

COVID-19 Pooling Questions with Kristin Smolek and Jon Paulsen from Legacy-level QEI Patron Sedgwick

<https://youtu.be/Oe9nIzZmNbc>

Ann Gergen ([00:14](#)):

All right. Well, Jon and Kristin, both of you. Um, thanks for taking the time to do this today and spend a few minutes talking just about the Sedgwick experience, uh, with COVID-19. I was hoping that we would start maybe most broadly. I know that Sedgwick has lots of different clients, lots of different client operations. You've got a really broad span. So across all of Sedgwick, you know, what are you hearing, what kind of challenges are you hearing with all those clients and all those different operations that you have? What's, what's going on in your world?

Kristin Smolek ([00:45](#)):

Um, so from a Midwest pooling perspective, we're really focused right now and helping clients get back into the, um, their offices, their operations. Uh, we're really concerned with and focusing upon risk control initiatives, both for our non-point clients as well as our pooling clients. They're really concerned right now in getting employees back to work and how they can effectively and safely do that. Um, they know that this is gonna be a threat. This is going to be a marathon and it's not a sprint. So they're kind of gearing up and we're providing them some tools to, um, safely do that, whether it's PPE equipment, how they can clean their surfaces, how they can social distance, how they can get their employees back into the work and, or handle citizens if they're going back into the workplace and how to effectively handle those situations. You know, another concern we've heard, uh, lastly is, um, uh, remote employees and how they're dealing with and how they're feeling fairing and working remotely, uh, managers, managing employees they're not used to managing. Isolation issues have also been a concern as well as some depression issues. You know, we have young parents that are trying to be productive and do the best that they can, but they have, you know, little children that they're taking care of at the same time. So those are just some of the challenges that we're seeing from a Midwest perspective with our points of contact. Jon, what do you see in California?

Jon Paulsen ([02:15](#)):

I wholeheartedly agree. I would just add to that, uh, most of our clients are on a fiscal year, so we're rapidly going into budgeting and trying to figure out what the impacts of the hard liability and property market are, what presumption may mean in California and what the impacts are on worker's compensation. And then, um, you know, adding to all that with this new economic environment really looks like in terms of taking into consideration investment rates of return and discount factors and how do we budget appropriately for this new fiscal year, both, you know, inbound contribution revenues as well as just some of the underlying assumptions that we've, you know, made historically on our budgeting process.

Ann Gergen ([02:56](#)):

Um, you know, as we talk more specifically about those public entity pool and clients and what you're seeing in them, um, Jon, that comment about sort of what you're seeing with not just the COVID-19 issues, but presumption issues and other sorts of related, I guess those are intertwined presumption and COVID-19 in some cases we always talk about or often talk about California being an entity unto itself and some of the experiences being different. Do you see that playing out now? Are there differences that you're seeing and experiencing in California than you think or maybe felt elsewhere?

Jon Paulsen ([03:31](#)):

I think one of the things that's different in California right now is not just COVID, is not from a COVID perspective. As much as we're trying not to lose sight of other massive issues that we've been dealing with over the last year. We've had an enormous negative impact from wildfire. As everybody knows in California, the property market has not gotten any better because of COVID and the insurers, the excess insurers, ranchers have not forgotten about that exposure. So we're having really challenging times putting together property programs that are as encompassing. We have some growing concern about furloughs and layoffs and reduced time. From a maintenance and operations perspective in terms of taking care of our facilities, making sure that they are fine, you know, wildfire approved to the extent that we can. And then I would also add to that, you know, SAM came in earnest in California January 1st with some retroactive legislation where we effectively haven't. Three-year reporting window with no statute of limitations. And the last actuarial review I saw on that was that we're as a public agency marketplace are going to take North of \$500 million in unfunded sexual abuse, molestation liability claims. Those are enormous, enormous impact. So it's really, I would say

challenging in California, particularly to not become COVID-19 obsessed and lose sight of some other huge industry issues that we're trying to face right now.

Kristin Smolek ([04:56](#)):

Yeah, I totally echo Jon's comments. You know, we're seeing SAM cases trying to tighten language, working with reinsurers to do that and in order to limit them out the occurrences and the perpetrators and the statute of limitations across the country is really continuing to be a challenge. So on top of COVID-19, I think it's really important to still focus on those national issues as well as the national cyber breach issues that we're having nationwide. Those are still continuing to be a concern whether we're working from home from a COVID-19 situation or we're continuing to work in the workplace. So, those are efforts and I think, um, those have to stay in place whether COVID-19 is in the works or not. So I think it's important to focus on both challenges.

Ann Gergen ([05:39](#)):

Yeah. An important reminder. Just that you know, those issues don't go away just because we're doing what we're doing with COVID-19. So what about more specifically those public entity pooling clients? What are you seeing hearing, experiencing there?

Kristin Smolek ([05:55](#)):

Do you want me to take it Jon? Sorry, I didn't mean to interrupt you. So, um, you know, from a pool's perspective we're obviously going to see a decrease in claims I think is what we're going to see from a pooling perspective. Um, you know, on the liability claims as uh, businesses are closed, uh, towns are closed. You know, those people are not walking out and about for premises liability cases, they're not traveling in their cars less AL claims, you know, the police isn't involved with them quite as much. I think we're probably going to see a decrease in the amount of liability claims that we are seeing for this year and maybe into next year. That's going to be a challenge. Um, I think, um, also, um, is going to be a challenge is whether or not there's coverage for those business interruption case, those claims from a property perspective, whether they have sub limits or they have no coverage, that's really going to be a challenge for are a public entity and pooling clients.

Kristin Smolek ([06:54](#)):

Also, I also see from a revenue standpoint it's going to be significantly reduced probably in 2020 and to 2021, you know, swimming pools from a revenue standpoint are closing. Childcare centers, you know, all of those activities that they normally do during the summer months, the revenues are going to be reduced significantly and that's going to be a significant impact, you know, on our, our, uh, public entity clients. So, um, you know, as we continue and they want to go back to work, um, and visit those public buildings, they're going to have to have risk control measures, I think in place in order to totally take care of some of those issues and qualifying those exposures. Right now at this standpoint is really going to be a, is really a tough time. Um, but what is certain, I think from a pooling perspective is they're going to be under some financial strains and this year and going into next year.

Ann Gergen ([07:48](#)):

Are you thinking the pools or the underlying members, Kristin or both?

Kristin Smolek ([07:53](#)):

Both of them are going to be from a reduced revenue standpoint from a, uh, from the members as well as their budgets going into the pooling and know as, as executive leaders and administrators, you know, it's very important I think to, to think through on how we're going to address those with, uh, with whether the, it's the board of directors, they're the executive directors. There's been a lot of different pooling clients that we've dealt with and they've handled and how they've served their membership in different ways. For instance, um, one uh, allowed a grant for PPE equipment to be purchased, another pool provided up to \$120 per day for 10 days of, um, or quarantine for COVID purposes. Another one provided education for over a thousand members. Perhaps another one, return to, uh, uh, percentage of contribution back to the members. So it's really, um, I think an important time to be flexible and rethink how we can do this in the pooling space because we are so unique and have that flexibility outside of insurance.

Jon Paulsen ([09:00](#)):

I would agree on that. One of the interesting things to me, Kristin, that you said it was about surplus, right? We've seen a, a dramatic increase in the interest in surplus utilization. Well, we've also seen most recently an abundance of caution about maybe not using it right this second due to, an expectation, like you said, that there's a lag in public entity member revenues and they're anticipating some really tough years following, not just 2020, but 2021, 2022, and they're

kind of earmarking some of that surplus of let's keep a war chest, let's keep our, our reserves high in case we really need it in our, in our, in some desperate situations in the coming years.

Ann Gergen ([09:41](#)):

So you, so Jon, that idea that there's this increased focus and interest in surplus, right? I think what you're describing is sort of a really great conversation. What's the, what's the highest and best use of a fund balance or surplus? Is it now, is it in the future? Is it through the pool or is it distributing that surplus to members for them to use? Like is that the kind of conversations that you are hearing and having about that most effective, efficient use of surplus?

Jon Paulsen ([10:10](#)):

We're having it more along the lines of, um, call it rate stabilization for future years. You know, California, again, maybe I'm in a little worse situation than some other places in that we have this hardening market going in this direction, not only because of some of the risks we talk about, but just general social inflation, verdicts, liability outcomes. So we're going this way in terms of costs and member contributions or member revenues are going this way, right? So they have less money coming in and we need more money going out. And that's where we're trying to balance those curves. And you know, to your point, using surplus maybe to stabilize rates is, is that the forefront? But not this year's rates? It seems like most of our public entity members can sustain this year. They're really worried about those two curves tilting more dramatically and all of a sudden, you know, we're trying to go to the members that are having their own financial troubles and say we need 30% more contributions because of the liability market and the, and the circumstances that we're kind of entering as we go along. Mmm. Yeah. We're all a, we're all kind of very fortunate to be in a position that we are right, which is in good shape now and safe and healthy and happy and all of those good things. But everybody's pretty wary about the next, you know, two or three years to come in terms of financial implications to individual public agencies in California.

Ann Gergen ([11:35](#)):

Yeah. Those are some important concerns. I don't know whether to call that good perspective or not. I guess it's um, mindful perspective, right? That we should have. Um, so what about Sedgwick? More specifically, I mean, you've got a lot of pools that you work with, got a lot of different services that you perform and offer and put together for those p

ools. You know, what are you looking at as, um, ways that you can be of greatest help to the pools? What, what are you looking at products or services or new ways of putting things together?

Kristin Smolek ([12:10](#)):

Sure. So, Ann from a litigation standpoint, you know, we have 11 attorneys across the United States that really help our claims and our high end litigation management, uh, practice in general, you know, they're, they're being pulled in a for risk control perspective. Also working with coverage counsel to provide some best practices from employment issues that in particular that we're dealing with COVID-19. So we're kind of using them in a multi purpose way. They also work with a claim system with Sedgwick that we can code and we can properly, um, track the duration and um, the um, aggregate of the total allotted LAE and indemnity and the duration of the claim, the getting to the root cause and perhaps use that analytical data to, um, recommend a best practice of if in the event that there is another pandemic situation that we're faced with. Those are, those are kind of some insights from a litigation standpoint that they're, uh, that they're also working, uh, with, uh, from a risk control perspective, Sedgwick has over 40 risk control team members and colleagues and they're working together with some best practices. And we also have three cyber breach specialists also that work with our members, whether they're remote working with them or um, providing video assistance right now. And um, working with the, you know, a lot of this was working from home and grabbing their home computer or working and grabbing their desktop computer from their office. So a lot of those cyber breach measures have not been taken on those home computers sometimes. So just walking them through and making sure that those are safe and have the firewalls necessary and the proper protocols, those are and other resources that were what we've been doing and how we've been serving the membership. In addition to that, our risk control team has been working on COVID-19 resources. You guys have provided from AGRiP, a lot of great resources as well, we've been diving into those. So thank you. I appreciate that. Um, and we're working on a disease outbreak plan to basically allow the public entities back into the workplace. So those are just some of the initiatives, um, from a Sedgwick pooling perspective that we've been working on.

Jon Paulsen ([14:27](#)):

If I could add one and that's one that we're really excited about. You know, one of the harder questions that came from our membership was, well, how do we help our employees if they're diagnosed, if it's not a comp claim, right. How do

we go through that process? So we were actually able to take advantage of Sedgwick's resources globally and uh, and offered nurse case management support to our public entity members regardless of whether or not it's a workers' compensation claim, be able to give somebody access to resources to ask questions to make sure that they're getting proper care and treatment. So that was a really great one because you know that it gets really difficult for our constituents in that they're not just worried about somebody being diagnosed with COVID 19 if it's calm. Right. They're worried about their employee's wellbeing in general. So that was a really nice value added service that we were able to release quite some time ago now, three or four weeks ago.

Ann Gergen ([15:20](#)):

So does it function kind of like a single point of entry, right. It doesn't matter how or why you just come, you get the nurse triage service and then we segment it later into where it fits.

Jon Paulsen ([15:31](#)):

Yeah. As long as it's a, a, an employee of a member entity of one of our pools, 24-7 hotline, doesn't matter how or why they were diagnosed. Now we're actually able to take advantage of pooling and use some of the funds towards, um, that costs. It's not an expensive proposition, um, but it does have a cost attached to it. So the pools were willing to kick into that just to support their employee population, you know, further enable people to get back to work.

Ann Gergen ([16:00](#)):

Yeah, that totally makes sense. Kristin, you mentioned the, um, risk management services and best practices and everything from cyber breach services to COVID 19 specific risk management. Um, what are you seeing from your pool members? Is the demand for that loss control, risk management training still there? Is it increased? Is it decreased a little bit? Um, you know, just in general, what does that, what does that ask, looking like from those pool members?

Kristin Smolek ([16:28](#)):

Yeah, it's asked. It's been really great to see the use of our e-library in particular for, for all of our Midwest, um, pools in general, we've seen a 76% uptick in usage with some of the pools. So they're really using those resources. They're really diving in. I think they're really spending the time and um, some of their managers are assigning them classes during this

time of stay at home that they can effectively use some training. All of our, um, members reached out to our risk control colleagues and working on some, some projects that they haven't had. Um, there's a, uh, kind of an HR handbook builder, so they've been building out that, so there's some great resources in there and we've really seen an uptick, especially during the last six weeks of the resources that have been used on that. Our COVID-19 obviously are getting a lot of attention right now. But outside of that, after they, they start using those resources but then they're diving into some other HR and employment related resources as well.

Ann Gergen ([17:32](#)):

Pretty awesome. Kind of taking advantage of, um, some time and opportunity to do the broader training that is necessary.

Kristin Smolek ([17:38](#)):

Yeah. It's great to see. And as we see the usage coming more and more, it's exciting to report back to the boards of, you know, the increased usage. Um, it's a great thing to see. Time well spent.

Ann Gergen ([17:50](#)):

So is there anything else that we haven't touched on that you think would be important or timely or notable to share with kind of the broader public entity pooling community? Have you hit everything already or is there anything else that comes to mind?

Jon Paulsen ([18:05](#)):

I mean, I have one and it's a little more qualitative if you're, you're open. Um, we have a gentleman in our office who's been doing this for 35 years and he, uh, he had an interesting point, which is now more than ever is when our pools need us. Now is when they need us as executive directors and general managers to be leaders, to be subject matter experts and to help support our, uh, our pooling constituents and our pooling members. So just, you know, it's easy to get sucked into this and it for it to be a little bit doom and gloom and struggles from home and struggle with personal lives. But, more than ever, I think this is a rewarding industry to be in. And recognize that our membership needs us more than ever and we have an enormous amount of value, and can help guide them through this challenge. Just like

you know, the challenges that we've all seen in the past. So I just, I'd just like to share the optimism about why we do, why we do self-insurance pooling and why we're all engaged in this you know, maybe reinforce to AGRiP's membership that now's the time for us to shine and really show our value.

Kristin Smolek ([19:12](#)):

So just a couple of parting thoughts. Um, Ann I think the, um, the resources necessary to get public entities back into the, uh, the workplace is going to be really overwhelming and monumental task and how we can effectively and concisely and thoughtfully message that I think is going to be really important to the membership to provide those, that guidance. But just as important, I think just lending an ear and continue that constant communication with the membership and letting them know that we're here or we could provide a resource or an avenue or even a contact to help alleviate some of the stress that they're going through. Because this is just such an unprecedented time for them. And if we can just be there, um, whether it be lending an ear, like I said, or, um, however we can serve them. At Sedgwick taking care of people is the heart of what we do. And I think this is key, especially in these unprecedented times to just be there for the membership and have an ear to lend and, um, uh, just be dedicated to our members.

Ann Gergen ([20:19](#)):

So those are two pretty good reminders, right? Um, one just focus on being the resource and being accessible and providing the members what they need and two, um, remembering the importance of leadership and reflecting that leadership value back. Those are, those are two really, really strong and important reminders. Um, so how are you guys doing that personally, right? I mean, you have to be able to walk into the virtual office every day, ready to demonstrate some leadership. What, uh, what are you doing to rejuvenate yourselves overnight or get ready to go for the next day in order to be able to present that?

Jon Paulsen ([20:58](#)):

Do you want me to, uh, let's see. Maybe random random stream of thoughts. We're trying, we're trying to remember to reach out to our own teams, right? Because it can get, you can get sucked in and just do email and work and projects and to be really attuned to how other people on your teams are doing. And unfortunately when you don't get to see them every day, you really need to make the extra effort to reach out. So we're trying to reach out more to our teams.

We're trying to have a little bit more fun. We have a weekly meeting and we try and engage in some games and some giveaways and those types of things. So it's not just all drudgery. So try to keep it light. I would say personally, you know, reading a lot. I'm a Headspace advocate. So a little bit, you know, with the meditation apps, the yoga apps, whatever personal support you can find that's probably not drinking related is a positive.

Ann Gergen ([21:52](#)):

Give, give up on all the memes about coffee and wine trade offs.

Kristin Smolek ([21:55](#)):

Yeah, exactly. For sure. For sure. Um, you know, I have three, um, uh, teenager boys at home. So I'm, you know, looking at their messy bedrooms has been a struggle for me. So I've been giving him this little inspirational books of late last week, you know, as they're done with homework and schooling at one o'clock and I think they should be continuing to go to three o'clock. You know, I uh, gave him this William McRaven book is how to make your bed. I think most of us seen that speech and the graduation, but, um, I literally am like, I cannot look at your bed one more time. So I've been giving them these inspirational books, but kind of as a parting thought, I thought this book gave a really good, um, parting comment that I think all of us can take away. And I've said this to my boys, they'll, because they're sick of the COVID-19, they can't see their friends, yada yada. Their lives are so boring and they complain constantly about it. But, he quotes, it's a cute little saying -- we will all find ourselves neck deep in mud someday. This is the time to sing loudly, to smile broadly and lift up those around you and give them hope that tomorrow is going to be a better day. So as a, as a, as a mother, a working mother and just out to you guys and the colleagues in the pooling community, I think we will get through this together. Um, and if we can keep our heads up and smile on our face and plug through the Groundhog day of day after day, I think we can get through this together.

Ann Gergen ([23:26](#)):

Well, I can not sum it up any better than that. That was perfect. Perfect way to end. Thank you for that, both of you and thank you for taking the time today.