



SPECIAL DISTRICT RISK MANAGEMENT AUTHORITY

2016-17 ANNUAL REPORT

Maximizing Protection. Minimizing Risk.

www.sdrma.org



Special District Risk Management Authority (SDRMA) remains committed to its founding values of quality service, fiscal integrity and stability, and member focused programs that maximize protection and minimize risk.

Our goal is to serve as an extension of your agency's staff and provide the best value through proactive loss prevention, effective claims cost containment and enhanced member services. Our partnerships with California Special Districts Association (CSDA), the CSDA Finance Corporation and the Special District Leadership Foundation provide our members access to valuable services, resources, education and training opportunities.



“ Our partnerships with CSDA, the CSDA Finance Corporation and the Special District Leadership Foundation provide our members access to valuable services, resources, education and training opportunities. ”

During the CSDA Annual Conference in September, the SDRMA Board of Directors presented the 2017 Safety Awards. The Earl F. Sayre Excellence in Safety Award was presented to Property/Liability program members demonstrating a commitment to loss prevention and public safety throughout the year. The large member category recipient was Chino Valley Independent Fire District and the small member category recipient was Clovis Veterans Memorial District. The McMurchie Excellence in Safety Award was presented to the Workers' Compensation program members demonstrating a commitment to employee safety and training to reduce workplace injuries. The large member category recipient was United Water Conservation District and the small member category recipient was Running Springs Water District.

Significant Highlights for Fiscal Year 2016-17

- * Welcomed 28 new members
- * Approved no rate increase for the Workers' Compensation Program for the 3rd year in a row
- * Received a Favorable Opinion on our Annual Financial Audit Report
- * Approved Longevity Distribution credits of over \$247,000 for Property/Liability Program members and over \$463,000 for Workers' Compensation Program members
- * Approved a 10% rate increase for the Property/Liability Program after 7 years of no rate increases
- * Completed a Refresh of MemberPlus Online (member portal)
- * Completed Development and Conversion to PolicyPlus, our new internal Policy Administration Database Software

Finally, we greatly appreciate our members' excellent safety and loss prevention efforts which are demonstrated by either reduced claims or no claims and we recognize those efforts through the No Claims Recognition and President's Special Acknowledgement Award Programs. The No Claims Recognition is to acknowledge members with no "paid" claims during the prior program year. The President's Special Acknowledgement Award is to acknowledge members with no "paid" claims during the prior 5 consecutive program years. For the Property/Liability Program, 408 members had no claims for the prior year and 259 members had no claims over 5 years. For the Workers' Compensation Program, 270 members had no paid claims for the prior year and 127 members had no paid claims over 5 years.

On behalf of the Board of Directors, thank you for your support and continued participation in helping make SDRMA the premier risk management program in California for over 31 years!



Board President Jean Bracy, SDA

TABLE OF CONTENTS



04	About SDRMA
05	Organization Overview
06	Program Overview
07	MemberPlus Services™
08	Membership Profile
09	New Members
10	Property/Liability Package Program
12	Liability Program Structure
13	Property Program Structure
14	Workers' Compensation Program
15	Workers' Compensation Program Structure
16	Claims Management and Administration
18	Health Benefits Program
19	Confidence Levels
20	Financial Information - Net Position
22	Property/Liability Combined Ratios
23	Workers' Compensation Combined Ratios

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, liability, workers' compensation and health benefits coverage protection and risk management services statewide exclusively for California public agencies. SDRMA's primary objective is to serve as a single comprehensive resource providing quality coverage protection, risk management services, claims management, as well as a world-class safety and loss prevention program tailored to meet the complex needs of public agencies.



For over 31 years, we've been protecting the resources of California's public agencies.

SDRMA MISSION

SDRMA's mission is to provide 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'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.

CAJPA ACCREDITATION WITH EXCELLENCE

In order to measure the effectiveness of its services and programs, SDRMA participates in the California Association of Joint Powers Authorities (CAJPA) Accreditation Program. Since 2005, SDRMA has been awarded their highest designation, "Accreditation with Excellence". The CAJPA Accreditation program has been operating since 1989 and reviews the organizational structure and activities of a joint powers authority (JPA), comparing the JPA with standards adopted by the Association believed to be advantageous to the preservation and performance of the individual JPA and JPAs in California as a whole.

Compliance with the standards results in a status of "Full Accreditation" or "Accreditation With Excellence" for a three-year period. The process includes a review by independent consultants applying a detailed set of standards that have been accepted by the industry as "best practices." 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.

JPAs such as SDRMA operate comprehensive risk management programs and provide important services for member entities including loss prevention services. 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 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

ORGANIZATION OVERVIEW

SDRMA MEMBERS

SDRMA BOARD OF DIRECTORS

Fulfills the mission of the Authority by establishing policies and providing general direction and oversight for the benefit of our members.

- Jean Bracy**, SDA, President
Mojave Desert Air Quality Management District
- Ed Gray**, Vice President
Chino Valley Independent Fire District
- Sandy Seifert-Raffelson**, Secretary
Herlong Public Utility District
- David Aranda**, SDA, Director
Stallion Springs Community Services District
- Michael Scheafer**, Director
Costa Mesa Sanitary District
- Robert Swan**, Director
Groveland Community Services District
- Timothy Unruh**, Director
Kern County Cemetery District No. 1



Jean Bracy



Ed Gray



Sandy Seifert-Raffelson



David Aranda



Michael Scheafer



Robert Swan



Timothy Unruh

CHIEF EXECUTIVE OFFICER

Develops programs for the benefit of the pool. Manages the Authority in accordance with Board policy and direction. Maintains administrative and operational responsibilities.

Gregory S. Hall, ARM

CONSULTANTS

General Counsel
Defense Counsel
Coverage Counsel
Reinsurance Brokers

CLAIMS MANAGEMENT LOSS PREVENTION

Manages entire claims process. Assists members in reducing and controlling losses, provides proactive safety training, member safety inspections.

- Dennis Timoney**, ARM
Chief Risk Officer
- Debbie Yokota**
Claims Manager
- Danny Peña**
Senior Claims Examiner
- Heidi Singer**
Claims Examiner

ADMINISTRATION

Manages the Authority's business operations and ensures continuity and efficiency in the Authority's programs and operations. Coordinates coverages with carriers. Manages human resource programs.

- C. Paul Frydendal**, CPA
Chief Operating Officer
- Alana Batzianis**
Manager HR/Health Benefits
- Alexandra Santos**
HR/Health Benefits Specialist II

FINANCE

Manages the Authority's funds and financial activities. Ensures financial integrity and accountability. Monitors budgeted expenses with actual expenditures.

- Heather Thomson**, CPA
Chief Financial Officer
- Susan Swanson**, CPA
Finance Manager
- Michelle Halverson**
Accountant

MEMBER SERVICES

Serves as the primary contact between the Authority and its members. Ensures effective communication and information for members. Provides resources for member growth and retention.

- Ellen Doughty**, ARM
Chief Member Services Officer
- Wendy Tucker**
Member Services Manager
- Kayla Kuhns**
Member Services Specialist I

CONTRACT SERVICES

Third Party Administrator – Workers' Compensation
Safety Consultants

CONTRACT SERVICES

Investment Managers

CONTRACT SERVICES

Auditors
Actuaries

CONTRACT SERVICES

IT Consultants

SDRMA is a Joint Powers Authority (JPA) with over 31 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.



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.

- * 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, assessing their risks and recommending the optimal deductible and coverage limits. 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 ensure a high ranking and ability to surpass industry benchmarks, which results in consistently lower rates for our members.
- * Maintaining a Fiscally Sound Pool: SDRMA's combined ratios are significantly below the industry average. This consistent performance allows SDRMA to maintain a fiscally sound pool, as well as provide rates that are on average 15% below the commercial marketplace.
- * A seven-member Board of Directors govern SDRMA and possess a firsthand understanding of the complex issues of operating municipal services. Elected from within the SDRMA's program membership the Board establishes policy, direction and the vision of the organization. Board members are directors or managers of member agencies.

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
 - * State-of-the-Art Online Safety/Compliance Training – TargetSolutions™
 - * Employment Law Legal Hotline
 - * Telephone Triage - Company Nurse (Workers' Compensation members only)
 - * Discounts For CSDA Training Including Webinars
 - * Training Workshops (Safety, Loss Prevention)
 - * Safety, Claims Handling & Risk Reduction Training
 - * On-site Loss Control Visits & Risk Analysis
 - * Comprehensive Safety & Risk Management Multimedia Library
 - * Contribution-Reduction Credit Incentive Program (CIP)
 - * Occupational Safety & Health Program
 - * Loss Prevention Allowance Fund
 - * Hazard Identification Survey
 - * Claims Policy/Procedure Manual
 - * Monthly Review of Claims Loss Reports
 - * Monthly Safety Management Meeting Materials
 - * Ergonomic Evaluations of Work Areas
 - * Contract Review & Transfer of Risk Analysis
 - * DMV Record Review - EPN Pull Notice Program
 - * Defensive Driver Training Program*
 - * Special Events Liability Assistance*
- * Additional fees may apply

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

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 stable rates.

Property/Liability Members	505
Workers' Compensation Members	442
Health Benefit Groups	130

2016-17 Members – By Type	PLP	WCP	HBP
Air Pollution Control / Air Quality Management	11	11	3
Airport Districts	3	6	1
Ambulance / Emergency Services / Life Support	1	2	0
Animal Services	2	1	0
Cemetery	22	30	10
Children Services	1	2	2
Community Services Districts	137	95	17
Economic Development Commission	1	1	1
Emergency / Safety Communications	5	3	1
Fire Protection	20	26	4
Flood Control / Levee / Reclamation / Drainage	18	8	1
Harbor / Port	3	7	1
Healthcare / Medical Services / In Home Support	7	6	6
Housing Authority	1	1	0
Irrigation	9	13	2
JPA	22	19	5
Library	10	10	2
Local Agency Formation Commission	21	12	5
Memorial	11	6	0
Municipal Improvement / Resort Improvement	5	5	1
Municipalities	2	5	21
Pest Control / Mosquito Abatement / Mosquito Vector Control	20	12	9
Police Protection	1	0	0
Public Utility	16	17	4
Recreation and Park	18	10	1
Resource Conservation	50	44	9
Sanitary / Sewer / Wastewater	26	19	9
Solid Waste / Waste Management	9	6	2
Transit / Transportation	3	5	7
Water	50	60	6
Totals	505	442	130

NEW MEMBERS

PROPERTY/LIABILITY PROGRAM

Grizzly Lake Community Services District
Calwa Recreation and Park District
Palmer Creek Community Services District
San Mateo County Harbor District
Surfside Colony Community Services District
Scotia Community Services District

WORKERS' COMPENSATION PROGRAM

Central Basin Municipal Water District
City of Jurupa Valley
Gold Ridge Resource Conservation District
Hilmar County Water District
Honey Lake Valley Resource Conservation District
Lake County Resource Conservation District
McKinney Water District
Ontario International Airport Authority
Woodside Fire Protection District

PROPERTY/LIABILITY AND WORKERS' COMPENSATION

Grizzly Ranch Community Services District
Resource Conservation District of Monterey County
Riverview Cemetery District
Southern Cascades Community Services District
Strawberry Fire Protection District
Twentynine Palms Public Cemetery District
West Side Cemetery District

HEALTH BENEFITS PROGRAM

Barstow Cemetery District
Peninsula Clean Energy Authority
San Luis Obispo Local Agency Formation Commission
San Mateo County Harbor District
Twentynine Palms Cemetery District
Westwood Community Services District

28 NEW MEMBERS

Membership in our programs continues to grow. We believe this is a reflection of our quality of service and programs, member confidence and competitive rates. We extend a warm welcome to the 28 new members that joined in 2016-17.

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 stable, competitive rates, actuarially based fiscal management, and sound underwriting practices. Responsive, in-house claims management and cost containment, combined with a tailored safety and loss prevention, provides members an unequalled risk management program.

PROPERTY/LIABILITY PACKAGE PROGRAM COVERAGES:



SDRMA offers a straightforward uncomplicated program.

General Liability

Coverage for claims and losses arising from third-party personal injury, bodily injury and property damages. Coverage includes: subsidence (associated with main leaks and breaks), sudden & accidental release of chlorine, water & wastewater as a completed product (not pollution), failure to supply (except for administrative acts), sewer overflow/backups, hazardous material loading/unloading and volunteer/employees.

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 a member’s owned vehicle. 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 provides coverage for repair or replacement for like kind, type and condition based on actual cash value.

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, sexual harassment 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

Coverage provided for the replacement cost value of reported buildings and contents. Additional extensions provided for accounts receivable, builders’ risk, business interruption, commandeered property, cost of construction, debris removal, electronic data processing, extra expense, fine art (appraised value), flood coverage (annual aggregate), terrorism, pollution clean-up (related to property loss), personal property of others and valuable papers. Valuation: Replacement Cost (w/o depreciation).

Boiler and Machinery

Coverage for the “sudden and accidental” breakdown of mechanical and electrical machinery. Coverage includes expediting expenses, business income, extra expense, spoilage, water damage, ammonia contamination, hazardous substances, error in description 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).

Ancillary Coverages

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

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. Currently, our Liability Program reinsurance partner Munich Re is ranked one of the top reinsurers worldwide.

Currently, our Liability Program reinsurance partner is; Munich Re (A.M. Best Rating A+ Superior).



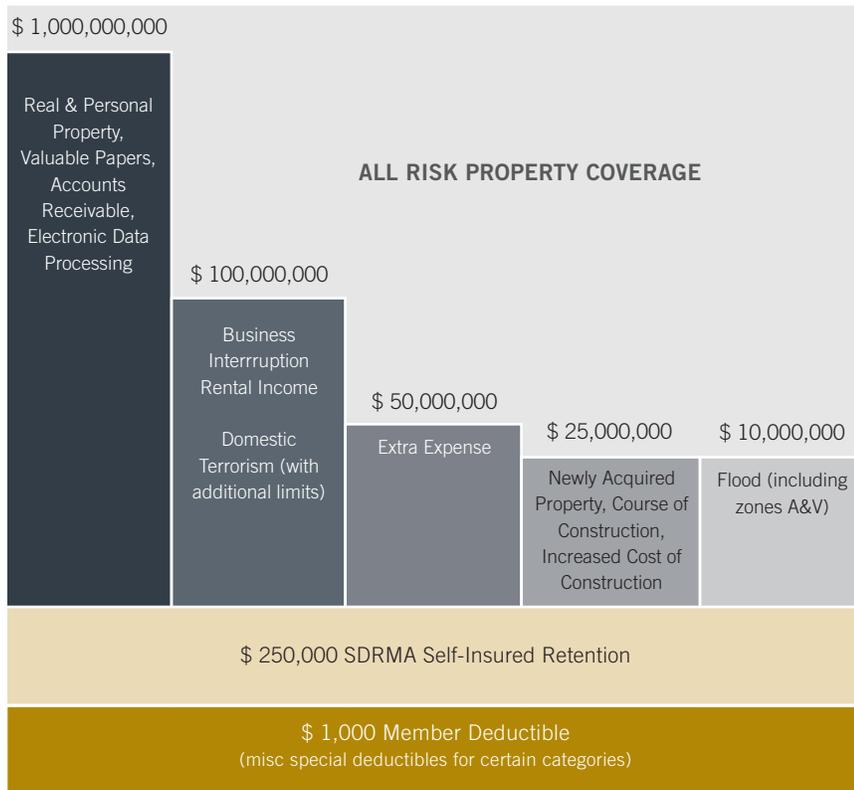
(1) Specific per Occurrence per Member (No Annual Aggregate)

(2) Includes: Employment Practices Liability, Employee Benefits (Annual Aggregate)

PROPERTY PROGRAM STRUCTURE

Currently, our Property Program reinsurance partner is Public Entity Property Insurance Program (PEPIP). Formed in 1993 to meet the unique property insurance needs faced by public entities, they are the largest single property placement in the world.

INSURED BY: LEXINGTON INSURANCE COMPANY* (A.M. BEST RATING A EXCELLENT)



NOTES: Property Coverage also includes Boiler & Machinery, Contractors Equipment Schedule, Lease Purchase and Fire Vehicles Scheduled

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

As California's trusted risk management advisor, 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, provide Members an unrivaled full-service Workers' Compensation Program.



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

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.

LOSS CONTROL

Our excellent loss ratio is the direct result of the efforts of our Members and a proactive loss prevention program. New Members receive a comprehensive on-site safety analysis by a certified safety officer and are provided a written safety report. 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).

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 loss prevention and safety training 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, Wesco Insurance Company, Brit Global Specialty USA (Lloyd's) and California State Association of Counties (CSAC) Excess Insurance Authority provide insurance coverage for the various structured layers of the Workers' Compensation Program.



SDRMA recognizes that claims management is a critical component of a risk management program. SDRMA takes a pro-active approach to claims management. Responsive claims management and cost containment, combined with tailored safety and loss prevention, provides our members unequaled full-service programs.

POSITIVELY IMPACTING CLAIMS COST

We consider claims our product: 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.



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

- * 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.
- * State-of-the-Art Claims Software: SDRMA uses state-of-the-art claims

management software to provide accurate, up-to-date status of each claim, loss run reports and financial information.

- * Claims Activity Evaluation: SDRMA member's loss activity is continually monitored and evaluated by our claims management professionals. In the event that a member's loss activity exceeds the pool average, our claims management team will develop an action plan to assist members in claims reduction.
- * 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.
- * Claims Manual: Members are provided with a Claims procedure manual and the necessary forms.

CLAIMS ARE OUR PRODUCT

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.

Industry Average Indemnity Cost Per Workers' Compensation Claim: \$80,877
SDRMA Average Indemnity Cost Per Workers' Compensation Claim: \$16,908

SDRMA Average Cost per Claim		
Program Year	Workers' Compensation (Indemnity only)	Property/Liability
2016-17	\$16,908	\$19,851
2015-16	\$17,213	\$15,804
2014-15	\$19,457	\$19,500
2013-14	\$7,131	\$17,730
2012-13	\$15,148	\$19,898

Property/Liability Claims Management Program: Property/Liability claims are processed, managed and adjusted "in-house." SDRMA utilizes state-of-the-art 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, we utilize the third-party administrator expertise of York Risk Services Group, Inc. for our workers' compensation claims management. Members have online access to claims and loss history information.

SDRMA in partnership with California State Association of Counties (CSAC-EIA Health - current life pool with over 80,000 participants), offers a small group Medical Benefits Program to public agencies with 250 employees or less. Network Providers are Blue Shield, Blue Cross and Kaiser and there are multiple plan offerings; HMOs, PPOs, and High Deductible HSA Compatible Plans. Express Scripts, Blue Shield and Kaiser are the prescription providers.

SDRMA also offers an Ancillary coverages package including Delta Dental, VSP Vision, VOYA Financial Life, Long Term Disability (LTD) and an MHN Employee Assistance Program (EAP). There

are several available options for each coverage providing maximum flexibility and savings.

SDRMA functions as the administrator of the small group program by marketing the program, enrolling new groups, answering day to day questions, billing (using a third party TPA), collecting and remitting the monthly



SDRMA functions as the administrator of the small group program by marketing the program, enrolling new groups, answering day to day questions, billing, collecting and remitting the monthly medical premiums.

medical 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.

CONFIDENCE LEVELS



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 (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 Property/Liability and 85% for Workers' Compensation. Currently, both our Property/Liability and Workers' Compensation confidence levels exceed 95%. The actuarial industry average is 75% - 85%.



Our goal is to serve as an extension of your staff so our service is seamless to you and your agency.

STATEMENT OF NET POSITION – JUNE 30, 2017 AND 2016

ASSETS	2017	2016
CURRENT ASSETS		
Cash and cash equivalents	\$ 10,275,155	\$ 6,527,850
Current investments	6,813,894	6,555,223
Receivables	5,054,365	5,023,854
Prepaid expenses	2,659,479	2,599,332
Total Current Assets	24,802,893	20,706,259
NONCURRENT ASSETS		
Investments at market	81,607,754	84,573,703
Note receivable	20,917	77,792
Capital assets:		
Land	762,850	762,850
Other capital assets, net	4,657,641	4,562,230
Total Noncurrent Assets	87,049,162	89,976,575
Total Assets	111,852,055	110,682,834
Deferred Outflow On Pensions	637,936	332,954
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	794,234	848,433
Accrued payroll	106,411	126,656
Member payable	696,038	1,181,739
Unearned contributions	8,680,692	8,411,217
Current portion of claim-related liabilities	17,000,000	16,000,000
Total Current Liabilities	27,277,375	26,568,045
NONCURRENT LIABILITIES		
Noncurrent portion of claim-related liabilities	34,384,909	32,136,227
Pension liability, net	414,814	50,445
Total Noncurrent Liabilities	34,799,723	32,186,672
Total Liabilities	62,077,098	58,754,717
Deferred Inflow On Pensions	171,678	117,687
NET POSITION		
Invested in capital assets, net of related debt	5,420,491	5,325,080
Unrestricted	44,820,724	46,818,304
Total Net Position	\$ 50,241,215	\$ 52,143,384

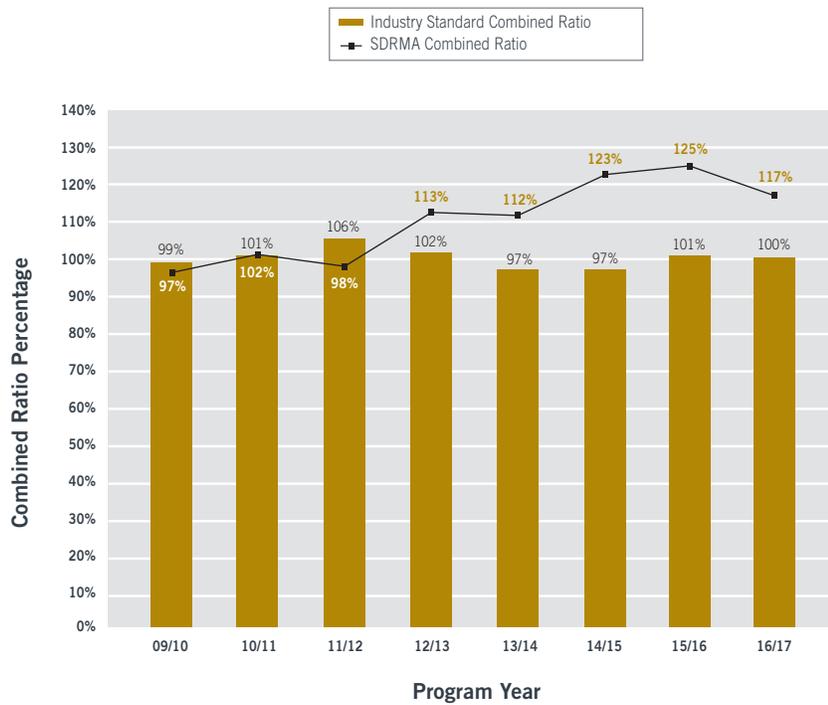
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
JUNE 30, 2017 AND 2016**

	2017	2016
OPERATING REVENUES		
Members' contributions	\$ 35,062,422	\$ 33,188,001
Health benefits premiums	30,251,174	28,878,297
Other income	528	289
Total Operating Revenues	65,314,124	62,066,587
OPERATING EXPENSES		
Claims expense	17,465,946	14,958,997
Insurance expense	13,566,816	12,456,321
Health insurance expense	29,662,532	28,310,058
Contract services and CSDA fees	2,443,458	2,249,869
Salaries and benefits	2,562,925	1,855,035
General and administrative	1,392,049	1,024,345
Depreciation expense	313,295	168,096
Total Operating Expenses	67,407,021	61,022,721
Operating Income (Loss)	(2,092,897)	1,043,866
NONOPERATING REVENUES AND EXPENSES		
Rental revenue	391,976	376,858
Rental expense	(302,890)	(317,168)
Net Rental Income (Loss)	89,086	59,690
Investment income	101,642	2,349,702
Gain (Loss) on sale of capital assets	-	-
Total Nonoperating Income	190,728	2,409,392
Change in Net Position	(1,902,169)	3,453,258
Beginning Net Position	52,143,384	48,690,126
Ending Net Position	\$ 50,241,215	\$ 52,143,384

Combined ratios are a statistical measurement used to evaluate an organization’s underwriting performance and takes into consideration annual operating costs, including claims and excess insurance expenditures compared to premiums collected.

SDRMA's high ranking exceeds industry benchmarks resulting in lower rates for our members. This graphical illustration demonstrates that SDRMA's combined pool losses are typically below the combined ratio of the commercial insurance market. However, over the last couple of years, the SDRMA Board of Directors approved using Reserves instead of increasing rates for our members - those Reserves had previously been set aside for that purpose. This is reflected in the higher combined ratio number in the chart below.

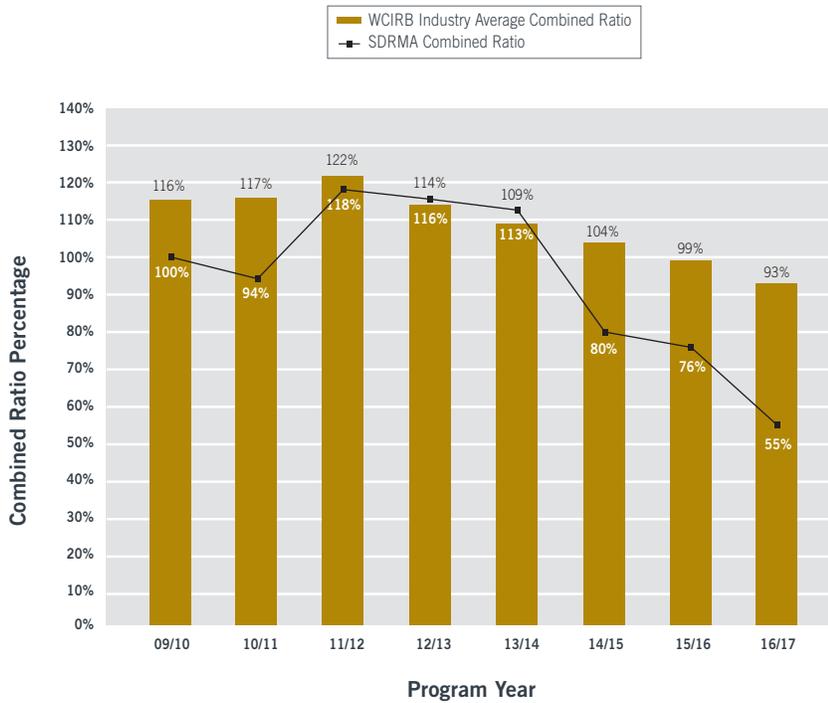
PROPERTY/LIABILITY PROGRAM COMBINED RATIO TREND ANALYSIS



WORKERS' COMPENSATION COMBINED RATIOS

Combined ratios are an indicator of the organization's sound underwriting principles and skill at mitigating risk. Combined ratios provide a measurement of expenses to premiums collected - ratios greater than 100% indicate that more is paid out in claims and expenses than is collected in premiums. This graphical illustration demonstrates that SDRMA's combined pool losses are consistently below the combined ratio of the commercial market.

WORKERS' COMPENSATION PROGRAM COMBINED RATIO TREND ANALYSIS





SPECIAL DISTRICT RISK MANAGEMENT AUTHORITY

Maximizing Protection. Minimizing Risk.
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