



**COVERAGE, CLAIMS & LITIGATION COMMITTEE**  
**Meeting Minutes**

**Thursday, September 11, 2014**  
**IRMA Office – 9:30 a.m.**

**PRESENT:**                Julia Cedillo, Chair                Eric Ertmoed  
                                 Art Malinowski                        Sharon Peterson

**ALSO PRESENT:**        Susan Garvey                        Margo Ely  
                                 Mary Henzler                         Dan LeTourneau

**ABSENT:**                Keith Sbiral                         Peter Scalera  
                                 Carol LeBeau                         Michael Braiman  
                                 Curt Barrett                         Dennis Bubenik

**I. CALL TO ORDER**

Chair Cedillo called the meeting to order. Roll was taken and a quorum declared.

**II. APPROVAL OF MINUTES – May 8, 2014**

A motion was made by Ertmoed and seconded by Malinowski to approve the Coverage, Claims & Litigation Committee Meeting Minutes of May 8, 2014. A voice vote was called and the motion carried.

**III. CLAIMS & LITIGATION REPORTS**

- A. Claims Operational Report
- B. Litigation Reports
  - 1. New Liability Claims Report
  - 2. Closed Liability Claims Report
  - 3. Litigation Management Report

Cedillo noted in reviewing the Claims Operational Report that claims have increased. Garvey reported that the auto liability claims are up due to snow plows hitting fixed objects last winter. In general liability, there are a few rather large claims sitting out there that have not been paid out yet. Cedillo commented that workers' compensation claims have also increased and Garvey stated that this is more typical as we had been lucky over the past several years in not experiencing as many workers' compensation claims.

Cedillo asked if anyone had any questions on the New Liability Claims Report. There were none, and Garvey stated that this report shows new claims that have come in since the last report.

In review of the Closed Claims Report, Garvey stated that the report shows the cases that were closed and how they were closed. There are a lot of dismissals and a lot of successful motions, which is a good path we are on.

Garvey reported that the Litigation Management Report gives a look at our defense firms and the kind of case loads that they have.

#### **IV. INCREASE IN SETTLEMENT AUTHORITY LEVELS FOR LIABILITY CLAIMS**

Cedillo noted that the action requested on this item was to approve staff's recommendation to increase the settlement authority in liability cases for the Executive Director to \$500,000 and for the Coverage, Claims & Litigation Committee to \$750,000, with the Executive Board having authority over \$750,000 and to add additional settlement authority for the Director of Legal Services up to \$300,000. These changes would be made to the existing Claims Policy.

Cedillo reported that the reasons for these changes are to allow for additional flexibility so these cases can be settled in a timely manner and also for some reasons related to the Open Meetings Act. Garvey noted that we are heading toward compliance with the Open Meetings Act and will not be able to do our telephone conference calls anymore, so it would take more effort and time to get everyone at a meeting to make those types of determinations. Garvey also noted that this has not been reviewed since 2003, and settlement values are going up. Garvey commented that this is also in line with what we just did with the workers' compensation settlement authority.

A motion was made by Ertmoed and seconded by Peterson to approve staff's recommendation of increasing settlement authority in liability cases for the Executive Director to \$500,000, for the Coverage, Claims & Litigation Committee to \$750,000 with the Executive Board to have over \$750,000 and to add additional settlement authority for the Director of Legal Services up to \$300,000 as presented in the August 19, 2014 staff memo. A voice vote was called and the motion carried.

#### **V. WORKERS' COMPENSATION CLAIMS APPROACH**

Cedillo stated that the memo lays out very well the new approach to workers' compensation claims that is being undertaken. To emphasize the partnership approach, members will notice that there is a more proactive way that we are looking to handle workers' compensation cases that need special attention in order to stay on course. Cedillo noted that in looking at some of the sample materials is that it allows for a greater responsibility on the part of the injured employee, rather than the member. This material has been introduced through the E-News and the article in the E-News included some links to the sample letters. Ely also noted that this subject will also be addressed at the upcoming Education Summit.

#### **VI. LITIGATION SUCCESSES**

Garvey stated that this item is from Ely, who thought it was a good idea to keep everyone apprised of good results as opposed to when we are coming in and asking for settlement authority. Garvey stated that if anyone wanted more information on any of these cases, they should contact her.

#### **VII. 2015 COVERAGE RENEWAL**

Cedillo stated the action that is being requested by staff is to review and approve the proposed 2015 Excess Reinsurance Coverage Renewal.

LeTourneau stated that the renewal started out with some proposed rate increases of between 4% - 10%, in both workers' compensation and crime coverage. LeTourneau much of this, especially in worker's compensation, is the current commercial insurance market trend. The market is seeing anywhere between 5% - 15% increases in workers'

compensation because of the overall severity increases.. LeTourneau stated that he went to Safety National and stated that IRMA's claims have been down 20% plus over the past several years. Ultimately, we achieved much better results in going back to several of the carriers that were either at a flat rate or an increased rate to remove all rate increases. The worst result is a flat rate and the best is a 3% rate reduction. The 1% overall cost increase is solely due to increases in member exposure bases.

LeTourneau highlighted the separate coverage areas. For Liability, we have two of the biggest insurance carriers in the world – Genesis and Munich Re. The Munich Re rate went down 3%. Genesis was initially a flat rate and finally came in at a 1.9% rate decrease. LeTourneau noted that through JLT Re. there are rating studies performed by their in-house actuaries which demonstrated that our price from Genesis is 11% their pricing model while the Munich Re quote was 26% below the actuarial price.

LeTourneau stated that in Workers' Compensation, we are remaining with Safety National with flat rate.

In Property, we moved to Hartford a year ago from Travelers. This will be the second year in their program. They originally came in with a flat rate, but we were able to get a 2% rate decrease.

Crime is a much smaller policy and we do have some larger losses with them. We were able to get a flat rate.

Boiler and Machinery is another small policy. Basically, they handle all member jurisdictional boiler and machinery inspections. Claims are very rare. They did reduce their rate by 3%.

Premium summary came out at a 1% increase strictly due to member exposure increases.

The only change in the Optional Coverage Program is that we are in the third year of our Volunteer Program with ACE, which is locked in at \$531 per member. We have had two large losses in 2014. Both will probably hit or exceed the \$100,000 medical limit. We always tell members to get a waiver from your volunteers in addition to providing volunteer coverage.

LeTourneau stated that the overall renewal went very well. We will need approval. LeTourneau also noted that we will need approval of maintaining a \$10,000,000 limit with a \$6,000,000 annual member aggregate cap.

A motion was made by Ertmoed and seconded by Malinowski to approve the 2015 Excess Reinsurance Coverage Renewal and to maintain the \$6,000,000 annual member aggregate cap. A voice vote was called and the motion carried.

## **VIII. 2015 PRELIMINARY BUDGET**

Cedillo stated that one of the responsibilities of the committee is to approve certain sections of the budget. Cedillo noted that there was a memo in the packet that provides some additional information on the Contractual Services for 3<sup>rd</sup> Party Claims Administration, Claims Audit, Insurance Brokerage Services (which we already decided

to extend the contract for an additional 5 years), and also the Commercial Insurance Renewal.

A motion was made by Peterson and seconded by Ertmoed to approve the Coverage, Claims & Litigation Committee's preliminary budget items. A voice vote was called and the motion carried.

**IX. EXECUTIVE SESSION**

A motion was made by Ertmoed and seconded by Peterson to move into Executive Session to discuss matters of approval of Executive Session minutes and pending litigation, pursuant to 5 ILCS 120/2(c)(21) and (11) respectively. A voice vote was called and the motion carried.

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**X. ADDITIONS TO AGENDA**

Cedillo asked if there were any additions to the agenda. There were none.

**XI. CONFIRMATION OF NEXT MEETING**

Cedillo announced that the next meeting of the Coverage, Claims & Litigation Committee would be Thursday, November 6, 2014 at 9:30 a.m. at the IRMA office.

**XII. ADJOURNMENT**

A motion was made by Peterson and seconded by Malinowski to adjourn the meeting. A voice vote was called and the motion carried.

Submitted by:

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Susan Garvey  
Director of Legal Services

Approved by:

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Julia Cedillo, Chair  
Coverage, Claims & Litigation Committee