

ILLINOIS SELF-INSURERS ADVISORY BOARD
ILLINOIS WORKERS' COMPENSATION COMMISSION
MEETING MINUTES
June 3, 2014
Chicago, IL 10:30 a.m.

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

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

Closed Session

III. (C) Claim Administration Fee

Maria Sarli-Dehlin presented to the Board a proposal regarding the administration fees to be charged to the security of insolvent self-insurers whose claims the Board administered during FY2014. 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.

Discussion ensued regarding the classification, the number of medical only claims, and the frequency of administration charges. After discussion, it was determined the fee should be calculated as done in the past.

III. (D) Medical Bill Review Services

Maria Sarli-Dehlin presented to the Board a recommendation to switch the medical bill review company from Tristar to Equian.

Discussion ensued regarding the PPO savings fee for the proposed company. After discussion, it was decided to transfer the service to Equian but verify the fee for PPO savings.

V. Bankruptcy Report 3/31/2014

Maria Sarli-Dehlin presented to the Board the Bankruptcy Exposure to Security Fund report as of 3/31/2014 which included the current and non-current values of the exposure. She noted that Peabody Coal had been removed from the report since their exit from bankruptcy protection.

VI. Insolvent Self-Insurer – Security Balance

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 **\$10,222.77** 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 internal auditor and legal staff reviewed the issue and agreed with the recommendation.

Upon motion by Gerald Cooper, seconded by David Taylor, and unanimously carried the Board agreed to transfer the balance from the restricted portion of the Security Fund into the unrestricted portion of the Security Fund.

Maria Sarli-Dehlin presented to the Board the petition for reconsideration and recommendation for **City Beverage.**

On 4/4/2014, a Notice of Conditional Approval of the Subsidiary Application for RN Acquisition, LLC was issued to City Beverage – Illinois, LLC. The notice required an increase in security from **\$200,000** to **\$675,000.**

The security requirement for the subsidiary application included the subsidiary's loss exposure and was calculated using a factor of 125% because the parent is unwilling to provide financial statements and/or a parental guaranty agreement. When City Beverage applied for self-insurance in 2013, they did not identify BDT Capital Partners as a parent nor did the financial statements indicate that a parent company existed. Without the penalty charge of the 125% factor, the security remains at \$200,000.

In its petition, City Beverage requests the additional security be waived because the requirement for BDT's financial statements and guaranty agreement are inappropriate since BDT Capital is an investment company with no control of the self-insured entities. Further, City Beverage requests an initial conference call prior to scheduling hearing.

Discussion ensued.

Upon motion by John Rittenhouse, seconded by Gerald Cooper, the Board agreed to schedule an informal hearing. Board member David Taylor recused.

Maria Sarli-Dehlin presented to the Board the petition for reconsideration and recommendation for **Franciscan Sisters of Chicago Service Corp.**

On 4/10/2014, the 2013/2014 Notice of Conditional Approval was issued requiring an increase in security from \$950,000 to \$1,275,000. The increase in security was due to a decrease in points and an increase in average paid losses.

Franciscan Sisters provided an amendment to the TPA contract confirming that it is a "life a claim" contract. Further, the company requests that the loss experience of its former subsidiary, The Clare at Water Tower, be excluded from the security calculation because its workers' compensation liabilities have been transferred to CWT Liquidation Company NFP.

Discussion ensued regarding removing the 20% charge in the security calculation resulting in reducing the security requirement to \$1,200,000. However, the Board does not agree with excluding the loss experience of The Clare at Water Tower because it reflected the total loss experience of the self-insurer.

Upon motion by Gerald Cooper, seconded by David Taylor, and unanimously carried the Board agreed to grant the petition in part and reduce the security requirement to \$1,200,000. If the company does not accept the terms, a hearing will be scheduled

Maria Sarli-Dehlin presented to the Board an update regarding the petition for reconsideration of **Metro Staff Inc.**

Pro Insurance completed its audit of the outstanding reserves. It reviewed 60 open claims (24%) and determined reserves were understated by \$317,370; an 18.8% variance. Pro Insurance extrapolated the reserve shortfall to include all 246 outstanding claims bringing the reserve value to \$3,168,332.

Based on Pro Insurance's projected reserves and using the traditional security calculation, the security requirement is \$2,575,000. Metro Staff requests the security requirement remain at \$2,250,000 based on reserves of \$2,724,570.

Discussion ensued.

Upon motion by Michael Latz, seconded by David Taylor, and unanimously carried the Board agreed to grant the petition in part and reduce the security requirement to \$2,575,000 based on the audited reserves.

Maria Sarli-Dehlin presented the Board with a memo regarding temporary employee staffing companies. Chairman Latz requested Board members provide recommendations at the next Board meeting.

Upon motion by Alex Alexandrou, seconded by David Taylor, the Board voted unanimously to adjourn the closed portion of the meeting at 11:35 am, after which the Board reconvened in open session.