



**BOARD OF DIRECTORS
Meeting Minutes**

**Wednesday, October 19, 2011
Westbrook Corporate Center Conference Room
9:30 a.m.**

I. CALL TO ORDER

Chair Malinowski called the meeting to order. Bush called the roll and a quorum was declared.

II. APPROVAL OF MINUTES – June 29, 2011

A motion was made by Krumstok and seconded by Sigman to approve the Board of Directors meeting minutes of June 29, 2011. A voice vote was called and the motion carried.

Malinowski stated that there were several standing committee reports for information only on the Member section of the IRMA website for Board members to review.

III. CHAIR'S REPORT - MALINOWSKI

A. IRMA Delegates/Alternates

Malinowski welcomed the following member Delegates and Alternates:

Delegates

Peggy Halik, Woodridge
Michael Braiman, River Forest
James Adams, Westchester

Alternates

Katy Rush, Woodridge
Eric Palm, River Forest
Spencer Parker, Westmont
John Prejzner, Wilmette

B. Announcement of Formation of 2012 Nomination Committee - Sigman

Malinowski reported that we are currently formulating the 2012 Nominating Committee and Sigman, as the Immediate Past Chair would be chairing the committee. Sigman stated that because the nominating committee is usually made up of the last three past chairs and two of those are no longer with IRMA members or unavailable to serve on the nominating committee, she was looking for two members to sit on the committee. In addition, she was looking for one or two volunteers to round out the committee. Sigman asked that if anyone was interested in being part of the Nominating Committee they should contact either her or Mary Henzler. Sigman also encouraged members to return their nomination forms and committee interest surveys that were previously emailed out.

IV. COMMITTEE REPORTS

A. MEMBERSHIP RELATIONS COMMITTEE – COREN

➤ **Legislative Update – Presentation by Lobbyist Chuck Vaughn**

Coren introduced Lobbyist Chuck Vaughn who gave an overview of legislative issues that would be brought up in the upcoming veto session and what IRMA would be concentrating on legislatively in the coming year.

B. TRAINING & EDUCATION COMMITTEE – PETERSON

1. Training Evaluation Survey Results

Peterson reported that the Training & Education Committee conducted a training evaluation survey and there was a 43% member response rate. The survey questions and responses can be found on page 14 of the meeting packet.

2. Proposed 2012 Training Programs

Peterson reported that the proposed 2012 training programs were listed on page 21 of the meeting packet.

Velkme commented that the last Leadership Training - Leadership Lessons of Dr. Seuss: Encouraging Creative Leadership in Local Government – was an excellent training session. Velkme added that the speaker had good knowledge of municipal government and Velkme was saddened that she didn't see more of her municipal counterparts in attendance.

C. COVERAGE, CLAIMS & LITIGATION COMMITTEE – GARGANO

1. Coverage Renewal

LeTourneau stated that page 23 of the meeting packet contained a summary of the 2012 Commercial Excess/Reinsurance Coverage Renewal. Overall, it was a very good renewal. LeTourneau gave some highlights of the following lines of coverage.

Liability

Recommending the removal of the \$1 million corridor, this will eliminate \$162,972 from the required loss fund amount, for a reinsurance premium of only \$81,323.

Both liability reinsurers, Munich Re and Genesis agreed to rate reductions of between 2% - 5% for 2012.

Recommending the same \$6 million Annual IRMA Member Aggregate Cap.

Workers' Compensation

We are in the second year of a two-year rate commitment or flat for 2012.

The only increase in premium is due to an increase in projected payroll that includes one large new member.

Property

We negotiated a flat rate for 2012. The only premium increase is due to an increase in member Total Insurable Values.

The Earth Movement coverage will be expanded for soil conditions adversely affecting foundations/buildings.

Crime

A full marketing effort was conducted, and we will remain with Travelers, who was the most competitive.

There is a premium increase of \$2,498 due to loss activity and flat or reduced pricing for the past 7 years.

Boiler & Machinery

We are remaining with Travelers for 2012, with a 7% rate reduction. The small increase in premium is due to an increase in property values.

P.O. Bonds

Bonds are remaining at a flat rate for 2012.

LeTourneau reported that the premium for our program, with the loss fund cost reduction of \$81,648 from eliminating the \$1 million liability corridor deductible excess of \$5 million, ended up being at a 2.5% increase from 2011 to 2012 due to increased members' exposure base.

LeTourneau reviewed the Optional Coverage Program, reporting that the Volunteer Accident/Disability program with ACE is a three year policy with the third year beginning on November 1, 2011. There is no change in that program. We had a good renewal in the UST program with a small decrease in 2012 tank pricing. The Fiduciary Liability program varies by member/plan and was marketed for 2012. We are staying with Travelers who is the most competitive. The Tenant/User program is the online program. There may be a future change in this program's insurance carrier to obtain better terms and more underwriting flexibility.

LeTourneau reported that he has received several requests from members for liability coverage for program instructors, mainly in the recreation area, that are used for various programs. These instructors are not employees of the member. LeTourneau stated that he has contacted Norman Spencer Group, who set up our TULIP program, to try to set-up a nationwide program where those individuals can go online and purchase liability insurance.

Gargano thanked LeTourneau for the hard work he did on behalf of the member communities in this coverage renewal to keep the rate down.

A motion was made by Irvin and seconded by Krumstok to accept the 2012 Excess/Reinsurance Coverage Renewal. A voice vote was taken and the motion carried.

2. Review of Restructured Coverage Documents

Gargano reported that during the process of condensing the POL and GL coverage documents by adding the amendments into the body of the policies, there were four areas that staff felt needed clarification in order to remove any ambiguity that could

be interpreted through the policy. Gargano asked Garvey to review those suggested modifications.

The first one, Garvey explained, was that a few years ago we did exclude Village or City Attorneys or contracted attorneys from the definition of Member in the POL and GL policies. In reviewing this, staff feels it would be beneficial to just exclude all outside professional services from the definition of Member even if they are appointed.

In the POL, staff is recommending that Exclusion 1 be clarified by removing the reference to the willful and wanton language that was put into the policy a few years ago. This is going back to the original version.

Garvey explained that a number of years ago, the membership voted to exclude coverage for the Public Safety Employee Benefits Act, but other statutory benefits were not specifically excluded. It is being recommended that the exclusion also pertain to similar statutory benefits like the Public Employee Disability Act. Garvey noted that she had one member raise a concern as to how broad the "similar statutory benefits" phrase is, so she is recommending that the word, "disability" be added so the phrase will now read "similar statutory disability benefits."

Garvey noted that the definition of member contained in the GL document differs from the definition of member in the POL document and staff is recommending that the definition of member in the GL mirror that of the POL, subject to one or two provisions that should remain from the GL.

A motion was made by Coren and seconded by Velkme to approve the recommended coverage modifications and reorganization of the GL and POL Coverage Documents. A voice vote was taken and the motion carried.

D. ADMINISTRATION & FINANCE COMMITTEE – WACHTEL

1. Minimum Member Deductible

Wachtel reported on the survey that was sent out to the membership on whether to change the minimum member deductible to \$5,000 or leave it at the current \$2,500. Wachtel reported that staff received 42 responses and it was evenly split as to whether or not to increase the minimum member deductible. Wachtel stated that neither the Administration and Finance Committee nor the Executive Board felt that there was an overwhelming desire to increase the minimum member deductible at this time. This will be reviewed again in 2014.

2. 2012 Personnel Report

Wachtel asked Bush to provide an overview of the report. Bush reported that there is a change to the personnel positions in that one claims representative's position is going to be upgraded one grade. One Claims Representative III position will be eliminated and replaced with the Senior Claims Representative position. Another change in personnel is that we had a part-time workers' compensation claims representative position reduced from 0.8 to 0.5 full-time equivalent.

Bush reported that in regards to the salary ranges, staff had the Hay Group look at the trends within industries and they are recommending a 2% increase to the salary ranges. Bush noted that this does not affect anyone's salary. It's just a movement in the salary grade.

Hay Group also looked at the actual increases that have been going on in the industry. They looked at the general market and the financial and insurance services industries. They find that expected salary increases will average 3% in 2012. Based on that data, staff is recommending a 3% for salary increases in 2012.

Bush noted that the result of the recommended changes is an increase in budget for salaries of 1.67%.

Bush also noted that staff is recommending changing the increase for the Needs Improvement Performance Rating to 0% - X-1%.

A motion was made by Irvin and seconded by Krumstok to approve the 2012 Personnel Report. A voice vote was taken and the motion carried.

3. 2012 Preliminary Budget

Wachtel reported that various committees had responsibility in reviewing the budget and made recommendations. All of those items have been incorporated into the preliminary budget. Wachtel reported that overall the budget is down a little bit, primarily due to the decrease in the loss fund. Wachtel stated that the final budget will be brought to the December Board meeting for approval.

A motion was made by Wachtel and seconded by Gargano to approve the 2012 Preliminary Budget. A voice vote was taken and the motion carried.

V. EXECUTIVE DIRECTOR/STAFF REPORT

Bush stated that he wanted to give the membership an overview of how we are doing with our claims experience. Bush recalled that from 2008 to 2009, we had a real substantial drop in the number of claims and dollars paid. We wondered at the time whether that was going to continue. As an update, it has continued. It has gone up a little bit since 2008, but over the last three years, 2009, 2010 and 2011 compared to the prior three years 2006, 2007 and 2008, our claims are down about 20%. Claims experience is down about 17%. During that same period of time, our revenue base is up 6%. There are a couple of reasons for that. One is that we have had a couple of members leave IRMA, and their claims experience had been worse than the IRMA average. Also, in 2008 there were some reductions in members' staff. Bush noted that this was speculation on his part, but perhaps the staff that left had more claims. Now that it is three years, this is almost a trend that we hope is going to continue.

Bush noted that members received a memo that as of a couple of weeks ago, we have \$5 million in Interest Income Credit. If things go well between now and the December Board meeting, we will be voting on returning a \$5 million Interest Income Credit to the members. Bush commented that he thought this had a lot to do with the decrease in claims.

Vesecky reported that a couple of weeks ago, she sent out to the members their contribution, optional deductible and what they may get in the form of an Interest Income Credit. Vesecky indicated that she would be sending out very shortly the forms to select your optional deductible. She asked members to look for the email and send back their forms quickly, as we need the information before we finalize the budget.

VI. ADDITIONS TO AGENDA

There were no additions to the agenda.

VII. CONFIRMATION OF NEXT MEETING

Malinowski stated that the next Board of Directors meeting would be held on Wednesday, December 14, 2011, at 9:30 a.m. at the Westbrook Corporate Center Conference Room.

Garvey stated that she and Corporate Counsel Chris Naveja were requesting that the membership take a roll call vote on the coverage modifications discussed earlier in the meeting.

A motion was made by Binder and seconded by Irvin to amend the POL Exclusion 15 and GL Coverage A exclusion 2.d. and Coverage B exclusion 2.d, adding in the word "disability" to the phrase "similar statutory benefits" to read, "similar statutory disability benefits." A voice vote was taken and the motion carried.

A motion was made by Irvin and seconded by Krumstok to approve the amended changes to the coverage documents. A roll call vote was taken and the motion carried.

VIII. EXECUTIVE SESSION

Malinowski decided not to go into Executive Session to discuss the Executive Director's Performance Review, but asked IRMA staff to leave the room.

IX. ADJOURNMENT

A motion was made by Krumstok and seconded by Irvin to adjourn the meeting. A voice vote was taken and the motion carried.

Submitted by:

Larry Bush, Executive Director

Approved by:

Art Malinowski, IRMA Chair