

# **Public Risk Innovation, Solutions, and Management (PRISM)**

**CALIFORNIA**



## **ADOPTED BUDGET**

For the Fiscal Year  
July 1, 2020 to June 30, 2021

**PRISM**  
**Public Risk Innovation,**  
**Solutions, and Management**

**ADOPTED BUDGET**  
**FOR THE FISCAL YEAR JULY 1, 2020 TO JUNE 30, 2021**

**EXECUTIVE COMMITTEE**

<b>Name</b>	<b>Entity</b>
Janell Crane	Sonoma County
Scott Schimke	GSRMA
Karen Caoile	Contra Costa County
John Viegas	Glenn County
Matt Gutierrez	Kern County
Richard Egan	Lassen County
James Brown	Merced County
Kerri John Whitney	Napa County
Kimberly Greer	City of Richmond
Lance Sposito	Santa Clara County
Sherri Adams	Solano County
Nathan Black	Sutter County
Michael Pott	PRISM General Counsel

**SENIOR MANAGEMENT**

Gina Dean	Chief Executive Officer
Brian Kelley	Chief Operating Officer
John Alltop	Chief Actuarial Officer
Puneet Behl	Chief Financial Officer
Tom Pelster	Chief Information Officer
Rick Brush	Chief Member Services Officer

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**PRISM**  
**Public Risk Innovation, Solutions, Management**  
**Adopted Budget**  
**For the Fiscal Year 2020/21**

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June 5, 2020

Members, Board of Directors  
Folsom, California

Ladies and Gentlemen:

We respectfully submit Public Risk Innovation, Solutions, and Management (also referred to as PRISM) proposed budget for fiscal year 2020/21 for your approval.

PRISM's budget continues to be driven by its mission of providing competitive, adaptable, resolute, equitable and stable products and services that address the unique risk financing needs of California's public entities. The Excess Insurance Organization (EIO), a blended component unit of PRISM, is a captive insurance company domiciled in Utah established to take certain risks of various PRISM programs.

In FY20/21, we are enhancing our member service and Risk Control programs in the following areas:

- Expand marketing of Enterprise Risk (ERC) program and engage more Enterprise Risk Consultants.
- Continue and expand the use of an online Risk Management Practitioner Program
- Marketing of new services including Law Enforcement Wellness Program, Workforce Management Software, Physical Abilities Testing, Incident Reporting System, and more
- Expand business partner relationships for delivery of risk control services
- Continue marketing the Risk Management Legal Advice Services
- Continue marketing of Employment Practices Liability services offered by the Eyres Law Group to all members
- Continue marketing efforts of law enforcement related programs such as POST Certified trainings
- Continue to expand Risk Control services to Educational Members
- Continue the collaboration with TargetSolutions and our creation of content for the platform
- Continue and expand Risk Assessment Tool capabilities, to include PRISM's out-of-state Participants

Our Information Technology Department received approval in the May 2020 Executive Committee meeting to move forward with the development of a proprietary claims system using a development partner and low-code platform. The project will kick-off between June and July 2020. Development is currently budgeted at \$3.2M, with an anticipated completion in 1.5 years.

We also continue to develop pool management functionality on our website, which will provide members with easier access to their participation (coverages) information and management of their additional named covered parties.

The need for comprehensive and accurate data continues to be of high importance to the insurance marketplace as the renewal process becomes increasingly challenging. As reinsurance reporting requirements continue to increase for all of the major programs, Data & Analytics (D&A) is focused on providing additional information, reports, and data as needed. Work includes more interaction with our data providers, more frequent collection and submission of data, additional reports, and new supplemental exhibits to the Claim Summary Reports and Bordereaux.

The D&A team will continue to respond to requests from the markets, provide additional information as it becomes needed, and work with the membership (and their data providers) to improve the timeliness and loss data quality of member experience data.

For FY20/21, PRISM continues to modify and adapt its program structures based on both market forces and member needs. Our program renewal details are below.

In the **Primary Workers' Compensation Program (PWC)**, PRISM retains the risk in the \$0 - \$10k layer and purchases reinsurance with Chubb for the next \$10k to \$125k layer. The renewal for this program is pre-negotiated with a rate stabilization plan, and for this year, the renewal increased the aggregate corridor retention to \$14.1M, which is transferred to PRISM's Captive.

The **Excess Workers' Compensation Program (EWC)** provides coverage to program members through a tower structure which diversifies the program's risk. The program's Core Tower provides coverage for County, City, special district, and non-school members, while the Educational Tower provides coverage for school members. There are two corridor retentions in the Program. A large \$46M corridor spans the pooled layers in both towers and the primary layer of the Educational Tower includes a \$7.8M corridor. The risk for both corridors, a total of \$54M, will be transferred to PRISM's Captive. Great American continues to reinsure the pool layer in the Core tower and the Educational Tower. Chubb continues to provide coverage in the \$45M excess of \$5M layer in the Core Tower, with PRISM retaining a 10% quota share in that layer. The Primary Layer of the Educational Tower provides first dollar coverage for the California State Universities and is reinsured with State National. Statutory coverage is provided by Liberty Mutual in the Core Tower and by Safety National in the Education Tower.

The **General Liability 1 Program (GL1)** funds a \$5M pool and purchases \$20M in reinsurance limits to achieve a \$25M program limit. This program also offers members a Deductible Buy Down (DBD) option, which provides a reinsured layer of \$90k excess of a \$10k deductible, rather than an SIR, for participating members. The deductible buy-down program renewal is on-going and staff have budgeted for increases to both the corridor and premium rate.

The 2019/20 renewal of the Self Insured Retention (SIR) to \$5M pooled layer included a Loss Portfolio Transfer (LPT) agreement with Multi-Strat Re. The LPT transferred the Program's past claim liabilities that occurred on or after July 1, 2007 (excluding PGL Legacy claims), but were unpaid as of April 1, 2019, as well as the next 5 years of go-forward claims (2019/20 – 2023/24) within the pool layer. Adjustments to the reinsurance structure for the pool layer are evaluated annually based on losses and exposure adjustments and the retained risk from the agreement is shared with the EIO.

The \$5M xs \$5M layer has been renewed with Great American. This layer includes a 3-year, \$15.2M aggregated corridor for program years 2018/19 to 2020/21. The aggregated corridor is transferred to the EIO in annual increments: \$2.5M for FY 2018/19, \$3.5M in FY 2019/20, and the remaining \$9.2M to be transferred in FY 2020/21. The layers excess of \$10M have renewed at rate increases of 60%-300%. Additionally, PRISM will retain up to 10% of the risk in the \$10M xs \$10M layer and 45% of the risk in the \$5M xs \$20M layer. The program will transfer 50% of the retained risk, per occurrence and in aggregate, to the EIO.

The **General Liability 2 (GL2) Program** has experienced significant loss development over the last several years. Despite this challenge, the SIR to \$10M layer was renewed with QBE for a 14.4% increase in premium. A corridor deductible of \$31.75M will be transferred to the PRISM's Captive along with a \$12M corridor for the \$5M xs \$10M layer. The \$5M xs \$10M layer renewals are still on-going and the Committee has delegated authority to bind at a total not-to-exceed cost of \$18.1M for the layer. The \$10M xs \$15M layer has bound with Safety National at a flat rate.

The **Property Program** renewed on March 31, 2020 with a 20.5% overall rate increase. The self-funded Earthquake deductible buy-down exposure remained at \$30M in 2020/21, as in 2019/20. The All-Risk Pool layer of \$20.4M will be transferred to the EIO with a discount rate of 3%. This program has accepted an earthquake rooftop risk of \$25M excess of the \$340M layer for a total premium of \$500k. A quota share of 40% will be transferred on an undiscounted basis to the EIO for a premium of \$200k and PRISM will retain 60% of that layer. Another \$6M will be collected towards the Catastrophic Risk Pool, which includes the Earthquake deductible buy-down funding.

The **Medical Malpractice Program** renews on October 1, and the budget contains preliminary estimates. The Program funds a pool for \$1.5M excess of member self-insured retentions and purchases \$20M of reinsurance above that to fulfill the limits. The Program also has a \$2M corridor retention in the pooled layer, which is transferred to PRISM's Captive. The Medical Malpractice Committee will be approving final terms for



the FY 20/21 renewal over the summer. As part of the renewal, it is expected that the pooled layer will expand (increase) from its current level.

The **Master Rolling Owner Controlled Insurance Program**, (MROCIP) allows an “owner” public entity, embarking on a large construction project, to provide workers compensation and liability coverage for all eligible parties, owner, general contractor and sub-contractors, in lieu of each contractor providing insurance with potential overlapping or gaps in coverage. The program can cover construction projects as low as \$20M up to \$100M on a pooled basis. Projects over \$100M are on a non-pooled basis. Premiums are based on preliminary estimates for FY 20/21.

The **PRISMHealth Program** is a blend of self-funded and fully-insured healthcare alternatives that provide PPO/EPO/HDHP and HMO plan options to CA public agencies. The Program renews in January with open enrollment being conducted in October. The 2021 blended program rate increase is budgeted at 5.22% for the upcoming January 1 renewal.

The **Dental Program** consists of two primary segments of participation, fixed-rate and self-funded. The fixed-rate segment pools risk and shares in overall program equity. The Self-funded segment are standalone members benefitting from the low program administrative fees. The program has two renewal cycles, January 1 and July 1 and the program will have a rate decrease of .7% to 1.7% in the January 1 renewal.

The **Miscellaneous Program** budget is used to account for employee benefits and other property and casualty programs not associated with another PRISM major program. These programs are offered to PRISM members, as well as all other California public entities. Program revenues cover the cost of coverage provided without any administrative load.

The **General Administration** budget is used to pay the day-to-day operations of PRISM, and support for its member driven governance structure. The adopted budget includes five new positions, one upgrade and one reclassification. See schedule 1 for details.

The **Building Fund** is used to account for operations of PRISM’s office building. Resources include rents from PRISM tenants and transfers from the General Administration program for PRISM office space. Expenses include general building operations, depreciation of the building and tenant improvements.


The **Capital Outlay** budget is \$4.7M and includes the capital costs of the new proprietary claims system, website development, Data & Analytics platform development, tenant improvements, Bots programming, software for Comprehensive Annual Financial Report and backup/security appliances. The total project cost of the proprietary claim system is expected to cost around \$3.2M, and is anticipated to be developed over 1.5 years.

The **Excess Insurance Organization (EIO)** covers PRISM's program corridor retentions, which is mostly fully funded capped risk with the exception of the GL1 Loss Portfolio Transfer and the Property Program's share of the earthquake rooftop layer, where the EIO is taking on 40% of the \$25M aggregate risk, which is not fully funded. EIO recently adopted a policy of keeping the minimum Net Position of \$10M in the captive in the 2020/21 year. On this Board's agenda is a proposal to require the GL1 program to replenish one half of the adverse loss development in the LPT corridor, subject to the minimum net position established by the EIO. This minimum Net Position will be reevaluated by the EIO every year. A total of \$197.1M in corridor retentions from the PWC, EWC, GL1, GL2, Property and MedMal Programs are being discounted and transferred to the EIO for the premium of \$182.4M. Compared to PRISM, the Captive is able to invest in a broader range of investments, including equities, which is projected to generate a higher rate of return over the long-term. However, volatility of those returns is also expected to be higher. The EIO is a component unit of PRISM and is included in this budget.

Due to the nature of PRISM's operations, we collect a large amount of premium upfront and use it to pay for reinsurance premiums, risk programs and the payment of claims on retained risk over a long period of time. Therefore, PRISM has a very large Treasury that is invested by professional asset managers. As a result, PRISM has no debt and no plans to acquire debt.

Finally, we would like to thank the PRISM staff for their dedication and service providing quality programs and services to PRISM members. We would also like to thank our Board of Directors and the members of all PRISM committees for their support and efforts to make PRISM one of the largest and best run property and casualty and employee benefits pools in the nation.

Sincerely,



Michael Fleming  
Chief Executive Officer



Puneet Behl, CPA  
Chief Financial Officer



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished  
Budget Presentation  
Award*

PRESENTED TO

**CSAC Excess Insurance Authority  
California**

For the Fiscal Year Beginning

**July 1, 2019**

*Christopher P. Morill*

Executive Director

## **Organization and Reporting Entity**

The Public Risk Innovation, Solutions, and Management (PRISM) is a Joint Powers Authority organized in accordance with Article 1, Chapter 5, Division 7, Title I of the California Government Code. The purpose of PRISM is to develop and fund insurance programs, as determined by member counties and other public entities. Such programs may include the creation of insurance funds, including primary and excess insurance funds, the pooling of self-insured claims and losses, purchase of insurance, including reinsurance, and the provision of necessary administrative services.

PRISM is under the control and direction of the Board of Directors, which consists of representatives of the member counties and other public entities. For purposes of control and daily management, PRISM annually elects an Executive Committee consisting of a President, Vice President, and nine Directors. The immediate past president and legal advisor are non-voting members of the Executive Committee. The Executive Committee has appointed a Chief Executive Officer. The Executive Committee is responsible for the oversight of the Excess Workers' Compensation, General Liability 1, MROCIP, and the Miscellaneous Programs. Six program committees have oversight of the other major programs. Additionally, Excess Insurance Organization (EIO), a captive insurance company domiciled in Utah, began operations on July 1, 2016. The EIO was established so that PRISM could transfer to EIO risks pertaining to its corridor retentions at a discount. The EIO is a component unit of PRISM and is therefore consolidated into its budget and financial results.

The budget includes all programs operated by PRISM and the EIO. The budget conforms to generally accepted governmental accounting standards including the unique requirements for state and local governments set forth by the Governmental Accounting Standards Board (GASB). PRISM follows a zero based budgeting process where all the expenses must be justified for the new year. The accounting records and the budget are prepared and maintained using the accrual basis of accounting. Revenues (insurance and pooled premium) are recognized when earned, and expenses for claims are recognized when known or estimated, rather than when paid. The cost of acquiring capital assets is recognized through depreciation expense over the life of the asset. By approving the Capital Outlay Budget, PRISM is authorized to make the capital asset purchase.

## **Basis of Accounting**

PRISM is a single enterprise fund, a proprietary fund used to report an activity for which a fee is charged to external users for goods or services. As such, PRISM's revenue and expenses are driven by members' (counties and public entities) insurance needs. Revenue and expense vary annually based on insurance market conditions, the amount of insurance coverage obtained and the member participation in programs, which varies from year to year. Sources of revenues are member payments for coverage, called Premiums for Transferred Risk, where the amount is used to purchase insurance and Contribution for Retained Risk which is risk pool funding. Other items, like Broker Fees are pass-through where we collect (revenue) and pay out (expense) in similar amounts. Within this single enterprise fund, PRISM operates nine major insurance programs, each as a separate fund with its own set of accounts. The budget also covers a Miscellaneous Program for other programs offered to member and non-member public entities on a pass through basis, and budgets for general administration and the operation of PRISM's building.

## **Market**

The insurance market operates in cycles that tend to shift every few years. When rates are high and the competition is low, we are said to be in a hard market. When rates are low and competition is aggressive, we are in a soft insurance market. The recent fires contributed to a hardening property insurance market for this year's renewal with the Property program seeing a 20.5% rate increases overall. However, markets are paying particular attention to loss development in our general liability programs. The industry is seeing significant increases in plaintiff demands, jury verdicts and high dollar liability claims. These three factors are depleting the liability market's surplus, capacity and available reinsurers. This trend is affecting all public entities: counties, cities, schools and special districts, particularly in California. And as it affects the industry, it also affected PRISM. For example, claims over \$1M have more than doubled over the last five years. However, due to the size of our GL2 program, and the economies of scale, we were able to leverage the volume we bring to the reinsurance markets.

## **Membership**

There are two classes of membership, county members and public entity members. Each member has adopted the Joint Powers Agreement and has been approved by the Board of Directors.

County membership is available to California counties whose supervisors are members of the California State Association of Counties (CSAC). Currently there are 55 member counties. Each County member is entitled to appoint one representative to the Board of Directors. County members have nine positions on the Executive Committee.

Public entity membership is open to any other California public entity. Public entity members have seven voting seats (and three alternates) on the Board of Directors. Two seats on the Executive Committee are designated for public entity members. See member table in the overview chart section of the budget for trend information on member participation in PRISM programs.

## **Organization**

PRISM maintains seventeen committees to govern its operations. Representatives from member entities are elected or appointed to serve on these committees. Seven committees PRISMHealth, Employee Benefits, Dental, General Liability 2, Medical Malpractice, Primary Workers' Comp, and Property govern their respective insurance programs and report directly to the PRISM Board of Directors. The Excess Workers' Compensation and General Liability 1 programs are monitored by the Underwriting Committee and report to the Executive Committee. Other committees have been established to assist in providing operational direction to PRISM including:

Claims Review and Claims Review 2– Provides direction on the reserving for and settlement of claims.

Finance – Provides direction on PRISM financial matters including the Comprehensive Annual Financial Report (CAFR), annual budget, annual independent audit and investment portfolio.

Legislative – Reviews and provides input on legislative issues that could impact PRISM's operations.

Risk Control – Provides direction on risk management services to be provided to members.

Technology – Provides direction on technology solutions, systems and investments of PRISM.

Member Services – Provides guidance to staff in creation and implementation of new programs and services to the PRISM members.

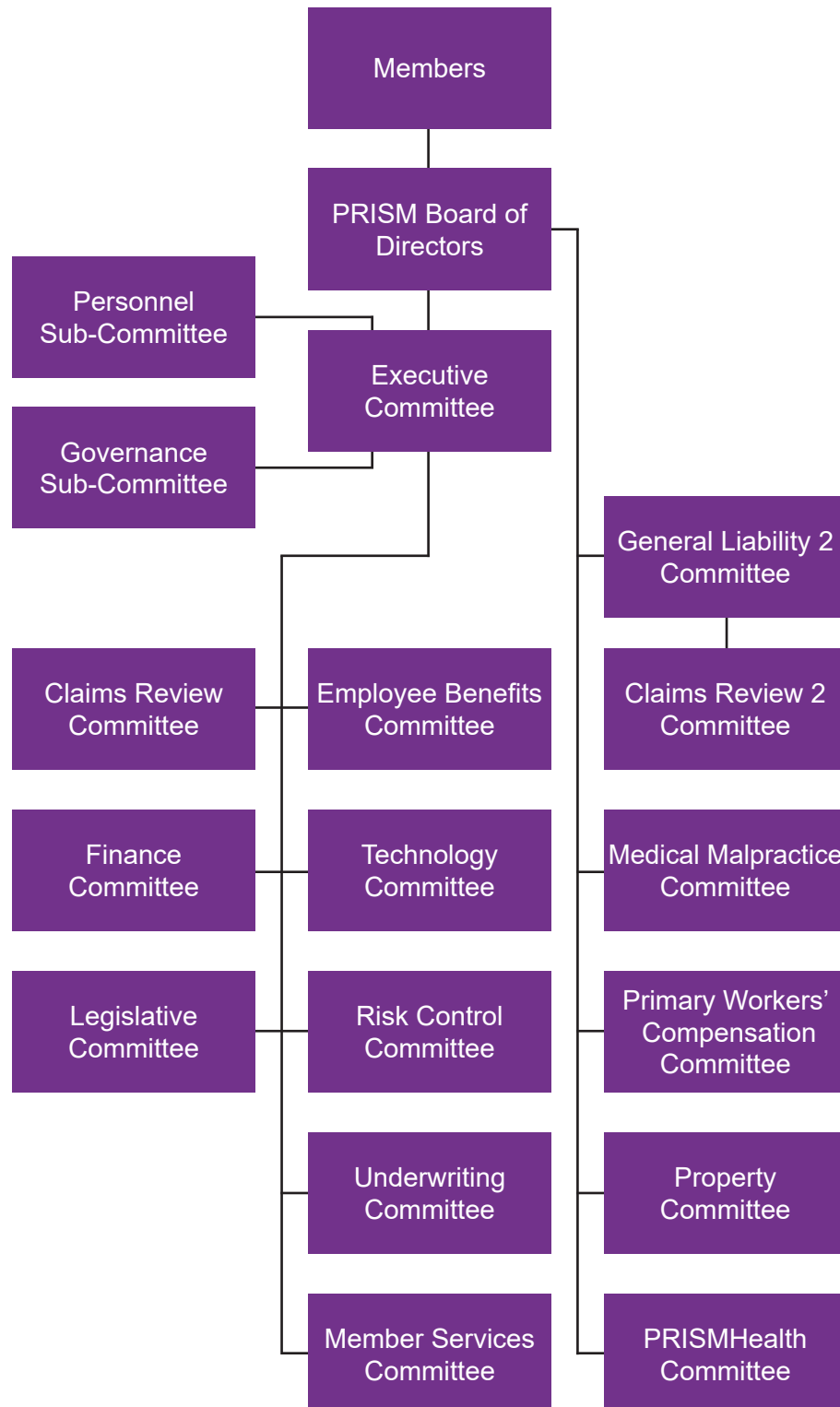
Personnel Sub-Committee – Provides direction to the Executive Committee on matters relating to personnel.

Governance Sub-Committee – Aids in reviewing and making recommendations to the Executive Committee for appointments of committee members.



# PRISM

**PUBLIC RISK INNOVATION, SOLUTIONS, AND MANAGEMENT  
(PRISM)**



## **Mission Statement**

The Board of Directors has adopted the following Mission Statement:

PRISM is a member-directed risk sharing pool of public agencies committed to providing risk coverage programs and risk management services, which drive member stability, efficiency, and best practices.

## **Vision Statement**

PRISM will continue to be internationally recognized as a leading risk sharing pool for its member-directed operating philosophy and commitment to member fiscal sustainability. PRISM will continue to influence and shape the future of the risk management profession.

## **Core Values**

PRISM is dedicated to preserving a member-directed culture, defining standards for quality and performance throughout the industry, and ensuring programs and services are:

- **C**ompetitive in scope and price over the long term.
- **A**daptable and customized to meet member needs, based on high-quality standards.
- **R**esolute in delivering timely solutions that address present and emerging risks.
- **E**quitable in allocating costs and services between various members in a fair and consistent manner.
- **S**table in supporting cost-effective, fiscally prudent operations and long-term solvency, and in building long-term relationships with members and program/service partners.



## **Budget Process**

The budget process consists of activities that develop, implement and evaluate a plan for the provision of services to fulfill our mission and purpose. The budget process:

- Incorporates a long-term perspective;
- Links fiscal planning with the strategic goals of each major program;
- Involves and promotes effective communication with members; and
- Provides incentives to PRISM's management and employees.

Each year, each governing committee establishes specific short and long term goals for their program. These can be found in the program budget policies that are in each program section of the budget.

PRISM utilizes its committee structure to involve many participants in the development and oversight of PRISM's Budget. The Finance and Executive Committees have a major role in the budget process by providing general direction for the preparation of the budget and adopting policies and providing ongoing input. Each program committee is also involved by adopting policies and providing input for each of PRISM's programs. The Board of Directors is ultimately responsible for review and adoption of PRISM's budget, and any budget revisions.

PRISM's budget includes revenue and expense categories for premium growth due to new members or additions to coverage by existing members, and the related expenses including actuarial adjustments for existing or new coverage. PRISM has been delegated to the CEO to transfer from this category at the PRISM-wide budget level into any program budget as needed to cover these expenses and any dividend expense not included when the budget is adopted.

A budget revision is prepared by PRISM staff whenever additional spending authority is required, or there is a major change in a program budget. The budget revision is reviewed first by the Finance Committee and then by the Executive Committee who will make a recommendation to the Board of Directors at the next meeting. Budget revisions have to be approved by the Board of Directors.

**2020/21**

## **Budget Calendar**

### **January 2020**

- Major budget items are presented to the Executive Committee for discussion and direction.
- Throughout the spring, governing committees review and revise the budget policies and program goals for the upcoming fiscal year.

### **April 2020**

- Personnel and salary items are presented to the Personnel Sub-Committee.
- The Personnel Sub-Committee presents a recommendation to the Executive Committee on personnel matters.
- The Finance Committee reviews and approves or revises the General Administration and Building budgets.
- Staff revises the General Administration and Building budgets based on the Finance Committee's recommendations.
- The Finance Committee recommends approval of the General Administration and Building budgets to the Executive Committee.

### **May 2020**

- The Executive Committee reviews and approves or revises the General Administration and Building budgets.
- The Finance Committee reviews and approves or revises the final consolidated (all programs) proposed budget.
- Staff revises the final consolidated (all programs) proposed budget based on the Finance Committee's recommendations.
- The Finance Committee recommends approval of the final consolidated proposed budget to the Executive Committee.

### **June 2020**

- The Executive Committee reviews and approves or revises the final consolidated proposed budget.
- After any proposed changes are completed, the Executive Committee presents a recommendation to Board of Directors to approve the final consolidated (all programs) budget.
- The Board of Directors reviews and approves or revises the final budget.

As necessary, staff will prepare budget revisions, present them to the Finance and Executive Committees for review, and if recommended, to the Board of Directors.

## **Long-term Strategic Goals**

### **Communication, Outreach & Influence**

1. PRISM will strengthen its position and influence as a leader in raising awareness and understanding of the necessity of the risk management function and programs to the long-term health and stability of public agencies.
2. PRISM will raise the level of competency in risk management and position the profession as a dynamic career choice.
3. PRISM will continue to grow member utilization of PRISM's partner programs and services.

### **Member Programs, Products & Services**

4. PRISM will offer a full suite of innovative, cost cutting programs and services that address members' needs, and will be vigilant in identifying and developing solutions for emerging risk.

### **Organizational Development & Sustainability**

5. PRISM will expand its membership base and offer members even greater cost savings, and improved access to services and quality data through advanced use of technology.

## **Guiding Long-Term Fiscal Policies**

The following long-term fiscal policies were developed to give PRISM members a competitive advantage. These policies have guided PRISM through the ups and downs of the economic cycles and the constantly changing insurance market. These policies are designed to keep PRISM in a sound financial position and protect the resources members have invested in PRISM.

1. Provide members with the benefits from volume discounts.
2. Blend self-insurance with the purchase of insurance.
3. Provide the opportunity of premium dividends to our members.
4. Structure programs that are responsive to member needs.
5. Maintain long-term relationships.
6. Maintain financial strength

## **Volume Discounts**

PRISM's insurance programs shall seek to obtain volume discounts from members joining together. Pooling arrangements and the purchase of insurance can both benefit from volume discounts.

### Pooling

Larger retained risk pools results in:

- More predictable losses
- Higher actuarial confidence
- The ability to assume more risk
- Insulation from insurance market cycles

### Insurance Purchase

Volume purchasing can result in:

- Lower insurance rates
- Better coverage agreements

## **Blending Self-Insurance with the Purchase of Insurance and Transfer of Risk**

PRISM's insurance programs shall seek to blend the best of self- insurance or pooling with the best of insurance purchase and transfer of capped risk to the EIO. The benefits of blending pooling with the purchase of insurance and transfer of risk are as follows.

### Pooling

- Contributions stay with members
- The pool earns investment income
- Members have the potential for dividends
- Pooling eliminates insurance cost
- Members retain program control:
  - Members define coverage agreements
  - Members control the claims

## Insurance

- Provides protection from catastrophic losses
- Protects pool funding
- Reinsurance can:
  - Offer broad coverage agreements
  - Lower acquisition costs
  - No taxes or fees

## Transfer of Risk to the EIO captive

- The EIO accepts transfer of capped risk by various PRISM programs at discounted premiums.

## Dividends to Members

Retaining risk through the many PRISM risk pools has allowed PRISM to return approximately \$94.5M in dividends to members during the past twelve years.

## Structure programs that are responsive to members needs

PRISM has nine major programs designed to serve our members as follows:

1. Primary Workers' Compensation (PWC)
2. Excess Workers' Compensation (EWC)
3. General Liability, Program 1 (GL1)
4. General Liability, Program 2 (GL2)
5. Property
6. Master Rolling Owner Controlled Insurance Program (MROCIP)
7. Medical Malpractice
8. PRISMHealth
9. Dental

The structure of each of these programs has changed over the years based on market conditions and member needs. Each program structure has taken the best of pooling and purchase of insurance to create a program responsive to current member needs.

## Long-term Relationships

Many PRISM programs have benefited from long-term relationships with various underwriters. Multi-year agreements have stabilized costs, improved coverage and saved premium resources. Long-term programs have proven to be effective in both hard and soft insurance markets. In addition, PRISM seeks to maintain or increase member participation in its programs. PRISM has consistently increased member participation and currently has 55 county members and approximately 2000 public entity members (counties, cities, school districts, fire departments, etc.) participating in its programs. See member table in the overview chart section of the budget for trend information on member participation in PRISM programs.

## **Maintain Financial Strength**

### **Target Equity Funding**

PRISM has established target equity guidelines for the major pooled programs and the General Administration program, which assist in keeping equity (net position) at levels designed to meet future claims obligations of that particular program. Most of these ranges are based on confidence levels higher than the expected discounted claims liabilities because of the high degree of uncertainty in actuarial estimates (due to the possibility of occasional catastrophic claims) and inconsistent or inaccurate case reserving. A confidence level of 50% means half the time claim costs will come in lower, but conversely, half the time claim costs will be higher.

If a program has net position above the target equity range, a plan is put in place to lower premiums or provide dividends over time to return to the target range. If the program has net position below the target equity range, a plan is put in place to increase premiums or collect additional funds over time to return to the target range. Where the program is within its target equity range and efforts to stay within the range, is a significant measure of the program's performance. This benchmark is closely monitored, year over year, by the governing committees. The target equity ranges are shown as the last line on each program's budget, as applicable.

### **Capitalization and Debt Policy**

The original capitalization of PRISM in October 1979 was provided by certificates of participation by the founding member counties. PRISM has paid off these certificates of participation and has incurred no debt since the extinguishment of these obligations. While PRISM's governing documents do allow for debt capitalization, PRISM has no immediate plans to use debt to finance its operations. There are no legal debt limits that apply to PRISM.

### **Investment Policy**

PRISM blends self-insurance (or pooling) with the purchase of insurance and transfer of risk to the EIO Captive. PRISM retains the risk for the self-insured portion, and thus retains member premiums (sometimes for decades) to satisfy future claim liabilities. PRISM has an investment policy designed for safety and liquidity of invested funds while providing a reasonable yield. The EIO maintains its own investment policy which is reviewed annually and updated by the EIO Board of Directors.

PRISM accounts for the cash and investments within each of the programs. Investment income is allocated to the programs based on projected earnings from the portfolio of investments and the average projected investment balances in each program. Inter-program borrowing expense is based on the established internal borrowing rate, which reflects the anticipated yield on investments.

# **Public Risk Innovation, Solutions, and Management (PRISM)**

**CALIFORNIA**



## **CONSOLIDATED BUDGET**

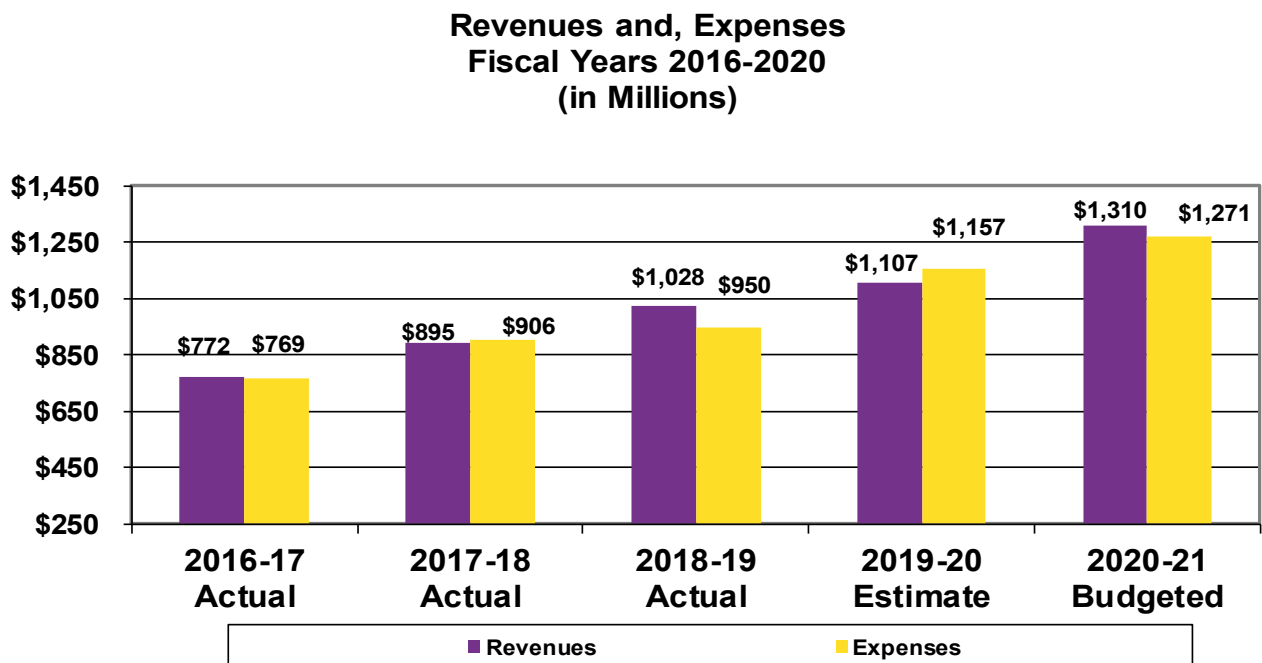
For the Fiscal Year  
July 1, 2020 to June 30, 2021

## **PRISM Budget**

The budget has \$43.3M increase in net position before dividends, and a dividend expense of \$4M, producing a \$39.3M increase to net position. This is a balanced budget, meaning that budgeted revenue exceeds expenditures and provides a budgeted increase to net position. The budget includes a number of new initiatives as outlined in the transmittal letter. Included are the consolidated and individual program budgets. Highlights of the 2020/21 proposed budget are as follows:

- Total revenues are budgeted at \$1.31B, an increase of \$175M over budgeted 2019/20.
- Total expenses are budgeted at \$1.27B, an increase of \$162M. Expenses include returning dividends of \$4M to members.
- Net position is projected to increase to \$189.3M at June 30, 2021.

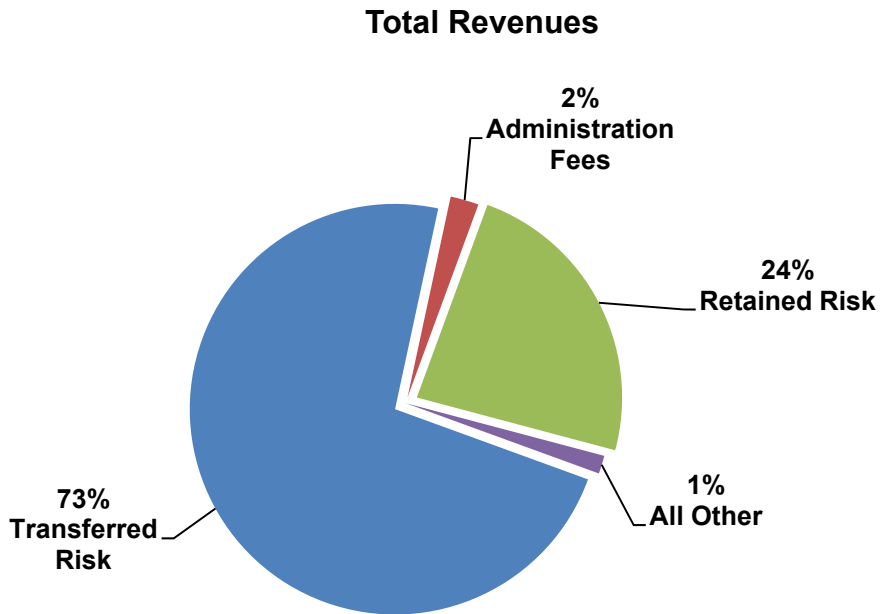
Revenues and expenses for the 2020/21 budget and the past four years are as follows:



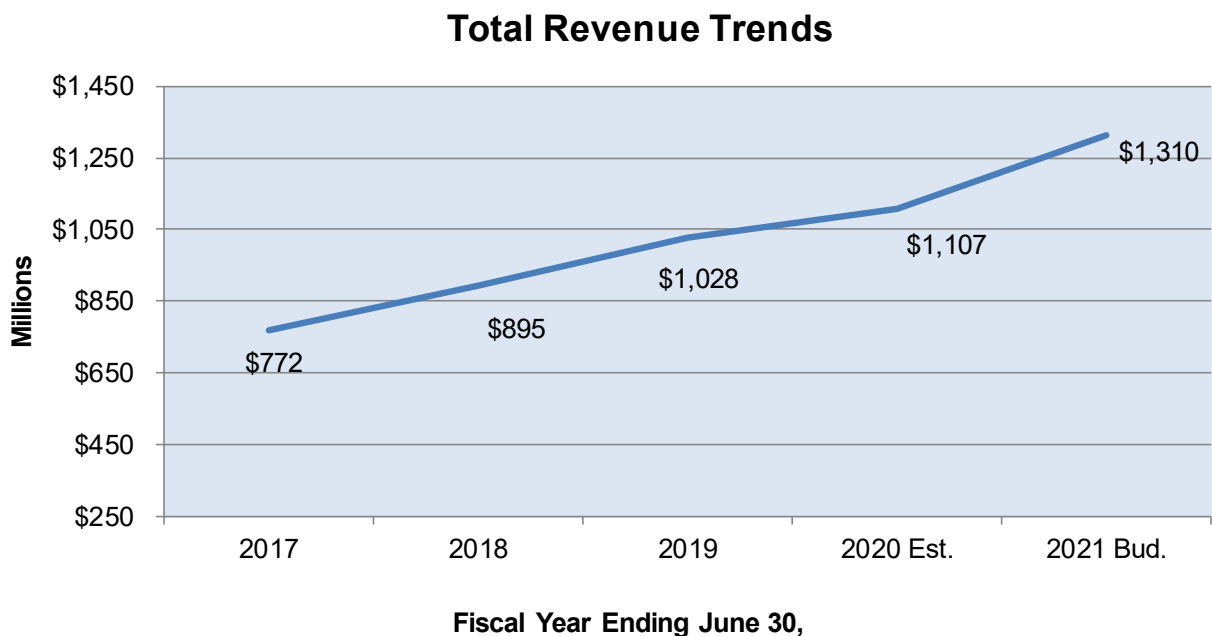


## Revenues

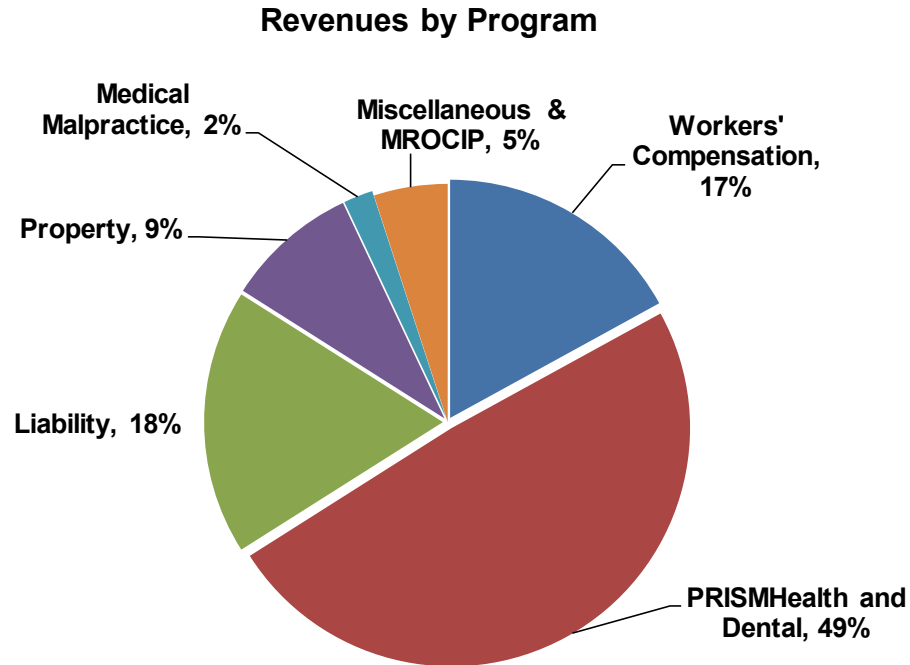
Sources of revenues are illustrated in the following chart:



The \$1.31B in revenues represents a \$175M or 15.4% increase over the 19/20 budget, and a 70% increase over the last five years. Growth in membership, new programs, and additional pool funding and higher premiums for transferred risk accounts for much of the increase in revenues and expenses year over year. The following chart illustrates the growth of PRISM revenues:

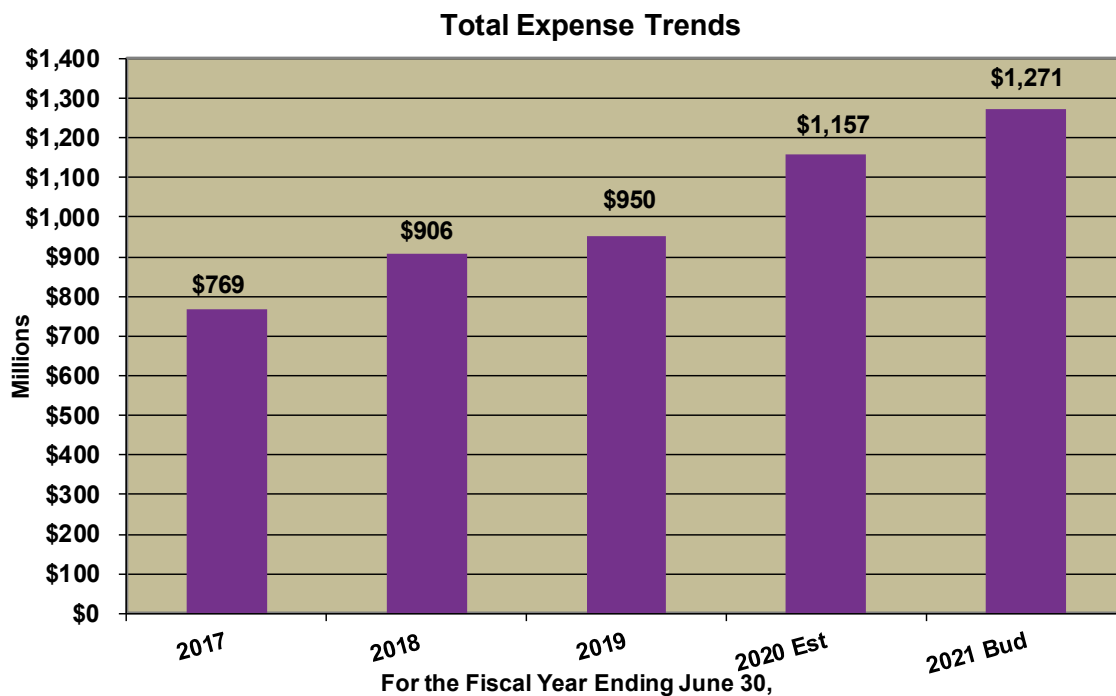


The following chart shows revenues by program.



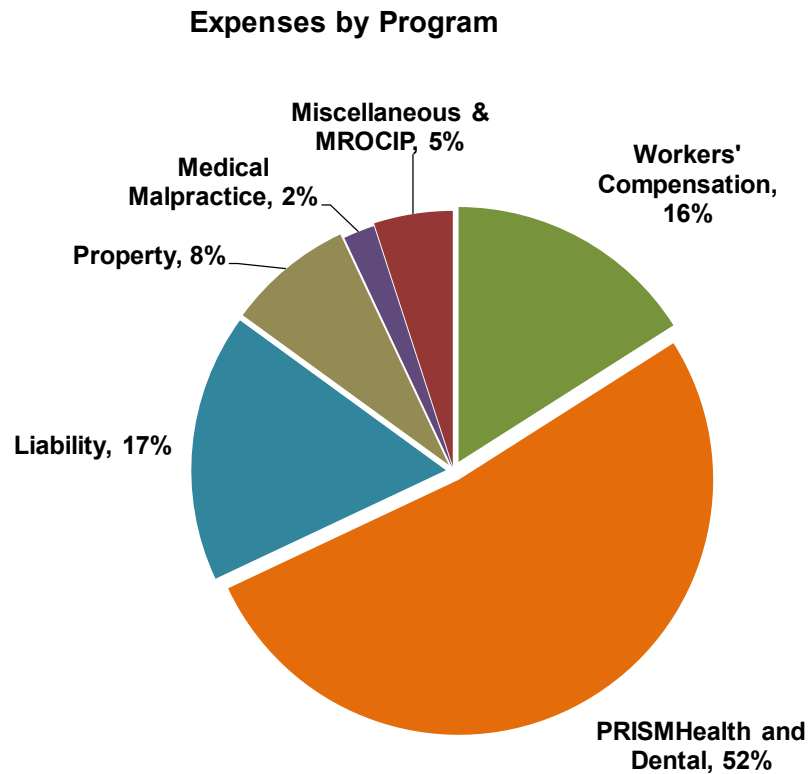
### Expenses

PRISM expenses for fiscal year 2020/21 are budgeted to be \$1.27B and have increased \$162M over last year's budget. The following chart illustrates the increase of PRISM expenses:



Budgeted expenses support all PRISM programs. These programs include primary and excess workers' compensation programs, two excess liability programs, a combined workers' compensation and liability program, a property program, a medical malpractice program and two employee benefits programs.

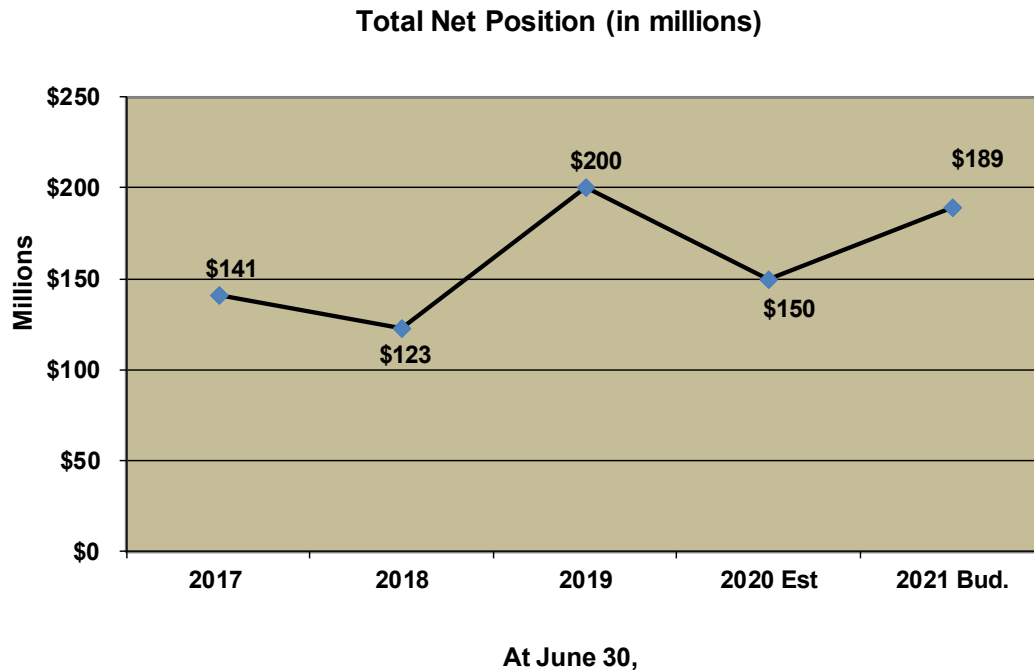
The distribution of expenses by program is illustrated in the following chart:



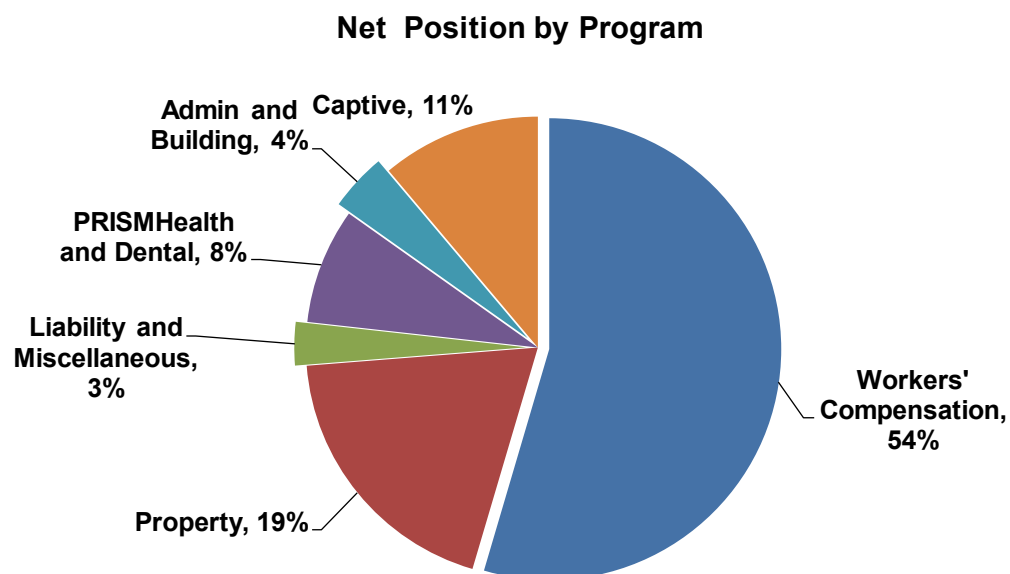
## Net Position

The projected Net position at June 30, 2021 is \$189.3M. The budget includes a return of net position in the form of dividends of \$4M.

The five year comparison of the net position balance is illustrated in the following chart:



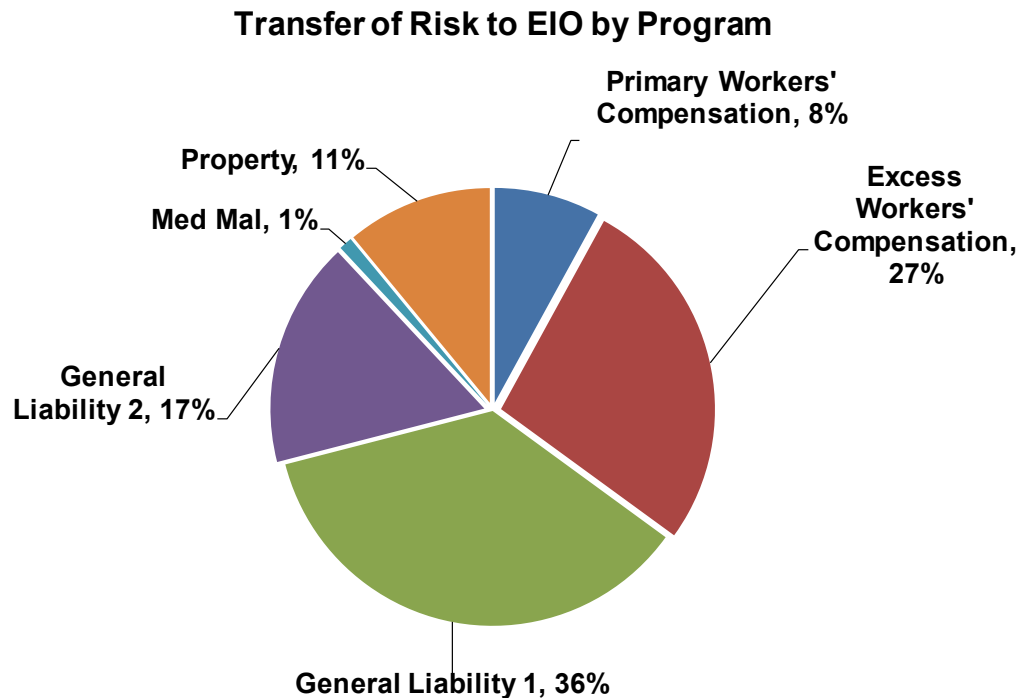
The distribution of 2021 budgeted net position by program is illustrated in the following chart:



## Transfer of Risk to Excess Insurance Organization (EIO) Captive

The EIO is a captive insurance company domiciled in Utah. PRISM transfers its program corridor retentions, which is capped risk, to the EIO at a discounted rate.

The distribution of 2020/21 transfer of risk to the EIO by program is illustrated in the following chart



## Capital Budget

The Capital Outlay Budget presents our anticipated investments in proprietary claims system development cost, property, equipment, and software. The related depreciation and amortization of capital assets represents less than 1% of PRISM's combined budget. The proprietary claims system will be used to house PRISM's claims for most major programs. The new system will be designed specifically to meet the needs of PRISM from an excess perspective. Additionally, the system will be designed with direct member use and the expansion of PRISM nationally in mind. This allows the system to be more adaptable and accommodate the needs of PRISM with regard to reinsurer reporting and member needs. Overall the new system will save PRISM between \$300-\$500K annually.

## Member Participation

PRISM provides insurance programs and risk management services for its county and public entity members. Member participation is counted in terms of units. If a member participates in one program, it is considered one unit. If a member participates in three different programs, it is considered three units. The table indicates both the number of members participating as well as the number of units, i.e., total programs in which the members participate. Maintaining and increasing membership at both the program and entity wide level is an overall goal, and a measure of the strength and vitality of PRISM.

Of note is that some of our public entity members are Joint Powers Authorities (JPA) that cover many members.

	Fiscal Year-End				Budget
	2017	2018	2019	2020	2021
<b>Member Units</b>					
Primary Workers' Comp	39	39	38	39	38
Excess Workers' Comp	171	175	171	181	183
Primary General Liability	33	22	21	0	0
General Liability 1	114	125	122	132	123
General Liability 2	15	18	17	18	18
Property	98	105	100	110	107
Medical Malpractice	51	52	52	52	52
Master Owner Controlled Insurance	15	16	16	18	18
PRISMHealth	32	37	36	42	42
Dental	153	154	154	171	171
<b>Total Member Units</b>	<b>721</b>	<b>743</b>	<b>727</b>	<b>763</b>	<b>752</b>
Member Counties	55	55	55	55	55
Member Public Entities	273	288	283	306	305
<b>Total Members</b>	<b>328</b>	<b>343</b>	<b>338</b>	<b>361</b>	<b>360</b>

PRISM's 55 member counties represent 95% of the 58 counties in the state. While the public entity membership currently consists of 306 organizations, including cities, school districts, special districts, and other JPAs, the actual number of public entities accessing the coverage and services of PRISM is approximately 2,000.

**PUBLIC RISK INNOVATION, SOLUTIONS, AND MANAGEMENT (PRISM)**  
**REVENUE AND EXPENSE ADOPTED BUDGET**  
**Line Item Summary for All Programs**  
**July 1, 2020 to June 30, 2021**

	CAFR Actual 2018/19	Estimated 2019/20	Budget 2019/20	Percent of Total Revenue or Total Expense	Budget 2020/21	Percent of Total Revenue or Total Expense	Budget Increase (Decrease) Compared to 2019/20 Budget	Percentage Change
<b>REVENUES:</b>								
Premiums for Transferred Risk	\$ 826,382,527	\$ 827,745,288	\$ 779,310,210	68.64%	\$ 905,130,388	69.08%	\$ 125,820,178	16.15%
Dividend Income	211,334	148,173	100,000	0.01%	0	0.00%	(100,000)	-100.00%
Broker Fees	11,435,218	14,655,963	11,443,292	1.01%	12,443,462	0.95%	1,000,170	8.74%
Contributions for Retained Risk	125,476,876	217,796,350	245,796,828	21.65%	296,572,013	22.64%	50,775,185	20.66%
Member Growth	0	0	50,000,000	4.40%	50,000,000	3.82%	0	0.00%
Investment Income	38,018,837	17,810,374	20,474,757	1.80%	17,226,200	1.31%	(3,248,557)	-15.87%
Financing Charges	124,004	153,753	155,846	0.01%	157,000	0.01%	1,154	0.74%
Administration Fees	22,542,735	25,504,223	25,678,609	2.26%	27,486,572	2.10%	1,807,963	7.04%
Program Development Fees	106,979	0	0	0.00%	0	0.00%	0	0.00%
Member Services	640,336	1,063,762	1,074,593	0.09%	636,180	0.05%	(438,413)	-40.80%
Tenant Income	488,076	425,000	499,167	0.04%	419,353	0.03%	(79,814)	-15.99%
Other Income	2,307,086	1,228,001	827,577	0.07%	126,000	0.01%	(701,577)	-84.77%
<b>TOTAL REVENUES</b>	<b>1,027,734,008</b>	<b>1,106,530,887</b>	<b>1,135,360,879</b>	<b>100.00%</b>	<b>1,310,197,168</b>	<b>100.00%</b>	<b>174,836,289</b>	<b>15.40%</b>
<b>Expenditures</b>								
Member Dividends	2,187,466	7,314,001	2,117,000	0.19%	4,014,000	0.32%	1,897,000	89.61%
Insurance Purchased	808,697,072	821,394,068	758,360,334	68.39%	881,452,238	69.36%	123,091,904	16.23%
Broker Fees	12,897,673	14,075,381	11,426,084	1.03%	12,443,462	0.98%	1,017,378	8.90%
Provision for Claims	96,385,288	258,262,845	225,992,570	20.38%	260,187,168	20.47%	34,194,598	15.13%
Unallocated Loss Adjustment Expense	(574,000)	0	1,815,000	0.16%	2,084,000	0.16%	269,000	14.82%
Member Growth Premium/Provision for Claims	0	0	50,000,000	4.51%	50,000,000	3.93%	0	0.00%
Program Services	13,393,090	34,081,730	35,578,506	3.21%	37,278,106	2.93%	1,699,600	4.78%
Member Services	2,405,518	2,961,837	3,125,677	0.28%	2,639,315	0.21%	(486,362)	-15.56%
General Administration Expense	13,254,854	16,887,277	17,849,322	1.61%	18,430,750	1.45%	581,428	3.26%
Building Operation Expense	648,991	681,973	918,297	0.08%	702,170	0.06%	(216,127)	-23.54%
Depreciation	976,797	948,417	1,128,690	0.10%	1,100,169	0.09%	(28,521)	-2.53%
Delegated to Committees	0	0	545,000	0.05%	545,000	0.04%	0	0.00%
<b>TOTAL EXPENDITURES</b>	<b>950,272,749</b>	<b>1,156,607,529</b>	<b>1,108,856,480</b>	<b>100%</b>	<b>1,270,876,378</b>	<b>100.00%</b>	<b>162,019,898</b>	<b>14.61%</b>
Net Increase or (Decrease)	77,461,259	(50,076,642)	26,504,399		39,320,790		12,816,391	
<b>NET POSITION - JULY 1</b>	122,570,594	200,031,853	187,180,020		149,955,211			
<b>NET POSITION - JUNE 30</b>	200,031,853	149,955,211	213,684,419		189,276,001			

Adopted Budget

**PUBLIC RISK INNOVATION, SOLUTIONS, AND MANAGEMENT (PRISM)**

**Combining Budget for All Programs**

**July 1, 2020 to June 30, 2021**

Combining 2019/20 Budget	PRIMARY WORKERS' COMP.	EXCESS WORKERS' COMP.	GENERAL LIABILITY 1	GENERAL LIABILITY 2	PROPERTY	MEDICAL MALPRACTICE	MR OCIP	PRISMHEALTH	DENTAL	MISC. PROGRAMS	TOTAL ALL INSURANCE PROGRAMS
<b>REVENUES:</b>											
Premiums for Transferred Risk	\$ 31,317,563	\$ 131,331,164	\$ 78,523,098	\$ 96,914,854	\$ 100,782,707	\$ 11,637,199	\$ 10,000,000	\$ 575,881,040	\$0	\$ 51,137,716	\$ 1,087,525,341
Dividend Income	0	0	0	0	0	0	0	0	0	0	0
Broker Fees	827,228	3,053,931	2,200,113	779,005	0	16,185	0	4,060,100	1,506,900	0	12,443,462
Contributions for Retained Risk	18,168,525	2,873,983	34,856,188	0	6,300,000	10,011,564	0	0	41,966,800	0	114,177,060
Public Entity Participation Fees	0	0	0	0	0	0	0	0	0	0	0
Member Growth	0	0	0	0	0	0	0	0	0	0	50,000,000
Investment Income	1,450,000	3,480,000	0	70,000	480,000	600,000	0	90,000	170,000	27,000	6,367,000
Financing Charges	94,000	36,000	0	0	27,000	0	0	0	0	0	157,000
Administration Fees	6,104,589	8,432,470	5,698,656	3,325,747	1,327,613	1,557,237	140,000	900,260	0	0	27,486,572
Program Development Fees	0	0	0	0	0	0	0	0	0	0	0
Member Services	0	0	0	0	0	0	0	0	0	0	0
Tenant Income	0	0	0	0	0	0	0	0	0	0	0
Other Income	0	0	0	0	0	0	0	0	0	0	0
<b>TOTAL REVENUES</b>	<b>57,961,905</b>	<b>149,207,548</b>	<b>121,278,055</b>	<b>101,089,606</b>	<b>108,917,320</b>	<b>23,822,185</b>	<b>10,140,000</b>	<b>580,931,400</b>	<b>43,643,700</b>	<b>51,164,716</b>	<b>1,298,156,435</b>
<b>EXPENSES:</b>											
Member Dividends	2,000,000	0	0	0	0	0	0	14,000	2,000,000	0	4,014,000
Insurance Purchased	31,317,563	131,331,164	78,381,848	96,914,854	100,782,707	11,637,199	10,000,000	552,344,140	0	51,137,716	1,063,847,191
Broker Fees	827,228	3,053,931	2,200,113	779,005	0	16,185	0	4,060,100	1,506,900	0	12,443,462
Provision for Claims	7,848,000	2,308,504	22,411,750	0	0	9,778,500	0	0	41,734,000	0	84,080,754
Unallocated Loss Adjustment Expense	680,000	593,000	453,000	270,000	18,000	70,000	0	0	0	0	2,084,000
Program Services	8,779,730	1,481,500	722,500	537,000	555,000	644,200	0	23,663,081	272,745	0	36,655,756
Member Services	0	0	0	0	0	0	0	0	0	0	0
General Administration Expense	0	0	0	0	0	0	0	0	0	0	0
Building Operation Expense	0	0	0	0	0	0	0	0	0	0	0
Depreciation	0	0	0	0	0	0	0	0	0	0	0
Financing Expenses	0	0	300,000	0	0	0	0	0	0	0	300,000
Member Growth Prem/Prov for Claims	0	0	0	0	0	0	0	0	0	0	50,000,000
Delegated to Committees	50,000	50,000	50,000	50,000	25,000	25,000	0	25,000	25,000	0	300,000
<b>TOTAL EXPENSES</b>	<b>51,502,521</b>	<b>138,818,099</b>	<b>104,519,211</b>	<b>98,550,859</b>	<b>101,380,707</b>	<b>22,171,084</b>	<b>10,000,000</b>	<b>580,106,321</b>	<b>45,538,645</b>	<b>51,137,716</b>	<b>1,253,725,163</b>
<b>TRANSFERS:</b>											
Transfers out to:											
General Administration	(4,684,283)	(5,933,554)	(3,963,474)	(2,319,798)	(668,351)	(928,696)	(52,458)	(557,606)	(320,575)	(14,200)	(19,442,995)
Claims System	(696,428)	(207,889)	(62,367)	(31,183)	0	(41,578)	0	0	0	0	(1,039,445)
Investment Fees	(38,745)	(125,775)	(20,093)	(2,766)	(6,660)	(18,180)	(203)	(3,195)	(8,438)	(945)	(225,000)
Building Rent	0	0	0	0	0	0	0	0	0	0	0
<b>TOTAL TRANSFERS</b>	<b>(5,419,456)</b>	<b>(6,267,218)</b>	<b>(4,045,934)</b>	<b>(2,353,747)</b>	<b>(675,011)</b>	<b>(988,454)</b>	<b>(52,661)</b>	<b>(560,801)</b>	<b>(329,013)</b>	<b>(15,145)</b>	<b>(20,707,440)</b>
Net Increase or (Decrease)	1,039,928	4,122,231	12,712,910	185,000	6,861,602	662,647	87,339	264,278	(2,223,958)	11,855	23,723,832
<b>NET POSITION - JULY 1, 2020</b>	<b>36,760,559</b>	<b>60,352,964</b>	<b>(21,984,598)</b>	<b>1,765,075</b>	<b>29,950,568</b>	<b>10,428,946</b>	<b>430,969</b>	<b>2,179,832</b>	<b>14,559,307</b>	<b>2,019,504</b>	<b>136,463,127</b>
<b>NET POSITION - JUNE 30, 2021</b>	<b>37,800,487</b>	<b>64,475,195</b>	<b>(9,271,688)</b>	<b>1,950,075</b>	<b>36,812,170</b>	<b>11,091,592</b>	<b>518,308</b>	<b>2,444,110</b>	<b>12,335,349</b>	<b>2,031,359</b>	<b>160,186,958</b>



**PUBLIC RISK INNOVATION, SOLUTIONS, AND MANAGEMENT (PRISM)**

**Combining Budget for All Programs**

**July 1, 2020 to June 30, 2021**

Combining 2019/20 Budget	TOTAL ALL INSURANCE PROGRAMS	GENERAL ADMIN	IRON POINT BUILDING	CAPTIVE (EIO)	ELIMINATION	CONSOLIDATED BUDGET
<b>REVENUES:</b>						
Premiums for Transferred Risk	\$ 1,087,525,341	\$0	\$0	\$0	\$ (182,394,953)	\$ 905,130,388
Dividend Income	0	0	0	0	0	0
Broker Fees	12,443,462	0	0	0	0	12,443,462
Contributions for Retained Risk	114,177,060	0	0	182,394,953	0	296,572,013
Public Entity Participation Fees	0	0	0	0	0	0
Member Growth	50,000,000	0	0	0	0	50,000,000
Investment Income	6,367,000	300,000	0	11,000,000	(440,800)	17,226,200
Financing Charges	157,000	0	0	0	0	157,000
Administration Fees	27,486,572	0	0	0	0	27,486,572
Program Development Fees	0	0	0	0	0	0
Member Services	0	636,180	0	0	0	636,180
Tenant Income	0	0	419,353	0	0	419,353
Other Income	0	126,000	0	0	0	126,000
<b>TOTAL REVENUES</b>	<b>1,298,156,435</b>	<b>1,062,180</b>	<b>419,353</b>	<b>193,394,953</b>	<b>(182,835,753)</b>	<b>1,310,197,168</b>
<b>EXPENSES:</b>						
Member Dividends	4,014,000	0	0	0	0	4,014,000
Insurance Purchased	1,063,847,191	0	0	0	(182,394,953)	881,452,238
Broker Fees	12,443,462	0	0	0	0	12,443,462
Provision for Claims	84,080,754	0	0	176,106,414	0	260,187,168
Unallocated Loss Adjustment Expense	2,084,000	0	0	0	0	2,084,000
Program Services	36,655,756	0	0	622,350	0	37,278,106
Member Services	0	2,639,315	0	0	0	2,639,315
General Administration Expense	0	18,430,750	0	0	0	18,430,750
Building Operation Expense	0	0	702,170	0	0	702,170
Depreciation	0	889,500	210,669	0	0	1,100,169
Financing Expenses	300,000	0	140,800	0	(440,800)	0
Member Growth Prem/Prov for Claims	50,000,000	0	0	0	0	50,000,000
Delegated to Committees	300,000	200,000	20,000	25,000	0	545,000
<b>TOTAL EXPENSES</b>	<b>1,253,725,163</b>	<b>22,159,565</b>	<b>1,073,639</b>	<b>176,753,764</b>	<b>(182,835,753)</b>	<b>1,270,876,378</b>
<b>TRANSFERS:</b>						
Transfers out to:						
General Administration	(19,442,995)	19,592,995	0	(150,000)	0	0
Claims System	(1,039,445)	1,039,445	0	0	0	0
Investment Fees	(225,000)	225,000	0	0	0	0
Building Rent	0	(503,699)	503,699	0	0	0
<b>TOTAL TRANSFERS</b>	<b>(20,707,440)</b>	<b>20,353,741</b>	<b>503,699</b>	<b>(150,000)</b>	<b>0</b>	<b>0</b>
Net Increase or (Decrease)	23,723,832	(743,644)	(150,587)	16,491,189	0	39,320,790
<b>NET POSITION - JULY 1, 2020</b>	<b>136,463,127</b>	<b>7,786,270</b>	<b>705,814</b>	<b>10,000,000</b>	<b>(5,000,000)</b>	<b>149,955,211</b>
<b>NET POSITION - JUNE 30, 2021</b>	<b>160,186,958</b>	<b>7,042,627</b>	<b>555,227</b>	<b>26,491,189</b>	<b>(5,000,000)</b>	<b>189,276,001</b>

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# **Public Risk Innovation, Solutions, and Management (PRISM)**

**CALIFORNIA**



## **PROGRAM BUDGETS**

For the Fiscal Year  
July 1, 2020 to June 30, 2021

## **Primary Workers' Compensation**

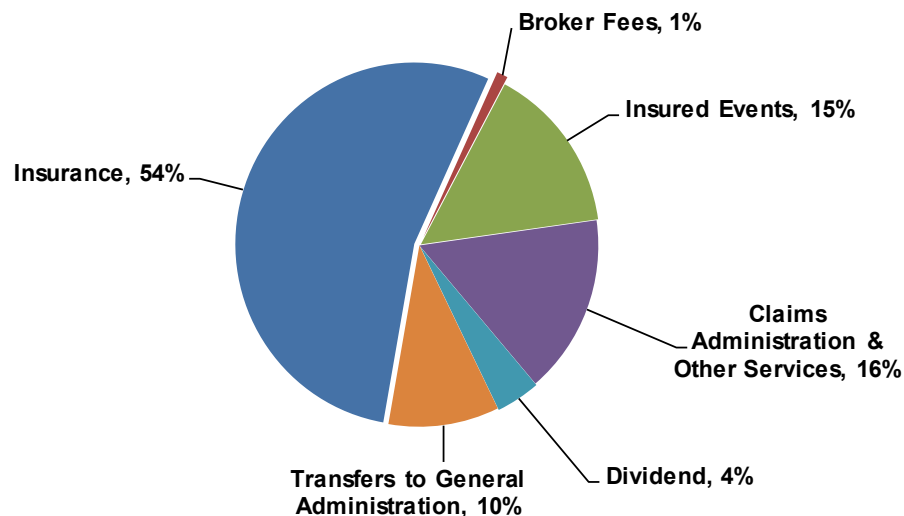
The objective of the Primary Workers' Compensation (PWC) Program is to provide members with an option to eliminate the Excess Workers' Compensation (EWC) self-insured retention and purchase first dollar coverage. The Program pools the first \$10k of loss expense, and then has excess coverage in place to cover the next \$115k of loss. Above \$125k, members participate in the EWC Program. Since this is a first dollar program, the PWC Program also includes the cost of claims administration.

### **Program Revenue Summary:**

Number of Members	38
Covered Payroll	\$2.7 Billion
Pool Premium	\$9.3 Million
Insurance	\$17.6 Million
Premium to EIO	\$13.7 Million
Public Entity Broker Fees	\$827 Thousand
ULAE Premiums	\$8.8 Million
Administration and Fees	\$6.1 Million

A summary of the PWC Program budget is as follows:

### **Primary Workers' Compensation Program - Expense Summary**



The PWC Program proposed budget would result in an ending net position of \$37.8M at June 30, 2021. The target equity range developed by the Underwriting Committee and approved by the Board of Directors is from \$7.1M - \$36M.



## **Primary Workers' Compensation (PWC)** **Program Budget Policy**

Program Goals for the PWC include the following:

### **Short Term Goals**

- Continue to evaluate new service offerings.
- Continue to conduct risk assessments for members and develop solutions for risk control.
- Continue with the development of marketing and educational materials for members.
- Increase the corridor in each of the next couple of years.
- Have all program TPAs using the PRISM's claims system. York, Intercare, Hazelrigg, Adminsure, and LWP are now using the PRISM's claims system. Corvel should be transitioned to the PRISM's claims system during the 2020/21 fiscal year.
- Development of a scorecard to measure the performance of the program's TPAs.
- Continue looking for ways to increase engagement with PWC members.
- Enhance the new committee member onboarding experience.
- Evaluate the cost-benefit of rotating meetings in northern and southern California.
- Continue to review program policies and make revisions where appropriate.
- Continue to evaluate transfer of risk opportunities in the PRISM Captive.

### **Medium Term Goals**

- Preserve a structure that minimizes/eliminates assessment risk.
- Reach resolution on claims in dispute with CIGA on claims they have denied asserting "other insurance" is available.
- Retain 100% of current members and show strategic growth regarding payroll and number of members.
- Continue work on Strategic Goals as updated.

### **Long Term Goals**

- Each member receives annual claims analysis report with benchmark data (frequency, severity, deviation from norm).
- TPAs have consistency in claims handling practices.
- The PWC risk tolerance is low to very low. We will protect pool assets through appropriate risk transfer with a bias toward risk transfer rather than pooling in order to provide members with a guaranteed cost program when possible.



Budget Policies for the PWC Program include the following:

### **Revenues**

- Premiums for retained risk are calculated based on each member's actuarially determined estimate of the discounted ultimate cost of claims. The actuarial confidence level and discount rate is determined annually by the PWC Committee.
- Premiums for transferred risk are calculated based on each member's estimated payroll and experience rate, as determined by the Program's actuary. A two-year smoothing technique is used to minimize rate changes.
- At the end of each year, members are required to update payroll estimates with actual payroll totals. Adjusting for actual payroll is commonly referred to as the payroll audit. Premium changes resulting from the prior year's payroll audit are recognized in the current year as additional or return premiums due to or from each member.
- Unallocated Loss Adjust Expense (ULAE) premium is based on an estimate from the Program's actuaries of the cost of external TPA Fees and Self Insurance Plans fees for the life of the claim, at the confidence level determined annually by the PWC Committee.
- Broker fees are charged to all public entity members. The amount charged is based on our broker contract and is a graduated rate based on premiums. The current broker fee rates are 10% of the first \$100,000 of premiums, plus 5% of premiums from \$100,000 to \$1,000,000, and 3% of premiums excess of \$1,000,000.
- Investment income is budgeted at an estimated earnings rate determined annually and applied to the average daily balance invested in the PRISM Treasury. The estimated earnings rate is determined by the Finance Committee and approved by the Executive Committee and Board of Directors. The estimated earnings rate is also the rate established by the Inter-Fund Borrowing Policy.
- Members may elect to pay their premium on a monthly, or quarterly, basis. Finance fees are charged based on the rate approved in the Inter-Fund Borrowing Policy and the term of the financing.
- Administration fees are based on the budget for program and general administration costs and subsidies. Program costs are defined below.

### **Expenses**

- The PWC Committee annually considers returning available net assets to members in the form of member dividends. The PWC Committee generally evaluates the amount of net assets available for dividends as the balance in excess of the 90% confidence level.
- PWC insurance premiums include the cost of insurance for claims transferred to an insurance company. Coverage limits are determined annually by the PWC Committee. Claim costs in excess of \$125,000 are covered by the EWC Program.
- The provision for claims current and the provision for claims prior years, is the actuarial adjustment to claim liabilities.

- The Provision for ULAE accrues the cost not directly associated with specific claims but related to claims administration and settlement for the remaining life of the claims, and is charged as part of the Admin Fee. The provision includes both the actuarial amount related to the external TPA fees and Self Insurance Plans Fee and the internal (PRISM) program administration costs.
- The Claims Administration line item provides for the fees to the approved PWC claims administrators (Third Party Administrators). TPA contracts are reviewed and considered for renewal by the PWC Committee.
- Member claims audits are scheduled for each TPA every two years, or as determined by the PWC Committee.
- Other program expenses include legal, ISO fees, employment practices legal consulting services, managed care oversight services, and any other expenses approved by the PWC Committee.
- The Risk Management Subsidy Program is a voluntary program that was created to offset the direct costs members incur from securing external risk management products and services. The subsidy is generally \$1,000 per year.
- Banking services and fees are used to maintain separate claim bank accounts for each TPA.
- The California State Office of Self-Insurance Plans assessment fees are levied by the Department of Industrial Relations to pay for the self-insured employer assessments for:
  - Workers' Compensation Administration Revolving Fund
  - Uninsured Employers Benefits Trust Fund
  - Subsequent Injuries Benefits Trust Fund
  - Workers' Compensation Fraud Account
  - Occupational Safety and Health Fund
  - Labor Enforcement and Compliance Fund
- The claims system expense includes the cost to operate our claims system. These expenses also include converting data from the TPAs to our Insurity claims system. Other program expenses include program actuarial and consulting costs, legal expenses, ISO fees, and any other expenses approved by the Committee.
- An expense budget of \$50,000 has been delegated to the PWC Committee for any unforeseen budget expenses. The PWC Committee may allocate these funds to any expense line item with a two-thirds vote of the Committee.

### **Transfers**

- Transfers out to the general administration program are used to pay for the PRISM staff and all other administrative costs. These administration costs are allocated to all PRISM programs based on a three-year average of staff time.
- Based on member election, a risk management subsidy of \$1,000, per member, is transferred to the general administration program and added to each member's risk management subsidy account.
- The claims system transfer is based on program usage.
- Investment Fees are charged on the average daily balance of program funds invested.

**PUBLIC RISK INNOVATION, SOLUTIONS, AND MANAGEMENT (PRISM)**  
**PRIMARY WORKERS' COMPENSATION PROGRAM**  
**Adopted Budget**  
**July 1, 2020 to June 30, 2021**

Sources and Uses of Financial Resources	CAFR Actual 2018/19	Year to Date 12/31/2019	Estimated 2019/20	Budget 2019/20	Budget 2020/21	Increase (Decrease)	Text Detail
<b>REVENUES:</b>							
Premiums for Transferred Risk	\$ 34,879,648	\$ 33,344,192	\$ 33,344,192	\$ 34,937,800	\$ 31,317,563	\$ (3,620,237)	Includes corridor deductible in the \$10 - \$125k layer reinsured by EIO, Excludes CSRM
Payroll Adjustment, Excess Insurance	139,848	0	157,339	0	0	0	
Contributions for Retained Risk	11,146,430	10,511,580	10,511,580	10,823,490	9,327,225	(1,496,265)	Billed at 90% confidence level undiscounted.
Payroll Adjustment, Pool Premiums	(314,369)	0	66,717	0	0	0	
ULAE Premium	8,424,105	8,576,265	8,576,265	8,812,100	8,841,300	29,200	Billed at 80% CL; discounted at 1.5%, Excludes CSRM
Public Entity Broker Fees	989,389	1,473,413	1,473,413	984,233	827,228	(157,005)	
Administration Fees	5,104,557	6,034,179	6,035,179	6,255,056	6,104,589	(150,467)	Incl. Schools LC Fee
Investment Income	3,135,423	1,065,910	3,000,000	1,648,000	1,450,000	(198,000)	
Member Finance Charges	76,996	87,884	87,884	91,872	94,000	2,128	
Development Fees	0	0	0	0	0	0	
Other Income	0	0	65,313	0	0	0	
<b>TOTAL REVENUES</b>	<b>63,582,027</b>	<b>61,093,423</b>	<b>63,317,882</b>	<b>63,552,551</b>	<b>57,961,905</b>	<b>(5,590,646)</b>	<b>-9%</b>
<b>EXPENDITURES:</b>							
Member Dividends	2,000,000	0	2,000,000	2,000,000	2,000,000	0	
Retained and Transferred Risk							
Insurance Premium Expense	34,887,604	33,898,696	33,898,696	34,937,800	31,317,563	(3,620,237)	Includes Placement Broker Fee
Primary W.C. Reinsurance Prem. PR Audit	139,848	0	157,340	0	0	0	
Public Entity Broker Fees	989,389	918,907	918,907	984,233	827,228	(157,005)	
Provision for Claims, Current Year	8,918,000	9,389,618	9,389,618	9,389,618	7,848,000	(1,541,618)	Provision for claims at expected
Provision for Claims, Prior Years	(3,436,292)	0	0	0	0	0	Provision for prior year claims
Provision for ULAE	(1,015,000)	0	0	656,000	680,000	24,000	Actuarial adjustment to the liability for future claims administration
CA State W.C. Assessments	1,983,330	1,942,071	1,942,071	2,800,000	2,350,000	(450,000)	DIR fees based on indemnity payments included in ULAE
<b>Total Retained and Transferred Risk</b>	<b>42,466,878</b>	<b>46,149,291</b>	<b>46,306,631</b>	<b>48,767,651</b>	<b>43,022,791</b>	<b>(5,744,860)</b>	
Program Administration							
Claims Administration	6,008,034	2,676,176	5,544,000	6,700,000	5,996,730	(703,270)	TPA fees to administer claims for the life of the claim, no CSRM
ISO Index Fees	45,718	19,493	50,000	75,000	75,000	0	Claims indexing service
Member Claims Audits	68,040	37,000	110,000	125,000	165,000	40,000	TPA's locations audited on biannual basis
Legal Fees	0	0	3,000	10,000	10,000	0	
Banking Services and Fees	53,417	28,001	56,000	56,000	64,000	8,000	
Managed Care Program Monitoring	108,000	57,000	125,000	125,000	119,000	(6,000)	Incl Bill review fee monitoring and negotiating
<b>Total Program Administration</b>	<b>6,283,208</b>	<b>2,817,670</b>	<b>5,888,000</b>	<b>7,091,000</b>	<b>6,429,730</b>	<b>(661,270)</b>	
bv	0	0	0	50,000	50,000	0	Available with two-thirds vote of PWC Committee
<b>TOTAL EXPENDITURES</b>	<b>50,750,087</b>	<b>48,966,961</b>	<b>54,194,631</b>	<b>57,908,651</b>	<b>51,502,521</b>	<b>(6,406,130)</b>	



**PUBLIC RISK INNOVATION, SOLUTIONS, AND MANAGEMENT (PRISM)**  
**PRIMARY WORKERS' COMPENSATION PROGRAM**  
**Adopted Budget**  
**July 1, 2020 to June 30, 2021**

Sources and Uses of Financial Resources	CAFR Actual 2018/19	Year to Date 12/31/2019	Estimated 2019/20	Budget 2019/20	Budget 2020/21	Increase (Decrease)	Text Detail
<b><u>TRANSFERS:</u></b>							
Transfers out to:							
General Administration	\$ (4,534,377)	\$ (4,809,446)	\$ (4,809,446)	\$ (4,809,446)	\$ (4,684,283)	\$ 125,163	
GASB 68 Pension Funding	0	0	0	0	0	0	
Loss Prevention Subsidies	0	0	0	0	0	0	
PRISM Claims System Costs	(427,498)	(254,057)	(254,057)	(254,057)	(696,428)	(442,371)	
Risk Management Subsidy Dividend	0	0	0	0	0	0	
Investment Fees	(28,622)	(16,077)	(32,344)	(24,000)	(38,745)	(14,745)	
<b>TOTAL TRANSFERS</b>	<b>(4,990,497)</b>	<b>(5,079,580)</b>	<b>(5,095,847)</b>	<b>(5,087,503)</b>	<b>(5,419,456)</b>	<b>(331,953)</b>	
Net Increase or (Decrease)	7,841,443	7,046,882	4,027,403	556,397	1,039,928	483,531	
<b>NET POSITION - JULY 1</b>	<b>24,891,713</b>	<b>32,733,156</b>	<b>32,733,156</b>	<b>29,771,275</b>	<b>36,760,559</b>		
<b>NET POSITION - JUNE 30</b>	<b>32,733,156</b>	<b>39,780,038</b>	<b>36,760,559</b>	<b>30,327,672</b>	<b>37,800,487</b>		
Target Equity							
Low Range	18,811,124	9,830,167	9,830,167	9,830,167	7,090,322		
High Range	42,192,760	30,684,052	30,684,052	30,684,052	35,999,451		

## **Excess Workers' Compensation**

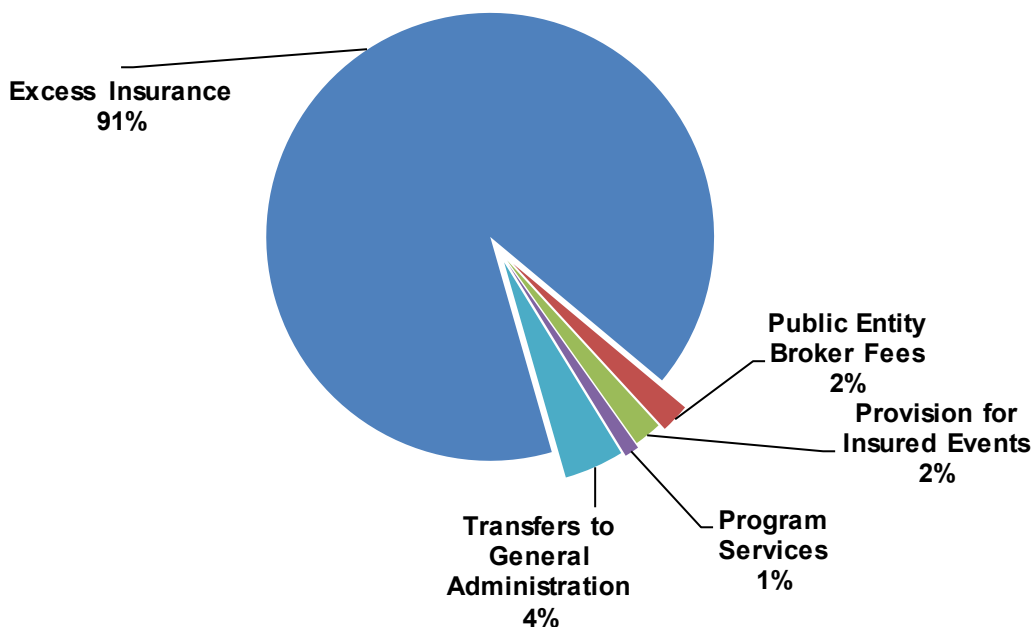
The objective of the Excess Workers' Compensation (EWC) program is to provide members an affordable Excess Workers' Compensation Program. The EWC Program provides members with the economic benefits of blending self-insurance or pooling, with the purchase of insurance.

### **Program Revenue Summary:**

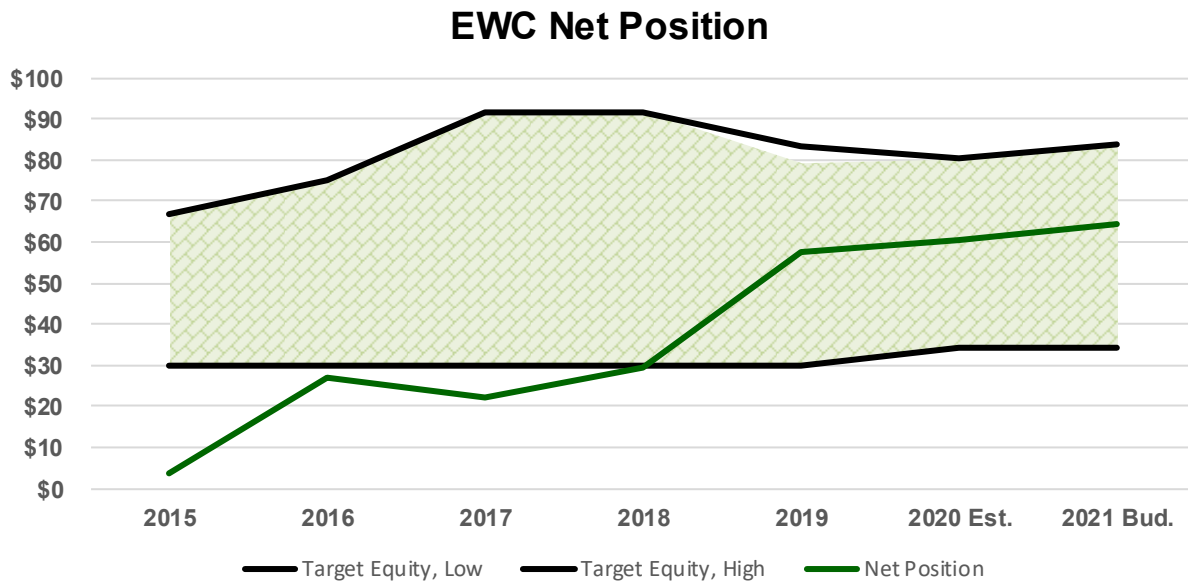
Number of Members	183
Covered Payroll	\$34.2 Billion
Pool Contribution	\$2.9 Million
Insurance	\$82.1 Million
Premium to EIO	\$49.2 Million
Broker Fees	\$3.1 Million
Administration and Fees	\$8.4 Million
Loss Prevention Subsidies	\$1,000 per member

A summary of the EWC Program budget is as follows:

### **Excess Workers' Compensation Program - Expense Summary**



The EWC Program proposed budget would result in an ending net position of \$64.4M at June 30, 2021. The target equity range developed by the Underwriting Committee and approved by the Board of Directors is from \$34.1 - \$83.9M. The following chart illustrates the EWC's net position in relation to the target equity range.



## **Excess Workers' Compensation (EWC)** **Program Budget Policy**

Program Goals for the EWC Program include the following:

### **Short Term Goals**

- Increase service offerings to the members.
- Set rates for the upcoming year at a level designed to reach the pool's target funding range within 5 - 7 years.
- Continue to phase in the new premium allocation methodology to reflect the new High/Low-Safety rating group over a 5-year period to provide those members with premium stability (2020/21 is the fifth and final year of the phase in).
- Evaluate the pool and excess loss surcharge equitability and potential changes to the current premium allocation methodology.
- Evaluate ways to mitigate the Program's long-term exposure to uncollectible reinsurance.
- Use multi-year underwriting matrices, wherever possible, to help ensure renewal pricing from underwriters at a "not-to-exceed" amount of 10% for the upcoming year.
- Continue to monitor the long-term discount assumption and make conservative adjustments, as needed.
- Continue to move members from annual to monthly reporting of loss data.
- Implement a new data analytics platform to allow for benchmarking of claims data.
- Increase focus on settling problematic, long-term, high-exposure claims via compromise and release.
- Continue to consider risk transfer opportunities to the PRISM Captive.
- Evaluate opportunities to increase amount of risk assumed in excess layer via quota share arrangement.

### **Long Term Goals**

- Maintain funding levels in accordance with the Target Funding Guidelines.
- Maintain an equitable distribution of costs amongst the members through a premium allocation process, with appropriate consideration for loss experience within the pool layer and excess layers.
- Maintain stable pricing year-over-year not to exceed a 10% variance.
- The EWC risk tolerance is between neutral and high. We will protect pool assets through appropriate risk transfer with a bias toward more risk transfer in a soft market and less risk transfer in a hard market. There is a bias toward risk transfer when losses are less predictable and a bias toward risk retention when losses are more predictable, in order to mitigate the Program's exposure to uncollectible reinsurance, and when considering concentration of risk.
- Evaluate transfer of risk options on EWC commuted claims.

- Maintain multi-year relationships, where possible, with business partners (brokers, underwriters, actuaries, claims administrators, etc.).
- Continue to seek legislative changes to stop the expansion of workers' compensation benefits beyond its original intent.

Budget Policies for the EWC Program include the following, established by the Board of Directors:

### **Revenues**

- Premiums for retained risk and transferred risk are calculated based on participating member's self-insured retention, payroll and loss data. Based on actuarial information and market conditions, the Underwriting and Executive Committees advise on program funding mechanisms including how much risk to self-fund and at what discount rate and confidence level, and how much risk to transfer. Funding includes consideration of the Target Equity Guidelines adopted by the Board. Final funding decisions and premium allocation methodologies are approved by the Board of Directors.
- At the end of each year, members are required to update payroll estimates with actual payroll totals. Adjusting for actual payroll is commonly referred to as the payroll audit. The effect of the payroll audit will increase or decrease premium revenues for transferred and retained risk recognized in the previous year. Premium changes resulting from the prior year's payroll audit are recognized in the current year as additional premiums due to or from each member.
- Broker fees are charged to all public entity members. The amount charged is a graduated rate based on premiums. The current broker fee rates are 10% of the first \$100k of premiums, plus 5% of premiums from \$100k to \$1M, and 3% of premiums excess of \$1M.
- Investment income is budgeted at an estimated earnings rate determined annually and applied to the average daily balance invested in the PRISM Treasury. The estimated earnings rate is determined by the Finance Committee and approved by the Executive Committee and Board of Directors.
- Members may elect to pay their premium on a monthly or quarterly basis. Finance fees are charged based on the internal borrowing rate and the term of the financing.
- Administration fees are based on the budget for program and general administration costs and subsidies. Any carryover credit from previous years' administration expense will reduce the current budget year's Administration fees charged to the members. Program costs are defined below.

### **Expenses**

- Upon recommendation of the Underwriting and Executive Committees, the Board may annually consider returning available net assets to members in the

form of member dividends.

- Premium for transferred risk is the expense for insurance purchased based on the risk financing decisions made.
- The provision for claims current and provision for claims prior years' are the actuarial adjustments to claim liabilities.
- The provision for ULAE (Unallocated Loss Adjustment Expenses) is the annual adjustment to the liability for the administrative costs of handling the claims for the life of the claim, and is charged as part of the admin fee.
- Member claims audits are scheduled for each member or Third Party Administrator (TPA) every two years, or as determined by the Claims Review Committee, unless the member has opted out of the claims audit program.
- A claims audit for the PRISM's Claims Department is scheduled every two years.
- Each member is entitled to a subsidy of \$2,000 towards the cost of member actuarial studies.
- Other program expenses include program actuarial and consulting costs, legal expenses, ISO fees, Critical Incident Counseling Services, and any other expenses approved by the various committees.
- The Risk Management Subsidy Program is a voluntary program that was created to offset the direct costs members incur from securing external risk management products and services. Most members choose to contribute at least \$1,000 each year to this program.
- There is a \$50,000 contingency budget line item for unforeseen expenses, which is available for use with a two-thirds vote of the Executive Committee.
- The Program has adopted a policy to provide Crisis Incident Management Services. Annually, the Board will determine how to fund for these services.

### **Transfers**

- Transfers out to the General Administration Program are used to pay for the PRISM staff and all other administrative costs. These administration costs are allocated to all PRISM programs, based on a three-year average of staff time.
- The administrative costs of the Program are typically set in conjunction with the March Board of Directors meeting as a way to aid members in budgeting by reducing variability in their premiums. Any variance within 2.5% of the set amount and the final administrative costs are adjusted from the Program's Net Position. If the variance falls outside of the 2.5% range, the total budgeted number is brought back to the Board of Directors in June for further action.
- Based on member election, a risk management subsidy of \$1,000 per member, plus any additional amounts elected by members, is transferred to the General Administration Program and added to each member's risk management subsidy account.
- The PRISM Claims System transfer is based on program usage.
- Investment Fees are charged to the programs based on the average daily balance of program funds invested.

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**PUBLIC RISK INNOVATION, SOLUTIONS, AND MANAGEMENT (PRISM)**  
**EXCESS WORKERS' COMPENSATION PROGRAM**  
**Adopted Budget**  
**July 1, 2020 to June 30, 2021**

Sources and Uses of Financial Resources	CAFR Actual 2018/19	Year to Date 12/31/2019	Estimated 2019/20	Budget 2019/20	Budget 2020/21	Increase (Decrease)	Text Detail
<b>REVENUES:</b>							
Premium for Transferred Risk	\$ 127,194,706	\$ 133,045,735	\$ 133,047,735	\$ 134,872,030	\$ 131,331,164	\$ (3,540,866)	Includes corridors transferred to EIO.
Payroll Audit, Excess Premiums	2,824,203	0	2,011,064	0	0	0	
Contribution for Retained Risk	7,640,346	4,914,664	4,914,664	4,960,979	2,873,983	(2,086,996)	Includes 10% quote share in \$45M excess of \$5M layer
Payroll Adjustments, Retained Risk	233,789	0	(453,347)	0	0	0	
Administration Fees	7,947,574	8,315,432	8,315,432	8,303,174	8,432,470	129,296	Includes Schools Loss Control Fee; admin set in March
Public Entity Broker Fees	2,982,606	4,026,644	4,025,010	3,062,964	3,053,931	(9,033)	
Investment Income	11,951,123	3,493,866	9,500,000	5,405,000	3,480,000	(1,925,000)	
Member Finance Fees	28,148	39,532	39,532	40,847	36,000	(4,847)	
Development Fees	0	0	0	0	0	0	
Other Income	757,699	0	355,917	0	0	0	Liberty Commutation/Reliance
<b>TOTAL REVENUES</b>	<b>161,560,195</b>	<b>153,835,873</b>	<b>161,756,007</b>	<b>156,644,994</b>	<b>149,207,548</b>	<b>(7,437,446)</b>	
<b>EXPENDITURES:</b>							
Retained and Transferred Risk							
Excess Workers' Comp. Premiums	127,194,706	133,045,736	132,995,533	134,872,030	131,331,164	(3,540,866)	Includes Placement Broker Fee
Payroll Adjustments	2,824,202	0	2,010,584	0	0	0	
Public Entity Broker Fees	2,982,816	4,026,644	4,027,895	3,062,964	3,053,931	(9,033)	
Provision for Claims, Current Year	812,820	1,769,850	1,769,850	1,375,000	2,308,504	933,504	10% quote share in \$45M excess of \$5M layer
Provision for Claims, Prior Years	(7,754,444)	14,839,788	11,159,723	0	0	0	
Provision for ULAE	605,000	0	0	582,000	593,000	11,000	Cost to run off portfolio
Total Retained and Transferred Risk	126,665,100	153,682,018	151,963,585	139,891,994	137,286,599	(2,605,395)	
Program Administration							
Managed Care Program Monitoring	0	0	500	5,000	2,500	(2,500)	Incl Bill review fee monitoring and negotiating
Legal Fees	16,660	11,575	40,000	200,000	200,000	0	Increase due to CIGA and Amsafety litigation
ISO Index Fees	355,283	137,668	300,000	325,000	340,000	15,000	Claims indexing service
Member Claims Audits	572,026	345,792	650,000	730,000	641,000	(89,000)	
PRISM Claims Audits	0	0	0	17,000	0	(17,000)	Next due in 2021/22
Crisis Management Services	303	0	50,000	110,080	100,000	(10,080)	
Member Actuarial Studies	180,825	86,170	176,000	176,000	198,000	22,000	
Total Program Administration	1,125,096	581,206	1,216,500	1,563,080	1,481,500	(81,580)	
Contingency Delegated to Governing Committee	0	0	0	50,000	50,000	0	Available with a two-thirds vote of Executive Committee
<b>TOTAL EXPENDITURES</b>	<b>127,790,196</b>	<b>154,263,224</b>	<b>153,180,085</b>	<b>141,505,074</b>	<b>138,818,099</b>	<b>(2,686,975)</b>	



**PUBLIC RISK INNOVATION, SOLUTIONS, AND MANAGEMENT (PRISM)**  
**EXCESS WORKERS' COMPENSATION PROGRAM**  
**Adopted Budget**  
**July 1, 2020 to June 30, 2021**

Sources and Uses of Financial Resources	CAFR Actual 2018/19	Year to Date 12/31/2019	Estimated 2019/20	Budget 2019/20	Budget 2020/21	Increase (Decrease)	Text Detail
<b>TRANSFERS:</b>							
Transfers out to:							
General Administration	\$ (5,123,344)	\$ (5,828,299)	\$ (5,828,299)	\$ (5,828,299)	\$ (5,933,554)	\$ (105,255)	
Loss Prevention Subsidies	0	0	0	0	0	0	
PRISM Claims System Costs	(127,611)	(75,838)	(75,838)	(75,838)	(207,889)	(132,051)	
Risk Management Subsidy Dividend	0	0	0	0	0	0	
Investment Fees	(108,973)	(52,297)	(99,716)	(91,400)	(125,775)	(34,375)	External investment management fees
<b>TOTAL TRANSFERS</b>	<b>(5,359,928)</b>	<b>(5,956,434)</b>	<b>(6,003,853)</b>	<b>(5,995,537)</b>	<b>(6,267,218)</b>	<b>(271,681)</b>	
Net Increase or (Decrease)	28,410,070	(6,383,785)	2,572,069	9,144,383	4,122,231	(5,022,152)	
<b>NET POSITION - JULY 1</b>	<b>29,370,825</b>	<b>57,780,895</b>	<b>57,780,895</b>	<b>48,348,027</b>	<b>60,352,964</b>		
<b>NET POSITION - JUNE 30</b>	<b>57,780,895</b>	<b>51,397,110</b>	<b>60,352,964</b>	<b>57,492,410</b>	<b>64,475,195</b>		
Target Equity							
Low Range	34,125,000	34,125,000	34,125,000	34,125,000	34,125,000		
High Range	83,443,000	80,295,000	80,295,000	80,295,000	83,928,000		

## **General Liability 1**

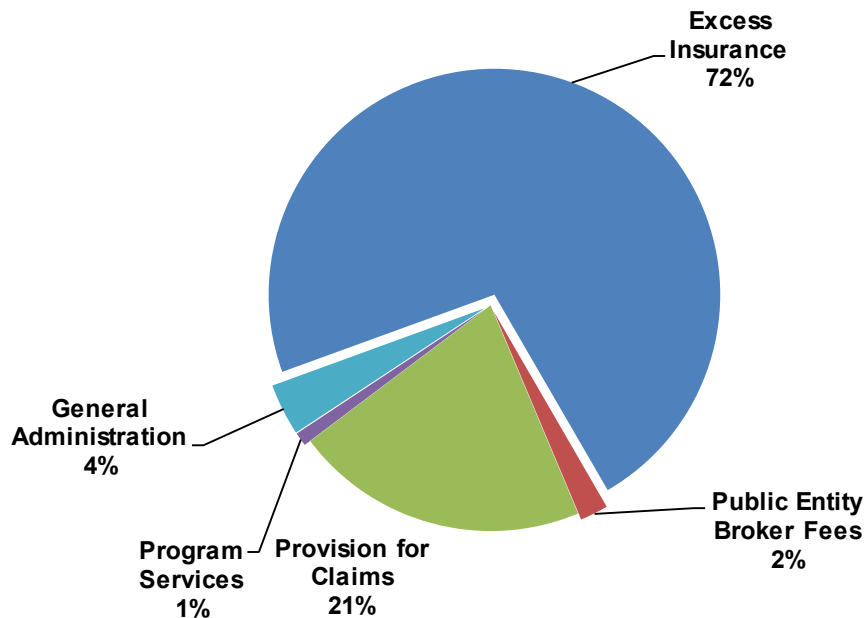
The objective of the General Liability 1 (GL1) Program is to provide members with a long-term, stable and financially strong alternative to traditional insurance. The GL1 Program provides members with the economic benefits of blending self-insurance or pooling, with the purchase of insurance.

### **Program Revenue Summary:**

Number of Members	125
Covered Payroll	\$6.9 Billion
Pool Premium	\$34.9 Million
Insurance	\$21.6 Million
Premium to EIO	\$56.7 Million
Public Entity Broker Fees	\$2.2 Million
Administration and Fees	\$5.7 Million
Loss Prevention Subsidy	\$1,000 per member

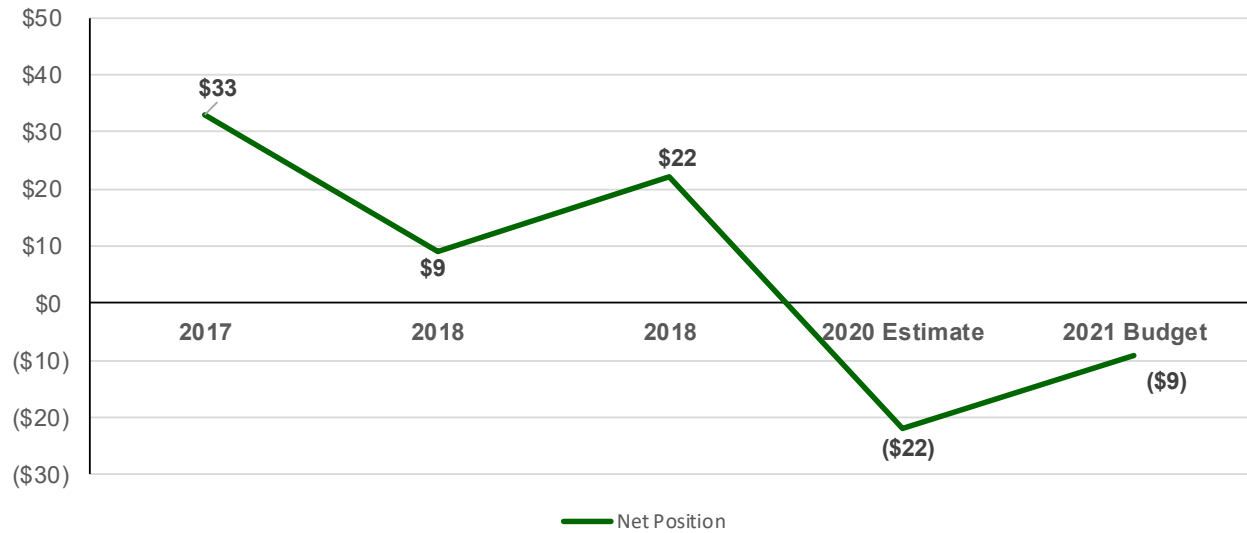
A summary of the GLI Program budget is as follows:

### **General Liability 1 Program - Expense Summary**



The GL1 Program proposed budget would result in an ending net deficit of \$9.3M at June 30, 2021.

### General Liability 1 Net Position (in millions)



## **General Liability 1 (GL1)**

### **Program Budget Policy**

Program Goals for GL1 include the following:

#### **Short Term Goals**

- Increase service offerings to the members.
- Set rates for the upcoming year at a level designed to increase net assets so that the pool's funding is within the target surplus range in three to five years.
- Continue accomplishing action items as outlined on the GL1 Program Strategic Plan approved by the Executive Committee and coordinate the efforts of the Claims Review Committee, Risk Control, and D&A department as needed.
- Continue to increase the use of standardized PRISMGL codes for general liability loss data to allow for better claims analysis and trend identification. Evaluate options to increase the usage of PRISMGL codes among the GL1 membership.
- Evaluate options to increase the adoption of monthly data reporting among the GL1 program membership.
- Implement a new data analytics platform to allow for benchmarking of claims data.
- Use multi-year underwriting matrices, where possible, to help stabilize renewal pricing from underwriters.
- Continue to monitor the long-term discount assumption, and make conservative adjustments, as needed.
- Continue to evaluate transfer of risk opportunities in the PRISM Captive.
- Evaluate the structure of the pooled layer to determine an appropriate balance between transferring more risk to the commercial insurance market or assuming more risk through increasing the pool limit.
- Evaluate the pool and excess loss surcharges and determine potential changes to the current methodology.

#### **Long Term Goals**

- Maintain funding levels in accordance with the Target Funding Guidelines.
- Maintain an equitable distribution of costs amongst the members through a premium allocation process with appropriate consideration for exposure and loss experience within the pool layer and excess layers.
- Maintain stable pricing year-over-year, striving not to exceed a 10% variance.
- The GL1 risk tolerance is low to neutral. We will protect pool assets through appropriate risk transfer with a bias toward more risk transfer in a soft market and less risk transfer in a hard market. There is a bias toward risk transfer when losses are less predictable and a bias toward risk retention when losses are more predictable and less volatile.
- Maintain multi-year relationships, where possible, with business partners.

(brokers, underwriters, actuaries, claims administrators, etc.).

- Evaluate creating different rating groups within the GL1 allocation.
- Evaluate the possibility of offering Individual Member Corridor Deductible options for current members.

Budget Policies for the GL1 Program include the following established by the Board of Directors:

### **Revenues**

- Premiums for retained risk and transferred risk are calculated based on participating member's self-insured retention, exposure, and loss data. Based on actuarial information and market conditions, the Underwriting and Executive Committees advise on program funding mechanisms including how much risk to self-fund, and at what discount rate and confidence level, and how much risk to transfer. Funding includes consideration of the Target Equity Policy adopted by the Board. Final funding decisions and premium allocation methodologies are approved by the Board of Directors.
- Premium in the GL1 Program is not subject to adjustment based on actual payroll.
- Broker fees are charged to all public entity members. The amount charged is a graduated rate based on premiums. The current broker fee rates are 10% of the first \$100k of premiums, plus 5% of premiums from \$100k to \$1M, and 3% of premiums excess of \$1M. Broker fees or commissions may also be charged to members for reinsurance placements and are considered part of the cost and premium for transferred risk.
- The Risk Management Subsidy Program is a voluntary program that was created to offset the direct costs members incur from securing external risk management products and services. Most members choose to contribute at least \$1,000 each year to this program
- Investment income is budgeted at an estimated earnings rate determined annually and applied to the average daily balance invested in the PRISM Treasury. The estimated earnings rate is determined by the Finance Committee and approved by the Executive Committee and Board of Directors.
- Members may elect to pay their premium on a monthly or quarterly basis. Finance fees are charged based on the internal borrowing rate and the term of the financing. Administration fees are based on the budget for program and general administration costs and subsidies. Any carryover credit from previous years' administration expense will flow to the program's net position. Program costs are defined below.

### **Expenses**

- Upon recommendation of the Underwriting and Executive Committees, the Board may annually consider returning available net assets to members in the form of member dividends. Premium for Transferred Risk is the expense for

insurance purchased based on the risk financing decisions made.

- The provisions for claims, current year, and provision for claims prior years', are the actuarial adjustments to claim liabilities.
- The provision for ULAE (Unallocated Loss Adjustment Expenses) is the annual adjustment to the liability for the administrative costs of handling the claims for the life of the claim and is charged as part of the admin fee.
- Member claims audits are scheduled for each member or Third Party Administrator (TPA), every two years, or as determined by the Claims Review Committee, unless the member opts out of the claims audit program.
- A claims audit for the PRISM's Claims Department is scheduled every two years.
- Each member is entitled to subsidy of \$2,000 towards the cost of member actuarial studies.
- Other program expenses include program actuarial and consulting costs, legal expenses, ISO fees and any other expenses approved by the various committees.
- .
- There is a \$50,000 contingency budget line item for unforeseen expenses, which is available for use with a two-thirds vote of the Executive Committee.
- The Program has adopted a policy to provide Crisis Incident Management Services. Annually, the Board will determine how to fund for these services.

### **Transfers**

- Transfers out to the General Administration Program are used to pay for the PRISM staff and all other administrative costs. These administration costs are allocated to all PRISM programs based on a three-year average of staff time.
- The administrative costs of the Program are typically set in conjunction with the March Board of Directors meeting as a way to aid members in budgeting by reducing variability in their premiums. Any variance within 2.5% of the set amount and the final administrative costs are adjusted from the Program's Net Position. If the variance falls outside of the 2.5% range, the total budgeted number is brought back to the Board of Directors in June for further action.
- Based on member election, a loss prevention subsidy of \$1,000 per member, plus any additional amounts elected by members, is transferred to the General Administration Program and added to each member's risk management subsidy account.
- The PRISM Claim system transfer is based on program usage.
- Investment Fees are charged to the program based on the average daily balance of program funds invested.

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**PUBLIC RISK INNOVATION, SOLUTIONS, AND MANAGEMENT**  
**GENERAL LIABILITY 1 PROGRAM**  
**Adopted Budget**  
**July 1, 2020 to June 30, 2021**

Sources and Uses of Financial Resources	CAFR Actual 2018/19	Year to Date 12/31/2019	Estimated 2019/20	Budget 2019/20	Budget 2020/21	Increase (Decrease)	Text Detail
<b>REVENUES:</b>							
Premiums for Transferred Risk	\$ 11,468,632	\$ 80,516,134	\$ 80,516,134	\$ 37,814,457	\$ 78,523,098	\$ 40,708,641	Incl. Corridor deductible reinsured by EIO
Contributions for Retained Risk	46,370,512	0	0	39,206,438	\$ 34,856,188	(4,350,250)	Funded at the 75% confidence level; 1.75% discount factor
Public Entity Broker Fees	1,301,743	2,348,595	2,348,595	1,535,907	2,200,113	664,206	
Investment Income	6,422,186	266,600	0	0	0	0	No interest expected due to LPT payout
Administration Fees	4,506,533	4,608,190	4,608,190	4,573,788	5,698,656	1,124,868	Includes Schools loss control fee; set in March
Program Development Fees	0	0	0	0	0	0	
Other Income	1,559	676,632	676,632	0	0	0	
<b>TOTAL REVENUES</b>	<b>70,071,165</b>	<b>88,416,150</b>	<b>88,149,551</b>	<b>83,130,590</b>	<b>121,278,055</b>	<b>38,147,465</b>	
<b>EXPENDITURES:</b>							
Pool Dividends	0	0	0	0	0	0	
<b>Retained and Transferred Risk</b>							
Premium for Transferred Risk	133,355,952	95,568,266	95,542,954	37,814,457	78,381,848	40,567,391	Incl. Placement and LPT Broker Fees
Public Entity Broker Fees	2,801,743	2,345,946	2,345,946	1,535,907	2,200,113	664,206	
Provision for Claims, Current Year	788	9,371,001	9,371,001	49,198,000	22,411,750	(26,786,250)	Claims expense
Provision for Claims, Prior Years	(83,007,889)	10,974,799	20,999,799	0	0	0	
Provision for ULAE	233,000	0	0	228,000	453,000	225,000	Including PGL
Total Retained and Transferred Risk	53,383,594	118,260,012	128,259,700	88,776,364	103,446,711	14,670,347	
<b>Program Administration</b>							
Financing Expenses	0	0	100,000	700,000	300,000	(400,000)	Interest paid to other programs due to negative cash; not billed back to members
ISO Fees	2,051	9,734	11,500	2,500	3,500	1,000	
Member Claims Audits	41,843	20,875	90,000	145,000	80,000	(65,000)	
PRISM Claims Audit	0	0	16,500	7,500	0	(7,500)	
Legal Expenses	107,309	27,758	115,000	350,000	410,000	60,000	Incl CAJPA Data Collection/Legislative Effort
Crisis Management Services	450	1,749	50,000	100,000	100,000	0	
Bank Fees	3,026	1,369	2,800	4,000	4,000	0	Allocated to PGL members only
Member Actuarial Studies	144,225	54,170	110,000	110,000	125,000	15,000	
Total Program Administration	298,904	115,655	495,800	1,419,000	1,022,500	(396,500)	
Contingency Delegated to Governing Committee	0	14,250	0	50,000	50,000	0	Available with two-thirds vote of the Executive Committee
<b>TOTAL EXPENDITURES</b>	<b>53,682,498</b>	<b>118,389,917</b>	<b>128,755,500</b>	<b>90,245,364</b>	<b>104,519,211</b>	<b>14,273,847</b>	
<b>TRANSFERS:</b>							
<b>Transfers out to:</b>							
General Administration	(3,358,116)	(3,390,973)	(3,390,973)	(3,390,973)	(3,963,474)	(572,501)	
Loss Prevention Subsidies	0	0	0	0	0	0	
Claims System Costs	(38,283)	(22,751)	(22,751)	(22,751)	(62,367)	(39,616)	
Risk Management Subsidy Dividend	0	0	0	0	0	0	
Investment Fees	(59,500)	(8,458)	(14,921)	(51,600)	(20,093)	31,507	
<b>TOTAL TRANSFERS</b>	<b>(3,455,899)</b>	<b>(3,422,182)</b>	<b>(3,428,645)</b>	<b>(3,465,324)</b>	<b>(4,045,934)</b>	<b>(580,610)</b>	



**PUBLIC RISK INNOVATION, SOLUTIONS, AND MANAGEMENT**  
**GENERAL LIABILITY 1 PROGRAM**  
**Adopted Budget**  
**July 1, 2020 to June 30, 2021**

Sources and Uses of Financial Resources	CAFR Actual 2018/19	Year to Date 12/31/2019	Estimated 2019/20	Budget 2019/20	Budget 2020/21	Increase (Decrease)	Text Detail
Net Increase or (Decrease)	\$ 12,932,768	\$ (33,395,948)	\$ (44,034,594)	\$ (10,580,098)	\$ 12,712,910	\$ 23,293,008	
<b>NET POSITION - JULY 1</b>	9,117,228	22,049,996	22,049,996	32,298,788	(21,984,598)		
<b>NET POSITION - JUNE 30</b>	22,049,996	(11,345,952)	(21,984,598)	21,718,690	(9,271,688)		
Net Position Designated for:							
Unrestricted Net Position	22,049,996	(11,345,952)	(40,158,598)	3,544,690	(27,445,688)		
Premium Rate Credit, accrued but not received until 7/1/21			18,174,000	18,174,000	18,174,000		
<b>Total Net Position</b>	<b>22,049,996</b>	<b>(11,345,952)</b>	<b>(21,984,598)</b>	<b>21,718,690</b>	<b>(9,271,688)</b>		
Target Equity							
Low Range	26,600,000	43,904,000	43,904,000	43,904,000	n/a		
High Range	36,100,000	53,300,000	53,300,000	53,300,000	n/a		

## **General Liability 2**

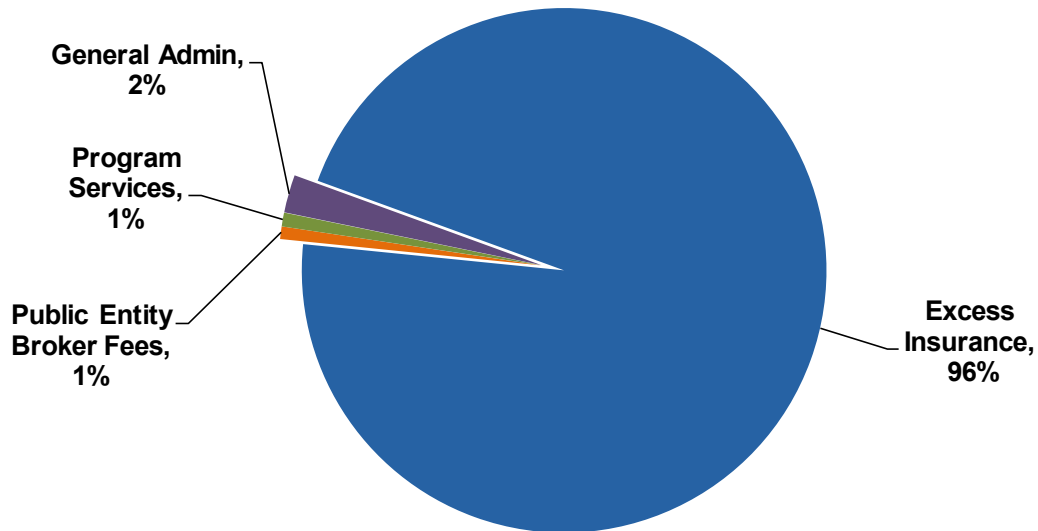
The objective of the General Liability 2 (GL2) Program is to provide members who can afford a high self-insured retention an affordable excess liability program with limited pool exposure, and insured coverage when available.

### **Program Revenue Summary:**

Number of Members	18
Insurance	\$56.0 Million
Premium to EIO	\$41.0 Million
Public Entity Broker Fees	\$779 Thousand
Administration and Fees	\$3.3 Million

A summary of the General Liability 2 Program budget is as follows:

### **General Liability Program 2 - Expense Summary**



## **General Liability 2 (GL2)**

### **Program Budget Policy**

Program Goals for the GL2 Program include the following:

#### **Short Term Goals**

- Increase service offerings to the members.
- Eliminate aggregate coverage limits.
- Use multi-year underwriting matrices, wherever possible, to help ensure stable renewal pricing from underwriters.
- Evaluate different risk financing strategies in challenging renewal times; such as evaluating pooling/risk sharing, evaluate SIR changes, and assess different corridor retentions, IMCDs, and layering strategies.
- Conclude meetings with members regarding results of the Member Report Cards which measure members' claims handling practices and loss data reporting in an effort to better control and mitigate losses. Work with members on noted areas of needed improvement in reaching established standards.
- Incorporate updated claims standards into the claims audit process so members are provided feedback from independent claims auditor with any appropriate recommendations.
- Create a loss data quality dashboard
- Annually consider amendments to the MOC to address areas in which clarification is helpful in an effort to avoid coverage questions in the future.
- Require all members in the program provide loss data to the PRISM monthly.
- Establish Target Funding Guidelines to assist the Committee in making program funding decisions on an annual basis
- Continue to evaluate transfer of risk opportunities to the PRISM Captive.

#### **Long Term Goals**

- Maintain an equitable, market-based premium allocation with appropriate consideration given to exposure and loss experience. A market based allocation is designed to avoid adverse selection by the members.
- Maintain stable pricing year-over-year, striving to not exceed a 10% variance overall, or 15% variance by member.
- Maintain multi-year relationships, where possible, with business partners (brokers, underwriters).
- Expand program to new members, which may include pools or individual members from other states.

Budget Policies for the GL2 Program include the following:

### **Revenues**

- Based on market conditions, coverage for the Program is provided by insurance, or a combination of insurance and an aggregate pool or Mega Fund, individual member corridor deductibles (IMCDs) when appropriate, which provides coverage between the member's SIR and the insured layer.
- The allocation of premiums between participating members is approved annually by the GL2 Committee.
- Broker fees are charged to all public entity members. The amount charged is based on the broker contract and is a graduated rate based on premiums. The current broker fee rates are 10% of the first \$100k of premiums, plus 5% of premiums from \$100k - \$1M, and plus 3% of premiums excess of \$1M. Currently the broker is refunding a portion of broker fees to the Program to offset program expenses.
- Investment income is budgeted at an estimated earnings rate determined annually and applied to the average daily balance invested in the PRISM Treasury. The estimated earnings rate is determined by the Finance Committee and approved by the Executive Committee and Board of Directors.
- Administration fees are based on the budget for program and general administration costs and subsidies. Any carryover credit from previous years' administration expense will flow to the program's net position. Program costs are defined below.
- The Risk Management Subsidy Program is a voluntary program that was created to offset the direct costs members incur from securing external risk management products and services. The subsidy is generally \$1,000 per year and collected as part of member premiums. Each member's subsidy collected in that year is transferred to their Risk Management Subsidy Deposit account for them to use in the future for securing external risk management products and services.

### **Expenses**

- GL2 premiums for transferred risk include the cost of insurance for claims in excess of each member's SIRs and the GL2 Pool or Mega Fund. Policy limits are determined annually by the GL2 Committee. Members can obtain optional excess insurance through the Miscellaneous Programs that extend coverage limits.
- The provision for claims provides for claims costs within any corridor deductible or Mega Fund layer.
- The provision for Unallocated Loss Adjustment Expenses (ULAE) accrues the costs not directly associated with specific claims, but related to claims administration and settlement processes for the remaining life of the claims. ULAE includes salaries and other internal costs of the PRISM's claims department.
- The legal services line item provides for coverage opinions and other services provided to the GL2 Committee.

- Claims audits will be done every two years and paid for through the premium allocation.
- A claims audit for the PRISM's Claims Department is scheduled every two years.
- Each member is entitled to a subsidy of \$2,000 towards the cost of member actuarial studies.
- Other program expenses include consulting costs, legal expenses, ISO fees and any other expenses approved by the GL2 Committee.
- An expense budget of \$50,000 has been delegated to the GL2 Committee for any unforeseen budget expenses. The GL2 Committee may allocate these funds to any expense line item with a two-thirds vote of the Committee.
- The program has adopted a policy to provide Crisis Incident Management Services. Annually, the GL2 Committee will determine how to fund for these services.

### **Transfers**

- Transfers out to the General Administration Program are used to pay for the PRISM staff and all other administrative costs. These administration costs are allocated to all PRISM programs based on a three-year average of staff time.
- Based on member election, a risk management subsidy of \$1,000 per member is transferred to the General Administration Program and added to each member's risk management subsidy account.
- The Claims System transfer was established based on program usage.
- Investment Fees are charged on the average daily balance of program funds invested.

**PUBLIC RISK INNOVATION, SOLUTIONS, AND MANAGEMENT**  
**GENERAL LIABILITY 2 PROGRAM**  
**Adopted Budget**  
**July 1, 2020 to June 30, 2021**

Sources and Uses of Financial Resources	CAFR Actual 2018/19	Year to Date 12/31/2019	Estimated 2019/20	Budget 2019/20	Budget 2020/21	Increase (Decrease)	Text Detail
<b>REVENUES:</b>							
Premiums for Transferred Risk	\$ 62,346,508	\$ 78,462,797	\$ 78,462,797	\$ 71,784,736	\$ 96,914,854	\$ 25,130,118	Group corridor deductible transferred to EIO
Contributions for Retained Risk	0	0	0	0	0	0	
Public Entity Broker Fees	516,792	645,421	645,421	586,480	779,005	192,525	
Investment Income and Finance Fees	18,465	(4,009)	(100,000)	26,000	70,000	44,000	
General Administration Fees	2,169,060	2,835,726	2,835,726	2,836,702	3,325,747	489,045	
Development Fees	0	0	0	0	0	0	
Other Income, Legal Expense Reimbursement	0	0	0	0	0	0	
<b>TOTAL REVENUES</b>	<b>65,050,825</b>	<b>81,939,935</b>	<b>81,843,944</b>	<b>75,233,918</b>	<b>101,089,606</b>	<b>25,855,688</b>	
<b>EXPENDITURES:</b>							
Retained and Transferred Risk							
Premium for Transferred Risk	62,153,309	78,462,798	78,462,798	71,784,736	96,914,854	25,130,118	Includes Placement Broker Fees
Provision for Claims, Current Year	0	0	0	0	0	0	
Provision for Claims - Prior Year	0	0	0	0	0	0	All liability fully accrued in prior years
Public Entity Broker Fees	490,480	619,109	619,109	586,480	779,005	192,525	
Provision for ULAE	(30,000)	0	0	263,000	270,000	7,000	
Total Retained and Transferred Risk	62,613,789	79,081,907	79,081,907	72,634,216	97,963,859	25,329,643	
Program Administration							
ISO Fees	16,794	12,186	21,000	7,500	15,000	7,500	
Member Actuarial Studies	24,000	20,000	30,000	32,000	32,000	0	
Uncovered Disputed Claims	0	0	0	0	0	0	
Legal Services	12,950	11,151	39,000	225,000	290,000	65,000	Incl CAJPA Data Collection/Legislative Effort
Member Claims Audit	46,465	6,250	92,000	92,000	100,000	8,000	
PRISM Claims Audit	0	0	0	0	0	0	
Crisis Management Services	0	0	50,000	100,000	100,000	0	
Financing Expense	0	0	0	0	0	0	
Total Program Administration	100,209	49,587	232,000	456,500	537,000	80,500	
Appropriation Delegated to GL2 Committee	0	0	0	50,000	50,000	0	Available with two-thirds vote of GL2 Committee
<b>TOTAL EXPENDITURES</b>	<b>62,713,998</b>	<b>79,131,494</b>	<b>79,313,907</b>	<b>73,140,716</b>	<b>98,550,859</b>	<b>25,410,143</b>	
<b>TRANSFERS:</b>							
Transfers out to:							
General Administration	(1,643,084)	(2,054,626)	(2,054,626)	(2,054,626)	(2,319,798)	(265,172)	
Loss Prevention Subsidies	0	0	0	0	0	0	
Claims System Costs	(19,142)	(11,376)	(11,376)	(11,376)	(31,183)	(19,807)	
Risk Management Subsidy Dividend	0	0	0	0	0	0	
Investment Fees	(918)	(1,145)	(2,675)	(1,200)	(2,766)	(1,566)	
<b>TOTAL TRANSFERS</b>	<b>(1,663,144)</b>	<b>(2,067,147)</b>	<b>(2,068,677)</b>	<b>(2,067,202)</b>	<b>(2,353,747)</b>	<b>(286,545)</b>	
Net Increase or (Decrease)	673,684	741,294	461,360	26,000	185,000	159,000	
<b>NET POSITION - JULY 1</b>	<b>630,031</b>	<b>1,303,715</b>	<b>1,303,715</b>	<b>1,166,867</b>	<b>1,765,075</b>		
<b>NET POSITION - JUNE 30</b>	<b>1,303,715</b>	<b>2,045,009</b>	<b>1,765,075</b>	<b>1,192,867</b>	<b>1,950,075</b>		

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## **Property**

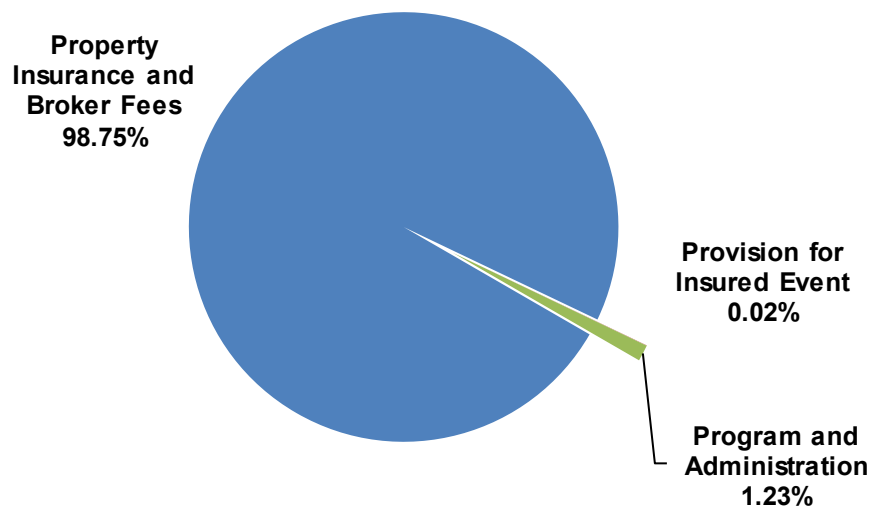
The objective of the Property Program is to provide a broad range of all-risk property coverage to members, including flood and earthquake. Members' property is divided into groups known as "towers". Each tower offers up to \$600M of property coverage.

### **Program Revenue Summary:**

Number of Members	104
Member deductibles	\$5,000 to \$100,000
Insured Values	\$79.89 Billion
Insurance	\$80.5 Million
Premium to EIO	\$20.0 Million
Pool Premium	\$300 Thousand
Catastrophic Pool	\$6 Million
Administration and Fees	\$1.3 Million

A summary of the Property Program budget is as follows:

### **Property Program - Expense Summary**





## **Property** **Program Budget Policy**

Program Goals for the Property Program include the following:

### **Short-term Goals**

- Increase service offerings to the members.
- Maintain a multi-year primary placement with AIG.
- Continue to implement the Committee's policy to address frequency and severity of losses at vacant buildings.
- In an effort to build up the funding in the Catastrophic (CAT) Risk Pool, increase collection for the CAT pool.
- Evaluate where it makes the most sense to utilize the Program's capacity, including potentially taking risk in the \$75M xs \$25M Towers (All Risk including Earthquake and Flood).
- Continue to evaluate the quality of claims services.
- Continue to evaluate transfer of risk opportunities in PRISM's Captive.

### **Long-term Goals**

- Maintain beneficial long-term relationships with insurance markets.
- Mitigate dependence on the primary insurance carrier.
- Maintain program stability through strategies of broad spread of risk and market-based premium allocation.
- Maintain superior quality services in claims, underwriting and loss control.
- Continue to increase funding in the Program's Catastrophic Risk Pool.
- Continue to evaluate coverage and structure enhancements.

Budget Policies for the Property Program include the following:

### **Revenues**

- Premiums for retained and transferred risk are allocated based on each member's insured values, exposures, deductibles and coverage elections. Any difference between the collected premium for retained and transferred risk and premium expenses paid, is retained as a Property Program Stabilization Fund.
- Investment income is budgeted at an estimated earnings rate determined annually and applied to the average daily balance invested in the PRISM Treasury. The estimated earnings rate is determined by the Finance Committee and approved by the Executive Committee and Board of Directors.
- Ceding commissions, refunded by the primary carrier will be added to the Catastrophic Risk Pool.

- Any unspent money from the funding of the Aggregate Deductible Pool and/or other retained layers will flow to the Catastrophic Risk Pool.
- Members may elect to pay their premium on a monthly or quarterly basis. Member finance fees are charged based on the internal borrowing rate and the term of the financing.
- Administration fees are based on the budget for program and general administration costs and subsidies. Any carryover credit from previous years' administration expense will flow to the Catastrophic Risk Pool. Program costs are defined below.

### **Expenses**

- Property insurance premiums include the cost of primary and excess insurance. The primary includes the annual primary layer premium and a provision for claim payments within the aggregate pool.
- Other program expenses include consulting costs, legal expenses, property appraisal services, and any other expenses approved by the Property Committee.
- The Risk Management Subsidy Program is a voluntary program that was created to offset the direct costs members incur from securing external risk management products and services. The subsidy is generally \$1,000 per year.
- PRISM's premium billing to members is based on the fiscal year of July 1<sup>st</sup> through June 30<sup>th</sup>. The insurance premiums are for a policy period of March 31<sup>st</sup> through March 31<sup>st</sup>, and premiums are due to the carriers within 30 days. This timing difference requires PRISM to finance a portion of the cost of insurance. PRISM internally borrows funds from the treasury to pay these premiums until member billings are collected in July. The finance expenses are the costs to the PRISM's Treasury to internally borrow funds for the Property Program. An expense is recognized each fiscal quarter based on the average daily balance of the funds borrowed times the internal borrowing rate approved by the Board of Directors each March.
- The Risk Management Services line item of \$250,000 is available for services approved by the Property Committee. The Appraisal Services line item is for the Program's portion of expenses associated with appraisal of buildings valued between \$250,000-\$1,000,000. Since the appraisal policy was amended to extend the frequency of appraisals from 5 to 10 years, the Program's financial responsibility is significantly reduced starting in the 2017/18 year and will increase for additional appraisals again in the 2022/23 year.
- An expense budget of \$25,000 has been delegated to the Property Committee. The Committee may allocate these funds to any expense line item with a two-thirds vote of the Committee.
- The Program has adopted a policy to provide Crisis Incident Management Services. Annually, the Property Committee will determine how to fund for these services.

### **Transfers**

- Transfers out to the General Administration Program are used to pay for PRISM staff and all other administrative costs. These administration costs are allocated to all PRISM programs based on a three-year average of staff time.
- Based on member election, a risk management subsidy of \$1,000 per member is transferred to the General Administration Program and added to each member's risk management subsidy account.
- Investment fees are charged on the average daily balance of program funds invested.

**PUBLIC RISK INNOVATION, SOLUTIONS, AND MANAGEMENT (PRISM)**  
**PROPERTY PROGRAM**  
**Adopted Budget**  
**July 1, 2020 to June 30, 2021**

Sources and Uses of Financial Resources	CAFR Actual 2018/19	Year to Date 12/31/2019	Estimated 2019/20	Budget 2019/20	Budget 2020/21	Increase (Decrease)	Text Detail
<b>REVENUES:</b>							
No Claim Dividends	\$ 0	\$ 0	\$ 0	\$ 100,000	\$ 0	\$ (100,000)	
Premiums for Transferred Risk	66,937,214	57,760,817	74,895,152	74,895,152	100,782,707	25,887,555	All risk; incl. corridors transferred to EIO
Retained Risk, Agg. Deductible Pool	7,875,000	0	6,000,000	6,252,000	6,300,000	48,000	CAT pool contribution \$6M plus 60% of PRISM excess EQ layer
Broker Fees	0	0	0	17,208	0	(17,208)	
Investment Income	1,068,035	172,008	900,000	1,218,832	480,000	(738,832)	
Member Finance Charges	17,031	25,964	25,964	22,743	27,000	4,257	
Administration Fees	935,916	1,293,307	1,293,307	1,258,846	1,327,613	68,767	
Other Income	12,254	0	100,009	700,000	0	(700,000)	Ceding commission from insurance placement
<b>TOTAL REVENUES</b>	<b>76,845,450</b>	<b>59,252,096</b>	<b>83,214,432</b>	<b>84,464,781</b>	<b>108,917,320</b>	<b>24,452,539</b>	
<b>EXPENDITURES:</b>							
Dividends	0	125,448	125,448	100,000	0	(100,000)	
<b>Retained and Transferred Risk</b>							
Premium for Transferred Risk	67,204,099	56,950,109	74,195,152	74,895,152	100,782,707	25,887,555	Incl. \$27.8M that is already prepaid to lexington but will be an expense on the financial statements
Broker Fees	0	0	0	0	0	0	
Provision for claims, Aggregate Pool	503,529	140,631	140,631	0	0	0	Claims for Catastrophic pool expensed as incurred
Provision for ULAE	(4,000)	0	0	23,000	18,000	(5,000)	
<b>Total Retained and Transferred Risk</b>	<b>67,703,628</b>	<b>57,090,740</b>	<b>74,335,783</b>	<b>74,918,152</b>	<b>100,800,707</b>	<b>25,882,555</b>	
<b>Program Administration</b>							
Financing Expenses	782,616	172,008	600,000	892,975	0	(892,975)	Interest on interfund borrowing rate
Legal Services	0	0	0	10,000	10,000	0	
Crisis Management Services	0	0	50,000	100,000	100,000	0	
Property Appraisals	5,351	0	20,000	290,000	445,000	155,000	
Risk Management/LP Services	160,000	0	250,000	0	0	0	
<b>Total Program Administration</b>	<b>947,967</b>	<b>172,008</b>	<b>920,000</b>	<b>1,292,975</b>	<b>555,000</b>	<b>(737,975)</b>	
Appropriation for Property Committee	0	0	0	25,000	25,000	0	Available with two-thirds vote of Property Committee
<b>TOTAL EXPENDITURES</b>	<b>68,651,595</b>	<b>57,388,196</b>	<b>75,381,231</b>	<b>76,336,127</b>	<b>101,380,707</b>	<b>25,044,580</b>	
<b>TRANSFERS:</b>							
<b>Transfers out to:</b>							
Transfers out to Administration	(573,908)	(628,030)	(628,030)	(628,030)	(668,351)	(40,321)	
GASB 68 Pension Funding	0	0	0	0	0	0	
Loss Prevention Subsidies	0	0	0	0	0	0	
Risk Management Subsidy Dividend	0	0	0	0	0	0	
Investment Fees	(16,719)	(2,847)	(4,252)	(11,600)	(6,660)	4,940	
<b>TOTAL TRANSFERS</b>	<b>(590,627)</b>	<b>(630,877)</b>	<b>(632,282)</b>	<b>(639,630)</b>	<b>(675,011)</b>	<b>(35,381)</b>	
Net Increase or (Decrease)	7,603,227	1,233,023	7,200,919	7,489,024	6,861,602	(627,422)	
<b>NET POSITION - JULY 1</b>	<b>15,146,422</b>	<b>22,749,649</b>	<b>22,749,649</b>	<b>17,438,515</b>	<b>29,950,568</b>		
<b>NET POSITION - JUNE 30</b>	<b>22,749,649</b>	<b>23,982,672</b>	<b>29,950,568</b>	<b>24,927,539</b>	<b>36,812,170</b>		
<b>Net Position Designated for:</b>							
Catastrophic Pool	19,584,980	20,368,836	26,336,732	22,035,413	33,198,334		
Program Stabilization Fund	3,164,669	3,613,836	3,613,836	2,892,126	3,613,836		
<b>Total Net Position</b>	<b>22,749,649</b>	<b>23,982,672</b>	<b>29,950,568</b>	<b>24,927,539</b>	<b>36,812,170</b>		

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## **Medical Malpractice**

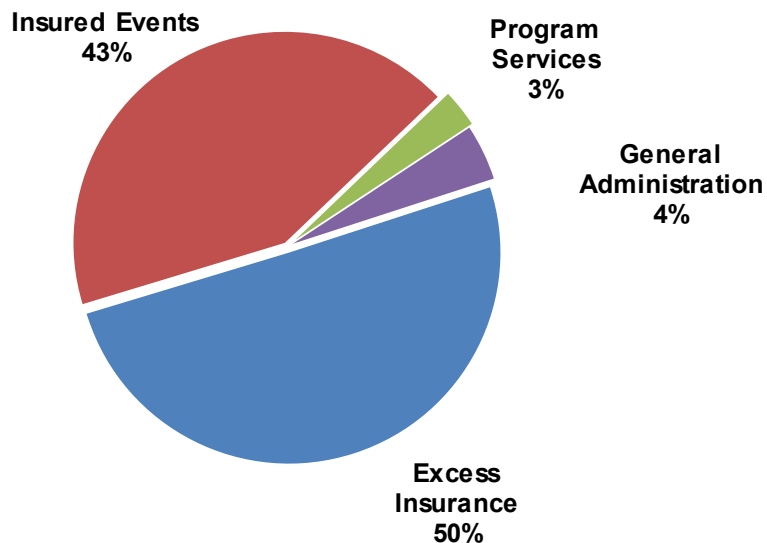
The objective of the Medical Malpractice Program is to provide members with the broadest possible General Liability and hospital or medical facilities professional liability coverage and limits at the lowest rates available. The Medical Malpractice Program provides members with the economic benefits of blending self-insurance or pooling, with the purchase of insurance.

### **Program Revenue Summary:**

Number of Members	52
Pool Premium	\$10.0 Million
Insurance	\$9.7 Million
Premium to EIO	\$1.9 Million
Administration and Fees	\$1.1 Million
Loss Prevention Subsidy	\$1,000 per member

A summary of the Medical Malpractice Program budget is as follows:

### **Medical Malpractice Program - Expense Summary**



## **Medical Malpractice Program Budget Policy**

Program Goals for the Medical Malpractice Program include the following:

### **Short Term Goals**

- Increase service offerings to the members.
- Continue to monitor the activity of jail/civil rights claims covered by the Program
- Analyze, evaluate, and consider modifications to the rating of the jail exposures in the program.
- In recognition of reinsurance market concerns and continuing adverse loss development within the pooled layer, consider and evaluate alternate coverage structures, including increased pooled limits and/or increased deductibles for program 2 members.
- Staff and RMS to continue working with members and CFMG to review the coverage limits provided to members, work with parties to develop consistent insurance requirements to ensure all are receiving adequate limits of coverage, and provide recommended coverage language for inclusion in their contracts with CFMG.
- Expand training opportunities to include the addition of web and recorded training sessions.
- Continue to consider risk transfer opportunities to the PRISM Captive.

### **Long Term Goals**

- Maintain stable pricing year over year, striving for a not to exceed a 10% variance overall, or 15% variance by member.
- Maintain multi-year relationships with carriers, brokers and underwriters where possible.
- Maintain an equitable distribution of costs among the members and Program 1 and Program 2, through a premium allocation process with appropriate consideration for exposure and loss experience within the pool and excess layers.
- Monitor the claims discount assumption, compared to the projected investment earnings rate

Budget Policies for the Medical Malpractice Program include the following:

### **Revenues**

- Premiums for retained risk and transferred risk are actuarially determined based on each member's exposure, claims experience and SIR or deductible. Each year the Medical Malpractice Committee determines the appropriate funding level and discount rate.

- Broker fees are charged to all public entity members. The amount charged is a graduated rate based on premiums. The current broker fee rates are 10% of the first \$100k of premiums, plus 5% of premiums from \$100k - \$1M, and plus 3% of premiums excess of \$1M. Broker fees or commissions may also be charged to members for reinsurance placements and are considered part of the cost and premium for transferred risk.
- The Risk Management Subsidy Program is a voluntary program that was created to offset the direct costs members incur from securing external risk management products and services. Most members choose to contribute at least \$1,000 each year to this program.
- Investment income is budgeted at an estimated earnings rate determined annually and applied to the average daily balance invested in the PRISM Treasury. The estimated earnings rate is determined by the Finance Committee and approved by the Executive Committee and Board of Directors.
- Claims administration fees are based on negotiated fee contracts approved by the Committee. Claims administration fees are allocated within each Program separately based on each members retained and transferred risk premiums.
- Administration fees are based on the budget for program and general administration costs and subsidies. Any carryover credit from previous years' administration expense will reduce the current budget year's Administration fees charged to the members. Program costs are defined below.

### **Expenses**

- The Medical Malpractice Committee annually considers returning available net assets to members in the form of member dividends.
- Medical Malpractice premiums for transferred risk include the cost of reinsurance and or excess insurance.
- The Provision for Claims (current), and the Provision for Claims (prior years), are the actuarial adjustments to claim liabilities.
- The Provision for ULAE (Unallocated Loss Adjustment Expenses) is the annual adjustment to the liability for the administrative costs of handling the claims for the life of the claim.
- Program and member claims audits are scheduled every two (2) years, or as determined by the Medical Malpractice Committee.
- Each Program 1 member is entitled to a subsidy of \$2k towards the cost of member actuarial studies.
- The Medical Malpractice Committee provides a loss prevention seminar. The Committee will reimburse the travel expenses for up to three (3) representatives from each member.
- Other program expenses include legal expenses and any other expenses approved by the Medical Malpractice Committee.



- An expense budget of \$25k has been delegated to the Medical Malpractice Committee for any unforeseen budget expenses. The Medical Malpractice Committee may allocate these funds to any expense line item with a two-thirds vote of the Committee.
- The Program has adopted a policy to provide Crisis Incident Management Services. Annually, the Medical Malpractice Committee will determine how to fund for these services.

**Transfers**

- Transfers out to the general administration program are used to pay for the PRISM staff and all other administrative costs. These administration costs are allocated to all PRISM programs based on a three-year average of staff time.
- Investment fees are charged based on the average daily balance of program funds.
- Based on member election, a risk management subsidy of \$1k per member is transferred to the general administration program and added to each member's risk management subsidy account.
- The Claims System transfer is based on program usage.

**PUBLIC RISK INNOVATION, SOLUTIONS, AND MANAGEMENT (PRISM)**  
**MEDICAL MALPRACTICE PROGRAM**  
**Adopted Budget**  
**July 1, 2020 to June 30, 2021**

Sources and Uses of Financial Resources	CAFR Actual 2018/19	Year to Date 12/31/2019	Estimated 2019/20	Budget 2019/20	Budget 2020/21	Increase (Decrease)	Text Detail
<b>REVENUES:</b>							
Premium for Transferred Risk	\$ 6,376,774	\$ 7,147,903	\$ 7,147,903	\$ 7,003,299	\$ 11,637,199	\$ 4,633,900	
Contribution for Retained Risk	8,444,851	9,755,120	9,755,120	12,091,421	10,011,564	(2,079,857)	
Public Entity Broker Fees	7,991	11,539	11,539	12,500	16,185	3,685	
Investment Income	1,677,462	495,066	1,537,000	955,000	600,000	(355,000)	
Finance Charges for Members	0	0	0	0	0	0	
Claims Administration Fees	0	0	0	0	498,000	498,000	
Administration Fees	1,264,330	1,582,121	1,582,121	1,590,043	1,059,237	(530,806)	
Program Development Fees	(44,200)	0	0	0	0	0	
Other Income	1,380,905	0	0	0	0	0	
<b>TOTAL REVENUES</b>	<b>19,108,112</b>	<b>18,991,749</b>	<b>20,033,683</b>	<b>21,652,263</b>	<b>23,822,185</b>	<b>2,169,922</b>	
<b>EXPENDITURES:</b>							
Member Dividends	0	0	0	0	0	0	
Retained and Transferred Risk							
Premium for Transferred Risk	6,376,774	7,147,910	8,497,910	7,010,799	11,637,199	4,626,400	
Public Entity Broker Fees	7,991	11,539	11,539	12,500	16,185	3,685	
Provision for Claims - Current Year	5,956,717	9,196,380	9,696,380	8,834,952	9,778,500	943,548	Estimated at expected discounted
Provision for Claims - Prior Year	(554,011)	3,755,423	3,755,423	0	0	0	Estimated pending actuarial
Provision for ULAE	(363,000)	0	0	63,000	70,000	7,000	
<b>Total Retained and Transferred Risk</b>	<b>11,424,471</b>	<b>20,111,251</b>	<b>21,961,251</b>	<b>15,921,251</b>	<b>21,501,884</b>	<b>5,580,633</b>	
Program Administration							
ISO Index Fees	0	0	250	500	500	0	
Legal Expenses	5,100	1,638	6,000	30,000	15,000	(15,000)	
Claims & Loss Prevention Administration	439,934	233,715	460,000	460,000	498,000	38,000	
Member Actuarial Studies	6,000	4,000	8,000	8,000	8,000	0	
Claim Audits	8,207	0	0	0	10,000	10,000	
Crisis Management Services	0	0	50,000	100,000	100,000	0	
Loss Prevention Annual Seminar	15,984	0	23,300	17,750	12,700	(5,050)	Risk management seminar expense
<b>Total Program Administration</b>	<b>475,225</b>	<b>239,353</b>	<b>547,550</b>	<b>616,250</b>	<b>644,200</b>	<b>27,950</b>	
Appropriation Delegated to Med Mal Committee	0	0	0	25,000	25,000	0	Available with two-thirds vote of Med Mal Committee
<b>TOTAL EXPENDITURES</b>	<b>11,899,696</b>	<b>20,350,603</b>	<b>22,508,801</b>	<b>16,562,501</b>	<b>22,171,084</b>	<b>5,608,583</b>	

**PUBLIC RISK INNOVATION, SOLUTIONS, AND MANAGEMENT (PRISM)**  
**MEDICAL MALPRACTICE PROGRAM**  
**Adopted Budget**  
**July 1, 2020 to June 30, 2021**

Sources and Uses of Financial Resources	CAFR Actual 2018/19	Year to Date 12/31/2019	Estimated 2019/20	Budget 2019/20	Budget 2020/21	Increase (Decrease)	Text Detail
<b>TRANSFERS:</b>							
Transfers out to:							
General Administration	\$ (679,320)	\$ (858,625)	\$ (858,625)	\$ (858,625)	\$ (928,696)	\$ (70,071)	
Loss Prevention Subsidies	0	0	0	0	0	0	
Claims System Costs	(25,522)	(15,168)	(15,168)	(15,168)	(41,578)	(26,410)	
Risk Management Subsidy Dividend	0	0	0	0	0	0	
Investment Fees	(14,921)	(7,524)	(15,504)	(12,000)	(18,180)	(6,180)	
<b>TOTAL TRANSFERS</b>	<b>(719,763)</b>	<b>(881,317)</b>	<b>(889,297)</b>	<b>(885,793)</b>	<b>(988,454)</b>	<b>(102,661)</b>	
Net Increase or (Decrease)	6,488,653	(2,240,172)	(3,364,415)	4,203,969	662,647	(3,541,323)	
<b>NET POSITION - JULY 1</b>	<b>7,304,708</b>	<b>13,793,361</b>	<b>13,793,361</b>	<b>12,655,829</b>	<b>10,428,946</b>		
<b>NET POSITION - JUNE 30</b>	<b>13,793,361</b>	<b>11,553,189</b>	<b>10,428,946</b>	<b>16,859,798</b>	<b>11,091,592</b>		
Target Equity							
Low Range	5,080,000	4,461,000	4,461,000	4,461,000	7,949,000		
High Range	14,438,500	15,598,000	15,598,000	15,598,000	14,947,000		

### **Master Rolling Owner Controlled Insurance Program**

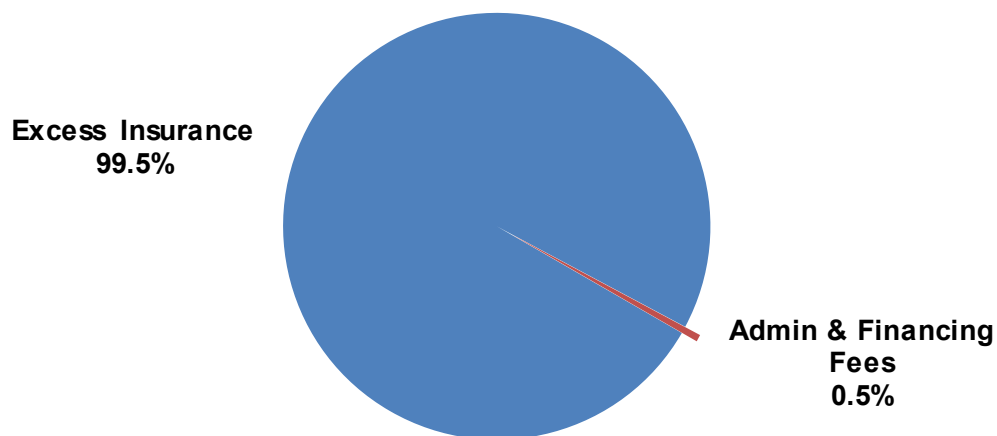
The Master Rolling Owner Controlled Insurance Program (MROCIP) enables members to purchase workers compensation and general liability coverage for all eligible parties working on their construction projects. The program inceptioned in January 2013, and currently has over ten projects either approved or in progress.

#### **Program Revenue Summary:**

Insurance	\$10 Million
PRISM Administration Fees	\$140 Thousand

A summary of the MROCIP Program budget is as follows:

#### **Master Rolling Owner Controlled Insurance Program Expense Summary**



## **Master Rolling Owner Controlled Insurance Program (MR OCIP)** **Program Budget Policy**

Program Goals for MR OCIP include the following:

### **Short Term Goals**

- Increase service offerings to the members.
- Communicate information about the program to members.
- Expand member participation in the program, with a target towards county jails and schools.
- Secure a proposal from Old Republic to combine the 2013-18 and 2016-21 Tower 2 policy periods into a single aggregate loss fund.
- Evaluate offering a “liability-only” option.

### **Long Term Goals**

- Maintain beneficial long-term relationships with insurance markets.
- Maintain program stability through strategies of broad spread of risk and market-based premium allocation.
- Maintain superior quality services in claims, underwriting and loss control.
- Consider future opportunities for outside of California prospects.

Budget Policies for the MR OCIP Program include the following:

### **Revenues and Expenses**

- Premiums for Retained and Transferred Risk, and other program charges are calculated based on each project’s construction values, payrolls, exposures, and coverage elections.
- Program finance fees are based on the internal borrowing rate.
- Administration fees are .03% of the Estimated Construction Project Value.
- Transfers out to the General Administration Program are used to pay for the PRISM staff and all other administrative costs. These administration costs are allocated to all PRISM programs based on a three-year average of staff time.
- Investment fees are charged on the average daily balance of program funds invested.

**PUBLIC RISK INNOVATION, SOLUTIONS, AND MANAGEMENT (PRISM)**  
**MASTER ROLLING OCIP PROGRAM**  
**Adopted Budget**  
**July 1, 2020 to June 30, 2021**

Sources and Uses of Financial Resources	CAFR Actual 2018/19	Year to Date 12/31/2019	Estimated 2019/20	Budget 2019/20	Budget 2020/21	Increase (Decrease)	Text Detail
<b>REVENUES:</b>							
Premiums for Transferred Risk	\$ 12,453,676	\$ 8,103,520	\$ 9,457,409	\$ 10,000,000	\$ 10,000,000	\$ 0	
Broker Fees	0	0	0	0	0	0	
Investment Income	15,304	5,644	17,690	0	0	0	
Administration Fees	123,371	98,907	111,947	140,000	140,000	0	
Member Finance Charges	0	0	0	0	0	0	
Other Income	5,324	0	130	0	0	0	
<b>TOTAL REVENUES</b>	<b>12,597,675</b>	<b>8,208,072</b>	<b>9,587,176</b>	<b>10,140,000</b>	<b>10,140,000</b>	<b>0</b>	
<b>EXPENDITURES:</b>							
Retained and Transferred Risk							
Insurance Purchased	12,454,634	8,103,523	9,457,409	10,000,000	10,000,000	0	
Financing Expenses	0	0	0	0	0	0	
Total Retained and Transferred Risk	12,454,634	8,103,523	9,457,409	10,000,000	10,000,000	0	
<b>TOTAL EXPENDITURES</b>	<b>12,454,634</b>	<b>8,103,523</b>	<b>9,457,409</b>	<b>10,000,000</b>	<b>10,000,000</b>	<b>0</b>	
<b>TRANSFERS:</b>							
Transfers out to:							
General Administration	(100,392)	(74,050)	(74,050)	(74,050)	(52,458)	21,592	
Investment Fees	(142)	(86)	(179)	(200)	(203)	(3)	
<b>TOTAL TRANSFERS</b>	<b>(100,534)</b>	<b>(74,136)</b>	<b>(74,229)</b>	<b>(74,250)</b>	<b>(52,661)</b>	<b>21,589</b>	
Net Increase or (Decrease)	42,507	30,413	55,538	65,750	87,339	21,589	
<b>NET POSITION - JULY 1</b>	<b>332,924</b>	<b>375,431</b>	<b>375,431</b>	<b>358,824</b>	<b>430,969</b>		
<b>NET POSITION - JUNE 30</b>	<b>375,431</b>	<b>405,844</b>	<b>430,969</b>	<b>424,574</b>	<b>518,308</b>		

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## **PRISMHealth**

The PRISMHealth Program was formed to provide PRISM members with a more cost-efficient alternative to their current health and benefit plans.

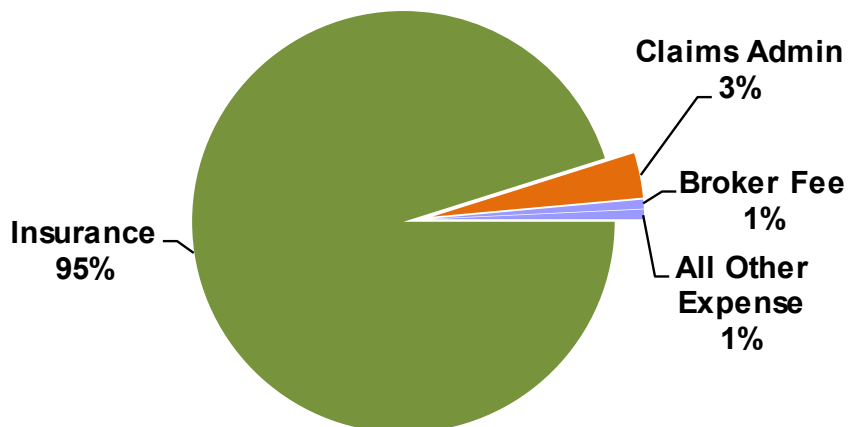
The PRISMHealth Program creates value and long-term stability for members by securing the lowest fixed cost plan components and combining employers with similar risk profiles in a financially stable pool. In addition, the Program offers employers the flexibility to match current plan design and product offerings at lower rates for both active and retired employees. The Program has consistently outperformed the marketplace since its inception and competes effectively with standalone plans, as well as CalPERS.

### **Program Revenue Summary:**

Number of Members	42
Insurance	\$552.3 Million
Eligibility Fees	\$3.6 Million
Claims Admin Fees	\$19.9 Million
Broker Fees	\$4.1 Million
PRISM Admin & Fees	\$900 Thousand

A summary of the PRISMHealth Program budget is as follows:

### **PRISMHealth Program Expense Summary**





**PRISMHealth**  
**Program Budget Policy**

Program Goals for the PRISMHealth Program include the following:

**Short Term Goals**

- Increase Program communication of products and services.
- Increase overall member participation in committee meetings.
- Monitor carrier and vendor performance.
- Survey PRISMHealth members for input on TPA performance.
- Continue to present health care cost containment strategies for Committee consideration.
- More Service specific webinars
- Third Party Administrator Request for Proposal for Benefits Administration
- Pharmacy Benefit Manager Assessment
- Research adding a fourth Healthcare Symposium located in the Central Valley

**Long Term Goals**

- Increase service offerings to members
- Maintain appropriate funding levels and stable pricing within the Program
- Evaluate lower cost/lower benefit plan design options
- Increase member specific, benefits related information on the PRISM website
- Evaluate Dependent Audit options
- Evaluate aggregate claim risk assessment
- Evaluate Network Optimization
- Value proposition for “jumbo” prospects

Budget Policies for the PRISMHealth Program include the following:

**Revenues**

- The transferred risk premiums for PRISMHealth insurance is based on the benefit level selected by each member and their actual claims experience. A per employee, per month rate is established for each member.
- PRISMHealth Committee has established other rates necessary to manage the PRISMHealth Program. These rates, outlined below and included in the following addendum, will be updated annually with the specific amount of the fixed costs.
  - Claim eligibility fees are based on a per employee, per month rate. The rates may vary based on group size and/or products purchased by the Member.

- Broker fees are based on a per employee, per month rate with the exception of pharmacy, which is based on a per member, per month rate. The fee paid by the member varies based on the size of each member.
  - TPA and vendor fees are based on a per employee, per month rate.
  - CSAC PRISM Administration rates are based on a per employee, per month rate.
- Investment income is budgeted at an estimated earnings rate.

### **Expenses**

- The health insurance premiums transferred to the PRISMHealth program partner, Self Insured Schools of California (SISC), equals the per employee, per month premium referred to in the section below. Risk for member health cost have been transferred to SISC.
- Other PRISMHealth Program revenues that pass through as an expense include:
  - Claims Administration and TPA Fees
  - Broker Fee Expense
  - Eligibility Administration Expense (fixed costs are outlined on page 3)
- The PRISMHealth Symposium expense provides for the operating cost of seminars conducted to update members on current health industry issues. The cost includes reimbursements of travel costs incurred by members to attend the seminar.
- The PRISMHealth Program workshops/webinars are designed to train and update program members on services available through the PRISMHealth Program.
- Other program administration costs include legal expenses and actuary expenses. An expense budget of \$25,000 has been delegated to the PRISMHealth Committee for any unforeseen budget expenses. The PRISMHealth Committee may allocate these funds to any expense line item with a two-thirds vote of the Committee.

### **Transfers**

- Transfers out to the General Administration Program are used to pay for the PRISM staff and all other administrative costs. These administration costs are allocated to all PRISM programs based on a three-year average of staff time.
- Investment Fees are charged on the average daily balance of program funds invested.

PRISMHealth 2020 Fixed Administrative Costs:

Carrier/Vendor	Scope of Services		
Alliant	Broker Consultant Program Management	<b>Non-Kaiser Plans</b> Jumbo (2,000+): \$3.00 PEPM Large (1,000-1,999): \$5.00 PEPM Mid-Market (250-999): \$8.00 PEPM Small Group: \$11.00 PEPM	<b>Kaiser Plans</b> Jumbo (2,000+): \$3.00 PEPM Large (1,000-1,999): \$4.00 PEPM Mid-Market (250-999): \$7.00 PEPM Small Group: \$10.00 PEPM
Alliant Underwriting	Program Underwriting	\$3.00 PEPM	
Alliant Pharmacy Consultation	RX Consultant	\$0.85 PMPM	
Anthem Blue Cross	Provider Network Claims Admin.	\$47.10 to \$50.48 PEPM	
Benefit Coordinators Corporation (BCC)	Eligibility Consolidated Billing	\$7.00 PEPM	
Blue Shield of California	Provider Network Claims Admin.	\$44.89 PEPM	
businessolver	Eligibility Consolidated Billing	\$6.60 PEPM	
CSAC PRISM	Pool Administration Governance	\$2.00 PEPM	
Carrum Health	Surgical Benefit	\$0.75 PEPM	
Workterra	Eligibility Consolidated Billing	\$6.75 PEPM	
Pinnacle Claims Management	MexicoSelect Network	\$5.00 PEPM	
SISC	Pool Access and Administration	\$2.75 PEPM	

PEPM: Per Employee, Per Month

PMPM: Per Member, Per Month

**PUBLIC RISK INNOVATION, SOLUTIONS, AND MANAGEMENT (PRISM)**  
**PRISMHEALTH PROGRAM**  
**Adopted Budget**  
**July 1, 2020 to June 30, 2021**

Sources and Uses of Financial Resources	CAFR Actual 2018/19	Year to Date 12/31/2019	Estimated 2019/20	Budget 2019/20	Budget 2020/21	Increase (Decrease)	Text Detail
<b>REVENUES:</b>							
Premiums for Transferred Risk	\$ 440,848,581	\$ 238,840,998	\$ 487,907,128	\$ 476,841,628	\$ 552,344,140	\$ 75,502,512	Paid directly to SISC
Third Party Administrator Fees	2,990,755	1,580,732	3,187,741	3,235,000	3,590,760	355,760	EBS/BCC/Business Solver/Pinnacle
ASO Fees for PRISMHealth Program	20,899,702	9,543,773	19,342,129	17,722,376	19,946,140	2,223,764	Carrier admin service organizations
Broker Fees	3,594,460	1,910,342	3,881,896	3,799,000	4,060,100	261,100	Paid to Alliant & other brokers;
Administration Fees	598,376	319,611	722,321	721,000	900,260	179,260	Incr. to \$2 per employee per month eff 1/1/20
Healthcare Reform Reinsurance Fee and PCORI Fee	69,392	(6)	0	0	0	0	No ACA fee in FY19/20
Investment Income	311,709	88,646	236,724	210,000	90,000	(120,000)	
Other Income	(72,208)	103,371	0	5,000	0	(5,000)	
<b>TOTAL REVENUES</b>	<b>469,240,766</b>	<b>252,387,466</b>	<b>515,277,940</b>	<b>502,534,004</b>	<b>580,931,400</b>	<b>78,397,396</b>	
<b>EXPENDITURES:</b>							
Member Dividends (Interest on Outstanding Balances)	13,832	0	14,500	17,000	14,000	(3,000)	Interest payable on Uncashed Dividend Balances
Retained and Transferred Risk							
Health Premiums, SISC	440,848,581	238,840,998	487,907,128	476,841,628	552,344,140	75,502,512	
Claims Admin. ASO Fees	20,899,702	9,543,773	19,342,129	17,722,376	19,946,140	2,223,764	
Broker Fees	3,594,460	1,910,342	3,881,896	3,799,000	4,060,100	261,100	
Third Party Administration Fees	2,990,755	1,580,732	3,187,741	3,235,000	3,590,760	355,760	
Healthcare Reform Reinsurance Fee and PCORI Fee	69,392	(6)	0	0	0	0	
Total Retained and Transferred Risk	468,402,890	251,875,838	514,318,895	501,598,004	579,941,140	78,343,136	
Program Administration							
PRISM Actuarial, Consulting and Other	48,000	24,000	52,000	58,000	34,000	(24,000)	
PRISMHealth Symposium and Technician Workshop	29,704	39	35,000	110,200	92,181	(18,019)	
Other Misc. Expense	0	0	0	0	0	0	
Total Program Administration	77,704	24,039	87,000	168,200	126,181	(42,019)	
Contingency Delegated to Governing Committee	0	0	0	25,000	25,000	0	Available with two-thirds vote of PRISMHealth Committee
<b>TOTAL EXPENDITURES</b>	<b>468,494,426</b>	<b>251,899,878</b>	<b>514,420,395</b>	<b>501,808,204</b>	<b>580,106,321</b>	<b>78,298,117</b>	
<b>TRANSFERS:</b>							
Transfers out to:							
General Administration	(508,653)	(539,342)	(539,342)	(539,342)	(557,606)	(18,264)	
Investment Fees	(2,774)	(1,329)	(2,596)	(2,000)	(3,195)	(1,195)	
<b>TOTAL TRANSFERS</b>	<b>(511,427)</b>	<b>(540,671)</b>	<b>(541,938)</b>	<b>(541,342)</b>	<b>(560,801)</b>	<b>(19,459)</b>	
Net Increase or (Decrease)	234,913	(53,082)	315,607	184,458	264,278	79,820	
<b>NET POSITION - JULY 1</b>	<b>1,629,312</b>	<b>1,864,225</b>	<b>1,864,225</b>	<b>1,842,842</b>	<b>2,179,832</b>		
<b>NET POSITION - JUNE 30</b>	<b>1,864,225</b>	<b>1,811,143</b>	<b>2,179,832</b>	<b>2,027,300</b>	<b>2,444,110</b>		
Balance in Admin Carryover	67,948	(177,151)	161,332	69,203	374,610		
Unrestricted Net Position	1,796,277	1,988,293	2,018,501	1,958,097	2,069,501		
Total Net Position	1,864,225	1,811,143	2,179,832	2,027,300	2,444,110		

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## **Dental**

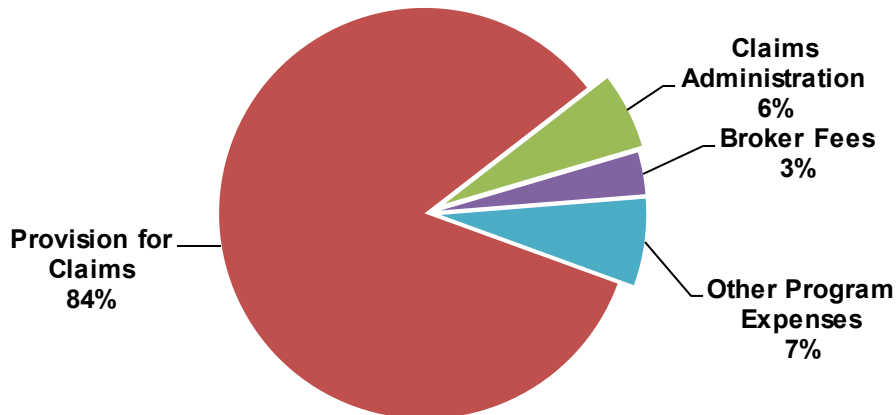
The Dental Program was created to provide members with comprehensive dental coverage and flexible benefit plan designs at the lowest possible rates. As a joint purchasing program, PRISM is able to leverage the size of its pooled participants to achieve volume pricing that is significantly lower than what individual public agencies could qualify for on their own.

### **Program Revenue Summary:**

Number of Members	171
Pool Premium	\$41.2 Million
Pass Thru Premium	\$504 Thousand
Eligibility Fees	\$235 Thousand

A summary of the Dental Program budget is as follows:

### **Dental Program - Expense Summary**



Pursuant to the 2019/20 program goals, a target equity was established and based on actuarial results, \$2.2M of program equity will be used to reduce renewal premiums for the 2020/21 year.

## **PRISM Dental** **Program Budget Policy**

Program Goals for the PRISM Dental Program include the following:

### **Short Term Goals**

- Monitor the results of the approved reduction in program equity.
- Annually review trend levels for Program.
- Enhance program information available on the PRISM website.
- Contract with a new Employee Benefits counsel/advisor.
- Third Party Administration evaluation, assessment evaluation and assessment.
- Review Dental Renewal Timing and Underwriting Methodology.

### **Long Term Goals**

- Maintain appropriate funding levels and stable pricing within the Program.
- Maintain multi-year relationships with carriers and vendors.
- Work with Delta Dental to develop PRISM Dental website for Members and employees.
- Market review for Program competitiveness.
- Increase Program participation.
- Promote and communicate Member Services available to Dental members.
- Dental Network Evaluation and Communication

Budget Policies for the PRISM Dental include the following:

### **Revenues**

- The retained risk premiums for the PRISM's Dental Program are based on the benefit level selected by each member, and the member's actual claims experience. A per month, per employee rate is established for each member.
- The PRISM Employee Benefits Committee has established other rates necessary to manage the PRISM Dental Program. These rates include the following:
  - Program TPA eligibility fees are based on a per employee, per month rate.
  - Broker fees can be based on a per employee, per month rate or a compensation percentage. The rate varies based on the size and complexity of each member.

Investment income is budgeted at an estimated earnings rate determined annually and applied to the average daily balance invested in the PRISM Treasury.

**Expenses**

- Dental claim expenses equals the actual dental expenses paid for program members. The expense includes an accrual for outstanding claims incurred, and an allowance for claims incurred but not reported (IBNR).
- PRISM Dental Program revenues that pass through as a like expense include:
  - Claims Administration Fees
  - Third Party Administration Fees
  - Broker Fees
  - Eligibility administration expense
  - DHMO premiums
- Other program administration costs include legal expenses and actuary expenses.

**Transfers**

- Transfers out to the General Administration budget are used to pay for the PRISM's staff, loss prevention, and all other administrative costs. The investment income earned from dental premiums pay for the general administration cost of the program. The Employee Benefits Committee established this procedure to operate the Dental Program without any direct administration fees.



**PUBLIC RISK INNOVATION, SOLUTIONS, AND MANAGEMENT (PRISM)**  
**DENTAL PROGRAM**  
**Adopted Budget**  
**July 1, 2020 to June 30, 2021**

Sources and Uses of Financial Resources	CAFR Actual 2018/19	Year to Date 12/31/2019	Estimated 2019/20	Budget 2019/20	Budget 2020/21	Increase (Decrease)	Text Detail
<b>REVENUES:</b>							
Contribution For Retained Risk	\$ 35,255,976	\$ 18,321,062	\$ 36,642,123	\$ 34,330,000	\$ 41,227,900	\$ 6,897,900	Includes the TPA fees
PRISM DHMO Pool Pass Thru Revenue	0	0	0	470,000	504,000	0	
Stabilization Funds Transferred	0	0	0	0	0	0	
Eligibility Administration	400,236	208,444	416,888	222,000	234,900	12,900	
Broker Fees	2,030,794	1,135,044	2,270,089	1,445,000	1,506,900	61,900	
Investment Income	771,385	232,186	600,000	399,000	170,000	(229,000)	
Other Income	0	0	0	0	0	0	
<b>TOTAL REVENUES</b>	<b>38,458,391</b>	<b>19,896,737</b>	<b>39,929,100</b>	<b>36,866,000</b>	<b>43,643,700</b>	<b>6,743,700</b>	
<b>EXPENDITURES:</b>							
Member Dividends	0	5,000,000	5,000,000	0	2,000,000	2,000,000	
Retained and Transferred Risk							
Provision for Claims Current Year	33,073,327	16,094,436	32,188,872	32,880,000	38,515,000	5,635,000	
Provision for Claims Prior Year	0	0	0	100,000	0	(100,000)	
PRISM DHMO Pool Pass Thru Expense	0	0	0	470,000	504,000	34,000	
Claims Administration TPA Fees	2,374,603	1,158,799	2,317,598	2,870,000	2,715,000	(155,000)	Paid to Delta Dental
Eligibility Administration	400,236	208,444	416,888	222,000	234,900	12,900	Paid to PBA for maintaining eligibility and billing
Broker Fees	2,030,794	1,135,044	2,270,089	1,445,000	1,506,900	61,900	Paid to Alliant and other brokers
Stabilization Funds distributed	0	0	0	39,000	0	(39,000)	
Total Retained and Transferred Risk	37,878,960	18,596,724	37,193,447	38,026,000	43,475,800	5,449,800	
Program Administration							
Actuarial, Consulting and Legal	4,800	2,400	15,200	24,800	14,800	(10,000)	
Employee Benefit & Health Symposiums	7,442	10	12,600	27,550	23,045	(4,505)	
Total Program Administration	12,242	2,410	27,800	52,350	37,845	(14,505)	
Contingency Delegated to Governing Committee	0	0	0	25,000	25,000	0	Available with two-thirds vote of Employee Benefits Committee
<b>TOTAL EXPENDITURES</b>	<b>37,891,202</b>	<b>23,599,133</b>	<b>42,221,247</b>	<b>38,103,350</b>	<b>45,538,645</b>	<b>7,435,295</b>	
<b>TRANSFERS:</b>							
Transfers out to:							
General Administration	(210,823)	(236,885)	(236,885)	(236,885)	(320,575)	(83,690)	
Investment Fees	(6,844)	(3,500)	(7,000)	(5,400)	(8,438)	(3,038)	
<b>TOTAL TRANSFERS</b>	<b>(217,667)</b>	<b>(240,385)</b>	<b>(243,885)</b>	<b>(242,285)</b>	<b>(329,013)</b>	<b>(86,728)</b>	
Net Increase or (Decrease)	349,522	(3,942,782)	(2,536,032)	(1,479,635)	(2,223,958)	(778,323)	
<b>NET POSITION - JULY 1</b>	<b>16,745,817</b>	<b>17,095,339</b>	<b>17,095,339</b>	<b>17,018,594</b>	<b>14,559,307</b>		
<b>NET POSITION - JUNE 30</b>	<b>17,095,339</b>	<b>13,152,557</b>	<b>14,559,307</b>	<b>15,538,959</b>	<b>12,335,349</b>		
Net Assets Designated for:							
Program Stabilization Funds - member designated	810,809	775,737	775,737	1,011,797	731,237		
Dental IBNR & Claim Fluctuation Reserves	5,400,000	4,800,000	5,200,000	6,300,000	5,200,000		
Admin Carryover	490,390	479,782	818,705	358,456	596,847		
Unrestricted Net Position	10,394,140	7,097,039	7,764,865	7,868,706	5,807,265		
Total Net Position	17,095,339	13,152,557	14,559,307	15,538,959	12,335,349		

### **Miscellaneous Programs**

PRISM offers various other insurance coverage to public agencies. These services include the following employee benefits programs:

- Life and Disability programs
- Employee Assistance programs

PRISM's new platform offers consolidated billing with online eligibility and enrollment.

Other coverage include:

- Aviation
- Master Crime
- Catastrophic Inmate Medical
- Course of Construction
- Equipment Maintenance Management Program
- Optional Excess Liability
- Cyber Liability
- Pollution Liability
- Special Events
- Watercraft

PRISM offers these coverages to members through a group purchase program at competitive rates with no administrative fees as part of the program costs.

## **Miscellaneous Programs** **Program Budget Policy**

### **A. Employee Benefits Miscellaneous Programs**

Program Goals for the Employee Benefits Misc. Programs include the following:

#### **Short Term Goals**

- Increase overall participation in Misc. Programs
- Increase communication on available program features
- Enhance program information available on the PRISM website
- Third Party Administrator evaluation and assessment
- Monitor EAP service performance
- Communicate EAP technology options to educate members on services

#### **Long Term Goals**

- Maintain stable and competitive pricing
- Obtain multi-year agreements where ever possible
- Voluntary Benefits Program Evaluation

Budget Policies for the Employee Benefits Misc. Programs include the following:

#### **Revenues**

- In addition to the ten major coverage programs, the PRISM provides group purchase insurance programs to offer members protection from other various exposures. These program include:
  - Life/Accidental Death & Dismemberment (AD&D)
  - Long Term Disability (LTD)
  - Short Term Disability (STD)
  - Vision
  - Employee Assistance Plan (EAP)
- The transferred risk premiums for Life, Accidental Death and Dismemberment (AD&D) Long Term Disability (LTD), and Short Term Disability (STD) are based on the benefit level selected by each member.
  - Life and AD&D insurance rates are based on the volume levels selected by each member.
  - LTD rates are based on the benefit level selected by each member. The rate is applied to the monthly payroll reported by each member.
  - Short-Term Disability rates are also based on the benefit level selected by each member and is applied to the monthly payroll.

- Vision rates are based on the benefit level selected by each member. Benefit levels determine the schedule of benefits provided and the covered services.
- Employee Assistance Program (EAP) rates are based on the benefit level selected by each member. Benefit levels determine the benefits provided per incident, per employee. EAP premiums are billed quarterly, in advance by the PRISM.
- Investment income is budgeted at an estimated earnings rate determined annually and applied to the average daily balance invested in the PRISM Treasury. The estimated earnings rate is determined by the Finance Committee and approved by the Executive Committee and Board of Directors. The estimated earnings rate is also the rate established by the Inter-Fund Borrowing Policy, wherein a program can temporarily borrow funds from the PRISM Treasury.

### **Expenses**

- The Life, AD&D, LTD, STD and Vision premium revenues pass through to insurance companies, approved by the Employee Benefits Committee.
- EAP premium revenues also pass through to the insurance company approved by the Employee Benefits Committee. Premium expense invoices are computed quarterly, based on each member's set rate for their benefit level and the reported number of employees eligible for the EAP Program.

### **Transfers**

- Transfers out to the general administration program are used to pay for the PRISM staff, and all other administrative costs. The investment income earned from the Life, AD&D, LTD, STD and Vision Programs pay for the general administration cost of the Program. Investment income from stabilization funds used for general administration fees is limited to a minimum of \$5k and a maximum of \$10k per stabilization account.
- Transfers out for EAP administration fees is paid from investment income earned from the timing differences created by billing members quarterly, and paying the insurance companies monthly. The Employee Benefits Committee established this procedure to operate the EAP Program without any direct administration fees.
- Investment Fees are charged on the average daily balance of program funds invested.

## **B. Property and Casualty Miscellaneous Programs**

Program Goals for the Property and Casualty Misc. Programs include the following:

### **Short Term Goals**

- Ensure an efficient system is in place for premium billings
- Enhance program information provided on the website
- Obtain and review program loss experience on a quarterly basis.

### **Long Term Goals**

- Maintain stable and competitive pricing from year to year
- Continue to evaluate new opportunities to develop coverage programs that meet members' changing risk-management needs
- Explore establishing aggregated pooling layers where it makes sense
- Maintain long-term relationships with the coverage markets
- Obtain multi-year agreements where ever possible

### **Revenues**

- In addition to the ten major coverage programs, the PRISM provides group purchase insurance programs to offer members protection from other various exposures. These program include:
  - Aviation
  - Bond/Crime and Faithful Performance
  - Catastrophic Inmate Medical
  - Course of Construction
  - Equipment Maintenance Management Program
  - Optional Excess Liability
  - Cyber Liability
  - Pollution Liability
  - Special Events
  - Vendor Contractors'
  - Watercraft

### **Expenses**

- The revenue from the group purchase of the Miscellaneous Programs listed above pass through as premium expense.

### **Transfers**

- Transfers out to the general administration program are used to pay for the PRISM staff and all other administrative costs. Any investment income from any timing differences for the collection of premiums and the timely payment of premiums expenses is transferred to the general administration fund.

**PUBLIC RISK INNOVATION, SOLUTIONS, AND MANAGEMENT (PRISM)**  
**MISCELLANEOUS PROGRAMS**  
**Adopted Budget**  
**July 1, 2020 to June 30, 2021**

Sources and Uses of Financial Resources	CAFR Actual 2018/19	Year to Date 12/31/2019	Estimated 2019/20	Budget 2019/20	Budget 2020/21	Increase (Decrease)	Text Detail
<b>REVENUES:</b>							
Watercraft Dividend	\$ 24,014	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	Received from insurance carriers and paid out to members
Aircraft Dividend	149,620	148,173	148,173	0	0	0	Received from insurance carriers and paid out to members
Inmate Medical Dividend	37,701	0	0	0	0	0	Received from insurance carriers and paid out to members
EAP Premiums	1,686,008	830,297	1,660,594	1,750,000	1,670,500	(79,500)	
Life, LTD and STD Premiums	19,292,032	10,492,342	20,984,685	20,287,000	21,964,000	1,677,000	Growth in program
Vision Premiums	4,001,613	0	0	4,610,000	5,569,000	959,000	
Optional Excess	5,549,028	9,902,522	9,902,522	6,100,000	13,402,000	7,302,000	
Aviation Insurance	1,628,866	1,695,266	1,695,266	1,500,000	1,975,417	475,417	
Watercraft Insurance	264,440	330,988	330,988	351,000	350,000	(1,000)	
Course of Construction	99,989	144,778	144,778	0	600,000	600,000	No current upcoming projects
Crime and Honesty Bonds	1,599,982	1,760,003	1,760,003	1,900,000	2,038,000	138,000	
Pollution Liability Coverage	491,043	482,313	482,313	376,629	416,190	39,561	
Inmate Medical	632,312	637,675	637,675	675,000	670,000	(5,000)	
Cyber Liability	1,368,282	1,781,450	1,782,084	1,076,503	2,273,609	1,197,106	
EMMP	52,190	40,879	40,960	150,000	150,000	0	Introduction of new line of coverage in 18/19
Finance Fees	270	373	373	384	0	(384)	
Investment Income	86,711	26,039	73,000	44,200	27,000	(17,200)	
Other	298,546	213,036	213,036	56,000	59,000	3,000	
<b>TOTAL REVENUES</b>	<b>37,262,647</b>	<b>28,486,134</b>	<b>39,856,449</b>	<b>38,876,716</b>	<b>51,164,716</b>	<b>12,288,000</b>	
<b>EXPENDITURES:</b>							
Watercraft Dividend	24,014	0	25,880	0	0	0	These are carrier dividends paid to members who had no claims
Aviation Dividend	149,620	148,173	148,173	0	0	0	These are carrier dividends paid to members who had no claims
Inmate Medical Dividend	37,701	0	0	0	0	0	These are carrier dividends paid to members who had no claims
Transferred Risk							
EAP Premium Expense	1,688,336	834,044	1,660,594	1,750,000	1,670,500	(79,500)	
Life, LTD Premium Expense	19,292,032	10,492,342	20,984,685	20,287,000	21,964,000	1,677,000	
Vision Premiums	4,001,613	0	0	4,610,000	5,569,000	959,000	
Optional Excess	5,549,026	9,902,520	9,902,522	6,100,000	13,402,000	7,302,000	
Aviation Insurance	1,628,865	1,695,266	1,695,266	1,500,000	1,975,417	475,417	
Watercraft Insurance	264,436	330,983	330,988	351,000	350,000	(1,000)	
Course of Construction	99,989	144,778	144,778	0	600,000	600,000	
Crime and Honesty Bonds	1,599,982	1,760,005	1,760,003	1,900,000	2,038,000	138,000	
Pollution Liability	491,048	482,316	482,313	376,629	416,190	39,561	
Inmate Medical	632,312	637,675	637,675	675,000	670,000	(5,000)	
Cyber Liability	1,368,282	1,755,372	1,782,084	1,076,503	2,273,609	1,197,106	
EMMP	52,190	40,879	40,960	150,000	150,000	0	
Other	296,372	213,036	213,036	56,000	59,000	3,000	
Total Transferred Risk	36,964,484	28,289,217	39,634,904	38,832,132	51,137,716	12,302,584	
<b>TOTAL EXPENDITURES</b>	<b>37,175,818</b>	<b>28,437,390</b>	<b>39,808,957</b>	<b>38,832,132</b>	<b>51,137,716</b>	<b>12,302,584</b>	

**PUBLIC RISK INNOVATION, SOLUTIONS, AND MANAGEMENT (PRISM)**  
**MISCELLANEOUS PROGRAMS**  
**Adopted Budget**  
**July 1, 2020 to June 30, 2021**

Sources and Uses of Financial Resources	CAFR Actual 2018/19	Year to Date 12/31/2019	Estimated 2019/20	Budget 2019/20	Budget 2020/21	Increase (Decrease)	Text Detail
<b><u>TRANSFERS:</u></b>							
Transfers out to:							
General Administration	\$ (13,300)	\$ (14,200)	\$ (14,200)	\$ (14,200)	\$ (14,200)	\$ 0	
Internal Investment Fees	(815)	(393)	(813)	(600)	(945)	(345)	
<b>TOTAL TRANSFERS</b>	<b>(14,115)</b>	<b>(14,593)</b>	<b>(15,013)</b>	<b>(14,800)</b>	<b>(15,145)</b>	<b>(345)</b>	
Net Increase or (Decrease)	72,714	34,152	32,480	29,784	11,855	(14,929)	
<b>NET POSITION - JULY 1</b>	<b>1,914,309</b>	<b>1,987,024</b>	<b>1,987,024</b>	<b>1,977,831</b>	<b>2,019,504</b>		
<b>NET POSITION - JUNE 30</b>	<b>1,987,024</b>	<b>2,021,176</b>	<b>2,019,504</b>	<b>2,007,615</b>	<b>2,031,359</b>		
Net Position Designated for:							
Life Stabilization Fund	910,486	920,427	920,427	934,755	933,835		
LTD Stabilization Fund	984,319	995,477	995,477	1,011,382	1,012,378		
Unrestricted Net Position	92,219	105,272	103,600	61,478	85,146		
<b>Total Net Position</b>	<b>1,987,024</b>	<b>2,021,176</b>	<b>2,019,504</b>	<b>2,007,615</b>	<b>2,031,359</b>		

Life, Disability and EAP Premium and Expense are moved to this program but remain under the purview of the Employee Benefits Committee.  
Other Miscellaneous programs are directed by the Executive Committee.

## **PRISM's Captive**

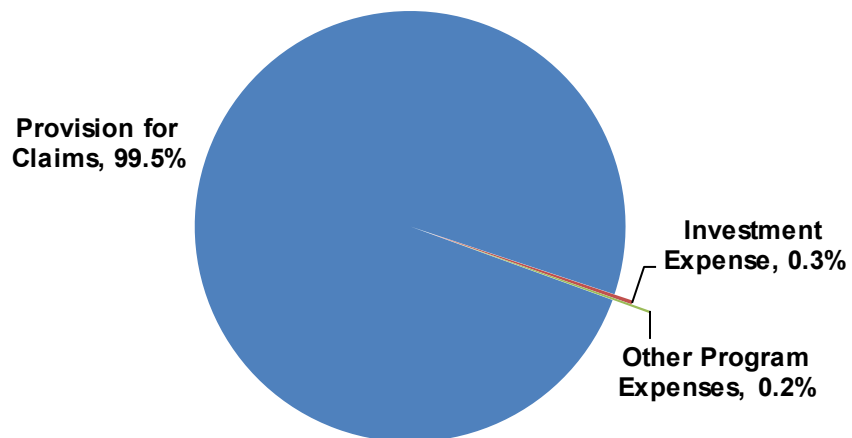
PRISM's Captive, Excess Insurance Organization (EIO), is a blended component unit of the PRISM. The Captive covers fixed corridors of PRISM as follows:

### **Program Revenue Summary:**

Primary Workers' Comp	\$13.7 Million
Excess Workers' Comp	\$49.2 Million
General Liability 1	\$56.7 Million
General Liability 2	\$41.0 Million
Property	\$20.0 Million
Med Mal	\$1.9 Million

A summary of the Captive's budget is as follows:

### **EIO - Expense Summary**





**PUBLIC RISK INNOVATION, SOLUTIONS, AND MANAGEMENT (PRISM)**  
**CAPTIVE**  
**Adopted Budget**  
**July 1, 2020 to June 30, 2021**

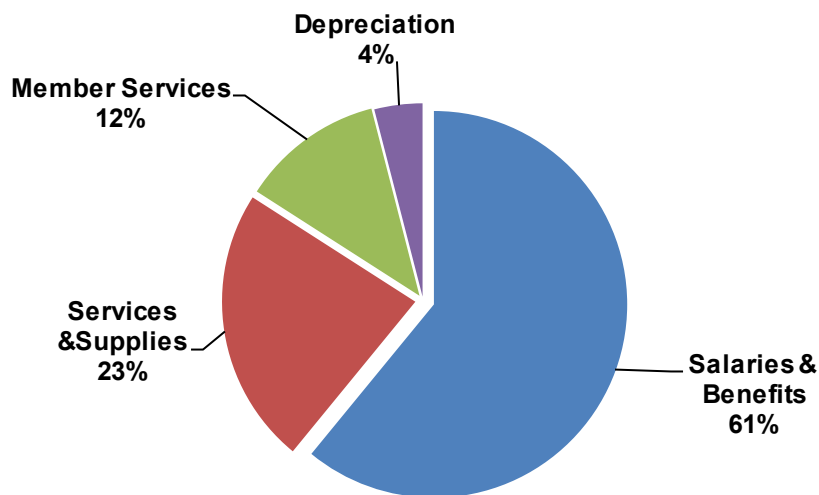
Sources and Uses of Financial Resources	CAFR Actual 2018/19	Year to Date 12/31/2019	Estimated 2019/20	Budget 2019/20	Budget 2020/21	Increase (Decrease)
<b><u>REVENUES:</u></b>						
Contribution For Retained Risk	\$ 139,666,969	\$ 131,341,339	\$ 141,366,339	\$ 107,447,400	\$ 182,394,953	\$ 74,947,553
Investment Income	13,167,842	19,886,119	2,578,500	12,000,000	11,000,000	(1,000,000)
Other Income			0		0	
<b>TOTAL REVENUES</b>	<b>152,834,811</b>	<b>151,227,458</b>	<b>143,944,839</b>	<b>119,447,400</b>	<b>193,394,953</b>	<b>73,947,553</b>
<b><u>EXPENDITURES:</u></b>						
Retained and Transferred Risk	0	0	0	0	0	0
Provision for Claims Current Year	97,879,957	102,235,726	102,235,726	97,654,405	176,106,414	78,452,009
Provision for Claims Prior Year	43,992,785	37,176,307	55,238,225	2,000,000	0	(2,000,000)
Total Retained and Transferred Risk	141,872,742	139,412,034	157,473,951	99,654,405	176,106,414	76,452,009
Program Administration						
Audit Services	17,500	18,000	18,000	18,000	18,600	600
Legal Service	14,997	5,200	8,000	8,000	8,000	0
Board Meetings	9,836	7,186	10,000	22,000	20,000	(2,000)
Utah Captive Fees	5,250	0	5,250	5,250	5,250	0
Investment Management Fees	266,934	183,908	400,000	400,000	500,000	100,000
Banking and Custody Fees	48,742	17,437	36,000	54,000	70,000	16,000
Management Services	100,000	150,000	150,000	150,000	150,000	0
Office Supplies, Website Hosting & Misc Expenses	657	0	1,000	25,500	500	(25,000)
Total Program Administration	463,915	381,731	628,250	682,750	772,350	89,600
Transfer out Contingency Delegated to Governing Cor	0	0	0	25,000	25,000	0
<b>TOTAL EXPENDITURES</b>	<b>142,336,657</b>	<b>139,793,764</b>	<b>158,102,201</b>	<b>100,362,155</b>	<b>176,903,764</b>	<b>76,541,609</b>
Net Increase or (Decrease)	10,498,154	11,433,694	(14,157,362)	19,085,245	16,491,189	(2,594,056)
NET POSITION - JULY 1	8,659,207	19,157,361	19,157,361	10,617,576	5,000,000	
<b>NET POSITION - JULY 1 (Capital Stock)</b>	<b>5,000,000</b>	<b>5,000,000</b>	<b>5,000,000</b>	<b>5,000,000</b>	<b>5,000,000</b>	
<b>NET POSITION - JUNE 30</b>	<b>24,157,361</b>	<b>35,591,055</b>	<b>10,000,000</b>	<b>34,702,821</b>	<b>26,491,189</b>	

Adopted Budget

## **General Administration**

The general administration fund is used to pay the day to day operations of PRISM. These expenses include staff salaries and benefits, staff travel and support, PRISM meeting expenses, services and supplies, loss prevention, and depreciation of equipment and software. The allocation of general administration expenses is as follows.

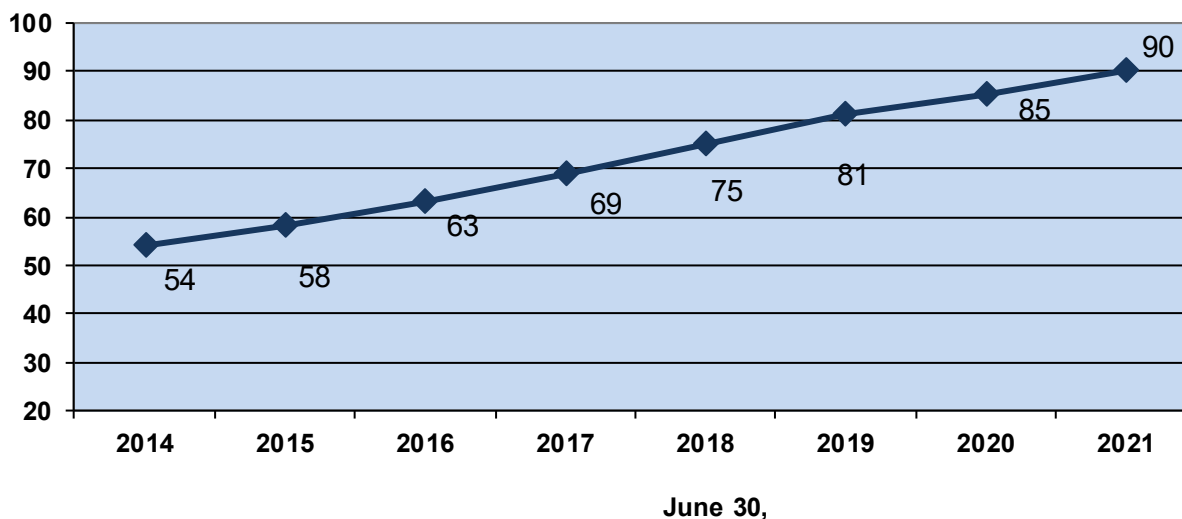
### **General Administration Budget - Expense Summary**



Highlights of the general administration budget are as follows:

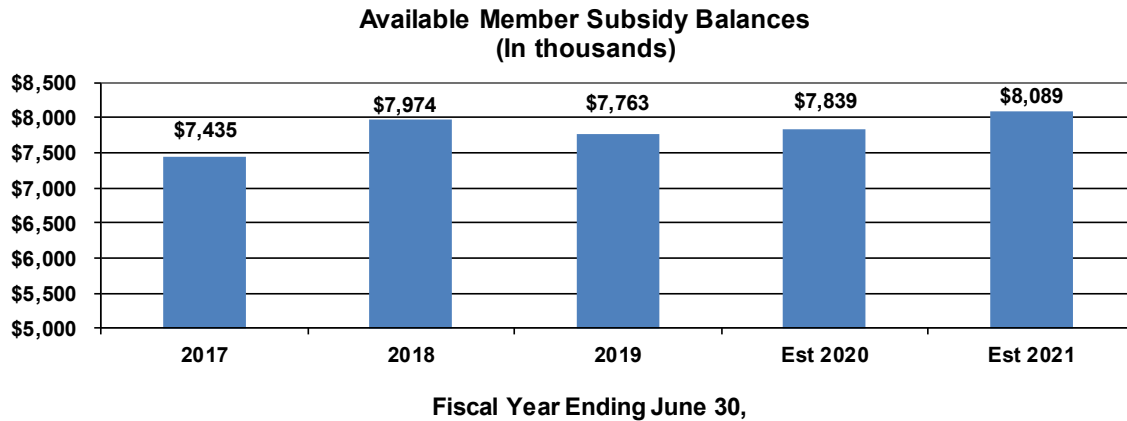
- Salaries and benefits includes five new positions to be added in 2020/21.
- The history of the number of authorized positions is illustrated in the following chart.

### **History of Authorized Staff Positions**



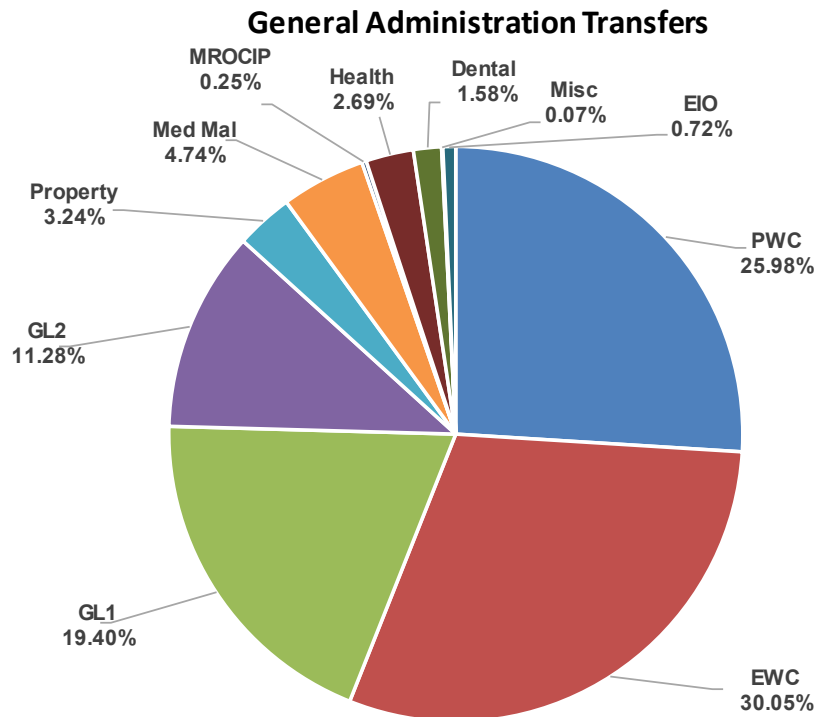
### Loss Preventions and Risk Management Subsidies

PRISM has a long history of providing loss prevention and Risk Management Subsidies to our members. The following chart illustrates the balance of subsidies amounts available to members.



### General Administration Transfers

General Administration expenses are supported from transfers from all PRISM programs. Separate allocations are computed for loss prevention, the web based claims system, risk management subsidies, and general administration. The percentages of transfers from all programs are as follows.



## **General Administration** **Program Budget Policy**

Program Goals for General Administration include the following:

### **Short Term Goals**

- Align staff activity to support program specific short and long-term goals.
- Update Performance Measures for all departments.
- Continue member conversion to new system.
- Continue development of member and pool management functionality on the EIA website.
- Expand data and analytics services provided to members.
- Annually update the Insurance Requirements in Contracts Manual.
- Continue legislative advocacy regarding issues affecting EIA's industry.
- Continue the supervisory development training program to prepare technical staff for the next level of career advancement.
- Continue staff training on new data analytics software.
- Implement a comprehensive member outreach plan to increase utilization of existing member services by 10% year over year.
- Continue to enhance Member Service and Risk Control programs:
  - Continue marketing and utilization of the Enterprise Risk(ERC) program and engage more Enterprise Risk Consultants
  - Continue marketing efforts of the Risk Management Mentor Program
  - Continue the Risk Management Practitioner Program and expand to online offering
  - Marketing of new services including Law Enforcement Wellness Programs, POST Trainings, Physical Abilities Testing, Workforce Management Software, Road Maintenance GIS Software, Strategic Planning Facilitation services and more.
  - Continue marketing the Risk Management Legal Advice Services.
  - Expand marketing of Employment Practices Liability services offered by the Eyres Law Group to all members.
  - Continue marketing efforts of Body-Worn Camera program.
  - Continue to expand Risk Control services to Educational Members.
  - Continue and expand Risk Assessment Tool capabilities, to include EIA out-of-state Participants.
- Continue to work with TargetSolutions to expand the LMS services and trainings
- Market the fourth year of the Eagle Awards Program.
- Continue to implement UiPath (BOTS) system in claims processing and accounts payable.
- Deliver annual employee performance reviews by June 15<sup>th</sup> of each year.
- Continue and update the fourth year of the EIA strategic plan

- Continue enhanced efforts to increase communication and contact with County membership through personal visits and Public Entity membership through webinars and personal visits.
- Internal Policies and procedures inventory, document and update across all EIA departments.

### **Long Term Goals**

- Strengthen funding policies to avoid capital erosion.
- Continue and improve professional development plans to all employees of EIA.
- Implement quality control checks on TPA claim data entered in the claim system.
- Document organization wide policies and procedures.
- Compile department goals and align departmental goals to EIA Strategic plan
- Develop a processes to validate, streamline, and consolidate data throughout the organization
- Foster and promote employee job satisfaction, engagement and professionalism.
- Continue to foster superior customer service to members.
- Continue to develop services in response to emerging trends.
- Develop loss data consistency throughout the claims reporting system and among members.
- Continue to monitor our benefit package to ensure competitiveness with the market.
- Maintain accurate employment records in electronic archiving system.
- Promote effective policies for contracting for EIA services, including long term contracting for board meetings.
- Maintain compliance with the Brown Act and governmental reporting requirements.

Budget Policies for General Administration include the following:

### **Revenues**

Member services revenues are used to account for the fees for a variety of cost saving services approved by EIA committees. The costs of providing these services are passed through to the members using the services. These services include:

- Enterprise Risk Consultant Fees – Enterprise Risk Consultant fee revenue is generated from a program where highly-experienced Risk Managers, Finance, Human Resources, Risk Control Specialists are available for EIA members to use during staff transitions or any other situation. This is a fee for service program pass thru for the EIA financials.
- Strategic Planning- The EIA Member Services department now offers facilitating strategic planning sessions for their members at a discounted price.

- Claims System – Members of the EIA who have been using the iVOS claims system as their primary claims handling system have the option to transition to our new claims system. In addition, members never using EIA's claims system have the opportunity to do so. There are various payment options available. The direct cost of the Program is billed to the participating members.
- Investment income is budgeted at an estimated earnings rate determined annually, based on the estimated portfolio yield on invested assets and expected cash flows, and applied to the average daily balance invested in the EIA Treasury. The estimated earnings rate is determined by the Finance Committee and approved by the Executive Committee and Board of Directors. The estimated earnings rate is also the rate established by the Inter-Fund Borrowing Policy, wherein a program can temporarily borrow funds from the EIA Treasury.
- PLIP Income – The Executive Committee has approved a Personal Lines Insurance Program (PLIP) allowing EIA and member employees to access group savings for personal insurance. The Program is operated in partnership with the California State Association of Counties (CSAC). Affinity fees are received quarterly and are shared equally with CSAC.
- Shared Cost Agreements – The Executive Committee has approved shared cost agreements, in which the cost of EIA staff or services is shared with EIA vendors.
- Reinsurer LP Subsidy –These are amounts received from some of the EIA reinsurers to be used for certain loss prevention services. Corresponding expenses are reflected in this budget in the member services expense section
- Meeting Revenues – Voluntary contributions from EIA partners and vendors, toward the cost of EIA meetings and events, are recognized as meeting revenue.

### **Expenses**

- Staff salaries and benefits are based on policies established by the Personnel Sub-Committee and approved by the Executive Committee. This includes approval of authorized positions, salary classifications and pay ranges, benefit levels and other personnel matters. New staff positions, classifications changes, market adjustments to pay ranges, merit pay pool limits, and defined benefit and defined contribution rates are approved annually by the Personnel Sub-Committee and Executive Committee.
- Staff Travel – Employees are reimbursed for ordinary and necessary travel cost for authorized business related purposes. Mileage cost is reimbursed at the rate established by the Internal Revenue Service. Other reimbursable travel costs include the actual cost for lodging, meals, and related ordinary and necessary incidental expenses.

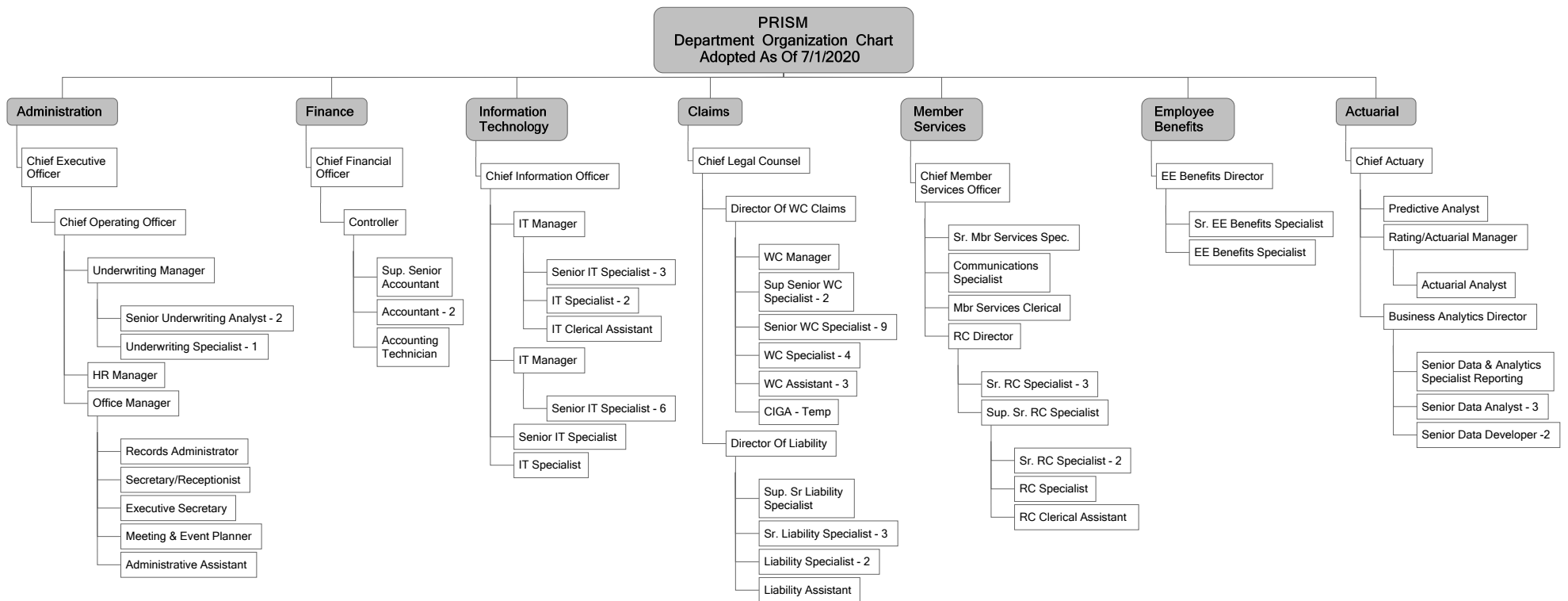
- Authority Meeting Expenses – Members of the Board of Directors, or their alternates, are reimbursed for ordinary and necessary travel expenses. Reimbursements are based on the Travel Policy approved by the Board of Directors. A second county representative attending a Board of Directors meeting may be reimbursed for travel expenses, provided that the first county representative is a voting member of the Board of Directors.
- Executive and Committee Travel – Members of Authority committees and members interested in joining Authority committees are reimbursed for ordinary and necessary travel expenses to attend committee meetings and the conduct of other committee activities. Reimbursements are based on the Travel Policy approved by the Board of Directors.
- Audit Services – An independent audit examination of the EIA Comprehensive Annual Financial Report (CAFR) is completed each year by a Certified Public Accountant. The Finance Committee selects the independent auditor. The audit contract is based on a Request for Proposal (RFP) process determined by the Finance Committee.
- General Admin Consulting includes internal audit costs relating to Enterprise Risk Assessment and Policies and Procedure development and peer review of internal actuarial work and other professional services.
- Legal Services – The Board of Directors and Authority committees may appoint Legal Counsel to provide legal services to the Board of Directors or Committees.
- Management Training – Management training expenses include the cost of periodicals and publications, education and scholarships, conferences and seminars, and membership dues. Management training expenses are approved by EIA senior management.
- Computer Hardware, Software and Technical Support includes the cost of software licenses, annual maintenance and support and computer hardware less than the \$5,000 capitalization threshold for all systems except the claims system. This category also includes the cost of web-based conferencing, external computer technical assistance and the costs associated with website design, hosting and support.
- Claims System – This includes the costs for data conversion, training, maintenance, cloud hosting, EIA contract project management and depreciation on capitalized costs for the claims system, for both EIA and its third-party administrators.
- Legislative advocacy services are provided by a third-party contract to represent the pooling industry's interest, primarily at the State level.
- Investment expenses represent the cost of third-party investment management services to EIA and the Captive (EIO)

- All Captive (EIO) expenses are borne by the Captive, either directly or as transfer from EIO to the EIA's GA program. Every year, staff recommends the reasonable amount of EIO's share in the GA expenses of the EIA. Since the Captive is a blended component unit of the EIA, its budget and actual financial results are combined with EIA's budget and financial results.
- Loss Prevention Platform – An online training and safety/risk management platform is available to all members providing access to a wide range of training topics. The Platform also includes custom activity, credential tracking, a resource center, and file center functions. The cost for the Loss Prevention Platform is included in the Administration Fee, allocated to all members.
- A variety of loss prevention monitoring, educational, and awareness services are provided to members as approved by the Board.
- Other ordinary and necessary expenses are estimated and approved through the regular budget process and according to the Budget Preparation and Management Policy.
- A Contingency amount is budgeted, and may be transferred to any line item with the approval of a two-thirds vote of the Executive Committee.

### **Transfers**

- Transfers in from each EIA program are used to pay for EIA staff and all other administrative costs. These costs are reduced by carryovers as a result of a lower estimated cost for the current year and per EIA's General Administration Target Funding Guidelines. These administration costs are allocated to all EIA programs based on a three-year average of staff time. The Captive is currently charged a flat administrative fee for the fiscal year recommended by staff and evaluated by the Finance Committee.
- Transfers in from each EIA program were used to pay for loss prevention subsidies. Starting 2018/19 fiscal year, loss prevention subsidies are recorded as liabilities and therefore, no transfers are needed thereafter.
- A transfer in for investment fees reimburses the EIA Treasury for the cost of third-party investment management services.
- EIA rent is the share of rent for EIA occupied premises and it is the transfer out from the GA program into the building program





## ADMINISTRATION DEPARTMENT

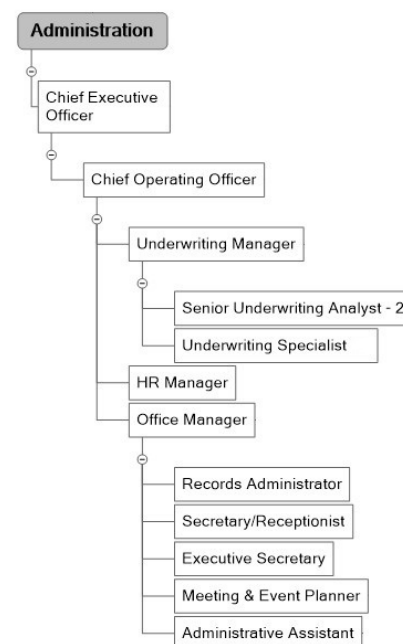
2020/21 Staffing Budget: \$1,923,184

### Departmental Functions:

- Oversee administration of all PRISM operations, programs and services. Manage governance functions including preparation and distribution of meeting agendas, preparation of meeting minutes, and coordination of member travel and other meeting arrangements.
- Manage all staff service functions including Human Resources, payroll processing, and employee training.
- The offices of the CEO and COO are the face of the PRISM with our partners, including our brokers, our insurers, and most importantly, our members.
- Responsible for the implementation of strategic initiatives.

### Major Accomplishments in Fiscal 2019/20:

- Retained 99% of members at renewal of the programs, and added 20 members across all programs.
- In spite of increasingly challenging times, successfully renewed all coverage programs, while maintaining broad coverage with limited loss of limits or significant changes in coverage. Strategically utilized risk retention where limits were no longer available.
- Engaged in a detailed process to evaluate and select a name change for the organization (PRISM from CSAC-EIA), including an ongoing process to amend the JPA and initiate the rebranding process from CSAC-EIA to PRISM.
- Implementation of remote work policy which is used as a tool to help cultivate and support a positive working environment, retain/attract employees, and promote happy/highly productive staff.
- Successfully continued governance of PRISM by transitioning all meetings to a web based environment.
- Transitioned all staff to remote work within 3 days during COVID-19 and stay-at-home orders.
- Continued implementation of the organizational strategic plan.
- Maintained high levels of member contacts. During the 2019/20 program year, 32 in-person meetings, 41 member visits and/or detailed service overview, 20 new member orientations, and 40 COVID-19 member services outreach contacts were made. Applied for an Award for Outstanding Achievement in Popular Annual Financial Reporting (PAFR) from the Government Finance Officers Association.
- Achieved AGRiP Advisory Standards Recognition Award.
- Created a hard-market video and hard-market messaging for impacted coverage programs to assist members in communicating with their stakeholders.
- Implemented a new performance management system.
- Completed staff succession plans in place for the Senior Management, Directors, Senior Specialists and Specialist staff.



Performance Measures for Fiscal 2020/21:

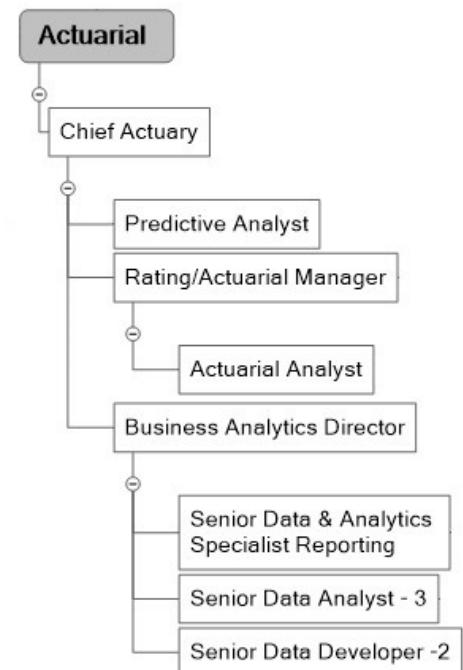
- Continue and complete the re-branding to convert all materials, documents, and communication mediums to PRISM.
- Maintain high member satisfaction ratings with a 5% increase in Very Satisfied survey scores.
- Implement expansion outside of California via PRISM's captive insurance company.
- Evaluate continued assumption of actuarial risk through the captive insurance company.
- Compliance 100% of the time in meeting Brown Act deadlines for agenda and meeting materials.
- Continue to look for ways to increase communication with members, including contacts via web-based meetings and/or other means of virtual visits.
- Continue participation in PAFR program.
- Begin development of succession plans for the technical support specialists and clerical staff and continue to maintain and update succession plans in place. Continued implementation of internal audit project to document policies, processes and procedures throughout the organization.

## ACTUARIAL SERVICES DEPARTMENT

2020/21 Staffing Budget: \$1,892,455

### Actuarial Departmental Functions:

- Provide Actuarial services for the major property and casualty programs including analysis of pooling layers and various insurance options.
- Provide actuarial estimates of outstanding liabilities and recommendations on member premium rates for all major property and casualty programs.
- Provide allocation models for each of the major P&C programs.
- Provide analysis and/or analyzers of the reinsurance rating plans for the major P&C programs.
- Provide all actuarial support for the EIO.
- Provide in-depth claims and loss analysis.
- Provide quarterly actuarial updates for GL1, EWC and MM.
- Provide PWC and DBD quotes as well as other ad-hoc analyses as needed.



### Actuarial Major Accomplishments for Fiscal 2019/20:

- Hired and integrated a data scientist into the department.
- Completed actuarial analysis for the major property and casualty programs, including timely recommendations on rates for the 2019/20 year.
- Produced outstanding liability and projection estimates on a quarterly basis.
- Produce in-depth loss development factor analysis for the EWC and GL1 programs.
- Provided the actuarial estimates and factors, cash flow projections and balance sheets necessary to evaluate the GL1 LPT and reinsurance renewal.
- Evaluated reinsurance structures and premium costs against self-insurance.
- Provided all actuarial support for the EIO.
- Provided 5 PWC quotes and 4 PGL quotes.
- Provided a GL2 actuarial rate study and member model.
- Provided reinsurance analyzers to analyze various reinsurance scenarios for EWC, GL1, and GL2.
- Provided COVID-19 loss estimates for EWC and PWC.
- Provided other actuarial analyses.

### Actuarial Performance Measures for Fiscal 2020/21:

- Complete actuarial analysis for the major property and casualty programs, including timely recommendations on rates for the 2020/21 year.
- Produce outstanding liability and projection estimates on a quarterly basis for the EWC, GL1 and MM programs.
- Provide analysis and/or analyzers for the major programs' reinsurance plans.
- Provide allocation models for each of the major programs.

- Produce in-depth loss development factor analysis for the EWC and GL1 programs.
- Produce in-depth size of loss distributions for EWC, GL1 and possibly GL2.
- Provide all actuarial support for the EIO.
- Provide PWC and DBD quotes as needed.
- Analyze various underwriting factors (territory, safety/non-safety) for the EWC and GL1 programs.

#### D&A Departmental Functions:

- Manage monthly and annual loss experience data processing, and reporting.
- Manage the loss reporting process including Claims Summary Reports (CSR), Loss Portfolio Transfer (LPT) reports, CIGA Activity Tracking, and Bordereaux (BDX).
- Provide any data, information and reports required to support the renewal process.
- Work with data providers (members and TPAs) to improve the quality, timeliness, and availability of loss and exposure information for PRISM Risk and its membership.
- Develop and deploy reports, analytics, and data driven applications including performance reporting and benchmarking for the membership.
- Support the data needs of various PRISM Departments and provide additional reporting, analysis, and reconciliation for members, partners, and staff as needed.
- Maintain and develop the DnA Database for PRISM reporting and analytic needs.

#### D&A Major Accomplishments in Fiscal 2019/20:

- Completed all current data management, reporting, and data collection activities, and several new projects and reports while being down two staff for all of 2020 to date.
- Completed the annual loss data collection process for the major P&C programs.
- Produced all quarterly CSRs, and monthly and quarterly LPT reports and BDX. Continued to make progress automating the loss reporting process.
- Continued to track all CIGA loss, billing, and payment activity for both PWC and EWC.
- Completed the process of moving GL2 loss data reporting from annual to monthly.
- Provided the first ever Semi-Annual GL2 loss data package to the market using 3/31/2020 loss data. Also provided DBD data as of 3/31 for the renewal process.
- Developed the new monthly GL1 Loss Portfolio Transfer Report.
- Functionally replaced CHSI by creating applications, reports, and exports for:
  - County Visits
  - Auditor Confirmations
  - Membership Information Access and Reporting
- Performed a special reconciliation tracking PWC claims and financial information.
- Currently developing a new Santa Barbara LPT Report (and supplemental report to the PWC CSR). Added a supplemental catastrophe report to the PWC and EWC BDX.
- Improved the Med/Mal actuarial study using both a new exposure basis methodology and a split of Jail and Non-Jail loss experience.
- Began monthly COVID19 reporting and are adding a new COVID19 Pandemic Catastrophe supplemental report to the PWC and EWC CSRs and BDX.
- Completed integration with the Mura database (underlying the PRISM website) for direct access to member and partner contact and governance information.
- Due to other demands and limited resources, D&A has not yet completed the process of delivering new dashboards to the members. However, progress continues:
  - Completed the integration of loss experience and membership information for secure online interactive reporting and analysis.

- Currently working with a partner to develop a new member/partner accessible information access portal platform. Targeted for completion on 7/6/2020.
- Beginning to make some progress on the development of the new member dashboards and reports with the goal of implementing in calendar year 2020.

*D&A Performance Measures for Fiscal 2020/21:*

- Support the renewal process by providing needed data, information, and reports to the reinsurance market.
- Complete the Annual and Semi-Annual Loss Data Collection processes for the major programs accurately and on time.
- Deliver all quarterly Claims Summary (CSR) and Loss Portfolio Transfer (LPT) reports, and monthly Bordereau (BDX) reports accurately, and on time. Add new Loss Portfolio Transfer reports, Bordereaux, and CSRs as needed.
- Produce annual excess reportable, monthly CIGA reimbursement / reconciliation / tracking, monthly loss runs, and monthly Education Tower reports.
- Deploy online dashboards and reports to the membership.
- Complete the process of streamlining the CSR, BDX and LPT report generation.
- Support the new Data Scientist as needed.
- Continue to develop and deploy new information products for the membership, partners and staff.

## CLAIMS DEPARTMENT

2020/21 Staffing Budget: \$3,681,997

### Departmental Functions:

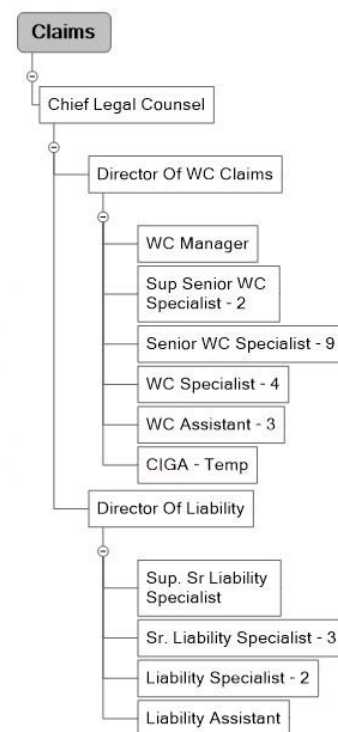
- Plan, organize and direct the claim functions throughout PRISM.
- Work with members, vendors and business partners to control claims costs.
- Provide analysis of loss trends to facilitate intervention for loss prevention and loss control, to address frequency and severity issues.

### Major Accomplishments in Fiscal 2019/20:

- Created a Service Provider Contract Policy and reviewed over twenty service provider contracts.
- Prepared and circulated for review and finalization amendments to the JPA.
- Trained members regarding the amended Underwriting and Claims Administration Standards and Addendums A and B thereto.
- Revised the GL1 and GL2 Memorandums of Coverage.
- Created a General Liability Program Strategic Plan.
- Completed Member Claims Handling Scorecards for all GL2 Program members.
- Through lobbying efforts, had a significant impact on a variety of bills introduced by the California legislature in 2019.
- Processed claim reimbursements to members within 30 days of receipt of all supporting documentation.
- PRISM's workers' compensation settlement specialist continued to resolve difficult claims resulting in savings to the EWC program.
- Continued to obtain reimbursements from CIGA and Riverstone for the EWC coverage periods that involved Castlepoint.
- Processed Bordereaux invoicing for EWC and PGL programs monthly.

### Performance Measures for Fiscal 2020/21:

- In coordination with IT, complete the transition of Corvel to PRISM's claims system by October 2020.
- Collaborate with IT to build an in-house claims system.
- Create a Service Provider Contract template for PRISM staff use.
- Continue to work with members and CFMG to help create standardized indemnification and Insurance contract provisions for members.
- Continue to work with Alliant to obtain access to Property Claims information from Alliant's claims system.
- Through audit and loss analysis process, continue to provide information on a timely basis to underwriting staff and committees to direct loss prevention and mitigation activities.
- Invoice excess reimbursements to reinsurers/excess carriers within five days of issuing payment. Oversee and follow up with those reinsurers to achieve at least 80% reimbursement within 30 days of invoice issuance.
- Assist Data and Analytics Department with determining key information needed for their use in developing analytical tools for Claims Department and members.

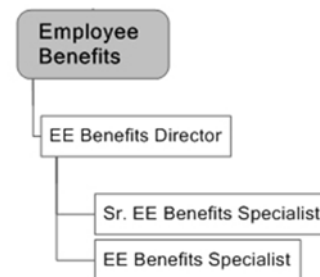


## EMPLOYEE BENEFITS DEPARTMENT

2020/21 Staffing Budget: \$418,610

### Departmental Functions:

- Oversight of PRISMHealth & Employee Benefits Program Administration.
- Collaborate with Broker and Carrier partners in the representation of program initiatives.
- Educate Members on PRISMHealth and Employee Benefits offerings and important issues related to industry specific compliance.
- Attend and assist with Health and Benefits meetings addressing open enrollment, health fairs and implementation of new coverage offerings.
- Assist in resolving service issues for members and their employees within the Health and Benefits Programs.
- Maintain and audit complex Program Performance Reports for Health and Dental.
- Present and implement cost containment strategies.



### Major Accomplishments in Fiscal 2019/20:

- Stable and equitable renewals for all Employee Benefits programs.
- Continued PRISMHealth and Dental program growth, with an increase in service levels to members and their employees/retirees.
- Distributed \$75K in wellness funds to the members of the PRISMHealth program in a continued effort to support their internal wellness initiatives.
- Implemented the Integrate Data Analytics Platform for PRISMHealth members that provides a higher level of utilization reports specific to their organization.
- Increased utilization with Carrum Health Surgical benefit and Telehealth services.
- \$5 Million Dental Program dividend declared and distributed to program members.
- Added Anthem as a new EAP program partner.
- Added Lincoln National as a new Life & Disability partner.
- Increased communication of Life & Disability, Vision and EAP services to existing members and to those not currently participating in the programs.
- Assisted members via the EAP Critical Incident benefit available through the EAP.
- Strengthen communication and collaboration with our Broker and Carriers.
- Documentation of Employee Benefits process and procedures.

### Performance Measures for Fiscal 2020/21:

- Increase continued visibility and education of services available to members through the Employee Benefits programs.
- Increased communication plan for members of all Employee Benefits programs.
- Further implement the PRISMHealth direct member communication plan for important program announcements.
- Conduct quarterly meeting with all PRISM Consultant and Carrier partners.
- Maintain high member satisfaction.
- Implement new TPA partners for Health and review TPA partners for Dental.
- Promote member growth in all Employee Benefits Programs.

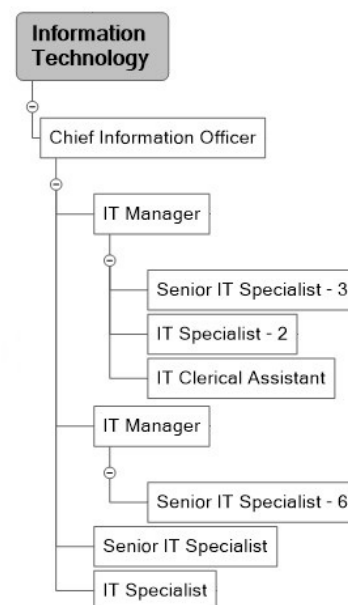


## INFORMATION TECHNOLOGY DEPARTMENT

2020/21 Staffing Budget: \$1,959,957

### Departmental Functions:

- Maintain personal computer infrastructure to support automated needs of PRISM.
- Provide specialized reporting capabilities for claims handling.
- Provide first level of support for members who are on our Insurity ClaimsXpress contract.
- Provide project management, system conversion, and system upgrade support for members.
- Provide development and management of digital media and content – website, pool management, and communications.
- Support all software systems including Claims Management, Policy Management, Human Resource Management, Financial Management, and others.



### Major Accomplishments in Fiscal 2019/20:

- Enhanced migration/conversion data validation
- Migrated 2 SIRMA members from Corvel to Adminsure
- Created a business plan to develop a proprietary claims system
- Completed an evaluation (bake-off) of vendors and platforms for the new proprietary claims system
- Built a claim import tool to support claims with the high number of Covid19 cases being reported
- Created a new UR\Managed Care interface for Intercare and Sonoma
- Enhanced the replication between PRISM and all TPA's
- Completed enhancements (phase 2) of renewal applications for EWC, GL, GL2 and MM
- Completed phase 1 of coverage data implementation on pool management
- Imported additional named covered parties (ANCP) and began implementation of long-term solution.
- Addressed new PRISM brand on website
- Implemented Robotic Process Automation (RPA) AKA "bots" to efficiently process GL claim information and save many staff hours
- Enabled entire staff to work remotely full time during pandemic event
- Improved system resiliency by migrating multiple systems to the cloud
- Migrated data to Storage Area Network (SAN) and enabled granular backups (snapshots)
- Became member of MS-ISAC gaining free cybersecurity resources, including threat prevention, protection, response and recovery

### Performance Measures for Fiscal 2020/21:

- Evaluate and pursue development of the following claims system (ClaimsXpress) activities, if deemed appropriate
  - Implementation of the WC TPA CorVel

- Implementation of the new EWC Member SMCSIG into Intercare's ClaimsXpress instance
  - Build out Wiki using Confluence
  - Move all development work from databases to Bitbucket version control repository
- Begin development of the new proprietary claims system beginning with requirements, planning, and program management
- Survey users and plan final renewal application enhancements (phase 3)
- Complete phase 2 of coverage data on pool management
- Finish implementation of PRISM brand and new domain
- Continue development of the website portal's applications for prospects and additional named covered parties
- Implement additional automated "bots" to handle routine workflows that save staff hours
- Increase data protection and security
  - Implement modern anti-virus software
  - Conduct security assessment
  - Develop phased security roadmap
- Increase internet bandwidth and resiliency from two data center sites

## MEMBER SERVICES DEPARTMENT

2020/21 Staffing Budget: \$1,786,116

### Departmental Functions:

- Provide member directed risk management services that target and reduce exposure to losses
- Market existing services to ensure member awareness
- Evaluate new service offerings based on member demand, as well as staffing and funding considerations
- Provide on-demand training and risk control services that continually adapt to members' changing risk needs
- Develop/maintain information resources and best practices
- Maintain a library of training aids and programs
- Participate in PRISM prospect evaluation process
- Participate in and conduct PRISM member meetings

### Major Accomplishments in Fiscal 2019/20:

#### *Created*

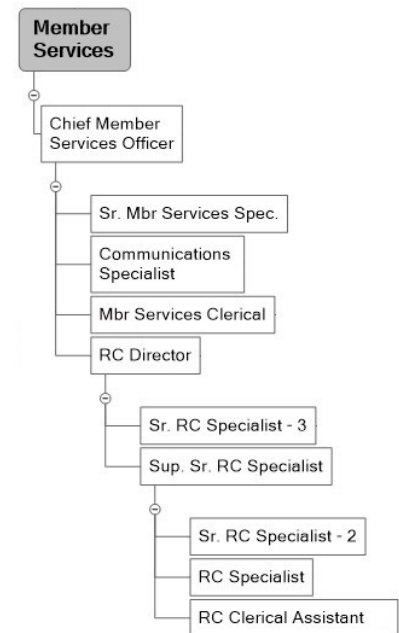
- A New Brand for EIA: PRISM Public Risk Innovation, Solutions and Management
- Managing a Hard Market Video for members to message to their stakeholders
- Physical Abilities Testing Services
- Fire Apparatus Inspection Software
- Workforce Management Software
- Utilizing GIS for Road Maintenance Manual
- Risk Management Mentor Program
- Risk Control Services for Peace Officers Menu
- 25 Online Courses with Calibre Press for Law Enforcement
- Law Enforcement Wellness Program

#### *Updated*

- Crisis Incident Management Services
- Safety Talks: A Tailgate/ Toolbox Resource
- IRIC Manual
- TargetSolutions Catalog
  - Added Special Education & 12-Course Driver Assessment Program Content

### Performance Measures and Goals for Fiscal 2020/21:

- Create Implementing Strategic Services Regional Trainings in at least six locations statewide
- 10% increase in training course completions and PRISMtv on-demand offerings
- Influence implementation of the Law Enforcement Wellness Program
- Target a 5% increase in EPN enrollment
- Influence TargetSolutions platform enhancements
- Develop a Risk Management Manual
- Create additional Practical Training for Claims Handlers



## FINANCE DEPARTMENT

2020/21 Staffing Budget: \$765,896

### Departmental Functions:

- Plan, organize and direct the investment and accounting functions throughout PRISM.
- Support program specific financial accounting, including financial statements, budgets, and claims reconciliations.
- Provide analysis and support to internal and external customers to support PRISM goals.
- Provide timely, transparent and easy to understand financial reporting to committees and members.



### Major Accomplishments in Fiscal 2019/20:

- Participated in and received the Certificate of Achievement for Excellence in Financial Reporting (CAFR), and Distinguished Budget Award from the Government Finance officers Association (GFOA) and assisted in the preparation of the Popular Annual Financial Report (PAFR).
- Met or exceeded deadlines for claims reconciliation and funding information on programs' Claim Summary Reports.
- Successful renewal billing cycle of 1044 invoices with a total value of \$457.4M with all amounts collected within 60 days.
- Financial audit completed for 2018/19 with no findings and unqualified opinion.
- Continued to provide HR with payroll support.
- Continued support of Expensify, for both staff and member submission of expense reimbursement requests.
- Assisted with CIGA invoicing process on the claim years from the CastlePoint liquidation.
- Initiated transition of accounting data to cloud hosting.
- Participated in preparation of global PRISM disaster recovery plan.
- Successfully implemented Open Gov Budget software and completed FY2020/21 Budget using Open Gov. and provide interactive data on budget from Open Gov.

### Performance Measures for Fiscal 2020/21:

- Obtain CAFR and budget awards from GFOA.
- Continue to bill and collect 100% of renewal billing within 60 days of the new fiscal year.
- Present financials to the Board by their October meeting that agree in substance to the final audited financials.
- Re-evaluate Captive investment policy and management of assets.
- Select and implement a suitable software for CAFR preparation.
- Bill claim reimbursements and member reimbursements within 3 days of receipt from the Claims and Underwriting Departments.
- Pay all invoices within the due date and claim reimbursements within 2 weeks.
- Provide Claims Summary Report funding numbers within quarterly specified time frames.
- Timely and transparent reporting and preparation of quarterly Treasurer's reports.
- Support HR payroll functions including checking and timely filing of state compensation report, W2's and payroll tax returns.
- Implement UiPath BOT processing for accounts payable tasks.
- Continue to improve interactive data from Budget Dash Boards to senior managers from Open Gov.

**PUBLIC RISK INNOVATION, SOLUTIONS, AND MANAGEMENT (PRISM)**  
**GENERAL ADMINISTRATION PROGRAM**  
**Adopted Budget**  
**July 1, 2020 to June 30, 2021**

Sources and Uses of Financial Resources	CAFR Actual 2018/19	Year to Date 12/31/2019	Estimated 2019/20	Budget 2019/20	Budget 2020/21	Increase (Decrease)	Text Detail
<b>REVENUES:</b>							
Member Services							
Insurance Cert Tracking/Ent Risk Cons/Strategic Planning	\$ 350,180	\$ 140,704	\$ 341,556	\$ 341,550	\$ 3,000	\$ (338,550)	Insurance Cert. Tracking Pass through program discontinued in 20/21
Claims System Access	327,255	321,058	510,043	510,043	425,680	(84,363)	No new member implementation or customizations anticipated, more work inhouse; pass thru item
PRISM Drug and Alcohol Consortium	600	0	0	0	0	0	
Investment Income	787,718	224,395	300,000	294,000	300,000	6,000	
PLIP Income	77,616	36,572	76,000	78,000	78,000	0	
Shared Cost Agreements	67,935	3,919	30,000	121,577	125,000	3,423	50% of Employee Benefits Specialists; 2/3 salary for CIGA temp
Reinsurer LP Subsidy/Credit	121,763	6,163	128,663	138,500	122,500	(16,000)	Estimated
Service partner Trade Show	0	0	7,500	7,500	7,000	(500)	No cost to PRISM
Other Revenues	0	0	0	0	1,000	1,000	
<b>TOTAL REVENUES</b>	<b>1,733,068</b>	<b>732,811</b>	<b>1,393,762</b>	<b>1,491,169</b>	<b>1,062,180</b>	<b>(428,990)</b>	
<b>EXPENDITURES:</b>							
Salaries and Benefits							
Regular Salaries	8,162,403	4,354,734	9,156,000	9,188,758	9,774,544	585,786	See Schedule 1 for detail on Salaries and Benefits
Retirement	255,323	424,228	650,000	1,188,267	1,259,226	70,959	
Employee Benefits	1,715,756	1,085,539	2,350,000	1,971,619	2,149,261	177,642	See Sch 2. Includes Benefit costs of new employees
Employment Taxes	107,369	74,841	165,000	142,250	168,645	26,395	
Temporary Services	7,431	15,540	55,000	220,000	135,000	(85,000)	CIGA temps, Data Project, HR Project
Employment Services	4,744	6,493	10,000	12,450	14,950	2,500	
Total Salaries and Benefits	10,253,027	5,961,374	12,386,000	12,723,344	13,501,626	778,282	
Services and Supplies:							
Staff Travel	378,561	207,277	375,000	504,000	480,000	(24,000)	Includes travel to file reviews, settlements, etc.
Authority Meeting Expenses	298,053	134,660	300,000	518,175	378,024	(140,151)	See Schedule 3
Committee Expenses	163,930	47,760	125,000	167,352	151,000	(16,352)	See Schedule 4
Audit Service	70,700	71,750	77,000	77,000	80,000	3,000	
Legal Counsel	0	0	0	35,000	25,000	(10,000)	Includes \$20k for Amicus; Reduction due to not being used as frequent
Periodicals and Publications	4,656	2,426	10,000	11,150	10,650	(500)	See Schedule 5
Training and Education	66,714	14,522	60,000	145,375	145,065	(310)	See Schedule 5
Educational Scholarships	1,017	150	0	8,400	8,000	(400)	See Schedule 5
Conferences and Seminars	51,065	35,222	70,000	98,611	87,775	(10,836)	See Schedule 5
Membership Dues	48,733	37,054	60,316	60,316	60,236	(80)	See Schedule 5
Insurance Cert Tracking Serv- PRISM Expense	0	0	0	0	6,000	6,000	
Office Supplies	51,581	27,840	75,000	114,100	63,000	(51,100)	Decreased need for office furniture in current year as compared to prior year
Computer Supplies, Software and Annual Maint.	316,215	98,594	531,028	531,028	561,850	30,822	See Schedule 6; Licenses for new employees, software related process improvement/workflow efficiencies (Bots, budget input etc.) and increased cloud hosting services
Computer Hardware, Backup Data Center	179,761	73,961	182,900	182,900	159,900	(23,000)	See Schedule 6; More laptops vs desktops, overall decrease in new hardware purchases.
Web Conferencing	28,154	10,560	15,900	15,900	21,120	5,220	See Schedule 6; Increased use of Zoom, possible platform change at renewal.
Computer Technical Assistance	51,530	43,767	140,925	140,925	182,300	41,375	See Schedule 6; Gartner Subscription \$40K and Network Assessment \$25K

**PUBLIC RISK INNOVATION, SOLUTIONS, AND MANAGEMENT (PRISM)**  
**GENERAL ADMINISTRATION PROGRAM**  
**Adopted Budget**  
**July 1, 2020 to June 30, 2021**

Sources and Uses of Financial Resources	CAFR Actual 2018/19	Year to Date 12/31/2019	Estimated 2019/20	Budget 2019/20	Budget 2020/21	Increase (Decrease)	Text Detail
Website Design/Hosting/Support	\$ 366,105	\$ 168,711	\$ 392,000	\$ 392,000	\$ 397,000	\$ 5,000	See Schedule 6; Rebranding adjustments, continued development - redesign homepage/dashboards
Claims System	461,065	282,993	1,120,009	1,120,009	1,039,445	(80,564)	See Schedule 7; majority of TPA and member conversions complete, expenses due to annual support, maintenance, and hosting.
Insurance	231,494	304,215	291,041	296,035	353,001	56,966	See Schedule 8; increase in all lines of coverage
Postage	9,670	4,939	12,000	12,000	12,000	0	
Telephone	45,894	22,526	62,200	62,200	61,600	(600)	Change in Provider/Service
Printing	55,496	27,335	79,050	79,050	80,050	1,000	See Schedule 9
Maintenance	0	0	0	7,000	7,000	0	
Accreditation and Certifications	12,155	1,055	2,000	2,750	2,000	(750)	CAJPA accreditation due in FY 21/22; GFOA award submissions included
Consultant	83,840	17,900	86,350	86,350	84,000	(2,350)	PERS and OPEB actuarial; addl peer review for actuarial 25k, internal audit 50k
Awards and Recognition	8,318	3,084	15,000	24,295	21,545	(2,750)	
Member Development	20,718	37,592	98,058	98,058	100,563	2,505	See Schedule 10; CASBO conference expenses, member give aways items; Incl \$50k for PR budget
Legislative Advocate Contracts	96,300	53,552	115,000	130,000	120,000	(10,000)	Based on contracts
Bank Charges	4,742	957	5,500	6,000	6,000	0	
Investment Expense	240,337	93,655	200,000	200,000	225,000	25,000	Portfolio investment management services; due to collection of annual premium in advance
<b>Total Services and Supplies</b>	<b>3,346,804</b>	<b>1,824,057</b>	<b>4,501,277</b>	<b>5,125,978</b>	<b>4,929,124</b>	<b>(196,855)</b>	
Member Services							
RC Seminars / Training Programs & Materials	(55,632)	46,360	81,360	72,600	73,800	1,200	\$15k will be paid for SAM Manual out of funds recd from Market
EIA Loss Prevention Platform	1,105,000	1,170,000	1,170,000	1,212,000	1,305,000	93,000	\$100k of this expense will be from funds recd from Safety National
A-Check Global EPN Program	161,090	69,805	167,534	167,534	174,235	6,701	Contractual increase
Automated Assessment Tool	101,367	77,402	81,900	75,000	98,600	23,600	Maintenance & support cost; includes national expansion
INXPO On Demand Program	0	0	32,500	32,500	36,000	3,500	
Educational RC Programs	0	0	3,000	3,000	0	(3,000)	
Reinsurer RC Subsidy/Credit	0	0	0	137,500	0	(137,500)	error in 19/20; now shown as revenue in 2020/21 budget
Service partner Trade Show	0	0	7,500	7,500	7,000	(500)	No cost to PRISM
Member Legal Services	407,000	232,875	552,000	552,000	519,000	(33,000)	Incl. Evers Law Group and Legal Counsel. \$2,500 of Evers Law Group expense will be from funds recd from Berkley
Other RC Program Services & Materials	0	0	6,400	6,400	0	(6,400)	
Insurance Cert Tracking Serv/Enterprise Risk	349,323	138,893	349,600	349,600	0	(349,600)	Insurance Cert. Tracking Pass through program discontinued in 20/21
Claims System Access	311,407	124,669	510,043	510,043	425,680	(84,363)	No new member implementation or customizations anticipated, more work inhouse; pass thru item
<b>Total Member Services</b>	<b>2,379,556</b>	<b>1,860,004</b>	<b>2,961,837</b>	<b>3,125,677</b>	<b>2,639,315</b>	<b>(486,362)</b>	
Depreciation							
Furniture and Equipment	93,405	73,587	160,000	191,000	176,500	(14,500)	Incl. New Copier and Backup/Security Appliance (Rubrik)
Software	763,418	202,529	525,000	680,000	713,000	33,000	Incl. Website development, CAFR software, Bots, Data analytics development platform
<b>Total Depreciation</b>	<b>856,823</b>	<b>276,116</b>	<b>685,000</b>	<b>871,000</b>	<b>889,500</b>	<b>18,500</b>	
Loss Prevention Subsidies	25,962	0	0	0	0	0	Accounted for as Liabilities effective 18/19 year
Contingency Delegated to Executive Committee	0	0	0	200,000	200,000	0	Available with a two-thirds vote of the Executive Committee
<b>TOTAL EXPENDITURES</b>	<b>\$ 16,862,171</b>	<b>\$ 9,921,550</b>	<b>\$ 20,534,114</b>	<b>\$ 22,045,999</b>	<b>\$ 22,159,565</b>	<b>\$ 113,565</b>	

Adopted Budget

**PUBLIC RISK INNOVATION, SOLUTIONS, AND MANAGEMENT (PRISM)**  
**GENERAL ADMINISTRATION PROGRAM**  
**Adopted Budget**  
**July 1, 2020 to June 30, 2021**

Sources and Uses of Financial Resources	CAFR Actual 2018/19	Year to Date 12/31/2019	Estimated 2019/20	Budget 2019/20	Budget 2020/21	Increase (Decrease)	Text Detail
<b>TRANSFERS:</b>							
Transfer In (Out) from:							
General Admin Transfer - PWC	\$ 4,534,377	\$ 4,809,446	\$ 4,809,446	\$ 4,809,446	\$ 4,684,283	\$ (125,163)	Based on 3 year average time study of PRISM staff
General Admin Transfer - EWC	5,123,344	5,828,299	5,828,299	5,828,299	5,933,554	105,255	" "
General Admin Transfer - GL1	3,358,116	3,390,973	3,390,973	3,390,973	3,963,474	572,501	" "
General Admin Transfer - GL2	1,643,084	2,054,626	2,054,626	2,054,626	2,319,798	265,172	" "
General Admin Transfer - Property	573,908	628,030	628,030	628,030	668,351	40,321	" "
General Admin Transfer - Medical Malpractice	679,320	858,625	858,625	858,625	928,696	70,071	" "
General Admin Transfer - MROCIP	100,392	74,050	74,050	74,050	52,458	(21,592)	" "
General Admin Transfer - PRISMHealth	508,653	539,342	539,342	539,342	557,606	18,264	" "
General Admin Transfer - Dental	210,823	236,885	236,885	236,885	320,575	83,690	" "
General Admin Transfer - Miscellaneous Programs	13,300	14,200	14,200	14,200	14,200	0	Interest earned in program funds admin fees
General Admin Transfer - EIO	100,000	150,000	150,000	150,000	150,000	0	Fee to EIO for administrative services
Claims System Costs, PWC	427,498	254,057	254,057	254,057	696,428	442,371	Now participating in new claims system that includes all PWC TPAs
Claims System Costs, EWC	127,611	75,838	75,838	75,838	207,889	132,051	See Schedule 7
Claims System Costs, GL1	38,283	22,751	22,751	22,751	62,367	39,616	" "
Claims System Costs, GL2	19,142	11,376	11,376	11,376	31,183	19,807	" "
Claims System Costs, Med Mal	25,522	15,168	15,168	15,168	41,578	26,410	" "
PRISM Rent	(481,657)	(481,657)	(481,657)	(481,657)	(503,699)	(22,042)	Transfer to building program
Investment Fees	240,228	93,655	180,000	200,000	225,000	25,000	Charge to programs based on their share of treasury funds
<b>TOTAL TRANSFERS</b>	<b>17,241,944</b>	<b>18,575,664</b>	<b>18,662,009</b>	<b>18,682,009</b>	<b>20,353,741</b>	<b>1,671,732</b>	
Net Increase or (Decrease)	2,112,841	9,386,925	(478,343)	(1,872,821)	(743,644)	1,129,177	
<b>NET POSITION - JULY 1</b>	<b>6,151,772</b>	<b>8,264,613</b>	<b>8,264,613</b>	<b>6,419,192</b>	<b>7,786,270</b>		
<b>NET POSITION - JUNE 30</b>	<b>8,264,613</b>	<b>17,651,538</b>	<b>7,786,270</b>	<b>4,546,371</b>	<b>7,042,627</b>		

**PUBLIC RISK INNOVATION, SOLUTIONS, AND MANAGEMENT (PRISM)**

**Adopted Capital Outlay Budget**

**July 1, 2020 to June 30, 2021**

Line Item	2020/21 Budget
<b>General Administration Fund</b>	
<b><u>Furniture and Equipment</u></b>	
	\$ 0
Conference Room speaker System	10,000
Servers - D&A	20,000
Server Network Switches	5,000
Copier	15,000
Backup/Security Appliance	75,000
<b>Total Furniture and Equipment</b>	<b>125,000</b>
<b><u>Software</u></b>	
Website Development	845,000
Laserfiche Modules (Web/Forms/Portal)	5,000
Bots	75,000
Data Analytics development platform	118,000
<b><u>SIMS Claims System</u></b>	
SIMS: Professional Services	54,000
SIMS: New User Licenses PRISM and TPAs	105,000
SIMS: Member Moves	33,000
SIMS: One-Time costs	16,700
SIMS: Contingency	25,000
SIMS MBR: Professional Services	14,300
SIMS MBR: New User Licenses	6,000
SIMS MBR: Contingency	2,000
<b><u>Proprietary Claims System</u></b>	
System Development	1,400,000
Professional Services	600,000
Platform Costs	605,000
PRISM Staff	346,900
Contingency	248,100
<b><u>CAFR Software</u></b>	<b>10,000</b>
<b>Total Software Additions</b>	<b>4,509,000</b>
<b>EIO (Captive)</b>	
EIO Website Development	16,000
<b>Total EIO (Captive)</b>	<b>16,000</b>
<b>Building Fund</b>	
PRISM Tenant Improvements Window Shades	32,000
PRISM Tenant Improvements First Floor Addl. Space	50,000
<b>Total Building Fund</b>	<b>82,000</b>
<b>Grand Total Capital Outlay</b>	<b>\$ 4,732,000</b>



**PUBLIC RISK INNOVATION, SOLUTIONS, AND MANAGEMENT (PRISM)**  
**2020/21 Adopted Budget**  
**Time Study Allocation**

Program	2020 Time Study	2020 Adjusted Time Study	2019 Adjusted Time Study	2018 Adjusted Time Study		FY 20/21 Budget Three Year Average Time Study*	For Comparison	
							Prior Year Final Allocaton	Percentage of Prior Year
PWC	13.07%	22.29%	23.18%	26.00%		24.11%	26.11%	92.33%
EWC	16.61%	28.33%	31.43%	30.77%		30.54%	31.64%	96.53%
PGL	0.00%	0.00%	0.00%	3.55%				
General Liability 1	13.84%	23.60%	19.93%	16.97%		20.40%	18.41%	110.82%
General Liability 2	7.71%	13.16%	12.64%	9.61%		11.94%	11.15%	107.07%
Property	2.01%	3.43%	3.77%	2.99%		3.44%	3.41%	100.87%
Medical Malpractice	2.25%	3.84%	4.92%	5.43%		4.78%	4.66%	102.65%
MR OCIP	0.12%	0.20%	0.28%	0.29%		0.27%	0.40%	67.00%
PRISMHealth	1.64%	2.79%	2.34%	3.37%		2.87%	2.93%	97.91%
Dental	1.39%	2.36%	1.51%	1.02%		1.65%	1.29%	128.35%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>		<b>100.00%</b>	<b>100.00%</b>	

*\*increases/decreases from prior year average are capped at 33%*

**PUBLIC RISK INNOVATION, SOLUTIONS, AND MANAGEMENT (PRISM)**  
**2020/21 Budget**  
**Adopted**  
**Employee Salary Expense**

**Schedule 1**

PERS employer rate for pre 1/1/13 employees	11.816%
PERS employer rate for post 12/31/12 employees	7.847%

Department	Position Count/ Full Time Equiv	Base Salary	PERS	Deferred Comp. 457b	Total Retirement	Life, AD&D LTD, STD & EAP Benefits	Flexible Benefits	Total Benefits	0.0145 Medicare Taxes	2020/21 Total Employee Expense	2019/20 Total Employee Expense
Administration	13	\$ 1,423,652	\$ 120,324	\$ 62,345	\$ 182,669	\$ 280,898	\$ 15,323	\$ 296,221	\$ 20,642	\$ 1,923,184	\$ 1,907,221
Finance	6	558,264	50,147	12,245	62,393	130,099	7,044	137,143	8,096	765,896	730,729
Information Technology	15	1,444,000	140,805	19,555	160,360	316,397	18,261	334,658	20,939	1,959,957	1,959,349
Claims	29	2,713,140	237,325	45,755	283,080	612,675	33,762	646,437	39,341	3,681,997	3,482,800
Member Services	13	1,328,256	124,735	19,791	144,526	278,238	15,837	294,075	19,259	1,786,116	1,619,617
Actuarial Services	11	1,476,632	109,025	32,280	141,306	236,838	16,268	253,106	21,411	1,892,455	1,415,758
Employee Benefits	3	312,600	27,364	4,824	32,188	65,339	3,951	69,290	4,532	418,610	445,989
Vacation Pay Liability		250,000	0	0	0	0	0	0	3,625	253,625	356,116
Salary and Benefit Savings		0	0	0	0	(50,000)	0	(50,000)	0	(50,000)	(50,000)
Reimbursement for Sr.LP Specialist - Schools		(132,000)	0	0	0	0	0	0	0	(132,000)	(150,000)
Actuarial Designation Progress		0	0	0	0	0	0	0	0	0	4,474
Incentive Pay		400,000	24,604	5,016	29,620	0	3,332	3,332	5,800	438,752	519,842
<b>Total Salaries</b>		<b>9,774,544</b>	<b>834,328</b>	<b>201,812</b>	<b>1,036,140</b>	<b>1,870,483</b>	<b>113,778</b>	<b>1,984,261</b>	<b>143,645</b>	<b>12,938,590</b>	<b>12,241,894</b>
Unemployment Cost		0	0	0	0	0	0	0	25,000	25,000	12,000
Temporary Help		135,000	0	0	0	0	0	0	0	135,000	220,000
Retiree Benefits		0	223,086	0	223,086	30,000	0	30,000	0	253,086	102,000
Employment Services		0	0	0	0	0	0	0	0	14,950	12,450
OPEB contribution-retiree benefits		0	0	0	0	135,000	0	135,000	0	135,000	135,000
<b>Total</b>	<b>90</b>	<b>\$ 9,909,544</b>	<b>\$ 1,057,414</b>	<b>\$ 201,812</b>	<b>\$ 1,259,226</b>	<b>\$ 2,035,483</b>	<b>\$ 113,778</b>	<b>\$ 2,149,261</b>	<b>\$ 168,645</b>	<b>\$ 13,501,626</b>	<b>\$ 12,723,344</b>

Total Salaries	9,774,544
Total Retirement	1,259,226
Total Benefits	2,149,261
Total Taxes	168,645
Total Temporary Help	135,000
Total Employment Services	14,950
<b>Grand Total</b>	<b>\$ 13,501,626</b>

**Notes:**

FY 20/21 - Five new postions across four areas: IT, WC Claims, Actuarial/Data, and Admin. These positions spread technical work among staff, speed up product & project timelines, reduce caseloads, and increas control over services. There are also two upgrades and one reclassification related to increased responsibility and change in staff structure. Two positions are included in capital outlay for development of proprietary claims system. These changes will bring employee count to 90 in 2020/21.

## PUBLIC RISK INNOVATION, SOLUTIONS, AND MANAGEMENT (PRISM)

## Schedule 1A

Publicly Available Pay Schedule  
Adopted Salary Range Effective July 1, 2020

Position	Salary Grade	Salary Range (Annual)		
Chief Executive Officer	Contract			295,400
Chief Actuary	16	223,296	-	357,276
Chief Operating Officer	15	171,540	-	274,464
Chief Member Services Officer	15	171,540	-	274,464
Chief Legal Officer	15	171,540	-	274,464
Senior Data Scientist	14	165,372	-	239,784
Software Architect	14	165,372	-	239,784
Chief Information Officer	13	140,112	-	224,184
Chief Financial Officer	13	140,112	-	224,184
Director of Business Analytics	12	137,760	-	206,640
Director of Employee Benefits	12	137,760	-	206,640
Director of Risk Control	12	137,760	-	206,640
Director of Liability Claims	12	137,760	-	206,640
Director of WC Claims	12	137,760	-	206,640
IT Manager	11	131,208	-	196,812
Underwriting Manager	10	110,712	-	166,068
WC Claims Manager	10	110,712	-	166,068
Controller	10	110,712	-	166,068
Human Resources Manager	10	110,712	-	166,068
Office Manager	10	110,712	-	166,068
Actuarial Manager	10	110,712	-	166,068
Supervising Sr. RC Specialist	9-S	91,932	-	133,296
Supervising Sr. Accountant	8-S	87,648	-	127,092
Supervising Sr. WC Claims Specialist	8-S	87,648	-	127,092
Supervising Liability Claims Specialist	8-S	87,648	-	127,092
Sr. Risk Control Specialist	9	79,932	-	115,896
Sr. I.T. Specialist	9	79,932	-	115,896
Sr. Member Services Specialist	9	79,932	-	115,896
Sr. Specialist - Developer Analyst	9	79,932	-	115,896
Sr. Specialist - Software Developer	9	79,932	-	115,896
Sr. Liability Claims Specialist	8	76,236	-	110,544
Sr. WC Claims Specialist	8	76,236	-	110,544
Sr. Underwriting Analyst	8	76,236	-	110,544
Sr. Data Analyst	8	76,236	-	110,544
Sr. Employee Benefits Specialist	8	76,236	-	110,544
Liability Claims Specialist	7	66,576	-	93,204
Actuarial Analyst	7	66,576	-	93,204
Risk Control Specialist	6	58,728	-	82,224
WC Claims Specialist	6	58,728	-	82,224
IT Specialist	5	56,064	-	78,492
Communications Specialist	5	56,064	-	78,492
Accountant	5	56,064	-	78,492
Underwriting Specialist	5	56,064	-	78,492
Employee Benefits Specialist	5	56,064	-	78,492
Meeting & Event Planner	4	52,896	-	74,052
Executive Secretary	4	52,896	-	74,052
Claims Assistant	3	47,328	-	66,264
Accounting Technician	2	42,288	-	59,208
Clerical Assistant	1	39,000	-	50,700
Receptionist	1	39,000	-	50,700

**PUBLIC RISK INNOVATION, SOLUTIONS, AND MANAGEMENT (PRISM) Schedule 2**

**2020/21 Budget**

**Adopted Employee Benefits**

Flexible Spending Benefit Program Contribution

	Jan 2020 Rates			Estimated Rate Change	Estimated 2021 Rates		
	Emp. Only	Emp. + 1	Family		Emp. Only	Emp. + 1	Family
Anthem Blue Cross Select HMO	\$ 868.98	\$ 1,737.96	\$ 2,259.35	20%	\$ 1,042.78	\$ 2,085.55	\$ 2,711.22
Anthem Blue Cross Traditional	1,184.84	2,369.68	3,080.58	20%	1,421.81	2,843.62	3,696.70
Blue Shield Access+ HMO	1,127.77	2,255.54	2,932.20	20%	1,353.32	2,706.65	3,518.64
Blue Shield EPO	1,127.77	2,255.54	2,932.20	20%	1,353.32	2,706.65	3,518.64
Blue Shield TRIO	833.00	1,666.00	2,165.80	20%	999.60	1,999.20	2,598.96
Kaiser	768.49	1,536.98	1,998.07	20%	922.19	1,844.38	2,397.68
United Healthcare HMO	899.94	1,799.88	2,339.84	20%	1,079.93	2,159.86	2,807.81
Western Health Advantage	731.96	1,463.92	1,903.10	20%	878.35	1,756.70	2,283.72
PERS Choice	861.18	1,722.36	2,239.07	20%	1,033.42	2,066.83	2,686.88
PERS Select	520.29	1,040.58	1,352.75	20%	624.35	1,248.70	1,623.30
PERS Care	1,133.14	2,266.28	2,946.16	20%	1,359.77	2,719.54	3,535.39
Average	914.31	1,828.61	2,377.19		1,005.74	2,011.47	2,614.91
Dental	58.99	107.29	179.53	5%	61.94	112.65	188.51
Dental - Buy Up Option	60.70	110.50	184.90	5%	63.74	116.03	194.15
Vision	7.30	12.90	20.30	5%	7.67	13.55	21.32
Vision - Buy Up Option	10.00	17.90	28.50	5%	10.50	18.80	29.93
Totals	\$ 1,051.30	\$ 2,077.20	\$ 2,790.42		\$ 1,149.58	\$ 2,272.49	\$ 3,048.80

Estimated 2017 Increase  
50% of 2017 Projected Rate Increase

Flexible Benefit Eff 1/1/19	PRISM Payment	Flexible Spending Plan	Estimated Flexible Benefit Eff 1/1/20	PRISM Payment	Flexible Spending Plan
\$ 1,852.05	\$ 141.00	\$ 1,711.05	\$ 1,981.24	\$ 147.00	\$ 1,834.24

**PUBLIC RISK INNOVATION, SOLUTIONS, AND MANAGEMENT (PRISM)**  
**2020/21 Budget Worksheet**  
**Adopted Meeting Expense**

Line Item	2019/20 Budget	2020/21 Budget	Budget Incr/(Decr)
Board Meetings:			
October - Sacramento	\$ 162,025	\$ 108,090	\$ (53,935)
March - Sacramento	82,425	69,575	(12,850)
June - Sacramento	90,425	87,365	(3,060)
Public Entity Annual Meetings:			
Northern California - Folsom	9,350	15,080	5,730
Southern California - Ontario	17,250	10,525	(6,725)
PRISM Encounter Meetings			
Northern California - Hilton, Sac.	15,350	25,900	10,550
Southern California - Ontario	22,250	9,415	(12,835)
Educational Forums :			
Northern California - Pleasanton	18,700	0	(18,700)
Southern California - Ontario	18,700	0	(18,700)
Executive Committee Retreat	77,750	80,374	2,624
Board/Exec Committee Travel			
Property Renewal Trip	12,250	12,000	(250)
Liability Renewal Trip	7,500	7,500	0
Conference Travel	1,200	1,200	0
Other Trainings	23,000	11,000	(12,000)
Budget Savings	(40,000)	(60,000)	(20,000)
Total PRISM Meeting Expenses	<u>\$ 518,175</u>	<u>\$ 378,024</u>	<u>\$ (140,151)</u>

**PUBLIC RISK INNOVATION, SOLUTIONS, AND MANAGEMENT (PRISM)**  
**2020/21 Budget Worksheet**  
**Adopted Committee Expenses**

Line Item	2019/20 Budget	2020/21 Budget	Budget Incr/(Decr)
<b><u>PRISM Committees</u></b>			
Claims Review	\$ 19,384	\$ 17,000	\$ (2,384)
PRISMHealth	11,686	13,000	1,314
Employee Benefits	8,635	12,000	3,365
Executive	41,545	40,000	(1,545)
Finance	12,549	9,000	(3,549)
General Liability 2	9,573	9,000	(573)
Legislative	45,754	22,000	(23,754)
Medical Malpractice	4,889	10,000	5,111
Member Services	8,696	7,000	(1,696)
Primary Workers' Compensation	12,339	9,000	(3,339)
Property	1,101	9,000	7,899
Risk Control	9,400	9,000	(400)
Technology	7,023	4,000	(3,023)
Underwriting	16,616	17,000	384
Pre-EB Committee Dinners	4,000	4,000	0
All Other Pre-Committee Dinners	8,000	8,000	0
Less Savings	(53,838)	(48,000)	5,838
<b>Total Committees</b>	<b>\$ 167,352</b>	<b>\$ 151,000</b>	<b>\$ (16,352)</b>

## PUBLIC RISK INNOVATION, SOLUTIONS, AND MANAGEMENT (PRISM)

**2020/21 Budget Worksheet**  
**Adopted Training and Education**

Line Item	2019/20 Budget	20/20/21 Budget	Budget Incr/(Decr)
Periodicals and Publications	\$ 11,150	\$ 10,650	\$ (500)
Education & Training	145,775	145,065	(710)
Scholarships - PRIMA	8,000	8,000	0
Conferences and Seminars	98,611	87,775	(10,836)
Memberships	60,316	60,236	(80)
<b>Total Training and Education</b>	<b>\$ 323,852</b>	<b>\$ 311,726</b>	<b>\$ (12,126)</b>

\* Education Allowance is based on the CSU Sacramento tuition rates for two six-unit semesters and is estimated to be a total of \$3,330.

## PUBLIC RISK INNOVATION, SOLUTIONS, AND MANAGEMENT (PRISM)

## 2020/21 Budget Worksheet

## Adopted Computer Hardware, Software, Technical Support

Line Item	2019/20 Budget	2020/21 Budget	Budget Incr/(Decr)
Computer Supplies and Software	\$ 355,278	\$ 364,200	\$ 8,922
Annual Maintenance	175,750	197,650	21,900
Computer Hardware	182,900	159,900	(23,000)
Web Conferencing	15,900	21,120	5,220
Computer Technical Assistance	140,925	182,300	41,375
Website Design/Hosting/Support	392,000	397,000	5,000
<b>Total</b>	<b>\$ 1,262,753</b>	<b>\$ 1,322,170</b>	<b>\$ 59,417</b>



**PUBLIC RISK INNOVATION, SOLUTIONS, AND MANAGEMENT (PRISM)**  
**2020/21 Budget Worksheet**  
**Adopted Technology Program Expenses**

	2019/20 Budget	2020/21 Budget
<b><u>PRISM Claims System Expense Line Item</u></b>		
Application Service Provider (ASP) Fee (\$275 per month per	\$ 0	\$ 0
SIMS System		
Maintenance due at production use of software	35,000	0
Cloud Hosting due at delivery of trial conversion	65,000	0
Escrow account	900	0
TPA to TPA Conversion	70,000	0
TPA Data Conversion and SIMS Training	50,000	0
TPA Maintenance due at production use of software	150,000	0
TPA Cloud Hosting due at delivery of trial conversion	220,000	0
SIMS: Hosting and Maintenance	0	544,100
SIMS: Conversion Costs	0	83,445
SIMS: Travel and Meals	0	2,000
SIMS: Training	0	1,200
SIMS: Flashforms	0	17,200
Depreciation expense	329,109	391,500
Proprietary Claim System Depreciation expense	200,000	0
Subtotal	1,120,009	1,039,445
Estimated unspent funds from prior budget	(740,820)	0
Amount To Allocate to Programs	379,189	1,039,445

**Allocation of PRISM Claims System Costs**

PWC	254,057	67%	696,428
EWC	75,838	20%	207,889
General Liability 1	22,751	6%	62,367
General Liability 2	11,376	3%	31,183
Medical Malpractice	15,168	4%	41,578
<b><u>Total Allocated</u></b>	<b><u>379,190</u></b>	<b><u>100%</u></b>	<b><u>1,039,445</u></b>

**Member Claims System Expense Line Item**

Member Data Conversion and SIMS Training	150,000	0
Member Maintenance due at production use of software	100,000	0
Member Cloud Hosting due at delivery of trial conversion	100,000	0
SIMS MBR: Conversion	0	66,900
SIMS MBR: Hosting and Maintenance	0	237,400
SIMS MBR: Travel and Meals	0	1,800
SIMS MBR: Training	0	600
SIMS MBR: Flashforms	0	1,800
Depreciation expense	160,043	117,180
Less Revenue for Member access to new system	\$ 510,043	\$ 425,680

## PUBLIC RISK INNOVATION, SOLUTIONS, AND MANAGEMENT (PRISM)

## 2020/21 Budget Worksheet

## Adopted Insurance Cost

Line Item	Renewal Date	2019/20 Budget	2020/21 Budget	Budget Incr/(Decr)
<b>General Administration Fund</b>				
Workers Compensation				
PWC	7/1/2020	\$ 23,640	\$ 48,000	\$ 24,360
EWC	7/1/2020	126,205	141,000	14,795
Blanket Bond/Commercial Crime	6/30/2020	2,500	3,100	600
Property	7/1/2020	9,400	12,820	3,420
Liability	7/1/2020	157,100	173,000	15,900
Cyber Liability Premium	7/1/2020	1,700	2,600	900
Pollution Insurance		1,279	1,279	0
SLIP	7/1/2020	0	2,000	2,000
Notary E&O/Bond	7/1/2020	600	600	0
Less Allocated to Iron Point Building		(26,389)	(31,398)	(5,009)
<b>Total General Admin Insurance</b>		<b>\$ 296,035</b>	<b>\$ 353,001</b>	<b>\$ 56,966</b>

**PUBLIC RISK INNOVATION, SOLUTIONS, AND MANAGEMENT (PRISM)**  
**2020/21 Budget Worksheet**  
**Adopted Printing Cost**

Line Item	2019/20 Budget	2020/21 Budget	Budget Incr/(Decr)
Copier Cost	\$ 35,000	\$ 35,000	\$ 0
Binding Supplies	1,500	1,500	0
<b>Total In House Printing</b>	<b>36,500</b>	<b>36,500</b>	<b>0</b>
Letterhead	3,500	3,500	0
2nd Sheet	850	850	0
Envelopes	2,700	2,700	0
Large Envelopes	1,000	1,000	0
Annual Report	21,000	20,000	(1,000)
Business Cards	4,500	4,500	0
Member Services Projects	7,000	9,000	2,000
Other Projects	2,000	2,000	0
<b>Total Outside Printing</b>	<b>42,550</b>	<b>43,550</b>	<b>1,000</b>
<b>Total Printing</b>	<b>\$ 79,050</b>	<b>\$ 80,050</b>	<b>\$ 1,000</b>

## PUBLIC RISK INNOVATION, SOLUTIONS, AND MANAGEMENT (PRISM)

## 2020/21 Budget Worksheet

## Adopted Member Development Cost

Line Item	2019/20 Budget	2020/21 Budget	Budget Incr/(Decr)
Booth Maintenance	\$ 3,000	\$ 2,000	\$ (1,000)
CASBO	1,000	0	(1,000)
ASC	0	0	0
CalPELRA Exhibit Expenses	3,500	5,700	2,200
Conference Booth Shipping Charges	500	500	0
RCRC Sponsorship	1,500	2,000	500
RCRC Attendance at Conference	500	0	(500)
CPOA Sponsorship	5,000	5,000	0
Exhibitor Raffle Prizes	650	650	0
Booth Art Work	500	1,000	500
CSAC Exhibit Expenses	250	250	0
Meeting Signage	500	500	0
Marketing Clothing Items	4,894	6,699	1,805
PR Budget *	50,000	50,000	0
Member Give Away Items	16,264	16,264	0
Total	88,058	90,563	2,505
Member Recognition & Awards	10,000	10,000	0
<b>Grand Total - Member Development</b>	<b>\$ 98,058</b>	<b>\$ 100,563</b>	<b>\$ 2,505</b>

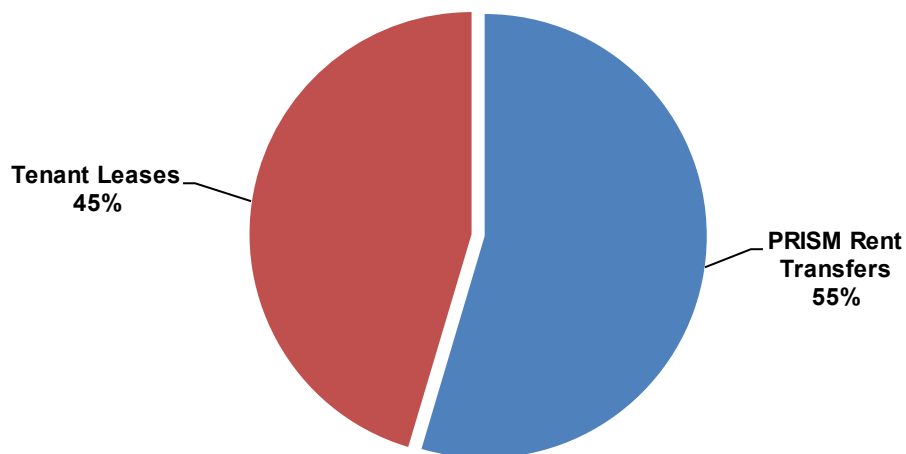
\*Includes hard market messaging

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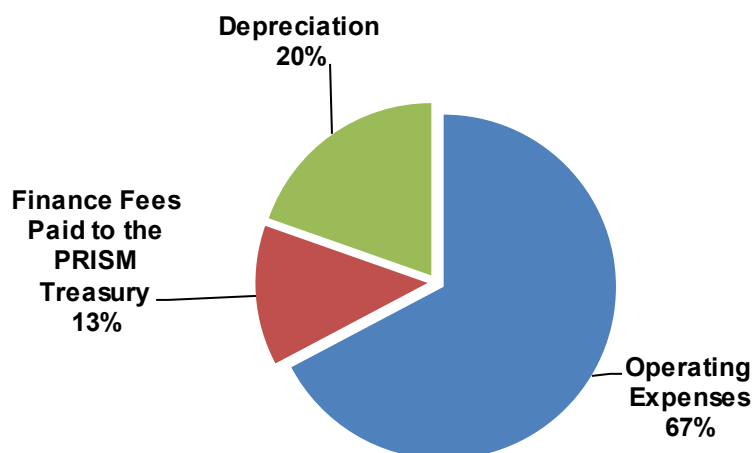
## **Building Fund**

PRISM has invested \$9.1M in our office facility located on Iron Point Circle in Folsom, California. This investment includes improvement to our office as well as preparing the remaining space for our tenants. The building fund houses PRISM at low occupancy cost as well as provides profit from our leasing operations. The Building Fund budget is illustrated in the following charts.

**Building fund Revenues and Transfers**  
(in thousands)



**Building Fund Budget - Expense Summary**



**PUBLIC RISK INNOVATION, SOLUTIONS, AND MANAGEMENT (PRISM)**  
**IRON POINT BUILDING PROGRAM**  
**Adopted Budget**  
**July 1, 2020 to June 30, 2021**

Sources and Uses of Financial Resources	CAFR Actual 2018/19	Year to Date 12/31/2019	Estimated 2019/20	Budget 2019/20	Budget 2020/21	Increase (Decrease)	Text Detail
<b>REVENUES:</b>							
Lease Income - Tenants	\$ 488,076	\$ 227,551	\$ 425,000	\$ 499,167	419,353	\$ (79,814)	Tenant terminated lease, budgeted 6m vacancy
<b>TOTAL REVENUES</b>	<b>488,076</b>	<b>227,551</b>	<b>425,000</b>	<b>499,167</b>	<b>419,353</b>	<b>(79,814)</b>	
<b>EXPENDITURES:</b>							
Operating Expenses							
Janitorial	61,868	28,592	65,845	68,360	87,520	19,160	
Utilities	81,980	46,882	93,019	98,430	96,500	(1,930)	
Garbage	5,448	2,724	5,695	6,300	6,280	(20)	
Water and Sewer	8,294	5,961	14,636	12,840	15,400	2,560	
Security & Fire Sprinkler Monitoring	19,159	6,982	16,482	16,100	17,290	1,190	
Landscape Maintenance	7,975	5,154	10,072	21,973	15,300	(6,673)	
Pest Control	1,260	630	1,540	1,530	1,530	0	
Commission Expense	0	46,920	46,920	45,634	98,000	52,366	Broker commission for two lease renewals
Common Area Maintenance	22,610	11,305	23,073	24,000	31,200	7,200	
Building Repairs	66,868	272,995	272,995	300,000	0	(300,000)	Window repairs completed in 19/20
Building Maintenance	26,326	18,607	29,174	142,670	147,750	5,080	
Mello Roos Tax	15,042	7,418	14,835	15,880	15,810	(70)	
Insurance	18,000	0	26,390	26,390	31,400	5,010	
Legal Service	29,685	4,257	21,802	100,000	100,000	0	Litigation for building
Management Fees	36,394	19,376	39,495	38,190	38,190	0	
Finance Fees to PRISM Treasury	104,639	66,540	132,540	132,300	140,800	8,500	
<b>Total Operating Expenses</b>	<b>505,548</b>	<b>544,344</b>	<b>814,513</b>	<b>1,050,597</b>	<b>842,970</b>	<b>(207,627)</b>	
Depreciation							
Depreciation - Building	96,314	40,240	96,314	96,320	96,314	(6)	
Depreciation - Roof	8,333	8,333	8,333	8,340	8,333	(7)	
Depreciation - Parking Lot	7,500	7,500	7,500	7,500	7,500	0	
Depreciation - Tenant Improvements	151,270	75,635	151,270	145,800	98,522	(47,278)	Certain items fully depreciated
<b>Total Depreciation</b>	<b>263,417</b>	<b>131,708</b>	<b>263,417</b>	<b>257,960</b>	<b>210,669</b>	<b>(47,291)</b>	
Appropriation for Contingencies	0	0	0	20,000	20,000	0	
<b>TOTAL EXPENDITURES</b>	<b>768,965</b>	<b>676,053</b>	<b>1,077,930</b>	<b>1,328,557</b>	<b>1,073,639</b>	<b>(254,918)</b>	
<b>TRANSFERS:</b>							
Transfers in from General Administration							
Building Rent	481,657	481,657	481,657	481,657	503,699	22,042	
<b>TOTAL TRANSFERS</b>	<b>481,657</b>	<b>481,657</b>	<b>481,657</b>	<b>481,657</b>	<b>503,699</b>	<b>22,042</b>	
Net Operating Margin	200,768	33,155	(171,273)	(347,732)	(150,587)	197,145	
<b>NET POSITION - JULY 1</b>	<b>676,319</b>	<b>877,087</b>	<b>877,087</b>	<b>830,469</b>	<b>705,814</b>		
<b>NET POSITION - JUNE 30</b>	<b>877,087</b>	<b>910,243</b>	<b>705,814</b>	<b>482,737</b>	<b>555,227</b>		

# **Public Risk Innovation, Solutions, and Management (PRISM)**

**CALIFORNIA**



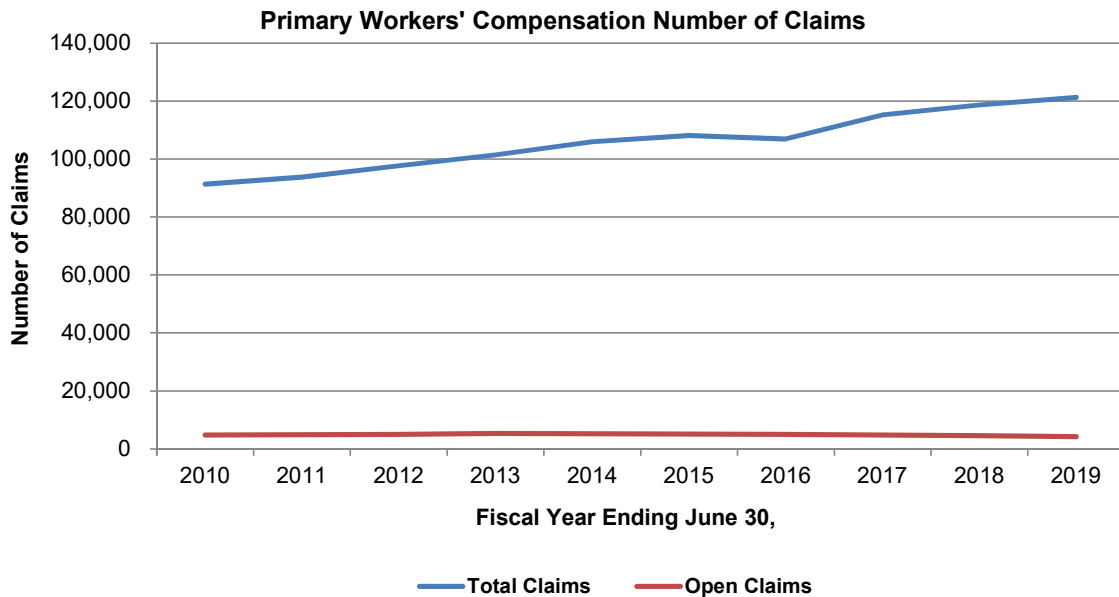
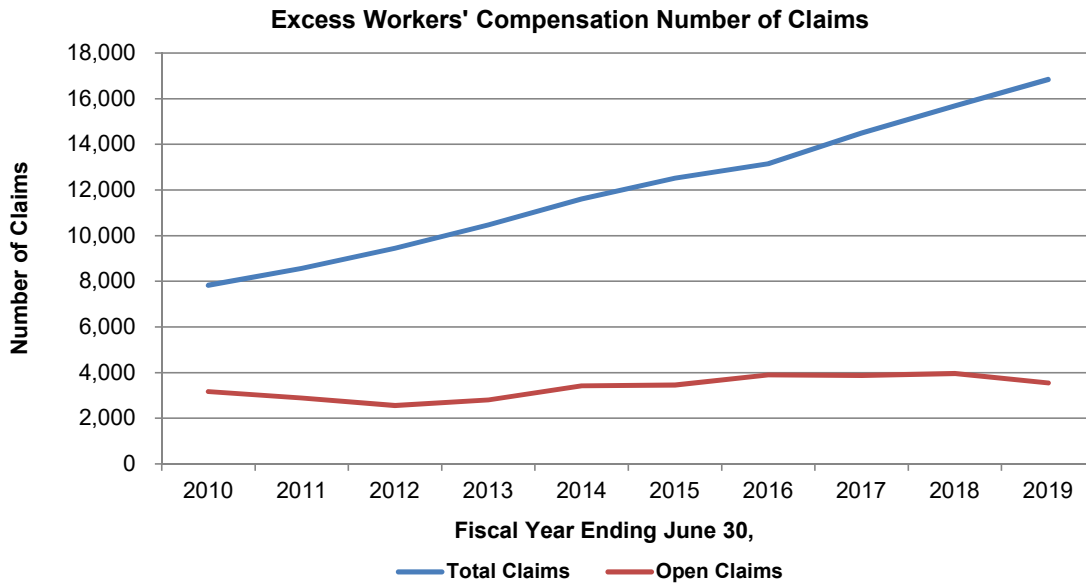
## **STATISTICAL/ SUPPLEMENTAL SECTION**

For the Fiscal Year  
July 1, 2020 to June 30, 2021

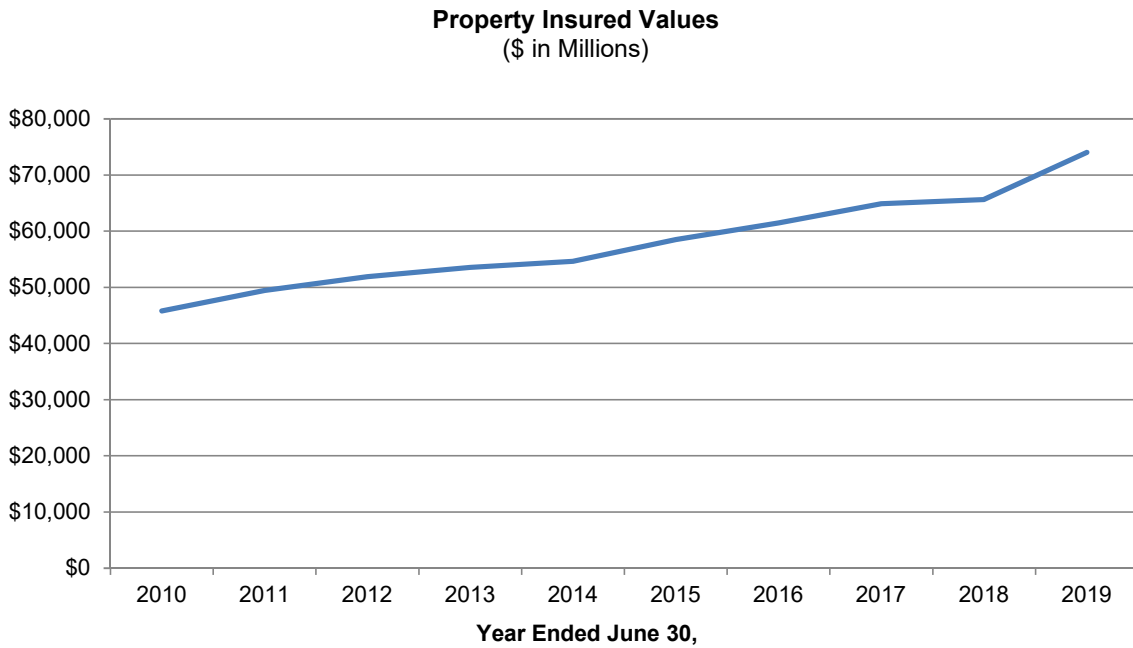
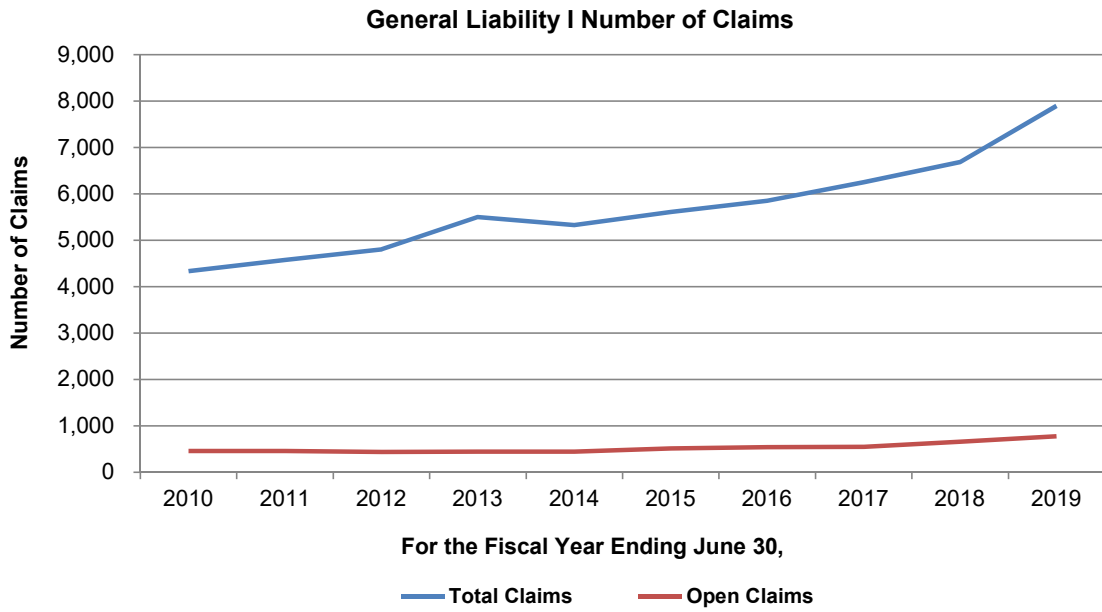


**PRISM  
ECONOMIC INDICATORS AND INFORMATION  
FOR THE 10-YEAR PERIOD ENDING JUNE 30, 2019**

The best economic indicator of the financial stability for PRISM is the estimation of incurred claims expense (line 6) and claims paid (line 3) reported in the Schedule of Claim Development and Earned Assessments in the Required Supplemental Information section of the CAFR's Financial Section. Other relevant economic and demographic information would include trends for the number of claims, covered payrolls, property values, and PRISMHealth employees and lives covered as shown on the following charts.



**PRISM**  
**ECONOMIC INDICATORS AND INFORMATION**  
**FOR THE 10-YEAR PERIOD ENDING JUNE 30, 2019**



**PUBLIC RISK INNOVATION, SOLUTIONS AND MANAGEMENT  
OPERATING INDICATORS AND STATISTICS**

	Budget Year Beginning				
	2016	2017	2018	2019	2020
<b>Budgeted Full-Time</b>					
<b>Equivalents by Department</b>					
Administration	11	12	13	13	13
Actuarial	5	7	8	8	11
Finance	5	5	6	6	6
Information Technology	13	13	14	15	15
Claims	23	24	26	28	29
Member Services (LP)	10	12	12	12	13
Employee Benefits	2	2	2	3	3
<b>Total Employees</b>	<b>69</b>	<b>75</b>	<b>81</b>	<b>85</b>	<b>90</b>
<b>Number of Retirees</b>	<b>6</b>	<b>7</b>	<b>9</b>	<b>9</b>	<b>10</b>

	Fiscal Year End				
	2017	2018	2019	2020	Budget 2020-21
<b>Member Units</b>					
Primary Workers' Comp	39	39	38	39	38
Excess Workers' Comp	171	175	171	181	183
Primary General Liability	33	22	21	0	0
General Liability 1	114	125	122	132	123
General Liability 2	15	18	17	18	18
Property	98	105	100	110	107
Medical Malpractice	51	52	52	52	52
Master Owner Controlled Insurance	15	16	16	18	18
PRISMHealth	32	37	36	42	42
Dental	153	154	154	171	171
<b>Total Member Units</b>	<b>721</b>	<b>743</b>	<b>727</b>	<b>763</b>	<b>752</b>
Member Counties	55	55	55	55	55
Member Public Entities	273	288	283	306	305
<b>Total Members</b>	<b>328</b>	<b>343</b>	<b>338</b>	<b>361</b>	<b>360</b>

## GLOSSARY

**Accrual:** Accounting method that records revenues and expenses when they are incurred, regardless of when cash is exchanged.

**Aggregate:** The cumulative amount of all losses for a period of time.

**Aggregate Stop Loss:** A financial arrangement with the JPA's excess carrier that caps the aggregate to a predetermined limit at which point the excess carrier would begin to reimburse for losses within the JPA's self-insured retention or pooled layer.

**Amortization:** The process of incrementally charging the cost of an asset to expense over its expected period of use.

**Assessment:** An additional amount charged a member if it is determined that the initial contribution paid is not adequate to fund the losses incurred.

**Attachment Point:** The dollar amount of a loss where the next layer of insurance begins to pay for the loss.

**Balanced Budget:** Budgeted revenues are equal to or exceed budgeted expenses.

**Bonds:** A fixed income instrument that represents a loan made by an investor to a borrower.

**Budget:** A formal statement of estimated income and expenses based on future plans and objectives.

**Capital Expenditures/Capital Assets:** Capital assets include furniture, equipment, and software, tenant improvements, building, with an individual cost of \$5,000 or more.

**Captive Insurance Company:** An insurance company that is wholly owned and controlled by its insureds; its primary purpose is to insure the risks of its owners, and its insureds benefit from the captive insurer's underwriting and investment profits.

**Ceded Premiums/Claims Costs:** Premiums paid to an insurance company and claims costs that are transferred to another entity in connection with a reinsurance arrangement.

**Claims Made:** Method of determining whether or not coverage is available for a specific claim. A claims-made policy states that a claim must be made during the policy period or the extended reporting period, if applicable.

**Commutation:** A clause in a reinsurance agreement which provides for estimation, payment and complete discharge of all future obligations for reinsurance losses incurred, regardless of the continuing nature of certain losses.

**Confidence Level:** The confidence level is a percentage estimate of the ultimate pool layer costs. The actuary's expected costs are shown at slightly more than average (approximately 55%). About half the time, the actual costs will be lower than the actuary's estimates and half the time the actual costs will be higher. To be more conservative, pools set aside additional sums of money to increase the chance that enough funds are available to pay claims. For example, if the actuary's estimate at the 70% confidence level is \$1M, then there is a 30% chance that losses will exceed \$1M.

**Contribution:** The amount paid by a PRISM member to receive a specified type of insurance coverage for a defined period of time.

**Corridor Retention or Deductible Pool:** An aggregated pool layer above which a carrier will reimburse the Program for losses that exceed the aggregate attachment point on a per claim basis.

**Deductible Buy-Down:** An amount the insured must pay before payments for covered services begin. The deductible is usually a fixed amount. For example, an insurance plan might require the insured to pay the first \$50 of covered expense during a calendar year.

**Deposit Premium:** Amount of premium paid at the beginning of the coverage period, which is then adjusted to a final premium amount at the end of the coverage period. This is most common in workers' compensation, where premiums are based on estimated payroll amounts at inception and adjusted based on actual payroll amounts afterwards.

**Discount Rate:** The assumed interest rate used to calculate the present value of future claim liabilities. Also used in calculating premium needed to fund claim payments.

**Dividend:** An amount reimbursed to a member if it is determined that the initial contribution paid is greater to fund the losses incurred.

**DOL (Date of Loss):** The first date on which an insured event occurred.

**Enterprise Fund:** Proprietary fund type used to report an activity for which a fee is charged to external users for goods or services.

**Excess Coverage:** Insurance coverage which does not provide for payment to the insured until underlying insurance coverage has paid its limits or the insured has paid its self-insured retention.

**Excess Insurance:** Joint purchase insurance purchased to provide higher limits than the primary policy or pool layer provides. Policy terms may differ and policy covers the member not the pool.

**First Dollar Coverage:** Insurance coverage that begins with the first dollar of a covered loss. The insured does not have a deductible or self-insured retention to meet before coverage begins as long as the loss is for a covered peril.

**Fund:** A source of money that is allocated for a specific purpose.

**General Liability Coverage (GL):** Provides coverage for claims from third parties alleging damages due to negligence on the part of the member arising out of personal injury, property damage, public officials errors and omissions, employment practices liability, and automobile liability.

**IBNR (Incurred but Not Reported):** This is an actuarial term referring to the estimated future loss development, as well as the estimated cost of claims that have happened but are not yet included in the claims data. A reserve for IBNR is established by the actuary as part of the Ultimate Loss Costs to contemplate for these future estimated costs.

**Incurred Loss:** This is the expected value of any claim. It includes the amount already paid plus the estimated amount yet to be paid (reserves).

**Investment Gap:** The difference between what PRISM is currently earning and what was actuarially projected would be earned on funds when premium was calculated, that is the difference between actual earnings rate and discount rate.

**Limit of Liability:** The most that will be paid in a loss.

**Loss Adjustment Expense:** the costs associated with settlement of a specific claim, other than the claim payment itself i.e., legal fees, appraisal fees and court costs.

**Loss Development:** The process of change in amount of losses as a policy or accident year matures, as measured by the difference between paid losses and estimated outstanding losses at one point in time, and paid losses and estimated outstanding losses at some previous point in time. In common usage, it might refer to development on reported cases only, whereas a broader definition also would take into account the IBNR claims.

**Loss Portfolio Transfer (LPT):** A financial reinsurance transaction in which loss obligations that are already incurred and will ultimately be paid are ceded to a reinsurer. In determining the premium paid to the reinsurer, the time value of money is considered, and the premium is therefore less than the ultimate amount expected to be paid.

**Mega Fund:** An aggregated pool layer that caps the aggregate to a predetermined limit at which point the excess carrier would “drop down” and begin to reimburse for losses within the JPA’s SIR or pooled layer.

**Member:** A County or Public Entity participating in the PRISM pool.

**MOC (Memorandum of Coverage):** The policy or coverage document outlining the terms and conditions of coverage, similar to an insurance policy.

**Net Position:** Assets plus Deferred Outflow of Resources less Liabilities and Deferred Inflow of Resources. Net Position represents investment in capital assets as well as unrestricted fund balance available for future operations or distribution.

**Non-Admitted Insurer:** An insurance company not licensed in a state.

**Occurrence:** An accident or event which triggers coverage.

**Occurrence Basis:** Method of determining whether or not coverage is available for a specific claim. An occurrence basis policy covers events that occur while the policy is in force, regardless of when a claim is actually made.

**Pool Layer:** The insurance coverage retained by PRISM. Losses within this layer are paid by PRISM.

**Pooled Loss:** The portion of a loss that is allocated to, or paid by, the self-insured pool. For example, the General Liability Program I pools, or self-insures the difference between a member's SIR and \$5M of each occurrence. Loss costs exceeding this amount are paid by excess insurance.

**Premium:** The amount paid by a PRISM member to receive a specified type of insurance coverage for a defined period of time-see also Contribution.

**Provision for Insured Events:** The expense amount for pooled claims on the Statement of Revenues, Expenses and Changes in Net Assets (Income Statement).

**Quota-share arrangement:** An agreement between two insurers to split the cost of claims within a coverage layer based upon a certain formula or percentage.

**Reinsurance:** Insurance purchased by PRISM from other insurers to reimburse the pool for covered losses. Losses revert to PRISM if the reinsurer is unable to meet its obligations. Reinsurance provides coverage to the pool, and is identical to what the pool covers.

**Retained Risk:** The portion of risk that the pool self-funds.

**Reserves:** The estimate of the total cost of a claim. Reserves may be estimated by category, such as personal injury, property damage, or medical costs.

**Risk Pools:** A group of entities collectively purchasing a certain type and level of insurance to protect them from claims covered by that insurance. Pooling is designed to

help provide more stable rates over the long-term horizon and also helps to reduce the cost of insurance by spreading fixed administrative costs over a larger group.

**Self-Insurance:** Practice of an individual, group of individuals, employer or organization to pay for losses rather than transfer the cost to another. The entity may self-insure all or a portion of the expected losses.

**SIR (Self Insured Retention):** This is the amount of each loss for which the member is responsible. Once the value of the claim has exceeded their SIR, the member may seek reimbursement for those expenses in excess of their SIR.

**Target Equity:** The range of net position that various governing committees decide is appropriate. Committees use an actuarially determined confidence level discounted for investment income and a variety of target ratios (such as gross premium to equity target ratio) to determine the target equity range.

**Third-party Administrator:** An entity that is hired to handle the administration of claims processing.

**Tower:** Various programs have many different insurance placements or segregation of members into types, which PRISM categorizes as “towers” to illustrate the separation or layering of the various placements.

**Transferred Risk:** The portion of risk, insured or reinsured, by a private insurer or reinsurer and not retained by the pool.

**ULAE (Unallocated Loss Adjustment Expenses):** In the context of risk financing, costs that cannot be associated with specific claims, but are related to claims paid or in the process of settlement, such as salaries and other internal costs of the pool's claims department. This amount is calculated for the entire life of the claim.

**Ultimate Net Loss:** The total cost of a claim. The difference between incurred loss and Ultimate Net Loss is the loss development or IBNR-the actuary may estimate that losses may develop or become larger because of inflation, changes in law etc.