Utah Risk Management Mutual Association

MINUTES

BOARD MEETING

August 10, 2018
10:30 AM
Kanab City Center
37 North 100 East, Kanab, Utah

Members Present:	*David Dobbins, Chairman; Seth Perrins, Vice Chair; Mark Johnson; Adam Bowler; Paul Bittmenn; Jamie Davidson; Duane Huffman; Joe Decker; Jason Roberts; Cory Branch; Dave Millheim; Paul Isaac (via phone), for Wayne Pyle; Dustin Lewis, for Gary Whatcott; Jacob Smith, for Steve Thacker*
URMMA Staff Present:	*Paul Johnson; Jason Davis; Elizabeth Christensen; Camie Shepherd*
Others Present:	*Keith Johnson; Gary Williams; Byard Kershaw; Tyler Jacobson; Trudi Simpson; Tari DeGraaff; Libby Lowther, Lowther & Assoc.; Dave Sanderson, DS Accounting; Wendell Bosen; Blake Green, WCF*

1. WELCOME

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Mr. Dobbins welcomed all in attendance to the meeting of the full Board and called the meeting to order at 10:27 AM. He noted that Mr. Isaac was in attendance via phone for Mr. Pyle. Mr. Lewis was in attendance for Mr. Whatcott. Mr. Smith was in attendance for Mr. Thacker. Mr. Jensen was excused.

Mr. Dobbins discussed the process to replace Mr. Paul Johnson as CEO of URMMA when he retires later this year. He stated he has been working on an updated job description and getting the salary set. He asked that anyone interested in the position contact himself, Mr. Decker, or Mr. Perrins. He requested that the cities advertise the position in their cities and stated he would advertise it via other avenues as well, (i.e. ULCT, PRIMA, and UCMA websites etc.).

Mr. Millheim noted that there would be a City Manager vacancy in Farmington at the end of the year and requested that anyone that knew of interested parties notify him.

Mr. Dobbins asked if there was any other general business that needed to be addressed by the board prior to continuing. There was none.

2. MOTION - Approval of Minutes from June 20, 2018 Electronic Board Meeting

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Mr. Dobbins called for a motion to approve the Minutes from the June 20, 2018 Electronic Board Meeting.

***Motion** was made by Mr. Davidson and seconded by Mr. Huffman to approve the Minutes from the June 20, 2018 Electronic Board Meeting. Motion passed with 1,180 yes votes and 124 excused.*

3. SCHEDULED ITEMS

3.1 RESOLUTION NO. B0810-3.1 - JPP ADOPTION AND AMENDMENT

RECOMMENDATION: The CEO recommends that the Board, by resolution, adopt the Joint Protection Program for 2018-2019.

BACKGROUND: Each year the Board adopts the JPP for the coming fiscal year. This year there are two proposed amendments. First is the same amendment submitted for the Board's approval in the June meeting regarding the provision of workers compensation coverage. This amendment was rejected by the Board in that meeting. It was continued to the Fall, without a date certain. ***It is included here only on the off-chance that the Board feels prepared to make a decision at this time instead of waiting further.*** If the Board desires, it's included in the draft of the JPP. If not, it is easy enough to approve the JPP without that provision.

ARTICLE II: COVERAGES

Section 1: Core Protection Package.

Coverage E: Workers Compensation Coverage. The members are required to purchase workers compensation coverage through the Group Plan established by the Association.

The second is an amendment to Article VIII of the JPP regarding the obligations of withdrawing members. In particular, it clarifies language currently in the JPP that is confusing and apparently contradictory relative to a member which does not want to wait the year to leave as required by the Interlocal Agreement. The situation became an issue when Roy requested to leave early. Following is the proposed language for Article VIII Section 2 Subsections A and B:

ARTICLE VIII: WITHDRAWING MEMBERS

Section 2: Repayment Options

A. The withdrawing member must give at least one year's notice in writing before withdrawing. The coverage shall terminate on June 30th after the one year waiting period passes. After termination of coverage the standard repayment program will continue until all losses are repaid under the program. Any loss that has been capped pursuant to the repayment program will no longer be capped after the withdrawal, so that URMMA does not share any loss of a withdrawn Member.

B. The one year waiting provision shall be waived upon request of a Member provided that the Member complies with the requirements listed below. These are the conditions for withdrawal and the conditions of coverage for the withdrawing Member:

1. The Member must give written notice of its desire to withdraw by March 31st for a June 30th termination. No withdrawal shall be allowed prior to June 30th.

2. The withdrawing Member shall pay all amounts owed under the repayment program by the July 10th immediately following withdrawal. This includes payments the Member would have paid in the year following the withdrawal plus all payments that URMMA has already covered that would normally be paid over the next five years.

3. For pending claims that URMMA will still be defending after the withdrawal, the Member may reimburse URMMA for monies expended after the withdrawal date pursuant to the normal repayment program; provided, however, that no loss will be capped once the Member has withdrawn, and the Member will be required to repay the full loss. URMMA shall not share in losses once the Member has withdrawn.

4. The Member shall pay the equivalent of 50% of its projected premium for the fiscal year that immediately follows the withdrawal as a penalty for early withdrawal. This payment shall also be made by July 10th. The premium shall include all amounts the Member would have owed as earned premium, reinsurance premium and membership fees.

5. Coverage shall terminate on June 30th. URMMA will only cover claims that have been filed against the Member and presented to URMMA by that date.

6. URMMA may settle or otherwise dispose of pending claims without input or direction from the Member.

7. The withdrawing member shall be responsible for all deductibles associated with its claims.

8. The Member shall sign a contract by June 30th with the following provisions:

   a) A statement accepting the terms for early withdrawal as stated in this Subsection 3B.

   b) A covenant not to sue and full release of URMMA for any liability arising out of the Member's membership in URMMA.

The language would still allow for an early departure, but only on the conditions shown in the language set forth above. This includes payment of all amounts currently owed under the Repayment Program, including those that would have been paid over the next five years, and a requirement that the departing member pay 50% of the estimated next year's premium as a penalty for not waiting the year. Future expenses made for pending claims and lawsuits will be billed under the regular 5-year repayment plan, except that there will be no capped loss available to the withdrawn member.

If the Board chooses to, it could entirely eliminate the opportunity to leave before the year, or it could increase the percentage of premium to be paid for an early departure to an amount higher than the 50% contained in this draft.

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Mr. Dobbins stated that there were two separate items to be discussed regarding the staff recommended changes to the Joint Protection Program. The first item was the recommended change to add group purchased workers compensation coverage through URMMA. He noted that there has been a wide range of thoughts and

feelings and some concerns about administration of the program. He reported that they have been working on concerns that were brought forth at the last meeting.

Mr. Paul Johnson stated that he included the workers compensation coverage in the proposed changes to the Joint Protection Program only in the event the Board felt ready to take action at this meeting rather than waiting until the fall meeting. The recommendation was made for the Association to utilize Moreton and Company as a broker to obtain workers compensation coverage bids from multiple entities prior to the November meeting. He stated that after Moreton and Company obtained bids, they could advise the board on which program they recommend.

Mr. Bowler stated he was supportive of moving forward with obtaining group purchased workers compensation coverage. Mr. Davidson stated he was not ready to move forward as their community would not necessarily benefit from the change and requiring members to purchase workers compensation coverage through the Association was problematic for him. He stated he felt in recent years, the Association has been taken in a direction that is less appealing to existing and potential new members. Mr. Isaac asked if it wasn't beneficial for the group to come together as a whole and use the group as leverage to obtain the least expensive coverage. Mr. Davidson replied that purchasing coverage as a group was not cheaper for everyone. Mr. Dobbins reiterated the recommendation from prior meetings to use the savings of the group to subsidize those members whose rates might increase so that no one is harmed. He stated he wasn't sure if that was still a viable option, or even if it was a good long-term plan. He said the thought behind the initial recommendation to subsidize was to allow the Association to leverage what they have collectively to obtain better rates while also ensuring that no individual city was worse off than they were before. Mr. Davidson responded he was speaking more about the recommended changes to the JPP for withdrawing members which he felt were essentially making it harder to leave rather than easier for others to join. He said he felt the Association has become more entrenched and exclusive to the point where it is no longer an option for a majority of communities in the state. He felt that the probability of someone leaving the Association increased each time the screws were tightened to the degree that they have been doing in recent years. Mr. Paul Johnson disagreed with Mr. Davidson. He stated the recommended changes to the JPP in regard to withdrawing members would make it easier for them to leave as they would no longer need to wait 1 year after notice was given as per the Interlocal Agreement. Mr. Davidson agreed that from a departure perspective, the changes would make it easier to leave but felt the fact that they are having the conversation at all suggests they are moving in the wrong direction.

Mr. Dobbins asked if collectively everyone was ready to move forward with obtaining group purchased workers compensation coverage. Mr. Lewis responded that he was not in favor of the language of all in or nothing. He stated that based on the information they had, they didn't feel that the switch to group purchased workers compensation coverage would be in South Jordan's best interest. He felt that the risk management workers compensation culture which they've established in their city in recent years, would be setback by the recommended changes. He also stated he felt that the benefit they receive from utilizing Moreton and Company as a broker for their workers compensation coverage is substantial and has been a significant part of their program. Mr. Dobbins asked Mr. Green if it was a possibility to provide the members with an opt out option and if that would impact the numbers. Mr. Green responded that it is a possibility as they have a county that is part of UCIP that has opted out of their program. He said that the only issue he could foresee from members opting out was a premium sized discount that might be affected. He also noted that for the cities that currently utilize Moreton and Company as their broker, they would be able to continue to utilize them and WCF would not interfere in the relationship. Mr. Isaac asked if there was a possibility for WCF to purchase existing and/or past claims if a city chose to participate in the group purchased workers compensation coverage. Mr. Green responded that it could be investigated however, considering the size of most of the cities it might not be worth it.

Mr. Huffman stated that in his conversations with potential cities they frequently voice two fears which the Association's competitors capitalize on. First, he stated there are misconceptions about the repayment plan which he felt were easily explained. Second is the fear that Mr. Davidson discussed in regard to not being able to leave the Association once a city has joined. He stated he felt that if the Association wasn't careful while trying to protect the pool and its members, they could potentially undermine it by feeding into those fears. He made the recommendation to explore the option to allow members to opt in to the group purchased workers

compensation coverage by a certain date rather than require participation by all members. He said he felt it important to get creative as far as a solution otherwise there was the potential to feed into the existing concerns being capitalized on by competitors. Mr. Millheim stated that he shares Mr. Davidson's concerns of the perception vs. the reality debate. He said that he also liked Mr. Huffman's idea of allowing members to choose and providing an opt in date. He stated he felt that the Association needed to be careful not to splinter the group for the wrong reason and he didn't feel that this was a good enough reason to do so. Mr. Bittmen asked the board if anyone on the board felt they needed more time to decide whether they wanted to opt in or not. Mr. Branch stated that he was currently neutral as the proposed bid neither benefitted nor hurt them but wanted what is best for URMMA. Ms. Lowther stated that risk management at WCF dovetails extremely well with the concepts of risk management at URMMA. She asked if there was a reason to go out to bid a second time or if it would be beneficial to allow members who wanted to opt in to proceed. Mr. Huffman responded that he felt there was value in having a broker represent the Association to hopefully prevent them from getting into a situation they might regret several years down the road. Mr. Millheim responded stating he shared the opinion of Mr. Huffman about utilizing a broker and he felt having one would keep everyone honest and protect the Association's interests. Mr. Roberts asked if the board would be in the same position if those members currently standing to save money opted in, were then turned upside down when a new quote was obtained as a result of the members who opted out. He asked how that situation might be handled, whether it would be handled by a majority vote, or a unanimous or not at all vote. Mr. Dobbins made the recommendation of an opt in date of August 31, 2018 for those wishing to pursue group purchased workers compensation coverage. He also recommended that the final decision regarding coverage be handled with a majority vote by those who opt in. Mr. Perrins stated that he felt it was important to get new numbers for the entire group as well as individual cities so that everyone has a good idea of the costs. There were concerns raised by multiple board members of the complexities of allowing members to opt in or out and how that could impact final numbers. Mr. Huffman stated he felt there was value in exploring the possibilities of allowing those members to whom this change would be a benefit to come together collectively and allow those members that would not benefit from it to opt out.

***Motion** was made by Mr. Millheim and seconded by Mr. Perrins to set an opt in date of August 31st, 2018 for members seeking workers compensation coverage through the Association while keeping the broker relationship intact through the bidding process. Motion passed with 1,013 yes votes, 167 nay votes and 124 excused.*

(Mr. Millheim modified his original motion to include keeping the broker relationship intact through the bidding process.)

There was additional discussion after the motion and vote. Mr. Bosen commented that as a broker, when they structured the request for proposals, they could require bidding entities to produce quotes based on the group as a whole and also for individual cities, so everyone could see a cost comparison. Mr. Bittmen asked Mr. Davidson if allowing members to choose whether or not they wanted to participate in obtaining group purchased workers compensation coverage would change his vote. Mr. Davidson responded that it would and that he would be supportive of it. Mr. Millheim stated that he felt it would be beneficial to have Mr. Paul Johnson look at and prepare a hold harmless (for presentation at the November meeting) and how it would work for those cities that are in a situation that the change might negatively affect. He felt that as an Association it would be in line with the charter in that it states they are supposed to adapt to unique and changing circumstances. He said that providing cities with choices was important. Mr. Branch stated he felt it was important to keep the decision simple.

Mr. Dobbins closed the workers compensation portion of the discussion and moved on to the second portion of the recommended changes which addressed withdrawing members. He stated that the recommended changes to the withdrawing members section of the Joint Protection Program was being made in an attempt to clarify some of the ambiguous language found between the JPP and Interlocal Agreement.

Mr. Paul Johnson reported that with Roy City's recent departure, it was noted that there was conflicting language in the JPP and the Interlocal Agreement as to what is required when a member desires to leave URMMA. He reported that URMMA negotiated with Roy City to allow them to leave earlier than the one year

after notice is given as required by the Interlocal Agreement. He stated that the proposed changes would allow a city to leave early without hurting the organization's budget for that year. The recommendation was made to either adopt the JPP language as proposed or to remove it completely from the JPP and rely solely on the Interlocal Agreement language which states that a member cannot leave the Association until one year after they give notice. Mr. Davidson raised the concern that with this provision it would make it harder to leave the organization as the recommended changes are higher standards than Roy was subjected to. He stated he felt when coming across these issues the Association was making it harder for members to leave by placing additional requirements on them instead of giving members a reason to stay. The concern was raised that the language if left as is in the JPP, or if the language was taken out and the Association relied solely on the language in the Interlocal Agreement, there was the potential that it would invite litigation. There was discussion about the necessity to have clean language in the JPP or to remove the current language going forward to avoid some of the issues that were encountered recently while also avoiding potential budget issues that could arise when a member chooses to leave the Association early. Mr. Huffman stated that he felt that the recommended language was a good starting point as it was better than what was there. He didn't think the board needed to wait to adopt the change until the language was perfect but rather recommended they adopt a change now and improve upon it later. Mr. Roberts asked if the language changes were being made so there was no detriment to the organization. Mr. Dobbins responded that the changes were two-fold, first to provide a clear path, and second to determine under what terms the Association would allow members to leave. Mr. Millheim stated the recommended changes were an effort to not hurt the organization financially but also to not punish the leaving member.

***Motion** was made by Mr. Millheim and seconded by Mr. Bittmenn to adopt the modifications to the Joint Protection Program as per the staff recommendation found in Article VIII Section 2, specific only to withdrawing members and the process going forward. Motion passed with 1,180 yes votes and 124 excused.*

3.2 MOTION - WORKERS COMPENSATION

RECOMMENDATION: Staff recommends that the Board, by motion, request that Moreton & Co. present to the Board in our November meeting a recommendation for a group workers compensation program through a qualified provider.

BACKGROUND: The Board voted in June to continue the discussion on a workers compensation program servicing the entire group to sometime in the Fall, without a date certain. Our normal Executive Committee meeting is scheduled for November 8th, which would be a good time to continue the discussion. The Board can determine to either leave it to the Executive Committee or expand that meeting to a full Board meeting.

There has been much discussion about workers compensation subsequent to our June meeting. Two of the issues that are being raised by some of our cities are (1) Would we be better served by having a broker act as liaison with the workers comp provider, and (2) Are we required to put this out to bid as opposed to relying on sole source provisions to contract with WCF. While the Utah Procurement Act by its own terms does not apply to URMMA, it is still unclear whether or not we need to put it out to bid. Regardless of whether we're required to, there are some benefits to going through an RFP or bidding process for us.

Both issues are resolved if we contract with our current broker, Moreton & Co. to go through their normal RFP/bidding process to find us the best coverage. It is our recommendation that we do that and ask Moreton to be ready for a recommendation at our November meeting, for a January 1 trigger date for the new program.

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Mr. Dobbins stated that the prior motion and vote naming Moreton and Company as the broker to handle the bidding process for obtaining workers compensation coverage would stand. Mr. Green asked for clarification as to whether or not the Association would be working directly with WCF or if they would be working through Moreton and Company. Mr. Dobbins replied that it would be through Moreton and Company. There was no further discussion or motion for this agenda item.

3.3 MOTION - ASSOCIATION FOCUS FOR THE INSPECTION PROGRAM

RECOMMENDATION: Staff recommends that the Board, by motion, choose the Association Focus for the Inspection Program.

BACKGROUND: In years past the association has had a yearly risk management focus. In the May 2018 Executive Committee Meeting it was discussed and decided that the Board be involved in the discussion and choosing of the Association Focus worth 4 points in the Inspection Program.

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Mr. Davis stated that there is an Association Focus item worth 4 points in the Inspection Program. He reported that last year an Association Focus was not chosen by the board. He stated that he and Mr. Paul Johnson felt it important that the Board be involved in choosing the focus for fiscal year 18-19. The recommendation was made to have the Association Focus of reducing the number of at-fault vehicle accidents from the previous year for each city. Mr. Perrins stated that he would like to narrow the focus even more to include a reduction in distracted driving accidents.

***Motion** was made by Mr. Perrins and seconded by Mr. Huffman to set the Association focus for fiscal year 18-19 in the Inspection Program for each city to reduce the number of distracted driving vehicle accidents from the previous year. Motion passed with 1,180 yes votes and 124 excused.*

3.4 MOTION - LOCATION FOR SUMMER CONFERENCE 2019

RECOMMENDATION: Staff recommends that the Board approve by motion the meeting dates for the next fiscal year and select a location for next summer's annual conference.

BACKGROUND: Each year at the annual conference the Board determines its meeting schedule for the next year. The Bylaws as recently amended call for full Board meetings in February and in association with the annual conference, which must be held between June and September. The Executive Committee also meets twice annually, in May and November. The following meeting schedule is proposed for Board approval:

November Executive Committee Meeting: November 8, 2018

February Full Board Meeting: February 7, 2019

May Executive Committee Meeting: May 16, 2019

August Full Board Meeting: August 9, 2019 (in conjunction with the annual conference)

In the last couple of years, the board has moved the annual conference to August. Previously it was always held the last week of June. The Board has discretion to hold the meeting anytime between June and September and should discuss the best time for next year.

The Board also chooses the location for the next summer conference and annual board meeting. Following are the recent choices and potential locations:

2018: Kanab

2017: Cedar City

2016: Bear Lake

2015: Bryce Canyon

2014: Logan

Other locations discussed include Park City, Ogden and Moab. Anywhere in the State is fair game, including our member cities.

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Mr. Dobbins asked if there were any recommendations on where to meet next year for the Annual Summer Conference. He also asked if August was still a good month to hold it. The consensus was that August was a good month to hold the conference. There was discussion on various available locations. It was noted that meeting in Member cities was a great option as everyone gets to know the cities, but it is also challenging for those hosting the event to attend the conference.

***Motion** was made by Mr. Lewis and seconded by Mr. Perrins to hold the Annual URMMA Summer Conference 2019 in Midway, Utah. Motion passed with 1,180 yes votes and 124 excused.*

4. ADJOURN

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Mr. Dobbins call for motion to adjourn.

***Motion** was made by Mr. Perrins and seconded by Mr. Dobbins to adjourn the meeting. Motion passed with 1,180 yes and 124 excused.*

The meeting was adjourned at 11:40 AM.

PASSED AND APPROVED THIS 8th day of November 2018.

Utah Risk Management Mutual Association

David Dobbins, Chairman of the Board

ATTEST:

M. Elizabeth Christensen, Association Secretary