

ILLINOIS SELF-INSURERS ADVISORY BOARD
ILLINOIS WORKERS' COMPENSATION COMMISSION
MEETING MINUTES
September 18, 2013
Chicago, IL 10:30 a.m.

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

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

Closed Session

V. Bankruptcy Report 6/30/2013

Maria Sarli-Dehlin presented to the Board the Bankruptcy Exposure to Security Fund report as of 6/30/2013 which included the current and non-current values of the exposure. She stated that the report now contained the average life expectancy of the claimants paid by the Board.

Jean Cannon asked if Board members were familiar with McClure, BNR, a company claiming to be self-insured. Discussion ensued.

VI. Litigation

Maria Sarli-Dehlin presented to the Board a memo regarding Beloit Corporation. The former self-insured company requests release of its \$200,000 surety bond because all its claims from the self-insurance period of 10/1/1974 - 11/1/2000 have been resolved

The request was presented to the Board because six claims from the 1980's appeared on the Commission's database involving possible silicosis.

Discussion ensued. After discussion, the Board agreed to defer a decision until a legal analysis of the statute of limitations for silicosis is done.

Maria Sarli-Dehlin presented to the Board a memo regarding Springfield Coal. The former self-insured company requests reduction of its \$350,000 letter of credit because it has one open claim reserved for \$5,000.

The request was presented to the Board because of potential coal miners pneumoconiosis claims.

Discussion ensued. After discussion, the Board agreed to grant a 25% security reduction.

Maria Sarli-Dehlin presented to the Board the petition for reconsideration and recommendation for Gonnella Baking Co. On 8/22/2013, the 2013 Renewal Notice of Conditional Approval was issued allowing a decrease in security from \$1,350,000 to \$1,100,000. The decrease in security was due to an increase in the financial score from 2 to 4 points and a decrease in outstanding reserves.

In its petition, Gonnella requests its security requirement be decreased to \$1,000,000 due to the decrease in the net outstanding reserves from \$922,018 (as of 3/31/2013) to \$700,789 (as of 6/30/2013).

The Board agreed to grant the petition and reduce the security requirement to \$1,000,000.

Maria Sarli-Dehlin presented to the Board the petition for reconsideration and recommendation for Olin Corporation. On 7/26/2013, a Notice of Conditional Approval of the 2013 Renewal Application was issued requiring an increase in security from \$5,250,000 to \$8,200,000. The increase in security was due to a drop in financial score from 16 to 13 points.

In the petition, Olin states that a temporary decline in its cash and short term assets was due to the purchase of K.A. Steel Chemicals during the second half of 2012. Olin provided financial statements for the 6 months ending 6/30/2013, which scored 14 points on our analysis. Based on the interim statements, the security requirement calculation is \$5,475,000.

Discussion ensued. After discussion, the Board agreed to grant the petition in part and amend the security requirement to \$5,475,000 and defer the entire security requirement until the 12/31/2013 financial statements are available.

Maria Sarli-Dehlin presented to the Board the petition for reconsideration and recommendation for **Bethany Methodist Corporation**. On 6/10/2013, a Notice of Conditional Approval of the 2013 Renewal Application was issued requiring security of \$950,000. The security requirements for last two renewals are as follows:

2012 Renewal – Increase required from \$225,000 to \$550,000. Bethany filed a petition of reconsideration and an informal meeting was held. The Board allowed the company to provide the security increase in quarterly installments of \$40,625 over a period of two years. Currently, the company provides a **\$306,250** surety bond.

2013 Renewal – Increase required from \$550,000 to \$950,000. Per the Notice of Conditional Approval, Bethany was allowed to continue with the incremental increases but was required to provide the additional \$400,000 increase within 60 days of their receipt of the notice. The security increase was due to an increase in the outstanding reserves from \$320,618 to \$639,022.

In its 2013 Petition for Reconsideration, Bethany states that they have reduced expenses, had a slight reduction in total incurred losses, and anticipate reimbursements from the state and federal government of up to \$6,000,000. The company provided interim financials, which scored 0 points on our analysis and showed further deterioration of their financial position.

In addition, an updated outstanding claims reserve report shows a significant increase in reserves from \$639,022 to \$1,162,746 as of 7/29/13. Based on the interim financial statements and current reserves, the requirement would be \$1,475,000.

Discussion ensued. After discussion, the Board agreed to schedule an informal hearing.

Maria Sarli-Dehlin presented to the Board an update of the petition for reconsideration for **MetroStaff Inc.** After the presentation made on 6/19/2013 by MetroStaff, the company was informed a decision regarding the security requirement would be deferred until an independent audit of the outstanding reserves could be performed. Further, the company was requested to provide the names of three auditing firms from which the Board would select one.

Discussion ensued. After discussion, the Board agreed to select one in open session.

Maria Sarli-Dehlin presented to the Board the petition for reconsideration and recommendation for **Innovative Staff Solutions**. 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 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 the petition, Innovative provides alternative security calculation formulas which use NCCI's loss development factors to trend paid losses and incurred losses to ultimate losses. The company proposes a security requirement of \$265,303, an average of the two formulas.

Discussion ensued. After discussion, the Board agreed to schedule an informal hearing.

Maria Sarli-Dehlin presented to the Board the petition for reconsideration and recommendation for **A.S.G. Staffing**. On 6/27/2013, a Notice of Conditional Approval of the Initial Application was issued requiring a security requirement of **\$1,750,000**. 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.

Although the company provided all the required documents including a \$1,750,000 letter of credit, it filed a petition to reduce the security requirement. A.S.G. Staffing requests an informal meeting to discuss the Board's concerns.

Discussion ensued. After discussion, the Board agreed to schedule an informal hearing and request an independent audit of the outstanding reserves.

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Maria Sarli-Dehlin presented to the Board the 2013 renewal application for **Labor Ready Midwest**. Since the company has scored 18 points for the last four years, the company is not required to furnish security pursuant to the self-insurance rules. Pro-rating the actual losses' using the census numbers, the security requirement calculates to be \$2,275,000.

Discussion ensued regarding changing the rules and security model for staffing companies. After discussion, the Board agreed to maintain the company's security at \$550,000.

VII. Attorney's Report

Barbara Bentivenga presented to the Board a litigation report listing the status of sixteen claims and their exposure to the Security Fund.

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