

**MARIN SCHOOLS INSURANCE AUTHORITY
BOARD OF DIRECTORS MEETING**

**Marin County Office of Education
1111 Las Gallinas Ave.
San Rafael, CA 94913
Thursday, March 19, 2009
10:00 a.m. – 1:00 p.m.**

MINUTES

1. CALL TO ORDER

The meeting was called to order by Board President, Ms. Chris Thomas, at 10:03 a.m.

MEMBERS PRESENT: Ms. Chris Thomas, President, *San Rafael City Schools (exited at 11:32am)*
Mr. Larry Enos, Vice President, *Bolinas Stinson/Lagunitas*
Ms. Karen Maloney, Treasurer, *MCOE/Rurals*
Ms. Michele Rollins, *Mill Valley Elementary*
Mr. Robert Marical, *Dixie Elementary*
Ms. Kathleen Bennett, *Tamalpais Union High*
Ms. Barbara Johnson, *Kentfield Elementary*
Ms. Connie Lehua, *College of Marin*
Ms. Daria Carrillo, *Ross School District*
Ms. Jodi Jordan, *Novato Unified*
Ms. Kathleen Clow, *Ross Valley*

MEMBERS ABSENT: Mr. John Frick, *Reed Union Elementary*
Ms. Becky White, *Larkspur Elementary*
Mr. Dennis Petri, *Marin Pupil Transportation Agency*
Ms. Margaret Bonardi, *Sausalito Marin City*

OTHERS PRESENT: Mr. Rick Brush, *MSIA Executive Director*
Ms. Rahneshia Keith, *MSIA Analyst*
Ms. Gail Gibson, *Accounting Manager, Bickmore Risk Services & Consulting*
Mr. Tony Hayes, *Keenan & Associates*
Ms. Debra DeSpain, *Keenan & Associates (entered at 10:27am)*
Ms. Stacy McFadden, *Keenan & Associates*
Mr. Anthony Cazem, *Bragg & Associates*
Ms. Nasreen Kopecky, *Arthur J. Gallagher*
Mr. Mujtaba Dattoo, *ARMTech*

2. INTRODUCTIONS

Those in attendance introduced themselves, and it was determined a quorum was present.

3. APPROVAL OF AGENDA

Ms. Chris Thomas requested that the Presidents' report be moved before 11:00 am if needed.

Mr. Robert Marical moved to approve the agenda with the requested change. Ms. Barbara Johnson seconded the motion. The motion passed unanimously.

4. PUBLIC COMMENTS

None.

5. CONSENT CALENDAR

Mr. Larry Enos moved to approve the consent calendar. Ms. Connie Lehua seconded the motion. The motion passed unanimously.

6. CLOSED SESSION

The Committee convened to closed session at 10:07 a.m.

The Committee convened to open session at 10:10 a.m.

7. REPORT FROM CLOSED SESSION

Ms. Chris Thomas, Board President, reported that during closed session settlement authority was granted for the following claim number: 3111-08-00005-01-23 (San Rafael City Schools District). Mr. Tony Hayes recommended extending the amount of authority to the Board President on first party property losses. This change would expedite the settlement process and the Board could ratify the action at their next regularly scheduled meeting. The Board gave direction to staff to revise the Bylaws to reflect this change and noted it will be discussed at the next meeting.

8. FINANCIAL MATTERS

A. Mid-Year Budget Revision Proposal

Ms. Gail Gibson noted the biggest change to the budget is the addition of the ESIS settlement funds; the groups' net assets are \$2,851,067. Ms. Gibson stated approximately \$800k of the ESIS settlement went toward old claims, and the remainder went toward litigation expenses.

Ms. Kathleen Clow moved to accept the Mid-Year Budget Revision as presented. Ms. Karen Maloney seconded the motion. The motion passed unanimously.

B. Interim Unaudited, Financial Statements as of December 31, 2008

Ms. Gibson reported that as of December 31, 2008, the ESIS settlement raised the workers' compensation program from a \$1.2 million deficit to a \$1.5 million surplus. Ms. Gibson noted there was a \$216,000 net increase for all programs for the quarter.

Mr. Robert Marical moved to approve the Interim Unaudited, Financial Statements as of December 31, 2008, as presented. Ms. Connie Lehua seconded the motion. The motion passed unanimously.

9. POOLED WORKERS' COMPENSATION PROGRAM

A. Workers' Compensation Program Quarterly Review – Bragg & Associates

Mr. Tony Cazem presented the six month (ending December 31, 2008) overview of the workers' compensation program and reported claims frequency has decreased. At the beginning of the 2008-2009 program year the early return-to-work program was implemented and benefits of the program are already apparent; temporary disability reserves have dropped from 12% to 7% and medical incurred reserves have decreased from 80% last year to 75% this year to date. Mr. Cazem reported that open claims have decreased from 273 to 234 since last January. Strains/sprains are responsible for the bulk of injuries within the program; however, severity in this area of claims has decreased from \$420,524 in 2007 to \$249,522. Slip and falls are the most frequent cause of injury although severity in this area has decreased from \$170,807 in 2007 to \$84,492. Mr. Cazem stated neck injury claims are the most reported body part; however, severity is down from \$57,043 in 2007 to \$14,500.

The Board recessed at 10:30 a.m.

The Board reconvened at 10:35 a.m.

B. 2008-2009 Draft Actuarial Study – Mujtaba Dato, ARMTEch

Mr. Mujtaba Dato presented the draft actuarial study. Mr. Dato noted the group acquires approximately 235-275 claims each year and currently has \$8.2 million in estimated outstanding liabilities projected to 6/30/09. The group has experienced a decrease in ultimate losses, which are at \$7.9 million, compared to \$9 million last year. Currently, ultimate losses are at \$2.2 million for the 2009/2010 program year.

Mr. Dato then reviewed the workers' compensation pure premium rates. Given a self-insured retention of \$500,000 at various confidence levels, Mr. Dato recommended that the Board consider increasing the funding level from the 70% confidence level to the 80% confidence level, given the speculation of increases in medical costs and permanent disability expenses based on pending legislation. Mr. Brush noted that the group could move from a 70% to an 80% confidence level and still experience a reduction in pure premium rates based on the numbers presented by Mr. Dato. Funding at the 80% confidence level correlates to a pure premium rate of \$1.01.

Ms. Kathleen Clow moved to approve the 2008-2009 Actuarial Study and funding the 2009/10 program year at the 80% confidence level at the rate of \$1.01. Ms. Barbara Johnson seconded the motion. The motion passed unanimously.

C. Workers' Compensation Program Renewal Update – Nasreen Kopecky, Arthur J. Gallagher

Ms. Nasreen Kopecky, of Arthur J. Gallagher, presented the workers' compensation excess insurance placement renewal update noting coverage is currently placed with Arch Insurance Company. Ms. Kopecky stated there was an approximate \$8 million increase in MSIA's projected payroll for 2009-2010; and informed the Board that California Insurance Guarantee Association (CIGA) fees will no longer be charged. Ms. Kopecky noted Gallagher will be obtaining quotes from numerous excess insurance carriers including AIG. Ms Kopecky noted that including AIG on the distribution list will leverage other carriers to be more competitive with their quotes. Ms. Kopecky reviewed investment gains in the industry and loss ratios, reporting that MSIA's losses are in good shape. She noted that the group should expect a flat renewal or a potentially slight decrease.

The Board questioned when the experience modification (X-Mod) factors would be released. Ms. Gibson noted the X-Mod would be calculated in April, and although the rate might decrease, some Districts may still have an increase in premium depending on their five-year loss experience.

10. JPA ADMINISTRATIVE MATTERS

A. President's Report – Chris Thomas

Ms. Chris Thomas noted that she recently spoke with Ms. Rahne Keith regarding the issuance of a survey to collect data for Gallagher for the workers' compensation renewal. This information is currently also collected by Keenan & Associates; so direction was given to Gallagher to work with Keenan on obtaining this information so that members will not have to complete two identical surveys. Ms. Rahne Keith noted that staff will continue to collect payroll, TIV, and ADA from members on an annual basis.

Ms. Thomas stated Mr. Rick Brush, Ms. Lynn Cavalcanti, Bragg & Associates, and herself met with Mr. Fritz Heimlich, the CEO of SELF. The relationship is perceived to be strained in that MSIA brought suit against SELF as part of the ESIS litigation. The goal of the meeting was to encourage better communications between Bragg and SELF's claims staff. The outcome was that Ms. Cavalcanti and Mr. Steve Schempp, SELF, will hold in-person meetings to review open files.

Additionally, Ms. Thomas noted that SELF continues to assess MSIA, along with all other SELF members, for losses during past program years.

B. Executive Director's Report – Rick Brush

Mr. Rick Brush informed the Board of the Medicare/Medicaid & State Children's Health Insurance Program (SCHIP) Extension Act 2007. With this new legislation, effective July 1, 2009, all liability, no-fault, and workers' compensation insurers, self insurers, self-insured groups, as well as group health plans will be required to determine whether any individual claimants/applicants are entitled to Medicare

benefits. All such groups must register between May 1, 2009, through June 30, 2009, with the Centers for Medicare and Medicaid Services (CMS).

Mr. Brush also noted a reporting agent will need to be assigned by MSIA at the time the JPA registers. Bickmore is currently interviewing firms that are capable of reporting these claims. Mr. Brush stated that staff will work with Bragg & Associates and Keenan as to who will be the Reporting Agent for the workers' compensation and liability programs. Mr. Brush noted the details of the program are still being finalized and he would be attending a teleconference to obtain more information. Mr. Larry Enos noted that a recommendation from Bickmore will be expected. Mr. Brush reported staff will provide additional information on this issue at the next meeting.

Mr. Brush informed the Board that registration for the CAJPA conference is currently underway; last year Ms. Chris Thomas attended the conference. It was agreed last year that the chair, along with one other member, would attend each year. Mr. Brush asked that any members wanting to attend the conference contact staff for more information.

C. BRS Contract Amendment

Ms. Chris Thomas reported that in January of 2008, BRS brought forth the issue of additional fees for services to be performed during the ESIS litigation. At that time, the Board asked that the issue be discussed after litigation was over. At the February 2009 meeting, the issue was raised by BRS as the administrator requested \$10,500 for additional services during the ESIS litigation. After much discussion, the Management Committee requested BRS to draft a contract amendment for \$7,500. Ms. Thomas stated following the meeting several Management Committee members contacted her on an individual basis and recommended that it is important that BRS realize the group values their services and that the \$10,500 fee should be reconsidered. Ms. Karen Maloney voiced concern that the Management Committee had approved a fee of \$7,500 at the last meeting; however, the recommendation appeared on this agenda as \$10,500. Ms. Thomas stated that was in fact true, however, after hearing from numerous Management Committee members, she had asked staff to bring back their original requested amount to the Board as a discussion item and for the Board's consideration. Ms. Michele Rollins noted the process for additional service charges will still need to be formalized. Ms. Thomas reiterated that in the future, contract amendments need to be presented and approved prior to additional services being provided.

Mr. Robert Marical moved to approve the BRS Contract Amendment for \$10,500. Mr. Larry Enos seconded the motion. The motion passed unanimously.

D. Bylaws Revision Discussion – Rick Brush

Mr. Brush noted the Bylaws sub-committee has made substantial revisions to the Bylaws for review by the Board. Mr. Bob Henry, legal counsel, was included in the subcommittee's most recent meeting to obtain his legal perspective on the Bylaw revisions. A red line/strike out version of the revised Bylaws was reviewed by the Management Committee and approved for the Board's consideration. Mr. Brush

discussed all pertinent changes to the Bylaws noting that the next step will be the development of a Policies & Procedures Manual.

As part of this discussion, Mr. Brush opened the floor for comments on increasing the Management Committee's authority to grant settlement authority on claims. The Management Committee currently has authority to approve claims settlements of \$50,000 or less. The Board agreed to increase the Management Committee's authority to \$100,000, and noted that all claims matters exceeding \$50,000 shall be ratified at the next regularly scheduled Board meeting.

Mr. Brush noted the sub-committee is still in the process of reviewing the "Membership" section of the Bylaws and recommended approving the changes to the Bylaws thus far.

Ms. Karen Maloney moved to approve the Revised Bylaws and to increase the Management Committee's settlement authority within the Bylaws to \$100,000. Ms. Kathleen Bennett seconded the motion. The motion passed unanimously.

E. Nominating Committee

Mr. Brush noted the Management Committee recommended that a Nominating Committee be formed to recommend to the Board a slate of officers. Mr. Brush recommended approval by the Board of such a process and stated Board members will need to volunteer to serve on the Nominating Committee. Mr. Robert Marical, Ms. Kathleen Clow, and Ms. Michele Rollins volunteered to serve on this year's Nominating Committee.

Ms. Michele Rollins moved to approve that a Nominating Committee produce a suggested "slate of officers" for consideration by the Board. Ms. Connie Lehua seconded the motion. The motion passed unanimously.

F. 2009-2010 MSIA Meeting Calendar

Mr. Brush noted the presented meeting calendar is in line with the decision at the last Strategic Planning Session to have four (4) Board Meetings and six (6) Management Committee meetings.

Ms. Kathleen Clow moved to approve the 2009-2010 MSIA Meeting Calendar as presented. Ms. Connie Lehua seconded the motion. The motion passed unanimously.

11. POOLED DENTAL/VISION PLAN

A. Dental/Vision Program Renewal – Debra DeSpain, Keenan & Associates

Ms. Debra DeSpain was in attendance to present the dental/vision renewal rates along with the true-up rates for the dental program. Ms. DeSpain noted that ten Districts had a decrease in employees in the program; however, 13 Districts will have a decrease in their premium. The Board discussed the various margins for the dental program

agreeing that 2.5% would allow the group to remain conservative. Ms. DeSpain predicted there will likely be an increase in utilization of the dental program. The Board requested the official notice of rates be mailed to each District.

Ms. Karen Maloney moved to approve the Dental renewal with margins at 2.5%. Ms. Kathy Bennett seconded the motion. The motion passed unanimously.

Ms. DeSpain stated last year the group took a rate pass for vision which increased the ending reserves. Ms. DeSpain predicted the utilization will also increase within the vision program, and recommended the 2.5% margin to increase reserves.

Ms. Kathy Bennett moved to approve the Vision renewal with margins at 2.5%. Ms. Karen Maloney seconded the motion. The motion passed unanimously.

12. CLOSING COMMENTS

A. Committee

None.

B. Staff

None.

13. ADJOURNMENT

There being no further business the meeting was adjourned at 12:26 p.m.