

RESOLUTION NO. \_\_\_\_\_

**AUTHORIZATION TO FUND MEMBER EQUITY CONTRIBUTION TO  
LOUISVILLE AREA GOVERNMENTAL INSURANCE TRUST**

**Item No. 5a**

WHEREAS, the Housing Authority of Louisville, and subsequently the Louisville Metro Housing Authority, elected to participate in the Louisville Area Governmental Self Insurance Trust (LAGIT) effective January 1, 1987, for General Liability Coverage in excess of \$150,000 with a limit of \$7 million for all exposures except Pollution, Underground Storage Tank, Lead Based Paint, and other exposures which have a limit of \$5 million; and

WHEREAS, the Department of Housing and Urban Development has authorized the Authority's participation in the Self Insurance Trusts; and

WHEREAS, several large claims from other trust members in recent months have become material and measurable compelling the Trusts' audit firm to advise recording on the June 30, 2020 audit report and subsequently reducing the net worth reported to the Kentucky Department of Insurance; and

WHEREAS, the LAGIT Board of Trustees unanimously voted to collect a required Members' Account equity contribution from the four largest members.

NOW, THEREFORE, BE IT RESOLVED BY THE LOUISVILLE METRO HOUSING AUTHORITY BOARD OF COMMISSIONERS, that the Louisville Metro Housing Authority shall fund an equity contribution to their Members' account of \$160,870.

**RESOLUTION BACKGROUND STATEMENT**

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**I. STATEMENT OF FACTS:**

The Housing Authority of Louisville, subsequently the Louisville Metro Housing Authority, elected to participate in the Louisville Area Governmental Self Insurance Trust (LAGIT) effective January 1, 1987. The trust plan provides \$7 million limits of liability coverage for Auto Liability, General Liability, Public Official's Liability, Law Enforcement Liability and Employer's Liability. The Pollution, Underground Storage Tanks, Lead Based Paint, and other exposures are insured at \$5 million per occurrence. The premium paid for the 2020-2021 year was \$346,473. The premiums paid by LMHA since entering the Trust have totaled approximately \$5,100,000 while claims paid have totaled \$5,477,764 resulting in an incurred loss ratio of 105% over the life of the policy.

The total required Members' Accounts Equity Contribution of \$ 3,250,000 shall be paid by the four (4) major Members as assigned by the actuarial firm as follows:

Louisville Metro Government	\$ 2,380,412
TARC	\$ 457,394
MSD	\$ 251,324
LMHA	<u>\$ 160,870</u>
	\$ 3,250,000

Due to a high volume of substantial claims paid in recent months the Trust Members must deposit funds directly into each entity's Member Account to bolster the Trust's equity position. The trust requires a contribution from LMHA for \$160,870.

**II. ALTERNATIVES:**

- A. Submit funds required into LMHA's Members equity account of \$160,870
- B. Do not make required equity account contribution.

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**III. RECOMMENDATION:**

Staff recommends Alternative "A", to make the required Members Account Equity Contribution in order to continue participation in the Trust.

**IV. JUSTIFICATION:**

- The Self Insurance Trust offers high limits of liability, up to \$7 million.
- The Self Insurance Trusts are considered to be financially feasible given the restricted availability of coverage from commercial markets.
- The retroactive date extends the Housing Authority's coverage back to January 1, 1987.
- The HUD area office has already approved LMHA participation in the Louisville Area Governmental Insurance Trusts.
- The Member Equity Contribution will satisfy GAAP accounting rules and assure the Kentucky Department of Insurance that the Trust is viable and solvent.

**V. BUDGET APPROVAL:**

Funding for this insurance coverage is provided from the Operating Budget.

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Angela Larsson, Director of Finance

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Date

Submitted By: Angela Larsson  
Director of Finance  
September 15, 2020