

ILLINOIS SELF-INSURERS ADVISORY BOARD
ILLINOIS WORKERS' COMPENSATION COMMISSION
MEETING MINUTES
April 1, 2014
Chicago, IL 10:30 a.m.

Board Attendees: Chairman Michael Latz, Gerald Cooper, David Taylor, and Deborah Stafford
Staff Attendees: Manager Maria Sarli-Dehlin, Barbara Bentivenga, Jean Cannon, Ron Rascia, and via conference call: Wendy Keithley and Kevin Leach

Closed Session

V. Bankruptcy Report 12/31/2013

Maria Sarli-Dehlin presented to the Board the Bankruptcy Exposure to Security Fund report as of 12/31/2013 which included the current and non-current values of the exposure.

Chairman Latz reported that the Commission has an Eligibility Database that will report payees that have died or become ineligible. He also stated the SB 1873 is being monitored and it appears there is no support to transfer the Insurance Pools' liabilities to the Security Fund.

VI. Litigation

Maria Sarli-Dehlin presented to the Board a memo regarding, Consolidated Freightways. The former self-insurer filed a Chap. 11 petition on 9/3/2002 and the surety co. elected to pay and administer the self-insured claims using the \$1,550,000 bond proceeds. During October 2011, the Commission, bankruptcy trustee, and surety entered into a Commutation and Release agreement that provided the Commission with \$83,641 to pay benefit payments for the one remaining claim. Benefits ceased 12/14/2013, leaving a balance of \$10,213.82 in the Security Fund.

Maria Sarli-Dehlin recommended transferring the balance from the restricted portion of the Security Fund into the unrestricted portion of the Security Fund.

The Chairman recommended deferring the matter until the internal auditor and legal staff reviewed the issue.

The Board agreed to defer the matter until the next meeting.

Maria Sarli-Dehlin presented to the Board a memo regarding Capital Engineering & Manufacturing Co. The former self-insurer filed a Chap. 11 petition on 8/11/2006. CEM, LLC purchased the assets, assumed the liabilities, posted the required security, and continued to pay the medical expenses for the one remaining claim.

CEM is liquidating and responsibility for the last claim will be transferred to the Board. The company offers to provide \$78,000 for the payment of future medical expenses of the remaining claim in exchange for the release of the current security of \$90,700. The remaining claim has open medical due to an award of 100% loss of the right leg and is reserved for \$205,547. The excess insurance policy will reimburse payments once total expenditures reach the specific excess retention of \$225,000. As of 1/31/2014, there is \$81,688.39 remaining to be paid before the retention is met. Based on the yearly average (\$3,272) of the last 3 years, it will take approx. 24 years before the SIR is reached.

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

- 1) Accept security in the amount of \$81,688.39 to continue to pay Mr. Ortiz's medical expenses.**
- 2) Should Mr. Ortiz die prior to payments reaching the specific excess retention, any amount remaining of the initial principal deposit will be returned to the party designated by CEM.**
- 3) The Board will retain any and all interest earned for the administration of the claim to be used at the discretion of the Board.**

Open session vote: The Board voted unanimously to accept a reduced security amount for the continuance of medical expense payments for the last open claim. Any amount remaining of principal upon claimant's death will be returned to company designee but any interest earned will be retained by the Board.

Maria Sarli-Dehlin presented to the Board a memo regarding **Columbia Quarry Co.** The former self-insurer requests release of its \$600,000 security because all its claims from the self-insurance period (5/14/1948 - 5/6/2010) are closed. Since the company was in the business of mining crushed rock and limestone, a legal opinion was obtained verifying that the statute of limitations for employees exposed to limestone dust is 3 years.

Open session vote: The Board voted unanimously to release the security requirement.

Maria Sarli-Dehlin presented to the Board a memo regarding **Carpenter Contractors of America.** On 1/23/2014, the Board agreed to reduce the security requirement to \$1,050,000 and return \$365,017 to the company. The company was disappointed with the security requirement and provided an updated reserve report which shows that some of the claims have been settled since its reserve report of Oct 2013.

Updated reserves / security calculation

| | | |
|--|----------------------------|-------------------|
| 11 open claims | reserves = \$255,414 x 2 = | \$ 510,828 |
| 3 resolved claims approaching excess retention | reserves = | \$ 284,750 |
| | | <u>\$ 795,578</u> |

Discussion ensued. After discussion, the Board agreed to defer a decision until specific detail is provided regarding the open claims.

Maria Sarli-Dehlin presented to the Board the petition for reconsideration and recommendation for **Modern Drop Forge Co.**

On 12/30/2013, a Notice of Conditional Approval for the 2013 Renewal Application was issued requiring security in the amount of \$400,000 because the total point score dropped to 17 points on the 6/30/2013 yearend financial statements. The company has not been required to furnish security because it has scored 18 points on the financial ratios.

Modern Drop Forge provided an explanation for the reduction and its resolution, along with the 9/30/2013 internal financials which score 18 points.

The recommendation was to defer the matter until the 6/30/2014 yearend financial statements are available. If the statements score 18 points, grant the petition. If the statements do not score 18 points, deny the petition.

Open session vote: The Board voted unanimously to grant the petition for reconsideration if the yearend financial statements show a one point improvement. Otherwise, the petition for reconsideration is denied.

Maria Sarli-Dehlin reported that the renewal application was being reviewed to streamline the information requested, specifically question 9E that requested reserves for all states. After discussion, the Board agreed that the information should not be difficult to produce and is pertinent regarding nationwide total risk. Changes to the renewal application should be presented to the Board.

Ron Rascia asked the Board if there was interest in changing the security model. Discussion ensued.

Maria Sarli-Dehlin asked the Board if the 2014 renewal should require staffing companies to provide the same information as requested the previous year including employee census figures, clients, work activities, etc. After discussion, the Board agreed to continue to obtain the additional information.

Maria Sarli-Dehlin also informed the Board that JPMorgan Chase & Co. is applying for self-insurance. She explained the staff concerns regarding the application. There is a question if there is conflict of interest because JPMorgan provides 25 letters of credit for other self-insured companies. Further, the company earns 6 points on the financial score and has a negative current ratio. Discussion ensued. It was agreed that after the legal staff provides information regarding the conflict of interest issue, the staff will prepare a recommendation.

Upon motion by David Taylor, seconded by Deborah Stafford, the Board voted unanimously to adjourn the closed portion of the meeting at 12:10 pm, after which the Board reconvened in open session.