

ILLINOIS SELF-INSURERS ADVISORY BOARD
ILLINOIS WORKERS' COMPENSATION COMMISSION
MEETING MINUTES
July 15, 2015
Chicago and Springfield, IL 1:00 p.m.
Video Conference meeting

Board Attendees:

Springfield: Chairman Joann Fratianni, Debbie Stafford

Chicago: Alex Alexandrou, Gerald Cooper

Staff Attendees:

Springfield: Jean Cannon, Wendy Keithley, Kevin Leach, Ron Rascia

Chicago: Manager Maria Sarli-Dehlin, Dennie Mogensen

Closed Session

V. Bankruptcy Report 3/31/2015

Maria Sarli-Dehlin presented the Bankruptcy Exposure to Security Fund report as of 3/31/2015 which included the current and non-current values of the exposure.

She informed the Board that White Way Sign & Maintenance was new to the report, since the company filed a Chapter 11 petition that converted to Chapter 7 liquidation on 3/17/2015. The Self-Insurance Office has taken over administration of the remaining open claim.

Maria Sarli-Dehlin further presented a memo regarding Patriot Coal f/k/a Peabody Coal Company's Chapter 11 petition. Peabody Coal was self-insured for the period of 1/1/1987 – 10/30/2007.

VI. Claim Administration

Maria Sarli-Dehlin presented a memo regarding the administration fees to be charged for FY2015 to the security of insolvent self-insurers whose claims the Board administered during the fiscal year. She recommended using the same rates charged in prior fiscal years (\$140 per medical only claim and \$780 per indemnity claim). The fee is only deducted from the security of insolvent companies with a positive security balance.

The Board discussed deducting the fees as proposed.

VII. Petition for Reconsideration

Maria Sarli-Dehlin presented a memo and recommendation regarding the security calculation for **temporary employee staffing companies**. The recommendation was to change the security calculation method for the 2015 renewal applications from the previous calculation that increased the paid loss figures based on the census numbers.

Discussion ensued regarding consisted treatment of staffing companies, the options for increasing the security requirement, the requiring of reserve audits, and requesting additional information on a semi-annual basis.

The Board discussed increasing the 2015 security requirement by an additional 50% of the traditional security calculation. Further, the staffing companies would be notified that a reserve audit will be required in 2016 and that additional information will be requested semi-annually.

Maria Sarli-Dehlin presented an update of 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.

On 4/23/2015, Chairman Fratianni had an informal meeting with company representatives. At the meeting, Elite Labor's president, Gary Cole, explained that Elite Labor has been a family owned company since 1991 and has had long relationships with their clients. Mr. Cole stressed that Elite Labor does not take on clients with hazardous, construction or travel positions. The company has strict internal reporting protocols, onsite management, an 800-phone number, and an industrial nurse. They have hired a risk manager, third party administrator, and general counsel to assist with the self-insurance program.

The Board discussed granting the petition, in part, and reducing the security requirement to \$5,000,000.

Maria Sarli-Dehlin presented a petition for reconsideration and recommendation for **Material Sciences Corp.**

On 4/22/2015, a Notice of Conditional Approval of the 2014 Self-Insurance Renewal was issued requiring security of \$950,000. Security has not been required since 2007 because company has scored 18 points.

The new intermediary parent, New Star Metals, earned only 3 points on the analysis. Further, the new ultimate parent company, Insight Equity, is a private equity group, that does not provide a guaranty agreement or financial statements.

An informal meeting has been requested to demonstrate that the change in ownership structure has not affected their operational platform or changed their commitment to operating in a safe manner, which will allow them to continue as a responsible self-insurer in Illinois.

The Board discussed the best course of action would be to schedule an informal meeting.

VIII. Former self-insured companies

Maria Sarli-Dehlin presented a updated memo and 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.

At 4/1/2015 meeting, 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.

The company signed the Affidavit for Reduction of Security Deposit of Former Self-Insurers and added language to the affidavit regarding the financial responsibility of future OD claims. The company also provided an asbestos removal project report for the Skokie, IL location.

The Board discussed maintaining the current security until the statute of limitations expires.

Maria Sarli-Dehlin presented a memo and options regarding **Marathon Oil Company**. The former self-insured company requests review of its \$375,000 security it provided for the self-insurance period of 3/25/1943 - 1/1/1998. All claims are closed.

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

The Board discussed maintaining the current security until the statute of limitations expires.

Maria Sarli-Dehlin distributed a previously issued memo regarding proposed changes to the self-insurance rules. Board members Gerald Cooper and John Rittenhouse were designated as the Board's rules committee. Chairman Fratianni requested that any further suggestions should be forwarded to the Commission Rules Committee by the end of July.

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