

LARM Board of Directors Meeting Minutes

June 26, 2018 3:00pm CT

The League Association of Risk Management (LARM) Board of Directors meeting was held June 26, 2018 at 3:00 pm CT at the Hoskins Community Center in Hoskins, NE.

For the roll call, the following members were present: Mike Werner, Waverly; Beth Bonderson, Hoskins; Lane Danielzuk, Gering; David Hunter, Auburn BPW; Vince Knight, SID #1 Stanton Co.; Kimberly Neiman, Pilger; Gerald Solko, St. Paul and Shannon Stuchlik, NENEDD.

Absent: Andrew Ward, Valentine

Staff members present were: Michael Nolan, Elizabeth Becker, Randy Peters, Dave Bos, Fred Wiebelhaus and Diane Becker.

Guests present: ex officio Lynn Rex, LONM; Olivia Rogers, JLT RE Inc.; Dave Domina, Domina Law; Michael Maloney, US Bank.

Guests present by phone: Jan Rise of Fremont, Mark Weaver, Teresa Bartlett of Beaver City, Sandra Schendt of Nelson and others unannounced

Notice of the meeting was emailed to LARM members on June 5, 2018. The agenda and staff memo were sent to the Board members, staff and LARM members on June 22, 2018. The agenda was emailed to the LARM Board of Directors, LARM members and the Board of Directors of the League of Nebraska Municipalities on June 22, 2018.

Gerald Solko called the meeting to order at 3:00 pm and announced that LARM is subject to the Open Meetings Act and that a memo stating this was posted in the meeting room at Hoskins. Solko asked everyone to say the Pledge of Allegiance. After the pledge, the Board of Directors roll was taken (listed above). Solko wished Nolan a Happy Birthday.

Solko announced that A-5 Nebraska Revised Statutes – 84-1412 (2) states: “It shall not be a violation of subsection (1) of this section for any public body to make and enforce reasonable rules and regulations regarding the conduct of persons attending, speaking at, videotaping, televising, photographing, broadcasting, or recording its meetings. A body may not be required to allow citizens to speak at each meeting, but it may not forbid public participation at all meetings.” He said the agenda would include a 15-minute public comment period at the start of the Board meeting for member comments on agenda items.

By phone, Rise asked that the board delay the approval of the 2018-2019 LARM budget until August or September. She wanted more information about the contributions and ceded premiums and wanted the LARM purported board to look over the budget. She also said that the auditor’s report should be given more attention in a public presentation.

By phone, Schendt also asked that the approval of the budget be delayed.

An unidentified person on the phone asked if questions would be taken on the budget now. Solko said yes. She then asked what ceded premiums are and why there is a large difference. Nolan

said the narrative in the budget showed that the actuaries had calculated what amount the reinsurers needed. The gross earned contributions are estimated based on rates which would be the amount of contributions from members. The ceded premiums are an accrual function which shows what the cost of reinsurance would be.

Nolan said the format is based on statutory accounting and that ceded premiums are estimated. Ceded premiums are the estimated premiums paid to reinsurers. It's estimated that the reinsurers rates will increase 10% for property, 3% for liability, no increase for workers' comp and \$50,000 for the workers' comp audit.

An unidentified person on the phone asked if there was something else in the ceded premiums besides the reinsurance cost. Nolan said, yes, it was for the audit. Due to phone problems, Nolan re-dialed into the phone conference. Nolan then spoke on the phone rather than the speaker and repeated the information. He said the revenues were put together based on two different actuary analyses. He explained that the budget was taking into account the worst case scenario that some members would be leaving according to an actuarial analysis.

By phone Schendt asked about brokerage services and why there was such a big difference. Nolan said the fee was increased.

On the phone Bartlett wanted questions answered on the budget. Solko encouraged people to send questions to the LARM office. Nolan said that any additional questions could be emailed to him by July 6.

Solko asked for approval of the consent agenda which included B-2, minutes of the April 10, 2018 meeting; B-3 the June 8, 2018 Board minutes; E-1 LARM Independent Auditor's Report September 30, 2017 and 2016; E-2 LARM Independent Accountant's Compilation Report, Financial Statements Statutory Basis, March 31, 2018 and 2017 (Unaudited) And September 30, 2017 (Audited); and E-3 Report from York Risk Services, Inc., entitled "LARM: 2018-2019 Pool Year Renewal -Progress Status and Estimated Annual Contributions".

Rex said that her statement at the June 8 meeting that if anyone had checked with NLC Mutual was not if they could provide coverage but if they could help check. Sokol said the minutes would be changed to show that.

Moved by Neiman and seconded by Knight to approve the consent agenda. Roll Call: Ayes: Bonderson, Danielzuk, Hunter, Knight, Neiman, Solko, Stuchlik and Werner. Nays: none. Absent: Ward Motion carried.

York Risk Services staff member Mark Weaver presented to the Board and members a report on LARM's current financial position via phone. Weaver's evaluation is based on the two sets of independently audited financial statements that were included under E-1 and E-2 of the June 26 agenda's Administrative Reports. The PowerPoint that Weaver used in his presentation is included in the agenda package. Included in his comments to the board was the fact that Loss and LAE expenses came in \$1.4 million favorable to the budget at the time of the September 2017 year-end financial results. He said that cash and investments were up \$1.6 million in the first six

months of the fiscal year. He said there has been a very nice increase in surplus in the last few years – currently at \$11.4 million.

Rex asked if there was a correlation between 2014-2015 net losses and other years. Weaver said there was some correlation with 2014-2015 that were heavy loss years.

Motion to accept Weaver's report by Stuchlik Seconded by Hunter Roll Call: Ayes: Bonderson, Danielzuk, Hunter, Knight, Neiman, Solko, Stuchlik and Werner. Nays: none. Absent: Ward Motion carried.

Michael Maloney, Senior Portfolio Manager of U.S. Bank presented to the Board and members U.S. Bank's April 30, 2018 Investment Review. Enclosed in the agenda package is his report that included information concerning LARM's investment performance, the existing LARM investment policy and an economic review and outlook.

Motion to accept Maloney's report by Hunter Seconded by Neiman Roll Call: Ayes: Bonderson, Danielzuk, Hunter, Knight, Neiman, Solko, Stuchlik and Werner. Nays: none. Absent: Ward Motion carried.

Olivia Rogers, Vice President of JLT Re Inc. provided a service overview, current and developing market conditions, a Nebraska climate update and LARM exposures, the marketing process and final terms for the July 1, 2018 reinsurance renewal. Kimberly Roberts, a JLT staff member, also provided a meteorological briefing by phone.

Motion to accept JLT's report by Hunter Seconded by Neiman Roll Call: Ayes: Bonderson, Danielzuk, Hunter, Knight, Neiman, Solko, Stuchlik and Werner. Nays: none. Absent: Ward Motion carried.

Weaver left meeting at 4:25 for a city council meeting.

Motion to table approval of the budget by Hunter, Seconded by Neiman Roll Call: Ayes: Bonderson, Knight, Neiman, Solko, Stuchlik. Nays: Danielzuk, Hunter Absent: Werner, Ward.

Moved to adjourn by Hunter, seconded by Neiman. Roll Call: Ayes: Bonderson, Danielzuk, Hunter, Knight, Neiman, Solko, Stuchlik and Werner. Nays: none. Absent: Ward Motion carried. Meeting adjourned at 5:07 pm.

Approved on August 21, 2018

Signed: Elizabeth Becker