



BOARD OF ALDERMEN  
SHELTON, CONNECTICUT  
FINANCE COMMITTEE  
SPECIAL MEETING MINUTES  
THURSDAY, MARCH 29, 2018

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CALL TO ORDER/PLEDGE OF ALLEGIANCE

Chairman Stanley Kudej called the Special Finance Committee Meeting of the Board of Aldermen to order at approximately 7:00 p.m. All those present rose and pledged allegiance to the Flag of the United States of America.

ROLL CALL

Alderman John F. Anglace, Jr., President – present  
Alderman Stanley Kudej – present  
Alderman Anthony Simonetti – present

Also in Attendance:

Alderman Cris Balamaci  
Ned Miller, Ned Miller Agency  
Michael Carlson, Starkweather & Shepley Insurance Brokerage Inc.

AGENDA ITEM

**1. STEWARDSHIP REPORT**

Mr. Ned Miller reports on the Stewardship Report for the City of Shelton.

Mr. Miller: Every year one of the things we do as your Broker is that we put together a Stewardship Report. I think you fellas may have seen a similar report for the past several years. This is an update on that report. The city insurance program is with CIRMA. CIRMA is Connecticut Interlocal Risk Management Association. Its sole purpose is to place insurance for Connecticut municipalities. They have a little over 80 percent of the municipalities in the state. I believe they have 90 percent of the worker's compensation. Essentially, we had a great year, a great loss year. It's not over yet, as you know, it expires July 1<sup>st</sup>. All policies in the State of Connecticut municipalities renew every July 1<sup>st</sup>. We still find this to be the most competitive product. The other large competitor is Travelers. Several years ago, we were with Travelers for about a year. Travelers has a great program except that they don't write Board of Education School Board liability so that had to be placed elsewhere. CIRMA, after losing it, came back like gangbusters and priced it accordingly and took it back the following year. The CIRMA program also provides a dividend. I believe the Board of Directors was meeting today at CIRMA to declare if they were going to have a dividend which I believe they are because they said they had a great year. Last year the dividend for the City of Shelton was \$55,000. It's not based on the individual losses of Shelton, it's based on the overall results that CIRMA has in the state of Connecticut. Shelton could have a bad year and still receive a dividend. So, it's not loss sensitive to our City itself. In some ways I wish it was because we did have some good years but when we had the Shelton High School fire that's when you don't want it that way. They will declare the dividend and it will be payable around the end of July or first week of August. They do that because they want you to renew. If you do not renew you lose your dividend. It makes it harder to leave but they do a good job. We

have \$300 million worth of insurance as far as the property is concerned. We have a \$10,000 deductible on the property. We have a million-dollar underlying liability limit. We have a \$15 million umbrella. So, in effect the city has \$16 million. We have quoted in the past a \$20 million and \$25 million umbrella. We did that last year and the additional premium would have been from going to 15 to 20. The additional premium would be another \$10,000 and change. Obviously, it's about \$14,000 to go to \$25 million. I met with the mayor and CIRMA this morning talking about the upcoming renewal on July 1<sup>st</sup>, 2018 and we are at the end of a three-year rate guarantee, this being the last year. In other words, our rate is fixed. We have not seen any rate increases from CIRMA. They don't always offer that. You have to have a good loss control program and it shows in your losses that you do have a very good loss control program. There's obviously some losses that you can't predict and they will hit you from time to time, for example, the fire at Shelton High School which was essentially caused by an outside subcontractor.

Alderman Balamaci: So that was a subro (subrogation)?

Ned Miller: That was a subro.

Alderman Simonetti: Do we get money from the company that started the fire?

Mr. Miller: Yes. We didn't recover the full amount for that fire, this goes back almost ten years ago. What happened was the employee that was involved claimed that he wasn't smoking. I believe we recovered about \$2 million, a little over. We didn't want to press it any further. When I say "we" recover, that's CIRMA's money. What the city lost was their deductible. The only time you get paid back your deductible is when 100 percent of subrogation is successful. Then you get your deductible back. So, it really only cost the city about \$10,000.

Alderman Simonetti: Why didn't you want to push the issue?

Mr. Miller: The thinking is that with him denying it, even though we had possession of the cigarette, the question was, was it his and then they would take it to the next process of DNA and if we had the wrong cigarette then we lose the \$2 million. The decision by the insurance company with legal advice was let's just take what we have and walk away. So that's what happened there. As I said in one of those reports, I think we had a 130 or a 135 meetings consecutively on Sundays and everything. We got the kids back to school in two days. I have to commend CIRMA for what they did. CIRMA, like I said, is not an insurance company, they are an association. They do not have agents. I am not an agent for CIRMA. I am a broker for the City of Shelton and there is a difference. I do not have binding authority, nor does any agent with CIRMA, They like to go direct, but I am basically a consultant for the City of Shelton. What we do, as I said, is we pulled the program from them, because they were going up in premium and we said, nope, we are going to go over here, and then CIRMA came down. You know how it works. That's what I do. We check all the certificates of insurance, and that's important because a lot of times the certificates come through and we are about to change that process but the certificates come through that don't include the City as additionally insured, they may not have an A rated company on there, which we require, they may not have the limits of liability that the city has, because we do not want to absorb the liability for these other subcontractors. We had three certificates of insurance yesterday and all three had issues. The city has been pretty good with their communication with our office and so is the city attorney because Fran is across the hall from us and he just walks over and says take a look at this, etc. The communications are very good.

Alderman Anglace: Does Starkweather have an arrangement any place else Mike?

Mike Carlson: We write now the town of Westerly Rhode Island, We have a couple other municipalities in Rhode Island, I don't know the names because I am out of Connecticut but we do have the same kind of deal where there are consultants for the town.

Alderman Anglace: How long have you been a consultant now, it's close to ten years?

Mr. Miller: My personal involvement with the City is about 13 years. As far as the agency I believe we go back 30 years. It's really not unusual. The tendency with municipalities is to stay within their own town because we kind of know what's going on and what your exposures are. Does everyone hire a consultant to deal with CIRMA? No. Not everybody does that.

Alderman Balamaci: It's a good decision.

Mr. Miller: It works both ways because as I said, the city has done a great job in keeping the losses down. We have quarterly meetings on any loss that happens. They all sit at this table right here and they review the losses. The only thing we are not involved in is the primary worker's compensation. The city of Shelton is insured for \$700,000, then the excess comp. is with Safety National for anything above \$700,000.

Alderman Balamaci: Did Safety National with our good track record did they give us a multiyear contract?

Mr. Miller: No. The weird thing about the excess comp. is that there is very few markets involved in municipalities and worker's comp. I have to say two things in one sentence. Municipalities and excess comp. What they are doing is their minimum deductible is currently \$700,000. Now at renewal at July 1<sup>st</sup> it could be \$700,000 it could be higher but we don't have a pulse for that yet. You are paying about \$151,000 premium for that. We did send it out two years ago and their closest carrier which is their number 1 competition was over a quarter of a million. So we have a pretty good deal here. CIRMA we use Safety National too. We are with the right carrier and of course we don't have those kinds of claims that are going in there. Unfortunately, if you go back in the past we did have some (inaudible) and so forth and so forth. We had large losses and those kinds of things. Basically Workers Comp. Trust (WTC) is actually a third-party administrator. They handle all the claims. I do not see those worker's comp. claims. They handle that, they work with the city attorney and the Mayor's office. That list comes from us asking for it and putting it into the Stewardship Report.

Alderman Simonetti: This is only over \$50,000. There is a lot in reserve.

Mr. Miller: Each one of those goes between the Worker's Comp. Trust and the City. The only connection we have with the Worker's Comp is anything that goes over \$700,000. The Workers Comp. Trust will tell you how much money to set aside, what to pay, when to pay it, they do all of that for you for a fee and I think that comes up for bid maybe this year.

Alderman Balamaci: Do you know what the administrative fees are roughly? They can be high.

Mr. Miller: They can be especially if you change because you have to move all those files over to a new computer, etc.

Alderman Balamaci: I do have a question and it's my ignorance and I won't take up too much of your time. I know the city is self-insured and I am just trying to grasp why there is a premium versus not having an SRI? You know, pay as you go, since you are still doing the same conceptually it's still like a totally self-insured program? I wasn't clear on that.

Mr. Miller: It's self-insured only on the worker's comp. part.

Alderman Balamaci: Got it. So, everything else like property and all that...

Mr. Miller: And \$10,000 is a low deductible but carrying \$300 million of insurance on a blanket basis is a big cloud following everything so we are not underinsured for the high school or town hall or whatever. That blanket can apply to anything. It's not specific. In other words, we don't have \$2 million on this building, we have \$300 million.

Alderman Balamaci: I see. Thanks for clarifying for me.

Mr. Miller: And we have no co-insurance so we have no penalty. It's on replacement cost basis as long as you replace it. If you decide you don't want to do it then they will pay an actual cash value which is replacement cost minus depreciation. That's never happened, but it could. Because every now and then we pick up properties that are abandoned.

Mr. Miller: What happened this morning's meeting that was called by CIRMA was essentially we are going into the third and final year of the rate fix which means this time next year on July 1<sup>st</sup> when it renews we are off that. What they offered today and the mayor is mulling it over is that we look at another rate fix with no more than a 3 percent increase. So even if

your claims went through the roof, the most you can absorb would be a 3 percent rate increase. However, if your claims are great, we can still go down.

Alderman Balamaci: So would they base it on your loss modification factor?

Mr. Miller: Again, CIRMA doesn't have the mod. They look at your loss ratio monthly from this point on. It's been good. And you know the buses, what's going on there?

Alderman Anglace: That's up in the air, the buses have not been resolved yet.

Mr. Miller: No but you know where it stands right now on how we insure it right? As owner of the vehicles normally we are primary. We do insure the vehicles because we have to. Normally we are primary. Effectively what the mayor's office along with advice from the City Counsel was to look over the losses we were suddenly having about a year or so after Landmark took over the driving of the buses when we went to propane buses. We started having these losses and they mayor asked why we wanted these? Why should we have these when it's not our negligence but it's the driver's negligence and we don't hire the drivers. Between the mayor's office and City Counsel they met with Landmark and Landmark signed a deal that said we will become primary for anything caused by our negligence. Now if it's a mechanical problem, say the brakes fail, it becomes our issue. But if it's their negligence, and most accidents are driver negligence, then they have to assume it. Thank God we had no large losses but had a number of small losses. There is a saying in our business that "frequency breeds severity." In other words, if you have enough small losses you are going to get hit with a big loss at some point. What happened was Landmark came back and said after about a year after signing the agreement they said our insurance is going up because we are paying these losses, we would rather readjust this whole situation. The comment was why are we paying for insurance on buses when the city is paying for insurance on the buses. Well we are in a secondary position, number one, which is great loss control. Number two, your causing the accidents and your paying for what you hire. Landmark was not happy. They would have rather been back in a secondary position. If we start absorbing losses you are not going to get three-year rate guarantees. It's going to affect your premium and I believe it was prudent on the mayor's part to do what he did. This year, as you now, the bus contract is up. I'm sure some of it's being blamed on the insurance. It's not all the insurance I can tell you that. I've heard estimates that \$100,000 of that was towards insurance and I don't know because we don't insure the bus company. We don't know what their other losses are. They have other municipalities and other routes so I don't know if they have a glowing record or not. That's not my issue.

Alderman Simonetti: I have not heard of that being a problem.

Mr. Miller: OK. Because the school board had talked to me and asked if they could get back to being primary. I told them it's not my decision, it's the mayor's but it's good loss control.

Alderman Anglace: I am not trying to point fingers at the school board but just look at them asking if they can get back to being primary. That would be just so they don't have to pony up anything. They are free and clear and the city pays whatever has to be paid. These are their responsibilities, it's their budget, it's their responsibility.

Mr. Miller: We have a zero deductible on a general liability. These things will add up against us in no time. We really do have a good rate. When you look at the total premium, all of it except \$151,000 is excess comp. and my fee is included in there too which I believe is on there. It's not my decision but to advise you, I like it when you do the proper risk control and it will show up in the next few months as they look from month to month on what they are going to do for next year and the year after. I am talking 2019, 2020, 2021.

Alderman Balamaci: What is the deductible if the bus company was doing it for the primary?

Mr. Miller: I don't know what their deductible is. From a bus company's viewpoint there are two ways to insure it. You can insure non-owned liability on the buses and just make primary or you can take a General Liability policy, take the auto exclusion out of it because on contractual liability they include auto leases, so you can get an underwriter to delete that. It depends on which side of the coin they are paying. I have a feeling it may be under their auto. The current bus company is Landmark and it's a current company owned by Nationwide.

Alderman Anglace: Let's look at worker's comp.

Mr. Miller: Again, I don't control the comp. and I can't comment on individual claims because it's very personal. I would suggest if you are looking at individual claims that you talk to the Worker's Comp. Trust.

Alderman Anglace: We are not going to ask about individual claims. Here is where I am going. On worker's comp. can you explain how we are organized? The city has its worker's comp. as I understand it and the Board of Education has their worker's comp. and we manage our losses and they manage theirs. The bottom line is that the city has to pay for everything. I see in the Board of Education Budget where they are putting in like, a few years back they had to put in around \$700,000, now I see it's down to \$300,000 and I am suspicious that there may be more than \$300,000 and they are lowballing it.

Mr. Miller: Again, the Worker's Comp. Trust handles the whole thing for both the BOE and the City. So, there is only one TPA involved in this. In regards to the city and the Board of Education that's the way I heard it. That the city would handle theirs and the Board of Education would handle theirs. The Board of Education has a lot more employees than the City. The problem in the past with the Board of Education was the janitorial is where the claims were coming from. That is true of a lot of municipalities as you get back cases. We looked at this several years back and I can tell you that other towns have subcontracted cleaning services but that involves all different types of things with unions and so on. The Board of Education is aware of this and they only pay whatever their reserves are, that's coming from worker's comp. trust. That's not coming from what they are saying. It probably wouldn't hurt to have a meeting with them.

Alderman Balamaci: I was going to ask when is that done because that's when you can get the loss runs and see the incurred. Do they co-mingle the BOE with the City?

Mr. Miller: I don't think so because we don't do it on our side.

Alderman Simonetti: There is a lot of money in reserve.

Alderman Balamaci: Is that for the life of the claim usually? Unless they are stair stepping. I don't know.

Mr. Miller: The way it happens is that the Worker's Comp. Trust attends the quarterly safety meetings. You have to be very careful here because of privacy and they do run through each claim and why they are looking at reserves and what they are doing. They are pretty thorough on what they do. There is other companies that do that. We own a company, when I say we, Starkweather and Shepley, they may even be bidding on it this year. It's separate from what we do and they bid the fees for that. So, there are other companies that do that. We are the ones who actually recommended Worker's Comp. Trust. We don't get anything in doing that but we recommended them about twenty years ago. What happened is that the city's insurance was going up sky high and the mayor thought let's see what we can do.

Alderman Anglace: I guess I understand how the Worker's Compensation Trust works. What I am trying to understand is what the Board of Education is doing and where they are getting their numbers? If what you say is true, and they are getting their numbers from Worker's Compensation Trust, that's one thing, but I don't think so. I think the number they go from Worker's Compensation Trust is up here and what they are putting in their budget is over here.

Ned Miller: John I don't know what they are putting in the budget. You can ask the Worker's Compensation Trust and they will send you what their numbers are. But I do not know what they are putting the budget.

Alderman Simonetti: There are so many losses here, some of these have to be the Board of Ed? They can't all be the City's here?

Ned Miller: Again, you will have to refer to them.

Alderman Kudej: I was looking at these comp. claims and I am wondering who investigated them. I mean somebody just files a worker's comp. case and does somebody investigate the accident and follow up?

Ned Miller: First of all, in the State of Connecticut this is probably one of the best states to be injured in. California may be better but I think the only state that pays more indemnity is Alaska. That's why the State of Connecticut has the issues it has. We have high rates because we have high benefits. The onus is not really on the employee to show responsibility. He or she just has to walk in and say I had this happen at work and it's up to you to say, no it didn't.

Alderman Balamaci: So, you have to investigate and do root cause analysis, etc. It's costly and there are programs for that. Prevention is best.

Ned Miller: Don't forget the TPA does investigate. The TPA can only give advice to the client which is the City and the BOE and they would come back and say I think should go to a Private Investigator.

Alderman Kudej: I was always under the impression if you nailed a couple of phonies. For awhile there it was whoever filed a worker's compensation case gets paid.

Alderman Balamaci: Worker's Compensation is a huge, huge industry. I worked at Westchester County Medical Center and we would have people who had 40 claims. We had people who were living off their claims because they couldn't afford to live in Westchester unless they put in comp. claims. It's a disaster but that's why you have aggressive case management. That's where my expertise is and I fought all the way.

Mike Carlson: One thing you have to remember, the company, it's their money, and they really don't want to pay.

Alderman Anglace: At our legal briefings with the attorneys and so forth, there has been ample evidence, and you look down at this sheet here and you see the history of all the open claims, Some of these open claims are situations like you described a few minutes ago, people that are collecting are living out of state and Worker's Compensation Trust is on their case. When it comes time to settle these things there is no settlement because we are not paying that kind of money. What they do is they have chapter and verse videos, the whole bit. So, they are doing the job. The claims are legit. Like Mike said, you are up against it, you are going before the Worker's Comp. Commissioner. If you can't work it out he is going to make a ruling and you are going to pay.

Ned Miller: Yes. He has the authority of a lower court judge.

Alderman Anglace: I only get involved from being in the same room and listening. I feel comfortable that they are doing the job of investigating and making sure payments are legitimate and people have legitimate claims. You can't argue with what the doctor is saying. You can't refute it unless you put another doctor in there and then the Worker's Comp. Commissioner makes a decision and one way or another you are going to pay something.

Mr. Miller: True. And there is no deductible. There is no limit. So, if you have somebody of the mind who doesn't really care to work this is a great system.

Alderman Balamaci: Exactly, and those are the ones who are repeat offenders.

Alderman Kudej: I noticed that the past couple years have been a lot better than previous years. You know I would run and run around with Tom Welch some years back and Tom would ask why I get so wound up over it? It's frustrating.

Mr. Miller: Well I will tell you Stan, in the mid-90s they had worker's comp. reform because the manufacturers were arguing about that. They came up with (MAC,)Manufacturers Association which came out of Waterbury and their whole thrust was we are leaving CBIA because CBIA had too many different interests and ours is manufacturing and our concern is worker's compensation. So, they had their association and lobbied and they eventually got worker's comp. reform in the mid-90's and it actually led to lower rates but over the years that eroded with different people in the state capitol an we are kind of back almost where we started.

Alderman Anglace: Here is a big one. December 20<sup>th</sup>, 2000, lower back injury. \$1,301,358 million and the case is still open.

Mr. Miller: Again, those are numbers that are on our report that are simply transposed from what Worker's Comp. Trust gave us. So, it looks like we are fairly stable coming into this year as far as the rates are concerned. I think the Worker's Comp. Trust Bid is out there, I don't know where they are coming in at. The excess comp. quote won't be in until another month. Again, you had a good year because everything was under the \$700,000. The City has done a terrific job and CIRMA is very happy.

**ADJOURNMENT**

Alderman Kudej MOVED to adjourn at approximately 7:50 pm.

SECONDED by Alderman Simonetti. A voice vote was taken and the motion passed unanimously.

Respectfully Submitted,

Theresa Adcox  
Clerk, Board of Alderman