

Report on the Examination

As of June 30, 2021

of

Vermont School Boards Insurance Trust, Inc.

by the





State of Vermont
Department of Financial Regulation
89 Main Street
Montpelier, VT 05620-3101

For consumer assistance:
[Banking] 888-568-4547
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[Securities] 877-550-3907
www.dfr.vermont.gov

Michael Clark
Chair of the Board
Vermont School Boards Insurance Trust, Inc.

ORDER OF ADOPTION

In accordance with 8 V.S.A. § 3563 and Regulation I-90-01, I order that the Report on the Examination of Vermont School Boards Insurance Trust, Inc. for the year ending June 30, 2021, is adopted.

Vermont School Boards Insurance Trust, Inc. may appeal against this order within 30 days of its adoption in accordance with the Vermont Administrative Procedure Act and Department of Financial Regulation Rule 82-1.



Kevin J. Gaffney, Commissioner

__04/01/2024__

Date



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February 19, 2024

Kevin J. Gaffney, Commissioner
Department of Financial Regulation
89 Main Street
Montpelier, VT 05620-3101

Dear Commissioner Gaffney:

Pursuant to the January 12, 2022, examination order, the Insurance Division's financial examination team has conducted an examination of:

Vermont School Boards Insurance Trust, Inc.

with its offices located at

52 Pike Drive

Berlin, VT 05602

The examination was performed pursuant to 8 V.S.A. §3563 and Regulation I-90-1 in order to ascertain the Company's financial condition, ability to fulfill its obligations and compliance with the provisions of Vermont law.



SCOPE OF EXAMINATION

As of June 30, 2021, the financial examination of the Vermont School Boards Insurance Trust, Inc. (VSBIT) was performed. VSBIT's last financial condition examination was as of June 30, 2016, for the previous five-year period and was conducted by the Vermont Department of Financial Regulation (Department).

The examination was conducted pursuant to 8 V.S.A. § 3563 and Regulation I-90-1, and guidance provided by the National Association of Insurance Commissioners (NAIC). The examination covered the period from July 1, 2016 through June 30, 2021. The Department conducted the examination in accordance with NAIC *Financial Condition Examiners Handbook* (Handbook). The Handbook requires that the Department plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of VSBIT and evaluate system controls and procedures used to mitigate those risks. The examination also includes identifying and evaluating significant risks that could cause VSBIT's net position to be materially misstated both currently and prospectively.

All accounts and activities of VSBIT were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with Generally Accepted Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following VSBIT's financial statements.

This examination report includes significant findings of fact, as mentioned in 8 V.S.A. § 3574 and general information about VSBIT and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination report but separately communicated to other regulators and/or VSBIT.

SUMMARY OF SIGNIFICANT FINDINGS

There were no findings in the prior exam report or the current exam report. There were no adjustments made to the annual statement based on this examination.

HISTORY

VSBIT was formed in 1978 and provides insurance and management services for Vermont School Districts. VSBIT is owned by member school districts and is under the supervision of a Board of Directors consisting of a School Board Member, one Superintendent, one School Business Official, and two Directors at Large, elected by the Trust's members at its annual meeting.

VSBIT operates an unemployment compensation program for school districts which protects members from unexpected unemployment benefit expenses, as well as Multi-line Intermunicipal Insurance Program. The Multi-line program provides an alternative to commercial insurance, and provides access to property, workers' compensation, and various forms of liability coverage.

VSBIT's educational and risk management services are provided through its School Management Resource Center (SMRC). These services focus on human resources and physical plant management issues.

Health, dental and long-term disability insurance and related health promotion programs are offered through the Vermont Education Health Initiative, Inc. (VEHI). VEHI, which was formed on July 1, 1996, and was jointly managed by VSBIT and Vermont National Education Association (VT NEA) until October 1, 2018 when VSBIT continued as only a contracted Third Party Administrator for VEHI.

VSBIT also facilitates the administration of claims on a workers' compensation program offered from 1992-1998, which ceased operations in June 1998 and was run-off until Fiscal Year 2020 when the final surplus was distributed and the program closed as of July 1, 2020.

MANAGEMENT AND CONTROL

Corporate Records

VSBIT's statutory home office is located in Berlin, Vermont, and VSBIT maintains its corporate records in this location. Examiners reviewed the minutes of the Board of Directors and key committees thereof and determined that the minutes adequately approve and support VSBIT's transactions and events and that the meetings and minutes are in compliance with VSBIT's articles and By-Laws.

Members

The By-Laws state that membership is limited to those school districts and supervisory unions which are eligible to participate in intermunicipal agreements and have an in-force membership agreement. The annual meeting of Members is held for the purpose of electing Directors and for the transaction of business that may come before the meeting. At any meeting a total of five members, represented in person or by proxy, will constitute a quorum.

Board of Directors

The By-laws indicate that the Board of Directors will consist of five individuals, one school board member, one superintendent, one business manager and two at large members. The terms for the school board member, superintendent and business manager will be three years and the at large members terms will be for two years. No Director will serve for more than six consecutive years unless a unanimous vote waives the term restriction. Meetings of the Board will take place at the annual meeting, monthly or as necessary and a majority of the Directors present will constitute a quorum for the transaction of business.

The following were elected to the Board of Directors of VSBIT in accordance with the By-Laws and serving as of June 30, 2021:

<u>Name</u>	<u>Residence</u>
Michael Clark Grand Isle Supervisory Union	Vermont
Robert Giroux Retired	Vermont
Brenda Fleming Rutland Northeast Supervisory Union	Vermont
Steven Hier Retired	Vermont
Michael Bailey Paine Mountain School Board	Vermont

Officers

The Officers of VSBIT are a President, Vice Presidents and Secretary that may be appointed in accordance with the By-laws. With the exception of Vice President, Officers do not need to be Directors.

The Officers of VSBIT as of June 30, 2021 were as follows:

<u>Name</u>	<u>Title</u>
Jonathan Steiner	President
Michael Clark	Vice President
Brenda Fleming	Secretary

Affiliated Companies

The Company as a Third Party Administrator and the VT NEA jointly manage the day to day operation of VEHI, which partners with insurance companies to provide health, dental, life and

disability insurance to Vermont schools. VEHI contracts with the Company to provide management, wellness, and accounting services. VEHI paid the Company \$1,094,826 for these services in 2021.

TERRITORY AND PLAN OF OPERATIONS

The Company serves Vermont school districts by providing cost effective insurance and risk management programs as well as offering educational and professional development opportunities to district employees and administrators. The multi-line program provides members with coverage for property damage, workers' compensation, and various forms of liability.

REINSURANCE

The Company has specific and aggregate reinsurance coverage for its multi-line intermunicipal school program. As of the exam date, the Company is reinsured up to policy limits for liability of losses greater than \$350,000, property losses greater than \$250,000 and workers' compensation claims greater than \$550,000. Aggregate reinsurance protects the Company in the event of an unusually large number of claims. Currently, only property losses (one occurrence of \$250,000 or less) in excess of the aggregate retention are reinsured up to the aggregate coverage limit of \$250,000,000. The aggregate retention as of the exam date was \$1 million.

FINANCIAL STATEMENTS

The following statements are based on the statutory financial statements filed by VSBIT with the Vermont Department of Financial Regulation and present the financial condition of the Company for the period ending June 30, 2021, in accordance with generally accepted accounting principles (GAAP).

Statement of Net Position

Assets:

Cash	\$ 5,093,890
Investments	70,412,334
Contributions receivable	234,105
Other receivables	66,128
Deductibles receivable	33,333
Subrogation receivable	38,322
Prepaid expenses	3,875,108
Property, plant and equipment, net of accumulated depreciation	<u>3,121,834</u>
 Total assets	 <u><u>\$ 82,875,054</u></u>

Liabilities:

Accounts payable	\$ 118,983
Accrued payroll and relates taxes payable	76,325
Accrued vacation payable	112,245
Accrued interest payable	3,326
Other payables	50,745
Claims payable	80,155
Workers' compensation state assessment reserve	129,023
Claims to be paid	6,069,251
Anticipated claims not reported	4,158,000
Reserve for unallocated loss adjustment expenses	1,741,000
Bonds payable	<u>1,362,020</u>
 Total liabilities	 <u>13,901,073</u>

Net Position:

Net investment in property, plant and equipment	1,759,814
Unrestricted net position	<u>67,214,167</u>
 Total net position	 <u>68,973,981</u>
 Total liabilities and net position	 <u><u>\$ 82,875,054</u></u>

Statement of Revenues, Expenses and Changes in Net Position

Operating revenues:

Program contributions	\$ 13,914,618
Other income	59,319
VEHI administration contract	<u>1,094,826</u>
 Total operating revenues	 <u>15,068,763</u>

Operating expenses:

Net change in claims paid and reserved - unemployment insurance	1,906,500
Net change in claims paid and reserved - multi-line program	5,613,951
Reinsurance premiums	3,059,772
Administration	862,084
Other program expenses	1,153,390
General and administrative expenses	2,770,376
School Management resource center expenses	<u>321,700</u>
 Total operating expenses	 <u>15,687,773</u>

Net operating income	<u>(619,010)</u>
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Non-operating revenues (expenses):

Investment income - interest and dividends	1,539,474
Investment income - other	8,622,728
Interest expense	<u>(43,089)</u>
 Total non-operating revenues (expenses)	 <u>10,119,113</u>

Net income	9,500,103
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Net position - beginning of year	<u>59,473,878</u>
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Net position - end of year	<u><u>\$ 68,973,981</u></u>
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COMMENTS AND RECOMMENDATIONS

There are no significant findings or financial adjustments as a result of this examination. A Comment Letter will be issued to the Board as a result of this exam addressing opportunities for improvement and other items that did not reach a level of significance to warrant inclusion in this report. In such cases, these matters were thoroughly discussed with responsible personnel during the examination.

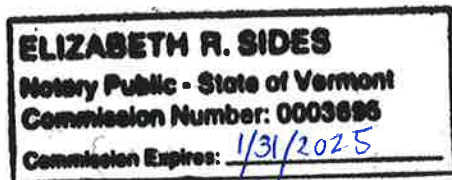
CONCLUSION

In addition to the undersigned, Jesse Lussier, Administrative Insurance Examiner, Miranda Cloutier, Examiner in Charge, and Lisa Bergeron, Examiner, participated in this examination. We wish to express our appreciation to the Directors and Management for the courteous cooperation extended during the course of the examination.

Respectfully submitted,



Karen Ducharme, CPA, CFE
Director of Company Licensing and Examinations
Division of Insurance
Vermont Department of Financial Regulation



STATE OF VERMONT
COUNTY OF WASHINGTON

Karen Ducharme, being duly sworn, deposes and says that the foregoing report submitted by her is true to the best of her knowledge and belief.

Subscribed and sworn to before me

This 12th day of March, 2024



Notary Public