

SDRMA: Celebrating 25 Years as California's Trusted Risk Management Advisor

Gregory S. Hall, SDRMA CEO

In January 1986, representatives of over 60 special districts throughout California met in Sacramento at the invitation of the California Special Districts Association to study the feasibility of developing a self-funded liability risk financing pool designed specifically for special districts. At that time, even after commercial rates doubled and tripled, commercial insurance companies began canceling coverage for public agencies. In response, the Special District Insurance Authority (SDIA) was formed pursuant to the joint powers provision of the California Government Code, Section 6500 et. seq. as a not-for-profit public agency.

The government codes did not require capitalized funding in order to begin risk financing programs because, by code, joint powers authorities (JPAs) that administer risk financing programs are *not* insurance companies. Therefore, JPAs are not regulated by the provisions of the California Insurance Code. The principal reasoning is that California risk financing JPAs are able to include *assessment* provisions in the joint powers agreements executed by their members and thus do not require capital to support potential losses.

In March 1990, the name was changed to Special District Risk Management Authority (SDRMA), which has developed into a well-funded, financially sound organization serving public agency members throughout California. SDRMA has been able to keep rates predictable and stable for our members for over 25 years with assets now totaling over \$100 million and no debt.

How did we get where we are today?

In response to the call of SDRMA's Mission Statement, "to provide renewable, efficiently priced risk financing and risk management services through a financially sound pool..." SDRMA's past and current Board of Directors have worked diligently to not only provide basic protection program coverages but also to offer expanded coverages for members while keeping a tight rein on finances.

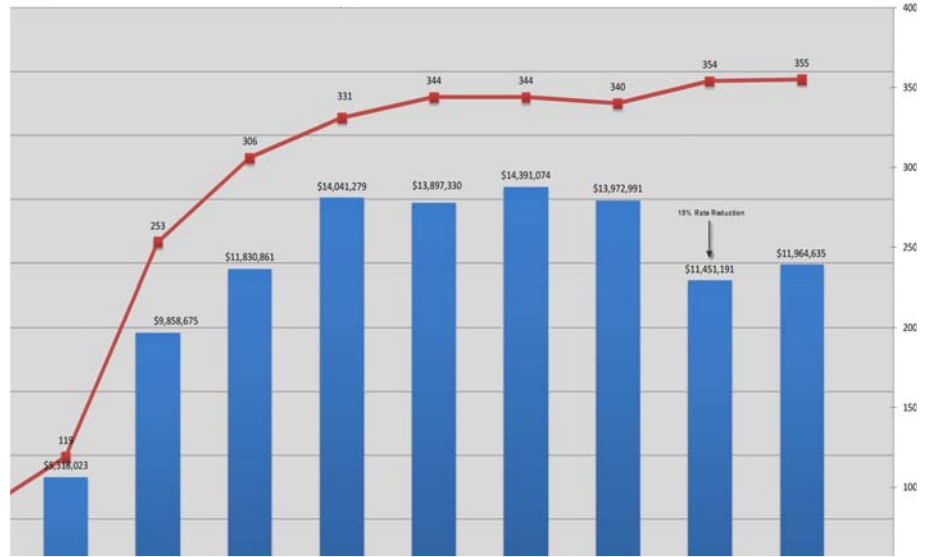
Historical Growth Statistics

During the first year of formation, 73 special districts joined the Authority with original contributions starting at \$1.5 million. The initial package program included general liability, auto liability and property loss coverages. In 2003, SDRMA merged with Special District Workers' Compensation Authority and began providing workers' compensation coverage. Later, in 2006, SDRMA in conjunction with California State Association of Counties Excess Insurance Authority (CSAC-EIA Health) began offering health benefits coverages.

SDRMA's membership and contribution history are displayed in the following graphs. The property/liability has grown from 73 members with \$1.5 million in annual contributions to 442 members (505 percent increase) with \$12.2 million in annual contributions (713 percent increase). The workers' compensation program has grown since merging with SDRMA from 73 members with \$1.6 million in annual contributions to 355 members (386 percent increase) with \$11.9 million in annual contributions (644 percent increase). The health benefits program is currently at 75 members with over \$19.5 million in annualized premiums.

SDRMA Workers' Compensation Program

Contributions to Membership
July 1998 to June 2011



Managing Our Investments

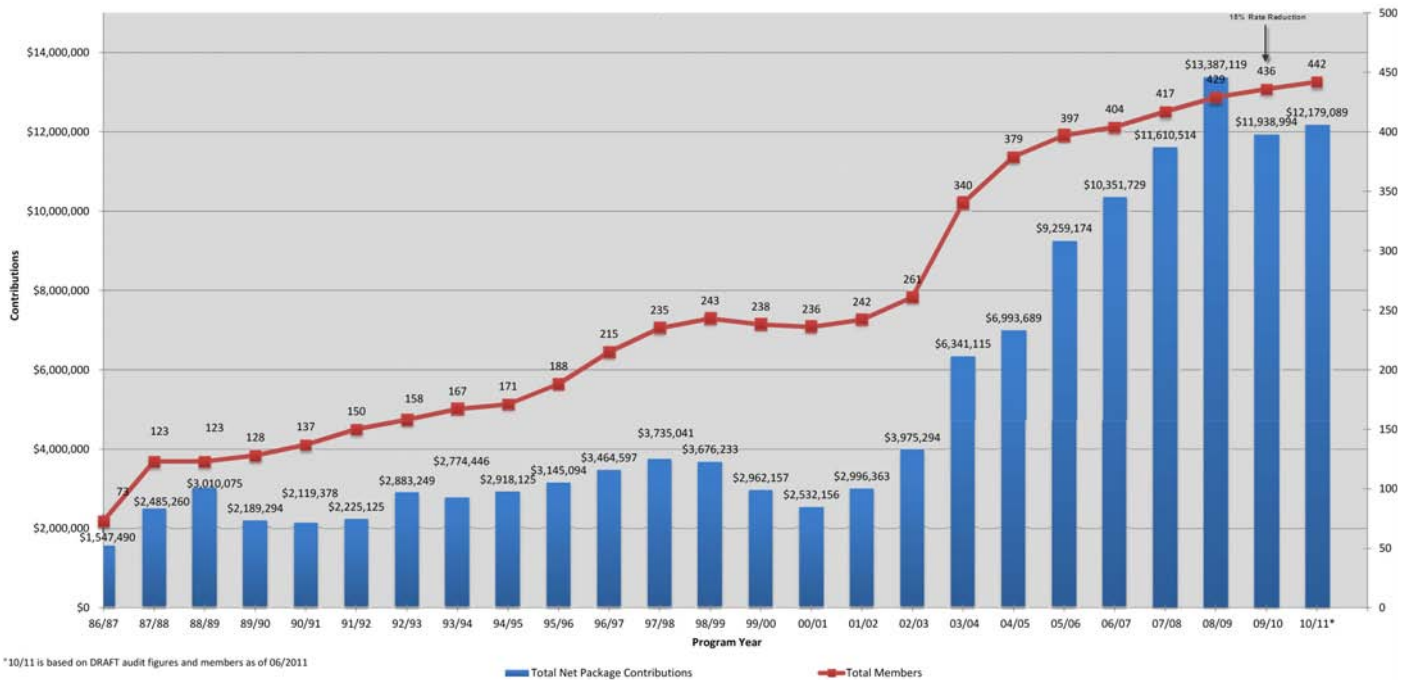
To help ensure that our investments are managed professionally and prudently, SDRMA contracts with Public Financial Asset Management, LLC (PFM). PFM brings a comprehensive approach to the business of money management. The Authority's funds are invested in complete compliance

with the government code and the portfolios are designed to earn competitive yields while maximizing safety and liquidity. The SDRMA Board of Directors receives quarterly investment reports presented by representatives of PFM at regular board meetings. The Authority does not use investment earnings as part of our revenue sources for budgeting purposes and instead, places those earnings in reserves.

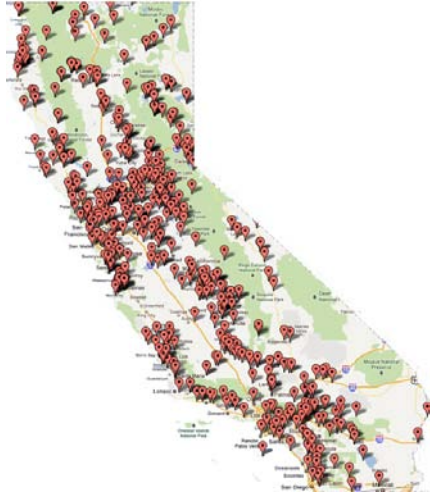
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SDRMA Property/Liability Program

Contributions to Membership
Inception to June 2011



*10/11 is based on DRAFT audit figures and members as of 06/2011



SDRMA Members in California

Financial Oversight, Goals and Objectives

Every three years the SDRMA Board of Directors holds a planning workshop to develop and approve a strategic business plan. We welcome participation by not only our Board and staff but also our consultants and business partners. The success indicators include safety/loss prevention, claims management, financial, membership retention and growth, member focused service, operational/administrative and technology.

Related specifically to the Board's and staff's financial responsibility to our members are financial goals that include: *net assets growth* related to investment income, *annual financial audits* with clean opinions and no significant management findings, *stable rates* with a goal to be 15 percent below average commercial market rates and *confidence levels* of at least 90 percent for the property/liability program and at least 85 percent for the workers' compensation program. The confidence level is a measurement of the Authority's funding level and the ability to pay losses. The higher the percentage, the greater the ability to pay losses – the industry average is between 75 and 85 percent.

The California Association of Joint Powers Authorities (CAJPA) Accreditation Program reviews the organizational structure and activities of joint powers authorities and compares them with JPA standards adopted by the Association. Those standards are believed to be advantageous to the preservation and performance of each individual JPA and JPAs in California as a whole. The purpose of the program is to promote professional management and fiscally sound practices, provide industry standards and assure governing boards of management's compliance with accepted standards. In essence, the accreditation is a measure of how well a pool is being managed and is evidence of the Board of Director's commitment to high standards. We are pleased that in January 2012, the SDRMA Board of Directors will once again be presented with a three-year CAJPA "Accreditation with Excellence" certificate!

Claims Management and Loss Prevention

Claims are our product and, as such, represent the largest line item expense in our budgets. Our philosophy and established practice is to work with and on behalf of our members to satisfactorily resolve claims, not only within our self-insured retention layer, but also within the excess insurance layers. An important safeguard and strength of our programs is the use of reinsurance to protect the membership from catastrophic losses and we partner with some of the largest reinsurers in the world to obtain the best possible coverage at the lowest possible price. At the same time, with loss prevention as a major focus of SDRMA, we work together with our members to implement and provide *effective* safety and loss prevention programs.

State-of-the-Art Technology and MemberPlus Services™

SDRMA continues to use state-of-the-art technology to provide members with round-the-clock access to their coverage information. With the introduction of the MemberPlus Online portal, members have complete access to their coverage documents, loss runs, video/DVD lending library, electronic annual renewal questionnaire, a credit incentive program tracking tool, document library and much more. In addition, members are provided access to free online training through TargetSolutions. The efficient use of technology has helped keep SDRMA's staffing costs down and has improved service delivery to our members.

Partnership with CSDA

As a requirement for participation in SDRMA's property/liability or workers' compensation programs, a public agency must be a member of CSDA. As a result, SDRMA's partnership with CSDA has grown tremendously over the years. Not only does each member receive valuable services from CSDA, but they also gain access to SDRMA for our coverages and risk management services. Both organizations work closely together to host webinars, local regional training opportunities, specialized training, i.e. new Board Secretary Certification program, SDRMA safety/claims education days, etc. In addition, we share data resources and hardware systems to help reduce costs.

California Special Districts Alliance & Special District Leadership Foundation

SDRMA is also one of the partners along with CSDA and the CSDA Finance Corporation that form the California Special Districts Alliance to serve as a one-stop-shop for valuable services for all special districts in California. In addition, SDRMA is now actively involved in participating and supporting the Special District Leadership Foundation (SDLF), which is organized to encourage the availability of comprehensive programs for the continuing education of special district officials and employees.



Celebrating 25 Years of Service

In celebration of SDRMA's twenty-fifth anniversary this year, we updated our logo, revamped our website (www.sdrma.org), created a special 25-year anniversary logo and improved the look and content of our E-blast newsletters. In addition, the Board of Directors approved several new policies and programs including a 5 percent multi-program discount for members in both our property/liability and workers' compensation programs, a loss prevention allowance fund policy providing members a method to be reimbursed for loss prevention expenditures up to \$1,000 per year and a Company Nurse telephone triage program for workers' compensation members to help reduce potential claims.

In closing, we would especially like to thank our members for their continued participation in our programs and their loss prevention efforts, all past and current Board members for their tireless efforts and endless dedication to grow an organization which exists only to serve our members' needs and our consultants and staff for their day-to-day heartfelt devotion to make SDRMA the program of choice for all public agencies in California!

We wish you the very best for 2012! ▲

