UAC INSURANCE MUTUAL

Board of Trustees Meeting

Thursday, March 29, 2001, 9:15 a.m.
Best Western Abbey Inn, 1129 South Bluff Street, St. George

A G E N D A

9:15	Call to Order	Gary Herbert
	Review of Board Members Absent	Gary Herbert
	Approval of February 16 Minutes	Gary Herbert
	Introduction of New McLaren's Claims Manager	Robert Haas
	Claims Manager's Report	Korby Siggard
	Set Date and Time for Closed Meeting to Discuss Pending or Reasonably Imminent Litigation	
	Action on Litigation Matters	Kent Sundberg
	Broker's Report	Rich Stokluska
	First Quarter Broker Review	Shawn Guzman
	Driver Policy Definition of "Insured"	Steve Baker
	Building Issues	Brent Gardner
	Loss Control Manager's Report	Mark Brady
	Summary of Financial Statements	Shawn Guzman
	Director's Report	Shawn Guzman
	Set Date and Time for Closed Meeting to Discuss the Character, Professional Competence, Physical or Mental Health of an Individual	
	Other Business	
11:30	Adjourn for Lunch	

5397 South Vine Street, Salt Lake City, UT 84107

UTAH ASSOCIATION
OF COUNTIES
INSURANCE MUTUAL

UACIM BOARD OF TRUSTEES MEETING

MINUTES

March 29, 2001, 9:15 a.m.
Abbey Inn, St. George, Utah

BOARD MEMBERS PRESENT

Gary Herbert, *President*, Utah County Commissioner
Dan McConkie, *Vice President*, Davis County Commissioner
Kay Blackwell, Piute County Commissioner
LaVar Cox, Millard County Commissioner
Lynn Lemon, Cache County Executive
Royal Norman, Box Elder County Commissioner
Tex Olsen, Sevier County Commissioner
Ed Phillips, Millard County Sheriff
Kent Sundberg, Utah County Deputy Attorney

BOARD MEMBERS ABSENT

Ken Bischoff, *Secretary-Treasurer*, Weber County Commissioner
Ty Lewis, San Juan County Commissioner

OTHERS PRESENT

Steve Baker, Davis County Personnel Director
Glen Burton, Weber County Commissioner
Brad Dee, Weber County Personnel Director
Brent Gardner, UAC Executive Director
Shawn Guzman, UACIM Director
Sonya White, UACIM Administrative Assistant
Korby Siggard, UACIM Claims Manager
Bob Haas, McLarens Toplis Casualty Specialist
Rich Stokluska, GRMS Account Executive

CALL to ORDER

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

REVIEW of BOARD MEMBERS ABSENT

Ken Bischoff had surgery this week and requested to be excused from this meeting. Ty Lewis is in Washington DC and requested to be excused from this meeting. Tex Olsen made a motion to excuse Ken Bischoff and Ty Lewis from this meeting. Royal Norman seconded the motion, which passed unanimously.

APPROVAL of MINUTES

The minutes of the Board of Trustees meeting held February 16, 2001 were previously sent to the Board Members for review. Royal Norman made a motion to approve the February 16, 2001 meeting minutes as written. Kay Blackwell seconded the motion, which passed unanimously.

INTRODUCTION of NEW McLAREN'S CLAIMS MANAGER

Robert Haas, Casualty Specialist from Chicago, introduced Korby Siggard who has been hired as the Claims Manager for the Salt Lake Office. Korby previously worked for Farmers Insurance Company in the Utah County office and has 14 years multi-lines claims experience and two years fraud investigation experience.

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SET DATE and TIME for CLOSED MEETING

Kent Sundberg made a motion setting the time and date for a closed meeting to begin at 9:20 a.m. on March 29, to discuss pending or reasonably imminent litigation. Lynn Lemon seconded the motion, which passed unanimously.

Lynn Lemon made a motion to conclude the closed meeting at 9:45 a.m. on March 29. Ed Phillips seconded the motion, which passed unanimously.

ACTION on LITIGATION MATTERS

Kent Sundberg made a motion authorizing a counter offer to be made in the amount of $50,000 in the matter of claim number RIC9908675. Dan McConkie seconded the motion, which passed unanimously.

BROKER'S REPORT

Rich Stokluska reported that all the policies, certificates and refunds have been delivered to UACIM. Gallaghers has just placed coverage for aircraft liability and passenger/prisoner transport for Millard County. Shawn Guzman reported that he requested a nurse's professional liability quote for Tooele County through Gallagher and the quote has been accepted. Although Tooele is no longer a member, the Mutual has kept good relations. The Board directed Shawn to draft a letter to the Tooele County Commission, on behalf of the UACIM President, stating it was a pleasure to assist them and that the Mutual looks forward to working with them on their future needs.

FIRST QUARTER BROKER REVIEW

Shawn Guzman reviewed the performance, as outlined in the written measures (see attachment #1), of the Brokers for the first quarter. The Brokers have performed items 1-12 to the satisfaction of the staff and Board for the first quarter. Item 13 was not requested of the Broker—staff prefers to work with the Insurance Department directly and item 14 was met with satisfaction. Ed Phillips made a motion to approve the $5,000 bonus to the Broker for the first quarter. Royal Norman seconded, motion passed unanimously.

DRIVER POLICY DEFINITION of "INSURED"

Steve Baker reported that the Personnel Committee met on February 20 and has the following language recommendation for the definition of "Insured" under the Driver Policy: *For the purposes of the Utah Association of Counties Insurance Mutual Risk Management Program Section 1.5 and Section 3, "Insured" means a person who is an official, trustee, director, officer or employee of the County, or a person who, by permission, uses a vehicle owned by the County or any said person who drives any vehicle on authorized County business. The definition of "Insured" specifically excludes volunteers who drive personal vehicles on County business.* The Committee agreed that this proposed language meets the needs of the Mutual and shifts the burden to provide training from the members to the Mutual. Kay Blackwell made a motion to approve the language for the definition of "Insured" to be included in the 2001 Risk Management Program as presented by the Committee Chair. Tex Olsen seconded the motion, which passed unanimously. Mark Brady, who will be visiting each county to review the 2001 Risk Management Program, will present this new language to each member.

BUILDING ISSUES

Brent Gardner reported that Bill Peters is finalizing the Agreement for Administrative Services between UAC and UACIM, pursuant to the approval of the Board, of reimbursement of any monies in excess of $7500. Sharon Walters, President of UAC, and Gary Herbert, President of UACIM, will sign the final Agreement.

Brent reported that Ballard Sphar is finalizing the changes on the sublease agreement.

Brent explained that the office space upstairs in the UAC building is full and recommended that plans to finish the basement with additional offices be considered. The Board directed Brent to present a proposed plan for the space and the cost of construction at the next meeting.

LOSS CONTROL MANAGER'S REPORT

Mark Brady reported that in the last six weeks he has visited 19 member counties, meeting with the insurance coordinators to encouraging their participation in the Risk Management Program, answering questions, assisting with their needs and inspecting county facilities. Mark will begin conducting defensive driving courses for those members who do not already have their own certified trainers. He is also preparing training for Title VII and Planning & Zoning.

So far this year the Mutual has had three major vehicular accidents that will dramatically affect the loss trends for 2001. In comparison to other county pools, Mark was told when meeting with the Colorado Counties Pool that vehicular incidents are their major concern as well. Rich Stokluska added that UACIM's incidents are comparable to other contracted pools. Mark is working with the members to enforce effective accident review boards, encourage members to adopt an award program for good drivers and heighten the counties awareness of these alarming trends.

Mark has committed to assist in the development and/or revision of four county's personnel policies and procedures. The Mutual has copies of all the member's policies but whether the policies are adequate is the question. Progress is being made in that counties are requesting assistance in reviewing and drafting but the problem is the Mutual's limited resources in reviewing each policy with a fine toothcomb. The Personnel Committee has offered to conduct specific training for commissioners/council members and those who draft the policies. Brent Gardner will work with the USACCC officers to schedule training.

SUMMARY of FINANCIAL STATEMENTS

Shawn Guzman reported that the Management Discussion and Analysis has been prepared and will be filed as required by the Insurance Department by April 1. The Audit Committee will be meeting in May to review the actuarial analysis and the audit. The actuary is being very conservative with the numbers and will explain this to the Audit Committee in May. If the Mutual's loss trends are low the actuary releases the Incurred But Not Reported (IBNR) amounts. IBNRs are determined by the reserves set by McLarens and the loss trends. Even with the conservativeness of the actuaries and the debentures being paid, the Mutual's assets increased by $996,982 in 2000.

Shawn reviewed the December financial statements with the Board. Investment Income (page three) $8,489,329, Net Income (page four) $993,013, Change in Surplus (page five) $398,114, Budget to Actual (page 12) Income 107% of budget and Expense 95% of budget with Net Income at 336% of budget.

DIRECTOR'S REPORT

As directed by the Board at its last meeting, Carbon and Washington Counties were assessed and invoiced for a late premium payment. Shawn Guzman explained that Washington County paid the amount invoiced and Carbon County has requested in writing that the Board reconsider allocating a late payment charge (see attachment #1). The Board seriously considered the request but felt that the County had adequate notification of the premium due and that the Board must adhere to the Joint Policy on Late Premiums as adopted. Therefore, Kent Sundberg made a motion to deny Carbon County's request to reconsider the late premium payment allocation. LaVar Cox seconded the motion, which passed unanimously. The Board directed Shawn to convey to Carbon County that their reason for paying the premium late has occurred in other counties and additional costs are to be expected.

Shawn reported that the Request for Qualifications (RFQ) has been sent to Willis of Seattle, Johnson & Higgins, Arthur J. Gallaghers, Robert Driver and Fred A. Morton (see attachment #2). A Subcommittee will be appointed to review the RFQs and recommend to the Board, which companies should respond to a formal Request for Proposal (RFP).

SET DATE and TIME for CLOSED MEETING

The Board had no need at this time to set the date and time for a closed meeting to discuss the character, professional competence, physical or mental health of an individual.

OTHER BUSINESS

Brent Gardner explained that officials have approached him again from Morgan and Summit Counties showing interest in joining the Mutual. Shawn Guzman has their renewal dates and will keep in contact with these counties.

Steve Baker encouraged the Board to promote attendance at the May 3-4 Personnel Workshop. As of today only 40 officials and county employees have registered.

The next Board of Trustees meeting is scheduled for Thursday, May 17, 9:30a at the UAC Building. The Board would like Brent and Shawn to coordinate the June 21 meeting to be held in Summit County at 9:30a.

Approved on this 17 day of May, 2001

Ken Bischoff

Ken Bischoff, *UACIM Secretary-Treasurer*, Weber County Commissioner

CARBON COUNTY
PRICE, UTAH 84501

February 26, 2001

Shawn Guzman
Director, UACIM
5397 South Vine Street
Salt Lake City, Utah 84107

Dear Shawn,

I am writing to you requesting reconsideration of the $214.00 Late Premium Assessment by the Insurance Mutual for Carbon County's 2001 insurance premium. Carbon County recently changed its financial software vendor from PMSI to Caselle. In the process my office has had a struggle in developing a new system that works efficiently. You invoice got buried in paper and was not discovered until a delinquent notice was sent. As soon as I received the late notice I immediately called Sonya and told her we would get it processed that day.

I realize that it is totally my fault the premium was late, but given the circumstances would ask for reconsideration with my assurance that it will not happen again.

Sincerely,

Robert P. Pero
Carbon County Clerk/Auditor

Proposed language for the definition of "insured."

For the purposes of the Utah Association of Counties Insurance Mutual Risk Management Program Section 1.5 and Section Three, "Insured" means a person who is an official, trustee, director, officer, or employee of the County, or a person who, by permission, uses a vehicle owned by the County, or any said person who drives any vehicle on authorized County business. The definition of "Insured" specifically excludes volunteers who drive personal vehicles on County business.

PERFORMANCE MEASUREMENT

In addition to the basic fee for services, Arthur J. Gallagher & Co. is eligible for bonuses of up to $20,000 for the 2000 program year.

Arthur J. Gallagher & Co.'s performance shall be measured at the end of each quarter, using the following criteria:

- Review, analyze, and provide recommendations to UACIM regarding deductibles, self-insured retentions, loss funds, and program structures.
- Bind coverage on behalf of UACIM as required.
- Provide alternative quotations on ancillary coverages as requested by UACIM.
- Act as representative of UACIM in matters relating to UACIM's excess insurance and/or reinsurance.
- Assist in marketing the UACIM program to other Utah counties.
- Assist in the analysis and comparison of various proposals/quotations submitted to UACIM members by competing brokers.
- Participate, when invited, in monthly UACIM Board of Directors meetings.
- Participate in all full membership meetings.
- Review, analyze, and respond to UACIM questions pertaining to coverage or servicing issues.
- Return all phone calls within 24 hours.
- Review policies, endorsements, and certificates for accuracy. Request changes as needed.
- Quote, bind, and process bonds as needed.
- Act as an intermediary, when requested, between the Utah Department of Insurance and the UACIM.
- Assist the UACIM staff with members' concerns, questions, or general service issues.

Arthur J. Gallagher & Co. will be eligible for up to 25% of the annual bonus, or $5,000, at the end of the quarter. Performance bonuses will be billed no later than 30 days after the end of each quarter.

UTAH ASSOCIATION
OF COUNTIES
INSURANCE MUTUAL

UTAH ASSOCIATION OF COUNTIES INSURANCE MUTUAL

Management's Discussion and Analysis
of the 2000 Annual Statement

COMPANY BACKGROUND

Utah Association of Counties Insurance Mutual (UACIM) is a Utah-domiciled property and casualty insurance company licensed to conduct business in Utah. UACIM only insures member counties. Currently, twenty-five of Utah's twenty-nine counties are members of UACIM.

The UACIM was organized in 1991 under the Interlocal Cooperation Act in Chapter 13 of Title XI of the Utah Code. UACIM is classified as a Public Agency Insurance Mutual and began insuring member counties on January 1, 1992.

The following discussion of the current financial position and condition of the UACIM is intended as a supplement to the financial exhibits and schedules in the 2000 Annual Statement.

FINANCIAL POSITION

ASSETS

Total admitted assets increased by $996,982, to $8,489,329 in 2000 from $7,492,347 in 1999. This represents a 13.3% increase. Invested assets account for 99.8% of total admitted assets.

UACIM's invested assets consist primarily of short-term investments. Short-term investments at year-end equaled $8,463,851 and cash equaled $20,441 at that time. All short-term investments are managed in accordance with the Utah Money Management Act and are100% invested in the Utah Public Treasurers' Investment Fund.

Total non-invested assets decreased by $44,578 from 1999. This change is the result of a decrease in excess loss receivables.

LIABILITIES AND SURPLUS

Losses and loss adjustment expenses increased by $312,856, to $3,753,154 in 2000 from $3,440,298 in 1999. This 9% increase is due primarily to the addition of Carbon and Weber Counties in 1999, with 2000 being the first full year that both counties were members of UACIM. The foregoing

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expenses account for 92.7% of UACIM's total liabilities.

UACIM does not discount any of its loss reserves. These liabilities are computed in accordance with accepted actuarial standards using both in-house and industry derived data. UACIM believes both loss and loss adjustment expense reserves are adequate to meet all known claims.

Other liabilities increased by $29,776 to $37,776 in 2000 from $8000 in 1999. This change is due primarily to a late fourth quarter 2000 invoice for claims services from McLarens-Toplis, UACIM's claims administrator. That invoice was paid in 2001.

Total capital and surplus showed an increase of $996,982. UACIM's net income of $993,013 was affected by a debenture payment of $589,899 and a $5,000 decrease in non-admitted assets for a net change in surplus of $398,114.

RESULTS OF OPERATIONS

Net premiums written and premiums earned decreased by $128,542 to $2,351,234 in 2000 from $2,479,776 in 1999. This represents a 5.2% decrease. Loss and loss adjustment expenses incurred decreased by $118,820, to $1,316,773 from $1,435,593. UACIM's net income increased by $281,862 from 1999 due to an increase in net investment income and a favorable loss history.

Net investment income increased by $368,434, to $540,150 in 2000 from $171,716 in 1999. This represents a 314.5% increase. The increase is due to UACIM's income from interest bearing accounts.

CASH FLOW

UACIM's net cash from operations increased by $865,816, to $1,591,881 in 2000 from $726,065 in 1999. The change was the result of an increase in premiums collected and a decrease in loss and loss adjustment expenses paid in 2000.

UACIM has paid all principal and accrued interest on subordinated debentures in 2000 (approximately $589,899). UACIM has no plans for any material expenditures in 2001 other than those experienced in the normal course of its operations.

Prepared and submitted this 22nd day of March, 2001, at Murray, Salt Lake County, Utah.

Shawn M. Guzman,
UACIM Director/Legal Counsel

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UTAH ASSOCIATION
OF COUNTIES
INSURANCE MUTUAL

March 15, 2001

Rich Stokluska
Arthur J. Gallagher & Company
Two Pierce Place
Itasca, IL 60143-3141

Re: Request for Qualifications to Provide Brokerage Services

Dear Rich:

Attached is a Request for Qualifications (RFQ) for Brokerage Services for the Utah Association of Counties Insurance Mutual (UACIM).

UACIM is in the process of inviting proposals for brokerage services for the next three-year period beginning January 1, 2002. UACIM will evaluate the responses to the RFQ and, based on the evaluations, request a limited number of firms to respond to a Request for Proposal (RFP). The firms selected to respond to the RFP will be invited to make a presentation to the UACIM Director and Board of Trustees.

UACIM was formed in 1992 to provide property and liability insurance to member counties. Currently, 25 of Utah's 29 counties are members of UACIM. At present, one broker of record services the account with a third party administrator (TPA) managing claims. Claims will continue to be handled by the TPA and claims services will not be part of the RFQ/RFP.

Your response must be submitted by 5:00 p.m. on April 13, 2001 at the UACIM office. Your response should include a cover letter indicating the name, address, telephone and fax numbers of the contact person at your firm. Please feel free to contact me with any questions or clarifications at (801) 265-1331.

Sincerely,

Shawn M. Guzman
UACIM Director

Attachment

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REQUEST FOR QUALIFICATIONS (RFQ)

I. PROFILE

Utah Association of Counties Insurance Mutual (UACIM) is requesting proposals for the provision of insurance brokerage services. UACIM is a public agency insurance mutual operating for participating counties and under the laws of the State of Utah. UACIM plans to utilize broker services in managing property and casualty exposures of member counties through a fully funded insurance mutual program.

I.1 Confidentiality

The information provided in this RFQ should be used only for preparing a written conceptual plan to provide brokerage services for UACIM. Participation in this selection process constitutes the broker's agreement that no insurance markets will be contacted, directly or indirectly, on behalf of UACIM, and that all information provided by UACIM in this proposal will be maintained on a confidential basis and will not be distributed to any third party.

I.2 Exposures

The following outline of exposures is intended to give a foundation on which to base your decision to respond to the RFQ. Updated information for the 2002 policy year will be provided to brokers selected to make a formal proposal.

I.2.a	Number of Member Counties	25
I.2.b	Property Values	$496,136,714
I.2.c	Contents Values	$85,922,942
I.2.d	Expenditures	$373,052,903
I.2.e	Miles of Road	26,910
I.2.f	Number of vehicles	2,863
I.2.g	Law Enforcement Officials	1,293
I.2.h	Total Number of Full-Time Employees	4,409
I.2.i	Population	1,223,919

II. SELECTION PROCESS

The UACIM Director and the UACIM Board of Trustees will review the responses to the RFQ. UACIM will invite brokerage service providers to make a proposal for brokerage services (request for proposal) based on the written responses to the RFQ. Brokers selected to make formal proposals will be invited to do so at a meeting of the UACIM Board of Trustees at a future date.

Should your firm decide to respond to this RFQ, please provide in detail the following information regarding services to be considered by the UACIM Board of Trustees.

II.1 Information on the size, background and credentials of your firm including specific details on national and local expertise in the public agency insurance mutual and/or pooling industry.

II.2 List experience and include a brief resume for all key personnel to be involved in servicing the UACIM account.

II.3 Indicate where the key personnel identified in B are based and how the personnel will handle the account (i.e., via telephone, e-mail, office visits, etc.) and how often the personnel will be available to the UACIM staff.

II.4 Evidence of national and local experience in the servicing of risk management programs for governmental entities, pools and associations or other related entities.

II.5 Sample documents of systems and services to be utilized in servicing this account. (OPTIONAL)

II.6 An outline of your firm's brokerage commitment with sample agreement.

II.7 An outline of your firm's risk management commitment and management philosophy regarding the servicing of this account.

II.8 Evidence of errors and omission coverage with minimum limit of $2,000,000 with an acceptable carrier.

II.9 Information about your firm's ability to satisfy licensing and regulatory requirements for the State of Utah.

II.10 A statement indicating your firm's particular areas of interest and qualifications that should be considered when evaluating your firm's ability to service UACIM.

II.11 A list of current clients along with three client references and two business references for the proposed key personnel involved in servicing the account.

II.12 A clear statement of all costs and fees. Describe how fees are calculated, and indicate how pricing for future years would be determined. All fees and charges must be disclosed in your proposal.

II.13 Description of the history of, and efforts to reduce, employee turnover in your company.

II.14 Description of your company's efforts to maintain quality control over the services provided to your clients.

II.15 Advantages of your company, when compared to competitors, in providing services to UACIM.

II.16 Creative solutions to past problems in pools.

II.17 Any other relevant information that your firm would like to have considered.

III. TIME LINE

March 16, 2001	Release of Request for Qualifications
April 13, 2001	Deadline for receiving initial information
TBA	Interviews at UACIM offices
TBA	Selection of brokers to submit RFP and release of information
TBA	Deadline for receiving final proposals
June 26, 2001	Final decision
January 1, 2002	Effective date of contract

IV. SELECTION CRITERIA

The selection criteria used to evaluate the written and oral presentations are as follows:

IV.1 Competency of personnel assigned to UACIM's account.

IV.2 Ability to provide responsive service in terms of personnel, location or technical expertise.

IV.3 Exhibits ability to work well with UACIM staff and members.

IV.4 Knowledge of and experience in handling accounts for public agency insurance mutuals and/or pools.

IV.5 Ability to anticipate client's needs and initiate discussions to address needs.

IV.6 Services available from broker (e.g. evaluation of insurers, risk management services, etc.) and the perceived usefulness of these services to UACIM.

IV.7 Administrative/support services – evaluation of Broker's ability to provide administrative services noted above in an efficient and timely manner.

IV.8 Evaluation of potential enhancements to UACIM's existing insurance program.

IV.9 Training and education as needed or desired.

IV.10 Fees.

V. RIGHTS RESERVE WITH RESPECT TO AWARD

Upon completion of the RFQ evaluations, UACIM will contact one or more of the highest-ranking respondents to reach a mutual and complete understanding of the coverages and services to be provided. The deadline for receiving formal proposals

will be confirmed at that time. UACIM proposes to award one contract for this account. However, in awarding a contract, UACIM reserves the right to establish accounts with other agents or receive services from other agents or insurers as needed to conduct UACIM business. UACIM further reserves the right to restate and/or renegotiate with the carrier such additions, deletions, changes or clarifications of provisions of the contract as may be necessitated by law or changed circumstances.

VI. REJECTION OF PROPOSALS

UACIM reserves the right to reject any and all proposals received in response to this RFQ. Non-acceptance of any proposal will not imply any criticism that the proposal or proposed system was deficient.

VII. CONTACT

Please direct all questions and correspondence to:

Mr. Shawn M. Guzman
Director, UACIM
5397 South Vine Street
Murray, UT 84107

Phone: 801-265-1331
Fax: 801-265-9485