

BAY CITIES JOINT POWERS INSURANCE AUTHORITY

**MASTER PROGRAM DOCUMENT
FOR THE
POOLED AUTO PHYSICAL DAMAGE PROGRAM**

Amended June 6, 2019

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BAY CITIES JOINT POWERS INSURANCE AUTHORITY
MASTER PROGRAM DOCUMENT (MPD)
FOR THE
POOLED AUTO PHYSICAL DAMAGE PROGRAM (PAPDP)

ARTICLE I: DEFINITIONS

The following definitions apply to this MPD:

1. **Administrator** shall mean the person responsible for the daily administration, management, and operation of the **Authority's** programs as defined in the Bylaws.
2. **Authority** shall mean the Bay Cities Joint Powers Insurance Authority.
3. **Automobile** shall mean any scheduled vehicle, as defined in the Memorandum of Coverage (MOC),
4. **Board** shall mean the Board of Directors of the Bay Cities Joint Powers Insurance Authority.
5. **Claim** shall mean, if not otherwise defined within the context, a demand by a **Participant** for payment of damages to the **Participant's Automobiles** arising out of any one accident.
6. **Joint Powers Agreement** shall mean the agreement made by and among the public entities listed in Appendix A (**Member Entities**) of the **Joint Powers Agreement**, hereafter referred to as **Agreement**.
7. **Member Entity** shall mean a signatory to the **Agreement** establishing the Bay Cities Joint Powers Insurance Authority.
8. **Participant** shall mean a **Member Entity** that has elected to participate in this PAPDP.
9. **Premium** shall mean that amount determined by the **Board** in accordance with Article III, Section A of this MPD.
10. **Program Year** shall mean that period of time commencing at 12:01 a.m. Pacific Time on July 1 and ending at 12:01 a.m. Pacific Time on the following July 1.
11. **Value** shall mean the cost to replace the **Automobile**.

ARTICLE II: GENERAL

A. AUTHORITY

1. The PAPDP Master Program Document (MPD) is one of the **Authority's** governing documents. However, any conflict between the PAPDP MPD, the **Authority's Agreement**, the Bylaws, or the PPP Memorandum of Coverage (MOC) shall be determined in favor of the **Agreement**, the Bylaws, or the MOC, in that order.
2. The PAPDP MPD is intended to be the primary source of information, contain the rules and regulations, and serve as the operational guide for the conduct of the PAPDP.
3. The PAPDP has been organized under authority granted by, and shall be conducted in accordance with, the laws of the State of California and the standards set forth by the California Association of Joint Powers Authorities (CAJPA).

B. PURPOSE

The **Authority**, as a part of its overall objectives, provides the PAPDP which has been designed to provide comprehensive and collision coverage for its **Participants'** scheduled **Automobiles**.

C. RESPONSIBILITY

1. The **Board** shall have the responsibility of establishing policies and remaining informed as to the financial strength and viability of the PAPDP. The **Board** has the authority, within the parameters of the **Agreement** and Bylaws of the **Authority** and this MPD, to act as needed to maintain and develop the financial strength of the PAPDP.
2. The **Administrator** shall have the responsibility to manage the daily activities of the PAPDP and shall be given the authority to implement the policies established by the **Board**. The **Administrator** shall report to the **Board**.

D. GOALS AND OBJECTIVES

1. The **Authority** offers its **Member Entities** this PAPDP designed to provide comprehensive and collision coverage for all scheduled **Participant Automobiles**.
2. The PAPDP shall provide a pool to indemnify the **Participants** for the amount of a loss, not to exceed the Limits of Liability, in excess of the deductible amount as established by the **Board**.

3. Through a contractual arrangement between the **Participants**, authorized in the statutes of the State of California for Joint Powers Authorities, the **Participants** shall collectively pay a covered loss to an **Automobile** of any **Participant**. The PAPDP shall be funded by charging each **Participant** an annual contribution in the amount established by the **Board**. Additionally, the PAPDP shall provide for the sharing of operating costs by charging all **Participants** their fair share of such costs.
4. The PAPDP is provided to the **Member Entities** under those terms and conditions as established in this MPD and the MOC. The **Board** shall have the right to alter, from time to time, the terms and conditions of the pooled coverage in response to the needs and abilities of the PAPDP and the **Participants**.

E. PROGRAM YEARS

1. The income and expenses of this PAPDP shall be accounted for and the funds maintained separately from any other Program of the **Authority**. An annual contribution may be charged to each **Participant** at the inception of the **program year** to fund the losses and expenses anticipated during that **program year**.
2. Any excess funds at the end of the **program year** shall be retained by the PAPDP to pay **claims** and expenses which may be incurred in the future.

F. LIMITS OF LIABILITY

The **Board** shall establish a Limit of Liability for each **program year** prior to the inception of the **program year**. This Limit of Liability shall apply to each **Automobile** for each **claim** as described in the MOC for this PAPDP.

G. DEDUCTIBLES

1. A deductible, applicable to each **claim**, may be established by the **Board**.
2. The amount of each loss, including expenses, which is less than the **deductible** shall be paid by the **Participant**.

H. FINANCING THE PROGRAM

1. **Premiums** may be established and charged to the individual **Participants** so that, with the addition of funds raised from other sources and the balance in the PAPDP, there shall be sufficient funds to meet expected losses, other expected expenses, and desired contributions to the reserve fund.

2. A reserve fund shall be established and maintained to fund **losses** which may develop during the **program year**. The **Board** shall establish a target reserve fund amount which may be amended from time to time, the difference between the target reserve fund and the actual reserve fund being the amount of contributions used in the determination of the **Premiums**.
3. The **Premiums** may be used to fund the **claims** against the PAPDP, pay for purchased coverage, and pay administrative expenses. Any remaining **Premiums** shall be a contribution to the establishment or maintenance of the reserve fund.
4. If the **Board** determines that the PAPDP lacks sufficient funds to complete a **program year**, the **Board**, upon a two-thirds (2/3rds) vote of the Directors present at a meeting, may assess the **Participants** based on the Total Insured Value (TIV) of the **Automobiles** for each **Participant** up to an amount sufficient to fund incurred costs and the completion of the **program year**, suspend the PAPDP for the remaining of the **program year**, or terminate the PAPDP.

ARTICLE III: PREMIUMS, RATES, AND ASSESSMENTS

A. PREMIUMS

1. For the initial seven years of participation, the annual **Premium** for each **Participant** shall include a pool premium which shall be calculated by multiplying the pool rate times the Total Insured Value (TIV) of the **Participant's Automobiles**. All **Participants** shall pay administrative expenses, excess insurance expenses, and an experience rating, if any.
2. The pool rate shall be actuarially calculated.
3. The administrative expenses charged to each **Participant** shall be a portion of the total administrative expenses and determined annually through the budget process. Seven and one-half percent of these total expenses are allocated to the PAPDP. These expenses are divided by the TIV of all **Participants' Automobiles** to calculate the administration rate which is further multiplied by the TIV of each **Participant's Automobiles** to arrive at the administrative expenses charged to each **Participant**.
4. The excess insurance expenses charged to each **Participant** shall be calculated by the excess coverage provider.
5. An adjustment for loss experience, or experience rating, shall be added to a **Participant's** annual **Premium** if a **Participant's** average incurred losses minus recoveries, valued from the **Participant's** deductible and capped at \$50,000 for each claim for the most recent three program years, exceed the **Participant's** average pool premium and excess coverage costs for the same period. As most **Participants** no

longer pay a pool premium, pool premiums for the purposes of this calculation are based on a rate of 0.143 per \$100 of TIV as per the 70% Confidence Level rate identified in the February 2014 Actuarial Report. If average incurred losses exceed average pool premium and excess coverage costs, a rate of 0.50 shall be applied to the difference between the **Participant's** average pool premium and excess coverage costs and the **Participant's** average incurred losses. If the calculated difference exceeds a **Participant's** average pool premium and excess coverage costs, the adjustment will be capped at the **Participant's** average pool premium and excess coverage costs, and shall be added to the **Participant's** annual **Premium** for the next **program year**.

6. Any assessments will be made in accordance with Article II, Section H.4. of this MPD.

B. PROGRAM ADMINISTRATIVE BUDGET

Each **program year** shall have an administrative budget which shall cover the costs of operating and maintaining that PAPDP during the **program year**. Items in this budget shall include, but not be limited to, the following:

1. Program management services;
2. Other contract services;
3. The cost of administrative materials; and
4. A provision for other minor miscellaneous costs.

C. ASSESSMENTS

Any other charges, including assessments, are due and payable in accordance with Article XIII, Section 3 of the Bylaws.

D. INTEREST AND PENALTIES

1. Any billing or invoice which is delinquent shall be subject to the penalties and interest charges as defined in Article XIII, Section 3 of the Bylaws.
2. Failure to pay billings, penalties, or the accrued interest shall be considered grounds for removal of the **Participant** from the PAPDP and may result in the expulsion of the **Member Entity** from the **Authority** in accordance with the **Agreement**. The defaulting **Participant** or former **Participant** shall be liable for the billings, penalties, accrued interest, and all costs incurred by the **Authority** in the enforcement of all provisions.

ARTICLE IV: COVERAGE

The coverage provided under this PAPDP shall be defined in the MOC, which shall be adopted by the **Board**. The **Board** may alter or amend the limit of liability and deductible applicable to the **program year** under the MOC prior to such **program year**.

The **Board** may decide to provide coverage in excess of the Limit of Liability established in the MOC by obtaining excess coverage attaching at the PAPDP's Limit of Liability. This excess coverage may be obtained from an insurance company, by participating in another pool established under the Government Code as a Joint Powers Authority, or offered through another PAPDP pooling procedure.

ARTICLE V: ADMINISTRATION

A. BOARD

1. Discussion of developments and performance of the PAPDP may occur as part of any scheduled **Board** meeting.
2. The **Board** shall have the responsibility and authority to carry out and perform all functions, and make all decisions affecting, the PAPDP, consistent with the powers of the **Authority** and not in conflict with the **Agreement**, the Bylaws, or the MOC.

B. EXECUTIVE COMMITTEE

The **Authority's** Executive Committee shall have the responsibility and authority to carry out and perform all functions of the PAPDP not otherwise reserved to the **Board**.

C. ADMINISTRATOR

1. The **Administrator** shall use his or her best efforts to administer the PAPDP so as to achieve the objectives and goals of the PAPDP and the **Authority**.
2. The daily operation of the PAPDP shall be administered by the **Administrator** who shall report to the **Board**.
3. The PAPDP shall be administered in a manner which will provide **claim** and cost accountability for PAPDP, separate and apart from all other programs of the **Authority**.
4. The **Administrator** shall:
 - (a). Assist the **Participants** in training their personnel in the correct procedures for timely and accurately reporting **claims**;
 - (b). Accept loss notices and supporting documents;
 - (c). Evaluate and pay **claims** in accordance with the MOC;
 - (d). Determine the possibility of recovery through subrogation and coordinate such action with the **Participant** where appropriate.
 - (e). Prepare a budget for each **program year** for approval by the **Board** prior to the **program year**;
 - (f). Prepare and submit an annual report to the **Board**.

- (g). Recommend rates and **Premiums** for each new **program year** in the manner described in Article III;
- (h). Invoice **Participants** for **Premiums** and other amounts due;
- (i). Report to the **Board** any invoices not paid and outstanding for more than 60 days;
- (j). Prepare demands for payment for approval by the **Board**;
- (k). Present timely annual financial statements to the **Board**; and
- (l). Provide other services as may reasonably be requested by the **Board** or a **Participant**.

ARTICLE VI: CLAIMS ADMINISTRATION

The **Administrator** shall review all **claims** properly submitted and make a determination as to applicability of coverage and amount of the loss. Upon such determination, the **Administrator** shall advise the **Participant** experiencing the loss and process a payment to the **Participant** where appropriate.

Any decision of the applicability of coverage or amount of the loss by the **Administrator** in dispute shall be heard by the Executive Committee whose decision may be appealed to the **Board** within thirty (30) days of the Committee's decision. The decision of the Executive Committee or, if appealed, the decision of the **Board** shall be final.

ARTICLE VII: PARTICIPATION

A. ELIGIBILITY AND APPLICATION

1. ELIGIBILITY

- (a). Any **Member Entity** may apply to participate in the PAPDP.
- (b). The application for participation shall be submitted at least thirty (30) days prior to the date of the last **Board** meeting of the **program year** to ensure the **Board** has adequate time to review and evaluate the acceptability of the applicant. It is recommended that an applicant enter the PAPDP only at the commencement of a new **program year**. If an applicant chooses to enter the PPP at any other time, the **deposit premium** for the remainder of the **program year** will be pro-rated. The new **Participant** will begin coverage on the date that is mutually acceptable to the new **Participant** and the **Board**; however, the new **Participant** will be required to share losses with the other **Participants** of the PAPDP for the entire **program year**.

2. APPROVAL OF APPLICATION

The **Board** shall, after reviewing the underwriting criteria, determine the acceptability of the exposures presented by the applicant and shall advise the applicant in writing of its decision to accept or reject the request within 10 days after the decision has been made.

B. PARTICIPANT'S DUTIES

1. Each **Participant** shall provide annually, a list of **Automobiles** owned and leased by the **Participant**. Such list shall provide the make and model of the **Automobile**, the Vehicle Identification Number, and the replacement value of such **Automobile**.
2. The **Participants** shall disclose activities not usual and customary in their operation.
3. The **Participants** shall at all times cooperate with the **Authority's Administrator** and **Third Party Administrator** in regards to claims handling and underwriting activities of the **Authority**.
4. Each year, the **Premium** for this PAPDP, as described in Article III, Section A of this MPD, shall be included in the **Authority's** annual billing. Due dates and delinquency dates are the same as those described in Article XIII, Section 3 of the **Authority's** Bylaws.
5. Any other charges, including assessments, are due and payable within 45 days of the invoice and delinquent after such date in accordance with the Bylaws.

C. TERMINATION

1. VOLUNTARY TERMINATION

- (a). A **Participant** may terminate its participation if, at least six months before the next **program year**, a written request to terminate participation is received from the **Participant**.
- (b). Any **Participant** seeking to terminate its participation without proper and timely notice shall be responsible for the full cost of the next year's premium. The notice will be deemed effective for the year following the year in which the additional premium is paid.

2. INVOLUNTARY TERMINATION

- (a). The **Board** may initiate termination of a **Participant** from the PAPDP for the following reasons:
 - i. Termination as a **Member Entity** of the **Authority**;
 - ii. Nonpayment of past **premiums**, assessments, or other charges;
 - iii. Habitual late payment of **premiums**, assessments, and/or other charges;
 - iv. Failure to provide requested underwriting information;
 - v. Development of an extraordinarily poor loss history;
 - vi. Substantial change in exposures which are not acceptable in this PAPDP; and/or
 - vii. Financial impairment which is likely to jeopardize this PAPDP's ability to collect amounts due in the future.

The **Board's** determination of the existence of any of these conditions shall be final.

- (b). The **Board** shall have the authority, upon a two-thirds approval, to authorize a termination notice be sent to a **Participant**. Such notice shall be sent at least 60 days prior to the effective date of termination.

3. CONTINUED LIABILITY UPON TERMINATION

Termination of participation, whether voluntary or involuntary, in future **program years** does not relieve the terminated **Participant** of any benefits or obligations of those **program years** in which it participated. These obligations include payment of

assessments, retrospective adjustments, or any other amounts due and payable.

ARTICLE VIII: TERMINATION AND DISSOLUTION OF THE PAPDP

The PAPDP may be terminated and dissolved any time by a vote of two-thirds of the **Participants**. However, the PAPDP shall continue to exist for the purpose of disposing of all claims, distributing assets, and all other functions necessary to conclude the affairs of the PAPDP.

Upon termination of the PAPDP, all assets of the PAPDP shall be distributed only among the **Participants**, including any of those parties which previously withdrew pursuant to Article VI, in accordance with and proportionate to their **deposit premiums** and assessments paid during the term of participation. The **Board** shall determine such distribution within six months after the last pending claim or loss covered by the PAPDP has been finally resolved and there is a reasonable expectation that no new claims will be filed.

ARTICLE IX: AMENDMENTS

This MPD may be amended by a majority vote of the **Participants** present and voting at the meeting, provided prior written notice, as provided within the **Agreement**, has been given to the **Board**.