

# **An Experienced Perspective on VLCT's Trusts**



**Have any of you been approached by an insurance agent offering to provide a quote for your municipality's workers' comp or property/casualty insurance, or both?**

Intermittently during the several years I have worked for Waterbury – the Town as well as the former Village, which is now the Edward Farrar Utility District (EFUD) – a good-natured and well-meaning sales professional has sought me out, eager to address Waterbury's needs. This person assures me that they can arrange insurance that is equivalent to and less expensive than what VLCT PACIF provides: they can tailor their coverage to match all the things that PACIF covers, they offer loss control services, and they use experienced claims professionals.

Having been a municipal manager in Vermont since 1982, I've seen many commercial insurance markets – both "soft" and "hard" – come and go. I was around in 1986 when VLCT PACIF was founded because it was next to impossible for municipalities to buy property/casualty lines from commercial insurers – at any price. Towns I have worked for have been covered by VLCT for property, casualty, auto, workers' compensation, and unemployment insurance since 1987 (and since 1982 if we count health insurance, which VLCT no longer offers due to the ACA [Affordable Care Act] and Vermont Health Connect).

**Member-Owned**

VLCT's insurance trusts, PACIF and VERB, are owned and governed by Vermont municipalities – and are operated on a day-to-day basis by the VLCT staff, which reports to governing boards comprised of municipal officials. This system has served Waterbury well since 1988 when I came here as municipal manager. The town and EFUD governments I work for trust that the insurance programs offered us as members are the best available because they are tailored to meet the needs of Vermont municipalities in general and our community in particular.



## **Nothing Compares**

This is not to say Waterbury has never looked at alternatives in the past 30+ years. When insurance markets have been “soft,” commercial agents have been more than willing to give quotes that are competitive in price. The coverages offered for those prices, however, have not been close to measuring up in an “apples to apples” comparison with what VLCT offers. And after a time, when the commercial insurers don’t need municipal business to make the profits they need – or if we turn out to be riskier clients than the insurer desires – their prices go up markedly. Sometimes coverage is even denied.

## **Customer-Centric Service**

On top of the great coverage, PACIF's range of customer services can't be beat. Claims adjudication, risk management, many forms of training, grants to purchase safety equipment ... the list goes on. Waterbury was particularly fortunate to be covered by PACIF when Tropical Storm Irene hit here in 2011. The inundation of our downtown damaged our new fire station and destroyed our former municipal building. PACIF covered both the repair and the replacement without hesitation. I bet a few of you have also had good experiences with the staff.

## **Contribution Credits**

As owners of the VLCT trusts, municipalities benefit directly when contributions (premiums) exceed claims. We are confident that VLCT staff, at the direction of the boards, are setting aside adequate reserves to guard against unusually large claims – even catastrophes – and have put adequate reinsurance in place for the occasions that claims may go above insurance limits. Almost every year, when the trusts have confirmed that funds reserved to cover previous years' claims can safely be released, member municipalities receive contribution credits. Even when Waterbury might have a bad year and our credit may be tempered a bit, we generally receive some credit. A year ago, PACIF returned \$1.5 million in contribution credits (and another \$200,000 in



PACIF grants) to its members while still maintaining more than adequate reserves to keep state regulators happy. And while some might argue "rates were higher than necessary" to have allowed a return of such a large credit, it is nice to know all of it was returned to the municipalities and taxpayers that had paid it in, rather than to the bottom lines of insurance companies or to their shareholders.

### **Municipality-Focused**

Believe me, I am not against the private sector and I am not against companies or their shareholders making profits. I count myself as a shareholder in some corporations. In my mind, however, municipal governments are not similar to a private company. They are not organized the same way and not governed the same way. While some components of municipalities look a little like a business — water, sewer, electric utilities, and perhaps some recreation activities — there are laws unique to the operation of municipal government that, in my mind, make it incumbent upon cities and towns to "pool" their resources and share their risks with like entities that operate in a very similar manner.

### **Aligned with the League's Mission**

The Town of Waterbury and EFUD are confident that PACIF and VERB, like the rest of VLCT, look out for our needs and, crucially, look out for risks that are coming at us even though we cannot see them yet. The cost of insurance is a serious consideration. Service is just as important when we have a claim – and even more so to help us avoid claims. Yet "having the backs" of Vermont municipalities, knowing that all parts of VLCT are helping look out for Waterbury's needs, is the most important element of all.

So when the commercial insurance agents call or write (as they inevitably do), I say "Thanks for your interest. We are all set right now. Feel free to drop in sometime, and I'll be happy to talk with you to see what your company may have to offer. But you



probably have a lot of gaps to fill."

Bill Shepeluk

Municipal Manager, Waterbury

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