



Minutes

Risk Management Trust Board

June 19, 2019

Minutes of the Risk Management Trust Board meeting held on June 19, 2019, 5:00 p.m., at the Tempe Learning Center at the Tempe Public Library, 3500 S. Rural Road, Lower Level, Tempe, Arizona.

Board Members Present:

Robin Arredondo-Savage
Bill Goodman
Jerry Hart
Ken Jones

Board Members Absent:

David Long

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
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 5:00 p.m.

Agenda Item 2 – Approval of Board Meeting Minutes:

Motion by Robin Arredondo-Savage to approve the May 21, 2019 board meeting minutes; second by Bill Goodman. Motion passed on a voice vote 4-0.

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

Nays: None

Absent: Boardmember Long

Agenda Item 3 – Review Proposed FY 2019-20 Insurance Renewal Program

Deputy Internal Services Director Tom Duensing stated that at the May 21, 2019 meeting, the Board directed staff to proceed with a recommendation to City Council if the property, auto and bridge coverage rates increased 12% or less; however, the rates came in at 28.54%. Mr. Duensing referred to the Board meeting packet, noting that the value of the covered property has increased, which is driving the premium increase. Chair Jones stated that historically, the Board has focused on the quoted rates and percentage of increase; however, the Board also needs to ask questions about what is insured, the value of the insured item and the level of coverage. Chuck Halsey of Willis Tower Watson noted that while bridges were covered under the previous/existing coverage, the City wasn't actually charged premiums for the coverage; that is being rectified with the current rate proposal, which is why the rate increased so much.

Mr. Duensing stated that the auto coverage rate increased because the depreciation value of existing autos was updated to be in conformance with accounting records (current book value) *and* because the insured list hadn't been updated to reflect the purchase of prior year vehicles by Fleet, including several high-value solid waste trucks that were not included on the prior year vehicle listing. Mr. Duensing further clarified that the deductible is \$75,000 per vehicle; the City does not insure vehicles with a value below that threshold. The Board generally discussed the type of vehicles covered and possible valuations.

Boardmember Hart inquired about the process to notify the insurer when the City purchases a new vehicle. Risk Manager Chris Hansen stated the City could provide a quarterly notice. Ms. Sharla Kissel of Willis Towers Watson stated that as soon as the City notifies her there is a new vehicle, she will notify the carrier and it will be covered effective with date of purchase; each additional vehicle will increase the premium. Ms. Kissel further noted that any vehicles sold will be taken off the policy and can decrease the premium. Mr. Duensing stated that staff is determining the best way to provide notification of fleet changes moving forward. The Board discussed the timeliness of the notification process and its impact on rates and coverage. Mr. Halsey stated that Tempe's auto coverage is provided under an "inland marine" floater and noted that most other government customers self-insure for physical damage on autos. Ms. Kissel stated that clients covered under inland marine generally provide notification as soon as they purchase or sell a vehicle. Chair Jones expressed surprise that this wasn't previously brought to the City's attention by someone from Willis Towers Watson.

The Board discussed the difference between *purchase value*, *replacement value*, and *book value* or *stated value*. Mr. Halsey noted that the City provides a *stated value* under the inland marine policy. Mr. Duensing stated that for the \$9 million book value of the vehicles covered, there is a premium of \$68,000; if the City wanted to list the actual cost of the vehicles at time of purchase, that valuation would increase to \$14 million, which would result in an approximate \$110,000-120,000 premium. Mr. Halsey stated that most claims submitted are a partial loss, not a total loss and noted that the City has not submitted any claims on the current policy. Ms. Kissel stated that the current fleet list provided by the City covers 42 vehicles. The Board generally discussed the possibility of self-insuring in future, the current rates provided, and the proposal process. Board consensus was to start review of new rates earlier in the year in 2020 (before May) and possibly review a new strategy regarding property insurance.

Motion by Robin Arredondo-Savage to make a recommendation to City Council to approve the 28.54% increase in rates as presented; second by Jerry Hart. Motion passed on a voice vote 4-0.

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

Nays: None

Absent: Boardmember Long

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 5:32 p.m.

Minutes prepared by: Susan Buck

Minutes reviewed by: Chris Hansen and Tom Duensing

Minutes approved by Board on February 19, 2020.