

ILLINOIS SELF-INSURERS ADVISORY BOARD
ILLINOIS WORKERS' COMPENSATION COMMISSION
MEETING MINUTES
January 23, 2014
Chicago, IL 10:30 a.m.

Board Attendees: Chairman Michael Latz, Alex Alexandrou, Gerald Cooper, David Taylor, and via conference call: Deborah Stafford

Staff Attendees: Manager Maria Sarli-Dehlin, Barbara Bentivenga, Ron Rascia, and via conference call: Jean Cannon, Wendy Keithley, and Kevin Leach

Closed Session

V. Bankruptcy Report 9/30/2013

Maria Sarli-Dehlin presented to the Board the Bankruptcy Exposure to Security Fund report as of 9/30/2013 which included the current and non-current values of the exposure.

VI. Litigation

Maria Sarli-Dehlin presented to the Board a memo regarding a new applicant, **Petco Petroleum Corporation.** Petco Petroleum has operating leases for oil and gas wells. However, the wells are owned by Bergman Oil and Gas while Petco maintains the payroll for the operating leases. Both entities are affiliates owned by Jay D. Bergman.

Bergman Oil provided financial statements reviewed by an independent accountant which score 18 points for the past three years. Petco does not have financials prepared by an outside accounting firm.

Also provided were an internally combined financial statement for both Petco and Bergman Oil that also scored 18 points. Due to time constraints, the combined statements were not prepared by an independent accountant. Since the statements are not audited, a 125% factor was applied in the security calculation rather than 35%.

Also included with the memo is a Chicago Business article regarding Petco being sued by the Illinois Pollution Control Board.

Discussion ensued. After discussion, the Board agreed to the following:

- 1) Require security in the amount of \$1,050,000**
- 2) Require future combined financial statements prepared by an independent accounting firm**
- 3) Require an Affiliate Guaranty Agreement by Bergman Oil & Gas, Inc.**
- 4) Require excess insurance quotes**
- 5) Require updates regarding Pollution Control Board suit**
- 6) Check with Department of Labor for violations**
- 7) Number of employees in hazardous occupations**

Open session vote: Upon motion by Alex Alexandrou, seconded by Gerald Cooper, the Board voted unanimously to approve the application for self-insurance conditional upon the seven requirements.

Maria Sarli-Dehlin presented to the Board a memo regarding **Carpenter Contractors of America.** The former self-insured company requests reduction of its security because it has 9 open claims, 3 resolved claims approaching excess retention, and 4 settled claims being paid by installment payments.

During October 2010, the company filed for bankruptcy protection and the \$1,400,000 letter of credit was called and deposited in the Security Fund due to concerns regarding the quality of the bank that issued the letter of credit.

The security reduction to \$1,050,000 was calculated as follows:

9 unresolved claims	reserves =	\$278,444 x 2 =	\$ 556,888
3 resolved claims that are approaching excess retention	reserves =		\$ 354,620
4 settled claims that are being paid by installment payments	reserves =		<u>\$ 133,826</u>
			\$1,045,443

Open session vote: Upon motion by Alex Alexandrou, seconded by David Taylor, the Board voted unanimously to allow a reduction to the security requirement to \$1,050,000.

Maria Sarli-Dehlin presented to the Board an update of the petition for reconsideration of **Bethany Methodist Corporation**. On 10/15/2013, an informal discussion was held with company representatives.

The 2013 security calculation required an increase from \$550,000 to \$950,000. However, Bethany currently provides security in the amount \$346,875 because it was allowed to provide incremental increases to arrive at the 2012 security requirement of \$550,000 (total due by March 2015).

Following its petition filing, Bethany requested additional time to provide the \$400,000 increase and that the increase be added to the remaining scheduled quarterly installments. Instead of \$40,625, Bethany will increase its security \$120,625 quarterly.

Open session vote: Upon motion by David Taylor, seconded by Alex Alexandrou, the Board voted unanimously to allow the new security increase to be provided in installment payments in the amount of \$120,625.

Maria Sarli-Dehlin presented to the Board an update of the petition for reconsideration of **A.S.G. Staffing**. On 11/1/2013, an informal discussion was held with company representatives.

On 6/27/2013, a Notice of Conditional Approval of the Initial Application was issued requiring a security requirement of \$1,750,000 which the company provided. The security requirement was calculated pursuant to the Board's decision regarding staffing companies. Actual paid losses were pro-rated based on the census numbers reported by the company.

In its petition, the company requested using the traditional security calculation to determine security in the amount of \$875,000. After discussion, the company agreed to the Chairman's suggestion to change the security requirement to \$1,300,000 and revisit the amount when the new financial statements become available.

Open session vote: Upon motion by Gerald Cooper, seconded by Alex Alexandrou, the Board voted unanimously to grant the petition for reconsideration and revise the security requirement to \$1,300,000.

Maria Sarli-Dehlin presented to the Board an update of the petition for reconsideration of **Innovative Staff Solutions**. On 11/1/2013, an informal conference call was held with company representatives.

On 8/1/2013, a Notice of Conditional Approval of the 2013 Renewal Application was issued requiring an increase in security from \$250,000 to \$550,000. The increase in security was calculated pursuant to the Board's decision regarding staffing companies. Actual paid losses were pro-rated based on the census numbers reported by the company.

In its petition, the company proposed a \$265,303 security requirement. After discussion, the company agreed to the Chairman's suggestion to increase its security to \$300,000.

Open session vote: Upon motion by Alex Alexandrou, seconded by David Taylor, the Board voted unanimously to grant the petition for reconsideration and revise the security requirement to \$300,000.

Maria Sarli-Dehlin presented to the Board an update of the petition for reconsideration of **MetroStaff Inc.** At the 9/19/2013 SIAB meeting, the Board recommended Power & Cronin, LTD to perform the independent actuarial analysis of the outstanding reserves prior to resolution of the petition for reconsideration. However, Power & Cronin are unable to perform the audit and the Board must select another vendor.

Further, since the outstanding reserves increased from \$1,889,460 to \$2,724,570, the staff recommended the security be increased to \$2,250,000 prior to the resolution of the petition.

Open session vote: Upon motion by Chairman Latz, seconded by Gerald Cooper, the Board voted unanimously and selected Pro Insurance to perform an independent actuarial analysis of the outstanding reserves prior to resolution of the petition for reconsideration. Further, upon motion by Chairman Latz, seconded by Alex Alexandrou, the Board voted unanimously to request an increase of the security to \$2,250,000 prior to the resolution of the petition for reconsideration.

Maria Sarli-Dehlin presented to the Board the results of the staffing company survey. The Self-Insurance Office contacted all the state jurisdictions to determine if there are any state laws in place specific to staffing companies. The survey found the majority of the states do not have specific laws prohibiting staffing or leasing companies from self-insurance, nor do they calculate the security differently. However, only 35% of the states have self-insured staffing companies. The most restrictive state is California which has new laws denying self-insurance for staffing companies and requires all current self-insured staffing companies to obtain conventional coverage by 1/1/2015. Since the survey didn't yield any rule or standard for how the industry is being rated relative to their risk, the Chairman will seek the assistance of the NCCI to provide a rational basis for how insurance companies are rating this industry. The Chairman further suggested that the Self-Insurance Office continue treating these companies on a case by case basis.

Upon motion by Alex Alexandrou, seconded by Gerald Cooper, the Board voted unanimously to adjourn the closed portion of the meeting at 11:45 am, after which the Board reconvened in open session.