

VLCT Looks Back: The Start of PACIF

A historical perspective on VLCT really should include a few references to PACIF (Property and Casualty Intermunicipal Fund, Inc.). Although providing insurance options for members was not one of the principles on which VLCT was founded, it has become a core service. In a December 2016 VLCT News article titled “The Power of Pooling,” David Sichel – who is currently VLCT’s Deputy Director of Risk Management Services but has worn many hats here over the years – explained the insurance market forces that compelled a small group of Vermont’s local leaders to investigate an alternative to commercial property and casualty insurance for their municipalities. Below is a bit more of that story.

In its first 18 years, VLCT had made efforts in offering group insurances, some of which were more successful than others. One insurance-related idea that never panned out was an early proposal for a workers’ compensation trust. The VLCT board discussed it on October 1, 1981, and actually passed bylaws for the future VLCT Municipal Safety Trust *and* appointed a broker for it. However, no progress was ever made with what was apparently intended to be an insurance purchasing cooperative.

In 1985, with the Health Trust on sound footing, property and casualty insurance became a looming issue. VLCT heard from a growing number of members that their commercial carriers were either reducing the scope and increasing the cost of existing municipal coverage or not offering to renew policies at all. Steven Jeffrey, in his third year as Executive Director, and Tom LoPizzo, who was handily administering both the Unemployment and Health trusts, saw a new opportunity for the League to serve its members. That’s why people like Dave Sichel (then Brattleboro’s Finance Director), who called to ask for guidance in addressing their need for property and casualty insurance, were invited to serve on a committee to consider a group solution. And while the committee sought a suitable consultant to start forming a plan for self-insurance, Steve enlisted the aid of Montpelier attorney Paul Giuliani to help make certain that such a program could operate legally as soon as it was ready.

Three requirements needed to be met before VLCT members could create what became PACIF.

1. Enabling legislation had to be fashioned and passed by the state legislature.
2. The feasibility of the proposed self-insurance program had to be evaluated to determine whether it was financially and operationally viable and could earn state-level regulatory approval.
3. Enough Vermont cities and towns had to make a firm financial commitment for the program to be launched at all.

Steve, Tom, and Paul worked diligently to draft enabling legislation and get it passed during the 1985-86 legislative biennium. On January 28, 1986, the bill was introduced by the House Commerce Committee as House Bill 641, and was voted out of the House on March 12. The Senate approved the bill on May 2 (shortly before adjournment), Governor Madeleine Kunin

signed it as Act 237, and it became effective on June 3, 1986. The law allowing “Intermunicipal Insurance Agreements” is V.S.A. 24 Chapter 121, §§ 4941-4947.

Meanwhile, the combined need, experience, and perseverance of the investigatory committee helped PACIF take shape in remarkably short order. Most committee members knew much more about municipal concerns than insurance. However, David Bell, Town Manager of Essex, had recently arrived from Missouri, which had instituted a property/casualty insurance trust the year before, and Mel Hawley, City Manager of Vergennes, was son and brother to the principals of a well-established insurance agency in Vermont. The proposal that emerged was to pool members’ resources to both purchase a single insurance policy that was large enough to cover all members but had a high deductible and also set aside money to pay the deductible. This is the method by which large cities and private corporations insure themselves.

Homing in on the goal, the investigatory committee engaged a regional insurance consultant to examine whether the plan was feasible in Vermont. It was. Knowing that their colleagues around the state would need to have confidence in the new undertaking, they brought in an insurance broker to structure and find insurance support for the program. The broker developed a package that covered liability and property and included all necessary underwriting and claim adjusting services. In due course, this package received regulatory approval from the state. Working with Paul, Tom, and Steve, the committee wrote bylaws for what they all hoped would soon become the VLCT Property and Casualty Insurance Fund.

The enabling legislation having taken effect on June 3, 1986, and with a favorable feasibility study on file, the committee convened on June 18, 1986, at the VLCT offices at 52 State Street in Montpelier to establish the organization. Nine trustees were appointed to form the founding board. They then adopted the proposed bylaws; elected the first slate of officers; arranged for VLCT to provide administrative services; and appointed the necessary professional service providers, including general counsel, depository bank, actuaries, broker, claim adjuster, and independent auditor. VLCT filed the paperwork with the Secretary of State to incorporate VLCT PACIF on July 1, 1986.

Initially, the committee had hoped to have coverage available that very day, but far more members were needed to join and commit funds: a total of at least \$1 million was required to launch the program – with policies from Lloyd’s of London and other insurers. Having learned that most Vermont municipalities were on calendar-year coverage, PACIF trustees and VLCT staff set January 1, 1987, as the target start-up date, then got to work convincing municipalities to make the leap into the new shared-risk pool. Several trustees had better luck convincing their neighboring communities than their own. Steve Jeffrey and Tom LoPizzo kept a record of which communities signed on, complete with a tally counting down the remaining money required. The deadline for financial commitments was December 31, 1986, and, as Steve said in 2012, “I remember calling towns on New Year’s Eve to see if they had decided to come in or not, so we could make the ‘Go / No Go’ position clear to the board basically on New Year’s Day.”

PACIF coverage was launched with 27 charter members. Another 20 joined during its first year, a total of 54 were signed on for the start of 1988, and membership increased steadily over the following years. With this financial commitment came stability, allowing PACIF’s board of directors (as they are now known) to gradually hire staff, bring member-focused services in-

house, and expand the types and extent of coverage. Some of the many more stories and stats about all that will be revealed in future articles.

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PACIF's Original Trustees:

E. Gary Beardsworth	City of Montpelier
David C. Bell	Town of Essex
Charles R. Blake	City of Newport
Timothy F. Buskey	Town of Middlebury
Richard H. Cate	City of Barre
James Gruber	Town of Hartford
Melvin S. Hawley	City of Vergennes
Brendan S. Keleher	City of Winooski
David M. Sichel	Town of Brattleboro

PACIF's Original Officers:

President:	Melvin S. Hawley
Vice President:	David C. Bell
Treasurer:	David M. Sichel
Assistant Treasurer:	Thomas E. LoPizzo
Secretary:	Steven E. Jeffrey
Assistant Secretary:	J. Paul Giuliani

PACIF's Charter Members

City of Vergennes	Town of Brattleboro	Town of Ludlow
Village of Ludlow	Town of Springfield	Town of Poultney
Town of Fair Haven	Village of Bellows Falls	Town of Rockingham
Town of Windsor	Town of Windham	Town of Hardwick
City of Newport	Village of Poultney	Town of Royalton
Royalton Fire District	Town of Rutland	Rutland Fire District #1
Town of Burke	Town of Castleton	Town of Guilford
Village of Essex Junction	Town of Essex	Town of Norwich
Norwich Fire District	Town of Wilmington	Town of Orange

Note the incongruity: six of the nine founding board members didn't convince their governing boards to buy into the first year of the proposed shared risk pool. We'll save you the trouble of comparing the lists. The six hesitant municipalities were Montpelier, Newport, Middlebury, Barre, Hartford, and Winooski.