

BAY CITIES JOINT POWERS INSURANCE AUTHORITY

**MASTER PROGRAM DOCUMENT
FOR THE
POOLED PROPERTY PROGRAM**

Amended June 1, 2023

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BAY CITIES JOINT POWERS INSURANCE AUTHORITY

MASTER PROGRAM DOCUMENT (MPD)
FOR THE
POOLED PROPERTY PROGRAM (PPP)

ARTICLE I: DEFINITIONS

The following definitions apply to this MPD:

1. **Executive Director** 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. **Board** shall mean the Board of Directors of the Bay Cities Joint Powers Insurance Authority.
4. **Deductible** shall mean the amount stated on the applicable Declarations or certificate of coverage, which will be paid by the **Participant** before the **Authority** is obligated to make any payment from the pooled funds.
5. **Deposit Premium** shall mean that amount to be paid by each **Participant** for each **program year** as determined by the **Board** in accordance with Article III, Section A of this MPD.
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 the PPP.
9. **Program Year** shall mean that period of time commencing at 12:01 a.m. on July 1 and ending at 12:01 a.m. on the following July 1.
10. **Third Party Administrator (TPA)** shall mean the claims administrator for the **Authority** for the Pooled Property Program.

ARTICLE II: GENERAL

A. AUTHORITY

1. The Pooled Property Program (PPP) Master Program Document (MPD) is one of the **Authority's** governing documents. However, any conflict between the PPP 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 PPP 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 PPP.
3. The PPP 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 PPP which has been designed to provide for the needs of its **Participants** for protection against damage to the **Participant's** real and personal property, including mobile equipment, as defined in the MOC.

C. RESPONSIBILITY

1. The **Board** shall have the responsibility for establishing policies and remaining informed as to the financial strength and viability of the PPP. 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 PPP. The **Board** shall have the authority to enter into insurance contracts for the insurance coverages within the budgeted costs of such insurance.
2. The Executive Committee 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 PPP and shall be given the authority to implement the policies established by the **Board**. The **Executive Director** shall report to the Executive Committee and to the **Board**, as necessary.

D. PROGRAM YEARS

1. The income and expenses of this PPP 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 PPP to pay claims and expenses which may be incurred in the future.

E. LIMITS OF LIABILITY

The **Board** shall annually establish the limit of liability for the PPP which may be amended from time to time for subsequent **program years**. This limit of liability shall apply to each real and/or personal property claim as described in the MOC for this PPP.

F. DEDUCTIBLES

1. The PPP shall offer **deductibles** of \$10,000 or \$50,000 per occurrence, or other amounts as established by the **Board**.
2. A **Participant** may change its **deductible** only at the inception of a **program year** upon thirty (30) days' advance written notice. The **Board**, with a two-thirds vote, and by providing 90 days' advance written notice to the **Participant**, may require a **Participant** at the inception of the **program year** to take a **retained limit** different than the **Participant's retained limit** in the expiring **program year**.
3. The amount of each loss, including expenses, which is less than the **deductible** chosen by the **Participant** shall be paid by the **Participant**.

G. FINANCING THE PROGRAM

1. A reserve fund shall be established and maintained to fund adverse loss history which may develop during the **program year**.
2. The **deposit premiums** may be used to fund the claims against the PPP, pay premiums for purchased coverage for **Participants**, and pay program administrative expenses for **Participants**. Any remaining **deposit premiums** shall be a contribution to the establishment or maintenance of the reserve fund.
3. If the **Board** determines that the PPP lacks sufficient funds to complete a **program year**, the **Board**, upon a two-thirds (2/3) vote of the **Board** present and voting at a regular or special meeting, may assess the **Participants**, based on property values, an amount sufficient to fund incurred costs and the completion of the **program year**, or may temporarily suspend the coverage until such time as the **Board** may vote to terminate or continue the PPP pursuant to Article V, Section 1.C. of the **Bylaws**.

ARTICLE III: PREMIUMS, DIVIDENDS AND ASSESSMENTS

A. DEPOSIT PREMIUMS

1. Each year, the **Authority** shall include in the annual billing, as described in the **Authority's** Bylaws, the **deposit premium** for this PPP. 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 times the values of the covered properties for each **Participant**, then adding an administrative charge as set forth in section 5 below, and the expected costs of insurance. If applicable, an experience rating premium will be added to **Participants' deposit premium** as set forth in section 6 below.
3. The values of the properties to be used in the calculation of the **deposit premium** shall be the values submitted by the **Participants** prior to the preparation of the annual budget each **program year**.
4. **Deposit premiums** shall be established and charged to the **Participants** such that, with the addition of funds raised from other sources and the balance in the PPP, there shall be sufficient funds to meet expected losses, other expected expenses, and desired contributions to the reserve fund.
5. The administrative expenses charged to each **Participant** shall be a portion of the total administrative expenses and determined annually through the budget process. Ten percent (10%) of these total expenses are allocated to the PPP. These expenses are divided by the Total Insured Values (TIV) of all **Participants' Properties** to calculate the administration rate which is further multiplied by the TIV of each **Participant's Properties** to arrive at the administrative expenses charged to each **Participant**.
6. An adjustment for loss experience shall be added to a **Participant's deposit premium** if a **Participant's** average incurred losses, valued from \$0 capped at \$1 million per claim, for the most recent three program years exceed the **Participant's** average pooled premium and excess coverage costs for the same period. If average incurred losses exceed average pooled premium and excess coverage costs, a rate of 0.50 shall be applied to the difference between the **Participant's** average pooled premium and excess coverage costs and the **Participant's** average incurred losses. If the calculated difference exceeds a **Participant's** average pooled premium and excess coverage costs, the adjustment will be capped at the **Participant's** average pooled premium and excess coverage costs, and shall be added to the **Participant's deposit premium** for the next **program year**.

B. DIVIDEND AND ASSESSMENTS

1. DIVIDENDS

- (a). At the end of each **program year**, a dividend calculation shall be performed for all open **program years**. Each year thereafter there shall be an additional dividend calculation made until such time as the **program year** is closed. Any dividends available to be declared and returned to the **Participants** will be at the discretion of the **Board** provided that the total dividend to be distributed from all qualifying **program years** shall not reduce the total equity for all **program years** below a discounted 90% confidence level.
- (b). Calculation
 - i. Dividends may not be declared from a **program year** until five years after the end of that **program year**.
 - ii. Dividends may be declared only at such time as the PLP has equity, with liabilities actuarially stated discounted at a 90% confidence level. The calculated amount shall represent the maximum dividend available to be declared.
 - iii. Dividends may be declared only if the equity at the expected confidence level is five times the Self Insured Retention.

2. ASSESSMENTS

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

ARTICLE IV: COVERAGE

The coverage provided under this PPP shall be defined in the MOC adopted by the **Board**. The **Board** may alter or amend the limit of liability and **deductibles** 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 PPP's limit of liability. 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 pooled property program 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.

ARTICLE V: ADMINISTRATION

A. BOARD

1. Discussion of developments and performance of the PPP 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 PPP, consistent with the powers of the **Authority** and not in conflict with the **Agreement**, the Bylaws, or the MOC.
3. Every three years, or more frequently if the **Board** deems it necessary, the **Board** shall determine whether any real property should be appraised and, if so, what property and the time frame for such appraisal.

B. EXECUTIVE COMMITTEE

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

C. EXECUTIVE DIRECTOR

1. The **Executive Director** shall use his or her best efforts to administer the PPP so as to achieve the objectives and goals of the PPP and the **Authority**.
2. The daily operation of the PPP shall be administered by the **Executive Director** who shall report to the **Board** and Executive Committee.
3. The **Executive Director** shall be assisted by the Board Secretary and Finance Manager who shall provide the technical oversight of the PPP, ensure compliance with this MPD, and implement the accounting systems which support this PPP.
4. The PPP shall be administered in a manner which will provide claim and cost accountability for the PPP and each **Participant**, separate and apart from all other programs of the **Authority**.
5. The **Executive Director** shall:
 - (a). Assist the **Participants** in training their personnel in the correct procedures for timely and accurate reporting of 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). Act as liaison between the insurance broker, **Third Party Administrator**, and the **Participants**;
- (f). Prepare and submit a budget for each **program year** to the Executive Committee for review and to the **Board** for approval prior to the **program year**;
- (g). Prepare and submit an annual report to the **Board**;
- (h). Recommend rates and **deposit premiums** for each new **program year** in the manner described in Article III;
- (i). Invoice **Participants** for **deposit premiums** and other amounts due;
- (j). Report to the **Board** any delinquent billings not paid and outstanding in excess of 60 days;
- (k). Prepare demands for payment on claims against the PPP;
- (l). Present timely annual financial statements to the **Board** and the Executive Committee;
- (m). Provide other services as may reasonably be requested by the **Board**, the Executive Committee, or a **Participant**;
- (n). Engage outside legal counsel for the purpose of providing an opinion regarding the scope of coverage provided under this PPP, as necessary;
- (o). Secure the services of an actuarial consultant, as necessary; and
- (p). Work with the **Board** in securing the services of a **Third Party Administrator**.

ARTICLE VI: CLAIMS ADMINISTRATION

The **Executive Director** and the **TPA** shall review all claims properly submitted and make a determination as to applicability of coverage and amount of the loss. Upon such determination, the **Executive Director** shall advise the **Participant** that experienced 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 **Executive Director** 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 to the **Board**, the decision of the **Board** shall be final.

ARTICLE VII: PARTICIPATION

A. ELIGIBILITY AND APPLICATION

1. ELIGIBILITY

- (a). The applicant must commit to at least three full **program years** of participation in this PPP.
- (b). Any **Member Entity** may apply to participate in the PPP.
- (c). 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 PPP 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 PPP 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. PARTICIPANTS' DUTIES

1. Each **Participant** shall be responsible for providing the data required by the **Authority** to determine the values of covered properties. This data shall be factual and 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.

3. The **Participants** shall at all times cooperate with the **Authority's Executive Director** and **Third Party Administrator** in regards to claims handling and underwriting activities of the **Authority**.
4. Each year the **Authority** shall bill **Participants** for a **deposit premium** for the next **program year**. The billings shall be due and payable in accordance with the Bylaws.
5. Billings may be made to **Participants** for a **program year** found to be actuarially unsound. All billings for payments to bring a **program year** into an actuarially sound condition are due and payable upon receipt.
6. Former **Participants** in the PPP shall be required to pay all applicable billings for the **program years** in which they participated. Delinquent billings, together with penalties and interest, shall be charged and collected from the **Participant** in accordance with the Bylaws.
7. Penalties and interest shall be charged against any amounts delinquent in accordance with the Bylaws.

C. TERMINATION

1. VOLUNTARY TERMINATION

- (a). A **Participant** which has not maintained its participation in the PPP for three full **program years** shall not be permitted to withdraw from the PPP prior to the end of its three-year commitment period and shall be obligated for payment of premiums for these three years.
- (b). A **Participant** which has maintained its participation in the PPP for three full **program years** 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**.
- (c). 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 PPP for the following reasons:

- i. Termination as a **Member Entity** of the **Authority**;
- ii. Declination to cover the **Participant** by the entity providing excess coverage;
- iii. Non-payment of premiums, assessments, or other charges;
- iv. Frequent late payment of premiums, assessments, and/or other charges, subject to interest and penalty charges;
- v. Failure to timely provide requested underwriting information;
- vi. Consistent poor loss history relative to the pool;
- vii. Substantial change in exposures which are not acceptable in this PPP; and/or
- viii. Financial impairment that is likely to jeopardize this program's 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 two-thirds approval, to authorize a termination notice be sent to a **Participant**. Such notice shall be sent at least 30 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 PPP

The PPP may be terminated and dissolved any time by a vote of two-thirds of the **Participants**. However, the PPP 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 PPP.

Upon termination of the PPP, all assets of the PPP 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 PPP 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 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**.