Pooling Basics: Overview of Training

Recommended Sessions

**Part 1: Pooling Basics** – Monday, October 2, 2:15-3:15pm  
Introduction/History – Joel Kress, AGRiP  
Actuarial Science Funding – Danny Linton, Select Actuarial  
Underwriting – Jeff Myers, Munich Re America

**Part 2: Pooling Basics** – Monday, October 2, 3:30-4:30pm  
Claims – Sheryl Brandt, Enduris  
Actuarial Science Reserving – Danny Linton, Select Actuarial

**Part 3: Pooling Basics** – Tuesday, October 3, 10:00-11:00am  
Reinsurance – Jeff Myers, Munich Re America  
Financial Reporting & Auditing - Shawn Bubb, Montana School Boards Association

**Part 4: Pooling Basics** – Tuesday, October 3, 11:15-12:00pm  
Risk Management – Joel Kress, AGRiP  
Pooling Business Model – Joel Kress, AGRiP  
Pooling Synergy/Q&A – Joel Kress, AGRiP

Program Description

During Pooling Basics, you will learn about the primary functional areas of a public entity risk pool, as well as similarities and differences in how risk pools operate.

Pooling Basics is designed to cover groundwork so you can better understand the current and future state of pooling, and facilitate stronger conversations about important pooling concepts in your own pool.

The goal of this work is to address your questions and meet your needs. Your comments, stories and questions are both invited and encouraged.
# Table of Contents

- Recommended Sessions ........................................................................................................1
- Program Description ...........................................................................................................1
- Table of Contents ................................................................................................................2
- Presentation Materials ........................................................................................................2
- Introduction to Public Entity Risk Pooling .........................................................................3
- Underwriting ......................................................................................................................6
- Claims ................................................................................................................................8
- Reinsurance .......................................................................................................................12
- Actuarial Science ................................................................................................................14
- Financial Reporting and Auditing ......................................................................................15
- The Future of Public Entity Pooling ...................................................................................17
- AGRiP Resources ...............................................................................................................18
- Appendix: Presenters ..........................................................................................................19
Introduction to Public Entity Risk Pooling

Imagine getting a letter from your car insurance company that your policy has been cancelled. Or that your premium has tripled in cost. If that happened, you’d be likely to call other companies for bids. Now, imagine that every single company you called for car insurance rejected you as a client. What would you do?

This is the position public entities were faced with during the 1980s. The commercial insurance market had a collective distaste for insuring public entities, because on the whole public entities engage in some pretty risky activities – law enforcement, jails, schools, and more. Not only were public entities largely unable to get insurance at this time, but any coverage that was available was very limited and expensive.

In response, public entities sought legislative approval to band together and self-insure their collective risks. This was the start of public entity risk pooling, which over time has made public entities safer, reduced property and liability claims, saved taxpayer dollars, and ensured the ability of tens of thousands of public sector entities to stay focused on the public services they provide.

Definition

A pool is an intergovernmental arrangement through which a group of public entities - the members - contribute to a shared fund that pays for claims and provides risk management services. Most pools function either formally or culturally as an extension of their public entity members. And, most are governed by a board of directors made up of appointed and elected public officials, representative of the members in the pool.

Most states define pools as something other than insurance. Just like conventional insurers, pools work to transfer risk, to protect members (or “insureds”) from the volatility of claims or losses. But, public entity pools are fundamentally different than conventional insurance. The primary purpose of any public pool is to manage and reduce underlying risks to the benefit of public entity members and the public at large. Conventional insurers exist primarily to finance losses. In other words, public pools are partners in helping public entities create, foster, and manage safe environments that minimize personal, physical, and property damages and losses.

Benefits

Public entity pooling provides local governments and schools with many benefits including:

- Coverage specific to public sector activities. Public entity pools typically craft their own coverage documents to provide members with the coverage, terms, and limits best suited to address their unique risks.
- Specialized risk management services. Helping members manage risks is an integral part of public entity pooling, so most have specialized loss control and risk management programming dedicated to reducing the number and costs of claims that might occur within public entities.
- Cost savings and stability. Because public entity pools are focused on reducing the number and costs of claims, cost savings are accumulated through reduced losses. Pools also
function for a public purpose, not a profit margin. So, there is generally lower overhead and of course there’s no profit target within a pool.

Because public entity pools aren't concerned with making up profit this year to accommodate last year’s bad loss history, and because public entity pools serve only public agencies over long and predictable coverage cycles, they’re able to price coverage more effectively for public sector budgets.

**Common Structures**

Public entity pools are organized differently in each state and subject to that state’s unique laws. In general, public entity pools are not allowed to provide services across state lines – although there are a few exceptions.

How a pool is structured and how it functions depends upon the state, how the public entity pool was initially formed, and of course its overall environment. Some pools are considered a public entity, themselves. Others are regulated insurance entities under state law. Still others function with minimal regulation, or are non-profit entities.

There are many different structures and types of public entity pools. A pool might be a captive, a fund, an interlocal agency, a joint powers authority, a mutual insurance company, a reciprocal, a risk retention group, or a trust.

**Core Legal Documents and Regulation**

Pools have a number of foundational documents depending on their state and structure. A pool might have articles of incorporation, or an intergovernmental agreement. Most pools have bylaws. Some pools have specific membership agreements with each member.

Regardless of how these things are addressed, most pools will have foundational documents that cover:

- Membership eligibility
- Obligations of members
- Membership termination provisions
- Powers and duties of the pool’s governing body
- Ownership, use and distribution of pool assets
- Assessment provisions

In addition, pools generally have governance policies that provide a framework for key operational issues such as target surplus, funding criteria, and more.

The regulation of public entity pools varies by state. It is critical to know the laws and regulations applicable to your pool in order to manage it.

**Coverages**

Each public entity pool determines the coverage it wishes to offer, based upon its own operating environment and structure. Common examples of coverage include:
• Auto Liability
• Boiler and Machinery or Equipment Breakdown
• Crime and Fidelity
• Health or Employee Benefits
• Liability
• Property
• Unemployment Insurance
• Workers’ Compensation

In the commercial insurance industry, organizations such as the Insurance Services Offices (ISO) develop standardized coverage language and documents. This standardization helps insurance regulators and creates consistent interpretations of insurance coverage when losses occur.

Most public entity pools do not use ISO coverage forms. Instead, public entity pools are more likely to use “manuscript contracts,” or customized coverage forms uniquely adapted to public sector needs. This coverage contract is also known as a Memorandum of Coverage (MOC). An MOC is generally interpreted under contract law, not the insurance laws used to interpret issues between commercial insurers and clients.

An MOC, like an ISO coverage form, will generally include:
• **Declarations:** Often referred to as the “DEC page,” this is a brief outline of the line of coverage, limits of the coverage, deductibles, and any special changes – called “endorsements” – purchased by a member.
• **Coverage Agreement:** Detailed explanation of the coverage being provided.
• **Definitions:** Key terms of the MOC are identified and clearly explained for the line of coverage.
• **Conditions:** Requirements of a pool member in the event of a claim. Examples of conditions include cooperating with claim investigation or taking steps to minimize losses.
• **Endorsements:** Specialized coverage changes, additions, or coverage removals based upon a member’s unique and specific needs.
• **Exclusions:** Restrictions on a line of coverage, whether they are standard or specific to a member. A common example is losses caused by war.

**Board of Directors**

The legal structure of a public entity pool and its board – whether referred to as directors or trustees – will dictate nuances in specific roles and responsibilities. But in all cases, it’s important the Board recognize:
• Its duty is to the pool, not to the members individually.
• When it is appropriate to engage technical expertise.
• Action taken in good faith.
• Respectful and thoughtful debate about decisions.
• One voice when decisions are made.
**Underwriting**

When a pool offers coverage to a member, the member transfers some of its risk of financial loss through claims away from themselves and to the pool. In order for the risk transfer to take place, the member pays a premium, or contribution. Each member of a pool retains some of their own risk in the form of a deductible.

The process of underwriting allows the pool to determine the premium, or contribution, each member should make for the coverages offered. Each member's underwriting risk is determined based upon that member's unique situation.

The amount of risk transferred by the member to the pool is determined by the coverage policy or memorandum of coverage (the “MOC”). Included within coverage details is the portion of each loss the member has to reimburse to the pool (the “deductible”); portions the pool retains for each loss (“self-insured retention”); the maximum amount the pool will cover (“limits”); and other definitions, terms, conditions, and exclusions that define whether or not the risk or claim is covered by the pool.

Pools are structured to assume transferred risk, but pools only retain a portion of the risk transferred from members. Pools, in turn, transfer some of their risk to a reinsurer. The pool’s retained portion of risk is called its “Self-Insured Retention” (SIR). In the case of pool’s offering Health coverage, almost all of the risk is transferred to another insurance or reinsurance company.

Now, consider your own pool and coverages your pool offers to members. Ask yourself:

- What is my pool’s largest exposure?
- What is a worst-case scenario for losses?
- What effect would that have per line of coverage?
- How many large losses can the surplus absorb?

How well a pool manages its underwriting will determine how successful it is conducting business. In general, a simple equation of the risk transfer business is that contributions collected plus the investment income has to be greater than losses and expenses for long-term viability.

\[ \text{Contributions} + \text{Investment Income} > \text{Losses} + \text{Expenses} \]
The premium or contribution paid by a member is determined through work by the actuary and underwriter. Premium calculations take into account a member’s experience and exposure ratings, premium allocation, and schedule rating.

While each pool will determine its own underwriting goals, there are a number of generally accepted practices, including:

- Determine the types of risk a pool is willing to accept by defining the types of public entities it will cover, including “demographics” such as geography, size, and management structure.
- Establish member-specific underwriting and rating criteria to capture a pool’s intended market, rewarding the good risks and limiting the bad risks.
- Make sure that the guidelines a pool implements are applied consistently to avoid unfair discrimination in how the pool selects and prices members.
- Identify the risk of catastrophic losses and how those losses may vary for members.
- Avoid excessive subsidization of certain members at the expense of others.
- Understand a pool’s competitive environment and avoid adverse selection.
- Coordinate and communicate with other pool functions (claims and risk management) to improve underwriting results.
- Identify future trends and emerging exposures to identify new coverages to be underwritten.

Among an underwriter’s important responsibilities are to ensure that objective measure are being used to calculate a member’s risk. This is critical to ensuring fairness across the pool’s members. In order to eliminate any underwriting bias, the underwriter must be aware of state and federal laws related to prevention of discrimination based upon gender, race, religion, etc.

One difference among pools is whether the underwriting department also plays a marketing and member service role. In some pools, the underwriting team is responsible for identifying new member targets, marketing and presenting to grow the pool and retain membership, and responding to members who might be less-than-fully satisfied with the pool for any reason. In other pools, these functions might be independent of underwriting and could be a separate department that coordinates closely with underwriting, claims, and loss control.
Claims

Claims within a pool might be incidental, standard, or catastrophic.

An incidental claim is one that is minor in nature and the pool doesn’t pay out any money. These types of claims might also be referred to as “Closed No Pay/CNP.”

The majority of claims are considered standard. These are frequent claims that do not cost the pool very much money. Standard claims tend to be easy to settle and to close. Most standard claims do not involve legal or court costs.

Catastrophic claims do not happen often, but are costly when they occur. Catastrophic claims are very complex, as shown in the chart below, often include legal and court costs, and take a number of years to settle and close out.

Note: since Health coverages rely on injuries of people, the incidental, standard, and catastrophic claims are similar in nature to workers’ compensation claims. The difference is WC claims only involve the insured at work, while health claims involve insureds and their dependents outside of work.

<table>
<thead>
<tr>
<th>Claim Severity</th>
<th>PROPERTY</th>
<th>LIABILITY</th>
<th>Workers’ Compensation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Incidental [CNP]</td>
<td>Vehicle struck snow bank, and the damage was under the deductible.</td>
<td>Third party damages vehicle from striking a pot hole. No liability.</td>
<td>Teacher struck by falling book on leg. Reported incident but no medical treatment.</td>
</tr>
<tr>
<td>Standard [ &lt;$10,000]</td>
<td>Snow load collapses school shed roof.</td>
<td>Injured party tripped over defect in landing, and the pool member had prior notice of defect. Soft tissue back injury resolved.</td>
<td>Laceration to index finger while slicing veggies for lunch. Required stitches. Clinical visit to treat, and then remove stitches.</td>
</tr>
<tr>
<td>Catastrophic</td>
<td>Small fire on top floor of historic town building with extensive water damage on lower floors due to sprinklers and firefighting activity. Historical elements of building increase repair costs.</td>
<td>A firefighter drove a fire truck to an emergency call, stopped and exited the truck. The unmanned fire truck rolled down the street, veered left into a driveway, struck the homeowner and plowed into the front living room of the house.</td>
<td>Employee suffered hernia while lifting heavy equipment. Required two surgeries to repair. After second surgery, employee developed life-threatening infection, requiring inpatient treatment, and referral to rehabilitation facility.</td>
</tr>
</tbody>
</table>
Key Steps in the Claims Management Process

- Reporting the claim
- Determining coverage
- Investigating the claim
- Determining liability
- Determining damages
- Settlement/Trial
- Closing the claim file

Key Steps in Reporting the Claim

- Timely reporting
- Adequate information (who, what, when, where, how or why)
- Mitigate further loss or damage

Steps for Determining Coverage

- What type of a claim (property, liability, crime, cyber, workers compensation, etc.)
- Review coverage document(s), reinsurance/excess
- Review schedule (property)
- If no coverage or limited coverage, deny claim or investigate under a reservation of rights

Components of an Investigation

- Contact all parties involved, get statements
- Obtain all documentation, police reports, incident reports, medical reports
- Phone vs. face to face

Key Criteria of Determining Liability

- Negligence (at fault party/parties)
- Comparative negligence (laws differ from state to state)
- Workers’ Comp (state's definition of the employer's responsibility to an employee for injuries that arise in the course of employment)
- Subrogation (property claims)

Components in Determining Damages

- Obtain and evaluate all invoices, bills, documents
- Reasonableness
- Property (actual cash value vs. replacement cost)
- General damages (pain and suffering, mental or emotional distress)
- Special damages (medical bills, treatment, cost to repair)

Key Components in Settlement/Trial

- Settlement authority levels
- Negotiate settlement directly with member/claimant/attorney
- Obtain Proof of Loss (property) or Release of Claim
- Mediation/Arbitration
- Trial
- Work Comp claims tend to remain open for longer periods of time
- Payment of claim/closing file
Valuation and Ultimate Cost of Claims

The claims process is designed to recognize that a claimant was injured in one way or another, and to make the claimant “whole” as they were before the incident that led to the claim.

Making a claimant whole is straightforward in a claim in which a shed roof falls in or a claimant cuts themselves at work as a school lunch employee. But, claims can get complex if the claim requires assessing intangible damages, such as pain and suffering or loss of economic value, experienced by the claimant.

The final cost of a claim is not known for many years, and sometimes – as in the case of complex workers’ compensation claims – not until decades have passed and the claimant reaches retirement age.

Pools rely on standard practices of claims adjusting and historical precedent to determine how to make a claimant whole and, when appropriate, how to ensure the settlement includes compensation for an injury such as mental anguish. These practices help ensure that while claimants are made whole, no claimant financially benefits beyond their unique situation.

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Other Claims Settlement Issues for Consideration

Other factors that might be considered when settling claims include the pool’s reserve practices, the role of the board of directors when settling claims, the pros and cons of taking a claim to litigation, the need to defend a claim in order to preserve public defenses, and the role of independent claims audits.
**Risk Management / Loss Control**

Risk management is the process of identifying, assessing, and developing programs and services to help pool members avoid losses, damage, or harm. In other words, risk management seeks to stop losses from happening – or at least to minimize the magnitude of the losses that do occur.

Pools offer a number of risk management programs, services, and functions to help minimize a member’s losses. Common risk management programs include:

Pools offer a range of loss prevention that might include injury prevention training, adoption and enforcement of good governance policies for public officials, wellness programs to enhance employee health, and use of preventive maintenance programs for properties and public infrastructure.

A pool’s loss control or risk management team might also help ensure prompt reporting of claims to the pool, and thorough post-incident or accident review.

Two challenging aspects of risk management are determining how much to invest in overall programs and services and measuring whether the programs are effective. It is difficult to calculate whether these programs directly reduce claims or whether claims are reduced due to other factors. In the end, most pools agree – whether the relationship is causal or not, the value of risk management is both in loss mitigation and member service.

Pools help foster a risk management culture to help members recognize the value of mitigating risks. There are a number of ways to foster a culture of risk management, including through performance improvement protocols, sharing case studies, and analyzing data.

- Performance improvement protocols help encourage safe behaviors that benefit all of a pool’s members. Pools foster safety by adopting programs that require members to make changes to remain in the pool. Sometimes, pools offer reductions in contributions for members of the pool that follow and implement particular protocols. In other cases, pools might have minimum risk management standards as a condition of coverage.
- Case studies can be a positive manner in which to share information and outcomes with pool members. Case studies are an effective way to share lessons learned from pilot programs and to foster adoption of improved practices by members.
- Pools now have 20-40 years of data from managing member losses. Analyzing this data to understand how claims have effectively been managed, prevented, or mitigated is an important part of developing a culture of risk management.
Reinsurance

Reinsurance does the same thing for a pool that the does for its members. Reinsurance spreads the risk of insuring losses and helps protect pools from unforeseen or extraordinary losses.

A pool’s coverage document defines the coverage offered to pool members, and a reinsurer will “follows the form” of the pool’s coverage document. So if a claim is covered by the pool, it will be covered by the reinsurer, as well. Typically, control of the claim remains with the pool, and the reinsurer “follows the fortunes” of the pool in terms of how the claim is resolved.

There are many reasons why a pool purchases reinsurance, such as:
- Catastrophe protection
- Stabilization of rates over time
- Manage surplus
- Offer greater coverage or limits than it could alone
- Test new coverages

Pro Rata and Excess of Loss are two forms of reinsurance of which to be specifically aware.

Pro Rata

The pool and its reinsurer share losses in the reinsurance layer. As an example, consider a reinsurance contract in which the reinsurer agrees to pay 80 percent of the losses that take place between $1 million and $10 million and the rest of the losses are retained by the pool. The maximum exposure the pool faces – or the total possible losses it could experience – is $2.8 million. This includes $1 million of the retained risk, then 20 percent of the remaining $9 million. One benefit of a this structure is that the pool and reinsurer share exposure vs. premium.

Excess of Loss

The reinsurer covers all amounts above a certain level, called the Self-Insured Retention or SIR. Say a pool purchases a reinsurance contract that cedes all claim losses above their SIR of $1 million. If a claim comes through that costs $4.5 million, the pool will retain – or cover – the first $1 million and the reinsurer will cover, or retain, the next $3.5 million.

A benefit of Excess of Loss coverage is that it relieves a pool of all exposure above a certain threshold, but all premiums are given up as well, as illustrated below in the Statement of Operations and Changes in Member Surplus.

Excess Insurance

Excess insurance provides pools protection against catastrophic loss, but differs from Reinsurance. Whereas Reinsurance “follows the form” of a pool’s coverage document, Excess Insurance is a standalone policy which may have coverage differences between what claims a pool covers and what is claims the excess carrier covers. Another differences is that Reinsurance allows the “claims pen” to reside with the pool, and Excess Insurance carriers will take over a claim once they are obligated to pay towards its ultimate cost.
This seems like an inferior product, but Excess Insurance has a number of benefits:

- it may be easier to obtain,
- it may have less expensive and higher limits available,
- it requires less expertise or broker involvement, and
- coverage and payments are available regardless of the underlying coverage of the pool.

In the end, Reinsurance and Excess Insurance provide a pool two ways to cede off unwanted exposure to catastrophic loss.
Actuarial Science

Actuaries provide important analysis on the financial viability of a pool. Actuaries use mathematics, statistics, economics, and fiscal sciences to calculate – as closely as possible – the estimated cost of all claims or losses, for all years into the future.

Pool’s use actuaries to help establish annual funding requirements, or contributions, that pool members will be required to pay. To determine contributions, the actuary must examine historical losses and also consider any changes taking place, such as changes in coverages, regulatory shifts, the litigation environment, benefits levels, and additional costs such as administrative expenses and reinsurance premiums.

Loss Projection Analysis

In order to determine the contributions needed to fund losses that will take place in the future, and for which the total costs won’t be known for many years, an actuary conducts a “loss projection analysis.” This is an estimate of the retained losses that will take place during a specific period of time in the future, based upon the coverage the pool provides to members.

To determine the loss projection analysis, the actuary will review historical losses and exposures from previous periods. The actuary also will take into account any changes expected on the horizon. Then the actuary will estimate the ultimate losses for each of the previous periods, using several different actuarial methods. The most common methods used are the incurred and paid loss development methods. Once the actuary calculates the estimated cost of the future period’s losses, pool underwriters will then allocate the loss across all members.

Analysis of a Pool’s Reserves

An actuarial reserve analysis estimates the outstanding liabilities a pool has resulting from coverage written in the past period. One unique characteristic of risk transfer is that pricing is done before costs are known.

Each kind of claim has a different payout period and norm. Property claims generally have a shorter timeline for payout than workers’ compensation claims. For instance, if your member has a building loss, the building is likely to be rebuilt in a matter of years. But if that same pool has a workers’ compensation claim filed by an employee in their 20s, that claim will be paid out over the decades of that employee’s remaining life.

These outstanding liabilities are evaluated in two ways:

- Case reserves include amounts estimated by a claim adjuster, lawyer, or other insurance professional. They are shown on the “loss run,” and represent the amount of money estimated to be needed for future payments for a particular claim.
- IBNR – “incurred, but not recorded reserves are made up of two parts. Pure IBNR reserves are the estimated amounts needed for claims that have happened, but have not yet been reported to the pool. Development IBNR reserves are estimated amounts needed to settle known claims. This may be additional cushion above the case reserve.

To determine a pool’s ultimate liabilities, the actuary will evaluate both case reserves and IBNR.
Financial Reporting and Auditing

Balance Sheet and Income Statement Basics

Balance sheets and income statements are foundational documents for any organization.

The balance sheet is a snapshot of an organization’s financial position at a particular moment in time. This report shows what the pool owns – its assets – and what it owes – its liabilities. A pool’s assets are equal to the combined value of its liabilities plus the value of its equity. A simple formula, below, illustrates this concept.

\[
\text{Assets} = \text{Liabilities} + \text{Equity}
\]

When a pool dissolves, it pays its debts. Any assets that remain would be distributed according to the member agreement or similar documentation.

An income statement illustrates the revenues from pooling operations, expenses of operating the pool, and the resulting net income (or loss) of the pool over a specific period of time. Income statements are typically generated quarterly or annually.

Pool Balance Sheets and Income Statements

A pool’s balance sheet is different than that of a typical business because it includes information about the pool’s investments and reserves. These items are unique to pools and insurance companies, which must retain substantial capital to ensure the ability to pay future claim obligations. These reserves are held in an investment portfolio for many years and are tracked separately on the income statement.

<table>
<thead>
<tr>
<th>Balance Sheet</th>
<th>As of 12/31/14</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assets</td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>3,500,000</td>
</tr>
<tr>
<td>Investments</td>
<td>75,000,000</td>
</tr>
<tr>
<td>Premiums Receivable</td>
<td>600,000</td>
</tr>
<tr>
<td>Prepaid Expense &amp; other Asset</td>
<td>2,000,000</td>
</tr>
<tr>
<td>Total Assets</td>
<td>81,100,000</td>
</tr>
<tr>
<td>Liabilities</td>
<td></td>
</tr>
<tr>
<td>Accounts Payable &amp; Accrued Expenses</td>
<td>3,000,000</td>
</tr>
<tr>
<td>Unearned Premiums</td>
<td>5,500,000</td>
</tr>
<tr>
<td>Case Reserves (Loss &amp; LAE)</td>
<td>25,000,000</td>
</tr>
<tr>
<td>IBNR Reserves</td>
<td>15,000,000</td>
</tr>
<tr>
<td>Total Liabilities</td>
<td>48,500,000</td>
</tr>
<tr>
<td>Members Surplus</td>
<td>32,600,000</td>
</tr>
<tr>
<td>Total Liabilities and Surplus</td>
<td>81,100,000</td>
</tr>
</tbody>
</table>
A pool’s income statement might also be called a “Statement of Operations and Changes in Member Surplus.” Revenue, primarily premiums or contributions, are tracked along with investment income and “Claims and Loss Adjustment Expense/LAE,” which includes case and INBR reserves.

<table>
<thead>
<tr>
<th>Statement of Operations and Changes in Mbr Surplus</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Year 2014</strong></td>
</tr>
<tr>
<td><strong>Operating Revenues</strong></td>
</tr>
<tr>
<td>Gross Premiums Earned</td>
</tr>
<tr>
<td>Reinsurance Premiums Ceded</td>
</tr>
<tr>
<td>Other Income</td>
</tr>
<tr>
<td><strong>Total Operating Revenues</strong></td>
</tr>
<tr>
<td><strong>Non-Operating Revenues</strong></td>
</tr>
<tr>
<td>Investment Income</td>
</tr>
<tr>
<td>Change in Investment Fair Value</td>
</tr>
<tr>
<td><strong>Total Non-Operating Revenues</strong></td>
</tr>
<tr>
<td><strong>Total Revenues</strong></td>
</tr>
<tr>
<td><strong>Operating Expenses</strong></td>
</tr>
<tr>
<td>Claims and LAE</td>
</tr>
<tr>
<td>Reinsured Recovered, net</td>
</tr>
<tr>
<td>Other Administrative Expenses</td>
</tr>
<tr>
<td>Interest Expense</td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
</tr>
<tr>
<td><strong>Net Change in Member Surplus</strong></td>
</tr>
<tr>
<td>Member Surplus - Beginning</td>
</tr>
<tr>
<td>Member Surplus - End</td>
</tr>
</tbody>
</table>
The Future of Public Entity Pooling

While no pool or pool association can know what the future holds, they can take steps to think about the future in a disciplined manner that informs good decision making.

Talent Drain

Pools are at risk of losing deep institutional knowledge when founders retire. And, generational shifts mean there is a nationwide shortage of new employees to replace retiring employees. Pools, like any employer, will be challenged to remain competitive and to retain the best staffing.

Technology

Technology has and will continue to shape our lives and business models. Pools have to adapt to the new pace of technology advancement in virtually every aspect of their business – new underwriting systems, the ability to streamline claims processes, advanced programs and metrics in loss control, and the increasing power of data analytics. And, pools have to consider how they can use technology to improve their member interactions and relationships.

Catastrophic Weather

Weather patterns have changed from historical data to be more erratic, severe, and catastrophic. As pools grapple with these enormous loss events, risk managers and underwriters must rethink what was previously improbable.

Aging Population and Increased Longevity

The largest population growth is in a demographic of people over 55 years old, and people are living longer in general. This has several implications for pools. It might change projected ultimate loss costs for workers’ compensation claims because payouts might go on even longer than before. It certainly has an impact on health pools and their costs of retiree benefits. And, it can even change the underlying risk of a pool in terms of the kinds of public services pool members provide to an aging population.
AGRiP Resources

AGRiP provides a number of resources to its members, focusing on everything from best practices to preparing for the future of public entity pooling. Visit our website for more information.

AGRiP's Cybrary online resource

- Cybrary

Strategic Foresight

- Framing the Future
- Trend Cards
- Thriving in Uncertainty

Intelligence publications

- Share your pooling story to engage members
- How pools can influence public engagement
- Understanding bias in decision making
- Your Next Pool Executive

Points to Ponder

- Terrorism Risk Insurance Protection (TRIP): Points to Ponder
- Law Enforcement Risk for Public Entity Pools: Points to Ponder
- Pool Technology Audits: Points to Ponder
- Pool Fraud Audits: Points to Ponder

Other resources

- Glossary of Pooling Terms
- Operations Manual for Public Entity Pools
- PR Toolkit
Appendix: Presenters

Joel Kress, AGRiP Staff
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Joel Kress currently serves as Director of Special Projects for AGRiP, and has been involved with Pooling Basics for over 5 years now. Previously, Mr. Kress served as Underwriting Manager for 10 years with Government Entities Mutual, Inc. PCC, providing reinsurance underwriting and actuarial analytical services, as well as computer programming for the claims management information system. Previous to GEM, Mr. Kress worked for an actuarial consulting firm for 5 years. He has received two Bachelor of Science degrees (Applied Mathematics and Mathematical Education) from North Carolina State University, and a Master’s degree (Business Administration) from Southern New Hampshire University. He also earned the designation Associate in Reinsurance (ARe).

Sheryl Brandt, Enduris
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Sheryl Brandt has the privilege of partnering with over 500 special purpose districts in the State of Washington in applying risk management to their daily operations. For the past several years she has worked with Port Districts, Fire Districts, Health Districts, Convention Centers, Water and Sewer Districts, etc. focusing on property and liability losses, litigation management and risk management. She has presented risk management strategies with municipalities, districts and associations, both statewide and nationally. Ms. Brandt is a graduate of Oregon State University, active member of PRIMA and AGRiP, and is currently on AGRiP’s Membership Practices Committee.

Daniel Linton, Select Actuarial Services
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With over twelve years of experience, Danny Linton has become quite established evaluating a variety of property/casualty exposures. He joined Select in 2007 and became a partner in January of 2010. Mr. Linton has always had an affinity for mathematics and the elegance by which its processes can be used to solve complex, real world problems. Mr. Linton is a Fellow of the Casualty Actuarial Society and a Member of the American Academy of Actuaries. He has worked with the Casualty Actuarial Society’s Professionalism committee as a facilitator at the society’s Course on Professionalism. He has also engaged with the Casualty Actuarial Society’s examination committee to assist with the examination process necessary to obtain membership with the Society. He graduated from the University of Notre Dame with both a Bachelor of Science degree in Mathematics and a Master of Education degree.

Shawn Bubb, Montana School Boards Association/MSGIA
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Shawn Bubb has been in the insurance industry since 1994 and prior to that he worked in the financial services industry for 3 years. He has a strong accounting background holding key positions such as internal auditor, corporate controller, and insurance operations team leader for the Montana State WC Fund. Mr. Bubb is a graduate of Carroll College in Helena, Montana and holds undergraduate degrees in Accounting and Business Administration. He is a Certified Public Account (CPA), Certified Internal Auditor (CIA), CIC (Certified Insurance Counselor), Certified School Risk
Manager (CSRM), and is currently pursuing his Chartered Property Causality Underwriter (CPCU) certification. Mr. Bubb has worked in the pooling sector since 2002. He is a past president of both the Montana WC Self Insurance Association board of directors and Association of Governmental Risk Insurance Pools (AGRIP).

Jeff Myers, Munich Re America
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Jeff Myers is a Vice President and an Alternative Market Underwriter for Munich Reinsurance America, Inc. Mr. Myers has been with Munich Re for nearly 25 years and has worked exclusively on public entity reinsurance/insurance for the last 15 years. Although he is located in the Western Region of Munich Re, he handles pool business across the country. He has been an underwriter for the past 40 years (his only job after college). Previous positions include underwriting and management at Farmers Insurance, Transport Indemnity, and Royal Insurance. Mr. Myers is a graduate of University of California at Santa Barbara and holds the Chartered Property & Casualty Underwriter (CPCU) and Associate in Reinsurance (ARe) designations.