



**OPEN SESSION MINUTES
OREGON STATE BAR
PROFESSIONAL LIABILITY FUND
BOARD OF DIRECTORS**

**April 22, 2022
Zoom Videoconference**

Chair Gina Johnnie called the regular meeting of the Board of Directors to order at 9:05 a.m. In addition to Ms. Johnnie, the following board members attended the meeting: Harshi Waters, Oren Haker, Steve Hill, Chris Karlin, Michelle Johansson, and Ali Hilsher. Board member Akeem Williams did not attend the meeting. BOG liaisons Katherine Denning and Candace Clarke, BOG president Kamron Graham and OSB CEO Helen Hirschbiel attended open session. In addition, the following PLF staff attended all or part of the meeting: Megan Livermore, Betty Lou Morrow, Madeleine Campbell, Matt Borrillo, Cindy Hill, Emilee Preble, Hong Dao, Kyra Hazilla, Heather Bowman, Maureen DeFrank, and Bryan Welch.

This meeting was noticed and conducted in compliance with the Oregon Public Meetings Law, ORS 192.610, et seq. and a quorum was verified.

1. CHAIR REPORT (Ms. Johnnie)

Approval of Open Session Minutes.

(A) Draft Open Session Minutes (02/11/22) Board of Directors Meeting:

Ms. Johansson moved and Mr. Karlin seconded that the February 11, 2022 open session minutes be approved. The motion passed 6-0 (2 absent; 1 vacancy).

Approval of Executive Session Minutes in Open Session.

(A)i. Draft Executive Session Minutes (12/10/21) Board of Directors Meeting:

Mr. Karlin moved and Mr. Haker seconded that the December 10, 2021 executive session minutes be approved. The motion passed 5-0 (2 abstentions; 1 absent; 1 vacancy).

(A)ii. Draft Executive Session Minutes (01/26/22) Board of Directors Meeting:

(A)iii. Draft Executive Session Minutes (02/11/22) Board of Directors Meeting:

(A)iv. Draft Special Executive Session Minutes (02/11/22) Board of Directors Meeting:

(A)v. Draft Special Executive Session Minutes (02/23/22) Board of Directors Meeting:

(A)vi. Draft Special Executive Session Minutes (03/09/22) Board of Directors Meeting:

(A)vii. Draft Special Executive Session Minutes (04/04/22) Board of Directors Meeting:

Mr. Karlin moved and Ms. Waters seconded that the January 26, 2022, both sets of February 11, 2022, February 23, 2022, March 9, 2022, and April 4, 2022 executive session minutes be approved. Motion passed 6-0 (2 absent; 1 vacancy).

(B) Committee Minutes (Open Session):

- i. 2021-11-30 Final Finance/Investments Committee Minutes
- ii. 2022-01-31 Final Finance/Investments Committee Minutes

(C) Board News:

Ms. Johnnie announced that Michael Batlan had resigned from the board. We are looking for a new public member.

Ms. Johnnie wished Ms. Hilsher a belated happy birthday.

2. CEO REPORT (Ms. Livermore)

(A) ABA/LPL Conference/Reinsurance Meetings Recap:

Ms. Livermore reported that she, Ms. Morrow, Mr. Borrillo, Ms. Preble, Ms. Mesirrow, and Ms. Dao attended the ABA/LPL conference in Texas. In addition to the conference, they met with reinsurers for the excess program. We are all looking forward to a great reinsurance renewal season in the fall.

(B) 2022/2023 NABRICO Conferences:

Ms. Livermore reported that this year's NABRICO conference will be held in Denver, Colorado. We are proposing that Ms. Johnnie, Mr. Haker, and Mr. Hill attend the conference. All board members will have an opportunity to attend the conference next year, as it will be held in Oregon in conjunction with a board meeting.

(C) Staffing Update:

Ms. Livermore provided a staffing update to the Board.

(D) General Matters:

Ms. Livermore reported that the Licensed Paralegal Program is moving forward. The Supreme Court will be taking this up in May. We were asked to give specific details on the type of coverage we might offer. We do not know all the details yet, but we suggested that what we are expecting our coverage to look like is \$100,000 in coverage with a \$1,100 annual assessment. The coverage would be similar to the Primary Coverage Plan but with less coverage and a lower assessment. The licensed paralegals will receive the same access to our programs

that Oregon lawyers have and the same discounts that the primary coverage provides. Payments will be allowed quarterly. One caveat: If anything changes from our thought process, we may have to make adjustments.

3. General Counsel Report (Ms. Campbell)

(A) PLF Coverage for Licensed Paralegals:

Ms. Campbell reported that LPs will have a plan separate from lawyer coverage. The LP plan will exclude claims for matters outside the scope of LP licensing.

4. CLAIMS REPORT - OPEN SESSION (Mr. Borrillo):

(A) General Claims Report:

Mr. Borrillo reported that everything is going smoothly. They have hired a new claims assistant, Rachelle Shepherd.

The projected annual claim number is around 615 claims (about 150 less than we typically see). Annual claims numbers are generally around 850 to 900 claims. We are falling in line with the national trend of frequency down and severity up.

The evaluations of claims attorneys are consistently good.

We are on track for the defense panel conference, August 18-20, at Skamania Lodge. It will be combined with a board meeting. Mr. Borrillo invited the Board to attend.

5. FINANCIAL REPORTS (Ms. Morrow)

(A) 2022-February 28 Financial Statements:

Ms. Morrow reported that the auditors have completed their work. She reported we had another year with no adjusting entries; though, we are still waiting for the state to give final information to compile our PERS data and make the entry for that.

Ms. Morrow reported on the financials.

Balance Sheet. Ms. Morrow said it is early in the year, so it is difficult to come up with any kind of trends.

Statement of Net Position. Ms. Morrow provided comparisons for the same time last year on the balance sheet and the value of cash in investments has gone down about \$2 million. We were hit pretty hard in the first 2 months of 2022 which is revealed in the balance sheet. The PERS Deferred Outflow of Resources is the same for this year as last year because we have not received the data to do the general entry yet.

Due to Reinsurers (under Liabilities section). The amount is considerably less than last year at this time. This is because more people paid their excess premium in the prior year this year than they did last year. The result is about a \$2 million difference. In 2021, there was about \$3.8 million received in excess revenue.

Liability for Indemnity. This is up by about \$700,000 on the indemnity section of claims. This is consistent with what we have been observing in trends, estimates, and actuals that the indemnity portion of our claims is rising. We are also down by about \$1.5 million on the claims expense portion of liability. This is in keeping with the narrative we have been seeing and hearing consistently when it comes to primary claims.

Primary Assessment Allocated for the Rest of the Year (last line item under Liabilities) is down about \$2 million from last year. This is because we lowered the assessment by \$300 for 2022, creating an impact on the amount of revenue received.

Year-To-Date Net Income. Because we have not received our PERS data yet, we have not closed out 2021. The \$3.6 million loss year-to-date in 2022 combined with the \$7.3 million gain results in a net of \$3.8 million. This is a combination of the two years. When we receive the PERS entries and we sign off on 2021 statements, that YTD net income loss will reflect only 2022.

Statement of Revenue, Expenses and Net Position. Under assessments, we budgeted 6646 full-pay covered parties. The year-to-date annualized is 6600, so we are off by 46 covered parties. This explains the variance. We are down on installment payments. Other Income is from late fees. Fewer people are paying in installments but there are increased late fees.

Investment Returns. We are currently at a \$3.6 million loss. Looking at March returns, we had a net gain of about \$400,000. It does not recoup what we lost, but the trend is looking more positive. The gain was in domestic equities and our alternative capital. Our international equities and fixed income are still under water. We moved more money into alternative capital and that made us some money.

Claims under Statement of Revenue and Expenses. We budgeted average cost of new claims of \$22,500 in July. The actuaries set the cost of new claims in January of this year at \$22,500. So, severity will not be off on this section of the financials. We missed the mark on estimated frequency. We continue to expect things to return to normal and therefore budgeted 820 claims for 2022. As Mr. Borrillo mentioned earlier, we are at 600 claims annualized. Actuarial estimates are at six-month increments. We will revisit the actuarial information in July.

Expense from Operations. It is early in the year. We annualize our budget. Almost the entire first payroll was expensed to 2021, so salaries look significantly less than budgeted. It will catch up.

Net Position. \$3.5 million loss.

Excess Program. We are off by \$412 regarding the budgeted ceding commission. With regard to the Excess Program, as their cash flow goes, so goes their portion of investment revenue and actual value of their portfolio. They have also taken a loss of \$99,000 after the first two months of the fiscal year, which is less than our investment loss, so if we had no loss and no gain on our investment portfolio, we would still be ahead on the Excess Program, but because of the negative investment returns, we are in a deficit. Ms. Morrow is optimistic that things will turn around.

Expense. Ms. Morrow had nothing to share on this statement.

Investment Portfolio. Nothing to report. The bottom line is that the Excess Program has cost more money than it has brought to the program. When we get money back from claims we have paid out, that will change.

6. PRACTICE MANAGEMENT ASSISTANCE PROGRAM (PMAP) (Ms. Dao)

(A) Practice Management Assistance Program Update:

Ms. Dao reported that the statistics on number of people who accessed the program and presentations can be found in the materials.

340 lawyers contacted the PMAP this quarter for various types of assistance, including PMA advice. The types of calls that were received for the last quarter are similar to last year. Some of the topics are lawyers transitioning including closing practices, leaving firms, and opening solo practices and technology continues to be a hot topic for lawyers trying to use the best technology for their practice. Office systems is another big category for them; looking for technology to streamline procedures; how to update fee agreements; how to change intake systems; close files; digitalize files, etc.

Ms. Dao reported that the “great resignation” has been in the media. Many people are leaving their jobs in the legal industry. But, many large firms in Oregon are getting busier and looking for staff to handle the workload. They are seeking guidance from PMAs.

Staffing Updates. Ms. Dao reported that they have hired a new PMA who will begin June 1st. Ms. Dao also reported that DeAnna Shields who coordinates the logistics for many events is taking a 3-month sabbatical starting next week. Her tasks will be absorbed by the PMAs and Ms. Dao.

Shredding Events. They have been scheduled for this summer in the tri-county areas. Emails will be sent with dates and other information. The shredding events will be held in June, July, and August. When Ms. Shields returns from her sabbatical, she will get shredding events scheduled outside the metro area for late summer/early fall.

Update on the ABA Tech Show. The PMAs and Ms. Dao attended the ABA Tech Show in March. They have not attended for two years due to COVID. The biggest emphasis was on a firm’s “tech stack.” This is a shift among lawyers to think about digital tools to integrate and support the various functions and operations of their law practice. As we have seen with COVID, lawyers need to be able to shift from one working environment to another. These tools assist with incorporating these changes into practice. There were a lot of vendors showcasing their new technology. The PMAs brought back the technology to guide lawyers through their transition. It was a very helpful, educational conference.

7. OREGON ATTORNEY ASSISTANCE PROGRAM (OAAP) (Ms. Hazilla):

(A) OAAP Report

In addition to the written report in the materials, the OAAP continues to see very high levels of access, including the after-hours crisis line. People are doing a lot of transitioning (not related to the crisis situation) and accessing OAAP services related to same.

Issues that have continued through the pandemic are health conditions and substance use challenges.

The OAAP is very busy and they are looking forward to being joined by future colleagues.

Ms. Hazilla reported that because of a lot of hard work, the Wellbeing Stakeholders Conference required by last year's HOD resolution is taking shape. Many people from the OSB, the PLF, and different community members with an interest in wellbeing are participating in the planning.

Ms. Hazilla reported that Doug Querin and Bryan Welch are doing amazing work and we are lucky to have them.

8. EXCESS PROGRAM (Ms. Preble)

(A) Excess Program 2022 Renewal Update:

Ms. Preble said the ABA reinsurance meetings and conference is a great way to connect in person with the reinsurers. This is the time of year when we review the excess application and make adjustments, if necessary. We plan to add more details about cannabis practice as there are more claims from that area of law.

9. Communications Program (Ms. Preble):

Ms. Preble reported in Ms. Hanson's absence.

New Communications Specialist, Emily Massey, will be joining our staff on Monday. Ms. Massey previously worked in news production, marketing for the YMCA, and also worked for a local company in Oregon. We are very happy to have her join our team. She will assist with editing, writing, productions of publications, helping with website projects and other tasks.

10. LIAISONS' REPORT (BOG) (Ms. Denning/Ms. Clarke/Ms. Graham/Ms. Hirschbiel):

(A) BOG Update:

Ms. Graham reported that there was a robust April 8 BOG meeting. The majority of the meeting was discussing licensing of paraprofessionals. A final report was given to the BOG. The BOG needs to approve the report and develop a budget. OSB staff will bring information back to the BOG for final approval and it will then go to the Supreme Court. Ms. Graham appreciates the information provided from the PLF about coverage issues. This will make legal services more available to everyone.

Ms. Graham reported the board updated the vaccination policy for OSB events to allow for vaccinations or testing prior to the event. Attendees attest to vaccination/testing on a form provided by the OSB.

ABA Lobby Day. The OSB team presented on Legal Services Corporation Funding, Judicial Security, and Reauthorization of the Violence against Women Act. Ms. Graham said that Susan Grabe and her team did an amazing job meeting with legislators and senators.

Ms. Graham is excited for the joint BOG/BOD meeting in June. The meeting will coincide with Helen and Kamron meeting with local bar members in the area.

Ms. Graham reported that she and Ms. Hirschbiel and many members of the BOG, including Kate Denning attended the Western States Bar Conference in Hawaii.

Additional information can be found in the BOG minutes.

11. UNFINISHED AND NEW BUSINESS:

There was no unfinished or new business to discuss.

12. EXECUTIVE SESSION

Ms. Johnnie concluded the open session meeting and said they would move into executive session at approximately 10:15 a.m., pursuant to ORS 192.660(2)(f) and (h) to discuss claim matters and other executive session issues. See separate executive session minutes.

13. ADJOURNMENT

The meeting adjourned at approximately 10:03 a.m.

These minutes were approved by the PLF Board of Directors at its June 24, 2022 board meeting.