

# KANSAS MUNICIPAL INSURANCE TRUST

## Board of Trustees Minutes from December 16, 2016

*Revised and Unapproved*

**Meeting Convened:** Friday, December 16, at the offices of IMA, in Wichita, KS. The meeting was called to order by KMIT President Debbie Price at 9:01 AM.

**Members Present:** *Board Members Present:* President Price (Marysville), Vice President Randy Frazer (Moundridge), Treasurer David Dillner (Abilene), Immediate Past President Tim Hardy (Elkhart), Keith Schlaegel (Stockton) Kerry Rozman (Clay Center), Ty Lasher (Bel Aire), Michael Reagle (Garden City), Janie Cox (Haysville) and Carey Steier (Pittsburg). *Staff:* Paul Davis (CORnerstone), Gene Miller (CORnerstone), Jess Cornejo (CORnerstone), Deanna Furman (CORnerstone), Barbie Kifer (CORnerstone), Amanda Chamberland (CORnerstone), Renee Rhodes (IMA) and Don Osenbaugh (KMIT Pool Administrator).

**Members Absent From Meeting:** Mike Webb (Edwardsville).

**Minutes: December 16, 2016, Wichita (IMA):** Motion to approve as written by Dillner; seconded by Rozman. Approved unanimously.

### **Financial Reports:**

- a. September 30, 2016 (3rd Q) KID Report
- b. September 30, 2016 Financials
- c. October 31, 2016 Financials
- d. November 30, 2016 Financials
- e. November 30, 2016 Cash and Investment Summary

Motion to approve all of the above reports made by Dillner; second by Schlaegel. Approved unanimously.

### **Reserve Advisory and Settlement Authority:**

Miller reported on the following claims:

1. Claim #2016074973 (Eudora)--Reserve Increase Advisory only.
2. Claim #2016074602 (Horton)--Reserve Increase Advisory only.
3. Claim #2016075002 (Pittsburg)--Reserve Increase Advisory only.
4. Claim #2016073580 (Newton)--Settlement request of authority up to \$30,378 approved unanimously following motion by Hardy and second by Dillner.

**Loss Control Activities:** Rhodes presented a updated activity report and commented on a slightly 'tweaked' risk control assessment form for 2017.

**Excess Coverage Renewal for 2017:** Cornejo reviewed a summary of variables and possible excess coverage options, all with the current carrier, Safety National. The Board voted unanimously to keep the same coverage levels as in 2016, with a currently-estimated premium of \$476,361. Motion by Hardy; second by Dillner.

**Errors and Omissions (D&O) Policy Renewal for 2017:** Cornejo presented a list of options. The Board voted unanimously to keep the same coverage levels as in 2016, at a premium cost of \$15,939.22. Motion by Dillner; second by Lasher.

**2017 Administrative Budget:** Osenbaugh presented the Estimated 2017 Administrative (Operating) Budget, which was approved unanimously following a motion by Frazer and second by Rozman. Estimated revenues: \$5,182; estimated administrative expenses: \$1,244,000; estimated available for claims: \$3,458,000.

**Bylaw Changes Discussion:** Osenbaugh led a discussion of the need to develop a process to change the bylaws this year, to match up with changes in the contract with the League, which takes affect 1/1/18. No decisions were made.

**Dodge City Membership Application:** Osenbaugh asked that the Board make the final determination on the admittance of Dodge City, which has applied to be re-admitted into KMIT. The Board (by consensus) gave approval to add Dodge City, contingent upon the City responding to questions the city had alluded to concerning past 'problems' with KMIT (Dodge City withdrew from the pool in December 2008).

**TRISTAR:** Paul Davis gave an overview of 'purchase' of the TPA (Claims) process by TRISTAR. More information will be brought to the February meeting.

**Other Business:** Discussion initiated by Lasher concerning the purchase of KMIT shirts for the Board and staff; by consensus it was agreed to purchase shirts.

**Adjournment:** Motion to adjourn by Dillner; second by Rozman. Unanimous. Adjourned at 12:15 PM.

**2016 Claims Over \$10,000  
Valued as of 1/31/2017**

Rank	Accident Date	City	Department	Accident Type	Current Cost
1	1/7/2016	La Cygne	Street	Strain or Injury By	\$115,200
2	4/5/2016	Newton	Administration	Fall or Slip	\$110,474
3	10/11/2016	Eudora	Water	Fall or Slip	\$105,000
4	1/10/2016	Waterville	Emergency	Strain or Injury By	\$96,500
5	7/23/2016	ElDorado	Public Works	Strain or Injury By	\$61,500
6	10/17/2016	Pittsburg	Fire	Fall or Slip	\$57,500
7	5/4/2016	Kinsley	Street	Fall or Slip	\$56,500
8	5/4/2016	Stafford	Water	Strain or Injury By	\$55,000
9	3/7/2016	Abilene	Street	Struck or Injured By	\$54,500
10	1/11/2016	Hoisington	Street	Fall or Slip	\$52,000
11	5/19/2016	Peabody	Public Works	Struck or Injured By	\$46,500
11	8/24/2016	Girard	Electric	Strain or Injury By	\$46,500
13	4/29/2016	Atchison	Public Works	Strain or Injury By	\$45,000
14	8/17/2016	Augusta	Wastewater	Strain or Injury By	\$42,500
15	9/4/2016	Logan	Fire	Struck or Injured By	\$38,500
16	6/12/2016	Goodland	Police	Struck or Injured By	\$36,200
17	6/27/2016	Newton	Street	Strain or Injury By	\$35,327
18	3/11/2016	Hill City	Administration	Fall or Slip	\$30,624
19	1/1/2016	Hillsboro	Police	Fall or Slip	\$30,128
20	7/8/2016	Garden City	Electric	Caught In or Between	\$29,000
21	6/8/2016	Newton	Water	Miscellaneous	\$27,955
22	5/21/2016	Edwardsville	Administration	Struck or Injured By	\$25,000
23	8/24/2016	Horton	Administration	Fall or Slip	\$24,652
24	2/12/2016	Hays	Maintenance	Strain or Injury By	\$24,508
25	2/2/2016	Pittsburg	Police	Fall or Slip	\$24,000
25	9/1/2016	Larned	Street	Motor Vehicle	\$24,000
27	5/30/2016	Garden City	Animal Control/Shelter	Animal or Insect	\$14,623
28	3/30/2016	Hoisington	Public Works	Fall or Slip	\$18,669
29	6/29/2016	Girard	Fire	Striking Against/Stepping On	\$15,667
30	3/5/2016	Pittsburg	Fire	Strain or Injury By	\$14,309
31	8/1/2016	Neodesha	Police	Animal or Insect	\$12,993
32	7/17/2016	Blue Rapids	Police	Occupational Hazard	\$11,184
33	12/7/2016	Wellington	Sanitation	Fall or Slip	\$10,500

**Total Cost of All \$10K+ Claims:      \$1,392,511**

**Avg. Cost of All \$10K+ Claims:      \$42,197**



Accident Type	Current Cost	Frequency	Average Cost Per Claim	Percentage of Costs
Strain or Injury By	\$536,344	10	\$53,634	38.52%
Fall or Slip	\$520,047	11	\$47,277	37.35%
Struck or Injured By	\$200,700	5	\$40,140	14.41%
Caught In or Between	\$29,000	1	\$29,000	2.08%
Miscellaneous	\$27,955	1	\$27,955	2.01%
Animal or Insect	\$27,616	2	\$13,808	1.98%
Motor Vehicle	\$24,000	1	\$24,000	1.72%
Striking Against/Stepping On	\$15,667	1	\$15,667	1.13%
Occupational Hazard	\$11,184	1	\$11,184	0.80%
\$1,392,513				

Department	Current Cost	Frequency	Average Cost Per Claim	Percentage of Costs
Street	\$337,527	6	\$56,255	24.24%
Administration	\$190,750	4	\$47,688	13.70%
Water	\$187,955	3	\$62,652	13.50%
Public Works	\$171,669	4	\$42,917	12.33%
Fire	\$125,976	4	\$31,494	9.05%
Police	\$114,505	5	\$22,901	8.22%
Emergency	\$96,500	1	\$96,500	6.93%
Electric	\$75,500	2	\$37,750	5.42%
Wastewater	\$42,500	1	\$42,500	3.05%
Maintenance	\$24,508	1	\$24,508	1.76%
Animal Control/Shelter	\$14,623	1	\$14,623	1.05%
Sanitation	\$10,500	1	\$10,500	0.75%
\$1,392,513				

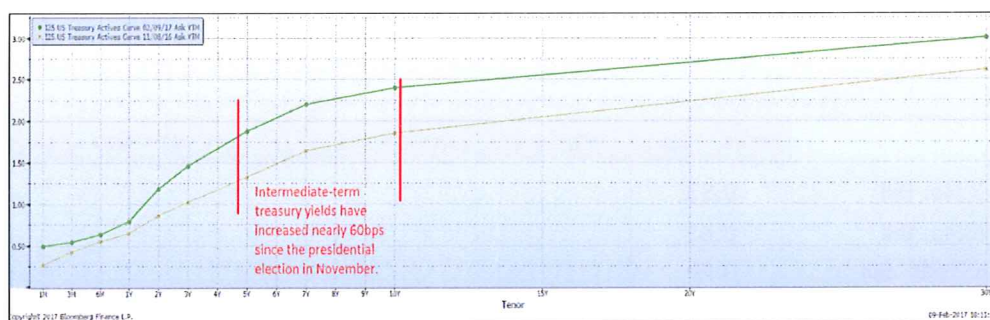
Over the last several weeks, market participants have expressed frustration that in the early days of his administration, President Trump seemed to be focusing more on building a wall, tightening immigration, repealing Obamacare, and reworking trade deals than on what really matters to investors: cutting taxes, reducing regulations and coming up with an infrastructure spending plan.

In a week with little economic data, markets took direction from fairly innocuous comments by President Trump during a White House meeting on Thursday. During a meeting with U.S. airline executives, Trump said his plans call for "lowering the overall tax burden of American businesses, big league." He added: "We're going to be announcing something I would say over the two or three weeks that will be phenomenal in terms of tax."

Immediately after hearing Trump's "phenomenal" tax comments, stocks (the Dow) rose to new highs while the 10-year Treasury yield increased 7bps to close at 2.395%. Evidenced by this week's Bloomberg graph, intermediate term treasury yields have increased nearly 60bps since the presidential election primarily due to the anticipation of increased production and economic growth.

Understanding that there is very little that's free, investors may soon ask how the administration proposes to pay for any tax cuts. This week's bump up in yields should, once again, be considered a buying opportunity.

As for Fed speak this week - Federal Reserve Bank of St. Louis President Bullard stated the central bank ought not to rush to raising interest rates next month because uncertainty over the Trump administration's fiscal policies continues to cloud the U.S. economic outlook. Looking forward, Fed Chair Yellen is scheduled to testify next week to the Senate Banking Committee on the economy and monetary policy.



Give me a call if you wish to explore possible balance sheet/investment portfolio strategies as ways to improve earnings.

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**\*\*\*THIS WEEK'S BUYING OPPORTUNITY\*\*\***

**715m Chase County KS Unified School District #284 Cottonwood Falls G.O., 4.00 09/01/21 @ 110.839, YTM 1.50, Non-Callable, Bank Qualified, Rated /A, CUSIP: 161512DG0**  
**FHLMC 2.25 2/28/20 1XC 11/17 1.00% ytc 1.93% ytm 2/28 settle**

**NEW ISSUE MUNICIPAL CALENDAR**

Date	Amount (\$)	Description	Maturity
		No new issues this week.	

**We ask, listen and solve.**



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ECONOMIC CALENDAR				
Monday 2/13	Tuesday 2/14	Wednesday 2/15	Thursday 2/16	Friday 2/17
	PPI Final Demand MoM	MBA Mortgage Applications Empire Manufacturing CPI MoM	Housing Starts Initial Jobless Claims Philadelphia Fed Business Outlook	Leading Index

KEY INDICES				MUNI AA-BQ	
	Current	Last Month	One Year Ago		
Prime Rate	3.75	3.75	3.5	3 Mo.	0.85
Discount Rate	1.25	1.25	1.00	6 Mo.	0.87
Fed Funds Rate	0.66	0.66	0.38	1-Year	0.90
1-Mo. Libor	0.77	0.76	0.43	2-Year	1.07
11th Dist COFI	0.60	0.60	0.67	3-Year	1.24
1-Yr. CMT	0.81	0.82	0.52	5-Year	1.62
Dow	20,269.37	19,855.53	15,914.74	7-Year	2.02
NASDAQ	5,734.13	5,551.82	4,283.59	10-Year	2.49
S&P 500	2,316.23	2,268.90	1,851.86	30-Year	3.32
Bond Buyer	3.88	3.72	3.27		

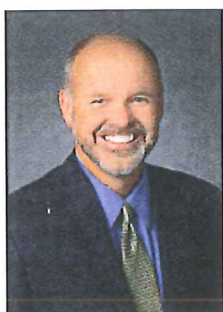
  

Treasuries & New Issue Agencies (Spread to Treasuries)						CMO Spreads to Treasuries		
	Treasuries	Bullets	NC-6 Mo.	NC-1 Year	NC- 2 Year		PAC	Vanilla
3 Mo. Bill	0.53					1-Year	N/A	+55
6 Mo. Bill	0.63					2-Year	50	60
1-Year Bill	0.79					3-Year	55	70
2-Year Note	1.19	7				5-Year	60	80
3-Year Note	1.46	8		19	11			
5-Year Note	1.88	9	36	28	15			
7-Year Note	2.21	14	37	27	17			
10-Year Note	2.40	39	54	43	32			
30-Year Bond	3.01							

MBS Current Coupon Yields	
GNMA 30 Yr.	2.88%
FNMA 30 Yr.	3.15%
GNMA 15 Yr.	2.38%
FNMA 15 Yr.	2.46%

## About the Author, Dennis Zimmerman



In July of 2015, Dennis joined Commerce Bank Capital Markets Group as Manager of Asset/Liability Services. Prior to joining Commerce, he held the Finance Treasury Officer position at Sunflower Bank, N.A., (a \$1.7 billion privately-held Community bank headquartered in Salina, Kansas) for over 12 years. As Asset/Liability Chairman and Senior Investment Officer, Dennis was responsible for appropriately managing the bank's margin, interest rate risk, liquidity and capital within acceptable risk parameters.

Prior to becoming Finance Treasury Officer, he had over 12 years of experience in fixed income markets as a Registered Investment Representative and Supervising Principal of Sunflower Bank's Capital Markets division. As a strategic-minded professional, Mr. Zimmerman offers a comprehensive understanding of finance treasury, fixed income, complex financial analysis as well as regulatory and operational awareness as related to the Community banking environment.

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