

BOARD OF DIRECTORS MEETING JANUARY 26, 2023 WORK SESSION JANUARY 27, 2023 MEETING

Board Members Present: Michael Page, Jeff Gatlin, Kristen Colonell, Tom Turrell, Michael Page, and Kristin Bennett and. Dave Eastin and Siri Vensel joined via Zoom.

Board Members Absent: Stephanie Watson

Pool Staff Present: Lawrence Mundy, Justin Bratt, Steve Fast, Craig Hein, Mary Lee Gibson, Karina Palermo

Pool Staff Absent: Audrey Mauser

I. GROUND RULES:

GP-11 Board Director Covenants: All members will participate and contribute. We will be solution oriented, action oriented and take risk. We will stay open, restate closure and adhere to timelines.

II. CALL TO ORDER:

1:00 PM – Director Colonell called the meeting to order at the Colorado School Districts Self Insurance Pool Office.

III. Board Work Session

A. Strategic Plan Update

Mr. Fast reviewed the Operational Objectives section of the Strategic Plan with the Board providing a status update on both scheduled and an ongoing objectives. He addressed the Pool's Total Insured Valuation (TIV) process and need to conduct field appraisals to affirm results. He advised that staff are working with the Brokers to update High Hazard Flood Zone determinations. As a part of that process, they are looking to improve the GEO coding of locations. Mr. Fast advised the Board that a Maximum Probable Loss (MPL) study is completed annually as a part of the property reinsurance submission. The MPL study is completed by either AJG or CRC at time of submission using one of the two most widely used hazard study models, AIR or RMS. In prior years, 5 years ago, the Pool independently contracted for a study to affirm the Brokers modeled results. The Board and Mr. Fast agreed to obtain bids for the independent study to discuss further at the April meeting. Mr. Fast affirmed his intention to send out a Membership satisfaction survey in 2023. Mr. Fast advised the Board that the FY2023 budget will include additional expense to allow the Pool's actuaries to review and potentially propose alternative models to the experience modifier and to address the limit rating factors. He reminded the Board that the deductible factors were updated this year as a part of the SIR development process. He advised the board that implementation of the new RMIS system is targeted for January 2024. He cautioned that implementation may mean we are running in a parallel environment with the existing RMIS. Mr. Fast noted a new date and location for the Membership Conference, and reviewed costs. The board approved these costs. Mr. Fast reviewed the staff vision of Member training in the upcoming year and discussed current status of Vector Trainings and Member engagement.

B. 2023 Legislative Session Preview (EL-10) – Political Advocacy – C. Hein / E. Rosen

Ms. Rosen noted that due to inflation, \$100 million will be put into the K-12 system this year. She reviewed the election results and how they impact the Public School System. Ms. Rosen noted the impact on foreseen future legislation on SROs, HR, and future liability issues. Ms. Rosen noted the work being done around getting more financial support for districts. Ms. Rosen noted the press association looking to change CORA's demands. Ms. Rosen spoke to proposals in schools to student mental health assessments. She noted changes in legal standards of student expulsion according to statute HB 1109. Mr. Hein shared that the new process would parallel title IX proceedings for expulsion. Ms. Rosen spoke to the Emergency Removal Protection Order. She discussed a potential new standard about police not being able to enter a school without a human services representative.

C. Alliant Insurance Services Presentation – Justin Swarbrick, Jeff Moench & Doug Wozniak

The representatives reintroduced Alliant and their proposed service team. Mr. Wozniak noted that the team is created not by region but by specialty, and reported that the company works with a total of over 80 public entity pools. The group discussed the evolution and structure of the company. The group reviewed reasoning behind the formation of the specific team. The representatives discussed their view of servicing and marketing and gave a brief market update. The representatives discussed CSDSIP and gave outlines of approaches to current dilemmas. The representatives reported on experience with other pools who have utilized Alliant's property options. The representatives discussed the wind/hail experience of the team and their other clients. The team spoke to their "collaborative", "transparent" approach to working with clients. The representatives discussed their analytics and actuarial analysis approach and ability to provide national pool averages. The group discussed nation-wide best practices for location valuation. Mr. Moench reported multiple approaches to building appraisals including onsite appraisals as well as desktop appraisals. The group discussed the highly challenging financial losses due to catastrophic events in the past four years. The representatives shared ideas for implementation at CSDSIP including expanding the market panel and relying on actuarial/analytical data for 2023 renewal. The Alliant representatives fielded questions from Pool staff.

IV. CALL TO ORDER:

9:02 AM– Kristen Colonell called the meeting to order at the Colorado School Districts Self Insurance Pool Office.

V. Agenda Approval

- A. Additions/Deletion to Agenda

VI. Discussion Items

A. 2023 Staff Compensation Study Update – Lou Lazo

Mr. Lazo reviewed the data gathering process which was used to research and develop standardized progressions and titles within the organization. Mr. Lazo noted a tiered structure with goals of transparency in career progression. Mr. Lazo reviewed the manager meeting in

which he presented data points from the job matching search. Mr. Lazo reviewed his approach to gathering and comparing data points across the market and noted a significant change while comparing revenue cuts versus company size. Mr. Lazo noted a targeted pay slightly higher than the market median (55%). Mr. Lazo proposed changing the pay structure (to a static structure, fixed 10%) in attempt for more simple progression. Mr. Lazo noted minimum salary may reflect slightly better than the 25th percentile of the market. Mr. Fast confirmed additional information on the study to be sent to the board before the April board meeting.

B. 2023 Rate Development Discussion - S. Fast / L. Mundy (EL-7, 8 & 9)

Mr. Mundy and Mr. Fast presented multiple rate options for the 2023 Coverage renewal. They provided the Board with a summary of the rate model development including their assumptions about FY2023 Operational Budget, net earned contributions, net investment income, and claim development. They reported that the model includes an 8.5% increase in Property TIV due to inflation, 1% increase in Auto and SEL exposure and a 9% increase in Operational Budget. After applying these exposure modifications to the model, the average increase of contribution will be 6.7%.

Next, Mr. Mundy and Mr. Fast reviewed the change in deductible rating factors because of the actuarial study. In general, the increase in inflation as well as the overall increase in claim severity has eroded the effectiveness of each deductible necessitating a reduction in the deductible credit factor. Additionally, the group discussed the elimination of the \$0 deductible and its impact on results and overall competitiveness of the Pool in the market. The group discussed the reinsurance market reaction regarding increasing deductibles and the potential introduction of the SIR model. Mr. Mundy and Mr. Fast advised that the application of the new deductible factors would result in an estimated additional 4% contribution increase bringing the overall average increase to a Member of approximately 11%.

Mr. Mundy and Mr. Fast reviewed the Member Equity Experience Modifier with the Board using modeled credits/debits of 2.5%. Mr. Mundy reviewed example Member outcomes in Property, School Auto and SEL coverage lines of business.

In conclusion Mr. Mundy and Mr. Fast presented multiple base rate adjustment options for the Board's consideration. The options included:

- Option 1: 0% increase rate option ("feels like" 10.7% rate increase for the Member),
- Option 2: 1% increase rate option ("feels like" 11.8% rate increase for the Member),
- Option 3: 2% increase rate option ("feels like" 12.9% rate increase for the Member).
- Option 4: 2% decrease rate option ("feels like" 8.5% rate increase for the Member).

The Board discussed pros and cons of the various structures proposed, and the impacts of future years. The group discussed the pros and cons of increasing rates while raising deductibles. The group discussed the impact of changes in deductibles for larger versus small schools.

VII. Action Items:

A. 20-XX GP-3: Resolution to Approve December 16, 2022 Meeting Minutes

Kristin Bennett- Brought attention to one typo- page 2. Sediment to sentiment

Motion to approve with amendment:

1st: Kristin Bennett

2nd: Tom Turrell

B. 20-XX EL-7/EL-8: Resolution to Approve the 2023 Rate Structure

Motion to approve on Option 1, with +/- 2.5% modifier:

1st: Tom Turrell

2nd: Michael Page

VIII. Standing Reports:

A. Executive Director's Report - S. Fast (EL-10)

1. Policy Governance Review – (GP 1-13, B/SR 1-5)

Mr. Fast noted that his recommendation to continue use of the current structure as drafted.

There were no other recommendations to change or modify the document.

B. Finance Services Update – L. Mundy (EL-7, 8 & 9)

1. Interim Financial Statements Review

Mr. Mundy noted completed projects of polishing financial statements. Mr. Mundy reviewed reserves for losses at an increase for the year. He noted that liabilities and surplus are accounted for slightly differently. Mr. Mundy explained differences in current budget versus projected budget.

2. FY2022 Interim Operating Budget Review

Mr. Mundy gave an expenses (excluding payroll) and departmental breakdown of the Pool including projected amount for the full fiscal year.

3. Investment Policy Review & Compliance Report

Mr. Mundy noted that CSDSIP's investments are in compliance as of December 31st, and that he has requested the investment managers to present at the April meeting.

4. PERA Roth Option Update

Mr. Mundy gave updates on employee tests and participation in the program.

C. Management Information System Update – C. Hein (EL-10)

1. Implementation Status Update

Mr. Hein noted that the implementation contract was signed last year, and the RMIS team was in-office the previous week to gather information on how the CSDSIP team uses the current system. Mr. Hein discussed the objective of the new RMIS system. Mr. Hein noted the current timeline is aggressive but likely necessary approach. Mr. Hein noted that the future data analyst will likely aid in the process of transition.

D. Legal Resources Report – C. Hein (EL-10)

1. Activity & Status Report

Mr. Hein shared that CSDSIP filed an Amicus brief in an Aurora Public Schools liability case that is challenging the constitutionality of SB88, and reiterated points from the Ms. Rosen.

E. Claims Services Report – J. Bratt (EL-10)

1. Claim Activity Report

Mr. Bratt updated the Board and advised that a demand letter has been sent to Rocky Mountain Construction Company for the \$800,000 overcharge. Mr. Bratt noted a need to expedite the demand / settlement process as the statute of limitations for further action is running. Mr. Bratt noted a plan created in conjunction with Counsel to pursue reimbursement.

Mr. Bratt noted that the below freezing temperatures over the Winter Holiday break have led to around 10 additional claims which are currently estimated to cost the Pool around \$1 million.

Mr. Bratt advised the Board that he would be posting the vacant Property Claims Specialist position in the next week.

F. Risk Programs Report – S. Fast (EL-10)

1. Risk Programs Activity Report

Mr. Fast provided a list of prospective Members who are looking to join or come back to CSDSIP. Mr. Fast discussed how new Member growth increases exposure and puts pressure on existing reinsurance capacity, retention, aggregate and price. He believes that an additional \$3 Billion TIV would push the aggregate to \$25 Million. Mr. Fast advised the Board that new Member selection will include considerations such as Risk Management /Loss Ratio, Size, High Hazard/Low Hazard, and Prior Membership.

G. Risk Control Report – ML Gibson (EL-10)

1. Risk Control Activity Report

Ms. Gibson noted that the Risk Control team will be traveling for renewal meetings. She noted a continued goal of getting 100% participation from members on Vector virtual trainings. She noted that CSDSIP will be providing an upcoming roof training at CASBO, and are considering bringing back some old trainings such as athletic liability training and summer training.

GP-3-6. Board Monitoring Report:

The Board will monitor its process and performance at each meeting. Self-monitoring will include comparison of Board activity and discipline to policies in the Governance Process and Board-Staff Relationship categories.

IX. Information Items:

- a. PC Market Update: Provided in the Board Packet

X. Future Meeting Dates:

April 27 & 28 – Board Work Session & Meeting

July 9 – Board Work Session

July 16 - 18 Board Director Work Session (Wine Country Inn)

December 14 & 15 – Board Work Session & Meeting

XI. Adjournment

The meeting was call to an end at 1:19 PM

1st: Kristin Bennet

2nd: Jeff Gatlin