

SECURIS INSURANCE POOL, INC.
Minutes of the Meeting of the Annual Meeting of the Board
June 23, 2021

The annual meeting of the board of directors of Securis Insurance Pool, Inc., was held on June 23, 2021.

Members present: David Tharp: Central Arizona Fire and Medical Authority
David Maxwell: Daisy Mountain Fire and Medical
Mary Dalton: Arizona Fire and Medical Authority
Josh Tope: Pinewood Fire District
Ed Mezulis: Sedona Fire District
Norman "Brad" Bradley: Northwest Fire District
Randy Karrer: Golder Ranch Fire District

Staff present: John Ashton: RPA
Tracy Foss: RPA
Roshell Lee: RPA
Garrett Mahoney: RPA
Lori Jundt: RPA
Austin Schell: RPA
Catie Bassett: RPA
Anne Skadeland: RPA
Lauren Scardello: RPA
Ashley Perkins: RPA
Robert Strub: RPA
Jennifer MacLennan: Gust Rosenfeld, PLC

A. Opening of the Meeting

1. Call to order

David Tharp called the meeting to order at 11:07 a.m.

2. Welcome visitors

Patrick Kohlen, Claremont Capital Management, LLC
Renee Pastor, Industrial Commission of Arizona
Lisa Elliot, Verde Valley Fire District
Merl Miller, Performance Ergonomics

B. General Business

1. A motion was made to approve the agenda for the June 23, 2021 board meeting.

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Ed Mezulis, moved
Josh Tope, seconded
Motion passed unanimously

2. A motion was made to approve the minutes of the February 24, 2021 regular meeting of the board.

Brad Bradley, moved
Mary Dalton, seconded
Motion passed unanimously

3. Financial report

Garrett Mahoney provided a summary of the year thus far via the financial dashboard as of May 31, 2021. The dashboard summarized the pool's financial performance: contributions and capitalization, loss expenses, and paid and incurred amounts compared to the additional budget.

Mr. Mahoney then presented the interim financial statements as of May 31, 2021. Total assets were \$3,851,069. The reserve for reported losses and loss expense was \$397,322. Claims incurred but not reported (IBNR) increased to \$1,189,993. Total liabilities were \$3,225,843. Net position as of May 31, 2021 was \$625,226.

Mr. Mahoney next presented the statements of revenues, expenses, and changes in net position for the one-month and eleven-month periods ending May 31, 2021.

The financial report concluded with Patrick Kohnen of Claremont Capital Management providing a financial market update to the board.

4. Claims report

Austin Schell presented the claims performance reports for Securis. The reports contain claims data through May 31, 2021.

Mr. Schell advised that open claims through May showed a gross incurred amount of \$1,462,615, with a total paid amount of \$722,309. Mr. Schell closed the claims report by providing an overview of injuries by various loss causes. The board discussed the information and provided feedback to staff regarding the data the board would like to see presented at future meetings.

5. Management report

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The following items were discussed in the management report:

- renewal and new member update;
- Origami update and upcoming webinars;
- additional claims support;
- loss control update; and
- Union Bank to Wells Fargo transition.

C. New Business

1. Discussion and reappointment of officers of the corporation

John Ashton explained that the bylaws of Securis state that the officers of the corporation shall be chosen annually by the board of directors and shall include a president, vice president, and secretary/treasurer.

Mr. Ashton reminded the board that for the 2020/2021 policy year, David Tharp, Brad Bradley, and Mary Dalton were appointed as president, vice president, and secretary/treasurer. The board recommended reappointing David Tharp as president, Brad Bradley as vice president, and Mary Dalton as secretary/treasurer.

A motion was made to approve the reappointment of the designees to the offices of president, vice president, and secretary/treasurer.

Randy Karrer, moved
Ed Mezulis, seconded
Motion passed unanimously

2. Discussion and approval of 2021/2022 actuarial contracts

John Ashton presented the pool contracts with Willis Towers Watson to perform the following 2021/2022 actuarial studies that included:

- 2021/2022 rate analysis for the program year;
- June 30, 2021 INBR (incurred but not reported) analysis to be performed in the summer of 2021; and
- a separate presumptive cancer study to be performed in summer of 2021.

A motion was made to approve the contracts for Willis Towers Watson to perform the referenced actuarial studies.

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Josh Tope, moved
Ed Mezulis, seconded
Motion passed unanimously

3. Discussion and approval of an internal nurse case management/independent medical exam (IME) program

John Ashton introduced the proposed internal nurse case management and independent medical examination (IME) program, which would provide additional resources to support injured workers with their claims and overall claim management.

The services would require RPA to hire a nurse case manager and IME administrative assistant, the expense of which would be shared by other pools managed by RPA. Mr. Ashton explained that due to the volume of claims, Securis administration proposed a 0.5% increase in the administration fee for the 2021/2022 policy year. The program is expected to generate a savings of \$20,500 in external vendor costs in year one.

A motion was made to approve the internal nurse case management/IME program.

Randy Karrer, moved
Mary Dalton, seconded
Motion passed unanimously

4. Discussion and approval of administrator contract

As advised previously, Ashton Tiffany was acquired by Risk Program Administrators (RPA), a division of Arthur J. Gallagher and Co., in December of 2020. John Ashton presented a draft of the new administrative agreement for review and discussion by the board. He explained that the agreement addressed the new ownership structure and had been reviewed by both RPA and pool counsel. Mr. Ashton also presented an overview of the final proposed scope of services and fees under the agreement.

Board president, David Tharp, expressed concern with the liability limitation provision featured in the contract. Mr. Ashton assured Mr. Tharp that he would take the president's concern back to RPA management and provide a subsequent update.

A motion was made to approve the RPA administrative agreement.

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Brad Bradley, moved
Randy Karrer, seconded
Motion passed unanimously

5. Discussion and approval of Budget—Rev. 1

John Ashton and Garrett Mahoney discussed the changes made to Budget—Rev. 0 per the board's recommendations at the February 24 board meeting. Highlighted changes included:

- a \$244,454 increase in revenues;
- a \$291,963 increase in expenses;
- a \$47,509 increase in net position; and
- a budgeted net position of \$1,607,487 at June 30, 2022.

A motion was made to approve the Budget—Rev.1.

Josh Tope, moved
Ed Mezulis, seconded
Motion passed unanimously

6. Discussion and approval of excess insurance contract

Tracy Foss explained that excess insurance is a regulatory requirement of the Industrial Commission of Arizona under Securis's authority to offer workers' compensation coverage. She proposed that Securis renew the pool's contract with Safety National for the 2021/2022 policy year, subject to a \$2 million self-insured retention per occurrence and \$5 million for presumptive occurrences. Ms. Foss clarified that the final policy agreement would be amended to capture the revised payroll and premium adjustments for the new Securis members, and that Safety National granted the pool a two-year rate option. Ms. Foss also advised that market response for the 2021 placement was extremely limited and yielded one additional option through Midwest Employers Casualty Company (MECC). Although the MECC quote was comparable to Safety National's, MECC was unable to offer a multi-year rate agreement or the additional risk control financial support provided by Safety National.

The board asked staff to provide additional clarification of the types of presumptive claims covered under the \$5 million layer of the self-insured retention.

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A motion was made to approve the placement of excess insurance with Safety National.

Brad Bradley, moved
Randy Karrer, seconded
Motion passed unanimously

7. Discussion and approval of revised Coverage Agreement Terrorism Disclosure

Tracy Foss advised that the Coverage Agreement outlining the terms, conditions, limits, and exclusions of coverage provided by the pool for the payment of workers' compensation claims was previously approved by the board. However, an update was made to the Terrorism Disclosure Endorsement to follow the excess carrier. Ms. Foss informed the board that coverage counsel had reviewed the proposed revision.

A motion was made to approve the amended Terrorism Disclosure Endorsement.

Brad Bradley, moved
Randy Karrer, seconded
Motion passed unanimously

8. Discussion and approval of claims service providers

Roshell Lee explained that the board previously approved contracts with a list of service providers. These providers have agreed to renew their contracts for the July 1, 2021 through June 30, 2022 time period with either no changes or minor changes to the current contract provisions.

A motion was made to approve the listed contract renewals.

Brad Bradley, moved
Josh Tope, seconded
Motion passed unanimously

9. Discussion and approval of internal claims audit

Roshell Lee expressed the recommendation that Securis complete an internal claims audit annually to support operational best practices. Ms. Lee presented an engagement letter with an independent auditor, Susan Strickler, to complete the Securis audit. The proposed engagement letter recommended an audit of 10 claim files.

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A motion was made to approve the Securis internal claims audit services.

Brad Bradley, moved
Mary Dalton, seconded
Motion passed unanimously

10. Discussion and approval of pre-paid account agreement

Garrett Mahoney noted that Securis prepaid accounts (PPA) are similar to member savings accounts, explaining that members can deposit funds and earn interest on them. Mr. Mahoney then recommended that the pool have a formal agreement for these accounts and presented the proposed Securis pre-paid account agreement to the board.

A motion was made to approve the pre-paid account agreement.

Brad Bradley, moved
Ed Mezulis, seconded
Motion passed unanimously

11. Discussion and approval of Securis credit card policy

Lori Jundt presented discussion of the Securis Insurance Pool credit card to be used for valid and prudent business expenses of the pool. Ms. Jundt advised that staff also prepared a proposed credit card policy for review and approval by the board. The policy outlined requirements and limitations for Securis credit card purchases.

It was recommended that the board of directors approve the Securis credit card and pool credit card policy.

A motion was made to approve the Securis credit card and policy.

Josh Tope, moved
Brad Bradley, seconded
Motion passed unanimously

12. Discussion and approval of the Securis corporate contribution policy and procedure

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Lori Jundt presented the proposed Securis corporate contribution policy and procedure. The policy applies to the donation of funds by Securis for the support of fire districts, fire service employees, and the fire service generally in Arizona.

The board discussed the fact that the policy was not intended to benefit the individual operations of the member districts, but to support district efforts in the betterment of their communities.

It was recommended that the board of directors review and approve the corporate contribution policy and procedure as presented.

A motion was made to approve the corporate contribution policy.

Brad Bradley, moved
Ed Mezulis, seconded
Motion passed unanimously

13. Discussion of fitness training assessment results

Robert Strub introduced Merl Miller from Performance Ergonomics to present the results of the fitness training assessment pilot approved by the board at its February 24 meeting.

Mr. Miller's presentation focused on the assessment approach and onsite observations. He identified several opportunities to proactively prevent musculoskeletal injuries. The opportunities supported member engagement in early intervention programs to maintain fitness and wellness, combined with injury prevention efforts that would integrate ergonomics principles into job performance.

Following the presentation, staff advised that it would address next steps and present proposed actions at the September meeting of the board.

D. Adjournment

David Tharp adjourned the meeting at 2:36 pm.



Received and approved by David Tharp
Board President
Securis Insurance Pool, Inc.