



2017

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



Tracy Turbak
Chairman
City of Sioux Falls



Mike Wiese
Vice Chairman
Brown County



Jim Borszich
Secretary/Treasurer
City of Huron



Kathy Glines
Harding County



Michael Hall
City of Sioux Falls



Steve Harding
City of Pierre



Lisa Katzenstein
City of Sturgis



Mic Kreutzfeldt
McCook County



Dennis Olson
City of Brandon



Yvonne Taylor
SDML



Bob Wilcox
SDACC

Letter from the Chairman of the Board

Dear SDPAA Members:

On behalf of the Board of Directors and the SDPAA team, it is my pleasure to present this report on the Pool's finances for calendar year 2017 as well as an overview of the services provided to our Members and the team providing those services. If you have questions about the SDPAA, or would like to dig deeper into the numbers, please feel free to contact any member of the Board or call our Executive Director at the Pool office. The Pool's audited financial statements are also available on our website.

Last year was another successful year for the SDPAA in a number of respects. First, as the enclosed report indicates, the Pool continued to strengthen its financial position by adding more than \$1.5 million to net position – ending the year with positive net position of just over \$25 million. The Board continued its practice of sharing the Pool's financial success with the membership by granting nearly \$900,000 in contribution credits back to Members. This financial success is largely due to the hard work and dedication of the SDPAA staff and service providers but, is also attributable to the work of our Members to prevent claims.

Second, during this past year, with the expected retirement of our first Executive Director, Judy Payne, the SDPAA successfully transitioned to David Pfeifle as her successor. The Board is grateful to Judy for leading the SDPAA over the past years and for building much of the talented team serving our Members today. The Board has the utmost confidence in David's abilities to continue leading the organization in a positive direction and with the interests of our Members always as his foremost concern. The entire SDPAA team is dedicated to offering the broadest possible coverage of our Members' risks while providing outstanding customer service at very stable and incredibly competitive rates.

The last success I want to report to the membership is that the SDPAA, in late 2017, received formal recognition from the Association of Governmental Risk Pools (AGRiP) demonstrating the Pool's compliance with the National Advisory Standards for Public Entity Risk Pools. This was a goal established by the Board several years ago and we are thrilled about receiving this difficult-to-achieve recognition that sets the SDPAA apart from so many others around the country as a premier government risk-sharing pool.

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

Sincerely,



Tracy D. Turbak
Chairman of the Board

Letter from the Executive Director

Dear SDPAA Members,

2017 marked a year of transition for the SDPAA as Judy Payne, our first Executive Director, retired after several decades of service to state and local governments in South Dakota. This past year also saw the retirement of Dennis Olson, former Chair of the SDPAA Board of Directors, after almost two decades of service to the organization. Their leadership will be missed but their efforts left us in a better position to successfully maintain our mission.

Our mission is to provide our Members with the unique benefits that only pools can provide. Unlike conventional insurance, which only provides a sharing of the financial risks for property and liability claims, pools also provide unique and seasoned approaches to manage and reduce risk for our Members. Among the unique benefits of participation in the SDPAA, our Members receive loss control surveys every three years and are eligible for participation in the Employment Practices Hotline, which provides expert legal advice for dealing with potential employment claims in a proactive manner. These services will be expanded and improved in the future to address additional areas of concern for our Members.

Pools uniquely combine the resources of their individual public entity members to address the collective needs of their members. Pools are member owned, member governed, and member driven. As owners, SDPAA Members have the opportunity to actively participate and impact not only their destiny, but that of the SDPAA as a whole. The SDPAA is led by an eleven-member Board of Directors who are elected from among SDPAA Members and who can appreciate the issues facing local governments in South Dakota. Our six-member staff is comprised entirely of public employees with considerable claims and local government experience, who also know and understand the needs of our Members.

The SDPAA is committed to continuing our history of providing SDPAA Members with exceptional coverage, services and return on investment.

Sincerely Yours,

David A. Pfeifle

David A. Pfeifle
Executive Director

Member Services

Member-Owned, Protecting Local Government Assets since 1987

2017 marked the South Dakota Public Assurance Alliance's thirtieth anniversary. We were excited to celebrate this achievement with many of our Members during participation in the annual conventions hosted by the South Dakota Association of Conservation Districts, South Dakota Association of County Commissioners, the South Dakota Municipal League and the South Dakota Association of Towns and Townships.

Throughout 2017, the SDPAA grew to 426 Members which consist of cities, counties, conservation districts, townships and special districts. We were pleased and privileged to serve four new Members from the previous year. The growth continued in a highly competitive environment. The SDPAA has been able to maintain stable rates through its financial strength and solid financial planning. While most commercial carriers were assigning rate increases of over 4-12% on accounts with favorable loss history, the Pool was able to maintain an overall 1.4% increase, supporting the efforts of the Pool administration to maintain stable rates.

The SDPAA website continued to be a valuable resource for Members to obtain sample documents and policies, links to training information and the most current news articles prepared by SDPAA staff. The website was and will continue to be updated often to include the most up to date information available for our Members. SDPAA staff continued development and began implementation of an updated pool information management system which will afford our Members access to their coverage information and the opportunity to manage their asset schedules more efficiently through a Member Portal.

We have enjoyed the hundreds of one-on-one Member visits throughout South Dakota. By reviewing coverages, we have identified the importance of making sure that each Member is appropriately covered for the risks that face the public entities of our State.

We also appreciate the opportunities available at various Member conferences, conventions, schools and meetings to support education of Members' elected and appointed officials and staff.

The SDPAA continued to provide one of the broadest coverage programs available to governmental entities in South Dakota. The 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 thank the Member-Owners for their long-term dedication and strong support. We will continue to enhance the Member Services Program and look forward to a productive and exciting 2018!

Claims Services

Helping Members Mitigate Damages and Risk

Dealing with claims is a fact of life. Providing our Members with professional, timely, and efficient claims services is one of our top priorities. A key component of the SDPAA's continued success is the close working relationship between Members and the claims administrator, Claims Associates, Inc.

Claims Associates handles liability and property claims for the SDPAA and its Members. Regardless of the type of claim, Claims Associates follows a claims handling policy that requires prompt contact and timely 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.

Liability Claims. We carefully analyze liability claims to determine the exposure to the Member and the Pool. Claims found to have merit are resolved in the most efficient and cost-effective manner, and hopefully without resorting to litigation. Claims Associates uses direct negotiation and formal mediation to resolve claims. The Pool maintains an aggressive defense posture against meritless or nuisance claims. When a claimant files suit, Claims Associates assigns defense counsel based on the type of suit, location, and Member input. We are fortunate to work with a select group of attorneys experienced in the unique situations that confront public entities. 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 key part of that team and is consulted and updated throughout the process.

Property Claims. The primary goal in any property claim is to help the affected Member get back to business as usual as quickly as possible. From catastrophic storm damage to buildings to minor fender benders, we help mitigate the loss and get clean up or temporary arrangements in place. We utilize the latest technology and our vast experience with vehicles, heavy equipment, and buildings of all shape and purpose to assess property losses and assure prompt, fair resolution.

Regardless how any 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. By utilizing risk management and loss control methods, you can often reduce liability, 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, SBI conducted 112 on-site loss control surveys for SDPAA Members. During these surveys, recommendations were developed to assist Members with their loss control efforts. In 2017, the SDPAA continued the process of having SBI conduct property valuation surveys of all buildings that the SDPAA covers. This service helps Members ensure they have all their properties scheduled and have enough coverage on each for replacement. Last year, SBI conducted 77 property valuation surveys and reviewed 1,937 properties.

SBI continues to develop training programs to assist Members in reducing exposures. In 2017, a total of 3,232 local government employees attended 144 free on-site training classes offered by the SDPAA. The SDPAA continues to offer a free DVD library to assist Members with their training needs. This past year, 47 Members checked out 318 safety DVDs.

Also, in 2017, Members of the SDPAA continued to have access to free online training. Through an agreement with FirstNet Learning, Members can participate in 72 different training courses. A total of 50 Members had employees utilize this service and they successfully completed 2,313 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 2017, a total of 49 Members made 109 calls to the hotline.

The SDPAA continued to retain the legal experts from the Legal Liability Risk Management Institute (LLRMI) to develop and keep updated model policies and procedures designed specifically for South Dakota law enforcement and jails. Additionally, Member law enforcement agencies and their personnel have access to free online training courses that deal with multiple liability topics for both law enforcement and jails. In 2017, 19 agencies completed 1,952 training courses.

SBI assists the 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.

This year's annual Loss Control Training Conference had 180 attendees. Additionally, safety awards were presented to 65 Members, recognizing them for their loss control efforts. We presented 17 Bronze, 2 Silver, 46 Gold and 26 Platinum Level awards at the Safety Award luncheons 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 percent for all lines of coverage.

Staff and Service Providers

SDPAA Staff

David Pfeifle, Executive Director
Lynn Bren, Director of Member Services
Kristina Peterson, Director of Underwriting
Paytra Nichols, 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

Claims Administration

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

Financial Audit

Eide Bailly
Ryan Donahue, CPA
4310 17th Ave. S.
Fargo, ND 58103
701.476.8826

Actuarial Services

AON Risk Solutions
Mujtaba Dato, 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
Kyle Cipperley 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

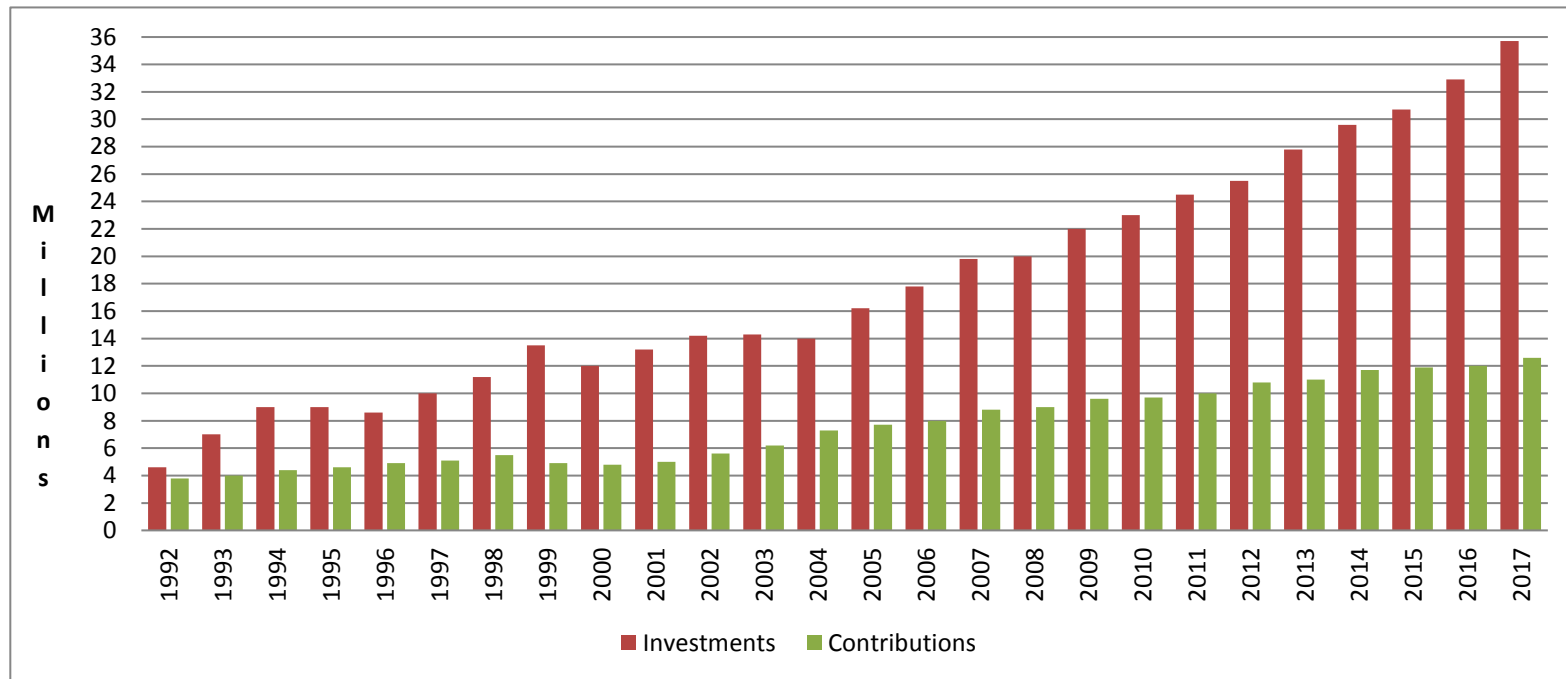
Alliant Insurance Services, Inc.
Doug Wozniak, Sr. Vice President
1301 Dove Street, Suite 200
Newport Beach, CA 92660
949.756.0271

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 426 Members and over \$35 million in investments, SDPAA is one of the largest public entity-owned risk sharing pools of its kind in South Dakota.

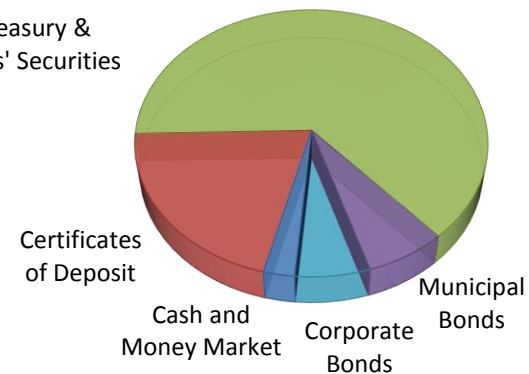


SDPAA Investments

Investment Portfolio 12/31/2017

Cash and Money Market Fund	1,005,490	2.6%
Certificates of Deposit	7,975,028	20.6%
US Treasury & Agencies' Securities	24,608,280	63.7%
Municipal Bonds	2,631,960	6.8%
Corporate Bonds	2,419,324	6.3%
Total	38,640,082	100%

US Treasury & Agencies' Securities



Statement of Net Position

For the Year Ended December 31, 2017

ASSETS:

Cash and Cash Equivalents	\$ 1,005,490
Receivables	\$ 720,691
Investments	\$ 37,634,592
Other Assets	\$ 1,085,437
Total Assets	\$ 40,446,210

LIABILITIES AND MEMBERS' EQUITY

LIABILITIES:

Accounts Payable and Accrued Expenses	\$ 43,705
Unearned Contributions	\$ 3,340,165
Losses and Loss Adjustment Expense Reserve	\$ 12,061,894
Total Liabilities	\$ 15,445,764

NET POSITION

Total Liabilities and Members' Equity	\$ 25,000,446
	\$ 40,446,210

Statement of Revenues, Expenses and Change in Net Position

For the Year Ended December 31, 2017

UNDERWRITING:

Contributions	\$ 11,667,655
Reinsurance Ceded	<u>(2,029,390)</u>
Total Operating Revenue	<u>\$ 9,638,265</u>

LOSSES:

Losses and Loss Adjustment Expenses Incurred	<u>\$ 7,005,375</u>
--	---------------------

GENERAL AND ADMINISTRATIVE EXPENSES:

Administrative Expenses	<u>\$ 1,606,600</u>
-------------------------	---------------------

Operating Gain/(Loss)

\$ 1,026,290

NON-OPERATING INCOME AND (EXPENSE):

Net Investment Income	\$ 541,211
Earned member equity, NLC Mutual Ins. Co.	33,003
Capitalization Contributions	<u>(33,308)</u>
Total Non-Operating Income	<u>\$ 540,906</u>

CHANGE IN NET POSITION

\$ 1,567,196

SDPAA Membership

Cities

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

SDPAA Membership

Townships

Aberdeen Civil
 Alban
 Allen
 Andover
 Athol
 Baker
 Brainard
 Broadland
 Butler
 Cambria
 Carthage
 Castlewood
 Choteau Creek
 Columbia
 Custer
 Darlington
 Dayton
 Dixon
 Dumarce
 Dunkel
 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
 Union – Howes
 Wahehe
 Ward
 Warner
 Wayne
 Webster
 West Rondell
 White Butte
 Whitewood

Conservation Districts

American Creek
 Aurora County
 Badlands

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
 South Brown
 Spink
 Stanley County
 Sully County
 Todd County
 Tri-County
 Turner
 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 Preserve Road 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 Truck Association
 Columbia & Community Fire Association
 Conde Rural Fire District
 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
 Mountain Pines Road District
 North East Box Canyon Road District
 North Marsh Lake Watershed District
 Northwest SD Regional Landfill
 Pickerel Lake Sanitary District
 Planning & Development District III
 Renner Sanitary District
 South Dakota Municipal League
 SDML Workers' Compensation Fund
 SD Assn of County Commissioners
 SDPAA
 SD Public Funds Investment Trust
 Sioux Falls Regional Airport Authority
 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
 Woodland Hills Sanitary 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, Spearfish
2002 – 2013

Jeff Heinemeyer

Adviser, Madison
2001 – 2016

Terry Weisenberg

Lawrence County Commissioner, Lead
2005 - 2016

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

David Pfeifle, 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