



**California Association**  
**of**  
**Joint Powers Authorities**  
***Accreditation Report***  
***of***  
***Sample***

**CONFIDENTIAL**  
**(See Sections B & C)**

**Prepared by**

**DRAFT**

**Consultant**

**DATE**

# Table of Contents

## I. Background

A.	Description of JPA .....	3
B.	Limitations .....	7
C.	Distribution and Use .....	7

## II. Findings and Recommendations

A.	Requirements .....	8
B.	Suggestions.....	8

### Accreditation Standards Worksheets

I.	Governing Documents and Administrative Contracts .....	11
II.	Government Rules.....	15
III	Insurance and Coverages .....	17
IV	Accounting and Finance .....	19
V.	Investment of Funds .....	22
VI.	Actuarial Standards – Property / Liability / Workers’ Compensation.....	26
VII	Risk Control.....	27
VIII.	Claims Management – Property / Liability .....	28
VIII.	Claims Management – Workers’ Compensation.....	30
IX.	Underwriting .....	32
X.	Operations and Administrative Management.....	34
XI.	Enterprise Risk Management .....	36

## **I. BACKGROUND**

- **Description of JPA**

**(JPA NAME)**

**Mission Statement**

**Program Summary**

### Program Summary

Program	Member Retention	Self-Insured Retention	Excess Coverage
Property			
Liability			
Workers Comp			

Total Covered Payroll is \$xxx

Total Insured Values is \$xxx

Website: jpa.org

### Service Providers

Service	Organization
Actuary – P/L	
Actuary – WC	
Financial Auditor	
Investment Advisor	
Investment Custodian	
Program Administrator	
Financial Accounting	
Insurance Broker	
Claims Auditor – P/L	
Claims Auditor – WC	
Claims Administrator – P/L	
Claims Administrator – WC	

### B. Consultant Activities

Data was received from (JPA NAME) on (DATE) with follow up information received through (DATE).

### C. Purpose / Limitations

California Association of Joint Powers Authorities (CAJPA) Accreditation Program reviews the organizational structure and activities of a Joint Powers Authority (JPA), comparing the JPA with standards adopted by the Association believed to be advantageous to the preservation and performance of the individual JPA and JPA's in California as a whole.

This review was conducted for the purpose of forming an opinion on the general operations of the JPA in accordance with the accreditation best practices standards.

CAJPA does not guarantee that accreditation by CAJPA ensures the legality of the JPA, its governing document, its contracts or practices. In addition, by accrediting the JPA CAJPA does not guarantee the JPA's solvency or liquidity at the time of the accreditation or any time before or after such accreditation. Neither does accreditation guarantee that an accredited JPA is administered in such a way that the JPA and its programs are, or will continue to be, financially sound.

## **D. Distribution and Use**

This report has been prepared solely for the internal use of CAJPA as a guide in determining the applicant's compliance with the CAJPA Accreditation Standards in force at the time of the accreditation review. No further use or distribution is authorized without the prior written consent of CAJPA and the consultant

Judgments as to the conclusions, recommendations, methods, and data contained in the report should be made only after studying the report in its entirety and understanding the limitations inherent in the analysis, as outlined in the "limitations" section. Of particular note is the limitation that we cannot assure or guarantee the financial soundness of the applicant JPA.

The supporting data, analysis, description, exhibits, and appendices to this report are provided to support the conclusions stated herein and are not necessarily suitable for any other purpose. Furthermore, CAJPA and its accreditation consultants are available to explain any matter presented herein, and it is assumed that the user of this report will seek such explanation as to any matter in question.

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## II. FINDINGS AND RECOMMENDATIONS

We find (**JPA NAME**) to be in substantial compliance with current Accreditation Standards. The Accreditation Committee confers continuous accreditation effective (**DATE**) for a period of three years.

### A. Full Accreditation Requirements

None

### B. Accreditation with Excellence Requirements

None

### C. Suggestions

#### Suggestion 1

## I. GOVERNING DOCUMENTS AND ADMINISTRATIVE CONTRACTS

B. Pursuant to Section 6509 of the Government Code, the agreement shall specify the member which restricts the manner of exercising the power of the JPA (Suggestion).

*We recommend this requirement be considered during the next review and update of your JPA agreement.*

We look forward to receiving the information documented in the requirements listed above and following through to grant *Accreditation with Excellence* to (**JPA NAME**).

Respectfully submitted,

Consultant name

# California Association of Joint Powers Authorities (CAJPA)

# ACCREDITATION WORKSHEETS

**As of January 1, 2021**

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**Key:**

√ = Satisfactory (Meets or Exceeds Standards)

U = Unsatisfactory (Does Not Meet Standards)

? = Unable to Determine

N/A = Not Applicable

S = Suggestion

## I. GOVERNING DOCUMENTS AND ADMINISTRATIVE CONTRACTS

### Objective

To determine that the governing documents and contracts with major service providers contain all essential provisions.

CRITERIA	STATUS	DISCUSSION
<p>A. The JPA maintains in its records a signed original of the Joint Exercise of Powers Agreement or other acceptable documentation from each member agency. (Mandatory)</p> <p><i>Other = signed copy of resolution from member's board, photo copy of signed JPA agreement. If not an original, suggest JPA check with counsel about the use of resolutions.</i></p>		
<p>B. The agreement shall contain all of the provisions required in the enabling legislation in Section 6500 et. of the Government Code.</p>		
<p>1. §6503 requires that the purpose or power to be exercised and the method by which the purpose will be accomplished or the manner in which the power is to be exercised is to be stated in the agreement. (Mandatory)</p>		
<p>2. Pursuant to Section 6509 of the Government Code, the agreement shall specify the member which restricts the manner of exercising the power of the JPA (Suggestion)</p> <p><i>The member has to be named by name.</i></p>		
<p>3. In accordance with provisions of §6505.5 or §6505.6 the agreement must designate a treasurer and an auditor. (Mandatory)</p> <p><i>If §6505.5</i></p> <p><i>a. Treasurer and auditor from same member</i></p> <p><i>b. Treasurer and auditor from same county (if under 6505.5 the auditor shall be from the same entity as the treasurer but does not have to be specifically named and can be the same person.)</i></p> <p><i>c. A Certified Public Accountant, who can serve both functions</i></p> <p><i>If §6505.6: Can be an officer or employee of the JPA for either or both positions. (Does not have to name any one particular person in the agreement. If the agreement refers to duties under 6505.6, this includes auditor/and treasurer, we count this as met.)</i></p>		
<p>4. §6511 requires that the agreement provide for the disposition, division or distribution of any property acquired as the result of the joint exercise of powers. (Mandatory)</p>		

CRITERIA	STATUS	DISCUSSION
5. §6512 or Sec. 6512.2 “requires that the agreement provide that any surplus money on hand after the completion of its purpose shall be returned in proportion to the contributions made.” Or may, in the alternative, in proportion to contributions made and claims or losses paid. (Mandatory)		
C. The following are described in appropriate governing documents (agreement, bylaws, resolutions, master plan documents, memorandums of coverage, memorandums of understanding, adopted board policies or other similar documents):		<b>DOCUMENTS IN WHICH ITEM CAN BE LOCATED</b>
1. Eligibility criteria; (Mandatory)		
2. Procedure for electing officers; (Mandatory)		
3. Terms of office; (Mandatory)		
4. Record retention policy; (Mandatory)		
5. Power and duties of Board; (Mandatory)		
6. Indemnification for liability; (Mandatory) <i>The governing documents address that anyone acting in their official capacity (board/committee) is indemnified by the JPA or (not) to eliminate gray area. Employees are already covered under Gov. Code.</i>		
7. Provisions for dissolution of pool; (Mandatory) <i>There is a process specified for the members to elect to dissolve the pool.</i>		
8. Provisions for financial audits; (Mandatory)		
9. Provisions for actuarial studies; (Excellence)		
10. Provisions for claims audits: (Excellence)		
11. Provisions for assessments & distributions; (Mandatory)		
12. Provisions for member withdrawal from a program or JPA as a whole. These provisions shall include: <ul style="list-style-type: none"> <li>• Notice requirements (<i>recommend board resolution for withdrawal from JPA; resolution to get in, resolution to get out</i>)</li> <li>• Financial obligations and entitlements, i.e. responsibilities for future assessments or rights for future dividends. (Mandatory)</li> </ul>		
13. Provisions for termination of JPA members (such as the right to cancel for non-payment of premiums, underwriting problems, or the failure to adequately control risks); (Mandatory)		
14. Provision for a meeting of the board at least annually; (Mandatory) <i>(The board will meet at least annually, not an annual meeting according to Roberts Rules of Order.)</i>		

CRITERIA	STATUS	DISCUSSION
15. Provision for the resolution of coverage and claims disputes with its members; (Mandatory)		
16. Provision for the resolution of nonclaim disputes (Excellence)		
17. Provision for obligations of members. (Mandatory) <i>The governing documents identify obligations of members, e.g.</i> <ul style="list-style-type: none"> <li>• <i>Payment of contributions</i></li> <li>• <i>Representative for board</i></li> <li>• <i>Provide requested data</i></li> </ul>		
D. Governing Documents and Prior Accreditation Report:		
1. The JPA is in substantial compliance with its governing documents. (Mandatory)		
2. The JPA Governing Board has reviewed the prior Accreditation Report for findings and recommendations. (Mandatory)		
E. The JPA has written contracts with firms or individuals that provide program administration services, insurance brokerage services, claims administration services, or have access to JPA funds. Such contracts shall include: (Mandatory) <ol style="list-style-type: none"> <li>1. Scope of services of the contractor;</li> <li>2. Indemnification and insurance requirements; <i>(A fidelity bond is required for any contractor that has access to JPA funds. If coverage doesn't cover forgery and alteration then it would not be sufficient coverage; or is employee dishonesty enough. Optional for consultant to add as a recommendation if they believe this is a concern.)</i></li> <li>3. Compensation;</li> <li>4. Term of Agreement;</li> <li>5. Contract cancellation provisions;</li> <li>6. Ownership of records;</li> <li>7. Duty to disclose conflicts of interest including but not limited to other sources of income; and <i>(Suggest consultant inquire if there is a process to provide for this disclosure but this is not a standard requirement and may just be a suggestion.)</i></li> <li>8. Language addressing how and by whom fines and penalties are to be paid (applies to workers' compensation third party claims administrators only).</li> </ol> <i>(For investment advisor contract see V-H)</i>		<b>Refer to Exhibit 4 Below</b>
F. The JPA has certificates of insurance on file evidencing coverage required in contracts under E., above. (Mandatory) <i>(Consider writing a suggestion for the pool to have a process to collect and review these if they do not have them on file and must collect them during the study.)</i>		

CRITERIA	STATUS	DISCUSSION
G. If the JPA offers employee benefit programs to member agencies, a written plan description must be provided to covered employees. (Mandatory)		
H. The JPA keeps minutes of all meetings of its governing body and standing committees. (Mandatory) <ul style="list-style-type: none"> <li>Minutes are maintained in conformance with the Brown Act as amended where a record of how each member has voted is maintained as required under G.C. Section 54953(c)(2)</li> </ul>		

**Exhibit 4**

**Contracts with Major Service Providers**

Name of Contractor	Scope Of Services	Indemnification & Insurance <i>Fidelity bond if they write checks</i>	Compensation	Term	Cancellation	Ownership of Records	Disclosure of conflicts of interest and other sources of income	Fines & Penalties W/C only
	JPA Administration							
	Insurance Brokerage Services							
	W.C. Claims Administrator							
	Property Liability Claims Administrator							

## II. GOVERNMENT RULES

### Objective

*To determine that the JPA complies with the various reporting requirements and other mandates imposed by the State of California and its regulatory agencies.*

CRITERIA	STATUS	DISCUSSION
<p>A. The JPA has filed a notice of its joint exercise of powers agreement and any amendments or membership changes with the Secretary of State identifying (GC 6503.5): (Mandatory)</p> <ol style="list-style-type: none"> <li>1. The name of each member;</li> <li>2. The effective date;</li> <li>3. The purpose or power to be exercised; and</li> <li>4. A description of the amendment, if any.</li> </ol> <p><i>If the name of the JPA changes, counsel may be asked whether a new JPA agreement must be signed.</i></p> <p><i>Required if you add a new member or delete a member</i></p> <p><i>Notice must be filed within 30 days of amendment or member changes</i></p>		
<p>B. The JPA has made the necessary Public Agency Roster filing with the Secretary of State and county clerks in the counties in which the JPA has offices. (G.C. 53051) (Mandatory)</p> <p><i>Filing required when board members or location changes.</i></p>		
<p>C. The JPA has adopted a Conflict of Interest Code, formally reconsiders it prior to October 1st of all even-numbered years, and oversees any required filings of the Statements of Economic Interest with the Fair Political Practices Commission or the designated filing agent. (G.C. 87306.5) (Mandatory)</p> <p><i>If the filing office is not perceived to be a governmental facility and accessible to the public, the JPA is required to send originals to the FPPC and retain copies. Review with the FPPC.</i></p> <p><i>If the Executive Director has provided waivers these waivers should be documented. If the JPA did not document such waivers then this would be a suggestion the first time and a requirement in future accreditations.</i></p>		
<p>D. If the JPA is subject to Education Code 17566(e) it procures triennial actuarial studies on its employee benefit programs. (Mandatory) <i>(Provision for community college districts Education Code Section 81602 actuarial study under ERISA)</i></p>		
<p>E. The JPA's governing body approves its annual budget. (G.C. 6508) (Mandatory)</p>		
<p>F.1 The JPA has filed the "Special Districts Financial Transactions Report" with the State Controller/Division of Local Government Fiscal Affairs Special District Unit. (GC 53891) (Mandatory)</p>		

CRITERIA	STATUS	DISCUSSION
F.2 The JPA has filed the annual compensation report with the State Controller's office. (Mandatory) GC 53892 (I)		
F.3 If the JPA has a website, the website must contain or link to the annual compensation report for the JPA. (Mandatory) GC 53908		
G. The JPA has filed its Audited Financial Statement with <ul style="list-style-type: none"> <li>• the State Controller and,</li> <li>• the county auditor of the county where the home office of the JPA is located within 12 months of the end of each fiscal year. (G.C. 6505 (c)) (Mandatory)</li> </ul>		
H. JPA and/or members have valid certificate(s) of consent to self-insure Workers' Compensation (Labor Code Section 3700) and files any changes in claims administrators (8Cal Code Regs Sec.15402) and the necessary annual reports with the Dept. of Industrial Relations on or before October 1st of each year. (Labor Code 3702.2) (Mandatory) ( <i>This does not apply to excess pools.</i> )		
I. Meetings and Meeting Notices		
1. The JPA properly posts meeting notices and, (Mandatory) <i>Board and standing committees. Check for ADA posting requirements. Note, the Attorney General has determined that valid posting means available to view 24/7 (consider posting on outside window). Agendas must be posted to the JPA website. Ensure notices are provided for teleconferencing as necessary including proper posting requirements.</i>		
2. Conducts its meetings in accordance with the Brown Act. (G.C. 54954.2, G.C. 54953.2 and 42 U.S.C. 12132) (Mandatory)		
J. JPA's that self-insure medical benefits annually file a copy of their audit with a declaration to the Department of Managed Health Care as required for exemption from Knox-Keene requirements. (Code of Civil Procedures 2015.5) (Mandatory)		

### III. INSURANCE AND COVERAGES

#### Objective

*To determine that the JPA properly identifies and handles its own exposures to loss, secures any insurance required by its governing documents and/or any other legal requirement, monitors the adequacy of coverages it provides to its members both coverage for the JPA itself and coverage provided to its members and maintains permanent policy files.*

CRITERIA	STATUS	DISCUSSION
A. Insurance and Coverages of the JPA administrative coverage		
<p>1. The JPA maintains an official bond as required by state law (G.C. 6505.1 and 6505.5). The JPA requires fidelity coverage for a person or persons that are entrusted with any property of the JPA. (Mandatory)</p> <p><i>Pool needs coverage for treasurer, most employee dishonesty policies exclude the Treasurer, have insurance company issue an endorsement deleting this exclusion. Suggest that the JPA fix the amount of the bond as a specific amount as described in GC Section 6505.1</i></p>		
<p>2. The JPA insures or self-insures for the following exposures as appropriate: (Mandatory)</p> <p><i>Review to ensure the JPA is named as a covered party. If the JPA is not a covered party and is not buying coverage then ensure that the JPA is making a conscious decision to retain this risk.</i></p>		
a. Public Officials Errors & Omissions;		
b. Employee Fidelity; (insurance only, self-insurance not allowed) (G.C. 6505.1)		
c. Commercial General Liability;		
d. Workers Compensation;		
<p>e. Fiduciary Liability;</p> <p><i>Required for self-funded health and welfare plans (May review public officials Errors and Omissions coverage, look at exclusions (if it only excludes ERISA then that doesn't exclude government entities) A standard commercial general liability policy doesn't extend to fiduciary coverage.)</i></p>		
f. Auto Liability; including hired and non-owned auto; and even if no autos are owned.		
g. Property.		

CRITERIA	STATUS	DISCUSSION
<p><b>B. For the risk retained by the pool the, JPA provides a coverage document that that includes or references the following:</b></p> <ul style="list-style-type: none"> <li>a. Declaration page (unique to each member and/ or year of coverage):</li> <li>b. Definitions</li> <li>c. Identify covered parties, persons, entities (may refer to endorsement within the coverage document which lists all covered parties)</li> <li>d. Retention/deductible and limits</li> <li>e. Dates of coverage</li> <li>f. Premium/contributions</li> </ul> <p>These can be met by reference to other agreements or laws; ie labor code. (Mandatory)</p> <p><b>NOTE: Recommend that the JPA not include excess limits on the declaration page else it might be interpreted as included in the JPA's form. In that case the JPA may have to assume the same coverage provisions in to the excess layer.</b></p>		
<p><i>The notes below provide additional considerations but in themselves are not specific requirements:</i></p> <p><i>The JPA should in addition consider scope of coverage, obligation if any to defend and indemnify, report claims, expectation of member to report, settlement. When you are not covering?</i></p> <p><b>Declaration Page (unique to each member and/or year of coverage)</b></p> <ul style="list-style-type: none"> <li>• Identify covered parties, persons, entities</li> <li>• Retention/deductible and limits</li> <li>• Dates of coverage</li> <li>• Premium/contributions</li> </ul> <p><b>Definitions Key terms to define include:</b></p> <ul style="list-style-type: none"> <li>• Coverage trigger (i.e. "occurrence", "wrongful act", etc.)</li> <li>• Coverage parts (E&amp;O, Personal Injury, etc.)</li> </ul> <p><b>Insuring Agreement</b></p> <ul style="list-style-type: none"> <li>• Reimburse vs. indemnify</li> <li>• BI/PD</li> <li>• E&amp;O</li> <li>• EPLI</li> <li>• Stat WC benefits</li> </ul> <p><b>Exclusions</b></p> <ul style="list-style-type: none"> <li>• Such as Asbestos, contract, nuclear, punitive damages, terrorism, etc.</li> </ul> <p><b>Conditions</b></p> <ul style="list-style-type: none"> <li>• Claim reporting/notice</li> <li>• Appeals</li> <li>• Action against authority (dispute resolution)</li> <li>• Other coverage</li> <li>• Subrogation</li> <li>• Assignment</li> <li>• Cancellation/non-renewal</li> <li>• Severability</li> <li>• Defense and Settlement (may be condition or stand-alone)</li> <li>• Increased cost of construction; enforcement of ordinance and law.</li> </ul> <p><i>If the JPA follows form of the excess carrier or pool then is there a policy document that makes this explicit?</i></p> <p><i>Is the document clear regarding the duty to defend within a deductible, member retention or pool sir?</i></p> <p><i>Issue has been some JPA's do not have these items articulated then if there is a dispute the court will say... you don't say you don't do this so you must...</i></p>		

CRITERIA	STATUS	DISCUSSION
<p>C. For the risk excess of that retained by the JPA. The JPA evaluates its insurers, excess insurers, reinsurers and risk pools for coverage continuity, quality, stability, and financial solvency. (Mandatory)</p> <p><i>(Review of current and past insurers due to outstanding claims. See process for evaluating excess insurers and excess risk pools and reinsurers document)</i></p> <p><i>Suggest that insurance carriers current and past be reviewed; this review may include current ratings and any solvency issues.</i></p> <p><i>Suggest that any pooling arrangements entered into that the pool be reviewed annually to evaluate the financial condition and if the pool is accredited.</i></p>		
<p>D. For risks covered by the JPA, the JPA maintains sufficient evidence of coverage by way of excess or reinsurance as applicable:</p>		
<p>a. Workers Compensation</p>		
<p>b. Property</p>		
<p>c. Liability</p>		
<p>d. Fiduciary Liability</p>		
<p>e. Auto Liability (if separate)</p>		
<p>f. Health Benefits and related</p>		
<p><i>Fiduciary Liability Required for self-funded health and welfare plans</i></p> <p><i>(May review public officials Errors and Omissions coverage, look at exclusions (if it only excludes ERISA then that doesn't exclude government entities) A standard commercial general liability policy doesn't extend to fiduciary coverage.)</i></p>		
<p>E. The JPA keeps all memoranda of coverages and insurance policies permanently on file. (Mandatory)</p>		
<p>F. The JPA maintains and distributes coverage agreements and insurance policies as appropriate. (Mandatory)</p>		

## IV. ACCOUNTING & FINANCE

### Objective

*To determine that the JPA complies with all applicable accounting standards and has adopted an investment policy.*

CRITERIA	STATUS	DISCUSSION
<p>A. The JPA materially adheres to all applicable GAAP, GASB, and other accounting standards. (Mandatory)</p> <p><i>Noncompliance examples:</i></p> <ul style="list-style-type: none"> <li>• <i>Not recording IBNR</i></li> <li>• <i>Unrecorded ULAE (material)</i></li> <li>• <i>Inadequate disclosures (Required Supplementary Information (RSI) #1, by line of coverage and RSI #2) loss development by line of coverage and disclosure of ceded insurance.</i></li> <li>• <i>Inappropriate application of GAAP, (such as recording equity in another pool) (cannot be cured by disclosing the policy and limitations)</i></li> <li>• <i>Liabilities not fairly stated (materially overstated;</i></li> <li>• <i>Don't record above expected, any additional should be recorded as a designation of retained earnings).</i></li> <li>• <i>GASB 31, market value of investments</i></li> <li>• <i>GASB 40 Custodial Credit Risk Disclosures</i></li> <li>• <i>GASB 68 Pension Liabilities</i></li> <li>• <i>GASB 75 Other Post-Employment Benefits</i></li> <li>• <i>Asset Impairments</i></li> <li>• <i>Related Party Transactions</i></li> <li>• <i>Extraordinary Items</i></li> <li>• <i>Prior Period Adjustments</i></li> <li>• <i>Contingent Liabilities</i></li> <li>• <i>Recording reinsurance recoveries when received instead of netting out of claims expense when paid and setting up as a receivable.</i></li> <li>• <i>The MD&amp;A is sufficient</i></li> </ul> <p><i>(Consultant will review above irrespective of auditor's opinion)</i></p>		
<p>B. The JPA issues to its members periodic financial reports at least annually or more frequently if required by its governing documents. (Mandatory)</p>		
<p>C. Financial Audits</p>		
<p>1. The JPA has undergone annual independent financial audits conducted by a CPA in accordance with generally accepted auditing standards, a report of which has been made available to all members as required by its governing documents. (Mandatory)</p>		

CRITERIA	STATUS	DISCUSSION
2. If the JPA has received an opinion other than an unmodified opinion on the audit of its financial statements, the JPA governing board has satisfactorily addressed any such qualifications of opinion, audit exceptions or negative statements. (Mandatory)		
3. The independent auditor shall include a report on internal controls. (Mandatory) <i>(Issue a report on internal control and compliance for governmental auditing standards or an internal control report under Statement on Auditing Standards 115 to meet this.)</i>		
4. If a management letter or report on internal controls has been issued, the JPA governing board has addressed any recommendations. (Mandatory)		
<b>D. Unpaid Claim Liabilities</b>		
1. The JPA has assets sufficient to pay all unpaid claims liabilities and maintains a reasonable contingency margin. The determination of whether there is a reasonable margin for contingencies will include consideration of investment income, excess of loss insurance, aggregate stop loss insurance, assessability, size of program, volatility of risk, tolerance of membership, disclosure to board and any other relevant factors. (Excellence) <i>(If there is a deficit and the board has made an assessment, the receivable is recorded to offset the deficit.)</i>		
2. If the JPA does not currently have sufficient assets to pay unpaid claims liabilities, it has a reasonable financial plan in effect that will generate sufficient revenues to pay all unpaid claims liabilities and to establish a contingency margin. (Mandatory)		
For both D (1) and D (2) above, unpaid claims include: (Mandatory) a. Case reserves for reported claims; b. Incurred but unreported claims; c. Expected loss development; and, d. Allocated & unallocated loss adjusting expenses.		
3. JPAs with a self-funded medical benefit plans must fund at a level sufficient to cover expected claims, including the run-out, plus a reasonable contingency for adverse experience. Absent any acceptable evidence to the contrary, the contingency for adverse experience shall be set at an amount equal to or greater than the expected run-out of claims. (Mandatory)		
4. JPA's with self-funded benefit plans other than medical must fund such programs at a level sufficient to cover expected claims and projected run-out, plus a reasonable contingency for adverse experience. (Mandatory)		

CRITERIA	STATUS	DISCUSSION
E. The JPA's current contribution levels for each self-funded program is in concert with Section D, above. (Mandatory)		
F. The JPA has adopted a target equity policy and considers it when evaluating funding and dividends. (Mandatory) <i>(For sample targets see target equity worksheet)</i>		
G. Management provides those with governance a five-year summary of: a. The rate setting confidence level by policy year and program (Excellence) b. The equity targets by program and policy year (Excellence) <i>Recommend you show the targets to your equity and demonstrate strengthening or erosion. Show board progression overtime.</i>		
H. The JPA rate funding at the 80% confidence level or describes why this level is not needed; due to: (Excellence)  a. Nature of the program and retentions (explain) b. Met or exceed target equity (explain) c. Has a retrospective assessment process in place (explain)  <i>Actuary Guidance Funding:</i> <u>Primary Programs</u> <i>70% = Marginally Acceptable</i> <i>75%-85% = Recommended</i> <i>90% = Conservative</i>  <u>Excess Programs</u> <i>75% = Marginally Acceptable</i> <i>80%-90% = Recommended</i> <i>95% = Conservative</i> <i>In cases where the loss estimates are less than the SIR (e.g. expected is \$500K, SIR is \$1M), I typically recommend setting aside a multiple of the SIR or layer exposure (e.g. 5 times) since the CL estimates are not sufficient for surplus protection.</i>		
I. Any JPA with non-risk sharing program(s) must clearly indicate in the governing documents the financial and operational structure of such program(s). (Mandatory) <i>To be considered as a W.C. non-risk sharing program, it must not be operating under a master workers' compensation certificate filed with the State Dept. of Self-Insurance Plans.</i>		
In lieu of funding standards contained in Section E above, a non-risk sharing program must:		
1. Calculate and communicate the individual member net asset balances and liabilities to the members annually.		

2. Be sufficiently assessable to ensure that program's cash flow needs are met.		
3. Demonstrate that it has adequate cash on hand to meet future claims costs.		
J. The JPA maintains a suitable management information system that includes premium computation methods and/or allocation formulas. (Mandatory).		

## V. INVESTMENT OF FUNDS

### *Objective*

*To assure that policies and procedures are in effect to protect and preserve the JPA's financial assets.*

CRITERIA	STATUS	DISCUSSION
A. The JPA has a written investment policy that contains: (Mandatory) <i>Required for all, even if they only have money in LAIF and or County Treasury.</i>		
1. A statement of objectives as required by G.C. § 53646		
2. Description of permitted investments, which must be in conformity with California G.C. §53601 and reasonable under "prudent investment rule."		
3. The written investment policy is reviewed annually by governing body or an investment committee pursuant to California G.C. § 53646(a).		
4. The JPA provides evidence that the governing body or an investment committee periodically considers diversification of risk as to type of investment and individual institution. (Mandatory)		
B. The JPA invests its funds in conformity with GC §53601. (G.C. 6509.5) (Mandatory)		
C. The JPA has in place internal controls that include: (Mandatory) <i>Government pooled funds excepted.</i>		
1. Separation of functions (buying and selling of securities is separate from accounting and reporting of transactions) if the size of the staff can accommodate this;		
2. Separate verification of all transactions; and		
3. Written documentation of procedures.		
D. If the Treasurer has the authority to reinvest, sell and exchange securities:		
1. The JPA makes such delegation of authority annually. (G.C. §53607). (Mandatory)		
2. The Treasurer renders a monthly report of investment transactions to the governing board. (G.C. 53607). (Mandatory)		

CRITERIA	STATUS	DISCUSSION
<p>THE FOLLOWING REQUIREMENTS (E, F, G, &amp; H) ONLY APPLY TO JPAs THAT MANAGE THEIR OWN INVESTMENTS, WITH OR WITHOUT THE USE OF INVESTMENT CONSULTANTS.</p> <p><i>Does not apply to JPA funds that are deposited with county or state investment pools.</i></p>		
<p>E. The JPA provides evidence that the Treasurer or Chief Financial Officer has submitted a quarterly report in a timely manner to the governing board containing the investment information required by California G.C. §53646 (b) (1), a description of compliance with the statement of investment policy G.C. §53646 (b) (2), and a statement of ability to meet expenditure requirements over the next six months G.C. §53646 (b) (3). (Mandatory) Quarterly report is suggested not required under government code revisions but still required under these standards. The <i>State revised so they don't have to include this in the mandated cost reimbursements.</i></p> <p><i>(Should be signed by Treasurer or CEO. (Note; under 53646 it does not state that you must provide the transaction detail as described under 53607 for a treasurer that has investment authority)</i></p>		
<p>F. The quarterly investment report filed with the governing body shall also contain:</p>		
<p>1. Type of investments; (Excellence)</p>		
<p>2. Issuing institution; (Excellence)</p>		
<p>3. Dates of purchase and maturity; (Excellence)</p>		
<p>4. Par and dollar amount invested on all securities; (Excellence)</p>		
<p>5. Investments and monies held by the JPA; (Excellence)</p>		
<p>6. Current market value, including source; (Excellence)</p>		
<p>7. Coupon rate; (Excellence)</p>		
<p>8. Effective yield rate; <i>(yield to maturity)</i> (Excellence)</p>		
<p>9. Portfolio total rate of return; (Excellence)</p>		
<p>10. Cash and security transactions; (Excellence)</p>		
<p>11. Percentage of portfolio by issuer or security type. (Excellence)</p>		
<p>G. JPAs that own investment securities shall have an independent custodian who shall not be from the same department of the financial institution or broker/dealer from whom the JPA buys or sells the security, or the investment advisor. (Mandatory)</p>		
<p>1. There shall be a written contract between the JPA and the independent custodian that includes: (Mandatory)</p> <p>a. Scope of services</p> <p>b. Compensation</p> <p>c. Termination</p>		

CRITERIA	STATUS	DISCUSSION
2. Monthly reports shall be sent directly from custodian to a specific person at the JPA. (Excellence)		
3. Custodial statements shall be reconciled with an in-house or investment advisor's report. (Mandatory) <i>Should be independent of the custodian and investment advisor. Should be documented in the investment accounting procedures. Recommend quarterly.</i>		
4. The third-party custodian shall maintain adequate fidelity coverage. (Excellence)		
H. For JPAs that engage in services of a professional investment advisor, the following safeguards are in place: <i>For the purpose of this Section I, an investment advisor is a person or firm that provides advice as to the value of securities or property or the advisability of purchasing or selling such securities or property. The advisor may have discretionary authority or control to purchase or sell. An investment advisor renders advice to the JPA on a regular basis with the understanding that his or her advice will be an integral factor in the investment decision-making process relative to the particular needs of the JPA. Purely clerical or ministerial duties such as record-keeping, reporting, processing, or disseminating information generally will not be classified as investment advisory activities, absent authority, discretion, or control.</i>		
1. There is a written contract between the advisor and the JPA that includes; (Mandatory) a. Scope of services b. Compensation c. Duty to disclose conflicts of interest d. Termination e. Disclosure to JPA of any investigation by a regulatory body for investment-related regulatory violations.		
2. The JPA has a process to ensure the investment advisor has disclosed any conflict of interests (Mandatory) <i>(This may be satisfied by a provision in the contract as addressed in (1) above or FPPC form 700, or review of Form ADV Parts 1 and 2; this should be done annually.) We are concerned that this does not satisfy the objectives of "disclosure" form 700 and ADV, recommend an annual statement of conflicts; list conflicts.</i>		
3. All securities are purchased in the name of the JPA. (Mandatory) Deposits in LAIF or a treasury are not "securities"		

CRITERIA	STATUS	DISCUSSION
4. The advisor sends monthly reports to the JPA containing information described in Section D above. (Mandatory)		
5. The advisor reports at least quarterly an evaluation including total rate of return and a comparison of the pool's total rate of return to reasonable benchmarks (i.e., U.S. Treasury securities, an index comprised of Treasuries, or LAIF). (Excellence)		
6. The investment advisor carries Investment Advisor Professional Liability Insurance with a per <u>claim</u> /aggregate limit of at least \$1,000,000. (Mandatory)		
I. JPA's that place their investments in or through County or State investment pools, or in FDIC insured contracts will issue quarterly reports to the governing body, chief financial officer, and auditor in accordance with G.C. §53646 (e). (Mandatory)		

## VI. FUNDING AND ACTUARIAL STANDARDS

### Objective

*To determine that the JPA has completed actuarial studies or independent evaluations on each of its self-funded programs. There may be instances in which the provisions of this section may be waived because such studies may not be considered necessary (such as for property or vehicle physical damage programs).*

Programs: Property/Liability/Workers Compensation

CRITERIA	STATUS	DISCUSSION
<p>A. The JPA has had property or casualty (including W.C.) actuarial study(ies). Such study was conducted by a Member of the American Academy of Actuaries and addressed all of the relevant items in Sections IV. E and IV. F. Such study(ies) shall be conducted within the last three years (Mandatory) or annually. (Excellence). <i>(The actuary should be conducted for major programs, if a pool is in run-out it still should have an actuary study, unless as determined by the committee the risk and variability has sufficiently diminished. Such considerations would be; line of coverage, the risk layer retained, whether the pool is an excess layer pool, the variability inherent in the claims and how the claims are developing.)</i></p>		<p>Wc Liab prop</p>
<p>B. The actuary provides claim funded factors or measures for the:</p> <ul style="list-style-type: none"> <li>a. Expected level (Mandatory)</li> <li>b. 70% confidence level (Mandatory)</li> <li>c. 80% confidence level (Mandatory)</li> <li>d. 90% confidence level (Mandatory)</li> <li>e. At least one of the factors below or similar: <ul style="list-style-type: none"> <li>98% confidence level (1:50) (Excellence)</li> <li>99% confidence level (1:100) (Excellence)</li> <li>99.5% confidence level (1:200) (Excellence)</li> </ul> <i>This information would be valuable for long-term risk financing and meeting forever pool benchmarks and goals.</i> </li> </ul>		
<p>C. If loss reserves requirements were computed on a discounted (present value) basis, the payout pattern and projected rate of return were reasonable. (Mandatory) <i>Is the discount rate reasonable given; current cash and investment balances, accounts receivable or deficit balances, or the character of the assets such as buildings?</i></p>		<p>% discount</p>
<p>D. If the JPA has a self-funded medical benefit plans, it must conduct an independent rate study and fund level evaluation, including consideration of a reasonable contingency margin for adverse experience. Such study shall be conducted within the last 36 months. (Mandatory).</p>		

<p>E. If JPA has other miscellaneous self-funded programs (such as dental, vision, long-term disability or life), it must conduct independent rate studies and fund level evaluations within the last 36 months by an actuary (Mandatory) <i>note this is a requirement for education JPA's under AB 1200 Chapter 1213.</i></p>		
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## VII. RISK CONTROL

### Objective

*To determine that the JPA actively promotes risk control principles and practices to its members and that necessary budgetary appropriations for such services are made. An excess JPA may meet this requirement by requiring its member agencies to be responsible for having their own risk control program.*

CRITERIA	STATUS	DISCUSSION
A. JPAs are active in promoting risk control principles among their member agencies. This shall include the following: (Compliance with two or more is required) <i>Not applicable for benefit programs.</i> (Mandatory)		
1. Promoting a risk transfer policy that addresses additional insured's, minimum insurance limits and proof of suitable insurance coverage.		
2. Establishing risk control standards for the significant exposures of its member agencies. <i>For liability and property.</i>		
3. Prioritizing the use of its risk control resources, based on such factors as; (a) loss ratios, (b) frequency, and (c) severity rates.		
4. Offering risk control assistance to its member agencies, including (a) conducting or facilitating risk control inspections, (b) investigating large losses, (c) conducting risk control training for its member agencies, and/or (d) providing wellness and/or employee assistance program.		
5. Providing or facilitating the procurement of appraisal services, in order to maintain accurate records of its members' property components and values.		
B. The JPA's budget provides for the above. (Mandatory)		
C. The JPA maintains a suitable management information system that includes: (Mandatory)		
1. Relevant information about type and quantity of exposures being assumed.		
2. Relevant information about the type, number and cause of accidents resulting in claims against its member agencies.		

## VIII. CLAIMS MANAGEMENT

### Objective

*Measure nature, scope, and quality of the claim management services provided by JPA and its contractors.*

Program: Property / Liability

CRITERIA	STATUS	DISCUSSION
A. The JPA has established a suitable claim's management system. Excess JPA's must have a process to monitor primary claims handled by, or for, its member agencies. (Mandatory)		
B. The JPA has established a litigation management program. (Mandatory) <i>Evidence of this may include</i> <ul style="list-style-type: none"> <li>• Budget</li> <li>• Written plan for litigation on each litigated case</li> <li>• Guidelines for oversight of litigation</li> <li>• Contracts with attorneys</li> </ul> <i>Although the above may not be applicable for excess pools; does the excess pool</i> <ul style="list-style-type: none"> <li>• have oversight only over primary layer litigation?</li> <li>• assign associate defense counsel?</li> <li>• ensure the primary pool or covered party has a litigation program?</li> </ul>		
C. The JPA has conducted a claims audit on each significant self-funded program within the last 2 years. Significant self-funded programs shall include W.C., liability, and medical malpractice. (Excellence) <i>(A periodic Profile Audit Review (PAR) audit may be acceptable replacement on a self-administered program (in-house administration) however; this audit does not have the same scope in review of reserves).</i> The audit should be conducted by a qualified claims auditor, independent of the JPA, the claims administrator and the insurers, and should determine whether or not:		
1. Claims are handled in a timely and organized manner;		
2. The claims administrator adequately communicates with the JPA, its members, and the claimants;		
3. Case reserving practices are reasonable;		
4. Loss experience reports accurately reflect the case reserves and the payments. As an alternative, this determination may be made during the financial audits required in Section IV. C. of these Accreditation Standards.		

CRITERIA	STATUS	DISCUSSION
5. The JPA is receiving quality claims services. General evidence of this may be indicated from the following:		
a. Staffing levels are adequate in relation to caseloads;		
b. Adjusters identify claims with subrogation potential;		
c. Excess insurers are notified of claims with excess potential;		
d. Litigated claims are adequately managed;		
e. Coverage is verified; and		
f. Adequate investigations are performed.		
D. The JPA has addressed all major recommendations and significant findings included in the audit report. <i>Consideration of a future standard: (An excess pool has a process of reviewing primary layer claim audit results and follow-up with members) (Mandatory)</i>		
E. The JPA maintains a management information system that includes relevant information about the type, number and cost of claims being reported and adjusted. (Mandatory)		
F. If the JPA provides employee benefit plans for its members, it must have an appeals process for handling claims and/or coverage related disputes. (Mandatory)		
G. The JPA has a written policy addressing settlement authority (Mandatory)		

## VIII. CLAIMS MANAGEMENT

### Objective

*Measure nature, scope, and quality of the claim management services provided by JPA and its contractors.*

Program: Workers Compensation

CRITERIA	STATUS	DISCUSSION
A. The JPA has established a suitable claim's management system. Excess JPA's must have a process to monitor primary claims handled by, or for, its member agencies. (Mandatory)		
B. The JPA has established a litigation management system. (Mandatory)		
C. The JPA has conducted a claims audit on each significant self-funded program within the last 2 years. Significant self-funded programs shall include W.C., liability, and medical malpractice. (Excellence) <i>(A periodic Profile Audit Review (PAR) audit <u>may</u> be acceptable replacement on a self-administered program (in-house administration) however; this audit does not have the same scope in review of reserves).</i> The audit should be conducted by a qualified claims auditor, independent of the JPA, the claims administrator and the insurers, and should determine whether or not:		
1. Claims are handled in a timely and organized manner;		
2. The claims administrator adequately communicates with the JPA, its members, and the claimants;		
3. Case reserving practices are reasonable;		
4. Loss experience reports accurately reflect the case reserves and the payments. As an alternative, this determination may be made during the financial audits required in Section IV. C. of these Accreditation Standards.		
5. The JPA is receiving quality claims services. General evidence of this may be indicated from the following:		
a. Staffing levels are adequate in relation to caseloads;		
b. Adjusters identify claims with subrogation potential;		
c. Excess insurers are notified of claims with excess potential;		
d. Litigated claims are adequately managed;		
e. Coverage is verified; and		
f. Adequate investigations are performed.		

CRITERIA	STATUS	DISCUSSION
D. The JPA has addressed all major recommendations and significant findings included in the audit report. <i>Consideration of a future standard: (An excess pool has a process of reviewing primary layer claim audit results and follow-up with members (Mandatory)</i>		
E. The JPA maintains a management information system that includes relevant information about the type, number and cost of claims being reported and adjusted. (Mandatory)		
F. If the JPA provides employee benefit plans for its members, it must have an appeals process for handling claims and/or coverage related disputes. (Mandatory)		
G. The JPA has a written policy addressing settlement authority (Mandatory)		

## IX. Underwriting Objective

*To determine that the JPA has a clear process for developing and monitoring its underwriting policies and processes*

CRITERIA	STATUS	DISCUSSION
I. Underwriting Objectives <i>This applies to rating individual members and overall program management</i>		
1. The JPA has established a written underwriting policy. This policy should include the following (mandatory): <i>This should be a written policy approved by the board</i>		
a. A definition of the underwriting function / mission		
b. Address suitability or fit of member		
c. As applicable considers <ul style="list-style-type: none"> <li>i. Claims</li> <li>ii. Exposures</li> <li>iii. Actuarial results</li> </ul>		
d. Defines relevant period or value of data. <i>(last 5 years; or capped at \$150,000)</i>		
2. There is an objective contribution allocation formula (mandatory) (Addresses both new and existing members)		
a. It identifies the components in writing as part of the policy		
b. The policy identifies guidelines for credits or debits, if any		
3. There is an approval process for new members by board or who they delegate this approval. (mandatory)		
4. The underwriting policy is formally reviewed periodically or at least once every three years. (Mandatory) <i>(a fresh look at the formulas)</i> This review should consider:		
a. Is the process adequately measuring the risks? (Mandatory)		
b. Is the process adequately allocating costs? (Mandatory)		
5. Underwriting considers the target net assets (Excellence) May include a dividend & assessment formula		

**X. OPERATIONS AND ADMINISTRATIVE MANAGEMENT**

**Objective**

*To determine that the JPA (A) has a process for developing and implementing a strategic plan setting forth its goals and objectives for the future, (B) regularly and effectively communicates with its members (C) actively involves its governing board members and staff in education and training programs offered by relevant professional associations and (D) maintains procedures and policies relating to information systems.*

CRITERIA	STATUS	DISCUSSION
A. The JPA conducts an effective strategic planning process to guide its future efforts. This should include an analysis of the environmental trends and the organizational strengths, weaknesses, opportunities and threats. Such a process may also include the following: (Excellence)		
1. A survey of member expectations and related perceptions; (either formally or informally)		
2. A mission statement with supporting goals, objectives and tasks.		
3. Consideration of the target equity policy.		
B. The JPA regularly communicates with its member entities. Such communication may include (Mandatory) <i>One or more or related communication efforts with members</i>		
1. Annual reports, newsletters, or similar media;		
2. Notice of major policy issues;		
3. Periodic workshops, seminars, or similar educational activities;		
4. Surveys of its member agencies, its service providers, and staff.		
5. JPA website for communication with members		
C. The JPA governing board and staff are actively involved in education and training programs. Such involvement may be indicated by the following: (Excellence)		
1. Participation in one or more of the following organizations:		
a. CAJPA (California Association of Joint Powers Authorities)		
b. PARMA (Public Agency Risk Managers Association)		
c. PRIMA (Public Risk Management Association)		
d. CPCU Society (Chartered Property and Casualty Underwriters)		
e. RIMS (Risk and Insurance Management Society)		

CRITERIA	STATUS	DISCUSSION
f. CASBO (California Association of School Business Officials)		
g. COSIPA (Council of Self-Insured Public Agencies)		
h. CSIA (California Self-Insurers Association)		
i. PASMA (Public Agency Safety Management Association)		
j. AGRIP (Association of Governmental Risk Insurance Pools)		
k. IEA (Insurance Educational Association)		
l. ASSE (American Society of Safety Engineers)		
m. SCIC (Society of Certified Insurance Counselors)		
2. Top management has attended at least two professional conferences or seminars in the preceding 12 months.		
3. The governing body members participate in training such as; governance training, pool management or risk management training.		
4. There is formal training of all key personnel. <i>(As needed)</i>		
5. The JPA's budget provides for the above participation and training.		
D. The JPA has developed and implemented processes and procedures relating to protection of electronic data, including:		
1. A suitable security and back-up system for all stored data. (Mandatory)		
2. A written policy with respect to:		
a. Disaster recovery (Mandatory)		
c. Data backup and recovery (Mandatory)		
b. Physical and electronic data security (Mandatory)		
c. Electronic data retention (Mandatory)		
d. Protection of electronic data as required by Health Insurance Portability and Accountability Act of 1996 (HIPAA), as applicable. (Mandatory)		

## XI. ENTERPRISE RISK MANAGEMENT

### OBJECTIVE

***Demonstrative for the first cycle to make this part of the conversation management has with the board; the goal would be to make this demonstrative for a three- year cycle beginning January 1, 2021 then after this section will be for the excellence standard.***

To determine that the JPA has an ongoing process to identify major overall risk areas for the JPA and a plan reduce these risks to a relatively low level.

The JPA leadership has identified the relevant; policies, procedures, people, systems, training and monitoring to address first level risks in each of these three areas. A plan should be developed to

- a. Identify the major risks
- b. Develop a plan to reduce the risk to a “relatively low level.”
- c. Implement the plan
- d. Monitor and develop plans to address next level risks.

*(note must have a plan in process. It doesn't have to be fully implemented)* The plan must be in writing and approved by the proper level of governance (Excellence).

The primary headings identified that must be addressed:

CRITERIA	STATUS	DISCUSSION
<b>I. Member Understanding and Value - Meeting member needs through various cycles.</b>		
a. Identify the major risks (demonstrative/excellence)		
b. Develop a plan to reduce the risk to a “relatively low level.” (demonstrative/excellence)		
c. Implement the plan (demonstrative/excellence)		
d. Monitor and develop plans to address next level risks (demonstrative/excellence)		
<b>II. Funding, Capitalization and Risk Financing Structure - Board not adequately funding and capitalizing a program.</b>		
a. Identify the major risks (demonstrative/excellence)		
b. Develop a plan to reduce the risk to a “relatively low level.” (demonstrative/excellence)		

c. Implement the plan (demonstrative/excellence)		
d. Monitor and develop plans to address next level risks. (demonstrative/excellence)		
<b>III. Operations and Operational Interruption.</b>		
a. Identify the major risks (demonstrative/excellence)		
b. Develop a plan to reduce the risk to a “relatively low level.” (demonstrative/excellence)		
c. Implement the plan (demonstrative/excellence)		
d. Monitor and develop plans to address next level risks. (demonstrative/excellence)		
<i>The plan should be designed to reduce to a relatively low risk that events in these areas would significantly put the pool at risk.</i>		