

PURMIT Board of Trustees Meeting

December 3, 2015

9:00 a.m. – 2:00 p.m.

Phone: 1-866-581-3001, Passcode: 71615171

Offices of Davis, Wright, Tremaine LLP, 1300 SW Fifth Avenue, Suite
2400, Portland OR

Agenda

1. Call to Order, Roll Call, Welcome
2. Recognition of Ryan Hagemann (Western Oregon University) as
Trustee
3. Review and Approval of Minutes from September 30, 2015
PURMIT Board of Trustees Meeting
4. Financial update as of 9/30/2015
5. Financial Audit update and review
6. Broker commission
7. Claims
 - a. Conversion update

- b. Contacts
 - c. Subrogation update
- 8. Workers' Compensation – market options
- 9. July 1 coverage – establish timeline from December to July
- 10. Revised budget and proforma discussion
- 11. Legal Counsel items
 - a. Tax filing/budget
 - b. Banking/PUF update
 - c. DWT Engagement Letter and Conflict Waiver Form
- 12. Other items
- 13. Adjournment

Agenda Item #2

Recognition of Ryan Hagemann, Vice President and General Counsel, Western Oregon University, replacing Eric Yahnke, Western Oregon University Vice President for Finance and Administration.

Agenda Item #3 – Review and Approve September 30, 2015 PURMIT BOT Meeting

PURMIT Board of Trustees Meeting

September 30, 2015

10:00 a.m. – 2:00 p.m.

Minutes

Trustees Present: Chair Patrick Hughes (OSU); George Marlton (OIT); Vice Chair Brian Roy (PSU); Deb Donning (UO); and Craig Morris (SOU)
Trustees Present by Phone: Lara Moore (EOU)
Trustees Absent: Eric Yahnke (WOU)
Others Present: James Parker (DWT); Ryan Britz (Berkley); Jack Goodwin (Berkley); Karen Graham and James Martinez (Arthur J. Gallagher); Ashley Grealish (USSE); Kevin Wick (PwC)

Call to Order

Chair Patrick Hughes called the meeting to order at 10:06 a.m.

Roll Call

Roll call was taken of those present and on the phone.

Review and approval of minutes

Meeting minutes from the July 25 Board of Trustees meeting and minutes from the June 29 Board of Trustees were reviewed and discussed.

Action:

A motion was made by Mr. Hughes to approve both the July 25 and July 29 minutes. It was pointed out that Mr. Morris' name was missing from the July 25 meeting attendee list. Mr. Britz agreed that Mr. Morris' name was inadvertently omitted from the July 25 minutes and that the minutes would be revised to reflect his participation at the meeting. The motion was seconded by Mr. Roy. The motion carried with no objections.

Property renewal discussion

Ms. Graham from Arthur J. Gallagher provided an overview of the marketing efforts Gallagher performed in preparation for the property renewal effective October 15, 2015. Ms. Graham presented three options for the Board's consideration; one option with incumbent carrier FM Global, one option with Lexington, and one option as a layered/structured approach involving multiple carriers. The results of marketing the program resulted in rate reductions from all carriers that provided quotes as well as alternate Trust retention options at \$250,000 and \$500,000. In addition, new carrier quotes improved the offering for the earthquake deductible and in specific cases improved flood coverage. In addition, Gallagher

also approached stand-alone equipment breakdown markets for quotes to provide a comparison in price and coverage versus what was included in the package offering. Gallagher also presented optional coverages for the Board to consider, including: stand-alone terrorism, NCBR, Violent and Malicious Acts. The Board discussed all optional coverages presented, how those coverages fit into the quote options and decided that they would like to have a more in depth discussion at a future meeting about these coverage offerings and how they best fit into the overall risk management philosophy of the Trust.

Action:

A motion was made by Mr. Roy to have Berkley Risk bind coverage on behalf of PURMIT with Lexington at the \$250,000 deductible as presented by Gallagher. In the event Lexington is not able to provide equipment breakdown as a part of its property policy as proposed, Berkley Risk is authorized to bind stand-alone equipment breakdown coverage on terms and conditions similar to expiring. The motion was seconded by Mr. Hughes. The motion carried with no objections.

Actuarial study review

Mr. Wick from Pricewaterhouse Coopers presented the draft actuarial study to the Board. The study focused on liabilities the Trust is responsible to cover within the property and liability retention. The study focused on property, liability and workers' compensation coverages currently in place. Mr. Wick commented that the property and workers compensation lines of business continue to trend in the right direction. Mr. Wick also commented that the liability lines of coverage continue to be a challenge to the Trust's retained layer. Mr. Wick will be finalizing the study in the next week.

Action: No action taken at this time.

Workers' Compensation broker discussion

Ms. Graham of Arthur J. Gallagher proposed a consultant role to the Board in which Gallagher would provide an analysis of the current coverage in place, review other workers' compensation options for the Board including guaranteed cost, self-insured retention and other retrospective plans. Mr. Roy inquired about the effect of the surplus requirement on the Trust as a whole and the potential impact needs to be analyzed and considered prior to making final

decision. Mr. Morris commented that the Board should be willing to explore other options in addition to the current program. The Board decided that additional financial and statutory analysis should be worked through prior to deciding next steps.

Action: No action taken at this time.

Accounting/Finance update

Ms. Schmidt from Berkley Risk provided an update of the financial status of the Trust as of June 30, 2015. Overall the Trust continues to build member surplus. Ms. Schmidt recommended that the Board write-off a restitution amount of \$389,000, which is the result of a claim back in 2012. The financial audit will be performed by K Financial in October.

Action: A motion was made by Mr. Morris to write-off the \$389,000 for the June 2014 financials and to continue to explore options for recovering the outstanding amount. The motion was seconded by Mr. Roy. The motion carried with no objections.

Claim administration discussion

Mr. Britz provided an overview of the claim handling procedures as well as a timeline for rolling out the handling procedures to be effective January 1, 2016. The Board discussed the desire for additional work to be done to better define claim settlement authorization. Mr. Roy liked the proposal and framework it provided and would like to continue to explore reserve and settlement authority levels. The Board requested Berkley staff step out of the meeting so the proposal could be discussed.

Action: A motion was made by Mr. Roy to approve Berkley Risk as the claim handling entity on behalf of the Trust effective January 1, 2016, and that Mr. Britz and Mr. Parker begin the process of drafting an addendum to the administration agreement that will define the terms of the claim handling agreement. Also, Mr. Britz and Mr. Parker are to begin the process of notifying the existing vendors of the change and to work through the termination requirements of those contracts. The motion was seconded by Mr. Hughes. The motion carried with no objections.

Legal counsel items

Mr. Parker provided on the following items:

- Tax filing – the cost for the Trust to file a private letter ruling with the IRS and the cost for legal work to prepare the filing would be approximately \$48,750. The Board discussed the reasons for obtaining the ruling and decided to discuss at a future meeting.

Action: No action taken at this time.

- Oregon Insurance Department forms - Mr. Parker indicated the need for the Board to grant him authority to fill out and file all necessary forms with the OID.

Action: A motion was made by Mr. Morris to grant authority to Mr. Parker to file all forms required by OID. The motion was seconded by Mr. Roy. The motion carried with no objection.

- Banking/PUF update – Mr. Parker has had meetings with Oregon Department of Treasury, USSE and the Department of Justice. The Department of Justice confirmed that PURMIT may participate in the PUF. To join, PURMIT would need the approval of the other members of the PUF. PURMIT also has the option of banking with the Treasury. Mr. Marlton would like to present the information to his VP of Finance to review and comment. Mr. Morris indicated it would be good for Mr. Parker to be on the agenda at the next VP of Finance meeting

to present PURMIT's case and determine acceptability to the PUF.

Action: A motion was made by Mr. Morris to have Mr. Parker present at the next VP's of Finance meeting and seek approval of that board for PURMIT to join the PUF. If the VP's of Finance approve of PURMIT to join the PUF, Mr. Parker is authorized to begin negotiations with the Treasury, the USSE, and the designated university to establish PURMIT banking with the PUF. The motion was seconded by Mr. Marlton. The motion carried with no objections.

- DWT Engagement Letter and Conflict Waiver form – Mr. Parker commented that he is awaiting the signed forms based on the approval by the Board. Mr. Marlton indicated that he is awaiting word from OIT's general counsel.

Action: A motion was made by Mr. Morris to give the authority to Berkley Risk to sign the documents once he has received approval from all Trustees. The motion was seconded by Mr. Roy. The motion carried with no objections

Other items

- AGRiP Designated Representative Form – Mr. Britz commented that the designated representative form needed to be signed. The representative on the form can be either a person or a position. The Board agreed to have the designated representative be the position of Trust Chair. The form was signed by Mr. Hughes. Mr. Britz will send the form to AGRiP.
- Subrogation claim – Mr. Britz commented that there is a property damage claim resulting from water intrusion that has strong potential for recovery. To assist in the recovery, Berkley Risk has engaged the law firm of Macmillan, Scholz & Marks. This process is in the very early stages and Berkley Risk will provide ongoing updates to the Board.

Mr. Hughes made a motion to adjourn meeting. Mr. Morris seconded the motion. Motion carried with no objections.

Agenda Item #4 – Financial update as of September 30, 2015

Supplied at meeting

Agenda Item #5 – Financial Audit and Review

Supplied at meeting

Agenda Item #6 – Brokerage Commission

PURMIT's broker, Arthur J. Gallagher has requested commission to be paid for placement of coverage that is in addition to the PURMIT

covers. Coverage examples include: Network Security, Pollution, marine, aviation.

Agenda Item #7 – Claims

- a. Conversion update**
- b. Berkley Risk Claim Contacts**
- c. Subrogation update**

Agenda Item #8 – Workers’ Compensation

Discussion of PURMIT’s desire to explore market options

Agenda #9 – July 1 coverage

Establish timeline from December to July

Agenda Item #10 – Revised Budget and Proforma

Agenda Item #11 – Legal Counsel

- a. Tax Filing/budget
- b. Banking/PUF update
- c. DWT Engagement Letter and Conflict Waiver Form

Agenda Item #12 – Other Items

Agenda Item #13 - Adjournment

Public Universities Risk Management & Insurance Trust

September 30, 2015

Financial Review

PURMIT – Board of Trustees Meeting

PURMIT

Agenda

Operating Results

- Statements of Revenue and Expenses and Changes in Net Position
- Statements of General and Administrative Operating Expenses

Financial Position

- Statement of Net Position
- Statement of Net Position Rollforward

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Statements of Revenue and Expenses and Changes in Net Position As of September 30, 2015

	As of September 30, 2015		
	Trust	Workers Comp	Total
OPERATING INCOME:			
Member contributions earned	\$ 2,963,919	\$ 630,724	\$ 3,594,642
Surplus credit and adjustments *	133,112	(140,896)	(7,784)
	3,097,030	489,828	3,586,858
OPERATING EXPENSES:			
Losses and loss adjustment expenses	\$ (855,622)	\$ (537,051)	\$ (1,392,673)
Insurance premium expenses	(1,297,946)	(357,354)	(1,655,300)
General and administrative	(210,137)	-	(210,137)
	(2,363,705)	(894,405)	(3,258,110)
NET OPERATING INCOME	\$ 733,325	\$ (404,578)	\$ 328,748
NONOPERATING REVENUE:			
Net investment income	\$ 453	\$ -	\$ 453
Other income	-	-	-
	453	-	453
Increase in net position	733,778	(404,578)	329,200
Net position, beginning of the fiscal year	(801,627)	2,872,475	2,070,848
Net position, ending of the fiscal quarter	\$ (67,849)	\$ 2,467,898	\$ 2,400,048

* Includes current year 25% additional assessment and fund (surplus)/deficit adjustment.

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Statements of General and Administrative Operating Expenses As of September 30, 2015

As of September 30, 2015

<u>Description</u>	<u>Amount</u>
Berkley Contract *	\$ 105,000
USSE	23,974
Legal For Trust	14,017
Outsourced Services *	27,240
Accounting Services *	14,347
RMIS Database	21,942
Miscellaneous **	<u>3,617</u>
Total General and Administrative Operating Expenses	<u>\$ 210,137</u>

* Includes FY15 expenses paid in FY16.

** Telephone, subscriptions, bank charges, Meeting & Conferences and Memberships.

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Statements of in Net Position

As of September 30, 2015

	As of September 30, 2015		
	Trust	Workers Comp	Total
ASSETS			
Cash and cash equivalents	\$ 1,260,710	\$ 5,913,815	\$ 7,174,526
Accounts receivables	2,684,861	462,173	3,147,034
Fixed Assets - software	89,868	-	89,868
Other Assets - deductible receivable	47,008	-	47,008
Prepaid assets	2,218,369	-	2,218,369
Total Assets	\$ 6,300,817	\$ 6,375,988	\$ 12,676,805
 LIABILITIES AND NET POSITION			
Liabilities:			
Reserve for losses and loss accrued expenses	\$ 6,368,666	\$ 3,908,091	10,276,756
Total Liabilities	\$ 6,368,666	\$ 3,908,091	\$ 10,276,756
 Net Position:			
Total Liabilities and net position	\$ (67,849)	\$ 2,467,898	2,400,048

PURMIT

Statements of Net Position Rollforward As of September 30, 2015

	<u>June 30, 2014</u>	<u>June 30, 2015</u>	<u>Sept 30, 2015</u>
Net Position, Beg. of Period	\$ (4,531,552) *	\$ 184,894	\$ 2,070,848
Add: Net Operating Income	4,716,447	260,564	328,748
Add: Nonoperating Revenue	-	1,625,390	453
Less: Dividends	-	-	-
Increase (Decrease) in Net Position	<u>\$ 4,716,447</u>	<u>\$ 1,885,954</u>	<u>\$ 329,200</u>
Net Position, End of Period	<u>\$ 184,894</u>	<u>\$ 2,070,848</u>	<u>\$ 2,400,049</u>

- Beginning Fund Balance per the Risk Management Financial Status as of June 30, 2014 provided by Perkins & Co.

Questions and Comments?