

Minutes

Risk Management Trust Board

May 13, 2020

Minutes of the Risk Management Trust Board meeting held virtually via Cisco Webex on May 13, 2020, 5:00 p.m., hosted from City of Tempe Finance Conference Room, 20 E. 6th Street, Second Floor, 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
Renie Broderick, Internal Services Director.
Chris Hansen, Risk Manager
Nichole Martinez, Workers' 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 5:00 p.m.

Agenda Item 2 – Approval of Board Meeting Minutes:

Motion by Robin Arredondo-Savage to approve the February 19, 2020 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 3 – Current Claims Overview

Tom Duensing, Deputy Internal Services Director-Finance, provided a current claims overview, noting that Risk Management expenditures are in line with historical spending and that Workers' Compensation expenditures through the nine months of this fiscal year have exceeded the budget.

Risk Manager Chris Hansen further detailed that on average there are 170+ liability claims per fiscal year with roughly 74% of those property damage claims. He further noted that the majority of auto losses are lower dollar amounts, with occasional high dollar claims due to litigation.

Mr. Hansen stated that on average there are approximately 168 Workers' Compensation claims per year and provided the Board with an overview of the amount paid out on claims Fiscal Year 14/15 to present. Mr. Hansen noted that the three areas with the most Workers' Compensation claims are Police, Fire and the former Public Works department. Mr. Hansen provided details on claims, noting that the main reasons for

claims for Tempe Fire are knee and back injuries while out on calls, as well as injuries incurred during training. He further noted that Police claims are primarily caused by suspect apprehension and training injuries. Mr. Hansen provided an overview of open claims by fiscal year, noting that claims that are open from prior fiscal years can greatly impact current expenditures. Mr. Hansen stated there are 129 open claims, with 40% having future medical for supportive care or loss of earning capacity.

Worker's Compensation Program Specialist Nichole Martinez provided a brief overview of how Workers' Compensation claims have historically been handled in Arizona. Ms. Martinez noted that in 2017, the state introduced "full and final settlements" as a settlement in which an injured employee waives any future entitlement to benefits on the claim and any future right to change the claim. Ms. Martinez stated that staff has identified seven claims that represent approximately \$5,000,000 in liability they would like to utilize a full and final settlement for the claim. Ms. Martinez noted that the injured employee does not have to accept the settlement. Ms. Martinez briefly detailed some of the issues surrounding claim settlement, including impact on premiums, Medicare, maximum medical improvements, permanent disability / restrictions and continued employment with the City. Mr. Hansen stated that the City's third-party administrator has approached staff about moving forward with a couple of the claims to a full and final settlement.

The Board generally discussed trends in the data provided, specifically injuries incurred due to physical conditioning and training. Chair Jones requested that staff present the Board with additional trend information pertaining to the injuries incurred during training at a future meeting. Boardmember Jerry Hart noted that it would be beneficial to be able to compare trends at Tempe against national benchmarks. Mr. Hansen stated that staff could provide comparisons to other agencies, especially those in the metro-area. Mr. Duensing summarized that at a future meeting, staff will provide the Board with trends regarding cause of injuries, along with benchmarks for the data.

Agenda Item 4 – Review of Proposed FY 2019-20 Insurance Renewal Program

Mr. Duensing stated that at the February meeting, staff was directed to look at *property* insurance coverage for *buildings & bridges* and *auto/vehicle* and noted that in addition, staff will also provide information on *commercial general liability* and *excess Workers' Compensation*.

Mr. Duensing noted that current coverage for buildings & bridges is \$300 million per incident, with a \$100,000 deductible. Mr. Duensing provided an overview of quotes and options with changing deductibles, noting that the staff recommended option excludes bridges and the dam. The Board generally discussed the options provided. Boardmember Robin Arredondo-Savage expressed concern about eliminating the dam and bridges from coverage and asked about replacement value for those structures. The Board generally discussed the potential for risk, the types of incidents covered, and potential budgetary impact. Chair Jones summarized that for building property damage, it makes sense to reduce the coverage per incident to \$100 million and raise the deductible to \$500,000, along with a quote for the dam and the Mill Avenue bridge (both north and south). Boardmember Arredondo-Savage requested that staff bring that information back to the Board, along with the previously requested Workers' Compensation trends.

Mr. Duensing provided an overview of current auto coverage, which has a \$75,000 deductible and noted that staff is providing several quotes based on different valuation options. Mr. Duensing stated that staff recommends Option 2, based on actual cash value, a deductible of \$75,000 and a slightly increased premium. Ms. Kissel provided a brief description of net book value vs. actual cash value. Board consensus was to recommend Option 2.

Mr. Duensing gave an overview of options with general liability coverage, noting that staff is recommending an increase in self-insured retention (SIR) for law enforcement from \$2 million to \$3 million per incident. Board consensus was agreement with the increase recommended by staff.

Mr. Duensing provided an overview of the excess Workers' Compensation coverage, noting that staff recommends keeping the current coverage levels. Board consensus was agreement with staff recommendations.

Mr. Duensing summarized all discussion, indicating that staff will bring back quotes regarding the bridges and the dam to the Board. Mr. Duensing proposed reconvening in two weeks; Chair Jones agreed, providing that feedback has been obtained from the marketplace and the Board has been given time to review it.

Agenda Item 5 – Board Member and Staff Announcements

There were no announcements.

Agenda Item 6 – Public Appearances

Executive Assistant Susan Buck stated that there were no emails submitted to the Board before the meeting and no online chats during the meeting.

Chair Jones adjourned the meeting at 6:14 p.m.

Minutes prepared by: Susan Buck

Minutes reviewed by: Chris Hansen and Tom Duensing

Minutes approved at June 8, 2020 Board Meeting