



2015

M E M B E R S H I P

SOUTH DAKOTA PUBLIC ASSURANCE ALLIANCE

A N N U A L R E P O R T

Our Purpose

Protecting local government assets since 1987, the South Dakota Public Assurance Alliance is a Member-owned local government risk-sharing pool providing liability and property coverage and risk management services to South Dakota municipalities, counties, townships, conservation districts, and special districts.

Our mission is to provide exceptional coverage and service to our Members, ensuring stable rates and risk reduction for South Dakota's future.

Board of Directors



Dennis Olson
Chairman
Brandon



Mike Wiese
Vice Chairman
Brown County



Jim Borszich
Treasurer
Huron



Michael Hall
Secretary
Sioux Falls



Mic Kreutzfeldt
Salem



Jeff Heinemeyer
Madison



Terry Weisenberg
Lawrence County



Tracy Turbak
Sioux Falls



Steve Harding
Pierre



Yvonne Taylor
SDML



Bob Wilcox
SDACC

Letter from the Chairman of the Board

Dear SDPAA Members:

This report is designed to provide you with an overview of the pool finances as well as a general understanding of the services that are offered by the SDPAA. If you have any additional questions about this report or questions about the pool, please contact me or a member of the Board.

The South Dakota Public Assurance Alliance had another very successful year in 2015. Loss Control Credits, Loss Ratio Credits, Renewal Credits, and Law Enforcement Credits were continued, resulting in refunds totaling \$1,060,941 to qualifying Members.

The South Dakota Public Assurance Alliance had a new look in 2015. Administration (including Underwriting) and Marketing were brought in-house and are located in a branch office in Sioux Falls. Marketing was renamed Member Services and given a new direction. Two service personnel were hired allowing coverage to both ends of the State. A new reinsurance company was brought on board that has provided some new lines of coverage including Enhanced Crime and Cyber Liability. The new Enhanced Crime coverage takes the place of the individual bonds for the finance officer and covers all employees up to \$1 million per occurrence, and at a fraction of the cost. Cyber Liability protects you from the costs associated with computer hackers. The 2014 goals of the transition into 2015 were more than met, and the Alliance is operating very smoothly.

New things in the future include a shorter renewal form and a new interactive website with a portal to submit applications and to allow the Member to review their account.

The Board of Directors truly appreciates your membership and continued participation in the South Dakota Public Assurance Alliance. Your questions and concerns are welcome.

Sincerely,



Dennis E. Olson
Chairman of the Board

Letter from the Executive Director

Dear SDPAA Members,

2015 marked a watershed in the history of the South Dakota Public Assurance Alliance with the transition of administration and marketing in-house and the development of a Member Services Program. The purposes of these developments were to provide SDPAA Members with better coverages and better services while maintaining SDPAA's history of stable, competitive rates. The major goal of the SDPAA in 2015 was a successful transition of these services; a transition as seamless as possible for our Members.

By all accounts, we not only met our goal, we exceeded it. SDPAA Members have better coverage, a better understanding of their coverages and coverage needs, better services, and better communications than they have ever had. This has been a joint effort by the SDPAA Board of Directors, the SDPAA staff, the SDPAA service providers, the SDPAA Member Services Task Force, and all of the Member-Owners of the SDPAA.

2015 began with the announcement of a reduction in rates for nearly all lines of coverage. The decision to bring services in-house resulted in savings in the SDPAA's operating budget and a healthy portion of those savings were passed on to SDPAA Members in the form of a total 4.71% rate reduction returning \$440,000 to Members.

Other highlights of 2015 included the additions of Enhanced Crime Coverage and Cyber Liability Coverage, an increase in the SDPAA's communications with Members through personal visits and an improved website, and a number of efficiencies for Members including simplifying the application and renewal process, developing a user-friendly Property Valuation Report, rewriting coverage documents which are easier to understand and interpret, and utilizing our relationship with the SDPAA's reinsurance broker to assist Members in obtaining coverage for exposures for which coverage had been unobtainable or unaffordable in the past.

We are committed to continuing and furthering our efforts to provide SDPAA Members with exceptional coverage, services, and return on investment.

Sincerely Yours,

Judy Payne

Judith M. Payne
Executive Director

Member Services

Member-Owned, Protecting Local Government Assets since 1987

The South Dakota Public Assurance Alliance (SDPAA) added four new Members and also added numerous coverages for many existing Members in 2015. The new Members consisted of one city, one township and two special districts. The growth was achieved in a highly competitive environment. The SDPAA has been able to maintain stable rates through its financial strength and solid financial planning. The SDPAA has grown to 413 Members which consist of cities, counties, conservation districts, townships and special districts.

The Member Services Task Force was established during the summer in 2014 and continued into the spring of 2015. Fifteen Member representatives as well as various SDPAA Board and Staff members met on several occasions to discuss SDPAA enhancements. A new website was launched on January 1, 2015 to provide more resources and valuable information to our Members.

We have enjoyed the hundreds of one-on-one Member visits throughout South Dakota. By reviewing coverages, we have identified the importance of making sure that if a new property has been purchased or acquired, it is added for coverage. We have also found double coverages in place on several items such as bonds and boiler and equipment coverage. We have found property covered that does not exist anymore. Making these adjustments and corrections is very helpful to our Members.

SDPAA continues to provide one of the broadest coverage programs available to governmental entities in South Dakota. SDPAA's mission is to provide exceptional coverage and service to our Members ensuring stable rates and risk reduction for South Dakota's future.

We thank the Member-Owners for their long-term dedication and strong support. We will continue to enhance the Member Services Program and look forward to a productive and exciting 2016!

Claims Services

Helping Members Mitigate Damages

In today's world, dealing with claims is a fact of life. Providing our Members with professional, timely, and efficient claims services is one of our top priorities. An important component of the SDPAA's continued success is the close working relationship between Members and the claims administrator.

The Pool's claims administrator, Claims Associates Inc., follows a claims handling policy that requires promptly contacting the Member and claimant when a claim is reported, and responsive, courteous follow-up communications with all parties involved. The goal is to conduct a thorough investigation as close in time as possible to the date of loss or date notice is given while recollections are fresh and other evidence can be examined or collected. Thorough investigations allow for more detailed analysis of claims and save money if the claim is litigated because defense counsel should not have to conduct additional factual investigation.

All claims are reserved for both indemnity and loss adjustment expense, at a level that reflects the degree of liability exposure, and expected expenses. Reserves are regularly reviewed for accuracy, and adjusted as information becomes available.

All claims are analyzed to determine the exposure to the Member and the Pool. Claims that are found to have merit will be resolved in the most efficient and cost-effective manner. Whenever possible, claims are resolved without resorting to litigation. Claims Associates uses direct negotiation and formal mediation to resolve claims. For claims that are without merit, the Pool maintains an aggressive defense posture. When suit is filed, defense counsel is selected based on the type of suit, the location, and Member input. We are fortunate to work with a select group of attorneys with experience working with public entities in various types of litigation. We work as a team with defense counsel to expeditiously bring litigation to a successful conclusion or put us on the best footing possible should the case go to trial. The Member is a part of that team and is consulted throughout the process and advised of progress.

Regardless how a claim is resolved, we always look for ways to leverage any lessons learned for the benefit of all Members. Claims Associates works closely with the SDPAA Executive Director, SDPAA Board, Underwriters, Member Services, and Loss Control personnel to educate Members about changes in law or provide practical advice to help eliminate or minimize future claims.

Loss Control Services

Helping Members Prevent and Manage Risks

The liability exposures facing local government in South Dakota are numerous. Utilizing risk management and loss control methods, liability can often be reduced and in some cases, it can be eliminated. The South Dakota Public Assurance Alliance (SDPAA) contracts with Safety Benefits, Inc. (SBI) to assist its Members in reducing and managing these exposures.

This past year, loss control representatives conducted 171 on-site surveys for SDPAA Members. During these surveys, recommendations were developed to assist Members with their loss control efforts. In 2015, the SDPAA continued the process of having SBI conduct property replacement surveys of all buildings that they cover. This service helps Members ensure they have all of their properties scheduled, and have sufficient coverage on each for replacement.

SBI continues to develop training programs to assist Members in reducing exposures. In 2015, a total of 3,669 local government employees attended 161 free training classes offered by the SDPAA. The SDPAA continues to offer a free video/DVD library to assist Members with their training needs. This past year, 54 Members checked out 323 safety videos/DVDs.

Also in 2015, Members of the SDPAA continued to have access to free on-line training. Through an agreement with FirstNet Learning, members can participate in 30 different training courses. A total of 51 Members had employees who successfully completed 1,596 on-line training courses.

The SDPAA sponsors an Employment Practices Hotline that provides Members with free access to attorneys that specialize in employment law. In 2015, a total of 48 Members made 88 calls to the hotline.

The SDPAA continued to retain the legal experts from the Public Agency Training Council (PATC) to update and train law enforcement Members on model policies and procedures for law enforcement and jails. These policies and procedures are developed specifically for South Dakota agencies.

SBI assists SDPAA in keeping Members aware of the latest in risk management, loss control, and safety trends and techniques through articles in the South Dakota Municipal League and the County Comment magazines.

This year's annual Loss Control Training Conference had 145 attendees. We presented safety awards to 58 Members; 12 Bronze, 2 Silver, 44 Gold and 30 Platinum Level at the Safety Award luncheons that are held in conjunction with the Annual SDML and SDACC Conferences. The Platinum Level award is presented to Members who have received the Gold Level award and have combined loss ratios of less than 60% for all lines of coverage.

Staff and Service Providers

SDPAA Staff

Judith M. Payne, Executive Director
Ron Burmood, Director of Member Services
Kristina Peterson, Director of Underwriting
Paytra Nichols, Underwriter
Jerry Krambeck, Member Services Representative
Deb Corkill, Executive Assistant

South Dakota Public Assurance Alliance
Main Office: 208 Island Drive, Ft. Pierre, SD 57532
Satellite Office: 5024 Bur Oak Place, Suite 103
Sioux Falls, SD 57108
Office: 800.658.3633 or 605.224.8654 (Option 2)
Web: www.sdpaaonline.org

Service Providers

Claims Administration

Claims Associates, Inc.
Jeff Jares, President
PO Box 1898
Sioux Falls, SD 57101
888.613.7064

Financial Audit

Eide Bailly
David Glennon, CPA
4310 17th Ave. S.
 Fargo, ND 58103
701.239.8500

Actuarial Services

AON Risk Solutions
Mujtaba Dattoo, Actuarial Practice Leader
100 Bayview Circle, Suite 100
Newport Beach, CA 92660
949.608.6332

Investment & Custodial Services

The First National Bank in Sioux Falls, Trust Department
Sarah Madison and Tom Benz
PO Box 5186
Sioux Falls, SD 57117-5186
800.553.7073

Loss Control Services/Property Valuations

Safety Benefits, Inc.
Doug Kirkus, President
4901 Isabel Place, Suite 120
Sioux Falls, SD 57108
888.313.0839

Reinsurance Broker

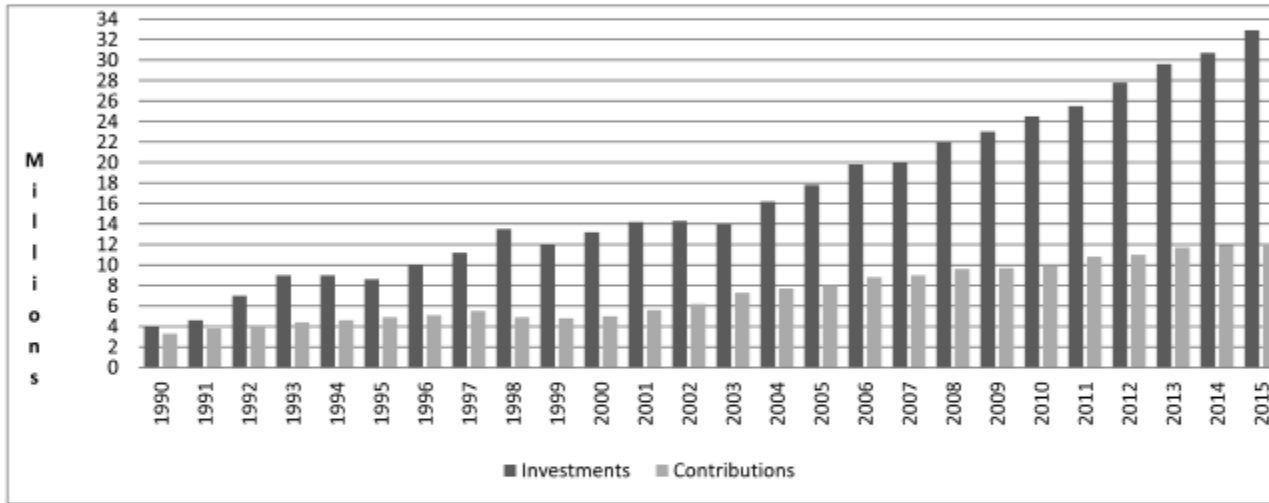
Alliant Insurance Services, Inc.
Doug Wozniak, Sr. Vice President
1301 Dove Street, Suite 200
Newport Beach, CA 92660
949.756.0271

General Counsel

May, Adam, Gerdes and Thompson, LLC
Rob A. Anderson
PO Box 160
Pierre, SD 57501
605.224.8803

Membership Growth & Contributions

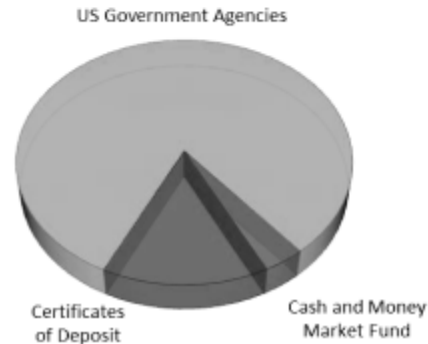
Since it began in 1987, the South Dakota Public Assurance Alliance has had steady growth in Membership and contributions. With 413 Members and over \$32 million in investments, SDPAA is one of the largest public entity-owned risk sharing pools of its kind in South Dakota.



SDPAA Investments

Investment Portfolio 12/31/2015

Cash and Money Market Fund	1,214,295	3.7%
Certificates of Deposit	4,839,147	14.7%
US Government Agencies	26,924,683	81.6%
	32,978,125	100%



Statement of Net Position

For the Year Ended December 31, 2015

ASSETS:

Cash and Cash Equivalents	\$ 1,214,295
Receivables	\$ 890,154
Investments	\$ 31,763,829
Other Assets	\$ 1,039,159
Total Assets	<u>\$ 34,907,437</u>

LIABILITIES AND MEMBERS' EQUITY

LIABILITIES:

Accounts Payable and Accrued Expenses	\$ 3,149
Unearned Contributions	\$ 3,249,655
Losses and Loss Adjustment Expense Reserve	\$ 10,748,599
Total Liabilities	<u>\$ 14,001,403</u>

NET POSITION

Total Liabilities and Members' Equity	<u>\$ 20,906,034</u>
	<u>\$ 34,907,437</u>

Statement of Revenues, Expenses and Change in Net Position

For the Year Ended December 31, 2015

UNDERWRITING:

Contributions	\$ 10,884,011
Reinsurance Ceded	<u>(1,783,452)</u>
Total Operating Revenue	<u>\$ 9,100,559</u>

LOSSES:

Losses and Loss Adjustment Expenses Incurred	<u>\$ 5,031,465</u>
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GENERAL AND ADMINISTRATIVE EXPENSES:

Administrative Expenses	<u>\$ 1,477,108</u>
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Operating Gain/(Loss)	<u>\$ 2,591,986</u>
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NON-OPERATING INCOME AND (EXPENSE):

Net Investment Income	\$ 404,242
Capitalization Contributions	28,747
Capitalization Distributions	<u>84,156</u>
Total Non-Operating Income	<u>\$ 517,145</u>

CHANGE IN POSITION	<u>\$ 3,109,131</u>
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SDPAA Membership

Cities

Aberdeen
 Alexandria
 Alpena
 Andover
 Astoria
 Aurora
 Avon
 Badger
 Baltic
 Batesland
 Belle Fourche
 Belvidere
 Blunt
 Bonesteel
 Box Elder
 Brandon
 Brandt
 Bridgewater
 Bristol
 Britton
 Brookings
 Buffalo
 Buffalo Gap
 Burke
 Camp Crook
 Canova
 Canton
 Castlewood
 Cavour
 Centerville
 Central City
 Chancellor
 Chelsea
 Claire City
 Claremont
 Clark
 Clear Lake

Colman
 Columbia
 Conde
 Corona
 Crooks
 Custer
 Dallas
 Davis
 Deadwood
 Dell Rapids
 Delmont
 Doland
 Draper
 Dupree
 Eagle Butte
 Edgemont
 Egan
 Eureka
 Fairburn
 Fairfax
 Fairview
 Faulkton
 Flandreau
 Florence
 Freeman
 Ft. Pierre
 Garretson
 Gary
 Gettysburg
 Gregory
 Grenville
 Groton
 Harrisburg
 Harrold
 Hartford
 Hayti
 Hecla
 Hermosa

Herrick
 Hill City
 Hosmer
 Hot Springs
 Howard
 Hudson
 Hurley
 Huron
 Interior
 Iroquois
 Isabel
 Kennebec
 Keystone
 Lake Andes
 Lake City
 Lake Preston
 Langford
 Lead
 Lennox
 Long Lake
 Madison
 Marion
 Martin
 McIntosh
 McLaughlin
 Midland
 Milbank
 Miller
 Mission
 Mission Hill
 Mitchell
 Montrose
 Morristown
 Mount Vernon
 Murdo
 New Effington
 New Underwood
 Newell

New Witten
 Nisland
 North Sioux City
 Oacoma
 Oelrichs
 Ortleigh
 Parker
 Peever
 Pickstown
 Piedmont
 Pierpont
 Pierre
 Quinn
 Ree Heights
 Roscoe
 Roslyn
 St. Francis
 St. Lawrence
 Sherman
 Sioux Falls
 Sisseton
 Spearfish
 Springfield
 Stockholm
 Stratford
 Sturgis
 Summerset
 Summit
 Tea
 Timber Lake
 Tolstoy
 Toronto
 Trent
 Turton
 Valley Springs
 Veblen
 Vermillion
 Viborg

Volga
 Wagner
 Wall
 Warner
 Wasta
 Watertown
 Waubay
 Webster
 Wessington
 White
 White River
 Whitewood
 Willow Lake
 Wilmot
 Wood
 Woonsocket
 Worthing
 Yale
 Yankton

Counties

Aurora County
 Beadle County
 Bennett County
 Bon Homme County
 Brookings County
 Brown County
 Buffalo County
 Butte County
 Charles Mix County
 Clark County
 Clay County
 Codington County
 Corson County
 Custer County
 Davison County
 Day County
 Deuel County

Edmunds County
 Fall River County
 Faulk County
 Grant County
 Gregory County
 Hamlin County
 Hand County
 Hanson County
 Harding County
 Hughes County
 Hutchinson County
 Hyde County
 Jackson County
 Jerauld County
 Jones County
 Kingsbury County
 Lake County
 Lawrence County
 Lyman County
 Marshall County
 McCook County
 McPherson County
 Meade County
 Mellette County
 Miner County
 Minnehaha County
 Moody County
 Oglala Lakota County
 Pennington County
 Sanborn County
 Stanley County
 Sully County
 Todd County
 Tripp County
 Turner County
 Walworth County

SDPAA Membership

Townships

Aberdeen Civil
 Alban
 Allen
 Andover
 Baker
 Brainard
 Broadland
 Butler
 Cambria
 Carthage
 Castlewood
 Choteau Creek
 Columbia
 Custer
 Darlington
 Dayton
 Dixon
 Dumarce
 Eden
 Edens
 Elmira
 Erod
 Esmond
 Foxton
 Fuller
 Garden Prairie
 Garland
 Gem
 Harmon East & West
 Hartland
 Henry
 Hickman
 Highland (Canton)
 Highland (Wagner)
 Highland (Webster)
 Hillside
 Hoffman
 Jones
 Kidder
 Lansing
 Lawrence

Lee
 Lesueur
 Lien
 Lincoln
 Lowe
 Lyons
 Mathews
 Mellette
 Minnesota
 Montpelier
 North Detroit
 Oneota
 Ordway
 Rauville
 Richland (Cavour)
 Richland (Mina)
 Rosefield
 Rusk
 South Detroit
 Spirit Lake
 Springlake
 Spring Valley
 Star Valley
 Sumner
 Swan Lake
 Union
 Union - Howes
 Ward
 Warner
 Wayne
 Webster
 West Rondell
 White Butte
 Whitewood

Conservation Districts

American Creek
 Aurora County
 Beadle County
 Bennett County
 Brookings County
 Brown-Marshall Soil

Butte
 Campbell County
 Charles Mix
 Clay County
 Clearfield-Keyapaha & Hamill
 Codington County
 Corson County
 Custer
 Davison County
 Day County
 Deuel County
 Dewey County
 Douglas County
 East Pennington
 Edmunds County
 Elk Creek
 Fall River
 Faulk County
 Grant County
 Gregory County
 Haakon County
 Hamlin County
 Hand County
 Hanson County
 Harding County
 Hughes County
 Hutchinson County
 Hyde County
 Jackson County
 Jerauld County
 Jones County
 Kingsbury
 Lake County
 Lawrence County
 Lincoln
 Marshall County
 McCook
 McPherson County
 Mellette County
 Miner
 Minnehaha
 Moody County

Pennington
 Perkins County
 Potter County
 Roberts County
 Sanborn County
 Shannon County
 South Brown
 Spink
 Stanley County
 Sully County
 Todd County
 Tri-County
 Turner
 Union
 Walworth County
 Yankton County
 Ziebach County

Special Districts

Alexandria Fire District
 Belle Fourche Irrigation District
 Black Hills Council of Local Governments
 Boulder Park Road District #2
 Brown County Mud Creek Watershed District
 Canyon Springs Sanitary and Water District
 Castlewood Ambulance District
 Castlewood Fire District
 Cedar Hills Road District
 Centennial Hills Road District
 Central Plains Water Development District
 Central South Dakota Enhancement District
 Claire City Fire Protection District
 Claremont & Community Fire Assn.
 Columbia & Community Fire Association
 Conde Volunteer Fire Department
 Corson Village Sanitary District
 Custer Ambulance District
 Custer-Fall River Waste Management District
 Dakota Dunes Community Improvement District
 Diamond E Road District
 East Jones County Fire District
 Edgemont Ambulance District

First District Assn. of Local Governments
 Health Pool of South Dakota
 Lake Cochrane Sanitary District
 Lake Herman Sanitary District
 Lake Madison Sanitary District
 Lake Pelican Water Project District
 Lead-Deadwood Sanitary District
 Lyons Volunteer Fire Department
 Metro Communications
 Mountain Pines Road District
 North Marsh Lake Watershed District
 Northwest SD Regional Landfill
 Pickereel Lake Sanitary District
 Planning & Development District III
 Prairie Village
 Renner Sanitary District
 South Dakota Municipal League
 SDML Workers' Compensation Fund
 SD Assn of County Commissioners
 SDPAA
 SD Public Funds Investment Trust
 South Eastern Council of Governments
 Southern Missouri Waste Management Assn.
 University & Bridle Estates Sanitary District
 Upper Crow Creek Watershed District
 West Dakota Water Development District
 Woodland Hills Sanitary District

Past Board Members

Richard Negstad

Brookings County Commissioner
1986 - 1989

Ray Woodsend

City Attorney, Rapid City
1986 - 1993

Carole Hillard

Councilmember, Rapid City
1989 - 1994

Jack White

Mayor, Sioux Falls
1986 - 1994

Duane Anderson

City Attorney, Sioux Falls
1986 - 1997

Karen Bulman

Councilmember, Rapid City
1993 - 1998

Gary Hanson

Mayor, Sioux Falls
1997 - 2003

Stan Rietveld

Councilmember and Airport Board, Mitchell
1987 - 1998

Ralph Mack

Codington County Commissioner/Weed Board
1989 - 1999

George Opitz

Lawrence County Commissioner
1987 - 2000

Manfred Szameit

Finance Officer, Sioux Falls
1986 - 2001

Gary Drewes

Mayor, Pierre
1995 - 2002

Judy Larson

Black Hills Council of Local Government
1993 - 2002

Allen Aden

Director of Public Safety, Pierre
1997 - 2008

Gary Colwill

City Attorney, Sioux Falls
2004 - 2008

Ted Eggebraaten

Retired Brookings County Highway Superintendent,
Brookings
2002 - 2011

Jerry Krambeck

Mayor, City of Spearfish
2002 - 2013

In Appreciation

The South Dakota Public Assurance Alliance takes this opportunity to publicly thank the *South Dakota Municipal League*, for its foresight in creating a liability and property pool. Without the leadership of the League, the Pool would not be in existence today.

The primary goal of both organizations is to provide quality service, stable contributions and practice good risk management. This long-standing partnership has been beneficial to the public entities of South Dakota.

South Dakota Public Assurance Alliance

Judith M. Payne, Executive Director

Main Office: 208 Island Drive, Ft. Pierre, SD 57532

Satellite Office: 5024 Bur Oak Place, Suite 103

Sioux Falls, SD 57108

Office: 800.658.3633 or 605.224.8654 (Option 2)

Sponsored and Endorsed By:

South Dakota Municipal League

Yvonne Taylor, Executive Director

208 Island Drive, Ft. Pierre, SD 57532

800.658.3633

Endorsed By:

South Dakota Association of County Commissioners

Bob Wilcox, Executive Director

211 East Prospect Avenue, Pierre, SD 57501

605.224.4554

South Dakota Public Assurance Alliance

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Ft. Pierre, SD 57532

PRESORTED STANDARD
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