MINUTES

BOARD MEETING

August 5, 2022, 10:30 a.m. - 12:00 p.m.
Newpark Resort Conference Center
1476 Newpark Blvd., Park City, UT 84098

Members Present:	Seth Perrins, Chairman (Spanish Fork); Derek Oyler (Brigham); Paul Bittmenn (Cedar); Jacob Smith (Centerville); David Dobbins (Draper); Brigham Mellor (Farmington); Kent Burggraaf (Kanab); Alex Jensen (Layton); Mark Johnson (Ogden); Duane Huffman (West Bountiful); Wayne Pyle (West Valley)
URMA Staff Present:	David Petersen; Jason Davis; Jordan Rapp; Elizabeth Christensen; Ann Nielsen; Shianne Wadley
Others Present:	Libby Lowther (Lowther & Assoc.); Kery Oldroyd, Gary Ogden, Matt Campasano & Robert Oldroyd (Moreton & Company)

1. **WELCOME** – Seth Perrins, Chairman

   MINUTES

   Mr. Perrins called the meeting to order at 10:56 a.m. and requested that the Board and other city representatives introduce themselves, which they did.

2. **MOTION -** Approval of Minutes: Board Meeting April 14, 2022 & Emergency Board Meeting July 7, 2022

   MINUTES

   Regarding the minutes, Mr. Perrins asked for questions; there were none. Mr. Johnson moved to approve the minutes for the April 14, 2022 Board Meeting and the July 7, 2022 Emergency Board Meeting, seconded by Mr. Jensen. The motion carried with a unanimous vote.

3. CONSENT AGENDA

3.1. **PRESENT** – END OF YEAR FINANCIAL REPORT FY2022

MINUTES

Mr. Perrins asked for a motion to approve the consent agenda. Mr. Johnson moved to approve the Consent Agenda, seconded by Mr. Pyle. The motion to approve the consent agenda carried with a unanimous vote.

4. SCHEDULED ITEMS

4.1. **DISCUSSION** – INSURANCE MARKET UPDATE – Moreton & Company

MINUTES

Mr. Gary Ogden complimented the Board for the timely information presented during the conference. He said a Chubb representative was not able to make it, but URMA would be receiving a $10,000 loss control check from them.

Mr. Ogden said carriers are reviewing valuations of buildings and real property, contents and limits, due to the increased costs of inflation. He said Moreton was required to increase members' property values from what was reported because of scrutiny from the carrier, who is running the values through an estimator program, and Moreton will review them again next year depending on the economy and increasing replacement costs.

Mr. Ogden said wildfires are a hot topic, resulting in increasing losses for carriers. He said development in areas of high wildfire exposure are seeing tripled premiums, and any property further than five miles from a fire station will see a hard decline. He said catastrophic capacity is shrinking and there will be a reduction in capacity for flood coverages, including sub-limits in the future. He said they were able to get the same coverages for URMA, without an increase in flood and quake premiums; rates are better than they expected.

Mr. Ogden said there has been an increase, even in Utah, in jury awards, particularly police liability, $10 million and up, and perhaps URMA should look at its excess layers going forward, as increasing the excess limits in the structure of the URMA program would not be costly. He said cyber coverage is still in turmoil but starting to soften with the implementation of multi-factor authentication reducing claims.

Mr. Ogden asked for questions.

Mr. Davis asked if there was a list of underwriting criteria from Beasley which could be provided to IT departments and said if a city was in the process of implementation of MFA or other requirements, the city could prepare for it.

Mr. Ogden said their technology director has relayed that if MFA is not in place by renewal, cyber coverage may not be available. This year Moreton was able to get coverage for cities which are in the process of implementation but that will not be the case next year. MFA will be required for email, preferred accounts and all remote devices.

Mr. Johnson asked how many URMA cities have started implementation. Mr. Ogden said all of the cities have started, except one city which said they will not be participating and are excluded from coverage. Mr. Pyle asked if the requirements were very specific. Mr. Ogden said the applications are detailed, and the IT people have a good idea about the requirements and are reaching out if they have questions.

Mr. Johnson asked if there was a way to get the renewals earlier, as his budget is due to the city council on the first Tuesday in May. Mr. Ogden said that has been a significant challenge; July 1st is the second busiest renewal date of the year, but Moreton will do what they can to get those earlier. He said the cyber applications required a lot of follow up by Moreton to get the information from the cities. Mr. Johnson asked for a schedule to make sure his people get the applications done in time. Mr. Ogden said he would provide that. Mr. Perrins said the responses from carriers for cyber were very late. Mr. Ogden agreed and said they did not know if they were going to be able to get coverage.

Mr. Oyler asked about changing the renewal date as a way to get a more timely response, but there was not a date which would help with budget timelines. Mr. Perrins asked if getting the applications in sooner would help. Mr. Ogden said they can provide a timeline of the need-by dates and a checklist at the next Board Meeting.

Mr. Perrins asked Mr. Ogden if costly police liability jury awards were occurring in Utah. Mr. Ogden said the McCluskey case was $13 million; the Davis County SO claim was $10 million, the Cottonwood Heights was $7 million and is still being litigated. Mr. Pyle clarified that the McCluskey case was a settlement. Mr. Ogden said the state paid $10 million and the University paid $3.5 million. Ms. Lowther said the Davis County claim was a jury award, and the Cottonwood Heights case was a settlement. She also mentioned a traffic accident case against Jiffy Lube was awarded $6 million.

Mr. Ogden said some carriers have stopped writing in the excess market, and the market for umbrella policies has hardened significantly. Mr. Perrins asked for additional questions. Mr. Oldroyd said he spoke with Heather White about this issue, and she said demands are much higher and a lot of cases are settled so the numbers are not available.

Mr. Pyle said the McCluskey case shows the manner in which a matter is handled significantly impacts these outcomes. He said cities do everything they can with URMA's help to make negotiations go smoothly. Mr. Perrins said the manner in which cities work with individuals matters. Mr. Oldroyd pointed out URMA has a consent to settle provision, which is an advantage for URMA. Ms. Lowther said members being involved in the process throughout the case is an advantage.

4.2. DISCUSSION – RESERVE PHILOSOPHY – David Petersen

MINUTES

Mr. Petersen said as he has reviewed URMA policies, he has found URMA does not currently have a policy or strategy for reserve funding, which is standard in government pooling and one of the standards AGRiP identified that URMA is lacking. He said it is an industry standard to have identified priorities and strategy and allocation for reserve funding. He said the reason this comes up is that URMA has good years, where there have been unexpended budget funds, and historically URMA has carried them over. This last year was not a good year, and withdrawals from reserves were necessary for settlements.

Mr. Petersen proposed fund priorities:

1) *Adequate funding for claims and litigation losses and expenses. He said right now the actuarial study provides an amount of 70%, 80%, and 90% to fund claims and litigation losses and expenses. He proposes URMA have the actuary determine the amount for 100% funding and increase the fund to that amount, so it is 100% funded for what is known to be outstanding, and dividends or refunds are not issued until this is funded.*
2) *Insurance stabilization allocation. Mr. Petersen said this year URMA expended $332K to pay for cyber risk because members had already adopted their budgets and the amount exceeded expectations. An annual excess could be moved back into this insurance stabilization fund. He said he would collaborate with actuaries on a progressive inflationary model to look at insurance costs for the past 10 years and set aside that amount (approximately $800K) with an inflation factor built in each year, to cover situations like this year.*
3) *Reserve repayment. If there is a difficult year like this one, which historically happens in a five-year cycle, before URMA refunds any money to members, money will go to repayment of reserves.*
4) *URMA Board initiatives. Lexipol and drone training for example.*

Mr. Petersen said when those areas are fully funded and there are unexpended budgeted funds, then he would return to the Board and say each of those is funded based on the actuarial numbers, and URMA has had a good claims year and has $200K budgeted which *was not expended. Would members like a refund or credit toward next year's contribution? Mr. Petersen said he would like to have a policy in place. With the way police liability is going, he would not want to deplete reserves.*

Mr. Mark Johnson said he liked the thought process and would like to see a policy which includes the transparency of presenting the transfer of funds to the Board. Mr. Perrins said he liked the ability to be deliberate with URMA funds, and the transfer of funds would be part of the yearly budget. Mr. Smith said he believes it is critical to fund the priorities and asked Mr. Petersen when the first three would be completely funded. Mr. Petersen said he would not know the timeline until the actuarial study was completed.

Mr. Perrins asked if there were any reservations regarding staff spending time and expending funds to proceed with an actuarial report and draft a policy. There were no additional comments and no reservations expressed. Mr. Perrins confirmed no motion was needed; the discussion was for direction only.

4.3. DISCUSSION/APPROVAL – FY2023 INSPECTION PROGRAM – Jason Davis

MINUTES

Mr. Davis reported on the inspection program. He said this year average scores dropped from 99.35 to 99%, which decrease came from staffing issues affecting the ability to get things done. He said he will be in the cities for outdoor pool and splashpad inspections.

Mr. Davis introduced a change in the inspection program based on feedback in the last annual Board Meeting. He will ask each city to identify an individual city focused loss control goal rather than the agency focus, which would be based on data from Mr. Rapp regarding current claims and losses. Mr. Bittmen said he would like to see a top five list, more than just one item. Mr. Davis said he is expecting to provide 3-5. Mr. Davis said additionally he would ask each city to identify an additional risk management goal based on their own experience and needs.

Mr. Huffman clarified that one goal is based on URMA data and one is not. Mr. Davis confirmed the city might see an issue which does not present in the data.

Mr. Perrins asked for questions and a motion.

Mr. Pyle moved that the FY2023 Inspection Program be approved. Mr. Smith seconded. Motion carried with a unanimous vote.

4.4. DISCUSSION/ELECTION – VICE CHAIR VACANCY

MINUTES

Mr. Perrins said Mr. Pace took a job in Sandy City, which leaves a vacancy on the board. Mr. Petersen said the Chair and Vice Chair meet with him monthly to provide guidance and topics for Board Meeting. Mr. Perrins said he had visited with Mr. Hanson who is willing to serve. Mr. Perrins asked for others who are interested in being Vice Chair or to present nominations for Vice Chair. Mr. Smith nominated Mr. Hanson, which was seconded by Mr. Pyle. Mr. Perrins called for a vote. The voting was unanimously affirmative to approve Mr. Hanson as Vice Chair.

4.5. DISCUSSION – SAFE STREETS AND ROADS (SS4A) GRANT OPPORTUNITY – Jason Davis & David Petersen

MINUTES

Mr. Petersen said URMA had been approached by an individual who professionally writes grants regarding the federally funded Safe Street and Roads grant opportunity. He said URMA does not have the staff to administer a grant but wanted cities to be aware of the opportunity. Mr. Pyle asked why it was before the Board. Mr. Petersen said he wanted to provide the information in case a city thought it might be valuable for them. Mr. Davis agreed to email the Board members with the grant writer's information.

5. OTHER ITEMS

5.1. DATES for upcoming meetings:

- Golf Tournament – September 9, 2022, 8:00 a.m. – Lakeside Golf Course 1201 North 1100 West, West Bountiful, UT
- Risk Manager Roundtable – TBD
- Board Meeting – December 8, 2022, 12:00 p.m. – The Oaks at Spanish Fork
- Board Meeting – April 13, 2022, 12:00 p.m. – The Oaks at Spanish Fork

MINUTES

Mr. Davis reviewed the upcoming events.

Mr. Perrins said URMA received notice from South Jordan City prior to July 1, 2022, that they were considering leaving URMA by July 1, 2023. He said the notice allows them to leave at the end of this fiscal year. He did not know if it was exploratory or if a decision had been made. He suggested he and other board members meet with them to review their thoughts and concerns. Mr. Perrins asked if anyone wanted to be involved to reach out to him. Mr. Burggraaf asked if there would be fiscal impact spread to other members. Mr. Perrins said that would be looked into.

Mr. Perrins thanked staff for their work on the conference.

Mr. Oyler asked about the progress in hiring an in-house attorney. Mr. Petersen said the process is slow.

6. **ADJOURN** – Box lunch provided

MINUTES

Mr. Perrins asked for a motion to adjourn. Motion to adjourn made by Mr. Pyle, seconded by Mr. Dobbins. The meeting was adjourned at 11:59 a.m.

APPROVED THIS 8th[h] day of DECEMBER, 2022,

Utah Risk Management Agency

Seth Perrins, Chairman of the Board

ATTEST:

Ann Nielsen, Secretary