



2014

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

Protecting local government assets since 1987, the South Dakota Public Assurance Alliance is a Member-owned local government risk-sharing pool providing liability and property coverage and risk management services to South Dakota municipalities, counties, townships, conservation districts, and special districts.

Our mission is to provide exceptional coverage and service to our Members, ensuring stable rates and risk reduction for South Dakota's future.

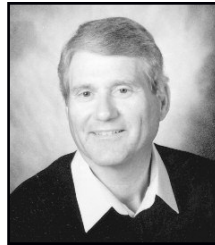
Board of Directors



Dennis Olson
Chairman
Brandon



Mike Wiese
Vice Chairman
Brown County



Jim Borszich
Treasurer
Huron



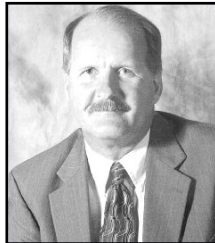
Michael Hall
Secretary
Sioux Falls



Mic Kreutzfeldt
Salem



Jeff Heinemeyer
Madison



Terry Weisenberg
Lawrence County



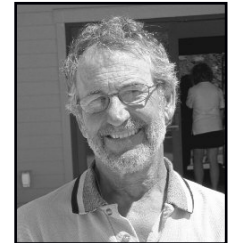
Tracy Turbak
Sioux Falls



Steve Harding
Pierre



Yvonne Taylor
SDML



Bob Wilcox
SDACC

Letter from the Chairman of the Board

Dear SDPAA Members:

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 by the SDPAA. If you have any additional questions about this report or questions about the pool, please contact me or a member of the Board.

The South Dakota Public Assurance Alliance had a very successful year in 2014. Contributions remained stable with very small increases in a few lines of coverage. Loss Control Credits, Loss Ratio Credits, Renewal Credits, and Law Enforcement Credits were continued, resulting in refunds totaling nearly \$970,000 to qualifying Members.

The biggest event in 2014 was preparing to transition administration and marketing functions in-house on January 1, 2015, including establishment of a new Member Services program. Judy Payne was hired as the Executive Director. She put together a staff including a Director of Underwriting, Assistant Underwriter, Director of Member Services, Member Services Representative, and Executive Assistant. This staff mirrored the Administration and Marketing service provider's work throughout the year in anticipation of a smooth transition into 2015.

Some of the major goals of this new staff are:

To make the transition as seamless as possible for our Members.


To increase personal contact with Members.

To continue to provide additional and affordable coverages.

To achieve formal recognition from the Association of Governmental Risk Pools (AGRiP) demonstrating the Alliance's compliance with the National Advisory Standards for Public Entity Risk Pools.

The Board of Directors truly appreciates your membership and continued participation in the South Dakota Public Assurance Alliance. Your questions and concerns are welcome.

Sincerely,



Dennis E. Olson
Chairman of the Board

Letter from the Executive Director

Dear SDPAA Members,

Building on the foundation first laid in 1987 when the South Dakota Municipal League's leaders and members came together to find a way to jointly self-insure and manage their risks, the South Dakota Public Assurance Alliance continues its enduring commitment to provide broad coverage, stable rates, and excellent risk management services to its municipal, county, township, conservation district, and special district Members.

The SDPAA Board of Directors and staff spent 2014 preparing to mark a watershed in the Pool's history; the transition of administration, marketing, and Member services in-house, effective January 1, 2015. By bringing these services in-house, the Pool will be able to decrease operating costs and increase Member services. As a result of reducing operating costs, we were able to announce at our Annual Members' Meeting last October that there would be a total 4.7% rate reduction in 2015, a savings of \$440,000 to Members.

Believing in creating value through partnership with our Members, we utilized a SDPAA Member Services Task Force to assist in development of our new Member Services Program. I want to take this opportunity to thank the task force participants listed below for giving their valuable time and talent to work collaboratively on enhancements, development, and delivery of services and resources; all of which will improve your return on investment from your Member-owned SDPAA.

Meri Jo Anderson, City of New Underwood
Ron Buskerud, Pennington County
Susan Connor, Miner County
Jeanne Duchscher, City of Parker
Kathy Glines, Harding County
Ron Globke, Turner County
Kevin Hipple, Hughes County
Lisa Katzenstein, City of Sturgis

Karen Layher, Grant County
Gary Lipp, City of Custer
Anita Lowary, City of Groton
Laura Millett, City of Aberdeen
Duane Sutton, Brown County
Jeff Weldon, City of Brookings
Paul Young, City of Spearfish

The SDPAA remains committed to being your dependable, reliable, valuable, premier source for local governmental coverage and risk management services.

Sincerely Yours,

Judy Payne

Judith M. Payne
Executive Director

Member Services

Member-Owned, Protecting Local Government Assets since 1987

The South Dakota Public Assurance Alliance (SDPAA) added four new Members and also added additional coverages for several existing Members in 2014. The new Members consisted of one city, one conservation district and two special districts. The growth was achieved in a highly competitive environment. No Members terminated the SDPAA coverage in 2014. The SDPAA has been able to maintain stable rates through its financial strength and solid financial planning. The SDPAA has grown to 409 Members which consist of cities, counties, conservation districts, townships and special districts.

In 2014, SDPAA's Member Services Program worked to prepare for the 2015 transition of administration and marketing services in-house. A Member Services Task Force was established and met on several occasions to discuss enhancements to loss control and customer service. Numerous one-on-one Member visits were scheduled throughout South Dakota to also help educate on the transition details.

SDPAA provides one of the broadest coverage programs available to governmental entities in South Dakota. SDPAA's mission is to provide exceptional coverage and service to our Members ensuring stable rates and risk reduction for South Dakota's future.

We look forward to continuing to enhance our Member Services Program to protect you, our Member-Owners.

Claims Services

Helping Members Mitigate Damages

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 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, SDPAA Board, Underwriters, Member Services, and Loss Control personnel to educate Members about changes in law or provide practical advice to help eliminate or minimize future claims.

Loss Control Services

Helping Members Prevent and Manage Risks

The liability exposures facing local government in South Dakota are numerous. Utilizing risk management and loss control methods, liability can often be reduced and in some cases, it can be eliminated. The South Dakota Public Assurance Alliance (SDPAA) contracts with Safety Benefits, Inc. (SBI) to assist its Members in reducing and managing these exposures.

This past year, loss control representatives conducted 188 on-site surveys for SDPAA Members. During these surveys, recommendations were developed to assist Members with their loss control efforts. In 2014, the SDPAA continued the process of having SBI conduct property replacement surveys of all buildings that they cover. This service will help Members ensure they have all of their properties scheduled, and have sufficient coverage on each for replacement.

SBI continues to develop training programs to assist Members in reducing exposures. In 2014, a total of 3,370 local government employees attended 144 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, 72 Members checked out 322 safety videos/DVDs.

Also in 2014, Members of the SDPAA continued to have access to free on-line training. Through an agreement with FirstNet Learning, members can participate in 30 different training courses. A total of 34 Members had employees who successfully completed 1,186 on-line training courses.

The SDPAA sponsors an Employment Practices Hotline that provides Members with free access to attorneys that specialize in employment law. In 2014, a total of 30 Members made 58 calls to the hotline.

The SDPAA continued to retain the legal experts from the Public Agency Training Council (PATC) to update and train law enforcement Members on model policies and procedures for law enforcement and jails. These policies and procedures are developed specifically for South Dakota agencies.

SBI assists SDPAA in keeping Members aware of the latest in risk management, loss control, and safety trends and techniques through articles in the South Dakota Municipal League and the County Comment magazines.

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 185 attendees. We presented safety awards to 60 Members; 18 Bronze, 2 Silver, 43 Gold and 22 Platinum Level at the Safety Award luncheons that are held in conjunction with the Annual SDML and SDACC Conferences. The Platinum Level award is presented to Members who have received the Gold Level award and have combined loss ratios of less than 60% for all lines of coverage.

Staff and Service Providers

SDPAA Staff

Judith M. Payne, Executive Director
Ron Burmood, Director of Member Services
Kristina Peterson, Director of Underwriting
Paytra Nichols, Assistant Underwriter
Jerry Krambeck, Member Services Representative
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)
Web: www.sdpaaonline.org

Service Providers

Administration/Marketing

Hagan Benefits, Inc.
Jeff Pederson, President/CFO
Ladene Bachtell, Underwriting Manager
Gary Drewes, Marketing

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 17th 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, President
4901 Isabel Place, Suite 120
Sioux Falls, SD 57108
888.313.0839

Reinsurance Broker

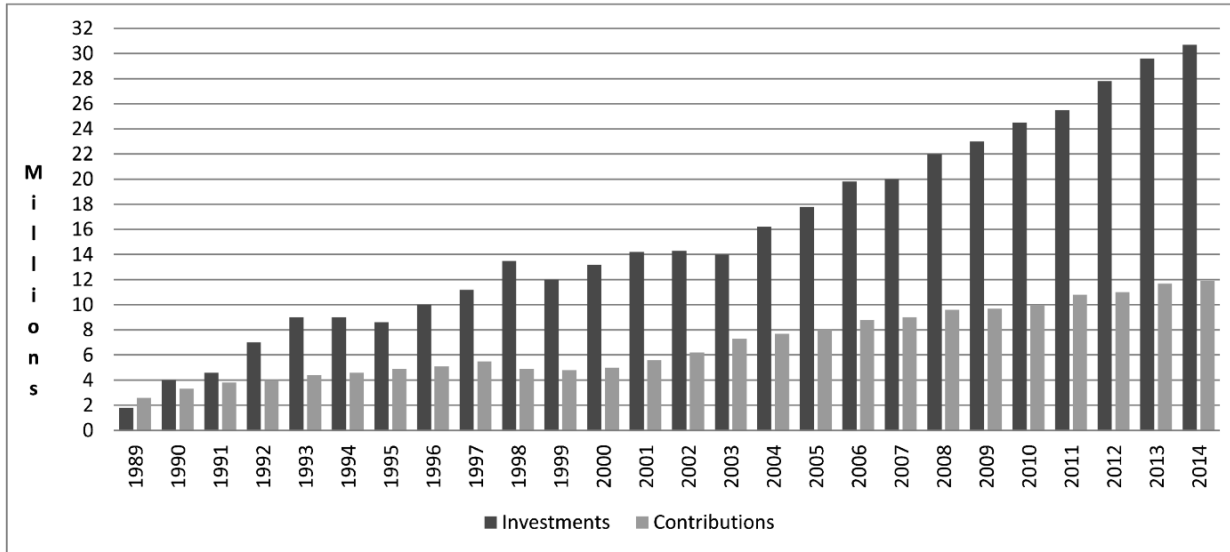
Alliant Insurance Services, Inc.
Doug Wozniak, Sr. Vice President
1301 Dove Street, Suite, Suite 200
Newport Beach, CA 92660
949.756.0271

General Counsel

May, Adam, Gerdes and Thompson, LLC
Rob A. Anderson
PO Box 160
Pierre, SD 57501
605.224.8803

Membership Growth & Contributions

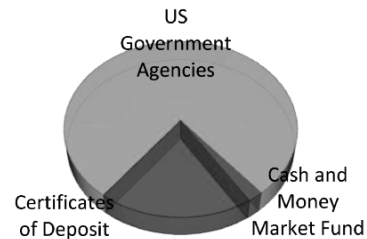
Since it began in 1987, the South Dakota Public Assurance Alliance has had steady growth in Membership and contributions. With 409 Members and over \$31 million in investments, SDPAA is one of the largest public entity-owned risk sharing pools of its kind in South Dakota.



SDPAA Investments

Investment Portfolio 12/31/2014

Cash and Money Market Fund	626,113	2%
Certificates of Deposit	6,148,057	19.6%
US Government Agencies	24,581,630	78.4%
	<u>31,355,800</u>	<u>100%</u>



Statement of Net Position

For the Year Ended December 31, 2014

ASSETS:

Cash and Cash Equivalents	\$ 684,733
Receivables	\$ 336,716
Investments	\$ 30,729,687
Other Assets	\$ 1,139,478
Total Assets	<u><u>\$ 32,890,614</u></u>

LIABILITIES AND MEMBERS' EQUITY

LIABILITIES:

Accounts Payable and Accrued Expenses	\$ 833
Unearned Contributions	\$ 3,482,253
Losses and Loss Adjustment Expense Reserve	\$ 11,610,625
Total Liabilities	<u><u>\$ 15,093,711</u></u>

NET POSITION

Total Liabilities and Members' Equity	<u><u>\$ 17,796,903</u></u>
	<u><u>\$ 32,890,614</u></u>

Statement of Revenues, Expenses and Change in Net Position

For the Year Ended December 31, 2014

UNDERWRITING:

Contributions	\$ 10,831,701
Reinsurance Ceded	(1,638,934)
Total Operating Revenue	<u>\$ 9,192,767</u>

LOSSES:

Losses and Loss Adjustment Expenses Incurred	\$ 4,532,398
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GENERAL AND ADMINISTRATIVE EXPENSES:

Outsourcing	\$ 1,607,021
Other	\$ 941,813
Total General and Administrative Expenses	<u>\$ 2,548,834</u>

Operating (Loss)	<u>\$ 2,111,535</u>
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NON-OPERATING INCOME AND (EXPENSE):

Net Investment Income	\$ 790,786
Capitalization Contributions	43,062
Capitalization Distributions	102,799
Total Non-Operating Income	<u>\$ 936,647</u>

CHANGE IN POSITION	<u><u>\$ 3,048,182</u></u>
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SDPAA Membership

Cities

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

Jerry Krambeck

Mayor, City of Spearfish
2002 - 2013

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)

Sponsored and Endorsed By:

South Dakota Municipal League

Yvonne Taylor, Executive Director

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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CHAMBERLAIN SD 57325