



MINUTES

LOSS TRUST FUND BOARD MEETING

City Attorney Conference Room and Via Teams
3939 N. Drinkwater Blvd.
Scottsdale, Arizona 85251

December 3, 2025
5:00 p.m.

PRESENT: Jacob (Jake) Seltzer, Chair
Austin Brooker, Vice-Chair (via MS Teams)
Allan Smith, Board Member
Tami Smith, Board Member

ABSENT: Brian Pittluck, Board Member

STAFF: George Woods, Risk Management Director
Denise Plug, Contracts Coordinator Safety and Risk Management
Lori Davis, Chief Deputy City Attorney

GUESTS: Adam Hirsch, Principal at Oliver Wyman

CALL TO ORDER

Chair Seltzer called the meeting of the Loss Trust Fund Board to order at 5:08 p.m.

ROLL CALL

A formal roll call confirmed the presence of Board Members as stated above.

OLD BUSINESS

1. Approval of the Minutes of Public Meeting conducted on May 7, 2025

Chair Seltzer noted the "\$" symbol should be removed before the "13.83 percent".

BOARD MEMBER ALLAN SMITH MOVED TO APPROVE THE MAY 7, 2025, PUBLIC MEETING MINUTES AS AMENDED. VICE-CHAIRMAN BROOKER SECONDED THE MOTION, WHICH CARRIED FOUR (4) TO ZERO (0). CHAIR SELTZER, VICE-CHAIR BROOKER, AND BOARD MEMBERS ALLAN SMITH AND TAMI SMITH VOTED IN THE AFFIRMATIVE. THERE WERE NO DISSENTING VOTES.

NEW BUSINESS

1. Presentation and Discussion on Actuary Study by Oliver Wyman

Adam Hirsch, Senior Principal at Oliver Wyman, presented and discussed the actuary study by Oliver Wyman. Mr. Hirsch reminded the Board that this report captures the investment of liability as of June 3, 2025.

As of June 30, 2024, considering everything known, the reserve would be used to pay off expenses showing incremental increases and a projected estimate of \$20.6 million for June 30, 2025. The actuarial report shows the estimated unpaid losses at \$20.3 million, a \$2 million increase over last year, but a \$300,000 decrease from anticipated projections. There are a variety of reasons a larger expense was estimated than what is being paid, creating an imbalance. A slide was shared with a graph using a red line that represents the 2024 projections and a green line that represents the actuarial increase. Overall, an increase is projected over time, but it was pulled back based on a review of the last 12 months of claims information.

Mr. Hirsch clarified actuarial estimates are projected out several years. There is an added benefit of reviewing the prior 12 months of claims data to obtain information on how each claim closed out, along with additional information available for comparison to prior years. Such information is used to update estimates

Mr. Woods commented on the graph, noting the past 12 months of claims data indicates the City is doing better than anticipated in terms of claim development from a financial standpoint. If reserve practices or claims severity were negative, the green line would be above the red. Mr. Hirsch agreed with Mr. Woods' analogy, noting a variety of factors.

Mr. Hirsch continued the presentation, discussing the phrases loss and allocated loss adjustment expenses that are allocated to individual claims, often thought of as legal costs. ULAE (unallocated loss adjustment expenses) are not assigned to a specific claim, and are thought of as the aggregate claims handling fee the City pays for adjustments. The ULAE concept is excluded from most analysis and uses a separate calculation that was not part of the graph.

A second slide displaying the incurred basis with a level of paid payments was shared. The incurred development, or incremental payments, refers to only the incremental changes captured. "Retain" refers to the amount the City is responsible for per occurrence. Volatility is anticipated year over year, but it is recommended to compare the bold total row figures. The incurred development that was actually paid was an average of \$6 to \$7 million. Unfortunately, it was not the anticipated big jump due to changes in case reserving practices. Although the \$6.2 million incurred and the \$6 million paid are not at the projected increase, they are also not outside the range of what the City is used to seeing, and they are stable.

In response to Board Member A. Smith's question, Mr. Hirsch cited the four figures on the slide and stated the analysis shows that the City reached a steady reserving practice after a dramatic swing from year end 2022 and year end 2023. There is more stability in claims reserving, allowing them to be projected out and resulting in a steady level of incurred claims. Mr. Hirsch continued the presentation with a slide containing a coverage table in dollars.

The first row estimated ultimate loss or loss projection based on the occurrence date, meaning the reserve would only contemplate accidents that occurred between July 1, 2023, and June 30, 2025, regardless of when they were reported. He reviewed the processes and calculations using the estimate for the next 12 months and payments made, noting that all claims' data is reviewed and compared to the previous year.

In response to Board Member A. Smith's inquiry into the exposure driven or social inflation adjustments, Mr. Hirsch remarked that both play a role along with exposure growth in liability coverage and potentially workers' compensation.

As of the accounting date of June 30, 2025, the central estimate is \$20.3 million, which looks out several years, taking into consideration discounted estimate and a higher confidence level estimate. The undiscounted central estimate refers to an exact dollar amount that is expected to be paid and not reducing the impact on any investment. Central estimate refers to an estimate that could be too high or too low without being intentionally conservative or aggressive but trying to conceptually find the midpoint.

Mr. Hirsch discussed the processes for calculating the assumptions and losses over five years. Discussion ensued regarding the overview of discounted losses and confidence levels.

In response to Board Member A. Smith's question of where the central estimate would be relative to a confidence level of 75 percent, Mr. Hirsch advised him that a central estimate for coverage with frequency and claims to acquire a reasonable estimate land around the 55th percentile. Board Member A. Smith noted the Board can rest assured they are being 20 percent more conservative in creating funding mechanisms that satisfy the development of claims anticipated. Mr. Hirsch discussed how 4 percent came to be the set discount rate for the City. Board Member A. Smith asked where the fund sits now. Mr. Woods advised it is between \$26.5 and \$28 million, with an 80 percent confidence level. It is anticipated that the fund will increase by \$1.5 million during the budgeting process.

Mr. Hirsch summarized the highlights from this presentation, noting the discount level brings the projection down, and the confidence level brings it back up.

In response to Chair Seltzer's question, Mr. Hirsch discussed the actuarial process and said there is the expectation that the reserve will increase year over year. However, each year it is a ballpark estimate of the expense for occurrences that will be paid over time relative to what is being paid from the past. Mr. Woods added that as more data becomes available in the future, the estimate and actual payout will become closer. Mr. Hirsch discussed the impact of exposure growth over time and the severity trend, including social inflation.

Mr. Woods discussed using a performance indicator along with changes to the distance between exposure and payments, using safety initiatives, loss prevention, claim reductions, and severity reductions, among other things. Mr. Hirsch cautioned staff regarding implementing metrics such as payments made, adding that they should use caution when reacting to the actual estimates along with lower levels of incurred development and payments.

Board Member A. Smith clarified that the Board would like to determine the effectiveness of claims' mitigation or negotiating settlement values. What can be gleaned from the raw

data can provide insight into the effectiveness of those elements. Mr. Hirsch provided an overview using workers' compensation claim counts as an example. The key takeaway was to compare the same data at the same maturity point. Board Member A. Smith suggested a relativity such as "versus number of employees" as a basis of comparison. Mr. Hirsch noted the number of claims per million dollars in payroll comparison, stating this is a good metric. A discussion ensued.

Board Member A. Smith inquired about the graph related to severity on a per claim basis. Mr. Hirsch explained that claims are limited to \$250,000 and can be more volatile than the frequency comparison. The severity increase is based on the cost of things increasing each year, and the frequency metric remains flat. There is a clear upward graph, although it does not increase every year.

Mr. Woods discussed impacts on workers' compensation that cannot be controlled by the City. Ms. Plug explained the legislative changes for screening and treating firefighters for cancer. A discussion ensued related to continued legislative opinions to include the Police Department as well.

In response to Board Member A. Smith's inquiry into comparative data on growth of claim severity industry-wide, a discussion ensued with Mr. Woods noting that a benchmarking study is available from the Safety National performance benchmarking that compares public safety claim data nationwide. With feedback from the Board and confirmation from Mr. Woods, the benchmarking report will be conducted annually.

In response to Chair Seltzer's question, Mr. Hirsch explained the \$20 million for the reserve is different depending on whether the confidence level or discount level is used. With a \$1 million workers compensation retention and \$2 million retention for general and auto liability, there is significant exposure from a \$1 or \$2 million liability claim. This refers to the retention level which the City purchases insurance.

Vice-Chair Brooker inquired whether it is possible for a mid-year adjustment process to recalibrate the forecast. Board Member A. Smith inquired how the information would be used. A discussion ensued where Mr. Woods discussed budgetary impacts and the ability to provide a mid-year financial health of the fund report.

Chair Seltzer gave Board members an opportunity to further discuss the presentation. Board Member A. Smith explained the questions asked by Mr. Hirsch were to show how well funded the City is proportionate to what is extracted, as well as identify the activity of things Mr. Woods and others are doing.

Chair Seltzer inquired about a metric that compares real-time to estimates. A discussion ensued regarding the benchmarking study. At the conclusion of the discussion, Vice-Chair Brooker reiterated his statement regarding a mid-year report that could influence planning and funding. Understanding the actuary study falls in line with the budgeting process. Receiving the benchmarking study mid-year would be useful in determining if anything can be done differently.

2. OPEN CALL TO THE PUBLIC

No members of the public were present.

ADJOURNMENT

BOARD MEMBER ALLAN SMITH MOVED TO ADJOURN THE MEETING. BOARD MEMBER TAMI SMITH SECONDED THE MOTION, WHICH CARRIED FOUR (4) TO ZERO (0). CHAIR SELTZER, VICE-CHAIR BROOKER, AND BOARD MEMBERS ALLAN SMITH AND TAMI SMITH VOTED IN THE AFFIRMATIVE. THERE WERE NO DISSENTING VOTES

With no further business to discuss, being duly moved and seconded, the meeting adjourned at 6:20 p.m.

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