



2016

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.

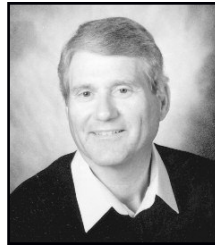
Board of Directors



Dennis Olson
Chairman
Brandon



Mike Wiese
Vice Chairman
Brown County



Jim Borszich
Treasurer
Huron



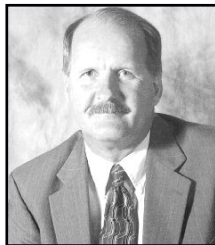
Michael Hall
Secretary
Sioux Falls



Mic Kreutzfeldt
Salem



Jeff Heinemeyer
Madison



Terry Weisenberg
Lawrence County



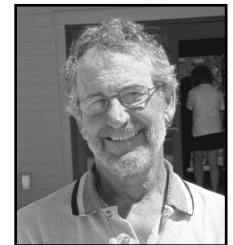
Tracy Turbak
Sioux Falls



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 myself or a member of the Board.

The South Dakota Public Assurance Alliance had another very successful year in 2016. The balance sheet shows a very good net earnings number. Loss Control Credits, Loss Ratio Credits, Renewal Credits, and Law Enforcement Credits were continued in 2016, resulting in cash credits to Members totaling a little over a million dollars.

The Pool has been in existence for thirty years. Two of the goals in establishing the Pool in 1986 were providing reasonable rates and eliminating the fluctuation of rates from year to year. Over the last thirty years our Members have experienced coverage at a very competitive price. There have only been a few minor rate increases, eliminating rate fluctuation, while adding refund credits as mentioned above along with many new lines of coverage. These goals have been accomplished.

The biggest expense with the pool is the payment of claims. Any claim that is prevented relates directly to profitability and stable rates. The Board has a contract with Safety Benefits to aid you in preventing claims. They have numerous programs available including "hot lines" to allow you to speak with experts to answer questions. If you have any questions about a situation that may lead to a claim, please contact Doug Kirkus at Safety Benefits or Lynn Bren with the SDPAA for assistance.

One of our long term goals is 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. We are continually working on this recognition and will become a reality very soon.

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

Sincerely,



Dennis E. Olson
Chairman of the Board

Letter from the Executive Director

Dear SDPAA Members,

2016 marked the SDPAA's 30th year of providing superior coverage, risk management solutions and service to its Member-owners.

Most of the government officials who founded, nurtured and developed the best understanding of the pooling movement are gone or retiring. Newer government officials have less direct experience with the long-term benefits of pooling, and they probably do not remember much about the public risk coverage crises in the 1970s and 1980s. Keeping elected and appointed government officials connected to pooling concepts, invested in pooling outcomes, and committed to long-term vision is of primary concern to pool executives and their boards of directors. Critical to this is the understanding that pooling is so much more than insurance; it is better government.

Pools embody the ideal of local control because pools are crafted to meet the specific needs of their public entity members. Pools are member owned, member governed, and member driven. As owners, members have a say and have the opportunity to actively participate and impact not only their destiny, but that of the SDPAA as a whole.

This partnership is further proof that local government entities acting together can accomplish great things. At year 30, the ties that bind the SDPAA remain strong and we remain committed to continuing our history of providing SDPAA Members with exceptional coverage, services and return on investment.

Thank you for your participation in this highly successful journey.

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 thirteen new Members and also added numerous coverages for many existing Members in 2016. The new Members consisted of eight cities/towns, one township, one county and three special districts. The growth was achieved in a highly competitive environment. The SDPAA has been able to maintain stable rates through its financial strength and solid financial planning. The SDPAA has grown to 422 Members which consist of cities, counties, conservation districts, townships and special districts.

The SDPAA website continues 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.

SDPAA staff began review and development 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.

SDPAA continues to provide 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 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 2017!

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.

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. 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, loss control representatives conducted 143 on-site surveys for SDPAA members. During these surveys, recommendations were developed to assist members with their loss control efforts. In 2016, the SDPAA continued the process of having SBI conduct property replacement surveys of all buildings that the SDPAA covers. This service helps members ensure they have all their properties scheduled, and have sufficient coverage on each for replacement.

SBI continues to develop training programs to assist members in reducing exposures. In 2016, a total of 3,978 local government employees attended 169 free 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, 58 members checked out 366 safety DVDs.

Also in 2016, members of the SDPAA continued to have access to free online training. Through an agreement with FirstNet Learning, members can participate in 54 different training courses. A total of 49 members had employees who successfully completed 2,076 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 2016, a total of 51 members made 89 calls to the hotline.

The SDPAA continued to retain the legal experts from the Legal Liability Risk Management Institute (LLRMI) 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. Additionally, member law enforcement agencies and their personnel have access to free online training courses that deal with the model policies and procedures for both law enforcement and jails.

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.

This year's annual Loss Control Training Conference had 167 attendees. Additionally, safety awards were presented to 61 members recognizing them for their loss control efforts. We presented 16 Bronze, 4 Silver, 42 Gold and 29 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

Judith M. Payne, 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

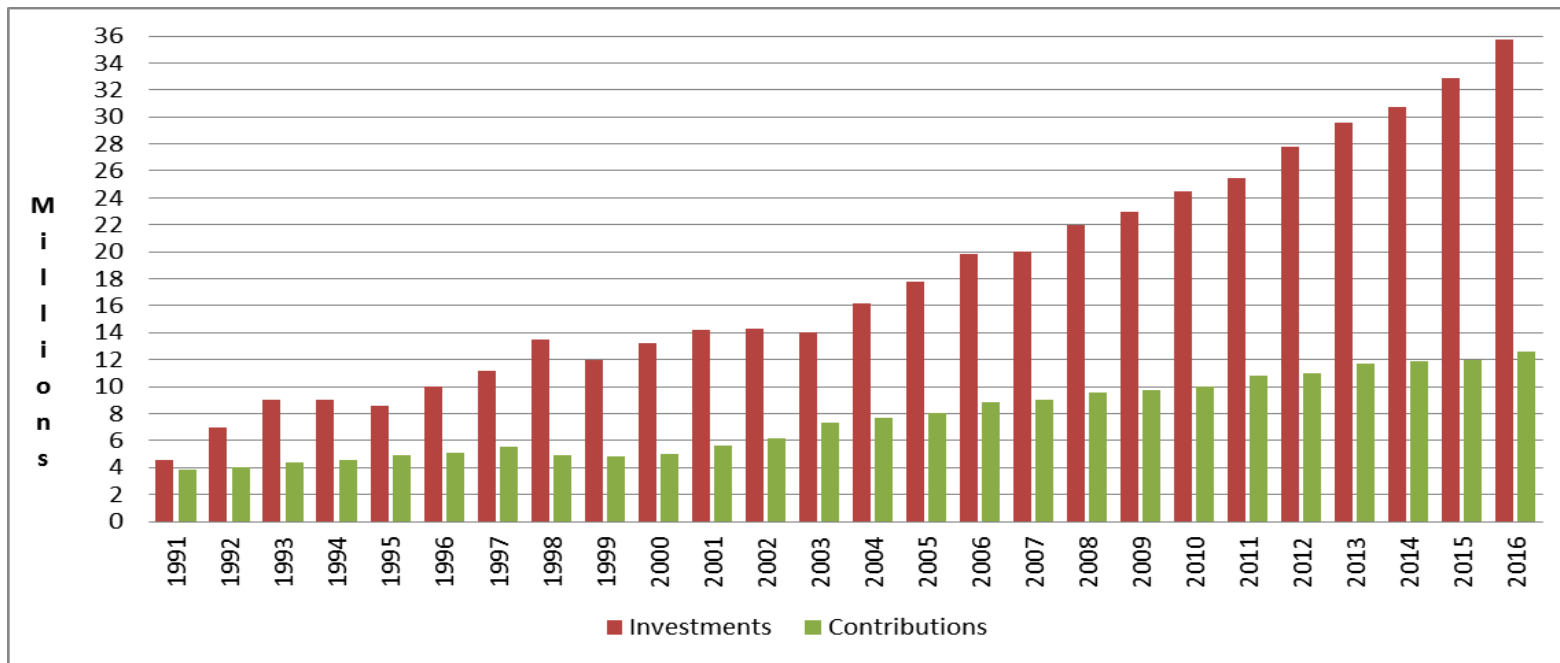
Alliant Insurance Services, Inc.
Doug Wozniak, Sr. Vice President
1301 Dove Street, Suite 200
Newport Beach, CA 92660
949.756.0271

General Counsel

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

Membership Growth & Contributions

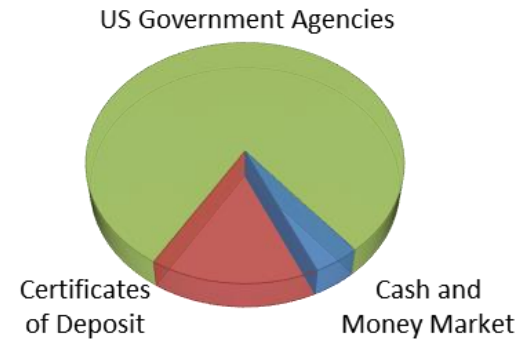
Since it began in 1987, the South Dakota Public Assurance Alliance has had steady growth in Membership and contributions. With 422 Members and over \$35 million in investments, SDPAA is one of the largest public entity-owned risk sharing pools of its kind in South Dakota.



SDPAA Investments

Investment Portfolio 12/31/2016

Cash and Money Market Fund	1,535,175	4.3%
Certificates of Deposit	5,591,183	15.7%
US Government Agencies	28,592,240	80.0%
	<u>35,718,598</u>	<u>100%</u>



Statement of Net Position

For the Year Ended December 31, 2016

ASSETS:

Cash and Cash Equivalents	\$ 1,535,175
Receivables	\$ 652,551
Investments	\$ 34,183,423
Other Assets	\$ 1,031,761
Total Assets	\$ 37,402,910

LIABILITIES AND MEMBERS' EQUITY

LIABILITIES:

Accounts Payable and Accrued Expenses	\$ 29,387
Unearned Contributions	\$ 3,149,844
Losses and Loss Adjustment Expense Reserve	\$ 10,790,429
Total Liabilities	\$ 13,969,660

NET POSITION

Total Liabilities and Members' Equity	\$ 23,433,250
	\$ 37,402,910

Statement of Revenues, Expenses and Change in Net Position

For the Year Ended December 31, 2016

UNDERWRITING:

Contributions	\$ 11,507,053
Reinsurance Ceded	<u>(1,957,930)</u>
Total Operating Revenue	<u>\$ 9,549,123</u>

LOSSES:

Losses and Loss Adjustment Expenses Incurred	<u>\$ 6,108,389</u>
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GENERAL AND ADMINISTRATIVE EXPENSES:

Administrative Expenses	<u>\$ 1,465,513</u>
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Operating Gain/(Loss)

\$ 1,975,221

NON-OPERATING INCOME AND (EXPENSE):

Net Investment Income	\$ 430,404
Earned member equity, NLC Mutual Ins. Co.	29,681
Capitalization Contributions	<u>91,910</u>
Total Non-Operating Income	<u>\$ 551,995</u>

CHANGE IN POSITION

\$ 2,527,216

SDPAA Membership

Cities

Aberdeen	Colman	Hill City
Alexandria	Columbia	Hosmer
Alpena	Conde	Hot Springs
Andover	Corona	Hoven
Astoria	Crooks	Howard
Aurora	Custer	Hudson
Avon	Dallas	Hurley
Badger	Davis	Huron
Baltic	Deadwood	Interior
Batesland	Dell Rapids	Iroquois
Belle Fourche	Delmont	Isabel
Belvidere	Doland	Kennebec
Blunt	Draper	Keystone
Bonesteel	Dupree	Lake Andes
Box Elder	Eagle Butte	Lake City
Brandon	Edgemont	Lake Preston
Brandt	Egan	Langford
Brant Lake	Eureka	Lead
Bridgewater	Fairburn	Lebanon
Bristol	Fairfax	Lennox
Britton	Fairview	Long Lake
Brookings	Faulkton	Madison
Buffalo	Flandreau	Marion
Buffalo Gap	Florence	Martin
Burke	Freeman	McIntosh
Camp Crook	Ft. Pierre	McLaughlin
Canova	Garretson	Midland
Canton	Gary	Milbank
Castlewood	Gettysburg	Miller
Cavour	Gregory	Mission
Centerville	Grenville	Mission Hill
Central City	Groton	Mitchell
Chancellor	Harrisburg	Monroe
Chelsea	Harrold	Montrose
Claire City	Hartford	Morristown
Claremont	Hayti	Mount Vernon
Clark	Hecla	Murdo
Clear Lake	Hermosa	New Effington
	Herrick	New Underwood

Newell
New Witten
Nisland
North Sioux City
Oacoma
Oelrichs
Ortley
Parker
Peever
Pickstown
Piedmont
Pierpont
Pierre
Quinn
Ree Heights
Roscoe
Roslyn
St. Francis
St. Lawrence
Sherman
Sioux Falls
Sisseton
Spearfish
Springfield
Stockholm
Stratford
Sturgis
Summerset
Summit
Tea
Timber Lake
Tolstoy
Toronto
Trent
Tripp
Turton
Valley Springs
Veblen
Vermillion

Viborg
Vilas
Virgil
Volga
Wagner
Wall
Warner
Wasta
Watertown
Waubay
Webster
Westport
Wessington
White
White River
Whitewood
Willow Lake
Wilmot
Wood
Woonsocket
Worthing
Yale
Yankton
Counties
Aurora County
Beadle County
Bennett County
Bon Homme County
Brookings County
Brown County
Buffalo County
Butte County
Charles Mix County
Clark County
Clay County
Codington County
Corson County
Custer County
Davison County

Day County
Deuel County
Douglas County
Edmunds County
Fall River County
Faulk County
Grant County
Gregory County
Hamlin County
Hand County
Hanson County
Harding County
Hughes County
Hutchinson County
Hyde County
Jackson County
Jerauld County
Jones County
Kingsbury County
Lake County
Lawrence County
Lyman County
Marshall County
McCook County
McPherson County
Meade County
Mellette County
Miner County
Minnehaha County
Moody County
Oglala Lakota County
Pennington County
Sanborn County
Stanley County
Sully County
Todd County
Tripp County
Turner County
Walworth County

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
 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
 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 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
 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
 Prairie Village
 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, 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