

SECURIS INSURANCE POOL, INC.
Minutes of the Meeting of the Board of Directors
September 14, 2022

A meeting of the board of directors of Securis Insurance Pool, Inc., was held on September 14, 2022.

Members present: David Tharp: Central Arizona Fire and Medical Authority
Mary Dalton: Arizona Fire and Medical Authority

Members via remote access: Randy Karrer: Golder Ranch Fire District
Norman "Brad" Bradley: Northwest Fire District
David Maxwell: Daisy Mountain Fire and Medical
Josh Tope: Pinewood Fire District
Ed Mezulis: Sedona Fire District

Staff present: John Ashton: RPA
Tracy Foss: RPA
Roshell Lee: RPA
Garrett Mahoney: RPA
Lori Jundt: RPA
Ginger Schell: RPA
Catie Bassett: RPA
Sherna Willis: RPA
Zach Meredith: RPA
David Dodenhoff: RPA
Jennifer Sherman: RPA
Josh Landes, RPA
David Frandsen, RPA
Jennifer MacLennan: Gust Rosenfeld, PLC

A. Opening of the Meeting

1. Call to order

David Tharp called the meeting to order at 11:00 a.m.

2. Welcome visitors

Renee Pastor, Industrial Commission of Arizona
Russ Sutter, Willis Towers Watson
Shauna Fisher, Arizona Fire and Medical Authority
Lisa Elliot, Verde Valley Fire District
Randy Chevalier, Timber Mesa Fire District
Patrick Moore, Bullhead City Fire Department/Arizona Fire District Association

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B. General Business

1. A motion was made to approve the agenda for September 14, 2022.

Brad Bradley, moved
Randy Karrer, seconded
Motion passed unanimously

2. A motion was made to approve the minutes of the June 22, 2022 annual meeting of the membership

Brad Bradley, moved
Ed Mezulis, seconded
Motion passed unanimously

3. A motion was made to approve the minutes of the June 22, 2022 annual meeting of the board

Mary Dalton, moved
Josh Tope, seconded
Motion passed unanimously

4. Financial reports

Garrett Mahoney presented a summary of Securis's June 30, 2022 financials via the financial dashboard. The dashboard summarized the pool's financial performance: contributions and capitalization, loss expenses, and paid and incurred amounts compared to budget.

Mr. Mahoney then discussed the interim financial statements as of June 30, 2022. Total assets were \$7,319,378. The reserve for reported losses and loss expense was \$3,810,811. Claims incurred but not reported (IBNR) increased to \$4,076,496. Total liabilities were \$9,912,102. Net position as of June 30, 2022 was \$2,592,724.

Mr. Mahoney continued his report by presenting the statements of revenues, expenses, and changes to net position for the one-month and twelve-month periods ending June 30, 2022.

Finally, Mr. Mahoney provided information on the preliminary July 31, 2022 financial statements, advising that the pool was still cash positive. He then closed

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the financial report by informing the board that the pool saw an uptick in claims in August 2022.

5. Claims Report

Tracy Foss introduced the pool's first annual claims dashboard. She advised that the annual report was a high-level summary of program experience and that the pool's standard claims report package would be provided at subsequent board meetings. She further explained that the annual report included cumulative claims data from inception through August 31, 2022.

Next, Ginger Schell presented the annual claims performance reports for Securis, comparing claim count, total incurred, and total incurred and claim count by broad loss cause for each policy year. Then, Ms. Schell presented additional data related to the top 10 body parts and occupations for workplace injuries since the pool's inception.

Ms. Schell concluded the claims report by presenting lag-time reporting data, including lag-time numbers for all workers' compensation claims and then separately for claims related to occupational diseases and those unrelated to such diseases. She noted that by separating the two categories, it became clear that there were reporting lags primarily for the former category but not the latter. This prompted board discussion about how to address this issue. The board directed management to provide further education to membership.

6. Loss Control Report

David Frandsen presented an update on the Securis loss control program. His report included the efforts management has made to meet the unique needs of membership. Specific elements of the program he addressed included:

- visits with district safety committees;
- quarterly loss control communication pieces;
- quarterly loss control and claims discussions;
- risk control services through business partners;
- the Loss Control Resource Group;
- an annual safety and risk management workshop; and
- ICA and ADOSH collaboration.

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Mr. Frandsen explained that staff will continue to explore industry-specific safety solutions and will provide loss control assessments to membership, along with future updates to the board.

7. Management Report

The following items were discussed in the management report:

- government relations update;
- coordination of benefits with PSPRS;
- annual conflict of interest statements;
- member services team update;
- Origami and website update;
- Board of Directors Manual, and
- items to be discussed at the next board meeting.

C. New Business

1. Discussion of claims audit report

Ginger Schell presented findings from the internal claims audit. She noted that Susan Stickler, an independent auditor, completed a review of 20 claims for July 1, 2021 through June 30, 2022. The audit addressed the following issues across 30 specific audit criteria:

- regulatory compliance,
- department operations, and
- claims handling and best practices.

Ms. Schell explained that for the claims reviewed during the 2022 audit, Ms. Stickler found that 28 of the 30 audit criteria were met for each claim. Ms. Shell further clarified that the two remaining audit criteria did not apply to all the claims reviewed in the audit. In sum, the pool achieved 100% compliance. Ms. Schell also advised that the audit found an increase in the claims close ratio from 91% in 2021 to 95% in 2022.

She concluded the discussion by noting the audit report's finding that Securis claims staff has the necessary management tools and measurements in place to monitor established best practices, achieve regulatory compliance, and provide quality claims administration.

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2. Discussion and approval of the 2022 actuarial analysis of indicated unpaid losses as of June 30, 2022

John Ashton introduced Russ Sutter of Willis Towers Watson to present the findings of the IBNR (incurred but not reported) actuarial analysis for the period ending June 30, 2022.

Mr. Sutter presented the July 19, 2022 report and provided highlights of his analysis. He stated that the pool had indicated liabilities for unpaid losses as of June 30, 2022 of \$7,887,306 and projected liabilities for unpaid losses as of June 30, 2023 of \$11,498,531.

Mr. Sutter closed his presentation by informing the board that presumptive cancer claims development has been less than expected, and that it was difficult to make assumptions concerning COVID claims at this time.

A motion was made to approve the 2022 actuarial analysis of indicated unpaid losses as of June 30, 2022

Brad Bradley, moved
Ed Mezulis, seconded
Motion passed unanimously

3. Discussion and approval of membership assessment for the 2021/2022 program year

John Ashton reminded the board that the pool had experienced substantial loss expenses stemming from COVID-19. He advised that COVID losses—which included two fatality claims during the 2021/2022 program year—were estimated to cost the pool nearly \$3.7 million through June 30, 2022. Because neither the frequency nor severity of COVID claims was predictable when the 2021/2022 rates were set, there was a shortfall of member contributions for that program year. In order to maintain regulatory compliance, management recommended that the board of directors approve a membership assessment for 2021/2022.

Mr. Ashton then presented assessment projections at various confidence levels based on the pool's June 30, 2022 actuarial study.

The board discussed the options as presented and agreed that in addition to maintaining compliance, it was in membership's best interest to take action at this time. The board inquired as to the preliminary assessment amount provided earlier in the year. Mr. Mahoney advised that the estimated assessment number,

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prior to completion of the actuarial report, was \$3,691,198.

A motion was made to approve a membership assessment of \$3,691,198 for the 2021/2022 program year

Brad Bradley, moved
Mary Dalton, seconded
Motion passed unanimously

D. Adjournment

David Tharp adjourned the meeting at 1:37 p.m.



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