Adopted: December 11, 1990
Effective: February 15, 1991
Amended: March 11, 2004
Amended: October 5, 2006
Amended: December 8, 2011
Amended: July 1, 2019

MEMORANDUM OF UNDERSTANDING
GENERAL LIABILITY PROGRAM 2

This Memorandum of Understanding is entered into by and between the CSAC-EIA (hereinafter referred to as the "Authority") and the participating members of the General Liability Program 2 (hereinafter referred to as “GL2”), consisting of counties and other public entities (hereinafter “Public Entity”) who are signatories to this Memorandum.

1. **JOINT POWERS AGREEMENT**. Except as otherwise provided herein, all terms used herein shall be as defined in Article 1 of the Joint Powers Agreement Creating the Excess Insurance Authority (hereinafter referred to as "Agreement"). Provisions of any applicable coverage agreement and all other provisions of the Agreement not in conflict with this Memorandum shall be applicable.

2. **PROGRAM COMMITTEE**.

A. There is hereby established a GL2 Program Committee (hereinafter referred to as "GL2 Committee" or “Committee”) and, except as otherwise provided herein, said Committee shall have full authority to determine all matters affecting the participating members.

B. The GL2 Committee shall consist of all GL2 member counties of the Authority, with the committee member being that person designated as the county’s Board member for the Authority. In the event a county Committee member is not present at a meeting of the Committee, the County’s Alternate Board member may serve as the county’s alternate on the Committee. In addition to GL2 member counties, each GL2 public entity member shall be a member of the Committee, subject to the GL2 member counties maintaining a minimum of 60% of the eligible voting membership on the Committee. The GL2 public entity committee members shall be reduced accordingly to ensure at least 60% of the Committee consists of GL2 member counties. For example, based upon the 8 current GL2 member counties participating in the program, all 3 current GL2 public entity members would have a seat on the Committee and maintain at least 60% representation by the GL2 member counties. If the number of GL2 member counties is reduced to 4, then the GL2 public entity members would lose one seat and have only 2 votes. GL2 public entity committee members shall be appointed by the Executive Committee and shall serve for a two year term. Each GL2 public entity committee member shall designate an alternate to vote in their absence. The alternate must be an employee or elected or appointed official of the GL2 public entity committee member.

C. The GL2 Committee shall meet on the call of the Chair of the Committee as provided in Article 12 of the Agreement and Article VI of the Bylaws of the Authority (hereinafter referred to as the "Bylaws").

D. A majority of the members of the GL2 Committee shall constitute a quorum for the transaction of business. Except as otherwise provided herein, all actions of the GL2 Committee shall require the affirmative vote of a majority of the members of the Committee. Any meeting of the GL2 Committee shall be subject to the applicable provisions of Government Code § 54950 et seq., commonly known as the "Brown Act."

3. **PREMIUMS**. The participating members, in accordance with the provisions of Article 14 of the Agreement, shall be assessed an annual premium for the purpose of funding the GL2 Program. Annual premium contributions, including Program administrative costs plus the Authority's general expense allocated to the Program by the Board for the next policy period, shall be as established by the GL2 Committee upon consultation with the underwriters.

4. **MEMBER SELF-INSURED RETENTIONS.** The self-insured retention amounts of the members shall be established upon consultation with the underwriters and subject to approval by the GL2 Committee.

5. **COST ALLOCATION.** The method of allocating contributions to the GL2 Program shall be determined by the GL2 Committee upon consultation with underwriters.

6. **FUNDING FOR CLAIMS**.

A. At the GL2 Committee's discretion, based on market conditions, exposures, and/or loss history, self-insured layers or aggregated retentions may be established for the GL2 Program for any policy period or combination of policy periods. If self-insured and/or aggregated retention layers are established, such will be funded by contributions from the members participating in the self-insured and/or aggregated retention layers, as determined by the Committee. Funding for these layers shall be used exclusively for the payment of claims made against the participating members, including expenses, in accordance with the terms and conditions of the applicable Memorandum of Coverage.

B. Any self-insured and/or aggregated retention layers shall be fully funded by the participating members, and may, at the discretion of the GL2 Committee, be discounted for anticipated and/or earned investment earnings. Should such not be fully funded for any reason, pro-rata assessments may be made to the participating members pursuant to the provisions of Article 14.b.3. of the Agreement to ensure a 100% funding level.

7. **DIVIDENDS**. Notwithstanding Article 22.b. of the Agreement, if self-insured and/or aggregated retention layers are established and it is determined that funds remain after the payment of all claims, a dividend may be declared by the GL2 Committee. If a dividend is declared, the dividend shall be payable to the members participating in the

layer, during the period in which there are excess funds, based on each member's share of contributions to the applicable layer, regardless of whether the member is a participating member in the GLII Program at the time the dividend is declared.

8. **MEMORANDUM OF COVERAGE**. A Memorandum of Coverage will be issued by the Authority evidencing membership in the GL2 Program and setting forth terms and conditions of coverage.

9. **CLAIMS ADMINISTRATION.** Each participating member is required to comply with the Authority's Underwriting and Claims Administration Standards (including Addendum B - Liability Claims Administration Guidelines) as amended from time to time, and which are attached hereto as Exhibit A and incorporated herein.

10. **CLAIMS REVIEW COMMITTEE.** There is hereby established a GL2 Claims Review Committee (hereinafter referred to as "CRC2") and, except as otherwise provided herein, the CRC2 shall have full authority to determine all matters affecting the settlement of claims for participating members in excess of the members' respective SIRs. The CRC2 shall also have full authority to conduct business on any other matters that have been delegated to it by the GL2 Committee. The CRC2 shall review all claims arising out of the GL2 Program against members which involve or may involve liability of the Authority. The CRC2 may settle claims in excess of the members' SIRs in accordance with Article XI of the Authority's Bylaws. The CRC2 Committee shall advise the GL2 Committee as to the nature and extent of claims adjusting and legal defense services necessary to protect the funds of the Authority, as to settlement of claims above its monetary limits which involve liability of the Authority, and such other functions as the GL2 Committee may direct. The GL2 Committee may appoint legal counsel or use County Counsel representatives to serve in an advisory capacity to the CRC2.

A. The GL2 Committee shall appoint members to the CRC2. Terms of service on the CRC2 will be through December 31st of the year of expiration or until the GL2 Committee makes new appointments at its meeting the following year, whichever is later.

i. The CRC2 shall be comprised of 7 members who participate in the GL2 Program, of which 5 are voting members and 2 are alternates who are eligible to vote at any meeting where a voting member is absent. For the first year of the Committee, 3 of the voting members will serve 2 year terms and the other 2 voting members will serve 1 year terms. After the completion of the first year of the CRC2, the 2 expiring terms will become 2 year terms thereafter. Alternate members serve one year terms.

B. The CRC2 shall meet at regularly scheduled times and places or upon the call of the Chair. Written notice of regular meetings shall be in accordance with

the provisions of Article III.(1)(c) of the Bylaws. Special meetings shall be called and noticed in accordance with the provisions of Article III.(2).

A majority of the members of the CRC2 shall constitute a quorum for the transaction of business. All actions of the CRC2 shall require the affirmative votes of a majority of the members at a meeting duly held at which a quorum is present.

C. Should a member disagree with the denial of a request for settlement authority, the member may appeal the decision to the GL2 Committee for reconsideration. If the Committee agrees with the CRC2's decision, then the member may appeal the decision to the Executive Committee pursuant to subsection (c) of Article 31 of the Agreement and thereafter follow the steps laid out in that subsection.

11. **APPLICATION TO THE PROGRAM**.

A. All applications to join the GL2 Program will be evaluated by and subject to approval by the GL2 Committee and the underwriter.

B. Any entity which makes application to become a participating member of the GLII Program who is not already a participating member in the Authority must also be approved in accordance with the provisions of Article 19 of the Agreement.

C. New participating members may be added to the GL2 Program during the term of the coverage period on a pro-rata basis. Notwithstanding late entry into the Program, the new member may be assessed additional sums pursuant to paragraph 6 herein, based upon all claims against the fund during the entire coverage period.

12. **WITHDRAWAL AND/OR CANCELLATION FROM THE PROGRAM**. Withdrawal and/or cancellation of a member from the GL2 Program shall be in accordance with the provisions of Article 20 or 21 of the Agreement, except that any interest or other dividend to which the withdrawing member is otherwise entitled shall be payable to the withdrawing member in accordance with paragraph 7 herein.

13. **LATE PAYMENTS.** Notwithstanding any other provision to the contrary regarding late payment of invoices or cancellation from a program, at the discretion of the Executive Committee, any member that fails to pay an invoice when due may be given a ten (10) day written notice of cancellation.

14. **RESOLUTION OF DISPUTES**. Any question or dispute with respect to the rights and obligations of the parties to this Memorandum regarding coverage shall be

determined in accordance with the Article 31 of the Agreement, and may also be subject to approval of the underwriter.

15. **AMENDMENT**. This Memorandum may be amended by a majority vote of the GL2 Committee and signature on the Memorandum by the member's designated representative who shall have authority to execute this Memorandum. Should a member of the GL2 Program fail to execute any amendment to this Memorandum within the time provided by the GL2 Committee, the member will be deemed to have withdrawn as of the end of the policy period.

16. **COMPLETE AGREEMENT**. Except as otherwise provided herein, this Memorandum constitutes the full and complete agreement of the members.

17. **SEVERABILITY**. Should any provision of this Memorandum be judicially determined to be void or unenforceable, such determination shall not affect any remaining provision.

18. **EFFECTIVE DATE**. This Memorandum shall become effective on the effective date of coverage for the member and upon approval by the GL2 Committee of any amendment, whichever is later.

19. **EXECUTION IN COUNTERPARTS**. This Memorandum may be executed in several counterparts, each of which shall be an original, all of which shall constitute but one and the same instrument.

In witness whereof, the undersigned have executed this Memorandum as of the date set forth below.

Dated: 5/30/19

CSAC Excess Insurance Authority

Dated: _____ _____

Name, Position: _____

Member Entity: _____