

ILLINOIS SELF-INSURERS ADVISORY BOARD
ILLINOIS WORKERS' COMPENSATION COMMISSION
MEETING MINUTES
April 1, 2015
Chicago, IL 10:30 a.m.

Board Attendees: Chairman Joann Fratianni, Gerald Cooper, John Rittenhouse, Debbie Stafford, David Taylor and via conference call: Alex Alexandrou and John Harney

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

Closed Session

V. Bankruptcy Report 9/30/2014

Maria Sarli-Dehlin presented to the Board the Bankruptcy Exposure to Security Fund report as of 12/31/2014 which included the current and non-current values of the exposure.

She further informed the Board that the Self-Insurance Office was taking over the current open claim of White Way Sign & Maintenance since its Chapter 11 filing was converted to a Chapter 7.

VI. Self-Insurers Summary

Maria Sarli-Dehlin presented to the Board a list of the current self-insurers by industry and 12 charts reflecting various data regarding the companies, including number of employees, wages, and claim information.

VII. Petition for Reconsideration

Maria Sarli-Dehlin presented to the Board the petition for reconsideration and resolution options for **Elite Labor Services dba Elite Staffing, Inc.**

On 11/7/2014, a Notice of Conditional Approval of the 2014 Renewal Application was issued requiring an increase in security from \$4,300,000 to \$7,925,000. The increase in security was due to an increase in the census numbers and a decrease in the average number of employees which substantially increased the pro-rated average paid losses.

With its petition, Elite Labor provided audited financial statements and requested its security be set at its current reserve liability of \$4,551,689. A hearing was requested.

Discussion ensued. The Board voted unanimously to schedule an informal meeting with company representatives.

Maria Sarli-Dehlin presented to the Board the petition for reconsideration and resolution options for **Labor Temps.**

On 1/9/2015, a Notice of Conditional Approval for the self-insurance application was issued requiring security in the amount of \$2,500,000.

The security requirement was calculated based on pro-rating the actual paid losses for the three most recent years to reflect the possible exposure for the census number of employees. The traditional security calculation set the requirement at \$475,000.

On 2/17/2015, Acting Chairman Rascia had an informal meeting with company representatives. At the meeting, Labor Temps stated it has operated for many years and has contracted with five of its top clients for 15 years. The company representatives stressed they have specific criteria for prospective clients and perform on site investigations before accepting a client. For example, they do not contract with construction, restoration or landscape companies. They have a 360-safety program that includes drug testing, an internal risk management department, and safety consultants with their broker. Further, the company has been with the same bank for 20 years and owns its headquarters facility. The company plans to obtain excess insurance with a \$500,000 specific retention.

During the informal meeting, Labor Temps requested its security requirement be set at \$500,000. It should be noted that per their petition they expected a security requirement of \$1,200,000.

Discussion ensued. The Board voted unanimously to grant the petition and reduce the security requirement to \$1,200,000.

Maria Sarli-Dehlin presented to the Board the petition for reconsideration and recommendation for **Lettuce Entertain You Enterprises**.

On 10/8/2014, a Notice of Conditional Approval of the 2014 Renewal Application was issued requiring an increase in security from \$1,050,000 to \$1,150,000. The security increase was due to a slight increase in reserves.

In its petition, Lettuce Entertain You requests that its security be maintained at \$1,050,000 based on its stable financial history and rating. Last year, the company had a substantial security increase from \$650,000 to the current \$1,050,000. Provided with the petition were updated reserve figures and unaudited financial statements for year ended 12/31/2014 which scored 12 points. A hearing was not requested.

Discussion ensued. The Board voted to grant the petition and reduce the security requirement to \$1,050,000. Board member John Rittenhouse abstained.

Maria Sarli-Dehlin presented to the Board an update of the petition for reconsideration and resolution options for **Presence Resurrection Medical Center**.

At the 12/10/2014 meeting, the Board deferred a decision until Presence confirmed its third party administrator will administer claims to conclusion without charging additional fees,

The 2014 Notice of Conditional Approval required an increase in security from \$14,725,000 to \$18,250,000 due to an increase in outstanding reserves. In its petition, Presence requested the 1.2 factor for claim administration services be removed from the security calculation because its third party administrator, IPMG, confirmed it has a life of claim contract.

The 1.2 factor was added due to surcharge language included in the IPMG contract. However, Presence confirms that its contract with IPMG is a life of claim agreement and provided an example that maximum surcharges for the 2012 contract year would be \$16,100. Presence requests that an additional \$100,000 be added for the surcharges to the security requirement in the unlikely event of a default situation.

Discussion ensued. The Board voted unanimously to grant the petition and reduce the security requirement to \$15,325,000 upon receipt of an addendum to the IPMG contract stating the limit of surcharges is \$100,000. Amendment should be signed and dated by both parties.

Maria Sarli-Dehlin presented to the Board the petition for reconsideration and resolution options for **Service Drywall & Decorating**.

On 1/2/2015, the Notice of Conditional Approval of the 2014 Renewal Application was issued requiring an increase in security from \$400,000 to \$1,525,000. The increase in security was due to a large increase in reserves.

With its petition, Service Drywall provided (a) updated reserves (\$723,069) and collectible excess insurance information (\$39,796) and (b) an addendum to its third party administration contract stating claims will be handled to conclusion for no additional cost in the event of insolvency. A hearing was not requested.

Discussion ensued. The Board voted unanimously to grant the petition and reduce the security requirement to \$875,000 upon receipt of a third party administration contract addendum signed and dated by both parties.

VIII. Former self-insured companies

Maria Sarli-Dehlin presented to the Board a memo and recommendation regarding **Carpenter Contractors of America**. The former self-insured company requests an additional refund of the security held by the Board in its Security Fund (\$1,054,867) because its reserves are \$343,950.

Since approximately half of the company's open claims have reached excess retention, a report was prepared assigning a value to the 7 outstanding claims based on the settlement demand or the amount remaining before the specific excess insurance retention is met (\$861,158)

Discussion ensued. The Board voted to return \$100,000 from the security proceeds held. Board member John Rittenhouse abstained.

Maria Sarli-Dehlin presented to the Board a memo and resolution options regarding **Fel-Pro**. The former self-insured company requests review of its \$525,000 security it provided for the self-insurance period of 1/31/1979-2/24/1998. There is one claim that is being paid and reimbursed by the excess carrier.

The request was presented to the Board because of possible asbestos exposure and future occupational disease claims.

Discussion ensued. After discussion, the Board agreed to defer a decision and request guaranties from its current parent, Federal Mogul, regarding its obligations for any future occupational disease claims.

Maria Sarli-Dehlin presented to the Board a memo and resolution options regarding **Slater (widow) vs. Northwestern Steel & Wire**. Death benefits are being paid by the Board and will reach the specific excess retention during August 2018. The death benefit will cease September 2019.

The excess carrier is interested in entering into an agreement releasing it from future liability.

Discussion ensued. The Board voted unanimously to refuse to enter into a release agreement with the excess carrier.

Upon motion by John Rittenhouse, seconded by Debbie Stafford, the Board voted unanimously to adjourn the closed portion of the meeting, after which the Board reconvened in open session.