

**BOARD OF DIRECTORS MEETING**  
**DECEMBER 15 - 16, 2022**  
**Board of Directors Minutes**

**BOARD MEMBERS PRESENT:**

Kristin Bennett, Kristen Colonell, David Crews, Mike Page, Tom Turrell, Dave Eastin, Stephanie Watson, and Siri Vensel, in person. Jeff Galager by Zoom Meeting

**BOARD MEMBERS ABSENT:**

None

**POOL STAFF PRESENT:**

Steve S. Fast, Craig Hein, Mary Lee Gibson, Lawrence Mundy, Justin Bratt, and 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 12/15/22:**

Kristen Colonell called them meeting to order on December 15, 2022 at 1:00PM at the 6857 South Spruce Street, Centennial, CO 80112 CSDSIP Office.

**III. Discussion Items:**

**A. Self-Insured Retention Model – Thomas Meyer, Select Actuarial Services**  
Thomas Meyer commenced his presentation with a description of a self-insured retention (SIR) model. Mr. Meyers explained that this is likely going to be more profitable for larger members. Objectives included elimination ratios, updated deductible elimination ratios, and evaluation of the impact offering members an SIR compared to current deductible structures. Mr. Meyers compared and contrasted SIR and Deductible models. He noted that deductibles are usually smaller and do not include expenses. In contrast, SIRs are usually larger and include expenses. Mr. Meyers explained that the loss

model allows one to fill in averages of claims. Mr. Meyers reported that Select Actuarial Services (SAS) weighs in SIR factors with modeled forecast results due to fewer large losses at higher SIRs.

Mr. Meyers noted CSDSIP is due for an update in its quoted deductibles due to the last update being 3 years ago. Mr. Meyers shared CSDSIP's trends adjusted with deductible analysis. He noted that losses from the past 15 years are trended to 2023/24 cost levels to account for inflation, changed financial market and developed to ultimate loss levels. Mr. Meyers shared that this excludes allocated loss adjustment expenses. Mr. Meyers noted that SAS limits each claim to the various deductibles and calculates how much is eliminated at each level. Mr. Meyer provided examples of what this might look like. Mr. Meyers presented statistics on SEL deductible results for limited and unlimited losses, resulting in percentages of losses eliminated for the past 15 years. Mr. Meyers noted that the most accurate data is usually pulled from the last 5-7 years. Mr. Meyers reported unusual results from the 2020 and 2021 years due to the COVID-19 Pandemic and noted data from these years being extracted from averages due to this. Mr. Meyers presented deductible eliminations ratios for members and CSDSIP for SEL, Auto, and Property liability. Mr. Meyers spoke to the vast difference in percentages in deductible and SEL especially within the realm of auto liability.

Mr. Meyers offered SIR analysis reports losses from the past 15 years that were trended to 2023/24 cost levels and developed to ultimate loss levels including allocated loss adjustment expenses. The SIRs presented were reflective of claims between \$100,000 and \$500,000. These reports weigh in modeled forecast results due to fewer large losses at high SIRs. Mr. Meyers provided an example of SIR results in SEL limited to \$250,000 for the past 15 years. Ms. Watson mentioned the possibility of pulling individual districts data. Mr. Fast discussed variations between long term members and new members in SIR use. Mr. Meyers noted that the Denver Public Schools (DPS) District is included in their financial reports presented though DPS is not a current member of CSDSIP. The group discussed reasons districts might take on larger SIRs. The group discussed documenting how districts handle claims.

Mr. Meyers noted that the largest difference between deductibles and SIRs is who the expenses belong to and how the expenses are treated. The group reviewed comparisons in SIR and Deductible ratios for SEL, Auto, and Property Liability.

Mr. Meyers spoke to the impact of inflation on capping deductibles. Mr. Fast spoke to the changes he observed since the last study in 2019.

Mr. Meyers spoke to the difference in claim handling for deductibles and SIRs. With SIRs, if CSDSIP handles the claims, the Member would need to have a deposit with CSDSIP to pay claims on their behalf. With a deductible, CSDSIP is the primary insurer, with SIR, the member is self-insured and CSDSIP is excess insurance when the Member's limit is met. Mr. Fast reviewed the difference between the proposed system and the current system. Kristin Bennet noted that she, as a member, would like to use the SIR and then contract with CSDSIP to be a third-party administrator. Ms. Goare noted this layout may make the reinsurers feel more comfortable. Mr. Meyers noted when it comes to claim reporting, other things to consider are ensuring that members are reporting every claim, reporting in a timely manner, and reporting all details. Other things to consider

included a change in the Pool's revenue, cash flow, and investment structure. Mr. Meyers noted a shift in risk from the Pool to the member with an SIR. Mr. Meyers noted that updated pricing may need to reflect a higher risk margin. He noted that the capital needs may shift due to higher layers being more variable and requiring more capital for adverse results. Kristin Colonell noted that this is an important conversation due to the low deductibles offered by CSDSIP despite challenging financial markets. The group discussed implementation time frames for SIR options. Mr. Fast noted that some examples may be available starting in January. The group discussed offering these options to larger districts or to districts with high deductibles first. The group discussed a potential difference in workload for CSDSIP. The group discussed a possible CSDSIP-member alliance with a SIR model. The group discussed targeted marketing to specific districts who will benefit most from the switch. Mr. Fast noted that adding this option may make CSDSIP more desirable when compared to competition. Kristin Bennet discussed the benefits of a self-incentivizing nature of SIRs where members may be more inclined to adhere to CSDSIP trainings and recommendations. Mr. Fast concluded with intentions for interim steps towards SIR implementation offerings for select districts as well as developing a framework on handling agreements.

**B. Arthur J. Gallagher Broker Introduction & Market Update – Ty Goare and Jeff Kassal**

Jeff Kassal reviewed Gallagher team updates for the local staff working with CSDSIP.

Mr. Kassal noted unprecedented influences impacting the market such as rising storm frequency, cyber threats, global supply chain disruptions, social inflation, environmental & social governance, employment practices, liability/workers compensation, inflationary trends, distracted driving, etc. He reviewed long-term data of weather changes and auto liability. Mr. Kassal noted that insurance is losing money in the current market, and shared that most carriers are either playing catch up or working to keep pace with loss trends. He noted that reinsurance markets are being hit harder than primary insurance companies due to dealing with more large-scale losses.

Ms. Goare spoke to increases in carriers showing zero tolerance for incomplete engineering recommendations, increase in submission competition, and lesser capacity to account for large losses for reinsurers. Mr. Fast explained CSDSIP's desk appraisal system for a sample population of buildings and other structures (e.g. sports stadiums). Ms. Goare explained the current program structure of 2022/23 for property liability by layer capacity, carrier, layer percentage, quota share limit, and accumulated limit. Ms. Goare noted that there are 27 carriers who are excess and surplus lines except for two. She noted for property liability, the market continues to pose challenges. Mr. Goare reflected that due to timing, reinsurance renewals are causing delays as markets get a handle on industry loss amounts, and that carrier appetites & capacity remain in flux. Mr. Kassal reiterated the importance of statements of values, included the insured reports of true replacement cost. Mr. Kassal reviewed trends in increasing secondary COPE (Construction, occupancy, protection, exposure) data (wildfire mitigation, roofs). He reviewed trends in construction costs from various reinsurers over the 2021/22 year. Mr. Kassal noted that Gallagher will start a strategic pre-renewal review in January of 2023. The group reviewed the difference in wholesale and retail brokers. Mr. Fast spoke to

other differences in the whole sale versus retail reinsurance markets. Ms. Goare made note of targeted meetings in 2023.

Mr. Kassal discussed reasons to address the London Market. He noted that in the London market, the capacity is the motivator, not price, i.e. this is a non-transactional marketplace and is more relationships based. Mr. Kassal discussed the London capacity, and Colorado's opportunity of diversification of their current market. Stephanie Watson noted a past claims issue with London reinsurance. Gallagher representatives took questions from the board. The board shared no concerns on proceeding with approaching London for reinsurance opportunities.

Gallagher discussed market updates on casualty liabilities in regard to carrier appetite, large run-away jury verdicts, high settlements driving excess layer costs, class action lawsuits, and high risk-exposures. Mr. Kassal spoke to social inflation in casualty liability. Discussed litigation financing trends rising. Ms. Goare shared that in the 2023/24 year, reinsurers will continue to scrutinize pool losses and exposures, and early receipt of renewal submission is imperative. She noted that SIR members are looking for reinsurer feedback- i.e. how will claims be handled (CSDSIP, self-administered?). The group reviewed the current program structure (2022/23) with the incumbent being Old Republic at a total limit of \$10M. The group discussed current cyber coverage and the expectations for the 2023/24 year. Mr. Kasser noted that cyber coverage is a limited service market for risk pools. The group discussed the importance of cyber controls such as MFA, EDR, Air-gapped back up etc. in order to get cyber coverage. The group discussed trends for cyber and ransom ware. Mr. Kasser provided updates on NCBR, Crime, and Pollution market trends. Mr. Kasser reviewed Ancillary Lines resources, and noted current projects of cyber, quarterly claim calls, increased accuracy of flood zones, new PCIS RMIS system, Gallagher Drive, and Gallagher Insight.

#### **IV. Call to Order 12/16/22:**

**Meeting was called to order on** December 16, 2022 at 9:00AM by Steve Fast – at 6857 South Spruce Street, Centennial, CO 80112.

#### **V. Agenda Approval**

#### **VI. Discussion Items:**

##### **A. 2021 – 2022 FY Audit Review (EL7, EL10) - Plante Moran – Jamie Essenmacher June 30, 2022 Draft Audited Financial Statements – Plante Moran**

Jamie Essenmacher and Cameron Earnshaw presented the results of the June 30<sup>th</sup>, 2022, audit on the Statutory Financial Statements. Plant Moran issued an unmodified opinion on the Statutory and explained this equates to having a clean audit. Ms. Essenmacher provided information on notable reporting amounts and the audit procedures performed to complete the audit. Mr. Earnshaw provided a multi-year trend analysis of key results to the Committee and answered questions from the Finance Committee.

Ms. Essenmacher confirmed the audit was performed on the financial statements that were prepared in accordance with the National Association of Insurance Commissioners and

standards deemed permissible by the Colorado Division of Insurance. Ms. Essenmacher reported that Plante Moran performed procedures on loss reserve amounts calculated by the actuary. Ms. Essenmacher provided an overview of the required governance communications. Ms. Essenmacher reviewed increased admitted assets from the prior reporting period. Ms. Essenmacher noted there is an increase in liabilities which are primary due to claim development for Property. This was a major contributor to the net loss reported for the year.

**B. 2023 Legislative Session Preview (EL-10) – Political Advocacy** – Cancelled due to absence of Elisabeth Rosen

**C. FAMLI Act Update (EL-10)** – S. Fast, C. Hein

Mr. Fast gave an update on staff feedback from the FAMLI survey. The Board gave feedback about the program and employee responses. Board members noted that many schools districts opted out due to abundance of other resources. Ms. Watson noted that staff responses were mixed. The group discussed the impact of taking funding out of staff salaries. The group discussed other possibilities to offer similar support to staff. The group concluded that CSDSIP would decline participation.

## VII. Action Items:

**A. 22-XX GP-3: Resolution to Approve September 23, 2022 Minutes**

Motion to Approve: Tom Turrell

Seconded by Siri Vensel

**B. 22-XX EL-7 / EL- 10 Resolution to Ratify the 2021 – 2022 FY Audit Report**

Motion to Approve: Stephanie Watson

Seconded by Dave Eastin

**C. 22-XX EL-10 Resolution to Decline Participation in the FAMLI Act**

Motion to Approve: David Crews

Seconded by Kristin Bennett

**D. 22-XX EL-5 / EL-7 Resolution to Ratify the Addition to Staff – Business Data Analyst**

Motion to Approve: Michael Page

Seconded by David Crews

## VIII. Standing Reports:

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

1. Staff Compensation Study Update – S. Fast

Mr. Fast gave an update on the compensation committee study. He reported on the November Philosophy Meeting, which compared CSDSIP’s compensation in relation to the general market. He noted the Staff Position Survey Data, and discussed the December Status Update and reported

that an early indicator noted a 3-9% gap between CSDSIP compensation and general market compensation.

## 2. Staffing Update

Mr. Fast reviewed open positions of Administrative Assistant, Business Data Analyst, Property Claim Specialist, and Assistant Executive Director. Mr. Fast gave updates on the current status of staff searching, and noted that all job openings will be reposted in the new year.

## 3. 2023 Board Meeting and Agenda Planning

Mr. Fast reviewed upcoming board sessions in January (26<sup>th</sup>–27<sup>th</sup>) which will largely focus on rate approvals. Mr. Fast noted a rough outline of the work session and the board meeting. Stephanie Watson asked for an update on the relationship with Gallagher. Mr. Fast spoke to his perception of their current work. Mr. Fast asked the group if they had any additions to the agenda for the next meeting.

Mr. Fast reviewed the board meeting schedule for April 27<sup>th</sup> and 28<sup>th</sup> which he noted will largely focus on budgeting. The group discussed locations of the April meeting. Stephanie Watson noted that she would like to get an update on the new RMIS system in April. Mr. Fast noted that this will be a standing update.

Mr. Fast proposed two meeting time frames for July: the 9<sup>th</sup>-11<sup>th</sup> or the 16<sup>th</sup>-18<sup>th</sup>. Mr. Fast reviewed the board meeting schedule. The majority of group members noted that the dates from the 9<sup>th</sup> through 11<sup>th</sup> work better. Mr. Fast reviewed the board meeting scheduled for December 14<sup>th</sup> and 15<sup>th</sup> which would largely be focused on the actuarial report, audit report, legislative update, and strategic plan update.

## 4. RPA – Cyber Services

Mr. Fast discussed various cyber services and the cost per member for services such as risk assessments, vulnerability scans, phishing, MFA Support, and end point detection. Noted with TMHCC, CSDSIP is currently under a \$600K Annual premium, and a \$500K Annual Aggregate. The group discussed the origins of the rates listed per members. The group discussed the possibility of Cyber Security steps being required in order for members to have access to cyber coverage. Mr. Fast noted that this is a process that might pose a challenge in acquiring underwriter support. Mr. Fast asked the group about more information they would like on the cyber coverage for him to report back on.

## 5. Transforming the Trend – SAM Symposium

Mr. Fast spoke to his experience at the SAM (Sexual Abuse and Molestation) Symposium. Fast reviewed the speaker topics of the symposium. Mr. Fast noted companies represented by the 35 attendees. Mr. Fast noted that some takeaways included that the current model for school safety is failing communities, the need for change from compliance to commitment to ethical decision making, and NASDTEC's functionality. Mr. Fast noted NASDTEC as a possible training resource. He reported on a centralized disciplinary database in the context of coaches and sports (SAFESPORT). The group discussed benefits to the SAFESPORT platform due to a need for additional non-criminal histories of new coaches. Mr. Fast noted an idea to revamp CSDSIP's athletic liability presentation to share with Members. Mr. Fast also noted a takeaway of a new youth protection program, which includes a youth protection officer, which is a person who focuses on establishing youth protection policy, standards, training, & resources. This proposed system includes policy, pre-employment, background checks, and trainings. Actions items

included reaching out to superintendents and k-12 leadership, exploring child protection positions, reviewing US SafeSport sanctioned coaches' information, and exploring future attendance of SAM Symposium.

**B. Legal Resources & MIS Report – C. Hein (EL-10)**

1. Activity & Status Report- Mr. Fast noted updates on what is considered public record and ability/inability to sue the press.
  - a. SB88 / SAM Litigation – AMICUS Request- Steve Fast noted some cases CSDSIP has filed as well as filings from other school districts that have made it to the appellate level. Discussed ability to file an Amicus brief.
2. MIS Implementation Update- Mr. Fast noted a meeting on Monday with PCIS where he will receive the schedule and milestones for the implementation process which he will report back on in January. Craig Hein to be implementor on this project in partnership with Mr. Mundy and Mr. Fast. Mr. Fast noted an intention to partner more with Gallagher for their data analytic tools for data enhancement.

**C. Finance Report: L. Mundy (EL 7, 8 & 9)**

1. Interim Financial Statements Review – Mr. Mundy noted that on a high level, CSDSIP had some significant activity in policy periods in the property realm throughout the fiscal year. Mr. Mundy reported case reserves being high- highlighting why admitted assets remain high (high liabilities, high assets). Mr. Mundy reviewed the CSDSIP Financial brief. Mr. Mundy spoke of unrealized losses in CSDSIP's investment portfolio and his follow up with investment broker. Noted no issue with credit quality, and that the investment bonds are projected to mature at par (safe bonds, municipal, governmental, etc.). Mr. Mundy noted that the portfolio performance is down by 6% and with continued interest rate hikes, will continue to decrease. Some realized losses are reflected in the portfolio, with interest rates and credit rates, there are bonds to choose from that don't have such a large realized long-term loss when needed to be used for large claims. Noted benefits of short-term related portfolios. Discussed main domains of financial expense breakdowns including payroll and not including payroll. Discussed expenses of doing data conversions with the new RMIS system. Discussed not budgeting for the new position due to long term vacant positions.
2. Investment Policy Compliance Report- Confirmed the investment portfolio is in compliance with the investment agreement. Mr. Mundy confirmed the move to a better accounting program with amortization accounts, and reporting can be produced more quickly. Mr. Mundy noted ways in which the past platform is different from the new, current system. Noted working

on 1099 reporting- complexity in the liability area, checks, noted changes in SI- Current RMIS system to be able to better track the 1099 reporting categories. Discussed working with Expensify- digital system where you can take pictures of receipts, upload, etc. Kristin Colonell noted her appreciation for the work Mr. Mundy has put into the process portion of the finance department and its positive effects on the company as a whole.

3. Finance Advisory Council Update

**D. Claims Report – J. Bratt (EL-10)**

1. Activity & Status Report – Mr. Fast noted that trending is back to normal following changes with covid when it comes to number of claims and cost of claims. Noted a slight increase in claim activity from last year largely due to weather. Mr. Fast noted Mr. Bratt has been handling sifting through claims and moving claims forward via redistribution due to a loss of a team member. Mr. Fast noted an increase member involvement in claim adjusting and repairs. Discussed desire for new messaging and for claims program. Mr. Fast noted a recent dismissal of a case in favor of CSDSIP. Mr. Fast noted a continued concern with Rocky Mountain Construction Company and discussed with board how far they would like CSDSIP to go with the lawsuit. Mr. Fast noted that there is financial risk involved with pursuing defense of the lawsuit. Mr. Fast noted that he will share the litigation budget in the January meeting.

**E. Risk Control Report: Mary Lee Gibson (EL-10)**

1. Activity & Status Report - Ms. Gibson noted spending more time with members researching special topics. Ms. Gibson reported an ongoing care of asbestos in a school. Ms. Gibson noted increased collaboration with claims teams. Ms. Gibson noted that almost half of members are registered on Vector Training Solutions. Ms. Gibson noted positive feedback on school district engagement in Vector. Noted important topics of sexual harassment and mandatory reporting. Discussed the safety school summit was well as the McGrath training. Discussed CASBO discussion of playground safety, cyber summit with Tokyo Marine. Karina Palermo gave an update on the Winter Insight publication. Ms. Gibson noted some additional updates from Risk Control on future trainings and risk bulletins.

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

1. Activity & Status Report – Mr. Fast noted continual work on preparation for renewals, both from the manual standpoint and the RMIS system standpoint. MR fast noted significant claims in the geothermal sector. Discussed anticipation of more coverage changes in sexual misconduct and sexual abuse coverage areas. Discussed possibility of claims made program, standalone coverage, SEL with it, SEL without it, etc. Claims made is where the industry is headed. Targeted update is in April.



**IX. 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.

**X. Information Items:**

**a. AGRIP Leadership Conference – March 5 – 8, Orlando, FL**

Mr. Fast noted that 6 rooms are reserved so far for the conference. Siri Vensel, Jeff Galagher, Kristin Bennett, David Crews, Dave Eastin, Tom Turrell, and Michael Page noted interest in attending. Board members interested in attending agreed to email Mr. Fast.

**XI. Future Meeting Dates:**

The next meeting will be held January 26<sup>th</sup> -27<sup>th</sup> of 2023.

**XII. Adjournment- Mr. Fast called the meeting at 11:23**