



2013

M E M B E R S H I P

SOUTH DAKOTA PUBLIC ASSURANCE ALLIANCE

A N N U A L R E P O R T

# Our Purpose

In accordance with the Intergovernmental Contract (IGC), to form a local government risk pool to provide for joint or cooperative action by Members relative to their financial and administrative resources for the purpose of providing risk management services and risk sharing facilities to the Members and to the Member's employees, and to defend and protect any Member of the Pool against liability under the terms of the IGC.

## Board of Directors



Dennis Olson  
Chairman  
Brandon



Mike Wiese  
Vice Chairman  
Brown County



Jim Borszich  
Treasurer  
Huron



Michael Hall  
Secretary  
Sioux Falls



Mic Kreutzfeldt  
Salem



Jeff Heinemeyer  
Madison



Jerry Krambeck  
Spearfish



Terry Weisenberg  
Lawrence County



Tracy Turbak  
Sioux Falls

Dear SDPAA Members:

The South Dakota Public Assurance Alliance had another successful year in 2013. Although budgets remain tight there is some comfort in knowing that your assurance contribution is stable and that there will be not be a big surprise when you receive your renewal notice.

This report is designed to provide you with an overview of the pool finances as well as a general understanding of the services that are offered. If you have any additional questions about this report or questions about the pool, please contact me or a member of the Board. The Board of Directors truly appreciates your membership and continued participation in the South Dakota Public Assurance Alliance.

In 2012, the Board of Directors began a program called "Project 2015" to study and evaluate the benefits of bringing services in-house as has been done by many public entity pools across the nation. Currently, SDPAA administration and marketing services are provided by Hagan Benefits, Inc. Their contract expires December 31, 2014 after which those services will be performed in-house. Hagan Benefits has been with the Pool since the beginning as the marketing agent and later with administration services. I want to take this opportunity to thank them for their outstanding service. They have been a huge part of the Pool's success.

As part of "Project 2015", Judy Payne was hired as the Executive Director of SDPAA in 2013. Since then, Director of Underwriting Bob Strachan, Director of Member Services Ron Burmood, and Executive Assistant Deb Corkill have joined the SDPAA team. These individuals will begin serving you on January 1, 2015. It is the goal of the Board of Directors and the SDPAA staff to make this transition as seamless as possible, to enhance coverages and services, and to keep the costs as stable and reasonable as possible for you, the owners.

Sincerely,

A handwritten signature in cursive script, appearing to read "Dennis E. Olson".

Dennis E. Olson  
Chairman of the Board

Dear SDPAA Members,

One year ago, I wrote to you for the first time in my new role as your first Executive Director. While it hardly seems possible that twelve months have passed, I am pleased to report the following accomplishments:

- We selected a new reinsurance broker which resulted in better reinsurance coverage and additional services at lower broker service fees and reduced premiums.
- We prepared for a seamless transition of finance, underwriting, and marketing services in-house on January 1, 2015.
- We initiated a Member Services program to better serve you.
- We attended meetings and communicated with you to increase awareness about SDPAA's upcoming transition of services and the positive effects of the transition for you.

As the next year unfolds, we will continue the storyline that began in 1987. We will continue our history of providing great coverage and great service at a great price. We will rely on the leadership of a high caliber board, the support of our committed owners, and the enhancement of the coverage and services we provide to protect the assets of our local governmental entity Members and the taxpaying public. You have my commitment to work to continually improve upon the value SDPAA brings to you.

It is my honor and pleasure to serve you, and I look forward to co-writing this next chapter with you.

Please contact me at any time with your ideas, questions, or concerns.

Sincerely Yours,

*Judy Payne*

Judy Payne  
Executive Director

# Administration and Member Services

Protecting South Dakota Communities Since 1987

The South Dakota Public Assurance Alliance (SDPAA) had another good year for 2013. Eight new members were added in 2013 with several current members adding additional coverage. The new members consisted of one county, four cities, two conservation districts and one special district. This growth was achieved in a highly competitive environment. Even in this volatile, price sensitive environment the stability of the SDPAA contributed greatly to the growth seen in 2013. The SDPAA was formed at a time when many entities were receiving large rate increases, and in some cases, cancellations in response to a hardening insurance market place. One of the main reasons the SDPAA was created was to provide stability for its members and again in 2013, as has been the practice for its 27 years of existence, it continues to have that as one of its focuses. We anticipate seeing this competitive market reverse in the future and return to a market similar to when the SDPAA was formed where standard insurance companies take significant rate increases or even cancel some insured's. Fortunately for the SDPAA members they will not have to experience such a roller coaster ride as the SDPAA has continually maintained stable rates that help eliminate the roller coaster ups and downs and make budgeting for that area much easier and reliable.

The South Dakota Public Assurance Alliance continues its financial strength and dependability. The SDPAA invests in similar types of investments which public entities in the State of South Dakota are allowed to invest. As a result, the SDPAA investments typically don't experience the large highs and lows that you see in a volatile financial market place. They tend to be true and steady and continue to provide financial strength and stability for the SDPAA.

The coverage provided to members of the SDPAA continues to be among the broadest coverage available and is specifically tailored to the Governmental Entities of the State of South Dakota.

All we protect are South Dakota public entities. You are our business.

## Member Claims Services

In today's world, dealing with claims is a fact of life. Providing our members with professional, timely, and efficient claims services is one of our top priorities. An important component of the SDPAA's continued success is the close working relationship between members and the claims administrator.

The Pool's claims administrator, Claims Associates Inc., follows a claims handling policy that requires promptly contacting the member and claimant when a claim is reported, and responsive, courteous follow-up communications with all parties involved. The goal is to conduct a thorough investigation as close in time as possible to the date of loss or date notice is given while recollections are fresh and other evidence can be examined or collected. Thorough investigations allow for more detailed analysis of claims and save money if the claim is litigated because defense counsel should not have to conduct additional factual investigation.

All claims are reserved for both indemnity and loss adjustment expense, at a level that reflects the degree of liability exposure, and expected expenses. Reserves are regularly reviewed for accuracy, and adjusted as information becomes available.

All claims are analyzed to determine the exposure to the member and the Pool. Claims that are found to have merit will be resolved in the most efficient and cost-effective manner. Whenever possible, claims are resolved without resorting to litigation. Claims Associates uses direct negotiation and even formal mediation to resolve claims. For claims that are without merit, the Pool maintains an aggressive defense posture. When suit is filed, defense counsel is selected based on the type of suit, the location, and member input. We are fortunate to work with a select group of attorneys with experience working with public entities in various types of litigation. We work as a team with defense counsel to expeditiously bring litigation to a successful conclusion or put us on the best footing possible should the case go to trial. The member is a part of that team and is consulted throughout the process and advised of progress.

Regardless how a claim is resolved, we always look for ways to leverage any lessons learned for the benefit of all members. Claims Associates works closely with the SDPAA Executive Director, Board, Hagan Benefits, and SBI to educate members about changes in law or provide practical advice to help eliminate or minimize future claims.

# Loss Control

## Helping Members Prevent and Manage Risks

The liability exposures facing local government in South Dakota are numerous. While many of these exposures can be reduced, unfortunately most cannot be eliminated. The South Dakota Public Assurance Alliance has hired Safety Benefits, Inc. (SBI) to assist its members in reducing and managing these exposures.

This past year, loss control representatives conducted 134 on-site surveys for SDPAA members. During these surveys, recommendations were developed to assist members with their loss control efforts. In 2013 the SDPAA continued the process of having SBI conduct property replacement surveys of all buildings that they cover. This service will help members make sure that they have all of their properties scheduled and that they have sufficient coverage on each for replacement.

SBI continues to develop training programs to assist members in reducing exposures. In 2013, a total of 3,712 local government employees attended 133 free training classes offered by the SDPAA. The SDPAA continues to offer a free video/DVD library to assist members with their training needs. This past year, 69 members checked out 326 safety videos/DVDs.

Also in 2013, members of the SDPAA continued to have access to free on-line training. Through an agreement with FirstNet Learning, members can participate in 26 different training courses. A total of 41 different entities had employees who successfully completed 1,132 on-line training courses.

Thanks to the assistance of our Safety Advisory Board, which consists of representatives from the membership, this year's annual Loss Control Training Conference had 194 attendees. We also presented safety awards to 55 members, 13 Bronze, 42 Gold and 22 Platinum Level at the Pools sponsored Safety Award luncheon that is held in conjunction with the Annual SDML and SDACC Conferences. The Platinum Level award was presented to members who had received the Gold Level award and had combined loss ratios of less than 60% for all lines of coverage.

SBI is also available for consultation on various loss control issues. Last year, 137 members made 250 requests for assistance with their special needs. SBI remains committed to make SDPAA members aware of the latest in safety and loss control trends through special Risk Management Bulletins and articles in the South Dakota Municipal League's magazine and the County Comment newsletter.

The SDPAA sponsors an Employment Practices Hotline that provides members with free access to attorneys that specialize in employment law. In 2013 a total of 46 members made 91 calls to the hotline.

In 2013 the SDPAA continued to retain the legal experts from the Public Agency Training Council (PATC) to update and train law enforcement members on the model policies and procedures for law enforcement and jails that had been developed specifically for SD agencies.

# Staff and Service Providers

## SDPAA Staff

Judith M. Payne, Executive Director  
Bob Strachan, Director of Underwriting  
Ron Burmood, Director of Member Services  
Deb Corkill, Executive Assistant  
South Dakota Public Assurance Alliance  
Main Office: 208 Island Drive, Ft. Pierre, SD 57532  
Satellite Office: 5024 Bur Oak Place, Suite 103  
Sioux Falls, SD 57108  
Office: 800.658.3633 or 605.224.8654 (Option 2)  
Email: firstinitiallastname.sdpaa@sdmunicipalleague.org  
Web: www.sdpaa.org

## Service Providers

### Administration/Marketing

Hagan Benefits, Inc.  
Jeff Pederson, President/CFO  
Ladene Bachtell, Underwriting Manager  
Gary Drewes, Marketing  
PO Box 903  
Sioux Falls, SD 57101-0903  
800.456.0737

### Claims Administration

Claims Associates, Inc.  
Jeff Jares, President  
PO Box 1898  
Sioux Falls, SD 57101  
888.613.7064

## Financial Audit

Eide Bailly  
David Glennon, CPA  
4310 17<sup>th</sup> Ave. S.  
Fargo, ND 58103  
701.239.8500

## Actuarial Services

AON Risk Solutions  
Mujtaba Dattoo, Actuarial Practice Leader  
100 Bayview Circle, Suite 100  
Newport Beach, CA 92660  
949.608.6332

## Investment & Custodial Services

The First National Bank in Sioux Falls, Trust Department  
Sarah Madison and Tom Benz  
PO Box 5186  
Sioux Falls, SD 57117-5186  
800.553.7073

## Loss Control Services/Property Valuations

Safety Benefits, Inc.  
Doug Kirkus, Loss Control Manager  
4901 Isabel Place, Suite 120  
Sioux Falls, SD 57108  
888.313.0839

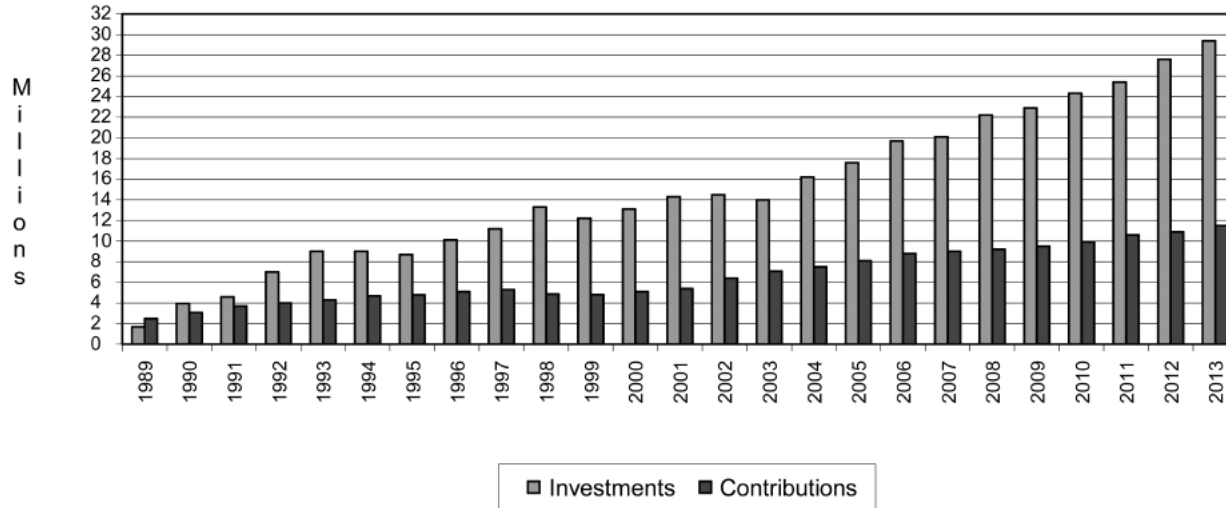
## Re-Insurance

Lexington Insurance Company - Property  
Selective Insurance Company - Liability  
Travelers - Boiler and Machinery  
Arthur J. Gallagher RMS, Inc. - Broker  
Two Pierce Place  
Itasca, IL 60143  
630.285.3913



# Membership Growth & Contributions

Since it began in 1987, the South Dakota Public Assurance Alliance has had steady growth in membership and contributions. With 408 members and over \$29 million in investments, SDPAA is one of the largest public entity-owned risk sharing pools of its kind in the state of South Dakota.

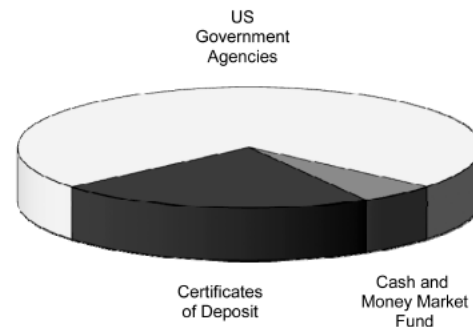


## SDPAA Investments

### Investment Portfolio

December 2013

Cash and Money Market Fund	1,603,229	5%
Certificates of Deposit	6,524,905	22%
US Government Agencies	21,245,242	72%
	<u>29,373,376</u>	<u>100%</u>



# Statement of Net Position

For the Year Ended December 31, 2013

## ASSETS:

Cash and Cash Equivalents	\$ 1,603,229
Receivables	\$ 740,577
Investments	\$ 27,770,147
Other Assets	\$ 968,730
<b>Total Assets</b>	<b><u>\$ 31,082,683</u></b>

## LIABILITIES AND MEMBERS' EQUITY

### LIABILITIES:

Accounts Payable and Accrued Expenses	\$ 44,134
Unearned Contributions	\$ 3,787,894
Losses and Loss Adjustment Expense Reserve	\$ 12,501,934
<b>Total Liabilities</b>	<b><u>\$ 16,333,962</u></b>

### NET POSITION

<b>Total Liabilities and Members' Equity</b>	<b><u>\$ 14,748,721</u></b>
	<b><u>\$ 31,082,683</u></b>

# Statement of Revenues, Expenses and Change in Net Position

For the Year Ended December 31, 2013

## **UNDERWRITING:**

Contributions	\$ 10,474,258
Reinsurance Ceded	<u>(1,687,959)</u>
<b>Total Operating Revenue</b>	<u>\$ 8,786,299</u>

## **LOSSES:**

Losses and Loss Adjustment Expenses Incurred	\$ 4,022,131
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## **GENERAL AND ADMINISTRATIVE EXPENSES:**

Outsourcing	\$ 1,586,221
Other	\$ 548,417
<b>Total General and Administrative Expenses</b>	<u>\$ 2,134,638</u>

<b>Operating (Loss)</b>	<u>\$ 2,629,530</u>
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## **NON-OPERATING INCOME AND (EXPENSE):**

Net Investment Loss	\$ (26,935)
Capitalization Contributions	42,380
Capitalization Distributions	103,916
<b>Total Non-Operating Income</b>	<u>\$ 119,361</u>

<b>CHANGE IN POSITION</b>	<u>\$ 2,748,891</u>
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# SDPAA Membership

## Cities

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

# SDPAA Membership

## Townships

Aberdeen Civil  
 Alban  
 Allen  
 Andover  
 Baker  
 Brainard  
 Broadland  
 Butler  
 Cambria  
 Carthage  
 Castlewood  
 Choteau Creek  
 Columbia  
 Custer  
 Darlington  
 Dayton  
 Dixon  
 Dumarce  
 Eden  
 Edens  
 Elmira  
 Elrod  
 Esmond  
 Foxton  
 Fuller  
 Garden Prairie  
 Garland  
 Gem  
 Harmon East & West  
 Hartland  
 Henry  
 Hickman  
 Highland (Canton)  
 Highland (Wagner)  
 Highland (Webster)  
 Hillside  
 Hoffman  
 Jones  
 Kidder  
 Lansing

Lawrence  
 Lee  
 Leseuer  
 Lien  
 Lincoln  
 Lowe  
 Lyons  
 Mathews  
 Mellette  
 Minnesota  
 Montpelier  
 North Detroit  
 Oneota  
 Ordway  
 Rauville  
 Richland (Cavour)  
 Richland (Mina)  
 Rosefield  
 Rusk  
 South Detroit  
 Spirit Lake  
 Springlake  
 Spring Valley  
 Star Valley  
 Sumner  
 Swan Lake  
 Union  
 Ward  
 Warner  
 Wayne  
 Webster  
 West Rondall  
 White Butte  
 Whitewood

## Conservation Districts

American Creek  
 Aurora County  
 Beadle County  
 Bennett County  
 Brookings County

Brown-Marshall Soil  
 Butte  
 Campbell County  
 Charles Mix  
 Clay County  
 Clearfield/Keyapaha & Hamill  
 Codington County  
 Corson County  
 Custer  
 Davison County  
 Day County  
 Deuel County  
 Douglas County  
 East Pennington  
 Edmunds County  
 Elk Creek  
 Fall River  
 Faulk County  
 Grant County  
 Gregory County  
 Haakon County  
 Hamlin County  
 Hand County  
 Hanson County  
 Harding County  
 Hughes County  
 Hutchinson County  
 Hyde County  
 Jackson County  
 Jerauld County  
 Jones County  
 Kingsbury  
 Lake County  
 Lawrence County  
 Lincoln  
 Marshall County  
 McCook  
 McPherson County  
 Mellette County  
 Miner  
 Minnehaha

Moody County  
 Pennington  
 Perkins County  
 Potter County  
 Roberts County  
 Sanborn County  
 Shannon County  
 South Brown  
 Spink  
 Stanley County  
 Sully County  
 Todd County  
 Tri-County  
 Turner  
 Union  
 Walworth County  
 Yankton County  
 Ziebach County

## Special Districts

Alexandria Fire District  
 Belle Fourche Irrigation District  
 Black Hills Council of Local Governments  
 Boulder Park Road District #2  
 Brown County Mud Creek Watershed District  
 Castlewood Ambulance District  
 Castlewood Fire District  
 Cedar Hills Road District  
 Centennial Hills Road District  
 Central Plains Water Development District  
 Central South Dakota Enhancement District  
 Claire City Fire Protection District  
 Claremont & Community Fire Assn.  
 Columbia & Community Fire Association  
 Conde Volunteer Fire Department  
 Corson Village Sanitary District  
 Custer Ambulance District  
 Custer-Fall River Waste Management District  
 Dakota Dunes Community  
 Diamond E Road District  
 East Jones County Fire District

Edgemont Ambulance District  
 First District Assn. of Local Governments  
 Health Pool of South Dakota  
 Lake Cochrane Sanitary District  
 Lake Herman Sanitary District  
 Lake Madison Sanitary District  
 Lake Pelican Water Project District  
 Lead-Deadwood Sanitary District  
 Lyons Volunteer Fire Department  
 Metro Communications  
 Northwest SD Regional Landfill  
 Pickeral Lake Sanitary District  
 Planning & Development District III  
 Prairie Village  
 Renner Sanitary District  
 South Dakota Municipal League  
 SDML Workers' Compensation Fund  
 SD Assn of County Commissioners  
 SDPAA  
 SD Public Funds Investment Trust  
 South Eastern Council of Governments  
 Southern Missouri Waste Management Assn.  
 University & Bridle Estates Sanitary District  
 Upper Crow Creek Watershed District  
 West Dakota Water Development District

# Past Board Members

**Richard Negstad**

Brookings County Commissioner  
1986 - 1989

**Ray Woodsend**

City Attorney, Rapid City  
1986 - 1993

**Carole Hillard**

Councilmember, Rapid City  
1989 - 1994

**Jack White**

Mayor, Sioux Falls  
1986 - 1994

**Duane Anderson**

City Attorney, Sioux Falls  
1986 - 1997

**Karen Bulman**

Councilmember, Rapid City  
1993 - 1998

**Gary Hanson**

Mayor, Sioux Falls  
1997 - 2003

**Stan Rietveld**

Councilmember and Airport Board, Mitchell  
1987 - 1998

**Ralph Mack**

Codington County Commissioner/Weed Board  
1989 - 1999

**George Opitz**

Lawrence County Commissioner  
1987 - 2000

**Manfred Szameit**

Finance Officer, Sioux Falls  
1986 - 2001

**Gary Drewes**

Mayor, Pierre  
1995 - 2002

**Judy Larson**

Black Hills Council of Local Government  
1993 - 2002

**Allen Aden**

Director of Public Safety, Pierre  
1997 - 2008

**Gary Colwill**

City Attorney, Sioux Falls  
2004 - 2008

**Ted Eggebraaten**

Retired Brookings County Highway  
Superintendent, Brookings  
2002 - 2011

# In Appreciation

The South Dakota Public Assurance Alliance takes this opportunity to publicly thank the *South Dakota Municipal League*, for its foresight in creating a liability and property pool. Without the leadership of the League, the Pool would not be in existence today.

The primary goal of both organizations is to provide quality service, stable contributions and practice good risk management. This long-standing partnership has been beneficial to the public entities of South Dakota.

## **South Dakota Public Assurance Alliance**

Judith M. Payne, Executive Director  
Main Office: 208 Island Drive, Ft. Pierre, SD 57532  
Satellite Office: 5024 Bur Oak Place, Suite 103  
Sioux Falls, SD 57108  
Office: 800.658.3633 or 605.224.8654 (Option 2)

## **Endorsed By**

South Dakota Municipal League  
Yvonne Taylor, Executive Director  
Sandi Larson, Director of Risk Sharing Services  
208 Island Drive, Ft. Pierre, SD 57532  
800.658.3633

## **Endorsed By**

South Dakota Association of County Commissioners  
Bob Wilcox, Executive Director  
211 East Prospect Avenue, Pierre, SD 57501  
605.224.4554

**South Dakota Public Assurance Alliance**

208 Island Drive

Ft. Pierre, SD 57532

PRESORTED STANDARD  
US POSTAGE  
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