

2019

MEMBERSHIP

SOUTH DAKOTA PUBLIC ASSURANCE ALLIANCE

ANNUAL REPORT

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



Tracy Turbak
Chairman
City of Sioux Falls



Kathy Glines
Harding County



Mike Wiese Vice Chairman Brown County



Michael Hall City of Sioux Falls



Jim Borszich Secretary/Treasurer City of Huron



Steve Harding City of Pierre



Becky Brunsing City of Wagner



Lisa Katzenstein City of Sturgis



Mic Kreutzfeldt McCook County



Yvonne Taylor SDML



Bob Wilcox SDACC

Letter from the Chairman of the Board

Dear SDPAA Members:

On behalf of the Board of Directors and the SDPAA team, it is my pleasure to present this report to our Membership. If any Member has questions or concerns about the SDPAA, or would like to dig deeper into the financial condition or activity of the pool, please feel free to contact any member of the Board or call our Executive Director, David Pfeifle, at the pool office. The pool's 2019 audited financial statements are available on the web at sdpaaonline.org.

As the enclosed report indicates, last year's results were very nearly break-even for the SDPAA. The net position of the pool increased by a very modest \$0.1 million - which followed the quite sizeable increase of \$4.1 million in 2018. The significant decline in the positive results was driven by a 128% increase in claim losses & adjustment expenses (from \$4.5 million to \$10.3 million) in addition to a \$1.3 million increase in reinsurance expenses. The pool ended 2019 with a positive net position of \$29.2 million – so our balance sheet remains strong headed into 2020.

In order to preserve that strength in the years ahead, the Board must remain vigilant – especially as it concerns two important and rising threats to the pool: 1) the increasing severity & frequency of large wind & hail claims and; 2) the increasingly hard market for reinsurance coverage – especially for property exposures. As these threats continue to manifest themselves, the Board will come under greater pressure to ask Members to share in these rising costs if the pool's financial position is to remain strong. The challenge for the Board will be to find the appropriate balance of protecting the sustainability of the pool as an organization and providing the very best value to Members in the form of excellent coverages at affordable rates.

The history of the pool's financial success could not be achieved without the efforts of our Members to minimize claims. However, the driving force behind the pool's success is the team of professional staff, service providers and volunteers who dedicate their efforts to serving our Members. The Board is incredibly grateful to the entire SDPAA team for their hard work and dedication to our Members. I do want to recognize Mic Kreutzefeldt, McCook County Highway Superintendent, for the eight years of service on the Board of Directors. Mic retired from the Board at the end of 2019. Also, I want to welcome Cindy Brugman, Codington County Auditor, as Mic's replacement on the Board. We look forward to working with Cindy in the years ahead.

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

Sincerely,

Thany D Temboh

Tracy D. Turbak

Chairman of the Board

Letter from the Executive Director

Dear SDPAA Members,

The tragic loss of life and substantial property damage resulting from natural disasters and convective storms (wind & hail) continue to ravage our nation, causing insurance rates to increase substantially. During these times of a hardening insurance market, the advantages of public pooling and its combined purchasing power for public entities became most evident. The SDPAA Board of Directors took all reasonable steps to ensure that their fellow Members enjoyed stable property coverage rates in 2019 due to prudent contracting with reinsurers, broad marketing of the SDPAA property program in the world reinsurance market, and sound fiscal management. SDPAA Members were protected from rising price fluctuations by jointly securing their liability and property coverage at more reasonable group rates than they could secure individually.

The SDPAA's mission is to provide our Members with the unique benefits that only a public pool can provide. Unlike conventional insurance which only shares the financial risks for property and liability claims among insureds, public pools also provide customized and seasoned approaches to manage and reduce risk for our Members. Among the unique benefits of participation in the SDPAA, our Members receive loss control surveys every three years and are eligible for participation in the Employment Practices Hotline, which provides expert legal advice for dealing with potential employment claims in a proactive manner. This past year the SDPAA launched a Government Practices Hotline that expanded the scope of expert legal advice to most areas of government operations.

Only public pools combine the resources of their individual public entity members to address their collective needs. Public pools are member owned, member governed, and member driven. As owners, SDPAA Members have the opportunity to actively participate and influence not only their own destiny, but that of the SDPAA as a whole. The SDPAA is led by an eleven-member Board of Directors who are elected from among SDPAA Members who can empathize with their fellow Members on the issues facing local governments in South Dakota. Our internal team is comprised of six public employees with substantial claims and local government experience who uniquely appreciate the needs of our Members.

The SDPAA is committed to providing SDPAA Members with exceptional coverage, services, and return on investment.

Sincerely Yours,

Savid A. Efeifle

David A. Pfeifle

Executive Director

Member Services

Member-Owned, Protecting Local Government Assets since 1987

In 2019, the SDPAA and its Members enjoyed a small break from the ferocity of the storms that 2018 had brought. While we did not completely escape the year without a tornado or 4, our Members embraced the services and resources afforded by participation in the SDPAA.

Throughout 2019, the SDPAA grew to 429 Members which consist of cities, counties, conservation districts, townships and special districts. The growth continued in a highly competitive environment. The SDPAA has been able to maintain stable rates through its financial strength and solid financial planning. While most commercial carriers were assigning rate increases of over 10-20% on accounts with favorable loss history, the Pool was able to maintain an average property increase of 4% increase while liability rates saw an average decrease of 7%, supporting the efforts of the Pool administration to maintain stable rates.

The SDPAA website continued to be a valuable resource for Members to obtain sample documents and policies, links to training information and the most current news articles prepared by SDPAA staff. The website was and will continue to be updated often to include the most up to date information available for our Membership. SDPAA staff continued development and implementation of an updated pool information management system which will afford our Members access to their coverage information and the opportunity to manage their asset schedules more efficiently through a Member Portal.

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 each Member is appropriately covered for the risks that face the public entities of our State.

We also appreciate the opportunities available at various Member conferences, conventions, schools and meetings to support education of Members' elected and appointed officials and staff.

The SDPAA continued to provide one of the broadest coverage programs available to governmental entities in South Dakota. The 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 2020!

Claims Services

Helping Members Mitigate Damages and Risk

Dealing with claims is a fact of life. Providing our Members with professional, timely, and efficient claims services is one of our top priorities. A key component of the SDPAA's continued success is the close working relationship between Members and the claims administrator, Claims Associates, Inc.

Claims Associates handles liability and property claims for the SDPAA and its Members. Regardless of the type of claim, Claims Associates follows a claims handling policy that requires prompt contact and timely 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.

<u>Liability Claims</u>. Claims Associates carefully analyzes liability claims to determine the exposure to the Member and the Pool. Claims found to have merit are resolved in the most efficient and cost-effective manner, and hopefully without resorting to litigation. Claims Associates uses direct negotiation and formal mediation to resolve claims. The Pool maintains an aggressive defense posture against meritless or nuisance claims. When a claimant files suit, Claims Associates assigns defense counsel based on the type of suit, location, and Member input. Claims Associates is fortunate to work with a select group of attorneys experienced in the unique situations that confront public entities. Claims Associates works 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 key part of that team and is consulted and updated throughout the process.

<u>Property Claims.</u> The primary goal in any property claim is to help the affected Member get back to business as usual as quickly as possible. From catastrophic storm damage to buildings to minor fender benders, the adjusters help mitigate the loss and get clean up or temporary arrangements in place. Claims Associates utilizes the latest technology and our vast experience with vehicles, heavy equipment, and buildings of all shape and purpose to assess property losses and assure prompt, fair resolution.

Regardless how any claim is resolved, the SDPAA always looks 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

Liability exposures facing local government in South Dakota are many. Through effective risk management and loss control, liability can often be reduced, and in some cases completely eliminated. The South Dakota Public Assurance Alliance (SDPAA) contracts with Safety Benefits, Inc. (SBI) to support Members in their efforts to reduce and manage liability exposures.

In 2019, SBI conducted 145 on-site loss control surveys for SDPAA Members. As a result of these surveys, recommendations were developed to guide Members in controlling losses. The SDPAA continues the practice of having SBI conduct valuation surveys of all property the SDPAA covers. This service helps ensure that properties are included on the respective Member's statement of values and that each property has sufficient coverage for replacement. Over the past year, SBI conducted 62 property valuation surveys which included a review of 1,962 properties.

Training programs designed to help Members reduce exposures are offered free of charge to SDPAA Members. In 2019, a total of 2,673 local government employees attended 116 free on-site training classes conducted by SBI on behalf of the SDPAA. In addition to on-site training opportunities, the SDPAA continues to offer Members a number of other training options. One is a DVD library from which 18 Members checked out 86 risk management DVDs.

Online training offered by the SDPAA continued to increase in popularity this past year due to the variety of risk management subjects available, as well as the ease of assigning topics and tracking employee course completion. Through FirstNet Learning, employees with a total of 50 Members successfully completed 4,448 courses. Aurora Pictures provides another online training option through the use of streaming videos. During 2019, employees of 26 Members checked out 444 videos.

The SDPAA sponsors an Employment Practices Hotline to provide Members with free access to attorneys specializing in employment law. In 2019, a total of 68 Members made 159 calls to this hotline. SDPAA created another hotline service in 2019 for members seeking guidance with civil legal issues other than employment practices. The Government Practices Hotline affords Members free access to attorneys for guidance with issues like zoning, public record requests, open meetings procedures, contractual issues, and drainage issues, police professional, public relations, and others. From April 2019 to the end of the year, 22 Members made 32 calls to this hotline.

This past year, SDPAA continued to retain legal experts from the Legal Liability Risk Management Institute (LLRMI) to develop and keep updated model policies and procedures designed specifically for South Dakota law enforcement and jails. Additionally, Member law enforcement agencies and their personnel have access to free online training courses that deal with multiple liability topics for both law enforcement and jails. A total of 18 agencies completed 1,128 training courses in 2019.

The 2019 Loss Control Training Conference had 170 attendees. At that event safety awards were presented to 68 Members in recognition of their loss control and risk management efforts.

Staff and Service Providers

SDPAA Staff

David Pfeifle, Executive Director Lynn Bren, 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 Ryan Donahue, CPA 4310 17th Ave. S. Fargo, ND 58103 701.476.8826

Actuarial Services

AON Risk Solutions Mujtaba Datoo, 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 Kyle Cipperley and Tom Benz PO Box 5186 Sioux Falls, SD 57117-5186 800.553.7073

Loss Control Services/Property Valuations

Safety Benefits, Inc. Todd Everson, President 602 E. State St. Plankinton, SD 57368 888.313.0839

Reinsurance Broker

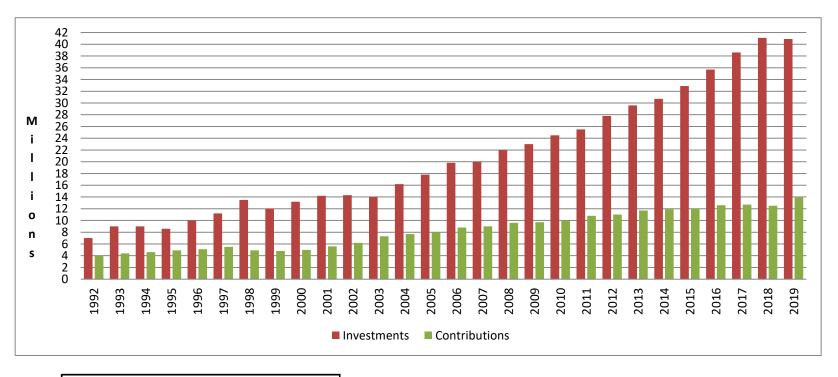
Alliant Insurance Services, Inc. Doug Wozniak, Sr. Vice President 1301 Dove Street, Suite 200 Newport Beach, CA 92660 949.756.0271

General Counsel

May, Adam, Gerdes and Thompson, LLC Rob A. Anderson PO Box 160 Pierre, SD 57501 605,224,8803

Membership Growth & Contributions

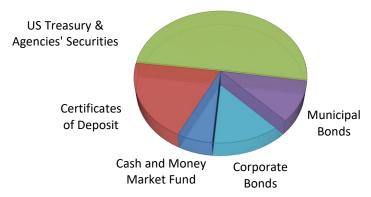
Since it began in 1987, the South Dakota Public Assurance Alliance has had steady growth in Membership and contributions. With 429 Members and over \$4 million in investments, SDPAA is one of the largest public entity-owned risk sharing pools of its kind in South Dakota.



SDPAA Investments

Investment Portfolio 12/31/2019

Cash and Money Market Fund 2,629,857 6.0% Certificates of Deposit 19.6% 8,547,671 US Treasury & Agencies' Securities 21,961,940 50.4% **Municipal Bonds** 4,466,893 10.2% 13.8% **Corporate Bonds** 5,998,144 43,604,505 100%



Statement of Net Position

For the Year Ended December 31, 2019

Δ	SS	F٦	rs.
\boldsymbol{r}	-	_	υ.

\$ 2,629,856
\$ 1,040,105
\$ 40,974,648
\$ 1,098,042
\$ 45,742,651

LIABILITIES AND MEMBERS' EQUITY

LIABILITIES:

Accounts Payable and Accrued Expenses	\$ 68,012
Unearned Contributions	\$ 3,837,407
Losses and Loss Adjustment Expense Reserve	\$ 12,634,521
Total Liabilities	\$ 16,539,940

NET POSITION	\$ 29,202,711
Total Liabilities and Members' Equity	\$ 45,742,651

Statement of Revenues, Expenses and Change in Net Position

For the Year Ended December 31, 2019

UNDERWRITING:	
Contributions	\$ 13,171,315
Reinsurance Ceded	(3,373,113)
Total Operating Revenue	\$ 9,798,202
LOSSES:	
Losses and Loss Adjustment Expenses Incurred	\$ 10,283,031
GENERAL AND ADMINISTRATIVE EXPENSES:	
Administrative Expenses	\$ 1,429,611
Operating Gain/(Loss)	\$ (1,914,440)
NON-OPERATING INCOME AND (EXPENSE):	
Net Investment Income	\$ 2,070,099
Earned member equity, NLC Mutual Ins. Co.	38,403
Capitalization Contributions	(65,791)
Total Non-Operating Income	\$ 2,042,711
CHANGE IN NET POSITION	\$ 128,271

SDPAA Membership

Hermosa

Herrick

Clark

Clear Lake Hill City Vilas **Deuel County** Newell Cities Colman Nisland Virgil Hosmer **Douglas County** Aberdeen Columbia Hot Springs North Sioux City Volga **Edmunds County** Alexandria Conde Howard Oacoma Wagner Fall River County Alpena Corona Hudson Oelrichs Wall Faulk County Andover Crooks Hurley Ortley Warner **Grant County** Astoria Custer Huron Parker Wasta **Gregory County** Aurora Dallas Interior Watertown Hamlin County Peever Avon Davis Pickstown Waubay **Hand County** Iroquois Badger Deadwood Isabel Piedmont Webster Hanson County **Baltic Dell Rapids** Java Pierpont Wessington **Harding County** Batesland Kennebec Delmont Pierre Westport **Hughes County** Belle Fourche Prairie Village Doland Keystone White **Hutchinson County** Belvidere Quinn Lake Andes White River Hyde County Draper Blunt Ree Heights Lake City Whitewood Dupree Jackson County Bonesteel Roscoe Eagle Butte Lake Preston Willow Lake Jerauld County Box Elder Roslyn Edgemont Langford Wilmot Jones County Brandon St. Francis Lead Wood Kingsbury County Egan **Brandt** St. Lawrence Eureka Lebanon Woonsocket Lake County **Brant Lake** Sherman Fairburn Lennox Worthing Lawrence County Bridgewater Sioux Falls Fairfax Yale Long Lake Lyman County Bristol Sisseton Fairview Madison Yankton Marshall County Britton Spearfish Faulkton Marion McCook County Counties **Brookings** Springfield Martin Flandreau McPherson County Buffalo **Aurora County** Stockholm McIntosh Florence Meade County Buffalo Gap **Beadle County** Stratford Freeman McLaughlin Mellette County Burke Bennett County Sturgis Ft. Pierre Midland Minnehaha County Bon Homme County Camp Crook Summerset Milbank Garretson Moody County **Brookings County** Canova Summit Gary Miller Oglala Lakota County Canton **Brown County** Tea Gettysburg Mission Pennington County Carthage **Buffalo County** Timber Lake Mission Hill Roberts County Gregory Castlewood **Butte County** Tolstoy Grenville Mitchell Sanborn County Cavour Charles Mix County Toronto Groton Monroe Stanley County Centerville Clark County Trent Montrose Harrisburg Sully County Central City Clay County Tripp Harrold Morristown **Todd County** Chancellor Codington County Turton Hartford Mount Vernon Tripp County Chelsea Corson County Valley Springs Murdo Hayti Walworth County Claire City **Custer County** Veblen Hecla New Effington Claremont **Davison County** Vermillion New Underwood

Viborg

New Witten

Day County

SDPAA Membership

Townships
Aberdeen Civil
Alban
Allen
Andover
Athol
Baker
Brainard
Broadland

Butler

Cambria

Lien
Lincoln
Lowe
Lyons
Mathews
Mellette
Minnesota
Montpelier

Lansing

Lawrence

LeSueur

Carthage North Detroit
Castlewood Oneota
Choteau Creek Ordway
Columbia Rauville
Custer Richland (Ca
Darlington Richland (Mir
Dayton Rosefield

Dixon Rusk
Dumarce South Detroit
Dunkel Spirit Lake
Eden Springlake
Edens Spring Valley
Elmira Spring Valley

Elmira Spring Valley Elrod Star Valley
Esmond Sumner
Foxton Swan Lake
Fuller Union
Garden Prairie Union – Howes

Garland Wahehe
Gem Ward
Harmon East & West Warner
Hartland Wayne
Henry Webster
Hickman West Ro

Highland (Canton)
Highland (Wagner)
Highland (Webster)

Hillside Conservation Districts

Hoffman American Creek
Jones Aurora County
Kidder Badlands

Beadle
Bennett County
Brookings County
Brown-Marshall Soil

Butte
Campbell County
Charles Mix

Corson

ws Clay County
e Clearfield-Keyapaha & Hamill
sota Codington County Soil

North Detroit Custer
Oneota Davison
Ordway Day County
Rauville Deuel County
Richland (Cavour) Douglas County
Richland (Mina) East Pennington

efield Edmunds County
k Elk Creek
th Detroit Fall River
it Lake Faulk County Soil

Springlake Grant County
Spring Valley Gregory County
Spring Valley - Bradley Haakon County
Star Valley Hamlin County

Hand County

Hanson County

Harding County

Hughes County

Hutchinson County

Ward Hyde County
Warner Jackson County
Wayne Jerauld County
Webster Jones County
West Rondell Kingsbury

White Butte Lake County
Whitewood Lawrence County

Lincoln

rvation Districts

An Creek

County

Marshall County

McCook County S

McCook County Soil
McPherson County
Mellette County

Minner
Minnehaha
Moody County
Pennington
Perkins County

Potter County Roberts

Sanborn County South Brown Spink

Stanley County Sully County Todd County Tri-County Turner

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 Brookings Municipal Utilities

Brown County Mud Creek Watershed District Canyon Springs Preserve Road 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

Columbia & Community Fire Association

Conde Rural Fire District Corson Village Sanitary District Custer Ambulance District

Custer-Fall River Waste Management District
Dakota Dunes Community Improvement District

East Jones County Fire District

Edgemont Ambulance District

First District Assn. of Local Governments
Hartford Area Industrial Park Road District

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 East Box Canyon Road District North Marsh Lake Watershed District Northwest SD Regional Landfill Pickers Lake Sanitary District

Pickerel Lake Sanitary District
Planning & Development District III

Renner Sanitary District

South Dakota Municipal League SDML Workers' Compensation Fund SD Assn of County Commissioners

SDPAA

SD Public Funds Investment Trust Sioux Falls Regional Airport Authority South Eastern Council of Governments Southern Missouri Waste Management Assn. Spearfish Rural Fire Protection District 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, Spearfish 2002 – 2013

Jeff Heinemeyer

Adviser, Madison 2001 – 2016

Terry Weisenberg

Lawrence County Commissioner, Lead 2005 – 2016

Dennis Olson

Assistant City Administrator, Brandon 2000 – 2017

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

David Pfeifle, 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