

# FY 2021-2022 **Annual Report**



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SPECIAL DISTRICTS  
INSURANCE SERVICES





## 2021-2022 BOARD OF TRUSTEES



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**Andrea Klaas**  
Port of The Dalles



Vice Chair:  
**Mike Jacobs**  
Tualatin  
Valley Water  
District



Secretary:  
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Tualatin Hills  
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Treasurer:  
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County Fire  
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Trustee:  
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Lane Transit  
District



Trustee:  
**Nicole Dalke**  
Springfield  
Utility Board



Trustee:  
**Darren Bucich**  
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Rescue



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**Ted Kunze**  
Molalla RFPD #73

## OUR HISTORY

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

Unlike an insurance company where the profits are distributed to shareholders, SDIS's only objective is to provide reasonable and stable rates and broad coverage to participating Oregon public entities of all kinds and sizes. SDIS now has more than 900 Oregon local government members with annual contributions of over \$55 million.

## FINANCIAL HIGHLIGHTS

Member contributions from the SDIS pooled property casualty and workers' compensation programs increased 8% with very stable membership. Total contributions were \$27 million. The self-insured health and dental program had an increase of 4% in total contributions with a small 2.5% rate increase and some increase in covered participants. The Oregon Fire Chiefs Association (OFCA) medical and dental program completed its fifth year as self-insured with contributions of \$12.3 million and a second consecutive year with a flat rate renewal.

The liability program had a spike in losses with \$9.5 million, or 192% of budget. The workers' compensation program also had losses well above budget at over 200%, or \$11.1 million. The property program was slightly below budget with \$1.5 million in losses. The health program had lower than expected losses of 92% while the OFCA program's claims performed in line with expectations of 104% corresponding to increased enrollment.

## FINANCIAL STATEMENT OVERVIEW

The pooled programs had a net loss of (\$5.9) million on an operating basis due to the increased claims levels for liability and workers' compensation. The investment portfolio took a loss of over (\$10) million due to negative performance in both the equity and fixed income markets. Due to increased claims and poor results from investments, SDIS had a reduction in retained earnings of (\$16.5) million. The liability and workers' compensation programs had reductions in retained earnings of (\$9) million and (\$10) million respectively. The health programs added to retained earnings with \$1.9 million from the core program and \$1.7 million from the OFCA program. Through the Longevity Credit Program, the Trust was again able to issue checks in the amount of \$1.2 million to participating members who qualified for the credit.



## REPORTING AUTHORITIES

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

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

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



# STATEMENT OF NET POSITION

## FOR THE FISCAL YEARS ENDED ***JUNE 30, 2022 AND 2021***

**Figure 1**

	2022	2021
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 14,952,311	\$ 5,334,957
Accounts receivable	2,630,323	2,619,480
Accrued interest	80,627	161,934
Prepaid expenses	4,928,936	4,479,416
Investments - current portion	34,676,040	48,534,380
Total Current Assets	<u>57,268,236</u>	<u>61,130,167</u>
<b>Non-Current Assets</b>		
Restricted investments	4,976,004	4,976,004
Investments	34,870,829	37,579,887
Fixed assets (net)	3,137,062	3,252,315
Total Non-Current Assets	<u>42,983,895</u>	<u>45,808,206</u>
<b>Total Assets</b>	<u>\$ 100,252,131</u>	<u>\$ 106,938,373</u>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 2,588,955	\$ 1,700,080
Deferred revenue	12,424,362	10,830,654
Claims payable - current portion	11,600,991	7,926,787
Total Current Liabilities	<u>26,614,308</u>	<u>20,457,521</u>
<b>Non-Current Liabilities</b>		
Claims payable	19,833,071	13,730,650
Total Non-Current Liabilities	<u>19,833,071</u>	<u>13,730,650</u>
<b>Total Liabilities</b>	<u>46,447,379</u>	<u>34,188,171</u>
<b>Net Position</b>		
Net invested in capital assets	3,137,062	3,252,315
Restricted per Work Comp Laws	4,976,004	4,976,004
Unrestricted	<u>45,691,687</u>	<u>64,521,881</u>
Total Net Position	<u>53,804,752</u>	<u>72,750,200</u>

**STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN NET POSITION**  
*FOR THE FISCAL YEARS ENDED JUNE 30, 2022 AND 2021*

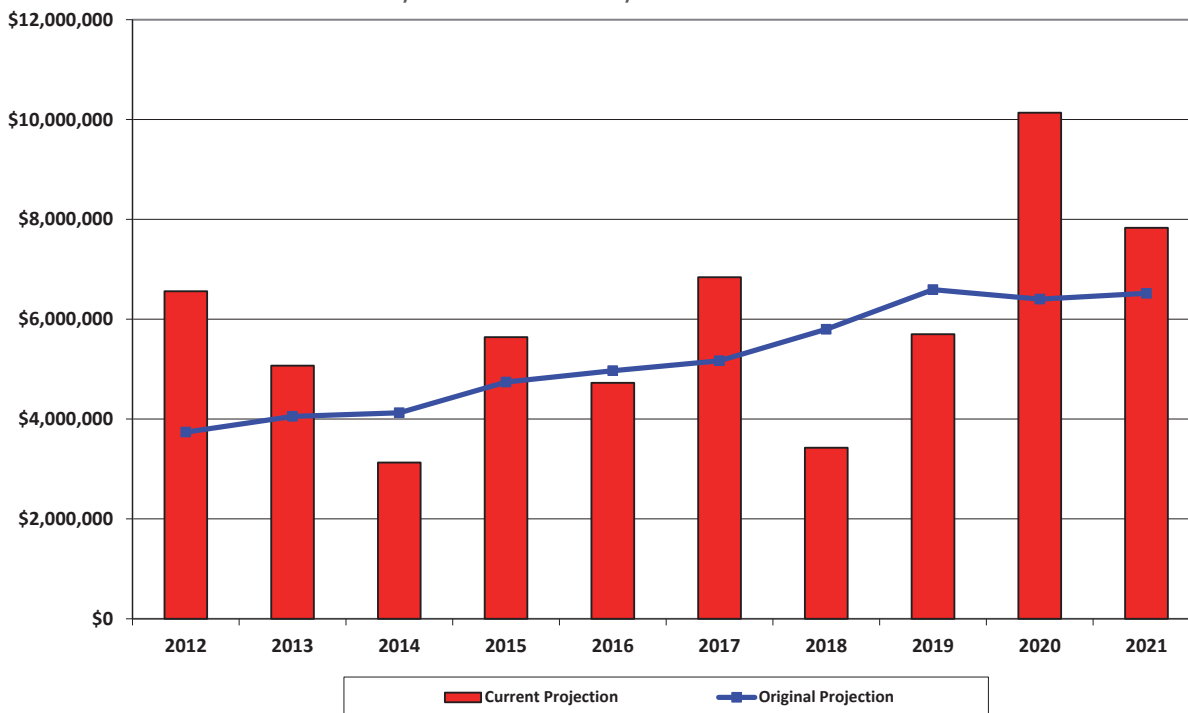
**Figure 2**

	2022	2021
<b>Operating Revenues</b>		
Member contributions	\$ 70,924,808	\$ 67,169,850
Conference and seminars	-	-
Miscellaneous income	13,858	4,755
<b>Total Revenues</b>	<u>70,938,667</u>	<u>67,174,605</u>
<b>Operating Expenses</b>		
Underwriting Expenses:		
Loss and loss adjustment expenses	\$54,066,802	\$42,007,845
Insurance premiums	11,165,304	9,889,534
Broker fees	461,000	390,497
Local agent commissions	3,270,989	3,089,985
Workers' compensation taxes	459,606	347,345
Operating Expenses:		
Conference and training	271,766	322,293
Claims Service Expenses	2,915,862	3,352,855
Dividends	2,389,823	28,860
Other operating expenses	4,623,110	4,257,815
<b>Total Expenses</b>	<u>\$79,624,262</u>	<u>\$63,687,029</u>
<b>Net Operating Income (Loss)</b>	<u>(8,685,598)</u>	<u>3,487,576</u>
<b>Non-Operating Revenues (Expenses)</b>		
Interest income	(10,275,046)	11,345,790
Rental Income	338,234	338,803
Rental Expense	(323,039)	(336,905)
<b>Net Non-Operating Income (Loss)</b>	<u>(10,259,850)</u>	<u>11,347,688</u>
<b>Change in Net Position</b>	(18,945,448)	14,835,264
<b>Net Position, Beginning</b>	<u>72,750,200</u>	<u>57,914,936</u>
<b>Net Position, Ending</b>	<u>\$ 53,804,752</u>	<u>\$ 72,750,200</u>

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

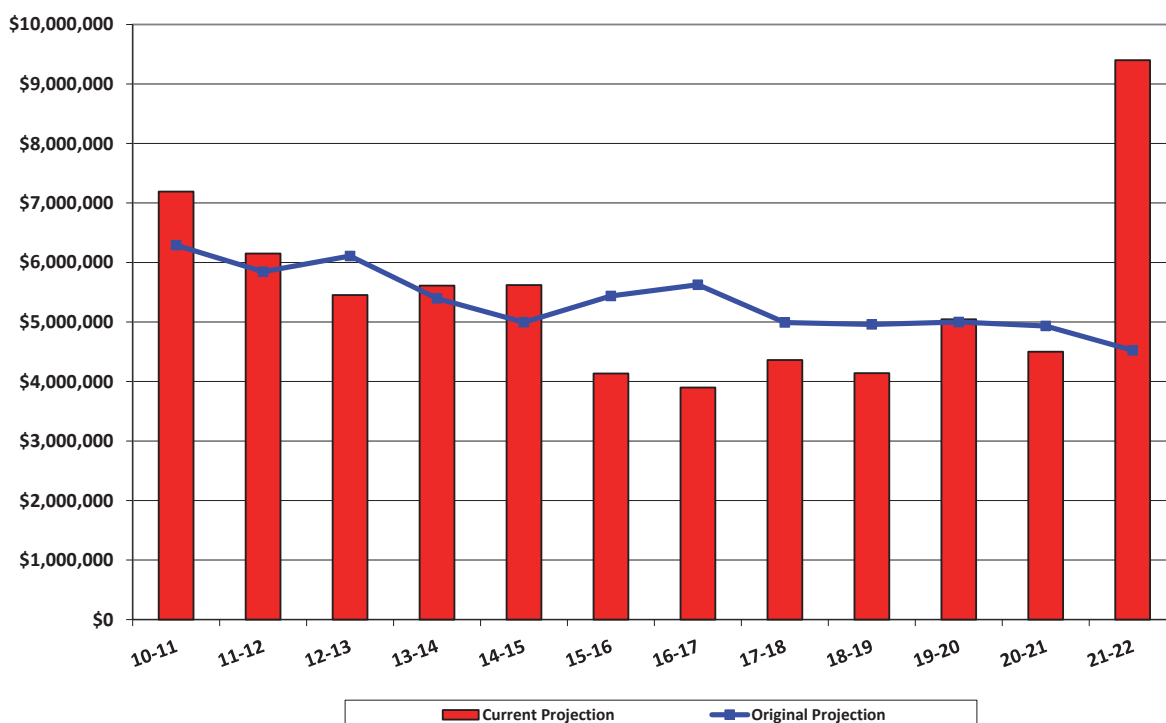
**Figure 3**

**GENERAL LIABILITY, AUTO LIABILITY, AUTO PHYSICAL DAMAGE AND PROPERTY**



**Figure 4**

**WORKERS' COMPENSATION**



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

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

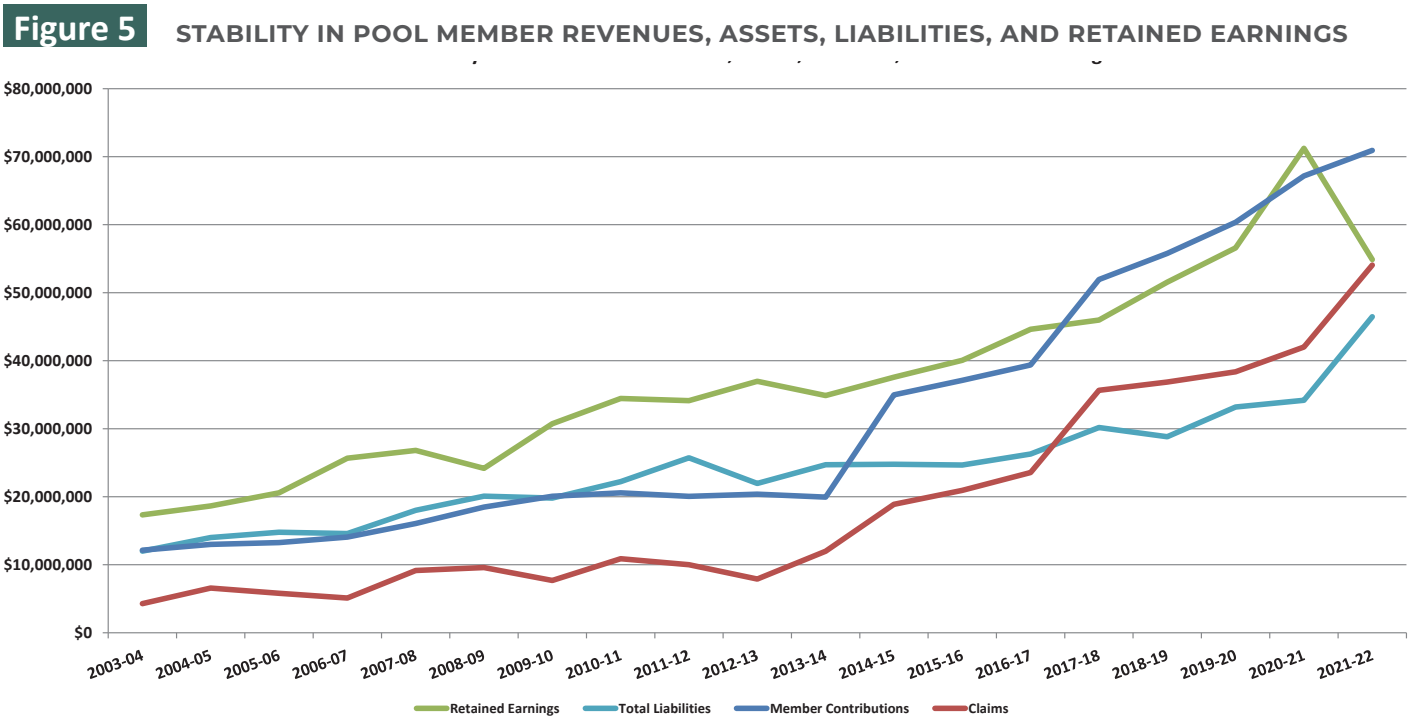




Figure 6 (below) shows the claims liabilities for the self-insured program as of June 30, 2022 and 2021. Noted in the third line “Changes in provision for insured events or prior fiscal years”, the pooled programs experienced a favorable adjustment to prior policy period claims this year.

**Figure 6**

**Special Districts Insurance Services Trust  
Reconciliation Of Claim Liabilities By Program  
For the Fiscal Years Ended June 30, 2022, and 2021**

	Liability		Property		Workers' Compensation		Health		Health - OFCA		Totals	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Unpaid claims and claim adjustment expenses at beginning of the fiscal year	\$9,776,334	\$8,167,987	\$2,348,954	\$661,595	\$7,403,148	\$8,767,156	\$1,694,000	\$2,125,000	\$435,000	\$850,783	\$21,657,438	\$20,572,522
Incurred claims and claim adjustment expenses:												
Provision for insured events of the current fiscal year	7,220,957	5,149,794	1,012,132	4,387,770	9,604,235	4,165,910	22,674,440	23,254,970	8,943,153	7,256,007	49,454,916	44,214,450
Changes in provision for insured events of prior fiscal years	2,273,847	(163,612)	491,066	38,772	1,502,653	(1,962,216)	463,870	131,885	(10,046)	(251,434)	4,721,389	(2,206,605)
Total incurred claims and claim adjustment expenses	9,494,803	4,986,182	1,503,198	4,426,541	11,106,888	2,203,694	23,138,310	23,386,855	8,933,107	7,004,573	54,176,306	42,007,845
Payments:												
Claims and claim adjustment expenses attributable to insured events of the current fiscal year	2,544,914	1,722,016	1,311,198	2,386,418	2,827,171	1,748,428	20,272,440	22,334,137	8,205,153	7,120,948	35,160,876	35,311,946
Claims and claim adjustment expenses attributable to insured events of prior fiscal years	3,068,844	1,655,820	723,573	352,765	2,837,605	1,819,274	2,158,870	1,483,718	449,913	299,408	9,238,804	5,610,984
Total payments	5,613,758	3,377,835	2,034,771	2,739,183	5,664,776	3,567,702	22,431,310	23,817,855	8,655,066	7,420,356	44,399,681	40,922,931
Total unpaid claims and claim adjustment expenses at end of the fiscal year	\$13,657,380	\$9,776,334	\$1,817,380	\$2,348,954	\$12,845,260	\$7,403,148	\$2,401,000	\$1,694,000	\$713,041	\$435,000	\$31,434,063	\$21,657,437

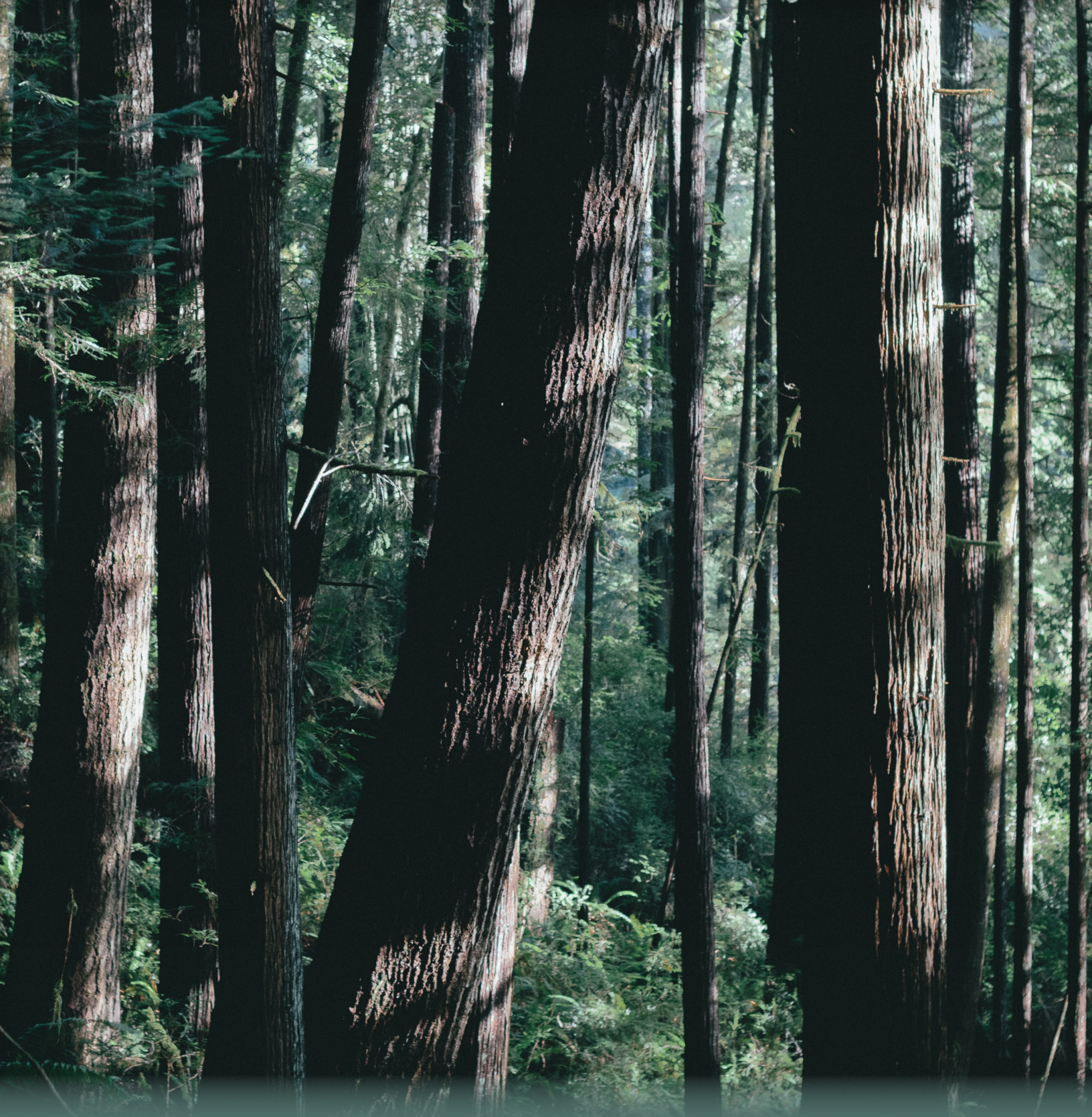
**Figure 7**

**SPECIAL DISTRICTS INSURANCE SERVICES Trust**  
**Statement of Revenues, Expenses, and Changes in Net Position by Program**  
**Fiscal Year Ending June 30, 2022**

	Liability	Property	Workers' Compensation	Health	Health OFCA	Schools	Total
<b>REVENUES:</b>							
Member contributions	12,417,792	8,258,767	6,343,052	31,557,719	12,347,478	-	70,924,808
Conference and seminars	-	-	-	-	-	-	0
Miscellaneous income	13,858	-	-	-	-	-	13,858
Total Revenues	12,431,650	8,258,767	6,343,052	31,557,719	12,347,478	0	70,938,667
<b>EXPENSES:</b>							
Underwriting Expenses:							
Loss and loss adjustment expense	9,494,803	1,503,198	11,106,888	23,138,310	8,823,602	-	54,066,802
Insurance premiums	2,341,517	4,390,050	436,949	3,165,613	831,176	-	11,165,304
Broker fees	90,644	103,004	66,953	161,400	39,000	-	461,000
Local agent commissions	1,282,788	904,541	291,561	607,531	184,568	-	3,270,989
Workers' comp. Taxes	-	-	459,606	-	-	-	459,606
Operating Expenses:							
Conference and Training	271,766	-	-	-	-	-	271,766
Claims Services Fees	498,122	168,059	986,186	928,421	335,074	-	2,915,862
Other operating expenses	2,198,484	761,804	727,475	239,836	304,836	-	4,232,435
Total Expenses	16,178,124	7,830,656	14,075,617	28,241,111	10,518,256	0	76,843,764
Operating Income (Loss)	(3,746,473)	428,112	(7,732,565)	3,316,608	1,829,221	-	(5,905,098)
<b>Non-Operating Revenues (Expenses)</b>							
Interest Income	(5,252,585)	(1,232,623)	(2,257,321)	(1,203,024)	(133,669)	(195,825)	(10,275,046)
Rental Income	338,234	-	-	-	-	-	338,234
Rental Expenses	(323,039)	-	-	-	-	-	(323,039)
Total Non-Operating Revenues (Expenses)	(5,237,389)	(1,232,623)	(2,257,321)	(1,203,024)	(133,669)	(195,825)	(10,259,851)
Income (Loss) Before Transfers	(8,983,863)	(804,511)	(9,989,886)	2,113,584	1,695,552	(195,825)	(16,164,949)
<b>Transfers In (Out)</b>							
Change in Net Assets	(82,819)	(55,081)	(42,304)	(210,471)	-	-	(390,675)
Net Assets, Beginning	(9,066,682)	(859,592)	(10,032,191)	1,903,113	1,695,552	(195,825)	(16,555,624)
Net Assets, Ending	32,838,787	6,864,002	15,000,699	10,221,905	6,277,555	1,547,251	72,750,199
Transfer of Equity, Longevity Credit	(2,389,823)	-	-	-	-	-	(2,389,823)
Net Assets, Ending	21,382,282	6,004,410	4,968,508	12,125,018	7,973,107	1,351,426	53,804,752







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SPECIAL DISTRICTS  
INSURANCE SERVICES

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