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County of El Dorado

Legislation Details (With Text)

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File created:	8/20/2013	**In control:**	Board of Supervisors
On agenda:	8/27/2013	**Final action:**	8/27/2013
Title:	Chief Administrative Office, Risk Management Division, recommending the Board authorize the Chair to sign a letter to California State Association of Counties Excess Insurance Authority (EIA) opposing the elimination of the Public Entity Participation Fee of one-half percent as a requirement of membership for members other than counties. FUNDING: There is no change to Net County cost.		
Sponsors:			
Indexes:			
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Attachments:	1. A - PEPF BOS Letter 8-27-13.pdf, 2. B - EIA.CPEIA Restructure Purpose and Transition Plan 8.27.2013, 3. C - EIA.CPEIA Restructure Exec Summary 8.27.2013, 4. Executed Letter		

Date	Ver.	Action By	Action	Result
8/27/2013	1	Board of Supervisors	Approved	Pass

Chief Administrative Office, Risk Management Division, recommending the Board authorize the Chair to sign a letter to California State Association of Counties Excess Insurance Authority (EIA) opposing the elimination of the Public Entity Participation Fee of one-half percent as a requirement of membership for members other than counties.

FUNDING: There is no change to Net County cost.

Fiscal Impact/Change to Net County Cost

With the possible elimination of these fees, El Dorado County would lose approximately $3,600 per year in risk management subsidy funds. There is no change to Net County cost.

Background

El Dorado County has been a member of EIA since 1992. Like many California counties, El Dorado County sought membership in the EIA based on the original intent that it was established to serve the needs of California counties. Today 54 out of the 58 counties participate in one or more of the EIA insurance programs.

In 2001, EIA formed the California Public Entities Insurance Authority (CPEIA), a separate Joint Powers Authority (JPA), to allow public entities access to the EIA's insurance programs and services. A contractual agreement between the EIA and CPEIA was developed, the purpose of which was to provide for greater flexibility to the counties as well as mutually benefit both the membership of the EIA and CPEIA. The hope was that all members would benefit from the larger volume that would result in lower costs, greater stability and lower administrative fees. By increasing membership, the EIA would be able to retain more risk and transfer less to the commercial insurance market. The CPEIA Board had full authority to act on behalf of the public entity membership, but had no authority in matters relating to the operation and administration of the EIA programs. The EIA retained sole

authority with regard to all matters, including underwriting and rating decisions affecting both the counties and public entities.

In 2006, the EIA eliminated the CPEIA and allowed public entities to join the EIA directly. A new governance structure was instituted allowing public entities limited voting rights, but all other operational aspects remained in place, including the participation fees. (Attachment B - CSAC-EIA/CPEIA Restructure, Purpose and Transition Plan). When public entities joined the EIA they were treated as full members with the same dividend potential and assessment risks as county members and subject to the same allocation formula. The only difference was that public entities were subject to an additional one-half percent participation fee to provide the counties a tangible benefit of allowing public entity participation in EIA programs.

Currently, the County receives approximately $3,600 per year from the fees paid by the public entities. Over time, this provides a significant subsidy and is used for risk management and loss prevention programs.

During the EIA Board of Directors meeting held in June 2013, the issue of eliminating the Public Entity Participation Fee was addressed with the argument being that public entity membership has grown to an extent that just their participation should be a benefit to the county membership. This is not a convincing argument as the larger the membership becomes the greater potential for a large or catastrophic loss that could impact the entire membership.

The EIA is a JPA that was formed for California counties. Public entities continue to be cognizant of this fact and continue to seek membership in the EIA even with the participation fee. It is believed that the participation fee is a tangible benefit for the county members allowing public entity membership and is equitable based on the exposure and risk that these entities bring to the programs.

Action(s) to be taken following Board approval
Board Chair signature on the letter and return to Risk Managmement to forward to EIA.

Contact
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