



**California JPIA**  
**El Capitan Room**  
**8081 Moody Street**  
**La Palma, California 90623**

**AGENDA**

**EXECUTIVE COMMITTEE OF THE BOARD OF DIRECTORS**

**REGULAR MEETING**

**June 17, 2026**

**5:30 P.M.**

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**CALL TO ORDER**

President Margaret Finlay

**PLEDGE OF ALLEGIANCE**

President Margaret Finlay

**ROLL CALL**

Ray Marquez  
Jennifer Perez  
Sonny Santa Ines  
Cynthia Sternquist  
Steve Tye  
Mark Waronek  
Secretary, Tom Chavez  
Vice President, Mary Ann Reiss  
President, Margaret Finlay

**ORAL COMMUNICATIONS**

Any persons present desiring to address the Executive Committee on any proper matter may do so at this time.

**PRESENTATION**

Recognition of Steve Croft for his service to the Authority as a member of the Executive Committee from 2023-2026.

**CONSENT CALENDAR**

All items under Consent Calendar may be enacted by one motion. Any item may be removed from the Consent Calendar and acted upon separately by the Executive Committee.

1. APPROVAL

Minutes of May 27, 2026 Regular Meeting and June 9, 2026 Special Meeting

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**REPORTS AND RECOMMENDATIONS**

- |                                  |  |
|----------------------------------|--|
| 2. RECEIVE AND FILE              | Government Entities Mutual (GEM) Presentation  |
| 3. CONSIDERATION                 | Annual Review of the Authority's Investment Policy   |
| 4. CONSIDERATION                 | Proposed Budgets for Fiscal Years 2026-27 and 2025-26  |
| 5. CONSIDERATION                 | Membership Application of the City of Thousand Oaks  |
| 6. APPROVAL                      | Athens Administrators Workers' Compensation Contract Renewal   |
| 7. APPROVAL                      | 2026-27 Memorandum of Coverage: Liability Program  |
| 8. APPROVAL                      | 2026-27 Memorandum of Coverage: Workers' Compensation Program  |
| 9. APPROVAL                      | 2026-27 Memorandum of Coverage: Property Program   |
| 10. RESOLUTION<br>NO. 2026-06 WR | Warrant Register<br><br>A RESOLUTION OF THE EXECUTIVE COMMITTEE OF THE BOARD OF DIRECTORS OF THE CALIFORNIA JOINT POWERS INSURANCE AUTHORITY ALLOWING CERTAIN CLAIMS AND DEMANDS IN THE TOTAL OF \$9,287,751.15. |
| 11. CONSIDERATION                | Recommendations from the Personnel Committee   |

**ADJOURNMENT**

To a meeting on July 22, 2026, at 4:00 p.m., in the El Capitan Room of the California JPIA, 8081 Moody Street, La Palma, CA 90623.

In compliance with Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact the Agency Clerk at (562) 467-8736. Notification 48 hours before meeting will enable the Authority to make reasonable arrangements to ensure accessibility. (28 CFR 35.102.35.104 ADA Title II)

**TELECONFERENCE PARTICIPATION**

To be a voting participant in action items appearing on the agenda, the participant's teleconference location must appear below, and the participant must have posted the agenda in a location accessible to the general public no less than 72 hours prior to the announced meeting time, in accordance and within the requirements of the Brown Act (Gov. Code, § 54950 et seq.). At the announced time of the meeting, teleconference participants (unless otherwise instructed) should call the California

JPIA's teleconference number at **(669) 254-5252**, enter Meeting ID: **161 929 6349** Password: **472285** and identify themselves for the record.

To access the video conferencing and view the meeting online, go to  
<https://cjpia-org.zoomgov.com/j/1619296349?pwd=mXqHcU5Mbf0OqoBaGHmVTv7EcYHkpB.1&jst=1>

If you have any problems with the meeting link or connecting to the meeting, please call Veronica Ruiz at (562) 455-0321.

**TELECONFERENCE  
LOCATIONS**

Mary Ann Reiss  
266 Encanto Avenue  
Pismo Beach, CA 93449

Dated: June 11, 2026  
Posted: June 11, 2026

s/Veronica Ruiz  
Veronica Ruiz, CMC  
Agency Clerk

**AFFIDAVIT OF POSTING**

I, Veronica Ruiz, declare as follows: That I am the duly designated Agency Clerk for the California Joint Powers Insurance Authority, and that I caused to be posted the foregoing agenda in accordance with the Brown Act. Dated this 11th day of June, 2026.

By: Veronica Ruiz, CMC, Agency Clerk

# CALIFORNIA JPIA

## MINUTES

### EXECUTIVE COMMITTEE OF THE BOARD OF DIRECTORS

#### REGULAR MEETING

May 27, 2026

5:30 P.M.

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#### CALL TO ORDER

President Finlay called the regular meeting of the Executive Committee of the California JPIA to order at 5:43 p.m. in the El Capitan Room at the California JPIA, 8081 Moody Street, La Palma, CA 90623.

#### ROLL CALL

A quorum was established by roll call.

#### PRESENT:

Steve Croft  
Jennifer Perez  
Sonny Santa Ines  
Cynthia Sternquist  
Steve Tye  
Mark Waronek  
Secretary, Tom Chavez  
Vice President, Mary Ann Reiss (*Teleconference*)  
President, Margaret Finlay

#### EX OFFICIO:

Thaddeus McCormack, Managers Committee  
Chairman  
Jose Gomez, Finance Officers Committee  
Chairman  
Brad McKinney, Risk Managers Committee  
Chairman

#### ATTENDEES:

Mark Nestor, ICRMS (*Teleconference*)  
Kevin Fritzsche, Athens Administrators  
(*Teleconference*)  
Hunter Chang, San Marino (*Teleconference*)  
Zeel Ahir, Artesia

STAFF: Alex Smith, Chief Executive Officer  
Maria Galvan, Senior Risk Manager  
(*Teleconference*)  
Chris Gray, Insurance Programs Manager  
(*Teleconference*)  
Chris Kustra, Liability Program Manager  
Jason McBride, Finance Director  
Alex Mellor, Risk Services Director  
Ben Rodriguez, Technology Projects Manager  
Veronica Ruiz, Agency Clerk  
Jeff Rush, Workers’ Compensation Program  
Manager (*Teleconference*)  
Ryan Thomas, Training Manager  
Jennifer Torres, Administrative Analyst  
Chris Yanonis, Facilities Specialist  
Tracey Yonemura, Administrative Assistant  
Paul Zeglovitch, Chief Operating Officer

**ORAL  
COMMUNICATIONS**

There were no requests to address the Executive Committee.

**URGENCY ITEM:**  
Legislative Advocacy Update

Alex Smith, Chief Executive Officer, introduced an item which came to the Authority’s attention subsequent to the agenda being posted, and requested that it be added to the agenda as an urgency item in accordance with Government Code §54954.2(b) since there was a need to take immediate action.

It was moved by Director Chavez to add the item to the agenda. The motion was seconded by Director Croft. The motion carried unanimously by roll call vote.

Legislative Advocacy Update

Alex Smith, Chief Executive Officer, provided an update on the Coalition to Protect Community Services to support local government liability reform.

It was the consensus of the Committee to form an ad hoc committee to work with staff on local government liability reform. The following members volunteered to serve: Sternquist, Waronek, Perez, and Finlay.

It was moved by Director Perez to form an ad hoc committee and authorize President Finlay to appoint members to serve on the ad hoc committee for the purpose of local government liability reform. The motion was seconded by Director Waronek. The motion carried unanimously by roll call vote.

**CONSENT CALENDAR**

President Finlay presented the items appearing on the Consent Calendar.

Director Chavez moved that the Consent Calendar Items be approved, received, and filed in one action. The motion was seconded by Director Waronek. The motion carried unanimously by roll call vote.

The Consent Calendar included:

- Minutes of April 17, 2026 Regular Meeting and May 21, 2026 Special Meeting
- Treasurer’s Monthly Compliance Reports for March and April 2026
- Local Agency Investment Fund Quarterly Report as of March 31, 2026
- Los Angeles County Pooled Investment Fund Report as of March 31, 2026
- Adopt RESOLUTION 26-1; Section 125 Plan
- Voltaic Construction Solar Energy System

**RECEIVE AND FILE**  
Investment Performance  
Review for the Quarter Ended  
March 31, 2026

President Finlay presented the Investment Performance Review for the Quarter Ended March 31, 2026 item.

Jason McBride, Finance Director, presented a market update and review of the Authority’s investment portfolio for the quarter ended March 31, 2026.

Director Croft moved to receive and file the Investment Performance Review for the Quarter Ended March 31, 2026. The motion was seconded by Director Chavez. The motion carried unanimously by roll call vote.

**RECEIVE AND FILE**  
PFM Asset Management’s  
Review of California JPIA’s  
2025 Actuarial Study

President Finlay presented PFM Asset Management’s Review of California JPIA’s 2025 Actuarial Study item.

Jason McBride, Finance Director, presented the results of the actuarial study of claim reserves for the period ending June 30, 2025.

Director Perez moved to receive and file PFM Asset Management’s Review of California JPIA’s 2025 Actuarial Study. The motion was seconded by Director Tye. The motion carried unanimously by roll call vote.

**RECEIVE AND FILE**

President Finlay presented the 2026 Workers’ Compensation Claims Audit item.

2026 Workers' Compensation  
Claims Audit

Jeff Rush, Workers' Compensation Program Manager, introduced Mark Nester, President of Independent Consulting and Risk Management Services (ICRMS). Mr. Nester presented the results of the annual independent audit of claims administered by Athens. The audit included 152 claims and focused on activity performed during the 2025 calendar year. Athens received a score of 96.84% on the audit. Rush noted that this score also marked the 16th consecutive year that our claims team has scored 90% or higher on their audit.

Director Sant Ines moved to receive and file the 2026 Workers' Compensation Claims Audit. The motion was seconded by Director Waronek. The motion carried unanimously by roll call vote.

**CONSIDERATION**  
Delegation of Liability  
Settlement Authority to Staff

President Finlay presented the Delegation of Liability Settlement Authority to Staff item.

Director Chavez moved to provide staff with authority to resolve all liability claims with an indemnity value of \$500,000 or less. The motion was seconded by Director Santa Tye. The motion carried unanimously by roll call vote.

**RESOLUTION**  
**NO. 2026-05 WR**  
Warrant Register

President Finlay read, by title only, Resolution No. 2026-05 WR,

A RESOLUTION OF THE EXECUTIVE COMMITTEE OF THE BOARD OF DIRECTORS OF THE CALIFORNIA JOINT POWERS INSURANCE AUTHORITY ALLOWING CERTAIN CLAIMS AND DEMANDS IN THE TOTAL OF \$11,810,675.91.

Director Waronek moved to waive further reading and adopt Resolution 2026-05 WR. The motion was seconded by Director Tye. The motion carried unanimously by roll call vote.

**RECESS**

At 6:56 p.m., President Finlay recessed the Executive Committee meeting.

**RECONVENE**

At 7:44 p.m., President Finlay reconvened the Executive Committee.

**APPOINTMENT**  
Appointment to Fill the Vacant,  
Unexpired Term on the  
Executive Committee

President Finlay presented the Appointment to Fill the Vacant, Unexpired Term on the Executive Committee item.

Director Croft moved to appoint Ray Marquez to fill the vacant, unexpired term on the Executive Committee ending July 2027. The motion was seconded by Director Tye. The motion carried unanimously by roll call vote.

**ADJOURNMENT**

President Finlay adjourned the meeting at 7:49 p.m. to the next regular meeting on June 17, 2026, at 5:30 p.m., in the El Capitan Room of the California JPIA, 8081 Moody Street, La Palma, CA 90623.

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Tom Chavez, Secretary

# CALIFORNIA JPIA

## MINUTES

### EXECUTIVE COMMITTEE OF THE BOARD OF DIRECTORS

#### SPECIAL MEETING

June 9, 2065

11:00 A.M.

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#### CALL TO ORDER

President Finlay called the special meeting of the Executive Committee of the California JPIA to order at 11:00 a.m. via teleconference.

#### ROLL CALL

A quorum was established by roll call.

#### PRESENT:

Ray Marquez  
Jennifer Perez  
Sonny Santa Ines  
Cynthia Sternquist  
Steve Tye  
Mark Waronek  
Secretary, Tom Chavez  
Vice President, Mary Ann Reiss  
President, Margaret Finlay

#### EX OFFICIO:

Thaddeus McCormack, Managers Committee  
Chairman  
Jose Gomez, Finance Officers Committee  
Chairman  
Brad McKinney, Risk Managers Committee  
Chairman

#### STAFF:

Alex Smith, Chief Executive Officer  
Chris Gray, Insurance Programs Manager  
Jason McBride, Finance Director  
Veronica Ruiz, Agency Clerk  
Nikki Salas, Chief Administrative Officer  
Paul Zeglovitch, Chief Operating Officer

#### ORAL COMMUNICATIONS

There were no requests to address the Executive Committee.

**CONSIDERATION**  
Committee Assignments

President Finlay presented the Committee Assignments item.

Director Sternquist moved to receive and file. The motion was seconded by Director Santa Ines. The motion carried unanimously by roll call vote.

**CONSIDERATION**  
Insurance Renewals

President Finlay presented the Insurance Renewals item.

Director Santa Ines moved to grant authority to the CEO to bind coverage for 2026-27 excess and reinsurance not to exceed \$37,386,064. The motion was seconded by Director Waronek. The motion carried unanimously by roll call vote.

**ADJOURNMENT**

President Finlay adjourned the meeting at 11:29 a.m.

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Tom Chavez, Secretary

# **CALIFORNIA JPIA**

## **AGENDA REPORT**

**To:** EXECUTIVE COMMITTEE

**From:** Alexander Smith, Chief Executive Officer

**Date:** June 17, 2026

**Subject:** Government Entities Mutual (GEM) Presentation

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The Authority is a member of Government Entities Mutual (GEM), who provides us with reinsurance coverage in our liability program, currently at the \$5 million in excess of \$10 million layer (100%). GEM is an important strategic partner and provides the Authority with valuable resources beyond coverage, including industry expertise, educational opportunities for staff, risk management support and collaboration, and access to networking with some of the best risk pools in the country.

Andrew Halsall, GEM's President and CEO, will be present at the meeting to brief the Executive Committee and provide background information about GEM, discuss how our interests are aligned, and how the relationship between our two organizations is mutually beneficial.

### **Recommended Action**

Receive and file.



Partnership with GEM provides reinsurance stability you can depend on and a community you can lean on.

**GEM is more than a transactional reinsurer.**

**We are here to support the long-term success of our members.**

**REINSURANCE STABILITY AND CAPACITY**

GEM provides meaningful, stable capacity that is exclusive to our members.

**INDUSTRY EXPERTISE**

GEM's staff have a depth of knowledge and capabilities in public entity risk and reinsurance and provide a real-time source of guidance and advice when members need it the most.

**MEMBER-OWNED AND GOVERNED**

GEM's culture of continuous member outreach and inclusion ensures that all may contribute toward shaping the company's strategic direction and philosophy.

**COLLABORATIVE AND SOLUTION-ORIENTED**

GEM works closely with members to guide them to a reinsurance structure that aligns with their pool's mission and strategy and integrates with capacity provided by their other risk partners.

**PEER-TO-PEER INTERACTION**

Our members collectively represent an enviable treasure trove of knowledge, capabilities and experience. GEM provides the platform to tap into and distribute that wealth of intellect through facilitated discussions, member meetings, trainings, workgroups, and resource sharing. Member engagement is foundational and is what makes our community unique.

*"OMAG has always valued strong partnerships rooted in collaboration, transparency, and trust, and our experience with GEM has reflected those same values from the beginning. GEM truly understands public entity risk pooling in a way the commercial market simply does not, and that knowledge shows up in every interaction and recommendation."*

*Suzie Paulson, Executive Director, OMAG*

# CALIFORNIA JPIA

## AGENDA REPORT

**To:** EXECUTIVE COMMITTEE

**From:** Alexander Smith, Chief Executive Officer

**By:** Jason McBride, Finance Director

**Date:** June 17, 2026

**Subject:** Investment Policy Review

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The Finance Officers Committee reviews the Authority's Investment Policy on an annual basis to ensure compliance with governing statutes and to ensure the policy is reflective of the Committee's opinions concerning safety, liquidity, and yield.

PFM Asset Management (PFMAM), the Authority's investment advisor, reviewed the Policy in conjunction with staff. Based on that review, staff recommends the following Policy revisions that align with recent adoption of Senate Bills 595 and 858:

- Section G.8.c – Extend the maximum maturity for eligible commercial paper from 270 to 397 days.
- Section G.8.c – Increase the maximum percentage of allowable portfolio assets invested in commercial paper from 25% to 40%. This reverts back to a maximum of 25% effective January 1, 2031.
- Minor revisions to indicate the latest review date and adoption of the Policy.

A redline draft of the proposed revisions is attached for your reference.

### **Recommended Action**

The Finance Officers Committee reviewed the proposed revisions at a meeting held on June 11, 2026, and recommended adoption by the Executive Committee. It is recommended that the Executive Committee adopt the proposed revisions to the Authority's Investment Policy.

## Memorandum

**To:** Alexander Smith, Chief Executive Officer  
Jason McBride, CPA, Finance Director  
*California Joint Powers Insurance Authority*

**From:** Michael Kronbetter, Relationship Manager  
*PFM Asset Management, a division of U.S. Bank Asset Management*

**RE:** Review of CJPIA Investment Policy, dated May 2025

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PFM Asset Management has completed its annual review of the investment policy, dated May 2025, for California Joint Powers Insurance Authority. The Policy remains in compliance with the statutes of California Government Code that regulate the investment of public funds. We do summarize below certain changes made to Code, effective January 1, 2026, through Senate Bills 595 and 858, 827, and 852, and include a draft policy that redlines one change at this time.

Senate Bills 595 and 858 revised Section 53601 of Code as follows:

- The maximum maturity for eligible commercial paper was extended from 270 to 397 days. Redline applied to "Section G. Authorized Investments," Part 8(c).
- Local agencies with at least \$100 million in investment assets are permitted to invest a maximum of 40% of its portfolio in commercial paper until January 1, 2031, then reverts to a maximum of 25%. CJPIA policy currently permits a maximum of 25%. Redline applied to "Section G. Authorized Investments," Section 8(d) to increase the sector allocation limit to 40% until January 1, 2031.
- In periods of low interest rates, Code had authorized local agencies to invest in U.S. government securities that could result in zero-interest accrual if held to maturity until January 1, 2026. This provision was extended to January 1, 2031. Current language in CJPIA captures this revision through reference to Code section 53601.6 in "Section I. Prohibited Investments."

CJPIA is also encouraged to review the potential impacts of Senate Bills 827 and 852. SB 827 enhances training requirements for certain local agency officials with additional fiscal and financial training. SB 852 adds public officials who manage public investments to the list for whom the Fair Political Practices Commission is the filing officer for statements of economic interest and requires filers to use the Commission's electronic filing system.

Please contact us if you have any questions or would like to schedule a call to discuss our comments further. Thank you.

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PFM Asset Management is a division of U.S. Bancorp Asset Management, Inc.

Investment observations based on CJPIA Investment Policy Statement as of May 2025. Investment observations are for informational purposes only and are not intended to provide specific advice or any specific recommendations.

NOT FDIC INSURED : NO BANK GUARANTEE : MAY LOSE VALUE

1 of 1

# CALIFORNIA JOINT POWERS INSURANCE AUTHORITY

## STATEMENT OF INVESTMENT POLICY

June 2026

### A. INTRODUCTION

The Executive Committee of the California Joint Powers Insurance Authority (the Authority) recognizes its responsibility to wisely direct the investment of the Authority's funds on behalf of the Authority's Members. The Authority's investment assets are essential to its financial strength, its ability to pay claims on behalf of its Members, and its ability to improve service or reduce costs to its Members.

The investment policies and practices of the Authority take into consideration the Authority's particular investment needs including preservation of capital, appropriate levels of liquidity and yield on invested assets. This Statement of Investment Policy (the Policy) is based upon principles of prudent money management and State law. The Authority's investment program will be conducted in accord with State law, however, where the Policy is more restrictive than State law, the Policy shall govern investment practices.

The Policy shall govern the investment of the Authority's funds. The Policy will be used by the Authority's Treasurer, staff, and all third party providers of investment or investment-related services. Its purpose is to direct the prudent investment of assets and to protect the Members' money.

### B. INVESTMENT OBJECTIVES

The Authority's investment objectives are to:

- Protect the principal value of the assets entrusted to the Authority—safety of the assets is the primary investment objective;
- Ensure that the Authority has adequate cash to pay claims on behalf of its Members, and the cost of operations, by selecting maturities which anticipate cash needs and avoid forced liquidation;
- Earn a reasonable market rate of return consistent with the primary objective of safety and the need for adequate liquidity;
- Comply with applicable laws governing investment of governmental funds.

## **C. INVESTMENT PHILOSOPHY**

The Authority's investment philosophy is to invest conservatively in order to minimize risk. The fundamental principles of the Authority's conservative philosophy are:

- Diversification of the portfolio by investment type,
- Quality standards for securities issuers,
- Limits on the maximum maturity of investments,
- Purchasing investments with the ability and intent to hold them until maturity.

The Authority will adopt an investment strategy tailored to its specific needs and constraints. The strategy will target a maturity distribution to be reviewed annually upon receipt of the actuarial report.

The Authority's investment strategy will not prohibit the Authority from selling a security prior to its maturity and recording a gain or loss in order to improve the quality, liquidity, or return of the portfolio in response to market conditions or the Authority's needs. However, the Authority's philosophy prohibits speculation, i.e., the purchase of securities with the intent to profit from favorable changes in market prices or market conditions. Leveraging or borrowing money for the purpose of investing is specifically prohibited.

## **D. PRUDENCE**

The Treasurer and the Executive Committee are trustees and therefore fiduciaries subject to the prudent investor standard. Investments shall be made in the context of the Prudent Investor Standard for trustees of local government money which is defined in Government Code Section 53600.3:

*When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency.*

## **E. ETHICS AND CONFLICTS OF INTEREST**

Officers and employees involved in the investment process will refrain from personal business activities that could conflict with proper execution of the investment program, or which could impair their ability to make impartial decisions. Employees and investment officials shall disclose to the Chief Executive Officer any material financial interests in financial institutions that conduct business within their jurisdiction, and they shall further disclose any large personal financial/investment positions that could be related to the performance of the Authority. Authority Officials and employees are prohibited from receiving compensation, directly or indirectly, from broker/dealers, investment advisors, or any other party involved in the

investment program, and from exerting undue influence or pressure against or in concert with any other person involved in the Authority's investment operations, including any method of coercion, confidential financial arrangement, or financial inducement.

## **F. DELEGATION OF AUTHORITY**

The Executive Committee hereby delegates its authority to invest funds of the Authority for a one-year period to the Treasurer, who shall thereafter assume full responsibility for the portfolio until the delegation of authority is revoked or expires. Subject to review, the Executive Committee may renew the delegation of authority each year. The Treasurer may delegate the day-to-day placement of investments to a registered investment advisor, via written agreement approved by the Executive Committee. The investment advisor shall make all investment decisions and transactions in strict accordance with State law and this Policy. The Treasurer shall establish a system of written internal controls to regulate the Authority's investment activities, including the activities of the investment advisor and any subordinate officials acting on behalf of the Authority.

The Treasurer and the delegated investment officers acting in accordance with written procedures and the investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

## **G. AUTHORIZED INVESTMENTS**

The Authority is governed by the California Government Code, Sections 53600 et seq. Any percentage limits, credit quality criteria or other limitations listed in this Policy shall apply at time of purchase. Within the context of these limitations, the following investments are authorized:

1. **United States Treasury Issues.** United States Treasury notes, bonds, bills, or certificates of indebtedness, or those for which the faith and credit of the United States are pledged for the payment of principal and interest.
  - a. The maximum maturity for U.S. Treasury securities is ten years. See additional restrictions for U.S. Treasury issues with maturities longer than five years in the section entitled "Maturities," on page 10.
2. **Federal Agency Obligations.** Federal agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises, including federal agency mortgage-backed securities.
  - a. A maximum of 30% of the Authority's portfolio may be invested in callable Federal Agency securities. For this paragraph, "portfolio" means the total amortized cost of funds. For purposes of this limitation and for reporting

purposes, callable securities that are past their last call date will be classified with other non-callable securities.

- b. The maximum maturity for federal agency obligations is ten years. See additional restrictions for federal agency obligations with maturities longer than five years in the section entitled “Maturities,” on page 10.
  - c. The Authority may not invest in federal agency instruments issued by the Small Business Administration (SBA) or the Government National Mortgage Association (GNMA).
  - d. Federal Agency mortgage-backed securities (including pass-throughs and CMOs) shall have a maximum remaining average life of ten years.
3. **State of California Municipal Obligations.** Registered treasury notes, warrants or bonds issued by the State of California.
- a. The Authority may invest in municipal obligations rated in a rating category of “AA” for long-term, “A-1” for short-term, or their equivalents or better by a nationally recognized statistical rating organization.
  - b. No more than 2.5% of the Authority’s portfolio may be invested in the securities of any one municipal issuer.
  - c. No municipal investment may have a maturity greater than five years.
  - d. Only general obligation bonds are permitted (no revenue bonds).
  - e. A maximum of 5% of the Authority’s portfolio may be invested in this category. The 5% maximum applies both individually and collectively to all municipal investments, including State of California Municipal Obligations, Other 49 States Municipal Obligations, and California Local Agency Municipal Obligations.
4. **Other 49 States Municipal Obligations.** Registered treasury notes, warrants or bonds issued by any of the other 49 states.
- a. The Authority may invest in municipal obligations rated in a rating category of “AA” for long-term, “A-1” for short-term, or their equivalents or better by a nationally recognized statistical rating organization.
  - b. No more than 2.5% of the Authority’s portfolio may be invested in the securities of any one municipal issuer.
  - c. No municipal investment may have a maturity greater than five years.
  - d. Only general obligation bonds are permitted (no revenue bonds).
  - e. A maximum of 5% of the Authority’s portfolio may be invested in this category. The 5% maximum applies both individually and collectively to all municipal investments, including State of California Municipal Obligations, Other 49 States Municipal Obligations, and California Local Agency Municipal Obligations.
5. **California Local Agency Municipal Obligations.** Bonds, notes, warrants, or other evidences of indebtedness issued by a local government agency within California.
- a. The Authority may invest in municipal obligations rated in a rating category of “AA” for long-term, “A-1” for short-term, or their equivalents or better by a nationally recognized statistical rating organization.

- b. No more than 2.5% of the Authority's portfolio may be invested in the securities of any one municipal issuer.
  - c. No municipal investment may have a maturity greater than five years.
  - d. Only general obligation bonds are permitted (no revenue bonds).
  - e. A maximum of 5% of the Authority's portfolio may be invested in this category. The 5% maximum applies both individually and collectively to all municipal investments, including State of California Municipal Obligations, Other 49 States Municipal Obligations, and California Local Agency Municipal Obligations.
6. **Medium-term Notes.** Medium-term notes, defined as all corporate and depository institution debt securities with a maximum remaining maturity of five years or less, issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States.
- a. The Authority may invest in medium-term corporate notes rated in a rating category of "A" or its equivalent or better by a nationally recognized statistical rating organization.
  - b. A maximum of 30% of the Authority's portfolio may be invested in this category.
  - c. No more than 2.5% of the Authority's investment portfolio may be invested in the securities of any one non-government issuer regardless of security type.
7. **Bankers' Acceptances.** Bankers' acceptances, also known as bills of exchange or time drafts that are drawn on and accepted by a commercial bank.
- a. Bankers' acceptances must be issued by a bank rated in a short-term rating category of "A-1" or its equivalent or better by a nationally recognized statistical rating organization.
  - b. Bankers' acceptances cannot exceed a maturity of 180 days.
  - c. A maximum of 40% of the Authority's portfolio may be invested in this category.
  - d. No more than 2.5% of the Authority's investment portfolio may be invested in the securities of any one non-government issuer regardless of security type.
8. **Commercial Paper.** Commercial paper of "prime" quality of the highest ranking or of the highest letter and number rating as provided for by a nationally recognized statistical rating organization. The entity that issues the commercial paper shall meet all of the following conditions in either paragraph a. or paragraph b.:
- a. The entity meets the following criteria:
    - i. Is organized and operating in the United States as a general corporation.
    - ii. Has total assets in excess of five hundred million dollars (\$500,000,000).
    - iii. Has debt other than commercial paper, if any, that is rated in a rating category of "A" or its equivalent or higher by a nationally recognized statistical rating organization.
  - b. The entity meets the following criteria:
    - i. Is organized within the United States as a special purpose corporation, trust, or limited liability company.
    - ii. Has program wide credit enhancements including, but not limited to, over collateralization, letters of credit, or surety bond.

- iii. Has commercial paper that is rated in a rating category of “A-1” or its equivalent or higher by a nationally recognized statistical rating organization.
    - c. Eligible commercial paper shall have a maximum maturity of **397** days or less.
    - d. A maximum of **40%** of the Authority's portfolio may be invested in this category **until January 1, 2031; and then reverts to a maximum of 25%, per California Government Code Section 53601(h).**
    - e. No more than 2.5% of the Authority’s investment portfolio may be invested in the securities of any one non-government issuer regardless of security type.
9. **Negotiable Certificates of Deposit.** Negotiable certificates of deposit issued by a nationally or state-chartered bank or a state or federal association, or by a federally- or state-licensed branch of a foreign bank.
- a. The Authority may invest in negotiable CDs rated in a rating category of “A” for long-term, “A-1” for short-term, or their equivalents or better by a nationally recognized statistical rating organization.
  - b. The maximum maturity for negotiable certificates of deposit is five years.
  - c. A maximum of 30% of the Authority's portfolio may be invested in this category.
  - d. No more than 2.5% of the Authority’s investment portfolio may be invested in the securities of any one non-government issuer regardless of security type.
10. **Money Market Funds.** Shares of beneficial interest issued by diversified management companies that are money market funds registered with the Securities and Exchange Commission under the Investment Company Act of 1940 (15 U.S.C. Sec. 80a-1 and following). The company shall have met the criteria in either paragraph a. or b. below:
- a. Attained the highest ranking or the highest letter and numerical rating provided by not less than two nationally recognized statistical rating organizations.
  - b. Retained an investment adviser registered or exempt from registration with the Securities and Exchange Commission with not less than five years’ experience managing money market mutual funds with assets under management in excess of five hundred million dollars (\$500,000,000).
  - c. Only funds that invest in U.S. Treasury or Federal Agency obligations may be utilized.
  - d. A maximum of 20% of the Authority’s portfolio may be invested in this category.
11. **Repurchase Agreements.** Repurchase Agreements shall be used solely as short-term investments not to exceed 30 days.
- a. The Authority will enter into repurchase agreements only with primary government securities dealers as designated by the Federal Reserve Bank of New York. Repurchase agreements shall be governed by a master repurchase agreement adopted by the Securities Industry and Financial Markets Association (SIFMA). All securities underlying repurchase agreements shall be delivered to the Authority’s custodian bank, or be handled under a properly executed “tri-party” custodial arrangement. Collateral for repurchase agreements is restricted to U.S. Treasury issues or Federal Agency issues.
  - b. The underlying collateral must be at least 102% of the repurchase agreement amount. If the value of securities held as collateral slips below 102% of the value

of the cash transferred, then additional cash or acceptable securities must be delivered to the third party custodian. Market value shall be recalculated each time there is a substitution of collateral. For repurchase agreements with terms to maturity of greater than three days, the value of the collateral securities shall be marked to market weekly by the custodian, and, if additional collateral is required, then that collateral must be delivered within two business days. If a collateral deficiency is not corrected within two days, the collateral securities will be liquidated.

- c. A perfected first security interest in the collateral securities, under the Uniform Commercial Code, shall be created for the benefit of the Authority. Collateral securities shall be held free and clear of any lien and shall be held by an independent third party acting solely as an agent for the Authority, and such third party shall be (i) a Federal Reserve Bank, or (ii) a bank which is a member of the Federal Deposit Insurance Corporation and which has combined capital, surplus, and undivided profits of not less than \$50 million.

12. **Asset-Backed Securities (ABS).** Any mortgage pass-through security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-back certificate, consumer receivable pass-through certificate, or consumer receivable-backed bond. For securities eligible for investment under this subdivision not issued or guaranteed by an agency or issuer identified in subdivisions (1) or (2) above, the following limitations apply:

- a. The Authority may invest in asset-backed securities rated in a rating category of “AA” or its equivalent or better by a nationally recognized statistical rating organization.
- b. A maximum of 20% of the Authority’s portfolio may be invested in this category.
- c. Securities purchased under this category may not exceed a maturity of five (5) years.
- d. No more than 2.5% of the Authority’s investment portfolio may be invested in the securities of any one non-government issuer regardless of security type.

13. **Supranationals.** United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development (IBRD), International Finance Corporation (IFC), or Inter-American Development Bank (IADB).

- a. The Authority may invest in supranational securities rated in a rating category of “AA” or its equivalent or better by a nationally recognized statistical rating organization.
- b. Supranational securities may not exceed a maturity of five years.
- c. Supranational securities must be eligible for purchase and sale within the United States.
- d. A maximum of 15% of the Authority’s portfolio may be invested in this category.
- e. No more than 5% of the Authority’s investment portfolio may be invested in the securities of any one issuer under this category.

14. **State of California Local Agency Investment Fund (LAIF).** LAIF is a special fund in the State Treasury that local agencies may use to deposit funds for investment, and which provides daily liquidity.
- a. For due diligence, the Authority shall maintain access to LAIF's current investment policy and its requirements for participation, including limitations on deposits or withdrawals.
  - b. The Treasurer shall report to the Executive Committee quarterly the percentage amount LAIF has invested in each investment sector.
  - c. The Authority may invest up to the maximum permitted by the State Treasurer.
  - d. LAIF investments in instruments prohibited by or not specified in the Authority's policy do not exclude it from the Authority's list of allowable investments, provided that LAIF's reports allow the Treasurer to adequately judge the risk inherent in LAIF's portfolio.
15. **California County Investment Pools.** County investment pools are investment funds managed by the different California counties whereby local agency deposits are combined with the county's funds and invested by the county on behalf of the depositors. Participation in a county pool requires adoption of an enabling resolution by the Executive Committee.
- a. For any county pool in which the Authority has invested funds, the Authority shall maintain access to the current investment policy and requirements for participation, including limitations on deposits or withdrawals.
  - b. The Treasurer shall report to the Executive Committee quarterly the percentage amount the county pool has invested in each investment sector.
  - c. No more than \$30 million may be invested in any individual county investment pool.
16. **Local Government Investment Pool.** Shares of beneficial interest issued by a joint powers authority organized pursuant to Government Code Section 6509.7 that invests in the securities and obligations authorized in subdivisions (a) to (q) of Government Code Section 53601, inclusive. Each share shall represent an equal proportional interest in the underlying pool of securities owned by the joint powers authority. To be eligible under this section, the joint powers authority issuing the shares shall have retained an investment adviser that meets all of the following criteria:
- a. The adviser is registered or exempt from registration with the Securities and Exchange Commission.
  - b. The adviser has not less than five years of experience investing in the securities and obligations authorized in subdivisions (a) to (q) Government Code Section 53601, inclusive.
  - c. The adviser has assets under management in excess of five hundred million dollars (\$500,000,000).
  - d. Only pools that seek to maintain a net asset value of \$1.00 per Share at maturity are permitted.
17. **Demand Deposits, Passbook Savings Accounts and Non-negotiable Certificates of Deposits.** Money must be deposited in state or national banks, state or federal savings

associations, or state or federal credit unions in the State of California. It may be in inactive deposits, active deposits or interest-bearing active deposits.

- a. The Authority shall only place funds on deposit with financially sound banks in business a minimum of three years and have received a minimum overall satisfactory rating for meeting the credit needs of California Communities in its most recent evaluation, as provided by Government Code Section 53635.2.
  1. The Authority requires each financial institution that is used for the deposit of funds submit current financial statements which are evaluated by the Treasurer prior to the deposit of funds.
  2. The financial institution must place and maintain on file with the Authority an audited financial statement not more than one year old.
  3. Deposits shall not exceed the shareholders' equity of any depository bank or the net worth of any depository savings and loan association.
- b. Any financial institution accepting Authority funds for deposit must comply with the requirements of Government Code Section 53630 et seq., including collateralization of the Authority's deposits.
  1. Collateral is restricted to securities permitted under Code Section 53651.
  2. The Treasurer or Investment Officer may waive collateral for that portion of a deposit which is insured pursuant to federal law.
  3. As provided by Government Code Section 53649, the Authority shall have a signed contract with each financial institution with Authority's funds on deposit.
- c. Except for operating and imprest funds at Wells Fargo, the amount on deposit in any other single bank may not exceed the amount which is insured pursuant to federal law.
- d. Non-negotiable certificates of deposit are allowable up to insured amounts.
  1. Non-negotiable certificates of deposit may not exceed one (1) year in maturity.
  2. A maximum of 10% of the portfolio may be invested in non-negotiable certificates of deposit.

## **H. TRADING**

The Authority or its investment advisor may sell investments prior to maturity, as long as such sales are consistent with the overall objectives of the Authority and the guidelines established by this Policy. A "swap" which improves the portfolio's ability to meet its objectives may be executed even if the transactions result in an accounting loss. Documentation for swaps will be included in the Authority's permanent investment file documents.

## **I. PROHIBITED INVESTMENTS**

The Authority may invest only in the investment types listed in section G. Investments by the Authority in securities permitted by the California Government Code, but not specifically authorized by this Policy are prohibited without the prior approval of the Executive Committee

In accordance with California Government Code Section 53601.6, the Authority shall not invest any funds in inverse floaters, range notes, mortgage derived interest-only strips, or any security that could result in zero interest accrual if held to maturity, except as authorized by Government Code Section 53601.6.

## **J. MATURITIES**

It is in the best interest of the Authority to maintain a diversified portfolio of investments that will ensure safety, liquidity and an acceptable yield. Maturities shall be selected to match the expected cash needs of the Authority. Where prudent, longer-term purchases may be made to enhance total return.

The duration of the total dollar value of funds invested in accord with this Policy shall not exceed 3.5 years. In addition no investment may have a maturity greater than ten years with exception of Federal Agency mortgage-backed securities, which may not have a maximum remaining average life greater than ten years.

## **K. RATING CHANGES**

The rating requirements specified in this Policy pertain to the rating at the time of purchase. In the event a security held by the Authority is subject to a rating change that brings it below the minimum ratings specified above, the Treasurer shall notify the Executive Committee of the change. The course of action to be followed will be decided on a case-by-case basis, considering such factors as the reason for the rate drop, prognosis for recovery or further rate drops, and the market price of the security.

## **L. BROKERS/DEALERS**

1. If a third party investment advisor is authorized to conduct investment transactions on the Authority's behalf, the investment advisor may use its own list of approved issuers, broker/dealers, and financial institutions for investment purposes. The investment advisor's approved list must be made available to the Authority upon request.
2. For any investment transactions, not purchased directly from the issuer, conducted by the Treasurer on behalf of the Authority, the Treasurer shall comply with the following requirements:
  - a. The Treasurer shall maintain a list of at least five authorized broker/dealers and financial institutions that are approved for investment purposes, and it shall be the policy of the Authority to purchase securities only from authorized institutions or firms.
  - b. On a rotating basis among the authorized firms, the Treasurer shall obtain at least two bids and offers, as reasonably comparable as possible, on each investment other than investments in the Local Agency Investment Fund and U.S. Treasury issues. U.S. Treasury issues will be purchased on a rotating basis from qualified

- c. firms. Records of bids and offers shall be retained during the period of time the Authority owns the investment. The record shall include an explanation if the lowest offer was not selected.
3. For any investment transactions conducted by the Treasurer, the Authority requires each firm that will be used to be evaluated by the Treasurer prior to any investments. The firms shall submit current financial statements, and annual audited financial statements each year thereafter, which are evaluated by the Treasurer. At a minimum, the authorized firms must meet the following criteria:
  - a. The institution must be financially sound.
  - b. The institution must have been in business at least three years.
  - c. The institution must provide proof of certification from the Financial Industry Regulatory Authority (FINRA).
  - d. The institution must show proof of state registration or exemption.
  - e. The institution must provide a written acknowledgment of having received and read the Authority's investment policy.

## **M. SAFEKEEPING OF SECURITIES**

All security transactions entered into by the Authority shall be conducted on a delivery-versus-payment (DVP) basis. Securities shall be held by the Authority's designated third party custodian and evidenced by safekeeping receipts. The only exception to the foregoing shall be securities purchases made with: (i) local government investment pools; and (ii) money market mutual funds, since these securities are not deliverable. Securities at safekeeping shall be registered and held in the Authority's name. The Authority shall not purchase securities from, or sell securities to, the financial institution responsible for safekeeping the Authority's securities.

The Authority requires its designated third party custodian to submit current financial statements, and annual audited financial statements each year thereafter, which are evaluated by the Treasurer. The Treasurer will evaluate the institution's financial stability prior to use as a custodian. At a minimum, the institution must have been in business at least three years and must have assets of at least \$50 million and a net worth to liability ratio of 4.0% or greater.

## **N. REPORTING**

1. The Treasurer shall render a report to the Chief Executive Officer, Finance Officers Committee, Executive Committee, and the Board of Directors monthly, or at intervals consistent with committee or director meetings. The report on investments shall include:
  - a. A list of all investments owned by the Authority
  - b. The type or kind of each investment
  - c. The issuer of each investment
  - d. The purchase date of each investment
  - e. The maturity date of each investment
  - f. The par, amortized cost and market value for each security

- g. The credit quality, as determined by one or more nationally recognized statistical rating organization, of each investment, as of the report date
- h. The yield to maturity at cost of each investment
- i. The average weighted yield at cost of the portfolio
- j. A list of transactions for the month
- k. A description of any of the Authority's funds, investments, or programs that are under the management of contracted parties
- l. The current market value of the investment portfolio, as of the date of the report, and the source of the market value
- m. A statement as to whether the Authority's investments comply with this Policy, and if not, why not
- n. A statement denoting the ability of the Authority to meet its expenditure requirements for the next six months

## **O. BENCHMARK**

The investment portfolio shall be designed with the objective of obtaining a rate of return throughout budgetary and economic cycles, commensurate with the investment risk constraints and the cash flow needs. The Authority will adopt a performance benchmark and review it annually.

## **P. STATEMENT OF INVESTMENT POLICY**

This Policy shall be annually reviewed by the Finance Officers Committee and submitted to the Executive Committee in order to incorporate any changes necessary to ensure consistency and its relevance to current law, and financial and economic trends. The review of this Policy shall be considered at a public meeting. Any changes in this Policy shall also be considered by the Executive Committee at a public meeting.

## **P. INDEPENDENT EVALUATION**

The Authority may have its Investment Policy and investment practices evaluated by an independent evaluator, with expertise in investments and money management, as determined by the Finance Officers Committee or the Executive Committee. The Authority may give direction to the independent evaluator to report on specific issues of interest to the Authority at the time of the evaluation.

## APPENDIX A GLOSSARY

**BANKERS ACCEPTANCES** are short-term credit arrangements to enable businesses to obtain funds to finance commercial transactions. They are time drafts drawn on a bank by an exporter or importer to obtain funds to pay for specific merchandise. By its acceptance, the bank becomes primarily liable for the payment of the draft at maturity. An acceptance is a high-grade negotiable instrument. Acceptances are purchased in various denominations for 30 to 270 days. The interest is calculated on a 360 day discount basis similar to Treasury Bills.

**CALIFORNIA LOCAL GOVERNMENT DEBT** is bonds, notes, warrants, or other evidences of indebtedness of any local agency within California. California local government debt is a permitted investment under the California Government Code. The Government Code does not specify minimum credit ratings for local government debt in which local agencies may invest. The Authority does not invest in these securities.

### **CERTIFICATES OF DEPOSIT**

**Negotiable Certificates of Deposit** are large-denomination CDs issued in \$1 million increments. These securities have average trades in the secondary market of \$5 million to \$10 million. They are issued at face value and typically pay interest at maturity, if maturing in less than 12 months. CDs that mature beyond this range pay interest semi-annually. Negotiable CDs are issued by U.S. banks (domestic CDs), U.S. branches of foreign banks (Yankee CDs) and thrifts. There is an active secondary market for negotiable domestic and Yankee CDs. However, the negotiable thrift CD secondary market is limited. Yields on CDs exceed those on U.S. treasuries and agencies of similar maturities. This higher yield compensates the investor for accepting the risk of reduced liquidity and the risk that the issuing bank might fail. State law does not require the collateralization of negotiable CDs.

**Non-Negotiable Certificates of Deposit** are time deposits with financial institutions that earn interest at a specified rate for a specified term. Liquidation of the CD prior to maturity incurs a penalty. There is no secondary market for those instruments, therefore, they are not liquid. They are classified as public deposits and financial institutions are required to collateralize them. Generally, financial institutions use mortgages to collateralize these deposits.

Non-negotiable CDs of \$250,000 are insured respectively by the Federal Deposit Insurance Corporation (FDIC), and the National Credit Union Share Insurance Fund (NCUSIF).

**COLLATERAL** is securities, evidence of deposits or other property that a borrower pledges to secure repayment of a loan. It also refers to securities pledged by a bank to secure deposits of public monies. In California, repurchase agreements, reverse repurchase agreements, negotiable CDs purchased at a California institution, and public deposits must be collateralized.

**COMMERCIAL PAPER** is a short term, unsecured, promissory note issued by a corporation to raise working capital. These negotiable instruments may be purchased at a

discount to par value or interest bearing. Eligible commercial paper is issued by corporations organized and operating within the United States and having total assets in excess of \$500 million. This would include firms such as American Express, Bank of America, Wells Fargo Bank, et cetera.

**COUNTY POOLED FUNDS** are funds deposited with a California County for investment by the County on behalf of the depositors. A number of counties offer pooled fund programs. Pooled fund deposits are combined with the county's funds and invested by the county.

All interest is distributed to those agencies participating on a proportionate share determined by the amounts deposited and the length of time they are invested. Under state law, interest need only be paid quarterly and the county can require 30 days' notice by a local agency before withdrawal of the agency's funds. Some county pools are not as restrictive as state law allows and currently permit unlimited deposits and withdrawals. State law provides that any moneys deposited in the county treasury for investment are not subject to impoundment or seizure by the county.

**DELIVERY** of securities may be accomplished two ways: delivery vs. payment and delivery vs. receipt (also called free). Delivery vs. payment is delivery of securities with an exchange of money for the securities; this is the method of delivery used by the Authority. Delivery vs. receipt is delivery of securities with an exchange of a signed receipt for the securities.

## **DEPOSITS**

**Inactive deposits** are certificates of deposit issued in any amount for periods of time as short as fourteen days and as long as several years. Interest must be calculated on a 360-day basis, actual number of days.

**Interest-bearing active deposits** are money market accounts at a financial institution (i.e., bank, savings and loan, credit union). These accounts are demand accounts (i.e., checking accounts) with restricted transaction activity.

**A passbook savings account** is similar to an inactive deposit but without a fixed term. The interest rate is much lower than CD's, but the savings account allows flexibility. Funds can be deposited and withdrawn according to daily cash needs.

**DURATION** is a measure of the sensitivity of a security or portfolio's market value with respect to changes in interest rates. For example, a portfolio with a duration of 2.5 will rise in value by 2.5% for every 100 basis point (1 percent) decline in rates, and fall in value by 2.5% for every 100 basis point increase in rates. Thus, the greater the duration, the greater the price sensitivity or market risk of the portfolio.

**EFFECTIVE DURATION** refines the traditional measure of duration to incorporate the price sensitivity of securities with imbedded call options, such as callable agencies and mortgage-backed securities.

**FEDERAL AGENCY INSTRUMENTS** are issued by U.S. Government Agencies or Government Sponsored Enterprises (GSE). Although they were created or sponsored by the U.S. Government, most Agencies and GSEs are not guaranteed by the United States Government. Examples of these securities are notes, bonds, bills and discount notes issued by Fannie Mae (FNMA), Freddie Mac (FHLMC), the Federal Home Loan Bank system (FHLB), and Federal Farm Credit Bank (FFCB). The Agency market is a very large and liquid market, with billions traded every day.

**ISSUER** means any corporation, governmental unit or financial institution that borrows money through the sale of securities.

**LIQUIDITY** refers to the ease and speed with which an asset can be converted into cash without loss of value. In the money market, a security is said to be liquid if the spread between the bid and asked price is narrow and reasonably sized trades can be done at those quotes. U.S. Treasury bills are very liquid.

**LOCAL AGENCY INVESTMENT FUND (LAIF)** is a special fund in the State Treasury that local agencies may use to deposit funds for investment. There is no minimum investment period and the minimum transaction is \$5,000, in multiples of \$1,000 above that, with a maximum of \$50 million for any agency. It offers high liquidity because deposits can be converted to cash in twenty-four hours and no interest is lost. All interest is distributed to those agencies participating on a proportionate share determined by the amounts deposited and the length of time they are deposited. Interest is paid quarterly via direct deposit to the LAIF account. The State keeps an amount for reasonable costs of making the investments, not to exceed one-quarter of one per cent of the earnings.

**MATURITY** is the date upon which the principal or stated value of an investment becomes due and payable.

**MEMBER** refers to a governmental entity that is a signatory to the Joint Powers Agreement establishing the California Joint Powers Insurance Authority.

**MEDIUM TERM CORPORATE NOTES** are debt obligations issued by corporations and banks, usually in the form of unsecured promissory notes. These are negotiable instruments that can be bought and sold in a large and active secondary market. For the purposes of California Government Code, the term "Medium Term" refers to a maximum remaining maturity of five years or less. They can be issued with fixed or floating-rate coupons, and with or without early call features, although the vast majority are fixed-rate and non-callable. Corporate notes have greater risk than Treasuries or Agencies because they rely on the ability of the issuer to make payment of principal and interest. Corporate notes can be rated by one or more Nationally Recognized Statistical Rating Organizations (NRSRO), with ratings of AAA, AA+, AA, AA-,

etc. or their equivalent. Frequent issuers of corporate notes are General Electric Capital Corp., Bank of America, J.P. Morgan, AT&T, Wal-Mart and IBM.

**MONEY MARKET FUNDS** are referred to in the Government Code, Section 53601(1)(2), as "shares of beneficial interest issued by diversified management companies." Money market funds strive to maintain a stable net asset value (NAV) per share of \$1.00. Money market funds must adhere to Rule 2a-7 of the SEC that regulates the liquidity and credit minimums and sector allocation limitations to protect the investors in money market funds. These funds invest primarily in money market securities with final maturities of 397 days or less to maintain a weighted average maturity of 60 days or less.

**NEGOTIABLE** is the term used to designate a security, the title to which is transferable by delivery.

**PORTFOLIO** is the term used to describe the collection or group of securities owned by an investor.

**PRINCIPAL** describes the original cost of a security. It represents the amount of capital or money that the investor pays for the investment.

**REPURCHASE AGREEMENTS** are short-term investment transactions. Banks buy temporarily idle funds from a customer by selling him U.S. Government or other securities with a contractual agreement to repurchase the same securities on a future date at an agreed upon interest rate. Repurchase Agreements are typically for one to ten days in maturity. The customer receives interest from the bank. The interest rate reflects both the prevailing demand for Federal Funds and the maturity of the Repo. Repurchase Agreements must be collateralized.

**U.S. TREASURY ISSUES** are direct obligations of the United States Government. They are highly liquid and are considered the safest investment security. U.S. Treasury issues include:

**Treasury Bills** are non-interest-bearing discount securities issued by the U.S. Treasury to finance the national debt. Bills are currently issued in one, three, six, and twelve month maturities.

**Treasury Notes** have original maturities of one to ten years.

**Treasury Bonds** have original maturities of greater than 10 years.

**Treasury Inflation Protected Securities (TIPS)** pay principal and interest based on changes in the rate of inflation as measured by the CPI-U index.

# CALIFORNIA JOINT POWERS INSURANCE AUTHORITY

## STATEMENT OF INVESTMENT POLICY

June 2026

### A. INTRODUCTION

The Executive Committee of the California Joint Powers Insurance Authority (the Authority) recognizes its responsibility to wisely direct the investment of the Authority's funds on behalf of the Authority's Members. The Authority's investment assets are essential to its financial strength, its ability to pay claims on behalf of its Members, and its ability to improve service or reduce costs to its Members.

The investment policies and practices of the Authority take into consideration the Authority's particular investment needs including preservation of capital, appropriate levels of liquidity and yield on invested assets. This Statement of Investment Policy (the Policy) is based upon principles of prudent money management and State law. The Authority's investment program will be conducted in accord with State law, however, where the Policy is more restrictive than State law, the Policy shall govern investment practices.

The Policy shall govern the investment of the Authority's funds. The Policy will be used by the Authority's Treasurer, staff, and all third party providers of investment or investment-related services. Its purpose is to direct the prudent investment of assets and to protect the Members' money.

### B. INVESTMENT OBJECTIVES

The Authority's investment objectives are to:

- Protect the principal value of the assets entrusted to the Authority—safety of the assets is the primary investment objective;
- Ensure that the Authority has adequate cash to pay claims on behalf of its Members, and the cost of operations, by selecting maturities which anticipate cash needs and avoid forced liquidation;
- Earn a reasonable market rate of return consistent with the primary objective of safety and the need for adequate liquidity;
- Comply with applicable laws governing investment of governmental funds.

## **C. INVESTMENT PHILOSOPHY**

The Authority's investment philosophy is to invest conservatively in order to minimize risk. The fundamental principles of the Authority's conservative philosophy are:

- Diversification of the portfolio by investment type,
- Quality standards for securities issuers,
- Limits on the maximum maturity of investments,
- Purchasing investments with the ability and intent to hold them until maturity.

The Authority will adopt an investment strategy tailored to its specific needs and constraints. The strategy will target a maturity distribution to be reviewed annually upon receipt of the actuarial report.

The Authority's investment strategy will not prohibit the Authority from selling a security prior to its maturity and recording a gain or loss in order to improve the quality, liquidity, or return of the portfolio in response to market conditions or the Authority's needs. However, the Authority's philosophy prohibits speculation, i.e., the purchase of securities with the intent to profit from favorable changes in market prices or market conditions. Leveraging or borrowing money for the purpose of investing is specifically prohibited.

## **D. PRUDENCE**

The Treasurer and the Executive Committee are trustees and therefore fiduciaries subject to the prudent investor standard. Investments shall be made in the context of the Prudent Investor Standard for trustees of local government money which is defined in Government Code Section 53600.3:

*When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency.*

## **E. ETHICS AND CONFLICTS OF INTEREST**

Officers and employees involved in the investment process will refrain from personal business activities that could conflict with proper execution of the investment program, or which could impair their ability to make impartial decisions. Employees and investment officials shall disclose to the Chief Executive Officer any material financial interests in financial institutions that conduct business within their jurisdiction, and they shall further disclose any large personal financial/investment positions that could be related to the performance of the Authority. Authority Officials and employees are prohibited from receiving compensation, directly or indirectly, from broker/dealers, investment advisors, or any other party involved in the

investment program, and from exerting undue influence or pressure against or in concert with any other person involved in the Authority's investment operations, including any method of coercion, confidential financial arrangement, or financial inducement.

## **F. DELEGATION OF AUTHORITY**

The Executive Committee hereby delegates its authority to invest funds of the Authority for a one-year period to the Treasurer, who shall thereafter assume full responsibility for the portfolio until the delegation of authority is revoked or expires. Subject to review, the Executive Committee may renew the delegation of authority each year. The Treasurer may delegate the day-to-day placement of investments to a registered investment advisor, via written agreement approved by the Executive Committee. The investment advisor shall make all investment decisions and transactions in strict accordance with State law and this Policy. The Treasurer shall establish a system of written internal controls to regulate the Authority's investment activities, including the activities of the investment advisor and any subordinate officials acting on behalf of the Authority.

The Treasurer and the delegated investment officers acting in accordance with written procedures and the investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

## **G. AUTHORIZED INVESTMENTS**

The Authority is governed by the California Government Code, Sections 53600 et seq. Any percentage limits, credit quality criteria or other limitations listed in this Policy shall apply at time of purchase. Within the context of these limitations, the following investments are authorized:

1. **United States Treasury Issues.** United States Treasury notes, bonds, bills, or certificates of indebtedness, or those for which the faith and credit of the United States are pledged for the payment of principal and interest.
  - a. The maximum maturity for U.S. Treasury securities is ten years. See additional restrictions for U.S. Treasury issues with maturities longer than five years in the section entitled "Maturities," on page 10.
2. **Federal Agency Obligations.** Federal agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises, including federal agency mortgage-backed securities.
  - a. A maximum of 30% of the Authority's portfolio may be invested in callable Federal Agency securities. For this paragraph, "portfolio" means the total amortized cost of funds. For purposes of this limitation and for reporting

purposes, callable securities that are past their last call date will be classified with other non-callable securities.

- b. The maximum maturity for federal agency obligations is ten years. See additional restrictions for federal agency obligations with maturities longer than five years in the section entitled “Maturities,” on page 10.
  - c. The Authority may not invest in federal agency instruments issued by the Small Business Administration (SBA) or the Government National Mortgage Association (GNMA).
  - d. Federal Agency mortgage-backed securities (including pass-throughs and CMOs) shall have a maximum remaining average life of ten years.
3. **State of California Municipal Obligations.** Registered treasury notes, warrants or bonds issued by the State of California.
- a. The Authority may invest in municipal obligations rated in a rating category of “AA” for long-term, “A-1” for short-term, or their equivalents or better by a nationally recognized statistical rating organization.
  - b. No more than 2.5% of the Authority’s portfolio may be invested in the securities of any one municipal issuer.
  - c. No municipal investment may have a maturity greater than five years.
  - d. Only general obligation bonds are permitted (no revenue bonds).
  - e. A maximum of 5% of the Authority’s portfolio may be invested in this category. The 5% maximum applies both individually and collectively to all municipal investments, including State of California Municipal Obligations, Other 49 States Municipal Obligations, and California Local Agency Municipal Obligations.
4. **Other 49 States Municipal Obligations.** Registered treasury notes, warrants or bonds issued by any of the other 49 states.
- a. The Authority may invest in municipal obligations rated in a rating category of “AA” for long-term, “A-1” for short-term, or their equivalents or better by a nationally recognized statistical rating organization.
  - b. No more than 2.5% of the Authority’s portfolio may be invested in the securities of any one municipal issuer.
  - c. No municipal investment may have a maturity greater than five years.
  - d. Only general obligation bonds are permitted (no revenue bonds).
  - e. A maximum of 5% of the Authority’s portfolio may be invested in this category. The 5% maximum applies both individually and collectively to all municipal investments, including State of California Municipal Obligations, Other 49 States Municipal Obligations, and California Local Agency Municipal Obligations.
5. **California Local Agency Municipal Obligations.** Bonds, notes, warrants, or other evidences of indebtedness issued by a local government agency within California.
- a. The Authority may invest in municipal obligations rated in a rating category of “AA” for long-term, “A-1” for short-term, or their equivalents or better by a nationally recognized statistical rating organization.

- b. No more than 2.5% of the Authority's portfolio may be invested in the securities of any one municipal issuer.
  - c. No municipal investment may have a maturity greater than five years.
  - d. Only general obligation bonds are permitted (no revenue bonds).
  - e. A maximum of 5% of the Authority's portfolio may be invested in this category. The 5% maximum applies both individually and collectively to all municipal investments, including State of California Municipal Obligations, Other 49 States Municipal Obligations, and California Local Agency Municipal Obligations.
6. **Medium-term Notes.** Medium-term notes, defined as all corporate and depository institution debt securities with a maximum remaining maturity of five years or less, issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States.
- a. The Authority may invest in medium-term corporate notes rated in a rating category of "A" or its equivalent or better by a nationally recognized statistical rating organization.
  - b. A maximum of 30% of the Authority's portfolio may be invested in this category.
  - c. No more than 2.5% of the Authority's investment portfolio may be invested in the securities of any one non-government issuer regardless of security type.
7. **Bankers' Acceptances.** Bankers' acceptances, also known as bills of exchange or time drafts that are drawn on and accepted by a commercial bank.
- a. Bankers' acceptances must be issued by a bank rated in a short-term rating category of "A-1" or its equivalent or better by a nationally recognized statistical rating organization.
  - b. Bankers' acceptances cannot exceed a maturity of 180 days.
  - c. A maximum of 40% of the Authority's portfolio may be invested in this category.
  - d. No more than 2.5% of the Authority's investment portfolio may be invested in the securities of any one non-government issuer regardless of security type.
8. **Commercial Paper.** Commercial paper of "prime" quality of the highest ranking or of the highest letter and number rating as provided for by a nationally recognized statistical rating organization. The entity that issues the commercial paper shall meet all of the following conditions in either paragraph a. or paragraph b.:
- a. The entity meets the following criteria:
    - i. Is organized and operating in the United States as a general corporation.
    - ii. Has total assets in excess of five hundred million dollars (\$500,000,000).
    - iii. Has debt other than commercial paper, if any, that is rated in a rating category of "A" or its equivalent or higher by a nationally recognized statistical rating organization.
  - b. The entity meets the following criteria:
    - i. Is organized within the United States as a special purpose corporation, trust, or limited liability company.
    - ii. Has program wide credit enhancements including, but not limited to, over collateralization, letters of credit, or surety bond.

- iii. Has commercial paper that is rated in a rating category of “A-1” or its equivalent or higher by a nationally recognized statistical rating organization.
  - c. Eligible commercial paper shall have a maximum maturity of 397 days or less.
  - d. A maximum of 40% of the Authority's portfolio may be invested in this category until January 1, 2031, and then reverts to a maximum of 25%, per California Government Code Section 53601(h).
  - e. No more than 2.5% of the Authority’s investment portfolio may be invested in the securities of any one non-government issuer regardless of security type.
  
- 9. **Negotiable Certificates of Deposit.** Negotiable certificates of deposit issued by a nationally or state-chartered bank or a state or federal association, or by a federally- or state-licensed branch of a foreign bank.
  - a. The Authority may invest in negotiable CDs rated in a rating category of “A” for long-term, “A-1” for short-term, or their equivalents or better by a nationally recognized statistical rating organization.
  - b. The maximum maturity for negotiable certificates of deposit is five years.
  - c. A maximum of 30% of the Authority's portfolio may be invested in this category.
  - d. No more than 2.5% of the Authority’s investment portfolio may be invested in the securities of any one non-government issuer regardless of security type.
  
- 10. **Money Market Funds.** Shares of beneficial interest issued by diversified management companies that are money market funds registered with the Securities and Exchange Commission under the Investment Company Act of 1940 (15 U.S.C. Sec. 80a-1 and following). The company shall have met the criteria in either paragraph a. or b. below:
  - a. Attained the highest ranking or the highest letter and numerical rating provided by not less than two nationally recognized statistical rating organizations.
  - b. Retained an investment adviser registered or exempt from registration with the Securities and Exchange Commission with not less than five years’ experience managing money market mutual funds with assets under management in excess of five hundred million dollars (\$500,000,000).
  - c. Only funds that invest in U.S. Treasury or Federal Agency obligations may be utilized.
  - d. A maximum of 20% of the Authority’s portfolio may be invested in this category.
  
- 11. **Repurchase Agreements.** Repurchase Agreements shall be used solely as short-term investments not to exceed 30 days.
  - a. The Authority will enter into repurchase agreements only with primary government securities dealers as designated by the Federal Reserve Bank of New York. Repurchase agreements shall be governed by a master repurchase agreement adopted by the Securities Industry and Financial Markets Association (SIFMA). All securities underlying repurchase agreements shall be delivered to the Authority’s custodian bank, or be handled under a properly executed “tri-party” custodial arrangement. Collateral for repurchase agreements is restricted to U.S. Treasury issues or Federal Agency issues.
  - b. The underlying collateral must be at least 102% of the repurchase agreement amount. If the value of securities held as collateral slips below 102% of the value

of the cash transferred, then additional cash or acceptable securities must be delivered to the third party custodian. Market value shall be recalculated each time there is a substitution of collateral. For repurchase agreements with terms to maturity of greater than three days, the value of the collateral securities shall be marked to market weekly by the custodian, and, if additional collateral is required, then that collateral must be delivered within two business days. If a collateral deficiency is not corrected within two days, the collateral securities will be liquidated.

- c. A perfected first security interest in the collateral securities, under the Uniform Commercial Code, shall be created for the benefit of the Authority. Collateral securities shall be held free and clear of any lien and shall be held by an independent third party acting solely as an agent for the Authority, and such third party shall be (i) a Federal Reserve Bank, or (ii) a bank which is a member of the Federal Deposit Insurance Corporation and which has combined capital, surplus, and undivided profits of not less than \$50 million.

12. **Asset-Backed Securities (ABS).** Any mortgage pass-through security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-back certificate, consumer receivable pass-through certificate, or consumer receivable-backed bond. For securities eligible for investment under this subdivision not issued or guaranteed by an agency or issuer identified in subdivisions (1) or (2) above, the following limitations apply:

- a. The Authority may invest in asset-backed securities rated in a rating category of “AA” or its equivalent or better by a nationally recognized statistical rating organization.
- b. A maximum of 20% of the Authority’s portfolio may be invested in this category.
- c. Securities purchased under this category may not exceed a maturity of five (5) years.
- d. No more than 2.5% of the Authority’s investment portfolio may be invested in the securities of any one non-government issuer regardless of security type.

13. **Supranationals.** United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development (IBRD), International Finance Corporation (IFC), or Inter-American Development Bank (IADB).

- a. The Authority may invest in supranational securities rated in a rating category of “AA” or its equivalent or better by a nationally recognized statistical rating organization.
- b. Supranational securities may not exceed a maturity of five years.
- c. Supranational securities must be eligible for purchase and sale within the United States.
- d. A maximum of 15% of the Authority’s portfolio may be invested in this category.
- e. No more than 5% of the Authority’s investment portfolio may be invested in the securities of any one issuer under this category.

14. **State of California Local Agency Investment Fund (LAIF).** LAIF is a special fund in the State Treasury that local agencies may use to deposit funds for investment, and which provides daily liquidity.
- a. For due diligence, the Authority shall maintain access to LAIF's current investment policy and its requirements for participation, including limitations on deposits or withdrawals.
  - b. The Treasurer shall report to the Executive Committee quarterly the percentage amount LAIF has invested in each investment sector.
  - c. The Authority may invest up to the maximum permitted by the State Treasurer.
  - d. LAIF investments in instruments prohibited by or not specified in the Authority's policy do not exclude it from the Authority's list of allowable investments, provided that LAIF's reports allow the Treasurer to adequately judge the risk inherent in LAIF's portfolio.
15. **California County Investment Pools.** County investment pools are investment funds managed by the different California counties whereby local agency deposits are combined with the county's funds and invested by the county on behalf of the depositors. Participation in a county pool requires adoption of an enabling resolution by the Executive Committee.
- a. For any county pool in which the Authority has invested funds, the Authority shall maintain access to the current investment policy and requirements for participation, including limitations on deposits or withdrawals.
  - b. The Treasurer shall report to the Executive Committee quarterly the percentage amount the county pool has invested in each investment sector.
  - c. No more than \$30 million may be invested in any individual county investment pool.
16. **Local Government Investment Pool.** Shares of beneficial interest issued by a joint powers authority organized pursuant to Government Code Section 6509.7 that invests in the securities and obligations authorized in subdivisions (a) to (q) of Government Code Section 53601, inclusive. Each share shall represent an equal proportional interest in the underlying pool of securities owned by the joint powers authority. To be eligible under this section, the joint powers authority issuing the shares shall have retained an investment adviser that meets all of the following criteria:
- a. The adviser is registered or exempt from registration with the Securities and Exchange Commission.
  - b. The adviser has not less than five years of experience investing in the securities and obligations authorized in subdivisions (a) to (q) Government Code Section 53601, inclusive.
  - c. The adviser has assets under management in excess of five hundred million dollars (\$500,000,000).
  - d. Only pools that seek to maintain a net asset value of \$1.00 per Share at maturity are permitted.
17. **Demand Deposits, Passbook Savings Accounts and Non-negotiable Certificates of Deposits.** Money must be deposited in state or national banks, state or federal savings

associations, or state or federal credit unions in the State of California. It may be in inactive deposits, active deposits or interest-bearing active deposits.

- a. The Authority shall only place funds on deposit with financially sound banks in business a minimum of three years and have received a minimum overall satisfactory rating for meeting the credit needs of California Communities in its most recent evaluation, as provided by Government Code Section 53635.2.
  1. The Authority requires each financial institution that is used for the deposit of funds submit current financial statements which are evaluated by the Treasurer prior to the deposit of funds.
  2. The financial institution must place and maintain on file with the Authority an audited financial statement not more than one year old.
  3. Deposits shall not exceed the shareholders' equity of any depository bank or the net worth of any depository savings and loan association.
- b. Any financial institution accepting Authority funds for deposit must comply with the requirements of Government Code Section 53630 et seq., including collateralization of the Authority's deposits.
  1. Collateral is restricted to securities permitted under Code Section 53651.
  2. The Treasurer or Investment Officer may waive collateral for that portion of a deposit which is insured pursuant to federal law.
  3. As provided by Government Code Section 53649, the Authority shall have a signed contract with each financial institution with Authority's funds on deposit.
- c. Except for operating and imprest funds at Wells Fargo, the amount on deposit in any other single bank may not exceed the amount which is insured pursuant to federal law.
- d. Non-negotiable certificates of deposit are allowable up to insured amounts.
  1. Non-negotiable certificates of deposit may not exceed one (1) year in maturity.
  2. A maximum of 10% of the portfolio may be invested in non-negotiable certificates of deposit.

## **H. TRADING**

The Authority or its investment advisor may sell investments prior to maturity, as long as such sales are consistent with the overall objectives of the Authority and the guidelines established by this Policy. A "swap" which improves the portfolio's ability to meet its objectives may be executed even if the transactions result in an accounting loss. Documentation for swaps will be included in the Authority's permanent investment file documents.

## **I. PROHIBITED INVESTMENTS**

The Authority may invest only in the investment types listed in section G. Investments by the Authority in securities permitted by the California Government Code, but not specifically authorized by this Policy are prohibited without the prior approval of the Executive Committee

In accordance with California Government Code Section 53601.6, the Authority shall not invest any funds in inverse floaters, range notes, mortgage derived interest-only strips, or any security that could result in zero interest accrual if held to maturity, except as authorized by Government Code Section 53601.6.

## **J. MATURITIES**

It is in the best interest of the Authority to maintain a diversified portfolio of investments that will ensure safety, liquidity and an acceptable yield. Maturities shall be selected to match the expected cash needs of the Authority. Where prudent, longer-term purchases may be made to enhance total return.

The duration of the total dollar value of funds invested in accord with this Policy shall not exceed 3.5 years. In addition no investment may have a maturity greater than ten years with exception of Federal Agency mortgage-backed securities, which may not have a maximum remaining average life greater than ten years.

## **K. RATING CHANGES**

The rating requirements specified in this Policy pertain to the rating at the time of purchase. In the event a security held by the Authority is subject to a rating change that brings it below the minimum ratings specified above, the Treasurer shall notify the Executive Committee of the change. The course of action to be followed will be decided on a case-by-case basis, considering such factors as the reason for the rate drop, prognosis for recovery or further rate drops, and the market price of the security.

## **L. BROKERS/DEALERS**

1. If a third party investment advisor is authorized to conduct investment transactions on the Authority's behalf, the investment advisor may use its own list of approved issuers, broker/dealers, and financial institutions for investment purposes. The investment advisor's approved list must be made available to the Authority upon request.
2. For any investment transactions, not purchased directly from the issuer, conducted by the Treasurer on behalf of the Authority, the Treasurer shall comply with the following requirements:
  - a. The Treasurer shall maintain a list of at least five authorized broker/dealers and financial institutions that are approved for investment purposes, and it shall be the policy of the Authority to purchase securities only from authorized institutions or firms.
  - b. On a rotating basis among the authorized firms, the Treasurer shall obtain at least two bids and offers, as reasonably comparable as possible, on each investment other than investments in the Local Agency Investment Fund and U.S. Treasury issues. U.S. Treasury issues will be purchased on a rotating basis from qualified

- c. firms. Records of bids and offers shall be retained during the period of time the Authority owns the investment. The record shall include an explanation if the lowest offer was not selected.
3. For any investment transactions conducted by the Treasurer, the Authority requires each firm that will be used to be evaluated by the Treasurer prior to any investments. The firms shall submit current financial statements, and annual audited financial statements each year thereafter, which are evaluated by the Treasurer. At a minimum, the authorized firms must meet the following criteria:
  - a. The institution must be financially sound.
  - b. The institution must have been in business at least three years.
  - c. The institution must provide proof of certification from the Financial Industry Regulatory Authority (FINRA).
  - d. The institution must show proof of state registration or exemption.
  - e. The institution must provide a written acknowledgment of having received and read the Authority's investment policy.

#### **M. SAFEKEEPING OF SECURITIES**

All security transactions entered into by the Authority shall be conducted on a delivery-versus-payment (DVP) basis. Securities shall be held by the Authority's designated third party custodian and evidenced by safekeeping receipts. The only exception to the foregoing shall be securities purchases made with: (i) local government investment pools; and (ii) money market mutual funds, since these securities are not deliverable. Securities at safekeeping shall be registered and held in the Authority's name. The Authority shall not purchase securities from, or sell securities to, the financial institution responsible for safekeeping the Authority's securities.

The Authority requires its designated third party custodian to submit current financial statements, and annual audited financial statements each year thereafter, which are evaluated by the Treasurer. The Treasurer will evaluate the institution's financial stability prior to use as a custodian. At a minimum, the institution must have been in business at least three years and must have assets of at least \$50 million and a net worth to liability ratio of 4.0% or greater.

#### **N. REPORTING**

1. The Treasurer shall render a report to the Chief Executive Officer, Finance Officers Committee, Executive Committee, and the Board of Directors monthly, or at intervals consistent with committee or director meetings. The report on investments shall include:
  - a. A list of all investments owned by the Authority
  - b. The type or kind of each investment
  - c. The issuer of each investment
  - d. The purchase date of each investment
  - e. The maturity date of each investment
  - f. The par, amortized cost and market value for each security

- g. The credit quality, as determined by one or more nationally recognized statistical rating organization, of each investment, as of the report date
- h. The yield to maturity at cost of each investment
- i. The average weighted yield at cost of the portfolio
- j. A list of transactions for the month
- k. A description of any of the Authority's funds, investments, or programs that are under the management of contracted parties
- l. The current market value of the investment portfolio, as of the date of the report, and the source of the market value
- m. A statement as to whether the Authority's investments comply with this Policy, and if not, why not
- n. A statement denoting the ability of the Authority to meet its expenditure requirements for the next six months

## **O. BENCHMARK**

The investment portfolio shall be designed with the objective of obtaining a rate of return throughout budgetary and economic cycles, commensurate with the investment risk constraints and the cash flow needs. The Authority will adopt a performance benchmark and review it annually.

## **P. STATEMENT OF INVESTMENT POLICY**

This Policy shall be annually reviewed by the Finance Officers Committee and submitted to the Executive Committee in order to incorporate any changes necessary to ensure consistency and its relevance to current law, and financial and economic trends. The review of this Policy shall be considered at a public meeting. Any changes in this Policy shall also be considered by the Executive Committee at a public meeting.

## **P. INDEPENDENT EVALUATION**

The Authority may have its Investment Policy and investment practices evaluated by an independent evaluator, with expertise in investments and money management, as determined by the Finance Officers Committee or the Executive Committee. The Authority may give direction to the independent evaluator to report on specific issues of interest to the Authority at the time of the evaluation.

## APPENDIX A GLOSSARY

**BANKERS ACCEPTANCES** are short-term credit arrangements to enable businesses to obtain funds to finance commercial transactions. They are time drafts drawn on a bank by an exporter or importer to obtain funds to pay for specific merchandise. By its acceptance, the bank becomes primarily liable for the payment of the draft at maturity. An acceptance is a high-grade negotiable instrument. Acceptances are purchased in various denominations for 30 to 270 days. The interest is calculated on a 360 day discount basis similar to Treasury Bills.

**CALIFORNIA LOCAL GOVERNMENT DEBT** is bonds, notes, warrants, or other evidences of indebtedness of any local agency within California. California local government debt is a permitted investment under the California Government Code. The Government Code does not specify minimum credit ratings for local government debt in which local agencies may invest. The Authority does not invest in these securities.

### **CERTIFICATES OF DEPOSIT**

**Negotiable Certificates of Deposit** are large-denomination CDs issued in \$1 million increments. These securities have average trades in the secondary market of \$5 million to \$10 million. They are issued at face value and typically pay interest at maturity, if maturing in less than 12 months. CDs that mature beyond this range pay interest semi-annually. Negotiable CDs are issued by U.S. banks (domestic CDs), U.S. branches of foreign banks (Yankee CDs) and thrifts. There is an active secondary market for negotiable domestic and Yankee CDs. However, the negotiable thrift CD secondary market is limited. Yields on CDs exceed those on U.S. treasuries and agencies of similar maturities. This higher yield compensates the investor for accepting the risk of reduced liquidity and the risk that the issuing bank might fail. State law does not require the collateralization of negotiable CDs.

**Non-Negotiable Certificates of Deposit** are time deposits with financial institutions that earn interest at a specified rate for a specified term. Liquidation of the CD prior to maturity incurs a penalty. There is no secondary market for those instruments, therefore, they are not liquid. They are classified as public deposits and financial institutions are required to collateralize them. Generally, financial institutions use mortgages to collateralize these deposits.

Non-negotiable CDs of \$250,000 are insured respectively by the Federal Deposit Insurance Corporation (FDIC), and the National Credit Union Share Insurance Fund (NCUSIF).

**COLLATERAL** is securities, evidence of deposits or other property that a borrower pledges to secure repayment of a loan. It also refers to securities pledged by a bank to secure deposits of public monies. In California, repurchase agreements, reverse repurchase agreements, negotiable CDs purchased at a California institution, and public deposits must be collateralized.

**COMMERCIAL PAPER** is a short term, unsecured, promissory note issued by a corporation to raise working capital. These negotiable instruments may be purchased at a

discount to par value or interest bearing. Eligible commercial paper is issued by corporations organized and operating within the United States and having total assets in excess of \$500 million. This would include firms such as American Express, Bank of America, Wells Fargo Bank, et cetera.

**COUNTY POOLED FUNDS** are funds deposited with a California County for investment by the County on behalf of the depositors. A number of counties offer pooled fund programs. Pooled fund deposits are combined with the county's funds and invested by the county.

All interest is distributed to those agencies participating on a proportionate share determined by the amounts deposited and the length of time they are invested. Under state law, interest need only be paid quarterly and the county can require 30 days' notice by a local agency before withdrawal of the agency's funds. Some county pools are not as restrictive as state law allows and currently permit unlimited deposits and withdrawals. State law provides that any moneys deposited in the county treasury for investment are not subject to impoundment or seizure by the county.

**DELIVERY** of securities may be accomplished two ways: delivery vs. payment and delivery vs. receipt (also called free). Delivery vs. payment is delivery of securities with an exchange of money for the securities; this is the method of delivery used by the Authority. Delivery vs. receipt is delivery of securities with an exchange of a signed receipt for the securities.

## **DEPOSITS**

**Inactive deposits** are certificates of deposit issued in any amount for periods of time as short as fourteen days and as long as several years. Interest must be calculated on a 360-day basis, actual number of days.

**Interest-bearing active deposits** are money market accounts at a financial institution (i.e., bank, savings and loan, credit union). These accounts are demand accounts (i.e., checking accounts) with restricted transaction activity.

**A passbook savings account** is similar to an inactive deposit but without a fixed term. The interest rate is much lower than CD's, but the savings account allows flexibility. Funds can be deposited and withdrawn according to daily cash needs.

**DURATION** is a measure of the sensitivity of a security or portfolio's market value with respect to changes in interest rates. For example, a portfolio with a duration of 2.5 will rise in value by 2.5% for every 100 basis point (1 percent) decline in rates, and fall in value by 2.5% for every 100 basis point increase in rates. Thus, the greater the duration, the greater the price sensitivity or market risk of the portfolio.

**EFFECTIVE DURATION** refines the traditional measure of duration to incorporate the price sensitivity of securities with imbedded call options, such as callable agencies and mortgage-backed securities.

**FEDERAL AGENCY INSTRUMENTS** are issued by U.S. Government Agencies or Government Sponsored Enterprises (GSE). Although they were created or sponsored by the U.S. Government, most Agencies and GSEs are not guaranteed by the United States Government. Examples of these securities are notes, bonds, bills and discount notes issued by Fannie Mae (FNMA), Freddie Mac (FHLMC), the Federal Home Loan Bank system (FHLB), and Federal Farm Credit Bank (FFCB). The Agency market is a very large and liquid market, with billions traded every day.

**ISSUER** means any corporation, governmental unit or financial institution that borrows money through the sale of securities.

**LIQUIDITY** refers to the ease and speed with which an asset can be converted into cash without loss of value. In the money market, a security is said to be liquid if the spread between the bid and asked price is narrow and reasonably sized trades can be done at those quotes. U.S. Treasury bills are very liquid.

**LOCAL AGENCY INVESTMENT FUND (LAIF)** is a special fund in the State Treasury that local agencies may use to deposit funds for investment. There is no minimum investment period and the minimum transaction is \$5,000, in multiples of \$1,000 above that, with a maximum of \$50 million for any agency. It offers high liquidity because deposits can be converted to cash in twenty-four hours and no interest is lost. All interest is distributed to those agencies participating on a proportionate share determined by the amounts deposited and the length of time they are deposited. Interest is paid quarterly via direct deposit to the LAIF account. The State keeps an amount for reasonable costs of making the investments, not to exceed one-quarter of one per cent of the earnings.

**MATURITY** is the date upon which the principal or stated value of an investment becomes due and payable.

**MEMBER** refers to a governmental entity that is a signatory to the Joint Powers Agreement establishing the California Joint Powers Insurance Authority.

**MEDIUM TERM CORPORATE NOTES** are debt obligations issued by corporations and banks, usually in the form of unsecured promissory notes. These are negotiable instruments that can be bought and sold in a large and active secondary market. For the purposes of California Government Code, the term "Medium Term" refers to a maximum remaining maturity of five years or less. They can be issued with fixed or floating-rate coupons, and with or without early call features, although the vast majority are fixed-rate and non-callable. Corporate notes have greater risk than Treasuries or Agencies because they rely on the ability of the issuer to make payment of principal and interest. Corporate notes can be rated by one or more Nationally Recognized Statistical Rating Organizations (NRSRO), with ratings of AAA, AA+, AA, AA-,

etc. or their equivalent. Frequent issuers of corporate notes are General Electric Capital Corp., Bank of America, J.P. Morgan, AT&T, Wal-Mart and IBM.

**MONEY MARKET FUNDS** are referred to in the Government Code, Section 53601(1)(2), as "shares of beneficial interest issued by diversified management companies." Money market funds strive to maintain a stable net asset value (NAV) per share of \$1.00. Money market funds must adhere to Rule 2a-7 of the SEC that regulates the liquidity and credit minimums and sector allocation limitations to protect the investors in money market funds. These funds invest primarily in money market securities with final maturities of 397 days or less to maintain a weighted average maturity of 60 days or less.

**NEGOTIABLE** is the term used to designate a security, the title to which is transferable by delivery.

**PORTFOLIO** is the term used to describe the collection or group of securities owned by an investor.

**PRINCIPAL** describes the original cost of a security. It represents the amount of capital or money that the investor pays for the investment.

**REPURCHASE AGREEMENTS** are short-term investment transactions. Banks buy temporarily idle funds from a customer by selling him U.S. Government or other securities with a contractual agreement to repurchase the same securities on a future date at an agreed upon interest rate. Repurchase Agreements are typically for one to ten days in maturity. The customer receives interest from the bank. The interest rate reflects both the prevailing demand for Federal Funds and the maturity of the Repo. Repurchase Agreements must be collateralized.

**U.S. TREASURY ISSUES** are direct obligations of the United States Government. They are highly liquid and are considered the safest investment security. U.S. Treasury issues include:

**Treasury Bills** are non-interest-bearing discount securities issued by the U.S. Treasury to finance the national debt. Bills are currently issued in one, three, six, and twelve month maturities.

**Treasury Notes** have original maturities of one to ten years.

**Treasury Bonds** have original maturities of greater than 10 years.

**Treasury Inflation Protected Securities (TIPS)** pay principal and interest based on changes in the rate of inflation as measured by the CPI-U index.

# **CALIFORNIA JPIA**

## **AGENDA REPORT**

**To:** EXECUTIVE COMMITTEE

**From:** Alexander Smith, Chief Executive Officer

**By:** Jason McBride, Finance Director

**Date:** June 17, 2026

**Subject:** Proposed Budgets FY 2026-27 and 2027-28

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The 2026-27 and 2027-28 proposed budgets have been completed and are attached. An overview highlighting significant developments and top priorities, is provided in the narrative section of the report. The Budget Committee reviewed a draft and provided input on May 27, 2026, and again on June 17, 2026. The Finance Officers Committee also reviewed and provided input on June 11, 2026. The Finance Officers Committee and the Budget Committee recommend approval by the Executive Committee.

### **Recommended Action**

It is recommended that the Executive Committee review and approve the 2026-27 and 2027-28 proposed budgets and recommend further approval by the Board of Directors.



# PROPOSED BUDGET

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California Joint Powers Insurance Authority  
Fiscal Years 2026-2027 and 2027-2028



INTEGRITY | EXCELLENCE | INNOVATION | TEAMWORK

## Executive Committee

Margaret Finlay, President, City of Duarte  
Mary Ann Reiss, Vice President, City of Pismo Beach  
Tom Chavez, Secretary, City of Temple City  
Sonny Santa Ines, City of Bellflower  
Mark Waronek, City of Lomita  
Steve Tye, City of Diamond Bar  
Jennifer Perez, City of Norwalk  
Cynthia Sternquist, Foothill Transit  
Ray Marquez, City of Chino Hills

## Advisory Committees

Thaddeus McCormack, Chairman, Managers Committee  
Jose Gomez, Treasurer, Chairman, Finance Officers Committee  
Brad McKinney, Chairman, Risk Managers Committee

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June 17, 2026

To: Board of Directors

From: Alexander Smith, Chief Executive Officer

Subject: Operating Budgets for Fiscal Years 2026-27 and 2027-28

The 2026-27 and 2027-28 budgets support the Authority's mission to provide innovative risk management solutions by funding valuable programs and services for members. The budgets allocate funding to address member priorities in a fiscally responsible manner. Priorities include a focus on information technology, adapting training programs to accommodate member needs and preferences, and advancing the reach of risk management and loss control initiatives. These expenditures will provide members with useful tools for identifying risk exposures and preventing claims.

The budgets align with the Authority's strategic plan and were developed consistent with the core values of *Integrity, Excellence, Innovation, and Teamwork*. The goal remains to *exceed members' expectations by providing innovative risk management solutions for our public agency partners*. The budgets are based on input from a variety of stakeholders, including city council members, city managers, finance officers, risk managers, and other staff who participate in risk management efforts.

## **Overview**

The budget for 2026-27 reflects total revenues of \$201.4 million compared to \$200.8 million in expenses, yielding an estimated increase in net position of \$616 thousand, or +0.3 percent of gross revenues. Both projected revenues and expenditures are expected to increase relative to the prior year. For the 2027-28 budget year, revenues are projected at \$207.5 million, with \$203.5 million in expenses. The corresponding increase in net position is \$3.9 million or +1.9 percent of gross revenues. Claim payment projections were based on the most recent actuarial study and are net of risk exposures ceded to Sequoia Pacific Reinsurance Company, which ultimately reduces the Authority's retained risk but results in an associated increase in reinsurance premiums.

Approximately 86 percent of expenditures are directly attributable to the cost of risk. This includes claim payments, excess and reinsurance premiums, claims administration, and broker fees. Investment earnings have reached as high as 4% recently. However, current projections anticipate rates declining within the budgeted period. As such, the conservative earnings rate assumption utilized for the budget was 2.0 percent and was applied to the portfolio's projected average daily balances through fiscal year 2027-28.

Several key initiatives are budgeted during the two-year budget period: (1) New risk management programs that address potential high-frequency or high-severity risks; (2) Expanding members' utilization of the Authority's existing risk management programs; (3) Expanding the reach of classroom training opportunities to members and enabling better training management; (4) Technology projects that enhance members' experience accessing and utilizing Authority resources; and (5) Construction of a new building that will be used primarily to produce training content for members.

### Staffing and Organizational Structure

The budget reflects the Authority's recent department reconfiguration. The new structure facilitates enhanced communication and collaboration across the organization. As part of the restructure, the Communications Department was spun out of Executive Management, due to its increasing levels of support activity and functional complexity.

The budget provides for 40 full-time staff positions, which includes 3 vacant positions that were previously authorized and carried forward, and 1 new position—Employment Practices Attorney. The new position is budget neutral, and is being in-sourced and will produce a corresponding expense reduction in consulting services. Two new member agencies joined the Authority effective July 1, 2026 which means the vacancies will need to be filled in order to maintain service levels given the larger number of members and the associated service delivery demands—particularly as it relates to risk management and claims and insurance services.

### Net Position

The Authority's net position has fluctuated in recent years due to rising claim costs, which include higher claim payments and higher excess and reinsurance premiums. Despite these challenging developments, the financial condition of the Authority remains strong and is well-positioned to meet ongoing challenges within the operating environment. Those challenges include: (1) cyclical insurance markets,

(2) social inflation and large jury verdicts against public agencies, (3) a difficult California legal environment, particularly as it relates to joint and several liability, and (4) emerging and escalating liability risks.

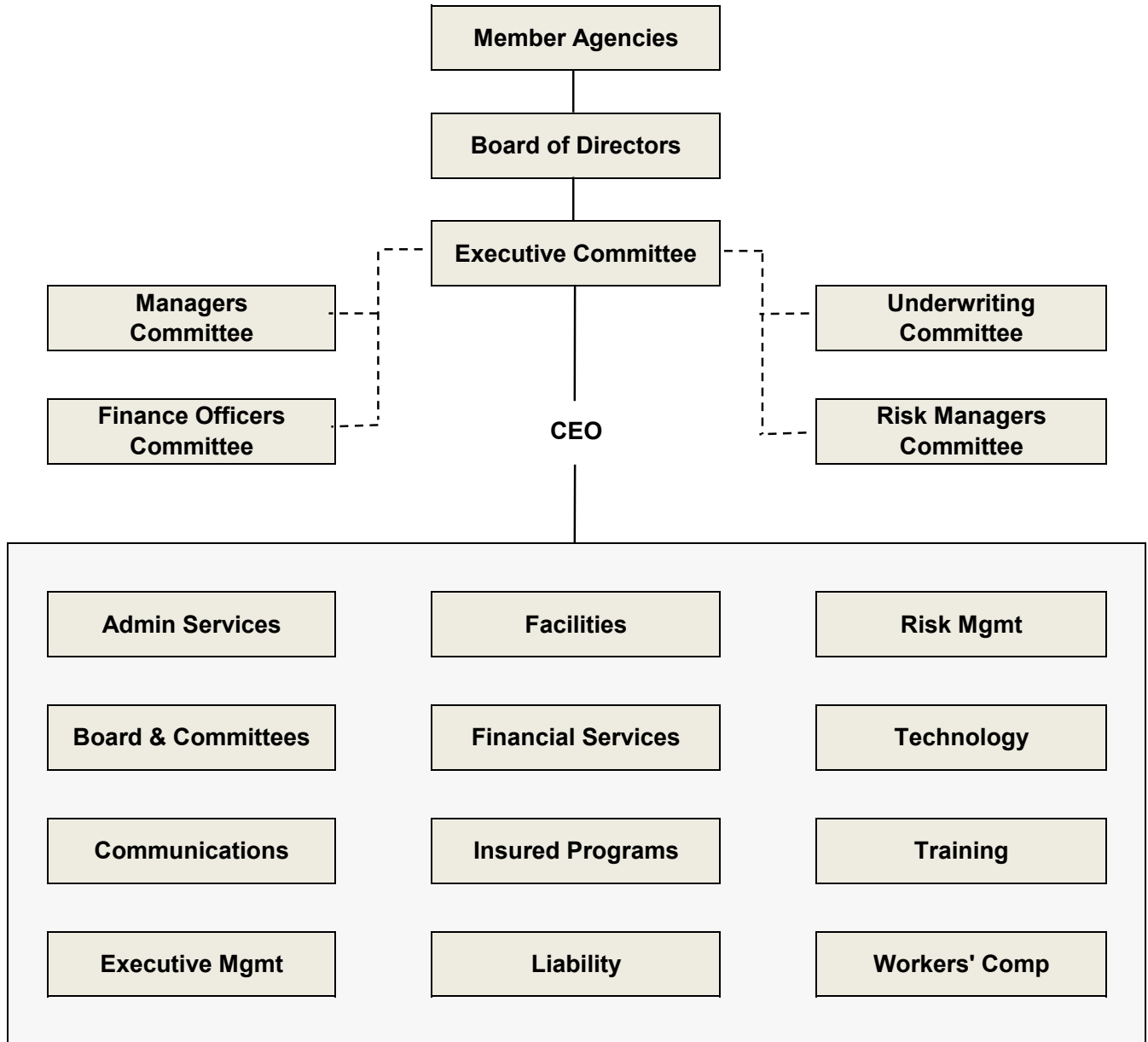
Net position provides members with an important hedge against price volatility brought on by these economic factors and allows for a degree of stability in member contribution rates from year to year. To the extent the Authority can provide budget predictability within a reasonable range when it comes to member contributions, it will. Pricing stability is an important goal in the Authority's underwriting process. The guiding principles for member cost allocation are:

- Solvency
- Fairness
- Simplicity

Net position is also necessary to address the long-term nature of claim development. About 5 to 10 percent of the Authority's claims take more than 10 years to resolve. This subset of claims are often the ones with the highest severity. Their ultimate cost is not known until the subject coverage year is closed. Claim development varies by coverage line but can take 10-15 years for some litigated liability claims and 25-30 years for severe workers' compensation claims. Having sufficient reserves is particularly important when adverse development occurs late in a claim's life cycle.

The net position of the Authority, excluding Sequoia Pacific and Central Coast Cities Self Insurance Fund (CCCSIF), was \$80.4 Million as of June 30, 2025, and is projected to be \$75.4 Million as of June 30, 2026.

# Organizational Structure



# Budgeted Positions

Job Title	Department	FTE		
		2025-26	2026-27	2027-28
1 Accountant	Financial Services	1.00	1.00	1.00
2 Accountant	Financial Services	1.00	1.00	1.00
3 Administrative Analyst	Training	1.00	1.00	1.00
4 Administrative Analyst	Administrative Services	1.00	1.00	1.00
5 Administrative Analyst	Communications	1.00	1.00	1.00
6 Administrative Assistant	Training	1.00	1.00	1.00
7 Administrative Assistant	Communications	1.00	1.00	1.00
8 Administrative Assistant	Administrative Services	1.00	1.00	1.00
9 Agency Clerk	Administrative Services	1.00	1.00	1.00
10 Assistant to the CEO	Executive Management	0.00	1.00	1.00
11 Chief Administrative Officer	Executive Management	1.00	1.00	1.00
12 Chief Executive Officer	Executive Management	1.00	1.00	1.00
13 Chief Operating Officer	Executive Management	1.00	1.00	1.00
14 Communications Director	Communications	1.00	1.00	1.00
15 Data Analyst	Technology	0.00	1.00	1.00
16 Employment Practices Attorney	Liability	0.00	1.00	1.00
17 Employment Practices Manager	Liability	1.00	1.00	1.00
18 Facilities Specialist	Facilities	1.00	1.00	1.00
19 Finance Director	Financial Services	1.00	1.00	1.00
20 Insurance Programs Manager	Insured Programs	1.00	1.00	1.00
21 Liability Program Manager	Liability	1.00	1.00	1.00
22 Management Analyst	Communications	1.00	1.00	1.00
23 Management Analyst	Liability	1.00	1.00	1.00
24 Risk Services Director	Risk Management	1.00	1.00	1.00
25 Senior Accountant	Financial Services	1.00	1.00	1.00
26 Senior Risk Manager	Risk Management	1.00	1.00	1.00
27 Senior Risk Manager	Risk Management	1.00	1.00	1.00
28 Senior Risk Manager	Risk Management	1.00	1.00	1.00
29 Senior Risk Manager	Risk Management	1.00	1.00	1.00
30 Senior Risk Manager	Risk Management	1.00	1.00	1.00
31 Senior Risk Manager	Risk Management	1.00	1.00	1.00
32 Senior Risk Manager	Risk Management	1.00	1.00	1.00
33 Senior Risk Manager #8	Risk Management	0.00	1.00	1.00
34 Senior Training Specialist	Training	1.00	1.00	1.00
35 Senior Underwriter	Financial Services	1.00	1.00	1.00
36 Technology Projects Manager	Technology	1.00	1.00	1.00
37 Training Coordinator	Training	1.00	1.00	1.00
38 Training Manager	Training	1.00	1.00	1.00
39 Training Specialist	Training	1.00	1.00	1.00
40 Workers' Compensation Program Manager	Workers' Compensation	1.00	1.00	1.00
<b>Total</b>		<b>36.00</b>	<b>40.00</b>	<b>40.00</b>

## FTEs by Department

Department	FTE		
	2025-26	2026-27	2027-28
1 Board and Committees	0.00	0.00	0.00
2 Executive Management	3.00	4.00	4.00
3 Communications	4.00	4.00	4.00
4 Administrative Services	3.00	3.00	3.00
5 Facilities	1.00	1.00	1.00
6 Financial Services	5.00	5.00	5.00
7 Insured Programs	1.00	1.00	1.00
8 Liability	3.00	4.00	4.00
9 Risk Management	9.00	10.00	10.00
10 Technology	1.00	2.00	2.00
11 Training	5.00	5.00	5.00
12 Workers' Compensation	1.00	1.00	1.00
Total	36.00	40.00	40.00

# Revenues and Expenses

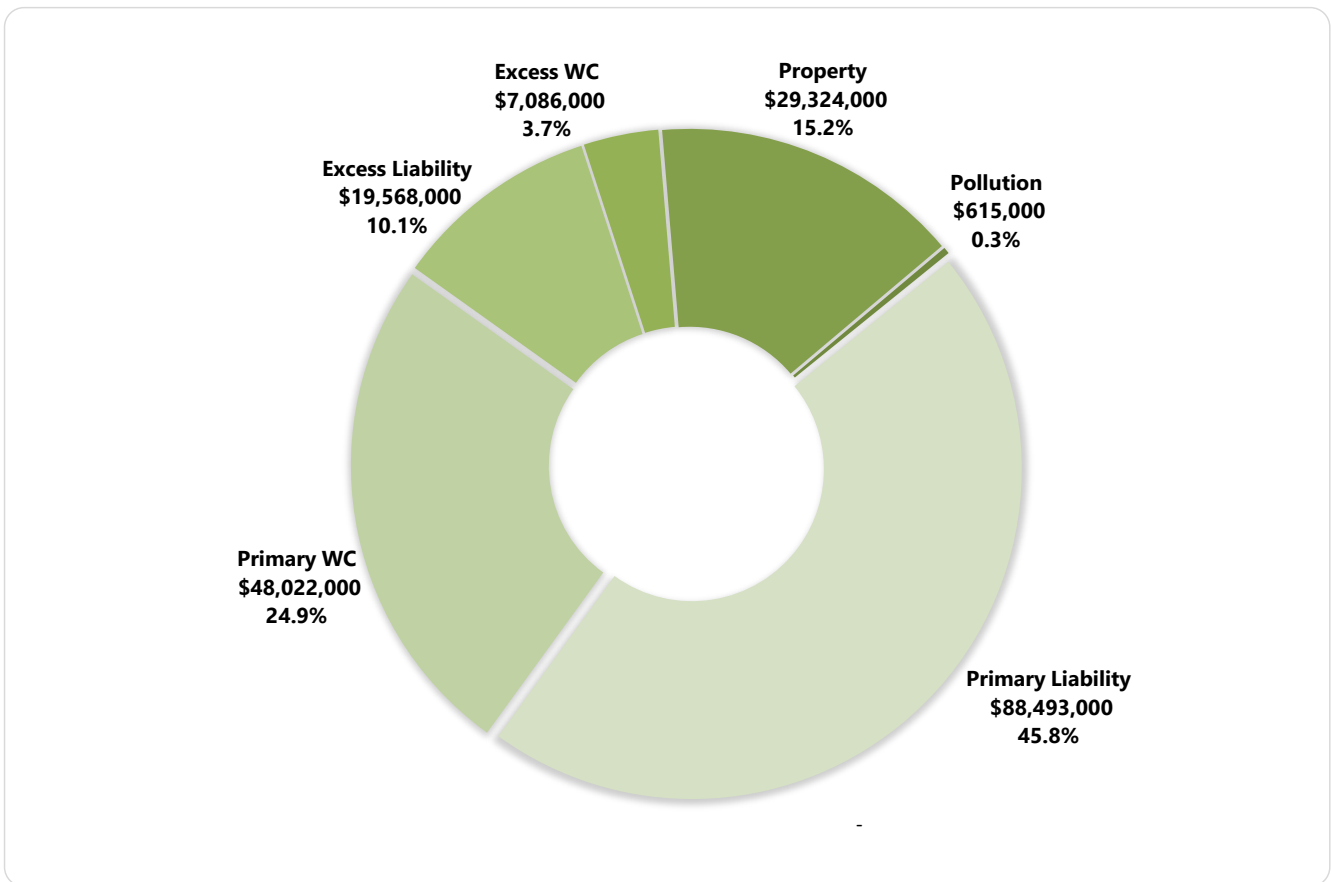
# Summary of Revenues

	2023-24 Actual	2024-25 Adopted	2024-25 Actual	2025-26 Adopted	2025-26 Estimated	2026-27 Proposed	2027-28 Proposed
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## Revenues

Annual Contributions	\$ 141,729,829	\$ 149,625,000	\$ 149,810,723	\$ 154,071,000	\$ 165,775,933	\$ 193,108,000	\$ 199,031,000
Retrospective Adjustments	400,594	-	6,137,373	-	-	-	-
Other Revenues	1,680,112	1,153,800	1,892,155	1,190,700	1,250,779	1,414,000	1,459,500
Non-Operating Revenues	15,649,725	5,289,000	22,488,197	5,553,000	9,049,148	6,840,000	6,977,000
<b>Total Revenues</b>	<b>\$ 159,460,260</b>	<b>\$ 156,067,800</b>	<b>\$ 180,328,448</b>	<b>\$ 160,814,700</b>	<b>\$ 176,075,860</b>	<b>\$ 201,362,000</b>	<b>\$ 207,467,500</b>

Annual Contributions by Program  
2026-27



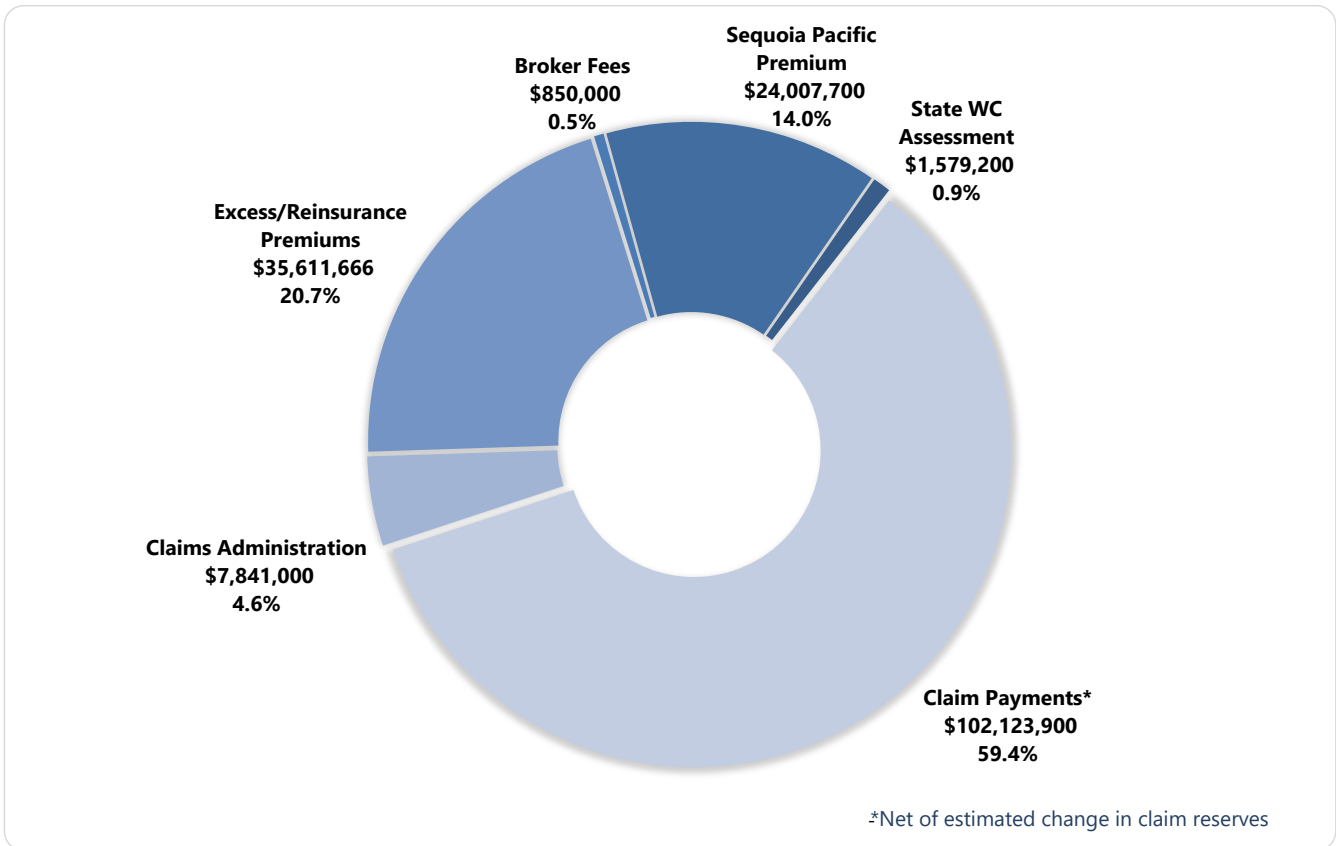
# Summary of Expenses

	2023-24 Actual	2024-25 Adopted	2024-25 Actual	2025-26 Adopted	2025-26 Estimated	2026-27 Proposed	2027-28 Proposed
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## Expenses

Coverage	\$ 137,294,118	\$ 128,403,000	\$ 193,808,362	\$ 128,297,800	\$ 157,848,397	\$ 172,013,466	\$ 173,330,465
Salaries, Benefits and Taxes	9,143,849	9,340,500	11,119,184	10,280,000	10,076,827	11,376,100	11,895,800
General and Administrative	9,076,816	10,080,200	9,869,158	11,860,300	9,833,080	11,702,850	13,026,271
Contractual Services	3,502,812	4,350,100	3,488,367	4,312,800	3,371,521	5,653,640	5,289,840
<b>Total Expenses</b>	<b>\$ 159,017,595</b>	<b>\$ 152,173,800</b>	<b>\$ 218,285,071</b>	<b>\$ 154,750,900</b>	<b>\$ 181,129,825</b>	<b>\$ 200,746,056</b>	<b>\$ 203,542,375</b>

Coverage Expenses by Type  
2026-27



# Sequoia Pacific Premium

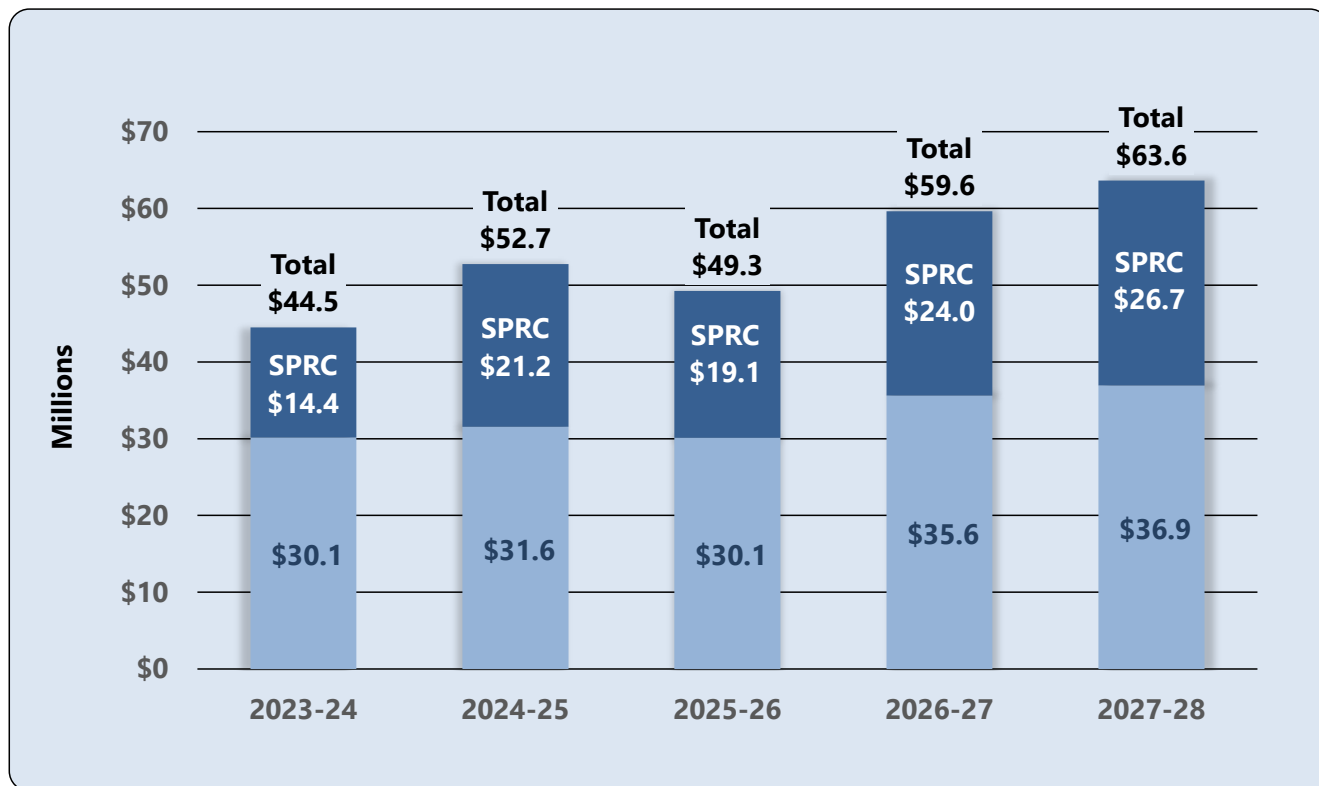
	2023-24	2024-25	2024-25	2025-26	2025-26	2026-27	2027-28
	Actual	Adopted	Actual	Adopted	Estimated	Proposed	Proposed

## SPRC Premium

Primary Liability Program	\$ 4,534,680	\$ 8,306,000	\$ 8,292,610	\$ 8,721,000	\$ 7,090,000	\$ 9,217,000	\$ 10,599,550
Excess Liability Program	1,825,320	2,769,000	3,813,390	2,907,000	2,910,000	3,783,000	4,350,450
Primary WC Program	2,169,000	3,750,000	3,144,960	3,938,000	2,704,320	3,245,184	3,731,962
Excess WC Program	831,000	1,250,000	1,223,040	1,313,000	1,051,680	1,262,016	1,451,318
Property Program	5,000,000	4,700,000	4,715,000	4,794,000	5,385,000	6,500,500	6,575,575

<b>Total Premium</b>	<b>\$ 14,360,000</b>	<b>\$ 20,775,000</b>	<b>\$ 21,189,000</b>	<b>\$ 21,673,000</b>	<b>\$ 19,141,000</b>	<b>\$ 24,007,700</b>	<b>\$ 26,708,855</b>
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SPRC Premium vs. All Other Excess/Reinsurance Premium



## Estimated Change in Net Position

	2023-24 Actual	2024-25 Adopted	2024-25 Actual	2025-26 Adopted	2025-26 Estimated	2026-27 Proposed	2027-28 Proposed
<b>Beginning Net Position</b>	\$ 117,931,852	\$ 128,630,499	\$ 118,374,517	\$ 132,524,499	\$ 80,417,894	\$ 75,363,929	\$ 75,979,873
<b>Revenues</b>							
Annual Contributions	141,729,829	149,625,000	149,810,723	154,071,000	165,775,933	193,108,000	199,031,000
Retrospective Adjustments	400,594	-	6,137,373	-	-	-	-
Other Revenues	1,680,112	1,153,800	1,892,155	1,190,700	1,250,779	1,414,000	1,459,500
Non-Operating Revenues	15,649,725	5,289,000	22,488,197	5,553,000	9,049,148	6,840,000	6,977,000
<b>Total Revenues</b>	<b>159,460,260</b>	<b>156,067,800</b>	<b>180,328,448</b>	<b>160,814,700</b>	<b>176,075,860</b>	<b>201,362,000</b>	<b>207,467,500</b>
<b>Expenses</b>							
Operating Expenses							
Salaries, Benefits and Taxes	9,143,849	9,340,500	11,119,184	10,280,000	10,076,827	11,376,100	11,895,800
General & Administrative	9,076,816	10,080,200	9,869,158	11,860,300	9,833,080	11,702,850	13,026,271
Contractual Services	3,502,812	4,350,100	3,488,367	4,312,800	3,371,521	5,653,640	5,289,840
<b>Total Operating Expenses</b>	<b>21,723,477</b>	<b>23,770,800</b>	<b>24,476,709</b>	<b>26,453,100</b>	<b>23,281,429</b>	<b>28,732,590</b>	<b>30,211,911</b>
Coverage Expenses							
Claim Payments	68,380,413	66,898,500	80,471,552	64,534,900	99,439,296	102,123,900	98,935,385
Change in Claim Reserves	15,156,000	-	48,857,000	-	-	-	-
Claims Administration	7,200,529	7,554,000	7,487,704	7,881,000	7,465,785	7,841,000	8,235,000
Excess/Reinsurance Premiums	44,505,965	51,766,700	52,740,753	53,603,000	49,264,604	59,619,366	63,624,880
Brokerage	734,249	801,000	818,000	827,000	825,080	850,000	877,000
State Assessment, WC	1,316,962	1,382,800	3,433,353	1,451,900	853,633	1,579,200	1,658,200
<b>Total Coverage Expenses</b>	<b>137,294,118</b>	<b>128,403,000</b>	<b>193,808,362</b>	<b>128,297,800</b>	<b>157,848,397</b>	<b>172,013,466</b>	<b>173,330,465</b>
<b>Total Expenses</b>	<b>\$ 159,017,595</b>	<b>\$ 152,173,800</b>	<b>\$ 218,285,071</b>	<b>\$ 154,750,900</b>	<b>\$ 181,129,825</b>	<b>\$ 200,746,056</b>	<b>\$ 203,542,375</b>
<b>Change in Net Position</b>	<b>442,665</b>	<b>3,894,000</b>	<b>(37,956,623)</b>	<b>6,063,800</b>	<b>(5,053,965)</b>	<b>615,944</b>	<b>3,925,125</b>
<b>Ending Net Position</b>	<b>\$ 118,374,517</b>	<b>\$ 132,524,499</b>	<b>\$ 80,417,894</b>	<b>\$ 138,588,299</b>	<b>\$ 75,363,929</b>	<b>\$ 75,979,873</b>	<b>\$ 79,904,997</b>

# Revenue Detail

	2023-24 Actual	2024-25 Adopted	2024-25 Actual	2025-26 Adopted	2025-26 Estimated	2026-27 Proposed	2027-28 Proposed
<b>Annual Contributions</b>							
Primary Liability Program	\$ 54,183,100	\$ 59,032,000	\$ 58,861,063	\$ 60,803,000	\$ 70,093,000	\$ 88,493,000	\$ 91,148,000
Excess Liability Program	12,216,256	13,061,000	13,737,876	13,714,000	15,548,302	19,568,000	20,546,000
Primary WC Program	40,650,700	40,712,000	40,711,600	41,933,000	42,120,700	48,022,000	49,463,000
Excess WC Program	6,353,696	5,575,000	5,885,436	5,854,000	6,198,978	7,086,000	7,440,000
Property Program	27,761,012	30,669,000	30,017,628	31,179,000	31,229,105	29,324,000	29,807,000
Pollution LL Program	565,065	576,000	597,120	588,000	585,848	615,000	627,000
Total Annual Contributions	141,729,829	149,625,000	149,810,723	154,071,000	165,775,933	193,108,000	199,031,000
<b>Retrospective Adjustments</b>							
Primary Liability Program							
Deposits	(76,368)	-	6,137,373	-	-	-	-
Refunds	536,102	-	-	-	-	-	-
Primary WC Program							
Deposits	(921,909)	-	-	-	-	-	-
Refunds	862,769	-	-	-	-	-	-
Total Retro Adjustments	400,594	-	6,137,373	-	-	-	-
<b>Other Revenues</b>							
Property Program Admin Fee	1,125,700	675,000	1,287,829	689,000	675,000	825,000	842,000
Liability Trust Fund Admin Fee	138,949	197,300	144,368	207,200	202,699	212,800	223,400
Annual Conference Sponsorship	191,500	201,100	278,000	211,200	291,500	291,500	306,100
RMEF Registration Fees	32,780	34,400	48,110	36,100	40,000	42,000	44,100
Academies	1,875	-	-	-	-	-	-
CCCSIF Admin Fee	19,200	19,200	19,200	19,200	19,200	19,200	19,200
UST Financial Guarantee	23,002	24,200	21,585	25,400	22,380	23,500	24,700
Retro Payment Plan Fees	(41,617)	-	42,147	-	-	-	-
Miscellaneous Fees	188,723	2,600	50,916	2,600	-	-	-
Total Other Revenues	1,680,112	1,153,800	1,892,155	1,190,700	1,250,779	1,414,000	1,459,500
<b>Non-Operating Revenues</b>							
Gain (loss) on disposal of fixed assets	(948,490)	-	-	-	-	-	-
Investment Income	10,042,695	5,289,000	12,136,237	5,553,000	9,049,148	6,840,000	6,977,000
Unrealized Gains (Losses)	6,555,520	-	10,351,960	-	-	-	-
Total Non-Operating Revenues	15,649,725	5,289,000	22,488,197	5,553,000	9,049,148	6,840,000	6,977,000
<b>Total Revenues</b>	<b>\$ 159,460,260</b>	<b>\$ 156,067,800</b>	<b>\$ 180,328,448</b>	<b>\$ 160,814,700</b>	<b>\$ 176,075,860</b>	<b>\$ 201,362,000</b>	<b>\$ 207,467,500</b>

## Revenue Detail for Insured Programs

	2023-24 Actual	2024-25 Adopted	2024-25 Actual	2025-26 Adopted	2025-26 Estimated	2026-27 Proposed	2027-28 Proposed
<b>Property Insurance Program</b>							
Pass-through Premium	\$ 22,326,059	\$ 24,626,000	\$ 24,494,553	\$ 25,119,000	\$ 25,578,105	\$ 23,664,000	\$ 24,137,000
Aggregate Deductible Funding	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000
Broker Fee	426,481	430,000	501,000	440,000	451,000	460,000	470,000
California JPIA Admin Fee	575,000	675,000	675,000	689,000	675,000	825,000	842,000
Appraisal Funding Fee	200,000	200,000	200,000	200,000	100,000	100,000	100,000
Safehub Funding Fees	256,500	333,000	333,319	340,000	-	-	-
Fireline Defense Funding Fees	80,000	80,000	80,000	80,000	100,000	100,000	100,000
Subtotal	28,864,040	31,344,000	31,283,872	31,868,000	31,904,105	30,149,000	30,649,000
<b>Pollution Insurance Program</b>							
Pass-through Premium	515,065	526,000	547,120	538,000	535,848	565,000	577,000
Broker Fee	50,000	50,000	50,000	50,000	50,000	50,000	50,000
Subtotal	565,065	576,000	597,120	588,000	585,848	615,000	627,000
<b>UST Financial Guarantee</b>							
Pass-through Premium	18,502	19,700	20,722	20,900	17,880	19,000	20,200
Deductible Funding	4,500	4,500	863	4,500	4,500	4,500	4,500
Subtotal	23,002	24,200	21,585	25,400	22,380	23,500	24,700
<b>Total Revenues</b>	<b>\$ 29,452,107</b>	<b>\$ 31,944,200</b>	<b>\$ 31,902,577</b>	<b>\$ 32,481,400</b>	<b>\$ 32,512,333</b>	<b>\$ 30,787,500</b>	<b>\$ 31,300,700</b>

# Coverage Expenses

	2023-24 Actual	2024-25 Adopted	2024-25 Actual	2025-26 Adopted	2025-26 Estimated	2026-27 Proposed	2027-28 Proposed
<b>Coverage</b>							
<b>Claim Payments</b>							
Primary Liability Program	\$ 34,547,372	\$ 35,709,800	\$ 32,495,564	\$ 33,560,300	\$ 39,144,475	\$ 48,857,251	\$ 44,863,939
Excess Liability Program	6,068,950	3,050,700	12,924,619	1,715,100	24,603,126	12,582,449	12,220,266
Primary WC Program	22,704,938	26,278,000	28,506,889	26,565,300	28,284,943	29,229,564	28,998,348
Excess WC Program	-	150,000	655,166	200,000	1,637,996	1,454,636	1,352,832
Property Program	5,059,153	1,710,000	5,889,314	2,494,200	5,768,757	10,000,000	11,500,000
Subtotal	68,380,413	66,898,500	80,471,552	64,534,900	99,439,296	102,123,900	98,935,385
<b>Change in Claim Reserves</b>							
Primary Liability Program	10,509,000	-	36,067,000	-	-	-	-
Excess Liability Program	4,731,000	-	11,432,000	-	-	-	-
Primary WC Program	(2,114,000)	-	1,051,000	-	-	-	-
Excess WC Program	2,030,000	-	307,000	-	-	-	-
Subtotal	15,156,000	-	48,857,000	-	-	-	-
<b>Claims Administration</b>							
Liability, Primary and Excess	3,324,839	3,510,000	3,467,674	3,686,000	3,270,960	3,435,000	3,608,000
WC, Primary and Excess	3,875,690	4,044,000	4,020,030	4,195,000	4,194,825	4,406,000	4,627,000
Subtotal	7,200,529	7,554,000	7,487,704	7,881,000	7,465,785	7,841,000	8,235,000
<b>Excess/Reinsurance Premiums</b>							
Primary Liability Program	10,977,451	15,264,000	15,399,633	16,026,900	14,464,983	20,306,000	22,243,050
Excess Liability Program	4,429,145	5,963,000	7,133,191	6,260,700	5,922,317	8,312,270	9,106,150
Primary WC Program	3,285,491	3,865,000	4,358,948	4,058,800	4,149,761	5,019,184	5,594,662
Excess WC Program	1,265,191	1,503,000	1,695,146	1,578,700	1,435,911	1,733,912	1,946,818
Property Program	24,009,953	24,626,000	23,688,071	25,119,000	22,733,404	23,664,000	24,137,000
Pollution LL Program	520,232	526,000	448,776	538,000	535,848	565,000	577,000
UST Financial Guarantee	18,502	19,700	16,988	20,900	22,380	19,000	20,200
Subtotal	44,505,965	51,766,700	52,740,753	53,603,000	49,264,604	59,619,366	63,624,880
<b>Brokerage</b>							
Primary Liability Program	188,602	192,600	229,546	202,200	210,652	221,000	232,100
Excess Liability Program	51,864	54,600	39,605	57,300	49,357	51,800	54,400
Primary WC Program	51,351	64,200	27,264	67,400	20,774	21,800	22,900
Excess WC Program	15,951	9,600	20,585	10,100	43,297	45,400	47,600
Property Program	376,481	430,000	451,000	440,000	451,000	460,000	470,000
Pollution LL Program	50,000	50,000	50,000	50,000	50,000	50,000	50,000
Subtotal	734,249	801,000	818,000	827,000	825,080	850,000	877,000
State Assessment, WC	1,316,962	1,382,800	3,433,353	1,451,900	853,633	1,579,200	1,658,200
<b>Total Coverage</b>	<b>\$ 137,294,118</b>	<b>\$ 128,403,000</b>	<b>\$ 193,808,362</b>	<b>\$ 128,297,800</b>	<b>\$ 157,848,397</b>	<b>\$ 172,013,466</b>	<b>\$ 173,330,465</b>

# General and Administrative Expenses

	2023-24 Actual	2024-25 Adopted	2024-25 Actual	2025-26 Adopted	2025-26 Estimated	2026-27 Proposed	2027-28 Proposed
<b>Salaries, Benefits and Taxes</b>							
Salaries	\$ 5,063,672	\$ 6,027,300	\$ 5,972,682	\$ 6,731,200	\$ 6,119,022	\$ 7,221,000	\$ 7,758,700
Benefits	3,597,699	2,764,900	4,613,285	2,958,500	3,338,443	3,535,800	3,488,500
Payroll Taxes	482,478	548,300	533,217	590,300	619,362	619,300	648,600
<b>Total Salaries, Benefits and Taxes</b>	<b>9,143,849</b>	<b>9,340,500</b>	<b>11,119,184</b>	<b>10,280,000</b>	<b>10,076,827</b>	<b>11,376,100</b>	<b>11,895,800</b>
<b>General and Administrative</b>							
Academies	1,245,628	810,700	977,837	730,400	742,130	644,200	902,540
Annual Meeting	66,769	46,500	96,183	49,700	47,513	67,250	67,950
Streaming Educational Content	-	598,800	-	1,244,000	-	328,000	350,800
Committee Meetings	144,431	135,500	134,281	139,600	153,435	162,300	158,900
Crime Premium: California JPIA	5,470	5,600	5,752	6,000	5,670	6,100	6,300
Learning Management Software	799,961	839,000	1,345,365	917,200	896,050	934,300	969,501
Specialized Member Training	99,279	180,000	21,845	210,000	153,874	135,000	135,000
Depreciation Expense	592,758	575,000	837,564	575,000	560,290	575,000	575,000
Facilities: Maintenance	159,798	91,200	118,634	89,700	110,479	129,400	139,000
Hardware, Equipment, Furniture	26,543	12,800	70,499	137,100	79,206	87,700	205,300
Licensing and Renewals	169,578	257,500	283,958	222,600	172,263	536,500	511,900
Marketing	356,867	870,300	376,043	726,200	650,937	738,500	733,900
Memberships and Dues	61,027	60,000	81,108	58,300	58,876	73,000	75,950
Mileage Reimbursement	7,441	5,700	3,353	5,900	6,448	8,900	9,150
Office Supplies	62,665	79,200	95,927	77,100	93,146	140,000	128,200
Other General & Administrative	145,028	65,400	66,334	65,400	98,140	309,400	254,800
Property Premium: California JPIA	69,303	76,900	76,845	84,600	72,187	70,800	77,900
Recruitments	3,269	6,100	11,996	6,600	2,000	15,700	16,000
Risk Mgmt Educational Forum	1,059,581	792,000	1,044,467	831,000	1,124,268	1,304,650	1,371,000
Online Course Development	530,858	845,000	348,113	1,105,000	639,365	535,000	495,000
Subscriptions and Books	17,320	7,600	20,115	7,400	14,146	6,100	6,300
Training and Education	166,710	191,300	137,240	208,200	174,361	173,300	223,700
Travel, Conferences, and Meetings	214,775	240,200	157,273	233,200	270,897	328,350	315,680
Utilities	146,858	134,900	145,575	136,100	124,855	115,500	177,600
Classroom Training	2,924,899	3,153,000	3,412,851	3,994,000	3,582,544	4,277,900	5,118,900
<b>Total General and Administrative</b>	<b>\$ 9,076,816</b>	<b>\$ 10,080,200</b>	<b>\$ 9,869,158</b>	<b>\$ 11,860,300</b>	<b>\$ 9,833,080</b>	<b>\$ 11,702,850</b>	<b>\$ 13,026,271</b>

## Contractual Services and Total Expenses

	2023-24 Actual	2024-25 Adopted	2024-25 Actual	2025-26 Adopted	2025-26 Estimated	2026-27 Proposed	2027-28 Proposed
<b>Contractual Services</b>							
Actuarial Services	\$ 95,611	\$ 231,900	\$ 145,288	\$ 146,600	\$ 168,711	\$ 235,600	\$ 239,100
Audit Services	88,076	100,100	92,110	104,000	105,917	138,400	116,900
CRM Software	337,600	344,700	533,722	346,000	303,772	35,300	34,800
Employment Law Resource	10,977	30,000	79,599	30,000	22,997	148,800	49,900
Equipment Lease Agreements	33,524	29,900	36,607	29,900	28,917	36,400	36,400
Finance System Development	20,510	57,900	25,237	60,900	54,300	-	-
Investment and Bank Services	227,954	226,300	227,589	240,300	224,036	324,000	337,400
Fleet Vehicles	23,479	15,800	15,008	17,000	12,080	16,200	17,400
Legal Services	136,445	115,400	77,436	115,400	129,359	218,100	170,700
Legislative Services	-	25,000	-	40,000	36,000	81,600	94,500
Loss Control Services	944,197	1,835,300	971,984	1,873,400	1,509,029	2,837,300	2,881,900
Risk Management Evaluations	68,045	130,000	27,223	130,000	89,736	182,000	182,000
RMIS Software	254,370	260,000	260,920	270,400	4,800	-	-
Special Projects	684,712	311,200	394,405	306,200	240,000	228,900	462,800
Technology Support	292,608	190,300	213,214	185,300	197,232	203,140	193,740
Other Contractual Services	284,704	446,300	388,025	417,400	244,635	967,900	472,300
<b>Total Contractual Services</b>	<b>3,502,812</b>	<b>4,350,100</b>	<b>3,488,367</b>	<b>4,312,800</b>	<b>3,371,521</b>	<b>5,653,640</b>	<b>5,289,840</b>
<b>Total Expenses</b>	<b>\$ 159,017,595</b>	<b>\$ 152,173,800</b>	<b>\$ 218,285,071</b>	<b>\$ 154,750,900</b>	<b>\$ 181,129,825</b>	<b>\$ 200,746,056</b>	<b>\$ 203,542,375</b>
<b>Capital Outlay</b>							
Building and Improvements	2,292,085	4,749,000	67,770	4,194,000	15,000	6,025,000	5,691,500
Furniture and Equipment	59,998	18,000	183,115	460,000	40,000	-	-
Software Development	758,860	1,384,000	722,020	484,000	1,100,000	559,900	678,500
<b>Total Capital Outlay</b>	<b>\$ 3,110,943</b>	<b>\$ 6,151,000</b>	<b>\$ 972,905</b>	<b>\$ 5,138,000</b>	<b>\$ 1,155,000</b>	<b>\$ 6,584,900</b>	<b>\$ 6,370,000</b>

# Expenses by Department

	2023-24	2024-25	2024-25	2025-26	2025-26	2026-27	2027-28
	Actual	Adopted	Actual	Adopted	Estimated	Proposed	Proposed
Administrative Services	\$ 1,005,635	\$ 1,676,483	\$ 1,221,544	\$ 1,801,182	\$ 1,458,017	\$ 1,304,500	\$ 1,226,100
Board and Committees	422,758	295,900	371,935	311,000	330,321	339,750	405,550
Communications	1,019,481	1,531,884	1,140,927	1,434,316	1,578,560	1,888,800	1,519,500
Executive Management	1,241,433	1,312,033	1,308,041	1,234,003	1,418,536	1,990,500	2,125,500
Facilities	1,410,028	1,270,900	1,787,134	1,296,900	1,052,480	1,120,400	1,135,500
Finance	1,457,086	1,771,400	1,706,935	1,709,000	1,139,160	2,082,100	2,121,500
Insurance Programs	30,588,545	27,829,900	30,889,484	29,256,800	30,974,652	35,132,800	37,292,700
Liability	75,769,073	64,901,900	120,487,600	62,609,600	88,406,870	95,697,970	94,145,005
Risk Management	3,530,819	4,426,500	3,949,686	4,580,100	3,908,324	6,090,400	6,215,400
Technology	2,258,804	2,737,500	3,259,596	3,438,800	2,929,428	2,383,740	2,648,841
Training	7,312,858	6,726,800	7,398,018	8,538,600	6,848,808	8,733,750	9,941,870
Workers' Compensation	33,001,075	37,692,600	44,764,171	38,540,600	41,084,669	43,981,346	44,764,910
<b>Total Expenditures</b>	<b>\$ 159,017,595</b>	<b>\$ 152,173,800</b>	<b>\$ 218,285,071</b>	<b>\$ 154,750,900</b>	<b>\$ 181,129,825</b>	<b>\$ 200,746,056</b>	<b>\$ 203,542,375</b>
<b>Capital Outlay</b>	<b>\$ 3,110,943</b>	<b>\$ 6,151,000</b>	<b>\$ 972,905</b>	<b>\$ 5,138,000</b>	<b>\$ 1,155,000</b>	<b>\$ 6,584,900</b>	<b>\$ 6,370,000</b>

## Department Activity Reports

## Administrative Services Department

### Activity

The Administrative Services Department provides administrative support to Authority staff and members, including preparing meeting agendas, taking minutes, maintaining Authority documents and files, implementing the records retention policy, and coordinating responses to public records requests to ensure timely, responsive retrieval and review of requested public documents.

Additionally, the administrative services staff coordinates the Authority's human resources functions, including recruitment and onboarding of new staff, retirement planning, classification and compensation reviews, employee benefits and open enrollment, and employee relations issues.

Finally, the team supports the Authority with routine administrative tasks such as event logistics, fleet management, shipping and receiving, managing incoming and outgoing mail, office supplies procurement, phone call triage, and a variety of miscellaneous support for Authority staff.

### Significant Budget Changes

Beginning with fiscal year 2024-25, Human Resources was consolidated as part of the Administrative Services Department. The consolidation better aligns the budget with how the department operates and the inherent overlap of Human Resources and Administrative Services. Additionally, the Agency Clerk is included in the Administrative Services Department budget.

Administrative Services Department Workload and Performance Statistics				
Metric	2024-25 Actual	2025-26 Estimated	2026-27 Forecasted	2027-28 Forecasted
Form 700s Processed	100	100	100	100
Public Records Requests	8	42	100	100
Employee Recruitments	3	3	2	2
Employee Retention Rate	93.3%	97.1%	97.2%	97.2%
Internal Training and Professional	2	4	5	5

## Board and Committees Department

### Activity

Through the Executive Committee and Advisory Committee structure, the Board and Committees Department provides policy guidance to the Authority regarding the delivery of programs and services to members, and is responsible for the administration of Board and Committee meetings. The Agency Clerk prepares agendas, facilitates the agenda review process, records attendance at meetings, and prepares meeting minutes for the Authority's governing bodies and committees. The Agency Clerk also administers and ensures compliance with applicable laws, including the Ralph M. Brown Act and other Open Meeting requirements.

### Significant Budget Changes

None

Board and Committees Department Workload and Performance Statistics				
Number of Meetings	2024-25 Actual	2025-26 Estimated	2026-27 Forecasted	2027-28 Forecasted
Board of Directors	1	1	1	1
Executive Committee	15	16	15	14
Claims Committee	12	12	12	12
Managers Committee	3	4	4	4
Finance Officers Committee	3	4	4	4
Risk Managers Committee	3	3	4	4
Other (Appeals, Budget, Coverage, Underwriting, Personnel)	9	9	9	9
Liability Trust Fund	12	12	12	12
Central Coast Cities SIF	1	1	1	1

## Communications Department

### Activity

The Communications Department is responsible for member and public outreach, including the website, digital and print media, program campaigns, prospective member outreach, and strategic marketing. The department also provides marketing and media support to all departments.

The highest stand-alone communications cost in both FY 2026–27 and FY 2027–28 relates to website administration and ongoing updates, and design consultation. This investment is central to maintaining and improving the Authority's website, which is a core digital communications platform for member-facing resources.

Overall, the budget focuses on the Authority’s priorities around member engagement, communication effectiveness, and maintaining a strong digital presence, while continuing to build internal talent.

Significant Budget Changes

The FY 2026–27 budget includes a member survey. This is a planned, periodic expense that is conducted on a three-year cycle and is therefore only budgeted in FY2026-27.

A major cost driver in the FY 2026–27 budget is compliance with ADA Title II digital accessibility requirements, including website and PDF remediation services. \$200,000 is allocated for this purpose. This investment is complemented by a planned \$200,000 website redesign to modernize the Authority’s digital presence and support ongoing accessibility compliance.

Communications Department Workload and Performance Statistics				
Metric	2024-25 Actual	2025-26 Estimated	2026-27 Forecasted	2027-28 Forecasted
Number of Engaged Website Sessions	54,995	59,120	63,554	68,320
Prospective Member Meetings	48	30	22	20
Local Communications Industry Events	5	3	3	3

**Executive Management Department**

Activity

The Executive Management Department is responsible for directing and overseeing Authority operations to further the policy direction established by the Board of Directors and Executive Committee.

The Chief Executive Officer is responsible for planning, organizing, and directing Authority activities. The Chief Executive Officer makes recommendations to the Executive Committee and Advisory Committees concerning policies, programs, services, budget, finances, regulations, and laws. Executive staff takes primary responsibility for strategic planning and outreach.

The Authority's sponsorship commitment includes League of California Cities Premier Partner, Elite Sponsor of the League of California Cities City Managers Conference, California Contract Cities Association Platinum Associate Member, Foundation Circle

Sponsor of the California City Managers Foundation, Municipal Management Association of Southern California Platinum Partner, Municipal Management Association of Northern California Bronze Partner, Institute for Local Government Silver Partner, Silver Sponsor of the Public Agency Risk Management Association, Platinum Sponsor of the Orange County City Manager Association, and Platinum Sponsor of the San Gabriel Valley City Managers' Association.

#### Significant Budget Changes

None

### **Facilities Department**

#### Activity

The primary function of the Facilities Department is to plan, establish, and maintain a work environment that effectively supports the goals and objectives of the Authority. The physical premises are 27 years old and the use of meeting spaces averages about 100 events each year. The department is responsible for the maintenance of all buildings, landscape, and hardscape of the Authority's campus. Staff provides maintenance of exterior and interior areas, assisted by contractors who provide weekly landscaping and regular cleaning. An arborist is used to assist with tree trimming and care. Vendors are used to maintain building systems such as plumbing, HVAC, elevators, and security systems.

#### Significant Budget Changes

Multiple significant facilities projects are planned for FY 2026-27 and FY 2027-28: (1) install solar panels on the Yosemite Building \$270,000; (2) replace the carpet in both existing buildings \$100,000; (3) paint the exterior of both existing buildings \$85,000; (4) remodel restrooms in the Redwood Building \$80,000; (5) install electric vehicle charging stations in the existing parking lot \$60,000; and (3) rebuild the pergolas in the Mariposa courtyard \$20,000.

In addition, the construction of the new building is anticipated to be completed in late FY 2027-28 or early FY 2028-29. The estimated cost of the project is \$10.8 million.

Facilities Department Workload and Performance Statistics				
Metric	2024-25 Actual	2025-26 Estimated	2026-27 Forecasted	2027-28 Forecasted
Number of Meeting Set-Ups	22	83	75	100
Safety Inspections Performed	12	12	16	16
Maintenance and Repair Projects	32	41	35	35

## Finance Department

### Activity

The Finance Department is responsible for all financial activities of the Authority, including cash and treasury management, member billing, underwriting, cost allocation, financial reporting and compliance, internal control enforcement, investment portfolio oversight, accounts receivable, accounts payable, payroll processing, and the coordination of actuarial studies.

### Significant Budget Changes

The Finance Department budget includes funding for the Paylocity payroll system, Sage Intacct technical support, and software licensing.

Finance Department Workload and Performance Statistics				
Metric	2024-25 Actual	2025-26 Estimated	2026-27 Forecasted	2027-28 Forecasted
CJPIA Portfolio Average Yield to Maturity	3.32%	3.90%	4.01%	4.01%
Sequoia Pacific Portfolio Total Return	11.44%	7.10%	7.00%	7.00%
AR Transaction Volume	1,105	1,200	1,200	1,200
AP Transaction Volume	3,342	3,174	3,300	3,300
Cost Indications Presented	10	11	6	4

## Insured Programs Department

### Activity

The Insured Programs Department functions as the primary liaison between the Authority and members concerning coverage and insurance issues; provides oversight and direction for placement of excess, reinsurance, and commercial insurance for the Authority's various programs; establishes and maintains day-to-day contact with insurance brokers, third-

party administrators, and members; reviews contracts for appropriate insurance and indemnity provisions; and issues evidences of coverage.

Member participation in the various commercial programs is high, with over 90 percent participating in the property program, 70 percent participating in the pollution program, and over 80 percent participating in the special events and crime programs.

The Insured Programs Department is responsible for identifying, evaluating, and employing new coverage innovations for the Authority. Over time, new programs such as Property Damage Recovery, and Financial Guarantee for Underground Storage Tanks have been introduced. The Foreign Travel Program, which covers members who travel outside the United States is also available. Additionally, the Authority has procured Directors and Officers, Errors and Omissions, and cyber coverage on behalf of members.

Engaging with the insurance brokerage teams and members involves travel throughout the year to maintain relationships with brokers, underwriters, and members. These interactions occur at multiple conferences during the year and at meetings specifically designed for underwriting discussions.

In 2018, the Authority initiated a rolling appraisal project to enhance the accuracy of its membership property schedule of values. The next phase is anticipated to occur in 2028. This project is included in the FY 2027-28 budget. An audit of the property program's third-party administrator, Sedgwick, is also planned during the next year and is included in the 2026-27 budget.

### Significant Budget Changes

None

Insured Programs Department Workload and Performance Statistics				
Metric	2024-25 Actual	2025-26 Estimated	2026-27 Forecasted	2027-28 Forecasted
Issue Evidence of Coverage Letter	743	750	760	760
Number of Property Claims	235	230	235	240
Members in the Property Program	114	115	116	117
Members in the Pollution Program	89	91	92	93
Members in the Crime Program	113	113	114	115
Members in Special Events Program	90	90	90	91

## Liability Department

### Activity

The Liability Department provides investigation, management, and disposition of liability claims and lawsuits brought against Authority members. Under the oversight of the Authority's Liability Program Manager, a third-party administrator is responsible for day-to-day claims adjusting and litigation management. Oversight of high-exposure claims is carried out by the Liability Program Manager in conjunction with the Claims Committee.

Claim payments, claims administration, and excess/reinsurance premiums comprise the majority of this department's expenditures. An annual claims audit of the third-party administrator is conducted to ensure compliance with performance standards and confirm that best practices are actively utilized in the management of claims. The budget also includes funding for contracted Employment Practices Liability (EPL) assistance when the Authority's Employment Practices Manager is not available.

### Significant Budget Changes

The Employment Hotline Program is primarily managed in-house by the Employment Practices Manager. However, employment hotline matters have increased substantially, requiring the increased use of outside resources. The budget includes funding to add an employment practices attorney position to help address the increasing number of hotline matters.

Third-party administration services were transitioned from Carl Warren and Company to Athens, with some administrative services contracted to temporary employees. The budget includes funding for all administrative services. The value of liability claim settlements continues to increase, particularly with respect to employment and law enforcement claims. The budget includes financial provisions for such claims, which are subject to substantial volatility due to the nature of the claims.

Liability Department Workload and Performance Statistics				
Metric	2024-25 Actual	2025-26 Estimated	2026-27 Forecasted	2027-28 Forecasted
Number of New Claims Handled	3,138	3,200	3,200	3,200
Total Claims Open at Fiscal Year End	1,611	1,800	1,800	1,800
Total Claims Closed During Fiscal Year	3,102	3,200	3,200	3,200
Claims Closed With No Pay	2,274	2,320	2,320	2,320
Claims Closed Without Litigation	2,580	2,630	2,630	2,630
Closing Claims Ratio	1.01	1.00	1.00	1.00

## **Risk Management Department**

### Activity

The Risk Management Department provides programs and services for members that include risk management evaluations and general risk management consulting; risk management policy and program templates; an Americans with Disabilities Act (ADA) assistance program; a sidewalk inspection and maintenance master services agreement with negotiated pricing; a risk technician program that assists with the implementation of loss control initiatives, policy template customization, and other risk management projects; a subscription for law enforcement and fire department policy manual updates and daily training bulletins; access to self-paced, scenario-based law enforcement training focused on helping personnel learn from common situations and recent court decisions; an anonymous workplace misconduct reporting system; an employee driving record monitoring system; cybersecurity assessment and phishing awareness services; public safety officer mental health and stress management support tools; wildfire risk identification and remediation services; and abuse prevention services focused on helping members ensure the safety of minors and other vulnerable populations while participating in public programs.

Department responsibilities include periodically providing each member with a comprehensive risk management evaluation, providing hands-on assistance to members in implementing recommendations, providing risk management consulting and contract review, developing sample policies and templates for members with assistance from independent legal counsel when appropriate, updating policies as needed to reflect statutory requirements and best practices, providing risk management programs and initiatives to proactively manage emerging risk exposures, and updating and distributing the Contractual Risk Transfer for Public Agencies Manual.

### Significant Budget Changes

The Risk Management Department is planning several initiatives that align with the Authority's strategic direction and address the primary drivers of claims and operational risk observed across the membership.

### *Law Enforcement Liability*

Law enforcement liability remains a significant driver of high-severity claims. Use-of-force incidents and operational decision-making under stress present persistent exposure despite existing training and policy controls. To address these risks, the department intends to explore advanced training resources that emphasize decision-making, de-escalation, and judgment under realistic conditions, including simulation-based training technologies that can be made available to members as a supplemental loss prevention

resource. The department is also exploring a partnership with retired police chiefs to provide advisory services and assistance with implementing evidence-based best practices for member police departments.

#### *Fire Loss Mitigation and Wildfire Exposure Management*

Wildfire-related losses and post-fire secondary impacts continue to present material risk to member property and infrastructure. The department will continue to support members by acting on wildfire risk assessments and inspections and encouraging mitigation of identified vulnerabilities, with the goal of reducing the likelihood and severity of catastrophic wildfire losses while supporting long-term asset resilience in higher-risk areas.

#### *ADA Assistance Program*

Americans with Disabilities Act claims continue to represent a persistent source of liability for member agencies, particularly as expectations around digital accessibility and public-facing services evolve. The department will make available additional funding to members to keep their ADA transition plans current, ensuring the Authority's investment over the past decade is preserved and that members have the tools necessary to continue improving accessibility of the built and digital environment.

#### *Land Movement Toolkit*

Land movement, debris flow, and soil instability continue to drive high-severity property losses, particularly following wildfire and extreme weather events. The department will continue to support members through the rollout and refinement of the Land Movement Toolkit and related resources, helping members evaluate site-specific geological risks and implement targeted mitigation strategies.

#### *Cyber Risk Assessment and Preparedness*

Cyber incidents remain a growing operational and financial risk for public agencies as reliance on digital systems continues to increase. The department will continue to support members through cybersecurity assessment services and awareness initiatives designed to identify vulnerabilities and improve preparedness, with a focus on strengthening internal controls and reducing the likelihood and impact of disruptive cyber events.

Risk Management Department Workload and Performance Statistics				
Metric	2024-25 Actual	2025-26 Estimated	2026-27 Forecasted	2027-28 Forecasted
Risk Management Evaluations	13	10	28	28
LossCAP Presentations	9	8	20	20
Contract Reviews	200	670	700	700

<b>The following statistics show program inception-to-date information since approximately 2015</b>	
Program	Participation
Americans with Disabilities Act (ADA) Assistance Program	88 Members
Sidewalk Inspection and Maintenance Program	44 Members
Sidewalk Trip Hazards Removed	184,763 Hazards Removed
Risk Technician Program	52 Members
Risk Technician Projects	90 Assignments Completed (2022–Present)
STOPit Anonymous Reporting Program	20 Members
Embark Driver Monitoring Program	22 Members 3,362 Drivers
Public Safety Mental Health and Wellness Program	16 Members 18 Departments
Lexipol Fire Policy Manual and Training Service	17 Members
Woodchipper Safety Shield	61 Members
The Briefing Room	32 Members
Wildfire Readiness Inspections	30 Members
Cybersecurity Assessments	27 Members
Cybersecurity Training and Phishing Simulation	42 Members
Abuse Prevention Resources	42 Members
Lexipol Law Enforcement Policy Manual and Training Service	34 Members

## Technology Department

### Activity

The Technology Department is responsible for administering data processing functions of the Authority, as well as maintaining the Authority's telephone and internet connectivity, website, and other technology initiatives. Under staff direction, the department utilizes consultants and vendors to maintain and secure the network and provide enhancements. The department budget includes most technology-related initiatives at the Authority.

The department's priorities for the upcoming budget cycle include establishing a Data Lakehouse for data management, developing data integrations to ensure data integrity and accessibility for analytics, expanding the use of agentic automation to improve workflow efficiency and accuracy, and improving cybersecurity response and resiliency.

### Significant Budget Changes

The budget includes funding to replace computers, which are replaced approximately every five years; adding a variety of software updates for security and staff productivity improvements, expanding the use of the Authority’s Learning Management Software (LMS) to improve members’ experiences, enhancements to the customer relationship management software to improve usage and productivity, and greater use of Microsoft Marketing software.

Technology Department Workload and Performance Statistics				
Metric	2024-25 Actual	2025-26 Estimated	2026-27 Forecasted	2027-28 Forecasted
Percent of Days Website Operational	100%	100%	100%	100%
Number of Staff Support Tickets Resolved	1,455	1,493	1,200	1,200
Average Time to Resolve Staff Support Tickets	≈ 0.52	≈ 0.54	≈ 0.50	≈ 0.50

### **Training Department**

#### Activity

A comprehensive training program is essential to reducing claims experienced by the pool. The Training Department provides training to support members’ professional development, facilitate robust risk management, and enhance good governance. Most training offered by the Authority is provided at no additional cost to members.

The Training Department offers a multi-faceted approach to learning. Authority training is classified as follows: Regulatory – those that Cal-OSHA or other regulatory agencies require for members to be in compliance with the law; Loss Driven – those that address pool losses and target loss prevention; Best Practices – those that are considered best risk management practices; and Professional Development – those that enhance individual skills within an organization.

The Training Department offers large-scale training on targeted topics through various academies as well as individualized training to member agencies. The various types of training offered are described in more detail below:

#### Classroom Training:

- Physical Classroom Training: Training delivered in person by an instructor. Generally, members can host classroom training at their own facilities when it is determined that this is the optimal mode of delivering the training topic. There is no cost to the member for classroom training.

- Virtual Classroom Training: Training delivered online by an instructor utilizing a remote meeting platform. Members may request virtual sessions for their staff. The Training Department provides regularly scheduled virtual sessions open to all members.
- Academies: Classroom trainings that primarily focus on a specific public-sector discipline. Each program is a multi-day training that presents essential theories and techniques to provide pragmatic solutions to solving everyday problems. Academies are designed to expand the skills of managers, supervisors, and leaders in areas such as delegation, motivation, organization, and working under pressure.
- Risk Management Educational Forum: Multi-day training that focuses on issues important to members of the pool and associated public-sector disciplines.

#### E-learning:

- Authority Online Courses: On-demand training content developed by the Training Department, accessed through the Authority's Learning Management System via the Internet. Online courses can be viewed anytime and anywhere with an internet connection.
- Mastery Technologies Online Courses: On-demand training content developed by third-party vendors, accessed through the Authority's Learning Management System via the Internet.

#### Streaming Educational Content:

- This is an emerging training delivery method for the Authority. Streaming content is recorded in various styles, providing programming on governance, risk management, and human resources. Streaming content is available to members on demand. Streaming topics mirror and expand on content from the academies and provide additional touch points with members at regular intervals throughout the year.

#### Significant Budget Changes

The FY 2026-27 budget projects 2,300 physical classroom training sessions, increasing to 2,600 sessions in FY 2027-28. Virtual classroom training is projected at 50 events in FY 2026-27 and 75 events in FY 2027-28. Scheduled academies for FY 2026-27 include Human Resources, Supervisor, Parks and Recreation, Executive, and Public Works, with Newly Elected Officials, Risk Management, Public Safety, and Elected Officials Summit academies planned for FY 2027-28.

The Training Department continues to partner with professional consultants to produce online training courses that meet the Authority's content standards. The FY 2026-27 content development budget includes four governance courses, three human resources courses, four ADA courses, three safety courses, and three miscellaneous courses. For FY

2027-28, three governance, three human resources, four ADA, four parks and recreation, and four miscellaneous courses are planned. The Authority will continue to use financial resources to develop and maintain relevant training offerings focused on regulatory compliance, best risk management practices, and loss control.

Training Department Workload and Performance Statistics				
Metric	2024-25 Actual	2025-26 Estimated	2026-27 Forecasted	2027-28 Forecasted
Classroom Training Attendees (in-person live)	25,878	27,943	35,092	39,494
Classroom Training Sessions (in-person live)	1,725	1,832	2,264	2,548
Virtual Training Attendees (on-line live)	1,269	369	850	1,275
Virtual Training Sessions (on-line live)	68	23	50	75
Academies held In Person	8	5	5	7
Streaming	0	2	2	3
E-Learning Course Completions	18,460	25,000	30,000	35,000

## Workers' Compensation Department

### Activity

The Workers' Compensation Department is responsible for ensuring that members' obligations under California workers' compensation laws are met legally and cost-effectively. Under the oversight of the Authority's Workers' Compensation Program Manager, a third-party administrator is responsible for the day-to-day claim adjustments, which include investigation, management, and resolution of workers' compensation claims brought against members by injured employees. The Workers' Compensation Program Manager meets regularly with the third-party administrator to discuss lost-time claims, high-exposure claims, and other issues. The Program Manager also provides authority for litigation referrals and settlements to the third-party administrator. Members meet with the program manager to discuss their claims and address any opportunities to enhance their agency's program. Claim payments, claims administration, and reinsurance/excess premiums comprise most of this department's expenditures. This budget also provides for annual claims management audits and includes an audit of the independent bill review company.

### Significant Budget Changes

The Department of Industrial Relations has confirmed that the annual assessment for all employers could increase by as much as 95 percent. The primary driver of the increase is the Subsequent Injuries Benefit Trust Fund (SIBTF), which is the subject of two competing legislative proposals. One proposal, sponsored by Governor Newsom, would significantly reduce the number of employees eligible for payments from the fund, while AB 1576

(Ortega) would have a less dramatic impact on eligibility criteria. The ultimate amount of the increase will be determined by which, if any, of the current legislative proposals becomes law.

Workers' Compensation Department Workload and Performance Statistics				
Metric	2024-25 Actual	2025-26 Estimated	2026-27 Forecasted	2027-28 Forecasted
Claims Open at Fiscal Year End	1,759	1,725	1,710	1,693
Claims Closed During the Fiscal Year	1,816	1,550	1,540	1,523
Average Indemnity Reserve	\$13,963	\$14,242	\$14,740	\$15,256
Average Medical Reserve	\$30,100	\$31,003	\$31,933	\$32,891
Dedicated TPA Staff count	23	23	23	23

# Sequoia Pacific Proposed Budgets

**Sequoia Pacific Reinsurance Company**  
**Operating Budget 2026-27 and 2027-28**  
**Summary of Proposed Revenues & Expenses**

	<b>2022-23</b> <b>Actual</b>	<b>2023-24</b> <b>Actual</b>	<b>2024-25</b> <b>Actual</b>	<b>2025-26</b> <b>Estimated</b>	<b>2026-27</b> <b>Proposed</b>	<b>2027-28</b> <b>Proposed</b>
<b>UNDERWRITING INCOME</b>						
Premium Written	\$ 11,826,000	\$ 14,360,000	\$ 21,189,000	\$ 19,141,000	\$ 24,852,000	\$ 26,445,000
Movement in Unearned Premium	-	-	-	-	-	-
Earned Premium	<u>11,826,000</u>	<u>14,360,000</u>	<u>21,189,000</u>	<u>19,141,000</u>	<u>24,852,000</u>	<u>26,445,000</u>
<b>UNDERWRITING EXPENSES</b>						
Paid Loss and LAE	743,471	14,046,591	7,971,266	14,100,500	14,805,525	15,545,801
Movement in Case Reserves	3,599,235	3,043,782	12,818,920	9,026,800	9,478,140	9,952,047
Movement in IBNR Reserves	<u>3,130,294</u>	<u>(375,373)</u>	<u>4,130,813</u>	<u>(3,018,235)</u>	<u>(3,169,147)</u>	<u>(3,327,604)</u>
Total Underwriting Expenses	<u>7,473,000</u>	<u>16,715,000</u>	<u>24,921,000</u>	<u>20,109,065</u>	<u>21,114,518</u>	<u>22,170,244</u>
Net Underwriting Income	4,353,000	(2,355,000)	(3,732,000)	(968,065)	3,737,482	4,274,756
<b>OPERATING EXPENSES</b>						
Captive Management Fees	64,005	67,205	85,000	89,300	93,800	98,500
Actuarial Fees	46,556	69,434	58,777	57,000	60,000	62,000
Legal Fees	4,939	3,848	3,805	5,250	5,513	5,788
Audit Fees	29,064	30,700	31,660	35,700	37,000	38,000
Bank Fees	535	249	219	300	315	330
License Fees	7,500	7,500	7,500	7,500	7,500	7,500
Meeting Expenses	<u>61,260</u>	<u>56,323</u>	<u>64,568</u>	<u>15,000</u>	<u>68,000</u>	<u>70,000</u>
Total Operating Expenses	213,858	235,260	251,529	210,050	272,128	282,118
<b>INVESTMENT INCOME &amp; RELATED CHARGES</b>						
Interest Income	2,478,779	2,799,975	3,516,078	3,342,400	5,800,800	5,937,700
Investment Management Fees	(180,891)	(211,866)	(252,659)	(291,000)	(283,000)	(327,000)
Realized Gain/Loss on Sales	(2,287,450)	(441,166)	13,133,295	382,900	1,396,308	1,856,778
Movement in Unrealized Gain/Loss on Investments	<u>5,875,894</u>	<u>8,801,934</u>	<u>(4,214,727)</u>	<u>3,439,100</u>	<u>2,167,666</u>	<u>1,704,137</u>
Net Investment Income	5,886,332	10,948,878	12,181,987	6,873,400	9,081,774	9,171,615
<b>Net Income</b>	<u>\$ 10,025,474</u>	<u>\$ 8,358,618</u>	<u>\$ 8,198,458</u>	<u>\$ 5,695,285</u>	<u>\$ 12,547,128</u>	<u>\$ 13,164,253</u>

Interest income was projected at +4% for 2026-27 and 2027-28.

# **Central Coast Cities Self Insurance Fund Proposed Budgets**

**Central Coast Cities Self Insurance Fund**  
**Operating Budget 2026-27 and 2027-28**  
**Summary of Revenues & Expenses**

	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>
	<b>Actual</b>	<b>Estimated</b>	<b>Proposed</b>	<b>Proposed</b>
<b>Operating Revenues</b>				
Contributions	\$ -	\$ 75,000	\$ -	\$ -
Total Operating Revenues	-	75,000	-	-
<b>Operating Expenses</b>				
Incurred claims expenses	88,826	264,718	150,000	100,000
Claims administration	23,175	23,175	23,175	23,175
Audit and actuarial services	2,100	4,100	4,200	4,400
Other contractual services	19,200	19,200	19,200	19,200
Total Operating Expenses	133,301	311,193	196,575	146,775
<b>Operating Income (Loss)</b>	(133,301)	(236,193)	(196,575)	(146,775)
<b>Non-Operating Revenues</b>				
Investment income	73,479	43,447	37,578	33,689
Net increase (decrease) in investment fair values	7,661	(1,702)	-	-
Total Non-Operating Revenues	81,140	41,745	37,578	33,689
Paid-In Capital				
<b>Change in Net Position</b>	(52,161)	(194,448)	(158,997)	(113,086)
<b>Beginning Net Position *</b>	1,931,063	1,878,902	1,684,454	1,525,457
<b>Ending Net Position</b>	<b>\$ 1,878,902</b>	<b>\$ 1,684,454</b>	<b>\$ 1,525,457</b>	<b>\$ 1,412,371</b>

# Description of Expense Accounts

## **Description of Expense Accounts**

### **Academies**

Academies are specialized trainings that focus on topic areas including City Council, Parks and Recreation, Public Works, Human Resources, Management, and Leadership.

### **Actuarial Services**

Includes annual actuarial studies as well as other special-purpose studies provided by outside vendors.

### **Annual Meeting**

Includes annual risk management awards, dinner expenses, attendee stipends, and travel expenses reimbursement.

### **Audit Services**

Covers expenses associated with attorney bill review audits for the liability and workers' compensation program defense panel. This account includes a claims audit of third-party administrators, as well as forensic accounting audits of third-party administrators performed by external auditors. Forensic accounting audits are not conducted every year.

### **Benefits**

Includes benefits that the California JPIA pays for employees, PERS and PARS retirement benefits, auto allowance, life insurance, long term disability, short term disability, AD&D, employee assistance program, OPEB, medical insurance for employees and retirees, vision, and dental. PERS and PARS administration fees are also included in this category.

### **Brokerage**

Includes services provided by an insurance broker for placement of excess and reinsurance for liability and workers' compensation, all-risk property, crime coverage, environmental pollution liability, and special events programs.

### **Capital Outlay**

Includes land and building improvements, furniture, equipment, and software costs which qualify under GASB 51 as intangible assets. Only qualifying capital expenditures of \$5,000 or more are recognized as the acquisition of a capital asset.

**Claim Payments**

Payment of member liability and workers' compensation claims. Recoveries are credited to claim files, and as such claim payments are stated net of recoveries. This account also includes payment of property claims which fall within the annual aggregate deductible.

**Claims Administration**

Claims-related services provided by the third-party administrators (TPAs).

**Committee Meeting Fees**

Compensation for member attendance at various committee meetings. Includes attendance fees, meeting refreshments and other expenses related to these meetings.

**Crime Premium: California JPIA**

Premium for the crime coverage policy, with the Authority as the insured party.

**CRM Software**

Customer Relationship Management software used to organize and share contact information and other relevant data for the benefit of Authority staff.

**Curriculum Development**

Training program standardization and identification of learning objectives for specific classroom training sessions, writing course syllabus, development of learning strategies and tactics, and project management for training program objectives involving the delivery of risk management training to member agencies.

**Depreciation Expense**

The amount of a fixed asset's value that is expensed in the current period based on the straight-line depreciation method. Applies to land and buildings, furniture and equipment, and capitalized software.

**Employment Law Resource**

Used for expenses related to specialized legal research and counsel made available to members on employment practice issues. These resources are typically used in a loss prevention capacity, as such the expenses cannot be attributed to specific claim files.

**Equipment Lease Agreements**

Includes copiers and printers, as well as postage meters.

**Excess and Reinsurance Premiums**

Includes excess and reinsurance premiums for the liability and workers' compensation programs.

**Facilities: Maintenance**

Includes janitorial, elevator, alarm system, fountain maintenance, electrical maintenance, air conditioning and heating maintenance as provided by agreement. Also includes fire extinguisher inspection and maintenance, extermination services, photovoltaic system, window and curtain cleaning, landscape maintenance, and expenses associated with various repairs and maintenance supplies.

**Finance System Development**

Includes the purchase of modules, software upgrades and updates, as well as programming support and user training. Excludes all I.T. support services which are not directly attributable to the Finance and Accounting System.

**Hardware, Equipment and Furniture**

Reflects the cost to replace or purchase furniture for the California JPIA facility. Includes the purchase of desktop computers, servers, printers, copiers, fax machines, hand tools, risk exposure equipment, and other equipment utilized by California JPIA employees.

**Investment and Bank Services**

Reflects investment services such as investment advisor's fee, independent portfolio evaluation, and investment portfolio custodian fee. Independent portfolio evaluation is not conducted every year.

**Legal Services**

Legal services provided by the California JPIA counsel. Also includes attorney opinions offered on risk management issues, advice and guidance concerning complex and sensitive employment-related issues; review of personnel policies; and advice and guidance concerning pension and benefit issues.

**Legislative Services**

Reflects legislative efforts, including CAJPA, on behalf of California JPIA members.

### **Licensing and Renewals**

Server warranty extensions, software upgrades, and other software-related licensing fees. This account excludes subscription fees related to the Resource Center, which is reported separately due to its materiality.

### **LMS Software**

Learning Management System software is used for training. The expense is composed primarily of annual subscription fees for software, and other costs associated with maintaining the system. The expense was referred to as Resource Center in prior years.

### **Loss Control Services**

Law Enforcement Policy manual subscription services and daily training bulletins made available for members. More recently this expense item has been expanded to include a variety of risk management initiatives such as the Risk Technician Program, the ADA assistance program, ADA software licensing, and the sidewalk maintenance and repair program.

### **LossCAP**

Shows staff travel expenses associated with providing risk management services and support to members under the LossCAP program. This account is charged to the Risk Management Department for all staff members who participate in providing these services including follow-up visits. This applies even when traveling staff members work under various departments. This expense excludes mileage reimbursement.

### **Marketing**

Includes costs for activities related to both existing members and prospective members. Activities include League of California Cities display booths, training brochures, classroom training catalog, prospective member visits, membership survey follow-up, staff shirts, sponsorships and other expenses associated with marketing.

### **Membership and Dues**

Memberships and dues for professional organizations such as CAJPA, RIMS, PARMA, etc.

### **Mileage Reimbursement**

Reimbursement for use of employee-owned vehicles at the IRS approved rate. Applies to employees that do not receive an auto allowance. Excludes mileage reimbursement for Training Specialist.

**Office Supplies**

General office supplies utilized by all personnel are placed in this category. Examples include postage, paper, pens, stationery, and note pads. This account also includes refreshments, soda, bottled water, coffee, service awards, special awards, bereavement flowers, and employment posters. Expenses in this account are allocated back to the departments on a position head-count basis.

**Online Course Development**

Training videos and streaming webcasts that are produced, recorded, and transmitted by the Authority to members.

**Other Contractual Services**

Includes consulting in support of the Human Resources Department, document imaging, equipment maintenance services in support of the Facilities Department, accounting services and process re-engineering in support of the Finance Department, and organization-wide consulting services related to records retention policy development and implementation.

**Other General & Administrative**

Includes temporary staffing services, contingency funds for unexpected expenses and opportunities, and a sanitation district assessment paid to Orange County for sewer usage.

**Payroll Taxes**

Payroll taxes include Social Security, Medicare, unemployment insurance, and the California JPIA workers' compensation primary and retrospective deposit.

**Premium: Environmental**

Premiums paid to insurers on behalf of members participating in coverage under the Environmental Pollution Liability Program.

**Premium: Property Program**

Premiums paid to insurers on behalf of members participating in the all-risk property program. Also includes earthquake, boiler and machinery, vehicle comp and collision, and emergency vehicles.

**Property Premium: California JPIA**

Premium for the all-risk property coverage policy, with the Authority as the insured party.

**Purchased Content**

Streaming training videos and out-of-the-box, third party content that is licensed by the Authority for members to use through the Resource Center.

**Recruitments**

Expenses incurred in the hiring of employees such as advertisements, pre-employment physical and psychological evaluation, background checks, and other recruitment related expenses.

**Risk Management Educational Forum**

All expenses associated with the annual risk management educational forum, meeting space, food, materials, lodging, speakers, etc.

**Risk Management Evaluations**

Covers the cost of providing onsite inspections of member facilities and properties, and compiling data which is used for the LossCAP program.

**RMIS Software**

Risk Management Information System is a software solution (database) that stores, organizes, and analyzes loss data, financial data, and other information to assist the Authority in identifying trends and other useful information for the purpose of loss prevention and loss mitigation.

**Salaries**

Normal payroll expenditures carried continuously and subject to all usual deductions. Vacation and sick leave cash out are also included in this category.

**Special Projects**

Specialized work performed by an outside consultant or agency. Examples include the contracts manual revision, and job analysis updates.

**State Assessment**

Amount charged to self-insured entities providing workers' compensation coverage to offset the cost of running the state's workers' compensation administration.

**Streaming Educational Content**

Streaming Educational Content expands on the content from Academies and provides additional touch points with members at regular intervals throughout the year to reinforce concepts from the Academies and make content available in condensed form.

**Subscription and Books**

Magazine subscriptions and purchase of professional books.

**Technology Support**

Onsite technical support, overall I.T. systems maintenance, and basic database maintenance.

**Training and Education**

Includes training and development of California JPIA employees and Executive Committee members. Costs associated with the Authority's annual strategic planning session are also charged to this account.

**Training Materials and Resources**

Printed and electronic materials associated with member training.

**Travel, Conferences, and Meetings**

Includes employee and committee expenses related to conferences, classroom training, and meetings. Reflects airfare, car rental, lodging, registration fees and other associated expenses. Excludes mileage reimbursement.

**Utilities**

Includes costs associated with the collection of trash, provision of electricity, water, and gas to the California JPIA. Also includes fees associated with telephone and data connections services.

**Classroom Training**

Training provided at member agencies including instructor fees, lodging and travel expenses, handout materials, and refreshments related to the Authority's training program. Also includes Training Specialist mileage reimbursement.



CALIFORNIA  
J · P · I · A

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# CALIFORNIA JPIA

## AGENDA REPORT

**To:** EXECUTIVE COMMITTEE

**From:** Alexander Smith, Chief Executive Officer

**By:** Alex Mellor, Risk Services Director

**Date:** June 17, 2026

**Subject:** Membership Consideration – City of Thousand Oaks

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### **Background**

The City of Thousand Oaks has applied to become a member of the California JPIA effective July 1, 2026. The City is located in Ventura County and operates as a general law city under a council-manager form of government.

Thousand Oaks is bordered by the Santa Monica Mountains and surrounded by legally protected open space. In 1977, the City and the Conejo Recreation and Park District (CRPD) formed the Conejo Open Space Conservation Agency (COSCA) to preserve and manage these resources. More than 15,000 acres, representing approximately 40 percent of the City's planning area, are dedicated to open space.

Thousand Oaks has an area of 56 square miles, serves a population of approximately 126,000, and has approximately 540 full and part-time employees. The City maintains an active municipal operation supported by an annual operating budget of approximately \$281 million. The organizational structure includes departments such as Community Development, Cultural and Community Services, Finance, Human Resources, Public Works, and the City Manager's Office, which collectively deliver a wide range of municipal services to residents and businesses.

The City contracts with the Ventura County Sheriff's Office for law enforcement services, while fire protection services are provided by the Ventura County Fire Protection District. Animal control services are provided through a contract with Los Angeles County.

Thousand Oaks has a strong entrepreneurial and innovation-driven economy and is characterized by a high-quality suburban environment and key economic anchors such as a regional shopping center, an auto mall, and California Lutheran University. Tourism and cultural assets further contribute to the local economy. To support the region's destination strategy, the City, the Greater

Conejo Valley Chamber of Commerce, and the City of Agoura Hills established the Conejo Valley Tourism Improvement District (CVTID) in fiscal year 2012-13.

The City of Thousand Oaks is being considered for participation in the Excess Liability Program with a \$2,000,000 member retained limit (MRL).

### **Initial Risk Management Evaluation**

An Initial Risk Management Evaluation (IRME) was conducted for the City of Thousand Oaks on May 13-14, 2026, as part of the underwriting process. Since the City is being considered only for participation in the Excess Liability Program at this time, the IRME focused on liability-related risk exposures. The evaluation reflects interviews with City staff, a review of relevant documents, and observations of conditions at the City Hall/Civic Arts Plaza. The IRME's purpose is to assist in evaluating the City's risk management posture and to identify areas where current operations, policies, and practices may benefit from revision to reduce risk exposure and support effective service delivery.

Overall, the City of Thousand Oaks participated in the evaluation process and provided materials and information for review. Based on interviews with City staff, executive leadership appears engaged and recognizes the importance of proactive risk management. While the City has areas in need of improvement, it is also actively managing risk across a variety of operational areas. The City consistently uses standardized agreement templates, collects evidence of insurance coverage from vendors and contractors, and maintains supporting documentation through its Laserfiche document management system and an internally developed tool that flags insurance renewals and contract expirations at 6, 3, and 1 months in advance of expiration. The City's Information Technology function conducts annual vulnerability and penetration testing, with identified issues prioritized and remediated.

The IRME identified 30 action items, including 5 critical items that warrant priority attention. The critical items relate to Americans with Disabilities Act (ADA) compliance—completing a self-evaluation and transition plan and adopting a formal grievance procedure—as well as driver safety training, a documented facility inspection program, and code enforcement officer safety, including vaccinations, self-defense training, and tactical communication training. The remaining items are concentrated in Human Resources and Agency Administration and largely involve updating and modernizing existing policies. Overall, these action items are consistent with those typically observed when onboarding new members and do not, individually or collectively, represent exposures atypical for an agency of this size and service profile.

The City expressed interest in the California JPIA because of its focus on risk management and the support it provides to members. Thousand Oaks will be required to work with its assigned Authority risk manager to develop realistic and achievable completion dates for the action items noted in the IRME report.

### **Annual Contribution**

Based on payroll and loss experience, Thousand Oaks was quoted an annual contribution of \$1,082,000 for the Excess Liability Program with a \$2,000,000 MRL.

The highest severity claims in the City’s loss history include a dangerous roadway condition claim, a City vehicle collision with multiple claimants, a public works dump truck rear-end collision, and a trip and fall at a City facility. None of these claims exceeded the City’s \$2,000,000 MRL.

### **Summary**

The City of Thousand Oaks participated in the underwriting process and provided materials necessary for a thorough review of its application. The information reviewed indicates that the City is an established, professionally managed organization seeking participation in the Excess Liability Program, with a proposed effective date of July 1, 2026.

The City demonstrates several risk management practices that align with established approaches and an engaged executive management team. On balance, the City presents as a membership candidate whose identified areas of need are typical of incoming members and are reasonably expected to be addressed through its partnership with the Authority.

### **Recommended Action**

It is recommended that the Executive Committee review and approve the City of Thousand Oaks’ application for membership.

# CALIFORNIA JPIA

## AGENDA REPORT

**To:** EXECUTIVE COMMITTEE

**From:** Alexander Smith, Chief Executive Officer

**By:** Jeff Rush, Workers' Compensation Program Manager

**Date:** June 17, 2026

**Subject:** Athens Administrators Workers' Compensation Contract Renewal

---

Athens Administrators has provided claims administration and related services for the Authority's workers' compensation program since January 1, 2023. The initial three and a half year agreement expires on June 30, 2026 and staff has been negotiating terms for a renewal.

Athens has provided exemplary service to the Authority and its members, as evidenced by audit scores of 92.17% in 2024, 94.28% in 2025 and 96.84% earlier this year. After several rounds of negotiations, the following compensation changes were settled upon for the 3-year renewal:

Claims administration	3% annual rate increase (\$4,320,670 fee for 2026/27)
Nurse case management	3% annual rate increase (per event)
Utilization review	2% annual rate increase (per event)
Bill review	1.5% annual rate increase (per event)

Staff believes the proposed contract will fairly compensate our claims team and the other employees who work on our program while helping to manage costs on behalf of the membership.

### **Recommended Action**

It is recommended that the Executive Committee approve the 3-year agreement with Athens Administrators for workers' compensation claims administration services through June 30, 2029 with a flat annual fee for 2026/27 of \$4,320,670, a 3% increase from the expiring contract, with other related services priced as indicated in the attached proposal.



# CJPIA

## Pricing Proposal

**Michael Landa**  
EVP, Business Development  
mland@athensadmin.com  
949-296-3951

**Corporate Headquarters**  
**Athens Administrators**  
2552 Stanwell Dr. | Concord, CA 94520

CURRENT FLAT ANNUAL FEE	7/1/2025	6/30/2026		Fully Bundled Option
FLAT ANNUAL FEE	Start Date	End Date		TOTAL
Program Year 1	7/1/2026	6/30/2027		\$4,320,670
			(%) Variance from Current	3.00%
			(\$ ) Variance from Current	\$125,845
Program Year 2	7/1/2027	6/30/2028		\$4,450,290
Program Year 3	7/1/2028	6/30/2029		\$4,583,800

PROPOSED STAFFING MODEL	STAFFING
Division Manager	1
Supervisor	3
Senior Claim Examiner	12
Claim Examiner II	1
Assistant Claim Examiner	4
Three Point Contact Desk	1
Medical Only Examiner	1
<b>Total Number of Fully Dedicated Staff</b>	<b>23</b>

### PRICING NOTES

- 1) Pricing contemplates Athens providing both claim administration and managed care services.
  
- 2) Full Claims Admin. Pricing contemplates annual new claim volume of:

Indemnity	498
Medical Only	354
Info. Only/Report Only	360
  
- 3) Full Claims Admin. Pricing contemplates the takeover of the following open historical claims.

Indemnity	693
Future Medical	537
Medical Only	52
  
- 4) **Claim Volume:** In the event that new annual claim volume exceeds the assumptions noted above than each claim above the stated number will be charged at the per claim fees noted within the terms of this proposal.

### ADDITIONAL SERVICES

Annual Administration Fee - Includes the noted services below:	\$0
<i>Banking - includes the management of (15) bank accounts and a (15) monthly escrow replenishment. Additional bank accounts and/or replenishment requests will be charged at a rate of \$600 per month.</i>	Included
<i>Data Management</i>	Included
<i>Account Management</i>	Included
<i>Claim Reporting (web, fax, telephonic)</i>	Included
<i>Designated or Dedicated Bi-lingual Staff (Spanish)</i>	Included
<i>On-Line Claim System + Dashboard Access (Up to 5 Users)</i>	Included
<i>Annual Stewardship Report</i>	Included
<i>Electronic Delivery of Monthly Loss Runs</i>	Included

MEDICAL BILL REVIEW				
	Year 1	Year 2	Year 3	
Medical Fee Schedule Reduction (OMFS) (Includes: Medical, Pharmacy and Supplies)	\$7.21	\$7.43	\$7.65	Per Bill
Hospital In an Out Patient Fee Schedule Reductions	\$600	\$618	\$636	Per Bill
<i>PPO Network Reductions</i>	23%	23%	23%	of Savings
<i>Percentage applied below fee schedule reduction</i>				
Specialty Bill Review Reductions	20%	20%	20%	of Savings
<i>Specialty Bill Review - Subject to Maximum fee of \$3,000 Per Bill</i>				
Duplicate Bills (No Charge to Review)	\$0.00	\$0.00	\$0.00	

UTILIZATION REVIEW, CASE MANAGEMENT AND PHYSICIAN REVIEW				
	Year 1	Year 2	Year 3	
Concurrent, Prospective and Retrospective Review	\$145	\$150	\$154	Flat Fee
<i>UR appeals: Peer to Peer</i>	\$300	\$309	\$318	Per Hour
Authorization Only	\$40	\$41	\$42	Flat Fee
Case Management				
	Year 1	Year 2	Year 3	
Telephonic Nurse Case Management (Per Hour)	\$127	\$132	\$135	
<i>Field Case Management (Per Hour + Travel &amp; Mileage)</i>	\$134	\$138	\$142	
Catastrophic Case Mgmt. (Per Hour + Travel & Mileage)	\$149	\$154	\$158	

	Year 1	Year 2	Year 3	
Peer Review				
Physician Peer Review	\$300	\$310	\$320	Flat Fee
Records Review	\$250	\$265	\$280	Per Hour

ADDITIONAL RELATED SERVICES	
Pharmacy Benefits Management (PBM)	Included
Claim Reporting	Included
Predictive Modeling	Included
Jarvis Claim Communication System	Included
New Loss Text Messaging to Injured Workers	Included
CMS Reporting (Verisk)	Included
Nurse Triage - Optional Service	\$180 Per Claim
Pharmacy Drug Review	\$125 Per Hour
Central Index Bureau & First and Subsequent Report of Incident Reporting	\$27 Per
Medical Provider Network	\$6.00 Per Bill
IT Special Projects (i.e., Custom report creation, API feeds & special conversions)	\$180 Per Hour

**Terms or Agreement**

1) Athens Administrators will invoice company for all basic fees on a monthly basis and such invoice shall be paid by company upon receipt of invoice.

Claims will be handled for the life of the contract (unless specifically noted as life of claim) with no additional per claim fees.

2) If you should decide to non-renew with Athens Administrators, the existing open files can be handled in one of two ways.

- a) Athens Administrators could continue to handle open files at our prevailing rates per year per open file.
- b) Athens Administrators would return the files to the client at the clients expense

3) Claim Volume Protection Clause: In the flat annual fee scenario if annual new claim inventory increases in any year beyond the noted annual inventory assumption in our pricing proposal then each claim beyond that number will be billed at the

Indemnity	= \$	1,000	Medical Only	= \$	165
Indemnity (Covid Related)	= \$	500			

4) Account Administration includes the following:

- a) Detailed status reports
- b) Settlement authority set at \$10,000
- c) Banking Administration
- d) Scheduled meetings/claim reviews

5) Data Management includes the following:

- a) Monthly claim reporting by e-mail or website
- b) Carrier report package by e-mail or website

6) Claim Reporting included the following:

- a) Telephonic 800#
- b) Web Reporting

7) Custom Report Creation: Access to Athens' complete report library is standard and included in fees. In the event client requires report customization there will be a charge of \$180 per hour to create required reports.

**Definition of Allocated Expense: Shall include, but not be limited to:**

Legal fees	Managed care expenses
Professional photographs	Medical examinations
Extraordinary cost for witness statements	Extraordinary travel made at client's request
Medical records	Court reports
Experts' rehabilitation costs	Accident reconstruction
Fees for service of process	Collection cost payable to third parties
Architects, Contractors and Engineers	Outside investigations
Police, fire, coroner, weather, or other such	Subrogation recovery fees
Property damage appraisals	Property damage appraisals
Sub rosa investigations	Index bureau filings
Official documents and transcripts	Chemist
Pre-and post-judgment interest paid	Claim intake fees

# CALIFORNIA JPIA

## AGENDA REPORT

**To:** EXECUTIVE COMMITTEE

**From:** Alexander Smith, Chief Executive Officer

**By:** Chris Kustra, Liability Program Manager

**Date:** June 17, 2026

**Subject:** 2026-2027 Memorandum of Coverage – Liability Program

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Each year we conduct an analysis of the prior year's Memorandum of Coverage to determine if there are needed revisions to add coverage, remove coverage, or clarify existing coverage. For the 2026/2027 Liability Memorandum of Coverage, staff discussed revisions with our General Counsel, Byrne Conley, and have agreed to several changes as noted below:

### Page 3: Protection Provided

We have added language which clarifies the Authority's right to recover both damages and defense costs from the member if the claim is being defended by the Authority under a reservation of rights.

### Page 20: Exclusion "P"

We have amended this exclusion to clarify that approval or disapproval is both discretionary and non-discretionary as to any rent control ordinance, outdoor advertising ordinance, adult bookstore ordinance, massage parlor ordinance or licensing related to any of these, operation of any cannabis dispensary, business, cultivator, or manufacturer; or any ordinances governing that activity and any and all enforcement efforts.

### Page 26: Protected Party's Duties in the Event of Occurrence or Claim

We have amended this section to include language which clarifies that the Member shall cooperate with the Authority in the defense of claims by executing settlement documents, when required.

Endorsement #3 is amended to reflect that:

- Azusa has increased its Member Retained Limit from \$250,000 to \$500,000
- Santa Clarita has increased its Member Retained Limit from \$100,000 to \$250,000
- Stanton is no longer an Excess Pool Member
- Thousand Oaks is added as a new Excess Pool Member with a \$2,000,000 Member Retained Limit

- Vista has increased its Member Retained Limit from \$150,000 to \$250,000

**Recommended Action**

The Coverage Committee will be evaluating the changes noted above prior to the Executive Committee and providing its recommendation. It is recommend that the Executive Committee follow the recommendation of the Coverage Committee, which will be provided at the meeting.



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for Our Public Agency Partners*

# MEMORANDUM OF COVERAGE LIABILITY PROGRAM

EFFECTIVE JULY 1, ~~2025~~2026—JULY 1,  
2026~~2027~~

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Issued to the «Agency»

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INTEGRITY  
EXCELLENCE  
INNOVATION  
TEAMWORK



MEMORANDUM OF COVERAGE: LIABILITY PROGRAM  
July 1, ~~2025~~2026–July 1, ~~2026~~2027

## MEMORANDUM OF COVERAGE LIABILITY PROGRAM

ADMINISTERED BY THE CALIFORNIA JOINT POWERS INSURANCE AUTHORITY

**MEMBER:** «Member\_Name»

**MAILING ADDRESS:** «Member\_Address»  
«City», «State» «Zip»

**PROTECTION LIMITS:** Primary layer: \$30,000,000

**PROTECTION PERIOD:** From July 1, ~~2025~~2026, at 12:01 a.m. Pacific Time until July 1, ~~2026~~2027, at 12:01 a.m. Pacific Time.

### ENDORSEMENT(S):

This Memorandum and any Endorsements thereto are a description of the terms and conditions of the Program through which certain specified and limited self-insured risks of liability are administered by the Authority and shared by its Members. *This Memorandum is not an insurance policy.* As provided in Section 990.8 of the California Government Code and appellate court cases of *Orange County Water District v. Association of California Water Agencies JPIA* (1997) and *City of South El Monte v. Southern California Joint Powers Insurance Authority* (1995), the pooling of self-insured claims or losses among the Members of the Authority shall not be considered insurance nor be subject to regulation under the Insurance Code.

California JPIA

A handwritten signature in black ink that reads "Margaret E. Finley".

President

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## I. INTRODUCTION

This **Memorandum of Coverage** (hereinafter **Memorandum**) is a description of the terms and conditions of the **Liability Program** (hereinafter **Program**) through which certain self-insured risks of liability are administered by the **California Joint Powers Insurance Authority** (hereinafter **Authority**) and shared by its **Members** pursuant to the Joint Powers Agreement creating the **Authority** under the provisions of Section 6500 et seq. of the Government Code.

As provided in Section 990.8 of the Government Code, pooling of losses in this **Program** is not insurance. The sole duty of the **Authority** is to administer the **Program** adopted by the **Members**. The **Authority** can indemnify only **Claims** or losses, which are pooled under the terms of this **Memorandum** and the Joint Powers Agreement. There is no transfer of risk from the **Member** or any **Protected Party** to the **Authority** nor assumption of risk by the **Authority**.

The provisions of the **Program** are subject to and subordinated to the Joint Powers Agreement or any action taken by the Executive Committee or the Board of Directors in connection with the **Program**. This **Program** has been adopted pursuant to action taken by the Executive Committee, and is subject to any amendment, modification or extension by the Executive Committee or the Board of Directors.

The terms of this **Memorandum** shall be construed in an evenhanded fashion in accordance with the principles of California contract law. If the language of this **Memorandum** is alleged to be ambiguous or unclear, the issue of how the protection should apply shall be resolved in a manner most consistent with the relevant terms of this **Memorandum** without regard to authorship of the language and without any presumption of arbitrary interpretation or construction in favor of either the **Protected Party** or the **Authority**. Any controversy or dispute arising out of or related to an interpretation or breach of this **Memorandum** shall be settled in accordance with the appeals procedures as set forth in this **Memorandum**.

Throughout this Memorandum, words and phrases that appear in bold print are defined in Section III. **DEFINITIONS**.

## II. PROTECTION PROVIDED

### A. *Payments on Behalf of Protected Parties* – Excess Liability Program – please see **Endorsement**

Subject to all provisions of this **Memorandum**, the **Authority** will cause the **Program** to pay on behalf of the **Protected Party** all sums that the **Protected Party** shall become legally obligated to pay as **Damages** by reason of **Tort Liability** imposed by law, or the **Tort Liability** of others assumed in a **Protected Contract**, because of:

1. Bodily Injury or Property Damage, including **Automobile Liability**
2. Personal Injury;
3. Public Officials Errors and Omissions;

4. Broadcast/Publication Injury;
5. Employment Practices Injury; or
6. Employee Benefit Administration Liability

caused by an **Occurrence** during the **Protection Period**, to which this **Memorandum** applies.

Coverage provided under this **Memorandum** is funded through **Member** contributions for a pooled layer of coverage, and backed by reinsurance purchased by the **Authority** on behalf of its **Members** for higher layers of coverage, per Government Code section 990.8(d). In the event of failure by the reinsurer to pay or reimburse for **Damages** or **Defense Costs** within the reinsured layer of coverage, due to insolvency, the maximum **Protection Limit** will be not more than the pooled layer of coverage, provided that this limitation shall not relieve any reinsurer of its obligations under its reinsurance agreement, and shall not relieve the **Authority** of its coverage obligations if reinsurance coverage is established and is collectible. In the event of a failure by the reinsurer to pay or reimburse for **Damages** or **Defense Costs** within the reinsured layer of coverage, due to the application of an exclusion in the reinsurance agreement, no coverage shall apply under this **Memorandum** within that layer.

*B. Defense and Settlement – Excess Liability Program – please see **Endorsement***

The **Authority**, at the shared expense of its **Members**, and out of funds of the **Program** deposited or obligated to be deposited by its **Members**, shall investigate, negotiate, settle, or **Defend**, at the **Authority's** sole discretion, any **Claim** which has been tendered to the **Authority** and which in the sole opinion of the **Authority** is encompassed by this **Program**. The **Authority** shall control selection of defense counsel. **Defense Costs** incurred by the **Protected Party** prior to the tender of the **Claim**, as required by Section **V. CONDITIONS AND RESPONSIBILITIES**, to the **Authority** are the sole obligation of the **Protected Party**. The date of the tender of the **Claim** shall be the date written notice of said **Claim** is received at the **Authority's** offices (or it's designated Claims Administrator).

The obligation of the **Authority** as described above shall cease to apply after the **Protection Limit** has been exhausted by any combination of payments hereunder for judgments, settlements, or **Defense Costs**, or if the **Authority** tenders the **Protection Limit** on behalf of any **Protected Party**. For purposes of excess insurance or reinsurance, any **Defense Costs** incurred prior to the tender of the **Protection Limit** shall be deducted from the **Protection Limit** that is tendered.

With respect to any **Claim** or part thereof which has been tendered to the **Authority** and over which the **Authority** assumes full or partial responsibility or charge of the settlement or **Defense**, the **Authority** shall, if applicable, cause the **Program** to pay:

1. All expenses incurred by the **Authority** on behalf of a **Protected Party**;
2. Costs taxed against a **Protected Party** in the **Claim**; and

3. Other reasonable expenses incurred by a **Protected Party** at the **Authority's** request to assist the **Authority** in the investigation or **Defense** of the **Claim**; but this shall not include the office expenses of the **Protected Party**, the salaries of **Employees** or officials of the **Protected Party**, nor expenses of any claims administrator engaged by the **Protected Party**.

With respect to a **Claim** for which the **Authority** has determined that only a portion is encompassed by this **Program**, the **Authority** shall cause the **Program** to fund any **Defense** to the **Claim** against the **Member** and any settlement or final judgment of that **Claim**, subject to the reservation by the **Authority** of the right to recover from the **Member** any amounts paid by the **Authority** for ~~damages or defense costs~~ such settlement or final judgment which are paid to claimants for **Claims**, or portions thereof, not encompassed by the **Program**.

With respect to a **Claim** for which the **Authority** has determined that no portion is encompassed by this **Program**, the **Claim** shall be referred, in its entirety, back to the **Protected Party**. With respect to a **Claim** for which the **Authority**, its **Employee**, or an Executive Committee member is a defendant or the claimant, special counsel shall be assigned to monitor the handling of the case by the **Authority**.

The payment of **Defense Costs** will reduce the **Protection Limit** under this **Program**.

#### C. *Protection Limit*

The **Protection Limit** shown on the Cover Page and the rules below determine the most the **Program** will pay, subject to any **Endorsement** or **Sublimit**, inclusive of **Defense Costs**, regardless of the number of:

1. **Protected Parties**;
2. **Claims** made; or
3. Persons or organizations that sustain injuries or **Damages**.

The **Protection Limit** stated on the Cover Page is the most the **Program** will pay per **Member** for the sum of **Damages**, **Defense Costs** and expenses as included in Section *B. Defense and Settlement* under any or all or any combination of **Bodily Injury**, **Property Damage**, **Personal Injury**, **Public Officials Errors and Omissions**, **Broadcast/Publication Injury**, **Employment Practices Injury**, **Employee Benefit Administration Injury**, or **Chief Executive Separation Payment** arising out of any one **Occurrence**.

For the purpose of determining the **Protection Limit** all **Bodily Injury**, **Property Damage**, **Personal Injury**, **Public Officials Errors and Omissions**, **Broadcast/Publication Injury**, **Employment Practices Injury**, **Employee Benefit Administration Liability**, or **Chief Executive Separation Payment** arising out of exposure to substantially the same general condition(s), the same act, policy, or course of conduct by a **Protected Party** shall be considered as arising out of one **Occurrence**. All protection shall be deemed to arise from a single **Occurrence** where the underlying cause is continuous or repeated exposure to the

same generally harmful conditions, such as a breach or breaches of security, malware, virus, hacking, or similar cyber-related events. All **Claims** which allege **Occurrences** extending to a duration of more than one **Protection Period** shall be treated as a single **Occurrence** arising during the first **Protection Period** when the **Occurrence** begins.

Any actual or alleged loss of use of tangible property not physically injured or destroyed shall be deemed to occur at the time of the **Occurrence** that caused such loss of use. Any other injury or damage occurring or alleged to have occurred over more than one **Protection Period** shall be deemed to have occurred during the **Protection Period** when the **Occurrence** began.

For an **Additional Contribution, Tort Liability** may be assumed in a **Protected Contract** on behalf of a **Railroad**, and the **Protection Limit** for such assumed **Tort Liability** shall be \$2,000,000 per occurrence and in the aggregate. For purposes of this coverage, the **Additional Contribution** shall be determined based upon the number of railroad crossings for which a **Member** seeks coverage.

#### *D. Statutory Limitations*

Notwithstanding Sections II.A. *Payments on Behalf of Protected Parties* and II.B. *Defense and Settlement* above, the defense and/or indemnity protections afforded by this agreement to a past or present elected or appointed official or **Employee** of a **Member** are not broader than the **Member's** own duty to defend and indemnify its official or **Employee** under California Government Code sections 825, et seq. and 995, et seq. All immunities, defenses, rights, and privileges of the **Member** under the Government Code apply to the **Program** as well, including any defense that the official or **Employee** acted outside the course and scope of employment or acted with fraud, corruption or actual malice, or any defense that the action or proceeding or type of damage sought is not the type for which the **Member** is obligated to provide defense and/or indemnity. The defense and/or indemnity protections are also subject to all the terms, conditions, and Exclusions of this **Memorandum** and do not apply if not covered by this **Memorandum**, even if an obligation to defend and/or indemnify would exist under the Government Code.

#### *E. Territorial Limitation*

This **Memorandum** applies to **Claims** arising out of **Occurrences** during the **Protection Period**, anywhere in the world, that are filed in the state or federal courts of the United States of America.

#### *F. Chief Executive Separation Payment – Excess Liability Program – please see Endorsement*

This **Program** will also pay a **Chief Executive Separation Payment** to an eligible **Chief Executive** who is separated from employment involuntarily, by the governing body of the **Member**. A **Chief Executive** that is forced to resign in lieu of termination will also be eligible for the **Chief Executive Separation Payment**. A **Chief Executive** that is subjected to a **Termination for Cause**, as defined in this **Memorandum**, shall not be eligible for the **Chief Executive Separation Payment**, nor will an interim or acting **Chief Executive**. The

**Authority** at its sole discretion shall determine eligibility for the **Chief Executive Separation Payment**.

Conditions of eligibility require the separated **Chief Executive** to place the **Authority** on notice of intent to be considered for the **Chief Executive Separation Payment** within 60 days of the date of separation. The **Chief Executive** will be required to complete and submit a **Waiver** to the **Authority**, within 60 days of the date of separation. The **Chief Executive** will further be required to submit a **Certification** to the **Authority** within 60 days following the **Waiting Period**. Failure to complete the **Waiver** or **Certification** shall render the **Chief Executive** ineligible for the **Chief Executive Separation Payment**.

The **Authority** will compute the proper payment, and payment shall commence within 30 days following the submission of the first **Certification**. For a qualifying **Chief Executive** who has applied for, but not yet received benefits from a public retirement system, the **Authority** will require the **Chief Executive** to provide written proof, from the provider, of the amount of public retirement benefit to be paid, prior to calculating and paying the **Chief Executive Separation Payment**. Payments will be made in arrears where necessary.

The **Chief Executive Separation Payment** shall not be considered “unemployment insurance,” nor shall it be considered a “severance” payment.

The **Chief Executive Separation Payment** can only be waived by the **Chief Executive** if it is specifically noted, by name, within any separation or employment agreement entered into with the **Member**.

III. **DEFINITIONS** – Excess Liability Program – please see **Endorsement** for additional definitions

**Additional Contribution** means an assessment charged to a **Member** for the cost or additional exposure associated with the **Member**'s participation in an optional liability protection available through this **Memorandum**.

**Administration** under **Employee Benefits Administration Liability** means:

- A. Giving counsel to employees with respect to the Employee Benefits Programs;
- B. Interpreting the Employee Benefits Programs;
- C. Handling of records in connection with the **Employee Benefits Programs**; or
- D. Effecting enrollment, termination, or cancellation of employees under the **Employee Benefits Programs**, provided all such acts are authorized by the **Member**.

**Aircraft** means any vehicle designed to transport people or property through the air but does not include Small Unmanned Aircraft, as defined in 14 Code of Federal Regulations, Section 107.3.

**Airport** means any locality either on land or water which is adopted for the landing and taking off of **Aircraft**, including all land, water, buildings, structures, equipment or other improvements necessary or convenient in the establishment and operation of an **Airport**.

**Annual Aggregate Limit** means the combined limit of coverage for **Occurrences** arising from **Earth Movement** within a **Protection Period** and includes both **Defense Costs** and **Damages**.

**Authority** means the California Joint Powers Insurance Authority.

**Automobile** means a land motor vehicle, trailer, or semi-trailer.

**Automobile Liability** means **Tort Liability** for **Bodily Injury** or **Property Damage**, arising from the use of an **Automobile** by a person defined in the **Protected Party** definition, Sections B., E. or F.

**Bodily Injury** means bodily injury, sickness, or disease sustained by any person, including death resulting from any of these at any time.

**Broadcast/Publication Injury** means injury caused by or arising out of:

- A. Any form of defamation or other tort related to disparagement or harm to the character, reputation or feelings of any natural person or organization including but not limited to libel, slander, product disparagement, trade libel, infliction of emotional distress, outrage, or outrageous conduct;
- B. Any form of invasion of, infringement of, or interference with rights of privacy or publicity; including but not limited to false light, public disclosure of private facts, intrusion, and commercial appropriation of name or likeness;
- C. Infringement of copyright or trademark;
- D. Plagiarism or piracy or misappropriation of ideas under implied contract;
- E. Unauthorized use of names, trade names, trademarks, service marks, titles, formats, ideas, characters, character names, characterizations, performances, plots, musical compositions, slogans, program material, or any other similar material; or
- F. Denial of access to broadcast facilities based upon application of judgment or standards relating to the acceptability of material for public broadcast; committed in the course of the **Protected Party's** broadcast or publication activities.

**Certification** means a signed statement by a **Chief Executive** that he or she is entitled to the **Chief Executive Separation Payment** because he or she is unemployed or is employed but receiving **Compensation** that is lower than he or she was earning at the time of the **Occurrence**. The initial executed **Certification** is a form provided by the **Authority** and must be received within 60 days following the **Waiting Period**.

**Chief Executive** means the governing body-appointed chief administrative officer of a **Protected Party** whether called city manager, chief administrative officer, general manager or other title designating the highest appointed official of the governmental entity.

**Chief Executive Separation Payment** means a payment that shall be paid once a month, in arrears, for a time period not to exceed six months, following the **Waiting Period**. The payment shall equal the amount of the **Chief Executive's** salary at the time of the

separation of employment **Occurrence**, plus payment of the **Medical Benefit**, less the total amount of **Compensation** being received after the separation of employment **Occurrence** and any other payments made to the **Chief Executive**, by the **Member**, during the payment period. The term 'salary' shall be calculated in the same manner as 'pensionable compensation' as defined by Government Code section 7522.34, and applicable related regulations.

**Claim** means a notice, demand, or **Suit** against a **Protected Party** to recover **Damages**. **Claim** does not include an administrative claim filed with the Equal Opportunity Employment Commission, the California Department of Fair Employment and Housing, Public Employment Relations Board or other similar state or federal administrative agency.

**Compensation** for purposes of computation of the **Chief Executive Separation Payment** means:

- A. Wages or salary earned as an employee of a new employer, subsequent to separation,
- B. Payments from a defined benefit retirement plan commencing subsequent to separation for which benefits were earned while employed by the **Member**,
- C. Unemployment insurance, and
- D. Income earned from self-employment or from work or activities as an independent contractor, consultant, or in a similar capacity subsequent to separation.

**Compensation** does not include Social Security, Medicare or disability benefits.

**Dam** means a structure described by California Water Code sections 6002 through 6004.

**Damages** means compensation in money recovered by a party for loss or detriment it has suffered through the acts of a **Protected Party**. **Damages** does not include defense of **Claims**, fines, or any punitive, exemplary or multiplied damages or non-monetary relief or redress or injunctive relief, nor does it include attorney fees or costs awarded to the prevailing party in a **Claim** or **Suit**, except where such attorney fees or costs are attributable to a **Claim** for compensatory damages covered by this **Memorandum**.

**Defense Costs** means all fees and expenses incurred in connection with the adjustment, investigation, defense, and appeal of a **Claim** covered hereunder, including attorney fees, court costs, premiums for appeal bonds, and interest on judgments accruing after the entry of judgment, and also shall include the costs of any claims administrator or defense counsel assigned by the **Authority** to respond to any **Claim** on behalf of the **Authority**. **Defense Costs** shall not include the office expenses of the **Protected Party**, nor the salaries of employees or officials of the **Protected Party**, nor expenses of any claims administrator engaged by the **Protected Party**. **Defense Costs** also do not include any fee or expense relating to coverage issues between the **Authority** and any **Protected Party**.

**Discrimination** means injury caused by or arising out of:

- A. Unlawful discrimination because of race, sex, color, age, religion, or national origin, or membership in any similar legally protected class; or

- B. Violation of the discrimination prohibitions of the Americans with Disabilities Act of 1990, any rules or regulations promulgated thereunder and amendments thereto or similar provisions of any federal, state, or local statutory law or common law.

**Earth Movement** means any settling, sinking, slipping, falling away, caving in, shifting, eroding, mud flow, rising, tilting, or any other subsidence or movement of land.

**Employee** means any person falling within the definition of “employee” under section 810.2 of the Government Code. That section provides: “**Employee** includes an officer...employee, or servant, whether or not compensated, but does not include an independent contractor.”

**Employee** also includes any volunteer designated by the **Member** to perform specific functions in the course and scope of authorized activities under the direction and control of the **Member**.

**Employee Benefit Administration Liability** means liability for injury or damage caused by or arising out of any negligent act, error or omission of the **Protected Party** in the **Administration** of the **Member’s Employee Benefits Programs**.

**Employee Benefits Program** means group life insurance or self-insurance, group medical, dental or vision-care insurance or self-insurance, pension plans, retirement plans, deferred compensation plans, workers’ compensation, unemployment insurance, social benefits, disability benefits, and other similar employee benefits.

**Employment Practices Injury** means injury arising out of the following offenses:

- A. Wrongful dismissal, discharge, or termination of employment;
- B. Breach of any oral or written employment contract or quasi-employment contract;
- C. Employment-related coercion or misrepresentation;
- D. Violation of employment discrimination laws;
- E. Workplace sexual or other harassment;
- F. Wrongful failure to employ or promote;
- G. Wrongful discipline, negligent evaluation, or wrongful demotion;
- H. Wrongful deprivation of a career opportunity; or
- I. Employment-related:
  1. Invasion of privacy,
  2. Defamation, or
  3. Wrongful infliction of emotional distress.

**Endorsement** means a written amendment to this Memorandum that modifies or expands coverage, by adding or changing specific conditions, exclusions, or limits.

**Fungi** means any type or form of fungus, including mold or mildew and any mycotoxins, spores, scents, or byproducts produced or released by fungi.

**Hostile Fire** means a fire that becomes uncontrollable and breaks out from where it is intended to be.

**Levee** means a permanent embankment intentionally constructed for the purpose of preventing overflow of a watercourse or body of water.

**Medical Benefit** means the cost of all benefits to which a **Chief Executive** is entitled under the Comprehensive Omnibus Budget Reconciliation Act of 1986 (COBRA). The **Chief Executive** may provide proof of medical coverage from an alternate provider, not to exceed the cost of coverage through COBRA.

**Member** means the entity, including all of its departments and constituent agencies, that is a signatory to the Joint Powers Agreement creating the **Authority** as may be amended from time to time, which has adopted a resolution to participate in the **Program**, and whose name appears on the Cover Page of this **Memorandum**. **Member** includes any other agency for which the **Member's** governing board or council acts as the governing board, and also includes any commissions, agencies, districts, authorities, successor agencies, boards, or similar entities coming under the **Member's** sole direction and control. **Member** shall include any other agency authorized by the **Authority's** Executive Committee or Board of Directors.

**Member Retained Limit** means the amount per **Earth Movement Occurrence** per **Protection Period** that the **Member** retains as self-insurance. The **Member Retained Limit** includes both **Damages** and **Defense Costs**.

**Memorandum** means this Memorandum of Coverage – Primary Liability Program authorized by the Joint Powers Agreement of the **Authority** specifying the terms and conditions of the **Program** through which certain specified and limited self-insured risks of liability are administered by the **Authority** and shared by its **Members**.

**Nuclear Material** means “source material,” “special nuclear material,” or “by-product material” as those terms are given meaning in the Atomic Energy Act of 1954 or any law amendatory thereto.

**Occurrence** means:

- A. With respect to **Bodily Injury** or **Property Damage**, an accident, including continuous or repeated exposure to conditions, that first occurs during the **Protection Period** and that results in **Bodily Injury** or **Property Damage** neither expected nor intended from the standpoint of the **Protected Party**;
- B. With respect to Public Officials Errors and Omissions, actual or alleged conduct described in the definition of Public Officials Errors and Omissions during the **Protection Period**;
- C. With respect to Employee Benefits Administration Liability, actual or alleged conduct described in the definition of Employee Benefits Administration Liability during the **Protection Period**;

- D. With respect to **Personal Injury, Broadcast/Publication Injury, and Employment Practices Liability**, an offense described in the definitions of those terms; or
- E. With respect to **Chief Executive Separation Payment**, injury arising out of:
1. Dismissal, discharge, resignation in lieu of termination or termination of the employment of a **Chief Executive**; or
  2. Failure to renew an employment contract which results in termination of the employment of a **Chief Executive**

for which liability on the part of a **Protected Party** can be settled through the acceptance by the **Chief Executive** of a **Chief Executive Separation Payment** in exchange for a **Waiver** and **Certification**.

- F. All **Claims** based on or arising out of **Harassment** or similar conduct (including molestation or sexual abuse) by an **Employee**, or more than one **Employee** acting in concert, will be considered arising out of one **Occurrence** and shall be deemed to have been committed at the time of the first of such acts or alleged acts, regardless of the number of:
1. **Protected Parties**;
  2. **Claims** made; or
  3. persons or organizations that sustain injuries or **Damages**.

If a series of wrongful acts committed by one **Employee**, or more than one **Employee** acting in concert, takes place over more than one **Protection Period**, the wrongful acts will be deemed to have been committed during the first **Protection Period** and only the **Protection Limit** for that **Protection Period** shall apply.

**Personal Injury** means injury, other than **Bodily Injury, Property Damage** or **Public Officials Errors and Omissions**, resulting from one or more of the following offenses:

- A. False arrest, detention, or imprisonment;
- B. The use of force for the purpose of protecting persons or property;
- C. Malicious prosecution or abuse of process;
- D. Wrongful entry by any employee of the **Member** into a room, dwelling, or other similar premises that a person occupies;
- E. Wrongful eviction by any employee of the **Member** of a person from a room, dwelling, or other similar premises that such person occupies;
- F. The publication or utterance of a libel or slander, including statements that disparage a person's or organization's goods, products, or services;
- G. A publication or utterance that violates a person's right of privacy;

- H. Interference with an existing or prospective economic advantage, contract, or agreement;
- I. Discrimination;
- J. Violation of civil rights; or
- K. Infliction of emotional distress.

**Pollutants/Hazardous Materials** includes without limitation:

- A. Any flammable or explosive substances, radioactive materials, asbestos, polychlorinated biphenyls, polyfluorinated substances, chemicals, substances known to cause cancer or reproductive toxicity, pollutants, contaminants, hazardous wastes, toxic substances, or related materials which are regulated by or under any federal, state, or local environmental law;
- B. Any material identified as hazardous in Sections 66261.10 through 66261.126 of Title 22 of the California Code of Regulations, as amended from time to time (collectively);
- C. Any solid, liquid, gaseous or thermal irritant or contaminant, including smoke, vapor, soot, fumes, acids, alkalis, chemicals, and waste. The term “waste” includes materials to be recycled, reconditioned, or reclaimed; or
- D. **Fungi** and bacteria of any kind, unless caused by an otherwise covered **Occurrence**.

**Program** means the California Joint Powers Insurance Authority Primary Liability Protection Program described by this **Memorandum** and the Joint Powers Agreement of the **Members** creating the **Authority**. The **Program** is a fund created by the **Members** for the purpose of pooling self-insured losses.

**Property Damage** means:

- A. Physical injury to or destruction of tangible property which occurs during the **Protection Period**, including the loss of use thereof at any time resulting therefrom; or
- B. Loss of use of tangible property that has not been physically injured or destroyed provided such loss of use is caused by an **Occurrence** during the **Protection Period**.

**Protected Contract** means a written agreement that satisfies all of the following:

- A. The agreement pertains to the **Member's** operations and by the contract terms the **Member** assumes the **Tort Liability** of another to pay damages because of **Bodily Injury** or **Property Damage** to a third person or organization;
- B. The agreement is entered into prior to the **Bodily Injury** or **Property Damage** for which a **Claim** is made; and

- C. The agreement, including its value, is reported by the **Member** and approved by the **Authority** through issuance of an evidence of coverage letter prior to the **Bodily Injury** or **Property Damage** and the value is added to the **Member's** annual payroll for use in any retrospective deposit or annual contribution computation.

A **Protected Contract** may cover an architect, engineer, or surveyor for his or her role as a Public Official, except for the application of Sections B.1. and B.2. below. **Protected Contracts** may apply to contract public works directors, building officials, planning directors, city managers, **Chief Executives**, city attorneys, city prosecutors, redevelopment directors, or other contracted Public Officials for occurrences arising out of their official duties, but this coverage applies only to the named contract Public Official and does not extend to other individuals within the contractor's firm.

A **Protected Contract** does not include any part of any contract or agreement:

- A. That indemnifies any person or organization for injury or damages caused by or arising out of the ownership, operation, maintenance or use of any **Aircraft, Airport** or **Watercraft**;
- B. That indemnifies an architect, engineer, or surveyor. This exclusion does not apply in the instance where an individual is under an exclusive contract as a contract Public Official solely for the benefit of the **Member** (i.e., no work is performed by the person for any other person or entity), for injury or damage arising out of:
1. Preparing, approving, or failing to prepare or approve maps, drawings, opinions, reports, surveys, change orders, designs or specifications; or
  2. Giving or failing to give directions or instructions, if that is the primary cause of the injury or damage;
- C. Under which the **Protected Party**, if an architect, engineer, or surveyor, assumes liability for injury or damage arising out of the **Protected Party's** rendering or failing to render professional services, including those listed in Section B. above and supervisory, inspection, or engineering services; or
- D. That indemnifies any person or organization for damages by fire, explosion, or water damage to premises rented or loaned to the **Member**.

**Limited Protected Contract** means a written agreement, contract or permit in which:

- A. The **Member** assumes the **Tort Liability** of another to pay damages because of **Bodily Injury** or **Property Damage** to a third party in one of the following:
1. Easements or License Agreements;
  2. Leases of Real or Personal Property;
  3. Encroachment Permits;
  4. Special Events Sponsored by the **Member**; or

5. Use of Facilities, Equipment, real or personal property by the **Member**;
- B. The **Member** assumes the **Tort Liability** of another to pay damages because of **Bodily Injury** or **Property Damage** to a third party for an activity not named in Section A. directly above, and upon its review of the agreement, **Authority** staff has determined at its sole discretion that any risks assumed in the agreement do not significantly increase the **Member's** risk exposure, and an Evidence of Coverage letter has been issued by the **Authority**; or
- C. The **Member** is obligated to provide evidence of coverage for a third party to participate in a funding program administered by another government or evidence of coverage required by bond indentures entered into by the **Member** if **Authority** staff has determined in its sole discretion that any risks assumed in the agreement do not significantly increase the **Member's** risk exposure, and an Evidence of Coverage letter has been issued by the **Authority**;

and which is entered into prior to the **Bodily Injury** or **Property Damage** for which a **Claim** is made.

A **Limited Protected Contract** does not include any part of any contract or agreement that indemnifies any person or organization for injury or damages caused by the sole negligence of such person or organization, or that cannot be included in a **Protected Contract**.

A **Limited Protected Contract** also does not include any part of a contract or agreement that indemnifies the owner or operator of a **Railroad**.

**Protected Party** means:

- A. The **Member** named on the Cover Page;
- B. Persons who are, or were, elected or appointed officials or **Employees** of the **Member**, whether or not compensated, while acting within the scope of their duties or employment as such, including while acting on outside committees, commissions, or boards at the direction of the **Member**, except that the protection so provided does not apply to **Bodily Injury** to another official or employee of the **Member** in the course of and arising out of his or her duties to or employment by the same **Member**, nor does it apply to other individuals within the contract appointed official's firm or organization, but only to the named appointed official.
- C. Any nonprofit California corporation or unincorporated association under written contract, approved by the **Member's** governing board or council, to perform specified functions under the **Member's** direction and control. The corporation or unincorporated association is a **Protected Party** only for **Occurrences** arising out of the functions described in the contract. For the purposes of this Section C., direction and control means the Authority of the **Member** to be involved in decision making and to overturn decisions;
- D. Any person or entity identified as an additional **Protected Party** in a letter certifying such additional **Protected Party** status issued by the **Authority**, for **Bodily Injury** or **Property Damage** during the time period identified in the letter; if

a particular activity is identified in the letter, the person or entity is a **Protected Party** only for **Occurrences** arising out of the described activity. Additional **Protected Party** status will apply only where required by the terms of a written agreement;

- E. Any person while using an **Automobile** owned, hired, or leased by a **Member**, and any person or organization legally responsible for the use thereof, provided the use is with the express permission of the **Member**, and only for **Bodily Injury** and **Property Damage**. This protection does not apply to:
1. Any person or organization, or any agent or employee thereof, other than the **Member**, engaged in selling, repairing, servicing, delivering, testing, road testing, parking or storing, **Automobiles**, with respect to any **Occurrence** arising out of any such occupation or activity;
  2. With respect to any hired automobile, to the owner or a lessee thereof, other than the **Member**, or to any agent or employee of such owner or lessee; or
  3. Any person or organization, or to any agent or employee thereof, engaged in a business of operating buses or other **Automobiles** for the transport of members of the public unless that business is owned by the **Member** and operated by its employees.
  4. This **Memorandum** does not provide Underinsured or Uninsured Motorist coverage.
- F. The **Authority**, its officers and employees while acting in the course and scope of their duties or employment.

No person or entity is a **Protected Party** with respect to the conduct of any current or past partnership, joint venture or joint powers authority (including any separate entity created pursuant to a joint powers agreement). However, for any person who is an official or **Employee** of a **Member**, who participates in the activities of a partnership, joint venture, or joint powers authority and is acting for or on behalf of the **Member** at the time of the **Occurrence**, protection is afforded by this **Memorandum**. Such coverage shall be in excess of, and shall not contribute with, any collectible insurance, self-insurance or other coverage provided to the other joint powers authority, agency or entity.

**Protection Limit** means the amount shown on the Cover Page and the rules below determine the most the **Program** will pay, subject to any **Endorsement** or **Sublimit**, inclusive of **Defense Costs**, regardless of the number of:

1. **Protected Parties**;
2. **Claims** made; or
3. Persons or organizations that sustain injuries or **Damages**.

The **Protection Limit** stated on the Cover Page is the most the **Program** will pay per **Member** for the sum of **Damages**, **Defense Costs** and expenses as included in Section B.

*Defense and Settlement* under any or all or any combination of **Bodily Injury, Property Damage, Personal Injury, Public Officials Errors and Omissions, Broadcast/Publication Injury, Employment Practices Injury, Employee Benefit Administration Injury, or Chief Executive Separation Payment** arising out of any one Occurrence.

**Protection Period** means the time period shown on the Cover Page of this Memorandum.

**Public Officials Errors and Omissions** means any act, error, omission, misstatement, misleading statement, neglect, or breach of duty by any **Protected Party** in the discharge of that individual's duties for the **Member**; or any matter claimed against any **Protected Party** solely by reason of the individual being or having been an employee of the **Member**. **Public Officials Errors and Omissions** does not include **Bodily Injury, Property Damage, Personal Injury, Broadcast/Publication Injury, or Employment Practices Injury**.

**Radioactive Contamination Injury** means **Bodily Injury or Property Damage** caused by or arising from ionizing radiations or contamination by radioactive material.

**Railroad** means a commercial railway as described by the California Public Utilities Code, Section 229. **Railroad** includes street railroad as described by the California Public Utilities Code, Section 231. **Railroad** does not include amusement railroad rides that do not cross public streets.

**Submit** means a **Protection Limit** that is less than what is stated as the primary layer in this Memorandum.

**Suit** means a civil proceeding in which a **Protected Party** is named as a defendant or cross defendant, or an arbitration proceeding or alternative-dispute resolution proceeding to which a **Protected Party** submits with the **Authority's** written consent.

**Termination for Cause** means dismissal, discharge, termination of employment, or failure to renew a contract for the reasons stated in California Government Code section 7522.72(a) relating to conviction for conduct arising out of or in the performance of official duties, in pursuit of office or employment, or in connection with obtaining salary, disability retirement, service retirement or other benefits. This also includes dismissal, discharge, termination of employment, or failure to renew a contract of the employment of a **Chief Executive** because the **Chief Executive** has been convicted of robbery, bribery, extortion, embezzlement, fraud, grand larceny, burglary, arson, a felony violation of a state or federal law regulating a controlled substance (felony drug conviction), murder, rape, kidnapping, perjury, assault with intent to kill, or any felony involving abuse or misuse of the **Chief Executive's** position to obtain illegal personal gain.

In the event that charges for any of the offenses referred to in this paragraph are brought and pending at the time of termination, the **Authority** will be authorized to defer determination of eligibility for **Chief Executive Separation Payment** until the outcome of criminal proceedings.

**Tort Liability** means civil liability that would be imposed by law in the absence of any agreement or contract.

**Waiting Period** means a period of time after the termination of employment **Occurrence** equal to the greater of (1) six months or (2) the number of months of salary received by the **Chief Executive** as a severance payment from the **Member**, regardless of whether the severance payment is made in lump sum or in multiple payments.

**Waiver** means a full and complete relinquishment by a **Chief Executive** of any and all rights to sue a **Protected Party** for any **Benefit**, compensation, injury, or damages, known or unknown, past, present or future, arising out of the employment of, termination of the employment of, or failure to employ the **Chief Executive**. The **Waiver** is a form provided by the **Authority** and must be signed and returned to the **Authority** within 60 days following the termination of employment. **Waiver** does not mean any waiver and release agreement signed by the **Chief Executive** directly with the **Member**, during the separation process.

**Watercraft** means a vessel, 26 feet or more in length, designed to transport persons or property in, on, or through water.

**Weapon** means a firearm, explosive, knife, or other implement or device that is considered dangerous and is in the possession of an **Employee**.

**IV. EXCLUSIONS** – Excess Liability Program – please see **Endorsement** for additional definitions

This **Memorandum**, including any obligation to defend or to pay **Defense Costs**, does not apply to:

- A. Any **Claim**, liability, alleged liability, loss, cost, or expense caused by or arising out of the ownership, maintenance, use or operation of any **Watercraft**, **Aircraft**, or **Airport** or any air show events sponsored or controlled by the **Protected Party** or conducted on property owned by the **Protected Party**. Protection does apply to use of an **Aircraft** or **Watercraft**, if the **Aircraft** or **Watercraft** is not owned in whole or in part by the **Member** and the **Member** exercises no part in the servicing or maintenance of the **Aircraft** or **Watercraft**. However, this limited protection does not apply to:
  1. Loss, loss of use of, or damage to the **Aircraft** or **Watercraft**;
  2. Use of any **Aircraft** or **Watercraft** for hire or reward; or
  3. Public Officials Errors and Omissions coverage.
- B. Any **Claim**, obligation or alleged obligation for which a **Protected Party** or any insurance company as his/her/its insurer may be held liable under any workers' compensation, unemployment compensation or disability benefits law, or under any similar law.
- C. Any **Claim**, liability, alleged liability, loss, cost, or expense for **Bodily Injury** to:
  1. An employee of the **Protected Party** arising out of and in the course of employment by the **Protected Party**; or

2. The spouse, child, parent, brother, or sister of that employee as a consequence of Section 1. above.

“Employee” for purposes of this Exclusion C. shall mean a person deemed to be an employee under Labor Code Sections 3352 and 3600, et seq.

This Exclusion C. applies whether the **Protected Party** may be liable as an employer or in any other capacity, and to any obligation to share damages with or repay someone else who must pay damages because of the injury. However, this Exclusion C. does not apply to liability assumed in a **Protected Contract** or **Limited Protected Contract**.

- D. Injury to or destruction of:
1. Property owned by the **Protected Party**;
  2. Property rented to or leased to the **Protected Party** where it has assumed liability under any contract for damage to or destruction of such property unless the **Protected Party** would have been liable in the absence of such assumption of liability; or
  3. Property in the care, custody, or control of any **Protected Party**.
- E. Any **Claim**, liability, alleged liability, loss, cost, or expense caused by, arising out of or in any way connected with the operation of the principles of eminent domain, condemnation proceedings, or inverse condemnation, by whatever name called, whether such liability accrues directly against the **Protected Party** or by virtue of any agreement entered into by or on behalf of the **Protected Party**. This Exclusion E. shall not apply to liability, loss, cost or expense arising from **property damage** caused by earth movement, subsidence of land, flooding not caused by the failure of a **Dam** or **Levee**, sewer backup, falling trees, fire or construction activities even though a legal theory upon which a claimant seeks recovery is the principle of inverse condemnation. This Exclusion E. shall not apply when the **Claim** alleges damages arising out of temporary physical measures taken by the **Member** for public safety reasons in an effort to prevent or reduce a loss.
- F. Any **Claim**, liability, alleged liability, loss, cost, or expense arising out of the actual, alleged or threatened discharge, dispersal, seepage, migration, release, escape, or any other forms of exposure to or the presence of **Pollutants/Hazardous Materials** including any **Claim**, liability, alleged liability, loss, cost or expense directly or indirectly caused by or arising out of any:
1. Request, demand, or order that any **Protected Party** or others test for, monitor, clean up, remove, contain, treat, detoxify, or neutralize, or in any way respond to, or assess the effects of **Pollutants/Hazardous Materials**;
  2. **Claim** by or on behalf of a governmental authority or any other entity or person for costs of or damages because of testing for, monitoring, cleaning up, removing, containing, treating, detoxifying, or neutralizing,

- or in any way responding to, or assessing the effects of **Pollutants/Hazardous Materials**; or
3. Actions or steps taken to mitigate damages or to relocate persons, property or business as a result of **Pollutants/Hazardous Materials**.
  4. **Claim** or **Suit** brought under the Clean Water Act, including state or federal enforcement actions under 33 U.S. Code sections 1319, et seq.; citizen **Claim** or **Suit** brought under sections 1365, et seq.; or state enforcement actions brought under the California Water Code sections 13385, et seq.; or a **Claim** or **Suit** brought under any similar law relating to discharge permit violations.

EXCEPTION TO EXCLUSION, PROTECTION FOR CERTAIN ACCIDENTAL POLLUTION INJURIES. However, this Exclusion F. does not apply to **Bodily Injury** or **Property Damage** arising out of or caused by any actual, alleged or threatened discharge, dispersal, seepage, migration, release or escape of **Pollutants/Hazardous Materials** if all of the following:

1. It was directly caused by **Hostile Fire**, explosion, lightning, windstorm, vandalism or malicious mischief or collision, overturning or upset of a motor vehicle or railroad vehicle;
2. It was accidental and was neither expected nor intended by the **Protected Party**;
3. It was instantaneous and was demonstrable as having commenced at a specific time and date during the term of this **Memorandum**;
4. Its commencement became known to the **Protected Party** within seven days;
5. Its commencement was reported in writing to the **Authority** within twenty days of becoming known to the **Protected Party**; and
6. Reasonable efforts were expended by the **Protected Party** to correct or terminate the discharge, dispersal, seepage, migration, release, or escape of **Pollutants/Hazardous Materials**.

Nothing contained in this EXCEPTION TO EXCLUSION, PROTECTION FOR CERTAIN ACCIDENTAL POLLUTION INJURIES shall operate to provide any protection or obligation to defend or pay **Defense Costs** with respect to:

1. Any site or location used by others on the **Protected Party's** behalf for the handling, storage, disposal, dumping, processing, or treatment of waste material. This Exclusion F. applies whether or not the action by others was known to the **Protected Party**;
2. Any clean-up costs mandated by the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA) and any similar laws or statutes;

3. Clean up, removal, containment, treatment, detoxification or neutralization of **Pollutants/Hazardous Materials** situated on premises the **Protected Party** currently owns, rents or occupies; or
  4. Any **Claim**, liability, alleged liability, loss, cost, or expense based upon or arising out of **Personal Injury** or **Public Officials Errors and Omissions**.
- G. Any **Claim**, liability, alleged liability, loss, cost, or expense directly or indirectly based on or arising out of the hazardous properties of **Nuclear Material**. However, this Exclusion G. does not apply to **Radioactive Contamination Injury**.
- H. Any **Claim**, liability, alleged liability, loss, cost, or expense directly or indirectly caused by any complete or partial failure, interruption, surge or excessive pressure in the **Member's** supply of water, electrical power, gas or fuel, unless such failure, interruption, surge or pressure results from sudden and accidental physical destruction of tangible property which is used in the generation or transmission of the supply.
- I. Any **Claim**, liability, alleged liability, loss, cost, or expense arising out of the partial or complete structural failure of a **Dam** or **Levee**.
- J. Any **Claim**, liability, alleged liability, loss, cost, or expense caused by, or arising out of, or in connection with the operation of any hospital, clinic (including a mobile clinic), or established health-care facility owned or operated by the **Protected Party**, but protection does apply to liability arising out of the rendering of emergency medical aid by paramedics, emergency medical technicians, or other **Protected Parties** who are not acting in the course of their employment by a hospital, clinic, or established health-care facility. Protection also applies for liability arising out of the operation of any hospital, clinic (including a mobile clinic) or established health care facility, owned and operated by the **Protected Party** for animal care and control purposes.
- K. Any **Claim**, liability, alleged liability, loss, cost, or expense caused by or arising out of or in connection with the ownership, maintenance, use, or operation by the **Protected Party** of any **Railroad**. However, this Exclusion K shall not apply to **Member** maintenance of its own property, such as streets, sidewalks or open areas, located at, near, or crossing Railroad property.
- L. Any **Claim**, liability, alleged liability, loss, cost, or expense caused by, based upon or arising out of the Employee Retirement Income Security Act of 1974, Public Law 93-406, or any amendment or addition thereto, or any statute or common law rule which imposes fiduciary duties and responsibilities with respect to employee benefits or retirement plans; however, this Exclusion L. does not apply to liability protected under **Employee Benefit Administration Liability**.
- M. Any **Claim**, liability, or alleged liability for punitive or exemplary damages, fines, penalties or other damages imposed primarily for the sake of example and by way

of punishing the **Protected Party**, including liability of a **Member** to defend or pay damages where the governing body thereof has elected to provide a defense or pay damages for a **Claim**, action or judgment for punitive or exemplary damages.

- N. Any **Claim**, liability, alleged liability, loss, cost, or expense caused by the intentional conduct of a **Protected Party** with willful and conscious disregard of the rights or safety of others or with malice. However, where the **Protected Party** did not authorize, ratify, participate in, consent to or have knowledge of such conduct by its past or present **Employee**, elected or appointed official or volunteer and the **Claim** against the **Protected Party** is based solely on its vicarious liability arising from its relationship with such **Employee**, elected or appointed official or volunteer, this Exclusion N. does not apply to that **Protected Party**.
- O. Any **Claim**, liability, alleged liability, loss, cost, or expense caused by or arising out of any violation of state or federal antitrust or restraint-of-trade laws.
- P. Any **Claim**, liability, alleged liability, loss, cost, or expense arising out of
1. The adoption or administrative application of any ordinance, resolution or regulation;
  2. The approval or disapproval, whether discretionary or not, of any land-use regulation including but not limited to general plan amendments, zoning amendments, permits, tract maps, development agreements, owner-participation agreements, or disposition-and-development agreements;
  3. The approval or disapproval, [whether discretionary or not](#), of any rent control ordinance, outdoor advertising ordinance, adult bookstore ordinance, massage parlor ordinance or licensing related to any of these
  4. The approval or disapproval, [whether discretionary or not](#), of the operation of any cannabis dispensary, business, cultivator, or manufacturer; or any ordinances governing that activity and any and all enforcement efforts.
  5. The decision by a **Member** with respect to obtaining water, electrical power, gas or fuel, or other utilities, including decisions relating to the quality thereof; or allocating such water, electrical power, gas or fuel, or other utilities, among -the users thereof.
  6. The decision by a **Member** with respect to approval or disapproval of district or at-large elections.
  7. The approval or disapproval of an application for a concealed carry weapons permit.

This Exclusion P. shall not apply to bodily injury or property damage caused by the physical enforcement of an ordinance, resolution or regulation.

- Q. Any **Claim**, liability, alleged liability, loss, cost, or expense including **Tort Liability**:

1. Arising out of or as a consequence of an actual or alleged breach of any contract or agreement;
2. For any amount actually or allegedly due under the terms of any contract or agreement; or
3. Arising out of or as a consequence of the failure, refusal, or inability of a **Protected Party** or anyone acting on behalf of a **Protected Party** to enter into or renew any contract or agreement.

However, this Exclusion Q. shall not apply to **Tort Liability** imposed by law for **Damages** caused by, arising out of, or as a consequence of failure or delay by a **Protected Party** or anyone acting on behalf of a **Protected Party** to fully perform any duties or obligations under any contract or agreement.

As used in this Exclusion Q., the term “contract or agreement” shall include but not be limited to a **Protected Contract** or **Limited Protected Contract**.

- R. Any **Claim**, liability, alleged liability, loss, cost, or expense for declaratory, injunctive, equitable or other relief, writs of mandate or prohibition or other prerogative writs, or other relief not seeking **Damages**. This includes any expense or cost incurred by a **Protected Party** arising from the cost of reasonable accommodation of any disabled person, including any **Employee**.
- S. Any **Claim**, liability, alleged liability, loss, cost, or expense for **Personal Injury** or **Broadcast/Publication Injury** directly or indirectly caused by or arising out of any:
1. Oral or written publication of material, if done by or at the direction of the **Protected Party** with knowledge of its falsity;
  2. Oral or written publication of material whose first publication took place before the beginning of the **Protection Period**; or
  3. Act, omission, or offense committed by a **Protected Party** with actual malice.
- T. Any **Claim**, liability, alleged liability, loss, cost or expense for which the **Protected Party** is obligated to pay damages by reason of liability assumed in a contract or agreement. This Exclusion T. does not apply to liability for **Bodily Injury** or **Property Damage**:
1. Assumed in a contract or agreement that is a **Protected Contract** or **Limited Protected Contract**; or
  2. That the **Protected Party** would have independent of a written contract or agreement.
- U. Any **Claim** by a **Member** against a **Protected Party**, except that this Section U. shall not apply to a **Claim** brought against the **Authority**.

- V. Any **Claim** by a **Member** against another **Member**; or by any present or former member(s) of any legislative body of the **Member** against any present or former member(s) of any legislative body of the **Member**.
- W. Any **Claim** by a **Protected Party** against the **Member** for expenses incurred in responding to any administrative proceeding brought by the **Member** against that **Protected Party**.
- X. Any **Claim**, liability, alleged liability, loss, cost, or expense based upon or arising out of:
1. Loss of, loss of use of, injury to, destruction of, diminution of value of, disappearance of, or costs of recovery of any money or securities, or any financial loss or default;
  2. The imposition, collection, refund or refusal to refund of taxes, fees, penalties or assessments;
  3. The issuance, management of proceeds or repayment of bonds, notes or other debt instruments by any **Member** or any agent acting on behalf of such **Member**; or
  4. The purchase, transfer, or sale of any securities by any **Member** or agent acting on behalf of such **Member**.
- Y. Any **Claim**, liability, alleged liability, loss, cost, or expense for **Public Officials Errors and Omissions Liability** based upon or arising out of:
1. Liability of any **Protected Party** arising out of estimates of probable costs or cost estimates being exceeded or for faulty preparation of bid specifications or plans including liability for mechanic's lien claims, stop notice claims, change order claims, site differential claims, or similar claims for the value of services or materials provided; this Exclusion X. extends to such claims, however denominated, including claims of breach of oral or written contract, third party beneficiary claims, quantum meruit claims, and/or open account claims;
  2. Any **Protected Party** obtaining remuneration or financial gain to which the **Protected Party** is or was not legally entitled;
  3. Liability assumed by a **Protected Party** in a contract or agreement, but this Exclusion X. does not apply to liability for **Damages** that the **Protected Party** would have independent of the contract or agreement; or
  4. Willful violation of penal code or ordinance committed by or with the knowledge or consent of any **Protected Party**.
- Z. Under **Employment Practices Injury**, any **Claim**, liability, alleged liability, loss, cost, or expense that:

1. Constitutes benefits due or to become due or the equivalent value of such benefits, including but not limited to perquisites, fringe benefits, payments in connection with an employee benefits plan, service, disability or industrial disability retirement benefits, severance pay or any other payment other than salary or wages to or for the benefit of an **Employee** arising out of the employment relationship;
2. Is representative of back salary either unpaid in whole or part or paid at an improper rate to an **Employee** by the **Member**;
3. Is based upon, arises from, or is in consequence of the employment reinstatement of the claimant by the **Member** or the continued employment of the claimant;
4. Is based upon, arises from, or is a consequence of an **Occurrence** that began prior to this **Memorandum's Protection Period**;
5. Constitutes front pay, future damages or other future economic relief or the equivalent thereof, if the **Member** is ordered to reinstate the **Employee** pursuant to a judgment or other final adjudication, but fails to do so;
6. Is in the form of paid administrative leave; or
7. Is based upon, arises from or is in consequence of an actual or alleged violation of the responsibilities, obligations or duties imposed by the Employee Retirement Income Security Act of 1974, the Fair Labor Standards Act, the National Labor Relations Act, the Worker Adjustment and Retraining Notification Act, the Consolidated Omnibus Budget Reconciliation Act of 1985, the Occupational Safety and Health Act, rules or regulations promulgated there under and amendments thereto or similar provisions of any federal, state, or local statutory law or common law.

However, with respect to the Exclusion Y., Sections 1. through 7. immediately above, no fact pertaining to or knowledge possessed by any **Protected Party** shall be imputed to any other **Protected Party** to determine if protection is available under this **Memorandum**.

- AA. Any **Claim**, liability, alleged liability, loss, cost, or expense for **Employee Benefit Administration Liability** based upon or arising out of:
1. Any dishonest, fraudulent, criminal or malicious act, libel, slander, discrimination, or humiliation;
  2. Failure of performance of contract by an insurer;
  3. Failure of any investment plan to perform as represented by a **Protected Party**;

4. Advice given by a **Protected Party** to an **Employee** to participate or not participate in subscription plans; or
  5. The inability of any **Employee Benefits Program** to meet its obligations due to insolvency or inadequacy of funding.
  6. A determination by the **Member** or its staff that an individual is an independent contractor rather than an Employee, or an Employee rather than an independent contractor, and any consequent decision whether to enroll the person in an Employee Benefits Program and/or whether to withhold payroll taxes for or on account of that person.
- BB. Any **Claim**, liability, alleged liability, loss, cost or expense falling within the Protection Provided terms of the insurance coverage for Cyber Liability provided by the insurer selected by the **Authority**, "Privacy Regulatory Claims Coverage" or "Security Breach Response Coverage."
- CC. Any **Claim**, liability, alleged liability, loss, cost or expense arising from or related to any uninsured motorist or underinsured motorist law and to any sums the **Member** may be legally entitled to, to recover as **Damages** from the owner or operator of an uninsured or underinsured **Automobile** because of **Bodily Injury** or **Property Damage** caused by an **Occurrence** and arising out of the ownership, maintenance or use of such **Automobile**. -Use includes operations and loading or unloading.
- DD. Any **Claim**, liability, alleged liability, loss, cost or expense caused by, or arising out of:
1. Inhaling, ingesting or physical exposure to asbestos or goods or products containing asbestos;
  2. The use of asbestos in construction or manufacturing any good, product or structure;
  3. The removal of asbestos from any good, product or structure;
  4. The manufacture, sale, transportation, storage or disposal of asbestos or goods or products containing asbestos; or
  5. Investigation or defense of any loss, injury or **Damage** at any cost, fine or penalty or for any expense of **Claim** related to any of the above.
- EE. Any **Claim**, liability, alleged liability, loss, cost or expense arising out of or involving willful violation of a penal statute or ordinance committed by the **Protected Party** or with the **Protected Party's** consent or knowledge. This Exclusion EE shall not apply until it has been judicially established in fact that the **Protected Party** did commit such criminal act or willful violation.
- FF. Any **Claim**, liability, alleged liability, loss, cost or expense arising out of the ownership, operation, maintenance, or control of any permanent landfill site or

facility. Landfill includes any site for permanent storage accumulation, burial, compost, sludge, or any other process for reducing or disposing of waste.

- GG. Any **Claim**, liability, alleged liability, cost, or expense arising out of the use or presence of a **Weapon** in the workplace, except when authorized by the **Member** and by an **Employee** who is POST (Peace Officers Standards and Training) certified at the time of the **Occurrence** and subject to continuing POST oversight and certification. "Workplace" means anywhere that the **Protected Party** is fulfilling their duties for the **Member**, within the course and scope of their employment.

V. **CONDITIONS AND RESPONSIBILITIES** – Excess Liability Program – please see **Endorsement** for additional definitions

A. *Inspection and Audit*

The **Authority** shall be permitted but not obligated to inspect the **Protected Party's** property and operations at any time. Neither the **Authority's** right to make inspections nor the making thereof nor any report hereon shall constitute an undertaking, on behalf of or for the benefit of the **Protected Party** or others, to determine or warrant that such property or operations are safe or healthful, or are in compliance with any law, rule or regulations. The **Authority** may examine and audit the **Protected Party's** books and records at any time during the **Protection Period** and extensions thereof and within three years after the final termination of this **Program**, as far as they relate to the subject matter of this **Memorandum**.

B. *Severability of Interest*

The term **Protected Party** is used severally and not collectively, and the protection afforded applies to each **Protected Party** against whom a **Claim** is made as if a separate **Memorandum** were issued to it, but the inclusion herein of more than one **Protected Party** shall not operate to increase the per **Member Protection Limit**.

C. *Protected Party's Duties in the Event of Occurrence or Claim*

1. In the event of any **Occurrence**, written notice containing particulars sufficient to identify the **Protected Party** and also reasonably obtainable information with respect to the time, place, and circumstances thereof, and the names and addresses of the injured and of available witnesses, shall be given by or for the **Protected Party** to the **Authority's** Claims Administrator as soon as practicable.
2. If a **Claim** is made against a **Protected Party**, the **Protected Party** shall immediately forward to the **Authority's** Claims Administrator every demand, notice, summons or other process received by the **Protected Party** or the **Protected Party's** representative.
3. The **Authority's** Claims Administrator will review the **Claim**, undertake whatever investigation is indicated, and take appropriate action, depending on the circumstances. A **Claim** may be returned to claimant

as "insufficient," if it does not contain minimum and essential information about the incident or the identity of the claimant. A **Claim** may also be returned as "late," if the prescribed time for filing has been exceeded. The Claims Administrator may request that the **Member** reject the **Claim**, or take no action until further notice, or such actions may be taken by the Claims Administrator if claims handling authority has been delegated to the **Authority** by the **Member**.

4.1. The **Protected Party** shall cooperate with the **Authority** and, upon the **Authority's** request, assist in making settlements, in the conduct of **Claims**, attending hearings and trials, securing and giving evidence, obtaining the attendance of witnesses, [executing documents reasonably necessary to affect a settlement](#), and in enforcing any right of contribution or indemnity against any person or organization who may be liable to the **Protected Party** because of injury or damage with respect to which protection, including any **Defense** obligation, is afforded under this Memorandum; and the **Protected Party** shall not, except at the **Protected Party's** own cost, voluntarily make any payment, assume any obligation or incur any expense. No **Claim** shall be settled without the prior written consent of the **Authority**, and the Authority shall not be required to contribute to any settlement to which it has not consented. The **Protected Party** shall not take any action whatsoever, subsequent to an **Occurrence** or **Claim** that could increase the liability exposure of, or jeopardize the program or **Authority** in any way. Failure to adhere to the duties set forth in this section can result in denial or rescission of coverage on behalf of the **Protected Party** or **Member**, where the Executive Committee of the **Authority** determines that such failure prejudices the defense of a **Claim**.

#### *D. Other Protection*

If collectible insurance or any other coverage or protection with any insurer, any permissibly self-insured general employer, joint powers insurance authority or any other source is available to the **Protected Party** covering a loss also protected hereunder (whether on a primary, excess or contingent basis), the protection hereunder (including any **Defense** obligation) shall be in excess of, and shall not contribute with, such insurance or other coverage or protection, provided that this clause does not apply with respect to any insurance purchased by a [Protected Party Member](#) specifically to be in excess of this **Memorandum**. Under no circumstances shall the protection afforded by this **Program** be considered primary, pro rata, concurrent or co-existent with such insurance, coverage, or other protection, unless agreed to by the **Member** through a written agreement approved by the **Authority** through the issuance of an evidence of coverage letter prior to a loss.

Protection Provided under this **Memorandum** of a **Claim**, liability, alleged liability, loss, cost or expense also falling within the coverage terms of the insurance coverage for Cyber Liability provided by the insurer selected by the **Authority**, "Privacy Liability (including

employee liability)", "Security Liability", and/or "Multimedia Liability", shall be on an excess and non-contributory basis except that if coverage exists under this **Memorandum**, it shall apply to the Retention amount in the insurance coverage for Cyber Liability provided by the insurer selected by the **Authority**.

*E. Termination or Amendment*

This **Memorandum** may be terminated or amended at any time in accordance with the Joint Powers Agreement and Bylaws of the **Authority**. The Executive Committee may adopt exclusions of coverage, copayments, **Member Retained Limits** or deductibles for actions or omissions of a **Member** that are deemed to be a risk to the program. Such exclusions, copayments, **Member Retained Limits** or deductibles may be imposed immediately upon adoption by the Executive Committee or as a consequence of a **Member's** failure to adhere to an approved Performance Improvement Plan as defined in the Healthy Member Protocol.

The **Member** will be given an opportunity to formally appeal the intended action before the Executive Committee if such a request is made within 14 days from the date the Notice of Intent is issued. The Executive Committee will hear any appeal from the **Member** and then take action to either enforce the Notice of Intent or provide additional direction to the Chief Executive Officer.

*F. Changes to Memorandum*

Notice to any agent or knowledge possessed by any agent of the **Authority** or by any other person shall not effect a waiver of or a change in any part of this **Memorandum**, nor shall the terms of this **Memorandum** be waived or changed, except by a written addendum issued by the **Authority** to form a part of this **Memorandum**.

*G. Subrogation and Recovery*

The **Authority** shall reserve the right to subrogate for any payments made hereunder and to assume the **Protected Party's** recovery rights. The **Protected Party** shall do nothing after loss to prejudice such rights and shall do everything necessary to secure such rights. The **Protected Party** may waive subrogation rights, but only through written agreement executed before the **Occurrence** giving rise to the loss. The **Authority** shall have standing to seek subrogation recovery in its own name or in the name of the **Protected Party**, and the **Protected Party** shall cooperate with and assist the **Authority** in pursuing such recovery, including assigning its right to recover subrogated amounts, and if necessary executing a written agreement to effect such assignment. Any amount so recovered shall be apportioned as follows:

1. The **Authority** shall be reimbursed to the extent of all payment under this **Memorandum**. Any remaining balance shall be applied to reimburse the **Protected Party**;
2. The expenses of such recovery proceedings shall be apportioned in the ratio of respective recoveries. If there is no recovery in proceedings conducted solely by the **Authority**, the **Authority** shall bear the expenses thereof.

#### *H. Assignment*

Assignment of interest under this **Memorandum** shall not bind the **Authority** until its consent is endorsed hereon; if, however, the **Member** shall be adjudged bankrupt or insolvent, such protection and **Defense** obligations as are afforded by this **Memorandum** shall apply (a) to **Member's** legal representative, as the **Member**, but only while acting within the scope of said representative's duties as such, and (b) with respect to the property of the **Member**, to the person having proper temporary custody thereof, as a **Protected Party**, but only until the appointment and qualification of a legal representative.

The **Member** shall not assign, transfer, or pledge all or any portion of the **Member's** rights or interests under this **Memorandum**, and the **Authority** shall not be liable to any person or entity claiming any such rights by virtue of any reported assignment, transfer, or pledge thereof. The **Authority's** denial of a defense shall not relieve the **Member** from complying with the provisions of this paragraph. Further, any such assignment, transfer, or pledge shall relieve the **Authority** of all duties, obligations and coverage provided under this **Memorandum** to the **Member** with respect to the **Claim** in which the rights were assigned, transferred, or pledged.

#### *I. Joint Powers Agreement*

The provisions of this **Memorandum** are subject to and subordinate to the terms and provisions of the Joint Powers Agreement creating the **Authority**, and in the event of any conflict between the terms and provisions of said Joint Powers Agreement and this **Memorandum**, the terms and provisions of the Joint Powers Agreement shall control.

#### *J. Appeal of Disputes*

No party is entitled to appeal or arbitrate **Claims** under this **Memorandum** other than the **Member**. Specifically, **Employees** are not intended to be third party beneficiaries of this agreement and shall have no right to bring an action against the **Authority** for a declaration of rights to protection under this **Memorandum**. The sole remedy of any **Employee** shall be the **Employee's** right to defense or indemnity against the employing **Member** under the provisions of the California Government Code.

Any disputes concerning coverage, protection, **Defense** obligations, or procedures of the **Program**, as interpreted by the **Authority's** staff, shall be appealed to the **Authority's** Executive Committee in accordance with the following procedures.

1. A written notice that a **Claim** is not covered by the **Memorandum** will normally be provided to the **Member** by the Claims Administrator. A **Member** may request any determination of a lack of coverage made by the Claims Administrator to be reviewed by the Chief Executive Officer. Such a request shall be in writing and must be made within 90 days of the date of the written notice from the Claims Administrator.
2. Upon request, the Chief Executive Officer shall review a determination of a lack of coverage made by the Claims Administrator or **Authority** staff and shall send to the **Member** a written determination of coverage.

3. If a **Member** disagrees with the coverage determination by the Chief Executive Officer, the **Member** may appeal the decision to the Appeals Committee. The Appeals Committee consists of the Executive Committee and the chairs of the Managers and Finance Officers Committees. Appeals must be in writing within 90 days of the date of the Chief Executive Officers written decision. The appeal request must state why the **Member** disagrees with the denial, and the **Member** should present any information that may have a bearing on the ultimate determination of coverage.
  - 4.1. The appeal request shall be presented by **Authority** staff to the Appeals Committee, on a regularly scheduled Executive Committee meeting day, allowing time for sufficient review and agenda deadlines. Staff shall notify the **Member** in advance of the meeting at which its appeal will be presented.
  - 5.2. If the **Member** would like to personally address the Appeals Committee, the **Member** or the **Member's** representative may attend the meeting and speak to the issue.
  - 6.3. The Appeals Committee may refer the appeal to the Coverage Committee and consider the recommendation of the Coverage Committee during its deliberation on the appeal. The Appeals Committee's decision is final. **Authority** staff will notify the **Member** of the Appeals Committee's decision in writing.
  - 7.4. Following a final determination regarding a **Claim**, consideration of the decision may be reopened at the request of the **Member** if circumstances change as follows: (1) a new and distinct **Claim** arising out of the prior **Occurrence** is presented to the **Member**, or (2) new and distinct causes of action are added to the **Claim**. If the new **Claim** or causes of action are reasonably thought by the **Member** to be covered, the Appeals Committee will reconsider the issue, in accordance with the procedure in this Section *J. Appeal of Disputes*, upon request. Any request for such reconsideration must be in writing within 90 days of the notice to the **Member** of the new **Claim** or cause of action.

If a **Member** disputes a coverage issue relating to the application or scope of an exclusion, then, during the course of the administrative and arbitration proceedings provided herein, only upon the request of the **Member**, the **Authority** shall defend the **Claim** against the **Member** and have the right to control any settlement of that **Claim**, subject to the right of the **Authority** to recover from the **Member** any amounts paid out by the **Authority** for such defense or settlement which are finally determined by the Appeals Committee, or as a result of the Binding Arbitration Process, not to be owed by the **Authority** under the **Program**. If the **Member** does not elect to request such a defense, **Defense Costs** incurred during the coverage appeal shall be at the sole cost and expense of the **Member**.

#### K. Arbitration

If the **Member** has followed the coverage appeals procedure outlined in Section V.J. *Appeal of Disputes* and disagrees with the final determination of the Appeals Committee, the **Member** may request consideration of the coverage issue through the **Authority's** Binding Arbitration Process.

The Arbitration Process shall be as follows:

1. Following a decision by the Appeals Committee, the appealing **Member** shall notify the Chief Executive Officer in writing, within 30 days of the Appeals Committee's final decision, that it wishes to participate in Binding Arbitration and shall submit a non-refundable \$1,000 arbitration appeal fee. The written notice shall specify the grounds for the arbitration.
2. Following payment of the arbitration appeals fee, the name of each **Member**, other than the appealing **Member** and the **Members** represented on the Appeals Committee, shall be placed in an unmarked envelope. Each envelope shall be placed in a box and eleven envelopes shall be drawn by the Chief Executive Officer. A representative of the appealing **Member** may be present at the drawing.
3. The **Chief Executives** of the eleven **Members** shall be the pool of potential arbitrators. The eleven **Members** and the names of their **Chief Executives** shall be given in writing to the appealing **Member**.
4. The appealing **Member** shall have the right to strike two or less names from the pool for any reason which shall not be disclosed. The **Authority** shall have the right to strike two or less names from the pool for any reason which shall not be disclosed. The appealing **Member** and the **Authority** must strike names within five business days of the drawing. The right of either party to strike names shall lapse at 5:00 ~~PM~~ p.m. on the fifth day following the drawing. Notice of names stricken by either party shall be given in writing to the other party prior to 5:00 ~~PM~~ p.m. on the fifth day following the drawing.
5. The remaining **Chief Executives** shall be contacted by the Chief Executive Officer to determine their willingness to serve on the arbitration panel. If more than five are willing to serve, each name shall be placed in an unmarked envelope, put in a box, and the Chief Executive Officer shall draw five envelopes from the box. The individuals whose names are drawn shall be the arbitration panel and they shall be disclosed in writing to the appealing **Member**.
6. If only five are willing to serve, they shall be the arbitration panel.
7. If fewer than five are willing to serve, the name of each member not drawn in the previous selection drawing shall be placed in an unmarked

envelope, put in a box, and four envelopes shall be drawn for each arbitration panel position needed to have a five-member panel. A representative of the appealing **Member** may be present at the drawing. The names drawn shall be disclosed to the appealing **Member** who may reject, for any reason which shall not be disclosed, one name for each four names drawn. The **Authority** may also reject one name for each four names drawn and shall not disclose the reason. Names rejected by the appealing **Member** and the **Authority** must be rejected within 48-hours of the drawing. The right to reject names shall lapse 48-hours following the drawing.

- 8-1. The **Chief Executives** of the **Members** remaining shall be contacted by the Chief Executive Officer to determine their willingness to serve on the arbitration panel. The names of those willing to serve shall be placed in unmarked envelopes, put in a box, and the number necessary to fill out the arbitration panel shall be drawn by the Chief Executive Officer and disclosed in writing to the appealing **Member**. A representative of the appealing **Member** may be present at the drawing.
- 9-2. This process shall be repeated until five members are obtained for the arbitration panel.
- 10-3. The arbitration panel members shall be compensated at the rate of \$125 per half-day or portion thereof. If a panel member is required to stay away from home overnight, lodging shall be paid by the **Authority**. Necessary meals shall be provided for all panel members. Mileage costs shall be reimbursed by the **Authority** at its standard rate.
- 11-4. The cost of the arbitration panel shall be borne by the **Authority**. The cost of presentation by the appealing **Member**, including preparation, exhibits, attorneys, and all other costs of the **Member** shall be paid by the **Member**.
- 12-5. The arbitration panel may request legal counsel that shall be selected by the Chief Executive Officer and paid for by the **Authority**. Legal counsel shall not be the counsel for the **Authority** that has advised the staff and Executive Committee. However, counsel for the **Authority** may participate in or make the presentation to the arbitration panel on behalf of the **Authority**, as requested by the Chief Executive Officer.
- 13-6. The parties to the arbitration shall not be governed by formal rules of evidence.
- 14-7. The arbitration panel's decision shall be final and binding on the **Member** and the **Authority**. Decisions of the arbitration panel shall be by majority vote.

45.8. The decision of the arbitration panel shall be written and shall govern the issue decided but may be referred to by the **Authority** and future arbitration panels for precedent.

*L. Limitation of Liability*

Under no circumstances shall the **Authority** be liable for consequential damages, “bad faith” damages, or any sums beyond the amounts due under Section **II. PROTECTION PROVIDED**, plus interest at the same rate as the **Authority** earned on investments for the time period involved.

# Liability Coverage Program Endorsement 1

## I. ENDORSEMENT

The Liability Program Memorandum of Coverage is amended for **Members** of the Primary and Excess Liability Programs: [as follows](#):

~~This **Endorsement** constitutes an amendment to the coverage found in the 2020–2021 Liability Memorandum of Coverage for **Members** of the Primary and Excess Liability Programs as follows:~~

## II. PROTECTION PROVIDED

### C. Protection Limit

Notwithstanding what is stated in the Cover Page, a Sublimit of \$1,000,000 (one million dollars) per **Occurrence** applies to any **Claim** arising out of **Organic Pathogens**. The Sublimit is the most the **Authority** will pay, in excess of the **Member Retained Limit** (if applicable) for the total of **Damages** and **Defense Costs** arising out of or related to:

### ORGANIC PATHOGENS

1. All liability or expense arising out of any actual, alleged or threatened infectious, pathogenic, toxic or other harmful properties of any **Organic Pathogen**, including exposure to any **Organic Pathogen**; and
2. Any loss, cost or expense arising out of any:
  - a) Request, demand, order or statutory or regulatory requirement that any **Protected Party** or others test for, monitor, clean up, remove, contain, treat, detoxify or neutralize, or in any way respond to, or assess the effects of any **Organic Pathogen**,
  - b) **Claim** or suit by or on behalf of a governmental authority for damages because of testing for, monitoring, cleaning up, removing, containing, treating, detoxifying or neutralizing, or in any way responding to, or assessing the effects of any **Organic Pathogen**, or
3. All liability or expense arising out of any actual or alleged failure by a **Protected Party** to properly quarantine those affected by an **Organic Pathogen**.

This **Endorsement** does not apply to **Bodily Injury** caused by any **Organic Pathogen** in or on any food or beverages sold, distributed, served or handled by the **Protected Party**.

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**DEFINITION****ORGANIC PATHOGEN**

“Organic Pathogen” means any:

1. Viruses or other pathogens (whether or not a microorganism); or
2. Colony or group of any of the foregoing.

## Liability Coverage Program Endorsement 2

### I. EARTH MOVEMENT RETAINED LIMIT AND LIMIT OF COVERAGE

This **Endorsement** applies to **Members** and **Protected Parties** that are not subject to **Endorsement** No. 3 relating to the Excess Liability Program. It is applicable to **Members** who are covered by the Primary Liability Program for this **Memorandum**. **Members** and **Protected Parties** subject to **Endorsement** No. 3 are instead subject to the **Earth Movement Exclusion** in that **Endorsement**.

#### A. *Earth Movement Sublimit*

For any **Claim** arising out of **Earth Movement**, the **Protection Limit** shall be subject to a **Sublimit** of \$10,000,000, per **Member**, per **Protection Period**, regardless of the number of **Claims**, **Occurrences** or claimants. Such **Claims** shall also be subject to an **Annual Aggregate Limit** of \$30,000,000 for all **Members** in any **Protection Period**. The **Annual Aggregate Limit** is the most the **Authority** will pay for all **Protected Parties** because of **Earth Movement Claims**, combined, in any **Protection Period**.

#### B. *Earth Movement Member Retained Limit*

For any **Claim** arising out of **Earth Movement**, a **Member Retained Limit** of \$125,000 per **Occurrence** shall apply. The **Member Retained Limit** shall be applied to the aggregate of all covered **Claims** arising from an **Occurrence** as defined in this **Memorandum**. The **Member Retained Limit** shall be reduced by both the payment of **Damages** and **Defense Costs**. The following general rules apply to the **Member Retained Limit** and **Sublimit**:

1. The **Member Retained Limit** shall not be reduced by payments on any **Claim** brought against a **Member** which is not covered under this **Memorandum**.
2. The **Member** agrees not to insure or otherwise reinsure the **Member Retained Limit** without the **Authority's** written permission.
3. The **Authority** agrees to pay for all **Defense Costs** and **Damages** on a covered **Earth Movement Claim** and collect the **Member Retained Limit** from the **Member** at the conclusion of that **Claim**.

#### C. *Protection Period and Application of Aggregate Limit*

All protection shall be deemed to arise from a single **Occurrence** where the **Earth Movement** takes place over more than one **Protection Period**, and shall be deemed to arise when **Property Damage** from the **Earth Movement** began, and only the **Protection Period** in place at that time shall apply for purposes of the **Member Retained Limit** and **Protection Limit**.

In applying the **Annual Aggregate Limit**, should it appear to the Executive Committee that the total exposure for all **Claims** in a **Protection Period** may exceed the **Annual Aggregate Limit**, it will be prorated between the **Members**, on the basis of the **Members'** respective premium contributions for the **Protection Period** at issue. For purposes of determining whether the **Annual Aggregate Limit** has been exhausted, the Executive Committee retains full discretion regarding placement of reserves, and payment of **Claims** in order to equitably allocate it. Once the **Annual Aggregate Limit** for such **Claims** occurring during a **Protection Period** has been exhausted, that shall be the most the **Authority** will pay.

## Liability Coverage Program Endorsement 3

### This Endorsement is issued to:

<u>Member Name</u>	<u>Member Retained Limit</u>
Alhambra	\$750,000
Azusa	<del>\$250,000</del> 500,000
Commerce	\$250,000
Fountain Valley	\$300,000
Hermosa Beach	\$250,000
Irwindale	\$150,000
La Verne	\$250,000
Pacific Grove	\$200,000
San Luis Obispo	\$1,000,000
Santa Clarita	<del>\$100,000</del> 250,000
<del>Stanton</del>	<del>\$100,000</del>
<del>Thousand Oaks</del>	<del>\$2,000,000</del>
Vista	<del>\$150,000</del> 250,000
West Covina	\$1,000,000
West Hollywood	\$250,000

## I. ENDORSEMENT

The Liability Program Memorandum of Coverage is amended for the listed participants in the Excess Liability Program ~~as follows:~~

~~This Endorsement constitutes an amendment to the coverage found in the 2022–2023 Liability Memorandum of Coverage for Members of the Excess Liability Program as follows:~~

## II. PROTECTION PROVIDED

### A. Payments on Behalf of Protected Parties

Subject to all provisions of this **Memorandum**, the **Authority** will cause the **Program** to pay on behalf of the **Protected Party** all sums above the **Member Retained Limit** that the **Protected Party** shall become legally obligated to pay as **Damages** by reason of **Tort Liability** imposed by law, or the **Tort Liability** of others assumed in a **Protected Contract**, because of:

1. Bodily Injury or Property Damage, including **Automobile Liability**
2. Personal Injury;
3. Public Officials Errors and Omissions;
4. Broadcast/Publication Injury;
5. Employment Practices Injury; or
6. Employee Benefit Administration Liability

caused by an **Occurrence** during the **Protection Period**, to which this **Memorandum** applies.

### B. Defense and Settlement

The **Authority** shall have no duty to assume charge of investigation or defense of any **Claim**. However, the **Authority** shall have the right to assume control of the negotiation, investigation, defense, appeal, or settlement of any **Claim** which the **Authority** determines, in its sole discretion, to have a reasonable possibility of resulting in a total of **Damages** and **Defense Costs** in excess of the applicable **Member Retained Limit**. The **Member** and **Protected Parties** shall fully cooperate in all matters pertaining to such **Claim** or proceeding. If the **Authority** assumes control of the handling of a **Claim**, the **Member** and **Protected Parties** shall be obligated to pay, at the direction of the **Authority**, any sum as it is incurred, necessary for **Defense Costs** for the settlement of a **Claim** or to satisfy liability imposed by law, up to the applicable **Member Retained Limit**.

No **Claim** shall be settled for an amount in excess of the **Member Retained Limit** without the prior written consent of the **Authority**, and the **Authority** shall not be required to contribute to any settlement to which it has not consented. With regard to **Claims** that are determined by the **Authority** to have a reasonable possibility of exceeding the **Member Retained Limit**, the **Authority** shall, from the point of such determination, have sole

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settlement authority, control selection of defense counsel, **Claims** investigation and **Claims** handling.

For **Claims** which have not yet been determined by the **Authority** to have a reasonable possibility of exceeding the **Member Retained Limit**, or for which the **Authority** determines, in its sole discretion, should continue to be managed entirely within the **Member Retained Limit**, a collaborative approach is utilized in which the **Member**:

1. Retains settlement authority, except in cases of death or serious injury, or any **Claim** type listed in Section **VI. CONDITIONS AND RESPONSIBILITIES** of the Addendum (claims with catastrophic potential);
2. Retains the right to select defense counsel, from the **Authority's** pre-approved defense panel;
3. Receives professional analysis and recommendations on matters such as defense strategy, and other key decisions throughout the claims handling process;
4. Receives regular and frequent communication regarding **Claims** as they develop;
5. Retains the ability to tailor participation and level of engagement to its preferences;
6. Is required to establish and maintain a trust account for liability claim payments;
7. Is required to use the **Authority**-designated Claims Administrator;
8. Is encouraged to provide input and guidance concerning procedural preferences for claims handling;
9. Is not permitted to self-administer **Claims**.

#### *C. Protection Limit*

For the purpose of determining the **Protection Limit** and **Member Retained Limit**, all **Bodily Injury, Property Damage, Personal Injury, Public Officials Errors and Omissions, Broadcast/Publication Injury, Employment Practices Injury, Employee Benefit Administration Liability**, or **Chief Executive Separation Payment** arising out of exposure to substantially the same general condition(s), the same act, policy, or course of conduct by a **Protected Party** shall be considered as arising out of one **Occurrence**.

#### *D. Reduction of Limits*

All covered **Claim** payments for **Damages** or **Defense Costs**, which fall within the **Member Retained Limit**, will reduce the **Protection Limit** under this **Program**.

#### *E. Partial Coverage And Pre-Tender Fees*

With respect to a **Claim** for which the **Authority** has determined that only a portion is encompassed by this **Program**, the **Authority** shall cause the **Program** to fund any defense of the **Claim** against the **Member** and any settlement or final judgment of that **Claim** above the **Member Retained Limit**, subject to the reservation by the **Authority** of the right to recover from the **Member** any amounts paid by the **Authority** for such settlement, **Defense Costs**, or final judgment paid to claimants for **Claims**, or portions thereof, not encompassed by the **Program**.

Expenses incurred prior to the reporting of a **Claim**, including but not limited to legal fees, **Defense Costs** and all expenses related to **Claim** investigation are not covered under this **Memorandum**, unless such expenses are approved by the **Authority** in writing.

#### *F. Chief Executive Separation Payment*

This **Program** will also pay a **Chief Executive Separation Payment** to an eligible **Chief Executive** who is separated from employment involuntarily, by the governing body of the **Member**. A **Chief Executive** that is forced to resign in lieu of termination will also be eligible for the **Chief Executive Separation Payment**. The **Member Retained Limit** shall not be assessed to this coverage. A **Chief Executive** that is subjected to a **Termination for Cause**, as defined in this **Memorandum**, shall not be eligible for the **Chief Executive Separation Payment**, nor will an interim or acting **Chief Executive**. The **Authority** at its sole discretion shall determine eligibility for the **Chief Executive Separation Payment**.

### III. MEMBER RETAINED LIMIT

#### *A. General Rules*

The **Member Retained Limit** shall be applied to the aggregate of all covered **Claims** arising from an **Occurrence** as defined in this **Memorandum**. The **Member Retained Limit** shall be reduced by both the payment of **Damages** and **Defense Costs**. The following general rules apply to **Claims** within the **Member Retained Limit**:

1. The **Member Retained Limit** shall not be impaired by any **Claim** brought against a **Member** which is not covered under this **Memorandum**.
2. The **Member** agrees not to insure or otherwise reinsure the **Member Retained Limit** without the **Authority's** written permission.
3. This **Memorandum** will not drop down to assume or satisfy the financial obligations of the **Member** for **Damages** or **Defense Costs** within the **Member Retained Limit**. The **Member Retained Limit** can be satisfied only through payments for **Damages** and **Defense Costs** actually paid by the **Member**, to which the **Authority** has agreed.
4. The **Member** agrees that in the event of a judgment, settlement, or any **Claim** payment (including **Defense Costs**), in excess of the **Member Retained Limit**, all outstanding amounts within the **Member Retained**

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**Limit** will be due and payable to the **Authority** upon demand. Such payment must be made before the **Authority** pays, tenders, or deposits in court, any part of said judgment, settlement, or defense expenditure. Failure of the **Member** to comply with this provision will not invalidate the **Memorandum**, but in the event of such failure, the **Authority** will be liable only to the extent that it would have otherwise been liable had the **Member** complied with this provision.

*B. Reserving Policy*

With regard to the case reserves of individual **Claims** within the **Member Retained Limit**, the **Authority**-designated Claims Administrator, with oversight from **Authority** staff, shall determine reserve amounts as necessary and appropriate, in a manner consistent with the **Authority's** reserving policy, using reasonable estimates of probable liability exposure, based on facts and circumstances relevant to individual **Claims**. The **Authority**-designated Claims Administrator and **Authority** staff shall inform the **Member** of large reserve changes and provide the **Member** with an opportunity to give input concerning the establishment of reserve estimates for large **Claims**, however the **Member's** sole recourse for disputing reserve estimates is to appeal in writing to the Executive Committee. The Executive Committee shall make a determination by majority vote, and the Executive Committee's determination shall be final and binding.

*C. Total Incurred Claim Value Trigger*

Total incurred **Claim** values, which include actual **Claim** payments as well as reserves for defense, indemnity, and expenses shall serve as the basis for the **Authority** determining whether a **Claim** has a reasonable possibility of exceeding the **Member Retained Limit**, and therefore trigger the **Authority's** control of settlement and disposition of the **Claim**. At such time as the total incurred value of a **Claim** exceeds the **Member Retained Limit**, settlement authority and control of the **Claim** shall transfer from the **Member**, and become the sole responsibility of the **Authority**.

*D. Transfer Of Settlement Authority*

Upon transfer of settlement authority from the **Member** to the **Authority** as described in Section III.C. *Total Incurred Claim Value Trigger* of the Addendum, the **Authority's** control of settlement and disposition of the **Claim** is inclusive of the **Member Retained Limit**; meaning, the **Member** is required to contribute up to the full amount, if necessary, of its **Member Retained Limit** in order to pay for **Damages** and **Defense Costs**, as those payments become due. The **Member** shall be notified by the **Authority** of the transfer of settlement authority from the **Member** to the **Authority**.

*E. Trust Account For Claim Payments*

The **Member** agrees to establish and maintain a trust account with a financial institution for the purpose of paying for **Claims**, **Damages**, **Defense Costs**, and any other covered claims expense within the **Member Retained Limit**. The **Member** further agrees to:

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1. Grant appropriate authorization to the **Authority**-designated Claims Administrator to issue checks and/or other methods of payment as necessary;
2. Use the trust account exclusively for liability claim payments covered under this **Program**;
3. Issue all claim payments through the trust account, meaning: no liability claim payments are to be made or disbursed from other accounts, or from any other source without first providing written notice to the **Authority**;
4. Take reasonable steps to ensure that the trust account is adequately funded so that claim payments can be made without delay, as they become due;
5. In the event that funds in the trust account are inadequate to pay for **Claim** expenses as they become due, the **Member** shall be notified and required to deposit the necessary funds. If a lack of funding in the **Member's** trust account results in a delay in the payment of a settlement, judgment, or any other authorized **Claim** expense, which subsequently results in fees or penalties, the **Member** will be solely financially responsible for any and all such costs, arising from the late payment;
6. Provide read-only access for on-line banking to the **Authority**, to facilitate claim payment reconciliations, and other data management needs of the **Authority**.

*F. Authority-Designated Claims Administrator*

The **Member** agrees to exclusively utilize the Claims Administrator that has been approved and designated by the **Authority**, and to report all **Claims**, regardless of whether the estimated **Damages** fall within or exceed the **Member Retained Limit**. Self-administration of **Claims** under this **Memorandum** is not permitted. The **Authority** agrees to take reasonable and appropriate steps to ensure that the designated Claims Administrator is periodically evaluated, and either meets or exceeds performance standards for claims handling and customer service, based on industry best practices. The **Authority** further agrees to provide appropriate oversight, regulate adjuster caseloads, and ensure that claims administration fees remain fair and equitable.

#### IV. DEFINITIONS

- HH. **Member Retained Limit** means the amount per **Occurrence** stated on the cover page that the **Member** retains as its self-insurance. The **Member Retained Limit** includes both **Damages** and **Defense Costs**. For the purpose of settlement authority determination, the **Member Retained Limit** includes actual claim payments, and case reserves.

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- II. **Protection Limit** means the sum of the **Member Retained Limit** and the **Pooled Retained Limit**, above which a **Claim** is tendered to the **Program's** excess or reinsurance carriers.

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## V. EXCLUSIONS

- JJ. **Earth Movement** – Any **Claim** of property damage directly or indirectly arising out of, caused by, resulting from, contributed to or aggravated by the settling, sinking, slipping, falling away, caving in, shifting, eroding, mud flow, rising, tilting, or any other subsidence or movement of land.
1. Any **Claim**, liability, alleged liability, loss, cost, or expense caused by, arising out of or in any way connected with the operation of the principles of eminent domain, condemnation proceedings, or inverse condemnation, by whatever name called, whether such liability accrues directly against the **Protected Party** or by virtue of any agreement entered into by or on behalf of the **Protected Party**. This Exclusion A. shall not apply to liability, loss, cost or expense arising from **property damage** caused by, flooding not caused by the failure of a **Dam** or **Levee**, or sewer backup, even though a legal theory upon which a claimant seeks recovery is the principle of inverse condemnation. This Exclusion A shall not apply when the alleged damages arise out of temporary physical measures taken by the **Member** for public safety reasons in an effort to prevent or reduce a loss.

## VI. CONDITIONS AND RESPONSIBILITIES

### A. Authority's Rights And Duties In The Event Of A Claim

For any **Claim** that has exceeded the **Member Retained Limit**, or has been determined by the **Authority** to have a reasonable possibility of exceeding the **Member Retained Limit**, the following rights and duties apply:

1. The **Authority** shall have the right and the duty to defend any **Claim** against the **Member** seeking **Damages** on account of such injury as is covered in this **Memorandum**, after the **Claim** has exceeded the **Member Retained Limit**, even if the allegations of the **Claim** are groundless, false, or fraudulent.
2. The **Authority** shall conduct the defense of any **Claim** in the **Member's** name and recover in the **Member's** name for the **Member's** benefit any **Claim** for **Damages** or otherwise, against any third party, and the **Authority** shall have full discretion in the handling of any **Claim**.
3. The **Authority** shall have the right to control the litigation and select defense counsel. In the event that there is a coverage reservation of rights between the **Authority** and the **Member**, the **Authority** shall retain its right to select defense counsel and control the defense of the

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**Claim**, without waiving its right to pay only those **Damages** which are covered under the terms of this **Memorandum**.

4. The **Authority** has the right, but not the duty, to appeal any judgment.

#### *B. Authority's Right To Control Claims With Catastrophic Potential*

The **Authority** reserves the right at its sole discretion to exercise exclusive settlement authority and control over the disposition of certain **Claim** types, deemed by the nature of the allegations to automatically have catastrophic potential. The **Authority** may, at its sole discretion, exercise this right, commencing at the time the **Claim** is reported, or at any time during the **Claim** evaluation process, regardless of whether the **Claim** falls within or exceeds the **Member Retained Limit** based solely on established reserves.

The **Claim** types deemed to automatically have catastrophic potential are:

1. Any **Claim** involving death or serious injury, including but not limited to: spinal cord damage, brain damage, paralysis, loss of limbs, loss of sight or hearing, multiple fractures, damage to major organs, and serious burns;
2. Any **Claim** involving a proposed or certified class action;
3. Any **Claim** naming the **Authority**;
4. Any **Claim** involving environmental damage or injury with catastrophic potential, including those involving contamination, pollution, toxic chemicals, nuclear, radiation, lead, fungus, mold or asbestos;
5. Any **Claim** involving terrorism or suspected terrorism;
6. Any **Claim** alleging sexual misconduct of any type, including rape, abuse, assault, or molestation;
7. Any **Claim** alleging a civil rights violation with potential for an award of substantial attorney fees.

#### *C. Defense Counsel Selection*

Within the **Member Retained Limit**, **Members** retain the right to select defense counsel from the **Authority's** pre-approved defense panel. Should the **Member** desire to retain defense counsel not on the **Authority's** pre-approved defense panel, at the **Authority's** sole discretion, said counsel may be retained subject to the following provisions:

1. **Member**-selected defense counsel must comply with all **Authority** litigation guidelines, including reporting requirements, preparation of a written litigation management plan, and litigation budget. The negotiated hourly rate for billing must also be equal to, or less than the **Authority's** standard rate applied to the **Authority's** pre-approved defense panel. In the event that the hourly rate charged by **Member**-selected defense counsel is greater than the **Authority's** standard rate, the **Member** will

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- be solely financially responsible for the difference, and the difference in cost shall not be considered a covered expense under the **Program**.
2. **Member**—selected defense counsel must furnish any and all information related to the **Claim** that is requested by the **Authority**, and cooperate with any counsel selected by the **Authority** to monitor or participate in the defense of the **Claim**.
  3. If the **Authority** defends a **Protected Party** under a reservation of rights, defense counsel will be required to maintain records pertinent to the loss adjustment expenses. These records may be subject to inspection and audit by the **Authority**, and they may be used to determine the allocation of any loss adjustment expenses for which the **Protected Party** may be solely responsible, including defense of an allegation not covered by this **Memorandum**.
  4. This **Program** does not pay for legal fees incurred by general counsel, supplemental counsel, or secondary counsel unless approved in writing by the **Authority**.

# **CALIFORNIA JPIA**

## **AGENDA REPORT**

**To:** EXECUTIVE COMMITTEE

**From:** Alexander Smith, Chief Executive Officer

**By:** Jeff Rush, Workers' Compensation Program Manager

**Date:** June 17, 2026

**Subject:** 2026-2027 Memorandum of Coverage – Workers' Compensation Program

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Attached is the redline version of the 2026-2027 Memorandum of Coverage – Workers' Compensation Program and the accompanying endorsement. This year's Memorandum specifies the coverage provided in both our primary and excess programs, with the differences in coverage between the programs outlined in the accompanying endorsement. Of note is the addition of San Marcos to the program with a \$300,000 Member Retained Limit.

There are no substantive changes recommended in terms of coverage.

### **Recommended Action**

The Coverage Committee will be evaluating the changes noted above prior to the Executive Committee and providing its recommendation. It is recommended that the Executive Committee follow the recommendation of the Coverage Committee, which will be provided at the meeting.



CALIFORNIA  
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*Providing Innovative Risk Management Solutions  
for Our Public Agency Partners*

# MEMORANDUM OF COVERAGE WORKERS' COMPENSATION PROGRAM

EFFECTIVE JULY 1, ~~2025~~2026—JULY 1,  
~~2026~~2027

INTEGRITY

EXCELLENCE

INNOVATION

TEAMWORK

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Issued to the «Agency»

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# MEMORANDUM OF WORKERS' COMPENSATION AND EMPLOYER'S LIABILITY COVERAGE

ADMINISTERED BY THE CALIFORNIA JOINT POWERS INSURANCE AUTHORITY

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**MEMBER:** «Member\_Name»

**MAILING ADDRESS:** «Member\_Address»  
«City», «State» «Zip»

**PROTECTION LIMITS:** Workers' Compensation: Statutory  
Employer's Liability: \$10,000,000 per Occurrence

**PROTECTION PERIOD:** From July 1, ~~2025~~2026, at 12:01 a.m. Pacific Time until July 1, ~~2026~~2027, at 12:01 a.m. Pacific Time.

## ENDORSEMENT(S):

This Memorandum and any endorsements thereto are a description of the terms and conditions of the Program through which certain specified and limited self-insured risks of liability are administered by the Authority and shared by its Members. *This Memorandum is not an insurance policy.* As provided in Section 990.8 of the California Government Code and appellate court cases of *Orange County Water District v. Association of California Water Agencies JPIA* (1997) and *City of South El Monte v. Southern California Joint Powers Insurance Authority* (1995), the pooling of self-insured claims or losses among the Members of the Authority shall not be considered insurance nor be subject to regulation under the Insurance Code.

California JPIA

President



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## I. INTRODUCTION

This **Memorandum** (hereinafter **Memorandum**) is a description of the terms and conditions of the **Workers' Compensation Program and Employer's Liability Coverage** (hereinafter **Program**) through which certain self-insured risks of workers' compensation and employer's liability are administered by the **Authority** and shared by its **Members** pursuant to the Joint Powers Agreement creating the **Authority** under the provisions of Section 6500 et seq. of the Government Code.

As provided in Section 990.8 of the Government Code, pooling of **Losses** in this **Program** is not insurance. The sole duty of the **Authority** is to administer the **Program** adopted by the **Members**. The **Authority** will pay on behalf of **Members** the liability only for **Claims** or losses which are pooled under the terms of this **Memorandum** and the Joint Powers Agreement.

The provisions of the **Program** are subject to and subordinated to the Joint Powers Agreement or any action taken by the Executive Committee or the Board of Directors in connection with the **Program**. This **Program** has been adopted pursuant to action taken by the Executive Committee, and is subject to any amendment, modification or extension by the Executive Committee or the Board of Directors at a regular meeting or at a special meeting called for that purpose.

The terms of this **Memorandum** shall be construed in an evenhanded fashion in accordance with the principles of California contract law. If the language of this **Memorandum** is alleged to be ambiguous or unclear, the issue of how the **Protection** should apply shall be resolved in a manner most consistent with the relevant terms of this **Memorandum** without regard to authorship of the language and without any presumption of arbitrary interpretation or construction in favor of either the **Member** or the **Authority**. Any controversy or dispute arising out of or related to an interpretation or breach of this **Memorandum** shall be settled in accordance with the appeals procedures as set forth in this **Memorandum**.

Throughout this **Memorandum**, words and phrases that appear in bold print are defined in Section III. **DEFINITIONS**.

## II. PROTECTION PROVIDED

In consideration for **Member's** payment of the required annual contribution for participation in this **Program**, and subject to all terms and conditions set forth in this **Memorandum**, the **Program** agrees to provide the following protection:

### A. *Workers' Compensation*

The **Program** will pay on behalf of the **Member** workers' compensation benefits for **Bodily Injury** by accident or occupational disease, including resulting death, deemed compensable under the laws of the State of California, and sustained by an **Employee**. Such payments, including any settlements, shall be made at the Authority's sole discretion.

The **Program** will provide for the administration and defense of **Claims** for workers' compensation benefits, including investigation, payment of benefits, compliance with



reporting requirements for **Claims** administration, and settlement. The **Program**, at its discretion, will choose and manage service providers necessary to fulfill its objectives; including third party **Claims** administrators, medical management providers, defense attorneys, investigators, etc.

Coverage is subject to the following conditions:

1. **Bodily Injury** by accident must arise out of and in the course of employment by the **Member** and must occur during the **Protection Period**.
2. Occupational disease must be caused by or aggravated by the conditions of employment, and the exposure must occur during the **Protection Period**.
3. **Bodily Injury** or occupational disease from presumptive causations contained in Labor Code Section 3212 et seq. or other California governmental codes must occur during the **Protection Period**.
4. Coverage is limited to amounts the **Member** is legally liable to pay after apportionment to pre-existing, concurrent or subsequent injuries or illnesses as defined by law.
5. The **Program** will pay temporary disability, permanent disability and death benefits at the statutory rates defined in the California Labor Code (Labor Code Division 4, Part 2, Chapter 2, Articles 3, 4, 4.5 and 5). If the **Member** pays the **Employee** for periods of temporary disability per a salary continuation plan under a collective bargaining agreement, memorandum of understanding or other employment agreement, the **Program** will reimburse the **Member** at the statutory temporary disability benefit rate for those periods paid by the **Member**.
6. If the **Employee** is eligible to receive salary continuation in lieu of temporary disability under Labor Code Section 4850 et seq., the **Program** will reimburse the **Member** at the statutory rate for temporary disability benefits that the **Member** would be obligated to pay if Labor Code Section 4850 et seq. did not apply.
7. **Employees** on temporary assignment or traveling for **Member** business or working permanently outside the State of California who sustain an injury or occupational disease arising out of and in the course and scope of employment for the **Member** are covered for benefits under this **Program**. Benefits will be paid on behalf of the **Member** up to the amount payable under the workers' compensation laws of the State of California, regardless of the jurisdiction selected by the **Employee**.
8. Peace officers sworn under Penal Code Sections 830 – 830.18 who are injured while engaging in the apprehension or attempted apprehension of law violators or suspected law violators, or protection or preservation



of life or property, or the preservation of the peace, outside the state of California when the employer's governing body has passed a resolution confirming their intention to provide coverage for such injuries.

9. Costs pursuant to a carve-out agreement under Labor Code Sections 3201.5-3201.7 in excess of those required by the Labor Code shall be paid if the California JPIA has reviewed and approved the terms of the **Member's** carve-out agreement.

#### *B. Employer's Liability*

The **Program** will indemnify the **Member**, where permitted by law, for **Loss** arising from **Bodily Injury** or occupational disease, including resulting death. Coverage is subject to the following conditions:

1. **Bodily Injury** by accident must arise out of and in the course of employment by the **Member**. Occupational disease must be caused by or aggravated by the conditions of employment. The accident or period of exposure must occur during the **Protection Period**. **Bodily injury** does not include emotional distress, anxiety, discomfort, inconvenience, depression, dissatisfaction or shock to the nervous system, unless caused by either a manifest physical injury or a disease with physical dysfunction or condition resulting in treatment by a licensed physician or surgeon.
2. **Bodily Injury** or occupational disease suffered by **Employee** is not covered by workers' compensation law.
3. The **Employee's** duties are necessary or incidental to work conducted by the **Member**.
4. The **Member** timely and fully pursues all available remedies for contribution or indemnification from any and all other available sources.
5. The original **Claim** or **Suit** and related legal actions for damages are brought in the State of California or under the laws of the State of California.

Subject to the foregoing provision of Section II.B. *Employer's Liability*, the **Program** shall:

1. Indemnify the **Member** for all sums legally payable as **Damages** under this section. **Damages** include:
  - a) Amounts for which the **Member** is liable to a third party by reason of a **Claim, Suit** or proceeding against the **Member** to recover **Damages** suffered by the third party; or
  - b) Damages for care and loss of services of an injured **Employee** of the **Member**; or



- c) **Damages** for consequential **Bodily Injury** to a spouse, child, parent, or sibling of the **Employee**, provided that such damages are the direct consequence of injury or disease arising out of and in the course of the **Employee's** employment by **Member**.
  - d) Injury or disease to an **Employee** arising out of and in the course of employment, claimed against the **Member** in a capacity other than as **Employer**.
  - e) Such payments, including any settlements, shall be made at the Authority's sole discretion.
2. Defend, at the **Program's** expense, any **Claim**, proceeding or **Suit** against the **Member** for **Damages** payable under this section. The **Program** has the right to investigate and settle these **Claims**, proceedings and **Suits**. The **Program** has no duty to defend any **Claim**, proceeding or **Suit** that is not covered by this **Program**. The **Program** has no duty to defend or continue defending after the **Program** has paid its maximum amount of coverage.
  3. Pay the following costs, in addition to the other amounts payable under this section, as part of any **Claim**, proceeding or **Suit** the **Program** defends:
    - a) Reasonable expenses incurred at the **Program's** expense, but not loss of earnings;
    - b) Premiums for bonds to release attachments and for appeal bonds in bond amounts up to twice the maximum amount of coverage under this **Program**;
    - c) Litigation costs taxed against the **Member**;
    - d) Interest on a judgment as required by law; and
    - e) Other expenses incurred by the **Program** in discharging the obligation of the **Program** or its **Members** under this section.

The following are excluded from coverage under this section:

1. **Damages** arising out of the actual or alleged discharge; coercion; criticism; demotion; evaluation; reassignment; discipline; defamation; harassment; humiliation; **Discrimination** against; termination of; wrongful dismissal or discharge; breach of any oral or written employment contract or quasi-employment contract; misrepresentation; violation of employment **Discrimination** laws; workplace sexual or other harassment; wrongful failure to employ or promote; wrongful discipline; negligent evaluation; wrongful demotion; wrongful deprivation of a career opportunity; employment-related invasion of privacy, defamation or wrongful infliction of emotional distress; or any other personnel



- practices, policies, acts or omissions, of any **Employee**, including **Claims** brought under Americans with Disabilities Act, Family Medical Leave Act, Pregnancy Disability Leave Act, Equal Opportunities Act, Fair Employment and Housing Act, Fair Labor Standards Act; or any other such State or Federal act;
2. Any obligation of any type that is imposed by a workers' compensation, occupational disease, unemployment compensation, occupational health and safety law, or disability benefits law, or any similar law;
  3. **Damages** for any injury or disease for any **Employee** engaged in work subject to the Longshore and Harbor Workers' Compensation Act, the Outer Continental Shelf Lands Act, the Defense Base Act, the Jones Act, the Federal Employers Liability Act, or any other Federal workers' compensation or occupational disease law, or any international workers' compensation law;
  4. Punitive or exemplary **Damages**, however characterized, or **Damages**, fines or penalties imposed under the Migrant and Seasonal Agricultural Worker Protection Act, or for violation of any other Federal, state, county or other law, regulation or ordinance;
  5. **Bodily Injury** or occupational illness that arises out of regularly occurring work performed outside of the United States.

### C. Other Coverages

The **Authority** may, at its own discretion, elect to defend a **Member** against **Claims** alleging Serious & Willful Misconduct or a violation of Section 132a. Such defense will be provided by an attorney assigned by the **Authority**. Any penalties awarded for Serious & Willful Misconduct or violation of Section 132a will be the responsibility of the **Member**. The **Member** may elect to defend itself with counsel of its own choosing, at its own expense.

### III. DEFINITIONS – Excess Workers' Compensation Program – please see Endorsement for additional definitions

**Authority** means the California Joint Powers Insurance Authority.

**Bodily Injury** means bodily injury, sickness, or disease sustained by any person, including death resulting from any of these at any time.

**Claim** means a notice, demand, or **Suit** against a **Member** to recover **Damages**. **Claim** does not include an administrative claim filed with the Equal Opportunity Employment Commission or the California Department of Fair Employment and Housing or any other administrative or regulatory agency.

**Damages** means compensation in money recovered by a party for **Loss** or detriment it has suffered. **Damages** does not include defense of **Claims** or any punitive, exemplary or multiplied damages or non-monetary relief or redress or injunctive relief.



**Defense Costs** means all fees and expenses incurred in connection with the administration, investigation, defense, and appeal of a **Claim** covered hereunder, including attorney fees, court costs, premiums for appeal bonds, and interest on judgments accruing after the entry of judgment, and also shall include the costs of any **Claims** administrator or defense counsel assigned by the **Authority** to respond to any **Claim** on behalf of the **Authority**. **Defense Costs** shall not include the office expenses of the **Member**, nor the salaries of **Employees** or officials of the **Member**, nor expenses of any **Claims** administrator engaged by the **Member**. **Defense Costs** also do not include any fee or expense relating to coverage issues between the **Authority** and any **Member**.

**Discrimination** means injury caused by or arising out of:

- A. Unlawful **Discrimination** because of race, sex, color, age, religion, or national origin, or membership in any similarly legally protected class; or
- B. Violation of the **Discrimination** prohibitions of the Americans with Disabilities Act of 1990, any rules or regulations promulgated thereunder and amendments thereto or similar provisions of any Federal, state, or local statutory law or common law.

**Employee** means any person falling within the definition of “employee” under Labor Code Division 4, Chapter 2, Article 2, beginning with Section 3351. **Volunteers** are considered **Employees** under this **Memorandum** only if the **Member** has a resolution in effect, and passed prior to the date of injury or illness at issue, providing workers’ compensation coverage to volunteers under Labor Code Section 3363.5, and while performing specific functions in the course and scope of authorized activities for the **Member**. Interns, both paid and unpaid, are also covered under this **Memorandum**.

**Loss** means amounts actually paid by the **Program** for statutory workers’ compensation benefits, employer’s liability **Claims** and allocated costs for investigation, administration and defense of **Claims** under this Memorandum of Coverage.

**Member** means the entity, including all of its departments and constituent agencies, which has adopted a resolution to participate in the **Program** and become a signatory to the Joint Powers Agreement creating the **Authority** as may be amended from time to time, whose name appears on the Cover Page of this **Memorandum**. **Member** includes any other agency for which the **Member’s** governing board or council acts as the governing board, and also includes any commissions, agencies, districts, authorities, redevelopment agencies, boards, or similar entities coming under the **Member’s** direction and control. **Member** shall include any other agency authorized by the **Authority’s** Board of Directors. The **Member** must be approved for self-insurance by the Office of Self Insurance Plans and maintain its qualification for self-insurance during the **Protection Period**.

**Memorandum** means this Memorandum of Coverage - Workers’ Compensation and Employer’s Liability Coverage authorized by the Joint Powers Agreement of the **Authority** specifying the terms and conditions of the **Program**.



**Occurrence** means a single accident or event causing **Bodily Injury** to one or more **Employees**; or occupational disease sustained by one or more **Employees** as a result of an outbreak of the same communicable disease, or sudden and accidental exposure to the same environmental hazard.

**Program** means the California Joint Powers Insurance Authority's Workers' Compensation and Employer's Liability Program described by this **Memorandum** and the Joint Powers Agreement of the **Members** creating the **Authority**. The **Program** is a fund created by the **Members** for the purpose of pooling self-insured **Losses**.

**Protection Period** means the time period shown on the Cover Page of this **Memorandum**.

**Suit** means a civil proceeding in which a **Member** is named as a defendant or cross-defendant, or an arbitration proceeding or alternative-dispute resolution proceeding to which a **Member** submits with the **Authority's** written consent.

#### IV. EXCLUSIONS

This **Memorandum**, including any obligation to indemnify, defend or pay **Defense Costs**, does not apply to:

- A. The **Member's** obligation to pay salary in lieu of temporary disability benefits under Labor Code Section 4850, except to the extent that the **Member** would be obligated to pay temporary disability benefits in the absence of the mandate of Section 4850.
- B. The **Member's** obligations under Labor Code Section 4856 to provide health benefits.
- C. Injury or disease to an **Employee** while knowingly employed in violation of law;
- D. Injury or disease intentionally caused or aggravated by or at the direction of the **Member**;
- E. Penalties or fines imposed for violation of Labor Code Section 132a or Labor Code Section 4553 (Serious & Willful Misconduct);
- F. Penalties or self-imposed benefit increases for violations of Labor Code Section 5814 et seq. attributable to the **Member's** actions;
- G. Damages arising out of, or in any way related to, operations with respect to which the **Member**:
  1. Has violated or failed to comply with any workers' compensation law, or any provision thereof, or
  2. Has rejected any workers' compensation law.
- H. Any **Claim, Suit**, liability, or alleged liability for punitive or exemplary **Damages** or fines or other **Damages** imposed primarily for the sake of example and by way of punishing the **Member**, including liability of a **Member** to defend or pay **Damages**



where the governing body thereof has elected to provide a defense or pay damages for a **Claim**, action or judgment for punitive or exemplary Damages.

- I. Any liability for which the **Member** is obligated to pay **Damages** by reason of liability assumed in a contract or agreement.

## V. CONDITIONS AND RESPONSIBILITIES

### A. General Obligations

The **Member** agrees to abide by all employment, equal opportunity, anti-discrimination, health and safety laws, statutes and regulations. It understands that, among other obligations, it has a non-delegable duty to provide employees with a safe place to work, and training in safe work practices. The **Member** agrees to abide by all applicable wage and hour laws, collective bargaining agreements, memoranda of understanding, and other statutes and regulations regarding working conditions.

The **Member** agrees to immediately report every occupational injury or illness which results in medical treatment, or any **Claim** by an **Employee** for workers' compensation benefits, to the **Authority** or the **Authority's** designated administrator, but in no instance to cause the delay of such report of injury, illness or **Claim** more than five days after date of knowledge or as otherwise required by Labor Code Section 6409.1. The **Member** agrees to give every **Employee** a claim form pursuant to Labor Code Section 5401 within one working day of receiving notice or knowledge of a **Claim** or potential **Claim**. In the event of an injury or illness, the **Member** agrees to provide first aid or arrange for appropriate immediate medical care. The **Member** agrees to provide suitable temporary modified or alternate duty whenever possible for employees with workers' compensation injuries, and agrees to conduct interactive accommodation meetings as required by Fair Employment and Housing Act.

### B. Inspection and Audit

The **Authority** shall be permitted but not obligated to inspect the **Member's** records, property and operations at any time. Neither the **Authority's** right to make inspections, nor the making thereof, nor any report hereon shall constitute an undertaking, on behalf of or for the benefit of the **Member** or others, to determine or warrant that such property or operations are safe or healthful, or are in compliance with any law, rule or regulations. The **Authority** may examine and audit the **Member's** books and records at any time during the **Protection Period** and extensions thereof, and within three years after the final termination of this **Program**, as far as they relate to the subject matter of this **Memorandum**.

### C. Member's Duties in the Event of Occurrence or Claim

1. In the event of any **Occurrence**, written notice containing particulars sufficient to identify the **Member** and also reasonably obtainable information with respect to the time, place, and circumstances thereof, and the names and addresses of the injured and of available witnesses, shall be given by or for the **Member** to the **Authority's** claims administrator as soon as practicable, but no later than required by statute or regulation.



2. If a **Claim** is made against a **Member**, the **Member** shall immediately forward to the **Authority's** claims administrator every demand, notice, summons or other process received by the **Member** or the **Member's** representative.
3. The **Authority's** Claims Administrator will review the **Claim**, and under the direction of the **Authority**, undertake the administration of the **Claim**, including investigation, defense and settlement, as appropriate.
4. The **Member** shall cooperate with the **Authority** and, upon the **Authority's** request, assist as appropriate in the resolution of the **Claim**, including enforcing any right of contribution or indemnity against any person or organization who may be liable to the **Member** because of injury or damage to an **Employee** or **Member** property. The **Member** shall not voluntarily make any payment, assume any obligation or incur any expense.

#### *D. Privacy and Confidentiality of Claim Records*

All **Claim** records, including **Claim** files, examiners notes, medical reports, subpoenaed records, correspondence, tapes and films, and whether electronic or hard files, are the property of the **Authority**. Because these records may contain confidential or private medical and/or psychological information related to workers' compensation **Claims** administered by or on behalf of the **Authority**, access to **Claim** files and the information contained therein is restricted to the **Authority** and its agents and assignees, with the exception that the **Member** is entitled to medical information limited to the diagnosis of the mental or physical condition for which workers' compensation is being claimed and the treatment provided for this condition, or what is necessary for the **Member** to have in order to provide temporary or permanent modification or accommodation of the **Employee's** work duties.

#### *E. Change in Conditions*

If a **Member** experiences a significant change in operations or conditions, the **Member** shall notify the **Authority** as soon as practicable, and the **Authority** has the right to an underwriting review and to collect additional contributions as may be appropriate to reflect the added exposure to the **Program**. The additional contribution must be paid within ninety days of notice.

#### *F. Other Protection*

If collectible insurance or any other coverage or protection with any insurer, self-insured employer, joint powers authority or any other source, is available to the **Member** covering a **Loss** also protected hereunder (whether on a primary, excess or contingent basis), the protection hereunder (including any Defense obligation) shall be in excess of, and shall not contribute with, such insurance or other coverage or protection, provided that this clause does not apply with respect to any insurance purchased by a **Member** specifically to be in excess of this **Memorandum**. Under no circumstances shall the protection afforded by this



**Program** be considered primary, pro rata, concurrent or co-existent with such insurance, coverage, or other protection.

*G. Termination or Amendment*

This **Memorandum** may be terminated or amended at any time in accordance with the Joint Powers Agreement and Bylaws of the **Authority**.

*H. Changes to Memorandum*

Notice to any agent or knowledge possessed by any agent of the **Authority** or by any other person shall not effect a waiver of or a change in any part of this **Memorandum**, nor shall the terms of this **Memorandum** be waived or changed, except by a written addendum issued by the **Authority** to form a part of this **Memorandum**.

*I. Subrogation and Recovery*

The **Authority** shall be subrogated to the extent of any payment hereunder to all the **Member's** rights of recovery thereof. This section applies to all recoveries from third parties or governmental agencies. The **Member** shall do nothing after **Loss** to prejudice such rights and shall do everything necessary to secure such rights. The **Authority** shall have standing to seek subrogation recovery in its own name or in the name of the **Member**, and the **Member** shall cooperate with and assist the **Authority** in pursuing such recovery, including assigning its right to recover subrogated amounts, and if necessary, executing a written agreement to effect such assignment. Any amount so recovered shall be credited to the workers' compensation file.

*J. Assignment*

There is no assignment of interest permitted under this **Memorandum**.

*K. Joint Powers Agreement*

The provisions of this **Memorandum** are subject to and subordinate to the terms and provisions of the Joint Powers Agreement creating the **Authority**, and in the event of any conflict between the terms and provisions of said Joint Powers Agreement and this **Memorandum**, the terms and provisions of the Joint Powers Agreement shall control.

*L. Appeal of Disputes*

No party is entitled to appeal or arbitrate **Claims** under this **Memorandum** other than the **Member**.

Any disputes concerning coverage, protection, defense obligations, or procedures of the **Program**, as interpreted by the **Authority's** staff, shall be appealed to the **Authority's** Executive Committee in accordance with the following procedures.

1. A **Member** may request any determination of a lack of coverage made by the **Authority** to be reviewed by the Chief Executive Officer. Such a request shall be in writing and must be made within 90 days of the date of notice from the Claims Administrator.



2. Upon request, the Chief Executive Officer shall review a determination of a lack of coverage made by the Claims Administrator or **Authority** staff and shall send to the **Member** a written determination of coverage.
3. If a **Member** disagrees with the coverage determination by the Chief Executive Officer, the **Member** may appeal the decision to the Appeals Committee. The Appeals Committee consists of the Executive Committee and the chairs of the Managers and Finance Officers Committees. Appeals must be in writing within 90 days of the date of the Executive Director's written decision. The appeal request must state why the **Member** disagrees with the denial, and the **Member** should present any information that may have a bearing on the ultimate determination of coverage.
4. The appeal request shall be presented by **Authority** staff to the Appeals Committee, on a regularly scheduled Executive Committee meeting day, allowing time for sufficient review and agenda deadlines. Staff shall notify the **Member** in advance of the meeting at which its appeal will be presented.
5. If the **Member** would like to personally address the Appeals Committee, the **Member** or the **Member's** representative may attend the meeting and speak to the issue.
6. The Appeals Committee may refer the appeal to the Coverage Committee and consider the recommendation of the Coverage Committee during its deliberation on the appeal. The Appeals Committee's decision is final. **Authority** staff will notify the **Member** of the Appeals Committee's decision in writing.
7. Following a final determination regarding a **Claim**, consideration of the decision may be reopened at the request of the **Member** if circumstances change as follows: (1) a new and distinct **Claim** arising out of the prior **Occurrence** is presented to the **Member**, or (2) new and distinct causes of action are added to the **Claim**. If the new **Claim** or causes of action are reasonably thought by the **Member** to be covered, the Appeals Committee will reconsider the issue, in accordance with the procedure in section, upon request. Any request for such reconsideration must be in writing within 90 days of the notice to the **Member** of the new **Claim** or cause of action.
8. If a **Member** disputes a coverage issue, then, during the course of the administrative and arbitration proceedings provided herein, the **Authority** shall defend the **Claim** against the **Member** and have the right to control any settlement of that **Claim**, subject to the right of the **Authority** to recover from the **Member** any amounts paid out by the **Authority** for such defense or settlement which are finally determined



by the Appeals Committee, or as a result of the Binding Arbitration Process, not to be owed by the **Authority** under the **Program**.

*M. Arbitration*

If the **Member** has followed the coverage Appeals Procedure outlined in Section V. *L. Appeal of Disputes* and disagrees with the final determination of the Appeals Committee, the **Member** may request consideration of the coverage issue through the **Authority's** binding arbitration process.

The Arbitration Process shall be as follows:

1. Following a decision by the Appeals Committee, the appealing **Member** shall notify the Chief Executive Officer in writing, within thirty days of the Appeals Committee's final decision, that it wishes to participate in Binding Arbitration and shall submit a non-refundable \$1,000 arbitration appeal fee. The written notice shall specify the grounds for the arbitration.
2. Following payment of the arbitration appeals fee, the name of each **Member**, other than the appealing **Member** and the **Members** represented on the Appeals Committee, shall be placed in an unmarked envelope. Each envelope shall be placed in a box and eleven envelopes shall be drawn by the Chief Executive Officer. A representative of the appealing **Member** may be present at the drawing.
3. The managers of the eleven **Members** shall be the pool of potential arbitrators. The eleven **Members** and the names of their managers shall be given in writing to the appealing **Member**.
4. The appealing **Member** shall have the right to strike two or less names from the pool for any reason which shall not be disclosed. The **Authority** shall have the right to strike two or less names from the pool for any reason which shall not be disclosed. The appealing **Member** and the **Authority** must strike names within five business days of the drawing. The right of either party to strike names shall lapse at 5:00 PM on the fifth business day following the drawing. Notice of names stricken by either party shall be given in writing to the other party prior to 5:00 PM on the fifth day following the drawing.
5. The remaining managers shall be contacted by the Chief Executive Officer to determine their willingness to serve on the arbitration panel. If more than five are willing to serve, each name shall be placed in an unmarked envelope, put in a box, and the Chief Executive Officer shall draw five envelopes from the box. The individuals whose names are drawn shall be the arbitration panel and they shall be disclosed in writing to the appealing **Member**.
6. If only five are willing to serve, they shall be the arbitration panel.



7. If fewer than five are willing to serve, the name of each **Member** not drawn in the previous selection drawing shall be placed in an unmarked envelope, put in a box, and four envelopes shall be drawn for each arbitration panel position needed to complete a five-**Member** panel. A representative of the appealing **Member** may be present at the drawing. The names drawn shall be disclosed to the appealing **Member** who may reject, for any reason which shall not be disclosed, one name for each four names drawn. The **Authority** may also reject one name for each four names drawn and shall not disclose the reason. Names rejected by the appealing **Member** and the **Authority** must be rejected within 48 hours of the drawing. The right to reject names shall lapse 48 hours following the drawing.
8. The managers or chief executive officers of the **Members** remaining shall be contacted by the Chief Executive Officer to determine their willingness to serve on the arbitration panel. The names of those willing to serve shall be placed in unmarked envelopes, put in a box, and the number necessary to fill out the arbitration panel shall be drawn by the Chief Executive Officer and disclosed in writing to the appealing **Member**. A representative of the appealing **Member** may be present at the drawing.
9. This process shall be repeated until five **Members** are obtained for the arbitration panel.
10. The arbitration panel **Members** shall be compensated at the rate of \$125 per half-day or portion thereof. If a panel **Member** is required to stay away from home overnight, lodging shall be paid by the **Authority**. Necessary meals shall be provided for all panel **Members**. Mileage costs shall be reimbursed by the **Authority** at its standard rate.
11. The cost of the arbitration panel shall be borne by the **Authority**. The cost of presentation by the appealing **Member**, including preparation, exhibits, attorneys, and all other costs of the **Member** shall be paid by the **Member**.
12. The arbitration panel may request legal counsel that shall be selected by the Chief Executive Officer and paid for by the **Authority**. Legal counsel shall not be the counsel for the **Authority** that has advised the staff and Executive Committee. However, counsel for the **Authority** may participate in or make the presentation to the arbitration panel on behalf of the **Authority**, as requested by the Chief Executive Officer.
13. The parties to the arbitration shall not be governed by formal rules of evidence.



14. The arbitration panel's decision shall be final and binding on the **Member** and the **Authority**. Decisions of the arbitration panel shall be by majority vote.
15. The decision of the arbitration panel shall be written and shall govern the issue decided but may be referred to by the **Authority** and future arbitration panels for precedent.

*N. Claims Involving Executive Committee Members*

If an Executive Committee member files a **Claim** and seeks legal representation, the California JPIA will seek representation from an attorney who has not previously and does not currently defend the California JPIA or its **Members**.



# Workers' Compensation Coverage Program Endorsement 1

## This Endorsement is issued to:

<u>Member Name</u>	<u>Member Retained Limit</u>
Alhambra	\$500,000
Azusa	\$250,000
Fountain Valley	\$750,000
Hermosa Beach	\$500,000
Lemon Grove	\$150,000
Pacific Grove	\$150,000
San Luis Obispo	\$500,000
<u>San Marcos</u>	<u>\$300,000</u>
Santa Clarita	\$250,000
Stanton	\$100,000
West Covina	\$1,000,000
West Hollywood	\$150,000



## I. ENDORSEMENT

This Memorandum is amended for the listed participants in the Excess Workers' Compensation Coverage Program as follows:

This **Addendum** constitutes an amendment to the coverage found in the 2020–2021 Workers' Compensation Memorandum of Coverage for **Members** of the Excess Workers' Compensation Program.

## II. PROTECTION PROVIDED

### A. *Payments on Behalf of Members*

Subject to all provisions of this **Memorandum**, the **Authority** will cause the **Program** to pay on behalf of the **Member** all sums above the **Member Retained Limit** that the **Member** shall become legally obligated to pay as **Damages** by reason of **Workers' Compensation** imposed by law and of **Employer's Liability** of others as defined by Section II of this Memorandum.

### B. *Defense and Settlement*

The **Authority** shall have no duty to assume charge of investigation or defense of any **Claim**. However, the **Authority** shall have the right to assume control of the negotiation, investigation, defense, appeal, or settlement of any **Claim** which the **Authority** determines, in its sole discretion, to have a reasonable possibility of resulting in a total of **Damages** and **Defense Costs** in excess of the applicable **Member Retained Limit**. The **Member** and **Protected Parties** shall fully cooperate in all matters pertaining to such **Claim** or proceeding. If the **Authority** assumes control of the handling of a **Claim**, the **Member** shall be obligated to pay, at the direction of the **Authority**, any sum as it is incurred, including those necessary for **Defense Costs** for the settlement of a **Claim**, up to the applicable **Member Retained Limit**.

No **Claim** shall be settled for an amount in excess of the **Member Retained Limit** without the prior written consent of the **Authority**, and the **Authority** shall not be required to contribute to any settlement to which it has not consented. With regard to **Claims** that are determined by the **Authority** to have a reasonable possibility of exceeding the **Member Retained Limit**, the **Authority** shall, from the point of such determination, have sole settlement authority, control selection of defense counsel, **Claims** investigation and **Claims** handling.

For **Claims** which have not yet been determined by the **Authority** to have a reasonable possibility of exceeding the **Member Retained Limit**, or for which the **Authority** determines, in its sole discretion, should continue to be managed entirely within the **Member Retained Limit**, a collaborative approach is utilized in which the **Member**:

1. Retains settlement authority, except in cases of death or serious injury, or any **Claim** type listed in Section **VI. CONDITIONS AND RESPONSIBILITIES** of the Addendum (claims with catastrophic potential);



2. Retains the right to select defense counsel, from the **Authority's** pre-approved defense panel;
3. Receives professional analysis and recommendations on matters such as defense strategy, and other key decisions throughout the claims handling process;
4. Receives regular and frequent communication regarding **Claims** as they develop;
5. Retains the ability to tailor participation and level of engagement to its preferences;
6. Is required to establish and maintain a trust account for workers' compensation claim payments;
7. Is required to use the **Authority**-designated Claims Administrator;
8. Is encouraged to provide input and guidance concerning procedural preferences for claims handling;
9. Is not permitted to self-administer **Claims**.

#### *C. Reduction of Limits*

All covered **Claim** payments for **Damages** or **Defense Costs**, which fall within the **Member Retained Limit**, will reduce the **Protection Limit** under this **Program**.

### III. MEMBER RETAINED LIMIT

#### *A. General Rules*

The **Member Retained Limit** shall be applied to the aggregate of all covered **Claims** arising from an **Occurrence** as defined in this **Memorandum**. The **Member Retained Limit** shall be reduced by both the payment of **Damages** and **Defense Costs**. The following general rules apply to **Claims** within the **Member Retained Limit**:

1. The **Member Retained Limit** shall not be impaired by any **Claim** brought against a **Member** which is not covered under this **Memorandum**.
2. The **Member** agrees not to insure or otherwise reinsure the **Member Retained Limit** without the **Authority's** written permission.
3. This **Memorandum** will not drop down to assume or satisfy the financial obligations of the **Member** for **Damages** or **Defense Costs** within the **Member Retained Limit**. The **Member Retained Limit** can be satisfied only through payments for **Damages** and **Defense Costs** actually paid by the **Member**, to which the **Authority** has agreed.
4. The **Member** agrees that in the event of a judgment, settlement, or any **Claim** payment (including **Defense Costs**), in excess of the **Member**



**Retained Limit**, all outstanding amounts within the **Member Retained Limit** will be due and payable to the **Authority** upon demand. Such payment must be made before the **Authority** pays, tenders, or deposits in court, any part of said judgment, settlement, or defense expenditure. Failure of the **Member** to comply with this provision will not invalidate the **Memorandum**, but in the event of such failure, the **Authority** will be liable only to the extent that it would have otherwise been liable had the **Member** complied with this provision.

*B. Reserving Policy*

With regard to the case reserves of individual **Claims** within the **Member Retained Limit**, the **Authority**-designated Claims Administrator, with oversight from **Authority** staff, shall determine reserve amounts as necessary and appropriate, in a manner consistent with the **Authority's** reserving policy, using reasonable estimates of probable exposure, based on facts and circumstances relevant to individual **Claims**. The **Authority**-designated Claims Administrator and **Authority** staff shall inform the **Member** of large reserve changes and provide the **Member** with an opportunity to give input concerning the establishment of reserve estimates for large **Claims**, however the **Member's** sole recourse for disputing reserve estimates is to appeal in writing to the Executive Committee. The Executive Committee shall make a determination by majority vote, and the Executive Committee's determination shall be final and binding.

*C. Total Incurred Claim Value Trigger*

Total incurred **Claim** values, which include actual **Claim** payments as well as reserves for defense, indemnity, and expenses shall serve as the basis for the **Authority** determining whether a **Claim** has a reasonable possibility of exceeding the **Member Retained Limit**, and therefore trigger the **Authority's** control of settlement and disposition of the **Claim**. At such time as the total incurred value of a **Claim** exceeds the **Member Retained Limit**, settlement authority and control of the **Claim** shall transfer from the **Member**, and become the sole responsibility of the **Authority**.

*D. Transfer Of Settlement Authority*

Upon transfer of settlement authority from the **Member** to the **Authority** as described in Section III.C. *Total Incurred Claim Value Trigger* of the Addendum, the **Authority's** control of settlement and disposition of the **Claim** is inclusive of the **Member Retained Limit**; meaning, the **Member** is required to contribute up to the full amount, if necessary, of its **Member Retained Limit** in order to pay for **Damages** and **Defense Costs**, as those payments become due. The **Member** shall be notified by the **Authority** of the transfer of settlement authority from the **Member** to the **Authority**.

*E. Trust Account For Claim Payments*

The **Member** agrees to establish and maintain a trust account with a financial institution for the purpose of paying for **Claims**, **Damages**, **Defense Costs**, and any other covered claims expense within the **Member Retained Limit**. The **Member** further agrees to:



1. Grant appropriate authorization to the **Authority**-designated Claims Administrator to issue checks and/or other methods of payment as necessary;
2. Use the trust account exclusively for workers' compensation claim payments covered under this **Program**;
3. Issue all claim payments through the trust account, meaning: no workers' compensation claim payments are to be made or disbursed from other accounts, or from any other source without first providing written notice to the **Authority**;
4. Take reasonable steps to ensure that the trust account is adequately funded so that claim payments can be made without delay, as they become due;
5. In the event that funds in the trust account are inadequate to pay for claim expenses as they become due, the **Member** shall be notified and required to deposit the necessary funds. If a lack of funding in the **Member's** trust account results in a delay in the payment of a settlement, judgment, or any other authorized **Claim** expense, which subsequently results in fees or penalties, the **Member** will be solely financially responsible for any and all such costs, arising from the late payment;
6. Provide read-only access for on-line banking to the **Authority**, to facilitate claim payment reconciliations, and other data management needs of the **Authority**.

*F. Authority-Designated Claims Administrator*

The **Member** agrees to exclusively utilize the Claims Administrator that has been approved and designated by the **Authority**, and to report all **Claims**, regardless of whether the estimated **Damages** fall within or exceed the **Member Retained Limit**. Self-administration of **Claims** under this **Memorandum** is not permitted. The **Authority** agrees to take reasonable and appropriate steps to ensure that the designated Claims Administrator is periodically evaluated, and either meets or exceeds performance standards for claims handling and customer service, based on industry best practices. The **Authority** further agrees to provide appropriate oversight, regulate adjuster caseloads, and ensure that claims administration fees remain fair and equitable.

#### IV. DEFINITIONS

- A. **Member Retained Limit** means the amount per **Occurrence** stated on the cover page that the **Member** retains as its self-insurance. The **Member Retained Limit** includes both **Damages** and **Defense Costs**. For the purpose of settlement authority determination, the **Member Retained Limit** includes actual claim payments, and case reserves.



- B. **Protection Limit** means the sum of the **Member Retained Limit** and the **Pooled Retained Limit**, above which a **Claim** is tendered to the **Program's** excess or reinsurance carriers.

## V. CONDITIONS AND RESPONSIBILITIES

### A. Authority's Rights And Duties In The Event Of A Claim

For any **Claim** that has exceeded the **Member Retained Limit**, or has been determined by the **Authority** to have a reasonable possibility of exceeding the **Member Retained Limit**, the following rights and duties apply:

1. The **Authority** shall have the right and the duty to defend any **Claim** against the **Member** seeking **Damages** on account of such injury as is covered in this **Memorandum**, after the **Claim** has exceeded the **Member Retained Limit**, even if the allegations of the **Claim** are groundless, false, or fraudulent.
2. The **Authority** shall conduct the defense of any **Claim** in the **Member's** name and recover in the **Member's** name for the **Member's** benefit any **Claim** for **Damages** or otherwise, against any third party, and the **Authority** shall have full discretion in the handling of any **Claim**.
3. The **Authority** shall have the right to control the litigation and select defense counsel. In the event that there is a coverage reservation of rights between the **Authority** and the **Member**, the **Authority** shall retain its right to select defense counsel and control the defense of the **Claim**, without waiving its right to pay only those **Damages** which are covered under the terms of this **Memorandum**.
4. The **Authority** has the right, but not the duty, to appeal any WCAB decision or civil judgement with subrogation impact.

### B. Authority's Right To Control Claims With Catastrophic Potential

The **Authority** reserves the right at its sole discretion to exercise exclusive settlement authority and control over the disposition of certain **Claim** types, deemed by the nature of the allegations to automatically have catastrophic potential. The **Authority** may, at its sole discretion, exercise this right, commencing at the time the **Claim** is reported, or at any time during the **Claim** evaluation process, regardless of whether the **Claim** falls within or exceeds the **Member Retained Limit** based solely on established reserves.

The **Claim** types deemed to automatically have catastrophic potential are:

1. Any **Claim** involving death;
2. Any **Claim** resulting in quadriplegia or paraplegia;
3. Any **Claim** involving serious burns;



4. Any **Claim** involving a brain injury;
5. Any **Claim** resulting in a serious spinal cord injury;
6. Any **Claim** resulting in amputation of a major extremity;
7. Any **Claim** resulting in a serious injury to two or more employees.

### *C. Defense Counsel Selection*

Within the **Member Retained Limit**, **Members** retain the right to select defense counsel from the **Authority's** pre-approved defense panel. Should the **Member** desire to retain defense counsel not on the **Authority's** pre-approved defense panel, at the **Authority's** sole discretion, said counsel may be retained subject to the following provisions:

1. **Member** selected defense counsel must comply with the California JPIA Workers' Compensation Program Litigation Protocol. The negotiated hourly rate for billing must also be equal to, or less than the **Authority's** standard rate applied to the **Authority's** pre-approved defense panel. In the event that the hourly rate charged by **Member** selected defense counsel is greater than the **Authority's** standard rate, the **Member** will be solely financially responsible for the difference, and the difference in cost shall not be considered a covered expense under the **Program**.
2. **Member** selected defense counsel must furnish any and all information related to the **Claim** that is requested by the **Authority** and cooperate with any counsel selected by the **Authority** to monitor or participate in the defense of the **Claim**.

# CALIFORNIA JPIA

## AGENDA REPORT

**To:** EXECUTIVE COMMITTEE

**From:** Alexander Smith, Chief Executive Officer

**By:** Chris Gray, Insurance Programs Manager

**Date:** June 17, 2026

**Subject:** 2026-2027 Memorandum of Coverage – Property Program

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During the 2026-2027 renewal process, the softening property market, along with the efforts of the Authority staff, resulted in a decrease in premium for the Authority's Property Program. To continue our efforts to work with the market on rising construction, labor and material costs, the following changes have been made for the upcoming 2026-27 property program renewal:

- Increase of annual aggregate deductible from \$10M to \$11M
- Increase of member all-risk deductible from \$15,000 to \$20,000

The changes referenced above align with the effort to modernize the member deductible and have resulted in a reduction of overall premium for the renewal.

### **Recommended Action**

The Coverage Committee will be evaluating the changes noted above prior to the Executive Committee and providing its recommendation. It is recommend that the Executive Committee follow the recommendation of the Coverage Committee, which will be provided at the meeting.



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# MEMORANDUM OF COVERAGE PROPERTY PROGRAM

EFFECTIVE JULY 1, ~~2025~~2026—JULY 1, ~~2026~~2027

INTEGRITY

EXCELLENCE

INNOVATION

TEAMWORK

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Issued to the «Agency»

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# MEMORANDUM OF COVERAGE PROPERTY PROGRAM

ADMINISTERED BY THE CALIFORNIA JOINT POWERS INSURANCE AUTHORITY

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**MEMBER:** «Member\_Name»

**MAILING ADDRESS:** «Member\_Address»  
«City», «State» «Zip»

**PROTECTION LIMITS:** See Declarations

**PROTECTION PERIOD:** From July 1, ~~2025~~2026, at 12:01 a.m. Pacific Time until July 1, ~~2026~~2027, at 12:01 a.m. Pacific Time.

## ENDORSEMENT(S):

This Memorandum of Coverage - Property Program (MOC - P), and any endorsements thereto, are a description of the terms and conditions of the Program through which certain specified and limited self-insured risks of property are administered by the Authority and shared by its Covered Members. *The Memorandum is not an insurance policy.* As provided in Section 990.8 of the California Government Code and appellate court cases of *Orange County Water District v. Association of California Water Agencies JPIA* (1997) and *City of South El Monte v. Southern California Joint Powers Insurance Authority* (1995), the pooling of self-insured claims or losses among the Members of the Authority shall not be considered insurance nor be subject to regulation under the Insurance Code.



California JPIA

President

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## DECLARATIONS

### A. COVERED MEMBERS:

California Joint Powers Insurance Authority (the Authority) and its member agencies that participate in its Property Program (a "Covered Member").

### B. PERIOD OF COVERAGE:

July 1, ~~2025~~2026, at 12:01 am Pacific Time to July 1, ~~2026~~2027, at 12:01 am Pacific Time.

### C. COVERED LOCATIONS:

As held on file with the Authority's authorized representative.

### D. NOTIFICATION OF LOSSES:

To the California Joint Powers Insurance Authority via its website claim reporting system.

### E. COVERAGE PART A - "ALL RISK", EARTHQUAKE, AND FLOOD PERILS

This is a shared limit program. The limits purchased are on a per occurrence basis (unless specifically stated as aggregated). In the event of an occurrence exhausting the limit provided by the Authority to Covered Members, payment to all Covered Members affected by the occurrence will be made on a proportional basis as outlined by the Authority's policy. Where coverages are aggregated these limits are for all Covered Members for the Period of Coverage unless specifically stated. They are not a per Covered Member maximum.

In the event of loss or damage covered by this MOC - P and subject to coverage terms contained within this MOC - P, the Authority shall not be liable for more than the amounts shown under each Coverage Part.

#### ***LIMITS OF LIABILITY***

\$50,000,000 per occurrence except as follows:

\$50,000,000 shared by all members per occurrence and in the annual aggregate as respects Earthquake Shock for those locations that Covered Members specifically purchase Earthquake Shock coverage.

\$50,000,000 shared by all members per occurrence and in the annual aggregate as respects Flood for those locations that Covered Members specifically purchase Earthquake Shock coverage.

\$10,000,000 shared by all members per occurrence and in the annual aggregate as respects Flood for those locations that the Covered Members do not purchase Earthquake Shock coverage.

The maximum amount recoverable hereunder in respect of all Flood shall not exceed \$50,000,000 in the annual aggregate shared by all members.

The maximum amount recoverable in respects of Earthquake Shock shall not exceed \$50,000,000 in the annual aggregate shared by all members.

***SUBLIMITS OF LIABILITY***

\$50,000,000	Earthquake Sprinkler Leakage.
\$50,000,000	Ordinance or Law (Building Laws, Demolition Cost and Increased Cost of Construction) in respect Earthquake Shock and Flood only, per occurrence and in the Annual Aggregate.
\$50,000,000	Final Contract Value in respect of Real Property in the Course of Construction, including new projects at new locations. Includes Earthquake Shock and Flood for existing Covered Members reported within 60 days. Excludes Earthquake Shock and Flood for new Covered Members.
\$25,000,000	Newly Acquired Property per building or structure for existing Covered Members. Includes Earthquake Shock for existing Covered Members that already purchase earthquake shock, when the new location is reported within 60 days.
\$25,000,000	Newly Acquired Property per building or structure for new Covered Members reported within 60 days. Excludes Earthquake Shock for new Covered Members.
\$5,000,000	Newly Acquired for all piers, docks, wharves and dams per member reported within 60 days. Includes Earthquake Shock and Flood for existing Covered Members that already purchase earthquake shock, when the new location is reported within 60 days. Excludes Earthquake Shock and Flood for new Covered Members.
\$2,000,000	Per occurrence as respects Off Premises Services Business Interruption including Extra Expense.
\$5,000,000	Unscheduled or Temporary Locations.
\$2,500,000	Scheduled Vacant Property.
\$10,000,000	Errors and Omissions.

\$5,000,000	Per occurrence and in the annual aggregate inclusive of resultant Time Element coverages as respects scheduled landscaping, tees, sand traps, greens and natural athletic fields and subject to a \$25,000 / 48-inch box maximum per item for trees and shrubs. This coverage is excluding any amount recoverable from Federal Emergency Management Agency (F.E.M.A.) and/or any State Office of Emergency Services (O.E.S.) declared disasters, providing said declaration provides funding for repairs.
\$500,000	Per occurrence <b>and</b> \$1,000,000 in the annual aggregate as respects unscheduled landscaping, tees, sand traps, greens and natural athletic fields and subject to a \$25,000 / 48-inch box maximum per item for trees and shrubs. This coverage is excluding any amount recoverable from Federal Emergency Management Agency (FEMA) and/or any State Office of Emergency Services (O.E.S.) declared disasters, providing said declaration provides funding for repairs.
\$1,000,000	Per occurrence as respects unscheduled tunnels, bridges, dams, catwalks (except those not for public use), roadways, highways, streets, sidewalks, (and related appurtenances to these) culverts, street lights and traffic signals.
\$25,000,000	Tax Revenue Interruption Protection per occurrence for scheduled property.
\$500,000	Animals.
\$250,000	Per occurrence and in the annual aggregate as respects Rewards.
\$250,000	Newly Acquired Fine Arts per Covered Member.

## **F. COVERAGE PART B – TERRORISM**

### ***1. LIMITS OF LIABILITY***

\$150,000,000	Per occurrence and in the annual aggregate as respects Acts of Terrorism and Sabotage.
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### ***2. SUBLIMITS OF LIABILITY***

\$25,000,000	Off-Premises Services Business Interruption.
\$25,000,000	Contingent Time Element and coverage in respect of Direct Customers and Suppliers only.
\$10,000,000	Worldwide Transit.

# COVERAGE PART A

## SECTION I – COVERAGE AGREEMENT

In consideration of the annual contribution charged to the Covered Member by the Authority, the Authority agrees to provide coverage to the Covered Member per the terms and conditions of this MOC - P.

### A. NAME OF COVERED PARTIES

The California Joint Powers Insurance Authority and its Member Agencies that participate in its Property Program as held on file with the Authority. Further, any entities or individuals for whom a Covered Member is required to provide coverage as their interests may appear and other organizations and enterprises which now exist or which hereafter may be created or acquired and which are owned, financially controlled or actively managed by a Covered Member, all jointly, severally or in any combination of their interests, for account of whom it may concern.

Lessors and other party(ies) of interest in all property of every description covered hereunder are included herein as additional insureds for their respective rights and interests, it being understood that the inclusion hereunder of more than one covered party shall not serve to increase the Authority's limit of liability.

Mortgagees to whom certificates of insurance or evidence of coverage have been issued are covered hereunder in accordance with the terms and conditions of Form 438 BFU NS, CP12 18 1091, or its equivalent.

Loss, if any, shall be adjusted with the Covered Member and payable to the covered parties as their respective interests may appear, subject however, to the provisions of any mortgagees or loss payee clauses which may otherwise be herein provided or endorsed hereon.

It is agreed to include automatically under this MOC - P the interest of Additional Covered Party(ies), and/or mortgagees and/or loss payees where applicable without advice.

### B. OPTIONAL COVERAGE PARTICIPATION

It is understood and agreed that certain Covered Members purchase coverage that is optional under this MOC - P. The selection of such optional coverage by a Covered Member is as held on file with the Authority and or the insurance broker.

### C. DEDUCTIBLES

#### 1. "ALL RISK"

\$~~1520~~20,000 per occurrence, all perils and property including fire and ambulance vehicles and vehicles on the premises and boats, **except** as indicated by peril or type of property below:

- a. \$2,500 per occurrence, radio and telephone equipment in vehicles

- b. \$2,500 per occurrence, auto physical damage – comprehensive
- c. \$2,500 per occurrence, auto physical damage – collision
- d. \$2,500 per occurrence, sea doos.
- e. \$250,000 per occurrence, unscheduled tunnels, bridges, dams, catwalks (except those not for public use), roadways, highways, streets, sidewalks, culverts, street lights and traffic signals
- f. \$100,000 per occurrence, unscheduled property, unless vacant in which case there is no coverage
- g. \$500,000 per occurrence for vacant scheduled buildings

**2. FLOOD:**

\$ 100,000 per occurrence except \$ 250,000 per occurrence, per Covered Member in respect of locations situated wholly or partially within a Special Flood Hazard Area (SFHA), areas as defined by the Federal Emergency Management Agency (FEMA). SFHA is defined as the area that will be inundated by the flood event having a 1 percent chance of being equaled or exceed in any given year. For unscheduled property, whether vacant or not, the Flood deductible shall be the greater of the Flood deductible as stated in this paragraph, or the applicable “All Risk” deductible from item C.1 of this Section.

**3. FLOOD IN RESPECT OF PIERS:**

\$ 500,000 per occurrence, per pier.

**4. EARTHQUAKE SHOCK:**

This coverage will not pay for loss or damage caused by "earthquake shock" until the amount of loss or damage exceeds 5% per unit of coverage subject to a minimum deductible of \$ 100,000 per occurrence. The deductible applies separately to each Covered Member and to each "earthquake shock" occurrence. This coverage will then pay the amount of loss or damage in excess of the deductible, up to the applicable limits of coverage for "earthquake shock" at each premises. “Total values” mean the 100% value of buildings, personal property and Time Element coverage provided (using the applicable MOC - P valuation clause), without regard to the limit of coverage.

**5. DEDUCTIBLE PROVISIONS**

- A) If two or more deductible amounts provided above apply for a single 'occurrence', the total to be deducted shall not exceed the largest per 'occurrence' deductible amount applicable.
- B) When two deductibles are involved, the amount of loss in excess of the higher deductible will be considered as the common loss.

**D. UNIT OF COVERAGE DEFINED**

In the application of the Earthquake Shock Deductible Clause and made a part of this coverage, each of the following shall be considered a Separate Unit of Coverage

- (a) Each Separate Building or Structure
- (b) The Contents of each separate Building or Structure
- (c) All insured Property in the open
- (d) Applicable Time Element Coverage of each separate Building or Structure

The Authority shall not be liable for loss to any Unit of Coverage covered hereunder unless such loss exceeds the percentages stated in this MOC - P of the replacement values of such Unit of Coverage at the time when such loss shall happen, and then only for its proportion of such excess.

## SECTION II – PHYSICAL DAMAGE TO PROPERTY

### A. COVERAGE

Subject to the terms, conditions and exclusions hereinafter contained, this MOC - P covers all property of every description of an coverable nature (as defined by the MOC- P), both real (including vehicles) and personal (including improvements and betterments), of the Covered Member or property of others in the care, custody or control of the Covered Member, for which the Covered Member is liable or under obligation to keep covered, located at an Covered Location or within 1,000 feet thereof, to the extent of the interest of the Covered Member in such property.

### B. EXTENSIONS OF COVERAGE

The following Extensions of Coverage do not act to increase the liability of the Authority for any amount greater than stated in the Program Limits of Liability shown in the Declarations attached to this MOC - P.

#### *1. PROPERTY IN COURSE OF CONSTRUCTION*

It is understood and agreed that as respects course of construction and remodeling projects, this MOC - P will provide automatic coverage subject to the following conditions:

- (1) Project involves only real property additions or modifications to Covered Member locations (excluding roads, bridges, dams and levees unless specifically declared and on file with the Authority), foundations and building materials including new locations.
- (2) Values of the project are reported to the Authority in accordance with the provisions of this MOC - P regarding changes, additions or deletions.
- (3) The peril of Earthquake Shock is excluded as respects property newly constructed, erected or assembled unless specifically declared and on file with the Authority.
- (4) Additional Expense Soft Cost: This coverage applies to new buildings or structures in the course of construction up to the time that the new building (s) or structure (s) is initially occupied or put to its intended use whichever occurs first.

The Authority will provide coverage for a Covered Member's additional expenses as defined below for up to 25% of the estimated completed value of the project, not to exceed the MOC - P limit, which results from a delay in the completion of the project beyond the date it would have been completed had no loss or damage occurred. The delay must be due to direct physical loss or damage to covered property and be caused by or result from a Covered Cause of Loss. The Authority will pay covered expenses when they are incurred.

- (a) Additional Interest Coverage - The Authority will pay the additional interest on money the Covered Member borrows to finance construction or repair.
- (b) Rent or Rental Value Coverage - The Authority pay the actual loss of net rental income that results from delay beyond the projected completion date. But the Authority will not pay more than the reduction in rental income less charges and expenses that do not necessarily continue.
- (c) Additional Real Estate Taxes or Other Assessments - The Authority will pay the additional real estate taxes or other assessments the Covered Member incurs for the period of time that construction is extended beyond the completion date.
- (d) Additional Advertising and Promotional Expenses - The Authority will pay the additional advertising and promotional expense that becomes necessary as a result of a delay in the completion of the project.
- (e) Additional Commissions Expense - The Authority will pay the additional expenses which result from the renegotiating of leases following an interruption in the project.
- (f) Additional Architectural and Engineering Fees - The Authority will pay the additional architectural and engineering fees that become necessary as a result of a delay in the completion of the project.
- (g) Additional License and Permit Fees - The Authority will pay the additional license and permit fees that become necessary as a delay in the completion of the project.
- (h) Legal and Accounting Fees - The Authority will pay the additional legal and accounting fees the Covered Member incurs as a result of a delay in the completion of the project.

## **2. FIRE FIGHTING EXPENSES**

It is understood and agreed that the Authority shall be liable for the actual charges of fire fighting expenses including but not limited to those charged by municipal or private fire departments, or assumed by contract prior to loss responding to and fighting fire in/on, and/or protecting property included in coverage provided by this MOC - P.

## **3. OFF PREMISES SERVICES CLAUSE**

It is understood and agreed that coverage under this MOC - P is extended to include physical damage, business interruption loss and/or extra expense incurred and/or sustained by the Covered Member as a result of damage to or destruction of, by the perils covered against, to property of the type not excluded by this MOC - P of any

suppliers furnishing heat, light, power, gas, water, telephone, steam or similar services to the Covered Member's premises.

#### **4. ARCHITECTS AND ENGINEERS FEES AND LOSS ADJUSTMENT EXPENSES**

This MOC - P also covers any of the following:

- (1) Architects' and engineers' fees.
- (2) Loss adjustment expenses including, but not limited to, auditors, consultants and accountants and excluding Public Adjusters.

#### **5. EXPEDITING EXPENSES**

It is understood and agreed that coverage under this MOC - P includes the reasonable extra cost of temporary repair and of expediting the repair of such damaged property of the Covered Member, including overtime and the extra costs of express or other rapid means of transportation.

#### **6. DEBRIS REMOVAL**

This MOC - P also covers expenses incurred in the removal of debris of the property covered hereunder that may be destroyed or damaged by a covered peril(s). This debris removal coverage does not apply to the cost to extract pollutants from land or water, or to remove, restore or replace polluted land, water or groundwater.

This agreement also covers:

The expense incurred in the removal of debris of property covered hereunder, within one thousand (1,000) feet of the Covered Member's premises, which may be occasioned by loss caused by any of the perils covered by this MOC - P. However, coverage for expense of removal of debris of property covered shall not apply to:

- (a) any discharge, release or escape of any pollutant or contamination into, under or upon the land, the atmosphere or any watercourse or body of water; or
- (b) any fines or penalties incurred or sustained by or imposed on the Covered Member at the order of any government agency, court or other governmental authority arising from any cause whatsoever in excess of \$15,000 annually aggregated as respects all covered locations.

It is a condition precedent to recovery under this extension that the Authority shall have paid or agreed to pay for direct physical loss or damage to property covered hereunder and that the Covered Member shall give written notice of intent to claim for cost of removal of debris.

## **7. BUILDING LAWS**

The loss occasioned by the enforcement of any local ordinance or state law regulating the construction, repair or demolition of buildings or structures, which is in force at the time such a loss occurs, or which becomes in force within 30 days of the loss, which necessitates the demolition of any portion of the covered building not damaged by the covered peril(s).

## **8. DEMOLITION COST**

The cost of demolishing any undamaged portion of the covered property including the cost of clearing the site thereof, caused by loss from any covered peril(s) under this MOC - P and resulting from enforcement of any local or state ordinance or law regulating the construction, repair or demolition of buildings or structures and in force at the time of loss, or which become in force within 30 days of the loss, which necessitates such demolition;

## **9. INCREASED COST OF CONSTRUCTION**

The increased cost of repair or replacement occasioned by the enforcement of any local state ordinance or law regulating the construction, repair or demolition of buildings or structures which is in force at the time such a loss occurs, or which becomes in force within 30 days of the loss, which necessitates in repairing or replacing the building covered hereunder which has suffered damage or destruction by the covered peril(s) or which has undergone demolition, limited, however, to the minimum requirements of such ordinance or law.

## **10. ERRORS AND OMISSIONS**

No unintentional errors or omissions, or failure in making reports or other data hereunder will prejudice the Covered Member's right of recovery but will be reported to the Authority as soon as practicable when discovered.

It is further understood and agreed that any error in description of locations, or values of projects covered or to be covered by the MOC - P shall not invalidate or otherwise reduce coverage.

The coverage provided by this clause is sublimited per the Program Limits of Liability shown in the Declarations attached to this MOC - P.

## **11. ANIMALS**

Including police dogs, horses and other specially trained animals. Coverage includes retraining expenses.

## ***12. VALUABLE PAPERS***

Valuable papers or the cost to research, replace, restore or reconstruct valuable papers lost or damaged by perils covered while inside or outside the Covered Member's premises during the term of this MOC - P.

## ***13. TRANSIT***

Personal property of the Covered Member or property held by the Covered Member in trust or on commission or on consignment for which the Covered Member may be held legally liable while in due course of transit, worldwide, against "All Risks" of Direct Physical Loss or Damage to the property covered occurring during the period of coverage of this MOC - P except as otherwise excluded.

## ***14. ACCIDENTAL CONTAMINATION EXTENSION***

This MOC - P is hereby extended to cover Business Interruption and Property Damage loss from accidental contamination to covered Property, as covered by this MOC - P, including expenses necessarily incurred to clean up, remove and dispose of contaminated substances so as to restore the covered property as covered by this MOC - P to the same condition as existed prior to loss, all as a result of accidental contamination, discharge or dispersal is itself caused physical damage to covered property by fire, lightning, flood, earth movement, impact from aircraft, explosion, riot, civil commotion, smoke, collapse, vehicles, windstorm, hail, vandalism, malicious mischief or leakage and accidental discharge from automatic fire protective systems whereupon this extension shall provide coverage up to \$ 1,000,000 annual aggregate for all properties combined, of liability provided by this MOC - P.

For the purposes of this extension the term "covered property" as covered by this MOC - P, is held to include land on the premises of the Covered Member, (including Land on which covered property is located), and Land Values, as part of the above stated sublimit, whether or not the same are excluded by this MOC - P. It being specifically understood and agreed that this extension shall not afford coverage to land, (including land on which covered property is located), and land Values for loss in excess of the \$ 1,000,000 annual aggregate sublimit liability stated above and shall be subject to a 180 day reporting period.

It is further understood and agreed that this extension shall not override anything contained in Asbestos Clean Up and Removal in this MOC - P.

The sublimit of liability stated above forms part of the limit(s) of liability provided by this MOC - P and does not increase it (them).

This coverage extension is specifically excess of any other valid and collectible insurance or coverage available to a Covered Member or a Covered Party.

## **15. LEASEHOLD INTEREST**

In the event of physical loss or damage of the type covered by this MOC - P to real property of the type covered by this MOC - P which is leased by the Covered Member, this MOC - P is extended to cover:

- (1) If as a result of such loss or damage the property becomes wholly untenable or unusable and the lease agreement requires continuation of the rent, the Authority shall indemnify the Covered Member for the actual rent payable for the unexpired term of the lease, or
- (2) If as a result of such loss or damage the property becomes partially untenable or unusable and the lease agreement requires continuation of the rent, the Authority shall indemnify the Covered Member for the proportion of the rent applicable thereto, or
- (3) If as a result of such loss or damage the lease is cancelled by the lessor pursuant to the lease agreement or by operation of law, the Authority shall indemnify the Covered Member for its Lease Interest for the first three months following such loss or damage and for its Net Lease Interest for the remaining unexpired term of the lease

provided, however, that the Authority shall not be liable for any increase in the amount recoverable hereunder resulting from the suspension, lapse or cancellation of any license, or from the Covered Member exercising an option to cancel the lease; or from any act or omission of the Covered Member which constitutes a default under the lease; and provided further that the Covered Member shall use any suitable property or service owned or controlled by the Covered Member or obtainable from another source to reduce the loss hereunder.

The following definitions shall apply to this coverage:

- (1) Lease Interest means the excess rent paid for the same or similar replacement property over actual rent payable plus cash bonuses or advance rent paid (including any maintenance or operating charges) for each month during the unexpired term of the Covered Member's lease.
- (2) Net Lease Interest means that sum which placed at 8% interest compounded annually would equal the Lease Interest (less any amounts otherwise payable hereunder).

## **16. BRANDS, LABELS, AND TRADEMARKS**

If the Covered Member decides to stamp salvage and/or remove brands, labels, trademarks, or information that carries or implies the Covered Member guarantee or warranty on covered property damaged by covered causes of loss, the Authority will pay expenses to perform those tasks and the relabeling of the property in compliance with the requirements of the law.

## ***17. CONSEQUENTIAL DAMAGE***

When damage by covered causes of loss, without the intervention of any other independent cause, results in a sequence of events which causes physical loss or damage not otherwise excluded to other covered property, the Authority will cover the resulting physical loss or damage and the actual loss sustained under Business Interruption coverage during the time period as would be required with the exercise of due diligence and dispatch to repair or replace the damaged property.

## ***18. CONSEQUENTIAL REDUCTION IN VALUE***

The Authority will pay for the reduction in value of covered components or parts of products due to damage by covered causes of loss to other components or parts of such products.

## ***19. EXHIBITION, EXPOSITION, FAIR OR TRADE SHOW***

The Authority will pay for damage by covered causes of loss to a Covered Member's Personal Property situated on the premises of any exhibition, exposition, fair or trade show.

## ***20. IMPOUNDED WATER***

The Authority will pay for covered causes of loss to covered property and Business Interruption resulting from the lack of adequate water supply stored behind dams or in reservoirs on the covered property; only if the water is used as a raw material, for power or for other manufacturing purposes and the water is released from storage as a result of damage to, or destruction of the dam, reservoir, or control equipment due to covered causes of loss.

Coverage is limited to thirty (30) consecutive days after the length of time required, with the exercise of due diligence and dispatch to repair or replace the damaged or destroyed dam, reservoir or control equipment.

## ***21. REWARD***

The Authority will pay a reward to any individual or group (except the Covered Member and its elected officials), for the capture of, or for information which results in the arrest and conviction, of any person(s) related to covered loss or damage to Buildings and Personal Property.

## ***22. WATER BACKUP FROM SEWER OR DRAIN***

The Authority will pay for covered causes of loss to covered property from water that backs up from a sewer or drain.

### **23. REAL PROPERTY**

Definition of Real Property is extended to include paths, walks, walkways, fences, driveways, awnings, signs, canopies, and artificial athletic fields, where values are included in the Real Property values reported and on file with the Authority.

### **24. LANDSCAPING**

Including natural athletic fields, sand traps, tees and greens as sublimited per the Program Limits of Liability shown in the Declarations attached to this MOC - P. Landscaping is only covered if its position and planting was undertaken by human agency for cosmetic effect.

### **25. UNSCHEDULED OR TEMPORARY LOCATIONS**

The Authority will pay, for damage by covered causes of loss, excluding Flood and Earthquake Shock, to Property at any other location (including buildings or structures, owned, occupied or which the Covered Member is obligated to maintain coverage) located within the territorial limitations set by this MOC - P as sublimited in the Sublimits of Liability shown in the Declarations of this MOC - P. In the event of a covered loss under this provision, the Authority reserves the unconditional right to levy a retroactive premium charge for such property for up to ten prior coverage years.

## **C. PROPERTY NOT COVERED**

This MOC - P does not provide coverage for any of the following:

- (1) Watercraft unless scheduled, and under 26 feet in length.
- (2) Aircraft, except small unmanned aircraft meaning a device that is used or intended to be used for flight in the air without the possibility of direct human intervention from within or on the aircraft and weighing less than 55 pounds on takeoff, including everything that is on board or otherwise attached to the aircraft, and such coverage is provided only while not in operation.
- (3) Retaining walls unless specifically declared and on file with the Authority.
- (4) Rolling stock, unless specifically declared and on file with the Authority.
- (5) Standing timber, bodies of water, and growing crops.
- (6) Land, (including land on which covered property is located), and land values except landscaping including natural athletic fields, sand traps, tees and greens which is excluded excess of the sublimits in the Program Limits of Liability shown in the Declarations attached to this MOC - P.
- (7) Property in due course of ocean marine transit.

- (8) Shipment by mail after delivery into the custody of the United States Post Office, Federal Express, UPS, or any other paid delivery service.
- (9) Unscheduled tunnels, bridges, dams, catwalks (except those not for public use), roadways, highways, streets, sidewalks (and related appurtenances to these) culverts, streetlights and traffic signals in excess of the sublimit per the Program Limits of liability shown in the Declarations attached to the MOC - P.
- (10) Power transmission, feeder lines, and underground pipes more than 1,000 feet from a covered location (not including the line or pipe itself) the Covered Member.
- (11) As respects course of construction the following exclusions shall apply:
- (a) The cost of making good, faulty or defective workmanship, material, construction or design, but this exclusion shall not apply to damage not otherwise excluded resulting from such faulty or defective workmanship, material, construction or design;
  - (b) The cost of non-compliance of or delay in completion of contract;
  - (c) The cost of non-compliance with contract conditions;
  - (d) Contractors' equipment or tools not a part of or destined to become a part of the installation.
- (12) The following additional exclusions apply to loss or damage to animals covered under this MOC - P:
- (a). Death of any animal(s) from natural causes.
  - (b.) Death of any animal(s) that dies from an unknown cause unless:
    - upon the death of such animal a post-mortem examination made of such animal by a licensed veterinarian, and if the veterinarian's post-mortem report shows the cause of death to clearly fall within the coverages of this MOC - P.
  - (c.) Death of any animal(s) as a result of surgical operation, including inoculation, unless the necessity for same arises from an event covered by this MOC - P.
  - (d.) The death or destruction of any animal(s) caused by, resulting from or made necessary by physical injury caused by or resulting from the activities of the injured animal or other animals unless such death or destruction is the result of any event otherwise covered by the MOC - P. This exclusion does not apply to the Death, destruction or injury of any covered animal while acting in the line of duty.
  - (e.) The death of any animal(s) caused directly or indirectly by the neglect or abuse of the Covered Member, his agent, employees or bailees (carriers for hire

excepted) unless such loss is a result of an event otherwise covered by this MOC - P.

(f.) The loss by death of any animal(s) as a result of parturition or abortion.

(g.) Loss resulting from depreciation in value caused by any animal(s) covered hereunder becoming unfit for or incapable of filling the function or duties for which it is kept, employed or intended unless such loss is the result of an event otherwise covered by this MOC - P.

(h.) Loss by destruction of any animal(s) on the order of the federal or any state government, or otherwise as a result of having contracted or been exposed to any contagious or communicable disease.

(i.) The removal or disposal of the remains of neither any animal(s) nor the expense thereof unless such loss is the result of an event otherwise covered by this MOC - P.

(j.) The loss of any animal(s) that has been unnerved (the term "unnerved" to be considered as meaning the operation of neurotomy for lameness).

(k.) Any claim consequent upon delay, deterioration, or loss of use or loss of market arising from an event covered by this MOC - P.

(13) **Unscheduled Vacant property**

#### **D. ASBESTOS CLEAN-UP AND REMOVAL**

(1) This MOC - P only provides coverage for asbestos physically incorporated in a covered building or structure, and then only that part of the asbestos which has been physically damaged during the period of coverage by one of these Listed Perils:

Fire; Explosion; Earthquake Shock; Flood, Water Damage; Lightning; Windstorm; Hail; Direct impact of vehicle, aircraft or vessel; Riot or Civil Commotion; Vandalism or Malicious Mischief; or accidental discharge of fire protective equipment.

This coverage is subject to all limitations in the MOC - P and, in addition, to each of the following specific limitations:

- (i) The said building or structure must be covered under this MOC - P for damage by that Listed Peril.
- (ii) The Listed peril must be the immediate, sole cause of the damage to the asbestos.
- (iii) The Covered Member must report to the Authority the existence and cost of the damage as soon as practicable after the Listed Peril first damaged the asbestos. However, this MOC - P does not cover any such damage first reported to the

Authority more than 12 (twelve) months after the expiration, or termination, of the MOC - P.

(iv) Coverage under this MOC - P in respect of asbestos shall not include any sum relating to:

(a) Any faults in the design, manufacture or installation of the asbestos.

(b) Asbestos not physically damaged by the Listed Peril including any governmental or regulatory authority direction or request of whatsoever nature relating to undamaged asbestos.

(2) Except as set forth in the foregoing Section 1, this MOC - P does not provide coverage for asbestos or any sum relating thereto.

## **E. LOSS PAYMENT BASIS/VALUATION**

In case of loss to property of a Covered Member covered hereunder, the basis of adjustment shall be as of the time and place of loss as follows:

(A) On all real and personal property, including property of others at the replacement value, that is replacement with materials of like kind and quality, at the time of the loss without deduction for depreciation. If property is not replaced within a reasonable period of time but no longer than 5 years from the date final payment is received by the member, then the actual cash value shall apply. However, on vacant property, the following valuation provisions shall apply:

1. On premises defined as vacant herein for a period in excess of 60 days and reported to the Authority, then actual cash value shall apply.

2. On premises defined as vacant herein for a period in excess of 60 days and not reported to the Authority, the maximum the Authority will pay will be the actual cash value less a further 25% of actual cash value

(B) On improvements and betterments at the replacement value at time of loss without deduction for depreciation. If property is not repaired or replaced within a reasonable period of time, then the actual cash value shall apply. If replaced or repaired by others for the use of the Covered Member, there shall be no liability hereunder. The Authority agrees to accept and consider the Covered Member as sole and unconditional owner of all improvements and betterments, any contract or lease the Covered Member may have made to the contrary notwithstanding.

(C) On manuscripts, mechanical drawings, patterns, books of accounting and other valuable papers, the full replacement cost of the property at the time of loss (including expenses incurred to recreate the information lost, damaged or destroyed) or what it would then cost to repair, replace or reconstruct the property with other of like kind and quality. If not repaired, replaced or reconstructed within a reasonable period of time, then not to exceed the cost of blank or unexposed material.

- (D) On antique, restored or historical buildings, the cost of acquisition, relocation to the site and renovation, restoration, reproduction or reconstruction. In the event of a partial loss, replacement cost for antique, restored or historical buildings shall mean the cost of repairing, replacing, constructing or reconstructing (whichever is less) the property on the same site using materials of like kind and quality necessary to preserve or maintain a buildings' historical significance without deduction for depreciation.
- (E) On property of others for which the Covered Member is liable under written contract, written lease, or written agreement the Authority' liability in the event of loss is limited to the Covered Member's obligation as defined in said written contract or written lease agreement.
- (F) Recovery for loss or damage to covered vehicles and contractors equipment/unlicensed vehicles on or off premises, the Authority shall not be liable for more than the cost to repair or replace the same with material of like kind and quality, except when the repair costs exceed the market value of the vehicle (as established by a current valuation from "Kelly Blue Book"), in which case the Scheduled Limit shall apply.
- (G) Animals: The stated value as per schedule on file with the Authority or insurance broker.
- (H) The valuation of library contents is based on the raw costs of each category of books as established by an Authority and Covered Member agreed upon library association at time of loss. These figures do not include the "shelving cost" of each book as the Authority recognize that not all books will be replaced. The coverage for shelving is a "valuable papers" exposure i.e. and covered elsewhere in this MOC - P.
- Therefore, the formula for adjusting a library loss is:
- Number of items in a category multiplied by agreed upon valuation figure plus shelving cost under "valuable papers" coverage if item is replaced.
- The intention for such a formula is to eliminate the need to adjust library items on its specific actual cash value or replacement cost.
- (I) Landscaping, sand traps, tees, putting greens and natural athletic fields; the actual replacement cost of sod, shrubs, plants and trees; however the Authority's liability for replacement of trees, plants and shrubs will be limited to actual size of the destroyed plant, tree or shrub at the time of the loss up to a maximum size of a 48 inch box per item but not to exceed \$25,000 per item for trees and shrubs and further limited as stated in the Limits of Liability shown in the Declarations of Coverage.

### **Definitions As Respects Loss Payment Basis/Valuation**

Wherever the term "actual cash value" is used as respects real property or improvements and betterments in this clause, it shall mean replacement value less physical depreciation.

The aforementioned valuations shall also be used for the purpose of the assessment adjustment clause of this MOC - P.

Replacement Cost shall mean the cost of repairing, replacing, constructing or reconstructing (whichever is the least) the property on the same site, using new materials of like kind and quality and for like occupancy without deduction for depreciation, subject to the following:

- (i) Until the property is actually repaired, replaced or reconstructed, the maximum amount recoverable shall be the actual cash value of the lost or damaged property;
- (ii) Replacement shall be effective by the Covered Member with due diligence and dispatch;
- (iii) Replacement need not be on same site, or of same or similar construction or occupancy provided that the Authority shall not be liable for any additional costs that are directly attributable to the inclusion of this provision.
- (iv) For historical buildings as more specifically defined in this Section.
- (v) In no event shall the Authority's liability exceed the amount actually and necessarily expended in repairing or replacing (whichever is less) covered property or any part thereof.

It is understood and agreed that as respects replacement cost, the Covered Member shall have the option of replacement with electrical and mechanical equipment having technological advantages and/or representing an improvement in function and/or forming part of a program of system enhancement provided that such replacement can be accomplished without increasing the Authority's liability. The Authority shall be allowed to dispose of, as salvage, any non-proprietary property deemed unusable by the Covered Member.

## **F. AUTOMATIC COVERAGE/REPORTING CONDITIONS**

It is understood and agreed that:

- (1) The Authority may add/delete named Covered Members to coverage herein provided.
- (2) Covered Members at the inception of the Period of Coverage

As respects Covered Members covered at the inception of the Period of Coverage, this MOC - P is automatically extended to cover all additional property as described in this MOC - P and associated Business Interruption / Extra Expense which may be purchased, leased, acquired or otherwise become at the risk of existing Covered Members during the term of this MOC - P; subject to the sublimit covered in Program Limits of Liability shown in the Declarations attached to this MOC - P.

Earthquake Shock is excluded from this provision

(3) New Covered Members added after the inception of the Period of Coverage

As respects new Covered Members added after the inception of the Period of Coverage, this MOC - P is automatically extended to cover all additional property as described in this MOC - P and associated Business Interruption / Extra Expense which may be purchased, leased, acquired or otherwise become at the risk of new Covered Members during the term of this MOC - P; subject to such increase in values being reported to this carrier within sixty (60) days of acquisition, and subject to the sublimit in Program Limits of Liability shown in the Declarations attached to this MOC - P.

Earthquake Shock is excluded from this provision

(4) Piers, Docks, Wharves and Dams

As respects existing Covered Members and new Covered Members, this MOC - P is automatically extended to cover all additional piers, docks, wharves and dams and associated Business Interruption / Extra Expense which may be purchased, leased, acquired or otherwise become at the risk of existing Covered Members and new Covered Members during the term of this MOC - P; subject to such increase in values being reported to this carrier within sixty (60) days of acquisition; and subject to the sublimit in Program Limits of Liability shown in the Declarations attached to this MOC - P.

Earthquake Shock is excluded from this provision

(5) It is understood and agreed as respects Earthquake Shock:

- a) As respects existing Covered Members, this MOC - P is automatically extended to cover Earthquake Shock for all additional property as described in this MOC - P and associated Business Interruption / Extra Expense which may be purchased, leased, acquired or otherwise become at the risk of existing Covered Members during the term of this MOC - P; subject to such increase in values being reported to this carrier within sixty (60) days of acquisition, and subject to the sublimit in Program Limits of Liability shown in the Declarations attached to this MOC - P.
- b) As respects new Covered Members added after the inception of the period of coverage automatic coverage applies for the peril of Earthquake Shock for a period of 30 days from date of contractual requirement by any bond, certificate of participation or any similar investment, for any new locations where there is such a contractual requirement to provide Earthquake Shock coverage.

(6) Course of Construction

Projects for both new and existing Covered Members, including new projects at new locations, are automatically covered hereon for All Risks coverage excluding Flood and Earthquake Shock, subject to the applicable rate.

As respects existing Covered Members this MOC - P is automatically extended to cover Earthquake Shock and Flood for property in the course of construction at the applicable rate, subject to such projects being reported to the Authority within sixty (60) days of attachment.

If new Covered Members require Earthquake Shock and Flood coverage, projects must be declared and agreed to by the Authority prior to attachment.

- (7) The Authority shall automatically cover such property and/or properties, subject to all the terms and conditions of the MOC - P to which this clause is attached; provided, however, that if there shall be any other insurance contract covering such additional property this MOC - P shall not attach or provide coverage thereon until liability of all such other coverage shall have first been exhausted and shall then attach and cover only for its proportion of the excess of loss, if any, over and above the amount due from such other coverage, whether valid or invalid or by solvent or insolvent insurers.
- (8) Any additional or return premium declared under this clause shall be computed as follows:

All additions or deletions to schedules will be done at anniversary date, on an ensuing year basis. No additional or return premium will be required for additions or deletions during the period of coverage except:

- (a) New Covered Members/Covered Members Deletions:

The reporting of new/deleted named Covered Members to the Authority and the applicable additional or return premium will be provided to/from the Authority based on the date of addition/or deletion of the Covered Member.

- (b) Earthquake Shock:

There is no automatic coverage for Earthquake Shock except as provided in Paragraph 5 and 6 above. In the event of any increase of the total insured values as respects Earthquake Shock, as agreed by the Authority, the premium shall be charged from the date of change at rates to be agreed. In the event of any decrease of the total insured values as respects Earthquake Shock, premium will be returned from the date of change at the applicable rate.

## **G. DEFINITIONS**

### **1) OCCURRENCE**

The term occurrence shall mean any one loss, disaster, casualty or series of losses, disasters or casualties, arising out of one event. When the term applies to occurrence(s) from windstorm, flood, and/or earthquake shock, the following provisions shall apply:

#### **(A) WINDSTORM**

Each loss by windstorm shall constitute a single claim hereunder; provided, if more than one windstorm shall occur within any period of one hundred and sixty-eight (168) hours during the term of this MOC - P, such windstorm shall be deemed to be a single windstorm within the meaning thereof. The Covered Member may elect the moment from which each of the aforesaid periods of one hundred and sixty-eight (168) hours shall be deemed to have commenced but no two such one hundred and sixty-eight (168)

hour periods shall overlap. The Authority shall not be liable for any loss occurring before the effective date and time of the MOC - P. The Authority will be liable for any losses occurring for a period of up to one hundred and sixty-eight (168) hours after the expiration of this MOC - P provided that the first windstorm loss or damage within that one hundred and sixty-eight (168) hours occurs prior to the date and time of expiration of this MOC - P.

In the event of there being a difference of opinion between the Covered Member and the Authority as to whether or not all windstorm losses sustained by the Covered Member during an elected period of one hundred and sixty-eight (168) hours arose out of, or was caused by a single atmospheric disturbance, the stated opinion of the United States Weather Bureau or comparable authority in any other country or locality shall govern as to whether or not a single atmospheric disturbance continued throughout the period at the location(s) involved.

## (B) FLOOD

Each loss by flood shall constitute a single loss hereunder.

- (a) If any flood occurs within a period of the continued rising or overflow of any river(s) or stream(s) and the subsidence of same within the banks of such river(s) or stream(s); or
- (b) If any flood results from any tsunami, tidal wave or series of tidal waves caused by any one disturbance such flood shall be deemed to be a single occurrence within the meaning of this MOC - P.

Should any time period referred to above extend beyond the expiration date of this MOC - P and commence prior to expiration, the Authority shall pay all such flood losses occurring during such period as if such period fell entirely within the term of this MOC - P.

The Authority shall not be liable, however, for any loss caused by any flood occurring before the effective date and time of this MOC - P or commencing after the expiration date and time of this MOC - P.

Flood shall mean a general condition of partial or complete inundation of normally dry land area from:

- i. overflow of inland or tidal water
- ii. unusual and rapid accumulation or run off of surface waters from any source.

Flood shall also mean mudslide or mudflow, which is a river or flow of liquid mud caused by flooding as defined in (a) or (b) above.

The definition of flood does not include ensuing loss or damage CAUSED BY FIRE, EXPLOSION OR SPRINKLER LEAKAGE.

### (C) EARTHQUAKE SHOCK

With respect to the peril of earthquake shock, any and all losses from this cause within a one hundred sixty-eight (168) hour period shall be deemed to be one loss. The Covered Member may elect the moment from which each of the aforesaid periods of one hundred sixty eight (168) hours shall be deemed to have commenced but no two such one hundred sixty eight (168) hour periods shall overlap.

The Authority shall not be liable for any loss caused by an earthquake shock occurring before the effective date and time of this MOC - P. The Authority will be liable for any losses occurring for a period of up to one hundred sixty eight (168) hours after the expiration of this MOC - P provided that the first earthquake shock loss or damage within that one hundred sixty eight (168) hours occurs prior to the date and time of the expiration of this MOC - P.

In the event of there being a difference of opinion between the Covered Member and the Authority as to whether or not all earthquake shock losses sustained by the Covered Member during an elected period of one hundred sixty eight (168) hours arose out of, or were caused by a single earthquake shock, the stated opinion of the National Earthquake Shock Information Service of the United States Department of the Interior or comparable Authority in any other country or locality shall govern as to whether or not a single earthquake shock continued throughout the period at the locations involved.

The term earthquake shock is defined as: earth movement, landslide, subsidence, earth sinking, rising or shifting, including collapse, cracking, or shifting of buildings, structures or their parts, caused by a shaking or trembling of the earth that is tectonic in origin. The definition of earthquake shock does not include ensuing loss CAUSED BY FIRE, EXPLOSION SPRINKLER LEAKAGE or FLOOD. Further Earthquake Sprinkler Leakage is covered outside of the- "Earthquake Shock" definition and subject to the basic peril deductible.

### 2) PERSONAL PROPERTY OF OTHERS

Means any property (other than real property) belonging to others who are not employees, volunteers or elected or appointed officials for which a Covered Member has assumed liability in a written agreement. This includes but is not limited to:

- Articles of Clothing
- Jewelry
- Sound Equipment
- Fine Arts (up to the sub-limit of unscheduled fine arts)
- EDP Media and Hardware
- Valuable Papers
- Portable Electronic Equipment

### 3) IMPROVEMENTS AND BETTERMENTS

Means additions or changes made by a Covered Member/lessee at their own expense to a building they are occupying that enhance the building's value.

#### 4) SCHEDULED VALUES

As used in the MOC – P, Scheduled Values, shall mean specifically declared values for such items/assets have been reported as part of the Covered Member’s schedule of values held on file with the Authority or insurance broker.

## **SECTION III - BUSINESS INTERRUPTION**

Subject to the terms, conditions and exclusions stated elsewhere herein, this MOC - P provides coverage for:

### **A. COVERAGE**

#### ***1. BUSINESS INTERRUPTION***

Against loss resulting directly from interruption of business, services or rental value caused by direct physical loss or damage, resulting from a covered peril to real and/or personal property covered hereunder, occurring during the term of this MOC - P.

In the event of such loss or damage the Authority shall be liable for the actual loss sustained by the Covered Member for gross earnings as defined herein and rental value, tax interruption and tuition income as defined herein resulting from such interruption of business, services, or rental value; less all charges and expenses which do not necessarily continue during interruption of business for only such length of time as would be required with the exercise of due diligence and dispatch to rebuild, repair or replace such part of the property as has been damaged or destroyed, commencing with the date of such damage or destruction and not limited by the date of expiration of this MOC - P (hereinafter referred to as the period of restoration). Due consideration shall be given to the continuation of normal charges and expenses including payroll expenses to the extent necessary to resume operations of the Covered Member with the same quality of service which existed immediately preceding the loss.

#### ***2. EXTRA EXPENSE***

This MOC - P is extended to cover the necessary and reasonable extra expenses as hereinafter defined, incurred by the Covered Member in order to continue as nearly as practicable the normal operation of the Covered Member's business following damage to or destruction by a covered peril of real or personal property which is owned, leased or occupied by the Covered Member. In the event of such damage or destruction, the Authority shall be liable for such necessary extra expense incurred for only such length of time as would be required with the exercise of due diligence and dispatch to rebuild, repair or replace such part of the property as has been damaged or destroyed commencing with the date of damage or destruction and not limited by the date of expiration of this MOC - P (hereinafter referred to as the period of restoration).

### **B. EXTENSIONS OF COVERAGE**

#### ***1. INGRESS/EGRESS***

This MOC - P is extended to insure the actual loss sustained during the period of time not exceeding sixty (60) consecutive days when, as a direct result of physical damage by a covered peril(s) by this MOC - P to property of a type covered hereunder occurring within ten (10) statute miles of a covered location, ingress to or egress from property covered by this MOC - P is prevented.

Coverage under this extension is subject to a 24-hour waiting period.

## **2. INTERRUPTION BY CIVIL AUTHORITY**

This MOC - P is extended to include the actual loss sustained by the Covered Member, as covered hereunder, during the length of time not exceeding sixty (60) consecutive days when, as a direct result of physical damage to or destruction of property of the type covered hereunder by the covered peril(s), occurring within ten (10) statute miles of a covered location, access to such described premises is specifically prohibited by order of any civil authority.

Coverage under this extension is subject to a 24-hour waiting period.

## **3. DEMOLITION AND INCREASED TIME TO REBUILD**

The Authority shall, in the case of loss covered under this MOC - P, be liable also for loss to the interest covered by the MOC - P, occasioned by the enforcement of any local or state ordinance or law regulating the construction, repair or demolition of buildings or structures and in force at the time such loss occurs or which becomes in force within 30 days of the loss, which necessitates the demolition of any portion of the described building(s) not damaged by the covered peril(s). The Authority shall also be liable for loss due to the additional period of time required for repair or reconstruction in conformity with the minimum standards of such ordinance or law of the building(s) described in this MOC - P damaged by a covered peril.

THE AUTHORITY SHALL NOT BE LIABLE UNDER THIS CLAUSE FOR:

- A) More than the limit(s) of liability as shown elsewhere in this MOC - P.
- B) Any greater proportion of any loss to the interest covered by this MOC - P than the amount covered under this MOC - P on said interest bears to the total insurance and coverage on said interest, whether all such insurance contains this clause or not.

## **4. NON-PRODUCTIVE PROPERTY**

If the Real and/or Personal Property sustaining loss or damage does not produce an income the actual loss sustained shall be the continuing fixed charges and expenses directly attributable to such non-productive property.

## **5. CONTINGENT BUSINESS INTERRUPTION AND/OR EXTRA EXPENSE AND/OR RENTAL VALUE**

Business interruption, extra expense, rental value coverage provided by this MOC - P is extended to cover loss directly resulting from physical damage covered under this MOC - P to property of the type not otherwise excluded by this MOC - P at direct supplier or direct customer locations (whether such location is owned by a Covered Member or not) that prevents a supplier of goods and/or services to the Covered Member from supplying such goods and/or services, or that prevents a

recipient of goods and/or services from the Covered Member from accepting such goods and/or services.

#### **6. TAX REVENUE INTERRUPTION PROTECTION**

- 1) Type of revenue to be covered: Sales Tax, Property Tax, Transient Occupancy Tax, Tribal Incremental Municipal Services Payments, whenever the word "Revenue" appears in this MOC - P, it shall mean only such revenue as specified.
- 2) Revenue Interruption Protection is only provided if the Covered Member has scheduled Revenue Interruption values for which premium has been charged for the relevant perils covered hereunder. Further coverage is limited to any amount listed in the sublimits section of the Declarations.
- 3) Except as hereinafter or heretofore excluded, this MOC - P covers only against loss resulting directly from necessary interruption of revenue as specified above collected by or due to the Covered Member caused by damage to of destruction property which is not operated by the Covered Member against all risks of direct physical loss or damage during the term of this MOC - P, which wholly or partially prevents the generation of revenue for the account of the Covered Member (referred to as 'contributing properties').
- 4) In the event of such damage or destruction, coverage shall be for the actual loss sustained by the Covered Member from direct damage by perils covered hereunder to one or more contributing properties which results in the interruption of revenue for only the length of time as would be required with exercise of due diligence and dispatch to rebuild, replace or repair the contributing property commencing with the date of damage to the contributing property, but not limited by the expiration date of this MOC - P.

Such loss recovery after deductible shall be limited to whichever is the least of:

1. The limit covered on the MOC - P
  2. The actual loss sustained
  3. The difference in amount between 97.5% of the anticipated revenue and the actual total revenue after the loss.
- 5) Deductible: Each loss or series of losses arising out of one event at each location shall be adjusted separately and from the aggregate amount of all such losses 2.5% of the annual revenue value shall be deducted.

#### **7. EXTENDED PERIOD OF INDEMNITY**

Subject to the terms, conditions and exclusions of the MOC - P to which this extension is attached, the business interruption, tax interruption and tuition income and/or extra expense and/or rental value coverage provided by this MOC - P is extended to provide

coverage for the additional length of time required to restore the business of the Covered Member to the condition that would have existed had no loss occurred commencing on either

- (1) the date on which the Authority's liability would otherwise terminate or
- (2) the date on which rebuilding, repairing or replacement of such property as has been lost, damaged or destroyed is actually completed, whichever is later.

The Authority's liability under this extension shall terminate no later than twelve (12) months from the commencement date set forth above.

### **C. EXCLUSION**

The Authority shall not be liable for any increase of loss which may be occasioned by the suspension, lapse, or cancellation of any lease or license, contract or order, unless such suspension, lapse, or cancellation results directly from the interruption of business and, then the Authority shall only be liable for such loss as affects the Covered Member's earnings during and limited to, the period of indemnity covered under this MOC - P.

### **D. LOSS PAYMENT VALUATION EXPENSES TO REDUCE LOSS**

This MOC - P also covers such expenses as are necessarily incurred for the purpose of reducing loss under this section (except incurred to extinguish a fire); but in no event to exceed the amount by which loss is thereby reduced.

### **E. SPECIAL CONDITION APPLICABLE**

If the Covered Member could reduce the loss resulting from the interruption of business:

- (1) by complete or partial resumption of operation of the property whether or not such property be lost or damaged, or
- (2) by making use of merchandise or other property at a Covered Member's location or elsewhere

Such reduction shall be taken into account in arriving at the amount of the loss hereunder.

### **F. DEFINITIONS**

#### ***1. GROSS EARNINGS***

"Gross Earnings" is defined as the sum of:

- (1) total net sales and
- (2) other earnings derived from the operation of the business

less the cost of

- (3) merchandise sold including packaging materials and
- (4) materials and supplies consumed directly in supplying the service(s) sold by the Covered Member, and
- (5) service(s) purchased from outside (not employees of the Covered Member) for resale that does not continue under contract.

No other cost shall be deducted in determining gross earnings.

In determining gross earnings, due consideration shall be given to the experience of the business before the date of loss or damage and the probable experience thereafter, had no loss occurred.

## **2. *MERCHANDISE***

Shall be understood to mean goods kept for sale by the Covered Member that are not the products of manufacturing operations conducted by the Covered Member.

## **3. *EXTRA EXPENSE***

The term "extra expense", whenever used in this MOC - P, is defined as the excess (if any) of the total cost incurred during the period of restoration chargeable to the operation of the Covered Member's business over and above the total cost that would normally have been incurred to conduct the business during the same period had no damage or destruction occurred. Any salvage value of property obtained for temporary use during the period of restoration, which remains after the resumption of normal operations, shall be taken into consideration in the adjustment of any loss hereunder.

## **4. *RENTAL VALUE***

The term "rental value" is defined as the sum of:

- (1) the total anticipated gross rental income from tenant occupancy, and
- (2) the amount of all charges which are the legal obligation of the tenant(s) and which would otherwise be obligations of the Covered Member, and
- (3) The fair rental value of any portion of said property which is occupied by the Covered Member, and
- (4) Any amount in excess of (1), (2), and (3) (above) which is an obligation due under the terms and conditions of any revenue bond, certificate of participation or other financial instrument.

In determining rental value, due consideration shall be given to the experience before the date of loss or damage and the probable experience thereafter had no loss occurred.

## **G. PERIOD OF RESTORATION**

The period during which business interruption and /or rental interruption and/or extra expense applies will begin on the date direct physical loss occurs and interrupts normal business operations and ends on the date that the level of income prior to the loss is restored (normal operations) with due diligence and dispatch.

## SECTION IV - GENERAL CONDITIONS

### Applicable to all Sections under Coverage Part A

#### A. PERILS COVERED

Subject to the terms, conditions and exclusions stated elsewhere herein, this MOC - P provides coverage against all risk of direct physical loss or damage occurring during the period of coverage of this MOC - P.

#### B. PERILS EXCLUDED

This MOC - P does not cover any of the following:

- A) Loss or damage caused by or resulting from moths, vermin, termites, or other insects, inherent vice, latent defect, wear, tear or gradual deterioration, contamination, rust, wet or dry rot, unless physical damage by a peril not otherwise excluded ensues and then only for such ensuing loss, or loss or damage by normal settling, shrinkage or expansion in building or foundation.
- B) Earthquake shock, except when coverage is purchased and property is scheduled for the peril of earthquake shock.
- C) Delay or loss of markets (this exclusion shall be inapplicable to the extent inconsistent with any time element coverage provided elsewhere herein).
- D) Unless otherwise endorsed, herein, breakdown or derangement of machinery and/or steam boiler explosion, unless physical loss not otherwise excluded herein ensues and then only for such ensuing loss. (This exclusion is applicable only to boilers owned or controlled by the Covered Member.) This exclusion does not apply to data processing equipment or media.
- E) Loss or damage caused by or resulting from misappropriation, conversion, inventory shortage, unexplained disappearance, infidelity or any dishonest act on the part of the Covered Member, its employees or agents or others to whom the property may be entrusted (bailees and carriers for hire excepted) or other party of interest.
- F) Loss or damage caused by or resulting from electrical injury or disturbance from artificial causes to electrical appliances, devices of any kind or wiring, unless physical loss or damage not otherwise excluded herein ensues and then only for such ensuing loss. This exclusion does not apply to data processing equipment or media.
- G) Loss or damage to personal property resulting from shrinkage, evaporation, loss of weight, leakage, breakage of fragile articles, marring, scratching, exposure to light or change in color, texture or flavor, unless such loss is caused directly by fire or the combating thereof, lightning, windstorm, hail, explosion, strike, riot, or civil commotion, aircraft, vehicles, breakage of pipes or apparatus, sprinkler leakage, vandalism and malicious mischief, theft, attempted theft, flood or earthquake shock (earthquake shock shall apply to all locations that are scheduled for earthquake shock.).

- H) Loss or shortage disclosed upon taking inventory or mysterious disappearance of property (except property in the custody of carriers or bailees for hire).
- I) Loss caused directly or indirectly by:
- (1) War, hostile or warlike action in time of peace or war, including action in hindering, combating or defending against an actual, impending or expected attack
    - (a) by any government or sovereign power (de jure or de facto) or by any Authority maintaining or using military, naval or air forces; or
    - (b) by military, naval or air forces; or
    - (c) by an agent of any such government, power, authority or forces
  - (2) any weapon of war employing atomic fission or radioactive force whether in time of peace or war
  - (3) insurrection, rebellion, revolution, civil war, usurped power, or action taken by governmental authority or hindering, combating or defending against such an occurrence, seizure or destruction under quarantine or customs regulations, confiscation by order of any government or public authority, or risks of contraband or illegal transportation or trade.
- J) Loss by nuclear reaction or nuclear radiation or radioactive contamination, all whether controlled or uncontrolled, and whether such loss be direct or indirect, proximate or remote, or be in whole or in part caused by, contributed to, or aggravated by the covered peril(s) in this MOC - P; however, subject to the foregoing and all provisions of this MOC - P, direct loss by fire resulting from nuclear reaction or nuclear radiation or radioactive contamination is covered by this MOC - P.
- K) This MOC - P does not provide coverage for the following, but, if physical damage not excluded by this MOC - P results, then only that resulting damage is covered:
- (1) Defective workmanship, material, construction or design from any cause
  - (2) Loss or damage to the interior portion of buildings under construction from rain, sleet or snow, whether or not driven by wind, when the installation of the roof, walls and windows of such buildings has not been completed. But damage by surface water is covered.
- L) Loss, damage, cost or expense of whatsoever nature directly or indirectly caused by, resulting from or in connection with the actual or threatened malicious use of pathogenic or poisonous biological or chemical materials regardless of any other cause or event contributing concurrently or in any other sequence thereto.
- M) This MOC - P only covers physical loss or damage to covered property by mold, mildew or fungus when directly caused by a peril covered by this MOC - P occurring during the period of coverage.

This coverage is subject to all limitations in the MOC - P and, in addition, to each of the following specific limitations:

1. The said property must otherwise be covered under this MOC - P for physical loss or damage by that peril.
2. The Covered Member must report to the Authority the existence and cost of the physical loss or damage by mold, mildew or fungus as soon as practicable, but no later than twelve (12) months after the peril first caused any physical loss or damage to covered property during the period of coverage. This MOC - P does not cover any physical loss or damage by mold, mildew or fungus first reported to the Authority after that twelve (12) month period.
3. Regardless of circumstance or other MOC - P provisions, the maximum amount covered and payable under this MOC - P for all mold, mildew or fungus caused by or resulting from such peril is \$10,000 per occurrence for all parts of any claim and in total \$100,000 in the aggregate for the period of coverage. This sublimit applies to all sections or extensions of the MOC - P combined under which any claim arises or is made.

N) Except as set forth in the foregoing Section A, this MOC - P does not cover any loss, damage, claim, cost, expense or other sum directly or indirectly arising out of or relating to:

mold, mildew, fungus, spores or other microorganism of any type, nature, or description, including but not limited to any substance whose presence poses an actual or potential threat to human health.

This exclusion applies regardless whether there is (i) any physical loss or damage to covered property; (ii) any covered peril or cause, whether or not contributing concurrently or in any sequence; (iii) any loss of use, occupancy, or functionality; or (iv) any action required, including but not limited to repair, replacement, removal, clean-up, abatement, disposal, relocation, or steps taken to address medical or legal concerns.

O) Terrorism Exclusion

Notwithstanding any provision to the contrary within this MOC - P or any endorsement thereto it is agreed that this MOC - P excludes loss, damage, cost or expense of whatsoever nature directly or indirectly caused by, resulting from or in connection with any act of terrorism regardless of any other cause or event contributing concurrently or in any other sequence to the loss.

For the purpose of this MOC - P an act of terrorism means an act, including but not limited to the use of force or violence and/or the threat thereof, of any person or group(s) of persons, whether acting alone or on behalf of or in connection with any organization(s) or government(s), committed for political, religious, ideological or similar purposes including the intention to influence any government and/or to put the public, or any section of the public, in fear.

This MOC - P also excludes loss, damage, cost or expense of whatsoever nature directly or indirectly caused by, resulting from or in connection with any action taken in controlling, preventing, suppressing or in any way relating to any act of terrorism. If the Authority alleges that by reason of this exclusion, any loss, damage, cost or expense is not covered by this MOC - P the burden of proving the contrary shall be upon the Covered Member.

In the event any portion of this exclusion is found to be invalid or unenforceable, the remainder shall remain in full force and effect.

P) Loss, damage, to an unmanned aerial vehicle (aka: drone) while in operation.

### **C. TERRITORIAL LIMITS**

This MOC - P insures property within the United States of America, its territories and possessions. Personal property while in transit therein is extended to worldwide coverage.

### **D. REINSTATEMENT**

Any reduction in the amount covered hereunder due to payment of any loss or losses shall be automatically reinstated for the balance of the term of this MOC - P except as respects to those perils that are subject to annual aggregate limitation.

### **E. FREE ON BOARD (F.O.B.) SHIPMENTS**

The Authority shall be liable for the interest of the Covered Member at sole option of the Covered Member, the interest of the consignee in merchandise which has been sold by the Covered Member under terms of F.O.B. point of origin or other terms usually regarded as terminating shippers' responsibility short of point of delivery.

### **F. PROTECTION AND PRESERVATION OF PROPERTY**

This MOC - P covers:

A) Reasonable and necessary costs incurred for actions to protect or preserve covered property; provided such actions are necessary due to actual, or to prevent immediately impending, covered physical loss or damage to such covered property.

B) Reasonable and necessary:

- (1) Fire department fire fighting charges imposed as a result of responding to a fire in, on or exposing the covered property;
- (2) Costs incurred of restoring and recharging fire protection systems following an covered loss;
- (3) Costs incurred for the water used for fighting a fire in, on or exposing the covered

property.

This additional coverage is subject to the deductible provisions that would have applied had the physical loss or damage occurred.

#### **G. BREACH OF CONDITIONS**

If any breach of a clause, condition or warranty of the MOC - P shall occur prior to a loss affected thereby under this MOC - P, such breach shall not void the MOC - P nor avail the Authority to avoid liability unless such breach shall exist at the time of such loss under this MOC - P, and be a contributing factor to the loss for which claim is presented hereunder, it being understood that such breach of clause or condition is applicable only to the property affected thereby. Notwithstanding the foregoing, if the Covered Member establishes that the breach, whether contributory or not, occurred without its knowledge or permission or beyond its control, such breach shall not prevent the Covered Member from recovering under this MOC - P.

#### **H. PERMITS AND PRIVILEGES**

Anything in the printed conditions of this MOC - P to the contrary notwithstanding, permission is hereby granted:

- A) to maintain present and increased hazards which are consistent with the current operation of the Covered Member's facilities, provided that the Authority is given notice as soon as reasonably practicable of any increase in hazard and reserves the right to alter the terms and conditions of the MOC - P accordingly.
- B) to make additions, alterations, extensions, improvements and repairs, to delete, demolish, construct and reconstruct, and also to include all materials, equipment and supplies incidental to the foregoing operations of the property covered hereunder, while in, on and/or about the premises or adjacent thereto.
- C) for such use of the premises as usual and/or incidental to the business as conducted therein and to keep and use all articles and materials usual and/or incidental to said business in such quantities as the exigencies of the business require.
- D) for premises to be or become vacant or unoccupied for up to 60 consecutive days.

The Authority further agrees that Covered Member facilities or premises may be vacant or unoccupied for more than 60 consecutive days provided that:

- (a) The same degree of fire protection and security service is maintained as existed at the time of the discontinuance of normal operations; the maximum amount the Authority will pay in respect of property damage from a covered loss to property vacant in excess of 60 consecutive days, shall be the actual cash value as outlined in E. LOSS PAYMENT BASIS/ VALUATION herein; and
- (b) That written notice is given to the Authority prior to the 60<sup>th</sup> consecutive day. In the event the Covered Member fails to comply with the foregoing, the Authority will

not pay for any loss or damage caused by any of the following even if they are perils covered:

- (i) Vandalism;
- (ii) Sprinkler leakage, unless the system has been protected against freezing;
- (iii) Building glass breakage;
- (iv) Water damage;
- (v) Theft; or
- (vi) Attempted theft.

With respect to perils covered against other than those listed in (b) (i) through to (b) (vi) above, the maximum the Authority will pay will be the actual cash value less a further 25% of the actual cash value.

The covered building is considered vacant or unoccupied when it does not contain adequate covered property to conduct customary business operations, but this provision shall not apply to any time period when customary business operations are suspended due to circumstances that are usual to such business operations.

E) This MOC - P shall not be prejudiced by:

- 1) error in stating the name, number, street, or location of any building(s) and contents covered hereunder, or any error or omission involving the name or title of the Covered Member.
- 2) any act or neglect of the owner of the building, if the Covered Member hereunder is not the owner, or of any occupant of the within described premises other than the Covered Member, when such act or neglect is not within the control of the Covered Member named herein; or
- 3) by failure of the Covered Member to comply with any of the warranties or conditions endorsed hereon in any portion of the premises over which the Covered Member has no control.

## **I. PROTECTIVE SAFEGUARDS**

The Covered Member shall exercise due diligence in maintaining in complete working order all protective safeguard equipment and services.

## **J. NOTICE OF LOSS**

In the event of loss or damage covered against under this MOC - P, the Covered Member shall give, as soon as practicable but no later than two years from the date of discovery, that a loss has occurred, notice thereof to California Joint Powers Insurance Authority via its website claim reporting system.

## **K. ARBITRATION OF VALUE**

In case the Covered Member and the Authority shall fail to agree as to the amount of loss, then, on the written demand of either, each shall select a competent and disinterested appraiser and notify the other of their selection. The appraisers shall first select a competent and disinterested umpire, and failing to agree upon such umpire, then, on request of the Covered Member or the Authority such umpire shall be selected by judge of a court of record in the state in which the property covered is located.

The appraisers shall as soon as practicable, appraise the loss stating separately the loss of each item and failing to agree, shall submit their differences only to the umpire. An award in writing so itemized, of any two appraisers when filed with the Authority shall determine the amount of loss. The party selecting him shall pay each appraiser and the expenses of appraisal and umpire shall be paid by the parties equally.

## **L. PROOF OF LOSS**

The Covered Member shall render a signed and sworn proof of loss as soon as practical after the occurrence of a loss, stating the time, place and cause of loss, the interest of the Covered Member and of all others in the property, the value thereof and the amount of loss or damage thereto.

## **M. SUBROGATION**

In the event of any loss payment under this MOC - P, the Authority, shall be subrogated to all the Covered Member's rights of recovery thereof against any person or organization and the Covered Member shall execute and deliver instruments and papers and do whatever else is necessary to secure such rights.

As respects subrogation it is agreed that, after expenses incurred in subrogation are deducted, the Covered Member and the Authority shall share proportionately to the extent of their respective interests as determined by the amount of their net loss. Any amount thus found to be due to either party from the other shall be paid promptly.

This MOC - P shall not be prejudiced by agreement made by the Covered Member releasing or waiving the Covered Member's right to recovery against third parties responsible for the loss, under the following circumstances only:

- A) If made before the loss has occurred, such agreement may run in favor of any third party
- B) If made after loss has occurred, such agreement may run only in favor of a third party falling within one of the following categories at the time of loss
  - (1) a third party covered under this MOC - P, or
  - (2) a corporation, firm, or entity
    - (i) owned or controlled by the Covered Member or in which the Covered Member owns capital stock or other proprietary interest, or
    - (ii) owning or controlling the Covered Member or owning or controlling capital

stock or other proprietary interest in the Covered Member.

C) whether made before or after loss had occurred, such agreement must release or waive the entire Right of Recovery of the named Covered Member against such Third party or

D) a Tenant of the Named Covered Member.

## **N. CANCELLATION**

This MOC - P may be cancelled by the Covered Member at any time by written notice or surrender of this MOC - P. This MOC - P may also be cancelled by or on behalf of the Authority by delivering to the Covered Member or by mailing to the Covered Member by registered, certified or other first class mail at the Covered Member's address as held by the Authority, written notice, not less than sixty (60) days prior to the Authority's intent to cancel. The mailing of such notice as aforesaid shall be sufficient proof and this MOC - P and shall terminate at the date and hour specified in such notice. Notwithstanding what has been stated above, however, should this MOC - P be cancelled for non-payment of premium, the Authority shall only be required to give the Covered Member ten (10) days' notice.

If coverage in total shall be cancelled by the Covered Member, the Authority shall retain the customary short rate proportion of the premium hereon.

Payment or tender of any unearned premium by the Authority shall not be condition precedent to the effectiveness of cancellation but such payment shall be made forthwith.

Cancellation shall not affect coverage on any shipment in transit on date of cancellation. Coverage will continue in full force until such property is safely delivered and accepted at place of final destination.

## **O. ABANDONMENT**

There shall be no abandonment to the Authority of any property.

## **P. ASSIGNMENT**

Assignment or transfer of this MOC - P shall not be valid except with the written consent of the Authority.

## **Q. SALVAGE**

When, in connection with any loss hereunder, any salvage is received prior or subsequent to the payment of such loss, the loss shall be figured on the basis on which it would have been settled had the amount of salvage been known at the time the loss was originally determined.

## **R. OTHER INSURANCE / COVERAGE**

Permission is hereby granted to the Covered Member to carry more specific coverage with another coverage provider on any property covered under this MOC - P. This MOC - P shall not attach or come to provide coverage upon any property which at the time of loss is more specifically described and covered under any other coverage provider's form until the liability of such other coverage has first been exhausted and shall then cover only the excess of value of such property over and above the amount payable under such other coverage, whether collectible or not. This MOC - P, subject to its conditions and limitations, shall attach and come to provide coverage upon such property as respects any peril not covered by such other coverage provider's form and not otherwise excluded herein.

In the event of a loss that is covered with another coverage provider, wherein this MOC - P is excess of any amount paid by such other coverage provider shall be applied to the deductible amount stated elsewhere. Should the amount paid by such other coverage exceed these deductibles, no further deductibles shall be applied under this MOC - P.

## **S. EXCESS INSURANCE / COVERAGE**

Permission is granted to the Covered Member to maintain excess coverage over the limit of liability set forth in this MOC - P without prejudice to this MOC - P and the existence of such excess coverage, if any, shall not reduce any liability under this MOC - P. Also it is understood and agreed as respects earthquake shock or flood, that in the event of reduction or exhaustion of the aggregate limits of liability under the underlying policy(ies) by reason of loss(es) thereunder this MOC - P shall:

(A) in the event of reduction, pay out excess of the reduced underlying limit and

(B) in the event of exhaustion, continue in force as the underlying policy.

## **T. RIGHT TO REVIEW RECORDS FOLLOWING A COVERED LOSS**

The Covered Member as often as may be reasonably required, shall submit and so far as within their power, cause all other persons interested in the property or employees to submit to examination under oath by any person named by the Authority relative to any and all matters in connection with a claim, and produce for examination all books of account, bills, invoices and other vouchers or certified copies thereof if originals be lost, at such reasonable time and place as may be designated by the Authority or their representatives and shall permit extracts and copies thereof to be made.

## **U. CONCEALMENT AND FRAUD**

This entire MOC - P shall be void, if whether before or after a loss, the Covered Member has willfully concealed or misrepresented any material facts or circumstance concerning this MOC - P of the subject thereof, or the interest of the Covered Member therein, or in case of any fraud or false swearing by the Covered Member relating thereto.

## **V. LIBERALIZATION**

If during the period that coverage is in force under this MOC - P, or within forty-five (45) days prior to the inception date thereof, on behalf of the Covered Member there be adopted, or filed with an approved or accepted insurance authority, all in conformity with law, any changes in the form attached to this MOC - P by which this form of MOC - P could be extended or broadened without increased assessment charge by endorsement or substitution of form, then such extended broadened MOC - P shall inure to the benefit of the Covered Member hereunder as though such endorsement or substitution of form had been made.

## **W. LOSS PAYABLE CLAUSE**

In the event of a loss occurring under this MOC - P, the loss payment will be made in favor of the Covered Member(s) submitting the claim alone, and not to the program name.

## **X. JOINT LOSS ADJUSTMENT – MECHANICAL BREAKDOWN**

In the event of damage to or destruction of property covered by this MOC - P and also covered in a Mechanical Breakdown (aka: Boiler and Machinery) policy(ies), and there is disagreement between the Authority with respect to:

- (1) Whether such damage or destruction was caused by a peril covered by this MOC - P or by an accident covered by such Mechanical Breakdown policy(ies) or
- (2) The extent of participation of this MOC - P and of such Mechanical Breakdown Insurance policy(ies) in a loss which is covered, partially or wholly, by one or all of said policies.

The Authority shall, upon written request of the Covered Member, pay to the Covered Member one-half of the amount of the loss which is in disagreement, but in no event more than the Authority would have paid if there had been no Mechanical Breakdown policy(ies) in effect, subject to the following conditions:

1. The amount of loss which is in disagreement after making provisions for any undisputed claims payable under said policy(ies) and after the amount of the loss is agreed by the Covered Member and the Authority, is limited to the minimum amount remaining payable under either the Mechanical Breakdown policy(ies) or this MOC - P.
2. The Mechanical Breakdown Insurer(s) shall simultaneously pay to the Covered Member one-half of the said amount which is in disagreement.
3. The payments by the Authority hereunder and acceptance of the same by the Covered Member signify the agreement of the Authority to submit to and proceed with Arbitration within sixty (60) days of such payments.

The Arbitrators shall be three (3) in number, one of whom shall be appointed by the Mechanical Breakdown Insurer(s) and one of whom shall be appointed by the Authority hereon and the third appointed by consent of the other two, and the decision by the Arbitrators shall be binding on the Authority and that judgment upon such award may be entered in any Court of Competent Jurisdiction.

4. The Covered Member agrees to cooperate in connection with such arbitration but not to intervene therein.

## **Y. LENDER'S LOSS PAYABLE**

1. Loss or damage, if any, under this MOC - P, shall be paid to any Lender, its successors and assigns where obligated in a written loan agreement with the Covered Member, hereinafter referred to as "the Lender", in whatever form or capacity its interests may appear and whether said interest be vested in said Lender in its individual or in its disclosed or undisclosed fiduciary or representative capacity, or otherwise, or vested in a nominee or trustee of said Lender.
2. The coverage under this MOC - P, or any rider or endorsement attached thereto, as to the interest only of the Lender, its successors and assigns, shall not be invalidated nor suspended: (a) by any error, omission, or change respecting the ownership, description, possession, or location of the subject of the coverage or the interest therein, or the title thereto; (b) by the commencement of foreclosure proceedings or the giving of notice of sale of any of the property covered by this MOC - P by virtue of any mortgage or trust deed; (c) by any breach of warranty, act, omission, neglect, or non-compliance with any of the provisions of this MOC - P, including any and all riders now or hereafter attached thereto, by the Covered Member, the borrower, mortgagor, trustor, vendee, owner, tenant, warehouseman, custodian, occupant, or by the agents of either or any of them or by the happening of any event permitted by them or either of them, or their agents, or which they failed to prevent, whether occurring before or after the attachment of this clause, or whether before or after a loss, which under the provisions of this MOC - P or of any rider or endorsement attached thereto would invalidate or suspend the coverage as to the Covered Member, excluding herefrom, however, any acts or omissions of the Lender while exercising active control and management of the property.
3. In the event of failure of the Covered Member to pay any premium or additional premium which shall be or become due under the terms of this MOC - P or on account of any change in occupancy or increase in hazard not permitted by this MOC - P, the Authority agrees to give written notice to the Lender of such non-payment of premium after sixty (60) days from and within one hundred and twenty (120) days after due date of such premium and it is a condition of the continuance of the rights of the Lender hereunder that the Lender when so notified in writing by the Authority of the failure of the Covered Member to pay such premium shall pay or cause to be paid the premium due within ten (10) days following receipt of the Authority's demand in writing therefor. If the Lender shall decline to pay said premium or additional premium, the rights of the Lender under this Lender's Loss Payable clause shall not be terminated before ten (10) days after receipt of said written notice by the Lender.

4. Whenever the Authority shall pay to the Lender any sum for loss or damage under this MOC - P and shall claim that as to the Covered Member no liability therefor exists, the Authority, at its option, may pay to the Lender the whole principal sum and interest and other indebtedness due or to become due from the Covered Member, whether secured or unsecured, (with refund of all interest not accrued), and the Authority, to the extent of such payment, shall thereupon receive a full assignment and transfer, without recourse, of the debt and all rights and securities held as collateral thereto.
5. If there be any other coverage upon the within described property, the Authority shall be liable under this MOC - P as to the Lender for the proportion of such loss or damage that the sum hereby covered bears to the entire coverage of similar character on said property under policies held by, payable to and expressly consented to by the Lender. Any Contribution Clause included in any Fallen Building Clause Waiver or any Extended Coverage Endorsement attached to this MOC - P is hereby nullified, and also any Contribution Clause in any other endorsement or rider attached to this MOC - P is hereby nullified except Contribution Clauses for the compliance with which the Covered Member has received reduction in the rate charged or has received extension of the coverage to include hazards other than fire and compliance with such Contribution Clause is made a part of the consideration for insuring such other hazards. The Lender upon the payment to it of the full amount of its claim, will subrogate the Authority (pro rata with all other insurers contributing to said payment) to all of the Lender's rights of contribution under said other coverage.
6. The Authority reserves the right to cancel this MOC - P at any time, as provided by its terms, but in such case this MOC - P shall continue in force for the benefit of the Lender for ten (10) days after written notice of such cancellation is received by the Lender and shall then cease.
7. This MOC - P shall remain in full force and effect as to the interest of the Lender for a period of ten (10) days after its expiration unless an acceptable policy in renewal thereof with loss thereunder payable to the Lender in accordance with the terms of this Lender's Loss Payable clause, shall have been issued by some insurance company and accepted by the Lender.
8. Should legal title to and beneficial ownership of any of the property covered under this MOC - P become vested in the Lender or its agents, coverage under this MOC - P shall continue for the term thereof for the benefit of the Lender but, in such event, any privileges granted by this Lender's Loss Payable clause which are not also granted the Covered Member under the terms and conditions of this MOC - P and/or under other riders or endorsements attached thereto shall not apply to the coverage hereunder as respects such property.
9. All notices herein provided to be given by the Authority to the Lender in connection with this MOC - P and this Lender's Loss Payable clause shall be mailed to or delivered to the Lender at any address as directed by the Covered Member.

## **SECTION V - FINE ARTS FLOATER**

### **A. COVERAGE**

The provisions and stipulations of this Section shall apply only to the property covered hereunder.

If any of the property covered by this Section is also covered under any other provisions of the MOC - P of which this Section is made a part, those provisions are hereby amended to exclude such property, the intent being that the coverage under this Section is the sole coverage on such property.

This MOC - P is extended to cover fine arts, which are the property of the Covered Member or the property of others in the custody or control of the Covered Member while on exhibition or otherwise within the limits of the Continental United States and Canada.

### **B. PROPERTY COVERED**

- (1) Objects of art of every kind and description, the property of the Covered Member, the property of others and property in which the Covered Member shall have a fractional ownership interest which are owned by or have been leased, loaned, rented or otherwise made available to the Covered Member. "Property" under this 'Section V – Fine Arts Floater' shall mean paintings, drawings, etchings, pictures, prints, rare books, manuscripts, rugs, tapestries, furniture, statuary, potteries, porcelains, marbles and all other bonafide works of art and other objects of rarity, historic value, cultural interest or artistic merit, which are part of the collections of the Covered Member, or in the care, custody or control of the Covered Member, and their frames, glazing and shadow boxes.
- (2) Objects of art, and property incidental thereto, the property of the Covered Member, or of others for which the Covered Member may be liable and while such property is on or away from the Covered Member's premises in accordance with the terms and conditions of this MOC - P.

### **C. "WALL TO WALL" ("NAIL TO NAIL") COVERAGE**

This MOC - P covers the Covered Member's property on a "Wall to Wall" ("Nail to Nail") basis, or domicile to domicile basis, as applicable, from the time said property is removed from its normal repository incidental to shipment until returned thereto or other point designated by the owner or owner's agent prior to return shipment, including while in transit to or from points of consolidation or deconsolidation, packing, repacking or unpacking, while at such locations during such processes or awaiting shipment.

Coverage shall terminate upon arrival of the covered property at the final destination designated by the owner or owner's agent, or upon expiration of this MOC - P whichever may occur first, except that expiration of this MOC - P shall not prejudice coverage of any risk then in transit.

## **D. EXCLUSIONS**

- A) Loss or damage occasioned by: wear and tear, gradual deterioration, insects, vermin, inherent vice or damage sustained due to and resulting from any repairing, restoration or retouching process.
- B) Loss or damage caused by or resulting from:
- (1) hostile or warlike action in time of peace or war, including action in hindering, combating or defending against an actual, impending or expected attack:
    - (a) by any government or sovereign power (de jure or de facto), or by any authority maintaining or using military, naval or air forces, or
    - (b) by military, naval or air forces, or
    - (c) by an agent of any such government, power, authority or forces
  - (2) any weapon of war employing atomic fission or radioactive force whether in time of peace or war.
  - (3) insurrection, rebellion, revolution, civil war, usurped power or action taken by governmental authority in hindering, combating or defending against such an occurrence, seizure or destruction under quarantine or customs regulations, confiscation by order of any government or public authority or risks of contraband or illegal transportation or trade.
- C) Loss by nuclear reaction or nuclear radiation or radioactive contamination, all whether controlled or uncontrolled and whether such loss be direct or indirect, proximate or remote, or be in whole or in part caused by, contributed to, or aggravated by the covered perils covered against in this Section; however, subject to the foregoing and all provisions of this Section, direct loss by fire resulting from nuclear reaction or nuclear radiation or radioactive contamination is covered against by this Section.
- D) Loss or damage caused by or resulting from infidelity or any dishonest act on the part of the Covered Member, its employees or agents or others to whom the property may be entrusted (bailees and carriers for hire excepted) or other party of interest.

## **E. LOSS PAYMENT BASIS/VALUATION**

The valuation of each article of property covered by this MOC - P shall be determined as follows:

- (1) Property of the Covered Member shall be covered for and valued at the current fair value of each article indicated on the books and records of the Covered Member prior to loss, according to the Covered Member's valuation of each object covered.
- (2) Property of others loaned to the Covered Member and for which the Covered Member may be legally liable, or which the Covered Member has been instructed to

insure, shall be covered for and valued at the amount agreed upon for each article by the Covered Member and owner(s) as recorded on the books and records of the Covered Member prior to loss.

- (3) Otherwise, in the absence of recorded current fair market values or agreed values for each article covered, the Authority shall not be liable beyond the fair market value of the property at the time of any loss or damage occurs. Said value shall be ascertained by the Covered Member and the Authority or, if they differ, then the amount of value or loss shall be determined as provided in the following appraisal clause.

## **F. SPECIAL CONDITIONS**

- (1) **Misrepresentation and Fraud:** This entire Section shall be void if, whether before or after a loss, the Covered Member has concealed or misrepresented any material fact or circumstance concerning this MOC - P or the subject thereof, or the interest of the Covered Member therein, or in case of any fraud or false swearing by the Covered Member relating thereto.
- (2) **Notice of Loss:** The Covered Member shall as soon as practicable report in writing to the Authority or its agent every loss, damage or occurrence which may give rise to a claim under this Section and shall also file with the Authority or its agent within sixty (60) days from the date of discovery of such loss, damage or occurrence, a detailed sworn proof of loss.
- (3) **Examination under Oath:** The Covered Member, as often as may be reasonably required, shall exhibit to any person designated by the Authority all that remains of any property herein described, and shall submit, and insofar as is within its power cause its employees, Covered Members and others to submit to examination under oath by any person named by the Authority and subscribe the same; and, as often as may be reasonably required, shall produce for examination all writings, books of account, bills, invoices and other vouchers, or certified copies thereof if originals be lost, at such reasonable time and place as may be designated by the Authority or its representative and shall permit extracts and copies thereof to be made. No such examination under oath or examination of books or documents, nor any act of the Covered Member or any of its employees or representatives in connection with the investigation of any loss or claim hereunder, shall be deemed a waiver of any defense which the Covered Member might otherwise have with respect to any loss or claim, but all such examinations and acts shall be deemed to have been made or done without prejudice to the Authority's liability.
- (4) **Settlement of Loss:** All adjusted claims shall be paid or made good to the *Covered* Member within sixty (60) days after presentation and acceptance of satisfactory proof of interest and loss at the office of the Authority. No loss shall be paid or made good if the Covered Member has collected the same from others.
- (5) **No Benefit to Bailee:** This MOC - P shall in no way inure directly or indirectly to the benefit of any carrier or other bailee.
- (6) **Subrogation or Loan:** If in the event of loss or damage the Covered Member shall acquire any right of action against any individual, firm or corporation for loss of, or damage to, property covered hereunder, the Covered Member will, if requested by the Authority,

assign and transfer such claim or right of action to the Authority or, at the Authority's option, execute and deliver to the Authority the customary form of loan receipt upon receiving an advance of funds in respect of the loss or damage; and will subrogate the Authority to, or will hold in trust for the Authority, all such rights of action to the extent of the amount paid or advanced, and will permit suit to be brought in the Covered Member's name under the direction of and at the expense of the Authority.

- (7) Protection and Preservation of Property: As per Section IV GENERAL CONDITIONS F)
- (8) Appraisal: If the Covered Member and the Authority fail to agree as to the amount of loss, each shall on the written demand of other, made within sixty (60) days after receipt of proof of loss by the Authority, select a competent and disinterested appraiser, and the appraisal shall be made at a reasonable time and place. The appraisers shall first select a competent and disinterested umpire, and failing for fifteen (15) days to agree upon such umpire, then on the request of the Covered Member or the Authority, such umpire shall be selected by a judge of a court of record in the state in which such appraisal is pending. The appraisers shall then appraise the loss, stating separately the actual cash value at the time of loss and the amount of loss, and failing to agree shall submit their differences to the umpire. An award in writing of any two shall determine the amount of loss. The Covered Member and the Authority shall each pay their chosen appraiser and shall bear equally the other expenses of the appraisal and umpire. The Covered Member shall not be held to have waived any of its rights by any act relating to appraisal.
- (9) Civil Authority: Property covered under this Section against the peril of fire is also covered against the risk of damage or destruction by Civil authority during a conflagration and for the purpose of retarding the same; provided that neither such conflagration nor such damage or destruction is caused or contributed to by a peril otherwise excluded herein.
- (10) Conformity to Statute: Terms of this Section that are in conflict with the statutes of the state wherein this Section is issued are hereby amended to conform to such statutes.
- (11) Changes: Notice to any agent or knowledge possessed by any agent or by any other person shall not effect a waiver or a change in any part of this Section or stop the Covered Member from asserting any right under the terms of this Section, nor shall the terms of this Section be waived or changed except by endorsement issued to form a part of this Section.
- (12) Additional Covered Party(ies): The owner and owners defined as associations, corporations, firms, institutions, museums, persons and others who own or control collections, objects or articles who make them available to the Covered Member, and temporary borrowers or custodians (but not carriers, packers or shippers) of property covered, are additional Covered Party(ies) hereunder, but only as respects coverage afforded said Covered Member's property.
- (13) Packing: It is agreed by the Covered Member that the property covered hereunder be packed and unpacked by competent packers.

- (14) Other Insurance: Coverage provided by this Section is excess coverage over any other valid and collectible insurance which may apply to any objects of art for which coverage would apply under this MOC - P.
- (15) Pair and Set: In the event of the total loss of any article or articles which are a part of a set, the Authority agrees to pay the Covered Member the full amount of the value of such set and the Covered Member agrees to surrender the remaining article or articles of the set to the Authority.

## SECTION VI - MOBILE / CONTRACTORS EQUIPMENT

### A. COVERAGE

This extension covers only mobile machines, including equipment thereof while attached thereto or located thereon, such as bulldozers, drag lines, power shovels, derricks, drills, concrete mixers and other machinery of a mobile nature.

This extension insures against all risks of direct loss or damage to the above described property from any external cause except as provided below:

- A) Loss or damage due to wear, tear, rust, corrosion, latent defect, mechanical breakage, or improper assemblage.
- B) Loss or damage due to the weight of the load imposed on the machine exceeding the capacity for which such machine was designed.
- C) Loss or damage to crane or derrick boom(s) and jib(s) of lattice construction while being operated unless directly caused by fire, lightning, hail, windstorm, earthquake shock, explosion, riot, riot attending a strike, civil commotion, actual physical contact with an aircraft or airborne missile including objects falling therefrom, collision with other vehicles or other contractors equipment whether or not such other equipment is covered hereunder, landslide, or upset of the unit of which it is a part (but only when and to the same extent that such other perils are covered by the MOC - P).
- D) Loss or damage due to explosion arising from within steam boilers.
- E) Loss or damage to dynamos, exciters, lamps, switches, motors or other electrical appliances or devices, including wiring, caused by lightning or other electrical currents (artificial or natural) unless fire ensues and then for the loss by fire only.
- F) Loss or damage due to dishonesty of Covered Member's employees or persons to whom the Covered Member's property is entrusted.
- G) Loss or damage caused by or contributed to failure of the Covered Member to keep and maintain the property in a thorough state of repair.
- H) Loss or damage caused by or resulting from:
  - (1) hostile or warlike action in time of peace or, including action in hindering, combating or defending against an actual, impending or expected attack
    - (a) by any government or sovereign power (de jure or de facto) or by any authority maintaining using military, naval or air forces, or
    - (b) any military, naval or air forces, or
    - (c) by an agent of any such government, power, authority or forces

- (2) any weapon of war employing atomic fission or radioactive force whether in time of peace or war.
  - (3) insurrection, rebellion, revolution, civil war, usurped power, or action taken by governmental authority in hindering, combating or defending against such an occurrence, seizure or destruction under quarantine or customs regulations, confiscation by order of any government or public authority, or risks of contraband or illegal transportation or trade.
- I) Loss by nuclear reaction or nuclear radiation or radioactive contamination, all whether controlled or uncontrolled, and whether such loss be direct or indirect, proximate or remote, or be in whole or in part caused by, contributed to, or aggravated by the peril(s) covered against in this Section; however, subject to the foregoing and all provisions of this MOC - P, direct loss by fire resulting from nuclear reaction or nuclear radiation or radioactive contamination is covered against by this MOC - P.

## **B. EXCLUSIONS**

- A) Automobiles, motorcycles, motor trucks, or parts thereof, unless as otherwise covered herein.
- B) Buildings used as camps or otherwise.
- C) Machinery or equipment or building materials to be installed in any building for the purpose of becoming a part thereof; nor on any property which has become a permanent part of any structure
- D) Property that is located underground.
- E) Property while waterborne except while being transported on any regular ferry.
- F) Plans, blue prints, designs or specifications.

## **C. LOSS PAYMENT BASIS/VALUATION**

Recovery for loss or damage to covered vehicles and contractors' equipment/unlicensed vehicles on or off premises, the Authority shall not be liable for more than the cost to repair or replace the same with material of like kind and quality, except when the repair costs exceed the market value of the vehicle (as established by a current valuation from "Kelly Blue Book"), in which case the Schedule Limit shall apply.

## **D. SPECIAL CONDITION**

This extension covers only within the limits of the United States of America and Canada.

It is a condition of this MOC - P that all articles covered hereunder are in sound condition at the time of attachment of this MOC - P.

## **E. DEFINITIONS**

Contractors' Equipment shall include but is not limited to:

Land vehicles including equipment and apparatus attached thereto, whether or not self-propelled and not subject to motor vehicle registration.

## **SECTION VII - ACCOUNTS RECEIVABLE**

### **A. COVERAGE**

This MOC - P covers the loss of or damage to the Covered Member's records of accounts receivable as defined below, occurring during the period of coverage as a result of direct physical loss or damage as covered by this MOC - P.

### **B. EXCLUSIONS**

This MOC - P does not apply:

- A) To loss due to any fraudulent, dishonest or criminal act by the Covered Member, a partner therein, or an officer, director or trustee thereof, while working or otherwise and whether acting alone or in collusion with others.
- B) To loss due to bookkeeping, accounting or billing errors or omissions.
- C) To loss, the proof of which as to factual existence, is dependent upon an audit of records or an inventory computation; but this shall not preclude the use of such procedures in support if claim for loss which the Covered Member can prove through evidence wholly apart therefrom, is due solely to a risk of loss to records of accounts receivable not otherwise excluded hereunder.
- D) To loss due to alteration, falsification, manipulation, concealment, destruction or disposal of records of accounts receivable committed to conceal the wrongful giving, taking, obtaining or withholding of money, securities or other property, but only to the extent of such wrongful giving, taking, obtaining or withholding.

### **C. LOSS PAYMENT BASIS/VALUATION**

#### **DETERMINATION OF RECEIVABLES; DEDUCTIONS**

When there is proof that a loss covered by this Section has occurred but the Covered Member cannot accurately establish the total amount of accounts receivable outstanding as of the date of such loss, such amount shall be based on the Covered Member's monthly statements and shall be computed as follows:

- (1) Determine the amount of all outstanding accounts receivable at the end of the same fiscal month in the year immediately preceding the year in which the loss occurs.
- (2) Calculate the percentage of increase or decrease in the average monthly total of accounts receivable for the twelve (12) months immediately preceding the month in which the loss occurs as compared with such average for the months of the preceding year
- (3) The amount determined under (1) above, increased or decreased by the percentage calculated under (2) above, shall be the agreed total amount of accounts receivable as of the last day of the fiscal month in which said loss occurs

- (4) The amount determined under (3) above shall be increased or decreased in conformity with the normal fluctuations in the amount of accounts receivable during the fiscal month involved, due consideration being given to the experience of the business since the last day of the last fiscal month for which statement has been rendered.

There shall be deducted from the total amount of accounts receivable, however established, the amount of such accounts evidenced by records not lost or damaged or otherwise established or collected by the Covered Member, and an amount to allow for probable bad debts which would normally have been uncollectible by the Covered Member. All unearned interest and service charges shall be deducted.

## **D. DEFINITION**

### **ACCOUNTS RECEIVABLE**

- (1) All sums due the Covered Member from customers, provided the Covered Member is unable to effect collection thereof as the direct result of loss or damage to records of accounts receivable.
- (2) Interest charges on any loan to offset impaired collections pending repayment of such sums made uncollectible by such loss or damage.
- (3) Collection expense in excess of normal collection cost and made necessary because of such loss or damage.
- (4) Other expenses, when reasonably incurred by the Covered Member, in re-establishing records of accounts receivable following such loss or damage.

## SECTION VIII – APPEAL OF DISPUTES

No party is entitled to appeal or arbitrate claims under this **Memorandum** other than the **Member**. Any disputes concerning coverage, protection, **Defense** obligations, or procedures of the **Program**, as interpreted by the **Authority's** staff, shall be appealed to the **Authority's** Executive Committee in accordance with the following procedures.

- A. A written notice that a Claim is not covered by the Memorandum will normally be provided to the Member by the Claims Administrator. A Member may request any determination of a lack of coverage made by the Claims Administrator to be reviewed by the Chief Executive Officer. Such a request shall be in writing and must be made within 90 days of the date of the written notice from the Claims Administrator.
- B. Upon request, the Chief Executive Officer shall review a determination of a lack of coverage made by the Claims Administrator or Authority staff and shall send to the Member a written determination of coverage.
- C. If a Member disagrees with the coverage determination by the Chief Executive Officer, the Member may appeal the decision to the Appeals Committee. The Appeals Committee consists of the Executive Committee and the chairs of the Managers and Finance Officers Committees. Appeals must be in writing within 90 days of the date of the Chief Executive Officers written decision. The appeal request must state why the Member disagrees with the denial, and the Member should present any information that may have a bearing on the ultimate determination of coverage.
- D. The appeal request shall be presented by Authority staff to the Appeals Committee, on a regularly scheduled Executive Committee meeting day, allowing time for sufficient review and agenda deadlines. Staff shall notify the Member in advance of the meeting at which its appeal will be presented.
- E. If the Member would like to personally address the Appeals Committee, the Member or the Member's representative may attend the meeting and speak to the issue.
- F. The Appeals Committee may refer the appeal to the Coverage Committee and consider the recommendation of the Coverage Committee during its deliberation on the appeal. The Appeals Committee's decision is final. Authority staff will notify the Member of the Appeals Committee's decision in writing.
- G. Following a final determination regarding a Claim, consideration of the decision may be reopened at the request of the Member if circumstances change as follows: (1) a new and distinct Claim arising out of the prior Occurrence is presented to the Member, or (2) new and distinct causes of action are added to the Claim. If the new Claim or causes of action are reasonably thought by the Member to be covered, the Appeals Committee will reconsider the issue, in accordance with the procedure in this Section J. Appeal of Disputes, upon request. Any request for such reconsideration must be in writing within 90 days of the notice to the Member of the new Claim or cause of action.
- H. If the Member has followed the coverage appeals procedure outlined in Section 5.J. Appeal of Disputes and disagrees with the final determination of the Appeals Committee, the Member may request consideration of the coverage issue through the Authority's Binding Arbitration Process.

The Binding Arbitration Process shall be as follows:

- A. Following a decision by the Appeals Committee, the appealing Member shall notify the Chief Executive Officer in writing, within 30 days of the Appeals Committee's final decision, that it wishes to participate in Binding Arbitration and shall submit a non-refundable \$1,000 arbitration appeal fee. The written notice shall specify the grounds for the arbitration.
- B. Following payment of the arbitration appeals fee, the name of each Member, other than the appealing Member and the Members represented on the Appeals Committee, shall be placed in an unmarked envelope. Each envelope shall be placed in a box and eleven envelopes shall be drawn by the Chief Executive Officer. A representative of the appealing Member may be present at the drawing.
- C. The Chief Executives of the eleven Members shall be the pool of potential arbitrators. The eleven Members and the names of their Chief Executives shall be given in writing to the appealing Member.
- D. The appealing Member shall have the right to strike two or less names from the pool for any reason which shall not be disclosed. The Authority shall have the right to strike two or less names from the pool for any reason which shall not be disclosed. The appealing Member and the Authority must strike names within five business days of the drawing. The right of either party to strike names shall lapse at 5:00 PM on the fifth day following the drawing. Notice of names stricken by either party shall be given in writing to the other party prior to 5:00 PM on the fifth day following the drawing.
- E. The remaining Chief Executives shall be contacted by the Chief Executive Officer to determine their willingness to serve on the arbitration panel. If more than five are willing to serve, each name shall be placed in an unmarked envelope, put in a box, and the Chief Executive Officer shall draw five envelopes from the box. The individuals whose names are drawn shall be the arbitration panel and they shall be disclosed in writing to the appealing Member.
- F. If only five are willing to serve, they shall be the arbitration panel.
- G. If fewer than five are willing to serve, the name of each member not drawn in the previous selection drawing shall be placed in an unmarked envelope, put in a box, and four envelopes shall be drawn for each arbitration panel position needed to have a five-member panel. A representative of the appealing Member may be present at the drawing. The names drawn shall be disclosed to the appealing Member who may reject, for any reason which shall not be disclosed, one name for each four names drawn. The Authority may also reject one name for each four names drawn and shall not disclose the reason. Names rejected by the appealing Member and the Authority must be rejected within 48-hours of the drawing. The right to reject names shall lapse 48-hours following the drawing.
- H. The Chief Executives of the Members remaining shall be contacted by the Chief Executive Officer to determine their willingness to serve on the arbitration panel. The names of those willing to serve shall be placed in unmarked envelopes, put in a box, and the number necessary to fill out the arbitration panel shall be drawn by the Chief Executive Officer and

disclosed in writing to the appealing Member. A representative of the appealing Member may be present at the drawing.

- I. This process shall be repeated until five members are obtained for the arbitration panel.
- J. The arbitration panel members shall be compensated at the rate of \$125 per half-day or portion thereof. If a panel member is required to stay away from home overnight, lodging shall be paid by the Authority. Necessary meals shall be provided for all panel members. Mileage costs shall be reimbursed by the Authority at its standard rate.
- K. The cost of the arbitration panel shall be borne by the Authority. The cost of presentation by the appealing Member, including preparation, exhibits, attorneys, and all other costs of the Member shall be paid by the Member.
- L. The arbitration panel may request legal counsel that shall be selected by the Chief Executive Officer and paid for by the Authority. Legal counsel shall not be the counsel for the Authority that has advised the staff and Executive Committee. However, counsel for the Authority may participate in or make the presentation to the arbitration panel on behalf of the Authority, as requested by the Chief Executive Officer.
- M. The parties to the arbitration shall not be governed by formal rules of evidence.
- N. The arbitration panel's decision shall be final and binding on the Member and the Authority. Decisions of the arbitration panel shall be by majority vote.
- O. The decision of the arbitration panel shall be written and shall govern the issue decided but may be referred to by the Authority and future arbitration panels for precedent.

## ENDORSEMENTS

### 1. SEEPAGE AND / OR POLLUTION AND / OR CONTAMINATION EXCLUSION

Notwithstanding any provision in the MOC - P to which the endorsement is attached, this MOC - P does not cover loss, damage, costs or expenses in connection with any kind or description of seepage and / or pollution and / or contamination, direct or indirect, arising from any cause whatsoever.

Nevertheless, if fire is not excluded from this MOC - P and a fire arises directly or indirectly from seepage and / or pollution and / or contamination, any loss or damage covered under this MOC - P arising directly from that fire shall, (subject to the terms, conditions and limitations of the MOC - P) be covered.

However, if the covered property is the subject of direct physical loss or damage for which the Covered Member has paid or agreed to pay, then this MOC - P (subject to its terms, conditions and limitations) insures against direct physical loss or damage to the property covered hereunder caused by resulting seepage and / or pollution and / or contamination.

The Covered Member shall give notice to the Authority of Intent to claim **NO LATER THAN TWELVE (12) MONTHS AFTER THE DATE OF THE PHYSICAL LOSS OR DAMAGE.**

### DEBRIS REMOVAL AND COST OF CLEAN-UP EXTENSION

Notwithstanding the provisions of the preceding exclusions in this endorsement or any provision respecting seepage and/or pollution and/or contamination, and/or debris removal and/or cost of clean-up in the MOC - P to which this endorsement is attached, in the event of direct physical loss or damage to the property covered hereunder, this MOC - P (subject otherwise to its terms, conditions and limitations, including but not limited to any applicable deductible) also insures, within the sum covered:

A) expenses reasonably incurred in removal of debris of the property hereunder destroyed or damaged from the premises of the Covered Member and/or covered party;

and/or

B) cost of clean-up at the premises of the Covered Member made necessary as a result of such direct physical loss or damage;

PROVIDED that this MOC - P does not insure against the costs of decontamination or removal of water, soil or any other substance on or under such premises.

It is a condition precedent to recovery under this extension that the Company shall have paid or agreed to pay for direct physical loss or damage to the property covered hereunder unless such payment is precluded solely by the operation of any deductible and that the Covered Member shall give notice to the Company of intent to claim for cost of removal

of debris or cost of clean-up **NO LATER THAN TWELVE (12) MONTHS AFTER THE DATE OF SUCH PHYSICAL LOSS OR DAMAGE.**

## **CIVIL AUTHORITIES EXCLUSION**

Notwithstanding any of the preceding provisions of this endorsement or any provision of the MOC - P to which this endorsement is attached, this MOC - P does not cover loss, damage, costs, expenses, fines or penalties incurred or sustained by or imposed on the Covered Member at the order of any government agency, court or other civil authorities arising from any cause whatsoever.

Nothing in this endorsement shall override any radioactive contamination exclusion clause in the MOC - P to which this endorsement is attached.

Nothing herein contained shall be held to vary, alter, waive or extend any of the terms, conditions, or limitations of the MOC - P to which this endorsement is attached other than as above stated.

## **2. PROPERTY CYBER AND DATA ENDORSEMENT**

1 Notwithstanding any provision to the contrary within this MOC - P or any endorsement thereto this MOC - P excludes any:

1.1 Cyber Loss, unless subject to the provisions of paragraph 2;

1.2 loss, damage, liability, claim, cost, expense of whatsoever nature directly or indirectly caused by, contributed to by, resulting from, arising out of or in connection with any loss of use, reduction in functionality, repair, replacement, restoration or reproduction of any Data, including any amount pertaining to the value of such Data, unless subject to the provisions of paragraph 3;

regardless of any other cause or event contributing concurrently or in any other sequence thereto.

2 Subject to all the terms, conditions, limitations and exclusions of this MOC - P or any endorsement thereto, this MOC - P covers physical loss or physical damage to property insured under this MOC - P caused by any ensuing fire or explosion which directly results from a Cyber Incident, unless that Cyber Incident is caused by, contributed to by, resulting from, arising out of or in connection with a Cyber Act including, but not limited to, any action taken in controlling, preventing, suppressing or remediating any Cyber Act.

3 Subject to all the terms, conditions, limitations and exclusions of this MOC - P or any endorsement thereto, should Data Processing Media owned or operated by the Insured suffer physical loss or physical damage insured by this MOC - P, then this MOC - P will cover the cost to repair or replace the Data Processing Media itself plus the costs of copying the Data from back-up or from originals of a previous generation. These costs will not include research and engineering nor any costs of recreating, gathering or assembling the Data. If such media is not repaired, replaced or restored the basis of

valuation shall be the cost of the blank Data Processing Media. However, this MOC - P excludes any amount pertaining to the value of such Data, to the Insured or any other party, even if such Data cannot be recreated, gathered or assembled.

- 4 In the event any portion of this endorsement is found to be invalid or unenforceable, the remainder shall remain in full force and effect.
- 5 This endorsement supersedes and, if in conflict with any other wording in the MOC - P or any endorsement thereto having a bearing on Cyber Loss, Data or Data Processing Media, replaces that wording.

### **Definitions**

- 6 Cyber Loss means any loss, damage, liability, claim, cost or expense of whatsoever nature directly or indirectly caused by, contributed to by, resulting from, arising out of or in connection with any Cyber Act or Cyber Incident including, but not limited to, any action taken in controlling, preventing, suppressing or remediating any Cyber Act or Cyber Incident.
- 7 Cyber Act means an unauthorised, malicious or criminal act or series of related unauthorised, malicious or criminal acts, regardless of time and place, or the threat or hoax thereof involving access to, processing of, use of or operation of any Computer System.
- 8 Cyber Incident means:
  - 8.1 any error or omission or series of related errors or omissions involving access to, processing of, use of or operation of any Computer System; or
  - 8.2 any partial or total unavailability or failure or series of related partial or total unavailability or failures to access, process, use or operate any Computer System.
- 9 Computer System means:
  - 9.1 any computer, hardware, software, communications system, electronic device (including, but not limited to, smart phone, laptop, tablet, wearable device), server, cloud or microcontroller including any similar system or any configuration of the aforementioned and including any associated input, output, data storage device, networking equipment or back up facility,  
  
owned or operated by the Insured or any other party.
- 10 Data means information, facts, concepts, code or any other information of any kind that is recorded or transmitted in a form to be used, accessed, processed, transmitted or stored by a Computer System.
- 11 Data Processing Media means any property insured by this MOC - P on which Data can be stored but not the Data itself.

**3. COMMUNICABLE DISEASE ENDORSEMENT**  
**(For use on property policies)**

1. This MOC - P, subject to all applicable terms, conditions and exclusions, covers losses attributable to direct physical loss or physical damage occurring during the period of insurance. Consequently and notwithstanding any other provision of this MOC - P to the contrary, this MOC - P does not insure any loss, damage, claim, cost, expense or other sum, directly or indirectly arising out of, attributable to, or occurring concurrently or in any sequence with a Communicable Disease or the fear or threat (whether actual or perceived) of a Communicable Disease.
2. For the purposes of this endorsement, loss, damage, claim, cost, expense or other sum, includes, but is not limited to, any cost to clean-up, detoxify, remove, monitor or test:
  - 2.1. for a Communicable Disease, or
  - 2.2. any property insured hereunder that is affected by such Communicable Disease.
3. As used herein, a Communicable Disease means any disease which can be transmitted by means of any substance or agent from any organism to another organism where:
  - 3.1. the substance or agent includes, but is not limited to, a virus, bacterium, parasite or other organism or any variation thereof, whether deemed living or not, and
  - 3.2. the method of transmission, whether direct or indirect, includes but is not limited to, airborne transmission, bodily fluid transmission, transmission from or to any surface or object, solid, liquid or gas or between organisms, and
  - 3.3. the disease, substance or agent can cause or threaten damage to human health or human welfare or can cause or threaten damage to, deterioration of, loss of value of, marketability of or loss of use of property insured hereunder.
4. This endorsement applies to all coverage extensions, additional coverages, exceptions to any exclusion and other coverage grant(s).

All other terms, conditions and exclusions of the MOC - P remain the same.

## **COVERAGE PART B - TERRORISM**

### **A. COVERAGE CLAUSE**

Subject to the definitions, exclusions, limits and conditions contained in this Coverage Part B, the Authority agree to indemnify the Covered Member in respect of direct physical loss or physical damage to the covered property described in the MOC - P Section A, while located at the premises or contained within the territory described in the MOC - P Coverage Part A, occurring during the period of coverage and caused by an Act of Terrorism, as herein defined.

### **B. APPLICATION OF MEMORANDUM OF PROPERTY COVERAGE PROVISIONS**

Coverage Part B is subject to the same warranties, terms and conditions (except as regards the premium, the amount and Limits of Liability (including any reinstatement provisions) other than the deductible or self-insurance provision where applicable, and the renewal agreement, if any, AND EXCEPT AS OTHERWISE PROVIDED HEREIN) as are contained in or as may be added to MOC - P Section A prior to the happening of a loss for which claim is made hereunder and should any alteration be made in the premium for the MOC - P Coverage Part A, then the premium hereon may be adjusted accordingly.

### **C. LIMIT**

The Authority hereon shall not be liable for more than \$150,000,000 any one occurrence and in the annual aggregate.

### **D. DEDUCTIBLE**

Each occurrence shall be adjusted separately and from each such amount the sum stated below shall be deducted:

\$10,000 any one occurrence.

24-Hour waiting period in respect of Off Premises Services Business Interruption.

### **E. MAINTENANCE OF THE MEMORANDUM OF PROPERTY COVERAGE**

It is a condition precedent to recovery under this Coverage Part B that the coverage provided in this MOC - P Coverage Part A shall be maintained in full force and effect during the period of coverage.

In the event of the MOC - P Coverage Part A being cancelled by the Covered Member, or the Authority, this coverage in Coverage Part B shall also automatically terminate on such date of such cancellation.

## **F. DEFINITIONS**

- (a) Occurrence: The word "Occurrence" shall mean any one loss and/or series of losses arising out of and directly occasioned by one Act or series of Acts of Terrorism or Sabotage for the same purpose or cause. The duration and extent of any one "Occurrence" shall be limited to all losses sustained by the Covered Member at the property covered herein during any period of 72 consecutive hours arising out of the same purpose or cause. However, no such period of 72 consecutive hours may extend beyond the expiration of this MOC - P unless the Covered Member shall first sustain direct physical damage by an Act of Terrorism or an Act of Sabotage prior to expiration and within said period of 72 consecutive hours nor shall any period of 72 consecutive hours commence prior to the attachment of this Coverage Part B.
- (b) Act of Terrorism: The words "Act of Terrorism" means an act or series of acts, including but not limited to the use of force or violence, of any person or group(s) of persons, whether acting alone or on behalf of or in connection with any organization(s), committed for political, religious or ideological or similar purposes including the intention to influence any government and/or to put the public, or any section of the public, in fear for such purposes.
- (c) Act of Sabotage: For the purpose of this Coverage Part B, an act of sabotage means a subversive act or series of such acts committed for political, religious or ideological purposes including the intention to influence any government and/or to put the public in fear for such purposes.

## **G. LOSSES EXCLUDED**

Coverage Part B does not cover:

1. Loss or damage arising directly or indirectly from nuclear detonation, nuclear reaction, nuclear radiation or radioactive contamination, however such nuclear detonation, nuclear reaction, nuclear radiation or radioactive contamination may have been caused.
2. Loss or damage occasioned directly or indirectly by war, invasion or warlike operations (whether war be declared or not), hostile acts of sovereign or local government entities, civil war, rebellion, revolution, insurrection, martial law, usurpation of power, or civil commotion assuming the proportions of or amounting to an uprising.
3. Loss by seizure or legal or illegal occupation unless physical loss or damage is caused directly by an Act of Terrorism or an Act of Sabotage.
4. Loss or damage caused by confiscation, nationalization, requisition, detention, embargo, quarantine, or any result of any order of public or government authority which deprives the Covered Member of the use or value of its property, nor for loss or damage arising from acts of contraband or illegal transportation or illegal trade.

5. Loss or damage directly or indirectly arising from or in consequence of the seepage and/or discharge of pollutants or contaminants, which pollutants and contaminants shall include but not be limited to any solid, liquid, gaseous or thermal irritant, contaminant or toxic or hazardous substance or any substance the presence, existence or release of which endangers or threatens to endanger the health, safety or welfare of persons or the environment.
6. Loss or damage arising directly or indirectly from or in consequence of chemical or biological emission, release, discharge, dispersal or escape or chemical or biological exposure of any kind.
7. Loss or damage by electronic means including but not limited to computer hacking or the introduction of any form of computer virus or corrupting or unauthorized instructions or code or the use of any electromagnetic weapon.

This exclusion shall not operate to exclude losses (which would otherwise be covered under this MOC - P Section A) arising from the use of any computer, computer system or computer software program or any other electronic system in the launch and/or guidance system and/or firing mechanism of any weapon or missile.

8. Loss or damage caused by vandals or other persons acting maliciously or by way of protest or strikes, labor unrest, riots or civil commotion unless damage is caused directly by an Act of Terrorism.
9. Loss or increased cost as a result of threat or hoax.
10. Loss, damage, to an unmanned aerial vehicle (aka: drone) while in operation.

## **H. PROPERTY NOT COVERED**

As respects the peril(s) covered in this Coverage Part B, this MOC - P does not cover physical loss or physical damage to:

1. Land or land values except landscaping including natural athletic fields, sand traps, tees and greens which are excluded excess of the sublimits in the Program Limits of Liability shown in the Declarations attached to this MOC - P.
2. Power transmission, feeder lines or pipelines not on the Covered Member's premises.
3. Watercraft, unless scheduled and under 26 feet in length.
4. Aircraft except small unmanned aircraft meaning, a device that is used or intended to be used for flight in the air without the possibility of direct human intervention from within or on the aircraft and weighing less than 55 pounds on takeoff, including everything that is on board or otherwise attached to the aircraft and such coverage is provided only while not in operation.

5. Any land conveyance, including vehicles, locomotives or rolling stock, unless such land conveyance is declared hereon and solely whilst located at the property covered herein at the time of its damage.
6. Animals, plants and living things of all types.

## **I. TEMPORARY OR UNNAMED LOCATIONS/ERRORS AND OMISSIONS**

Coverage Part B does not cover property covered under any temporary or unnamed location or errors and omissions coverage provided under the MOC - P Coverage Part A if such property is located within the Restricted Areas being:

**New York City** - 10001 through to 10029, 10036, 10038, 10044, 10048, 10128

**Chicago** - 60601 through to 60611

**San Francisco** - 94102, 94103, 94104, 94105, 94107, 94108, 94109, 94110, 94111, 94112, 94114, 94115, 94116, 94117, 94118, 94121, 94122, 94123, 94124, 94127, 94129, 94131, 94132, 94133, 94134

**Washington** - 20001, 20004, 20005, 20006

**Boston** - 02108, 02109, 02110, 02111, 02113, 02114

## **J. CLAIMS**

The Covered Member, upon knowledge of any occurrence likely to give rise to a claim hereunder, shall give written advice as soon as reasonably practicable to the Authority for that purpose in the Declarations Page, who is to advise the Authority within seven (7) days of such knowledge of any occurrence and it is a condition precedent to the liability of the Authority that such notification is given by the Covered Member as provided for by this MOC - P.

If the Covered Member makes a claim under this MOC - P the Covered Member must give the Authority such relevant information and evidence as may reasonably be required and co-operate fully in the investigation or adjustment of any claim. If required by the Authority, the Covered Member must submit to examination under oath by any person designated by the Authority.

## **K. AUTOMATIC COVERAGE / REPORTING CONDITIONS**

All as per the MOC - P Coverage Part A except in Restricted Areas, as stated above.

Agreed by AXL 2003 27.8.25

AS

**CALIFORNIA  
JOINT POWERS INSURANCE AUTHORITY**

8081 Moody Street, La Palma, California 90623-2045  
(800) 229-2343    FAX (562) 860-4992

RESOLUTION NO. 2026-06 WR

A RESOLUTION OF THE EXECUTIVE COMMITTEE OF  
THE BOARD OF DIRECTORS OF THE  
CALIFORNIA JOINT POWERS INSURANCE AUTHORITY  
ALLOWING CERTAIN CLAIMS AND DEMANDS  
IN THE TOTAL AMOUNT OF \$9,287,751.15

The Executive Committee of the CALIFORNIA JOINT POWERS INSURANCE AUTHORITY does find and resolve as follows:

**SECTION 1:** The Treasurer or his designated representative, hereby certifies, and the Chief Executive Officer hereby approves the accuracy of the demands set out in Exhibit A, which is attached hereto and incorporated herein by this reference, and to the availability of funds for payment thereof.

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Jose Gomez, Treasurer

---

Alexander Smith, Chief Executive Officer

**SECTION 2:** The list of claims and demands on Exhibit A have been audited as required by law and that the same are hereby allowed in the amount as hereafter set forth.

ADOPTED AND APPROVED the 17th day of June 2026.

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Margaret Finlay, President

I, Tom Chavez, do hereby certify that I am the duly appointed Secretary of the CALIFORNIA JOINT POWERS INSURANCE AUTHORITY, and the foregoing is a true and correct copy of Resolution No. 2026-06 WR adopted by the Executive Committee of said Authority at a regular meeting thereof on the 17th day of June and entered into the minutes of said meeting.

DATED:                      June 17, 2026

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Tom Chavez, Secretary

**California Joint Powers Insurance Authority**  
**Warrant Register**  
**From: 5/1/2026 to 5/31/2026**

Bank	Date	Check Number	Payee	Amount	Description
<b>DISBURSEMENT</b>					
	5/6/2026	26397	Atkinson, Andelson, Loya, Ruud & Romo	\$	1,151.10 Employment law resource hotline, 3/26
	5/6/2026	26398	Bell Gardens	\$	185.00 Training workshop meal reimbursement, 4/16/26
	5/6/2026	26399	Chino Hills	\$	540.00 Training workshop meal reimbursement, 4/28/26
	5/6/2026	26400	Claremont	\$	480.00 Training workshop meal reimbursement, 4/30/26
	5/6/2026	26401	Department of Industrial Relations	\$	450.00 Elevator permit
	5/6/2026	26402	Garett Brian Gruber	\$	431.81 Check envelopes
	5/6/2026	26403	Guadalupe	\$	540.00 Training workshop meal reimbursement, 4/29/26
	5/6/2026	26404	Imperial	\$	1,620.00 Training SES workshop meal reimbursement, 4/26
	5/6/2026	26405	La Quinta	\$	280.00 Training workshop meal reimbursements, 4/29/26 - 4/30/26
	5/6/2026	26406	Monrovia	\$	1,980.00 Training SES workshop meal reimbursements, 4/26
	5/6/2026	26407	Morro Bay	\$	165.00 Training workshop meal reimbursement, 4/21/26
	5/6/2026	26408	Pismo Beach	\$	225.00 Training workshop meal reimbursement, 4/22/26
	5/6/2026	26409	Rodriguez Landscape Maintenance, Inc.	\$	1,600.00 Landscaping service, 4/26
	5/6/2026	26410	ROTH STAFFING COMPANIES, LP	\$	1,766.25 Liability program Temp support, 4/19/26
	5/6/2026	26411	San Clemente	\$	510.00 Training workshop meal reimbursement, 4/30/26
	5/6/2026	26412	San Luis Obispo	\$	14,160.00 Mental health and wellness counseling, 7/25 - 3/26
	5/6/2026	26413	Santa Clarita	\$	630.00 Training workshop meal reimbursement, 4/23/26
	5/6/2026	26414	Sedgwick Claims Management Services Inc.	\$	10,794.50 Risk Management Evaluation, 3/26; Risk Tech program, 3/26
	5/6/2026	26415	Southern California Gas Company	\$	15.02 Gas charge, 4/26
	5/6/2026	26416	Town of Apple Valley	\$	150.00 Training workshop meal reimbursement, 4/30/26
	5/6/2026	26417	United Elevator Company	\$	290.00 Elevator maintenance, 4/26
	5/6/2026	EFT1011837	GovExec Holdings, LLC	\$	1,000.00 AI Leadership Academy training
	5/6/2026	EFT1011838	Burke, Williams & Sorensen, LLP	\$	69,375.50 Employment Hotline, 12/25 - 2/26
	5/6/2026	EFT1011839	Equation Technologies, Inc.	\$	300.00 Accounting software support, 4/26
	5/6/2026	EFT1011840	Kinetic Personnel Group	\$	816.06 Liability program Temp support, 4/19/26
	5/6/2026	Multiple	California JPIA Employees	\$	1,572.79 Business expense reimbursement
	5/6/2026	EFT1011842	Athens Insurance Service Inc.	\$	349,568.75 WC Claims administration fee, 5/26
	5/6/2026	EFT1011844	Delta Dental - PPO	\$	5,539.61 Dental premium, 5/26
	5/6/2026	EFT1011845	Health and Human Resource Center Inc	\$	62.64 Employee Assistance program, 6/26
	5/6/2026	EFT1011846	Bryant Government Affairs LLC	\$	6,845.26 Legislative services consulting, 5/26
	5/6/2026	EFT1011847	Independent Consulting & Risk Management Services, LLC	\$	4,000.00 Operations consulting and special projects, 4/26
	5/6/2026	EFT1011848	Robert Half Inc	\$	3,960.00 Finance temp services, 5/1/26
	5/6/2026	EFT1011849	Embark Safety LLC	\$	15,868.90 Driver monitoring service, 2/26 - 4/26
	5/6/2026	EFT1011850	Jennifer L. Curtis	\$	6,616.81 Instructor training workshop fees, 4/7/26 and 4/9/26
	5/6/2026	EFT1011851	Disability Access Consultants, LLC	\$	2,850.00 ADA consulting, 4/26
	5/7/2026	EFT1011852	Disability Access Consultants, LLC	\$	27,000.00 ADA survey, 4/26
	5/7/2026	EFT1011853	6745031200 PARS/CPIA	\$	2,081.63 PARS Excess benefit contribution, 4/18/26 - 5/1/26
	5/7/2026	EFT1011854	Charles Schwab	\$	1,341.11 401 A Contribution, 5/6/26
	5/11/2026	20260511-AMEX	American Express	\$	92,143.40 Business expenses
	5/11/2026	20260511-SCE	Southern California Edison Company	\$	10,725.61 Electricity charge, 4/26
	5/13/2026	26418	Alhambra	\$	2,005.00 Training workshop meal reimbursements, 5/4/26 - 5/7/26
	5/13/2026	26419	Azusa	\$	240.00 Training workshop meal reimbursement, 5/4/26
	5/13/2026	26420	Cerritos	\$	1,410.00 Training workshop meal reimbursement, 4/1/26
	5/13/2026	26421	Desert Recreation District	\$	455.00 Training workshop meal reimbursements, 5/5/26 and 5/6/26
	5/13/2026	26422	Goleta	\$	360.00 Training workshop meal reimbursement, 4/23/26
	5/13/2026	26423	Voided Payment	\$	3,446.00 Voided Payment
	5/13/2026	26424	Imperial	\$	960.00 Training workshop meal reimbursements, 4/28/26 and 4/29/26
	5/13/2026	26425	Irwindale	\$	180.00 Training workshop meal reimbursement, 5/4/26
	5/13/2026	26426	La Mirada	\$	390.00 Training workshop meal reimbursement, 5/2/26
	5/13/2026	26427	La Verne	\$	570.00 Training workshop meal reimbursement, 5/4/26
	5/13/2026	26428	Moorpark	\$	350.00 Training workshop meal reimbursement, 5/5/26

**California Joint Powers Insurance Authority  
Warrant Register  
From: 5/1/2026 to 5/31/2026**

Bank	Date	Check Number	Payee	Amount	Description
	5/13/2026	26429	Poway	\$	865.00 Training workshop meal reimbursements, 5/5/26 and 5/6/26
	5/13/2026	26430	Seaside	\$	245.00 Training workshop meal reimbursement, 4/29/26
	5/13/2026	26431	The Standard Insurance Company	\$	7,912.78 AD&D, LIFE, LTD & STD, 5/26
	5/13/2026	26432	Voided Payment	\$	3,446.00 Voided Payment
	5/13/2026	EFT1011855	Triden Group Corporation	\$	8,156.00 Cyber Assessment, 10/25
	5/13/2026	EFT1011856	BSI America Professional Services, Inc.	\$	4,906.25 Risk Tech program, 2/26 and 3/26
	5/13/2026	EFT1011857	Wilmes LLC	\$	9,530.00 Instructor training workshop fees,4/8/26 and 4/28/26 and 4/29/26
	5/13/2026	EFT1011858	Milliman, Inc.	\$	8,312.50 LTF Actuarial services, 3/26
	5/13/2026	EFT1011859	Juve Creative, Inc.	\$	52,457.73 April Marketing and Graphic Design
	5/13/2026	EFT1011860	James Marta & Company LLP	\$	4,110.00 Financial statement YE 2025 audit
	5/13/2026	EFT1011861	Marshall R. Goodman	\$	12,534.50 Curriculum development; Elected Officials Summit instructor fees
	5/13/2026	EFT1011862	Civica Law Group, APC	\$	998.20 Legal service, 4/26; Risk Tech Program, 4/26
	5/13/2026	EFT1011863	Public Agency Retirement Services	\$	1,000.00 Employee REP fee, 3/26; Retirement REP admin fee, 3/26
	5/13/2026	EFT1011864	Robert Half Inc	\$	3,960.00 Finance temp services, 5/8/26
	5/13/2026	EFT1011865	Creative Planning HoldCo, LLC	\$	5,170.43 Retirement plan management fee, 1/1/26 - 3/31/26
	5/14/2026	Multiple	Executive Committee Members	\$	11,427.54 Executive Committee meeting, 4/17/26; Executive Committee workshop, 4/17/26 - 4/18/26
	5/21/2026	26433	Hart Mechanical Inc.	\$	12,500.00 Facility maintenance, heating and cooling, 5/26
	5/21/2026	EFT1011878	Voltaic Construction LLC	\$	53,665.80 Redwood building improvement, roof and solar panels
	5/21/2026	Multiple	Executive Committee Members	\$	2,632.69 Executive, Elected Officials Summit, 4/29/26 - 5/1/26; Managers Committee meeting, 5/11/26
	5/28/2026	26434	ACS Billing Service	\$	271.12 Sanitation service, 4/26
	5/28/2026	26435	Alhambra	\$	180.00 Training workshop meal reimbursement, 5/12/26
	5/28/2026	26436	Aliso Viejo	\$	300.00 Training workshop meal reimbursement, 5/13/26
	5/28/2026	26437	Arroyo Grande	\$	750.00 Training workshop meal reimbursements, 4/29/26 and 4/30/26
	5/28/2026	26438	Atascadero	\$	375.00 Mental Health counseling, 3/26 - 4/26
	5/28/2026	26439	Azusa	\$	12,375.00 2025-26 Mental health and wellness annual subscription
	5/28/2026	26440	Bellflower	\$	870.00 Training workshop meal reimbursement, 5/4/26
	5/28/2026	26441	Big Bear Lake	\$	40.00 Training workshop meal reimbursement, 4/30/26
	5/28/2026	26442	Calabasas	\$	100.00 Training workshop meal reimbursement, 5/12/26
	5/28/2026	26443	Cerritos	\$	570.00 Training workshop meal reimbursement, 4/22/26
	5/28/2026	26444	Chino Hills	\$	265.00 Training workshop meal reimbursement, 5/7/26
	5/28/2026	26445	Diamond Bar	\$	990.00 Training workshop meal reimbursements, 5/9/26 and 5/12/26
	5/28/2026	26446	El Centro	\$	315.00 Training workshop meal reimbursement, 5/6/26
	5/28/2026	26447	Fountain Valley	\$	575.00 Training workshop meal reimbursements, 5/5/26 and 5/6/26
	5/28/2026	26448	Graves & King LLP	\$	4,472.00 Legal service, 1/26 and 2/26
	5/28/2026	26449	Hermosa Beach	\$	780.00 Training workshop meal reimbursement, 5/6/26
	5/28/2026	26450	Irwindale	\$	3,245.00 Instructor training workshop fees, 3/14/26 and 4/21/26
	5/28/2026	26451	La Mirada	\$	25.00 Training workshop meal reimbursement, 5/6/26
	5/28/2026	26452	Lake Forest	\$	660.00 Training workshop meal reimbursement, 5/8/26
	5/28/2026	26453	Macias, Gini & O'Connell, LLP	\$	1,370.00 LTF Financial Statement Audit 6/30/25, April progress Bill
	5/28/2026	26454	Morro Bay	\$	175.00 Training workshop meal reimbursement, 5/6/26
	5/28/2026	26455	Mullen Coughlin LLC	\$	1,837.00 Cyber Incident coaching, 3/26
	5/28/2026	26456	NATEC International, Inc.	\$	7,910.00 Instructor training workshop fees, 4/22/26
	5/28/2026	26457	Pacific Grove	\$	600.00 Training workshop meal reimbursement, 4/30/26
	5/28/2026	26458	Paramount	\$	225.00 Training workshop meal reimbursement, 5/8/26
	5/28/2026	26459	Pismo Beach	\$	1,110.00 Training workshop meal reimbursements, 2/11/26 and 2/12/26
	5/28/2026	26460	Pitney Bowes Bank Inc	\$	750.00 Meter mail postage
	5/28/2026	26461	Q Document Solutions Inc	\$	494.16 Xerox printer meter, 5/26
	5/28/2026	26462	ROTH STAFFING COMPANIES, LP	\$	3,600.00 Liability program Temp support, 4/26/26 - 5/3/26
	5/28/2026	26463	San Clemente	\$	1,410.00 Training workshop meal reimbursements, 4/28/26 - 5/11/26
	5/28/2026	26464	Santa Fe Springs	\$	270.00 Training workshop meal reimbursement, 5/6/26
	5/28/2026	26465	Sedgwick Claims Management Services Inc.	\$	5,344.65 Instructor training workshop fees, 3/11/26 and 3/18/26
	5/28/2026	26466	South El Monte	\$	420.00 Training workshop meal reimbursement, 5/13/26

**California Joint Powers Insurance Authority  
Warrant Register  
From: 5/1/2026 to 5/31/2026**

Bank	Date	Check Number	Payee	Amount	Description
	5/28/2026	26467	United Elevator Company	\$ 290.00	Elevator maintenance, 1/26
	5/28/2026	26468	West Covina	\$ 145.00	Training workshop meal reimbursement, 4/30/26
	5/28/2026	26469	Western A/V	\$ 11,699.04	California room AV upgrade phase 2
	5/28/2026	EFT1011887	Ventiv Technology, Inc.	\$ 135,222.00	RMIS annual fee
	5/28/2026	EFT1011888	Constangy, Brooks, Smith & Prophete LLP	\$ 32,176.50	Cyber incident, cyber coaching 12/25 - 4/26
	5/28/2026	EFT1011889	Burke, Williams & Sorensen, LLP	\$ 7,247.20	Curriculum development, 3/26; Instructor fees training workshop, 3/17/26
	5/28/2026	EFT1011890	Cybereason Inc.	\$ 21,031.25	Cyber Incident forensics, 3/26 and 4/26
	5/28/2026	EFT1011891	Surefire Cyber Inc	\$ 5,600.00	Cyber Incident communication, 3/26
	5/28/2026	EFT1011892	Jonathan Louis Crowe	\$ 5,000.00	Self produced content
	5/28/2026	EFT1011893	OSTS, Inc	\$ 58,021.41	Instructor training workshop fees, 4/1/26 - 4/30/26
	5/28/2026	EFT1011894	Robert Half Inc	\$ 7,920.00	Finance temp services, 5/15/26 - 5/22/26
	5/28/2026	EFT1011895	United Site Services of California, Inc.	\$ 187.44	Big Sur construction light pole, 6/26
	5/28/2026	EFT1011896	Harbinger Horizon	\$ 16,870.93	Instructor training workshop fees, 4/14/26 - 5/8/26
	5/28/2026	EFT1011897	Lightspeed Solutions, LLC	\$ 17,870.70	Annual Stop-It subscription
	5/28/2026	EFT1011898	Hanson Bridgett LLP	\$ 2,130.00	Employment Hotline, 3/26
	5/28/2026	EFT1011899	Independent Consulting & Risk Management Services, LLC	\$ 27,230.00	Workers' Compensation claims audit
	5/28/2026	EFT1011900	Kinetic Personnel Group	\$ 2,445.24	Liability program Temp support, 4/26/26 - 5/10/26
	5/28/2026	EFT1011901	34th Street, Inc.	\$ 4,850.00	Instructor training workshop fees, 8/28/25 - 9/23/25
	5/28/2026	EFT1011902	Red Brick Consulting, Inc.	\$ 4,515.00	Big Sur Building design
	5/28/2026	EFT1011903	Disability Access Consultants, LLC	\$ 750.00	ADA consulting, 4/26
	5/28/2026	EFT1011904	Tripepi Smith & Associates, Inc.	\$ 11,951.05	Instructor fees Academy training fees, 4/26
	5/28/2026	EFT1011905	M2C, Inc.	\$ 16,955.52	Supervisors Essential Skills training, 4/26
	5/28/2026	EFT1011906	Athens Insurance Service Inc.	\$ 242,944.41	Liability Program Claims Administration Fee, 4/26
	5/28/2026	EFT1011907	Protelligent, Inc.	\$ 49,330.44	CRM, License and Renewal, and Tech Support, 6/26
	5/28/2026	EFT1011908	Forrest L. Story	\$ 5,624.05	Instructor training workshop fees, 4/28/26 & 4/29/26
	5/28/2026	EFT1011909	California JPIA Employees	\$ 42.89	Business expense reimbursement
	5/28/2026	EFT1011910	ISO Services, Inc.	\$ 6,726.75	Claims administration, 4/1/26 - 6/30/26
	5/28/2026	EFT1011911	Kevin C. Duggan	\$ 9,667.81	Elected Officials Summit, 4/28/26 - 5/1/26, speaker fees
	5/28/2026	EFT1011912	Steven F. Albrecht	\$ 4,945.73	Instructor training workshop fees, 4/1/26 - 4/22/26
	5/28/2026	EFT1011913	Austin Byrne Conley	\$ 3,274.86	Legal service, 4/26
	5/28/2026	EFT1011914	Citrin Cooperman Advisors LLC	\$ 61,409.60	CRM support, 4/26
	5/28/2026	EFT1011915	Eduardo Armando Montez	\$ 8,068.10	Instructor training workshop fees, 4/16/26 - 5/11/26
	5/28/2026	EFT1011916	SSMD Holdings, LLC	\$ 11,597.93	Instructor training workshop fees, 4/16/26, 4/21/26 - 4/23/26
	5/28/2026	EFT1011917	Advocacy & Management Group, Inc.	\$ 6,000.00	2026 RMEF Forum coordinator support, 6/26
	5/28/2026	EFT1011918	Paylocity	\$ 140.00	FSA & Cobra administration fees, 5/26
	5/28/2026	EFT1011919	BSI America Professional Services, Inc.	\$ 1,210.00	Risk Tech program, 1/26 - 3/26
	5/28/2026	EFT1011920	6745031200 PARS/CJPIA	\$ 2,081.63	PARS Excess benefit contribution, 5/2/26 - 5/15/26
	5/28/2026	EFT1011921	Charles Schwab	\$ 1,341.11	401 A Contribution, 5/20/26
	5/28/2026	20260528	Chase	\$ 22,421.83	Business expenses
			Voided - California JPIA Checks	\$ (8,632.00)	Disbursement Account Voids
			<b>DISBURSEMENT TOTAL</b>	<b>\$ 1,724,805.52</b>	
<b>GENERAL</b>					
	5/4/2026	1003300469	PERS HB	\$ 106,360.48	Medical Premium, 5/26
	5/5/2026	1003282240	California Public Employees' Retirement System	\$ 25,002.46	PERS Contribution Classic 4/18/26 - 5/1/26
	5/5/2026	1003282241	California Public Employees' Retirement System	\$ 16,203.62	PERS Contribution PEPRA 4/18/26 - 5/1/26
	5/5/2026	1003282242	California Public Employees' Retirement System	\$ 416.25	PERS Contribution PERPA Retro 11/9/25 - 4/17/26
			<b>GENERAL TOTAL</b>	<b>\$ 147,982.81</b>	

**California Joint Powers Insurance Authority**  
**Warrant Register**  
**From: 5/1/2026 to 5/31/2026**

Bank	Date	Check Number	Payee	Amount	Description
<b>IMPREST ACCOUNTS DISBURSEMENTS</b>					
			California JPIA WC ACCT# XXX-XXX5168	\$ 2,546,190.47	WC claims reimbursement Ck# 200631-203536
			California JPIA EWC ACCT# XXX-XXX5184	\$ 27,583.63	Excess WC claims reimbursement Ck# 10439-10496
			California JPIA CCCSIF Workers ACCT# XXX-XXX5176	\$ 17,562.44	CCCSIF WC claims reimbursement Ck# 3396-3474
			California JPIA Liability ACCT# XXX-XXX3224	\$ 3,030,753.71	Liability claims reimbursement Ck# 15534-15893
			California JPIA Excess Liability ACCT# XXX-XXX9247	\$ 553,776.22	Excess Liability claims reimbursement Ck# 1567-1586
			California JPIA Property ACCT# XXX-XXX5066	\$ 821,540.24	Property claims reimbursement Ck# 9206-9255
			California JPIA Payroll ACCT# XXX-XXX2794	\$ 1,217.84	Paylocity service fee, 5/26
			California JPIA Payroll ACCT# XXX-XXX2794	\$ 8,369.84	FSA reimbursement May 1, 2026 - May 31, 2026
			California JPIA Payroll ACCT# XXX-XXX2794	\$ 145,777.58	Payroll account reimbursement for pay period Wednesday, May 6, 2026
			California JPIA Payroll ACCT# XXX-XXX2794	\$ 27,964.67	Empower Trust Company, LLC, retirement contribution, 5/6/26 EFT# 1419470364
			California JPIA Payroll ACCT# XXX-XXX2794	\$ 141,801.17	Payroll account reimbursement for pay period Wednesday, May 20, 2026
			California JPIA Payroll ACCT# XXX-XXX2794	\$ 28,105.53	Empower Trust Company, LLC, retirement contribution, 5/20/26 EFT# 1424384904
			Voiced - California JPIA Checks	\$ (112,153.46)	All Imprest Account
			<b>IMPREST ACCOUNTS DISBURSEMENTS TOTAL</b>	<b>\$ 7,238,489.88</b>	
			<b>GRAND TOTAL</b>	<b>\$ 9,111,278.21</b>	

In accordance with Article VII, of the Bylaws of the California Joint Powers Insurance Authority, the Chief Executive Officer hereby certifies to the accuracy of the demands and to the availability of funds for payment thereof.

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 Alexander Smith, Chief Executive Officer

# **CALIFORNIA JPIA**

## **AGENDA REPORT**

**To:** EXECUTIVE COMMITTEE  
**From:** Alexander Smith, Chief Executive Officer  
**Date:** June 17, 2026  
**Subject:** Recommendations of the Personnel Committee

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The Personnel Committee will be holding a meeting on June 17, 2026. This item is placed on the agenda for the Executive Committee to consider the Personnel Committee's recommendations.

### **Recommended Action**

Consider the Personnel Committee's recommendations and take appropriate action.