

Special Finance Committee Proceedings
City of Superior
July 12, 2022

Members Present: Jack Sweeney, Tylor Elm, and Mike Herrick
Staff Present: Deb Kamunen, Cammi Janigo, Frog Prell, Shana Ross, Nicholas Alexander,
Others Present: Bob St. Arnold, Alanna Soukkala, John Dirkse, Dave Kodel, Rhonda Nikunen, Matt Becker, Darrel Zaleski, Ben Hoverson, Denise Kawczynski, and Joe Stariha
Members Excused: Jenny Van Sickle

Jack Sweeney called the meeting to order at 4:30 pm with a quorum present. Attendance was done by sign in and virtual meeting.

1. Held in Committee from June 9, 2022: Request for waiver of sewage fees – Head of the Lakes Management Group (Gondik Law Speedway).

Jack Sweeney asked City Attorney Frog Prell if the County is the customer in this case. Prell stated the consumer of the water is on county property and the property is in the county name. Prell does believe there is a management agreement between the two entities and Head of the Lakes is the entity under the contract is responsible for tending to the day to day management of the property which included, he believes, the handling and payment of the sewer bills.

Sweeney stated Tylor Elm had information that there is a one year limit on filing a claim. Sweeney stated he did not believe it was in an ordinance. Prell stated he did not see it in an ordinance and would defer to Shana Ross. Ross stated she does not believe that it stated it in an ordinance, but it did state the limit on the form. Prell indicated the form states that it would only go back one year. A question and answer period followed.

Motion was made by Tylor Elm, seconded by Mike Herrick and carried to deny due to the enforcement of the curfew on filing a claim.

2. Review of Liability and Work Comp Insurance Proposals from the League of Wisconsin Municipalities/Spectrum Insurance Group and Community Insurance Corporation/Travelers/Marsh & McLellan Agency with a comparison from the current carrier, Cities and Villages Mutual Insurance Company, and selection of the insurance carrier for the 2023 Liability and Work Comp Insurance for the City of Superior.

Sweeney stated he had two questions for each of the representatives from each of the three insurance groups as they were all represented here and to be fair, the questions would be answered round robin.

Sweeney's first question he had was with workman's comp - why is everything attached with the liability insurance? Sweeney stated workman's comp is its own separate and unique insurance and why attach them together, which all three companies did. Matt Becker of the League of Wisconsin Municipalities stated it is more cohesive when they are attached together because you get better terms when you do. Becker stated workman's comp is generally thought of as the riskier so some are not comfortable only quoting it stand alone. Sweeney asked is there a law or statute that says they have to and

it is the practice of the company. Becker responded that it was generally good practice. Bob St. Arnold of Marsh & McLellan stated it was the carrier's underwriting preference and there are some insurances that will write stand alone worker's comp insurance, but the carriers they approached which offered the most competitive liability, auto and property program required the purchase of worker's compensation as well. Dave Kodel, Cities and Villages Mutual Insurance Company (CVMIC) Interim CEO, stated it was not a requirement for them to take the workman's comp as they split it out. Sweeney stated it was packaged as such. Kodel stated most of their members have it as a coverage with them, but it is not a requirement that they do.

Sweeney stated the second question is self-insured versus not self-insured and asked for the pros and cons. St. Arnold stated the pro in looking at the historical loss experience for the City at \$450,000.00 to \$500,000.00 dollars of guaranteed cost premium, when you look at your actual incurred claims over that seven year time period in which they were given claims data, in an average year, it is about an \$180,000 loss pick and when you averaged out the claim losses, this is what we calculated it to be - a historical \$180,000 loss pick and when you look at the cost of the City paying your own claims from zero to \$100,000.00 that's the risk the City will assume with their proposal and the cost of paying the excess insurance and the administration, you end up on the right side of the math more often than not to the tune of about on average \$120,000 in savings a year if you look to self-fund your work comp. St. Arnold stated the City has proven they can outperform a guaranteed cost plan. St. Arnold also stated the con is that in a seven year time period the City could have a blow up year where the City could end up paying more than a guaranteed cost program with a dividend like you have right now. But when they looked at your performance, the City outperformed the guaranteed cost marketplace and you become the master of your own destiny, just like you do on the group health plan that Marsh & McLellan helps manage. St. Arnold stated you have performed very well on that and you are taking on \$100,000 of risk on a medical claim that is much more volatile than work place injuries. St. Arnold stated that would be his answer as you would be using the law of large numbers to your benefit and, basically by self-funding, you end up saving money.

Sweeney asked St. Arnold for a negative of going self-funding, if there was one. St. Arnold stated that a negative would be if you would like to live in a world of where your cost is identifiable and budgetable and you know it is at the beginning of the year, then the guaranteed cost is the way to go. St. Arnold stated that even with your current program, you don't know what you are going to get as a dividend, but the go in price and your go in mod rate is guaranteed.

Darrel Zaleski, Spectrum Insurance, stated that it comes down to risk tolerance and you have to decide if you think you are going to do better than what the State of Wisconsin thinks you are going to do or the WCRB, who sets the charge for each code. Zaleski also stated that if you think you are going to do better than what the state says, than that is a good option for you, but again, it is risk tolerance level as you will not know the ultimate cost each year and you could have a bad year.

Tylor Elm stated that at the end of the agenda there are a number of department heads weighing in on the relationship with CVMIC and the value of that and obviously there is a history, but with these new folks, do they not have these resources. Elm asked can you call these folks up with these things that you have come to enjoy with CVMIC, but he is curious and would like hear from them if they have the same resources to be fair to the

other folks. Sweeney asked before we call on them, how long has the City been with CVMIC? Kodel responded that the City is an original member with CVMIC and have been with them for thirty-five years. Kodel also pointed out that the City is also a member. They are a mutual member owned organization and the City has equity as well. Sweeney stated it was thirty-five years continually. Kodel stated correct and the City was one of the original municipalities who helped formulate CVMIC. Cammi Janigo stated that she did not think the City had work comp that long. Kodel stated that they started work comp in 1998. Sweeney indicated the City has had work comp for twenty-four years then. Sweeney asked when you state that the City is an owner, does that indicate there are any assets on your books or on ours that we are holding? Kodel responded that the City currently holds assets of just about \$700,000 from being a member of CVMIC. Sweeney asked, if the City were to leave CVMIC what would happen to the assets? Kodel responded that the City would forfeit the assets. Sweeney asked why would the City forfeit the assets? Kodel responded that the only time assets are paid out is if the organization would dissolve.

Sweeney wanted to talk about the company the City is currently with for thirty-five years and twenty-four with work comp and obviously you see some benefits there. Sweeney would also like to talk about the service level of the current company. Sweeney stated he is not stating in any way the other two do not have equal service, but stated that the City is familiar with this company and asked to speak to that.

Janigo said she would start. She is the Human Resources Director for the City of Superior and her dealings with CVMIC is more the work comp side of it as well as employment practices, liability and training in person and thanks to COVID, beefed up virtual training. Janigo stated that we developed a personal relationship with CVMIC as the City has been with CVMIC so long. Janigo stated one of the major things that she is concerned about is if we separate from CVMIC, we are not only losing a known commodity, as we know what they do for us, rather than a company telling us what they can do for us. Janigo stated CVMIC provides to its members a NEOGOV suite, which is a governmental software, and we have three modules of it. Janigo stated that we have a recruitment module, which is an on line application system. We have a learn module which has all the training that is available to us, either live or webinars. And we have onboarding, which we spent two years building and is close to implementation and that onboarding is the new hires doing all of their paperwork online. Janigo reached out to NEOGOV and asked for the cost if separating from CVMIC. Janigo stated the first year would be \$14,600, the second year would be \$26,000 and the third year would be \$37,000 and, in order to continue with it, that is a cost that we would anticipate.

Sweeney asked if there was anyone else. City Attorney, Frog Prell stated that he could speak to some experience with CVMIC and this certainly isn't to suggest that other companies do not have similar products or opportunities to provide similar services, but as the City's Attorney, he handles and gets involved in all things liability, whether it is a suggestion or allegation that we destroyed a mailbox while pursuing a snowplowing endeavor or unlawfully took a life during an arrest in which might be captioned or couched as a civil rights violation. Prell stated that we have a claims committee process through which we handle written claims for damages pursued against the City and his office is ground zero for receiving and processing those claims. Prell states he involves a representative from CVMIC in the research and analysis of each and every claim that he then presents to the Claims Committee for their analysis and their ultimate position. Prell stated he does not have claim decision making power when it comes to claims against the

City nor does CVMIC, but they do team up on a regular basis and jointly present what we deem or what we interpret to be our legal liability for the claim to be, and, conversely, what we determine our defenses to be. Prell stated that they assist in research and history and they also participate in the presentation of those claims to the Committee on a monthly basis and CVMIC offers their opinion alongside his to the Committee, as requested, so when they go in closed session, they have the background and the benefit of his analysis as well as CVMIC's to go into that decision-making process.

Prell stated he knows that they keep their eye out for anything and everything that results in news which could be interesting from their standpoint, and, from our standpoint, when it comes to catastrophes. Prell states that when there is an incident which results in a loss of life or serious personal injury that could be traced in any way to city involvement, they almost certainly reach out to us for dialogue on to address public relations steps to take and things to do if it sets up for a repeat issue and things to do so it doesn't happen again. Prell stated that a CVMIC representative reached out to him this past winter when the City had such an incident, and invited him be in touch with them as much as he wanted to regarding how to handle the issue going forward.

Prell stated to correct him if he botches this, but he doesn't know if it's accurate to say this, but they have access to a panel of attorneys that are experts in all areas of law that could impact a municipality employment liability, civil rights, and damage to property. Prell stated their longstanding relationships with litigation experts have a historical familiarity with the kinds of catastrophes that often visit municipalities, cities, villages and towns.

Prell states that when he reaches out to CVMIC reps with a question that might be a head scratcher to them as much as it is to him, they get him in touch with a legal expert of their choice, and within a few hours he is hearing back from someone that might have a deeper depth of experience and knowledge which might help him navigate the steps needed to survive the critical incident.

Prell also stated that he knows from day-to-day that they bring training to us. Prell stated that he and Cammi meet with them at least annually and they will physically visit our properties. Prell stated that they will go to our municipal garage and tell us if our eye-washing stations are located in the optimal places and are set up to do what they are supposed to do. Prell stated that they will visit our playground and parks facilities with our playground and park staff and they will measure the lips on the edge of the slide and they will tell us if these are the norms for that apparatus, or, conversely, recommend replacement. Prell stated that this is one element of the service that they routinely provide for us.

Sweeney asked if there was anyone else. Police Chief Nicholas Alexander stated he would like to speak. Multiple times annually, he utilizes the legal services that are provided through CVMIC, whether it is on a labor law dealing with a disciplinary matter or internal investigation, or, critical incidents that expose the City to liability whether it might be an accident or use of force incident or a civil rights claim. Alexander stated CVMIC has been extremely responsive as most of their attorneys have provided their direct lines, so he speaks to them very freely on his own. Alexander stated they also seem to have a specialized core for the law enforcement side of municipalities. Alexander stated CVMIC has dedicated people which work on the loss prevention side and best practices in law enforcement and offer services such as policy review.

Alexander stated that police departments have a pretty substantial book of policies and general orders that need to meet a variety of standards to include: local ordinances, state law, federal law, and case law that might change or alter best practice. Alexander stated that they have staff on board that essentially monitors that live, so when a new court case passes the supreme court or appellate court or whatever court that might be that impacts our operations, we almost immediately get notified of that, and along with that, a recommendation on how to proceed if that path is not clear, and in the meantime, what we need to do going forward.

Alexander stated that in terms of officer wellness, which is something that is important to police chiefs and police departments, they have been pretty influential in establishing peer support programs within the police departments for the agencies that they represent. Alexander stated that they have their own specialized EAP program, outside of the standard city's employee assistance program, as they recognize that public safety employees are oftentimes hesitate to use those services, so they vetted out specialists that have specific experience working in law enforcement and fire and so on to fulfill those roles in EAP.

Alexander stated that was it in a nutshell and said that obviously Cammi talked about the online portal and these other companies have it too. Alexander stated that he uses annually probably a couple of hours of training per officer as he has to train twenty-four hours per officer per year. Alexander stated that there are different modules in their system that at least help him provide some of that requirement.

Sweeney asked if there were anyone else. Sweeney stated that both had heard the presentation and asked that he would like their comments on that. Sweeney asked those present that the company they represent - would they provide or do they offer these services.

Becker stated he loves these comments, but what you have is engaged staff and that they have been doing insurance just as long as everyone in the room has – since the eighties, and there are programs like ours in every state, and every municipal insurance company is of the same mindset – service resource intensive, HR, law enforcement, expert attorneys and that these are not new to the world as everyone has them. Becker stated that he like to see if they are engaged and that they have a whole breadth of resources. Becker states that he likes to look at what is important to the city. Becker stated that it is almost impossible to engage in everything under the sun, but what is important and what is cost effective for us. Becker stated that an insurance program is services, resources for sure, but it is also cost, coverage and all the things tied together, and if you don't have something, is it short somewhere and this is the analysis I would go around with some of the companies being different, but it really is the mindset as everyone is member-focused.

St. Arnold stated that he thought it was important to engage with a carrier that has experience writing governmental risk in Wisconsin, and that is why they partnered with Community Insurance Company, as they provide coverage to Douglas County, and this isn't their first rodeo as they know the municipal space. St. Arnold stated there are a lot of the concerns when you are talking about upsetting a thirty-five year-old relationship, and he gets that as he understands and appreciates that. St. Arnold stated when partnering with the carrier on a claim basis, and asked John Dirkse to speak to that and how Community Insurance Corporation handles the claims side of the concerns that were brought up.

Dirkse said he didn't see or knew who actually said it, but said there is member-focus which comes from thirty-five years of their providing those types of services to their members in hopes of providing risk management, HR and every day normal litigation support. Dirkse stated that those are part and parcel to all of their operations, and each one addresses those things a little bit differently, and he believes, in part, that they do it with the same goals in mind. Dirkse stated that they do communicate directly with the insureds. Dirkse stated they do spend a great deal of time with their panel attorneys and their member owners and interested individuals from other entities outside of the ownership and that all participate in the claims process. Dirkse stated that he could go in great detail of what they have in terms of litigation support, before an incident becomes a claim, and we spend a deal of time in that process. Dirkse stated that at the end of the day, what they want to do is to reach out, grab whose ever hand we can grab, and walk them through the process, for not only for the benefit of the insured, but the benefit of the insurance company as well, because at the end of the day, we are all sharing risk and we are all operating, and, actually, if he looks at all the companies at the table, we are all operating with the same unique set of laws in statute and in practice. Dirkse stated that yes, they do a great deal of that, and he likes to believe, and again, he can't speak for the chairs of some of my counterparts in the room or joining us virtually, but they do tend to get involved very early in the claims process. Dirkse stated that about eighty-five percent of the time with that early intervention, they avoid litigation, and, in the fifteen percent of the time that they do see litigation come to us, they have already helped our insured and us prepare a defense. Dirkse stated that, in a nutshell, is a very high level of the kind of interaction with have with each and every one of our members.

St. Arnold stated that if you select Community Insurance Corp and Marsh, they are going to lean on the Community Insurance Corp for the police, fire, and the municipal risk as that is their expertise, but they are going to bolt on our local loss team to do things from a work comp perspective – slips, trips and falls. St. Arnold stated that some of the things that are not necessarily unique to municipalities, but we think the combination of our local presence, what they can deliver here in the Twin Ports and along with Community Insurance Corp and their municipal expertise, he is not going to say things will be exactly the same as CVMIC. St. Arnold stated that no one can come in here and say that. St. Arnold stated that there will be differences that you will have to get used to, but he is very confident that they have a strong service value proposition and he thinks that the insurance that they designed, if we can have some time, we can talk about the differences of the self-funded work comp program with them, gives you some of the protections that we don't see in some of the proposals, and how our liability retention is lower than CVMIC. St. Arnold stated that he believes they have quoted a very financially responsible program that can stand the test of time and can save some very significant dollars. St. Arnold stated he knows this is not part of the question, but, for example, on the property program, with a \$5,000 deductible, you have \$165,000,000 worth of buildings, and if we were to come with their program, there is \$38,000 of savings by taking that \$5,000 deductible to \$50,000. St. Arnold stated that it might scare you, but over a seven year time period, you will save close to \$270,000 of premium savings, but you would be funding over that seven year time period, about \$150,000. St. Arnold stated that you would end up \$120,000 ahead by taking a higher risk and he thinks that the City is over-insured on the property. St. Arnold stated there are some protections that they have built in the work comp program, even though the City would be self-funded if you decide to go that path, and he thinks that they have a good liability program per claim and an aggregate that is lower than CVMIC. St. Arnold stated that he thinks that should

be part of the City's decision making criteria when you are looking at this.

Alanna Soukkala asked to speak. Soukkala stated that it sounded to her that the services that you used to, everybody has a platform to do those things, but Bob has touched about herself and the services that her team provides, and she likes to think of herself as an extension of her client's team. Soukkala stated that oftentimes, they will not opt to hire additional safety staff or safety staff at all, and that becomes the consultant, her responsibility. Soukkala stated that she is really looking forward to learning the employees here, having them having her cell phone, being the person that they call, services maybe that municipality providers are not used to, have the expertise in house like chainsaw safety, confined space, or other industry type things like excavating that is in her wheelhouse. Soukkala stated that the City would get the best of both worlds, which the City is used to, plus some occupational industry exposure assistance as well.

Sweeney stated that he thinks that as Councilors, as Finance Committee Members, for the taxpayers, we have a responsibility to go out to the market. Sweeney stated that he understands you develop relationships, but on the other hand, our responsibility is to look at the market and to find out what is available to us and what we are not getting now. Sweeney stated that he believes we have to and we are not doing our due diligence and we are certainly not doing best practice for holding on to one for twenty-seven or thirty-five years, even though I assume it is a mutual employee owned or company owned, but we did it with our health insurance and we did it with other things. Sweeney stated that it is work and it is change. Sweeney stated that people do not like change and he doesn't mind change, but he understands that people get comfortable and develop friendships, but friendships can be a double edged sword. Sweeney stated you have a friendship and you know how they think and you know what they want to hear, but on the other hand, he thinks that we must go to the market and test the market and see. Sweeney stated that it is not to say that A, B or C Company won't come out where we are, but it is our responsibility. Sweeney stated that the City Council will then take our recommendation, and if it so goes that way, they will make a decision. Sweeney stated that it our responsibility to do our homework and get the best bang for the buck, plus the service. Sweeney stated that it is a value issue, and that cost and quality equals value, and this is what we are after. Sweeney stated that these two things go together, and it is not just price, but quality too.

Sweeney asked if anyone else had anything to say. Zaleski stated that you have some great programs existing now, and Matt and he would laugh at this, but the programs we offer to the four hundred fifty municipalities that they insure, they can't get them to engage like you do at the City. Zaleski stated that they have a whole platform of wonderful services and they are begging municipalities to utilize them. Zaleski stated that first of all, it is great to hear that the City is utilizing all of the services that are available from CVMIC. Zaleski stated that if you have to talk about what the City's ultimate objective is here, and we got into the game a little bit late in the whole process from the League's standpoint, but I think it was first you thought from the work comp standpoint that you would do better on your own self-insured on a self-funded workers comp plan. Zaleski stated that it was the overriding opinion that you formed with Ashley that the City thinks they can do better, and we think you can. Sweeney responded right. Zaleski stated that one of the things we offer is a low retention initially of \$50,000, which is kind of a dip your toe in the self-insured world, which gives you quite a bit of protection, and we also have the \$100,000 retention. Zaleski stated that the City has to decide. Zaleski stated first of all, is that the route you want to go as a City. Zaleski

stated do you want to be self-funded on your worker's comp, and if that answer is yes, then what are the options and what are the financial requirements. Zaleski stated that he thinks CVMIC has \$500,000 retention. Zaleski stated that he thinks Bob has a \$100,000 with CIC. Zaleski stated that they have a \$50,000 and a \$100,000 option. Zaleski said the City has to decide what route do you want to go and how much risk you want to take. Zaleski said the services will come and the services are there. Zaleski stated that this is formed for strictly municipal governments, cities and villages and that is all the League insures, from large cities to cities with a population of one hundred, so we would provide very similar services for the most part, but not exact as mentioned.

St. Arnold stated that part of the evaluation is understanding how much top end risk the City would like to sign up for, and do we have aggregate protection if we had multiple fatalities of police officers or fire or even a car accident with multiple people who are seriously injured, and can we cap that risk. St. Arnold stated that they did that with not only the per claim retention of a \$100,000, but the aggregate on the work comp the City is signing up for, an aggregate of \$500,000 of aggregate protection. St. Arnold stated that they don't see that aggregate on the CVMIC proposal or at least they didn't see it on the proposal or the packet that was provided by the League, so we like to think that it never happened before, well, it never happened in Illinois or it never happened in Texas. St. Arnold stated that we are living in a different world now, and he thinks that's a gamble that if you have these three proposals in front of you, this is a very responsible way of getting in that handles that catastrophic event, not only on the work comp, but also on the general liability. St. Arnold stated that you have signed up for \$300,000 of liability risk in the aggregate with CVMIC, but with CIC it is \$150,000, so you have a lower threshold as well. St. Arnold stated that they ran the numbers, and seven out of ten times, you are going to end up on the right side of the work comp equation, and you just are. St. Arnold stated that before you go in, that Darrel made a good point, that you should evaluate your risk tolerance, and I would never buy the product without the aggregate protection.

Soukkala stated that she has a final comment. Soukkala stated that she failed to mention that she resides in Carlton, Minnesota, so when there is an incident that needs to be reviewed, or you got somebody who has something set up and they want someone to put their eyes on it with safety focus, I am twenty-five minutes away and I feel that might be a service that is hard to beat.

Sweeney stated that obviously we have some work to do, we are not making a decision today, and we are not going to vote right now as we have some work to do. Sweeney stated that when he says "we," it is a collective noun for the Finance Department, but we will put it together and, hopefully, it will take us awhile to go through this.

Sweeney asked if any of the three groups have a final word. St. Arnold stated that if we decide to go down this path, and time is of the essence as you do have to file for permission to self-fund with the State of Wisconsin. St. Arnold stated that it really is a formality. St. Arnold stated that they will approve it because you are a governmental authority with unlimited taxing authority. St. Arnold stated that you will be approved, but you want to do that. St. Arnold stated that you got your renewal with CVMIC coming up on October 7th so we anticipated an October 7th start date for all policies. St. Arnold stated that they are flexible on that to some degree. Sweeney responded that he doesn't think we can get it done. St. Arnold stated that they kicked the tires on this for a year and a half and they are ready to go to work.

Sweeney stated that obviously this is a big responsibility for the three of us and for the City Council and the Mayor, so we want to do it right. Sweeney said like I say, it is an evaluation and it is a risk tolerance too. Sweeney stated that his risk tolerance may be different than everyone else's, so we have to come to the meeting of the minds. St. Arnold stated that they were invited to the process a year and a half ago. St. Arnold stated that their fundamental tenet at Marsh is - we do what we say we are going to do. St. Arnold stated that if we don't, we won't last very long. St. Arnold stated that he thinks we have shown we did that during the first three years of handling the City's employee benefit programs. St. Arnold stated that he has very high confidence factor in Community Insurance Corporation as well as Alanna and our employer services team, but we know you got to look under the hood here. St. Arnold stated that they understand that, and bring on the questions and let's vet this so there are no surprises and you know what you are getting.

Zaleski stated that is what he would recommend, and they haven't really presented anything to you, and you haven't even looked under the hood yet. Zaleski stated that they would welcome another chance to give a full proposal. Sweeney stated we may have questions that we don't even know what the questions are yet and maybe we know the answers to the questions, but what bothers me is that I don't know the right questions to ask, but we will get there.

Becker stated that one thing on work comp and one on the liability, just to prep the questions in the future, is that on the work comp, when you are talking about going self-funded, you are looking at all three companies and trying to determine who is going to help you manage that cost of yours and your claims the best, whether before a claims happens and what people do, and after a claims happens, and there is a lot that needs explaining which would help in this area. Becker stated that with the liability side, it is not just we carry liability. Becker said that if you dig into things, there is a lot of things that you have now that aren't covered. Becker said that you can see it on the ten year loss history that they just got, you can sort eighty some claims that are not covered, so that's an indirect cost that you have that is hard to account for, and maybe you have some tracking internally on that, and also, with one of our two companies, we would be handling the claims within the retention, so right now your office is dedicated the time, resources and everything to handling the claims on your own. Becker said that is why they exist as an insurance company as they handle claims all day long and their people do that, they have the systems to do that and the relationships. Becker said there are soft costs that are not small.

Sweeney stated that we understand that the three groups are trying to sell something to us obviously, and they all have their sales hats on, and he understands that, but that is why we have to take our time and dig in, and what they tell us has some credibility, and we can back it up with some form of facts, whether it is other customers you have or talking to some other experts or whatever it is. Sweeney said that the thing is, we are not going to do this every year, and we are not looking to change it next year or the year after. Sweeney stated that he hopes that we are not going to stay with whoever for the next twenty-eight years, but that is his opinion, as that is not the way we ought to do business. Sweeney stated that we will make a longer term commitment and we will figure it out between the three of them and will make a recommendation to the Council. Sweeney stated that is where they are and asked if anyone wanted to say anything.

Elm said he wanted to go back to our staff that are here. Elm said clearly they value the current provider for the reasons given, and there certainly the relationships that are there and the engagement. Elm said he is guessing there is a response time with just a phone call. Elm asked that if we switch, do you have trouble with engagement, is there a 1-800 number, is it difficult to get engaged to do that, so clearly, that are the concerns he is getting from the staff and asked how can you set that at ease. Elm said that Frog had mentioned the going on site and the professional assessing the garage or the parks and so on. Elm asked how do we know that we are getting that value, as you can always focus on the dollars, but are we going to have to end up paying on something else, and how do we know switching to one of the other alternative folks, that clearly our rating is so well, that working with CVMIC, they have helped get up to that rating with the training and with the relationships that were there, and he would like to get a better grasp. Elm said that he knows that you are selling yourselves that you can do that, but in reality, are you measuring the slides and are you going down to the garage and do you have something comparable to that, other than a 1-800 phone number. Elm said he doesn't want to pick on them too much, but how can they solidify that they can actually do that.

St. Arnold stated that we've planted a stake in the ground in Duluth, Minnesota and we have fifty staff in Duluth and twenty-five on the Range. St. Arnold said we have made a financial investment in this area to do exactly what you described. St. Arnold said we are out and have created that kind of engagement on site with many of our customers. St. Arnold said could I say that I could deliver that in Omaha, Nebraska or in some area that Marsh does not have a presence, no, but we have a very strong presence in this area.

St. Arnold said that he liked Darrel's suggestion and you should look under the hood at the League. St. Arnold stated that they should have an opportunity to present their case and look at all their value adds. St. Arnold said he is more than willing to have John come back up along with Alana and have a separate meeting, so that you see the value adds from our organization, but I know when you look at how we structured the risk and what the potential savings are that are involved, this is a rock solid proposal from that risk tolerance perspective that you should be evaluating and the cost, but yes, they should have their day in court. St. Arnold said that I had one day, but I will do another, and John and his team will come up. St. Arnold said that there isn't a better testimonial than Douglas County as they have been Community Insurance Corporation's client for a very long period of time and they delivered there.

Sweeney asked if there was anyone else. Soukkala responded by saying that sometimes with change comes opportunity, and it is really easy to focus on those things that could go wrong, but something could go really right that you are not experiencing either, and that is a different way of looking at something too. Soukkala said are we ready to get our boots on the ground and help you. Soukkala said yes, absolutely. Soukkala said don't look too closely at her hands as they are dirty, but she was out doing fork truck certification this morning and got quick into her sales suit, but is ready to work for you.

Zaleski said that the worker's comp is the big part of all of this, and, really, what you should do, is look at the best practices of the worker's comp. Zaleski said you should interview the claims department and ask what are your best practices. Zaleski stated that you have so much you need to dig into yet from that side of things, and, really, this is only the tip of the iceberg, and what it comes down to is, how they are going to manage claims and sometimes fight claims and a lot of times pay the claims, but you don't have any idea from the claims management, how any of the potential new players really are,

unless Bob has already presented that, but they certainly haven't yet. Zaleski said that a lot of those questions would get answered with more due diligence.

Sweeney said so is it fair to say that the three of you, other than what the tolerance would be, if everything being equal, would you recommend being self-insured. Zaleski said from your past history, it definitely makes sense. Zaleski said that you can't predict the future, but based on your past history, you would have saved money if you self-managed. Zaleski said it is a safety culture that you have already set up here, and it shows in your claims experience, and that there is no reason that shouldn't continue. Zaleski said that we all agree that you will have a year or two out of ten that you might bump up, but based on your history, there isn't any reason you wouldn't expect that to continue.

St. Arnold said that if you were a privately held company, you might not be able to do it in Wisconsin, but you are not, you are a governmental entity and I would recommend self-insurance on the comp without hesitation.

Herrick stated that this is something we obviously have to compare apples to apples so there isn't no apples to oranges, but had a couple of questions. Herrick said that you mention that if something happens, and going from a \$5,000 deductible to a \$50,000 deductible, now that's per occurrence and asked is that correct. St. Arnold replied correct. Herrick asked what if there is a major catastrophe. St. Arnold stated that it is one occurrence and it is not per building, it is one occurrence. Herrick asked if something happens the next day. St. Arnold replied that it is a second occurrence. Herrick said so that is something we should think about too.

Herrick said also, too, you talked about being self-funded or self-insured, so if you are self-funded in that respect, so there is a limit that we would have to budget for so that we have a certain amount set aside for catastrophes or things like that. Herrick said now not being self-insured, what is the limit and said is the sky the limit basically. St. Arnold said no, you just pay your premium. Zaleski said claim dollars means nothing to you, and you would just be paying your premium. Herrick said he was talking about the payout, and said for example, let's say there was a worker's comp claim. St. Arnold said they would still adjudicate that claim according to Wisconsin state statute, and there would be no difference. Herrick said there is a limit. Zaleski said \$500,000 in premium and your claims could be a \$1,000,000, it doesn't matter, and you would be paying the \$500,000 in premium. Zaleski said you are transferring the risk when you self-insure from the insurance company, and you're basically becoming the insurance company from a financial perspective, but you are not administering those claims, you are hire somebody, but you are taking the financial risk. Herrick said, for clarification, say we are paying the premiums for maybe \$1,000,000 worth of coverage. Soukkala said there is no limit and there is not a benefit limit if that is what you are saying. Herrick said that is what I am getting at, and, for us there would be, because that is the amount of money that we would have to budget for. Nikunen said so there is the deductible on your COBRA, like work comp, and for us it is \$100,000 per occurrence, so you have a claim and you will pay the first \$100,000, now you already have paid a premium, so it is premium plus claim dollars paid, but with our program, it would be capped at the \$100,000 for that one claim, but it doesn't mean the claim is capped, but it means, like Bob said, it still it gets adjusted or taken care of, just as if it was in an insured program. Zaleski stated your responsibility stops at the \$100,000. Nikunen stated that your responsibility is done, and asked if that answers the question. Herrick said, yes, and there is a limit there. Nikunen said there is a limit per claim that you are exposed to as a city, and with the aggregate, you could have

five \$100,000 claims under our program and you are capped at \$500,000, but when you don't have a cap and you have a \$100,000 per occurrence, you could have multiple \$100,000 claims with no cap to the number of claims, because there is no aggregate, and that is where the aggregate comes into play. Soukkala said that it would be a good number to budget. Nikunen stated that your aggregate is what you budget.

Sweeney stated that it was tolerance and risk reward. Nikunen said exactly. Sweeney said that is what it is. St. Arnold said, looking in the rear view mirror, and, can you historically make the case of going that route, yes, you can probably can seven out of ten years.

Herrick said we know CVMIC has safety programs, but do you have it too, and are they included with your programs? St. Arnold replied yes.

Sweeney asked, from the standpoint of workman's comp, the company you represent has been in business for how long? St. Arnold asked Dirkse how long they have been in business. Dirkse stated Community Insurance Corporation has been in business since 2002, however, the servicing team in reinsurance and other relationships have been in place since 1996, and the company itself has been in business since 1988.

Sweeney said I think I asked this before, but do you follow AM Best for workman's comp? Dirske said again our company, the Board of Directors of the Wisconsin County Mutual Group which CIC is part of, decided several years ago not to continue seeking a rating from AM Best. St. Arnold said they didn't want to pay for the rating. Sweeney said he thought so. Dirske said he could identify for you, but not today, there were a lot of financial reasons and good sound business reasons to not seek that rating. Sweeney said obviously you would make your financials to us. St. Arnold said yes. Becker said they already have.

Sweeney asked if there were any other question. St. Arnold said he wanted to leave his proposal for Sweeney, for Tylor and for Deb and everyone with the City. St. Arnold said I just want you to look at the comparisons on the second tab.

Having no other business, the Special Finance Committee Meeting adjourned at 6:13p.m.

Minutes respectfully submitted by Deb Kamunen