

**MINUTES OF THE VLCT PROPERTY AND CASUALTY INTERMUNICIPAL FUND,
INC. BOARD OF DIRECTORS MEETING
HILTON DOUBLETREE, SOUTH BURLINGTON and VIA ZOOM
TUESDAY, OCTOBER 7, 2025**

Directors Present: Aaron Frank, Bruce Urie (remote), Bryan Young, Kelly Murphy, Todd Odit (remote), Erik Wells, Karen Barber, Rene Bouchard, Charles Safford, Rob Gaiotti (remote) and Nicolas Storellicastro

Staff Present: Phil Latvis, Seth Abbene, Kelly Knotek, Jill George (remote) and Kelley Avery

Others Present: Steve DiCenso (Milliman - remote)

President Frank called the meeting to order at 8:33 a.m. and requested a motion to approve the agenda.

Upon motion (Wells/Murphy), duly adopted, the board voted unanimously to approve the meeting agenda as presented.

As a point of clarification on the Johnson Lambert Audit Engagement Letter on the Consent Agenda, President Frank mentioned he spoke with Seth Abbene and Mr. Abbene noted staff has agreed the additional 3.5% service fee Johnson Lambert cited it will charge on all invoices is acceptable to staff. President Frank called for a motion to approve the consent agenda.

Upon motion (Safford/Storellicastro), duly adopted, the board voted unanimously to approve the consent agenda.

Phil Latvis provided a brief organizational update, including the following:

- Joann Gosselin joined the Property & Casualty Claims area as a new Senior Claims Representative.
- VLCT intern Nolan McKew and temporary employee Alexander Gruden provided invaluable support to Risk Management Services over the summer in Underwriting assisting with worker's comp audits and Origami policy technical issues.
- Origami Policy issues work continues since its launch in January, and the hope is to have trouble shooting on those issues finalized by November. A new Member Portal is expected to launch within a few weeks.
- The launch of Origami Claims is running behind schedule due to continued work on the Policy system. Staff is working with the Origami team on a revised implementation schedule for 2026.

Jill George provided a brief summary of the Q2 claims report.

Upon motion (Young/Wells), duly adopted, the board voted unanimously to accept the second quarter claims report.

Seth Abbene reviewed the unaudited financials through the second quarter. Net position increased by 9.3% from year-end, or roughly \$5.9 million. This was due to an investment gain of \$4.2 million

combined with an operating surplus of \$1.7 million. Revenues are up just over \$1.1 million or 8.1% compared to this time last year largely due to increased payroll exposures for worker's compensation. General and administrative expenses are \$113,938 or 2.7% lower than this time last year primarily due to a delay in expenses for the new Origami Claims system which are expected to increase in the second half of the year. Current fund year claims paid and reserved are \$3.1 million or 42.5% over budget largely due to increased claims frequency, adverse property and casualty claims development and upward reserve adjustments across several coverage lines.

Upon motion (Young/Murphy), duly adopted, the board voted unanimously to accept the Q2 Financial Report.

Phil Latvis reviewed the draft 2026 preliminary budget which includes an overall increase of 2.4% due to increases in reinsurance costs, expenses for the new Origami system, and a slight increase to the VLCT administrative line items. Staff does not anticipate this preliminary budget will change drastically from the final budget that will be presented in December. Board members asked a couple of questions but overall showed support for the preliminary budget as presented.

President Frank moved to enter into Executive Session, pursuant to 1 V.S.A. §313(a)(1)(a), for the purposes of discussing PACIF's 2026 budget, rates and contractual reinsurance, as premature general public knowledge may place PACIF at a substantial competitive disadvantage; President Frank further moved to include Risk Management Services Director Phil Latvis in the Executive Session. The motion was seconded by Erik Wells and unanimously approved by the board (9:02 a.m.).

All staff, with the exception of Phil Latvis, left the meeting, and the meeting recording was paused. Executive Session ended at 9:20 a.m. and the board meeting resumed.

Phil Latvis and Kelly Knotek reviewed the proposed rates for 2026 in detail. Overall, rates will increase by 2.3% on a gross-net basis. Kelly Knotek also shared the proposed overall rate changes by coverage line as outlined in Millman's rate exhibits and the detailed proposed rates included in the board packet. The largest driver of this slight increase is due to an increase in worker's compensation coverage, auto liability coverage and general liability coverage tempered by a slight decrease to property coverage. Actual rate and cost increases, however, will vary by member based on exposures.

President Frank noted he would like to hear status update, potentially at an upcoming meeting, regarding downstream flooding liability and where PACIF currently stands on that issue. Mr. Latvis and Ms. Knotek agreed to provide an update to the board within the next few months.

Upon motion (Safford/Storellicastro), duly adopted, the board voted unanimously to approve the 2026 proposed rates as presented.

Mr. Latvis reviewed the proposed reinsurance coverage changes for 2026 as outlined in the detailed chart included in the board packet. While most of the structure remained unchanged, there were some changes to the liability tower recommended by staff. Mr. Latvis highlighted the quotes received, reinsurers, limits, and aggregate caps for the 2026 reinsurance structure. The only quote pending as of this meeting was for Cyber Liability, which staff expect receive within the next week.

President Frank suggested staff consider revisiting a survey sent out to PACIF members several years ago regarding member cyber security practices. Since this is a growing liability issue, for risk management purposes President Frank noted may wish to seek regular updates from members. Phil Latvi and Kelly Knotek agreed to revisit the survey prospect. After some discussion, the board concurred with staff's 2026 reinsurance recommendations as presented.

Upon motion (Storellicastro/Odit), duly adopted, the board voted unanimously to authorize staff to bind the reinsurance coverage as presented.

Phil Latvis and Kelly Knotek briefly noted there would be no changes to the 2026 PACIF coverage. The focus of any potential changes largely fell under technical language to increase clarity and consistency. Since these changes did not consist of any material changes to coverage, staff decided to postpone any changes until 2027.

Steve DiCenso of Milliman presented the 2025 mid-year Reserve and Funding Analysis. Overall, Milliman has increased the central estimate to \$49,144,962, which is a decrease of \$1,034,301 compared to the year end 2024 analysis. The decrease in the central estimate was largely driven by favorable property, general liability and law enforcement liability claims development through the first half of 2025. Based on the actuarial funding analysis, staff proposes to raise \$31,911,130 on a gross-net basis at a 60% safety margin at an overall 2.3% increase to members. Milliman's analysis also included a proposed \$1.5 million contribution credit allocated to years 2012, 2015, 2017 and 2019.

Upon motion (Young/Murphy), duly adopted, the board voted unanimously to accept Milliman's 2025 Mid-Year Reserve and Funding Analysis.

As discussed in Milliman's presentation, Phil Latvis noted staff once again recommends a proposed contribution credit of \$1,500,000 for 2026 to return to members.

Upon motion (Storellicastro/Safford), duly adopted, the board voted unanimously to approve a distribution of \$1,500,000 in contribution credits to members for the 2026 renewal.

In other business, President Frank recommended holding a special meeting on November 7th at 10 a.m. to discuss additional issues and asked the board if this date and time would work. The board agreed to this meeting date.

President Frank asked for a moment of silence to honor recently deceased PACIF Board member, Dave Atherton, who served as Town Manager in Brandon, Pittsford and, most recently Killington. President Frank noted Mr. Atherton served the board and the towns with honor, humor and distinction. Everyone present participated in this moment of silence to honor Mr. Atherton.

There was no other business.

Upon motion (Safford/Murphy) duly adopted, the board voted unanimously to adjourn the meeting (10:22 a.m.).

Respectfully submitted,

Kelley Avery,
Assistant Secretary

Link to Meeting Recording:

https://us06web.zoom.us/rec/share/8err0VB0KwHbmEYqYFS0JBIZj_ZgRMS0mEt_RBw7KIUbPsT64DVAi4VjrwgZF-5o.CzT5GgNQ_eIco2-