

CLAIMS COMMITTEE

Regular meeting of the Claims Committee was held on Monday, November 5, 2007.

The meeting was called to order in the Conference Room, third floor, City Hall, Cranston, Rhode Island, at 5:35 P.M. by the Chair.

Present: Councilman Anthony J. Lupino, Chair
Councilman John E. Lanni, Jr., Vice-Chair (appeared at 6:00 P.M.)
Councilman Richard D. Santamaria, Jr.
Councilman Emilio L. Navarro
Councilman Jeffrey P. Barone

Also Present: Councilman Terence Livingston
Vito Sciolto, City Solicitor
Charles Garganese, Jr., Assistant City Solicitor
Ernest Carlucci, Director of Administration
Frank Migliorelli, Deputy Director of Administration
Corsino Delgado, Director of Finance
Steve Woerner, City Council Internal Auditor
Anna Marino, Claims Examiner
Rosalba Zanni, Assistant City Clerk/Clerk of Committees

On motion by Councilman Navarro, seconded by Councilman Santamaria, it was voted to go into Executive Session. Motion passed unanimously.

The meeting went into Executive Session at 5:35 P.M.

Present in Executive Session: Councilmen Lupino, Santamaria, Navarro; Charles Garganese, Jr., Assistant City Solicitor; Anna Marino, Claims Examiner; Rosalba Zanni, Assistant City Clerk/Clerk of Committees.

The meeting came out of Executive Session at 6:00 P.M.

On motion by Councilman Santamaria, seconded by Councilman Navarro, it was voted to come out of Executive Session. Motion passed unanimously.

On motion by Councilman Santamaria, seconded by Councilman Navarro, it was voted to seal the minutes of the Executive Session. Motion passed unanimously.

The meeting moved into the Council Chambers for Public Session.

Presentation by RI Inter-Local Risk Management Trust

Chair stated that the Claims Committee has been meeting throughout the year to discuss the possibility of the City joining the Trust. He introduced Colleen Bodziony and Ian Ridlon, from the Trust.

Colleen Bodziony, Membership Services Manager, appeared to speak and presented a packet to the Committee members. She stated that the quote letter in the packet is with a range. You can choose various deductible levels.

Ms. Bodziony gave the following overview:
Property/Liability Pool

- Property at Replacement Cost – not to exceed \$100,000,000 per occurrence. Ms. Bodziony stated that right now, the City’s property and replacement is approximately \$77,000,000 to \$78,000,000, excluding the school property.
- Equipment Breakdown Coverage (boiler and machinery) - \$30,000,000 per occurrence.
- Crime and Employee Dishonesty - \$200,000 per occurrence. This is for theft and bonding coverage within the City.
- Auto Physical Damage – actual cash value.
- General Liability – basic coverage is \$1 million per occurrence. This is for such items as sexual harassment claims.
- Public Officials’ Liability - \$1 million, subject to \$1 million aggregate.
- Police Professional Liability - \$1 million per occurrence. This is for such items as false arrest.
- Auto Liability - \$1 million per occurrence.
- Medical Service Providers’ Liability - \$1 million per occurrence.
- Employee Benefit Liability - \$1 million per occurrence with a \$1 million aggregate.

Ms. Bodziony addressed the “Trust’s Basic Per Occurrence Coverage Chart” and stated that as to Liability, if there is a \$1 million claim, the City would pay a deductible of \$2,500 and the maximum the Trust would pay out is \$500,000 and the balance is paid out by NLC Mutual Insurance Company, of up to \$5 million. As to the Uninsured Motorist Liability, the Trust would pay out up to \$1 million.

Ms. Bodziony stated that The Trust’s loss prevention people have looked at all the City buildings and they have come up with a number of recommendations and the report that came back is the buildings are in very good shape.

Ms. Bodziony addressed the “Trust Proposal Conditions” and stated that before the Trust takes on the coverage, if the City decides to join, the following is required:

- Completion of an on-site physical inspection of the City’s facilities and critical problems detected corrected before coverage takes effect.
- Verification of the inventory of property.
- Verification of the inventory of automobiles and equipment.
- Liability policy does not provide coverage for Police Reserves or Special Police Officers who meets the policy definition.
- Detailed listing of all boards, commissions and departments.
- Report of any material changes in budget expenditures.
- Review of City’s Sexual Harassment Policy.
- Review of City’s Drug and Alcohol Policy.
- Trust will commit to a confidential Law Enforcement liability assessment.

Ms. Bodziony stated that as far as the deductible, if the City chooses a \$300,000 deductible, you would need to still have funding available for the \$300,000 deductible. Looking at the claims the City is paying out at this time, the City pays approximately \$97,000 to \$98,000 in insurance. The City also pays approximately \$300,000 in claims. The City pays \$470,000 to \$475,000 a year for claims, defense and insurance policies. This does not take into account a catastrophic that may occur.

Ms. Bodziony addressed some of the “Special Benefits of Trust Membership”:

- Drug and Alcohol Consortium.
- Access to the Firearms Training Simulator.
- Risk Management Scholarship Program of up to \$2,000.
- Safety Enhancement Grant Program.
- Model Policies and Procedures.
- Comprehensive Liability Policy and Experienced Defense of Claims.
- Highly Specialized and Customized Loss Prevention.

Ms. Bodziony addressed the “Trust Membership Participation Agreement”:

- Contract signed by all participating Members of the Trust.
- No entry fee capitalization charge for membership.
- Member must provide two months notice of intent to not renew coverage for next policy year.
- Exit capitalization provision if and when a Member elects to withdraw from participation.

Chair asked that if any Committee members have any questions, it be restricted to one question each, due to time constraint and if there are any other questions, they be submitted to him and he will forward them to the representatives from the Trust.

Councilman Barone questioned if the Council was sued, would the attorney for the Trust defend that case. Ms. Bodziony stated, yes. Councilman Barone asked if this would eliminate the need for outside counsel for the City. **Ian Ridlon**, Legal Counsel for the Trust, stated that the Trust has counsel that it appoints. To a great degree, it would eliminate that need. For all covered portions of claims, the Trust's legal counsel would handle the case.

Councilman Santamaria asked if errors and omissions is included in the "Public Officials Liability". Ms. Bodziony stated, no. Mr. Ridlon stated that types of things "Public Officials Liability" would cover is such cases where, as an example, the Zoning Board of Review makes a decision and that was appealed. This would be covered. He stated that he will provide the Committee members with a copy of the entire policy regarding this coverage.

Councilman Livingston stated that taking the figures Ms. Bodziony provided, if the City went with the Trust, the City would pay approximately \$6.3 million over six years and if the City stayed with the procedure in place now, it would pay \$2.8 million over six years. We would only be joining the Trust for catastrophic loss.

Mr. Woerner stated that looking at the chart provided by Ms. Bodziony, the \$2,500 deductible is per occurrence. He asked if the \$100,000 deductible is also per occurrence. Ms. Bodziony stated, yes.

Chair asked who would be responsible for monitoring the deductible Ms. Bodziony stated that the adjuster from the Trust would be monitoring the deductible, but would be working closely with an employee of the City.

Ms. Bodziony stated that in looking at the policies in place now, there is one policy that expires December 1, 2007 for property insurance. Chair asked Administration why the policies do not run fiscal year. He asked that the Administration, for the future, look into this. Ms. Bodziony stated that the reason the policy expires December 1st could be that it was purchased on December 1st.

Chair addressed the catastrophic loss issue. He stated that Cranston High School East had a mercury spill a few months ago, which could have been more catastrophic, and the Trust handled the matter.

Chair asked Solicitor Sciolto to guide the Committee of what the next step should be if the City is interested in joining the Trust, whether an Ordinance is needed or another meeting is needed. Solicitor Sciolto stated that this calls for at least a discussion with the Administration before it goes to the full Council. He will speak to the Administration and if another meeting is requested, he will notify the Chair.

Councilman Navarro asked that the Administration state to the Committee how it feels about implementing the Trust and also the Director of Finance address the feasibility. Mr. Carlucci stated that the Administration will review what was presented this evening. It would be premature, at this time, to state the position of the Administration regarding joining the Trust.

Councilman Barone questioned if there needs to be a bidding process, if the City decides to join the Trust. Ms. Bodziony stated that, based on legislation, you are not required to go out to bid, but you could if you wanted to.

Councilman Livingston stated that he looks at this as a beginning point. He has a lot of questions, not just from the Trust, but from the Administration. He feels that there should be more discussion regarding this.

Chair stated that with the budget being developed, timing is a factor. He pointed out that 33 of the 39 cities and towns and 30 of the 36 school districts are members of the Trust.

The meeting adjourned at 7:10 P.M.

Respectfully submitted,

Rosalba Zanni
Assistant City Clerk/Clerk of Committees