



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

**Thursday, September 20, 2012**  
**IRMA Office – 9:30 a.m.**

**PRESENT:** Kathleen Gargano                      Bridget Wachtel  
                 Colleen Nigg                                Eric Ertmoed  
                 Curt Barrett                                 Julia Cedillo  
                 Keith Sbiral                                     Peter Scalera  
                 Mike Braiman

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

**ABSENT:**        Jim Marino

**I.        CALL TO ORDER**

Chair Gargano called the meeting to order at 9:30 a.m. Roll was taken and a quorum declared.

**II.        APPROVAL OF MINUTES – May 17, 2012**

A motion was made by Scalera and seconded by Barrett to approve the Coverage, Claims & Litigation Committee meeting minutes of May 17, 2012. A voice vote was called and the motion carried.

**III.        CLAIMS & LITIGATION REPORTS**

- A.    Claims Operational Report –
- B.    Summary Loss Report as
- C.    Litigation Reports
  - 1. New Liability Claims Report
  - 2. Closed Liability Claims Report
  - 3. Litigation Management Report

Garvey asked if anyone had any questions on any of the reports. Hearing none, the committee moved on to the next item.

**IV.        2013 COVERAGE RENEWAL**

LeTourneau stated that the renewal was much more difficult than in prior years. The commercial insurance marketplace has begun to harden. LeTourneau commented that this is the first time in ten plus years that we saw indications of a hardening market especially in the workers' compensation and property areas..We are no longer getting decreases in these lines and increases are the norm.

LeTourneau gave an overview of the coverage renewal chart in the packet.

### Liability

Renewal went very well with Munich Re and Genesis. LeTourneau commented that it is good having two reinsurers in the mix, not only because they are number one and two in the world, but they effectively compete against each other so IRMA can get the best possible pricing. For 2013, both reinsurers are on the same coverage layers, with Genesis providing \$2 million x \$3 million SIR and Munich Re providing \$5 million x of \$5 million. Munich has a 2.06% rate increase and Genesis rate is flat. Even though Munich Re had a small rate increase, they are still closest to the Towers Watson actuarial pricing picks for IRMA. We are recommending going with Munich Re and Genesis and remaining at a \$6 million Annual IRMA Member Aggregate Cap.

LeTourneau stated that it was fortunate we decided to use the current year revenue base (2012) for rating purposes rather than use the unaudited anticipated revenue base for 2013. They agreed to that last year and, fortunately for IRMA, this year we have a 2%-3% increase, but in 2012 we had a 1.7% reduction. This lowered the 2013 liability pricing.

### Workers' Compensation

LeTourneau commented that pricing in the workers' compensation area was definitely higher with the market clearly beginning to harden. We had a two year rate guarantee with Arch, our incumbent carrier, so this was the first year we were up for renewal negotiation. The best quote Arch was willing to offer was an 8.5% increase. We did not feel that increase was justified based on our claims experience. We decided to conduct a full marketing effort. The initial results indicated Ace wanting a 20-25% increase and NY Marine, Liberty Mutual, Meadowbrook, AmTrust and Travelers all declined to quote. However, Safety National's proposal came back at a flat rate with one specific criterion. They are requiring that new members' applications be reviewed and approved by Safety National. LeTourneau stated that we didn't like this, so went back to Arch and asked them to give us a final quote. They, again, wouldn't come down from an 8.5% quote. After further discussion with Towers Watson, our broker, and Safety National, we are confident that our underwriting criteria is actual more stringent than Safety National's so we should not have problems with this criteria that they also have with other pools. We recommend we leave Arch and move to Safety National at a flat rate. LeTourneau noted that industry-wide you are seeing anywhere from an 8% - 15% rate increase in the workers' compensation area because loss ratios are up, interest rates and investment returns are down, so they can't make enough revenue to offset increasing underwriting losses. Also, experience modifiers ("mods") developed by NCCI, are being changed to include a new severity component to the modification formulas. Previously, the formulas were based solely on loss frequency.

### Property

LeTourneau reported that there will be a small increase in the property rate. Members total insurable values or TIVs have also gone up. The average rate increases seen in the current property market are between 8% - 15% with good loss experience. LeTourneau explained that even though we have been with Travelers over 25 years on and off and they have a big bank build-up with us, they experienced huge catastrophic losses last year. We also tried to approach other markets through Towers Watson for indications of more aggressive pricing with no success. Travelers initially quoted an 8% increase. We continued to negotiate and reduced the increase to 4.86%. LeTourneau stated that the recommendation is to remain with Travelers at a 4.86% increase.

### Crime

LeTourneau stated that the recommendation in the crime area is to stay with Travelers with a small increase of \$1,569, due to the increases in overall crime loss severity.

### Boiler & Machinery

LeTourneau stated that the recommendation in is to stay with Travelers with a flat rate for 2013. LeTourneau noted that we had a 7% rate reduction in 2012 and the nominal increase is due to the increase in our property values.

### P.O. Bonds

LeTourneau stated that this is a very small program with Travelers that costs IRMA just over \$5,000.

### Premium Summary

LeTourneau stated that the overall results for the 2013 renewal were excellent with only a 1% total increase in our Commercial Excess/Reinsurance Coverage Program.

### Optional Coverage Program

Volunteer/Accident Disability – After a complete market effort for this coverage, LeTourneau stated that the recommendation is to stay with current carrier, ACE, with a \$4 increase per member per year, and a 3 year rate guarantee.

UST – LeTourneau stated that we are still waiting for member underwriting data in this area as the renewal doesn't take place until 1/1/13.

Special Events Liquor Liability – LeTourneau stated that the quote came in a little better than expected so staff is recommending a \$25 per day rate reduction on the two larger event categories for 2013.

Fiduciary Liability – LeTourneau reported that in marketing the plan staff has determined that Travelers is currently the most cost effective carrier.

Tenant/User – LeTourneau reported that we are with Norman-Spencer Group at a flat rate; however still searching for a more flexible TULIP program.

A motion was made by Cedillo and seconded by Nigg to approve the 2013 Excess/Reinsurance Coverage Program as presented by LeTourneau. A voice vote was called and the motion carried.

## **V. CYBER LIABILITY COVERAGE**

LeTourneau reported that both he and Garvey worked on this project with our broker, Towers Watson. We wanted to give our members an overview of what cyber liability exposures are present along with an overview of what's available in the marketplace. LeTourneau referenced the chart prepared by Mike Waterman of Towers Watson on page 18 of the meeting packet. LeTourneau stated the chart shows there are currently no cyber liability exposure exclusions in our general liability policies. The chart also indicates we have some crime coverage for first party monetary loss and some first party property coverage for damage resulting from computer viruses at \$100,000.

The main exposure that is typically not covered is first party expenses, which includes two main areas – your cost for notification of a breach and the cost of providing credit monitoring services if there is a breach.

LeTourneau stated that staff is seeing this as more of a loss prevention program rather than a coverage program. Although there are some minor potential gaps in coverage, the cost of commercial coverage is high when compared to the limited exposure. Staff is not recommending any coverage changes in this area at this time.

LeTourneau stated that members should be careful to look at private information kept in their databases to be sure it is an absolute business necessity to keep such information, because that will be looked at if there is a breach and/or claim.

#### **VI. IRMA DEFENSE PANEL COUNSEL RFP UPDATE**

Garvey stated that there was a very good response to the RFQ. We received 25 responses from liability firms and 7 responses from workers' compensation firms. The Evaluation Committee had its first meeting to discuss how to go about the evaluation process. The committee has asked staff to put together a matrix, breaking down all the firms by the criteria outlined in the RFQ and indicating how they measured up. From there, it will be whittled down to the firms that we want to interview, interviews will be conducted and recommendations made. We plan to have another committee meeting in the next few weeks.

#### **VII. 2013 PRELIMINARY BUDGET**

Garvey stated that the Coverage, Claims and Litigation Committee are required to approve three items: Contractual Services – Claims Audit; Contractual Services – Claims Administration; and Commercial Insurance Services.

In regards to the Claims Audit, Garvey reported that we are required to do a claims audit every three years. We had an audit conducted in 2010 and are due to have one completed by the same firm in 2013. The budgeted amount is for the 2013 audit as agreed to in their contract.

The Claims Administration contract is for an outstanding case from 1986 that is being handled by a third party administrator, Gallagher Bassett.

The Commercial Insurance Services were approved earlier in the meeting.

A motion was made by Sbiral and seconded by Scalera to approve the preliminary budget items of Claims Audit Contract, Claims Administration Contract and Commercial Insurance Services. A voice vote was called and the motion carried.

#### **VIII. ADDITIONS TO THE AGENDA**

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

#### **IX. EXECUTIVE SESSION**

A motion was made by Wachtel and seconded by Braiman to move into Executive Session. A voice vote was taken and the motion carried.

\*\*\*\*\*

Having adjourned from Executive Session, Gargano continued the meeting.

**X. CONFIRMATION OF NEXT MEETING**

Gargano stated that the next meeting of the committee is scheduled for Thursday, November 8, 2012.

**XI. ADJOURNMENT**

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

Submitted by:

---

Susan Garvey  
Director of Legal Services

Approved by:

---

Kathleen Gargano, Chair  
Coverage, Claims & Litigation Committee