



Operating Policies

Manual

PREFACE

From time to time, the KMIT Board of Trustees may adopt an operational policy which falls short of the need to be incorporated into the KMIT Bylaws, but, for the sake of posterity and consistency, requires permanent documentation beyond simply a motion in the minutes.

The purpose/intent of the Operating Policy Manual is provide a collection point for operating policies adopted by the Board, and to label and index those policies for future reference.

LISTING

Title	General Subject	Adoption Date
1. Agent Commission	Agent	August 21, 2009
2. Agent-of-Record Procedure	Agent	August 21, 2009
3. Cash Management and Investing	Cash/Invest	Revised 2/21/14
4. Nomination and Replacement of Trustees	Board	April 27, 2012

OPERATING POLICY #1

General Subject: Agent

Title of Policy: Agent Commission

Date of Adoption: August 21, 2009

This procedure outlines how commissions will be paid and invoiced to Agents.

1. KMIT will pay a standard commission of 5% to its Agents. Agents or Member-Cities may request that an Agent be written at 0% commission.
2. The Agent or Member will pay KMIT the annual contribution shown on the KMIT quote.
3. KMIT will pay to the Agent 5% of the Member-City's annual contribution.
4. Any endorsement/cancellation made during the program period will affect the Agent's commissions accordingly. If the endorsement requires additional contribution, KMIT will pay the Agent additional commission after the additional contribution has been submitted by the Member-City or Agent. If the endorsement/cancellation requires return contribution the Agent will be invoiced for the return commission.
5. After the end of the program period, a payroll audit will be conducted and an audited contribution will be calculated. If the audit requires additional contribution, KMIT will pay the Agent additional commission after the additional contribution has been submitted by the Member-City or Agent. If the audit requires return contribution, the Agent will be invoiced for the return commission.

Exhibit 1 – Sample Agent of Record Letter

[To be copied on Member's Letterhead]

DATE

AGENT/BROKER'S LETTER OF AUTHORIZATION

RE: Policy Number(s):
Line of Business: Workers Compensation
Term:
Effective Date of Appointment:

To Whom It May Concern:

We hereby appoint **[Applicable Agency]** as our exclusive agent/broker of record in all matters relating to workers compensation coverage for our city. The appointment of **[Applicable Agency]** rescinds all previous appointments and authority contained therein, and shall remain in full force until canceled in writing.

All underwriters are hereby authorized to negotiate directly with **[Applicable Agency]** effective immediately. Our representatives are authorized to negotiate with Kansas Municipal Insurance Trust as respects changes in existing coverage and in changing, increasing or canceling insurance as may be necessary.

You are authorized to furnish our representatives with all information they may request as it pertains to our insurance contracts, rates, rating schedules, retentions and all other financial data they may wish to obtain for their study of our present and future requirements in connection with our insurance program. We request that you do not communicate such information to anyone else.

This appointment is made with the understanding **[Applicable Agency]** is not responsible for losses arising out of uninsured or improperly insured areas of our coverage for a period of time sufficient for them to make a review and recommendations concerning our present program and implement the placement of any new coverage or changes we may authorize.

This appointment remains in effect until rescinded in writing by *****Member*****.

Sincerely,

OPERATING POLICY #2

General Subject: Agent

Title of Policy: Agent-of-Record Procedure

Adoption Date: August 21, 2009

This procedure outlines the steps to be followed when a request is made from a Member-City to change the Agent for the City.

1. KMIT must receive Agent-of-Record on the Member-City's letterhead. Exhibit 1 is a sample Agent-of-Record letter that may be used.
2. After receipt of the letter, KMIT will notify the incumbent Agent of the letter and will allow 10 days to obtain a rescinding letter from the Member-City.
3. After 10 days and no rescinding letter, the new Agent will be required to submit new applications and other information as deemed necessary by KMIT.

OPERATING POLICY #3

General Subject: Cash Management and Investing

Title of Policy: Cash Management/Investment Policy

REVISION DATE: February 21, 2014

(original date: 11feb11)

This policy establishes parameters for managing the cash flow needs of the pool, and for maximizing investment returns.

1. The Pool Administrator is responsible for cash management and investing.
2. At all times, all available cash, including all funds contained within claims and/or administration accounts, will be managed in such a way as to meet the “70/30” (a minimum of 70% for claims; a maximum of 30% for administration) regulatory requirement of the Kansas Insurance Department.
3. The Pool Administrator will consult frequently with KMIT’s investment advisor (currently Commerce Bank), and will meet, at a minimum, annually (in January whenever possible) *in-person* with the investment advisor, in order to update the investment strategy for the upcoming year.
4. No less than 70% of the total amount of cash (in all accounts, combined) will be invested at the time of the last business day of every month.
5. The formal ‘KMIT Investment Policy’ (attached) shall be approved by the Board of Trustees, and reviewed by the Board on an annual basis.
6. The Pool Administrator shall present a current ‘Cash Management/Investment Summary’ report at each Board meeting.

KANSAS MUNICIPAL INSURANCE TRUST INVESTMENT POLICY

I. POLICY STATEMENT: Kansas Municipal Insurance Trust (KMIT). Has adopted this investment policy in order to provide formal guidelines for the investment of funds. It is KMIT policy to invest funds in a manner that will guarantee the maximum security of those funds while providing adequate liquidity to meet the cash flow requirements of the Pool.

II. OBJECTIVES: The primary objectives of the policy, in order of priority, is:

- A. Safety. Safety of principal is the foremost objective of the policy. Investments must be made in a manner that insures the preservation of capital.
- B. Liquidity. Invested funds will remain sufficiently liquid to enable the Pool to meet all operating requirements that might be reasonably anticipated. Liquidity must be assured by maintaining staggered levels of maturity dates of the funds invested.
- C. Return on Investment. The funds must be invested so as to provide reasonable a rate of return given the aforementioned safety and liquidity objectives.

III. RESPONSIBILITIES AND CONTROLS:

- A. Board of Trustees. The Board of Trustees must approve the investment policy as well as any changes that may be made in the policy from time to time. Material changes to the policy must be first approved by the Board before they may be implemented. The Board of Trustees will review the policy each year.
- B. Pool Administrator. The Pool Administrator is charged with the general oversight and administration of the policy. Day-to-day investment activities management may be delegated by the Pool Administrator.
- C. The Pool at no time will borrow funds from an institution in order to use such funds for speculative purposes.
- D. Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the KMIT investment program, or could impair the ability to make impartial decisions.

IV. INVESTMENT GUIDELINES:

- A. Authorized Financial Institutions. All financial institutions who desire to become qualified for investment transactions must supply audited financial statements and certify having read and understood the Pool's investment policy. A review of the financial condition of qualified financial institutions will be conducted each year.

- B. Maturity Distribution. The portfolio will be invested in obligations with different maturities based on the cash flow requirements of the Pool at different times of the fiscal year.
- C. Invested Securities. No less than 70% of the assets will be invested in securities as detailed in the policy unless unexpected cash outflows arise.
- D. Types of Securities. The following types of securities may be held in the Kansas Municipal Insurance Trust investment portfolio per article 2a of chapter 40 of the Kansas Statutes Annotated:
1. United States Treasury Securities. Obligations of the United States government for which the full faith and credit of the United States are pledged for the payment of principal and interest.
 2. United States Agency Securities. Obligations issued and directly guaranteed by an agency of the United States Government.
 3. Repurchase Agreements. Contractual agreements between Kansas Municipal Insurance Trust and commercial banks or primary government securities dealers. The purchaser in a repurchase agreement (Repo.) enters into a contractual agreement to purchase US Treasury and government agency securities while simultaneously agreeing to resell the securities at predetermined dates and prices. Only independently secured repurchase agreements allowed.
 4. Certificates of Deposit. Instruments issued by financial institutions which state that specified sums have been deposited for specified *periods* of time and specified rates of interest.
 5. State, District of Columbia, Territorial, and Municipalities. A debt security issued by a state, municipality, or county, in order to finance its capital expenditures. General Obligation (backed by the full taxing authority of the issuer) and essential purpose revenue bonds (paid by subscriber user fees and backed by the full taxing authority of the issuer).
 6. Corporate Bonds (or other evidences of indebtedness). Investment grade per rating from S&P or Moody's. A debt obligation of issued by a corporation. "A" rated or better from S&P OR Moody's.
 7. Mortgage related securities. A debt instrument with a pool of real estate loans as the underlying collateral. The mortgage payments of the individual real estate assets are used to pay interest and principal on the bonds. Investment grade per rating from S&P or Moody's.
 8. Anything else relating to article 2a of chapter 40 of the Kansas Statutes Annotated must be approved by the Board of Trustees.

V. **DIVERSIFICATION:** The Pool will diversify the investment portfolio in order to minimize losses due to market price changes and risks by:

- A. Limiting investments to avoid over concentration of assets with any one issuer, business sector or special class of securities.
- B. Limiting investments in securities that have higher credit risks.
- C. Investing in securities that have varying maturities in order to meet day to day cash flow requirements.

VI. **REPORTING:** The Pool Administrator will prepare, or cause to be prepared, monthly and other periodic reports showing analysis of the status of the current investment portfolio, and shall present such reports to the Board of Trustees on a regular basis. Each institution shall provide a holdings report and transaction summary monthly. The reports will include:

- A. Listing of individual securities held at the end of the reporting period.
- B. Realized and unrealized gains and losses of each investment.
- D. Return on the investment portfolio for the reporting period.
- E. Listing of investments by maturity date.
- F. Percentage of contribution of each investment type to the total portfolio.
- G. Investment Rating

OPERATING POLICY #4

General Subject: Board Member Replacement

Title of Policy: Nomination and Appointment of Trustees

Adoption Date: April 27, 2012

This policy establishes and formalizes the process for appointing and selecting new Trustees, during both the annual 'nomination' period (leading up to the KMIT Annual Meeting) and in the event of the need of a 'mid-year' replacement due to the resignation (or other vacancy-resulting action) of a current Trustee. General 'qualification' criteria are also established via this policy.

A. Nomination Process.

Given that terms of all eleven Trustee members are for two-years (except when filling a vacancy), normally five or six Board positions become 'open' each year, and are voted upon at the KMIT Annual Meeting, in October.

1. At each Board of Trustees June meeting, the sitting President shall name a **Nominating Committee**. The purpose of the Committee is to identify a '**slate**' of candidates to be voted on by the general membership of KMIT at the KMIT Annual Meeting the following October.
2. The Nominating Committee shall consist of the current Treasurer (who shall serve as chair) and two additional current Trustees.
3. The Nominating Committee shall be considered a **standing committee** until a new committee is appointed by the next President in June of the following year. Any vacancy on the standing committee shall be filled by appointment of the current President (at the time of the opening). At least one member of the standing committee must be a member of the current 'Executive Committee' (President, Vice President, Treasurer or Past President).
4. The annual 'slate' brought forth by the Nominating Committee shall consist of any previously-elected Trustee whose term (one- or

two-years) will expire in the coming October, and who has not previously been elected to three full two-year terms (thus being term-limited); and/or any Trustee who was appointed to assume a vacant position during the past year (since the previous October election); and/or any elected or appointed official of any KMIT member city.

5. The Committee shall meet (telephone conferencing is acceptable) during the period between the June and August board meetings, to determine a 'slate'. The 'slate' shall be presented to the Board at the August meeting, and shall appear on the ballot at the upcoming Annual Meeting. There is no 'confirmation' vote by the Board.

B. 'Mid-Year' Replacement Appointments:

If a Trustee position comes open (for any reason) during the timeframe of October of one year (Annual Meeting) and the following May 1, the replacement process shall take place (excepting in highly unusual situations). In the event that a Trustee vacancy occurs on or after May 1, the vacated position shall remain open until the KMIT Annual Meeting (October) of that same year.

1. When the vacancy occurs, the President may ask the **Standing Nominating Committee** to meet as soon as possible, and to bring forth a recommended replacement appointee at the next Board meeting.
2. The Nominating Committee is expected to reach out to the membership to determine possible interest in serving on the Board, while keeping in mind the **General 'Qualification' Criteria** (below).
3. The Chair of the Nominating Committee shall inform the President of its replacement choice, and the President will notify the Board at least three days prior to a formal appointment. [Obviously, a potential appointee's need to get local 'clearance' must also be considered by the President.]
4. The replacement appointee may be asked by the President to take his/her seat at the next meeting, and be formally appointed at that time.

The President is expected to appoint the person who has been recommended by the Standing Nominating Committee. There is no 'confirmation' vote

C. General 'Qualifying' Criteria.

When choosing a candidate for nomination or appointment to the Board, the Nominating Committee will consider any number of criteria or 'variables'; among those are:

1. **Region.** One of the goals of KMIT is to represent cities from each of the various 'regions' (and 'sub-regions') of the state. It is understood that some areas of the state contain larger numbers of KMIT cities, and may be consistently represented by more Board positions than other areas.
2. **Position.** One of the goals of the KMIT Board is to include the somewhat different perspectives of the several different management/policy-level positions in cities, especially City Managers, City Clerks and Elected Officials, but also possibly including HR Directors, Finance Directors, and the like.
3. **Strategic.** There are often 'strategic' reasons for having a certain city represented on the Board.
4. **Quality/Personal Attributes.** Obviously, the committee must attempt to put forth the 'best' (thoughtful, experienced, committed to KMIT, etc.) people available on the Board.
5. **Other/Intangible.** It may go without saying that sometimes an individual of very high quality/stature and/or someone has requested a spot on the Board, and would bring special qualities and/or unique perspectives may become available to serve, and may be selected to be nominated or appointed, whether or not that person meets all of the 'normal' criteria.