

LOCAL GOVERNMENT PROPERTY INSURANCE FUND

Advisory Committee Meeting

Thursday, April 8, 2010

9:30 a.m. – 12:00 p.m.

Office of the Commissioner of Insurance

GEF 3

125 South Webster, Room 227

Madison, WI

Minutes

PRESENT:

Connie Goss	Chair/Risk Mgr.	Chippewa County
Doug Saubert	Vice Chair/Finance Director	City of Whitewater
Brenda Ayers	Clerk/Treasurer	Town of Burke
Jason Gates	Risk Manager	Milwaukee County
Paul Greeninger	Purchasing Agent	City of Oshkosh
Julee Helt	Village Clerk	Village of Waunakee
Diane Kropiwka	Administrative Asst.	City of Mauston
Chris Luttrell	Risk Mgt. Coordinator	Milwaukee Metropolitan Sewerage District
Deb Olsen	Business Manager	Evansville School District
John Steinbrink	President	Village of Pleasant Prairie
Eric Veum	Risk Manager	City of Madison

VIA TELECONFERENCE:

Barbara Frank	Clerk	Jefferson County
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GUESTS:

John Montgomery	Administrator	Funds and Program Management, OCI
Dan Bubolz	Program Manager	Local Government Property Ins. Fund, OCI
John Flanagan	District Manager	The ASU Group
Kate McKay	Administrative Asst.	The ASU Group
Alan Wiltgen	Senior Analyst	The ASU Group
Jenny Edge	Claims Adjuster/Policy C.S.	The ASU Group
Sue Hoffman	Policy Services Supervisor	The ASU Group
Doug Ballweg	Partner	Strohm Ballweg, CPA
Vic Hennessey		Crawford & Company
Bill Ellingson	Subrogation Adjuster	Crawford & Company
Mark McCluskey	Team Manager	Crawford & Company
Van Brown	Claims Adjuster	Crawford & Company
Halona Lippert	Claims Adjuster	Crawford & Company
Peter Callies		

ABSENT:

Louise Fischer	Finance Director	Merrill Area Public Schools
Gary Hansen	Superintendent	Rosendale-Brandon School District
Greg Klusendorf	County Clerk	County of Iowa
Jerry Runice	Superintendent	Berlin Area School District
Laura Stauffer	Risk Manager	Waukesha County
Tom Wohlleber	Asst. Superintendent	Middleton-Cross Plains Schools

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I. CALL TO ORDER

Chair Connie Goss called the meeting to order at 9:38 a.m.

II. WELCOME AND INTRODUCTIONS

Dan Bubolz introduced Chris Luttrell as a new member replacing Glinda Loving's position. Dan mentioned that we have 3 vacancies that we are actively recruiting to fill.

We have received formal notice that Jerry Runice is retiring in June; his resignation is effective as of today's meeting.

Dan Bubolz announced that John Montgomery's retirement will be effective April 30, 2010. John mentioned that he has enjoyed working with Dan Bubolz and all of the Fund contractors. He believes that the LGPIF has been a success story for the State of Wisconsin.

III. REVIEW AND APPROVAL OF AGENDA ITEMS

A review of the agenda items was made with no additions or corrections.

IV. REVIEW AND APPROVAL OF PAST MINUTES

A review of the special advisory teleconference call of September 29, 2009 was made. There were no corrections, additions, or deletions.

A motion to approve the minutes for the special advisory teleconference was made by Paul Greeninger and seconded by Doug Saubert. By popular vote the motion was carried.

The minutes for the October 8, 2009 Advisory Committee meeting minutes were reviewed. A correction is to be made to the last paragraph on page 4. The last complete sentence is to read that John explained that the dividend proposal by Commissioner Sean Dilweg would be done administratively instead of a bill.

A motion to approve the minutes from October 8, 2009 with the above mentioned correction was made by Diane Kropiwka and seconded by Paul Greeninger. By popular vote the motion was carried.

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V. MANAGER'S REPORT

Dan Bubolz made an introduction of the new claims contractor, Crawford & Company. Vic Hennessey from Crawford and Company made the introductions in place of Dave Armstrong. Mr. Hennessey mentioned that the main contact for Crawford & Company would be David Armstrong. At that time, he introduced Halona Lippert and Van Brown as the dedicated adjusters. He introduced Mark McCluskey as the operations manager and Bill Ellingson who will work the subrogation files.

Dan Bubolz discussed the most recent Excess of Loss insurance renewal. Dan used the quote proposal from Willis as a guide for his presentation. He mentioned that from five different proposals one was chosen. A review of the market responses in whole is on pages 5-6 and is attached to these minutes for documentation purposes. Dan said that the chosen program has been placed and bound.

Dan mentioned as a side issue there was an additional placement of a facultative contract for the Fund's fine arts exposure.

Dan commented on the late reporting claims issue that was addressed last year. He has sent communications to the 78 effected Fund insureds; some have replied. He is following up with those who have not yet responded.

Eric Veum asked if we now have the flood and earthquake coverage that is mentioned in the reinsurance contract. Dan answered that the new Excess of Loss contract is a following form contract and as the Fund policy does not cover flood and earthquake the answer is no.

Barb Frank asked who the contacts are for Crawford & Company. Dan answered that the Fund's web page has the contact names, phone numbers, and any other contact information.

A motion to approve the Manager's Report was made by Brenda Ayers and seconded by Julee Helt. By popular vote the motion was carried.

VI. FINANCIAL REPORT

Dave Marchant was unable to attend the meeting; the report was given by John Flanagan and Doug Ballweg. John followed the same format that Dave uses for his presentation. The first item covered was the compilation letter. John mentioned that while the statutory report is unaudited the GAAP report will be audited. John presented in detail the statutory basis financial summary through December 31, 2009. John reported that the Fund had net premium earned of

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\$8,080,000 year to date for 2010. Given that this is a partial year statement it is in line with what is expected. Year-to-date 2010 we are experiencing an underwriting gain of \$173,000. John reported that investment income is down substantially from other years due to market conditions. Year-to-date 2010 the statement does indicate a dividend to policy holders of approximately \$11,986,000. This entry reflects legislative action in December 2009. The dividend to policy holders was booked in the 4th quarter of 2009. Due to the dividend to policy holders the ending policy holders' surplus year-to-date reflects a reduction of this amount.

Moving on to the graphs on page 2 John Flanagan pointed out the year-to-date insurance in force continues to show slight increases due to reevaluation of Fund insureds' properties. The year to date surplus shows a corresponding reduction due to the policy holder dividend booked in December 2009.

Dan Bubolz pointed out an entry on page 1 of the balance sheet that in the 2nd quarter of 2009 approximately \$20,000,000 of the Fund's investments was moved to bonds. This movement would have continued if not for the policy holders' dividend legislation.

A motion was made to approve the financial report by Barbara Frank and seconded by Jason Gates. By popular vote the motion was carried.

VII. ADMINISTRATOR'S REPORT

John Flanagan opened the Administrator's Report by giving an overview of who would cover the various sections. He thanked the OCI for choosing The ASU Group to continue as the administrative contractor.

The Claims portion of the Administrator's Report was given by Jenny Edge. The first graph presented indicated the total losses incurred by entity type. In the graph is an indication of the total losses in 2009 compared to 2008. These numbers indicate a reduction in costs in 2009 of a negative 45% compared to losses paid in calendar year 2008. Jenny said the reason for this was storm losses and three \$1,000,000 losses reported in 2008. More insureds are using an aggregate deductible. The second graph shows claim count by entity type. The frequency for a number of claims in calendar year 2009 was almost the same as calendar year 2008.

The policy administration portion of this report was given by Sue Hoffman. Sue reviewed in detail the policy production report as of 12/31/2009. Sue said that although the insurance in force shows a slight increase as of 12/31/2009 that the insurance in force year-to-date 2010 shows a decrease of approximately 10%. Three accounts year-to-date 2010 have, by resolution, decided to leave the Fund even though they lost their dividend in the process. The effect of these 3 accounts leaving the Fund will result in approximately \$18,000 in unused

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dividend. We have six standard policies. These six policies are being converted to a valuation policy.

Doug Saubert asked where the unused dividend goes when not applied to a renewal. Dan Bubolz answered that it will stay as policy holders' surplus for the Fund. Doug asked why the dividend was \$12,000,000 instead of \$10,000,000. John Montgomery answered that the \$12,000,000 was a compromise to get agreement with the legislature.

John Flanagan reported on the dividend credit. As of 3/24/2010 \$5,709,697 of the \$12,000,000 has been disbursed. This represents 464 of the 1,100 Fund insureds.

John gave a report for the claims administration and policy administration surveys. The surveys for policy administration show a slight increase as the historical data process in the electronic statement of values system is now completed. The surveys for claim administration remain approximately the same as in other reported periods. Both ASU and Crawford & Company will report on the surveys for claims administration at the fall 2010 Advisory Committee meeting.

Sue Hoffman reported on the ESOV project. The main comment on the report was that the historical data project is now complete. She mentioned that policy holder communication continues to be an ongoing issue. In her words, "Please help and be on time."

A motion to approve the administrator's report was made by Eric Veum and seconded by Diane Kropiwka. By popular vote the motion was carried.

VIII. SUBCOMMITTEE REPORTS

A. Rate Analysis

The recommendations to the LGPIF Advisory Committee from the Rate Analysis Subcommittee were given by Doug Saubert. The first part of the recommendation relates to new business rates. There were no additions, deletions, or corrections to this part. The second part relates to renewal rates. There is a correction that needs to be made in sentence 2. For auto physical damage a +2.4% is the correct percentage. Also, Doug believes that a clarification should be made that the renewal rates that are being proposed are to be effective beginning with the July 1, 2011 renewals.

Dan Bubolz commented that the intent is to break even on policy holders' surplus, not to make or use surplus.

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Paul Greeninger asked if he should add approximately 10% to his budget this fall. Sue Hoffman answered that due to his renewal month of May he will not be impacted until May 2012.

Dan Bubolz gave a summary discussion of the surplus ratio. He suggested that this issue be revisited every year. The legislative audit bureau wants this committee to establish a target ratio.

Connie Goss made a motion that the Advisory Committee goes on record that it favors a surplus ratio of 1 to 1.4 – 1 to 1.6 written premium to surplus to provide stability of the rates, with a request that the rates analysis subcommittee review the parameters and bring back their mechanisms to the October Advisory Committee meeting. This motion was so moved by Doug Saubert and seconded by Barbara Frank. By popular vote the motion was carried.

A motion to approve the recommendations in whole to the Advisory Committee by the Rate and Analysis Subcommittee was made by Doug Saubert and seconded by Paul Greeninger. By popular vote the motion was carried.

B. Loss Control & Claims Subcommittee

The recommendations to the LGPIF Advisory Committee from the Loss Control & Claims Subcommittee were given by Jason Gates as Tom Wohlleber was unable to attend. Jason gave an overview of the thoughts of this subcommittee. The subcommittee wants communication to be more targeted. Dan Bubolz interjected that two bulletins have been sent out recently with the help of Willis.

Jason said we have to maintain different communication vehicles for different Fund insureds to report losses. He believes that Crawford has to have sufficient access to Pinsoft and that Crawford needs to have a presence at all Claims subcommittee meetings.

Chris Luttrell asked about the quarterly claims expectations and if these are available to be viewed. Dan Bubolz said that they are available upon request.

As there were no actionable items from the Loss Control & Claims Subcommittee no motions were made.

C. IT Subcommittee

The recommendations to the LGPIF Advisory Committee from the Information Technology Subcommittee were given by Eric Veum.

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Eric made the following four points.

1. The ESOV project is finally completed.
2. Survey modifications are not needed at this time.
3. An additional server to facilitate the new claims contractor has been purchased and is running.
4. A project list for information technology has been established.

As there were no actionable items no motion was needed.

D. Excess of Loss Subcommittee

The recommendations to the LGPIF Advisory Committee from the Excess of Loss Subcommittee were given by Connie Goss. Connie's presentation involved 3 main points.

1. This subcommittee needs one more member as they are down one.
2. She gave a review of the renewal process and the acceptance of option #5.
3. She gave an overview on the addition of the separate reinsurance coverage for fine arts.

As there no actionable items no motion was needed.

E. Policy and Underwriting Subcommittee

The recommendations to the LGPIF Advisory Committee from the Policy and Underwriting Subcommittee were given by Eric Veum. Eric reviewed the evolution of the new stand alone Builders Risk policy; it has been filed and approved for use. Eric added that at this time there does not need to be any action on boiler and machinery coverage thru the Fund. Eric discussed the 'When Coverage Ceases' endorsement. The purpose of this endorsement is to allow "by an exception basis" an amendment of the standard policy language relating to how many days after construction a project is completed.

A motion to approve the recommendations to the Advisory Committee by the Policy and Underwriting Subcommittee was made by Eric Veum and seconded by Julee Helt. By popular vote the motion was carried.

Dan Bubolz stated that this new stand alone builders risk policy is ready to roll out. He asked for volunteers to share a rating example for quality control purposes. The three volunteers are Eric Veum, Jason Gates, and Diane Kropiwka. Sue Hoffman will email them an application as that is part of the process.

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Dan added that at his direction an introduction letter will go out to all Fund insureds. Permission to go outside of the Fund will still be needed.

IX. OTHER MATTERS AUTHORIZED BY LAW

There were no items for discussion.

X. ANNUAL ELECTION OF OFFICERS

Barbara Frank nominated Connie Goss for Chairperson. Julee Helt nominated Doug Saubert for Vice Chair. Eric Veum nominated Diane Kropiwka for 2nd Vice Chair.

By popular vote these three elections were carried.

XI. APPOINTMENT OF NEW COMMITTEE MEMBERS

Connie Goss asked if anyone wanted to change subcommittees; no one volunteered to change. Connie mentioned that four new members not on any subcommittee. John Steinbrink agreed to be added to the Excess of Loss Subcommittee; Louise Fischer was also added to this committee.

Chris Luttrell was added to the Rates Analysis Subcommittee and Greg Klusendorf was added to the Loss Control & Claims Subcommittee.

XII. NEXT MEETING DATE

The proposed next meeting for the Advisory Committee is scheduled for October 7, 2010.

XIII. ADJOURNMENT

The meeting was adjourned by Connie Goss at 1:28 p.m.

A motion to adjourn the meeting was made by Barbara Frank and seconded by Doug Saubert. By popular vote the motion was carried and the meeting was adjourned.