

ACWD General Manager (GM) Report January 2024

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Correspondence Back and forth emails on the following topics: Cranmer Engineering with water quality testing results, Golden State RMA and Dustin Hardwick with Calif. Rural Water Association re updated insurance quote, Francine Fau of the Water Quality Control Board Dept. of Finance and Chad Coleman re: Ram Spring Project, Coleman Engineering and Katie with Water Quality Control Board Dept. of Finance re: Cathodic Protection project and tank repair project, Blain Boden re FY 22-23 audit, Van Maddox re tax disbursement check mailed from Downieville in mid-December, it finally made it to Alleghany in January! Coleman, Altec, Marsha Burch and Francine Fau re first disbursement request for Ram Spring Improvement Project (RSIP), Sierra County Clerk Recorder's office re board vacancy.

AGENDA ITEM 4 c. Consider switching insurance carriers

To refresh everyone's memories: I shopped the district's insurance in late 2022. Our current carrier California Rural Water Association JPA requires one-year advance notice of intent to change carriers. Our insurance renews on April 1st each year. The last time that I shopped the insurance in 2015, Golden State Risk Management Authority (GSRMA) took a hard look at ACWD and decided that they were not willing to underwrite the district. Knowing what some of the issues were and knowing that ACWD had addressed those issues since 2015, I approached them again in 2022. They took another hard look and decided that they would be willing to underwrite the district. They gave us an "indication of coverage" (quote) of \$7,589 but told us to request another quote when it came closer to renewal time. In the meantime, the ACWD board instructed me to notify our current carrier of our intention to terminate coverage. The current carrier told us that we could still renew with them if we chose to and that there would be no penalty, they don't want us to leave their pool. They also offered to do a comparison when we got the updated quote from GSRMA.

I spent a considerable amount of time over the last few months providing the most current information to GSRMA. I also had to find out what would need to be done with the Worker's Compensation policy. Our current carrier does not provide worker's compensation coverage. We have a separate policy for that with State Fund. I found out that there is no penalty for terminating our Worker's Compensation coverage early, it renews in August.

GSRMA provides Worker's Compensation Coverage, so all of our coverages would be in one policy if we switch. Also, GSRMA's fiscal year ends on June 30th (same as ACWD's). If we switch, the first policy will be from April 1st through June 30th then we will get a new bill for the entire 24-25 fiscal year. This will help our cash-flow a bit, because our other big expense, the annual audit currently comes due around the same time as our insurance.

I provided the new quote from GSRMA to our current carrier as previously promised. I spoke to Dustin Hartwick of CRWA on Jan. 5th after he looked it over. Below is full disclosure of what he had to say.

According to Dustin, The California Rural Water Association JPA (Joint Power Authority) is not a full risk pool like GSRMA. They are "re-insured" through a commercial policy. I was not previously aware of this because Golden State is also a "JPA". This explains why it is so different dealing with the current insurance carrier than it is dealing with GSRMA. I have worked with GSRMA via Pliocene Ridge CSD for 20 years now. When I call them, I deal directly with a real person. The current carrier has layers of people who you must get through to talk to a person

very much like dealing with a typical insurance company. Now I understand that is because it is! They were rude to me when I called about the water tank failure.

Dustin explained that because GSRMA is a true “risk bearing” pool they can offer much higher coverage limits at a much lower cost, but that the entire pool bears the risk of all members. What this means is that if there are lots of losses in any given year, there will be an assessment on all members. That is all he said. He did not explain that the opposite is also true! If losses are very low for a period of time, the pool also issues a kick back or refund. Because ACWD’s percentage of the pool would be very small, similar to Pliocene Ridge CSD’s share, this should be similar to what I have seen with PRCSD over the last 20 years. The maximum assessment that I have seen was \$400 after the big fires a few years ago. The maximum rebate was around \$700. Usually, it is around \$200 either way.

On 1/9/2024 I spoke to Jennifer Peters of GSRMA and asked her about Dustin’s statements regarding GSRMA being a full “risk bearing pool”. She explained that no two pools are exactly alike. As it turns out GSRMA does have Excess coverage with a JPA called Prism, which is an even larger pool. However, GSRMA members only deal directly with GSRMA staff. This is why ACWD’s application will have to be approved by Prism as well. Last year Prism gave an indication of “yes”. Hopefully that still holds.

Dustin also told me that as a true risk bearing pool GSRMA would have risk control mandates that they enforce. I do know that GSRMA offers a Loss Prevention Incentive Program that is voluntary. When Pliocene Ridge participated, it got about \$200 off its insurance bill, but the work required to meet that threshold was a bit much for its limited staff and PRCSD hasn’t participated for a few years now. On 1/9/2024 Jennifer Peters of GSRMA told me that there are no mandates for members. She said that in the event of repeated losses they might make a recommendation for changes, but all of their Risk Management programs are voluntary and are available to help members avoid risk but not to tell them what to do. (Paraphrased)

The last thing that Dustin wanted us to know is that the current insurance company is not writing new policies in California and if we change coverage, we won’t be able to get the existing policy back.

After examining the indication of coverage provided by GSRMA on 1/8/2024 I asked Dustin about the exclusion for failure to provide services such as water which is listed on the GSRMA quote. I asked him if our current policy covers that and what the risk indication is. He explained that our current policy does cover that and in situations that he has seen where it has been needed, the insurance carrier pays to have water trucked in. This would be for a situation where ACWD was not able to provide water for some reason. However, this is not a concern for us, because Sierra County OES would do the same thing if we had a water supply issue, they would help us get water. I don’t see this being an issue or reason to stay with the current carrier.

Dustin did not bring up any other arguments for staying with the current carrier and I actually brought the last one to his attention.

We did adjust this year’s budget based on the indication of coverage that GSRMA gave us last year and the new indication is \$1,406 lower than the first one. This year’s budget includes \$6,100 + \$650 for the church for a total insurance estimate of \$6,750. This doesn’t quite match because our actual expense for Fy 22-23 came in higher than what we budgeted, but we were working off the previous budget figures when we arrived at the new estimate.

There are many reasons why I like GSRMA. Pliocene Ridge has had two claims (one worker's comp and one for stolen property) and they were very helpful in both situations. They also are geared towards smaller entities with volunteers. I made sure that this isn't only for firefighters and they assured me that it is not. ACWD will be able to pass a resolution to provide workers' compensation coverage to volunteers if we switch over. In examining the documents that I provided to them for the most recent indication of coverage, their legal dept. found some problems with mine and Amber's contracts. They told me that if we join their pool their legal dept. will help us draft new contracts. This did not affect our indication of coverage because Amber and I make so little money, but it is a good example of how helpful they are. Based on our actual insurance expenses for the fiscal year ending 6/30/2023, GSRMA would cost about \$300 more per year than our current coverage.

The cost analysis is based on the currently available information that I have access to. None of this is as simple as one would hope because we have already paid our worker's compensation coverage for the entire fiscal year in the amount of \$1,281. Part of that will be refunded if we switch carriers. I don't have the exact amount on that. We also have already paid July 1st through March 31st for this fiscal year on the current policy. GSRMA has quoted us \$1,538 to finish out the fiscal year and they estimate \$6,183 for the next fiscal year: 7/1/2024 through 6/30/2025. but that number is not guaranteed. \$6,183 is almost exactly the same amount as our most recent insurance bills. CRWA billed us \$4,961 and State Fund billed us \$1,200 for a total cost of \$6,161. As noted above, this is skewed by the time period differences.

Current Coverage	limits	GSRMA limits	Cost	
Property	\$ 1,260,514	\$ 60,000,000	\$ 6,499.00	Most recent year ending 6/30/2023 \$5,305 + \$1,192 for workers comp
CyberLiability	\$ 1,000,000	\$ 12,000,000	\$ 6,183.00	Quote from GSRMA
Crime	\$ 250,000	\$ 15,000,000	\$ 316.00	Approximately \$300 per year more for GRSMA
General liability	\$ 1,000,000	\$ 50,000,000		BUT the GSRMA quote is almost the same as our two most recent bills combined. \$4,961 for CRWA JPA plus \$1,200 for State Fund = \$6,161.(dates don't coincide with FY)

My recommendation to the board is to switch coverage to GSRMA. Because this information is being distributed right before the meeting, the ACWD board may want to wait until next month to make the decision. This is OK as we have until April 1st. I might point out though, if we were to have a claim between now and then, everything could go sideways, but hopefully that won't happen.