

**BAY CITIES JOINT POWERS INSURANCE AUTHORITY**

**MASTER PROGRAM DOCUMENT  
FOR THE  
CYBER LIABILITY PROGRAM**

2023-2024

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BAY CITIES JOINT POWERS INSURANCE AUTHORITY

MASTER PROGRAM DOCUMENT  
FOR THE  
CYBER LIABILITY PROGRAM (CLP)

ARTICLE I: DEFINITIONS

In addition to the definitions provided in the **Purchased Insurance** policy, the following definitions apply to this Master Program Document for the Cyber Liability Program (“CLP”) (hereinafter “the MPD”):

1. **Annual Audit** shall mean the audit process conducted by or on behalf of the Authority of each **Participant**'s IT operations and systems, in which each **Participant** must participate every year, by May 1<sup>st</sup>, as a requirement for participating in and coverage under the CLP.
2. **Agreement** shall mean the joint powers agreement establishing the **Authority**, made by and among the public entities listed in Appendix A of the joint powers agreement.
3. **Authority** shall mean the Bay Cities Joint Powers Insurance Authority.
4. **Board** shall mean the Board of Directors of the Bay Cities Joint Powers Insurance Authority.
5. **Core Coverage** shall mean cyber liability coverage provided through participation in purchased insurance for property coverage.
6. **Deductible** shall mean the amount stated on the applicable **Purchased Insurance** Declarations or certificate of coverage, which must be paid by the **Participant**.
7. **Deposit Premium** shall mean that amount to be paid by each **Participant** for each **Program year**, calculated as set forth in Article III, A.
8. **Excess Coverage** shall mean cyber liability coverage purchased in excess of any **Core Coverage**
9. **Executive Director** shall mean the person responsible for the daily administration, management, and operation of the **Authority's** programs as defined in the **Authority's** Bylaws.
10. **Loss(es)** shall have the same meaning as in the **Purchased Insurance** policy.
11. **Member Entity** shall mean a signatory to the **Agreement**.

12. **Minimum Security Standards** shall mean the insurance carriers' security standards in place at any given time, which are subject to change and outline the minimum loss control mechanisms, tools and/or procedures **Participants** should have in place to reduce the risk of **loss**.
13. **Participant** shall mean a **Member Entity** that has elected to participate in the CLP.
14. **Program Year** shall mean the coverage period established in the **Purchased Insurance**.
15. **Purchased Insurance** shall mean insurance, reinsurance, or pooled self-insurance purchased by the **Authority** for the benefit of the **Authority** and the **Participants** that provides cyber liability coverage

## ARTICLE II: GENERAL

### A. AUTHORITY

1. The MPD is one of the **Authority's** governing documents. Any conflict between the MPD and the **Agreement**, or the **Authority's** Bylaws shall be determined in favor of the **Agreement**, or the **Authority's** Bylaws in that order.
2. The 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 CLP.
3. The CLP has been organized under authority granted by the laws of the State of California and shall be conducted in accordance with such laws.

### B. PURPOSE

The **Authority**, as a part of its overall objectives, provides a CLP which has been designed to provide for the needs of its **Participants** for protection against **Losses** arising from or related to electronic data, electronic media, electronic storage devices, or technology errors or omissions, including, but not limited to, property damage, data loss, alteration, corruption, destruction, deletion or damage to or inability to access or transmit data or data storage devices, transmission or failure to prevent transmission of malicious code or virus, damage to electronic data or other property from malicious code or virus, unauthorized access to or distribution of private or confidential information, cyber extortion, data protection, business interruption loss, privacy notification expenses and costs, penalties for regulatory defense or other penalties, or any other **Loss**, cost, or other damage arising out of or related to the acquisition, storage, security, use, misuse, disclosure, or transmission of electronic data of any kind, as defined in the **Purchased Insurance**.

C. COVERAGE

The coverage provided under the CLP shall be as defined in the **Purchased Insurance**. The **Board** may choose to change the limit of liability or **Deductible** applicable to the **Program Year** under the **Purchased Insurance** prior to such **Program Year**, subject to availability and acceptance by the insurance carrier(s) or provider(s).

The **Board** may decide to purchase **Excess Coverage** by obtaining coverage in excess of the limit of liability set forth in the **Purchased Insurance**. This coverage may be obtained from an insurance company, by participating in another pool established under the Government Code as a joint powers agency, or offered through another pooling procedure. If the coverage is purchased from an insurance company, such insurance company shall have an A.M. Best Rating Classification of A- or better and an A.M. Best financial rating of VII or better.

D. RESPONSIBILITY

1. The **Board** shall have the responsibility for establishing policies and procedures for and remaining informed as to the viability of the CLP. The **Board** has the authority, within the parameters of the **Agreement**, the **Authority's** Bylaws, and this MPD, to act as needed to enter into insurance contracts or other agreements for coverage for the CLP, within the budgeted costs of such insurance.
2. The Executive Committee of the **Authority** shall have the responsibility and authority to effect the general policies established by the **Board**.
3. The **Executive Director** shall have the responsibility to manage the daily activities of the CLP and shall be given the authority to implement the policies established by the **Board**. The **Executive Director** shall report to the Executive Committee of the **Authority** and to the **Board**, as necessary.

E. LIMITS OF LIABILITY AND DEDUCTIBLES

The limits of liability for the CLP shall be the as set forth in the **Purchased Insurance**, less the **Deductible**. Other sublimits and deductibles may apply to each claim as described in the **Purchased Insurance** policy.

The amount of each **Loss**, including expenses, which is less than the **Deductible** shall be paid by the **Participant**.

## ARTICLE III: PREMIUMS AND SURCHARGES

### A. DEPOSIT PREMIUMS

1. Each year, the **Authority** shall include in the annual billing to each **Participant**, the **Deposit Premium**. The due dates and delinquency dates are the same as those for the annual billing.
2. The annual **Deposit Premium** for each **Participant** shall be calculated by multiplying the appropriate premium rate established by the **Purchased Insurance** carrier(s) multiplied by the values of the covered properties for each **Participant**, plus administrative expenses as set forth in section 4 below and the expected costs of insurance. If applicable, a surcharge premium will be added to **Participants' Deposit Premium** as set forth in section B.2 below.
3. The values of the properties to be used in the calculation of the **Deposit Premium** shall be the values submitted by the **Participant** prior to the preparation of the annual budget each **Program Year**.
4. The administrative expenses charged to each **Participant** shall be a portion of the total administrative expenses of the **Authority** as determined annually through the budget process. Two and one-half percent (2.5%) of the total administrative expenses are allocated to the CLP. These expenses are divided equally by each **Participant**.

### B. SURCHARGES

1. A surcharge will be applied for each **Member Entity** that chooses not to participate in the CLP to that **Member Entity's** premium for **Core Coverage**. The surcharge will be 10% of the overall **Core Coverage** premium for the pool.
2. A \$3,000 surcharge to a **Participant's Deposit Premium** may be assessed in the next **Program Year** if within ninety (90) days of the **Annual Audit**, the **Participant** does not provide a plan to correct deficiencies found during the **Annual Audit** or in the **Member Entity's Minimum Security Standards**

## ARTICLE IV: ADMINISTRATION

### A. BOARD

1. Discussion of developments and performance of the CLP 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 CLP, consistent with the powers of the

**Authority** and not in conflict with the **Agreement**, the **Authority's** Bylaws, or the **Purchased Insurance** policy.

B. EXECUTIVE COMMITTEE

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

C. EXECUTIVE DIRECTOR

1. The **Executive Director** shall use his or her best efforts to administer the CLP so as to achieve the objectives and goals of the CLP and the **Authority**.
2. The daily operation of the CLP shall be administered by the **Executive Director** who shall report to the **Board** and the Executive Committee of the **Authority**.
3. The CLP shall be administered in a manner that will provide claim and cost accountability for the CLP and each **Participant**, separate and apart from all other programs of the **Authority**.
4. The **Executive Director** shall:
  - (a). Assist the **Participants** in training their personnel in the correct procedures for timely and accurate reporting of claims;
  - (b). Act as liaison between the insurance broker and the **Participants**;
  - (c). Prepare and submit a budget for each **Program Year** to the Executive Committee of the **Authority** for review and to the **Board** for approval prior to the **Program year**;
  - (d). Prepare and submit an annual report to the **Board**;
  - (e). Invoice **Participants** for **Deposit Premiums** and other amounts due;
  - (f). Report to the **Board** any delinquent billings not paid and outstanding in excess of 60 days;
  - (g). Present timely annual financial statements to the **Board** and the Executive Committee of the **Authority**;
  - (h). Provide other services as may reasonably be requested by the **Board**, the Executive Committee of the **Authority**, or a **Participant**;

ARTICLE V: PARTICIPATION

## A. ELIGIBILITY AND APPLICATION

### 1. ELIGIBILITY

- (a). Any **Member Entity** may apply to participate in the CLP, subject to the conditions below.

To participate in the CLP, the **Member Entity** must inform the **Executive Director**, in writing via the CLP Participation Form, that the **Member Entity** will participate in the CLP no later than March 1<sup>st</sup>. By signing the CLP Participation Form and by participating in the CLP, the **Member Entity** agrees to participate in the **Annual Audit** by October 1<sup>st</sup>. If any deficiencies are found during the **Annual Audit** or in the **Member Entity's Minimum Security Standards**, the **Member Entity** must provide to the **Executive Director** within ninety (90) days of notification of such deficiencies a plan outlining steps to address the deficiencies. Failure to complete the **Annual Audit** by October 1<sup>st</sup> or failure to provide a plan to address deficiencies may result in termination of the **Member Entity** from the CLP in the following **Program Year**, and may affect the ability of the **Member Entity** to participate in the CLP in the future.

- (b). The **Board** may, in its discretion, approve a **Member Entity's** participation in the CLP after March 1. If the **Board** approves the participation of a **Member Entity** after the commencement of a new **program year**, the **Member Entity's Deposit Premium** will be pro-rated. The new **Participant** will begin coverage on a mutually agreeable date that is approved by the **Board**; however, the new **Participant** will be required to share losses with the other **Participants** for the entire **Program Year**.

## B. PARTICIPANTS' DUTIES

1. Each **Participant** shall be responsible for providing the data required by the **Authority**. This data shall be accurate and shall be provided in a timely manner in conformance with the policies adopted by the **Board**.
2. The **Participants** shall disclose activities not usual and customary in their operation and participate in **Annual Audits**.



3. If any deficiencies are found during any **Annual Audit** or in the **Member Entity's Minimum Security Standards**:
  - (a) The **Member Entity** must provide to the **Executive Director** within ninety (90) days of notification of such deficiencies a plan outlining steps to address the deficiencies.
  - (b) If the identified deficiencies are not corrected and/or no plan to correct the deficiencies is submitted, the **Participant** may be subject to surcharges and/or termination from the CLP, in the discretion of the **Board**.
4. The **Participants** shall at all times cooperate with the **Executive Director** and other relevant parties in regards to claims handling and underwriting activities of the **Authority**.
5. Each year the **Authority** shall bill each **Participant** for a **Deposit Premium** for the next **Program Year**. The billings shall be due and payable in accordance with the **Authority's** Bylaws.
6. Penalties and interest shall be charged to **Participants** on delinquent amounts in accordance with the **Authority's** Bylaws.

## ARTICLE VI: TERMINATION AND DISSOLUTION

### A. TERMINATION

#### 1. VOLUNTARY TERMINATION

- (a). A **Participant** may terminate its participation in the CLP effective at the end of the **Program Year** if it submits to the **Executive Director** a written request to terminate participation no later than three (3) months before the end of the **Program Year**.
- (b). Any **Participant** seeking to terminate its participation without proper and timely notice shall be responsible for the full cost of the **Deposit Premium** and all expenses charged in connection with the CLP for the next **Program Year**. The notice will be deemed effective for the **Program Year** following the **Program Year** for which the additional premium is paid.

#### 2. INVOLUNTARY TERMINATION

- (a). The **Board** may terminate a **Participant** from the CLP for the following reasons:
  - i. Withdrawal or Expulsion as a **Member Entity** of the **Authority**;

- ii. Refusal to participate in the **Annual Audit**;
- iii. Failure to create a plan to correct any deficiencies found in the **Annual Audit** or in the **Member Entity's Minimum Security Standards**, or failure to implement processes and procedures to correct such deficiencies
- iv. Failure to timely provide requested underwriting information;
- v. Declination to cover the **Participant** by any provider of **Purchased Insurance** or **Excess Coverage**;
- vi. Non-payment of premiums or other charges;
- vii. Repeated late payment of premiums or other charges, subject to interest and penalty charges;
- viii. Consistent poor loss history relative to the pool;
- ix. Substantial change in exposures that are not acceptable in this CLP; and/or
- x. Financial impairment that is likely to jeopardize the ability to collect amounts due in the future.

The decision of the **Board** as to the existence of any of these conditions shall be final.

- (b). The **Board** shall have the authority, upon a vote of two-thirds of all **Board** members, to terminate a **Participant**, and to authorize a termination notice be sent to that **Participant**. Such notice shall be sent at least 30 days prior to the effective date of termination.

## B. DISSOLUTION

The CLP may be terminated and dissolved any time by a vote of two-thirds of the **Board**.

## ARTICLE VII: AMENDMENTS

This MPD may be amended by a two-thirds (2/3) 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**.