



COVERAGE, CLAIMS & LITIGATION COMMITTEE
Meeting Minutes

Thursday, September 12, 2013
IRMA Office – 9:30 a.m.

PRESENT: Kathleen Gargano, Chair
Curt Barrett
Mike Braiman
Dennis Bubenik

Colleen Nigg
Keith Sbiral
Eric Ertmoed

ALSO PRESENT: Larry Bush
Mary Henzler

Susan Garvey
Dan LeTourneau

ABSENT: Peter Scalera
Blaine Wing

Julia Cedillo

I. CALL TO ORDER

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

II. APPROVAL OF MINUTES – May 23, 2013

A motion was made by Sbiral and seconded by Bubenik to approve the Coverage, Claims & Litigation Committee Meeting Minutes of May 23, 2013.

Garvey gave an update on the Amicus Brief – Motion to reconsider Diaz versus Village of Montgomery. Garvey reported that the petition to rehear was denied and the court didn't even take into consideration our Amicus Brief. They said there was no precedent for filing an Amicus Brief in this type of case.

A voice vote was called to approve the minutes and the motion carried.

III. CLAIMS & LITIGATION REPORTS

A. Claims Operational Report

Garvey reported that claims are still down from 2011. There are some notable increases in 2013, which we are attributing to the recent flooding and storm events. Garvey also noted that the total workers' compensation experience at -32.71% indicates that the Medical Fee Schedule is now working and claims experience is down.

B. Litigation Reports

1. New Liability Claims Report
2. Closed Liability Claims Report
3. Litigation Management Report

Garvey noted that these reports are self-explanatory and if anyone had a question, she would be happy to answer it.

Gargano asked how the distribution of claims was going with the new panel of attorneys. Garvey reported that it was going well.

IV. 2014 COVERAGE RENEWAL

LeTourneau reported on the coverage renewal highlights by line of coverage.

Liability – General, Auto, Public Officials

LeTourneau stated that staff is recommending remaining with Munich Re-America and Genesis. We are receiving a 1.57% rate reduction from Munich Re and a 4.79% rate reduction from Genesis. We added \$1 million of professional liability coverage for contracted, part-time, licensed professional engineers not employed by any engineering firm (self-employed). This is in direct response to members wanting to utilize part-time contracted engineers at a lower cost and being able to provide professional liability insurance for them as this requirement is often times cost prohibitive for the self-employed professional. LeTourneau explained that in working with Towers Watson we came up with some language that will include them in the IRMA professional services coverage with some limitations and requirements.

Gargano asked whether this is limited to engineering and asked about architects, stating that she knew that there are several member communities that would be interested in this applying to architects also. LeTourneau stated that architects would be similar to engineers, so he thought something could be worked out to include architects. This item will be addressed later in the meeting.

Workers' Compensation

LeTourneau reported that we are recommending renewing with Safety National at a flat rate for 2014. Commercial insurance rates have seen 5%-15% increases on average. LeTourneau noted that Safety National's A.M. Best rating has been upgraded from A (Excellent) to A+ (Superior).

Property

LeTourneau explained that the two Travelers account representatives who were managing the program have moved over to Hartford eight months ago. Since they left, we have received no information from Travelers. Their initial quote came in requesting a 10% increase. LeTourneau indicated that a full marketing effort was conducted for first party property reinsurance. Most carriers were either not competitive or not able to provide the required coverage limits.

Hartford requested to quote for IRMA. Our recommendation along with Towers Watson is to move the program with the current \$450K SIR from Travelers to Hartford and begin to build a relationship with Harford. Hartford agreed to a rate guarantee subject to a 35% loss ratio.

Crime

LeTourneau explained that the rate for crime from Travelers is as expiring/flat rate and includes two months of coverage for the City of Wood Dale. Recommendation is to renew with Travelers.

Boiler & Machinery

LeTourneau reported that the recommendation is to renew with Travelers for Boiler & Machinery coverage. Proposal includes a 3% rate reduction for 2014 and the \$50,682 premium includes 2 months coverage for Wood Dale.

P.O. Bonds

Recommend remaining with Travelers. Rate is flat and includes Wood Dale. Once Wood Dale leaves, the rate will be reduced slightly.

Premium Summary

LeTourneau reported that the overall 2014 commercial insurance program cost is down 2% from the 2013, including exposure increases.

Optional Coverage Program

LeTourneau noted that in the Special Events Liquor Liability program, we had some surplus, so we took the day rate for the largest number of attendees (over 5000) and reduced the cost down from \$200/day to \$175/day.

LeTourneau reported that we are in the 2nd year of a 3 year policy with ACE for Volunteer Accident/Disability coverage at a per member annual cost of \$531.

LeTourneau reported that in the web-based tenant/user program, he had them add an event called "Family Gatherings" to the automatic coverage listing to make it more user-friendly.

LeTourneau added that as part of the liability program it is recommended to remain at the current \$6 million Annual IRMA Member Aggregate Cap.

Gargano noted that a vote should be taken on the coverage renewal, but wanted to handle Agenda item VII – Coverage Extension –Part Time Engineers prior to approving the renewal.

VII. COVERAGE EXTENSION – PART TIME ENGINEERS

LeTourneau referred to page 51 in the meeting packet that gives an overview of why we are addressing this issue. The question became how can we incorporate this into the IRMA coverage program but still have some limitations/controls in the program? One of the important limitations is that they are part-time and work solely for the IRMA member and are not part of any outside professional services organization. An application would need to be developed to obtain essential underwriting information.

On page 52 is an amendment to the Professional Services Exclusion. We are going to take away the exclusion for this and add the coverage back in for these individual professionals at a sublimit of \$1,000,000. Per Gargano's earlier comment regarding this coverage, it will be extended to architects. LeTourneau stated that he would modify the amendment when it is sent to the Executive Board.

A motion was made by Nigg and seconded by Sbiral to approve the 2014 Excess/Reinsurance Coverage program with the change to the General Liability Amendment #12 Professional Services Exclusion to include engineers and architects in the amendment. A voice vote was taken and the motion carried.

V. 2013 CLAIMS AUDIT

Bush reported that staff was very pleased with the results of the audit. There were no scores under 90% compared to 70% from the 2003 audit. Bush noted that there is really one item regarding reserving practices that staff feels the need to change in its procedures.

VI. RESERVING POLICY AND PROCEDURE

Bush stated that one problem we have had over the years is having members approve any reserve notice over \$10,000. That authorization not only includes the financial reserve but also authorization to settle the case. This comes up most often in employment liability and also sometimes in civil rights cases. The member is not ready to approve a large settlement authority early in a case even though an independent analysis suggests that there is some liability here. There have been a couple of cases where we have kept a separate file and notified the actuary of a larger settlement than what we have talked to a member about strictly for financial purposes. Clearly, this is not best practices.

Staff is suggesting clarifying the reserve notice requirement by separating the Settlement Reserve Notice from the establishment of a financial reserve. The financial reserve would not create any authority to settle, but would account for the potential exposure to the pool.

Staff recommends the approval of the change in reserving procedures in the Claims Policy as outlined on page 48 of the meeting packet.

A motion was made by Ertmoed and seconded by Nigg to approve the change in reserving procedures in the Claims Policy as outlined on page 48 of the meeting packet. A voice vote was called and the motion carried.

VIII. 2014 PRELIMINARY BUDGET

Garvey explained that the three areas that the Coverage, Claims & Litigation Committee approves are: Contractual Services – Claims Audit; Contractual Services – Claims Administration; and Commercial Insurance Services. Garvey explained that we do not need to have another Claims Audit until 2016, so that is \$0 in our budget. The Claims Administration is a long standing claim that occurred before we brought claims in-house that is still being administered by Gallagher Basset. Garvey explained that the

Insurance Brokerage & Risk Management Services refers to our agreement with Towers Perrin that runs through 2015 and includes a 5% increase each year. The final item is the Coverage Renewal that was approved earlier in the meeting.

A motion was made by Ertmoed and seconded by Nigg to approve the Coverage, Claims & Litigation Committee's items for the 2014 Preliminary Budget. A voice vote was taken and the motion carried.

IX. ADDITIONS TO AGENDA

Bush stated that there were some claim authority requests that would be handled in Executive Session.

Garvey reported that we have been holding Corporate Counsel workshops each year and sometimes we struggle with topics to discuss. Staff is looking for consensus from the Coverage, Claims & Litigation Committee, that if there are not sufficient topics to warrant holding a workshop in a particular year, that we wait until the following year to hold a workshop. The committee concurred.

X. EXECUTIVE SESSION

A motion was made by Nigg and seconded by Ertmoed to move into Executive Session. A voice vote was called and the motion carried.

XI. CONFIRMATION OF NEXT MEETING

After moving back into the regular meeting, Gargano confirmed that the next meeting of the Coverage, Claims & Litigation Committee would be held on Thursday, November 7, 2013 at 9:30 a.m. at the IRMA office.

XI. ADJOURNMENT

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

Submitted by:

Approved by:

Susan Garvey
Director of Legal Services

Kathleen Gargano
Chair
Coverage, Claims & Litigation Committee