

Special Finance Committee Proceedings
City of Superior
October 11, 2022

Members Present: Jack Sweeney, Tylor Elm, and Mike Herrick
Staff Present: Deb Kamunen, Cammi Janigo, Terry Johnson
Others Present: Patrick Nolan, Shelley Nelson, Rhonda Nikunen, Bob St. Arnold, Dave Kodel, Ben Hoverson, Ben Rank, Blair Rogacki
Members Excused: Jenny Van Sickle

Jack Sweeney called the meeting to order at 4:30 pm with a quorum present. Attendance was done by sign in and virtual meeting.

1. Acting Finance Director Deb Kamunen recommending accepting the proposal from Community Insurance Corporation and Marsh & McLellan Agency for municipal liability, self-funded workers compensation, property, crime, 5 year tail, equipment breakdown, and injunctive relief insurance coverage for the January 1, 2023 – December 31, 223 period with consideration for optional coverages and/or deductible amounts.

Jack Sweeney stated some late arriving information came from all three insurance companies. We have not had an opportunity to look at it and we are also looking for an opinion from our legal counsel, which we do not have yet. Sweeney doesn't think action will be taken today. Time will be allocated to go through the information and to ask any questions that we might have, pertaining to anything on the insurances. If anyone has any questions they would like to ask, we should get that done and those question out of the way and answered.

Sweeney asked if anyone out of the four of us have any questions. Tylor Elm said one of his questions was - what was the payment we had made in the past so we can compare with these three. Kamunen stated that she was able to print off what we had been paying and could get that later. Elm stated he was curious what was being proposed to what was paid in the past. Kamunen stated that we did not have CVMIC's renewal. Today, Dave Kodel did provide the renewal so now a comparison should be able to be made which shows the premium increase or decrease.

Sweeney stated one of the issues which hasn't been decided one way or another is if we are going to self-fund our workers comp. Sweeney stated we have talked about it and we have recommendations from two of the three that suggest that is what we should do. Sweeney said he would open that up as the first issue to talk about unless we are all decided on self-funding and then we could vote on it and move on. Sweeney asked if there were any questions on self-funding.

Mike Herrick asked Kamunen, since she has been crunching the numbers what was her opinion on self-funding. Kamunen said that if you were to review the 07/12 meeting minutes where we discussed it, it is very clear that we should be self-funding.

The savings are there, and it makes sense based on our past that we self-fund. Sweeney stated that two of the three companies indicated that we should self-fund as seven out of the ten years we would have a positive cash flow as the expenses are less than the revenue. Sweeney stated that we could have more on average, but that could be an outlier, and we may have three years we don't so 70% of the time we should make money and put it into the fund. Elm stated that it was clear with at least these two proposals we were above that threshold and it financially made sense weighing the risk. Sweeney agreed and both the two companies suggested that is what they recommend. Elm asked Kamunen if there was anything more to add. More discussion ensued.

Sweeney stated he believes the health insurance was more of a risk than workers comp would be and the health insurance has worked out for them. Sweeney said there is always a risk tolerance.

Kamunen stated the one thing to look at is the SIR which is the self-insured retention which is the maximum the claim will cost us and was the big reason CVMIC is excluded from the running was because CVMIC's is at \$500,000 and although CVMIC presented lower cost than the League and CIC it was because their SIR was higher and we discussed that as a City we could not incur this as it was too high of a risk. Kamunen said the other two were at \$100,000 and the League did offer a \$50,000 SIR, but with higher premium. A question and answer period followed.

Herrick asked Kamunen what if there was a bad year. Kamunen stated that it has its own fund – the liability insurance fund and that last year over \$400,000 was added as we knew last year that we should be self-funding the workers comp.

Sweeney asked someone from the three insurance companies to take us through the processing of the claim. Bob St. Arnold stated that it really is transparent, and it is no different from the claims reporting today, as a First Report of Injury will need to be done and if a minor claim it would be paid very quickly if there were no lost wages. St. Arnold stated if it is a complicated claim then it would have a nurse triage company hired by CIC, then it is a complicated claim and the nurse triage would steer to a provider with good outcomes. St. Arnold stated that the nurse hired works with the employee and monitors the claim to get the employee back to work. St. Arnold stated that MMA would go through the high cost claims on a quarterly basis. St. Arnold stated that it functions very similar to a fully insured workers comp. Ben Rank added that CVMIC runs similar to CIC. St. Arnold stated that in a fully insured plan, when the claim settles, it can affect the mod rate and when self-funding it doesn't negatively impact. More discussion ensued.

Rank stated that with CVMIC the liability premium has a \$75,000 retention and receives dividends and the City of Superior is a founding member. Rank stated that the physical damage are for passenger vehicles four years or newer and with MPIC the coverage was replacement cost. Rank stated that there was no tail to purchase but switching to a competitor there was no added tail coverage.

Sweeny asked what would happen if there was a change of the workers comp. Rank stated that if the City moved to a self-insured model then a 3rd party adjudicated to a new carrier. Sweeney stated that it was this year's activity. St. Arnold stated that the current carrier would be responsible for that claim and if you leave the fully insured CVMIC and have a January 1 start date with the new carrier, CVMIC would be responsible before January 1. Rank responded that in 2023, if the City went to a new third party, then the new company would be responsible.

Elm asked if we have used those features. Rank looked at the last five and the last insured was the Interceptor which if a total loss would replace with a new vehicle.

Sweeny asked Cammi Janigo what three functions she uses with CVMIC. Janigo stated the recruitment module, onboarding module and the training module. Rhonda Nikunen responded that CIC does offer training but doesn't believe onboarding or recruitment is offered.

Sweeny stated that we were looking for the best bang for our buck and the City made an apples to apples comparison. Sweeney asked if sexual abuse and harassment were covered. Rank stated that with cyber coverage it was included automatically to get competitive pricing. Rank said that sexual harassment is in the exclusions in the policy if there was prior knowledge. Patrick Nolan responded that a sexual abuse claim would be covered by CVMIC if the member does not know about it. Rank stated that the sexual harassment is an EPLI coverage issue and there would be coverage.

Rank stated that volunteers are excluded from workers comp and there is volunteer coverage in place for the Knights of Columbus, etc. Sweeney asked if they were excluded by statute. Rank responded correct. Herrick asked if volunteers would be covered under the medical. Rank responded that the volunteer employee would be covered under the volunteer coverage.

Elm asked about the cyber insurance regarding the deductibles with CVMIC. Rank stated that the market for cyber was a very hard market as the deductibles have gone up and that ransomware is happening to cities. Elm asked if there were any discounts for multifactor. Rank stated that they have tier one and tier two and the City of Superior was tier one and the premium is free.

Sweeny asked what is covered for personal property such as the garage inventory, as he knows there are a lot of parts for the cars and trucks. Rank stated that it was covered under the building contents. Blair Rogacki stated that it was determined by the insured unless incorporated in the building cost. Rank stated the personal tools of the employees at the garage would need to be endorsed to be covered under MPIC and they currently are not covered. Elm asked if covered by CIC. Nikunen responded that it is not covered by CIC and that it was a broad statement and would need to be narrowed to endorse. Nikunen stated that there would be a tail and it was

per occurrence with a \$50,000 deductible. Nikunen stated with the abuse molestation they would have to go back to CIC. St. Arnold stated that it was hard to cherry pick or it would drive yourself crazy. More discussion ensued.

Kamunen asked if there was time to go to the state for self-funding approval. St. Arnold responded that it takes sixty days and it can be done. Sweeney stated that we were not going through this every year and that we were looking for a partner and the City needs people on board who will be that partner. More discussion ensued.

Motion was made by Tylor Elm, seconded by Mike Herrick carried to hold in Committee.

Having no other business, the Special Finance Committee Meeting adjourned at 5:52 p.m.

Minutes respectfully submitted by Deb Kamunen