this standard a suggestion for the first year and may be required beginning July 1, 2013 to provide pools time to implement this standard. We reviewed your policies and resolutions and suggest you consider formalizing your processes and policies to meet the new standard.

We look forward to receiving the information documented in the requirements listed above and following through to grant *Accreditation with Excellence* to Trindel Insurance Fund.

Respectfully submitted,

James Marta
Accreditation Consultant

California Association of Joint Powers Authorities (CAJPA)

ACCREDITATION WORKSHEETS

As of July 1, *2012*

Key:
√ = Satisfactory (Meets or Exceeds Standards)
U = Unsatisfactory (Does Not Meet Standards)
? = Unable to Determine
N/A = Not Applicable

I. GOVERNING DOCUMENTS AND ADMINISTRATIVE CONTRACTS

Objective

To determine that the governing documents and contracts with major service providers contain all essential provisions.

CRITERIA	STATUS	DISCUSSION
A. The JPA maintains in its records a signed original of the Joint Exercise of Powers Agreement or other acceptable documentation from each member agency. (Mandatory) *Other = signed copy of resolution from member's board, photo copy of signed JPA agreement. If not an original, suggest JPA check with counsel about the use of resolutions.*	√	
B. The agreement shall contain all of the provisions required in the enabling legislation in Section 6500 et. seq. of the Government Code.		
1. §6503 requires that the purpose or power to be exercised and the method by which the purpose will be accomplished or the manner in which the power is to be exercised is to be stated in the agreement. (Mandatory) Pursuant to Section 6509 of the Government Code, the agreement shall specify the member which restricts the manner of exercising the power of the JPA (Suggestion). *The member has to be named by name.*	√	
2. In accordance with provisions of §6505.5 or §6505.6 the agreement must designate a treasurer and an auditor. (Mandatory) *If §6505.5* *a. Treasurer and auditor from same member* *b. Treasurer and auditor from same county (if under 6505.5 the auditor shall be from the same entity as the treasurer but does not have to be specifically named and can be the same person.)* *c. A Certified Public Accountant, who can serve both functions* *If §6505.6: Can be an officer or employee of the JPA for either or both positions. (Does not have to name any one particular person in the agreement. If the agreement refers to duties under 65.05.6, this includes auditor/and treasurer, we count this as met.)*	√	Bylaws, article VI, describes that the Treasurer shall perform all duties as prescribed by GC Sec. 6505.5
3. §6511 requires that the agreement provide for the disposition, division or distribution of any property acquired as the result of the joint exercise of powers. (Mandatory)	√	JPA agreement, Article XX

4. §6512 or Sec. 6512.2 "requires that the agreement provide that any surplus money on hand after the completion of its purpose shall be returned in proportion to the contributions made." Or may, in the alternative, in proportion to contributions made and claims or losses paid. (Mandatory)	√	JPA agreement, Article XX
C. The following are described in appropriate governing documents (agreement, bylaws, resolutions, master plan documents, memorandums of coverage, memorandums of understanding, adopted board policies or other similar documents):		**DOCUMENTS IN WHICH ITEM CAN BE LOCATED**
1. Eligibility criteria; (Mandatory)	√	JPA agreement, Article XVI
2. Procedure for electing officers; (Mandatory)	√	Bylaws, Article V
3. Terms of office; (Mandatory)	√	Bylaws, Article V
4. Record retention policy; (Excellence only)	√	Bylaws, Article III
5. Power and duties of Board; (Mandatory)	√	JPA Agreement, Article IV (Purposes) Bylaws, Article III
6. Indemnification for liability; (Excellence only) *The governing documents address that anyone acting in their official capacity (board/committee) is indemnified by the JPA or (not) to eliminate gray area. Employees are already covered under Gov. Code.*	√	JPA Agreement, Article XXII
7. Provisions for dissolution of pool; (Mandatory) *There is a process specified for the members to elect to dissolve the pool.*	√	JPA Agreement, Article XX
8. Provisions for financial audits; (Mandatory)	√	JPA Agreement, Article XIV
9. Provisions for actuarial studies; (Excellence only)	√	Resolution 98-05
10. Provisions for claims audits: (Excellence only)	√	Resolution 98-05
11. Provisions for assessments & distributions; (Mandatory)	√	Bylaws, Article XII
12. Provisions for member withdrawal from a program or JPA as a whole. These provisions shall include: • Notice requirements • Financial obligations and entitlements, i.e. responsibilities for future assessments or rights for future dividends. (Mandatory)	√	JPA Agreement, Article XVII
13. Provisions for termination of JPA members (such as the right to cancel for non-payment of premiums, underwriting problems, or the failure to adequately control risks); (Mandatory)	√	JPA Agreement, Article XVIII Bylaws, Article XVI
14. Provision for annual meeting of the board; (Mandatory) (T*he board will meet at least annually, not an annual meeting according to Roberts Rules of Order.)*	√	Bylaws, Article IV
15. Provision for the resolution of coverage and claims disputes with its members; (Excellence only)	√	JPA Agreement, Article XXI

16. Provision for obligations of members. (Mandatory) *The governing documents identify obligations of members, e.g.* • *Payment of premiums* • *Representative for board* • *Provide requested data*	√	Bylaws, Article IX
D. Governing Documents and Prior Accreditation Report:		
1. The JPA is in substantial compliance with its governing documents. (Mandatory)	√	
2. The JPA Governing Board has reviewed the prior Accreditation Report for findings and recommendations. (Excellence)	√	
E. The JPA has written contracts with firms or individuals that provide program administration services, insurance brokerage services, claims administration services, or have access to JPA funds. Such contracts shall include: (Mandatory) 1. Scope of services of the contractor; 2. Indemnification and insurance requirements; (*A fidelity bond is required for any contractor that has access to JPA funds. If coverage doesn't cover forgery and alteration then it would not be sufficient coverage; or is employee dishonesty enough. Optional for consultant to add as a recommendation if they believe this is a concern.)* 3. Compensation; 4. Term of Agreement; 5. Contract cancellation provisions; 6. Ownership of records; 7. Duty to disclose conflicts of interest including but not limited to other sources of income; and *(Suggest consultant inquire if there is a process to provide for this disclosure but this is not a standard requirement and may just be a suggestion.)* 8. Language addressing how and by whom fines and penalties are to be paid. (applies to workers' compensation third party claims administrators only). *(For investment advisor contract see V-H)*		**Refer to Exhibit 4 Below**
F. The JPA has certificates of insurance on file evidencing coverage required in contracts under E., above. (Mandatory) *(Consider writing a suggestion for the pool to have a process to collect and review these if they do not have them on file and must collect them during the study.)*	√	
G. If the JPA offers employee benefit programs to member agencies, a written plan description must be provided to covered employees. (Mandatory)	n/a	
H. The JPA keeps minutes of all meetings of its governing body and major committees. (Mandatory)	√	

Exhibit 4

Contracts with Major Service Providers

Name of Contractor	Scope Of Services	Indemnification & Insurance *Fidelity bond if they write checks*	Compensation	Term	Cancellation	Ownership of Records	Disclosure of conflicts of interest and other sources of income	Fines & Penalties W/C only
Self-Administered	JPA Administration	n/a	n/a	n/a	n/a	n/a	n/a	n/a
None	Insurance Brokerage Services	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Self-Administered	W.C. Claims Administrator	n/a	n/a	n/a	n/a	n/a	n/a	n/a
George Hills	Property Liability Claims Administrator	***Need current contract***	√	√	√	√	√	n/a

II. GOVERNMENT RULES

Objective

To determine that the JPA complies with the various reporting requirements and other mandates imposed by the State of California and its regulatory agencies.

CRITERIA	STATUS	DISCUSSION
A. The JPA has filed a notice of its joint exercise of powers agreement and any amendments or membership changes with the Secretary of State identifying (GC 6503.5): (Mandatory) 1. The name of each member; 2. The effective date; 3. The purpose or power to be exercised; and 4. A description of the amendment, if any. *If the name of the JPA changes, counsel may be asked whether a new JPA agreement must be signed.* *Required if you add a new member or delete a member* *Notice must be filed within 30 days of amendment or member changes*	√	
The JPA has made the necessary Public Agency Roster filing with the Secretary of State and county clerks in the counties in which the JPA has offices. (G.C. 53051) (Mandatory) *Filing required when board members or location changes.*	√	
The JPA has adopted a Conflict of Interest Code, formally reconsiders it prior to October 1st of all even-numbered years, and oversees any required filings of the Statements of Economic Interest with the Fair Political Practices Commission or the designated filing agent. (G.C. 87306.5) (Mandatory) *If the filing office is not perceived to be a governmental facility and accessible to the public, the JPA is required to send originals to the FPPC and retain copies. Review with the FPPC.*	√	10/17/12
If the JPA is subject to Education Code 17566(e) it procures triennial actuarial studies on its employee benefit programs. (Mandatory) *(Provision for community college districts Education Code Section 81602 actuarial study under ERISA)*	n/a	
E. The JPA's governing body approves its annual budget. (G.C. 6508) (Mandatory)	√	
F. The JPA has filed the "Special Districts Financial Transactions Report" with the State Controller/Division of Local Government Fiscal Affairs Special District Unit. (GC 53891) (Mandatory)	√	
G. The JPA has filed its Audited Financial Statement with • the State Controller, and • with the county auditor of the county where the home office of the JPA is located within 12 months of the end of each fiscal year. (G.C. 6505 (c)) (Mandatory)	√	

H. JPA and/or members have valid certificate(s) of consent to self-insure Workers' Compensation (Labor Code 3700) and files any changes in claims administrators (8Cal Code Regs Sec.15402) and the necessary annual reports with the Dept. of Industrial Relations on or before October 1st of each year. (Labor Code 3702.2) (Mandatory) (*This does not apply to excess pools.)*	√	
I. Meetings and Meeting Notices		
1. The JPA properly posts meeting notices and	√	
2. Conducts its meetings in accordance with the Brown Act. (G.C. 54954.2, G.C. 54953.2 and 42 U.S.C. 12132) (Mandatory) *Board and standing committees. Check for ADA posting requirements. Note, the Attorney General has determined that valid posting means available to view 24/7 (consider posting on outside window). Agendas must be posted to the JPA website.*	√	
J. JPA's that self-insure medical benefits annually file a copy of their audit with a declaration to the Department of Managed Health Care as required for exemption from Knox-Keene requirements. (Code of Civil Procedures 2015.5) (Excellence Only)	n/a	

III. INSURANCE AND COVERAGES

Objective

To determine that the JPA properly identifies and handles its own exposures to loss, secures any insurance required by its governing documents and/or any other legal requirement, monitors the adequacy of coverages it provides to its members and maintains permanent policy files.

CRITERIA	STATUS	DISCUSSION
A. Insurance and Coverages		
1. The JPA maintains an official bond as required by state law (G.C. 6505.1 and 6505.5). The JPA requires fidelity coverage for a person or persons that are entrusted with any property of the JPA. (Mandatory) *Pool needs coverage for treasurer, most employee dishonesty policies exclude the Treasurer, have insurance company issue an endorsement deleting this exclusion.*		*Through CSAC-EIA*
2. The JPA insures or self-insures for the following exposures as appropriate: (Mandatory)		
a. Public Officials Errors & Omissions;		*Through CSAC-EIA*
b. Employee Fidelity; (insurance only, self-insurance not allowed) *(G.C. 6505.1)*		*Do you have a crime policy?*
c. Commercial General Liability;	√	Part of the CSAC-EIA memorandum of coverage
d. Workers Compensation;	√	Part of the CSAC-EIA memorandum of coverage
e. Fiduciary Liability; *Required for self-funded health and welfare plans* *(May review public officials Errors and Omissions coverage, look at exclusions (if it only excludes ERISA then that doesn't exclude government entities) A standard commercial general liability policy doesn't extend to fiduciary coverage.)*	n/a	
f. Auto Liability; and,	√	Part of the CSAC-EIA memorandum of coverage
g. Property.	√	Part of the CSAC-EIA memorandum of coverage
B. The JPA evaluates its insurers, excess insurers, reinsurers and risk pools for quality, stability, and financial solvency. (Mandatory) *(Review of current and past insurers due to outstanding claims. See process for evaluating excess insurers and excess risk pools and reinsurers document)*	√	All policies are purchased through CSAC-EIA or Alliant Insurance Services, these vendors are reviewed annually at the may Board meeting
C. The JPA keeps all memoranda of coverages and insurance policies permanently on file. (Mandatory)	√	Yes, Trindel keeps the EIA policies. Note: Trindel does not insure the members, only acts as a bank.

D. The JPA maintains and distributes coverage agreements and insurance policies as appropriate. (Mandatory)	n/a	Trindel does not have coverage agreements as it is a banking program

IV. ACCOUNTING & FINANCE

Objective

To determine that the JPA complies with all applicable accounting standards and has adopted an investment policy.

CRITERIA	STATUS	DISCUSSION
A. The JPA materially adheres to all applicable GAAP, GASB, and other accounting standards. (Mandatory) *Non compliance examples:* • *Not recording IBNR* • *Unrecorded ULAE (material)* • *Inadequate disclosures (Required Supplementary Information (RSI) #1, by line of coverage and RSI #2) loss development by line of coverage and disclosure of ceded insurance.* • *Inappropriate application of GAAP, (such as recording equity in another pool) (cannot be cured by disclosing the policy and limitations)* • *Liabilities not fairly stated (materially overstated;* • *Don't record above expected, any additional should be recorded as a designation of retained earnings).* • *GASB 31, market value of investments* • *GASB 40 Custodial Credit Risk Disclosures* • *GASB 27 Pension Liabilities* • *GASB 45 Other Post Employment Benefits* • *Capital Asset Impairments* • *Related Party Transactions* • *Extraordinary Items* • *Prior Period Adjustments* • *Contingent Liabilities* • *Recording reinsurance recoveries when received instead of netting out of claims expense when paid and setting up as a receivable.* • *The MD&A is sufficient* *(Consultant will review above irrespective of auditor's opinion)*	√	*Note, you are not required to put a budget actual in your MD&A as you are not a governmental fund type*
B. The JPA issues to its members periodic financial reports at least annually or more frequently if required by its governing documents. (Mandatory)	√	
C. Financial Audits		
1. The JPA has undergone annual independent financial audits conducted by a CPA in accordance with generally accepted auditing standards, a report of which has been made available to all members as required by its governing documents. (Mandatory)	√	

2. If the JPA has received an opinion other than an unqualified opinion on the audit of its financial statements, the JPA governing board has satisfactorily addressed any such qualifications of opinion, audit exceptions or negative statements. (Mandatory)	n/a	
3. The independent auditor's report shall include a review of internal controls at least every three years. (Excellence only) (*Issue a report on internal control and compliance to meet this.)*	√	
4. If a management letter or report on internal controls has been issued, the JPA governing board has addressed any recommendations. (Mandatory)	n/a	
D. Unpaid Claims Liabilities		
1. The JPA has assets sufficient to pay all unpaid claims liabilities and maintains a reasonable contingency margin. The determination of whether there is a reasonable margin for contingencies will include consideration of investment income, excess of loss insurance, aggregate stop loss insurance, assess ability, size of program, volatility of risk, tolerance of membership, disclosure to board and any other relevant factors. (Excellence only) *(If there is a deficit and the board has made an assessment, the receivable is recorded to offset the deficit.)*	n/a	Banking program
2. If the JPA does not currently have sufficient assets to pay unpaid claims liabilities, it has a reasonable financial plan in effect that will generate sufficient revenues to pay all unpaid claims liabilities and to establish a contingency margin. (Mandatory)	n/a	Banking program
For both D (1) and D (2) above, unpaid claims include: (Mandatory) a. Case reserves for reported claims; b. Incurred but unreported claims; c. Expected loss development; and, d. Allocated & unallocated loss adjusting expenses.	n/a	
3. JPAs with a self-funded medical benefits plan must fund at a level sufficient to cover expected claims, including the run-out, plus a reasonable contingency for adverse experience. Absent any acceptable evidence to the contrary, the contingency for adverse experience shall be set at an amount equal to or greater than the expected run-out of claims. (Mandatory)	n/a	
4. JPA's with self-funded benefit plans other than medical must fund such programs at a level sufficient to cover expected claims and projected run-out. (Mandatory)	n/a	
E. The JPA's current contribution levels for each self-funded program is in concert with Section D, above. (Mandatory)	√	
F. The JPA has adopted a target equity policy and considers it when evaluating funding and dividends. (Mandatory) (*For example see target equity worksheet)*	√	Resolution No 99-05, target the 90% confidence level for funding.

G. Any JPA with non-risk sharing program(s) must clearly indicate in the governing documents the financial and operational structure of such program(s). (Mandatory) *To be considered as a W.C. non-risk sharing program, it must not be operating under a master workers' compensation certificate filed with the State Dept. of Self-Insurance Plans.*		
In lieu of funding standards contained in Section E above, a non-risk sharing program must:		
1. Calculate and communicate the individual member net asset balances and liabilities to the members annually.	√	
2. Be sufficiently assessable to ensure that program's cash flow needs are met.	√	
3. Demonstrate that it has adequate cash on hand to meet future claims costs.	√	
H. The JPA maintains a suitable management information system that-includes premium computation methods and/or allocation formulas. (Excellence only).	√	

V. INVESTMENT OF FUNDS

Objective

To assure that policies and procedures are in effect to protect and preserve the JPA's financial assets.

CRITERIA	STATUS	DISCUSSION
A. The JPA has a written investment policy that contains: (Mandatory) *Required for all, even if they only have money in LAIF and or County Treasury.*		
1. A statement of objectives as required by G.C. § 53646	√	
2. Description of permitted investments, which must be in conformity with California G.C. §53601 and reasonable under "prudent investment rule."	√	
3. The written investment policy is reviewed annually by governing body or an investment committee pursuant to California G.C. § 53646(a).	√	
B. The JPA invests its funds in conformity with GC §53601. (G.C. 6509.5) (Mandatory)	√	
C. The JPA provides evidence that the governing body or an investment committee periodically considers diversification of risk as to type of investment and individual institution. (Excellence only)	√	
D. The JPA has in place internal controls that include: (Mandatory) *Government pooled funds excepted.*		
1. Separation of functions (buying and selling of securities is separate from accounting and reporting of transactions) if the size of the staff can accommodate this;	n/a	Invests only in LAIF and County of Placer
2. Separate verification of all transactions; and	n/a	
3. Written documentation of procedures.	n/a	
E. If the Treasurer has the authority to reinvest, sell and exchange securities:		
1. The JPA makes such delegation of authority annually. (G.C. §53607). (Mandatory)	n/a	
2. The Treasurer renders a monthly report of investment transactions to the governing board. (G.C. 53607). (Mandatory)	√	

THE FOLLOWING REQUIREMENTS (F, G, H & I) ONLY APPLY TO JPAs THAT MANAGE THEIR OWN INVESTMENTS, WITH OR WITHOUT THE USE OF INVESTMENT CONSULTANTS. *Does not apply to JPA funds that are deposited with county or state investment pools.*		
F. The JPA provides evidence that the Treasurer or Chief Financial Officer has submitted a quarterly report in a timely manner to the governing board containing the investment information required by California G.C. §53646 (b) (1), a description of compliance with the statement of investment policy G.C. §53646 (b) (2), and a statement of ability to meet expenditure requirements over the next six months G.C. §53646 (b) (3). (Mandatory) *Should be signed by Treasurer or CEO. (Note; under 53646 it does not state that you must provide the transaction detail as described under 53607 for a treasurer that has investment authority)*	n/a	
G. The quarterly investment report filed with the governing body shall also contain:		
1. Type of investments; (Mandatory)	n/a	
2. Issuing institution; (Mandatory)	n/a	
3. Dates of purchase and maturity; (Mandatory)	n/a	
4. Par and dollar amount invested on all securities; (Mandatory)	n/a	
5. Investments and monies held by the JPA; (Mandatory)	n/a	
6. Current market value, including source; (Mandatory)	n/a	
7. Coupon rate; (Excellence only)	n/a	
8. Effective yield rate; *(yield to maturity)* (Excellence only)	n/a	
9. Portfolio total rate of return; (Excellence only)	n/a	
10. Cash and security transactions; (Excellence only)	n/a	
11. Percentage of portfolio by issuer or security type. (Excellence only)	n/a	
H. JPAs that own investment securities shall have an independent custodian who shall not be from the same department of the financial institution or broker/dealer from whom the JPA buys or sells the security, or the investment advisor. (Mandatory)		
1. There shall be a written contract between the JPA and the independent custodian that includes: (Mandatory) a. Scope of services b. Compensation c. Termination	n/a	

2. Monthly reports shall be sent directly from custodian to a specific person at the JPA. (Excellence only)	n/a	
3. Custodial statements shall be reconciled with an in-house or investment advisor's report. (Mandatory) *Should be independent of the custodian and investment advisor. Should be documented in the investment accounting procedures. Recommend quarterly.*	n/a	
4. The third-party custodian shall maintain adequate fidelity coverage. (Excellence only)	n/a	
I. For JPAs that engage in services of a professional investment advisor, the following safeguards are in place: *For the purpose of this Section I, an investment advisor is a person or firm that provides advice as to the value of securities or property or the advisability of purchasing or selling such securities or property. The advisor may have discretionary authority or control to purchase or sell. An investment advisor renders advice to the JPA on a regular basis with the understanding that his or her advice will be an integral factor in the investment decision-making process relative to the particular needs of the JPA. Purely clerical or ministerial duties such as record-keeping, reporting, processing, or disseminating information generally will not be classified as investment advisory activities, absent authority, discretion, or control.*		
1. There is a written contract between the advisor and the JPA that includes; (Mandatory) a. Scope of services b. Compensation c. Duty to disclose conflicts of interest d. Termination e. Disclosure to JPA of any investigation by a regulatory body for investment-related regulatory violations.	n/a	
2. The JPA has a process to ensure the investment advisor has disclosed any conflict of interests (Mandatory) *(This may be satisfied by a provision in the contract as addressed in I(1) above or FPPC form 700, or review of Form ADV Parts 1 and 2; this should be done annually.)*	n/a	
3. All securities are purchased in the name of the JPA. (Mandatory) D*eposits in LAIF or a treasury are not "securities"*	n/a	
4. The advisor sends monthly reports to the JPA containing information described in Section D above. (Mandatory)	n/a	
5. The advisor reports at least quarterly an evaluation including total rate of return and a comparison of the pool's total rate of return to reasonable benchmarks (i.e., U.S. Treasury securities, an index comprised of Treasuries, or LAIF). (Excellence only)	n/a	
6. The investment advisor carries Investment Advisor Professional Liability Insurance with a per claim/aggregate limit of at least $1,000,000. (Mandatory)	n/a	

J. JPA's that place their investments in or through County or State investment pools, or in FDIC insured contracts will issue quarterly reports to the governing body, chief financial officer, and auditor in accordance with G.C. §53646 (e). (Mandatory)	√	

VI. FUNDING AND ACTUARIAL STANDARDS

Objective

To determine that the JPA has completed actuarial studies or independent evaluations on each of its self-funded programs. There may be instances in which the provisions of this section may be waived because such studies may not be considered necessary (such as for property or vehicle physical damage programs).

Program: Property / Liability

CRITERIA	STATUS	DISCUSSION
A. The JPA has had property or casualty (including W.C.) actuarial study(ies). Such study was conducted by a Member of the American Academy of Actuaries and addressed all of the relevant items in Sections IV. E and IV. F. Such study(ies) shall be conducted within the last three years (Mandatory) or annually. (Excellence only). (*The actuary should be conducted for major programs, if a pool is in run-out it still should have an actuary study, unless as determined by the committee the risk and variability has sufficiently diminished. Such considerations would be; line of coverage, the risk layer retained, whether the pool is an excess layer pool, the variability inherent in the claims and how the claims are developing.)*	√	Bickmore Risk Services Drek Burkhalter, ACAS, MAAA Mike Harrington, FCAS, MAAA
B. If loss reserves requirements were computed on a discounted (present value) basis, the pay out pattern and projected rate of return were reasonable. (Mandatory) *Is the discount rate reasonable given; current cash and investment balances, accounts receivable or deficit balances, or the character of the assets such as buildings?*	√	**2.50** **%** discount but the JPA did not discount
C. If the JPA has a self-funded medical benefits plan, it must conduct an independent rate study and fund level evaluation, including consideration of a reasonable contingency margin for adverse experience. Such study shall be conducted annually (Excellence only) or within the last 36 months. (Mandatory).	n/a	
D. If JPA has other miscellaneous self-funded programs (such as dental, vision, long-term disability or life), it must conduct independent rate studies and fund level evaluations within the last 36 months (Mandatory) or bi-annually. (Excellence only) *Evaluation does not have to be prepared by actuary - can be by benefit consultant.*	n/a	

VI. FUNDING AND ACTUARIAL STANDARDS

Objective

To determine that the JPA has completed actuarial studies or independent evaluations on each of its self-funded programs. There may be instances in which the provisions of this section may be waived because such studies may not be considered necessary (such as for property or vehicle physical damage programs).

Program: Workers Compensation

CRITERIA	STATUS	DISCUSSION
A. The JPA has had property or casualty (including W.C.) actuarial study(ies). Such study was conducted by a Member of the American Academy of Actuaries and addressed all of the relevant items in Sections IV. E and IV. F. Such study(ies) shall be conducted within the last three years (Mandatory) or annually. (Excellence only). (*The actuary should be conducted for major programs, if a pool is in run-out it still should have an actuary study, unless as determined by the committee the risk and variability has sufficiently diminished. Such considerations would be; line of coverage, the risk layer retained, whether the pool is an excess layer pool, the variability inherent in the claims and how the claims are developing.)*	√	Bickmore Risk Services Drek Burkhalter, ACAS, MAAA. Mike Harrington, FCAS, MAAA
B. If loss reserves requirements were computed on a discounted (present value) basis, the pay out pattern and projected rate of return were reasonable. (Mandatory) *Is the discount rate reasonable given; current cash and investment balances, accounts receivable or deficit balances, or the character of the assets such as buildings?*	√	**2.75** **%** discount but the JPA did not discount
C. If the JPA has a self-funded medical benefits plan, it must conduct an independent rate study and fund level evaluation, including consideration of a reasonable contingency margin for adverse experience. Such study shall be conducted annually (Excellence only) or within the last 36 months. (Mandatory).	n/a	
D. If JPA has other miscellaneous self-funded programs (such as dental, vision, long-term disability or life), it must conduct independent rate studies and fund level evaluations within the last 36 months (Mandatory) or bi-annually. (Excellence only) *Evaluation does not have to be prepared by actuary - can be by benefit consultant.*	n/a	

VII. RISK CONTROL

Objective

To determine that the JPA actively promotes risk control principles and practices to its members and that necessary budgetary appropriations for such services are made. An excess JPA may meet this requirement by requiring its member agencies to be responsible for having their own risk control program.

CRITERIA	STATUS	DISCUSSION
A. JPAs are active in promoting risk control principles among their member agencies. This shall include the following: (Compliance with two or more is required for Excellence) *Not applicable for benefit programs.*		
1. Promoting a risk transfer policy that addresses additional insureds, minimum insurance limits and proof of suitable insurance coverage.	√	
2. Establishing risk control standards for the significant exposures of its member agencies.		
3. Prioritizing the use of its risk control resources, based on such factors as; (a) loss ratios, (b) frequency, and (c) severity rates.	√	
4. Offering risk control assistance to its member agencies, including (a) conducting or facilitating risk control inspections, (b) investigating large losses, (c) conducting risk control training for its member agencies, and/or (d) providing wellness and/or employee assistance program.	√	
5. Providing or facilitating the procurement of appraisal services, in order to maintain accurate records of its members' property components and values.	√	
B. The JPA's budget provides for the above. (Excellence only)	√	
C. The JPA maintains a suitable management information system that includes: (Excellence only)		
1. Relevant information about type and quantity of exposures being assumed.	√	
2. Relevant information about the type, number and cause of accidents resulting in claims against its member agencies.	√	

VIII. CLAIMS MANAGEMENT

Objective

Measure nature, scope, and quality of the claims management services provided by JPA and its contractors.

Program: Property / Liability

CRITERIA	STATUS	DISCUSSION
A. The JPA has established a suitable claims management system. Excess JPA's must have a process to monitor primary claims handled by, or for, its member agencies. (Mandatory)	√	
B. The JPA has established a litigation management system. (Excellence only)	n/a	Trindel is a banking plan. Trindel doesn't have any formal Trindel policy, however Trindel staff attends all claim reviews and constantly monitors claims that are at 50% of the SIR and higher.
C. The JPA has conducted a claims audit on each significant self-funded program within the last 2 years. Significant self-funded programs shall include W.C., liability, and medical malpractice. (Excellence only) (*A periodic OBEA audit may be acceptable replacement on a self administered program (in-house administration) however; this audit does not have the same scope in review of reserves).* The audit should be conducted by a qualified claims auditor, independent of the JPA, the claims administrator and the insurers, and should determine whether or not:		NicholasL. Cali 10/20/2011
1. Claims are handled in a timely and organized manner;	√	
2. The claims administrator adequately communicates with the JPA, its members, and the claimants;	√	
3. Case reserving practices are reasonable;	√	
4. Loss experience reports accurately reflect the case reserves and the payments. As an alternative, this determination may be made during the financial audits required in Section IV. C. of these Accreditation Standards.	√	
5. The JPA is receiving quality claims services. General evidence of this may be indicated from the following:		
a. Staffing levels are adequate in relation to caseloads;	√	
b. Adjusters identify claims with subrogation potential;	√	
c. Excess insurers are notified of claims with excess potential;	√	

d. Litigated claims are adequately managed;	√	
e. Coverage is verified; and		
f. Adequate investigations are performed.	√	
D. The JPA has addressed all major recommendations and significant findings included in the audit report. *Consideration of a future standard: (An excess pool has a process of reviewing primary layer claim audit results and follow-up with members* (Excellence only)	n/a	
E. The JPA maintains a management information system that includes relevant information about the type, number and cost of claims being reported and adjusted. (Excellence only)	√	
F. If the JPA provides employee benefit plans for its members, it must have an appeals process for handling claims and/or coverage related disputes. (Mandatory)	n/a	
G. The JPA has a written policy addressing settlement authority (Excellence only)	√	By individual member resolution for the banking claims

VIII. CLAIMS MANAGEMENT

Objective

Measure nature, scope, and quality of the claims management services provided by JPA and its contractors.

Program: Workers Compensation

CRITERIA	STATUS	DISCUSSION
A. The JPA has established a suitable claims management system. Excess JPA's must have a process to monitor primary claims handled by, or for, its member agencies. (Mandatory)	√	
B. The JPA has established a litigation management system. (Excellence only)	√	Trindel is a banking plan. Trindel doesn't have any formal Trindel policy, however Trindel staff attends all claim reviews and constantly monitors claims that are at 50% of the SIR and higher.
C. The JPA has conducted a claims audit on each significant self-funded program within the last 2 years. Significant self-funded programs shall include W.C., liability, and medical malpractice. (Excellence only) (*A periodic OBEA audit may be acceptable replacement on a self administered program (in-house administration) however; this audit does not have the same scope in review of reserves).* The audit should be conducted by a qualified claims auditor, independent of the JPA, the claims administrator and the insurers, and should determine whether or not:		Susan Wright April 6, 2012
1. Claims are handled in a timely and organized manner;	√	
2. The claims administrator adequately communicates with the JPA, its members, and the claimants;	√	
3. Case reserving practices are reasonable;	√	
4. Loss experience reports accurately reflect the case reserves and the payments. As an alternative, this determination may be made during the financial audits required in Section IV. C. of these Accreditation Standards.	√	
5. The JPA is receiving quality claims services. General evidence of this may be indicated from the following:		
a. Staffing levels are adequate in relation to caseloads;		
b. Adjusters identify claims with subrogation potential;	√	
c. Excess insurers are notified of claims with excess potential;	√	

d. Litigated claims are adequately managed;	√	
e. Coverage is verified; and		
f. Adequate investigations are performed.	√	
D. The JPA has addressed all major recommendations and significant findings included in the audit report. *Consideration of a future standard: (An excess pool has a process of reviewing primary layer claim audit results and follow-up with members* (Excellence only)	√	
E. The JPA maintains a management information system that includes relevant information about the type, number and cost of claims being reported and adjusted. (Excellence only)	√	
F. If the JPA provides employee benefit plans for its members, it must have an appeals process for handling claims and/or coverage related disputes. (Mandatory)	n/a	
G. The JPA has a written policy addressing settlement authority (Excellence only)		By individual member resolution for the banking claims

IX. Underwriting

Objective

To determine that the JPA has a clear process for developing and monitoring its underwriting policies and processes

Will be reviewed with all accreditation beginning July 1, 2012 but will only be required beginning July 1, 2013 to allow JPA's to formalize and adopt relevant policies and practices

CRITERIA	STATUS	DISCUSSION
I. Underwriting Objectives This applies to rating individual members and overall program management		
1. The JPA has established a written underwriting policy. This policy should include the following: *This should be a written policy approved by the board*		
a. A definition of the underwriting function / mission	Suggest	Not required until July 1, 2013 Formal function / mission not adopted
b. Address suitability or fit of member	√	Resolution 05-10 addresses
c. As applicable considers i. Claims ii. Exposures iii. Actuarial results	√	Resolution 05-10 addresses
d. Defines relevant period or value of data. *(ex last 5 years; or capped at $150,000)*	Suggest	Formal Policy not adopted Not required until July 1, 2013 *Demonstrated in the reserve calculation; defines the relevant period of 10 years.*
2. There is an objective contribution allocation formula (Addresses both new and existing members)		
a. It identifies the components in writing as part of the policy	Suggest	An outline of the components should be articulated Not required until July 1, 2013 *Process demonstrated in premium wks and Res 02-13 and 12-06*
b. The policy identifies guidelines for credits or debits, if any	Suggest	Not required until July 1, 2013

3. There is an approval process for new members by board or who they delegate this approval.	√	JPA agreement, Bylaws, Resolution 05-10
4. The underwriting policy is formally reviewed periodically or at least once every three years. *(a fresh look at the formulas)* This review should consider:		*The board annually goes through the underwriting allocations but unsure that the "fresh look" as a separate process is undertaken.*
a. Is the process adequately measuring the risks?	√	Not required until July 1, 2013 *Process demonstrated in premium wks and Res 02-13 and 12-06*
b. Is the process adequately allocating costs?	√	Not required until July 1, 2013 *Process demonstrated in premium wks and Res 02-13 and 12-06*
5. Underwriting considers the target net assets (Excellence) May include a dividend & assessment formula	√	Resolution No 02-13

X. OPERATIONS AND ADMINISTRATIVE MANAGEMENT

Objective

To determine that the JPA (A) has a process for developing and implementing a strategic plan setting forth its goals and objectives for the future, (B) regularly and effectively communicates with its members (C) actively involves its governing board members and staff in education and training programs offered by relevant professional associations and (D) maintains procedures and policies relating to information systems.

CRITERIA	STATUS	DISCUSSION
A. The JPA conducts an effective strategic planning process to guide its future efforts. This should include an analysis of the environmental trends and the organizational strengths, weaknesses, opportunities and threats. Such a process may also include the following: (Excellence only)	√	11/2010
1. A survey of member expectations and related perceptions; *(either formally or informally)*		
2. A mission statement with supporting goals, objectives and tasks.	√	
3. Consideration of the target equity policy.	√	
B. The JPA regularly communicates with its member entities. Such communication may include (Excellence only) *One or more or related communication efforts with members*		
1. Annual reports, newsletters, or similar media;		
2. Notice of major policy issues;	√	
3. Periodic workshops, seminars, or similar educational activities;	√	
4. Surveys of its member agencies, its service providers, and staff.		
5. JPA website for communication with members	√	
C. The JPA governing board and staff are actively involved in education and training programs. Such involvement may be indicated by the following: (Excellence only)		
1. Participation in one or more of the following organizations:		
a. CAJPA (California Association of Joint Powers Authorities)	√	
b. PARMA (Public Agency Risk Managers Association)		
c. PRIMA (Public Risk Management Association)		
d. CPCU Society (Chartered Property and Casualty Underwriters)		
e. RIMS (Risk and Insurance Management Society)		
f. CASBO (California Association of School Business Officials)		

g. COSIPA (Council of Self-Insured Public Agencies)		
h. CSIA (California Self-Insurers Association)		
i. PASMA (Public Agency Safety Management Association)		
j. AGRiP (Association of Governmental Risk Insurance Pools)		
k. IEA (Insurance Educational Association)		
l. ASSE (American Society of Safety Engineers)		
m. SCIC (Society of Certified Insurance Counselors)		
2. Top management has attended at least two professional conferences or seminars in the preceding 12 months.	√	
3. The governing body members participate in pool management and risk management training.	√	
4. There is formal training of all key personnel. *(As needed)*	√	
5. The JPA's budget provides for the above participation and training.	√	
D. The JPA has developed and implemented processes and procedures relating to protection of electronic data, including:		
1. A suitable security and back-up system for all stored data. (Mandatory)	√	
2. A written policy with respect to:		
a. Disaster recovery (Excellence only)	√	Resolution NO. 09-04
b. Physical and electronic data security (Excellence only)	√	Resolution NO. 09-04
c. Electronic data retention (Excellence only)	√	Resolution NO. 09-04
d. Protection of electronic data as required by Health Insurance Portability and Accountability Act of 1996 (HIPAA), as applicable. (Excellence only)	√	Resolution NO. 09-04