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## **PACIF Board of Directors Meeting Minutes 2020 09-25**

**VLCT Property and Casualty Intermunicipal Fund (PACIF), Inc.  
Board of Directors Meeting  
Friday, September 25, 2020  
Via GoToMeeting**

### **Minutes**

**Directors Present:** Carl Rogers, Joshua Powers (10:45 a.m.), Neal Fox, Aaron Frank, Stuart Hurd, Jared Cadwell, Patrick Moreland, Bruce Urie and Erik Wells

**Staff Present:** Joe Damiata, Fred Satink, Maura Carroll, Jeremiah Breer, Vicky Abare (10:30 a.m.), Pam Blouin (11:00 a.m.), Kelley Avery and Jim Carrien

**Others Present:** Tara Miller and Steve DiCenso (Milliman - 10:15 a.m.)

President Rogers called the meeting to order at 9:33 a.m.

Upon motion (Hurd/Moreland) duly adopted, the board voted unanimously to approve the agenda as amended.

Upon motion (Fox/Moreland) duly adopted, the board voted unanimously to approve the minutes of the May 22, 2020 meeting.

Joe Damiata provided the organizational update. He indicated that staff have been busy preparing for next week's virtual Town Fair and reminded board members to register for the Annual Meetings if they have not done so already. Mr. Damiata also indicated that claims have largely reverted back to pre-pandemic levels. Mr. Damiata then invited Jared Cadwell to update the board on the Executive Director search. Mr. Cadwell noted the search committee hopes to have a firm chosen within the next few weeks to assist in the search.

Jeremiah Breer provided an overview of the financials through June 30, 2020. Net position is up significantly due to robust investment earnings and loss development coming in below prior actuarial estimates. Revenues are down slightly (1%) since last year due to a planned rate decrease, but up slightly (1%) year to date due to the addition of a new member after the 2020 budget was approved. General and administrative expenses are also up slightly (1.4%) from last year due to planned increases

in the VLCT administrative agreement.

Upon motion (Frank/Hurd) duly adopted, the board voted unanimously to accept the second quarter financial report.

Under board governance, the board currently has one vacant alternate position. Seven nominations were considered from interested individuals applying for a position on the board. Stuart Hurd nominated Rob Gaiotti of Dorset, and several board members also expressed their agreement with this nomination.

Upon motion (Hurd/Fox) duly adopted, the board voted unanimously to appoint Rob Gaiotti of Dorset as an Alternate to the PACIF Board.

Joe Damiata reviewed the PACIF Board Compensation Policy that was recently updated to permit compensation for certain remote or virtual meetings. This policy has been standardized across all three boards to reflect this revision. The new language now allows for board compensation whenever a remote meeting takes place which is over 60 minutes in length.

Upon motion (Urie/Moreland), duly adopted, the board voted unanimously to approve the revised PACIF Board Compensation Policy as presented.

Stuart Hurd reviewed the results of the Nominating Committee meeting held on September 23rd. The committee recommended reappointing those directors with expiring terms: Aaron Frank, Bruce Urie and Erik Wells. Joshua Powers also has a term expiring, but he has indicated he does not wish to renew his term. The committee discussed appointing current alternate, Jared Cadwell, to fill Director Powers' position. The report will be presented to the membership at next week's PACIF Annual Meeting.

Tara Miller and Steve DiCenso of Milliman presented the Mid-Year 2020 Actuarial Reserve and Funding Analysis to the board. Due to continued favorable loss development, Milliman's reserve figure dropped significantly, and as result they are recommending an overall gross-net rate decrease of 9.4%, at the 60% safety margin which is the same safety margin as last year. After staff completed rate smoothing, the proposed rates represent an overall gross-net rate reduction of 9.0% for 2021, which includes a 10.9% reduction in workers' compensation and a 7.1% reduction in property/casualty. This is a preliminary report, and a final actuarial analysis/report will be presented for board approval at the meeting on October 9th.

Joe Damiata reviewed a draft of the PACIF preliminary budget for 2021. Overall expenses in the draft budget are down .3% from 2020. This cost reduction is largely due to a change in the reinsurance structure and a reduction in administrative expenses. Lower revenues for next year are also reflected in the budget due to lower member contributions from the recommended rate decreases. Staff will present a final budget at the December board meeting.

Fred Satink provided an overview of the 2021 renewal including proposed changes to rates and reinsurance. The proposed gross-net rate reduction of 9% reflects the actuary's funding analysis recommendations and staff rate smoothing. Milliman's analysis included staff's proposed changes to the 2021 reinsurance structure.

Fred Satink reviewed staff's recommended reinsurance structure for 2021, which includes renewing with all the incumbent reinsurers. The property reinsurance renewal was challenging due to increased claims on a national level which are driving the hard insurance market. As a result, staff is proposing an increase

to the property self-insured retention from \$750,000 to \$1,000,000 per occurrence and adding a \$500,000 annual aggregate deductible. This change favorably affects member property rates while also significantly reducing property reinsurance costs. Given the healthy financial position of PACIF, staff believes that assuming this additional risk is a responsible way to provide rate relief to the membership. Overall, PACIF's 2021 reinsurance costs will be down slightly due to the proposed change in structure. PACIF's reinsurance broker, Guy Carpenter, recommends that staff bind reinsurance coverage as soon as possible due to marketplace volatility, so staff is looking for authorization from the board to bind the proposed reinsurance coverage with the carriers before the next meeting on October 9.

Upon motion (Moreland/Powers), duly adopted, the board voted unanimously to authorize staff to bind reinsurance coverage for 2021, as presented.

Pam Blouin reviewed the proposed coverage changes for 2021, many of which included language clarifications. One significant change includes a proposed pathogens exclusion for general liability as these claims will be excluded in 2021 by PACIF's liability reinsurers. To provide members with some measure of coverage, staff has proposed adding a Coronavirus Extension to the general liability coverage with a \$100,000 per member per occurrence expense limit (including defense), and a separate limit of \$100,000 per occurrence for loss. This coverage extension would also be subject to a \$2,000,000 all member annual aggregate.

The entire cyber liability coverage document was completely rewritten by the reinsurance carrier, to improve readability. Existing coverages were largely unchanged, except that they are adding "eCrime" coverage that would provide coverage for certain cyber-related losses including fraudulent instruction, funds transfer fraud, telephone fraud and criminal reward.

Fred Satink noted some minor changes to the VLCT PACIF Board Underwriting Policy to allow the use of the Preferred Tier when quoting prospective members who have exceptional loss history. Language was also added to establish that using the Standard Tier is the normal practice for new business. Additional changes included adding both law enforcement and human resources risk assessments to Loss Control credit/debit metrics.

Joe Damiata briefly reviewed the staff's contribution credit recommendation for 2021. Staff is once again recommending giving back \$1.5 million to PACIF members in the coming year.

Upon motion (Hurd/Moreland), duly adopted, the board voted unanimously to adjourn the meeting (12:07 p.m.).

Respectfully submitted,  
Fred Satink  
Assistant Secretary

**Board or Committee:**

PACIF Board of Directors

**Board/Committee Meeting Date:**

Friday, September 25, 2020

**Resource Category:**

- Minutes

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