

Report on the Examination
As of June 30, 2016
of
Vermont School Boards Insurance Trust, Inc.
by the
Vermont Department of Financial Regulation
Division of Insurance



State of Vermont
assistance
Department of Financial Regulation
89 Main Street
Montpelier, VT 05620-3101
www.dfr.vermont.gov

For consumer
[All Insurance] 800-964-1784
[Securities] 877-550-3907
[Banking] 888-568-4547

Robert Giroux
Chair of the Board
52 Pike Drive
Berlin, VT 05602

ORDER OF ADOPTION

In accordance with 8 V.S.A. § 3574(c), I order that the Report on the Examination of Vermont School Boards Insurance Trust, Inc. for the year ending June 30, 2016 is adopted.

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



Michael S. Pieciak, Commissioner

12/15/17

Date



**VERMONT SCHOOL BOARDS INSURANCE TRUST
EXAMINATION REPORT
AS OF JUNE 30, 2016**

TABLE OF CONTENTS

<u>Section</u>	<u>Page</u>
SCOPE OF EXAMINATION.....	2
SUMMARY OF SIGNIFICANT FINDINGS.....	3
HISTORY.....	3
MANAGEMENT AND CONTROL.....	4
Corporate Records.....	4
Members.....	4
Board of Directors.....	4
Officers.....	5
Affiliated Companies.....	5
TERRITORY AND PLAN OF OPERATIONS.....	6
REINSURANCE.....	6
FINANCIAL STATEMENTS.....	6
Statement of Net Position.....	7
Statement of Revenues, Expenses and Changes in Net Position.....	8
COMMENTS AND RECOMMENDATIONS.....	9
CONCLUSION.....	9



State of Vermont
Department of Financial Regulation
89 Main Street
Montpelier, VT 05620-3101
www.dfr.vermont.gov

For consumer assistance
[All Insurance] 800-964-1784
[Securities] 877-550-3907
[Banking] 888-568-4547

November 14, 2017

Michael S. Pieciak, Commissioner
Department of Financial Regulation
89 Main Street
Montpelier, VT 05620-3101

Dear Commissioner Pieciak:

Pursuant to the November 23, 2016 examination order, the Insurance Division's financial examination team has conducted an examination of:

Vermont School Board Insurance Trust, Inc.
with their statutory home 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.



Banking
802-828-3307

Insurance
802-828-3301

Captive Insurance
802-828-3304

Securities
802-828-3420

**VERMONT SCHOOL BOARD INSURANCE TRUST
EXAMINATION REPORT
AS OF JUNE 30, 2016**

SCOPE OF EXAMINATION

As of June 30, 2016, the financial examination of the Vermont School Boards Insurance Trust, Inc. (VSBIT or the Company) was performed. The Company's last financial condition examination was as of June 30, 2011 for the previous five year period. The examination was conducted by the Insurance Division of 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, 2011 through June 30, 2016. 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 an adjustment is identified during the examination, 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.

**VERMONT SCHOOL BOARD INSURANCE TRUST
EXAMINATION REPORT
AS OF JUNE 30, 2016**

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 financial statements 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 expense, 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 resource 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, is jointly managed by VSBIT and Vermont National Education Association (VT NEA).

VSBIT also facilitates the administration of claims on a workers' compensation program offered from 1992-1998, which ceased operations in June 1998 and is currently in run-off.

**VERMONT SCHOOL BOARD INSURANCE TRUST
EXAMINATION REPORT
AS OF JUNE 30, 2016**

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. 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 individuals were elected to the Board of Directors of the Company in accordance with the By-Laws and serving as of June 30, 2016:

Name and Principal Business Association:

Robert Giroux
Vermont Municipal Bond Bank

Residence:

Vermont

**VERMONT SCHOOL BOARD INSURANCE TRUST
EXAMINATION REPORT
AS OF JUNE 30, 2016**

<u>Name and Principal Business Association:</u>	<u>Residence:</u>
Stuart Wepler Town of Elmore	Vermont
Ron Ryan Addison – Rutland Supervisory Union	Vermont
Brenda Fleming Rutland Northeast Supervisory Union	Vermont
Emily Long Leland & Gray Union High School Board	Vermont

Officers

The Company's By-Laws state that the Board of Directors elects a President, Vice President and Secretary. With the exception of Vice President, Officers do not need to be Directors.

The Officers of the Company as of June 30, 2016 were as follows:

<u>Name</u>	<u>Title</u>
Laura Soares	President
Robert Giroux	Vice President
Stuart Wepler	Secretary

Affiliated Companies

The Company and the VT NEA jointly manage 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 \$777,612 for these services in 2016. The Company's President is also the President and Trust Administrator of VEHI.

**VERMONT SCHOOL BOARD INSURANCE TRUST
EXAMINATION REPORT
AS OF JUNE 30, 2016**

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 \$850,000.

FINANCIAL STATEMENTS

The following financial statements filed by the Company with the Department presents the financial condition of the Company as of June 30, 2016, in accordance with generally accepted accounting principles (GAAP).

**VERMONT SCHOOL BOARD INSURANCE TRUST
EXAMINATION REPORT
AS OF JUNE 30, 2016**

Statement of Net Position

Assets:

Cash	\$ 5,200,329
Investments	44,737,328
Contributions receivable	127,190
Other receivables	9,288
Deductibles receivable	24,603
Subrogation receivable	60
Reinsurance receivable	52,835
Prepaid expenses	38,220
Advance to Vermont School Boards Association	119,460
Working fund deposit	5,000
Property, plant and equipment, net of accumulated depreciation	<u>3,589,383</u>
 Total assets	 <u><u>\$ 53,903,696</u></u>

Liabilities:

Accounts payable	\$ 93,452
Accrued payroll and relates taxes payable	3,890
Accrued vacation payable	66,625
Accrued interest payable	5,529
Other payables	3,830
Claims payable	128,798
Workers' compensation state assessment reserve	105,213
Claims to be paid	3,881,612
Anticipated claims not reported	5,047,000
Reserve for unallocated loss adjustment expenses	550,000
Bonds payable	<u>2,309,311</u>
 Total liabilities	 <u>12,195,260</u>

Net Position:

Net investment in property, plant and equipment	1,280,072
Unrestricted net position	<u>40,428,364</u>
 Total net position	 <u>41,708,436</u>
 Total liabilities and net position	 <u><u>\$ 53,903,696</u></u>

**VERMONT SCHOOL BOARD INSURANCE TRUST
EXAMINATION REPORT
AS OF JUNE 30, 2016**

Statement of Revenues, Expenses and Changes in Net Position

Operating revenues:

Program contributions	\$ 11,689,968
Other income	67,131
VEHI administration contract	777,612
	12,534,711
Total operating revenues	12,534,711

Operating expenses:

Net change in claims paid and reserved - unemployment insurance	816,867
Net change in claims paid and reserved - workers' compensation	(23)
Net change in claims paid and reserved - multi-line program	4,693,992
Reinsurance premiums	2,280,140
Administration	603,674
Other program expenses	1,039,865
General and administrative expenses	1,976,232
School Management resource center expenses	326,219
	11,736,966
Total operating expenses	11,736,966

Net operating income	797,745
----------------------	---------

Non-operating revenues (expenses):

Investment income - interest and dividends	919,120
Investment income - other	780,153
Interest expense	(69,735)
	1,629,538
Total non-operating revenues (expenses)	1,629,538

Net income	2,427,283
------------	-----------

Net position - beginning of year	39,281,153
----------------------------------	------------

Net position - end of year	\$ 41,708,436
----------------------------	---------------

**VERMONT SCHOOL BOARD INSURANCE TRUST
EXAMINATION REPORT
AS OF JUNE 30, 2016**

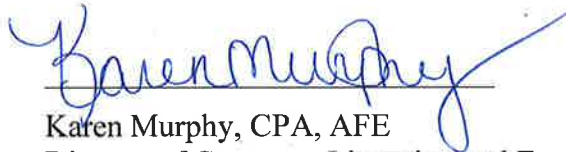
COMMENTS AND RECOMMENDATIONS

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 KC Ng, 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 Murphy, CPA, AFE
Director of Company Licensing and Examinations -
Division of Insurance
Vermont Department of Financial Regulation

STATE OF VERMONT
COUNTY OF WASHINGTON

Karen Murphy, 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 11 day of December, 2017


Notary Public