Call to Order / Pledge of Allegiance

Alderman Kudej called the Special Finance Committee meeting of the Board of Aldermen in Room 104 at City Hall to order at 5:30 p.m. All those present stood to recite the Pledge of Allegiance to the flag of the United States of America.

Roll Call

Stanley Kudej, Chairman
Alderman John F. Anglace, Jr.
Alderman Anthony Simonetti

Also, in Attendance:

Ned Miller, Starkweather & Shepley Insurance
Tom Wilson, Starkweather & Shepley Insurance

1. MINUTES FOR APPROVAL

SPECIAL FINANCE COMMITTEE MEETING – JANUARY 28, 2020

Alderman Simonetti MOVED to waive the reading and approve the following Special Finance Committee Meeting Minutes of January 28, 2020.

SECONDED by Alderman Anglace.

A voice vote was taken and the MOTION PASSED unanimously 3-0.
Minutes can be viewed on the city website: www.cityofshelton.org.

2. STEWARDSHIP REPORT BY NED MILLER

Ned Miller: Did everyone receive a copy of the Stewardship Report? We have been doing the Stewardship Report for the past 20 years and it looks back on the period that ended in July 1\textsuperscript{st}, 2019. So, it’s the 2018-2019 year we are looking at now. We are currently in the 2019-2020 year. So, we are talking about last year. One of the things that we do not cover, to get to that upfront, is the Worker’s Compensation. Worker’s Comp. is self-insured by the City for the first $700,000. Any claim for Worker’s Compensation is taken care of by the City of Shelton with the Worker’s Comp. Trust as the third-party administrator. They meet with you folks on a regular basis. We really have nothing to do with that. The only time we would ever get involved is when we are informed through the Worker’s Comp. Trust that there is a potential that a claim could exceed the $700,000 and that is when we would get involved and we would notify our insurer which in this case is Safety National. There are only a couple companies that actually write excess Worker’s Compensation. A question that usually comes up is why $700,000? It’s because that is the minimum that Safety National requires. So, you can’t get a $250,000 deductible. If you look back at your records you may have seen a deductible for around $600,000 and so forth, but today, it’s $700,000. That is the minimum. I am not sure with the renewal next year if that number jumps up to $750,000 or not. We haven’t gone over that.

Alderman Anglace: What are the parameters? How does that work?

Ned Miller: The claim is recorded to the Worker’s Comp. Trust going through Jane.

Alderman Anglace: CIRMA handles that?

Ned Miller: CIRMA is not involved at all.
Alderman Anglace: With excess?

Ned Miller: They are not involved with Worker's Comp. period. What’s happened is that if you go back to the 90’s, the premiums were really taking off. It was decided then to look into self-insurance. The City decided that they could save money if they self-insure but in order to protect...

Alderman Anglace: Self-insured the Worker's Compensation?

Ned Miller: Just the Worker's Comp. only.

Alderman Anglace: So, the excess cost insurance applies only to Worker’s Comp.?

Ned Miller: Yes, that's right. When we get in here you will see a breakdown on the Excess Worker’s Comp. It's around $150,000 a year. By the way, we are not involved in, but we do send Linda Cretella, who is the administrative assistant in our office, to handle the City of Shelton on a daily basis, things like certificates of insurance and anything along those lines, she is there and she also goes to the Safety Committee Meetings which are held periodically. They go over each claim with the Worker’s Comp. Trust to see what they can do to prevent it from happening again in the future. Were they wearing their safety glasses, did they have their steel toes on, etc.? That kind of thing. When you look at this report the last several pages are basically Worker’s Comp. claims and we can't discuss the Worker's Comp. claims because of HIPPA laws. If you asked what is this person here for $300,000? We can't discuss it. Diving back into it, what is Starkweather and Shepley doing? What we are doing is covering everything else. We are covering everything from the property to the liability to the professional liability such as the police professional, public officials, the school board liability, we have all that coverage.

Alderman Simonetti: Firemen also?
Ned Miller: Yes. John as you know, we talked about this a couple years ago, they carry their own insurance for their own equipment in each fire department. We cover the firehouse buildings, we cover the trucks, and so forth but each fire house has their own policy. When I looked at them a couple years ago it was a very good policy, the pricing was correct, and I believe you guys reimburse them John?

Alderman Anglace: Yes.

Ned Miller: We don’t have that. I don’t look at that except when John asked me to look at it a couple years ago.

Alderman Anglace: I asked Ned to do an audit and look at all the Fire Companies and we did find that some pay for it themselves and then we reimburse them a certain amount of money but what we found is that some would have a higher life insurance. There were some variances. All the policies weren’t exactly the same.

Ned Miller: They were cooperative but I can tell you they enjoy their autonomy.

Alderman Simonetti: Do you do the vehicles for the City?

Ned Miller: Yes, we have liability on all the vehicles.

Alderman Anglace: That’s under CIRMA?

Ned Miller: Everything is under CIRMA except the Excess Worker's Comp.

Alderman Anglace: But Worker's Comp. isn’t under CIRMA, we are self- insured?

Ned Miller: A couple years ago the school board had asked me to take a quick look to see if it would make sense to go back to the standard market on Worker's
Compensation and just from reviewing the rates, it was a few million dollars to start just on Worker’s Compensation based on your payrolls. That immediately ended that discussion. They said they would stick with what they had and do the self-insurance.

Alderman Anglace: What’s School Leaders E&O on page 3?

Ned Miller: That’s the professional liability for the school board.

Alderman Kudej: You insure the athletic programs?

Ned Miller: Yes, we do.

Alderman Kudej: The equipment only?

Ned Miller: We don’t do the travel accident for the students. That’s not under our purview.

Alderman Kudej: If a kid falls on the turf?

Ned Miller: Unless there was something wrong with the turf or something along those lines, we may get involved but no, that would fall under their major medical and they would have to come back and prove that we did something wrong and then show what it was that we did wrong, was there a hole in the field for example and did they fall in the hole and break their leg? So, on the liability you have a million dollars of primary coverage with a $15 million dollar umbrella on top of it. In effect, you have $16 million dollars. There are many different forms of liability. The premises and operations which we commonly refer to as Trip and Fall, there is no deductible on that. There is a deductible on the professional liability. The Police Professional has a $10,000 deductible. The School Board Liability has a $25,000 deductible. The Public Official Liability has a $10,000 deductible.
Alderman Kudej: What about a situation like with a kid who stole second base and got caught in the dirt and broke his leg and the father says he is going to sue for a million dollars because his kid had the potential of being a multi-million-dollar ball player. I know there are cases like this but I never heard what the final result is. I try to check up on them and it says still pending.

Ned Miller: Quite frankly some of these cases could pend for years. It depends on which side is holding back or not. We have had cases in from the City, maybe two a week liability cases, from potholes, to mailboxes, curbs, we get quite a few claims in. They are on a case-by-case basis, and some of them we vigorously defend. We don’t feel it’s a legitimate case and others are legitimate and they are handled appropriately. You are insured with CIRMA, I believe Jane Dowty handles all the claims that come through on that. We get a copy of the claim so we are aware of what the claim status is and then CIRMA in New Haven handles the claims. They are very good. Basically, two people are assigned to the City of Shelton. CIRMA, as you know, is just Connecticut only. They are not national or anything. They insure about 85% of municipalities. That’s what they specialize in and they do a pretty darn good job. They know it inside and out. From time to time we will check in on other carriers, back in your package you will see that one year we had it with Travelers whom also insure municipalities. It’s a very large national rider of municipalities. The one year we had Travelers the price was very good, the premium was excellent, but they do not write School Board Liability, so we had to go outside and write that on a separate basis which is okay but it takes up a lot more premium. Travelers lost it the second year because their premiums went up so much.

Alderman Anglace: That was 2012.

Ned Miller: That is correct. That’s why we went back to CIRMA. This is what CIRMA does, it’s their forte.
Alderman Anglace: If you look on Item #5 Premium and Loss History, you will see the CIRMA package premiums. They are pretty consistent.

Ned Miller: Let me just add that the Mayor is heavily involved in this. We have a couple of meetings with the Mayor during the course of the year. He is kept abreast of what’s happening in the claims. I know that in his office they are looked at before I even see them but he also knows insurance. He is involved in the negotiation of the premium. Everything in the State of Connecticut for municipalities renews on July 1st. We get involved in this in April. We look at all the locations.

Alderman Anglace: The history from 2003-2020 reflects the fact that there are three years when the losses were under a $100,000. Three years, that’s pretty good.

Ned Miller: Oh, it’s excellent. It’s very good.

Alderman Anglace: Then you can see in 2004 and 2005, when we had the fire at the high school, it was roughly $1,400,000 in losses. If you look at the premiums, that didn’t send the premiums through the ceiling. The premiums have been pretty consistent.

Ned Miller: That is correct.

Alderman Anglace: When you are talking about Item #4 on the previous page, and you are talking a dividend, that’s a CIRMA dividend?

Ned Miller: I am glad you brought that up John because that page is new this year, we never included that in the past and I thought it should be in there. The policy in year 2014 and 2015, CIRMA introduced a dividend plan on the whole thing. It doesn’t matter how good or how bad our losses are. It applies to how well CIRMA does in the state of Connecticut. So, you can have a municipality that didn’t do well over there and Shelton did absolutely great, and based on their size, premium, they
will get a dividend. So, the dividend is not the same for everyone. For example, the City of New Haven would get a higher dividend than Shelton.

Alderman Anglace: In making a decision to go with CIRMA, we took that into consideration. Their premiums were so consistent and private insurers were up and down and all over the lot. The dividend wasn’t the determining factor because the dividend is based on what the entire CIRMA coverage in Connecticut does. Nobody is going to see a spike up and down in the dividends so the dividends were incidental to the cost. The premiums are the key cost and that consistency is what drove us to go with CIRMA, to stay with them.

Ned Miller: I would just like to point out that the dividends are not guaranteed, although since they started the program you have received one. Also, the dividends are not paid until about a month after the policy renews. So, if you don’t renew with them, even though the dividend is based on the previous year, you will not get a dividend. If you are thinking should I stay or should I go, well, here is your premium and here is your dividend and it ranged from $20,000 to $42,000.

Alderman Anglace: Like I said, that wasn’t the determining factor. It’s a bonus. It pretty much covers the broker’s fees for the most part.

Ned Miller: The broker’s fee has remained the same for the last several years.

Alderman Anglace: We appreciate the fact that you have kept your broker’s fees at a consistent $53,000.

Ned Miller: Like I said, it’s not your average renewal where you do the work 60-90 days ahead of time and then it’s kind of let go for the year. We are in constant communication with the City, back and forth, it’s a two-way street. They handle the communication between the school board. I don’t hear much from the school board directly. That comes through the City Also, the City self-insures the physical
damage which is the collision comprehensive fire/theft/vandalism on all vehicles except for the buses. We have full physical damage coverage on the buses and we have it on certain fire engines, if you will, the really high value ones, so if something happens you have that coverage. If you remember several years ago, when one time we had a water truck that turned a little to hard. So, we don’t have physical damage on anything except the school buses and certain fire vehicles. The fire vehicles are an agreed value and I checked that last year with Mr. Jones, to make sure the numbers were consistent with what he thought they were worth. We also have a bond on the City, unfortunately we have used that in the past. That’s a $500,000 bond and as you know that’s a dishonesty act, that’s if someone does a dishonest act the bond comes into play. We also have insurance as far as all the buildings such as the libraries, the schools, anything that the City or the school board has, we have $340 million of blanket insurance. It’s a big cloud of coverage that can swoop down wherever it’s needed. We don’t need to worry about being underinsured in any one building. That’s done every year with a statement of values and given to CIRMA.

Alderman Anglace: Item #6, Premium History of Broker Fee, what premium is that? Because Item #5 is the Premium and Loss History of CIRMA package.

Ned Miller: This is the total premium, if you look at the last couple years, which includes our fee of $53,000.

Alderman Anglace: Premium for what, CIRMA?

Ned Miller: It’s the CIRMA, the Excess Comp. and Miller. That’s your total cost. I said Miller but it’s Starkweather Shepley. Old habits die hard. Item #6 is the total amount that you paid out.
Alderman Anglace: Let’s go through that again. Item #6, includes CIRMA premium, Excess Cost Insurance Premium, and the Broker’s Fees. Is there anything else?

Alderman Simonetti: It also includes the Shelton Dividend.

Alderman Anglace: Minus the dividend?

Ned Miller: You have to subtract the dividend.

Tom Wilson: It’s the same number as you see on #3 but totaled up for each year.

Alderman Anglace: In your opinion, is there any need for the City to have a reserve account, a rainy-day fund?

Ned Miller: Worker’s Comp.? Yes.

Alderman Anglace: For Worker’s Comp. yes, I understand the reserve and that’s set by law but I am talking about overall risk management, is it advisable for us to have a reserve fund like building into the budget a $20 million rainy day fund?

Ned Miller: On a much smaller scale you could have a little bit of a rainy-day fund because you have deductibles, they are small, they are $10,000 property deductible…

Alderman Anglace: That’s not a rainy-day fund. A rainy-day fund is a huge amount of money not to cover incidentals that aren’t covered by normal policy but it’s putting money aside and taxing people and putting money into an account and keeping it there. In 2014, the Board of Aldermen and the Mayor, made a conscious decision, we were pushing $12 million surplus, and we made a conscious decision because the state was threatening to do away with our $5 million ECS Grant. It becomes a target. So, we decided that we were going to work that surplus down, and we
started paying for one-time capital investments from surplus. So, we got it down to around $4 million and then the education fiasco came in where they handed the wrong report into the state and to us and they spent the money and we spent the money. We are down much lower than we want to be but it’s good to have a fund balance of a reasonable amount but a reserve fund of $40 million or something like that is crazy. Then everybody starts saying, “Oh, we need a new City Hall.”

Ned Miller: I understand. Like I said, the buses are all parked together, they have physical damage coverage on them so I am not pretty concerned because as you know in New York they had problems with buses and vandalism but we cover that anyway. In liability you have of one plus the $15 million, so you have $16 million. The $15 million umbrella, I asked CIRMA a few years ago what is an average umbrella in the State of Connecticut? They said they run it by population and I said we are around 41,000 and they said $15 million right off the bat. That’s kind of the lowest. You can obviously go to $20 or $25 million and by the way, the higher you go up on umbrella as you know the probability of reaching those limits becomes minute and therefore the premium is much lower. We review that every year with the Mayor’s office and he is happy with the $15 million at this point in time. That’s where you never know what could happen. Now if you look at that and look at the past history, we have never had an issue.

Alderman Anglace: If you look at the past history what has been our largest claim?

Ned Miller: Property-wise would be the Shelton High School fire which really wasn’t our fault. We did subrogation. We got some of it back but not all because it wasn’t extensive, the guy didn’t have that kind of insurance, and the other thing was, and if you back, it was Worker’s Compensation.

Alderman Anglace: The extent of that fire was about $1.2 million?

Ned Miller: It netted out to be that John but it was over $5 million.
Alderman Anglace: It was over $5 million?

Ned Miller: It was over $5 million but you only see that number because we subrogated and got...

Alderman Anglace: We subrogated and the Excess Policy kicked in? We spent about a million on the sprinkler system up there.

Ned Miller: Yes. It didn’t have sprinklers at the time, but again it happened in a room where the smoke damage regardless of the sprinkler was going to be extensive anyway. As you recall that was in an enclosed room where it just so happened all the ventilating shafts came through there so the smoke went in there and dispersed about the school. I believe they cleaned something like six miles of duct work. I believe we had something like 130 meetings, if you recall. Yes, that was the largest loss. The other big loss that we had a few years ago was the snow plow hit that woman and she was injured.

Alderman Anglace: So, you wouldn’t recommend a reserve fund?

Ned Miller: You probably noticed two police professional liability claims going in now. That will probably be a $10,000 deductible. You are talking a lot higher numbers than we are. We are talking $10,000 to $20,000 deductibles and you don’t have that many of them. The liability loss that we see covers from the first dollar for most of them like the pothole stuff. We always have to set up a file. CIRMA has to set up a file. There is a cost involved with this so we still incur claim expenses even though we may deny the claim. The City of Shelton has been profitable for CIRMA. I think CIRMA has been pretty good on holding down the prices for the City.

Alderman Anglace: This report doesn’t contain any recommendations per se.
Ned Miller: No, the comment I made at the last meeting, one of the last things we discussed was just keeping an eye on what we are doing with the aircraft, the drones. Are we doing anything with drones because we have to know about it and we have to adjust the policy appropriately because drones do fall and things do happen and you have to be properly licensed and trained and I know the police department and other people in the City is considering this, keep in mind, if anyone in the City is going to start using drones please keep in mind to call Starkweather to find out about the coverage and what is required. Not everybody can just go up there and fly a drone. Thank you for letting us come in.

Alderman Simonetti: We appreciate it.

**ADJOURNMENT**

Alderman Simonetti MOVED to adjourn; SECONDED by Alderman Anglace. A voice vote was taken and the motion passed unanimously.

The meeting adjourned at approximately 6:10 p.m.

Respectfully submitted,

*Theresa Adcox*

Theresa Adcox, Clerk
Board of Aldermen