

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



**BOARD MEMBERS PRESENT:**

Kristin Bennett, Kristen Colonell, David Crews, David Eastin, Jeff Gatlin, Mike Page, Tom Turrell, Stephanie Watson, and Siri Vensel.

**POOL STAFF PRESENT:**

Steve S. Fast, Craig Hein, Lawrence Mundy and Mary Lee Gibson.

**POOL STAFF ABSENT:**

Audrey Mauser and Justin Bratt.

**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:**

December 15, 2022 – Board Work Session. 1:00PM CSDSIP Office.

**III. Discussion Items:**

**A. Self-Insured Retention Model – Thomas Meyer, Select Actuarial Services**

Mr. Meyer presented the example Self Insured Retention Model (SIR) structure and attributes to the Board. In his presentation, Mr. Meyer reviewed SIR retention ratios at various layers; compared those to deductible elimination ratios currently in place in the rating structure. The application of the SIR to allocated claim expense in addition to indemnity is the primary difference between SIR and Deductible models. A Member with an SIR takes more risk, primarily in the cost of claim expense, but has a greater opportunity to reduce their overall cost of risk if they manage their claim experience and reduce their total cost of the claim.

Other considerations discussed included claim handling, accurate claim reporting, pricing of higher loss layers, capital need of the Pool and potential impact to the Pool's total revenue, cash flows and investment structure should a large percentage of Members move to the SIR model.

The Board asked staff to further develop and explore the SIR model with a sample set of Members who staff have evaluated as potential SIR model candidates. They asked staff to provide example outcomes at the January meeting and to provide an example structure of claim handling and cash management.

Additionally, the Board asked to see the effect of deductible factor changes on total contributions if the revised factors were adopted and/or if the Pool's minimum deductibles were increased to \$2,500 or \$5,000.

**B. Arthur J. Gallagher Broker Introduction & Market Update – Ty Goare, Jeff Kassal,**  
Ms. Goare and Mr. Kassal reintroduced the Gallagher team to the Board, provided a general insurance/reinsurance market update, reviewed CSDSIP's current reinsurance structure and discussed 2023 market and renewal expectations.

They reported that the Property, Casualty and Cyber markets continue to be challenging. Property underwriters are very concerned with Total Insurance to Value (TIV) from an accuracy perspective and how insureds are managing the inflation cost related to TIV as well as claims costs. Property markets are expected to reduce their capacity for risk which may translate into CSDSIP's need to explore

additional Property Markets, specifically the London Markets. It was agreed that CSDSIP should explore potential opportunities in the London Markets and to begin developing those relationships in the event additional capacity is needed.

Casualty markets are experiencing large run-away jury verdicts and higher than expected settlements especially related to Auto Bodily Injury (BI), Sexual Abuse Molestation (SAM), Traumatic Brain Injury (TBI), and Employment Practices Liability (EPL). The Casualty underwriters are going to be very selective of their risks and less willing to write policies with high limits.

Similarly, Cyber markets remain tight due to ever increasing losses and ongoing need for insureds to implement tighter controls. "Controls are king" is the general sentiment of insurers. The ability to demonstrate the implementation of Multi-Factor Authentication (MFA), Endpoint Detection & Response (EDR), air-gapped back-ups, phishing training, elimination end of life software/hardware and critical response planning will drive the market's willingness to insure the risk presented.

### **Adjournment**

The Work Session was adjourned at 4:00PM.

### **IV. Call to Order:**

December 16, 2022 – Board Director Meeting. 9:00AM CSDSIP Office.

### **BOARD MEMBERS PRESENT:**

Kristin Bennett, Kristen Colonell, David Crews, David Eastin, Jeff Gatlin, Mike Page, Tom Turrell, Stephanie Watson, and Siri Vensel.

### **POOL STAFF PRESENT:**

Steve S. Fast, Lawrence Mundy, and Mary Lee Gibson.

### **POOL STAFF ABSENT:**

Audrey Mauser, Craig Hein, and Justin Bratt

### **V. Agenda Approval**

The agenda was modified to delete Discussion Item B. – 2023 Legislative Session Preview and approved.

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

#### **A. 2021 – 2022 FY Audit Review (EL7, EL10) – Plante Moran – Jamie Essenmacher, Cameron Earnshaw**

Ms. Essenmacher and Mr. Earnshaw presented the June 30, 2022, audited financial statements to the Board. CSDSIP received an unmodified opinion which is considered to be a clean opinion and the highest level of assurance that can be provided in an external financial audit. They advised the Board that the process working with management was very efficient and they had no issues in receiving clear and concise reports and statements. They reminded the Board the Pool's financial statements are not prepared in accordance with Generally Accepted Accounting Principles, as reflected in the auditor's report, and that the financial statements are prepared in accordance with Statutory Basis of Accounting standards promulgated by the National Association of Insurance Commissioners. It was also mentioned that all statements presented by management were clear and within these standards. They advised the Board that the Pool's liability for losses and loss adjustment expenses were thoroughly reviewed, and no issues were detected. Additionally, they advised the Board that there were no significant deficiencies or material weakness to report and that the significant deficiency identified in the prior year's audit had been successfully addressed by management.

#### **B. FAMILI Act Update (EL-10) – S. Fast**

Mr. Fast provided the Board with copy of the FAMILI presentation reviewed with staff, a high-level summary of conversations at that meeting and a copy of the survey feedback staff provided following

the presentation and discussion. Mr. Fast shared with the Board that it was his opinion that the uncertainty of the administration and future cost of FAML I may be driving many of the negative response related to participation. He expressed that with modification to the Pool's existing Paid Time Off and Vacation policies the Pool could closely replicate the leave benefits afforded within the Act.

**VII. Action Items:**

**A. 22-09 GP-3: Resolution to Approve September 23, 2022 Minutes**

Be it resolved, that the Board Minutes of the September 23, 2022 Board Meeting are amended and approved.

**1<sup>st</sup>:** Tom Turrell

**2<sup>nd</sup>:** Siri Vensel

Unanimous approval of all Board Directors.

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

Be it resolved, that the Board ratify the June 30, 2022 audit and governance letter prepared by Plante Moran, PLLC.

**1<sup>st</sup>:** Stephanie Watson

**2<sup>nd</sup>:** David Eastin

Unanimous approval by all Board of Directors.

**C. 22-11 EL-10 Resolution to Decline Participation in the FAML I Act**

WHEREAS, in 2020 Colorado voters approved Proposition 118, creating a statewide Paid Family and Medical Leave Insurance (FAML I) program that provides up to twelve weeks of paid family leave, the provisions of which will become operative in 2023;

WHEREAS, the FAML I Program allows local governments to decline to participate in the FAML I program by notifying the division of family and medical leave insurance in writing and providing the date of the vote and the local government's decision to decline participation;

WHEREAS, CSDSIP solicited feedback from employees after providing them with information about FAML I and notice that the Board would be deciding on participation in the program on December 16th, 2022;

WHEREAS, the Board considered the feedback provided by staff, the advantages and disadvantages of participation in FAML I, and the current benefits provided by CSDSIP to its employees; and

WHEREAS, the Board intends to expand CSDSIP's current employee leave benefits to be comparable to FAML I and competitive with private employers; now therefore

BE IT RESOLVED by the Board of Directors of the Colorado School Districts Self Insurance Pool:

To decline participation in the FAML I program in accordance with Colorado Revised Statute 8-13.3-522; and

That the Executive Director should take all necessary and appropriate steps to notify employees and inform the Division of Family and Medical Leave Insurance of this decision.

Adopted this 16<sup>th</sup> day of December, 2022.

**1<sup>st</sup>:** David Crews

**2<sup>nd</sup>:** Kristin Bennett

Unanimous approval by all Board Directors.

**D. 22-12 Resolution to Ratify the Addition to Staff – Business Data Analyst**

Be it resolved, that the Board ratify the addition of a Business Analyst position.

**1<sup>st</sup>:** Mike Page

**2<sup>nd</sup>:** David Crews

Unanimous approval by all Board Directors.

**VIII. Standing Reports:**

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

1. Staff Compensation Study Update – S. Fast

Mr. Fast provided the Board with a project update on behalf of the Compensation Committee. The committee held a November meeting with the consultant and discussed CSDSIP’s philosophy of pay relative to the market, the current structure of pay bands and the use of Market Point as maximum and the identification of market comparisons from all industries, public sector and the insurance/finance industry. Mr. Fast advised that the consultant shared some early market comparisons with the committee at their December meeting. He advised that it is standard practice to pull data from market comparisons that are just the next step above the market where we currently participate. For example, he is looking at employers with 50+ employees, revenue of \$50M+ as the next step up where CSDSIP would look to hire employees. He shared that early indicators would suggest a 3–9% differential. Mr. Fast advised that the committee will be meeting again in January to receive more detailed market comparisons.

2. Staffing Update

Mr. Fast reported that the positions for Administrative Assistant, Business Data Analyst, Property Claim Specialist, and Assistant Executive Director remain open. These positions will be posted after the start of the new year.

3. 2023 Board Meeting and Agenda Planning

Mr. Fast and the Board reviewed 2023 Work Session, Meeting dates and Meeting Agenda discussion items. Meeting dates were agreed to as follows:

April 27 – Work Session

April 28 – Meeting

July 9 – 11 Work Session at a Western Slope Location

December 14 – Work Session

December 15 – Meeting

4. RPA – Cyber Services

Mr. Fast advised the Board that he and staff continue to review cyber coverage and service options that may be available to the Membership. He provided a summary review of a cyber services program that originated out of a school risk pool in Arizona. The program primarily focuses on the cyber control mechanisms being most required by cyber underwriters. The estimate provided further focuses on the approximate 60 Members of the Pool who are lacking one or more of the critical control mechanisms. Mr. Fast suggests that a program like this could be offered in place of or in addition to the Cyber coverage currently being provided by the Pool to its Members.

5. Transforming the Trend – SAM Symposium

Mr. Fast advised the Board that he was invited to participate in a Sexual Abuse Molestation (SAM) symposium hosted by AJ Gallagher for its U.S. Educational Clients. The symposium pulled together

risk managers and administrators from institutions of higher education, youth services organizations, K-12 public & private education and the insurance industry. The symposium focused on moving from the compliance mindset that is currently dominating institutional practices. He shared information about the US Center for SafeSport and the Model Code of Ethics for Educators that as two promising resources that may have application with the Pool's Members.

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

### 1. Activity & Status Report

Mr. Fast on behalf of Mr. Hein referred the Board to the Legislative Activity report and Legal Resources Report provided as summary of activities that have been completed and those that are upcoming. Mr. Fast advised that Ms. Rosen will be rescheduled to present at the Board's January meeting to preview the session and she and Mr. Hein will share more information about upcoming legislation and CSDSIP activities.

Mr. Fast provided the Board with a brief update regarding new and pending litigation related to SAM and SB88 revivor claims. He advised that a case pending against a non-Pool school is currently headed to the CO Supreme Court for review of the constitutional viability of the statute. He advised that CSDSIP has been asked, and has agreed, to provide an AMICUS brief in support of the defendant school district. Mr. Fast advised that the expense would not be an allocated claim expense but potentially would benefit the defense of CSDSIP Members who have already received a claim notice under SB88 or could in the future.

### 2. MIS Implementation Update

Mr. Fast advised the Board that internal review of the RMIS implementation costs for the current fiscal year has been completed and determined that no additional budget amendment would be required for those costs. The 2023 budget will similarly include the remaining implementation costs and ongoing costs post implementation.

Mr. Fast reported that Mr. Hein will retain the lead as Project Manager for the RMIS implementation with close support provided by Mr. Mundy and Mr. Fast throughout the development and implementation process. He advised that the new Business Data Analyst will report to Mr. Hein throughout the implementation process.

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

### 1. Interim Financial Statements Review

Mr. Mundy reviewed the interim financial statements, as of September 30, 2022 with the Board. He advised that we incurred significant activity this fiscal year from property losses incurred in prior policy periods. Mr. Mundy pointed out this adverse loss development is evidenced in the increase of Reserve for Losses this year compared to last year and our overall increase in liabilities on the Balance Sheet. Mr. Mundy reported Year to Date Net Income is a positive \$1.1 Million and reminded the Board that it is early in the new year and too soon to be certain that the net income will hold through the remainder of the year.

### 2. Investment Policy Compliance Report

Mr. Mundy provided a summary review and analysis of the current investment portfolio position type, maturity date, and performance returns. He addressed both the unrealized losses and the potential for change in rates of return as the Feds continue to adjust interest rates in response to inflation. He advised the Board that the invested funds are in compliance with the Pool's investment policy.

### 3. Finance Advisory Council Update

Mr. Mundy shared with the Board that the Finance Advisory Council met December 5<sup>th</sup> and received the auditors report, reviewed interim financials and investments. The council recommended ratification of the audit and did not have any other recommendations for the Board.

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

##### 1. Activity & Status Report

Mr. Fast, on behalf of Mr. Bratt, provided the Board with a summary of claim activity and projections for the current claim year. He reported that if first quarter trends hold throughout the year we will see approximately 800 new claims for the year, which is near average, slightly lower in auto, but the claim expenses are trending much higher which matches inflationary trends in material and labor expenses.

Mr. Fast reported that the files previously handled by the prior Property Specialist have been reallocated to three different independent adjusting firms to provide on site visitation and damage assessments. He advised that he and Mr. Bratt will be reevaluating the position for posting after the new year.

Mr. Fast advised the Board that counsel has drafted a demand letter and complaint seeking reimbursement from Rocky Mountain Construction Company for work not completed. Mr. Bratt is recommending we start with the demand letter and see what response that generates knowing that we may move to the formal filing of the lawsuit if we are unable to generate a positive response.

#### **E. Risk Control Report – M.L. Gibson (EL-10)**

##### 1. Activity & Status Report

Ms. Gibson reviewed all of the accomplishment that RC has completed starting in late September through November 2022. This includes Member visits, meet and greets, research and a variety of trainings. Ms. Gibson also updated the Board on Vector Solutions and that 62 Members have implemented the program. She also stated that the goal was to have 50% using the system by June 30, 2022.

#### **F. Risk Programs Report – A. Mauser (EL-10)**

##### 1. Activity & Status Report

Mr. Fast, on behalf of Ms. Mauser, provided the Board with an overview and summary of Risk Programs Activity. Mr. Fast advised that staff has been working to finalize mid-term endorsements and reconciliation reports for reinsurers closing out the renewal process. They are now turning their attention to preparing for the 2023 renewal updating building TIV and renewal work papers. Mr. Fast advised that preliminary indications show that TIV will increase an average of 8.5% for the Membership in 2023.

Mr. Fast reported that in addition to the SIR project, Risk Programs has been busy collecting additional solar and geothermal exposure data for the Equipment Breakdown Carrier. Risk Programs will be using the additional information to educate both the carrier underwriter as well as the Members about the risk related to these exposures and what we may be able to do in the ongoing maintenance and selection of systems to improve the risk profile.

In anticipation of continued adverse pressure from the casualty reinsurer related to SAM exposure and the erosion of the statute of limitations protection, the Risk Programs staff is working with Coverage Counsel to develop and explore modification of the School Entity Liability Coverage document that would encapsulate the SAM exposure in a Claims Made format.

#### **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

**XI. Future Meeting Dates:**

April 27 – Work Session & April 28 – Meeting

July 9 – 11 Work Session (Western Slope Location)

December 14 – Work Session & December 15 – Meeting

**XII. Adjournment**

The meeting was adjourned at 11:23AM.