

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

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

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 6/30/2014

Maria Sarli-Dehlin presented to the Board the Bankruptcy Exposure to Security Fund report as of 6/30/2014 which included the current and non-current values of the exposure. Discussion ensued regarding the claims handled by surety companies. After discussion, it was agreed the reserves of National Steel's claims should be reviewed.

Chairman Latz presented a litigation issue concerning Kansas in the Hostess bankruptcy regarding whether a letter of credit is an asset of the debtor's estate. Discussion ensued regarding the impact of such litigation in Illinois and whether to stop accepting letters of credit. The Chairman stated he will research and report on what it would cost IL self-insurers to obtain surety bonds instead of letters of credit.

VI. Petition for Reconsideration

Maria Sarli-Dehlin presented to the Board the petition for reconsideration and recommendation for **Bethany Methodist Corporation**.

On 6/26/2014, a Notice of Conditional Approval of the 2014 Renewal Application was issued requiring an increase in security from \$950,000 to \$1,425,000. The increase in security was due to an increase in reserves.

The increase to \$950,000 was required per the 2013 Renewal and Bethany was allowed to provide the increase in quarterly installments of \$120,625. However, the 2014 Notice of Conditional Approval required that they continue the quarterly installments and provide the additional \$475,000 increase within 60 days of the notice. The security is currently \$708,750.

In its petition, Bethany states that they have a pending sale of the Bethany Terrace Nursing Center/Terrace Gardens that will positively impact their financial position. They provided a projected income statement and balance sheet and stated that, in their opinion, the audited yearend 9/30/2014 financial statements will not contain a "Going Concern" qualification. Further, Bethany requests that the increase requirement be removed and allow a security reduction of \$100,000. They have requested a hearing.

Discussion ensued. Upon motion by Alex Alexandrou, seconded by Deborah Stafford, and unanimously carried the Board agreed to postpone a decision regarding the petition for reconsideration until the audit of the 9/30/2014 financial statements is complete.

Maria Sarli-Dehlin presented to the Board the petition for reconsideration and recommendation for **Dana Sealing Manufacturing**.

On 8/20/2014, a Notice of Conditional Approval of the 2014 Renewal Application was issued requiring security in the amount of \$450,000. Dana was allowed to release its security per their 2013 Renewal Application.

Security is required due to a drop in financial score from 18 to 12 points based on the audited financial statements of Dana Holding Corporation for year ended 12/31/2013.

In its petition, Dana states that their financial position has actually improved. They state that the increase in long term debt results from efforts to streamline their capital structure by trading preferred equity with unsecured long-term debt. As evidence of their improved financial position, Dana included a report from Standard & Poor's that shows an improvement in their rating from BB to BB+. This report includes Standard & Poor's research and rationale for upgrading the rating. Dana requests that the requirement for security be waived and reviewed again at a subsequent renewal. A hearing was not requested.

Jean Cannon explained that the financial score will be below 18 for some time because the debt is not due until 2021.

Upon motion by Alex Alexandrou, seconded by Gerald Cooper, and unanimously carried the Board agreed to deny the petition for reconsideration and require security of \$450,000.

VII. Former self-insured companies

Maria Sarli-Dehlin presented to the Board a memo and recommendation regarding **Carpenter Contractors of America**.

On 4/1/2014, the Board agreed to defer a decision until detail was provided regarding open claims. The Board's adjustor, Mr. Brunner, reviewed a summary report for 6 claims. Based on the information provided regarding the loss and nature of injury, he believes the claims are under reserved and their values should be at least doubled.

Since approximately half of the company's open claims (8 claims) have reached excess retention, Maria presented a report listing the amounts to be paid on the remaining open claims (10 claims) before they reach the excess insurance retention (\$1,448,646).

On 1/23/2014, the Board agreed to reduce the security requirement to \$1,050,000 and return \$365,017 to the company.

Discussion ensued. After discussion and upon motion by Gerald Cooper, seconded by Deborah Stafford, the Board agreed to deny further security reduction until additional claims are resolved. Board member John Rittenhouse abstained.

Maria Sarli-Dehlin presented to the Board a memo regarding **Peabody Investment Corp**. The former self-insured company requested reduction of its \$16,200,000 surety bond because of the decreased number of open claims (33) and outstanding reserves (\$3,639,091) from its self-insurance period of 1/1/1987 - 2/10/2010.

The request was presented to the Board because of coal miners' pneumoconiosis exposure and the statute of limitations for new occupational disease and/or death claims.

Maria presented security requirements based on doubling (\$7,278,183) and tripling (\$10,917,274) the current outstanding reserves.

Discussion ensued. After discussion and upon motion by Alex Alexandrou, seconded by Deborah Stafford, and unanimously carried the Board agreed to reduce the security requirement to \$10,925,000.

Maria Sarli-Dehlin presented to the Board a memo regarding **Premor Refining Group a/k/a Clark Refining**. The former self-insured company requested reduction of its \$1,425,000 escrow account from its self-insurance period of 12/14/1993 - 9/30/2003.

The request was presented to the Board because of possible occupational disease exposure due to asbestosis. During 2011, the Board denied the request due to the risk of future occupational disease claims being filed.

Discussion ensued. After discussion and upon motion by Alex Alexandrou, seconded by Gerald Cooper, and unanimously carried the Board agreed to maintain the current security requirement until 2028.

Maria Sarli-Dehlin presented to the Board a memo and recommendation regarding **Seigle's Inc.** The former self-insurer requested reduction of its \$425,000 letter of credit from its self-insurance period of 1/31/1987 -10/29/2005.

One settled claim reserved for \$19,683 continues to be paid due to open medical rights. The claim is pending before the Commission for a 19(d) petition. The excess carrier confirmed the amount remaining before the \$600,000 retention is met is \$186,311.

Discussion ensued. After discussion and upon motion by Alex Alexandrou, seconded by Gerald Cooper, and unanimously carried the Board agreed to reduce the security requirement to \$200,000.

Maria Sarli-Dehlin presented the Board a 1998 memo listing criteria regarding files sent to the Board. After discussion, it was clarified the Board will not be sent new applications that score below 6 points. Also, subsidiary applications will not be sent to the Board if the additional exposure is minimal, the security requirement doesn't change, and the parent company earns a high point score. However, regardless of the criteria any application that is cautionary in any way will be sent to Board.

Maria Sarli-Dehlin presented the Board a notice regarding **McLaughlin Body's** citation by OSHA for exposure to amputation hazards. McLaughlin Body doesn't post security because it has scored 18 points on the self-insurance financial ratios since 2009. Chairman Latz recommended flagging the Commission's database for claims against the company. Ron Rascia suggested cross referencing the self-insured companies with OSHA. Chairman Latz further recommended contacting the Department of Labor to discuss alert notifications. John Rittenhouse abstained from discussing the employer.

Maria Sarli-Dehlin presented to the Board a 2014 staffing company summary prepared by Jean Cannon listing various security calculations for four companies. The list included the 2013 census security calculation, the 2014 security calculation based on the regular method, and 2014 census security calculation based on 3 and 4 years of prorated losses.

Discussion ensued regarding NCCI codes, job classifications, reserve audits, rapid growth in the industry, days worked, different types of risk, and requesting quarterly information. The Board will act on factors included in each application and review the staff's recommendations.

Upon motion by Gerald Cooper, seconded by John Rittenhouse, the Board voted unanimously to adjourn the closed portion of the meeting at 12:05 pm, after which the Board reconvened in open session.