



Minutes

Risk Management Trust Board

May 21, 2019

Minutes of the Risk Management Trust Board meeting held on May 21, 2019, 5:00 p.m., at the Tempe Learning Center, Lower Level, Tempe Public Library, and 3500 S. Rural Road, Tempe, Arizona.

Board Members Present:

Robin Arredondo-Savage
Bill Goodman (5:24 pm)
Jerry Hart
Ken Jones
David Long

Board Members Absent:

None

City Staff Present:

Renie Broderick, Internal Services Director
Tom Duensing, Deputy Internal Services Director-Finance
Chris Hansen, Risk Manager
Susan Buck, Executive Assistant

Guests Present:

Chuck Halsey, Willis Tower Watson
Diann Coons, Willis Tower Watson

Agenda Item 1 – Call To Order:

Chair Ken Jones called the meeting to order at 5:00 p.m.

Agenda Item 2 – Board Member Update / Welcome New Board Member – Jerry Hart:

The Board welcomed new board member Jerry Hart.

Agenda Item 3 – Approval of Board Meeting Minutes:

Motion by David Long to approve the May 30, 2018 board meeting minutes; second by Robin Arredondo-Savage. Motion passed on a voice vote 4-0.

Ayes: Chair Jones, Boardmembers Arredondo-Savage, Hart and Long

Nays: None

Absent: Boardmember Goodman

Agenda Item 7 – Review Proposed Revision to City Code Pertaining to Risk Management Trust Board (this item taken out of order)

Deputy Internal Services Director Tom Duensing stated that staff is proposing a change to City Code, Section 2-505, pertaining to the Risk Management Trust Board, to specify that the “City employee” member of the Board be stipulated as the “Chief Financial Officer or designee”. Mr. Duensing noted that the code section with draft revised wording was provided to the Board in their meeting packet. The Board generally discussed the proposed revision. Bill Goodman joined the meeting at 5:24 p.m.

Motion by Robin Arredondo-Savage to forward the proposed revision to City Council for consideration; second by David Long. Motion passed on a voice vote 5-0.

Ayes: Chair Jones, Boardmembers Arredondo-Savage, Goodman, Hart and Long

Nays: None

Absent: None

Agenda Item 6 – Financial Statement Review (this item taken out of order)

Mr. Duensing briefly reviewed the financial statements for the Risk Management Fund and the Workers' Compensation Trust Fund for the fiscal year ended June 30, 2018. Mr. Duensing noted the net position of the funds and stated there is an additional \$6.8 million set aside in the general fund to cover any significant catastrophic events. Chair Jones questioned how departmental budgets are impacted by claims to these funds. Mr. Duensing indicated that these are "internal service funds", which are funded by charging the costs back to the originating department's budget. The Board generally discussed the budgetary impact of claims and the types of claims that are trending.

Chair Jones suggested that staff provide the Board, or possibly City Council, with an annual report to reflect claim trends by department. Boardmember Hart noted that City Code Section 2-505(b) lists one of the duties of the board is to "submit an annual report to the City Council through the City Manager relating to the status of the trust fund and making other recommendations as the Board deems necessary". Board consensus was to have staff develop a draft annual report on the status of the fund (including the revenues, expenditures and trend information) to be reviewed by the Board at a future meeting to be scheduled as needed.

Agenda Item 5 – Current Claims Overview (this item taken out of order)

Risk Manager Chris Hansen presented the Workers' Compensation Program Overview report, covering claims costs for fiscal year 2013/2014 through 2018/2019, as of April 30, 2019. Mr. Hansen noted that 150 claims are projected for the current fiscal year, with six surgeries pending that could increase the claims expenditures by approximately \$200,000. Mr. Hansen provided an overview of loss data by department and noted that the three departments with the highest average cost per claim over the last 5.5 fiscal years were Police, Fire and Public Works. Mr. Hansen stated that current fiscal year claims trends are presumption cases for cancer and PTSD (post-traumatic stress disorder). Mr. Hansen further reviewed payments by type, cash flow by month, cost stratification of open claims, and the frequency and severity of claims by department by fiscal year. Police, Fire and Public Works had the highest frequency and severity of claims.

Mr. Hansen then presented the Liability Program Overview report covering general liability and property claims for fiscal year 2014/15 through 2018/19, as of May 20, 2019. The Board generally discussed some of the liability claims filed. Mr. Hansen reviewed liability frequency by claim type, liability severity by claim type and average liability severity by claim type. Mr. Hansen noted that property damage and auto liability are the most frequent claims filed; the most severe claims are officer-involved shootings. The Board generally discussed the liability claim process.

Agenda Item 4 – Review of Proposed FY 18/19 Insurance Renewal Program (this item taken out of order)

Mr. Hansen introduced Chuck Halsey and Diann Coons of Willis Tower Watson to the Board. Mr. Halsey provided a brief overview of their Insurance Proposal for the City of Tempe for the policy term July 1, 2019 to July 1, 2020. Mr. Halsey stated that the insurance marketplace is difficult right now due to increased property claims, particularly from the fires in California; however, the incumbent carriers in the market want to continue their relationships with the City of Tempe. Mr. Halsey noted the one anomaly was AIG because they are raising rates on everyone and came back with an unexpected 25% increase on the premium for property insurance. Mr. Halsey contacted AIG to let them know that was not acceptable and anticipates a revised response from them by May 29; he also contacted two other insurance companies, SOMPO/Endurance and XL Catlin, to provide quotes. Boardmember Hart stated that the report shows that AIG also submitted a proposed 30% increase on auto physical damage. Mr. Halsey stated he has also requested a revised response from AIG on that premium, as well as from two other insurance companies, SOMPO and XL Catlin. The Board generally discussed the process for soliciting rate quotes,

property insurance coverage, the reasons for increased rates and the financial stability of insurance providers. Mr. Halsey continued with his overview of the insurance proposal, noting nominal increases in premiums for commercial general liability, excess Workers' Compensation, excess liability and environmental coverage. The Board generally discussed the insurance proposal. Boardmember Goodman noted that the revised numbers and additional quotes on property and auto will not be in until next week. Board consensus was to authorize Risk Manager Chris Hansen to review the supplemental quotes for property and auto physical insurance and to make a recommendation to City Council on behalf of the Board as long as the premiums do not increase by more than 12%.

Ms. Diann Coons provided an overview of the Cyber Liability Insurance Proposal for the policy term July 1, 2019 to July 1, 2020. Ms. Coons noted that while this premium quote was also provided by AIG, there is actually a savings of 7.55% below last year with some enhancements in coverage. There was no further discussion on this proposal.

Mr. Halsey provided an overview of the Fiduciary Liability Proposal for policy term July 1, 2019 to July 1, 2020. This is a flat renewal with a quoted premium of \$26,288 with a \$10 million limit. Boardmember Hart clarified that this insurance covers the fiduciary responsibilities of the Risk Management Trust Board, the Deferred Compensation Committee and the Other Post-Employment Benefits (OPEB) Committee. The Board generally discussed the coverage.

Motion by Bill Goodman to approve all renewals as proposed with the exception of the property and auto physical insurance; and to authorize Risk Manager Chris Hansen to review the supplemental quotes for property and auto physical insurance and to make a recommendation to City Council on behalf of the Board as long as the premiums do not increase by more than 12%; second by Jerry Hart. Motion passed on a voice vote 5-0.

Ayes: Chair Jones, Boardmembers Arredondo-Savage, Goodman, Hart and Long

Nays: None

Absent: None

Agenda Item 8 – Board Member and Staff Announcements

There were no announcements.

Agenda Item 9 – Public Appearances

There were no public appearances.

The meeting was adjourned at 6:26 p.m.

Minutes prepared by: Susan Buck

Minutes reviewed by: Chris Hansen and Tom Duensing

Minutes approved by Board on June 19, 2019