

**COUNTY ROAD ASSOCIATION SELF-INSURANCE FUND  
THIRTY-SECOND ANNUAL MEETING  
WEDNESDAY, SEPTEMBER 8, 2010  
SHANTY CREEK RESORTS, BELLAIRE, MI**

The 32<sup>nd</sup> annual meeting of the County Road Association Self-Insurance Fund was held on Wednesday, September 8, 2010, at the Shanty Creek Resorts, Bellaire, Michigan. Chair Don Spray called the meeting to order at 1:30 p.m. with 53 of 74 member counties being represented to constitute a quorum.

**Welcome & Pledge of Allegiance to the Flag**

Chair Spray welcomed those present and lead the audience in reciting the pledge of allegiance to the flag.

**Introduction of CRASIF Board of Trustees & Staff**

Chair Spray introduced himself and the rest of the CRASIF Board of Trustees and staff, as well as the new interim administrator, who will replace Administrator Rabourn upon his retirement at the end of the year.

Trustees:

Don Spray (Cheboygan) (Chair)	Joyce Kuipers (Mecosta) (Vice-Chair)
Janet Aemisegger (Hillsdale)	Mary Herman (Marquette)
John Hunt (Huron)	Dale Linton (Montcalm)
Bob Ottenhoff (Luce)	Steve Stocking (Clare)
John Strauss (Kent)	

Staff:

D. Mack Rabourn	Administrator
Jim deSpelder	Interim Administrator
Dale Ruttan	Finance & Services Officer & Treasurer
Robert Greenwood	CRASIF's Upper Peninsula\Northern Lower Peninsula liaison

**MINUTES APPROVED**

Minutes of the 31<sup>st</sup> annual meeting held September 9, 2009, at Boyne Mountain Resort, Boyne Falls, Michigan, were previously mailed to all members. The chair asked the members if there were any additions, deletions or corrections. Hearing none, the chair asked for a motion that the minutes be approved. It was moved by Richard Carsen (Alcona), seconded by Bob Powers (Cass), that the minutes be approved as mailed. Motion carried.

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**Department of Labor & Economic Growth, Workers' Compensation Agency Report**

Administrator Mack Rabourn reported Jack Nolish, Director of the Department of Labor & Economic Growth, Workers' Compensation Agency, sent his regrets that he could not attend this year's annual meeting due to economic reasons and staff shortages. CRASIF is one of 37 self-insurance groups that the department monitors and CRASIF is ranked in the top 3 in Michigan in the workers' compensation field per Mr. Nolish.

**Safety National - Excess Insurance Carrier's Report**

Administrator Rabourn next introduced and welcomed Phyllis Benoist, Vice President of Business Development, for Safety National, St. Louis, Missouri. Safety National has been CRASIF's excess insurance carrier for 13 years and CRASIF has had an excellent working relationship with them.

Mrs. Benoist related some of the company's history. Safety National was founded in 1942 and is the largest continuous excess insurance writer in the nation, holding a 25% market share. They are rated A Excellent by A.M. Best. They write for 276 groups, the majority of them public entities. Long term relationships help keep premiums smooth and make a predictable, solid steady market, which helps the members to know approximately what their premiums will be each year. Mrs. Benoist stated that CRASIF's focus on safety is a very important factor in helping to control their excess insurance premium costs.

In closing, Mrs. Benoist thanked Administrator Rabourn for the good working relationship they've had over the years and wished him well in his upcoming retirement.

**Nominating Committee Report & Election Process**

Chair Spray introduced Dorothy Pohl, CRASIF Nominating Committee Chair and the Ionia County Road Commission Managing Director. Mrs. Pohl introduced the other Nominating Committee members, Burt Thompson (Antrim), representing the northern lower peninsula and Bernard Lund (Schoolcraft) representing the upper peninsula. She serves as the southern lower peninsula representative on the committee. Alan Cooper (Wexford) filled in for Mr. Thompson who was tied up in the CRAM Board meeting.

Mrs. Pohl proceeded to explain the election process by stating that a total of three board of trustee positions are to be filled this year for three year terms. All of the geographical

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requirements of the by-laws have been met. Thus, the top three vote getters will be awarded three year, “at large” terms.

Mrs. Pohl introduced the slate of four candidates as follows:

1. Joyce Kuipers (Managing Director), Mecosta County (incumbent)
2. John Hunt (Commissioner), Huron County (incumbent)
3. Frederick Chapman (Commissioner), Ionia County
4. Douglas Rabidoux, (Commissioner) Mason County

Trustee Janet Aemisegger did not seek re-election to the board, due to other commitments.

Nominating Committee Chair Pohl proceeded to invite nominations from the floor three times as required. There being no further nominations, the committee chair declared that the nominations be closed.

Mrs. Pohl instructed the voting delegates to cast their ballots for three trustees. The Nominating Committee collected the ballots for tabulating, with the results to be announced later in the meeting.

**CRASIF Investment Report by Fifth Third Bank-Trust & Financial Management Division**

Chair Spray introduced Derek Rummel, CFA, Fifth Third Bank, Vice President/Wealth Portfolio Manager, and Kathleen Warren, Fifth Third Bank, Assistant Vice President/Senior Relationship Manager, who manage CRASIF’s investment portfolio.

Mr. Rummel reported that CRASIF had a fairly solid investment year (2009-2010), which was surprising given the volatility of the market. The state requires a conservative investment management style for CRASIF’s portfolio totaling \$32 million. Thus, 90% of the portfolio is in bonds versus stocks, with the majority of the investments having to be in treasuries and agency securities. Mr. Rummel stated that the “flash crash” in May was unexplainable even to the experts and this caused long time investors to move towards safer, more secure investments.

This past fiscal year, the value added to CRASIF’s fixed income portfolio was about \$1.7 million with managed investment returns of 2.32%, 6.25% and 7.80% for the core, intermediate and long term portfolios respectively. The demand for bonds has pushed the value/rate of return on bonds up. Mr. Rummel noted that interest rates on bonds are now so low, that when the bonds mature and are re-invested, they will be invested at a much lower rate.

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Mr. Rummel said the first nine months of the fiscal year, the rate of return on equities was pretty good. However, the last 3 months took a hit due for several different reasons—the Goldman-Sachs market situation, the BP oil spill, the “flash crash”, the debt prices in Europe, etc. CRASIF’s equity portfolio, which is only about 10% of the total portfolio, yielded 14.5%. The value added equaled \$383,836. Since 4/01/2006, the date of inception of the equity portfolio, the overall return was a negative 4.3% so there’s still some ground to gain back. Mr. Rummel did point out though that when the \$383,836 equity return over the last fiscal year is added to the \$1.7 million bond return that equates to a \$2.1 million of total added value for the fiscal year, which is very good.

Mr. Rummel made the following observations and considerations. The continued low interest rate environment will result in lower interest income in the upcoming years. Treasury yields are in a “bubble” mode. A moderate uptick in interest rates could negatively affect investment performance. There will be a need for initial monitoring of the Vanguard Selected Value Fund, the fund that replaced a Fifth Third fund that was not keeping pace. Fifth Third will continue to watch for opportunities to add small incremental amounts to the equity portfolio.

In conclusion, Mr. Rummel stated that we have just experienced the worst market in human history. For 10 years in a row, stock returns have been bad. We have just left a decade with a negative 0.5% rate of return. History would reflect that this might be the time to move more into equities to take advantage of the down turn.

Mr. Rummel thanked the board for their business and the opportunity to speak to the members.

**CRASIF Audit Report & Recommendations by Plante & Moran**

Upon introduction, Mr. Kevin Krause, CPA & Partner of Plante & Moran, Certified Public Accountants, presented the CRASIF audit report for fiscal year ending 6/30/10. Just prior to this meeting, Mr. Krause met with the Board of Trustees to review the formal audit requirements and communications and the board approved the audit report. He stated that the key reason for being in a self-insured pool is financial stability and consistency in the financial numbers so members don’t meet with any surprises. CRASIF’s financial numbers meet this criteria.

Mr. Krause noted that the audit was performed in accordance with the generally accepted audit standards and they have rendered a clean audit opinion—an unqualified opinion, the highest level of opinion, that can be attained from a CPA firm.

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Mr. Krause briefly reviewed and explained the audit report as summarized in his hand-out. He said CRASIF's equity base remained strong and consistent. As of 6/30/2010, the total asset base is \$32.1 million, up about 1% from last year. Members' equity ended up about \$24.6 million, up about \$300,000 or 1.2%. Mr. Krause commented that about six years ago, CRASIF started giving premium reductions, which are also cash distributions, just handled in a different manner. Total cash distributions to date have been \$50,605,000 and premium reductions have been a total \$17,287,000, therefore, over \$67 million has been returned to members since the inception of the fund. Through 2005, CRASIF has been able to return about 61 cents on the dollar of the initial member contributions into the fund.

Mr. Krause reviewed CRASIF's loss ratios. Loss ratios are determined by dividing the total paid claims and reserves by total member contributions. The loss ratio for the past year will end up about 55.3%. Since inception of the program, the average claims pay-out has been around 52.2%.

The past fiscal year went very well, as did the audit process. This concluded Mr. Krause's presentation and he thanked the board for their business.

**Alternative Risk Services Ltd. Report**

Fred Holland with Alternative Risk Services, CRASIF's insurance broker, presented his report next. CRASIF strives to keep its pure cost of services and costs of reinsurance stabilized so they can stabilize those costs back to the members. Excess workers' comp insurance is a crucial part of the overall workers' comp insurance program. The policy is designed to protect the fund's financial assets by providing reinsurance, above the self-insured retention, for catastrophic losses.

The board looks at three or four key items in the selection of an excess insurance carrier— the financial strength of the insurance company, the experience and expertise of the underwriting of the insurance company, the added value services that the company offers and their competitive pricing. As of July 1, 2010, Safety National has once again been selected as CRASIF's excess insurance carrier for 2010-2011.

Mr. Holland thanked the board for allowing him to be a part of the annual meeting presentations this date.

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**The ASU Group Report**

Chair Spray next introduced Chad Johnson, Account Executive, with The ASU Group in Okemos, Michigan. Mr. Johnson recently replaced Brad Rutgers, ASU Director of Risk Management. Mr. Johnson said he has been with ASU for 10 years and has worked on the CRASIF account for the last 7 years. ASU has been CRASIF's third party administrator handling their claims administration for the last 14 years.

Mr. Johnson went on to update the members on some of the details of the outcome of the CRASIF program for the past fiscal year. He presented a brief power point presentation on some historical statistics of interest to those present. CRASIF's claim count has gone from 786 down to 577, the lowest in the last five years. There were 469 medical only claims and 108 indemnity claims (lost time claims). In the last five years, the indemnity claims have run between 18-21% of total claim count, which is a little better than the industry averages. The total claim costs incurred for the last five years have been fairly consistent. For the WC2009 year, the costs totaled \$2,596,635. CRASIF is a large group covering over 3,000 employees.

Mr. Johnson advised that the average total incurred cost for medical only claims for WC2009 was \$466. For indemnity claims, the average total incurred cost for the last fiscal year was \$9,536.

Mr. Johnson thanked Administrator Rabourn for treating him with kindness and for his help in his personal development since he has been with ASU. He said ASU also greatly appreciates their relationship with CRASIF. This concluded his report.

**Treasurer's Report for Year Ending June 30, 2010**

Treasurer Dale Ruttan spoke briefly to the members and reminded them that they need to watch for the quarterly online reminder to get their premium statements off the CRASIF website and to send their payments at least 5 days in advance of the due date so the payment is received in a timely fashion in the lock box. The lock box collection of payments is working well, but there's still a few counties that are tardy with their quarterly payments. He also reminded the members that their quarterly loss runs are also available online each month. This concluded Mr. Ruttan's report.

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**Administrator's Report**

Chair Spray introduced CRASIF Administrator Mack Rabourn to give his presentation. Mr. Rabourn refreshed everyone's memory on some of the history of the creation of CRASIF. The fund was started with 34 counties putting up \$2,000 each for "seed money". Counties, such as Cass County, couldn't buy workers' comp coverage back then. Muskegon County, his county, could afford to buy the coverage, but they couldn't get accountability from the agent and provider to let them know where they were at on their claim files.

Mr. Rabourn said from day one, CRASIF promised to give its members a cost effective, people caring program, and pledged to partner to manage each members' risk. The team efforts of the members and the Board of Trustees have helped make the CRASIF program a huge success.

Mr. Rabourn said he's completing 46 years of road commission activities and he's still not ready to retire. However, due to health issues and the needs of the program, CRASIF needs to move forward with a renewed vision of rendering to the members a good effective, people caring program.

Administrator Rabourn acknowledged that CRASIF's new interim administrator is on board and he introduced him. He is a very successful administrator and has worked with self-insurance programs before. He is a well seasoned team leader in managing claims administration, litigation and risk control. He is a developer and innovator of loss control incentives and programs, such as early return to work. Mr. Rabourn said he feels very comfortable turning the administration of the organization over to someone so capable and well qualified. He commented that Mr. deSpelder is an attorney also and CRASIF will definitely capitalize on that benefit.

Administator Rabourn noted that he's been a part of the CRASIF family for a long time now and he will miss that. He'll be around for awhile though. He thanked the chair and concluded his presentation.

**Combined Services Committee Report**

Trustee Steve Stocking updated the members on the activities of the Combined Services Committee, comprised of members from CRAM, MCRCSIP and CRASIF. Back in 2008, CRASIF and MCRCSIP started looking at how loss control visits could be combined for better efficiency and that is currently being done.

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Having taken this step, it was decided that a committee should be formed of members from each pool to continue developing ideas. This committee came to be known as the “Combined Services Exploration Committee” and its purpose is to “study the feasibility of combining certain services”. The fundamental goal of the committee is to provide improved service at a reasonable, if not reduced, cost and to avoid creating a large bureaucracy.

In the fall of 2009, most of the councils passed resolutions supporting combining services and they asked that CRAM “be thrown into the mix” so that brought all three organizations together since they have a common customer, the road commission members. Fred Haring, MCRCSIP administrator, met with the state insurance commission regulatory agencies to see what functions could not, or should not, be combined. It was learned that the governing boards cannot be combined and the different insurance funds cannot be combined. Those issues won’t be addressed, because they can’t be.

The first area where steps have been taken to combine some services is in the loss control services area. Loss control visits are being coordinated and both pools are participating in the spring safety seminars and at other meetings where applicable. MCRCSIP is publishing the CRASIF newsletter in their newsletter, The Pool Cue.

Mr. Stocking reported that there are 17 people employed by the three organizations. The feasibility of sharing the common staff people and the feasibility of combining administrative services will be researched. The concept of CRAM becoming a business association and contracting services to the pools is one means to this end. The Michigan Municipal League has a program similar to this.

All three organizations have a fiduciary responsibility to act in the best interest of their respective boards, as well as the road commissions they serve. More input and support from the member road commissions will be sought to determine what services can be combined.

Before concluding his presentation, Mr. Stocking introduced the members of the Combined Services Committee and thanked them for their participation.

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**Awards Presentations**

At this time, Chair Spray called for Vice-Chairman Joyce Kuipers to assist him and the administrator in presenting some awards to the members. Administrator Rabourn presented the Montmorency County Road Commission a special certificate of recognition for the following, the first such accomplishment in the history of CRASIF:

**Ten Consecutive Years With No Lost Time Claims**

**Montmorency County Road Commission**

Vice-Chair Kuipers and Administrator Rabourn presented plaques in recognition of 32 counties with “No Lost Time” claims for the past fiscal year. The following counties received plaques:

**No “Lost Time” Claims**

- |                    |                  |
|--------------------|------------------|
| 1. Alcona          | 17. Gratiot      |
| 2. Alpena          | 18. Iosco        |
| 3. Antrim          | 19. Iron         |
| 4. Arenac          | 20. Isabella     |
| 5. Barry           | 21. Keweenaw     |
| 6. Branch          | 22. Leelanau     |
| 7. Charlevoix      | 23. Livingston   |
| 8. Cheboygan       | 24. Luce         |
| 9. Clare           | 25. Montcalm     |
| 10. Clinton        | 26. Montmorency  |
| 11. Crawford       | 27. Newaygo      |
| 12. Dickinson      | 28. Osceola      |
| 13. Eaton          | 29. Presque Isle |
| 14. Emmet          | 30. Schoolcraft  |
| 15. Gladwin        | 31. Shiawassee   |
| 16. Grand Traverse | 32. Wexford      |

**Lowest Experience Modification Factor for Year Ending 6/30/2010**

Emmet County Road Commission	0.738
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The CRASIF Board of Trustees congratulated each and every recipient of the awards and for their accomplishments.

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**Trustee Election Results Announced**

Having tabulated the 50 ballots cast, Nominating Committee Chair Dorothy Pohl announced the following results of the election for the CRASIF Board of Trustees.

<u>Name</u>	<u>County</u>	<u>Association</u>	<u>Term</u>
1. Joyce Kuipers	Mecosta	At Large	3 year term
2. John Hunt	Huron	At Large	3 year term
3. Frederick Chapman	Ionia	At Large	3 year term

**Nominating Committee Report Accepted/Ballots Destroyed**

It was moved and seconded that the Nominating Committee report be accepted and placed on file and that the ballots be destroyed. Carried.

Chair Spray thanked the Nominating Committee for their assistance with the election.

**Old Business**

There was no old business.

**New Business**

There was no new business.

**Meeting Adjourned – 2:45 p.m.**

There being no further business, Richard Carsen (Alcona) moved and it was seconded that the meeting be adjourned at 2:45 p.m. Motion carried.

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Don Spray, Chair

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Janet Aemisegger, Secretary