

FY 2022-2023 Annual Report



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SPECIAL DISTRICTS
INSURANCE SERVICES

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BOARD OF TRUSTEES



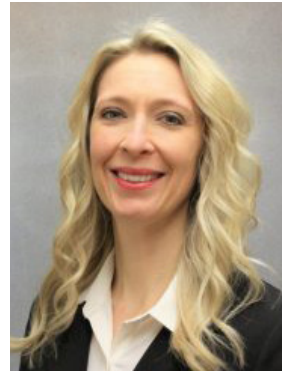
Chair:
Andrea Klaas
Port of The Dalles



Vice Chair:
Darren Bucich
McKenzie Fire
& Rescue



Secretary:
David Lindelien
Lane Transit
District



Treasurer:
Stacy Maxwell
Jackson
County Fire
District 3



Trustee:
Peter Boone
Tualatin Valley
Water District



Trustee:
Nicole Dalke
Springfield
Utility Board



Trustee:
Mark Hokkanen
Tualatin Hills
Park & Recreation
District



Emeritus:
Ted Kunze
Molalla RFPD #73

OUR HISTORY

In 1985, Special Districts Association of Oregon (SDAO) created a self-insured Trust, Special Districts Insurance Services (SDIS), to escape the volatilities of the traditional insurance market. The Trust operates as an intergovernmental agreement under ORS Chapter 190 with participants in the insurance programs. Members control insurance costs by jointly pooling resources to self-insure for property, liability, workers' compensation, and health and dental coverage. All of the participants in the Trust are owners of the program. All of the equity, or surplus, belongs to the participants whether they are port districts, fire districts, water districts, etc.

Unlike an insurance company where the profits are distributed to shareholders, SDIS's only objective is to provide reasonable and stable rates and broad coverage to participating Oregon public entities of all kinds and sizes. SDIS now has more than 900 Oregon local government members with annual contributions of over \$75 million.

FINANCIAL HIGHLIGHTS

Member contributions from the SDIS pooled property casualty and workers' compensation programs increased 10% with very stable membership. Total contributions were \$29.8 million. The self-insured health and dental program had an increase of 2.75% in total contributions with a small 2.5% rate increase for the core SDIS program and a 4% increase for the OFCA program. Contribution volumes stand at \$31.5 million and \$12.3 million for the two programs.

The liability program had a decrease in claims expenses with claims totaling \$7.0 million but still exceeded budget at 138%. The workers' compensation program also had losses above budget at over 115%, or \$5.9 million. The property program was below budget with \$1.6 million in losses. The health program had lower than expected losses of 92% while the OFCA program's claims were slightly higher than expected at 110% of budget.

FINANCIAL STATEMENT OVERVIEW

The pooled programs had an operating net income of \$1.5 million. The investment portfolio recovered some of the losses from the prior year with \$4.6 million in earnings. Overall, the SDIS programs added \$5.5 million to retained earnings bringing the total balance to \$59.3 million. Of this balance, \$25 million is from the combined health programs and the remaining \$35 million is from the property casualty and workers' compensation programs.

Total assets increased by \$8.7 million, or 8.5%, while liabilities increased by \$3.0 million, or 6.5% due to the increase in claims. Net position increased \$5.5 million to \$59.3 million. SDIS continues to succeed with a very strong member base and retained earnings balances maintained within modeled ranges that are provided to the Trust on a regular basis. With the investment returns stabilizing but still recovering from the losses from 2021 and 2022, the Trust has temporarily suspended the longevity credit program but does intend to reevaluate the program on an ongoing basis.

REPORTING AUTHORITIES

The Statement of Net Position (Figure 1) and the Statement of Revenues, Expenses, and Changes in Net Position (Figure 2) report information about SDIS as a whole and its activities. These statements include all assets and liabilities using the accrual basis of accounting. Accrual of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The difference between assets (what SDIS owns) and liabilities (what SDIS owes) is the net assets which is one way to measure SDIS's financial health, or financial position. (See Figure 7 for additional detail by program.)

Combined statements are provided with the supplementary information and reflect financial information separated by the specific program to which it relates. The accounting processes are organized so that each program can be accounted for and evaluated independently.

SDIS is governed by a seven-member board of trustees and operates under a declaration of trust. The board of trustees is responsible for protecting and managing funds related to the insurance programs and developing arrangements and strategies necessary to implement the programs. Trustees are elected by the Trust Board after consideration from the Trust's nominating committee, comprised of three trustees. A mailing to the membership is done whenever there is a vacancy on the Trust Board.



STATEMENT OF NET POSITION
FOR THE FISCAL YEARS ENDED JUNE 30, 2023 AND 2022

Figure 1

	<u>2023</u>	<u>2022</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 8,157,492	\$ 14,952,312
Accounts receivable	1,736,854	2,655,882
Accrued interest	103,965	80,627
Prepaid expenses	5,293,909	4,928,936
Investments - current portion	44,001,449	34,676,041
Total Current Assets	<u>59,293,668</u>	<u>57,293,798</u>
Non-Current Assets		
Restricted investments	5,000,000	4,965,000
Investments	41,557,484	34,881,833
Fixed assets (net)	2,990,857	3,137,062
Total Non-Current Assets	<u>49,548,341</u>	<u>42,983,895</u>
Total Assets	<u>\$ 108,842,009</u>	<u>\$ 100,277,693</u>
Liabilities		
Current Liabilities		
Accounts payable	\$ 2,793,274	\$ 2,611,212
Deferred revenue	13,806,947	12,424,361
Claims payable - current portion	16,820,000	11,604,293
Total Current Liabilities	<u>33,420,222</u>	<u>26,639,866</u>
Non-Current Liabilities		
Claims payable	16,087,267	19,833,067
Total Non-Current Liabilities	<u>16,087,267</u>	<u>19,833,067</u>
Total Liabilities	<u>49,507,489</u>	<u>46,472,933</u>
Net Position		
Net invested in capital assets	2,990,857	3,137,062
Restricted per Work Comp Laws	5,000,000	4,965,000
Unrestricted	51,343,663	45,702,698
Total Net Position	<u><u>59,334,520</u></u>	<u><u>53,804,760</u></u>

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

FOR THE FISCAL YEARS ENDED **JUNE 30, 2023 AND 2022**

Figure 2

	2023	2022
Operating Revenue		
Member contributions	\$ 74,919,388	\$ 70,924,809
Miscellaneous income	63,862	13,858
Total Revenues	74,983,250	70,938,667
Operating Expenses		
Underwriting Expenses:		
Loss and loss adjustment expenses	\$48,425,157	\$54,066,802
Insurance premiums	12,096,389	11,165,305
Broker fees	450,718	461,000
Local agent commissions	3,534,484	3,270,989
Workers' compensation taxes	526,130	459,606
Operating Expenses:		
Conference and training	348,119	271,766
Claims Service Expenses	3,462,478	2,915,863
Dividends	57,215	2,389,823
SDAO Sponsorship	410,925	390,675
Other operating expenses	4,656,271	4,232,424
Total Expenses	\$73,967,886	\$79,624,253
Net Operating Income (Loss)	1,015,361	(8,685,586)
Non-Operating Revenues (Expenses)		
Interest income	4,584,882	(10,275,049)
Rental Income	339,681	338,234
Rental Expense	(409,780)	(323,039)
Net Non-Operating Income (Loss)	4,514,784	(10,259,854)
Change in Net Position	5,530,145	(18,945,440)
Net Position, Beginning	53,804,760	72,750,200
Net Position, Ending	\$ 59,334,905	\$ 53,804,760

Figure 3 and Figure 4 (below) provide a history of losses for the self-insured programs over the past ten (10) years. The lines reflect the actuary's original estimate of losses for each policy year. These estimates were made prior to the policy period. The bars reflect the current estimate for each respective policy period. Overall, the programs' losses have been very consistent compared to the actuary's estimates with some bars being above the original estimate line and some being below. This consistency allows for the program to be funded accurately, with confidence and predictability, and maintain contribution increases within a stable range.

Figure 3

GENERAL LIABILITY, AUTO LIABILITY, AUTO PHYSICAL DAMAGE AND PROPERTY

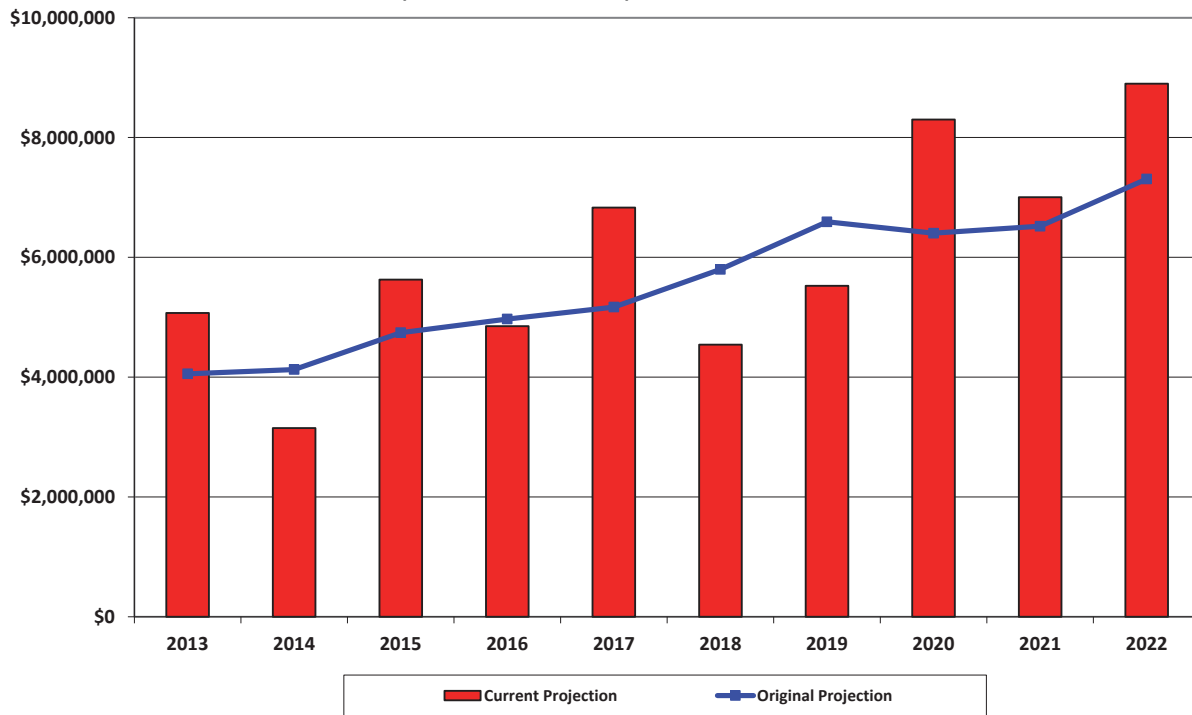
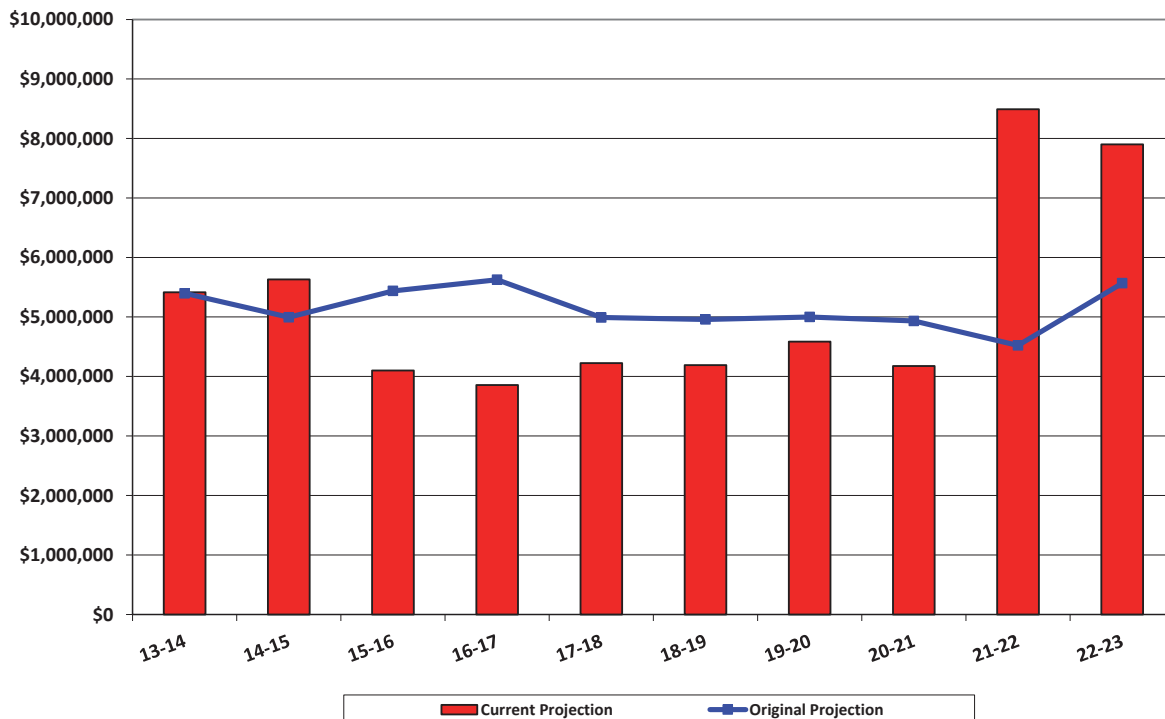


Figure 4

WORKERS' COMPENSATION



The below chart (Figure 5) displays the gradual growth of total assets, retained earnings, and member contributions since 2003. Total liabilities and net losses have also grown over the same time period. For a self-insured pool this shows great stability in the program. This stability allows the contributions members pay into the program to gradually increase with inflation rather than having large upswings and/or downswings you may see in the traditional insurance market. It also affords the program to expand services to the members as well as take on additional risk by increasing the self-insured retention over time. In addition, as our members have experienced over the last five years, it allows a return of contributions through the Longevity Credit Program. The SDIS Trust has returned \$5 million over the last five (5) year.

Figure 5 also incorporates the self-insured health program. This addition is reflected in the increase in member contributions and net losses. However, the stability in total assets, total liabilities, and retained earnings is still very evident.

Figure 5 STABILITY IN POOL MEMBER REVENUES, ASSETS, LIABILITIES, AND RETAINED EARNINGS

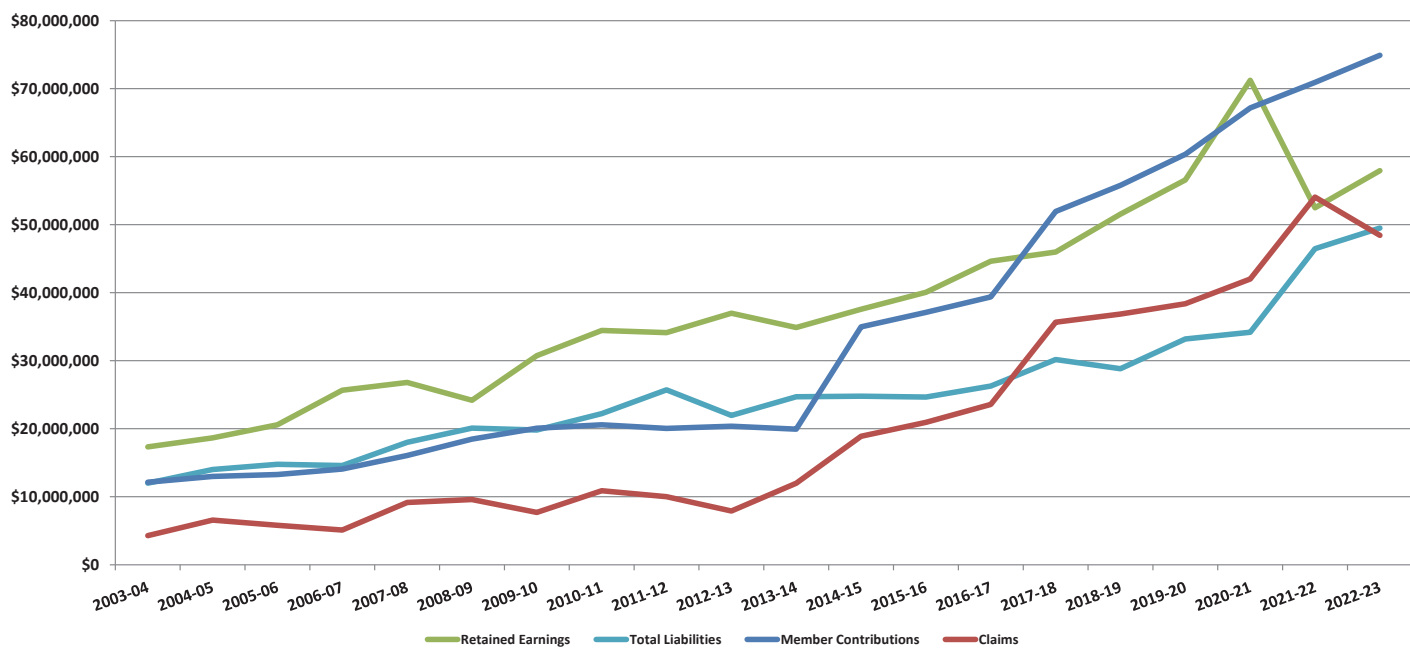


Figure 6 (below) shows the claims liabilities for the self-insured program as of June 30, 2023 and 2022. Noted in the third line “Changes in provision for insured events or prior fiscal years”, the pooled programs experienced a favorable adjustment to prior policy period claims this year.

Figure 6 Special Districts Insurance Services Trust
 Reconciliation Of Claim Liabilities By Program
 For the Fiscal Years Ended June 30, 2023, and 2022

Liability	Property		Workers' Compensation		Health		Health - OFCA		Totals			
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022		
Unpaid claims and claim adjustment expenses at beginning of the fiscal year	\$13,657,380	\$9,776,334	\$1,817,381	\$2,348,954	\$12,845,260	\$7,403,148	\$2,401,000	\$1,694,000	\$713,041	\$435,000	\$31,434,062	\$21,657,436
Incurred claims and claim adjustment expenses:												
Provision for insured events of the current fiscal year	8,299,535	7,220,957	2,164,213	1,012,132	8,122,965	9,604,235	24,602,096	22,674,440	10,049,681	8,943,153	53,238,491	49,454,916
Changes in provision for insured events of prior fiscal years	(1,213,044)	2,273,847	(566,041)	491,066	(2,192,099)	1,502,653	(802,932)	463,870	(39,218)	(10,046)	(4,813,334)	4,721,389
Total incurred claims and claim adjustment expenses	7,086,491	9,494,803	1,598,172	1,503,198	5,930,867	11,106,888	23,799,164	23,138,310	10,010,463	8,933,107	48,425,157	54,176,306
Payments:												
Claims and claim adjustment expenses attributable to insured events of the current fiscal year	2,874,672	2,544,914	1,350,184	1,311,198	2,838,567	2,827,171	22,275,298	20,272,440	9,064,858	8,205,153	38,403,579	35,160,876
Claims and claim adjustment expenses attributable to insured events of prior fiscal years	3,071,091	3,068,844	(129,237)	723,573	3,493,006	2,837,605	1,418,866	2,158,870	694,646	449,913	8,548,372	9,238,804
Total payments	5,945,763	5,613,758	1,220,947	2,034,771	6,331,573	5,664,776	23,694,164	22,431,310	9,759,504	8,655,066	46,951,951	44,399,681
Total unpaid claims and claim adjustment expenses at end of the fiscal year	\$14,798,108	\$13,657,380	\$2,194,606	\$1,817,381	\$12,444,553	\$12,845,260	\$2,506,000	\$2,401,000	\$964,000	\$713,041	\$32,907,268	\$31,434,061

Figure 7

**Special Districts Insurance Services Trust
Statement of Revenues, Expenses, and Changes in Net Position by Program
Fiscal Year Ending June 30, 2023**

	Liability	Property	Workers' Compensation	Health	Health OFCA	Schools	Total
REVENUES:							
Member contributions	13,723,860	9,333,384	6,728,015	32,196,299	12,929,532	-	74,911,090
Conference and seminars	-	-	-	-	-	-	0
Miscellaneous income	63,862	-	-	-	-	-	63,862
Total Revenues	13,787,722	9,333,384	6,728,015	32,196,299	12,929,532	0	74,974,952
EXPENSES:							
Underwriting Expenses:							
Loss and loss adjustment expense	7,086,491	1,598,172	5,930,867	23,799,164	10,010,463	-	48,425,157
Insurance premiums	2,596,752	5,007,537	445,237	3,055,320	991,543	-	12,096,389
Broker fees	91,905	104,782	64,731	151,800	37,500	-	450,718
Local agent commissions	1,396,616	1,001,542	302,523	631,410	202,394	-	3,534,484
Workers' comp. Taxes	-	-	526,130	-	-	-	526,130
Operating Expenses:							
Conference and Training	348,119	-	-	-	-	-	348,119
Claims Services Fees	650,850	219,588	1,164,645	1,026,144	401,252	-	3,462,478
Other operating expenses	2,349,861	774,410	758,546	453,807	319,647	-	4,656,271
Total Expenses	14,520,594	8,706,031	9,192,679	29,117,645	11,962,798	0	73,499,746
Operating Income (Loss)	(732,872)	627,353	(2,464,664)	3,078,655	966,734	-	1,475,206
Non-Operating Revenues (Expenses)							
Interest Income	1,517,146	(209,721)	1,010,293	1,675,839	186,204	405,121	4,584,882
Rental Income	339,681	-	-	-	-	-	339,681
Rental Expenses	(409,780)	-	-	-	-	-	(409,780)
Total Non-Operating Revenues (Expenses)	1,447,047	(209,721)	1,010,293	1,675,839	186,204	405,121	4,514,783
Income (Loss) Before Transfers	714,175	417,632	(1,454,371)	4,754,493	1,152,939	405,121	5,989,989
Transfers In (Out)							
Change in Net Assets	623,188	355,754	(1,498,977)	4,541,039	1,152,939	405,121	5,579,064
Net Assets, Beginning	21,565,357	6,802,398	4,032,022	11,790,927	8,262,623	1,351,426	53,804,753
Transfer of Equity, Longevity Credit	(57,215)	-	-	-	-	-	(57,215)
Net Assets, Ending	22,131,330	7,158,152	2,533,045	16,331,966	9,415,562	1,756,547	59,326,602





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SPECIAL DISTRICTS
INSURANCE SERVICES

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