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**MEMORANDUM OF UNDERSTANDING**

This Memorandum of Understanding (hereafter "MEMORANDUM") is entered into by and between the Special District Risk Management Authority (hereafter "SDRMA") and the participating public entity (hereafter "ENTITY") who is signatory to this MEMORANDUM.

**Recitals**

**WHEREAS**, on August 1, 2006, SDRMA was appointed administrator for the purpose of enrolling small public entities typically having 250 or less employees into the California State Association of Counties ("CSAC") Excess Insurance Authority ("EIA") EIAHealth's Small Group Medical Benefits Program (hereinafter "PROGRAM").

**WHEREAS**, the terms and conditions of the PROGRAM as well as benefit coverage, rates, assessments, and premiums are governed by EIAHealth Committee for the PROGRAM (the "COMMITTEE") and not SDRMA.

**WHEREAS**, ENTITY desires to enroll and participate in the PROGRAM.

**NOW THEREFORE**, SDRMA and ENTITY agree as follows:

1. **PURPOSE.** ENTITY is signatory to this MEMORANDUM for the express purpose of enrolling in the PROGRAM.
2. **INITIAL COMMITMENT PERIOD.** ENTITY understands and acknowledges that it is required to remain in the PROGRAM for a period of at least three (3) full years as a condition to participation in the PROGRAM (the "INITIAL COMMITMENT PERIOD").
3. **ENTRY INTO PROGRAM.** ENTITY shall enroll in the PROGRAM by making application through SDRMA which shall be subject to approval by the PROGRAM's Underwriter and governing documents and in accordance with applicable eligibility guidelines.
4. **MAINTENANCE OF EFFORT.** PROGRAM is designed to provide an alternative medical benefit solution to all participants of the ENTITY including active and retired employees, dependents and public officials. ENTITY's contributing toward retiree benefit coverage prior to joining the PROGRAM, must contribute a minimum of 50% toward the cost of retiree benefit coverage during the INITIAL COMMITMENT PERIOD. After the INITIAL COMMITMENT PERIOD, ENTITY may discontinue coverage or change the contribution amount for retirees. However, ENTITY must contribute at least the minimum percentage required by the eligibility requirements.
5. **PREMIUMS.** ENTITY understands that premiums and rates for the PROGRAM are set by the COMMITTEE. ENTITY will remit monthly premiums based upon rates established for each category of participants and the census of covered employees, dependents and retirees.

Rates for the ENTITY and each category of participant will be determined by the COMMITTEE designated for the PROGRAM based upon advice from their consultants and/or a consulting Benefits Actuary and insurance carriers. In addition, SDRMA will add an administrative fee to premiums and rates set by the COMMITTEE for costs associated with administering the PROGRAM. Rates

- may vary depending upon factors including, but not limited to, demographic characteristics, loss experience of all public entities participating in the PROGRAM and differences in benefits provided (plan design), if any.
- a. SDRMA will administrate a billing to ENTITY each month, with payments due by the date specified by SDRMA. Payments received after the specified date will accrue penalties. Medical benefit premiums are based on a full month. There are no partial months or prorated premiums.
  - b. ENTITY must send notification of termination of benefits for a covered employee to the PROGRAM and SDRMA by the 15th of the current month to terminate at the end of the month. Otherwise (i.e. notification after the 15th), termination will be as of the end of the following month.
6. **BENEFITS.** Benefits provided to ENTITY participants shall be as set forth in ENTITY's Plan Summary for the PROGRAM and as agreed upon between the ENTITY and its recognized employee organizations as applicable.
  7. **COVERAGE DOCUMENTS.** Except as otherwise provided herein, CSAC-EIAHealth documents outlining the coverage provided, including terms and conditions of coverage, are controlling with respect to the coverage of the PROGRAM.
  8. **PROGRAM FUNDING.** It is the intent of this MEMORANDUM to provide for a fully funded PROGRAM by any or all of the following: pooling risk; purchasing individual stop loss coverage to protect the pool from large claims; and purchasing aggregate stop loss coverage.
  9. **ASSESSMENTS.** Should the PROGRAM not be adequately funded for any reason, pro-rata assessments to the ENTITY may be utilized to ensure the approved funding level for applicable policy periods. Any assessments, which are deemed necessary to ensure approved funding levels, shall be made upon the determination and approval of the COMMITTEE in accordance the following:
    - a. Assessments/dividends will be used sparingly. Generally, any over/under funding will be factored into renewal rates.
    - b. If a dividend/assessment is declared, allocation will be based upon each ENTITY's proportional share of total premium paid for the preceding 3 years. ENTITY's must be current participants to receive a dividend except upon termination of the PROGRAM and distribution of assets.
    - c. ENTITY will be liable for assessments for 12 months following withdrawal from the PROGRAM.
    - d. Fund equity will be evaluated on a total program-wide basis as opposed to each year standing on its own.
  10. **WITHDRAWAL.** ENTITY may withdraw after their INITIAL COMMITMENT PERIOD (three (3) full year commitment period) and subject to the following condition; ENTITY shall notify SDRMA and the PROGRAM in writing of their intent to withdraw at least 180 days prior to their actual coverage renewal date. ENTITY may rescind its notice of intent to withdraw.
  11. **LIAISON WITH SDRMA.** Each ENTITY shall maintain staff to act as liaison with the SDRMA and between the ENTITY and the SDRMA's designated PROGRAM representative.

12. DISPUTES. Disputes between the parties related to this MEMORANDUM shall be resolved as follows:
- a. Mediation Before Litigation. The parties agree that in the event of any dispute by and between them, they shall first attempt to resolve the dispute by way of an informal mediation and if such efforts do not result in a resolution, they may proceed to litigate the claims.
  - b. Selection of Mediator. The mediation shall be held before a neutral mediator having at least 15 years civil business litigation experience or a retired judge. Within ten (10) days of a demand for mediation, the parties shall attempt to mutually select a neutral and qualified mediator. If the parties agree on the selection of the mediator, the mutually selected mediator shall be appointed for the mediation. If the parties are unable to mutually select a qualified mediator, they shall each select a neutral mediator and the two shall then select the third who shall be designated as the parties' neutral mediator for the dispute. Any selected mediator who is unable or unwilling to fulfill his duties may be replaced.
  - c. Time of Mediation. Subject to the mediator's availability, the parties will make best efforts to have the mediation scheduled and held within 45 days of a demand.
  - d. Costs of Mediation. The parties shall split and pay for the fees charged by the mediator equally.
  - e. Confidentiality of Mediation Process. The parties agree that the mediation of the dispute will be an effort to compromise disputed claims and that mediation shall be deemed confidential and no statements made at the mediation can be used against them in the event of future litigation.
  - f. Position Statements. Any party making a demand for mediation shall set forth in their written demand for mediation the factual and legal basis known to them for their claims or dispute and provide copies of any statements, summaries, reports, or documentary information known to them at the time to support their claims, save and except, privileged or confidential information, which may be withheld. Within thirty (30) days after receipt of a demand for mediation, the recipient shall provide a written response to the claims setting forth the factual and legal basis known to them to support the response or affirmative defenses and also provide copies of any statements, summaries, reports, or documentary information known to them at the time to support the response or affirmative defenses, save and except, privileged or confidential information, which may be withheld. Copies of the position statements and information exchanged between the parties under this provision shall be provided to the mediator in advance of the mediation.
  - g. Failure to Participate in Mediation. Any party who fails to participate in the mediation shall waive their right to collect attorney fees herein.
  - h. Exclusions From Mediation. The parties agree that any claim for immediate injunctive relief is specifically excluded from the requirements of mediation. The parties further agree that disputes related to coverage under the PROGRAM are excluded from this provision

and shall be governed in accordance with CSAC-EIAHealth documents and/or PROGRAM documents.

13. GOVERNING LAW. This MEMORANDUM shall be governed in accordance with the laws of the State of California.
14. VENUE. Venue for any dispute or enforcement shall be in Sacramento, California.
15. ATTORNEY FEES. The prevailing party in any dispute shall be entitled to an award of reasonable attorney fees.
16. COMPLETE AGREEMENT. This MEMORANDUM together with the related PROGRAM documents constitutes the full and complete agreement of the ENTITY.
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. AMENDMENT OF MEMORANDUM. This MEMORANDUM may be amended by the SDRMA Board of Directors and such amendments are subject to approval of ENTITY's signatory to this MEMORANDUM. Any ENTITY who fails or refuses to execute an amendment to this MEMORANDUM shall be deemed to have withdrawn from the PROGRAM on the next annual renewal date.
19. EFFECTIVE DATE. This MEMORANDUM shall become effective upon the signing of this MEMORANDUM by the ENTITY and Chief Executive Officer or Board President of SDRMA.
20. 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 the MEMORANDUM as of the date set forth below.

Dated: \_\_\_\_\_

By: \_\_\_\_\_

Special District Risk  
Management Authority

Dated: \_\_\_\_\_

By: \_\_\_\_\_

Charles J. Martin, GM  
Saddle Creek CSD