

LARM Board of Directors Meeting Minutes

August 21, 2018 3:00pm CT

Gerald Solko called the meeting of the League Association of Risk Management (LARM) Board of Directors meeting at the Civic Center in St. Paul, NE to order at 3:00 pm August 21, 2018 and announced that LARM is subject to the Open Meetings Act and that a memo stating this was posted in the meeting room at St. Paul. Solko asked everyone to say the Pledge of Allegiance. After the pledge, the Board of Directors roll was taken.

For the roll call, the following members were present: Mike Werner, Waverly; Beth Bonderson, Hoskins; Lane Danielzuk, Gering; David Hunter, Auburn BPW; Vince Knight, SID #1 Stanton Co.; Kimberly Neiman, Pilger; Gerald Solko, St. Paul; Andrew Ward, Valentine and Shannon Stuchlik, NENEDD. Absent: none

Staff members present were: Michael Nolan, Elizabeth Becker, Randy Peters, Dave Bos, Tracy Juranek, Paige Buffington, Fred Wiebelhaus and Diane Becker.

Guests present: ex officio Lynn Rex, LONM; Chris Cadwell, York Risk Services Group; Mark Weaver, York Risk Services Group; Mark Nestor with Independent Consulting and Risk Management Services (ICRMS); Doug Stack, City of North Platte attorney.

Guests present by phone: unannounced

The agenda was emailed to the LARM Board of Directors, LARM members and LARM staff on August 16, 2018.

Solko asked for approval of the consent agenda which included consideration of Board approval of LARM general counsel recommendation that the Board of Directors pursuant to Pokorny v. City of Schuyler, 202 Neb. 334, 275 N.W.2d 281 (1979), re-take its vote, to cure the alleged violations of the Open Meetings Act claimed in the Complaint filed June 11, 2018, in Lancaster County District Court by L. Lynn Rex, et al., against LARM. Rex v. League Association of Risk Management, Lancaster County District Court Case No. CI 18-1989. The consent agenda also included a payment of \$38,772.64 toward a total estimated replacement value of \$273,325.00 that was administratively approved by Executive Director on July 3, 2018, for fire damage at the City of North Platte's Public Service Department Equipment Building. (The total exceeds the Executive Director's approval authority and must be authorized by the LARM Board.)

Rex said she had very minor corrections to the June 26, 2018 board meeting minutes. Solko asked if any board member wanted to make a motion to add Rex's changes to the minutes. There was no motion.

Moved by Ward and seconded by Stuchlik to approve the consent agenda. Roll Call: Ayes: Bonderson, Danielzuk, Hunter, Knight, Neiman, Solko, Stuchlik, Ward and Werner. Nays: none. Absent: none. Motion carried.

Nolan spoke on D2, the 2018/2019 proposed LARM budget, on how he had provided written responses to questions members had about the budget at the June 26, 2018 board meeting.

Motion to move the 2018/2019 budget from the table by Knight and seconded by Neiman. Roll Call: Ayes: Bonderson, Danielzuk, Hunter, Knight, Neiman, Solko, Stuchlik, Ward and Werner. Nays: none. Absent: none. Motion carried.

Motion to approve the 2018/2019 budget by Knight and seconded by Neiman. Roll Call: Ayes: Bonderson, Danielzuk, Hunter, Knight, Neiman, Solko, Stuchlik, Ward and Werner. Nays: none. Absent: none. Motion carried.

A discussion was held concerning a proposed \$100,000 deductible per each accident per employee for the City of North Platte's worker's compensation coverage during a three-year interval, commencing October 1, 2018, with annual claims and underwriting evaluations to determine if North Platte's loss control and claims management have improved.

Nolan said it has been a significant process from the beginning with loss control staff and Cadwell working with North Platte. A comprehensive risk management analysis had been prepared by Nestor, Bos and the LARM Loss Control staff. Nolan referred to the staff memos for rationale for the deductible which included the importance of maintaining a \$750,000 retention; that the workers' compensation reinsurer rate had increased 3% because of a North Platte claim; North Platte's frequency and severity of claims; North Platte had only in the last 10 months established a safety committee which was required by law since 1994.

Nestor told the Board that when a member has both frequency and severity in losses over an extended period of time, pools across the country often require members with adverse claims histories to bear greater risk deductibles or rates. He stated this is part of sound insurance underwriting.

Nestor reported that in the last seven years North Platte incurred four claims costing between \$50,000-\$100,000; one claim in the range of \$100,000 to \$250,000; one claim between \$250,000 and \$1 million; and one claim greater than \$1.4 million. He added that claims payouts for North Platte have been subsidized by the other members. He said in the last seven years \$4.4 million of premium had been paid in by North Platte and \$3.2 million of premium had been paid back to them in claims resulting in a 73% incurred loss ratio. When a member goes above 50% other members are subsidizing that member. The choice is to increase premiums or increase the deductible. Nestor said it was common in other states that their members with a payroll over \$15 million take more of the workers' compensation risk themselves. Nestor said non-renewal wasn't an option being considered. With a \$100,000 deductible Nestor said North Platte would become more of a risk management partner.

Hunter said it wasn't fair to penalize members with active safety programs because of one member who had seven years of higher rate of frequency and severity of claims.

Rex said she understood concept of risk management issues and that there were LARM members concerned about the deductible although she understood the board has a fiduciary responsibility.

Rex said she wasn't suggesting that members shouldn't be accountable and that North Platte should be given a year to put a safety plan in place. She also said no one from LARM had been in City Administrator Jim Hawk's office discussing loss control in the last seven years.

Nolan said he had presented a risk analysis plan to North Platte in 2009 and that LARM had presented the data and the option of setting up a \$100,000 deductible with North Platte to the Nebraska Department of Insurance. He said LARM would not non-renew North Platte although pools in other states had instances of non-renewal. LARM would take it a year at a time and would look at the options for North Platte again next year.

Rex said pools were created because municipalities weren't being renewed. She said pools were about risk sharing. She said it wasn't just about her legacy but the board's legacy too.

Solko said no one had brought up the fact that North Platte would have a savings of around \$200,000 in their premium. Solko asked if LARM had to still absorb all of the administrative fees for North Platte's claims under \$100,000. Nestor said LARM would process and send an invoice to North Platte for the claims under \$100,000 but not for the administrative fees.

Solko said North Platte is a valuable member of the pool and non-renewal wasn't being considered.

Stack said the mayor and city administrator from North Platte were not able to make it to the meeting. He said North Platte had made a commitment to LARM to share losses with others in the pool but its commitment must be tempered by the needs of the taxpayers in North Platte. He said another insurance company said they could save North Platte a substantial amount of money but he said North Platte was committed to LARM.

Stack said he didn't think LARM could change the rates unless North Platte had added employees. He said the nature of a pool was to share the benefits and losses and that it would all even out in the process. He also pointed out that from 2014 to 2017 City of North Platte employees had watched more than 1500 online safety videos across 119 topics. He said since North Platte is LARM's largest member it would have the largest number of claims.

Cadwell said every member gets the same base rate but each member's premium differs according to the member's experience mod and their payroll.

Buffington compared the City of North Platte's workers' compensation claims to a similar sized member and said North Platte had twice the claims as the other member of similar size in the last eight months with 33 North Platte claims compared to 16 claims in the same period for the other similar sized member.

Ward pointed out that in the last seven years the City of North Platte had an injury frequency that averaged out to North Platte reporting an injury every eleven days.

Stack asked about non-renewal and Nolan said he went to the Nebraska Department of Insurance and had gone through with them the applicable insurance data on North Platte and told them LARM would not non-renew North Platte but would raise their deductible.

Nolan pointed out that the November 2017 claim at \$1.2 million from North Platte was the largest in the history of LARM. Stack said there would be larger ones.

Neiman asked Stack if North Platte wanted LARM to non-renew them. Stack said everything was on the table and that North Platte couldn't self-insure.

Neiman asked Rex if the League of Nebraska Municipalities referred calls about the North Platte deductible to the LARM offices. Rex said she didn't and she didn't know if they did or not. Neiman asked Rex if a person asked the League office a question concerning the LARM risk staff if the League told them to call LARM. Rex said she would tell them to get informed, listen and get the facts.

Nolan suggested the board should pass the proposal with the caveat that if between now and October North Platte could come back to the LARM coverage committee with better options there could be another board meeting to discuss it.

Motion to approve a \$100,000 deductible per each accident per employee for the City of North Platte's worker's compensation coverage during a three-year interval, commencing October 1, 2018, with an annual claims and underwriting evaluations to determine if North Platte's loss control and claims management have improved and if the City of North Platte comes back with a counter offer or some suggestions, the board would consider it by Danielzuk. Seconded by Bonderson. Roll Call: Ayes: Bonderson, Danielzuk, Hunter, Knight, Neiman, Solko, Stuchlik and Ward. Nays: none. Abstain: Werner. Absent: none. Motion carried.

Motion to accept Werner's resignation by Danielzuk and seconded by Knight. Roll Call: Ayes: Bonderson, Danielzuk, Hunter, Knight, Neiman, Solko, Stuchlik, and Ward. Nays: none. Absent: none. Motion carried.

Moved to adjourn by Knight, seconded by Ward. Roll Call: Ayes: Bonderson, Danielzuk, Hunter, Knight, Neiman, Solko, Stuchlik, Ward. Nays: none. Absent: none. Motion carried. Meeting adjourned at 4:53 pm.

Approved on: 11/29/2018

ATTEST:

Elizabeth Becker

Secretary