UTAH ASSOCIATION OF COUNTIES INSURANCE MUTUAL

BOARD OF DIRECTORS MEETING

AGENDA

SEPTEMBER 21, 1995, 10:00 A.M.
UTAH ASSOCIATION OF COUNTIES OFFICES
4021 SOUTH 700 EAST, SUITE 180
SALT LAKE CITY, UTAH
801-265-1331

10:00	CALL TO ORDER	GARY HERBERT
	REVIEW OF BOARD MEMBERS ABSENT	GARY HERBERT
	REVIEW AND APPROVAL OF SEPTEMBER 1, 1995 MINUTES	GARY HERBERT
	REVIEW OF JULY FINANCIAL STATEMENTS	BRENT GARDNER
	LOSS PREVENTION REPORT	DAVID NELSON
	BEAVER COUNTY CLAIM 801BEA957002	BRENT GARDNER
12:00	LUNCH BREAK	
	LITIGATION MANAGEMENT COMMITTEE AND CLAIMS REPORT	KENT SUNDBERG DOUG ALEXANDER
	BROKERS REPORT	JESS HURTADO KERI CHAPPELL
	DIRECTOR'S REPORT	BRETT RICH
	1996 PREMIUM CONTRIBUTION RATES	BOARD MEMBERS
	EXECUTIVE SESSION	GARY HERBERT
2:00	ADJOURN	

UTAH ASSOCIATION OF COUNTIES INSURANCE MUTUAL

UTAH ASSOCIATION OF COUNTIES INSURANCE MUTUAL
MINUTES, BOARD OF DIRECTORS MEETING

September 21, 1995, 10:00 a.m.
UAC Offices, Salt Lake City

Board Members Present:	Gary Herbert, *President*, Utah County Commissioner Gerald Hess, *Vice President*, Davis County Deputy Attorney Dennis Ewing, *Comptroller*, Tooele County Clerk Robert Gardner, *Secretary*, Iron County Commissioner Ken Brown, Rich County Commissioner Ty Lewis, San Juan County Commissioner Gary Sullivan, Beaver County Commissioner Sarah Ann Skanchy, Cache County Council Member
Board Members Absent:	Sid Groll, Cache County Sheriff
Others Present:	Kent Sundberg, Utah County Deputy Attorney Brent Gardner, UACIM Administrator Brett Rich, Director, UACIM David Nelson, Loss Prevention Manager Doug Alexander, UACIM Claims Manager Jess Hurtado, UACIM Broker Keri Chappell, UACIM Broker Sonya White, UACIM Administrative Assistant

CALL TO ORDER

Chairman Gary Herbert called the meeting to order and welcomed those in attendance.

REVIEW OF BOARD MEMBERS ABSENT

At the September 1, 1995, Board meeting, Sid informed the Board that the Sheriff's Association Meeting is scheduled in Vernal for today, therefore, he would be unable to attend this meeting. Dennis made a motion to excuse Sid from this meeting. Sarah Ann seconded the motion and the motion carried.

REVIEW AND APPROVAL OF SEPTEMBER 1, 1995 MINUTES

The minutes, from the September 1, 1995, meeting, were previously sent and reviewed by the Board. Gerald questioned on page three and four under 1996 Premium Contribution Rates whether the projected losses were for 1995 or 1996 as the minutes listed. Jess clarified that those figures were indeed the 1996 projected losses. Gerald also questioned whether several items had been completed by staff that were assigned at the last meeting. Staff members stated that those assignments will be discussed during their reports. Gerald made a motion to approve the minutes as written. Ken seconded the motion and the motion carried.

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Suite 180
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Fax 801-265-9185

DIRECTOR'S REPORT

Brett reported that the Board directed him to contact Valeen Brown, Piute County Insurance Coordinator, to obtain the county's 1996 renewal questionnaire. Brett spoke with her and received the completed questionnaire yesterday.

The Board directed Brett to contact Doug Alexander and Baird Morgan regarding breach of confidentiality. The Board requested that Baird draft a the letter to the member counties relating to this issue. Brett contacted Baird and received the draft copy of the letter which was reviewed by the Litigation Management Committee (LMC). The letter was re-typed on UACIM letterhead for Gary Herbert's signature. Gary read the letter to the Board who approved the wording and requested the letter to be sent to all member county commission/council chairpersons with a copy to each county insurance coordinator.

The Board directed that a letter be drafted to Dixie Barksdale, Grand County Hospital Board, stating that coverage on this non-qualifying special district will cease effective September 30, 1995. Also, directed members of the Board and staff to speak with members of the Grand County Council at the USACCC Workshop regarding this issue. Keri drafted the letter, which a copy was given to the Council Members and Earl Sires, Grand County Administrator, during the Workshop. Brett spoke with Ms. Barksdale several times over the phone explaining the coverage requirements for special districts and answering many questions. Ms. Barksdale is reviewing the Hospital's options for coverage elsewhere.

The Board directed Brett to contact Pat Stratton, Duchesne County Insurance Coordinator, regarding the County's refund for duplicate coverage on the Uintah Basin Medical Center. Keri calculated the refund amount (based on the Excess Carrier's rate) of $2,349.00. Brett contacted Ms. Stratton and explained the Board's decision and the refund amount (written confirmation of their conversation and the refund check was mailed). Ms. Stratton had several questions regarding the Board's decision, therefore, Brett was able to visit her in Duchesne County to address her questions in person. Brett feels that she understands the decision but that the County was expecting a larger refund. The Board requested Jess to look at Duchesne County's revenue base and what impact the Hospital has on it and for Brent and Brett to continue to work with the county to address any concerns.

Brett has had several counties voice their concerns regarding the surplus and eminent domain/inverse condemnation releases sent to the member counties for signature. Some counties are confusing the surplus releases with the debenture loans. These concerns were addressed during the USACCC Workshop and Brett sent a letter to those counties who lent the surplus loans.

Ty reported that San Juan County and other counties had concerns regarding the Joint Policy adopted in the event the loss fund and stop loss aggregate was exhausted. Would those counties, who lent the debenture loans, receive that money back? Jess explained that the debenture loans are held in a separate escrow account and if the UACIM went insolvent, the Insurance Commissioner would decide how to liquidate the assets. The Board requested Brett to research the Insurance Department's procedure in the event of insolvency and if UACIM can make recommendations as to how the assets are liquidated.

Brett stated that the information on the Tenant Users Liability Insurance Program (TULIP) has been sent to all member counties and will be effective October 1, 1995.

Brett and David have a tentative date outline and are in the process of scheduling training sessions, in conjunction with the county risk reviews, for the eleven large claim counties. The training will be complete by the first of the year. In refining the county list that was presented at the last meeting, Brett found that if the largest claim was taken out of the total amounts, it would move these counties into the same category as the other counties, therefore, training was scheduled for the counties listed.

The Board directed Brett to research the Federal Emergency Management Agency (FEMA) and its impact on earthquake coverage. Brett completely went through the FEMA regulations, 44 C.F.R § 206 and found that FEMA is basically secondary coverage. It does not apply if there is other coverage in place. According to the State, FEMA only applies when the funds have been requested by the Governor of the State and the damage resulted in what has been declared, by

the President of the US, to be a Federal disaster area. FEMA does not allow betterment of any facility and must be determined to be a "critical facility" by FEMA. Brett informed the Board of other provisions in the regulations and recommended that FEMA should not be given much consideration in the Board's decision for earthquake coverage. Sarah Ann noted that she spoke with Lorraine Frank at the Utah Emergency Management Conference who stated that anyone would be taking a major risk relying on FEMA for coverage due to the uncertainty of Federal funding and what FEMA can or cannot do.

TOOELE COUNTY

Dennis noted that pursuant to the bylaws, 90 day written notice of withdrawal is required. Dennis requested that the Board waive this requirement and allow Tooele County to give a 30-day notice of withdrawal. The reason for this request is that the insurance consultant, who is reviewing all of Tooele County's insurance needs, will not have his recommendation to the County before the 90-day notice requirement. The Board reviewed the Bylaws and discussed the options. Dennis will recommend that the Commission give UACIM written notice of withdrawal, in accordance to the bylaws, and reserve the County's right to rescind this withdrawal.

REVIEW OF JULY 1995 FINANCIAL STATEMENTS

Brent reviewed with the Board the July 1995 Financial Statements. The Balance Sheet shows total assets of $4.5 million (most of which is held in the State Treasurer's Fund). The Incurred But Not Reported (IBNR) claims are at $505,000 which is $50,000 less than July 1994. Total liabilities are $3.2 million and $1.7 million in contributed surplus. There is a liability of interest accruing on the debenture loans (1% over the State Treasurer's Rate). The Board may want to look at meeting with those counties who lent the debenture loans to request that they forgo the 1%. Income Statement at $1.4 million, premiums written $2.2 million, paid losses $529,495, loss reserves $345,000. In July 1994 the paid losses were $600,000, and loss reserves were almost $900,000. Due to claims, UACIM must take monies from the contributed surplus this year. Brent reviewed the Income and Expense Report, which shows inception to date comparisons, and the Actual to Budget Report is looking better this year than July 1994. In the notes at the end of the Financial Statements, Dan Borzello states, "Users of this data should be cautioned that the budget assumes losses considerably lower than experienced in both 1994 and 1993. Brent was concerned with the word "considerably" in that when comparing our actual paid-out to the budget, UACIM is not over as yet. The language "lower than experienced in 1994 and 1993" is not accurate as of July 1995. Jess explained that the worse case scenario is used but that he will contact Mr. Borzello about softening the language.

Jess reported UACIM's cash flow which in 1992 the attachment point was $850,000, UACIM went over the attachment point by $472,216.73. In 1993 the attachment point was $1.1 million, UACIM went over the attachment point by $639,772,64. In 1994 the attachment point was $1.3 million, UACIM went over the attachment point by $173,157.44. In 1995 the attachment point is $2.3 million. National Union will be paying UACIM those amounts over the attachment point.

LOSS PREVENTION REPORT

David reviewed his written report with the Board. David is optimistic with the loss trends for 1995 as reported in the financial statements and hopes this trend will continue. Since the last Board meeting, David has completed risk reviews for Duchesne, Uintah, Davis, Garfield, Iron and Millard Counties and has met with the county commission and road departments. David will have met with and conducted a risk review in all the member counties by the end of this year. Responses to the Juab, Rich, Sevier, Piute, and Wayne County risk review reports have not been received and follow-up notices have been sent to these counties. Ken reported to David that the Rich County Courthouse steps have been repaired and a report will be forthcoming. The Board suggested that the wording on the risk review reports may be stated in

a way that the county will respond to David with their plans in completing the recommendations instead of waiting until the recommendations are complete to respond. The Board felt this issue should be discussed at the annual membership meeting. David continued to review training, consulting and meetings he has conducted and attended. Brett is now working with the Millard County Commission regarding an ongoing personnel issue. David originally requested Lynn Lund to contact the county for assistance but Mr. Lund has now allegedly switched to the side of the plaintiff. The Board directed Brett to continue to assist Millard County and to research the ethics of Mr. Lund. David completed his report by announcing that SWAP and UACIM will be conducting training on Drug Testing at the UAC Annual Convention in November.

BEAVER COUNTY CLAIM 801BEA957002

Beaver County Commissioner, Chad Johnson, contacted Brent regarding the Board decision on claim number 801BEA957002. The county strongly feels that UACIM should at least reimburse the county for what the claim was worth. Brent explained to Commissioner Johnson, that the Board is busy setting the 1996 premium rates but that he would present their concerns and request time for the Commission at an upcoming meeting. The Board agreed to invite the Commission to the next meeting.

LITIGATION MANAGEMENT COMMITTEE AND CLAIMS REPORT

Ken made a motion for the Board to go into Executive Session to review the LMC and claims report. Dennis seconded the motion and the motion carried.

A motion was made for the Board to come out of Executive Session. The motion was seconded and carried.

Sarah Ann made a motion authorizing settlement on claim number 801IRO947005 up to an amount of $75,000 with no offset. Ken seconded the motion and the motion carried.

BROKERS REPORT

Jess did not have anything to report at this time other than assisting the Board in setting the 1996 premium contribution rates.

1996 PREMIUM CONTRIBUTION RATES

Pursuant to their request, the Board received several exhibits, prepared by the actuaries, to review before this meeting. Also, Kent calculated other options that were sent to the Board prior to this meeting. Kent's numbers were incorporated into the formulas prepared by the actuaries and were given to the Board Members today.

In reviewing these exhibits, Bob was concerned about using the claim reserve amounts in the formula when in fact a claim may be settled for less than what was reserved and how long a county will have to pay a higher premium contribution due to a shock loss year? Keri explained that an average of each county's three year loss ratio is calculated. The loss ratio, developed by the actuaries, is actually weighted towards actual paid claims rather than the projected loss reserves. UACIM should want to fund up to the worst case scenario to reach their goal of developing surplus.

Jess reviewed the exposure of UACIM and explained that the excess policy is rated on the amount of property value and revenue, which is provided by each county every year. The excess rate has stayed the same but the exposure has increased. In 1992 the property exposure valued at $161,693 and general liability at $161,240. In 1993 the property exposure valued at $185,716 and general liability at $190,075. In 1994 the property exposure valued at $249,645 and general liability at $207,343. In 1995 the property exposure valued at $297,769 and general liability at $222,014. In 1996 the property exposure valued at $330,135 and general liability at $236,234. The projected losses (worst case scenario) for 1995 are

$1,540,353 and for 1996 $1,900,000. Jess suggested that the Board may want to look at funding the loss fund for 1996 at $2,140,000. Last year he suggested funding at $1,700,000 but the Board opted to cap the increase percentage, therefore, only $1,124,548 was funded for 1995. Last year $497,000 was paid in auto physical damage claims, $255,000 in auto property damage claims and $178,000 in auto liability claims. UACIM should not be having a problem in this area.

As the Board began to review the exhibits, Keri explained that the excess insurance is allocated by the percentage contributed to the loss fund. The exhibits were allocated by the total contribution, last year. These exhibits include a 1% increase for inflation. After extensive review of each exhibit, Ty made a motion to adopt Exhibit Three, Version Nine Sheet Two A. The motion failed due to lack of a second to the motion. Extensive review continued. Ty made a motion to adopt Exhibit Three Version Nine Sheet Two A. Ken seconded the motion and the Chairman called for discussion.

Bob continued to voice his concerns regarding those counties who had a shock loss year. Dennis questioned whether the UACIM is close to basing each county's premium on the county's actual costs? Jess explained that each year this issue is evaluated and once the claims begin to stabilize, UACIM will have stability of premium. Ty explained that the centrally assessed counties took some big hits this year because assessed values went down, but he feels that this motion on the table will be well received by the membership. The Board discussed the 1% expense increase and agreed that this increase was sufficient.

Dennis made a motion to amend Ty's motion to increase the loss fund formula to 10% from 5% for those counties with a loss ratio of 0% to 100%. This amendment failed due to lack of a second to the motion. Gerald made a substitute motion to adopt Exhibit Four Version Two. Upon discussion, Gerald withdrew his motion. The Chairman called for a vote on Ty's motion to adopt Exhibit Three Version Nine Sheet Two A, seconded by Ken. The motion failed four to four. Ken made a motion to adopt Exhibit Four Version Two. The motion failed due to lack of a second to the motion. Ty made a motion to adopt Exhibit Three Version Nine Sheet Two A, with the total percentage premium increased to 14.3% from 11.9%. The motion failed due to lack of a second to the motion. Ken made a motion to adopt Exhibit Three Version Nine Sheet Two A, with the total percentage premium increased to 13% from 11.9%. Ty seconded the motion and the Chairman called for discussion. Question on the motion was made and the Chairman called for a vote. The motion failed six to two. Ty made a motion to adopt Exhibit Three Version Nine Sheet Two A. Dennis seconded the motion and the motion carried. Dissenting votes by Gerald and Robert.

OTHER BUSINESS

The next Board of Directors meeting is scheduled for October 19, 1995, at 10:00 a.m. at the UAC Offices. Ken made a motion to adjourn, Ty seconded the motion and the motion carried.

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MINUTES, BOARD OF DIRECTORS MEETING

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UAC Offices, Salt Lake City

Board Members Present:	Gary Herbert, *President*, Utah County Commissioner Gerald Hess, *Vice President*, Davis County Deputy Attorney Dennis Ewing, *Comptroller*, Tooele County Clerk Robert Gardner, *Secretary*, Iron County Commissioner Ken Brown, Rich County Commissioner Ty Lewis, San Juan County Commissioner Gary Sullivan, Beaver County Commissioner Sarah Ann Skanchy, Cache County Council Member
Board Members Absent:	Sid Groll, Cache County Sheriff

Executive session was held to discuss the Litigation Committee and Claims Report.

LOSS PREVENTION REPORT

BY: David Nelson, Loss Prevention Manager

Utah Association of Counties Insurance Mutual
Board of Directors Meeting, September 21, 1995

RISK REVIEWS

Duchesne County

The 1995 risk review was completed on August 2, 1995. The risk review report and recommendations were sent to Commission Chairman, Larry Ross, on August 18, 1995. A copy of the recommendations is attached.

Uintah County

The 1995 risk review was completed on August 10, 1995. The risk review report and recommendations were sent to Commission Chairman, Glen McKee, on August 21, 1995. A copy of the recommendations is attached.

Davis County

The 1995 risk review was completed on August 23, 1995. The risk review report and recommendations were sent to Commission Chairman, Gayle Stevenson, on September 18, 1995. A copy of the recommendations is attached.

Garfield County

The 1995 risk review was completed on August 30, 1995. I am working to complete the risk review report and recommendations.

Iron County

The 1995 risk review was completed on September 12, 1995. I am working to complete the risk review report and recommendations.

Millard County

The 1995 risk review was completed on September 20, 1995. I am working to complete the risk review report and recommendations.

Juab County

A risk review was conducted in Juab County July 3, 6 and 7, 1995, and the report sent to them on August 1, 1995. A 30-day follow-up letter was sent on September 7, 1995, with no response received to date.

Rich County

A risk review was conducted in Rich County on July 5, 1995, and the report sent to them on August 1, 1995. A 30-day follow-up letter was sent on September 7, 1995, with no response received to date.

Sevier County

A 60-day follow-up letter was sent on August 18, 1995. The original review was completed on June 7, 1995, with the risk review report being sent to them on June 12, 1995, and a 30-day follow-up sent on July 13, 1995. No response has been received to date.

Piute County

A 60-day follow-up letter was sent on September 7, 1995. The original review was completed on June 23, 1995, with the risk review report being sent to them on June 28, 1995, and a 30-day follow-up sent on August 1, 1995. No response has been received to date.

Tooele County

I still have not received a written response from Tooele County regarding their risk review of January 25, 1995. I have contacted the county and was assured that a reply would be forth coming.

Wayne County

I still have not received a written response from Wayne County regarding their risk review of April 7, 1995. I have contacted the county and was assured that a reply would be forth coming.

TRAINING

Duchesne County

On August 2, 1995, I met with the Duchesne County Road Department to conduct some loss prevention training. A copy of the memo to the file and attendance list are attached.

Uintah County

On August 8, 1995, I met with the Uintah County Road Department to conduct some loss prevention training. A copy of the memo to the file and attendance list are attached.

Davis County

On August 23, 1995, I met with the Davis County Public Works Department to conduct some loss prevention training. A copy of the memo to the file and attendance list are attached.

Garfield County

On August 29, 1995, I met with the Garfield County Road Department to conduct some loss prevention training. A copy of the memo to the file and attendance list are attached.

Iron County

On September 12, 1995, I met with the Iron County Road Department to conduct some loss prevention training. A copy of the memo to the file and attendance list are attached.

CONSULTING

Millard County

On August 8, 1995, I spoke with Commissioner Tony Dearden of Millard County regarding a personnel issue in the county.

MEETINGS

Duchesne County

On August 1, 1995, I met with the Duchesne County Commission (see attached memo to the file).

Uintah County

On August 8, 1995, I met with Uintah County Commissioner, Lewis Vincent (see attached memo to the file).

Davis County

On August 21, 1995, I met with the Davis County Commission (see attached memo to the file). On August 7, 1995, I met with the Accident Review Board (see attached memo to the file).

Garfield County

On August 28, 1995, I met with the Garfield County Commission (see attached memo to the file).

Iron County

On September 11, 1995, I met with the Iron County Commission (see attached memo to the file).

OTHER

The quarterly UACIM Mutual Matters Newsletter, was sent to all member county elected officials, department heads, supervisors and insurance coordinators on September 18, 1995.