



# Town of Simsbury

933 HOPMEADOW STREET

P.O. BOX 495

SIMSBURY, CONNECTICUT 06070

Lisa L. Heavner - First Selectman

**Watch Board of Selectmen meetings LIVE and rebroadcast on Comcast Channel 96, rebroadcast on Frontier Channel 99 and on-demand on [www.simsburytv.org](http://www.simsburytv.org)**

## **SIMSBURY BOARD OF SELECTMEN**

**Main Meeting Room – Simsbury Town Hall – 933 Hopmeadow Street, Simsbury**

**Regular Meeting – April 25, 2016 – 6:00 p.m.**

### **PLEDGE OF ALLEGIANCE**

### **PUBLIC HEARING**

To receive public comment concerning the proposed Amendment to the Simsbury Code of Ordinances, Chapter 141, concerning tax abatements for volunteer firefighters and ambulance personnel

### **CLOSE PUBLIC HEARING**

### **PUBLIC AUDIENCE**

### **PRESENTATIONS**

- May 2016 Bike Month Proclamation

### **FIRST SELECTMAN'S REPORT**

### **SELECTMEN ACTION**

- Possible Action on Amendment to the Simsbury Code of Ordinances, Chapter 141, concerning tax abatements for volunteer firefighters and ambulance personnel
- Discuss Participation in CT-Prime Stop Loss Program and Possible Action
- Approve Tax Refunds
- Acceptance of Gift of Furniture from The Hartford
- Approve the request of Fiddlers Green for Eno parking permission effective June 1, 2016 to December 1, 2016
- Designate Personnel Sub-Committee to Hear Appeal Under Terms of Defined Benefit Plan

Telephone (860) 658-3230  
Facsimile (860) 658-9467

LHeavner@simsbury-ct.gov  
[www.simsbury-ct.gov](http://www.simsbury-ct.gov)  
An Equal Opportunity Employer

8:30 – 7:00 Monday  
8:30 – 4:30 Tuesday through Thursday  
8:30 – 1:00 Friday

**OTHER BUSINESS**

- a) Discussion regarding updates from Boards and Commissions
- b) Discussion on Fiscal Year 2017 Budget

**APPOINTMENTS AND RESIGNATIONS**

- a) Appoint Susan Krinsky (R) as an alternate member of the Aging & Disability Commission with an expiration date of January 1, 2018

**REVIEW OF MINUTES**

- a) Regular Meeting of April 11, 2016

**SELECTMEN LIAISON AND SUB-COMMITTEE REPORTS**

- 1. Personnel
- 2. Finance
- 3. Welfare
- 4. Public Safety
- 5. Board of Education

Most of the documents reviewed by the Board of Selectmen at this meeting can be located at:  
<http://www.simsbury-ct.gov/board-of-selectmen>



May is Bike Month



## *Proclamation* **May 2016** **is Bike Month in Simsbury, CT**

Whereas, for more than a century the bicycle has been an utilitarian, economical, environmentally sound and effective means of personal transportation, recreation and fitness; and

Whereas, the Town of Simsbury, Connecticut encourages the use of bicycles as a means of transportation; and

Whereas, the Town of Simsbury, Connecticut recognizes bicyclists as legitimate roadway users and therefore are entitled to legal and responsible use of all public roadway facilities in Simsbury; and

Whereas, the Town of Simsbury, Connecticut encourages the increased use of the bicycle, benefiting all citizens of Simsbury improving air quality, reducing traffic congestion and noise, decreasing the use of and dependence upon finite energy sources, and fostering exercise; and

Whereas, the Town of Simsbury, Connecticut recognizing the use of bicycles as a viable mode of transportation, endeavors to promote safe and responsible bicycling and is committed to incorporating the development of bicycle facilities in the vision for a vibrant downtown Simsbury; and

Whereas, the League of American Bicyclists has established May as National Bicycle Month, and the First Selectman establishes May as Bicycle Month in Simsbury, Connecticut's first town to be designated as a Silver Bicycle Friendly Community; and

Whereas, the Simsbury Bicycle Advisory Committee and the First Selectman encourage all citizens to ride their bicycles to work, to the store, to the park, around their neighborhoods and with friends and family to promote the personal and societal benefits achieved from bicycling.

Now, therefore, I, Lisa Heavner, First Selectman of Simsbury Connecticut, do hereby proclaim May 2016 to be Bike Month in Simsbury, Connecticut.

**Lisa Heavner, First Selectman Town of Simsbury, Connecticut**

May 1, 2016



# May is National Bike Month

Thurs., May 5<sup>th</sup>

## Board of Selectmen Ride



Show your support for a Bicycle Friendly Community.

Join town leaders and advocates for a  
5-mile ride around town and ice cream.

Everyone welcome!

5 pm Town Hall



For more information: [www.simsbury.bike](http://www.simsbury.bike)

**TOWN OF SIMSBURY  
PUBLIC HEARING NOTICE**

Notice is hereby given that the Board of Selectmen will hold a public hearing on Monday, April 25, 2016 at 6:00 p.m. in the Main Meeting Room of Town Hall, 933 Hopmeadow Street, Simsbury, CT 06070 to receive public comment concerning the proposed Amendment to the Simsbury Code of Ordinances, Chapter 141, concerning tax abatements for volunteer firefighters and ambulance personnel. Copies of the proposed changes can be found on the Town of Simsbury's website, [www.simsbury-ct.gov](http://www.simsbury-ct.gov) on the Board of Selectmen's page. Hard copies are available at the Town Clerk's Office, 933 Hopmeadow Street, Simsbury, CT.

**Public Hearing Date: Monday, April 25, 2016 at 6:00 p.m.**

**Draft Amendment to Chapter 141  
Ordinance Providing Tax Abatement For  
Volunteer Firefighters and Ambulance Personnel**

**1. Delete §141-17 and substitute the following in lieu thereof:**

§141-17 Abatement Schedule

Each volunteer firefighter of the Simsbury Volunteer Fire Company and each volunteer of the Simsbury Volunteer Ambulance Association (collectively "volunteer") who is eligible pursuant to §141-18 to receive a tax abatement, shall have his or her real estate and/or motor vehicle property taxes owed to the Town of Simsbury for the current fiscal year abated in an amount equal to the lesser of the total amount of his or her real estate and/or motor vehicle property taxes owed to the Town of Simsbury for such fiscal year or an amount as calculated in the following schedule:

COLUMN A	COLUMN B
Years of Volunteer Service to the Simsbury Volunteer Fire Company and/or the Simsbury Volunteer Ambulance Association	Dollar Amount of Taxes Abated
2	<del>\$200.00</del> 500.00
4	<del>\$400.00</del>
6	<del>\$600.00</del>
8	<del>\$800.00</del>
5 or more	\$1,000.00

**2. Delete §141-18 and substitute the following in lieu thereof:**

### §141-18 Eligibility

To be eligible for the tax abatement pursuant to §141-17 for any fiscal year, an eligible volunteer shall, on or before April 30<sup>th</sup> prior to such fiscal year, present to the Tax Collector a written statement certified to by the Chief of the Simsbury Volunteer Fire Company or the President of the Simsbury Volunteer Ambulance Association, which statement shall include the name and address of said volunteer, that said volunteer has served as an active volunteer in good standing for the Simsbury Volunteer Fire Company and/or the Simsbury Volunteer Ambulance Association for not less than the two (2) immediate preceding calendar years, and the total number of Years of Service of said volunteer. "Volunteer in good standing" for members of the Simsbury Volunteer Fire Company shall be defined as set forth in the bylaws of the Simsbury Volunteer Fire Company. "Volunteer in Good Standing" for members of the Simsbury Volunteer Ambulance Association shall be defined as a regular ambulance volunteer who has done 288 qualifying hours in the year preceding October 1. "Years of Service" shall not be deemed to have been interrupted by medical leave authorized by the Simsbury Volunteer Fire Company and/or the Simsbury Volunteer ambulance Association, leave for military service for the United States of America, or leave covered under the Connecticut Workmen's Compensation Act.

A person who terminates his or her volunteer service to the Simsbury Volunteer Fire Company and/or the Simsbury Volunteer Ambulance Association shall, upon his or her return to volunteer service to the Simsbury Volunteer Fire Company and/or the Simsbury Volunteer Ambulance Association, be eligible for the tax abatement provided under Section §141-17 only after he or she completes ne full calendar year of volunteer service. Such volunteer's total years of Service shall then include any previous years of volunteer service to the Simsbury Volunteer Fire Company and/or the Simsbury Volunteer Ambulance Association.

Any person who terminates his or her volunteer service to the Simsbury Volunteer Fire Company or the Simsbury Volunteer Ambulance Association for five (5) or more years shall lose any credit for any previous Years of Service.

### **3. Delete §141-22 and substitute the following in lieu thereof:**

#### §141-22 Effective Date

Revised Sections 141-17 and 141-18 of this Ordinance shall take effect and shall be applicable to taxes owing beginning with taxes on the Grand List of October 1, 2015. For the October 1, 2014 Grand List, the tax abatement schedule that was in effect prior to this Amendment shall remain in full force and effect.

**Public Hearing Date: Monday, April 25, 2016 at 6:00 p.m.**



# Town of Simsbury

933 HOPMEADOW STREET

P.O. BOX 495

SIMSBURY, CONNECTICUT 06070

## BOARD OF SELECTMEN MEETING AGENDA SUBMISSION FORM

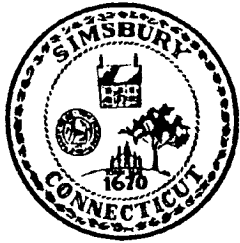
1. **Title of submission:**  
Authorization to Participate in the CT Prime, Inc. Captive Insurance Program
2. **Date of submission:**  
April 8, 2016
3. **Date of Board Meeting:**  
April, 11, 2016
4. **Individual or Entity making the submission** (Please include complete contact information. The identified individual(s) should be prepared to present information to the Board of Selectmen at the Board Meeting):  
Sean Kimball, Interim Director of Finance
5. **Action requested of the Board of Selectmen** (Acceptance of gift, creation of reserve, approval of contract, information only, etc. Be as specific as possible with respect to the desired action of the Board.):  
*The Individual or Entity making the submission requests that the Board of Selectmen:*  
Authorize participation in the CT Prime, Inc. Captive Insurance Program by adopting the attached resolution
6. **Summary of Submission** (Include in your summary (i) relevant dates and timelines; (ii) parties involved; (iii) a description of financial terms and conditions specifically identifying the financial exposure/commitment of the Town of Simsbury; (iv) whether or not contracts, licenses and other legal documents have been reviewed by the Town's counsel; and (v) other information that will inform the Board of Selectmen's consideration of your submission. Include any additional information in an attached memorandum.):  
Please see attached memo.
7. **Financial Impact** (Include a description of any impact on the finances of the Town of Simsbury):  
Anticipated future rate stability is the primary objective. However, immediate savings of approximately \$23,000 will be realized in FY17 between the Town and Board of Education. From a budgetary standpoint on the Town side, the impact is approximately \$5,000. I would recommend using this savings to restore the \$5,000 cut in this line item during the final Budget Workshop on March 16, 2016 (effectively leaving the budget as recommended unchanged).

**8. Description of documents included with submission (All documents must be in final form and signed by the appropriate party.):**

*The following documents are included with this submission and attached hereto:*

See attached memo and resolution.





# Town of Simsbury

933 HOPMEADOW STREET

P.O. BOX 495

SIMSBURY, CONNECTICUT 06070

Sean M. Kimball – Director of Finance/Treasurer

## **MEMORANDUM**

**To:** Simsbury Board of Selectmen

**From:** Sean Kimball – Interim Finance Director/Treasurer

**Re:** **CT Prime – Stop Loss Insurance Captive Participation**

**Date:** April 8, 2016

**CC:** Tom Cooke, Director of Administrative Services  
Burke LaClair, BOE Business Manager

---

The Town recently received the stop loss insurance rate proposal for the Town/BOE health insurance plans from the soon-to-be-created captive insurance company formerly referred to as the “CREC Captive”, and now officially named CT Prime, Inc. (Program of Regional Insurance for Municipalities & Education). Initial indications were to expect a quote equal to or better than our current rate; however, the final quote received by Simsbury is 5% lower than our current rate, resulting in shared savings of approximately \$23,207 between the Town and Board of Education insurance plans.

### **Recommendation:**

I recommend the Board of Selectmen make the attached resolution authorizing Simsbury’s participation in CT Prime, Inc. and authorizing the First Selectman to accept the proposed stop loss insurance rate on behalf of the Town and Board of Education.

Having been involved in the development of this program from the outset, I make this recommendation based on the following considerations: 1) the quality of towns and boards of education involved; 2) the knowledge of the participating experts and advisors; 3) the likelihood of future rate stability and savings; and 4) other potential cost-saving opportunities through regional cooperation with the communities involved. Additionally, I have been asked to serve on the Board of Directors for this organization, meaning that Simsbury will have a seat at the table, which is important for ensuring that Simsbury’s best interests are protected when it comes to considering future communities applying for membership in the captive.

### **Background:**

Last fall, the Capitol Region Education Council (CREC) approached Town staff to explore the possibility of joining with other central CT municipalities to purchase medical stop loss insurance. Participating

Telephone (860) 658-3282  
Facsimile (860) 658-9467

skimball@simsbury-ct.gov  
[www.simsbury-ct.gov](http://www.simsbury-ct.gov)  
An Equal Opportunity Employer

8:30 – 7:00 Monday  
8:30 – 4:30 Tuesday through Thursday  
8:30 – 1:00 Friday

from Simsbury in meetings coordinated by CREC include First Selectman Lisa Heavner; Superintendent of Schools Matt Curtis; CREC Council Member Lydia Tedone; Business Manager Burke LaClaire; Director of Administrative Services, Tom Cooke; former Finance Director Joe Mancini; Acting Finance Director, Sean Kimball; and acting Deputy Director of Administrative Services, Eric Gomes. Simsbury's Insurance Advisor, Bob Lindberg of AJ Gallagher, is also supporting CREC in the formation of the captive insurance company.

A few key dates during this process include:

- **January 22, 2016** – Captive concept presented to Board of Selectmen Finance Subcommittee
- **February 22, 2016** – Board of Selectmen voted unanimously to support a regional grant for funds to capitalize the proposed Stop Loss Insurance Captive.
- **March 10, 2016** – Jenny Emery, captive advisor to CT Prime, Inc. presented to the Board of Selectmen before BOS Budget Workshop.
- **March 23, 2016** – Bob Lindberg and Sean Kimball presented the stop loss insurance captive proposal to the Simsbury Insurance Advisory Committee.
- **April 11, 2016** – Resolution of the Board of Selectmen requested authorizing participation.
- **April 15, 2016** – Anticipated date for captive application to the CT Insurance Department, community signed letters of intent needed prior to this date.
- **July 1, 2016** – Anticipated commencement of stop loss insurance through CT Prime captive.

### **Captive Insurance Basic Information:**

A captive insurer is a legal entity formed primarily to insure the risk of multiple communities thereby contributing to a reduction in risk. The larger the entity, the more predictable the risk becomes and the lower the cost. The plan is for approximately 16 communities to form captive insurance company to be known as CT Prime, Inc. The purpose of the captive is to attain rate stability, to provide expert risk management and claim services, and to expand health and wellness programs to reduce claims.

The captive company would collect premiums from the participating communities and self-insure for claims up to \$500,000. The captive would purchase its own stop-loss insurance for claims exceeding \$500,000. Currently, Simsbury has stop loss coverage for claims exceeding \$250,000, meaning we are self-funded on all claims up to this point. The Town would retain this \$250,000 limit for next year.

CT Prime, Inc. will be managed by a Board of Directors made up of the member towns and school districts. If Simsbury participates in the captive, Sean Kimball, current Finance Director for the Town will serve on the Board of Directors for CT Prime Inc.

The captive would be regulated under the State Insurance Department and is scheduled to become active on July 1st. This regional effort will provide an opportunity to lower our premium costs for the years going forward and expand wellness programs for employees.

**Towns/Organizations Currently Involved in Captive Formation Process:**

Canton	Farmington	Plainville	Suffield
Cheshire	Glastonbury	Simsbury	Waterford
CREC	Granby	South Windsor	West Hartford
Enfield	Manchester	Southington	Windsor

**Note:** Avon left the group initially but is now exploring getting back in.

**Captive Contacts/Vendors and Roles:**

*A.J. Gallagher*

- Insurance Advisor
- Representatives: Bob Lindberg, Senior VP; Stephen Schroll, Area VP; Tracey May, Area VP; Trip McGarvey, Area Senior VP

*Capitol Region Education Council*

- Organizing entity and contributing line of credit for initial capitalization.
- Corporate Member with permanent Board of Directors representation
- Representatives: Mary Glassman, CORE Manager; Cara Hart, CORE Coordinator

*CT Department of Insurance*

- State Licensing Entity/Oversight
- Representatives: Christopher Gallo, Insurance Accredited Financial Examiner; Janet Grace, Captive Program Manager

*Day Pitney, LLP*

- Legal Counsel
- Representative: Sam Caligiuri, Partner

*Emery, LLC*

- Captive Consultant
- Representative: Jenny Emery

*Marsh Captive Insurance Solutions*

- Captive Manager
- Representatives: Amy Daigle, Account Manager; Dawne Davenport, Actuarial Consultant; Marcy Waterfall, Senior VP; Michael Serricchio, Senior VP

---

## **RESOLUTION OF THE TOWN OF SIMSBURY**

### **Participation in the CT Prime, Inc. Stop-Loss Insurance Captive**

**WHEREAS**, the Town of Simsbury maintains a self-insurance program for health insurance coverage of Town and Board of Education employees; and

**WHEREAS**, it is determined that it is in the interests of the Town of Simsbury to procure a stop loss policy to mitigate the Town's exposure to large loss claims, and that savings may be achieved by becoming a member, with a number of other participating municipal entities, of CT Prime, Inc., a new Connecticut-domiciled captive insurer.

### **NOW, THEREFORE, BE IT RESOLVED,**

(a) that the Town of Simsbury hereby approves the procurement of a stop loss policy to mitigate the Town's exposure to large loss claims through CT Prime, Inc., a new Connecticut-domiciled captive insurer (the "Captive");

(b) that the First Selectman is authorized, on behalf of the Town of Simsbury, to contract with the Captive for the procurement of such insurance and to enter into a participation agreement, a membership agreement, or such other agreement as may be necessary to procure such insurance; and

(c) that the First Selectman and other proper officers and officials of the Town of Simsbury are authorized to take any and all actions necessary or desirable to procure the insurance as described above.

**Subject:** BOS Insurance captive

**From:** Jenny Emery [<mailto:jpemery5@gmail.com>]

**Sent:** Wednesday, April 13, 2016 4:12 PM

**To:** Kimball Sean

**Cc:** Robert Lindberg ([Robert.Lindberg@ajg.com](mailto:Robert.Lindberg@ajg.com)); Heavner Lisa; Glassman, Mary ([mglassman@crec.org](mailto:mglassman@crec.org)); Cooke Thomas; [rdecrescenzo@uks.com](mailto:rdecrescenzo@uks.com)

**Subject:** Re: FW: BOS Insurance captive

Sean,

I am responding on behalf of Mary, and CREC. A lot of good questions have been raised, and all will be answered through an analysis of the full business plan submission to the Department of Insurance, which is targeted for completion by April 15. We plan to share that with all interested members. We want to go ahead and address many of the questions already raised, which this document will affirm. In general though, as people consider their due diligence, please remember that the Insurance Department will be conducting its own independent review - including hiring its own actuary to review the financial assumptions and loss projections - and only if they satisfy themselves that the Captive is soundly constructed will they authorize us to operate. I mention this because I think it is important for all to remember that the captive will be fully regulated - as would be any commercial insurer you might buy coverage from. The captive structure is intended to blend the benefits of group self-insurance with the security of regulatory oversight.

With that said, attached is a document addressing the questions from Mr. Paine.

Also, there have been a few other questions that, while they will be addressed through the formation documents, may not be easily found, so I thought I would address them explicitly, here.

1. **Adequate Capitalization:** The attached document describes the sources of capital for launch of the Captive. However, some questions seem to suggest that the Captive will not be "fully" capitalized for several years. This is not accurate: the Department of Insurance will not license the Captive to operate without adequate capital, day one. They and their actuaries define this based on the risk presented by the membership. The captive's risk is limited to the layer of risk between \$150,000 per claim and \$500,000 per claim, depending on each member entity's attachment point; with the predicted membership, this is a reasonably stable layer of risk. Above \$500,000 the risk will be fully transferred to a high quality reinsurer.
2. **Aggregate Risk:** There is risk that the accumulation of losses that fall within the \$150,000 and \$500,000 layer the captive retains could exceed the actuarially expected amount, in any one year. (This risk is less likely than the possibility that losses will prove less than expected, actuarially, based on the adopted pricing model. But, it is a risk. ) This aggregate risk is what the capital, along with cushion built into the premiums, is there for. It is no different than the risk that each and every prospective member already assumes in retaining and funding for the first layer of risk for each and every medical claim, except that the risk in the captive is spread over a much larger base. Members already retain their own aggregate risk, individually; the Captive will retain its aggregate risk, collectively, relying on its capital to smooth results, year to year.
3. **Exposing the Members' Balance Sheets:** Participation in the Captive incrementally increases each members' balance sheet risk between its current attachment point and \$500,000 per occurrence (where the reinsurance attaches). This increase is immaterial relative to the risk the member has already chosen to retain through its self insurance program, and the incremental risk is much less than it would be if the member chose to individually increase its attachment point per occurrence. Further, the Captive is not designed as an assessable program. In the unlikely scenario of insolvency, the members would be exposed to their own claims within the layer that the Captive was retaining. The Captive's financial structure is designed to minimize this risk. Still, it is this incremental risk that is the price of each member's opportunity to stabilize costs and save money. All of the prospective members have already benefitted from leveraging their balance sheets to self-insure their health benefits; the Captive extends their capacity to realize the benefits of self insurance, at minimal additional risk to their individual balance sheets.
4. **Lock-Ins:** The Captive has not included a multi-year membership lock in for the inaugural members. While it is in everyone's best interest to view the captive as a long term solution, and to become members for the long run - not just annual buyers of a commodity - there is no legal obligation to continue participation. The economics of the program have proven strong enough that we believe a lock-in provision is not necessary. On the other hand, there will be disincentives to leaving, not the least of which is that anyone leaving after year one is leaving the opportunity to participate in the use of projected retained earnings as experience credits or dividends. Additional hurdles to participation for those not joining now are included in the attached memo.



Again, as soon as the business plan and application is complete and submitted to the Department of Insurance, it will be shared. But, in the meantime, I hope this helps address some of the issues that have been raised.

Jenny Emery  
Emery Advisors, LLC  
860.214.0969

Jenny Emery  
860-214-0969

## Responses for Simsbury: April 13, 2016

From Jenny Emery, on behalf of the CT. Prime Development Team

A lot of good questions have been raised, and all will be answered through an analysis of the full business plan submission to the Department of Insurance, which is targeted for completion by April 15. We plan to share that with all interested members. In the meantime, please remember that the CT Insurance Department will be conducting its own independent review - including hiring its own actuary to review the financial assumptions and loss projections - and only if they satisfy themselves that the Captive is soundly constructed will they authorize us to operate. I mention this because I think it is important for all to remember that the captive will be fully regulated - as would be any commercial insurer you might buy coverage from. The captive structure is intended to blend the benefits of group self-insurance with the security of regulatory oversight.

Here are responses to the thoughtful questions recently presented by Mr. Paine, on behalf of Simsbury.

**Initial observation is that we are in effect creating our own insurance group and we "share" our collective experience or exposure. In effect whoever our partners are in the group we will save money or not depending on the entire group experience.**

This observation is accurate, and I think should be viewed in the full context. A more complete way to view how the Captive saves money and how the experience of the members influences the costs is offered, below.

1. The Captive increases the capacity of the members to self-insure their predictable risk, by creating a larger group that increases the stability and predictability of the risk in the layer between \$150k and \$500k per occurrence. Right now, Simsbury (and all the other potential members) already self-insure the vast majority of their health benefit risk, and then transfer the "unpredictable, more volatile" portion of this risk to the commercial market. Each town has determined that a point at which, on their own, their size does not create the level of predictability to allow them to increase their self-insured group layer without a significant increase in annual volatility. (For Simsbury, this is currently set at \$250,000.) Likewise, the carrier that assumes this risk from each town prices it to stand on its own, and includes a substantial risk margin in the pricing. When the group comes together through the Captive, the risk margin required to manage the volatility becomes relatively smaller; an immediate savings. Also, the expenses of the captive are substantially less than those of a commercial insurer (roughly 10%). So, from day one, assuming absolutely no change in loss experience for the group, the Captive offers savings. To the extent that the collective experience of the group changes, over time, so will the funding needs - and therefore the pricing. However, the same would be true of purchasing commercial insurance; if the loss experience deteriorates, the commercial market increases your premium. What is different is that, over time, as the pricing changes to assure "profitability," the profit for the commercial insurer stays with the insurer. The profit in the Captive benefits the members, through experience credits, dividends, and/or lower rates. Certainly, there will be differentiation in loss experience amongst the members, and this will be addressed through the underwriting process, which will include actuarial approaches to fairly differentiate between members that have consistently worse loss experience, or consistently better.
2. The Captive increases the market leverage available in purchasing commercial insurance above the Captive's retention, which is planned to be initially at \$500,000. The Captive has gone to the market to purchase commercial stop loss above \$500,000 for a group of multiples larger than when any one Town's business is presented to the market, and this drives a lower rate than any could achieve on their own, almost regardless of excess loss experience. I say "almost," because if a potential member has excess loss experience that is out of line with the "norm," this could adversely influence the rate. There were several interested parties where this was the case, and we advised them early on that they

weren't a good fit at this time. Likewise, the Captive's underwriting process will also provide that any member whose loss experience going forward deteriorates significantly will be "underwritten out" of the program. So, bottom line, savings also accrues directly and immediately through the power of group purchasing.

*I will be looking for our Town attorney to recommend that the by-laws will protect the Town. I also want to see those by laws myself and specifically they should address initial capital cost to each of the "member town's" what are the voting rights what are the exit strategy and what if any costs either paid or assessed. How do those by laws get changed, what are our voting rights and are there any super majority threshold needed for different types of criteria? What is the process for allowing new members to join and what is their cost to join. I believe they should be more than the initial members, as we took the initial risk.*

The by-laws, which were developed with full participation of interested members, and modelled after successful group self-insurance and captive programs, have been shared. To address the specific issues presented above:

1. There is no explicit capital charge to the members. The capital is coming from a combination of two - and perhaps three - sources. First, CREC is using its borrowing capacity to provide for the state-mandated minimum capitalization, with a "memorandum of understanding" that provides that it will recover these funds as the net income of the Captive allows. CREC is taking this start-up risk, on behalf of the inaugural members. Second, the first year premiums include a margin of 20% to 25% in excess of the actuarially required annual funding. Instead of reducing first year premiums even further, this conservative pricing is expected to generate significant net income at year end, which will then become capital, held by the captive. As the captive grows, and as the capital grows, these funds may ultimately be returned to the members whose premiums created them - assuming they remain with the Captive. Finally, a regionalization grant has been applied for. If the grant is received, it will be added as capital, and will be deemed to have been "contributed" by the inaugural members (another potential advantage of first year participation).
2. The Captive is being formed as a membership organization, and each member gets one vote. All of the details of election of Board members, officers, terms limits, etc., are detailed in the by-laws. This is a "member-owned, member-governed" program. The by-laws do grant a permanent board seat to CREC - and also requires it be a member - recognizing its role in overseeing the operations of the Captive (under the Board's direction), as well as its contribution of the start-up capital. This seat does not, however, confer any superior voting power.
3. Entities seeking to join after the inaugural year will be subject to the underwriting process established by the Board. One key parameter that has been agreed to is that no new member will be accepted unless its addition would be - on an actuarial basis - a net improvement to the risk profile of the existing group. Additional advantages of first year membership include the opportunity sit on the Board day one; the opportunity to "own" a share of the grant capital, if the grant comes through; and the opportunity to begin to accrue savings through the premium charged, and build experience credits, right away. Finally, while no explicit capital charge was included for the inaugural year, consistent with the comment from Mr. Paine, the Captive's Board may well determine that future entrants should make an explicit capital contribution to join.

*I would also expect to see the last 5 year insurance loss runs for all other Towns interested in joining the captive.*

The development team has collected relevant loss experience from all interested members, and subjected the information to actuarial analysis at several levels. Gallagher's actuaries and underwriters have developed the initial analysis; Marsh's actuary has conducted an independent review; and the reinsurers (above \$500,000) have also reviewed all of the data. Several reinsurers quoted the program, which is yet another sign of its attractive, as they are proposing to assume all of the risk above \$500,000 per occurrence. Finally, as mentioned above, the CT Insurance Department will be conducting its own review. While we are treating the individual members' data confidentially, the full business plan submitted to the Department of Insurance should

provide enough of the collective analysis to provide any interested party assurance that the analysis - founded on the detailed underlying data - is complete.

*I understand that annual basis the Captive needs to file both audited and unaudited financials with the State Insurance Commission. I am expecting that those audited financials will be available to the BOS for review and discussion in BOS Executive session, as much of that information is confidential.*

To the extent that this is not covered under FOI laws, it would be at the discretion of the Captive's Board of Directors. The Board will be provided with and review unaudited statements throughout the year. Providing that all of the members of a group self-insurance program like this have access to the annual audited financials is considered a "best practice," generally, and I expect that as a member-governed program, the Captive agree.

## Capital Region Education Council - Stop Loss Captive Quotation

Effective July 1, 2016

**Group:**

**Town of Simsbury & BOE**

Individual Stop Loss Coverage - Group Specific	\$250,000
Captive Reinsurance Limit	18/12
Contract Type	\$500,000
Group Specific Expiring ISL Rate	\$53.13
<b>Target Funding Rate for Captive Participation</b>	<b>\$50.47</b>
Expected Percentage Adjustment	-5%
Projected Monthly Contracts	728
Projected Dollar Adjustment	\$23,207

Assuming that the final pricing value is consistent with the information provided on this Target Pricing Worksheet, we commit to participating in the Captive for July 2016:

Proposal Accepted by: \_\_\_\_\_

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

March 29, 2016





## **SIMSBURY: TOWN AND BOARD**

### **Prior Health Care Claim History**

#### **I. Plan Year Claim Active**

<b><u>Plan Year</u></b>	<b><u>Gross Claims</u></b>	<b><u>Excess Claims</u></b>	<b><u>Non-Excess Claims</u></b>
2014-2015	\$11,586,450	\$50,225	\$11,536,225
2013-2014	12,006,893	373,306	11,633,587
2012-2013	10,027,704	81,879	9,945,825
2011-2012	10,136,195	23,065	10,113,130
2010-2011	9,989,849	584,961	9,404,888

#### **II. Excess Premium / Paid Claim Activity**

<b><u>Plan Year</u></b>	<b><u>ISL Premium</u></b>	<b><u>Excess Claims</u></b>	<b><u>Non-Excess Claims</u></b>
2014-2015	\$426,001 (2)	\$50,225	11.8%
2013-2014	347,355 (1)	373,306	107.5%
2012-2013	691,284 (3)	81,879	11.8%
2011-2012	628,160	23,065	3.7%
2010-2011	597,878	584,961	97.8%

- (1) Consolidated with Symetra.
- (2) Consolidated with CIGNA.
- (3) Symetra for ConnectiCare, CIGNA for CIGNA.

***What is stop loss insurance?***

Employers that self-insure their employee health benefit plans purchase medical stop loss insurance to protect themselves against low-incidence, high cost claims. It is a layer of protection in case health insurance claims exceed a certain threshold.

***What is an insurance captive?***

A captive is an insurance company wholly owned and controlled by its parent company, association, or group, and is organized to insure the risks of its parent company, association or group members. Captives create a unique opportunity for members to negotiate better terms and stabilize and reduce premiums.

***What is a stop loss captive?***

A stop loss captive is an arrangement under which self-insured employers come together to create their own risk pool and extend their self-insurance to another layer of coverage.

***How are collective bargaining agreements impacted?***

Participation in a stop loss captive is a financial management tool. The majority of participants are already purchasing stop loss insurance; this is an alternative, less expensive means to acquire the coverage.

***How will the captive be funded?***

Members, including CREC, will pay premiums, as they would to their health plan administrator or a third party carrier. Other than choosing not to purchase stop loss, these are the two currently available options for self-insured entities to obtain stop loss coverage. The captive will repay CREC for start-up costs. We have also applied for a Regional Performance Incentive Program grant to cover start-up costs and capitalization and will continue to seek other sources of funding. If start-up costs can be covered through a grant, members will not need to pay CREC back for the start-up costs.

### ***Who is coordinating the captive?***

CREC will coordinate the captive for the members. The captive is a regulated entity, and other professional services are required by the CT Insurance Department to properly administer the captive. These include legal, actuarial, and auditing services, as well as a captive manager.

### ***How will the captive save money?***

Funds that used to be paid out in premiums to the stop loss carrier are retained by the captive members. We expect an immediate stabilization of premiums, which will be a savings for many participants. Long-term, when the captive has built enough capital, retained funds may be returned to members as refunds, or invested in programs that will help minimize health risks, such as smoking cessation, healthy weight maintenance, and other health promotion programs.

### ***Is my town a member of the captive?***

We are currently undergoing a feasibility study for the following 18 entities:

Berlin (town and BOE)  
Bloomfield Public Schools  
Canton (town and BOE)  
Cheshire (town and BOE)  
CREC  
Enfield (town and BOE)  
Farmington Public Schools  
Glastonbury (town and BOE)  
Granby (town and BOE)  
Manchester (town and BOE)  
Plainville (town and BOE)  
Simsbury (town and BOE)  
South Windsor (town and BOE)  
Southington (town and BOE)  
Suffield (town and BOE)  
West Hartford (town and BOE)  
Wethersfield (town and BOE)  
Windsor (town only)

Final membership will be determined by towns/BOEs based on the outcomes of the feasibility study.

### ***Why isn't my town/BOE a member?***

Fully insured towns are not eligible to participate. Self-insured school districts can also join together with their town if they purchase stop loss insurance jointly. School districts or towns can join separately if they purchase stop loss insurance separately.

Also in some cases, towns or boards of education are not eligible to participate at this time because they have multi-year contracts with their current providers.

### ***Can my town/BOE still join?***

Towns and boards of education that have not participated in discussions to date but are interested in learning more or participating should contact the Office for Regional Efficiencies as soon as possible. Once the captive is created, towns and schools may join at a later time based on the rules of the captive.

### ***What is the timeframe for forming the captive?***

The timeframe for formation of the captive is no later than July 1, 2016.

To date, CREC has completed the collection of financial data from interested schools and towns. Through an RFP process, CREC has also selected legal counsel, Day Pitney, to draft details of the captive insurance company. CREC hopes to have details of the program available as soon as possible.

Once details of the captive are available and preliminary stop loss insurance premium estimates are provided to CREC and interested towns and schools, members can make a decision whether or not to participate.

### ***Where will the captive "sit" within CREC?***

The CREC Office for Regional Efficiencies, in our TABS Division, will coordinate the captive. Once formed, the captive will be an independent legal entity. The program details are currently being drafted by legal counsel and will be reviewed by the CREC Stop Loss Captive Advisory Committee prior to review by CREC and member town and school districts.

### ***What is the legal structure of the entity?***

The legal structure of the entity will be a captive insurance company as determined by CREC's legal counsel and the Department of Insurance. Under current law, CREC can go out for a cooperative purchasing bid for member towns. However, CREC and member towns are not permitted to retain a portion of risk and retain premium savings unless the members form a captive insurance company under Connecticut law. While municipal captives are new to CT, they are not new to other states.

### ***What is the legal authority required to join?***

Once the type of captive is determined, CREC and member towns and schools will adopt governing documents to determine how members join. We anticipate that resolutions by the municipal legislative body will be required.

### ***What is the legal responsibility for CREC and member towns and schools?***

This CREC captive is being modeled after the Connecticut Conference of Municipalities program known as the Connecticut Interlocal Risk Management Agency (CIRMA) established in 1980 in response to the municipal insurance crisis of the time which operates two risk pools, the Workers' Compensation and the Liability-Auto-Property pool and provides Heart & Hypertension claims services and claims administration and risk management services to self-insured municipalities. Under Connecticut law, CIRMA is prohibited from offering stop loss insurance.

Once the data is collected and the financial modeling is completed, the details of the program will be available to CREC and interested members. All financial modeling including risk analysis will be reviewed by legal counsel, actuarial review, captive manager and the Department of Insurance.

### ***How will providers be selected?***

CREC began the stop loss discussions to determine if CREC could save on stop loss premium using CREC's administrator Arthur Gallagher. Once Gallagher provided the stop loss analysis for CREC, CREC opened the program to other member towns. At this point, interested member towns have decided to continue to use Gallagher until the captive is formed. All other vendors and services have been or will go out to an RFP process, including legal counsel. In addition, individual municipalities will retain their own broker services.



For more information, please contact:

Mary Glassman  
Office for Regional Efficiencies  
Office: 860-240-6619  
Email: [mglassman@crec.org](mailto:mglassman@crec.org)

Christine Ruman  
Office for Regional Efficiencies  
Office: 860-509-3612  
Email: [cruman@crec.org](mailto:cruman@crec.org)

# Participation in the CREC Captive for Stop Loss Insurance – What’s the Risk?

---

CREC is working with its members to form a Captive Insurance Company, regulated by the State of Connecticut, to underwrite medical stop loss (MSL) insurance for towns and schools that self-insure their employee health benefits. The Captive structure is a form of “**risk pooling**” that is well established – and extremely successful – in the public sector; a 40-year track record demonstrates that well-governed risk pools actually *reduce* the risk arising from normal town and school operations relative to either purchased commercial insurance or individual self-insurance. Here’s how group risk financing through pools or captives reduces risk.

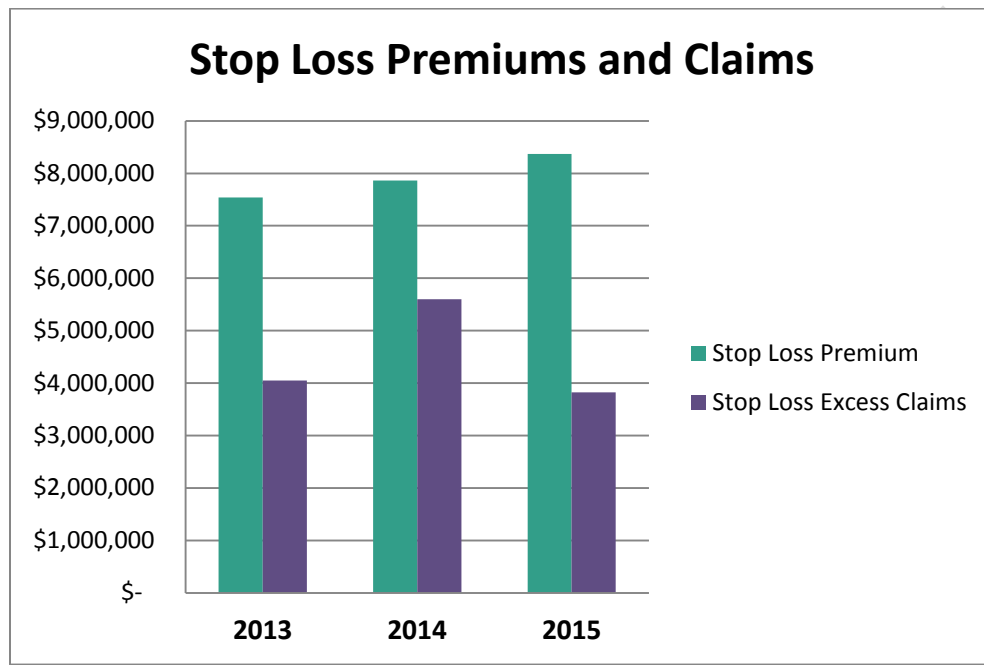
1. **Stabilizes Annual Cost:** Coverage and pricing tailored to the specific, homogeneous group of members, allows actuarial projections to be much more targeted, and underwriting and pricing decisions to be much more consistent one year to the next, than in the commercial insurance market. The larger base of members provided by the group, verses an individual town or school district, reduces normal annual claim volatility compared to individual self-insurance.
2. **Reduces Expenses:** Commercial insurers are subject to a variety of taxes, pay large distribution fees to middle-men, and retain earnings as profit, all of which increase their expenses relative to a pool of captive. For MSL, the captive expects total expenses to be in the range of 10-15% of each premium dollar, verses 30% to 40% for commercial insurers. Meanwhile, the size of the group allows for more economical purchase of reinsurance above a loss fund that could be achieved by an individually self-insured town or school.
3. **Loss Reduction:** The Captive provides its members with an infrastructure through which the risk can be studied, and reduced, over time. Data will be accumulated across the membership, allowing analysis of what works, and what doesn’t, to reduce medical costs. The premiums paid to a commercial insurer provide financial protection, one year at a time, but do nothing to address or reduce the risk, over time. Individual self-insurers seldom have the volume of claims or data analysis capabilities to really impact risk.

Joining a pool or captive does present short term financial risk, as the risk presented by the group’s members may prove to be greater than expected in any one year, and pricing may need to be adjusted. However, these groups have a proven track record of adjusting over time, and delivering real savings verses commercial insurance, over rolling three-to-five year time frames. The risk of commercial insurance, of course, is that the premium paid in any one year will exceed the losses suffered, yet no refund is possible. In fact, over a multi-year perspective, the commercial insurance financial model is virtually guaranteed to present a buyer with costs that exceed its losses. That is the “price of protection.” In contrast, participating in a pool or captive assures that a member’s money goes only to real losses and necessary expenses: anything funds that remain accumulate within the captive for the benefit of the members, and is ultimately returned to members through lower prices, more services, or dividends.

*For any town or school that has already embraced the benefits of self-insuring its medical benefits, participating in this group captive for stop loss is the prudent risk management action.*

## Stop Loss Insurance Captive Data Collection – PART A Summary of Aggregated Data

**Respondents/Prospective Members** (# of potential underwriting units): 15\*/21



#### Stop Loss Premiums

2013: \$6,129,715  
 2014: \$6,576,574  
 2015: \$7,030,174  
 3 Yr Total: \$19,736,463  
 3 Yr Average: \$6,578,821

#### Stop Loss Claims (#)

2013: 32  
 2014: 46  
 2015: 36  
 3 Yr Average: 38

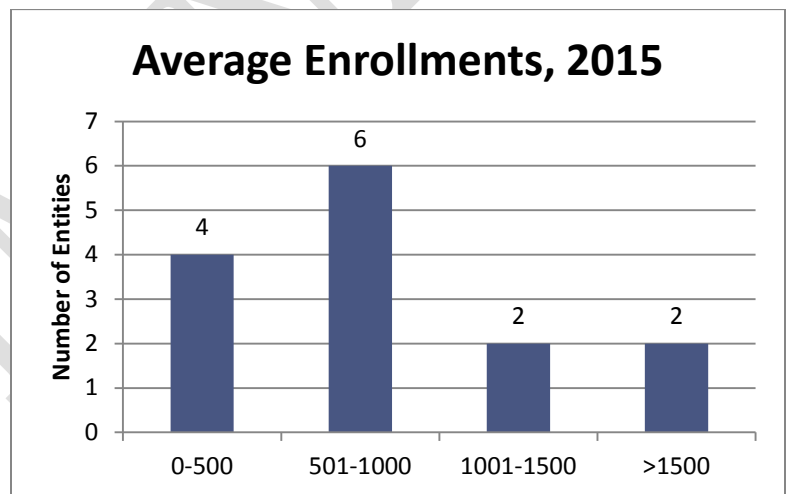
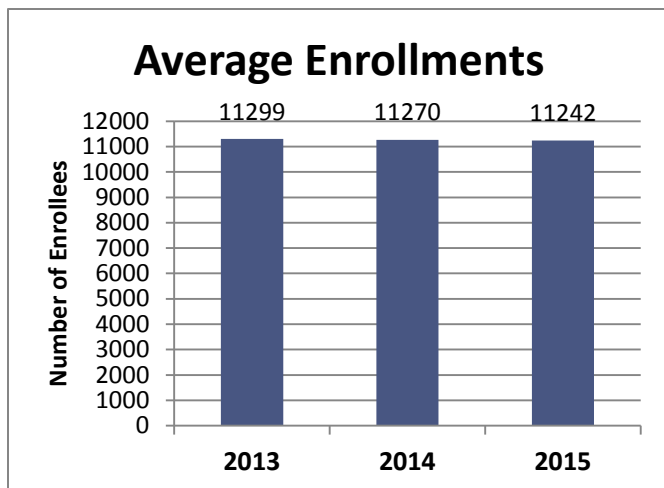
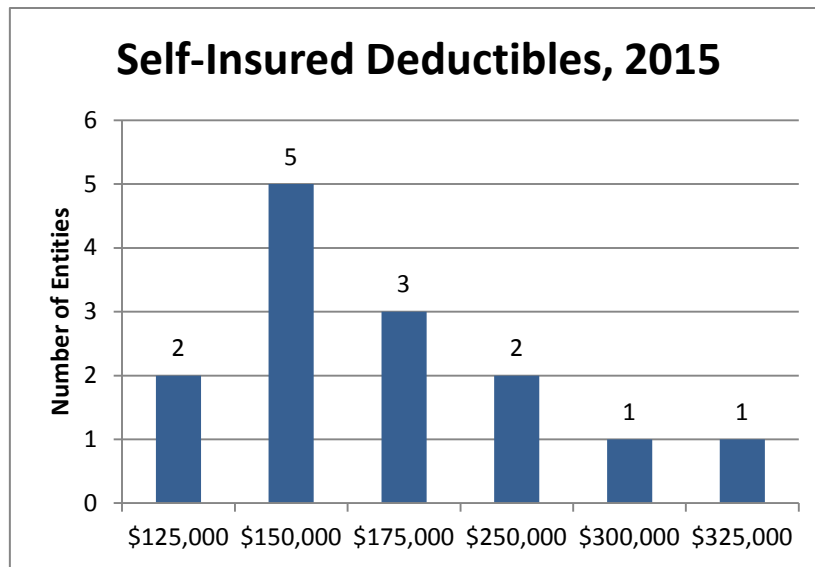
#### Stop Loss Claims (\$)

2013: \$3,613,015  
 2014: \$5,200,458  
 2015: \$3,299,312  
 3 Yr Total: \$12,112,785  
 3 Yr Average: \$4,037,595

#### Premiums minus Claims

2013: \$2,516,699  
 2014: \$1,376,116  
 2015: \$3,730,863  
 3 Yr Total: \$7,623,679  
 3 Yr Average: \$2,541,226

\* Note: One respondent does not currently purchase stop loss insurance. One respondent did not provide 2013 data; 2014 was used as an estimate in aggregate calculations.



#### Average Enrollment

2013: 11,299  
 2014: 11,270  
 2015: 11,242  
 2015 low: 205  
 2015 high: 1,872  
 2015 median: 665  
 2015 mean: 803

#### Stop Loss Carriers

Anthem: 10  
 Symetra: 2  
 CIGNA: 2  
 American National: 1  
 ULLICO/Fidelity: 1

\* Note: One respondent does not currently purchase stop loss insurance. One respondent did not provide 2013 data; 2014 was used as an estimate in aggregate calculations.

BYLAWS  
OF  
[CONNECTICUT MUNICIPAL CAPTIVE INSURER, INC.]

Adopted \_\_\_\_\_, 2016.



## TABLE OF CONTENTS

ARTICLE I General.....	1
ARTICLE II Offices .....	1
ARTICLE III Membership .....	1
Section 3.1 Eligibility .....	1
Section 3.2 Term of Membership .....	1
Section 3.3 Annual Meeting .....	2
Section 3.4 Special Meetings.....	2
Section 3.5 Place and Time of Meetings .....	2
Section 3.6 Meeting Chairperson.....	2
Section 3.7 Notice of Annual, Regular and Special Meetings.....	2
Section 3.8 Waiver of Notice.....	2
Section 3.9 Record Date .....	3
Section 3.10 Members' List or Record for Meeting.....	3
Section 3.11 Quorum .....	3
Section 3.12 Proxies.....	3
Section 3.13 Vote .....	3
Section 3.14 Presiding Officer and Secretary .....	3
Section 3.15 Action without a Meeting .....	4
ARTICLE IV Board of Directors.....	4
Section 4.1 Power of Board and Qualification of Directors .....	4
Section 4.2 Number of Directors .....	4
Section 4.3 Election and Term of Directors.....	4
Section 4.4 Removal of Directors .....	4
Section 4.5 Resignation .....	4
Section 4.6 Newly-Created Directorships and Vacancies .....	4
Section 4.7 Meetings of the Board of Directors .....	5
Section 4.8 Quorum of Directors and Voting .....	5
Section 4.9 Action without a Meeting. ....	5

Section 4.10	Meetings by Conference Telephone. ....	6
Section 4.11	Compensation of Directors .....	6
ARTICLE V	Committees .....	6
Section 5.1	Committees .....	6
Section 5.2	Committee Rules.....	7
Section 5.3	Service on Committees .....	7
ARTICLE VI	Officers, Agents and Employees.....	7
Section 6.1	Officers; Eligibility .....	7
Section 6.2	Term of Office and Removal .....	7
Section 6.3	Resignation .....	7
Section 6.4	Powers and Duties of Officers .....	8
Section 6.5	Agents and Employees.....	8
Section 6.6	Compensation of Officers, Agents and Employees .....	8
ARTICLE VII	Directors' Conflicting Interest Transactions.....	9
ARTICLE VIII	Miscellaneous.....	9
Section 8.1	Fiscal Year .....	9
Section 8.2	Notices .....	9
Section 8.3	Corporate Seal.....	9
Section 8.4	Checks, Notes and Contracts .....	9
Section 8.5	Books and Records .....	10
Section 8.6	Amendments to Bylaws .....	10
Section 8.7	References .....	10

BYLAWS  
OF  
[CONNECTICUT MUNICIPAL CAPTIVE INSURER, INC.]

ARTICLE I  
*General*

These Bylaws are intended to supplement and implement applicable provisions of law and of the Certificate of Incorporation (the “*Certificate of Incorporation*”) of [Connecticut Municipal Captive Insurer, Inc.] (the “*Corporation*”).

ARTICLE II  
*Offices*

The principal office of the Corporation shall be located within or without the State of Connecticut, at such place as the Board of Directors shall from time to time designate. The Corporation may maintain additional offices at such other places as the Board of Directors may designate. The Corporation shall continuously maintain within the State of Connecticut a registered office at such place as may be designated by the Board of Directors.

ARTICLE III  
*Membership*

Section 3.1 *Eligibility.* The Corporation shall have two classes of members: (a) the Corporate Member; and (b) the Municipal Members. The sole Corporate Member and the sole initial member shall be the Capitol Region Education Council (“CREC”). The Municipal Members shall be those Connecticut municipalities, school districts, fire districts, and other similar entities that participate in the insurance program(s) offered by the Corporation. The members of the Corporation shall consist of the Corporate Member and the Municipal Members, and of such other persons as may be deemed to be eligible for membership by the Corporation’s Board of Directors.

Section 3.2 *Term of Membership.* The term of office of the Corporate Member shall be legal existence. The term of office of each Municipal Member shall be the period of time during which the Municipal Member participates in the insurance program(s) offered by the Corporation. Notwithstanding the foregoing, any member may resign at any time by mailing or delivering written notice to the Secretary of the Corporation (any resignation to take effect when such notice is delivered unless the notice specifies a later effective date), and, subject to any contractual requirements set forth in any agreement between the Member and the Corporation

with respect to the insurance procured by the Member from the Corporation, any member may be removed at any time with or without cause, by a majority vote of the other members.

Section 3.3 ***Member Representative.*** Each member shall designate an elected or appointed officer or employee to act as its Representative; shall notify the Secretary of the Corporation of the name and address of such Representative and his or her relationship to the member; and shall thereafter act in all corporate matters solely through such Representative until receipt by the Corporation of written notice from the member of the termination of the authority of the Representative to so act; provided, however, that if a Representative shall at any time, and from time to time, be temporarily absent or otherwise unable to act, the member may designate an alternate Representative by written notice to the Secretary of the Corporation, on each such occasion or on a standby basis, and such alternate when acting as Representative shall, during such period or periods, have all the rights, privileges and obligations of the Representative in whose place he may be acting

Section 3.4 ***Successor to Member Representative.*** The rights and privileges of a member Representative shall cease: upon withdrawal or other termination of the membership of the member; upon the death or incapacity of the Representative; or upon termination of his or her authority permanently to act on behalf of the member. The acts of such Representative, however, shall be binding upon the member he or she represented until written notice from the member of the termination of its Representative's authority shall have been received by the Secretary of the Corporation, which notice shall also include the name and addresses of a successor Representative and the other pertinent information required of a Representative nominated to act for the member. Upon the death or incapacity of a Representative, his or her resignation, or the termination of his or her authority so to act, the member for which he or she acted as Representative shall designate a successor Representative as soon as reasonably possible. Immediately upon the receipt by the Secretary of the designation of a successor Representative, such successor Representative so designated shall be deemed the Representative of the Member by whom he or she has been designated with all the rights, privileges, duties and obligations of his or her predecessor, and the Secretary shall so enter his or her status in the records of the Corporation without the requirement of any further vote of the Board of Directors or of the Members of the Corporation.

Section 3.5 ***Annual Meeting.*** A meeting of the members shall be held annually for the election of Directors and the transaction of other business as may properly come before the members on the second Wednesday of May or on such other date as may be determined by the Board of Directors.

Section 3.6 ***Special Meetings.*** Special meetings of the members may be called at any time by the Chairman of the Board of Directors (if any), the President or by the Board of Directors. Such meetings may also be convened by members entitled to cast at least a majority of the total number of votes entitled to be cast at such meeting. Only business within the purpose or purposes described in the meeting notice may be conducted at a special meeting of the members.

Section 3.7 ***Place and Time of Meetings.*** Meetings of the members may be held at such place, either in or out of the State of Connecticut, and at such hour as may be fixed in the notice of the meeting.

Section 3.8 ***Meeting Chairperson.*** At each special meeting of the members, a chairperson elected by the Board of Directors shall preside; provided, however, that if the Board of Directors has failed to elect a chairperson prior to the commencement of a meeting, the members present at the meeting shall do so. The chairperson shall determine the order of business and shall have the authority to establish rules for the conduct of the meeting, provided that such rules are determined to be fair and acceptable by a majority of the members present at the meeting.

Section 3.9 ***Notice of Annual, Regular and Special Meetings.*** Notice of each meeting of the members shall be given by the Secretary and shall state the date, time and place of the meeting and, if it is a special meeting, shall indicate the purpose or purposes for which the meeting is being called. Notice of any annual or regular meeting need not indicate the purpose or purposes for which the meeting is being called, except that, unless stated in a written notice of such a meeting, (i) no bylaw may be brought up for adoption, amendment or repeal, and (ii) no matter, other than the election of Directors at an annual meeting, may be brought up which expressly requires the vote of members pursuant to the Connecticut Revised Nonstock Corporation Act. Such notice of any meeting shall be given to each member entitled to vote at such meeting. When an annual, regular or special meeting is adjourned to a different date, time or place, notice need not be given of the new date, time or place if the new date, time or place is announced at the meeting before adjournment.

Section 3.10 ***Waiver of Notice.*** A member may waive any notice required by law, the Certificate of Incorporation or these Bylaws before or after the date and time stated in the notice. Any written or electronic waiver of notice, signed by the person entitled to notice and delivered to the Secretary of the Corporation, whether before or after the time stated therein, shall be deemed equivalent to notice. Attendance at a meeting: (1) waives objection to lack of notice or defective notice of the meeting, unless the member at the beginning of the meeting objects to holding the meeting or transacting business at the meeting, and (2) waives objection to consideration of a particular matter at the meeting that is not within the purpose or purposes described in the meeting notice, unless the member objects to considering the matter when it is presented. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the members need be specified in any written or electronic waiver of notice.

Section 3.11 ***Record Date.*** The Board of Directors shall, by resolution, fix a record date for the purposes of determining the members entitled to notice of a meeting of the members, to demand a special meeting, to vote or to take any other action. Such record date may not be more than seventy (70) days before the meeting or action requiring determination of members.

Section 3.12 ***Members' List or Record for Meeting.*** After the Board of Directors has fixed a record date for the meeting, the Secretary shall prepare an alphabetical list of the names

and addresses of all of the members who are entitled to notice of the meeting. The members' list so prepared shall be made available for inspection by any member entitled to vote at the meeting, beginning two business days after the notice of the meeting is given for which the list was prepared and continuing through the meeting, at the Corporation's principal office or at a place identified in the meeting notice in the city where the meeting will be held.

Section 3.13 ***Quorum***. As long as the Corporate Member is the sole member, each meeting at which the Corporate Member is present in person or by proxy shall be deemed to have a quorum. If at any time there shall be members in addition to the Corporate Member, members entitled to cast a majority of the votes entitled to be cast represented in person or by proxy shall constitute a quorum at a meeting of members for the transaction of any business.

Section 3.14 ***Proxies***. Every member entitled to vote in person may authorize another person or persons to act for him or her by proxy. Every proxy appointment form must be signed by the member or such member's duly authorized attorney-in-fact. An appointment of a proxy becomes effective when received by the Secretary of the Corporation or other officer or agent authorized to tabulate votes. A proxy shall be valid for eleven (11) months from the date of its execution unless a longer period is expressly provided in the proxy appointment form. Every proxy shall be revocable at the pleasure of the member executing it, except as may be otherwise provided by law.

Section 3.15 ***Vote***. Each member shall have one vote. Wherever action other than the election of Directors is to be taken by vote of the members, it shall, except as otherwise required by law or the Certificate of Incorporation, be authorized if the votes cast by such members favoring the action exceed the votes cast by such members opposing the action. Directors shall be elected by a plurality of the votes cast by the members entitled to vote at a meeting at which a quorum is present

Section 3.16 ***Presiding Officer and Secretary***. At any meeting of the members, if neither the Chairman of the Board (if any), nor the President, nor a Vice President, nor a person designated by the Board to preside at the meeting shall be present, the members present shall appoint a presiding officer for the meeting. If neither the Secretary nor an Assistant Secretary is present, the appointee of the person presiding at the meeting shall act as secretary of the meeting.

Section 3.17 ***Action without a Meeting***. Any action permitted to be taken at a meeting of the members may be taken without a meeting if all members entitled to vote on the action consent in writing to the action. The action shall be evidenced by a written consent describing the action taken or to be taken, signed by the all of the members entitled to vote on the action, and delivered to the Secretary for inclusion in the minutes of the meetings of the members.

#### ARTICLE IV ***Board of Directors***

Section 4.1 ***Power of Board and Qualification of Directors.*** All corporate powers shall be exercised by or under the authority of, and the activities, properties and affairs of the Corporation shall be managed by or under the direction of the Board of Directors. A Director need not be a resident of the State of Connecticut.

Section 4.2 ***Number of Directors; Composition.*** The Corporate Member shall have the right at all times to designate one person to serve on the Board of Directors (the "Corporate Director"). The number of Directors constituting the entire Board of Directors shall be not fewer than three (3) nor more than nine (9), including the Corporate Director. The number of Directors constituting the Board of Directors shall be the number prescribed by the Directors within the foregoing range or, if no such number has been prescribed, shall be the number of Directors elected at the last annual meeting of the members of the Corporation. The number of Directors may be increased or decreased by action of the Board of Directors.

Section 4.3 ***Election and Term of Directors.*** As provided in the Certificate of Incorporation, the initial Directors shall be appointed by the Incorporator. The Directors of the Corporation shall be classified, as to their term of office, into three Groups, as nearly equal in number as possible, designated respectively, "Group I," "Group II," and "Group III." The initial Directors appointed as Group I Directors shall serve until the first annual meeting of the members of the Corporation held after the filing of the Certificate of Incorporation of the Corporation, and until their successors shall be elected and shall qualify. Directors appointed as Group II Directors shall serve until the second annual meeting of the members of the Corporation held after the filing of the Certificate of Incorporation of the Corporation, and until their successors shall be elected and shall qualify. Directors appointed as Group III Directors shall serve until the third annual meeting of the members of the Corporation held after the filing of the Certificate of Incorporation of the Corporation, and until their successors shall be elected and shall qualify. At the first annual meeting of the members after the effective date of the Certificate of Incorporation of the Corporation, and at each annual meeting of the members of the Corporation thereafter, successors to the Group of Directors whose terms expire at such annual meeting shall be elected to hold office for the term of three years and until their successors shall be elected and shall qualify, so that the term of one Group of Directors shall expire each year. If the number of Directors is changed, any increase or decrease shall be apportioned among the Groups so as to maintain the number of Directors in each Group as nearly equal as possible.

Section 4.4 ***Removal of Directors.*** Except as may otherwise be provided in the Certificate of Incorporation, any one or more of the Directors other than the Corporate Director may be removed with or without cause at any time by action of the members of the Corporation. A Director may be removed only at a meeting called for that purpose, and the meeting notice must state that the purpose, or one of the purposes, of the meeting is the removal of the Director.

Section 4.5 ***Resignation.*** Any Director may resign at any time by delivering written notice to the Board of Directors, its Chairman (if any), or the Secretary of the Corporation. Such resignation shall take effect when such notice is so delivered unless the notice specifies a later effective date.



Section 4.6 ***Newly-Created Directorships and Vacancies.*** Newly created directorships, resulting from an increase in the number of Directors, and vacancies occurring in the Board of Directors for any reason, may be filled by (i) the members entitled to vote for Directors, (ii) the Board of Directors, or (iii) if the Directors remaining in office constitute fewer than a quorum of the Board of Directors, the vote of a majority of the Directors remaining in office. A Director elected to fill a vacancy shall hold office until the next annual meeting of the members and until his or her successor is elected and qualified.

Section 4.7 ***Meetings of the Board of Directors.*** An annual meeting of the Board of Directors shall be held each year directly after the annual meeting of the members, for the election of officers and for the transaction of such other business as may properly come before the meeting. Regular meetings of the Board of Directors shall be held at such times as may be fixed by the Board. Special meetings of the Board of Directors may be called at any time by the Chairman of the Board (if any), the President or a majority of the Directors.

Regular and special meetings of the Board of Directors may be held at any place in or out of the State of Connecticut. Regular meetings of the Board may be held without notice of the date, time, place or purpose of the meeting, except that, unless stated in the written notice of the meeting, no bylaw may be brought up for adoption, amendment or repeal. Notice of each special meeting of the Board shall include the date, time and place of the meeting and shall be given not less than two (2) days before the date of the meeting and shall state the purpose or purposes for which the meeting is called.

A Director may waive any notice required by law, the Certificate of Incorporation or these Bylaws before or after the date and time stated in the notice. Any written or electronic waiver of notice, signed by the Director entitled to notice and delivered to the Secretary of the Corporation, whether before or after the time stated therein, shall be deemed equivalent to notice. A Director's attendance at or participation in a meeting waives any required notice to him or her of the meeting unless at the beginning of such meeting, or promptly upon his or her arrival, such Director objects to holding the meeting or transacting business at the meeting, and does not thereafter vote for or assent to action taken at the meeting. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the directors or members of a committee of directors need be specified in any written or electronic waiver of notice.

Section 4.8 ***Quorum of Directors and Voting.*** Unless a greater proportion is required by law or by the Certificate of Incorporation or these Bylaws, a majority of the number of Directors prescribed in accordance with Section 4.2 or two Directors shall constitute a quorum for the transaction of business or of any particular business, and, except as otherwise provided by law or by the Certificate of Incorporation or these Bylaws, the vote of a majority of the Directors present at the meeting at the time of such vote, if a quorum is then present, shall be the act of the Board.

Section 4.9 ***Action without a Meeting.*** Any action required or permitted to be taken at any meeting of the Board of Directors may be taken without a meeting if the action is taken by all



members of the Board. Such action shall be evidenced by one or more written consents describing the action taken, shall be signed by each Director and shall be included in the minutes or filed with the corporate records reflecting the action taken. Action taken under this Section 4.9 is the act of the Board of Directors when one or more consents signed by all the Directors are delivered to the Corporation. The consent may specify the time at which the action taken thereunder is to be effective. A Director's consent may be withdrawn by a revocation signed by the Director and delivered to the Corporation prior to delivery to the Corporation of unrevoked written consents signed by all the Directors.

Section 4.10 *Meetings by Conference Telephone*. Any one or more members of the Board of Directors may participate in any meeting of the Board by, or conduct the meeting through the use of, any means of conference telephone or similar communications equipment by which all Directors participating in the meeting may simultaneously hear each other during the meeting. A Director participating in a meeting by such means is deemed to be present in person at the meeting.

Section 4.11 *Compensation of Directors*. The Corporation shall not pay any compensation to Directors for services rendered to the Corporation, except that Directors may be reimbursed for expenses incurred in the performance of their duties to the Corporation, in reasonable amounts as approved by, or in accordance with policies approved by, a majority of the entire Board.

Section 4.12 *General Standards of Conduct for Directors*. A Director shall discharge duties as a Director, including duties as a member of a committee: (1) in good faith; (2) with the care an ordinarily prudent person in a like position would exercise under similar circumstances; and (3) in a manner the Director reasonably believes to be in the best interests of the corporation. In discharging duties, a Director is entitled to rely on information, opinions, reports or statements, including financial statements and other financial data, if prepared or presented by: (1) one or more officers or employees of the corporation whom the Director reasonably believes to be reliable and competent in the matters presented; (2) legal counsel, public accountants or other persons as to matters the Director reasonably believes are within the person's professional or expert competence; or (3) a committee of the Board of Directors of which the Director is not a member if the Director reasonably believes the committee merits confidence. A Director is not acting in good faith if the Director has knowledge concerning the matter in question that makes reliance otherwise permitted by the preceding sentence unwarranted.

## ARTICLE V *Committees*

Section 5.1 *Committees*. The Board of Directors may create one or more committees and appoint one or more members of the Board, or such other persons as the Board of Directors deems appropriate, to serve on them; *provided, however*, that in no event may a committee have

less than a majority of members who are Directors of the Corporation. The creation of a committee and the appointment of Directors to a committee shall be approved by a majority of all the Directors in office when the action is taken. To the extent specified in the committee charter adopted by the Board of Directors, each committee may exercise the power of the Board, except that a committee may not (i) fill vacancies on the Board of Directors or, except as provided in this section, on any of its Committees, (ii) adopt, amend or repeal these Bylaws, (iii) approve a plan of merger, approve a sale, lease, exchange or other disposition of all, or substantially all, of the property of the Corporation, other than in the usual and regular course of affairs of the Corporation, or approve a proposal to dissolve the Corporation, or (iv) exercise any other authority prohibited by law. The Board of Directors may appoint one or more Directors as alternate Directors to replace any absent or disqualified Director during the Director's absence or disqualification. In the event of the absence or disqualification of a Director of a committee, the Director or Directors present at any meeting and not disqualified from voting, may by unanimous vote, appoint another Director to act in place of the absent or disqualified Director.

Section 5.2 ***Committee Rules.*** Sections 4.7 through 4.10 of these Bylaws, which govern meetings, action without meetings, participation in meetings by conference telephone, notice and waiver of notice, and quorum and voting requirements of the Board of Directors, apply to committees and their members as well.

Section 5.3 ***Service on Committees.*** Each committee of the Board shall serve at the pleasure of the Board. The creation of, delegation of authority to, or action by a committee does not alone constitute compliance by a Director with the standards of conduct described in Section 33-1104 of the Connecticut Revised Nonstock Corporation Act and summarized in the last section of Article IV of these Bylaws.

[Section 5.4 \*\*\*Underwriting Committee.\*\*\* There shall be an Underwriting Committee of the Board, which shall be responsible for reviewing all applications for participation in the Corporation's insurance programs and recommending to the Board whether said applications should be approved or rejected.](#)

## ARTICLE VI

### ***Officers, Agents and Employees***

Section 6.1 ***Officers; Eligibility.*** The Board of Directors shall elect a President, Vice President, Secretary and Treasurer, and may elect such other officers as determined by the Board of Directors. The same individual may simultaneously hold more than one office. Any officer may serve simultaneously as a Director of the Corporation. An officer duly authorized by the Board of Directors may appoint one or more officers.

Section 6.2 ***Term of Office and Removal.*** Each officer shall hold office for the term for which he or she is appointed and until his or her successor has been appointed and qualified. All officers (unless appointed by another duly appointed officer) shall be appointed at the annual meeting of the Board of Directors or at any other meeting of the Board as the Board may

determine. Any officer may be removed by the Board of Directors or by the appointing officer at any time with or without cause. Re-election or appointment of an officer shall not of itself create any contract rights in the officer or the Corporation.

Section 6.3 ***Resignation.*** Any officer may resign at any time by delivering written notice to the Corporation. Unless the written notice specifies a later effective time, the resignation shall be effective when the notice is delivered to the Board of Directors, its Chairman (if any), or the Secretary of the Corporation.

Section 6.4 ***Powers and Duties of Officers.***

A. *President.* The President shall serve as the chief executive officer of the Corporation. The President shall preside at all meetings of the Board of Directors and, subject to the supervision of the Board, shall perform all duties customary to that office and shall supervise and control all of the affairs of the Corporation in accordance with policies and directives approved by the Board.

B. *Vice President.* In the absence of the President or in the event of his or her inability or refusal to act, the Vice President, if any, shall perform the duties of the President, and, when so acting, shall have all the powers of and be subject to all the restrictions upon the President. If there is more than one Vice President, the Board of Directors shall determine which of them shall so perform the duties of the President under such circumstances. The Vice President shall perform such other duties and have such other powers as the Board of Directors may from time to time prescribe by standing or special resolution, or as the President may from time to time provide, subject to the powers and the supervision of the Board of Directors.

C. *Secretary.* The Secretary shall be responsible for preparing and maintaining custody of minutes of all meetings of the members and of the Board of Directors and for authenticating and maintaining the records of the Corporation, and shall give or cause to be given all notices in accordance with these Bylaws or as required by law, and, in general, shall perform all duties customary to the office of Secretary. The Secretary shall have custody of the corporate seal of the Corporation, and he or she shall have authority to affix the same to any instrument requiring it, and, when so affixed, it may be attested by his or her signature. The Board of Directors may give general authority to any officer to affix the seal of the Corporation, if any, and to attest the affixing by his or her signature.

D. *Treasurer.* The Treasurer shall have the custody of, and be responsible for, all funds and property of the Corporation. He or she shall keep or cause to be kept complete and accurate accounts of receipts and disbursements of the Corporation, and shall deposit all monies and other valuable property of the Corporation in the name and to the credit of the Corporation in such banks, trust companies or other depositories as the Treasurer may designate, subject to approval of the Board of Directors. Whenever required by the Board of Directors, the Treasurer shall render a statement of accounts. He or she shall at all reasonable times exhibit the books and accounts to any officer or Director of the Corporation, and shall perform all duties incident to the

office of Treasurer, subject to the supervision of the Board of Directors, and such other duties as shall from time to time be assigned by the Board.

Section 6.5 *Agents and Employees.* The Board of Directors may appoint agents and employees who shall have such authority and perform such duties as may be prescribed by the Board. The Board may remove any agent or employee at any time with or without cause. Removal without cause shall be without prejudice to such person's contract rights, if any, and the appointment of such person shall not itself create contract rights.

Section 6.6 *Compensation of Officers, Agents and Employees.* The Corporation may pay compensation in reasonable amounts to officers, agents and employees for services rendered. The Board of Directors shall determine the amount of the compensation that shall be paid or shall adopt policies in accordance with which the amounts of compensation shall be determined.

The Board may require any officers, agents or employees to give such bond or security for the faithful performance of their duties as the Board of Directors may determine, for which they shall be reimbursed.

## ARTICLE VII

### *Directors' Conflicting Interest Transactions*

Any "Director's conflicting interest transaction," as defined in Section 33-1127 of the Connecticut General Statutes, may be effected by the Director concerned and the Corporation may proceed to effect such transaction only as set forth in Section 33-1127 et seq. of the Connecticut General Statutes relating to such conflicting interest transactions. Further, notwithstanding compliance with the above statute, such transaction may be undertaken by any Director or the Corporation only to the extent such transaction does not constitute an excess benefit transaction, as defined in Section 4958 of the Internal Revenue Code.

## ARTICLE VIII

### *Miscellaneous*

Section 8.1 *Fiscal Year.* The fiscal year of the Corporation shall be the calendar year or such other period as may be fixed by the Board of Directors.

Section 8.2 *Experience Refund.* Each fiscal year, the Board of Directors acting in its sole discretion shall declare the amount, if any, of experience refunds payable to members. [Experience refunds shall be payable out of the accumulated surplus, if any, of the Corporation after funding required reserves. ~~—TO BE DISCUSSED WITH AUDITORS/FINANCIAL ADVISOR—~~] The Board of Directors shall determine ~~in~~ the amount of experience refund, if any, payable to the Members, which experience refunds, if payable, shall be paid to the Members as soon as reasonably practicable thereafter. The amount of experience refunds payable to each Member shall be determined by the Board of Directors. Members shall have no right to receive experience refunds. Experience refunds shall be distributed only to entities that are members of the

Corporation on the date of distribution and who were Members as of July 1 of the policy year for which the experience refund is being distributed. Any amounts earned by the Corporation may, to the extent determined by the Board of Directors in its sole discretion, be applied to risk management, controlling costs, or addressing other risks to the Corporation, before such funds may be used to pay experience refunds.

Section 8.3 ***Notices.*** Any notice required or permitted by these Bylaws shall be given personally, by telephone, by mail or by private carrier. Notices may also be given by electronic transmission, which for purposes of these Bylaws shall mean any form of communication, not directly involving the physical transmission of paper, that creates a record that may be retained, retrieved, and reviewed by a recipient thereof, and that may be directly reproduced in paper form by such a recipient through an automated process. Notices delivered by electronic transmission shall be deemed given when directed to an electronic mail address at which the director or other person receiving notice has consented to receive notice.

Section 8.4 ***Corporate Seal.*** The corporate seal shall be circular in form, shall have the name of the Corporation inscribed thereon and shall contain the words “Corporate Seal” and “Connecticut” and the year the Corporation was formed in the center, or shall be in such form as may be approved from time to time by the Board of Directors.

Section 8.5 ***Checks, Notes and Contracts.*** The Board of Directors shall determine who shall be authorized from time to time on the Corporation’s behalf to sign checks, drafts, or other orders for payment of money; to sign acceptances, notes, or other evidences of indebtedness; to enter into contracts; or to execute and deliver other documents and instruments.

Section 8.6 ***Books and Records.*** The Corporation shall keep at its office correct and complete books and records of the accounts, activities and transactions of the Corporation, the minutes of the proceedings of the members, the Board of Directors and any committee of the Corporation, and a current list of the members, Directors and officers of the Corporation and their business addresses. Any of the books, minutes and records of the Corporation may be in written form or in any other form capable of being converted into written form within a reasonable time.

Section 8.7 ***Amendments to Bylaws.*** Subject to the notice requirements of Section 3.7, the Bylaws of the Corporation may be adopted, amended or repealed in whole or in part by the affirmative vote of a majority of the members of the Corporation present at a meeting of the members at which a quorum is present or by the affirmative vote of a majority of the Directors present at a meeting of the Board of Directors at which a quorum is present, except to the extent that the members in adopting or amending a particular bylaw provide expressly that the Board of Directors may not amend or repeal that bylaw.

Section 8.8 ***References.*** Reference in these Bylaws to a provision of the Internal Revenue Code is to such provision of the Internal Revenue Code of 1986, as amended, or the corresponding provision(s) of any subsequent federal tax law. Reference in these Bylaws to a provision of the Connecticut General Statutes or any provision of Connecticut law set forth in

such statutes is to such provision of the General Statutes of Connecticut, Revision of 1958, as amended, or the corresponding provision(s) of any subsequent Connecticut law. Reference in these Bylaws to a provision of the Connecticut Revised Nonstock Corporation Act is to such provision of the Connecticut Revised Nonstock Corporation Act, as amended, or the corresponding provision(s) of any subsequent Connecticut law.

<b>Summary report:</b> <b>Litéra® Change-Pro TDC 7.5.0.145 Document comparison done on</b> <b>3/22/2016 2:35:06 PM</b>	
<b>Style name:</b> 1 - Dbl Underline, Strike, Moves	
<b>Intelligent Table Comparison:</b> Active	
<b>Original DMS:</b> iw://HFDMS/VFActive/93377999/3	
<b>Modified DMS:</b> iw://HFDMS/VFActive/93377999/4	
<b>Changes:</b>	
<u>Add</u>	6
<del>Delete</del>	7
<del>Move From</del>	0
<u>Move To</u>	0
<u>Table Insert</u>	0
<del>Table Delete</del>	0
<del>Table moves to</del>	0
<del>Table moves from</del>	0
Embedded Graphics (Visio, ChemDraw, Images etc.)	0
Embedded Excel	0
Format changes	0
<b>Total Changes:</b>	<b>13</b>

# MARSH CAPTIVE SOLUTIONS: CAPTIVE CONCEPT





# CONTENTS

- ▶ What Is a Captive?
- ▶ Advantages of a Captive
- ▶ Disadvantages of a Captive
- ▶ The Road to a Captive
- ▶ How a Typical Captive Operates
- ▶ About Marsh Captive Solutions

# A Preliminary Insight Into The Rationale Behind The Formation Of A Captive Insurer

This paper has been prepared by Marsh Captive Solutions to provide an introduction to the nature of captive insurers, the rationale behind their utilization and the process for bringing such an entity into existence. It is intended for those who are considering the use of a captive insurer for the first time and require an overview of the relevant issues.

## WHAT IS A CAPTIVE?

A captive insurer is a legal entity formed primarily to insure the risks of one corporate parent or a number of similar corporations (e.g., trade associations) thereby contributing to a reduction in its parent's total cost of risk. Captives are usually domiciled in a specialized location, either offshore or onshore, and sometimes write business unrelated to their parent. Captives are formed for many reasons:

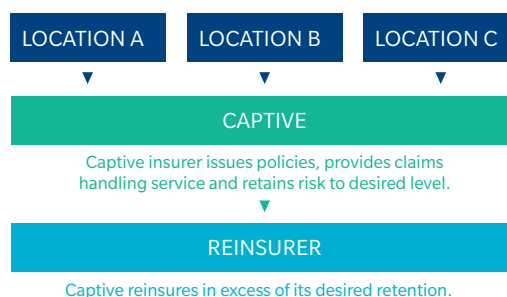
- Lack of commercial market for certain lines of coverage.
- Desire to recapture underwriting profits and investment income that would otherwise be earned by the commercial underwriter.
- As a means to access the reinsurance market.
- In certain circumstances, as a means of diversifying into insurance services.

Captives are used extensively throughout the world by major corporations to cover risks situated both at home and abroad. The largest developments historically have been in the United States, the United Kingdom, and Europe, but recently, considerable interest has been evident in Latin America, and in Asia Pacific, particularly from Japan and China. As the trade barriers throughout the world are lowered and companies become more internationally-oriented, insurance buyers are taking a more global approach to risk financing. Captives can play an integral role in the successful implementation of a global risk financing strategy.

## CAPTIVE INSURANCE STRUCTURES

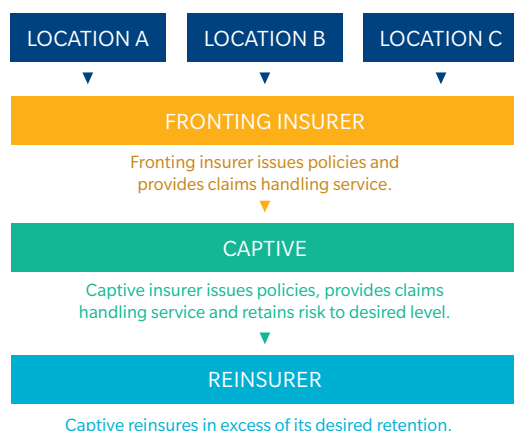
A captive can be a direct writing company (i.e., issuing its own policies) or a reinsurer of a fronting insurer. The coverage to be written, the services required, and the captive's domicile usually dictate the way in which a captive participates in its parent corporation's insurance program.

In some countries, local legislation places restrictions on the ability of insurers, including captives, not licensed in that country to write business relating to interests in that country. A direct-writing captive must provide, or subcontract, all the claims-handling and loss-control services that are needed to support the insurance program. However, a direct program can still be more cost-effective than a fronted program and may provide a more flexible approach to program construction—facilitate the provision of broader coverage, for example.



Many captives operate as reinsurers. Under this scenario, a locally licensed commercial insurer (the fronting company) issues the policy (or policies) and is responsible for claims-handling, loss-control and other insurance-related services. The fronting company cedes a portion of the premium and risk to the captive through a reinsurance contract. The captive can then retain all the risk and premium it assumes or, if appropriate, it can pass on, or retrocede, a portion to another reinsurer.

Typically, the captive reinsures the fronting insurer for the primary-layer losses, and the fronting insurer retains the risk in excess of the primary layer. Often an aggregate limit is applied to a captive's liability for claims in order to provide protection in the case of a severe and unforeseen increase in claims frequency. The aggregate limit can be achieved either through the purchase of stop-loss reinsurance or by limiting the captive's incoming maximum liability in the reinsurance contract between the fronting company and the captive.



The premium received by the captive, together with the investment income earned upon its capital and reserves, is used to pay losses and loss-adjustment expenses. The premium also covers various captive operating expenses, including captive management expenses, any local regulatory costs, and legal and audit fees. The captive must be adequately capitalized to ensure its financial viability, meet with the regulatory requirements in its domicile, and demonstrate that the insurance structure represents real transfer of risk to the captive.

## ADVANTAGES OF A CAPTIVE

The major benefits that the establishment of a captive bring to its parent can be divided into two main categories: financial and insurance.

### FINANCIAL ADVANTAGES

- Reduced Insurance Costs**

Most corporations do not retain as much risk as they are able to financially. And the commercial insurance market has high administrative costs which are passed on to their clients within the premiums charged. A captive can reduce the overall cost of an insurance program by retaining the premium for the expected losses, thereby avoiding the premium loading for a commercial insurer's overheads and profits.
- Protected Cash Flow**

Reserves for unpaid claims and unearned premium, otherwise kept by a commercial insurer, can be held by a captive and invested. This takes advantage of the captive's ability to establish such reserves from pre-tax income that is not possible for a noninsurance entity.
- Matching of Revenue and Expense**

With some types of coverage, particularly liabilities to third parties, losses may emerge over a number of years. A captive is able to reserve from current funds for future claims payments, thereby matching revenue and expenses attributable to each financial year.
- Performance Measurement**

A captive is a trading subsidiary of its parent; financial statements are prepared and consolidated with the parent's statements. Thus, the financial impact of the parent company's risk management program can more easily be monitored and evaluated and the captive's performance measured in terms of return on investment (ROI) or other financial criteria.
- Source of Additional Revenue**

A captive can expand its book of business by offering insurance to related third parties, such as franchisees, vendors or customers, thereby generating an additional revenue stream for its parent. Some captives also write coverage for unrelated third parties through participation in various reinsurance pools or treaties.

## INSURANCE ADVANTAGES

- **Coverage for Risks**

Not Usually Insurable A captive, answerable only to its parent, can provide insurance cover that is not available in the commercial market, or not available at a realistic premium.

- **Reduced Need for Commercial Insurance**

As a captive matures and its net worth grows, it becomes capable of retaining a greater proportion of its parent's risks. The increased use of a captive diminishes the parent's dependence on commercial insurance.

- **Improved Negotiating Position**

As the captive's ability to absorb risk grows, it improves the parent's negotiating position with insurance and reinsurance markets.

- **Flexibility in Program Design**

A captive provides opportunities to more easily structure insurance programs since the captive is not subject to the same constraints and conventions normally evident with traditional insurers.

- **Broader and Simpler Insurance Contracts**

A captive is usually domiciled where there is little, if any, regulation concerning policy wording, thereby allowing specifically tailored insurance and reinsurance contracts.

- **Better Risk Management Program**

A captive facilitates the design of allocation systems to distribute costs more equitably among profit centers, the implementation of uniform accounting procedures, the accumulation of actuarial information, the design of more effective claims-handling, loss-control and engineering programs, and the unification of the application of risk management throughout all divisions or subsidiaries.

## DISADVANTAGES OF A CAPTIVE

While there are many potential benefits in forming a captive, several significant disadvantages exist. Before deciding to establish a captive, an organization should thoroughly assess the following potential disadvantages:

- **Capital Commitments**

The parent must contribute the capital required to support the captive's business plan, as determined by the insurance regulator in the captive's chosen domicile. While these funds remain within the parent group, they may not realize the same return as they would have if invested in the parent's operations.

- **Risk of Adverse Results**

The captive's capital could be eroded by adverse operating results. Although it is normal to build into any captive program a degree of protection against adverse underwriting results, it is only possible to minimize the risk to the captive, never eliminate it.

It is especially important to note that if unrelated risks are written in a captive, the risk of unprofitable underwriting results increases.

- **Operating Cost**

In its formation and operation a captive may incur various expenses including:

- Implementation costs.
- Management fees.
- Legal and auditing fees.
- Local taxes.
- Regulatory/licensing fees.

The amount of expenses and fees will vary depending on the domicile chosen for the captive.

- **Time Commitment**

In addition, a captive will require some commitment of the parent company's management time and precipitate some travel costs. Generally, these costs will be more than offset by the financial benefits of the captive program.

# The Road To A Captive

There are three distinct phases of establishing a captive. The following outlines the tasks involved in the various phases of the process:

## PHASE ONE – FEASIBILITY

The first phase in establishing a captive includes a consultation to identify the parent's strategic aims and its tolerance to risk. This consultation is followed by the collection, manipulation, and analysis of loss data and exposures. This phase may culminate in the preparation of a detailed feasibility and/or implementation study to include:

- The captive's role.
- Appropriate retention levels.
- Its impact on the insurance program's structure.
- Guidance as to the most appropriate captive domicile.
- Financial projections.
- A cost/benefit analysis.

## PHASE TWO – IMPLEMENTATION

The second phase in establishing a captive includes a series of administrative and organizational tasks that include:

- Selection of local professionals to act as directors.
- Appointment of auditors, bankers, solicitors etc.
- Preparation of an application to the authorities for authorization to trade.
- Incorporation of the captive.
- Establishment of a registered office and compliance with legal and regulatory requirements.

## PHASE THREE – ONGOING MANAGEMENT

Once the captive is established, there are a number of ongoing management services that need to be done regularly. First, the captive needs insurance services that include:

- Underwriting in accordance with the directors policy.
- Administration of insurance and reinsurance programs.
- Preparation of all necessary documentation including policies.
- Claims handling and settlement.

Secondly, a captive manager must perform or contract for regular accounting tasks such as:

- Payment and receipt of premiums.
- Claims and recoveries.
- Administration of operating accounts.
- Cash management and investments in accordance with the captive's investment policy.

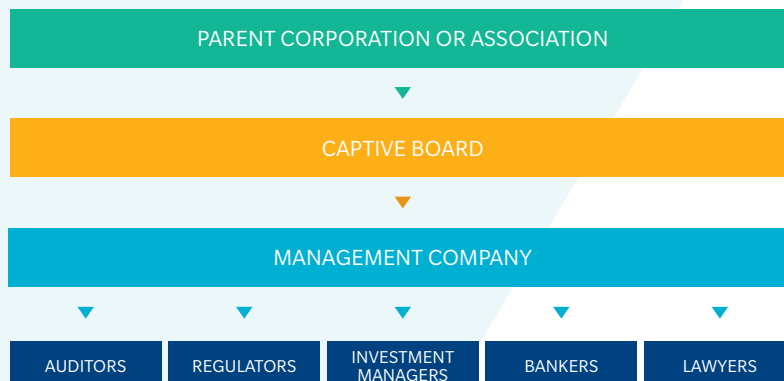
Additionally, there are a number of corporate services that must be performed for the captive. These include:

- Maintenance of all records.
- Management reports.
- Financial statements and regulatory reporting.
- Compliance with the laws of the captive domicile.
- Administrative support.
- Coordination of board meetings and provision of facilities.



## How a Typical Captive Operates

- In contrast to a rent-a-captive arrangement, a captive is a fully-owned, capitalized subsidiary of its parent company or association. Incorporated in a domicile appropriate to the captive's role in its parent's insurance program, it is authorized to trade by the regulatory authorities in that domicile.
- Control of the subsidiary is exercised by a board of directors appointed by the captive's shareholders, i.e., generally the parent company. The board usually consists of a mixture of locally domiciled and parental appointees. The board, in turn, appoints selected local organizations to provide support services to the captive, including, if appropriate, attorneys, investment managers, auditors, bankers, etc. It is unusual for captives, particularly newer organizations, to employ their own staff; therefore, a management company is normally appointed.
- The management company carries out all of the operational functions on behalf of the captive, and provides the insurance, and other expertise, required by the captive. The scope of the management company's activities and the extent of its authority are defined by the board, to whom the management company reports, in the formal management agreement. The captive's manager prepares management reports, and it is normal for the manager to liaise with the appropriate parental departments, e.g., the treasury function.



### ABOUT MARSH CAPTIVE SOLUTIONS

Marsh Captive Solutions has more than 430 professionals dedicated to captive management and risk financing activities for more than 1,250 captives. Marsh employs a team approach to captive management to bring added value to our clients through the captive management relationship. A team of individuals representing all of the key skills required to successfully manage a client's captive are identified as part of the implementation process, together with a team leader who acts as client manager. The client manager acts as a focal point for the client, through whom all of the resources of Marsh can be accessed.

Marsh also believes in extending the teamwork concept to its relationship with its clients working closely to ensure that a captive actively contributes to the achievement of its parent's strategic goals and assists in establishing benchmarks against which the performance of a captive can be measured. Marsh also encourages formation of a strategic plan for a captive that should be reviewed periodically to ensure that the objectives of the captive remain in line with those of the parent.



For further information, please contact your local Marsh office or visit our web site at: [marshcaptivesolutions.com](http://marshcaptivesolutions.com)

Marsh is one of the Marsh & McLennan Companies, together with Guy Carpenter, Mercer, and Oliver Wyman.

This document is not intended to be taken as advice regarding any individual situation and should not be relied upon as such. The information contained herein is based on sources we believe reliable, but we make no representation or warranty as to its accuracy. Marsh shall have no obligation to update this publication and shall have no liability to you or any other party arising out of this publication or any matter contained herein.

Any statements concerning actuarial, tax, accounting, or legal matters are based solely on our experience as insurance brokers and risk consultants and are not to be relied upon as actuarial, accounting, tax, or legal advice, for which you should consult your own professional advisors.

Any modeling, analytics, or projections are subject to inherent uncertainty, and the Marsh Analysis could be materially affected if any underlying assumptions, conditions, information, or factors are inaccurate or incomplete or should change.

Marsh makes no representation or warranty concerning the application of policy wordings or the financial condition or solvency of insurers or re-insurers. Marsh makes no assurances regarding the availability, cost, or terms of insurance coverage.

Copyright © 2015 Marsh LLC. All rights reserved.

Compliance MA8-10292 18841





**Regional Performance Incentive Program**  
*Pursuant to CGS Section 4-124s*

Form RPI-2  
Rev. 10/2015

***Proposal for Joint Provision of Service(s) or Study to be filed with the  
Secretary of the Office of Policy and Management***

Submit to: Office of Policy and Management,  
450 Capitol Ave. MS #54 SLP  
Hartford, CT 06106-1379,  
Att: RPI Program

Attach additional pages if necessary; identify project and related proposal element at the top of page.

<b><u>Applicant Entity</u></b> (RPOs; Two or more Municipalities acting through an RPO; and/or Economic Development Districts):	
Name	Capitol Region Education Council, on behalf of 16 member towns and school districts, applying through the Capitol Region Council of Governments (CRCOG)
Address	111 Charter Oak Avenue
City/State/Zip	Hartford, CT 06106
<b><u>Contact Person(s):</u></b>	
Name	Mary Glassman
Title	Manager, Office for Regional Efficiencies
Telephone	860-240-6619
Fax	860-524-4001
E-mail	<a href="mailto:mglassman@crec.org">mglassman@crec.org</a>
<b>Amount of Regional Performance Incentive <u>Funding Requested:</u> \$ 650,000</b>	
<b>Short Descriptive <u>Title</u> of Project:</b> CREC Stop Loss Captive Insurance Company	
<b>REQUIRED PROPOSAL ELEMENTS Items (1) through (15):</b>	
<b>(1.) <u>Proposed Shared Service(s) or related Study:</u></b> Describe at least one service currently provided by a participating municipality or municipalities or study of the provision of such service, which is not currently provided on a regional basis, for which this proposal is being submitted (attach additional pages as necessary):  In 2015, the Capitol Region Education Council (CREC) began to explore the possibility of forming a captive insurance company* in Connecticut to help reduce employee health care costs of self-insured member school districts, and the municipalities in which they are located, by saving money on medical stop loss insurance. Interest has been strong; an analysis of data indicates that premiums could be immediately stabilized, enabling members to contain cost, and that real and enduring savings would be realized within a few years of establishment of the captive. These savings	



directly impact members' operating budgets.

There is currently no program in Connecticut which provides for the pooling of stop loss risk. The Connecticut Interlocal Risk Management Association (CIRMA) - the highly successful inter-local collaborative after which the CREC captive is modeled - is prohibited from offering such a program under the pooling statute through which it was created. The captive insurance company structure is required to pool stop loss in Connecticut. Fortunately, the Connecticut Insurance Department has recently developed a Captive Insurance Division ideally suited to supporting this regional initiative.

The proposed CREC Stop Loss Captive Insurance Company will allow the creation of an inter-local pool for health benefit stop loss coverage for self-insured towns and schools. The immediate savings will come from members sharing a risk layer on a non-profit basis, which reduces the expenses normally associated with commercial insurance, and reduces the margin that commercial insurers include in their individual entity premium charges. Longer term savings will come from increased numbers of towns and schools who are able to embrace self-insurance for health benefits because of access to the captive's stop loss coverage, and from collaborative efforts to improve overall health care costs through targeted wellness initiatives and evidence-based cost control measures.

CREC is coordinating the process of forming the captive, targeted to begin operation on July 1, 2016 on behalf of CREC and an estimated sixteen municipalities and school districts with a total of more than 8,000 employees. The Captive governing board will consist of representatives from participating municipalities and boards of education, including CREC. The Captive will initially provide medical stop loss insurance. Once established, the infrastructure will be in place for the group to pursue other opportunities to collaboratively save money on other areas of insurance and risk expense that challenge towns and schools, and are not available through other programs, such as other employee benefits. As the coordinating body, CREC will facilitate these efforts.

### **Organizational framework**

Advisory Committee (serving as interim Captive Board until captive is incorporated):

- Connecticut school districts, municipalities, RESCs

Partners:

- Coordination and staffing, including executive oversight after formation: CREC
- Guidance and regulations: Connecticut Insurance Department Captive Insurance Division
- Independent Advisor during formation: Jenny P. Emery, Emery Advisors, LLC

Support:

- Reinsurance Broker: Arthur J. Gallagher & Co.
- Legal Counsel: TBN January 2016
- Captive Manager: TBN January 2016
- Actuary: TBN March 2016

- Auditor: TBN March 2016

\*A captive insurance company is wholly owned and controlled by a parent company or association, or its members, and operates to insure the parent's or members' own risks. In Connecticut, a captive is defined as any pure captive insurance company, association captive insurance company, industrial insured captive insurance company, risk retention group, sponsored captive insurance company, or special purpose financial captive insurance company that is domiciled in the state and formed or licensed under the provisions of the Connecticut Insurance Statutes and Regulations.

**(2.) Describe the need for such service (attach additional pages as necessary):**

Funding through RPIP will strengthen the Stop Loss Captive Insurance Company initiative. By providing funds for startup costs, the grant would remove the potential barrier that some communities face; despite future savings, short-term investments required at the outset of a program can dissuade communities from participating in otherwise beneficial efforts. Also, grant funding would accelerate stabilization and savings for members. Early successes will encourage additional towns and school districts to join the effort, and also pave the way for other programs that would lead to more savings.

Most municipalities and school districts that self-insure their health care benefits purchase medical stop loss insurance to protect themselves from low-incidence high cost claims; the annual operating budgets cannot be subjected to the potential financial swings that periodic catastrophic medical claims present. The cost of commercial stop loss insurance is rising faster than normal inflation and insurers charge risk margins that reflect the individual annual risk, retaining the difference as profit. The data show that premiums paid by CT towns and schools investigating the captive have significantly exceeded claims. Over the last three years, the seventeen entities involved in this project have paid in excess of \$26 million in premiums, with only \$15.7 million in claims presented to the insurers. The captive will immediately stabilize or reduce members' premiums, depending on their claim experience.

In the first few years, most of the additional savings - such as the \$10 million differential over the last three years identified above - will be retained by the captive to build additional capital and promote the captive's sustainability. In future years, the excess funds will be returned to the members as refunds, used to further reduce annual premiums, or invested in programs that would mitigate members' risk, such as smoking cessation, weight control, and other health promotion programs.

**(3.) Describe the method of delivering such service on a regional basis and the organization responsible for delivering such regional service or study:**

CREC is coordinating the process of forming the Captive, targeted to begin operation on July 1, 2016. Once incorporated, CREC will provide executive oversight of the captive on behalf of the captive board, including board and vendor management, marketing, and members services, among other functions. A team, consisting of CREC, an insurance broker (A.J. Gallagher), and the captive manager (TBN), will work together to allocate the operational and management activities in the most efficient and effective ways. Additional service providers necessary for the formation and

ongoing operation of the captive include legal counsel, accounting/auditing, and actuarial services.

The Captive governing board will consist of representatives from participating municipalities and boards of education, including CREC.

**(4.) Describe the population that will be served** (we are not looking for population numbers, but rather whether a project serves an entire region(s), applicant towns, or any particular segment of the population such as “disabled residents dependent upon public transportation” or “residents in need of ‘affordable housing’”, etc.):

The CREC Stop Loss Captive Insurance Company can serve any town or school district that has self-insured health benefits. Medical stop loss insurance is purchased by self-insured municipalities and school districts to protect themselves against high cost medical insurance claims filed by its employees. Stop loss insurance is paid for through municipal budgets; the cost therefore impacts all taxpayers in a municipality. All CREC member communities were invited to participate. Communities involved in this initiative to date with CREC are as follows: Berlin, Canton, Cheshire, Enfield, Farmington, Glastonbury, Granby, Manchester, Plainville, Simsbury, South Windsor, Southington, Suffield, West Hartford, Wethersfield, and Windsor. The opportunity to participate in the captive is ongoing for any self-insured town or school district.

**(5) Describe the manner in which regional service delivery will achieve economies of scale:**

Currently, towns that will participate in the captive purchase medical stop loss insurance separately. The captive will achieve immediate savings through pooling at the captive stop loss risk tier, and leveraged purchasing of reinsurance at the excess risk tier.

The captive will promote efficiency through economies of scale in multiple ways:

1. The captive will encourage intra-town cooperation between towns and schools - Currently, some self-insured towns and schools purchase stop loss insurance policies separately, losing out on the advantages of larger scale purchasing. The captive will encourage towns and schools in the same municipality to combine their purchasing power by buying the same stop loss insurance policy.
2. Provide for stop loss for smaller self-insurers - The existence of the captive will also promote the evolution of more towns and schools toward self-insuring their health benefits, which has proven to be a material cost savings for those who have already embraced it. Those who have not taken this step may not have the expertise, and/or have not had access to stop loss protection at a level that can provide the budgetary stability they need. The captive will solve this problem through lower attachment points that may not be commercially available or affordable.
3. Provide for inter-town collaboration by taking advantage of larger scale purchasing power - Through the captive, member towns and schools will achieve

savings through pooling at the captive stop loss tier, and group purchasing of reinsurance at the excess risk tier. The captive structure will enable individual towns and schools to retain their individual stop loss limits.

4. Provide for reduced risk, longer term - The captive allows for longitudinal risk financing and risk management initiatives - over time - which reduces risk through reduced volatility in a way that individual towns and schools, through the annual budgeting process, cannot.

With the assistance of the RPIP funding, we anticipate that the captive for medical stop loss insurance will serve as a model of regional collaboration that other self-insured towns and school districts can replicate. We also believe that as municipalities participate in a regional collaborative, it will lead to other opportunities to save taxpayer dollars.

**(6.) Provide the amount by which participating municipalities will reduce their mill rate as a result of the savings realized (*Exclude grant funds from calculations.*):**

Municipality	Savings	Mill Rate Reduction
The amount by which the 16 participating town and school districts will reduce their mill rate as a result of the savings realized will vary depending on the amount of their current stop loss premium. However, we anticipate that the CREC Captive program will assist member entities (Municipalities and Boards of Education) to <b>immediately stabilize their current stop loss premium costs, avoid/defer future premium rate increases, and provide the opportunity for the recovering of favorable underwriting results.</b> The majority of these cost improvements are linked to the underwriting advantages and economies of scale associated with a larger risk pool (multiple members). Additional value may be obtained if the participating members' general results are better than the market at large. Please refer to the cost benefit analysis provided in Question 7 which indicates that captive members can anticipate more than \$18 million over five years in "avoided costs" which translate to savings of premium dollars that will not have to be spent in the future (when combined in a regional pool as part of the Captive) compared to continuing on the current path (independently buying). This "avoided cost" at the entity level would accrue directly back to towns and schools as a budget advantage. Participants may also capture additional value locally if they can change their risk management level due to more attractive pricing from the Captive than independent purchasing.		

**(7.) Provide a cost benefit analysis for the provision of the service by each participating municipality and by the entity submitting the proposal:**

See attached October 2015 webinar presentation (Attachment 1), slide 20, for an analysis of cost savings provided by the CT Insurance Department, based on CREC as a business case. For CREC alone, if it had participated in a stop loss captive over the last five years (FY10 - FY14), approximately \$1.1 million would have been saved. Three years of data was collected from the communities interested in participating in the captive, and preliminary findings were presented at the December 8 Advisory Committee meeting to demonstrate savings to be achieved through the captive (attached). Over those three years, \$7.6 million in premiums were paid in excess of claims. Based on the estimated figures provided by the Connecticut Insurance

Department - \$125,000 per year in captive fees - \$7.2 million paid to insurance companies could have remained with the municipalities. A summary of premiums paid compared to claims for all prospective participants was provided at the December 8 Advisory Committee meeting (Attachment 2).

An analysis of the data was subsequently conducted by Arthur J. Gallagher & Co., the broker partnering with us on the project (Attachment 3), to inform this proposal. Based on their analysis of a subset of 11 entities that are likely to participate and that have submitted complete data at the time of analysis, the projected 5-year cost savings is estimated at more than \$18 million in avoided costs. The stabilization of premium at or near current levels will have a significant and favorable impact on the health plan budgets for participating entities. This will flow through into the general budget process and should help to ease pressure on the municipal/BOE budgets, and mill rates. While the result will vary in order of magnitude based on the separate entities size and risk results, we anticipate that each member of the Captive will see an improvement in their 5 year plan.

A pool of multiple participating entities allows for more predictable overall activity, resulting in improved underwriting assumptions and pricing, primarily because of the “law of large numbers”. As the overall results are more predictable, the pricing is more stable over time, and the underwriter needs less “margin” in the premium rate structure. In addition, because the Captive may consider its results over time and plan for a longer time horizon looking forward, smoothing of the premium cost curve should result when compared to a commercial underwriter with Annual Rate Renewals.

As with any regional project, start-up costs are the most significant hurdle to implementation. The CREC Stop Loss Captive Insurance Company is no exception. We are requesting RPIP funds to provide initial capitalization and professional services required to establish the captive. Without grant funding, members will pay for start-up costs through their premiums. This would result in a longer timeframe to achieve stabilization or savings, and may discourage some communities from making a final commitment to participate, despite the strong likelihood of significant savings within a few years.

Developing the captive as a regional initiative is crucial to achieving the maximum savings. Most participants are not of sufficient size to create their own captive. If a smaller group of entities, or a single entity, wanted to develop a captive on their own, the costs incurred by each individual entity or smaller group of entities would equal the costs of creating this single, larger captive. Ongoing expenses would also be equivalent, and the smaller pool would provide less opportunity for savings. The development of the CREC captive generates an additional \$1.65 million in savings- or \$2.3 million if RPIP is awarded- through a regional approach. Please note that it is highly unlikely that individual entities or smaller groups would actually seek to form a captive, due to start-up costs, staff time and effort, and expertise needed to establish the captive.

Category	Start-up costs CREC captive (requesting RPIP funds)	Start-up costs for 3 captives of 5 members each	Savings (if RPIP grant is awarded for regional approach)
----------	---	---	--

Capitalization	\$ 500,000	\$ 1,500,000	\$ 1,500,000
Feasibility Study*	\$ -	\$ 105,000	\$ 105,000
Legal	\$ 50,000	\$ 150,000	\$ 150,000
Consulting	\$ 40,000	\$ 120,000	\$ 120,000
Technical Assistance and Staff Support	\$ 60,000	\$ 180,000	\$ 180,000
	\$ 650,000	\$ 2,055,000	\$ 2,055,000

\*CREC's broker has agreed to conduct the feasibility study for the CREC captive.

Category	On-going fees CREC captive	On-going fees for 3 captives of 5 members each	Savings
Actuarial Opinion & Loss Review	\$ 35,000	\$ 105,000	\$ 70,000
Captive Management	\$ 50,000	\$ 150,000	\$ 100,000
Audit	\$ 35,000	\$ 105,000	\$ 70,000
Legal	\$ 5,000	\$ 15,000	\$ 10,000
	\$ 125,000	\$ 375,000	\$ 250,000

**(8.) Describe a plan of implementation for the delivery of the service on a regional basis (NOTE: The estimated time line and length of time to implement the proposal):**

The Captive is targeted to begin operation on July 1, 2016, and will initially provide medical stop loss insurance. Please see attached plan of implementation for tasks, timelines, and progress to date (Attachment 4). The Advisory Committee Calendar, and the CREC Captive Advisory Committee and Subcommittee Structure and Responsibilities are provided with additional details (Attachments 5 and 6).

**(9.) Provide a list of potential legal obstacles to the regional provision of the service and how these obstacles will be resolved:**

CREC is coordinating the process of forming the Captive, targeted to begin operation on July 1, 2016, on behalf of CREC and approximately 16 municipalities and school districts with a total of more than 8,000 employees. The Captive is limited in participation to towns and schools which self-insure health benefits. The Captive governing board will consist of representatives from participating municipalities and boards of education, including CREC. The Captive will initially provide medical stop loss insurance.

To begin operations, approval will be required by CREC and the CREC Council, legislative body approval by the member towns and school districts, and approval of the Connecticut Insurance Department, as the captive will be domiciled in Connecticut. These would only become obstacles if such approvals are not received in a timely manner. We are proactively minimizing this risk through significant involvement of the participating towns and school districts throughout the process,



and frequent communication with the CT Insurance Department (CID). We are currently in the process of securing legal counsel, who will assist in the drafting of the municipal resolutions, which should be approved by towns in February or March. The CID has been actively involved in the process since the earliest steps, and have assured us that our project timeline is achievable. Counsel will help us with the necessary filings; the RFP soliciting legal services proposals stressed the July 1, 2016 timeline.

Representatives from CREC and AJ Gallagher will attend town meetings as requested in order to respond to any questions that might prevent approval of municipal resolutions. If some towns do not approve resolutions, the project can still go forward with fewer towns and school districts. Entities that were not able to join in the first year will be able to join the Captive at a later date.

**(10.) Describe how the proposed service will be sustained once it is established and all grant funding has been expended:**

The key benefit of the CREC Stop Loss Captive Insurance Company is to pool municipal stop loss coverage as a way to stabilize costs, lower premiums and retain control over risk assets by the member towns and schools. Initial start-up costs for creation of the captive under the Connecticut Insurance Department regulations include costs for consultants, attorneys, captive manager and other professionals, actuary and auditing services, capitalization requirements, and coordination.

Once the Captive begins operations on July 1, 2016, the member towns and schools will pay annual premiums to cover all costs as required by the Connecticut Insurance Department. The member towns and school districts will fund the cost of stop loss reinsurance exactly as they do now through annual budgets, but will gain the benefit of “economies of scale” of a larger pool in which to go to the reinsurance market to purchase stop loss coverage.

The CREC Stop Loss Captive Insurance Company is modeled after the Connecticut Interlocal Risk Management Agency (CIRMA) which was established in 1980 in response to the municipal insurance crisis.

The CIRMA model was established with approximately \$3.4 million in members’ assets and 16 members. Since that time, CIRMA has assets under management of approximately \$311 million with 374 members. By law, however, CIRMA is not authorized to pool stop loss insurance. The CREC Stop Loss Captive Insurance Company will fill this need for member town and schools.

A critical factor in the establishment of any such program is making sure the capital is in place to handle volatility from day one; there is no question that that model works over multiple years, but seed money in the form of capital in the bank is required to get it off the ground.

The RPIP grant would provide this capital, allowing the captive to immediately focus on offering first year premiums at or below current costs, enabling more members to join. This RPIP grant would be similar to the funding provided to CIRMA when it established its Liability-Automobile-Property pools in 1986, when CIRMA received an

\$8.6 million capitalization loan from the state. The interest free loan was repaid in 2001.

The RPIP funding would provide similar start up capitalization costs which would enable towns and schools to participate in managing stop loss risk and join purchasing of stop loss insurance. Once established, the Captive will provide a model for other towns and schools to participate in as a way to stabilize costs and reduce premiums.

**(11.) Provide a list of other public or private funding potentially leveraged by the project proposed herein.**

Grantor	Amount of Funding	Purpose
Local funds	Stop Loss premiums, varies, approximately \$7 million per year based on preliminary data collection	Through the RPIP program and creation of the Stop Loss Captive, CREC along with participating towns and schools will leverage their individual purchasing power to purchase medical stop loss risk insurance at a more favorable rate.

**(12.) Percent of municipalities in the applicant organization participating in the proposed regional service project:**

41.7% (15/36) of the communities within the CREC region are interested in participating, plus one additional community outside of the region. CREC is participating as well.

It is important to note that districts and municipalities that are fully insured are not eligible to participate in the captive.

**(13.) Attach hereto a resolution by the legislative body of each municipality affected by the proposal, endorsing such proposal.**

The CREC Council will consider the resolution to create the CREC Stop Loss Captive Insurance Company at its January 20, 2016 meeting. A resolution by the legislative body of each municipality will be adopted by member towns and schools no later than March 31, 2016. The municipal resolutions will be drafted by legal counsel; anticipated date of contract is 12/28/15. The proposal submitted by the firm expected to be hired, Day Pitney, is attached (Attachment 7). The contract is currently being negotiated. CREC will forward a copy of the application to CRCOG for action.



<b>(14.) Attach the following material:</b>
1. A site location map of the <u>project location</u> , (not the region or EDD), if applicable - Attachment 8
2. A proposed Project Schedule (Outline the Proposed Project timeline) - Attachment 4
3. Project cost estimates supporting the request for funding. - Attachment 9
4. A list of all necessary local/state/federal permits and approvals required for the project. - Attachment 10
Documents are attached as requested.
<b>(15.) Has a copy of the proposal been sent to legislators representing the participating municipalities? Yes <input checked="" type="checkbox"/> No <input type="checkbox"/></b>
If YES, please attach copies of cover letters.
Letters are attached as requested.
<b>(16.) Affirmation by the CEO of the Applicant Organization(s):</b>
<i>I do hereby affirm that the information contained herein is true and accurate to the best of my knowledge.</i>
<b>Signature:</b>
<b>Name:</b>
<b>Title:</b>
<b>Date:</b>
(Please use following affirmation if more than one RPO is participating.)
<b>(16.) Affirmation by the CEO of the Applicant Organization(s):</b>
<i>I do hereby affirm that the information contained herein is true and accurate to the best of my knowledge.</i>
<b>Signature:</b>
<b>Name:</b>
<b>Title:</b>
<b>Date:</b>



## Stop Loss Captive Discussion and Considerations

*CREC Office for Regional Efficiencies*  
*October 6, 2015 - 9:00 a.m.*

 **CREC** | Expert Solutions

[www.crec.org](http://www.crec.org) 




## Agenda

- Welcome
  - Mary Glassman, Manager, CREC Office for Regional Efficiencies
- Introduction and Instructions
  - Christine Ruman, Assistant Manager, CREC Office for Regional Efficiencies
- Addressing the Cost of Escalating Stop Loss/Reinsurance Coverage
  - Robert C. Lindberg, Area Senior Vice President and Michael Madden, Division Senior Vice President, Arthur J. Gallagher & Co.
- Forming a Captive Insurance Company
  - Christopher Gallo, Insurance Accredited Financial Examiner, CFE Connecticut Insurance Department
- Questions, Wrap-up and Next Steps

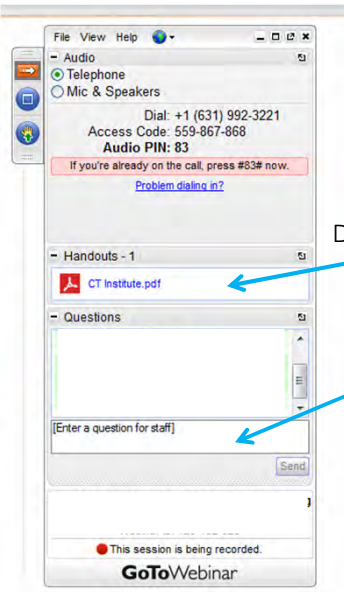
 **CREC** | Expert Solutions

[www.crec.org](http://www.crec.org) 




## Participating in the Webinar

Problems? [chart@crec.org](mailto:chart@crec.org)





Download handouts

Type questions at  
any time



[www.crec.org](http://www.crec.org)





Arthur J. Gallagher & Co.  
BUILT TO LAST. WITHOUT BORDERS.

# CAPITOL REGION EDUCATION COUNCIL

October 6, 2015

## Addressing the Cost of Escalating Stop Loss/ Reinsurance Coverage

ROBERT C. LINDBERG, AREA SENIOR VICE PRESIDENT  
MICHAEL P. MADDEN, DIVISION SENIOR VICE PRESIDENT  
TRACEY G. MAY, AREA VICE PRESIDENT

http://www.crec.org/Assets/17/NicheName/2015DCNR.pptx

## CREC - Reinsurance

### I. Introduction

- A. Overview
  - 1. Why we self-fund?
- B. Present Position
  - 1. Member Level Purchasing
  - 2. Cost/Risk Management Concerns
- C. Opportunity Presented
  - 1. Aggregate Resources
  - 2. Share in Results
- D. Objectives
  - 1. Reduce/Stabilize Costs
  - 2. Align Risk Management

Q:\2014\BSD\17\NicheName\20.DCN# pptx

© 2014 ARTHUR J. GALLAGHER & CO. | BUSINESS WITHOUT BARRIERS™ 5

## CREC - Reinsurance

### II. Current Environment

- A. Escalating Stop Loss Costs
  - 1. Leveraged Trend
  - 2. Underlying Utilization
  - 3. Tightening Insurance Market
- B. Commoditization of Reinsurance
  - 1. Less favorable contract provisions
  - 2. Less effective risk transfer
  - 3. Few options to manage cost/exposure

Q:\2014\BSD\17\NicheName\20.DCN# pptx

© 2014 ARTHUR J. GALLAGHER & CO. | BUSINESS WITHOUT BARRIERS™ 6

## CREC - Reinsurance

### III. Captive Reinsurance Pool

- A. Multiple Participants, One Program
- B. Risk Management (Retention/Sharing/Transfer)
- C. Reinsurance Policies (Individual/Aggregate)
- D. Balance Autonomy with Shared Results

Q:\2014\BSD\17\NicheName\20.DCN# pptx

© 2014 ARTHUR J. GALLAGHER & CO. | BUSINESS WITHOUT BARRIERS™ 7

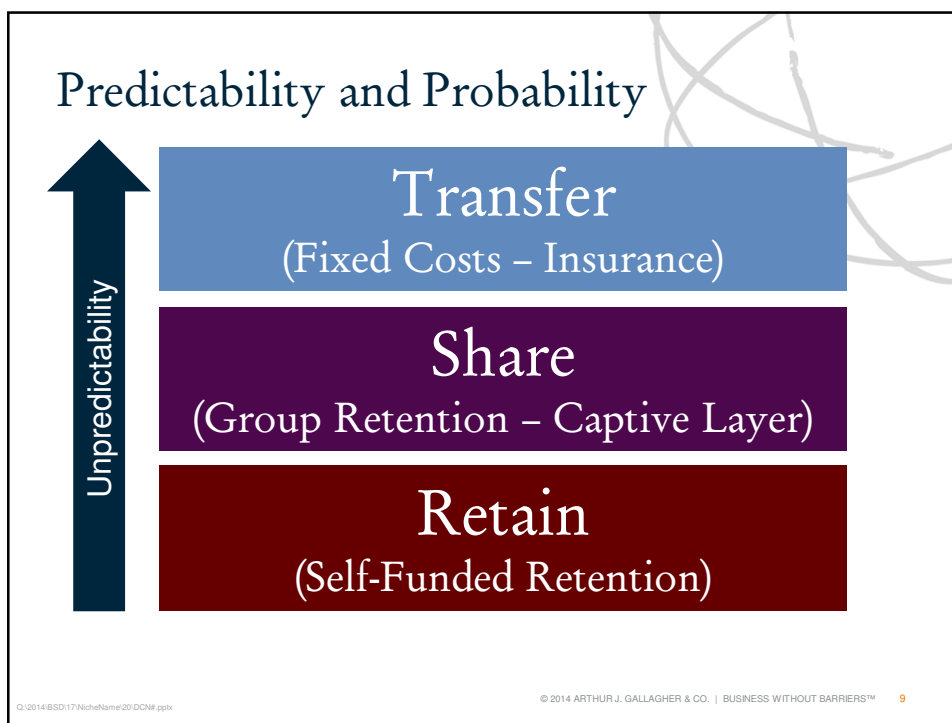
## CREC - Reinsurance

### IV. Captive Reinsurance Pool – Setting the Stage

- A. What It Is
  - 1. Financial Risk Management Tool – claims above the limit(s)
  - 2. Integrated Stop Loss Platform
  - 3. Independent Operating Structure
- B. What It Is Not
  - 1. Not a benefit plan platform
  - 2. Not a provider network
- C. What It Can Do
  - 1. Stabilize Overall Plan Costs
  - 2. Improve and Align Contract Terms
  - 3. Provide for Participation in Results

Q:\2014\BSD\17\NicheName\20.DCN# pptx

© 2014 ARTHUR J. GALLAGHER & CO. | BUSINESS WITHOUT BARRIERS™ 8



**CREC - Reinsurance**

V. Captive Reinsurance Pool – Program Structure

A. Individual Stop Loss Tier (Retention)

1. Each participating entity selects its own ISL Limit (subject to underwriting guidelines)
2. Each participating entity receives its own ISL Policy
3. Each participating entity's ISL Premium Rates will reflect their selected limit and specific population/claim history/plan designs

Q:\2014\BSD\17\NicheName\20\DCN# ppx

© 2014 ARTHUR J. GALLAGHER & CO. | BUSINESS WITHOUT BARRIERS™ 10

## CREC - Reinsurance

### V. Captive Reinsurance Pool – Program Structure / Continued...

#### B. Shared Results/Captive Tier (Sharing)

1. Reflects activity occurring between the Individual ISL Limits and the Pool's overall limit established with the Reinsurance Provider
2. Entities participate in Surplus/Deficit in the Captive Layer
3. Participating Entities may share in these results based on guidelines established when creating the Captive Pool
4. Entities will post collateral or provide capital based on the guidelines of the Captive Pool
5. Each Entity enters into a Participation Agreement with the Captive Pool

Q:\2014\BSD\17\NicheName\20\DCN# pptx

© 2014 ARTHUR J. GALLAGHER & CO. | BUSINESS WITHOUT BARRIERS™ 11

## CREC - Reinsurance

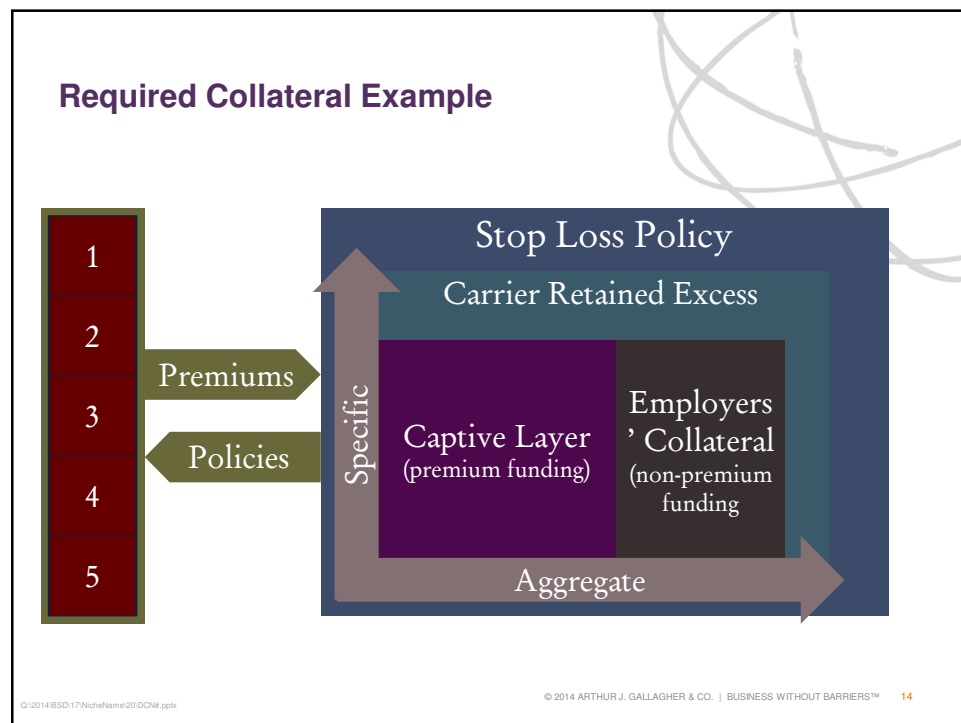
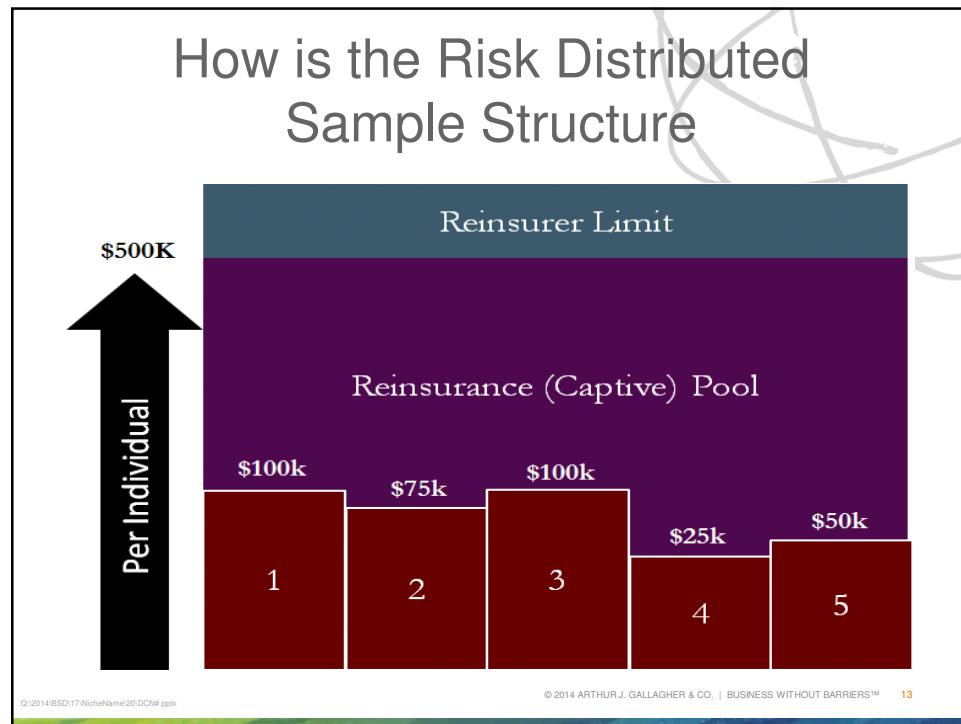
### V. Captive Reinsurance Pool – Program Structure / Continued...

#### C. Excess Risk Tier (Transfer)

1. The Captive Enters into a Reinsurance Agreement with the Reinsurer
2. Pool Transfers Excess Risks to the Reinsurer

Q:\2014\BSD\17\NicheName\20\DCN# pptx

© 2014 ARTHUR J. GALLAGHER & CO. | BUSINESS WITHOUT BARRIERS™ 12





## CREC - Reinsurance

### VI. Program Structure – Operational Considerations

- A. Utilizing an Existing Structure (Protected Cell)
  - Typically a shorter lead time and lower front-end financial commitment
- B. Creating a Unique Program (Association Captive)
  - Typically a longer implementation timeline and greater front-end financial commitment
  - Greater opportunity for member control
- C. “Staggered” Implementation
  - Start as a “Protected Cell Captive” and transition to “Association Captive” when participation/volume is appropriate

Q:\2014\BSD\17\NicheName\20\DCN# pptx

© 2014 ARTHUR J. GALLAGHER & CO. | BUSINESS WITHOUT BARRIERS™ 15

## CREC - Reinsurance

### VII. Planning and Next Steps

- A. Risk Management/Risk Sharing – Data Sharing
- B. Operational Structure Discussion
  - Initial and Ongoing Commitments
  - Establishing Participation Guidelines
- C. Pool Management and Governance
- D. Market Review for Stop Loss
- E. Target Date: July 2016

Q:\2014\BSD\17\NicheName\20\DCN# pptx

© 2014 ARTHUR J. GALLAGHER & CO. | BUSINESS WITHOUT BARRIERS™ 16





## 1. Benefits of Forming a Captive Insurance Company

- Creates leverage to negotiate better terms (reinsurance profit participation, contract terms)
- Stabilize, and potentially reduce, premiums
- Control coverage and capacity (in commercial hard markets)
- Participate in operational results (profitability inures to your bottom line)
- GASB requires reserves be established prior to a loss event (provides liquidity/budget solutions)
- Aids the Municipal Opportunities for Regional Efficiencies' Mission of an Efficient/Affordable Local Government
- Increased operational/financial control ("You are now entering the insurance business")

17



## 2. Why Form the CREC Captive in Connecticut

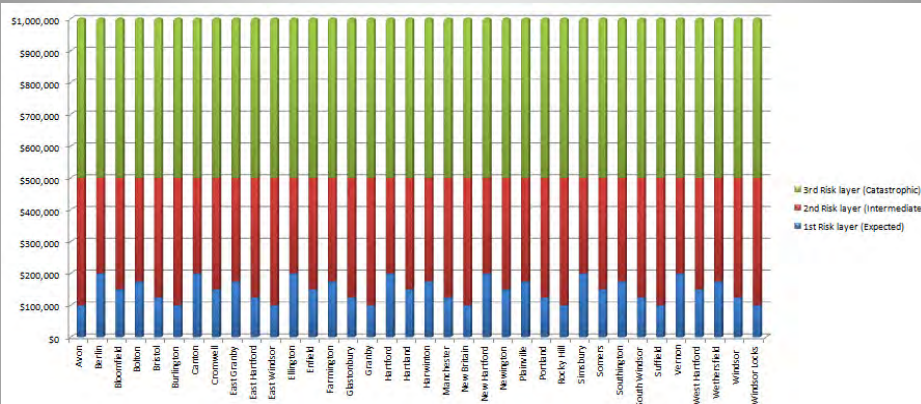
- We are a Principals Based Regulator (not Rules Based – see attached →  )
- We are the Insurance Capital
  - Corporate Governance Best Practice Guidance (see attached →  )
  - Sustainability (Built to last)
  - Vested in Connecticut

18



### 3. Department Recommended Captive Type/Structure

- Sponsored Captive Insurance Company (“SCIC”), with corresponding CREC Member segregated cells



- Each Cell’s assets & liabilities are segregated (even in the event of a Cell’s insolvency)
- SCIC aids the capability to transition to each CREC member’s own distinct pure captive
- Host capitalization of \$500k (Funded with one time \$18k per CREC Member District capital charge)
- SCIC files the lone annual audited & unaudited reports (with Cell’s financial information spiked out)



### 4. CREC Captive Business Case

	A	B	C	D	E	F	G
1	<b>CREC Captive Business Case (Actual)</b>						
2		<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>Total</b>
3	<b>Premiums</b>	\$398,226	\$379,337	\$482,538	\$634,868	\$824,273	\$2,719,242
4	<b>Annual Premium Increase</b>		-4.7%	27.2%	31.6%	29.8%	107.0%
5	<b>Annual Premium Increase Factor</b>						1.2675
6	<b>Claims paid over Insurance Stop Loss</b>	\$0	\$0	\$734,273	\$174,701	\$217,332	\$1,126,306
7							
8	<b>Net Income (Loss)</b>	\$398,226	\$379,337	-\$251,735	\$460,167	\$606,941	\$1,592,936
9							
10	<b>CREC Captive Fees*</b>	\$120,000	\$120,000	\$120,000	\$120,000	\$120,000	
11	<b>CREC Net Income</b>	\$278,226	\$259,337	-\$371,735	\$340,167	\$486,941	\$992,936
12	<b>CREC Capital &amp; Surplus</b>	\$763,226	\$1,022,563	\$650,828	\$990,995	\$1,477,936	\$1,617,936
13							
14	<b>*Captive Fees</b>	<b>Year 1</b>	<b>Year 2+</b>				
15	Feasibility Study	\$35,000	\$0				
16	Actuarial Opinion & Loss Review	\$0	\$35,000				
17	Captive Management	\$40,000	\$40,000				
18	Audit	\$10,000	\$10,000				
19	Legal	\$5,000	\$5,000				
20	Miscellaneous	\$30,000	\$30,000				
21	<b>Total Captive Fees</b>	<b>\$120,000</b>	<b>\$120,000</b>				
22	<b>Initial Capitalization</b>	<b>\$500,000</b>	<b>\$0</b>				
23	<b>Total Year 1 Fees &amp; Capitalization</b>	<b>\$620,000</b>	<b>\$120,000</b>				
24	<b>Total Year 1 Fees &amp; Capitalization ÷ 35</b>	<b>\$17,714</b>	<b>\$3,429</b>				
25							

2010 – 2014 CREC Premium &amp; Loss information

20



## 5. Next Steps

- Procure Consensus to Form a CREC Captive
- Informational Captive Formation Meeting with The Department, Captive Manager and CREC Officials
- The Department Will Work Collaboratively, with The Captive Manager and CREC Officials, through the Application Process, and beyond

21



## Next Steps

- CT Captive Insurance Symposium, October 15, 2015
- October 22, 2015, 9:30 a.m., CREC Museum Academy, 10 Targeting Center, Windsor, CT
  - Attendance is mandatory, but does not commit you to participating
- School district/town visits available upon request
- Participant commitment: December, 2015
- Captive launch: July, 2016


[www.crec.org](http://www.crec.org)




## Contacts- CREC Regional Efficiencies

Mary Glassman, [mglassman@crec.org](mailto:mglassman@crec.org)

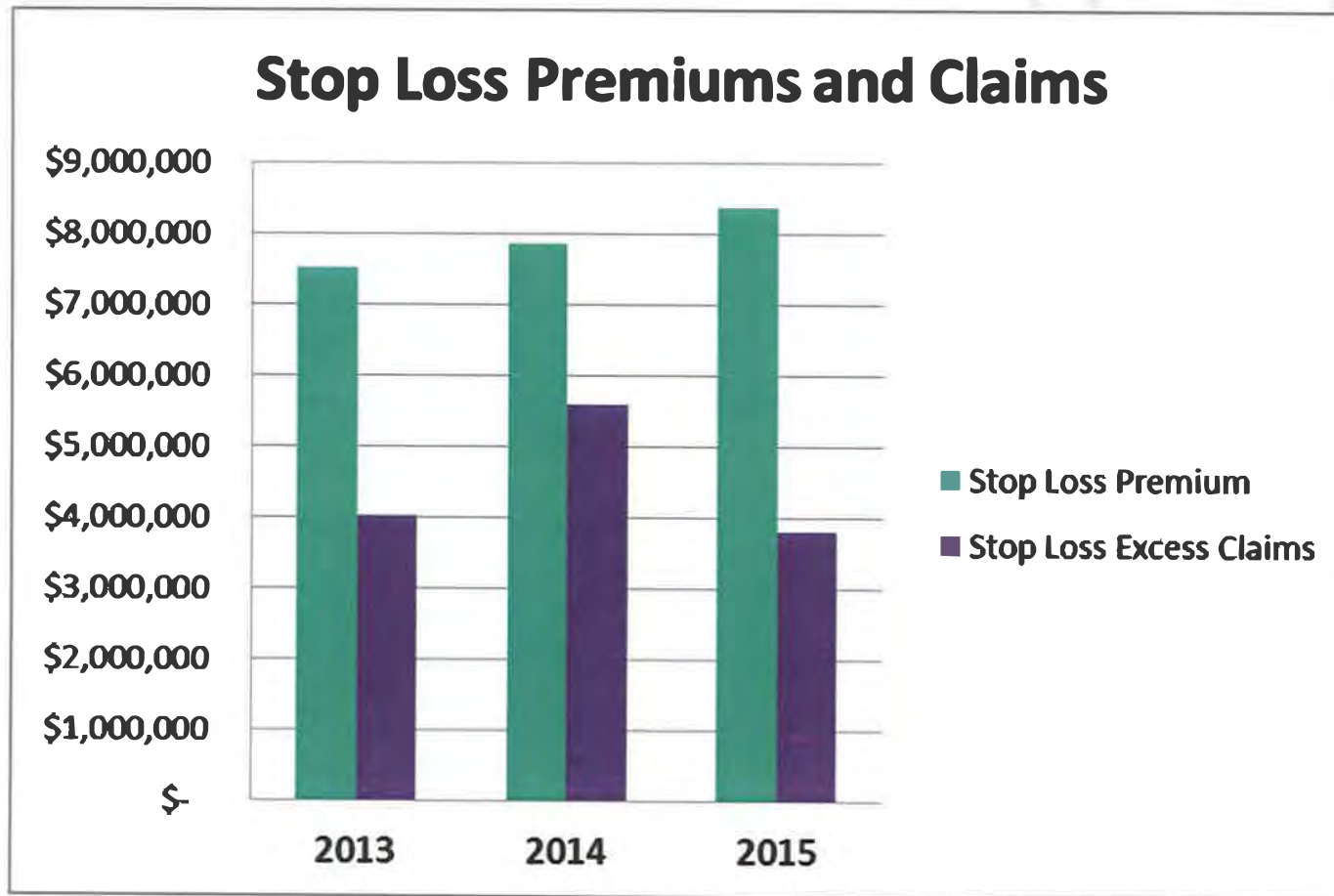
Cara Hart, [chart@crec.org](mailto:chart@crec.org)

Christine Ruman, [cruman@crec.org](mailto:cruman@crec.org)

Thank you.



# The Group's Data is Compelling





# Town of Simsbury

933 HOPMEADOW STREET

P.O. BOX 495

SIMSBURY, CONNECTICUT 06070

## BOARD OF SELECTMEN MEETING AGENDA SUBMISSION FORM

1. **Title of submission:** Tax Refunds
2. **Date of submission:** April 19, 2016
3. **Date of Board Meeting:** April 25, 2016
4. **Individual or Entity making the submission** (Please include complete contact information. The identified individual(s) should be prepared to present information to the Board of Selectmen at the Board Meeting):

Colleen O'Connor- Tax Collector

5. **Action requested of the Board of Selectmen** (Acceptance of gift, creation of reserve, approval of contract, information only, etc. Be as specific as possible with respect to the desired action of the Board.):

*Individual or Entity making the submission requests that the Board of Selectmen:*

Tax refunds to be approved by State Statue 12-129. Some of the reasons for refunds on cars are –vehicle sold, destroyed, donated, moved out of state or appealed the taxes.

Real Estate refunds are due to the fact that both a bank and an attorney's office pay the taxes because of sale of house or re-finance.

6. **Summary of Submission** (Include in your summary (i) relevant dates and timelines; (ii) parties involved; (iii) a description of financial terms and conditions specifically identifying the financial exposure/commitment of the Town of Simsbury; (iv) whether or not contracts, licenses and other legal documents have been reviewed by the Town's counsel; and (v) other information that will inform the Board of Selectmen's consideration of your submission. Include any additional information in an attached memorandum.):

7. **Financial Impact** (Include a description of any impact on the finances of the Town of Simsbury):

Approve tax refunds per attached printout in the amount of \$ 2,678.52

8. **Description of documents included with submission** (All documents must be in final form and signed by the appropriate party.):

*The following documents are included with this submission and attached hereto:*

Tax Refunds.xls

	BILL NUMBER	TAX	FIRE	INTEREST	TOTAL
<b>List 2012</b>					
Bielucki Seth M	12-01-631	\$747.29	\$24.45		\$771.74
					\$0.00
<b>Total 2012</b>		<b>\$747.29</b>	<b>\$24.45</b>	<b>\$0.00</b>	<b>\$771.74</b>
<b>List 2013</b>					
Bielucki Seth M	13-01-639	\$744.29	\$23.85		\$768.14
					\$0.00
					\$0.00
					\$0.00
					\$0.00
<b>Total 2013</b>		<b>\$744.29</b>	<b>\$23.85</b>	<b>\$0.00</b>	<b>\$768.14</b>
<b>List 2014</b>					
Bielucki Seth M	14-01-657	\$645.14	\$20.68		\$665.82
Mackinnon Gerald F	14-03-61151	\$49.24			\$49.24
Tucker Gregory	14-03-68797	\$68.08	\$2.18		\$70.26
Winkleblack Grant T	14-03-70091	\$123.80	\$3.97		\$127.77
Honda Lease Trust	14-04-81450	\$300.68	\$9.64		\$310.32
					\$0.00
					\$0.00
					\$0.00
					\$0.00
					\$0.00
					\$0.00
					\$0.00
					\$0.00
					\$0.00
					\$0.00
<b>Total 2014</b>		<b>\$1,186.94</b>	<b>\$36.47</b>	<b>\$0.00</b>	<b>\$1,223.41</b>
<b>TOTAL 2012</b>		<b>\$747.29</b>	<b>\$24.45</b>	<b>\$0.00</b>	<b>\$771.74</b>
<b>TOTAL 2013</b>		<b>\$744.29</b>	<b>\$23.85</b>	<b>\$0.00</b>	<b>\$768.14</b>
<b>TOTAL 2014</b>		<b>\$1,186.94</b>	<b>\$36.47</b>	<b>\$0.00</b>	<b>\$1,223.41</b>
					<b>\$2,763.29</b>
<b>TOTAL ALL YEARS</b>		<b>\$2,678.52</b>	<b>\$84.77</b>	<b>\$0.00</b>	<b>\$2,763.29</b>





# Town of Simsbury

933 HOPMEADOW STREET

P.O. BOX 495

SIMSBURY, CONNECTICUT 06070

## BOARD OF SELECTMEN MEETING AGENDA SUBMISSION FORM

1. **Title of submission:** Acceptance of Gift of Furniture from The Hartford
2. **Date of submission:** April 20, 2016
3. **Date of Board Meeting:** April 25, 2016
4. **Individual or Entity making the submission** (Please include complete contact information. The identified individual(s) should be prepared to present information to the Board of Selectmen at the Board Meeting):

Thomas F. Cooke – Director of Administrative Services – [tcooke@simsbury-ct.gov](mailto:tcooke@simsbury-ct.gov)

James Rabbitt – Director of Planning and Community Development – [jrabbitt@simsbury-ct.gov](mailto:jrabbitt@simsbury-ct.gov)

Tom Roy – Director of Public Works – [troy@simsbury-ct.gov](mailto:troy@simsbury-ct.gov)

5. **Action requested of the Board of Selectmen** (Acceptance of gift, creation of reserve, approval of contract, information only, etc. Be as specific as possible with respect to the desired action of the Board.):  
*The Individual or Entity making the submission requests that the Board of Selectmen:*

Authorize the acceptance of a gift of furniture from The Hartford valued at approximately \$7,400.

6. **Summary of Submission** (Include in your summary (i) relevant dates and timelines; (ii) parties involved; (iii) a description of financial terms and conditions specifically identifying the financial exposure/commitment of the Town of Simsbury; (iv) whether or not contracts, licenses and other legal documents have been reviewed by the Town's counsel; and (v) other information that will inform the Board of Selectmen's consideration of your submission. Include any additional information in an attached memorandum.):

Town Staff was contacted by The Silverman Group and informed that The Hartford wanted the Town of Simsbury to have the opportunity to select furniture from The Hartford's former premises at 200 Hopmeadow Street. After reviewing the furniture, Town Staff concluded that the offer presented an opportunity for the town to upgrade its furniture and replace some outdated furniture at minimal cost (time and labor to remove

the furniture from the building). The Silverman Group asked that the furniture be removed from the building expeditiously as demolition plans are moving forward and the furniture accordingly was removed from the building by Town Staff. The following is an inventory of the furniture:

Type	Quantity	Approximate Value	Total
Task Chairs	43	\$100	\$4,300
Conference Chairs	28	\$75	\$2,100
Side Chairs	6	\$25	\$150
Tables	2	\$25	\$50
Computer Cabinets	3	\$200	\$600
Tables/Kitchen	4	\$50	\$200
			<b>\$7,400</b>

**7. Financial Impact (Include a description of any impact on the finances of the Town of Simsbury):**

No immediate impact. Ultimately this will minimize the need to replace existing furniture.

**8. Description of documents included with submission (All documents must be in final form and signed by the appropriate party.):**

*The following documents are included with this submission and attached hereto:*



# Town of Simsbury

933 HOPMEADOW STREET

P.O. BOX 495

SIMSBURY, CONNECTICUT 06070

## BOARD OF SELECTMEN MEETING AGENDA SUBMISSION FORM

1. Title of Submission:

END PARKING

2. Date of Submission:

4/8/16

3. Date of Board Meeting:

4/25/16

4. Individual or Entity making the submission: (Please include complete contact information. The identified individual(s) should be prepared to present information to the Board of Selectmen at the Board Meeting):

FIDDLERS green

5. Action requested of the Board of Selectmen (Acceptance of gift, creation of reserve, approval of contract, information only, etc. Be as specific as possible with respect to the desired action of the Board.):

The Individual or Entity making the submission requests that the Board of Selectmen:

Permission for FIDDLERS green to use  
END Parking lot during IRON HORSE BLVD  
events.

see attached

6. **Summary of Submission** (Include in your summary (i) relevant dates and timelines; (ii) parties involved; (iii) a description of financial terms and conditions specifically identifying the financial exposure/commitment of the Town of Simsbury; (iv) whether or not contracts, licenses and other legal documents have been reviewed by the Town's counsel; and (v) other information that will inform the Board of Selectmen's consideration of your submission. Include any additional information in an attached memorandum.):

*see attached*

7. **Financial Impact** (Include a description of any impact on the finances of the Town of Simsbury):

*none*

8. **Description of documents included with submission** (All documents must be in final form and signed by the appropriate party.):

*The following documents are included with this submission and attached hereto:*

*see attached*

*Bruce Kaplan*

RECEIVED

APR 07 2016

TOWN of SIMSBURY  
FIRST SELECTMAN'S OFFICE

Fiddlers, LLC  
750 Hopmeadow Street  
Simsbury, CT 06070

To: Lisa Heavner, First Selectman

Date: April 7, 2016

As a follow-up to last year's request which was granted by the board for which we are thankful, Fiddlers Green requests permission to use Eno parking for:  
all Iron Horse Boulevard events from June 1, 2016 to December 1, 2016, including:  
all concerts, the car show & the arts & crafts show.

Note:

- \*Fiddlers Green will not use the parking lot at any time when there is an event at Eno Memorial Hall; and
- \*Fiddlers Green will contact and work with Town Staff prior to any proposed use of the Eno parking space to determine the feasibility of use and to make any necessary arrangements

Thank you,



Bruce M Kaplan



# Town of Simsbury

933 HOPMEADOW STREET

P.O. BOX 495

SIMSBURY, CONNECTICUT 06070

## BOARD OF SELECTMEN MEETING AGENDA SUBMISSION FORM

**1. Title of submission:**

Appointment of Personnel Sub-Committee to Hear Appeal – Defined Benefit Plan

**2. Date of submission:** April 20, 2016

**3. Date of Board Meeting:** April 25, 2016

**4. Individual or Entity making the submission (Please include complete contact information. The identified individual(s) should be prepared to present information to the Board of Selectmen at the Board Meeting):**

Thomas F. Cooke – Director of Administrative Services – [tcooke@simsbury-ct.gov](mailto:tcooke@simsbury-ct.gov)

**5. Action requested of the Board of Selectmen (Acceptance of gift, creation of reserve, approval of contract, information only, etc. Be as specific as possible with respect to the desired action of the Board.):**

*The Individual or Entity making the submission requests that the Board of Selectmen:*

Designate the Personnel Sub-Committee to hear a former employee's appeal of the denial of a claim for retroactive monthly pension benefits.

**6. Summary of Submission (Include in your summary (i) relevant dates and timelines; (ii) parties involved; (iii) a description of financial terms and conditions specifically identifying the financial exposure/commitment of the Town of Simsbury; (iv) whether or not contracts, licenses and other legal documents have been reviewed by the Town's counsel; and (v) other information that will inform the Board of Selectmen's consideration of your submission. Include any additional information in an attached memorandum.):**

A retired employee has asserted a claim for retroactive monthly pension benefits which predate his application for those benefits. The claim was denied and the employee wishes to appeal the decision.

Under the terms of the Town of Simsbury Retirement Income Plan (the "Plan"), such an appeal can be heard by the plan administrator or the Board of Selectmen acting as the plan administrator. Currently there is no designated administrator. The Board of

Selectmen (acting as the plan administrator) can designate a representative to hear the retiree's appeal of the denial of his claim, and that representative can be a committee of the Board of Selectmen.

For these reasons the Board of Selectmen is asked to designate the Personnel Sub-Committee to hear the appeal.

**7. Financial Impact (Include a description of any impact on the finances of the Town of Simsbury):**

None.

**8. Description of documents included with submission (All documents must be in final form and signed by the appropriate party.):**

*The following documents are included with this submission and attached hereto:*

None.



BOARD OF SELECTMEN MEETING  
AGENDA SUBMISSION FORM

**1 Title of submission:** Republican Party Nomination

**2 Date of submission:** April 11, 2016

**3 Date of Board Meeting:** April 25, 2016

**4 Individual or Entity making the submission:**

Simsbury Republican Town Committee

Robert W. Heagney, Chair, and Paul Henault, Nominating Chair

**5 Action requested of the Board of Selectmen:**

*The Individual or Entity making the submission requests that the Board of Selectmen:*

**Appoint the nominee listed below to the position of:**

<input type="checkbox"/>	Regular Member	
<input type="checkbox"/>	Alternate Member	
<input type="checkbox"/>	Regular Member to fill a vacancy	Vacated by:
<input checked="" type="checkbox"/>	Alternate Member to fill a vacancy	Vacated by: Mary Lou Patrina

Name of Nominee: Susan Krinsky

Address of Nominee: 24 Oakhurst Road, Simsbury, CT 06070

Party affiliation: Republican

Name of Board/Commission, etc.: Aging & Disability Commission

Term of Office - from: January 1, 2016

Term of Office - to: January 1, 2018

**6 Summary of Submission:**

Appoint Susan Krinsky to fill the alternate vacancy on Aging & Disability Commission

**7 Financial Impact:** None

**8 Description of documents included with submission:** None



### **CALL TO ORDER**

The Regular Meeting of the Board of Selectmen was called to order at 6:00 p.m. in the Main Meeting Room of the Simsbury Town Offices. Present were: First Selectman Lisa Heavner; Board member Michael Paine, Christopher Kelly, Sean Askham, Elaine Lang and Cheryl Cook. Others in attendance included: Thomas Cooke, Director of Administrative Services, Tom Roy, Director of Public Works, Ed LaMontagne, Chairman of Aging and Disabilities Commission, and other interested parties.

### **PLEDGE OF ALLEGIANCE**

Everyone stood for the Pledge of Allegiance.

### **PUBLIC AUDIENCE**

Joan Coe, 26 Whitcomb Drive, spoke about a bumper sticker that was removed from her car bumper, a Town Manager form of government, several deaths in Simsbury and other items.

Robert Kalechman, 971 Hopmeadow Street, spoke about privileges he feels are awarded by the Board of Selectmen, the war at Bunker Hill, and other items.

### **PRESENTATIONS**

- **Proclamation – Autism Awareness**

Mr. LaMontagne, Chairman of the Aging & Disabilities Commission, thanked the Board of this Proclamation. He said autism exists throughout the world and needs to be recognized.

Ms. Cook read the following:

**“PROCLAMATION  
AUTISM AWARENESS**

**WHEREAS**, autism, the fastest growing developmental disability in the United States, affecting more than three million people, is an urgent public health crisis that demands a national response; and,

**WHEREAS**, autism is the results of a neurological disorder that affects the normal functioning of the human brain, and can affect anyone, regardless of race, ethnicity, gender, or socioeconomic background; and

**WHEREAS**, symptoms and characteristics of autism may present themselves in a variety of combinations and can result in significant lifelong impairment of an individual’s ability to learn, develop healthy interactive behaviors, and understand verbal as well as nonverbal communications; and

**WHEREAS**, the effort to address autism continues, doctors, therapists, and educators can help persons with autism overcome or adjust to its challenges and provide early, accurate diagnosis and the resulting appropriate education, intervention, and therapy that are vital to future growth and development; and,

**WHEREAS**, ensuring that persons living with autism have access to lifelong care and services needed to pursue the full measure of personal happiness and achieve their greatest potential; and

**WHEREAS**, The Town of Simsbury is honored to take part in the annual observance of Autism Awareness Month and World Autism Awareness Day in the hope that it will lead to a better understanding of the disorder; and,

**THEREFORE**, I, Lisa L. Heavner, First Selectman, do hereby proclaim April 2016 as **AUTISM AWARENESS MONTH** and April 2, 2016 as **WORLD AUTISM AWARENESS DAY** in Simsbury to raise public awareness of autism and the myriad of issues surrounding autism, as well as to increase knowledge of the programs that have been and are being developed to support individuals with autism and their families.

**IN WITNESS THEREOF**, I have placed my seal and the great seal of the Town of Simsbury.

Dated the 2<sup>nd</sup> day of April 2016.

Lisa L. Heavner, First Selectman”

#### **FIRST SELECTMAN’S REPORT**

Ms. Heavner said Simsbury was identified as the “Best Town in America” by the website <http://www.onlyinyourstate.com/connecticut/best-town-ct/>.

Ms. Heavner reminded everyone that the Board of Finance will hold a second Public Hearing Budget Hearing on April 19<sup>th</sup> at 6:00 p.m. in the main meeting room at Town Hall and the Town Referendum will likely be held on Tuesday, May 10<sup>th</sup>. Information on the budget can be found on the Town website at [www.simsbury-ct.gov](http://www.simsbury-ct.gov).

Ms. Heavner asked that everyone help Spring Cleaning in Simsbury. Clean-up of the bike trails around Town will be held on April 17<sup>th</sup> from 10:00 a.m. to 2:00 p.m. She thanked the Farmington Valley Trails Council, Bruce Donald, and all the volunteers who help keep the trails in great shape.

Ms. Heavner said the Town is currently taking nominations for Hometown Heroes. Information can be found online at <http://www.simsbury-ct.gov/home/news/nominate-a-2016-hometown-hero>.

Ms. Heavner said this is Autism Awareness Month. Eno Memorial Hall has a blue light/puzzle piece to help spread awareness and understanding of Autism.

Ms. Heavner said the Presidential Preference Primary is being held on April 26<sup>th</sup> in Connecticut. All four polling places will be open from 6:00 a.m. to 8:00 p.m. For more information, go to <http://www.simsbury-ct.gov/registrar-of-voters>.

Ms. Heavner said the Town, in conjunction with the Towns of Avon, Canton, Granby and Farmington, will be holding a Hazardous Waste Collection on Saturday, April 30<sup>th</sup> from 8:00 a.m. to 1:00 p.m. For specific information, residents can call Public Works at 860-658-3222.

Ms. Heavner said the Innovation Fair is set for April 30<sup>th</sup> from 10:00 a.m. to 4:00 p.m. with exhibits, activities and demonstrations at the Simsbury Public Library, the Historical Society and Simsbury High School. She thanked everyone who has worked so hard to bring this event to the Town.

Ms. Heavner said the Simsbury Chamber of Commerce will recognize the achievements of four individuals at its Annual Leadership Awards Luncheon and Meeting to be held on May 26<sup>th</sup> at The North House. Recipients include Bob Hensley, Peter Askham, Nicholas Mason and Bryan Forman. For further information, go to [www.simsburycoc.org](http://www.simsburycoc.org) under Events.

### **SELECTMEN ACTION**

Ms. Cook made a motion to amend the agenda to move item g to number 1. Mr. Askham seconded the motion. All were in favor and the motion passed.

#### **g) Authorize First Selectman to enter into an agreement with Eversource Energy to receive the Bright Ideas Grant Funding**

Mr. Roy said the Clean Energy Task Force have been working since 2008 and they have now qualified for two Bright Idea Grants. This is the first grant is \$10,000.

Mr. Roy said there are six rental homes that need more insulation to meet current standards. The total cost for the work is \$8,183 and will be fully funded by the grant.

Mr. Roy also spoke about the Hazardous Waste Collection. He feels having it at Public Works is better as the interaction with the staff has been really good. There will be two collections in Simsbury and one will be in Farmington. They will also be looking at benefiting the athletic teams.

Ms. Lang made a motion to authorize the First Selectman to enter into an agreement with Eversource Energy to receive the Bright Ideas Grant funding. Mr. Askham seconded the motion. All were in favor and the motion passed.

#### **a) Approve Tax Refunds**

Ms. Cook made a motion to approve tax refunds in the amount of \$570.61 as requested and approved by the Tax Collector. Mr. Kelly seconded the motion. All were in favor and the motion passed.

#### **b) Discuss participation in CT-Prime Stop Loss Program and possible action**

Ms. Heavner said this item will be tabled so more information can be obtained.

#### **c) Refer FY 2017 Capital Projects to the Planning Commission for CGS Section 8-24 referral**

Mr. Paine made a motion to refer the capital projects previously approved by the Board of Selectmen to the Planning Commission in accordance with §8-24. Ms. Cook seconded the motion. All were in favor and the motion passed.

**d) Approve FY 2017 Town Wide Budget Mailer**

Ms. Heavner said the only possible changes would be with photos or changes made during the budget process. This is a scripted mailer every year.

Mr. Kelly made a motion to approve the FY 2017 Town Wide Budget Mailer as approved by Town Counsel. Mr. Paine seconded the motion. All were in favor and the motion passed.

**e) Approve Public Gathering Permit Application for the Simsbury High School Graduation Ceremony at the Performing Arts Center on June 8, 2016**

Mr. Askham made a motion to approve the Public Gathering Permit Application for the 2016 Simsbury High School graduation ceremony to be held on June 8, 2016 at 6:00 p.m., at the Performing Arts Center. Mr. Paine seconded the motion. All were in favor and the motion passed.

**f) Approve Town of Simsbury Fair Housing Resolution and Equal Opportunity Policies**

Ms. Heavner said the Town received a Small Cities Grant to repair the roof and roads at the Virginia Connolly and Owen Murphy Apartments. In recognition of April as Fair Housing Month, the Town is reviewing and reissuing its policies designed to protect discrimination. This will make sure the policies are up-to-date and meet the requirements of the Small Cities Grant.

Ms. Cook made a motion to adopt and authorize the First Selectman to execute and re-issue the following policies prohibiting discriminatory practices, which also provide procedures for enforcement:

- Fair Housing Resolution
- Fair Housing Policy Statement
- Title VI Equal Opportunity Statement
- Affirmative Action Policy Statement
- ADA Notice
- Municipal Grievance Procedure

Ms. Lang seconded the motion. All were in favor and the motion passed.

Ms. Lang made a motion to adopt the Fair Housing Resolution – Town of Simsbury

**Whereas,** All persons are afforded a right to full and equal housing opportunities in the neighborhood of their choice; and

**Whereas,** Federal fair housing laws require that all individuals, regardless of race, color, religion, sex, handicap, familial status or national origin, be given equal access to all housing- related opportunities, including rental and homeownership opportunities, and be allowed to make free choices regarding housing location; and

**Whereas,** Connecticut fair housing laws require that all individuals, regardless of race, creed, color, national origin, ancestry, sex, marital status, age, lawful source of income, familial status, learning disability, physical or mental disability, sexual orientation or gender identity or expression be given equal access to all housing-related opportunities, including rental and home ownership opportunities, and be allowed to make free choices regarding housing location; and

**Whereas,** The Town of Simsbury is committed to upholding these laws, and realizes that these laws must be supplemented by an Affirmative Statement publicly endorsing the right of all people to full and equal housing opportunities in the neighborhood of their choice.

**NOW, THEREFORE, BE IT RESOLVED,** That the Town of Simsbury hereby endorses a Fair Housing Policy to ensure equal opportunity for all persons to rent, purchase, obtain financing and enjoy all other housing-related services of their choice on a non-discriminatory basis as provided by state and federal law; and

**BE IT FURTHER RESOLVED,** That the chief executive officer of the Town of Simsbury or his/her designated representative is responsible for responding to and assisting any person who alleges to be the victim of an illegal discriminatory housing practice in the Town of Simsbury and for advising such person of the right to file a complaint with the State of Connecticut Commission on Human Rights and Opportunities (CHRO) or the U.S. Department of Housing and Urban Development (HUD) or to seek assistance from the CT Fair Housing Center,

Adopted by the Town of Simsbury on April 11, 2016

Lisa L Heavner

Mr. Askham seconded the motion. All were in favor and the motion passed.

### **OTHER BUSINESS**

There was no other business at this time.

### **APPOINTMENTS AND RESIGNATIONS**

There were no appointments and resignations at this time.

### **REVIEW OF MINUTES**

#### **a) Regular Meeting of March 28, 2016**

There was no action taken on the minutes of March 28<sup>th</sup> and therefore, the minutes were adopted.

### **SELECTMEN LIAISON AND SUB-COMMITTEE REPORTS**

#### **1. Personnel – Approval of Updated Town Clerk/Registrar of Vital Statistics Job Description**

Mr. Kelly said there was a Personnel Sub-Committee meeting last week to review and approve an amended job description for Town Clerk/Registrar of Vital Statistics job description. There were some changes to language relative to certification requirements.

Mr. Kelly made a motion to approve the revised Town Clerk/Registrar of Vital Statistics job description. Ms. Lang seconded the motion. All were in favor and the motion passed.

- 2. **Finance** – there was no report at this time.
- 3. **Welfare** – there was no report at this time.
- 4. **Public Safety** – there was no report at this time.
- 5. **Board of Education** – there was no report at this time.

Ms. Heavner said the Open Space Committee met on April 6<sup>th</sup> and voted to approve the Tariffville Water Storage Tank Replacement Project. This is step one of this project.

Ms. Cook thanked everyone for their great discussion for the Community for Care depression and anxiety. She said all the information is available on SCTV.

Ms. Lang said the Innovation Fair will be held on April 30<sup>th</sup>. This is a multi-locational event, which is free to everyone. This should be a great event.

### **ADJOURN**

Mr. Askham made a motion to adjourn at 6:35 p.m. Ms. Lang seconded the motion. All were in favor and the motion passed.

Respectfully submitted,

Kathi Radocchio  
Clerk