

Minutes
Meeting, Board of Trustees
Kansas Worker Risk Cooperative for Counties
September 25, 2008 at 1:00 p.m.
Clubhouse Inn
924 SW Henderson Road
Topeka, KS 66615

The September 2008 meeting of the Board of Trustees of Kansas Workers Risk Cooperative for Counties (KWORCC) was called to order at 1:02 p.m. at the Clubhouse Inn in Topeka by Board President F. E. "Shep" Schoepf on Thursday, September 25, 2008. Trustees participating included F. E. "Shep" Schoepf, Reno County Commissioner, President; Michelle Garrett, Morris County Clerk, Vice President; Jim Wise, Miami County Commissioner, Secretary; Linda M. Buttron, Jefferson County Clerk, Controller; Bonnie Swartz, Gray County Clerk and Doyle "Hooley" Alcorn, Jewell County Commissioner.

Staff participating included Mr. James W. Parrish, Administrator; Ms. Dortha O. Bird, Deputy Administrator and Staff Counsel; Mr. Carl Eyman, Deputy Administrator and Loss Prevention Specialist; Mr. Philip J. Rippee, Loss Prevention Specialist; Mr. Richard Alexander, Accountant; Mr. Bruce Woner, Board Legal Counsel and Ms. Nicole Jarboe-Paxson, Executive Assistant and Media Director.

Insurance Management Associates appeared by Ms. Annette Duncan, Mr. Paul Davis and Mr. Gus Campuzano.

President Schoepf addressed Agenda Item No. 2, "Approval of the Agenda." Mr. Parrish recommended the addition of three Items to the Agenda: Item 3a, "Excuse Mr. Ralph D. Unger for Personal Business;" Item 7d, "Safety National Status" and Item 9a, "Work Comp Legislative Activity." Mr. Wise moved to approve the agenda as modified. Ms. Swartz seconded the motion, which CARRIED unanimously.

President Schoepf addressed Agenda Item No. 3, "Consideration of Minutes of Meeting of August 21, 2008." Ms. Swartz moved to approve the minutes as presented; Ms. Garrett seconded the motion, which CARRIED unanimously.

President Schoepf addressed Agenda Item No. 3a, "Excuse Mr. Unger for Personal Business." Ms. Swartz moved to excuse Mr. Unger for personal business; Ms. Buttron seconded the motion, which CARRIED unanimously.

President Schoepf proceeded to Agenda Item No. 4, "Administrator's Report." Mr. Parrish addressed Agenda Item No. 4a, "Checks Requiring Board Approval and Ratification of Wire Transfers." Mr. Parrish itemized checks and wire transfers of funds. Ms. Buttron moved to approve the checks and ratify the wire transfers as presented. Ms. Swartz seconded the motion, which CARRIED unanimously.

Next, Mr. Parrish addressed Agenda Item No. 4b, "Annual Meeting Update." Mr. Parrish asked Ms. Bird to review the arrangements for the annual meeting. Ms. Bird reviewed the location of the booths for the KAC meeting and reviewed the persons nominated for the trustee positions and the delegates from the counties planning to attend the KWORCC annual meeting.

Next, Mr. Parrish asked Ms. Bird to discuss Agenda Item No 4c, “Kansas Insurance Department Exam Fee Notice.” Ms. Bird discussed the fees being charged by the Kansas Insurance Department. She further stated that the exam is underway and that KWORCC has received the first bill.

President Schoepf then proceeded to Agenda Item No. 5, “Marketing Report.” Mr. Eyman discussed marketing activities, including a review of counties that have notified KWORCC of an intention to seek competitive bids for workers compensation insurance this year.

President Schoepf addressed Agenda Item No. 6, “Financial Report.” Mr. Alexander reported on financial statements he prepared for August 2008. Ms. Swartz moved to accept the financial reports as presented. Ms. Garrett seconded the motion, which CARRIED unanimously.

Mr. Alexander presented the check register. Mr. Alcorn moved to approve check Nos. 12701 through 12750 and the direct debits, all as presented. Mr. Wise seconded the motion, which CARRIED unanimously.

Mr. Alexander then reviewed a spreadsheet showing the value of KWORCC's equity investments as of September 16, 2008.

President Schoepf addressed Agenda Item No. 7a, “Claims Report.” Ms. Duncan reported on several claims and answered questions. She also requested approval on three pending settlements. After discussion of these three claims, Ms. Swartz moved to approve settlement of claim No. 2008034448 as recommended. Ms. Garrett seconded the motion, which CARRIED unanimously. Mr. Wise moved to approve settlement of claim No. 2007032553 as recommended. Ms. Buttron seconded the motion, which CARRIED unanimously. Ms. Swartz moved to approve settlement of claim No. 04-2984 as recommended. Ms. Garrett seconded the motion, which CARRIED unanimously.

In addressing Agenda Item No. 7b, Ms. Duncan reviewed the Logicomp report for the period of January 1, 2008 through August 31, 2008. She stated that the total amount billed is \$2,960,122. The report showed actual paid amount to be \$1,754,451 for net savings after fees of \$1,205,673 or more than 41% of the amount billed for this seven-month period.

In addressing Agenda Item No. 7c, Mr. Davis explained an analytical review generated by IMA showing KWORCC's claim history for policy years 2007 and 2008. The documents consist of graphs which compared the actual paid and incurred losses to the estimated paid and incurred losses and show the actuarial projections. Mr. Davis emphasized these charts should not be considered as a guarantee of either good or poor ultimate-loss performance.

Mr. Davis proceeded to Agenda Item No 7d, “Safety National Status.” Mr. Davis referred to notice received from Safety National Casualty Corporation (SNCC) which reported a strong financial position, notwithstanding the difficulties of AIG. Specifically, SNCC’s holding company owns no AIG stock and has insignificant holdings in AIG bonds. While the current AIG bailout plan does not involve sale of its book of business, should any of those become available, SNCC will follow current underwriting standards. Mr. Davis emphasized that AIG does not plan to sell its insurance portfolio, which would limit the repercussions on the insurance industry from the bailout of AIG. If AIG would sell its interests in insurance, that could have repercussions on all insurance companies nationwide. In addition, he stated the reinsurance rates for KWORCC should remain consistent with 2008 rates.

President Schoepf addressed Agenda Item No. 9, "Legal Report." Mr. Parrish reported the Kansas Legislature's Joint Committee on Economic Development heard several hours of testimony last week concerning the workers compensation issues. He highlighted some of the issues and anticipates considerable activity this legislative session addressing the Kansas Workers Compensation Act.

Mr. Woner stated that changing market conditions require that KWORCC examine additional marketing strategies. He emphasized diligence on the financial front in both placement of accounts and monitoring pool assets. Options for including local agents were discussed.

President Schoepf called for a break at 2:23 p.m. The meeting resumed at 2:36 p.m.

President Schoepf called upon Messrs. Eyman and Rippee to address Agenda Item No. 8, "Loss Prevention and County Visits." Mr. Eyman reviewed calendars for August, September and October for the loss-prevention staff as well as the breakdown of county visits since the first of the year. Mr. Eyman reported that the Kansas Department of Transportation is requiring flaggers to be certified and carry a certification card. Mr. Eyman is certified to conduct a day-long flagger training course, but is hopeful that Mr. John Dahl with the Kansas Engineers Association will develop a two-hour course that can be used instead.

President Schoepf addressed Agenda Item No. 10, "Committee Reports." Mr. Alcorn asked Mr. Parrish to report on the Personnel Committee meeting. Mr. Parrish stated the committee reviewed various documents describing cost-of-living trends in the Midwest as well as other parts of the country. He said that Ms. Bird had sampled some of the Member Counties and learned that a majority of those sampled adopted budgets which increased wages of their county workers by at least three percent. He then reviewed the action KWORCC took last year to provide a cost-of-living increase in wages for 2008. He said that after reviewing all the information and discussing the finances of the pool, the Committee adopted a recommendation to provide a lump-sum increase in KWORCC staff salaries of \$11,000 to be allocated in a manner which gives each staff member a minimum cost-of living increase of three percent of the current base salary with the balance of the lump-sum to be allocated to staff at the discretion of the Administrator with all increases to commence on January 1, 2009. Mr. Alcorn moved to adopt the Committee's recommendation. Ms. Garrett seconded the motion which CARRIED unanimously.

President Schoepf proceeded to Agenda Item No. 11, "Trustee Training: Mega-Trends Influencing Workers' Comp Insurance Industry." Mr. Eyman discussed how trends in the workforce and the economy affect the costs incurred by workers compensation insurance providers. After questions and discussion, President Schoepf thanked Mr. Eyman for an informative presentation.

President Schoepf proceeded to Agenda Item No. 12, "Other items." There were no other items to discuss. Ms. Swartz moved to adjourn at 3:09 p.m. Mr. Wise seconded the motion, which CARRIED unanimously.

The KWORCC Board of Trustees approved the foregoing minutes on the ___ day of October 2008.

Mr. Jim Wise, Secretary
KWORCC Board of Trustees