

Minutes Risk Management Trust Board February 19, 2020

Minutes of the Risk Management Trust Board meeting held on February 19, 2020, 5:00 p.m., at the Tempe Public Library, 3500 S. Rural Road, Second Floor Boardroom, Tempe, Arizona.

Board Members Present:

Robin Arredondo-Savage
Heather Bilodeau
Bill Goodman
Jerry Hart
Ken Jones

Board Members Absent:

None

City Staff Present:

Tom Duensing, Deputy Internal Services Director-Finance
Chris Hansen, Risk Manager
Nichole Martinez, Worker's Compensation Program Specialist
Susan Buck, Executive Assistant

Guests Present:

Chuck Halsey, Willis Tower Watson
Sharla Kissel, Willis Tower Watson
Vicky Jo Campion, Willis Tower Watson

Agenda Item 1 – Call To Order:

Chair Ken Jones called the meeting to order at 5:01 p.m.

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

The Board welcomed new board member Heather Bilodeau.

Agenda Item 3 – Approval of Board Meeting Minutes:

Motion by Robin Arredondo-Savage to approve the June 19, 2019 board meeting minutes; second by Jerry Hart. Motion passed on a voice vote 5-0.

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

Nays: None

Absent: None

Agenda Item 4 – Annual Reporting Requirements

Tom Duensing, Deputy Internal Services Director-Finance, stated that at the last Board meeting in May 2019, the Board was made aware they should be issuing an annual report to City Council regarding the status of the fund. Mr. Duensing included a draft of the report in the Board's current meeting packet for their review. The draft report includes an overview of Risk Management expenditures and revenue, as well as indicating which departments are charged back for originating the claims expenditures.

Boardmember Arredondo-Savage inquired about the Board's responsibility in assisting Risk Management with evaluating trends. Risk Manager Chris Hansen provided a general overview of current trends, including cancer presumption claims and surgeries. Mr. Hansen noted that staff would like Board input on "full and final offers" to close out claims. The Board generally discussed current trends and the claim close out

process. Chair Jones stated that the Board should be gathering information about current trends and presenting that information to City Council. Mr. Hansen stated that staff will bring trend information to the next Board meeting.

Motion by Jerry Hart to approve the draft report for submittal to City Council; second by Robin Arredondo-Savage. Motion passed on a voice vote 5-0.

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

Nays: None

Absent: None

Agenda Item 5 – Property Insurance Coverage

Chuck Halsey of Willis Tower Watson provided the Board with a brief summary on trends in the insurance marketplace, which is trending at a 15-20% rate increase primarily due to catastrophic losses such as wind loss, hurricanes, and the California wildfires in 2017-2019. Mr. Halsey noted that the cost of re-insurance world-wide also has an impact, which trickles down to everyone. Mr. Halsey stated that clients across the board are restructuring insurance programs with higher deductibles and revised coverage limits in order to address the increased renewal rates. Sharla Kissel of Willis Towers Watson noted that AIG underwriters have committed to a rate increase for auto/physical/bridges coverage to be no more than 10-15% and to be no more than 20% on the property coverage rate.

The Board generally discussed obtaining rate quotes, options with keeping the city's current insurer versus going with a different company, and the insurance marketplace.

Mr. Duensing noted that staff is seeking direction from the Board on the parameters for Willis Tower Watson to go out into the marketplace to solicit rate quotes to bring back to the Board. The Board reviewed various scenarios provided by staff pertaining to *property* insurance and *auto/vehicle* coverage.

Mr. Duensing stated that due to more accurate valuations obtained for City buildings, the value of property went from approximately \$824,000,000 to over \$1,000,000,000, which will have an impact on premiums even without rate increases. The Board discussed options to obtain quotes for property coverage, such as higher deductibles, reduced building value at 90%, or excluding certain types of structures.

Boardmember Arredondo-Savage inquired about whether there is a property inflation endorsement on the city's policy. Ms. Kissel stated that they have recommended that AIG review the statement of value and it was reviewed this year. Ms. Kissel stated that automatic property inflation endorsement is typically at 3-4% for existing structures; new construction must be added into the policy.

Board consensus was to obtain quotes for property coverage for construction cost replacement based on the current, updated building valuation with deductibles at \$100,000, \$250,000 and \$500,000.

The Board considered auto/vehicle coverage scenarios based on net book value, actual cash value or a combination of replacement cost/actual cash value based on age of vehicle, all with a \$75,000 deductible. Mr. Hansen stated that the city has 749 vehicles, but only insures 59 of them due to the deductible limit. Boardmember Arredondo-Savage stated that it would be good to analyze the smaller claims the city self-insures to get an idea of what it is costing the city overall. Mr. Hansen stated that staff will provide the information to the Board at a future meeting. Board consensus was to obtain quotes for all three scenarios, with a \$75,000 deductible.

Agenda Item 8 – Board Member and Staff Announcements

Mr. Duensing stated the next meeting will be held on a date to be determined in mid-May.

Agenda Item 9 – Public Appearances

There were no public appearances.

Chair Jones adjourned the meeting at 5:42 p.m.

Minutes prepared by: Susan Buck

Minutes reviewed by: Chris Hansen and Tom Duensing

Minutes Approved at May 13, 2020 Board Meeting