



**BOARD OF DIRECTORS
Meeting Minutes**

**Wednesday, June 24, 2015
Westbrook Corporate Center Conference Room
9:30 a.m.**

I. CALL TO ORDER

Chair Irvin called the meeting to order at 9:30 a.m. Ely called the roll and a quorum was declared.

II. CONSENT AGENDA

Irvin asked if anyone had any questions on any of the items on the consent agenda. Hearing none, a motion was made by Gargano and seconded by Velkme to approve the Consent Agenda of June 24, 2015. A voice vote was called and the motion carried.

III. CHAIR’S REPORT - IRVIN

Changes in IRMA Delegates/Alternates

Irvin announced the following changes to IRMA Delegates/Alternates:

- Delegate Patrick Tanner, West Chicago FPD
- Alternate Tim Leidig, West Chicago FPD
- Delegate Mary Hrejsa, Stickney
- Alternate Beth Lukas, Stickney

IV. EXECUTIVE DIRECTOR/STAFF REPORT

Ely noted that every member received an envelope that contained a new Annual Membership Report that is more concise and contains some useful information. Ely noted that the information that was excluded from the report this year is available on the website. Ely stated that she would welcome any feedback on the redesigned report. Members also received a copy of IRMA’s Comprehensive Annual Financial Report.

A. Workers’ Compensation Reform

Ely reported that members had received a couple of documents supporting meaningful workers’ compensation reform in Springfield. Ely commented that she hoped the members would help us in lobbying Springfield to help pass meaningful workers’ compensation reform. There were four highlighted areas in the documentation sent to the membership.

Ely stated that everyone received a copy of a new IRMA brochure. Ely stated that staff thinks this will be useful in recruitment and retention efforts. Ely stated that members should contact the IRMA office to receive additional copies of the brochure.

Ely reported that one of the items on the consent agenda is that the Coverage, Claims & Litigation Committee is creating a Mutual Aid Organization Ad Hoc Committee evolving from some issues that we have experienced in litigation where some criminal task forces

have been named in a suit, and they do not have defense and indemnification as an entity. The committee will explore and develop some solutions to that problem. Ely noted that we are looking for two more members to serve on the ad hoc committee. We are looking for another Fire Chief or Deputy Chief and one more administrative person. Contact Susan Garvey if you have someone who would be able to serve on the committee.

Ely reminded everyone of the 2nd Annual Education Summit that is scheduled for October 29, 2015. Ely commented that Streid has been working very hard in planning some very good sessions and it will be another positive experience for the organization.

B. Task Force on Contribution Structure – Update

Ely explained that Doug Nishimura and Richard Frese were at the meeting and she and they were going to present what the Task Force on Contribution Structure has found. At the end of the presentation and discussion, we are going to ask the Board to take one action that will require two votes. That action is the elimination of the \$250,000 permanent deductible that was added to our Bylaws in 2010 and will take a roll call vote. The other voice vote will be for the revision to our Member Deductible Policy.

Ely stated that staff is looking for direction from the Board on three issues:

- 1) Staff is recommending a Workers' Compensation Focus Program because of workers' compensation being over 70% of our cost. The task force concluded that workers' compensation is something that we can really reduce our losses in, if we put more of a focus on it.
- 2) Nishimura from Milliman would be giving a presentation that will offer us an opportunity to engage in a predictive modeling process, and we are interested in the Board's thoughts about engaging Milliman to provide that predictive modeling for us.
- 3) Staff is going to be looking at ways to remove any barriers to our members moving to higher deductibles.

Ely stated that staff is planning to bring back to the Board in the fall, an official Workers' Compensation Focus Program and also some recommendations for potential revisions so our members will feel more comfortable in moving toward higher deductibles.

Ely presented a PowerPoint presentation on summarizing the findings of the Contribution Task Force. Ely reviewed the task force objectives. They looked at whether there was any existence of equity/inequity in our financial structure. The question was do our large members subsidize our small members and the task force concluded there is no such subsidization. The Task Force also looked at whether individually rated options should be offered, which was tied to offering the \$250,000 permanent deductible, and concluded that individually rated options are antithetical to the concept of pooling. Therefore, the Task Force recommended that the permanent deductible be removed from our Bylaws and the Member Deductible Policy.

Ely reviewed additional findings of the task force, including:

- Claim counts correlate strongly (87.9%) with revenue
- Large and small members have about the same Loss Ratio

- Revenue is a credible measure of exposure and reasonable base to develop rates
- Revenue is most consistent verifiable exposure

Ely gave an overview of the proposed IRMA Workers' Compensation Focus Program that would replace the Watchlist Program. The program would introduce accountability, emphasize remedial measures and tailored member-specific training, to reduce workers' compensation losses. The program objectives include identifying and assisting members with an adverse workers' compensation loss severity and/or frequency patterns; developing specific recommendations and resources based on best practices to reduce both individual and overall workers' compensation losses.

Ely reviewed the program assignment criteria and stated that the Membership Relations Committee would monitor the program. How will a member be assigned to the Workers' Compensation Focus Program? Ely noted that Milliman was in attendance today to talk about a predictive modeling proposal that will help us identify appropriately what members should be assigned to this Workers' Compensation Focus Program. Ely noted that we have some alternatives. There is the very simple approach, which is comparing all of our members for the last five years for workers' compensation frequency and severity compared to the IRMA target.

Action plans for the members in the Workers' Compensation Focus Program may include: mandatory use of transitional work assignments; monthly safety committee meetings; member-wide accident review board (ARB); behavior observation program to identify and reduce at risk behaviors/develop training needs; Job Safety Analysis (JSA) program review with additional JSA development as needed; Safety Incentive Programs; and comprehensive materials handling training to reduce the frequency/severity of back and shoulder injuries.

The Workers' Compensation Program length would be 2-5 years based on needs and progress. When losses are reduced, staff's recommendation to the MRC would be for removal from the program and if a member's loss trends do not improve, MRC would consider implementation of a higher deductible and/or a reduction of interest income credit.

Nishimura reviewed Milliman's proposed predictive modeling process. Objectives of the process would be to manage and control losses, decrease workers' compensation costs, determine appropriate rates, look at the formula and determine what benchmarks we should use. This is really controlling workers' compensation losses through quantitative analysis.

In regards to the Workers' Compensation Advisory Risk Program, Milliman set out to determine unfavorable loss experience variables; determine the time period for the evaluation; and determine appropriate thresholds for debit/credit.

Nishimura reviewed the value proposition. What they are proposing is some cutting edge technology – machine learning. Machine learning is basically artificial intelligence that the computer can now do. It tries to look at various combinations of variables driving losses.

Nishimura stated that the cost to do this study is going to be in excess of \$100,000. Nishimura explained that Milliman would be giving IRMA a \$65,000 discount, since as

far as they know, no other pool has used this cutting edge technology – IRMA would be the first. Milliman projects that workers' compensation costs that occurred this year no matter when they are going to be paid would equal \$16,000,000. Based on the other studies that they have done, they have saved between 3% - 15%. So for IRMA that annual would be \$480,000 up to possibly \$2,400,000 for a \$35,000 investment. Nishimura stated that this study would not have to be done every year. So, if you did the study every three years, the ratio would triple.

Nishimura noted that they have worked on insurance companies and others much larger than IRMA, and they are not sure this is going to work for IRMA. However, it is almost impossible for them not to find anything. If they collect all the data and find there is not enough, then IRMA will not be charged.

Nishimura reviewed the deliverables and methodology of the project and noted that outcomes of the implementation of predictive modeling would include: allocation of resources more efficiently; the design of safety programs; the design of "back to work" programs; and a better understanding of risk.

After a brief question and answer session, Ely stated that staff will continue to study this and a formal proposal will be presented to the Membership Relations Committee, Administration and Finance Committee, Executive Board and Board of Directors for inclusion in the 2016 budget.

A motion was made by Gargano and seconded by Clark to approve the proposed revision to the IRMA Contract and Bylaws, eliminating the \$250,000 permanent deductible. A roll call vote was called and the motion carried.

A motion was made by Clark and seconded by Velkme to approve the revision to the Member Deductible Policy, eliminating the \$250,000 permanent deductible. A voice vote was called and the motion carried.

V. ACTION ITEMS

A. Approval of Minutes of March 18, 2015

A motion was made by Clark and seconded by Donahue to approve the Board of Directors Meeting Minutes of March 18, 2015. A voice vote was called and the motion carried.

B. Five Year Contract with Police Law Institute

A motion was made by Velkme and seconded by Cedillo to approve the Police Law Institute renewal proposal at a flat annual cost of \$70,400 for the period January 1, 2016 to January 1, 2021. A voice vote was called and the motion carried.

C. Claims Reporting Requirements

Clark explained that this item has been reviewed and approved by the Administration and Finance Committee and the Executive Board. It is somewhat of a housekeeping item in that there has been some confusion as to when claims must be reported. In

review, staff found a conflict between the Member Deductible Policy and the Contract and Bylaws necessitating revisions to both.

A motion was made by Clark and seconded by Gargano to approve the clarification revision to the IRMA Contract and Bylaws as presented. A roll call vote was called and the motion carried.

A motion was made by Clark and seconded by Cedillo to approve the clarification revision to the Member Deductible Policy. A voice vote was called and the motion carried.

D. Actuarial Report as of 12/31/14

A motion was made by Clark and seconded by Velkme to accept the Actuarial Report as of 12/31/14. A voice vote was called and the motion carried.

E. 2014 Comprehensive Annual Financial Report

A motion was made by Clark and seconded by Wachtel to accept the 2014 Comprehensive Annual Financial Report. A voice vote was called and the motion carried.

F. 2014 State of the Membership Report

Claims to Contribution/Watchlist Report

Wachtel reported that there are no members meeting the criteria to be placed on the IRMA Watchlist for 2016. There are a few members that will receive Advisory letters. A motion was made by Wachtel and seconded by Gargano to approve the Claims to Contribution/Watchlist Report. A voice vote was called and the motion carried.

Presentation of 2014 Risk Management Rankings Awards & Zero Accident Recognition Awards

Irvin and Wachtel presented the following Risk Management Performance (Rankings) awards:

Village of Barrington – Large IRMA Member
Village of Clarendon Hills – Small IRMA Member
NEMRT – Special District Category

Irvin and Wachtel presented the following member departments with award plaques for their zero accident rates in both frequency and severity for both vehicle and work injury records during 2014:

Village of Clarendon Hills Public Works Department
Village of Kenilworth Police Department and Public Works Department
Village of LaGrange Park Public Works Department
Village of Lake Bluff Public Works Department
Village of Northfield Fire Department
Village of Riverside Fire Department

VI. EXECUTIVE SESSION

A motion was made by Clark and seconded by Velkme to move into Executive Session for the purpose of discussing personnel pursuant to 5 ILCS 120/2(c)(1). Ely called the roll and the motion carried.

VII. ADDITIONS TO AGENDA

There were no additions to the agenda.

VIII. CONFIRMATION OF NEXT MEETING

Irvin stated that the next Board of Directors meeting is scheduled for Wednesday, October 28, 2015 at 9:30 a.m. in the Westbrook Corporate Center Conference Room.

IX. ADJOURNMENT

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

Submitted by:

Approved by:

Margo Ely
Executive Director

Drew Irvin
IRMA Chair