

# BOARD OF DIRECTORS MEETING APRIL 29, 2021



## Board of Directors Minutes

### **BOARD MEMBERS PRESENT:**

Kristin Bennett, David Crews, Tom Turrell, Dave Eastin, Stephanie Watson and Mike Page

### **BOARD MEMBERS ABSENT:**

Kristen Colonell

### **POOL STAFF PRESENT:**

Steve S. Fast, Tod Walkington, Craig Hein, Audrey Mauser, Mary Lee Gibson, Steve Armstrong and Jillian Harclerode

### **POOL STAFF ABSENT:**

None

#### **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:**

Dave Crews called the meeting to order at 9:02am.

#### **III. Agenda Approval**

The Board modified and approved the agenda with two additions. Section IV. Action Items was amended to include a resolution to approve the FY2020 Auditor and Section V. Claims Report was amended to include the Big Sandy Hail Discussion.

#### **IV. Board Work Session**

##### **A. MIS Strategy Discussion – C. Hein**

Mr. Hein provided an update on potential changes to CSDSIP's informational management system and results of a Member survey aimed at determining what features Members would find valuable in such a system. He also asked the Board for feedback regarding a timeline for a potential changeover and provided a general idea of what project costs could look like. Prices vary wildly in the space, ranging from \$1.1 million to \$2.5 million over 5 years. Migration to a new platform could take up to two years and allocating funds would prevent further project delay. Mr. Fast explained the potential benefits of separating claims management systems from underwriting management systems and integrating them from the Member side to get the best-fit system for each department. A project timeline will be created between now and the July work session. The decision should weigh systems based on how much staff time they would take to learn, and the quality of the data produced. Due to the customization our system would require, Mr. Fast expects the project budget will likely be in the \$1.5-\$2 million range for implementation. The Board would like to see a summary of positives and negatives of each system being

considered that includes how they serve the needs Members noted in the recent Member Information Survey. The Board would also like to be involved in product demos if possible. At this time, the current budget will not adjust to implement this project before Summer 2022 but that may be on the table in July.

**B. Safe Schools SAM Training 2021 Budget – ML Gibson**

Ms. Gibson presented on the potential purchase of an online training platform called Safe Schools to increase the amount of online training available to Members, the trackability of training, and the ease of access by Member staff. CSDSIP currently lacks a way to track who has completed specific trainings. Tracking training information could potentially allow Underwriting to include it as a factor in rating in the future. The Safe Schools system would make the CSDSIP training library as well as selected Safe Schools training, tests, and certificates available to all Members on-demand. Her team has a timeline for purchasing and implementation ready to go. She stressed that the pandemic likely caused a permanent shift in Member expectations in favor of online training and that this system could help us meet that expectation. The Board supported considering this as a 3-year commitment. Ease of Member Integration is a top priority for the project and the Risk Control team will manage that in concert with Member staff. The bulk of these trainings run from 4-10 min and act as brief reminders. The training platform could help CSDSIP keep claims down by providing broad staff training online while keeping the Risk Control team available to do more targeted and specific training when needed. The training is already in the proposed budget.

**C. 2021 - 2022 Operational Budget Review – Including Payroll & Benefits and Revenue Projections – T. Walkington**

Mr. Walkington presented the highlights of the 2021-2022 operational budget. The bulk of the spending increase this year is due to payroll cost increases from employee overlap in three positions where the current employee is retiring. The intent is to overlap the positions for a period of six to twelve months to train new employees. CSDSIP's payroll budget is expected to return to normal in the 2022-2023 budget cycle as the three employees will retire and no longer overlap the new employees. Ms. Bennett mentioned that having three people overlapping for up to 12 months is a luxury and stressed the need for balance. Mr. Walkington pointed out that the budgeted cost is worst case scenario and that the institutional knowledge to be retained is valuable. Ms. Watson expressed that she views the budgets as a "not to exceed number". Mr. Walkington moved on to a discussion of salary increases generally, which includes both cost of labor which averages out to a 2.2% increase and also reflects employees who are moving towards the market rate of their positions. Payroll budget factors are a direct reflection of salaries being paid. Health insurance is up about 14% after cost increase and additional staff. Mr. Walkington explained that the projected budget for the 2022-2023 fiscal year comes down to a level more similar to what we have seen in the past. The conference and education budget was increased due to the lack of availability of these items during the last fiscal year due to the pandemic. The vehicle expense category contemplates the purchasing of another vehicle over the next fiscal year. The marketing budget increased

by about \$3000 due to pent up demand to get out and visit Members. Building costs are depreciating over the life of the building but maintenance costs are staying constant making for a very similar line item to last year. Technology costs are also relatively consistent, and some new costs are associated with new employee hardware. Departmental audit cost increased to accommodate a Claims department audit. The bulk of the budget increase this year is sitting in payroll and associated expenses, putting operating expenses at about 13% of budgeted net earned contributions. CSDSIP property losses were rather low this year, leading to the potential for positive net income. The finance committee has reviewed the budget and recommended approval to the Board as it's written.

**V. Action Items:**

**A. 21-03 EL-7: Resolution to approve the FY2021-2022 CSDSIP Operating Budget**

Be it resolved that the Board of Directors approve the FY2021-2022 Operating Budget of \$4,134,232 inclusive of \$2,665,432 Payroll and Benefits.

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

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

The resolution was approved unanimously

**B. 21-04 GP-3: Resolution to approve the January 15, 2021 Meeting Minutes**

Be it resolved that the Board Minutes of the January 15, 2021 Board Meeting are approved.

**1<sup>st</sup>:** Dave Eastin

**2<sup>nd</sup>:** Mike Page

The resolution was approved unanimously

**C. 21-05 Resolution to approve the selection of Plante Moran as the Independent Auditor**

Vote to move forward with bringing up the resolution.

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

**2<sup>nd</sup>:** Mike Page

The motion to move forward with the added resolution was approved unanimously.

Mr. Walkington presented on potential audit firm candidates. He evaluated companies based on their experience with pooling in general, experience in Colorado, price, and other relevant factors. He also weighed the benefits and trade-offs of changing auditors now given that best practice is to change periodically. Ultimately the best candidates include the incumbent CLA, and Plante Moran. Plante Moran practices dual auditing which brings two views to

the table and their assigned representatives seemed excited, engaging, and offered valuable comparisons. CLA has conducted the audit for over 20 years which means they are familiar with CSDSIP's system however this is out of alignment with industry best practice. Additionally, CSDSIP's primary partner in CLA retired.

Be it resolved the Board approved the selection of Plante Moran as the independent auditor.

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

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

The resolution was approved unanimously

## **V. Standing Reports:**

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

#### 1. 2021 Reinsurance Renewal and Market Updates (EL-10)

Mr. Fast presented on market factors influencing the 2021 Reinsurance Renewal season. Network security is the big wildcard in this renewal which hit public entities hard. The terms of the CHUBB renewal became less favorable and more costly so CSDSIP is exploring other options to increase coverage scope with regard to price. We have in the past considered this a value add to Members without additional cost. Right now, CSDSIP losses are much lower than CHUBB's limit however there is the potential for larger claims.

Property increases are looking reasonable and Equipment Breakdown is unlikely to experience much change. Crime is at the end of a 3-year contract commitment and would increase about 7% but that would hold for 3 years. Casualty is at about an 8% increase with some new exclusions including communicable disease.

#### 2. COVID19 – Extra Expense Litigation Update (EL-3)

Mr. Fast asked outside council to update the Pool regarding what is happening overall with ligation especially regarding COVID cases and expenses. They provided a memorandum that broadly covered the issue.

#### 3. Policy Governance Review – Governance Process (Executive Limitations (EL-1 ~ EL-10) and Ends (E-1 ~ E-4)

Suggests increasing the reporting threshold from \$50,000 to \$150,000 which reflects the only substantive change to the document.

#### 4. 2021 Member Conference Update

The 2021 Member conference is canceled. Mr. Fast suggested holding the Board Meeting and Work Session in July to review rate adjustments, have him present his Stewardship Report, have departments do Departmental Reports, and handle all other

business. If not at that time, he suggests meeting some other time in the summer. Location to be determined.

5. July 2021 Work Session - Location & Agenda Discussion (GP-3)
  - a. Strategic Plan
  - b. Rating Model – Equity Adjustments
  - c. Executive Director Stewardship Report and Annual Review

**B. Finance Report: T. Walkington (EL-7, EL-9)**

1. Interim Financial Statements Review – (EL-8)

Net income as of February 28, 2021 was approximately \$10.7 million and March will increase net income again. The 4<sup>th</sup> quarter of the fiscal year could see higher losses due to convective storms. Large losses from these storms will adversely impact financial results. We expect to be well within budget for all of our operating expenses for this year.
2. Investment Policy Compliance Report - (EL-10)

Investments are all well within allowable guidelines so far this year.
3. Annual Audit / Auditor Recommendation – (EL-7, EL-10)

In conjunction with the annual audit as of June 30, 2020, Auditors suggested increasing segregation of job duties to limit who can perform certain functions in order to increase segregation of duties. Old outstanding checks are on track to be finished up by the end of the year. New procedures have been established to stay on top of reinsurance accounts.
4. 2019 – 2020 Audit Management Letter Update – (EL-7, EL-10)

Addressed in resolution above.
5. Finance Council Update (GP-8)

Discussed auditor selection process and the budget.

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

1. Email System Evaluation

Concern of a potential email system compromise triggered an investigation into the incident which didn't turn up any evidence of compromise, intrusion or malware.
2. Open Meetings Law
  - a. On-line posting of Notices and Minutes

Mr. Hein explained the potential intersection and conflict between the Colorado Open Records Act and the Open Meetings Law for items that are attached to or included with the agenda for public meetings and the need to be mindful that confidential claims information and other sensitive matters are not inadvertently made into public records.

3. 2021 Legislative Update

SB-17 Proposal to criminalize potential sexual relations between employees and students over the age of 18. Could potentially be helpful to CSDSIP but bill is stalled.

SB-73 revokes the statute of limitations on sexual assault claims. This bill is already signed. Could negatively impact CSDSIP finances, it is hard to know if those claims are out there.

SB-88 creates a new state law claim for sexual abuse which goes back to the beginning of time, creating a difficult situation when taken together with SB-73. SB-88 could potentially cap payouts at CGIA cap but it would not take into account attorney fees and other costs. It could also make it difficult to budget and calculate for annual aggregate of past claims.

SB-176 expands the kinds of claims workers can bring substantially. May or may not have much impact on CSDSIP.

Other bills suggest insurance as an industry is getting more attention in terms of its practices.

**D. Risk Programs Report: A. Mauser (EL-10)**

Ms. Mauser provide the Directors with an update of the 2021 Renewal Season. The Risk Programs Team is working to meet the challenges of the new normal by shifting Renewal Meetings from in-person to Zoom and has held 9 group renewals with 40 Members represented and an additional 18 individual meetings. The Renewal Resources webpage was also added as a tool this year. We have collected 148 out of 166 Renewal Packets as of April 29th.

1. 2021 Coverage Form Modifications –

a. Cyber

We were just notified by our cyber carrier that they are adding new exclusions to the policy.

We were able to include notification of these changes in our Renewal Proposals.

b. School Entity Liability – new exclusions from our reinsurer related to Communicable Diseases, but were able to obtain a defense sublimit for some claims.

c. NCBR

We are working with the reinsurer to see if we can keep our 2017 Coverage Form and have it align with the reinsurance agreement.

d. Equipment Breakdown and Primary & Excess Crime

There are no changes to either coverage from from our carriers.

**E. Claims Report – S. Armstrong (EL-10)**

1. Claim Staff Update – (EL-7)

Mr. Armstrong presented on general claims numbers. Claims have been trending lower this year likely due to the pandemic. Comparing July of 2019 to March 2020 with new claims received July 2020 to March 2021 the number of new claims received is almost one half. Storm related property claims are down as well.

The Claims Team has closed more claims than received. Decrease in total incurred over the course of the year are largely attributable to the decrease in storm property claims.

The Claims Team has hired two new employees: Jason Catlett was hired for the position that Rendall Wright currently holds. Julie Vialpando took the new position in property claims. She is going to handle some property, overflow auto, and SEL claims.

Mr. Armstrong received quotes for an outside claims audit. He is interviewing potential firms and weighing costs vs. what we have budgeted for the project.

The Claims Team is also presenting a Lunch & Learn Member training related to construction on May 4<sup>th</sup> after presenting part 1 back in February. Part 3 of that same series will be presented in June.

2. Big Sandy Hail Claim

Mr. Fast brought up a property claim which is 2 years old. The question was whether to repair the metal roof that is still working properly despite being damaged by hail. Concerns about coverage from future reinsurers. The decision was made to move forward with the roof replacement. From a financial perspective we have had this issue reserved for the last few years and will not change the financial outlook.

**F. Risk Control Report: ML Gibson (EL-10)**

1. COVID - CSDSIP Return to Office Work

Ms. Gibson announced that CSDSIP is working to reopen the office on June 1<sup>st</sup> at full capacity. Staff has been made aware of this date. A seven-day quarantine requirement is still in place for unvaccinated staff who travel out of state. Staff will be encouraged to work from home when sick.

a. In-Person Events – Restrictions have been lifted on this as well. As of mid-April staff has been instructed to turn to their supervisors for approval on a case by case basis.

Ms. Gibson also presented on training numbers for the beginning of 2021.

**G. 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.

**VI. INFORMATION ITEMS:**

a. Revised Pool Agreement and Communication to Members

**b.** Board Director Reappointment Notice to Membership

**VII . FUTURE MEETING/AGENDA ITEMS:**

July 15 & 16, 2021 Work Session

September 24, 2021 Meeting

December 10, 2021 Meeting

**VIII. ADJOURNMENT**

The meeting was adjourned at 2:37pm.