



# 2022-23 ANNUAL REPORT



### **SDRMA MISSION**

SDRMA's mission is to provide excellent risk financing and risk management services through a financially sound pool to California public agencies, delivered in a timely and responsible cost-efficient manner.

### **SDRMA VISION**

SDRMA's vision is to be the exemplary public agency risk pool of choice for California special districts and other public agencies.

### **SDRMA CORE VALUES**

SDRMA's professional expertise, technical knowledge, and understanding of public agency operations, coupled with our commitment to responsive, in-house claims management, proactive loss prevention and cost containment enables our members to allocate more of their vital resources to providing essential community programs and services to their constituents.

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**S**pecial District Risk Management Authority (SDRMA) strives to be the exemplary public agency risk pool for California special districts based throughout the state. Our membership varies in size, in the services provided to their respective publics, and in the resources, programs, and services necessary to serve their constituents. The membership looks to and depends on SDRMA to develop, support, and deploy a wide range of risk management programs and resources to assist our member districts in those efforts serving the public. The SDRMA Board of Directors has always prided itself on keeping the needs of our membership as the top priority. SDRMA employs a team of 18 experienced professionals, all who work closely together to constantly evaluate and ensure we are providing excellent risk financing and risk management services to our membership.



The Board uniquely understands the resource and financial constraints special districts are faced with. Adding to that challenge, the industry has observed both a prolonged and hardened insurance market, which in turn has led to year over year increases to premiums, adding to further budgetary constraints to special districts throughout the state of California.

It was in markets similar to this in the 1970's and into the 1980's, that risk-sharing pools (JPAS) were developed out of an insurance crisis public entities were facing. Forty-plus years later, the foresight of those professionals who formed those early pools, has led to the long-term, sustainable, affordable ways for public entities to secure important risk management resources, board insurance coverage, and a collegiality of partnering with all kinds of different special districts and municipalities to share ideas, resources, and best practices. There is no better time than the present to be part of a pool (risk sharing JPA). The power of pooling is critical during these times to ensure continuing coverage, the coverage our members need, at the lowest cost possible.

As a member you may ask what can I do to reduce exposure to claims at my agency? Here are a few actions a member can take to help prevent losses: review your agency's internal controls regularly, inform your staff of SDRMA Monthly Safety Talks and Risk Advisories, utilize the VectorSolutions online training platform, and attend SDRMA/CSDA educational conferences. CSDA has been a long-standing and valued partner that SDRMA and its members have enjoyed. All members are encouraged to continue to take advantage of our partnerships with California Special District Association (CSDA), the CSDA Finance Corporation, and the Special District Leadership Foundation who provide our members access to valuable services, resources, education, and training opportunities.

SDRMA's Board of Directors approved for the 2022-23 Program Year the Loss Prevention Allowance Fund to Property/Liability and Workers' Compensation members as well as Longevity Distributions for the Workers' Compensation Program for the 12th year in a row. We value all our members in our Property/Liability and Workers' Compensation Programs, and our Health Benefits Program groups and appreciate the opportunity you give us to serve you!

#### **SPECIAL RECOGNITIONS FOR FISCAL YEAR 2022-23**

SDRMA recognizes the importance of acknowledging the diligent efforts many of our members regularly demonstrate to help eliminate, reduce, and mitigate losses at their districts. One way SDRMA acknowledges the rigorous work of our members is annually presenting Safety Awards at the CSDA Annual Conference. Providing a safe and healthy workplace is paramount for each of our member districts.

#### **SIGNIFICANT HIGHLIGHTS FOR FISCAL YEAR 2022-23**

- SDRMA was excited to add and welcome new CEO Brian Kelley to our team. Brian brings over 20 years of JPA experience and leadership to SDRMA and makes a wonderful addition to SDRMA.
- Welcomed 26 new members and groups
- Retained 98% of existing members
- Received an unmodified opinion on our annual financial report
- Approved Longevity Distribution credits of over \$2,002,916 for Workers' Compensation Program members

On behalf of the Board of Directors, we greatly appreciate your continued participation in our risk management programs amidst the adversities the market has been facing. We look forward to our continued partnership with each of our member agencies.

Sandy Seifert-Raffelson  
2022-23 Board President

# ABOUT SDRMA

## JOINT POWERS AUTHORITY

SDRMA is a public agency formed in 1986, under California Government Code Section 6500 et seq., and was established to provide property and liability coverage protection and risk management services statewide exclusively for California public agencies. In 2003, SDRMA began providing workers' compensation coverage. In 2006, SDRMA began administering a health benefits program in partnership with Public Risk Innovation, Solutions, and Management (PRISM).

The Accreditation Standards span 21 pages including ten broad categories of review including:

- Governing Documents and Administrative Contracts
- Government Rules
- Insurance and Coverages
- Accounting and Finance
- Investment of Funds
- Funding and Actuarial Standards
- Risk Control
- Claims Management
- Operations and Administrative Management

## RECOGNITION OF SERVICE AND PROGRAM EFFECTIVENESS

In order to measure the effectiveness of its services and programs, SDRMA participates in state and national accreditation programs.

### CAJPA ACCREDITATION:

SDRMA participates in the California Association of Joint Powers Authorities (CAJPA) Accreditation Program. The purpose of the program is to promote professional management and fiscally sound practices, provide industry standards, assure governing boards of management's compliance with accepted standards, and maintain a self-regulating process that is ultimately less expensive and more meaningful than State or Federal regulation. CAJPA Accreditation is a measure of how well a pool is being managed and is evidence of the JPA Board's commitment to high standards. The process includes a review by independent consultants applying a detailed set of standards that have been accepted by the industry as "best practices." Compliance with the standards results in a status of "Full Accreditation" or "Accreditation With Excellence" for a three-year period. Since 2005, SDRMA has been awarded their highest designation, "Accreditation with Excellence." SDRMA received its latest designation in November 2020 and is effective through October 2023.



### AGRIP RECOGNITION:

In September 2021, SDRMA received recognition from the Association of Governmental Risk Pools (AGRiP) for compliance with AGRiP Advisory Standards. AGRiP Recognition is a method for member pools to conduct a comprehensive self-assessment of internal operational procedures against industry best practices. Any pool that meets the Advisory Standards is granted Recognition for three years, helping assure its governing body and members it is operating as effectively as they expect. SDRMA's AGRiP Recognition is effective through February 2024.



### SDLF DISTRICT OF DISTINCTION:

Since 2013, SDRMA has participated in the Special District Leadership Foundation (SDLF) District of Distinction program, an accreditation program that enables districts to demonstrate to their communities, legislators, and other key stakeholders their commitment to operate and govern a special district in a sound, responsible manner. In 2020, SDRMA earned SDLF's "Platinum Level," the highest level of distinction that recognizes completion of all SDLF programs demonstrating a comprehensive approach to excellence in district management and governance. This distinction is in effect through December 2022 and SDRMA will continue to re-apply for this accreditation program.



## SDRMA BOARD OF DIRECTORS

- Sandy A. Seifert-Raffelson, President, Herlong Public Utility District
- Robert Swan, Vice-President, Groveland Community Services District
- Jesse Claypool, Secretary, Honey Lake Valley Resource Conservation District
- David Aranda, CSDM, Director, Stallion Springs Community Services District
- Mike Scheafer, Director, Costa Mesa Sanitary District
- Timothy Unruh, CSDM, Director, Kern County Mosquito and Vector Control District
- Thomas Wright, Director, Clovis Veterans Memorial District



Sandy Seifert-Raffelson



Robert Swan



Jesse Claypool



David Aranda



Mike Scheafer



Timothy Unruh



Thomas Wright

## SDRMA ORGANIZATIONAL CHART

### ADMINISTRATION

- Brian Kelley, MBA, ARM, Chief Executive Officer

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- Allison Bateman, PHR, HR Office Manager
- Candice Richardson, Management Analyst

### CLAIMS MANAGEMENT/RISK CONTROL

- Debbie Yokota, ARM, CPCU, Chief Risk Officer

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- Enriqueta (Henri) Castro, CSP, Risk Control Manager
  - Eric Lucero, Senior Risk Control Specialist
- Roberto Lozano, Claims Manager
  - Danny Peña, Senior Claims Examiner
  - Keith Ikami, Claims Examiner I

### FINANCE

- Matt Clutterbuck, CPA, Chief Finance Officer

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- Petr Kovalchuk, Finance Manager
  - Margarito Cruz, Senior Accountant

### MEMBER SERVICES

- Ellen Doughty, ARM, Chief Member Services Officer

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- Wendy Tucker, AU, Member Services Manager
  - Teresa Guillen, Member Services Specialist II
  - Lisa Sandoval, Member Services Specialist I
- Alana Little, Health Benefits Manager
  - Michelle Brown, Health Benefits Specialist II

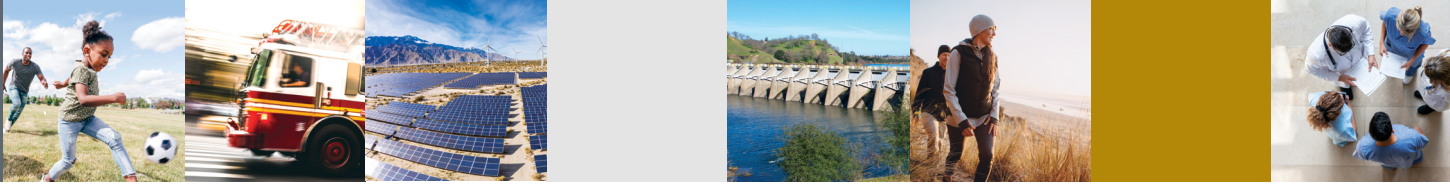
# PROGRAM OVERVIEW

SDRMA is a Joint Powers Authority (JPA) with over 35 years of trusted experience. SDRMA has a proven reputation for stable, competitive rates, actuarial based fiscal management, and sound underwriting practices. Our goal is to establish a long-term partnership with our members to positively impact the overall cost of claims and risk management by providing member focused services and safety training. Members can annually reduce their future year contributions up to 15% for completion of SDRMA approved risk management and training programs.

## A TRUSTED COMMITMENT TO OUR MEMBERS

- **Reflecting the Values of Our Members:** SDRMA is committed to conducting business on behalf of our members by doing the right thing in the right way and at the right time based on the highest professional standards and integrity.
- **Maximizing Coverage and Minimizing Risk:** Since formation, SDRMA has successfully met its stated mission by working with and on behalf of its members to develop programs and coverages that provide maximum protection and minimize losses.
- **Protecting Member's Assets:** SDRMA protects its members by identifying their exposures and assessing their risks. We aggressively manage and defend claims for damages and maintain a zero tolerance for fraud.
- **Covering our Members:** Coverage documents are broad form manuscript policies written on an "occurrence form" to ensure the highest level of coverage and maximum protection of assets for governmental entities providing municipal services.
- **Managing our Financial Responsibility:** SDRMA's expenditures on operations, claims, excess coverages and other aspects of the financial strategy are continually monitored and evaluated to protect our members' equity.
- **Maintaining a Fiscally Sound Pool:** SDRMA undergoes an annual financial audit and an annual actuarial review to assist with rate setting to maintain pool stability.
- A seven-member Board of Directors govern SDRMA and possess a firsthand understanding of the complex issues that special districts face in providing a wide variety of services to their customers. Elected from within the SDRMA's program membership, the Board carries out its fiduciary function of overseeing the pool's financial health, operations, and legal compliance and its strategic function of establishing policy, direction, and organizational vision. Board members are directors or managers of member agencies.

*SDRMA is committed to conducting business on behalf of our members by doing the right thing in the right way and at the right time.*





# NEW MEMBERS



## MEMBER RETENTION

Since 2008, we have consistently retained over 96% of our annual membership for both the Property/Liability and Workers' Compensation Programs.

## MEMBER ADDITIONS

We extend a warm welcome to the 26 new members/groups that joined in 2022-23.

### PROPERTY/LIABILITY PROGRAM

Antelope Valley Fire Protection District  
California Electronic Recording Transaction Network Authority  
California Tahoe Emergency Services Operations Authority  
Interagency Communications Interoperability System Authority  
Lake County Fire Protection District  
Mammoth Lakes Fire Protection District  
Prattville-Almanor Fire Protection District  
Reclamation District #1601  
Rough and Ready Fire Protection District  
Scott Valley Fire Protection District  
Stronghold-Newell Pest Abatement District  
Three Rivers Levee Improvement Authority  
Tuolumne Fire District  
West Almanor Community Services District

### WORKERS' COMPENSATION PROGRAM

Santa Barbara Local Agency Formation Commission

### HEALTH BENEFITS PROGRAM

El Dorado County Transit Authority  
Grossmont Healthcare District  
Imperial Valley Housing Authority  
Kings Mosquito Abatement District  
Madera County Mosquito and Vector Control District  
Mosquito and Vector Management District of Santa Barbara County  
Pioneer Community Energy  
Santa Barbara Local Agency Formation Commission  
Santa Ynez River Water Conservation District  
Templeton Community Services District  
Trinity County Resource Conservation District

*We believe that maintaining a strong member retention rate and attracting new members reflect our quality of service and programs, member confidence and competitive rates.*

SDRMA members provide a wide variety of public services ranging from air quality management to wastewater collection and treatment, as well as municipal services. The diversity of services and risk exposure is beneficial for obtaining the lowest reinsurance cost and in providing broad levels of coverage to our member agencies.

2022-23 Members – By Type	PLP	WCP	HBP
Air Pollution Control / Air Quality Management	13	11	4
Airport	3	5	0
Ambulance / Emergency Services / Life Support	2	2	0
Animal Services	2	1	0
Cemetery	23	30	9
Children Services	1	2	2
Community Services	132	91	24
Economic Development Commission	1	1	1
Emergency / Safety Communications	5	3	1
Fire Protection	23	28	8
Flood Control / Levee / Reclamation / Drainage	20	7	1
Harbor / Port	3	6	1
Healthcare / Medical Services / In Home Support	9	6	7
Housing Authority	1	1	1
Irrigation	8	9	2
JPA	29	22	10
Library	9	9	2
Local Agency Formation Commission	21	13	5
Memorial	11	8	0
Municipal Improvement / Resort Improvement	4	4	1
Municipalities	0	5	19
Pest Control / Mosquito Abatement / Mosquito Vector Control / Eradication	22	11	8
Police Protection	1	0	0
Public Utility	13	15	5
Recreation and Park	16	12	3
Resource Conservation	49	45	10
Sanitary / Sewer / Wastewater	25	19	10
Solid Waste / Waste Management	7	5	2
Transit / Transportation	4	6	9
Water	42	46	9
<b>Totals</b>	<b>499</b>	<b>423</b>	<b>154</b>

# MEMBERPLUS SERVICES™

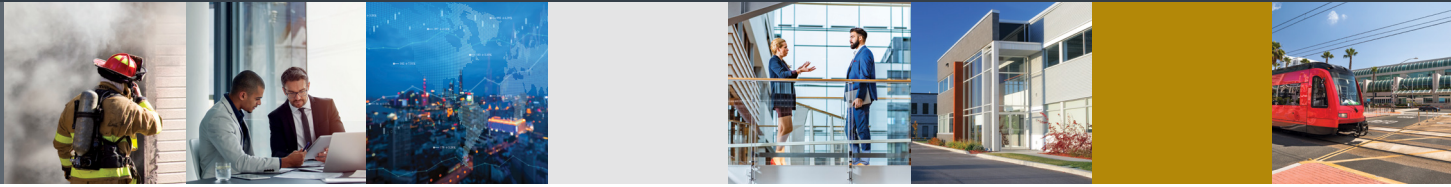


In an effort to help our members prevent and reduce claims, SDRMA provides Complimentary MemberPlus Services.™ These are just a few of the types of MemberPlus Services™ provided to our members:

- Personalized Online Member Resources – MemberPlus Online™ Portal
- Online Safety/Compliance Training – VectorSolutions™
- Employment Law Legal Hotline
- Telephone Triage - Company Nurse (Workers' Compensation members only)
- Discounts For CSDA Training Including Webinars and Workshops (Safety, Loss Prevention, Claims Handling)
- On-site Risk Control Visits & Risk Analysis
- Contribution-Reduction Credit Incentive Program (CIP)
- Occupational Safety & Health Program
- Loss Prevention Fund
- Hazard Identification Survey
- Claims Policy/Procedure Manual
- Monthly Review of Claims Loss Reports
- Monthly Safety Talk Meeting Materials
- Ergonomic Evaluations of Work Areas
- Contract Review: Coverage and Indemnification Language
- Special Events Liability Assistance\*

*Members can annually reduce their future year contributions up to 15% for completion of SDRMA approved risk management and training programs.*

\* Additional fees may apply



SDRMA offers a straightforward uncomplicated program. Coverage documents are broad form manuscript policies written on an “occurrence form” to ensure the highest level of coverage and maximum protection of assets for governmental entities providing municipal services. Our programs have a proven reputation for competitive rates, actuarially based fiscal management, and sound underwriting practices. Responsive, in-house claims management and cost containment, combined with tailored risk control, provides members an unequalled risk management program.

*SDRMA offers a straightforward uncomplicated program.*

## PROPERTY/LIABILITY PACKAGE PROGRAM COVERAGES:

### General Liability

Coverage for Third-Party claims and losses arising from members' operational exposures for Bodily Injury and Property Damage. Coverage provided for such exposures as: Recreational Activities; Premises Liability; Operational Breaches. Coverage included for Boards, employees and volunteers.

### Auto Liability

Auto liability coverage protects members from lawsuits for bodily injury and property damage to the public arising out of ownership, maintenance or use of a covered vehicle. Coverage includes: owned vehicles, non-owned and hired vehicles and uninsured/underinsured motorists.

### Auto Physical Damage

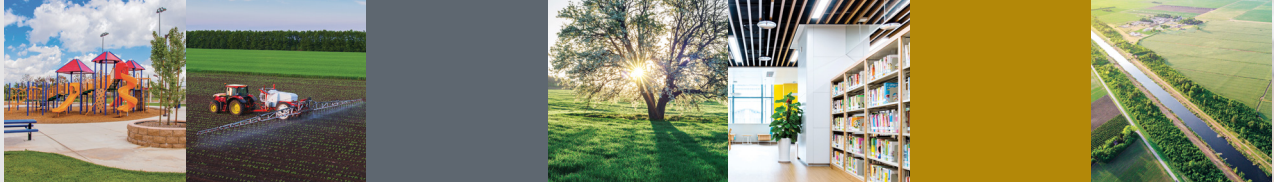
Auto physical damage (comprehensive and collision) provides protection for damage or loss to member's owned vehicle. Provides coverage for repair or replacement for like kind, type and condition based on actual cash value. Comprehensive coverage includes: fire, theft, vandalism, windstorm, hail, flood, glass breakage, damage caused by riot or civil commotion and damage from hitting or being hit by birds and animals. Collision coverage includes damage caused by colliding with another vehicle or object, not including birds or animals.

### Public Officials and Employees Errors and Omissions

Coverage for public officials and directors “wrongful acts”, alleged or actual negligence, errors or omissions, breach of duty, misfeasance, malfeasance, nonfeasance and defamation.

### Elected Officials Personal Liability

This highly specialized unique coverage protects elected and/or appointed officials from claims and settlements arising outside the course and scope of their duties. Coverage includes invasion of privacy, libel, slander, defamation of character, discrimination, false arrest and malicious protection.



### **Employment Practices Liability**

Coverage for claims and losses arising from “wrongful” employment practices. Coverage includes wrongful termination, harassment, hostile work environment and discrimination.

### **Employment Benefits Liability**

Coverage for claims and settlements resulting from the negligent administration of employee benefit plans.

### **Employee and Public Officials Dishonesty**

Coverage protection for member losses resulting from fraudulent or dishonest acts committed by employees, volunteers or board members. Coverage includes: larceny, theft, embezzlement, forgery and wrongful misappropriation.

### **Property Coverage**

All risk coverage provided for the replacement cost value of reported structures, buildings and contents. Additional extensions provided for course of construction, business interruption, automatic acquisition, increased cost of construction, debris removal, expediting expenses, extra expense, fine art (valued at current fair market value) flood coverage (annual aggregate), accidental contamination, personal property of others and valuable papers. Valuation: Replacement Cost (w/o depreciation), Mobile/Contractors Equipment: actual cash value.

### **Boiler and Machinery**

Coverage for the “sudden and accidental” breakdown of mechanical and electrical machinery. Coverage includes business interruption, extra expense, spoilage, water damage, ammonia contamination, hazardous substances, electronic data processing equipment and newly acquired property.

### **Cyber**

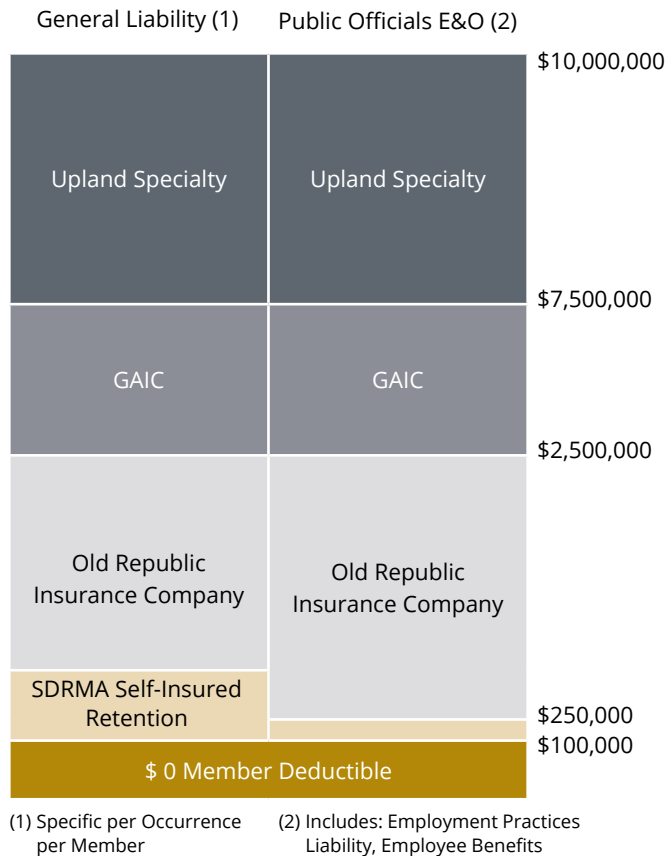
Coverage includes information security & privacy liability, privacy notification costs, regulatory defense and penalties, website media content liability and system damage and restoration (business interruption from hacking or virus).

*Effective July 1, 2021 new members must purchase cyber coverage separately as it is no longer included in the program package.*

### **Ancillary Coverages**

Ancillary coverages are offered on a member-by-member basis (such as earthquake or cyber).

An important safeguard and strength of our programs is the use of reinsurance to protect the membership from catastrophic losses. As a result of the financial strength and sound financial management of our programs, SDRMA has been able to obtain superior reinsurance coverage for our membership. Our Liability Program reinsurance partners, Old Republic Insurance Company, Great American Insurance Company (GAIC) and Upland Specialty Insurance Company are ranked among the top reinsurers worldwide.

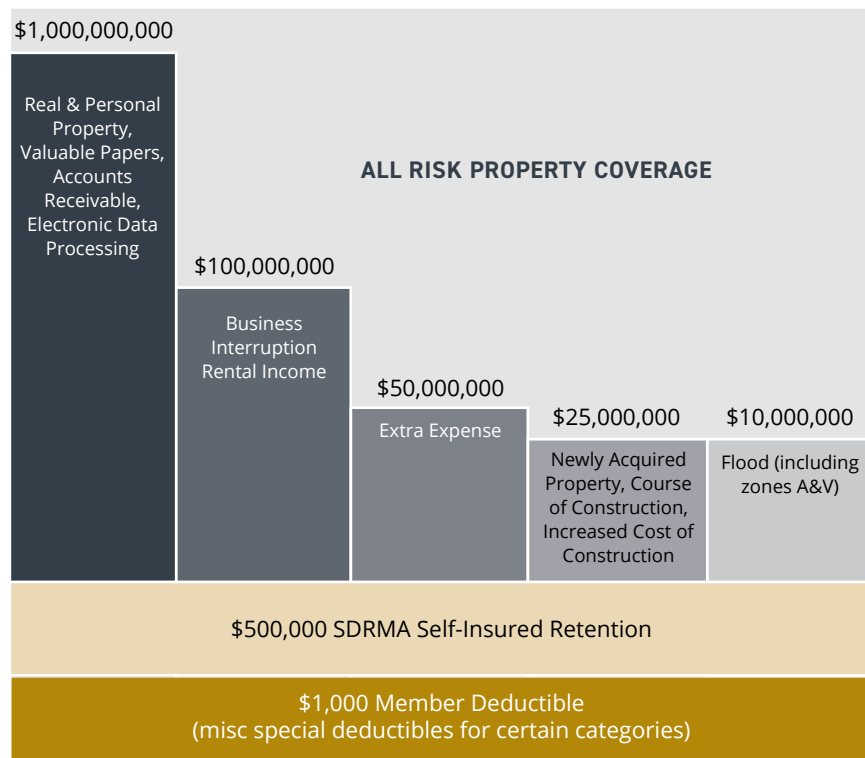


*A.M. Best Credit Ratings has assigned top ratings to our 2022-23 Liability Program reinsurance partners: Old Republic Insurance Company (A+ Superior), Great American Insurance Company (A+ Superior) and Upland Specialty Insurance Company (A- Excellent).*

# PROPERTY PROGRAM STRUCTURE

Our 2022-23 Property Program reinsurance partner is Alliant Property Insurance Program (APIP). Formed in 1993 to meet the unique property insurance needs faced by public entities, they are the largest single property placement in the world.

## RE INSURED BY: LEXINGTON INSURANCE COMPANY\* (A.M. BEST RATING A+ SUPERIOR)



NOTES: Property Coverage also includes Boiler & Machinery (which has a separate limit of \$100 million), and Mobile/Contractors equipment and vehicles valued over \$100,000 (which have separate sublimits under the property schedule).

\* The Lexington Insurance Company is the primary carrier for SDRMA's coverage limits in the APIP program administered by Alliant Insurance Services, Incorporated

SDRMA provides special districts, joint powers authorities, cities and other public agencies with comprehensive workers' compensation coverage. Our Workers' Compensation Program has a proven reputation for tremendous stability, competitive rates, actuarially based fiscal management, and sound underwriting practices. Moreover, our responsive claims management and cost containment, combined with tailored safety and loss prevention, providing Members with a full-service Workers' Compensation Program.

## PROTECTING OUR MEMBERS

Our primary objective is proactive prevention - to control and prevent losses, and to lower workers' compensation contributions. Our commitment is to create a safe environment for your employees - which is why our programs are geared to prevent employee injuries, not just provide coverage after they occur. Monthly safety and prevention bulletins are sent directly to all Members and employees.

*Our primary objective is proactive prevention - to control and prevent losses, and to lower workers' compensation contributions.*

## RISK CONTROL

Our excellent loss ratio is the direct result of the efforts of our Members and a proactive risk control program. We provide our Members with a claims procedure manual and training sessions to assist them with preliminary claims processing. In addition, if a Member's Experience Modification calculations are higher than average, SDRMA takes extra steps to help Members bring down their Experience Modification Factor (EMOD).

Our comprehensive risk control program offers a wide range of services and resources. We assist members with Cal/OSHA and risk related regulatory requirements, such as written program development, hazard inspections, ergonomic evaluations, and safety training. Members also have access to unlimited phone & email consultative services to assist with safety and risk management efforts. In addition, members have access to valuable resources, including a library of model programs and forms, an online training platform with over 1,500 training and continuing education courses, safety training handouts, publications on pertinent risk management topics, and more.

All Workers' Compensation Programs in California are required by law to provide the same coverage. The difference is, with an SDRMA Program, you receive superior claims management and risk control services to help prevent and reduce losses and unequalled value-for-value services.



# WORKERS' COMPENSATION PROGRAM STRUCTURE

Currently, our excess partners, Liberty Insurance Corporation, Ace American Insurance Company, Great American Insurance Company and Public Risk Innovation, Solutions, and Management (PRISM) provide insurance coverage for the various structured layers of the Workers' Compensation Program.



## SPECIAL DISTRICT REINSURANCE GROUP

SDRMA formed a wholly owned captive insurance company, Special District Reinsurance Group (SDRG), on June 1, 2021.

SDRG is domiciled in the State of Utah and is regulated by the Utah Department of Insurance.



By operating its captive insurance company, SDRMA is able to enhance its investment program, which creates immediate and long-term savings, and overall, creates a superior risk transfer mechanism.

There is a potential short-term immediate benefit to each program that transfers risk into the captive, in that the cost to fund each corridor can be discounted by a reasonable percent, depending on the duration of the payout period of the program, which would represent an upfront savings to the program members.

There is a long-term benefit to the entire SDRMA membership across all programs. This is derived from an enhanced investment program that will return significant additional investment income to SDRMA (all programs) over the long-term.

### SDRG BOARD OF DIRECTORS

- Brian Kelley - President and SDRMA CEO
- Mike Scheafer, Board Chairman
- Robert Swan, Vice Chairman
- Timothy Unruh, Treasurer
- Brent Andrewsén, Secretary



Brian Kelley



Mike Scheafer



Robert Swan



Timothy Unruh



Brent Andrewsén

# CLAIMS MANAGEMENT AND ADMINISTRATION

SDRMA recognizes that claims management is a critical component of a risk management program. SDRMA takes a proactive approach to claims management by providing responsive claims management and cost containment, combined with tailored safety and loss prevention programs.

## POSITIVELY IMPACTING CLAIMS COST

Our primary program objective is to provide responsive claims management, cost containment, loss control and prevention services that positively impacts the overall cost of property/liability coverages.

**Claims Philosophy:** Our philosophy and established practice is to work with and on behalf of our members to satisfactorily resolve claims, not only within the self-insured retention level, but also within the excess insurance layers.

**Claims Management:** We aggressively manage and defend claims for damages. SDRMA maintains a zero tolerance for fraud.

**Claims Communication:** All claims activity is closely communicated and discussed with our members.

**Claims Software:** SDRMA uses claims management software to provide accurate, up-to-date status of each claim, loss run reports and financial information.

**Risk Control:** SDRMA member's loss activity is continually monitored and evaluated by our team. In the event that a member's loss activity exceeds the pool average, our Risk Control team will contact members to discuss ways to reduce their exposure.

**Claims Settlement Authority:** SDRMA's Board of Directors and management team retain ultimate settlement authority and approval of claims within the self-insured retention. We defend claims aggressively and the Board of Directors has instructed staff to make every effort to resolve claims to the benefit of our members.

**Claims Education:** SDRMA believes the key to a successful risk management program is quality and relevant education. Our members are provided with a variety of seminars, online and local regional training such as: confined spaces, employment practices and board member ethics and responsibilities. In March, SDRMA offers an annual Education Day for its members at no charge.

**Claims Manual:** Members are provided with a Claims procedure manual and the necessary forms.

*Our philosophy and established practice is to work with and on behalf of our members to satisfactorily resolve claims.*



## CLAIMS

Our philosophy and established practice is to work with and on behalf of our members to satisfactorily resolve claims, not only within the self-insured retention level, but also within the excess insurance layers.

California Average Indemnity Cost Per Workers' Compensation Claim: \$29,275  
 SDRMA Average Indemnity Cost Per Workers' Compensation Claim: \$12,705

SDRMA Average Cost per Claim		
Program Year	Workers' Compensation (Indemnity only)	Property/Liability
2022-23	\$12,705	\$37,815
2021-22	\$7,986	\$37,745
2020-21	\$7,250	\$10,563
2019-20	\$7,577	\$11,952
2018-19	\$30,552	\$16,690

**Property/Liability Claims Management Program:** Property/Liability claims are processed, managed and adjusted “in-house.” SDRMA utilizes claims management software, and members have online access to claims and loss history information.

**Workers' Compensation Claims Management Program:** Under the direct supervision of SDRMA's Chief Risk Officer, SDRMA utilizes the third-party administrator expertise of Intercare for workers' compensation claims management. Members have online access to claims and loss history information.

# HEALTH BENEFITS PROGRAM

SDRMA, in partnership with Public Risk Innovation, Solutions, and Management (PRISM), offers a small group Medical Benefits Program to public agencies with 2-200 full-time employees. PRISM's small and large group medical pool current participant count is over 40,000 employee lives. Carrier Providers are Blue Shield, Anthem Blue Cross, and Kaiser, with multiple plan options: HMOs, PPOs, and High Deductible HSA Compatible Plans. Express Scripts, Blue Shield, Anthem Blue Cross, and Kaiser are the prescription carriers. Medical benefits rates are based on the physical county of the agency.

*SDRMA also offers a small group Ancillary coverages program in partnership with PRISM and it is available to public agencies with 2-50 full-time employees.*

SDRMA also offers a small group Ancillary coverages program in partnership with PRISM and it is available to public agencies with 2-50 full-time employees. There are several available options for each line of coverage providing maximum flexibility and savings. Agencies can select which programs they would like to join that are subject to underwriting approval. The Ancillary coverages program includes the programs and employee life counts in the table below:

	Small & Large Group Participants
Program	Count
Dental	90,000+
Vision	50,000+
Life and Short/Long Term Disability	90,000+
Employee Assistance Program	50,000+

SDRMA functions as the administrator of the small group program by marketing the program, enrolling new groups, entering updates for existing participants, answering day to day questions, billing, collecting and remitting the monthly medical and ancillary premiums. Since SDRMA only serves as the administrator of the Health Benefits Programs, there is no liability risk to SDRMA members.

Groups must be public agencies and are not required to participate in other SDRMA programs.



### PROVIDING CONFIDENCE IN OUR PROGRAMS

The confidence level is a measurement of the Authority's funding level and ability to pay losses. The higher the percentage, the greater the ability to pay losses for current and future claims. SDRMA's Board of Directors has an established policy of maintaining an actuarial confidence level on an undiscounted basis of 90% for both the Property/Liability and Workers' Compensation programs. The Board also requires that an actuarial study be prepared for both programs on an annual basis. Currently, our latest actuarial studies confirm that both our Property/Liability and Workers' Compensation confidence levels exceed 95%. The actuarial industry average is 75% - 85%. With a high ability to pay current and future losses, it is unlikely that our members will pay any assessments.

# FINANCIAL INFORMATION

## STATEMENT OF NET POSITION - JUNE 30, 2023 AND 2022

ASSETS	2023	2022
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$16,292,554	\$16,151,151
Accrued interest receivable	359,023	266,074
Receivables	6,097,683	3,500,671
Prepaid expenses	3,423,012	3,142,419
<b>Total Current Assets</b>	<b>26,172,272</b>	<b>23,060,315</b>
<b>NONCURRENT ASSETS</b>		
Investments	116,318,218	112,383,089
OPEB asset, net	0	40,435
Pension asset, net	0	133,793
Capital assets:		
Not being depreciated	1,884,365	1,881,230
Being depreciated, net	2,200,138	2,506,736
<b>Total Noncurrent Assets</b>	<b>120,402,721</b>	<b>116,945,283</b>
<b>Total Assets</b>	<b>146,574,993</b>	<b>140,005,598</b>
<b>Deferred Outflow On Pensions / OPEB</b>	<b>1,664,198</b>	<b>750,427</b>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	1,381,587	1,493,613
Accrued salaries and benefits	67,785	43,398
Member payable	2,051,690	2,896,501
Unearned contributions	8,795,936	9,466,482
Long-term liabilities - due within one year	13,452,421	11,558,619
<b>Total Current Liabilities</b>	<b>25,749,419</b>	<b>25,458,613</b>
<b>NONCURRENT LIABILITIES</b>		
Long-term liabilities - due in more than one year	48,868,201	47,508,932
OPEB liability, net	373,173	0
Pension liability, net	1,352,678	0
<b>Total Noncurrent Liabilities</b>	<b>50,594,052</b>	<b>47,508,932</b>
<b>Total Liabilities</b>	<b>76,343,471</b>	<b>72,967,545</b>
<b>Deferred Inflow On Pensions / OPEB</b>	<b>374,517</b>	<b>445,351</b>
<b>NET POSITION</b>		
Invested in capital assets, net of related debt	4,084,503	4,387,966
Unrestricted	67,436,700	62,955,163
<b>Total Net Position</b>	<b>\$71,521,203</b>	<b>\$67,343,129</b>

## STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION JUNE 30, 2023 AND 2022

	2023	2022
<b>OPERATING REVENUES</b>		
Members' contributions	\$57,921,821	\$50,927,807
Health benefits premiums	40,050,055	37,972,988
Dividends income	0	45,355
Other income	46,596	18,351
<b>Total Operating Revenues</b>	<b>98,018,472</b>	<b>88,964,501</b>
<b>OPERATING EXPENSES</b>		
Claims expense	21,714,323	14,394,857
Insurance expense	27,207,870	23,581,144
Health insurance expense	38,879,531	36,863,123
Contract services and CSDA fees	2,375,627	2,308,860
Salaries and benefits	4,102,804	1,734,833
General and administrative	1,766,885	1,510,440
Depreciation expense	513,790	519,926
Dividends expense	0	45,355
<b>Total Operating Expenses</b>	<b>96,560,830</b>	<b>80,958,538</b>
<b>Operating Income (Loss)</b>	<b>1,457,642</b>	<b>8,005,963</b>
<b>NONOPERATING REVENUES AND EXPENSES</b>		
Rental revenue	377,096	374,370
Rental expense	(145,541)	(293,689)
Net Rental Income (Loss)	231,555	80,681
Investment income	2,488,877	(7,087,002)
Gain on disposal of asset	0	200
<b>Total Nonoperating Income</b>	<b>2,270,432</b>	<b>(7,006,121)</b>
<b>Change in Net Position</b>	<b>4,178,074</b>	<b>999,842</b>
<b>Beginning Net Position</b>	<b>67,343,129</b>	<b>66,343,287</b>
<b>Ending Net Position</b>	<b>\$71,521,203</b>	<b>\$67,343,129</b>



# FINANCIAL INFORMATION

The **Statement of Net Position** provides information on SDRMA's assets, deferred outflow of resources, liabilities and deferred inflow of resources, with the difference reported as net position. SDRMA started FY 2022-23 with a net position of \$67.3 million. At the end of fiscal year 2022-23, SDRMA's assets and deferred outflows exceeded liabilities and deferred inflows by \$4.2 million, resulting in a net position of \$71.5 million, which represents a 6% increase to Net Position. Each program's Net Position is allocated between various funds necessary to ensure confidence in our ability to meet financial obligations, funding for catastrophic losses, rate stabilization and other programs and commitments.

The **Statement of Revenues, Expenses and Changes in Net Position** provides information showing total revenue and expense and how SDRMA's net position changed during the year.

## REVENUES

Total revenues were \$98 million, an increase of 10%, in 2022-23. This is made up primarily of higher contributions in the Property/Liability program due to the rising cost of excess insurance.

### Property/Liability

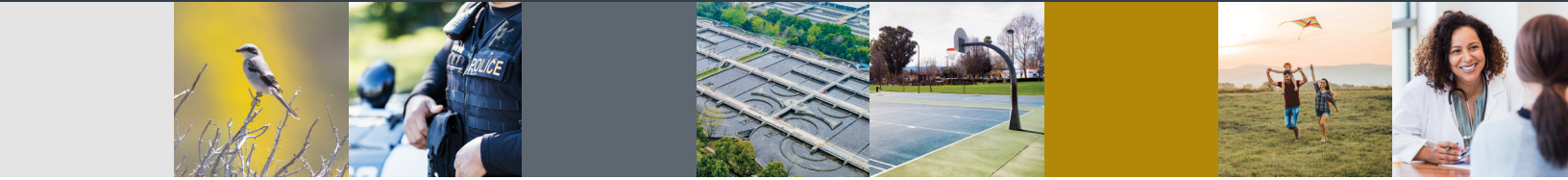
The Property/Liability program member contributions increased \$4.2 million, or 12%, as compared to 2021-22. The 2022-23 renewal was one of the toughest in the history of the pool, primarily due to the hard market, which has continued to harden. Our reinsurance brokers relayed the volatility of the reinsurance market early in the 2021-22 renewal cycle, which led to the board approving a 16.5% rate increase for General Liability and a 15% increase for Property.

### Workers' Compensation

For 2022-23, the Workers' Compensation program saw a 17%, or \$2.8 million, increase in member contributions, which was primarily due to a decreased longevity distribution declared by the Board of Directors. Members reported their estimated payroll to SDRMA in February 2022, with renewal invoices being sent in May 2022. Due to the timing of these events, staff expected significant refunds of contribution to be sent during the annual payroll reconciliation. In August 2022, SDRMA issued a total of \$730,000 in refunds and \$1.2 million in invoices, for a net of \$470,000.

### Health Benefits

The Health Benefits program experienced a 5.47% increase in premiums due to the following rate increases effective January 1, 2023: a 9.5% increase to medical participant rates, a 0.9% decrease to dental participant rates. During fiscal year 2022-23, there were no increases in SDRMA's administrative fee.

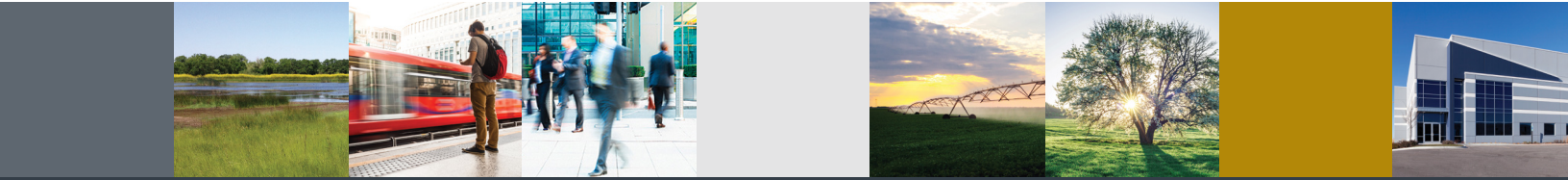


## EXPENSES

Total operating expenses were \$96 million for 2022-23.

Significant expense items for 2022-23 include:

- Health Benefits Insurance is based on the rates set by PRISM for the Health Benefits Program. Rates reflect the charges by the various carriers, a review of SDRMA participant’s medical and pharmacy claims experience, the program’s overall experience and projected increases in medical and pharmacy costs. SDRMA adds a small administrative fee to the rates billed to the various groups. This entire expense is a pass through to the agencies participating in the program.
- Property/Liability Excess Insurance continues to increase as the market continues to harden. In 2022-23, excess property rates increased 15% and excess liability rates increased by 16.5%. SDRMA had to pass these increases onto the members of the Property/Liability program, explaining the 12% increase in Property/Liability revenues.
- Property/Liability and Workers’ Compensation Claims account for a combined 17% of total expenses. At year end, Property/Liability had claim liabilities of \$17.3 million and Workers’ Compensation had claim liabilities of \$28.1 million. SDRG had claims liabilities of \$16.7 million. Both programs are funded above the 90% confidence level according to the latest actuarial report dated October 2023.

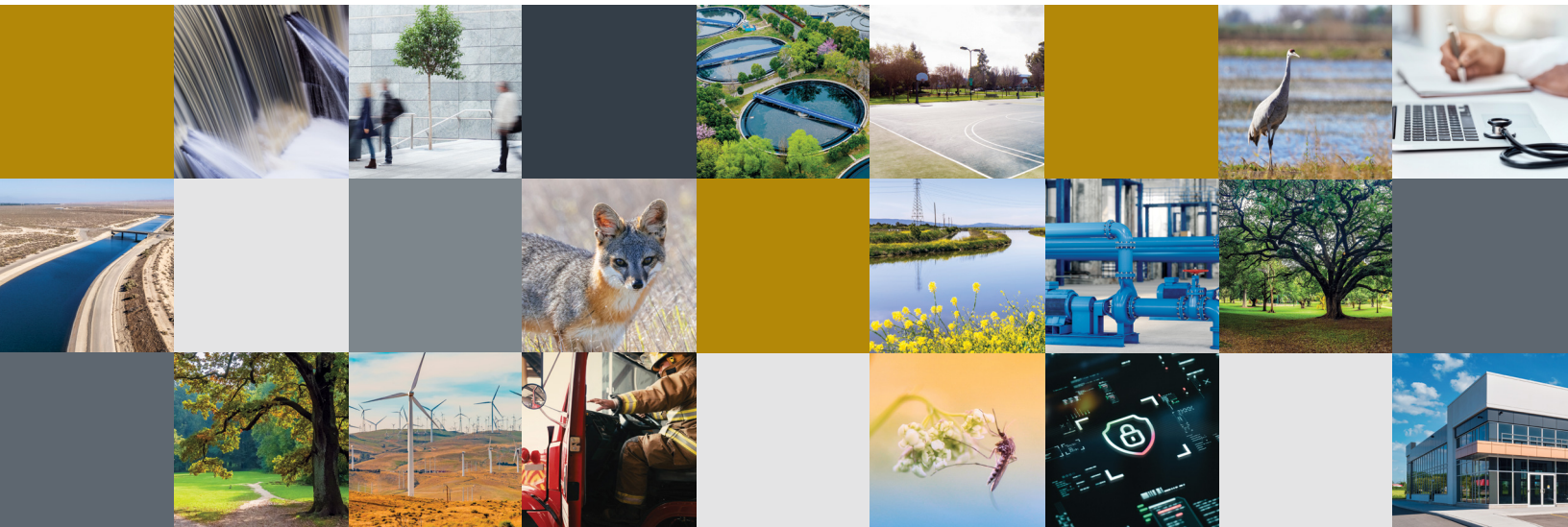


SDRMA

Maximizing Protection. Minimizing Risk.

# SDRMA

SPECIAL DISTRICT RISK MANAGEMENT AUTHORITY



1112 I Street, Suite 300  
Sacramento, California 95814-2865  
T 916.231.4141 or 800.537.7790  
F 916.231.4111

Maximizing Protection. Minimizing Risk. [www.sdrma.org](http://www.sdrma.org)