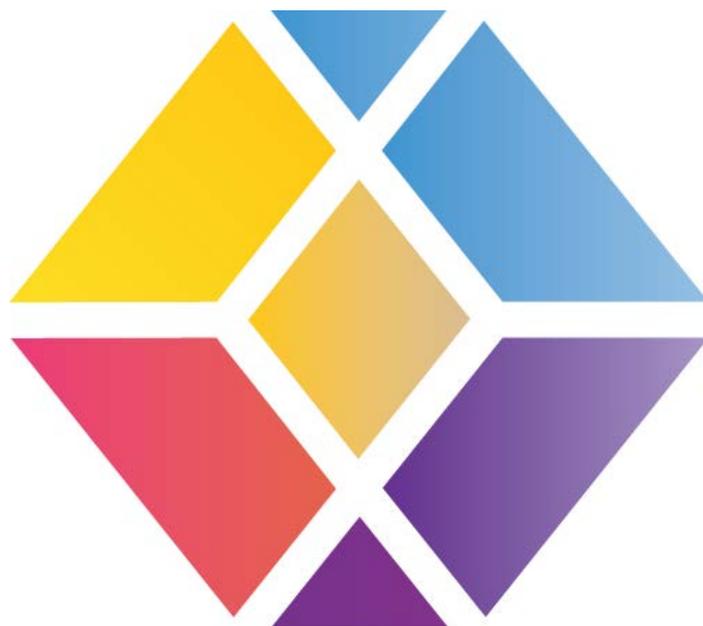


# **Public Risk Innovation, Solutions, and Management (PRISM)**

**CALIFORNIA**



## **ADOPTED BUDGET**

For the Fiscal Year  
July 1, 2021 to June 30, 2022

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

**ADOPTED BUDGET**  
**FOR THE FISCAL YEAR JULY 1, 2021 TO JUNE 30, 2022**

**EXECUTIVE COMMITTEE**

<b>Name</b>	<b>Entity</b>
Janell Crane	Sonoma County
Scott Schimke	GSRMA
Mark Howard	ACCEL
Karen Caoile	Contra Costa County
Matt Gutierrez	Kern County
Richard Egan	Lassen County
Heather Correll Rose	Mendocino County
James Brown	Merced County
Kerri John Whitney	Napa County
Lance Sposito	Santa Clara 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

**Office Address**

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The PRISM Finance Department

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Tony Udoh, Accountant  
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**PRISM**  
**Public Risk Innovation, Solutions, Management**  
**Adopted Budget**  
**For the Fiscal Year 2021/22**

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**PRISM**  
**Public Risk Innovation, Solutions, Management**  
**Adopted Budget**  
**For the Fiscal Year 2021/22**

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June 4, 2021

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 2021/22 for your approval.

### **Budget Priorities**

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. PRISM Affiliate Risk Captive (PRISM ARC), a blended component unit of PRISM, is a captive insurance company domiciled in Utah established to take certain risks of various PRISM programs.

In FY21/22, we are enhancing our member service and risk control programs in the following areas:

- Evaluate stop gap measures to fill risk management needs
- Identify individuals at member agencies to send targeted resources and information (Three Deep campaign)
- Expand member networking opportunities
- Develop methods to continually highlight available services to all members
- Continue the marketing of Enterprise Risk Consultants (ERC) Program, risk management legal services and the employment practices legal services offered by the Eyres Law Group to all members
- Continue and expand the use of an online Risk Management Practitioner Program
- Continue marketing efforts of law enforcement related programs such as POST certified trainings
- Continue the collaboration with VectorSolutions 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 began in July of 2020 with the discovery phase of gathering all project requirements. Software development



began in March of 2021. The team anticipates the first release of the new system in late Spring of 2022. The project is currently budgeted at \$3.7M.

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 reports.

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.

### **Significant Trends**

While each PRISM program has unique characteristics, there are some significant trends impacting the pool overall. Significant cost drivers for PRISM are 1) the cost of excess and reinsurance in the open market, 2) loss history which influences actuarial estimates of the cost of future losses, 3) prevailing interest rate returns on PRISM's investments and 4) changes in the coverage base and membership (e.g. covered payroll, total insured value). PRISM expects the operating environment in the coming year to be similar to current conditions.

### **Market**

The insurance market as a whole is in a hard market, meaning that there is less competition and capacity among carriers which drives up rates for excess and reinsurance.

### **Losses**

Losses have had broadly adverse development over the past few years, especially with respect to property and liability programs. Increased property losses were driven in large part by wildfires, while liability losses increased due to both the frequency of claims filed and increased legal and settlement costs (i.e. the severity of losses). Impacts of recent political unrest and the COVID-19 pandemic are not fully known or quantified. Overall, increases in loss history are worked into the actuarial estimates and serve to increase policy rates.

### Interest Rates

Low prevailing interest rate yields on PRISM's investments have driven down revenue projections and serve to decrease discount rates. When discount rates decrease, rates charged for coverage must increase to meet funding requirements over time.

### Coverage Base

The hard insurance market has brought more members to PRISM programs as risk financing on the open market becomes unaffordable. These new members expand the coverage base which drives an increase in both revenue and expenses to the pool.

All of the significant cost drivers serve to increase PRISM's rates (cost per unit of coverage). These increased rates are then applied to the increased coverage base (number of units covered) resulting in an overall increase in both revenue and expenses to the pool. For FY21/22, PRISM continues to modify and adapt its program structures based on both market forces and member needs.

### Cash Flows and Debt

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.

### Acknowledgements

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 risk pools in the nation.

Sincerely,



Gina Dean  
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 01, 2020**

*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, PRISM Affiliate Risk Captive (PRISM ARC), a captive insurance company domiciled in Utah, began operations on July 1, 2016. PRISM ARC was established so that PRISM could transfer to PRISM ARC risks pertaining to its corridor retentions at a discount. PRISM ARC 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 PRISM ARC. 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. PRISM's governing board determines which capital projects move forward based on the needs of the organization and as advised by PRISM management. All projects are consider "funded" in the year they are approved via the Capital Outlay Budget.

## **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 29.9% 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 Annual Comprehensive Financial Report (ACFR), 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.

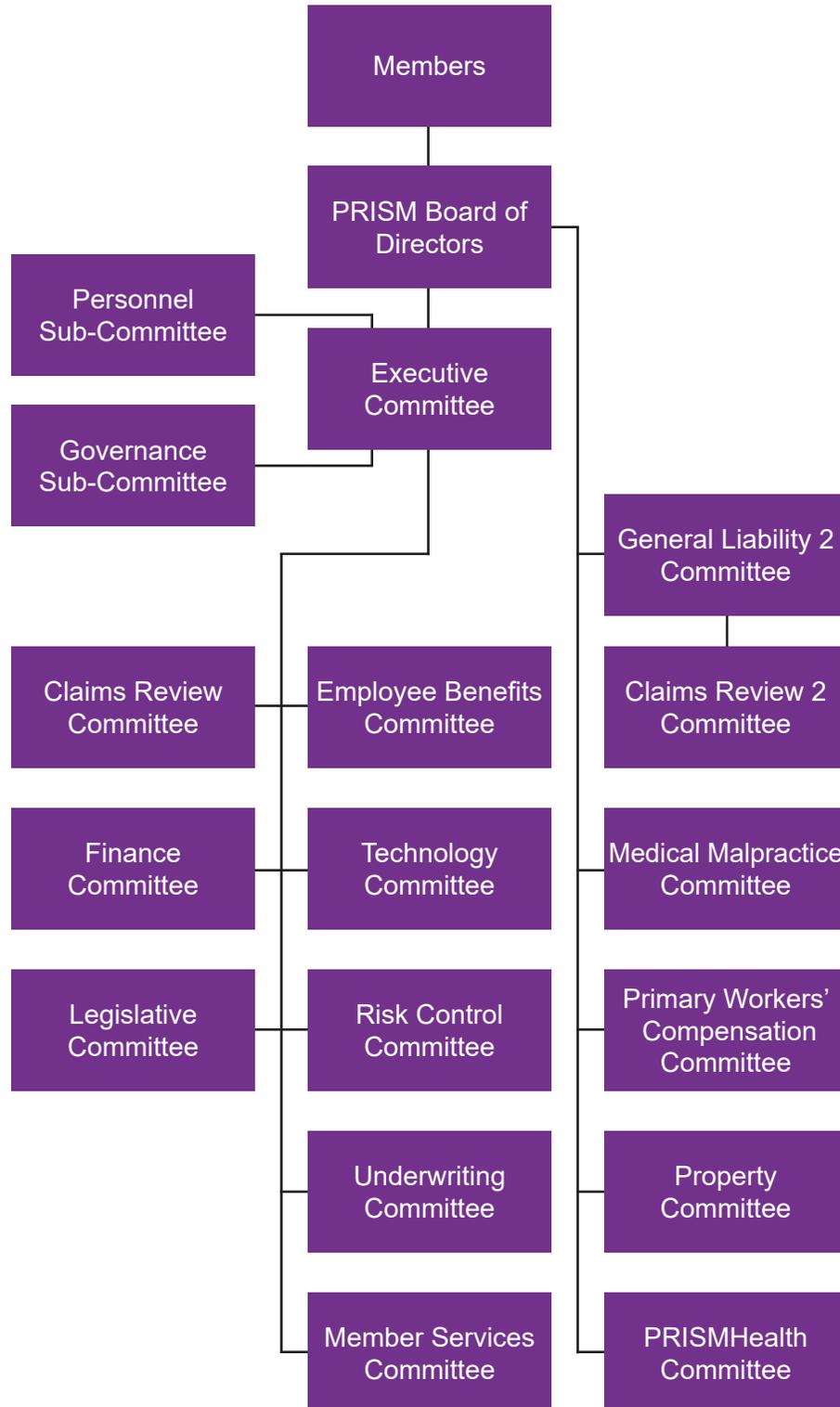
Personnel Sub-Committee – Provides direction to the Executive Committee on matters relating to personnel.

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.

**2021/22**

## **Budget Calendar**

PRISM strives to make its budgeting process transparent and open to the public. Members of the public are welcome at all governing and Committee meetings and time is set aside in each meeting for public comment. Agendas are posted publically in advance of each meeting.

### **January 2021**

- 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 2021**

- 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 2021**

- 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 2021**

- 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.

## PRISM LONG-TERM GOALS

### **Communication, Outreach and Influence**

1. PRISM will strengthen its influence as a leader in promoting the importance of sound risk management and a risk management environment, which maintains the long-term health and stability of public agencies.
2. PRISM will support members and the public agency community in building competency in risk management.
3. PRISM will continue to grow member utilization of PRISM partner programs and services.

### **Member Programs, Products and 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 and Sustainability**

5. PRISM will expand its membership base to offer members even greater cost savings.
6. PRISM will improve service to members through advanced use of technology and the development of quality data and analysis.

PRISM senior managers hold bi-monthly meetings to review progress or impediments to achieving each milestone which in turn leads to achievement of organizational goals. Additionally, PRISM staff reports progress made on each milestone to the Board of Directors at their June and October meetings. For a copy of the complete Strategic Plan including all milestones and status detail, see: <https://www.prismrisk.gov/about-prism/prism-long-term-strategic-goals-milestones/>.

## **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 PRISM ARC. 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 PRISM ARC

- PRISM ARC 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 nearly \$60M in dividends to members during the past ten 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 2,000 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**

### **Balanced Budget**

The overall PRISM budget is a balanced budget, meaning that budgeted revenue exceeds expenditures and provides a budgeted increase to net position.

### **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 PRISM ARC. 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. PRISM ARC maintains its own investment policy which is reviewed annually and updated by PRISM ARC 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, 2021 to June 30, 2022

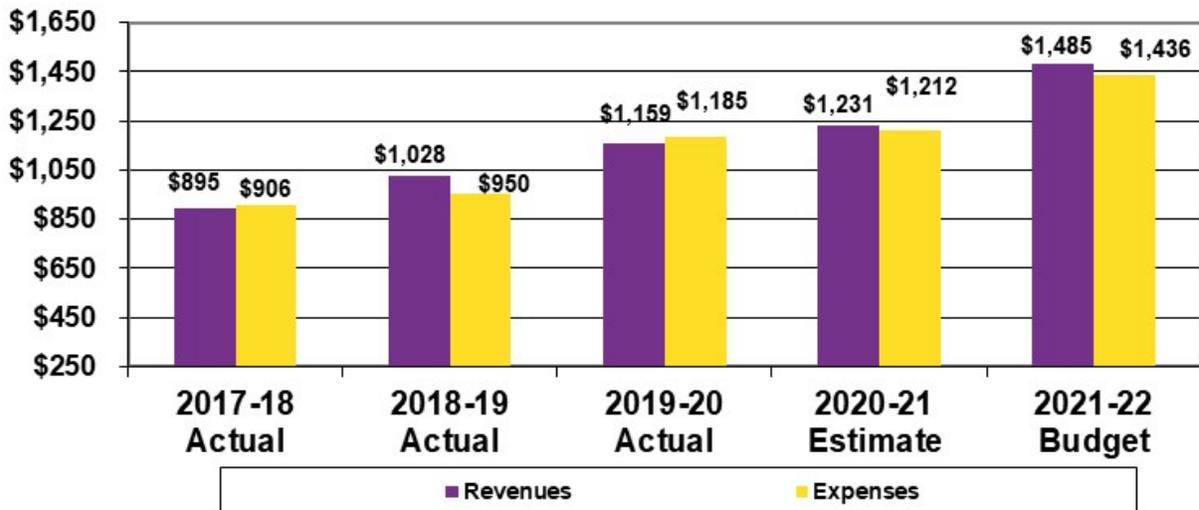
## PRISM Budget

The budget has \$52.9M increase in net position before dividends, and a dividend expense of \$4M, producing a \$48.9M 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 2021/22 proposed budget are as follows:

- Total revenues are budgeted at \$1.49B, an increase of \$175M over budgeted 2020/21.
- Total expenses are budgeted at \$1.44B, an increase of \$165M. Expenses include returning dividends of \$4M to members.
- Net position is projected to increase to \$242M at June 30, 2022.

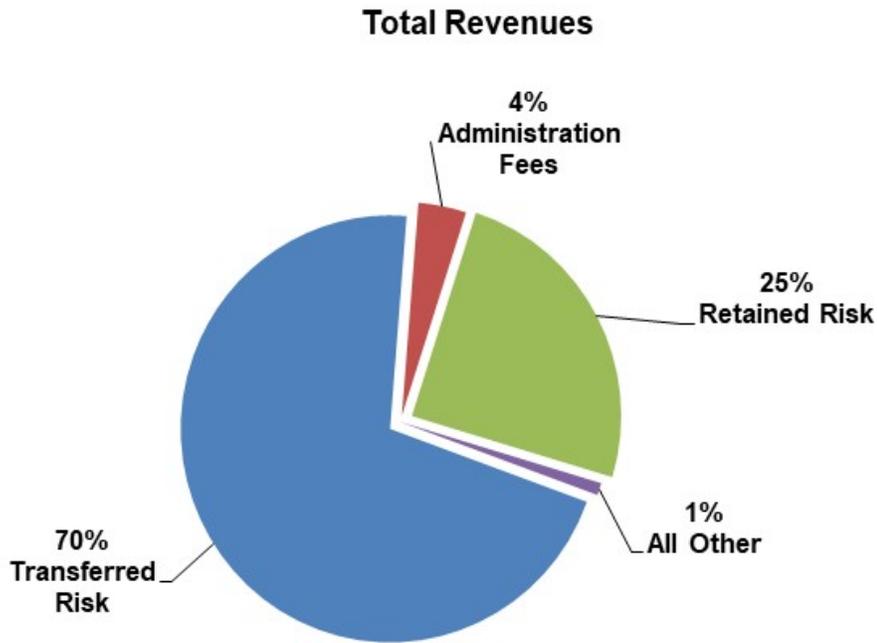
Revenues and expenses for the 2021/22 budget and the past four years are as follows:

**Revenues and, Expenses  
Fiscal Years 2017-2021  
(in Millions)**

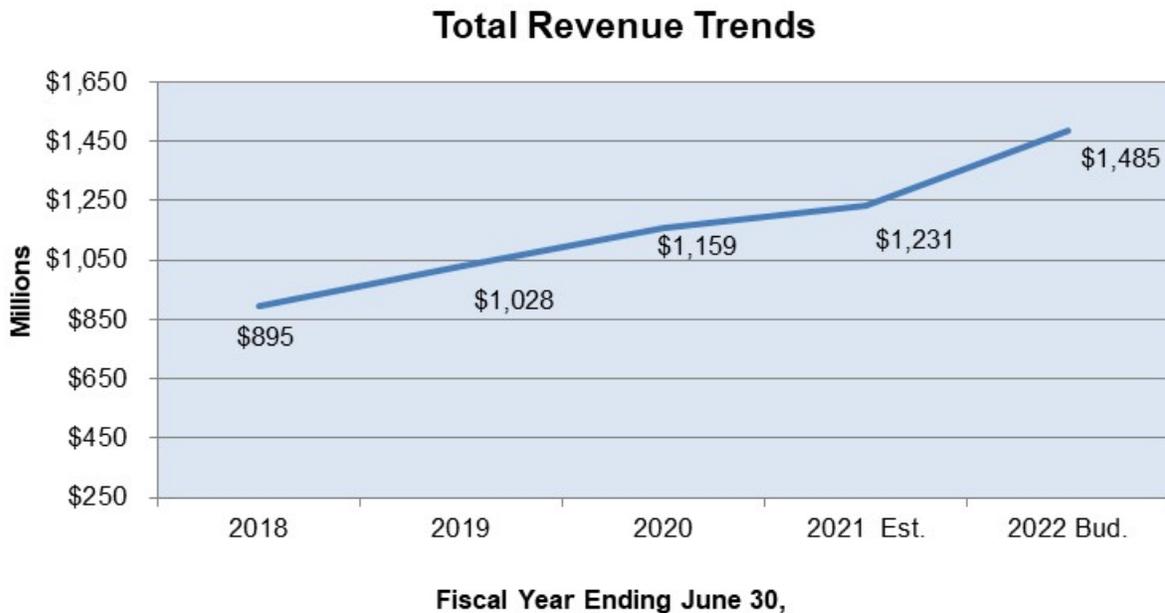


## Revenues

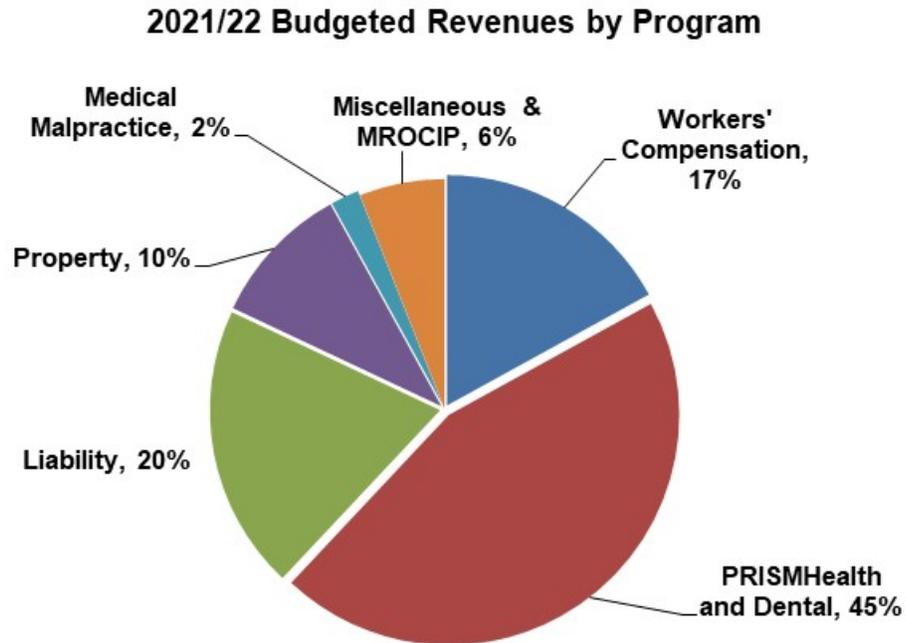
Sources of revenues are illustrated in the following chart:



The \$1.49B in revenues represents a \$175M or 13.35% increase over the 20/21 budget, and a 60% 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:

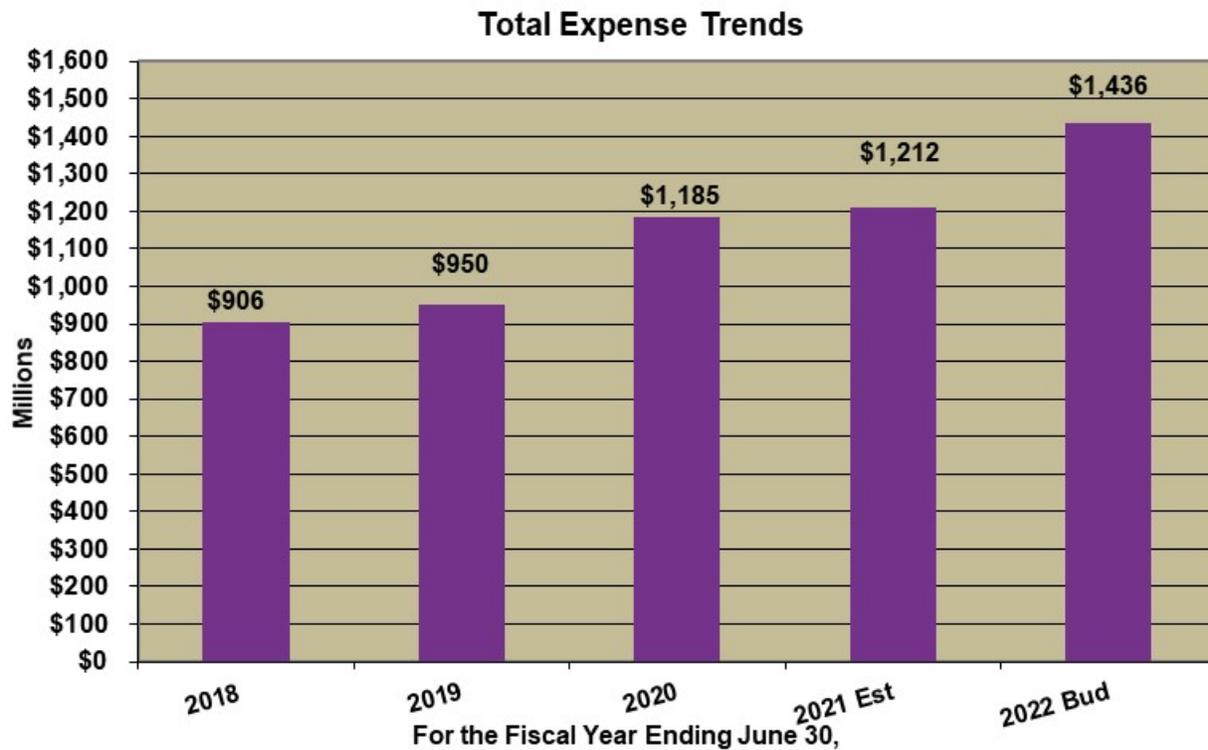


The following chart shows revenues by program.



### Expenses

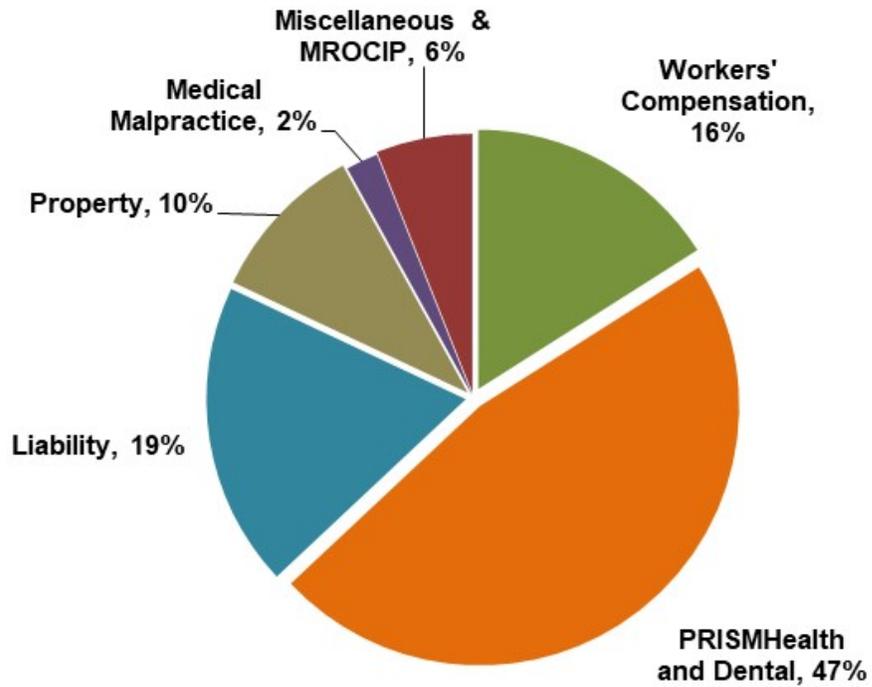
PRISM expenses for fiscal year 2021/22 are budgeted to be \$1.44B and have increased \$165M over last year's budget. The following chart illustrates the increase of PRISM expenses:



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

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

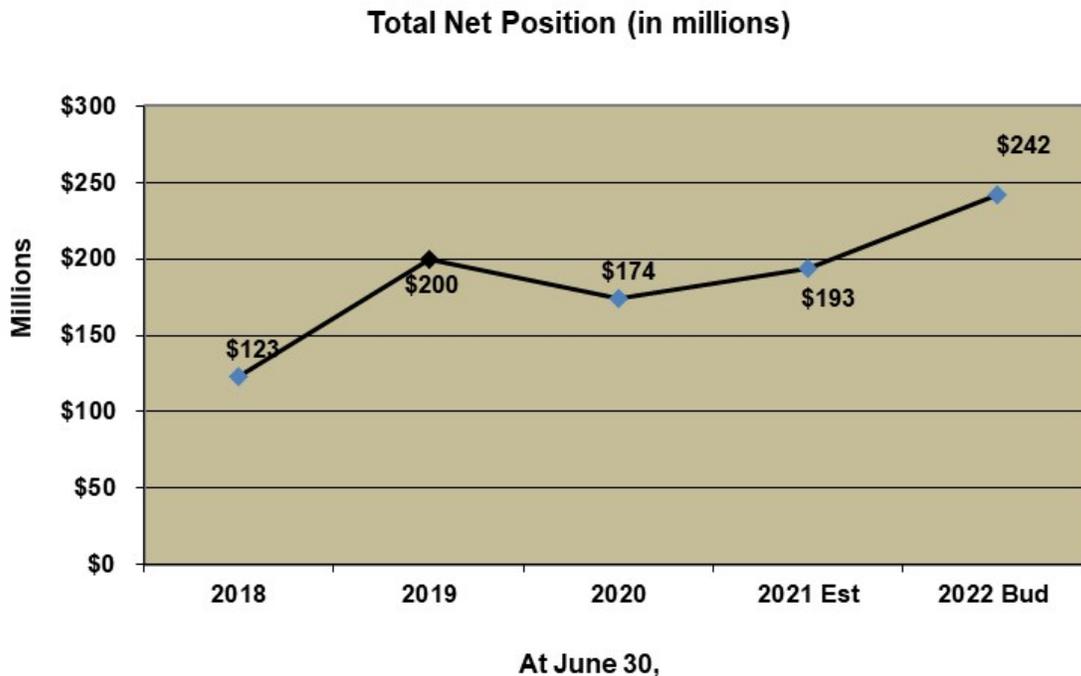
### 2021/22 Budgeted Expenses by Program



## Net Position

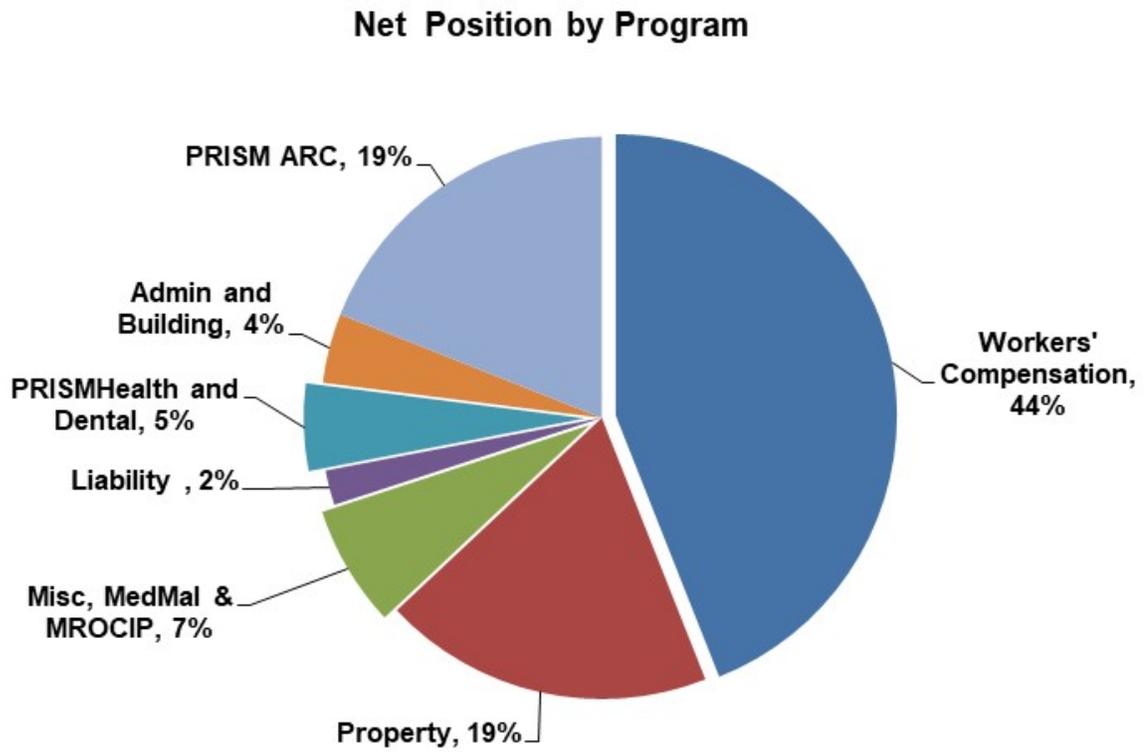
Net position is calculated by adding total Assets and Deferred Outflow of Resources, and then subtracting Liabilities and Deferred Inflow of Resources. Net Position represents investment in capital assets as well as unrestricted fund balance available for future operations or distribution. The projected Net Position at June 30, 2022 is \$242M. 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 causes of year over year changes in Net Position vary by program. Significant program-specific changes in Net Position are discussed in the individual program budgets.

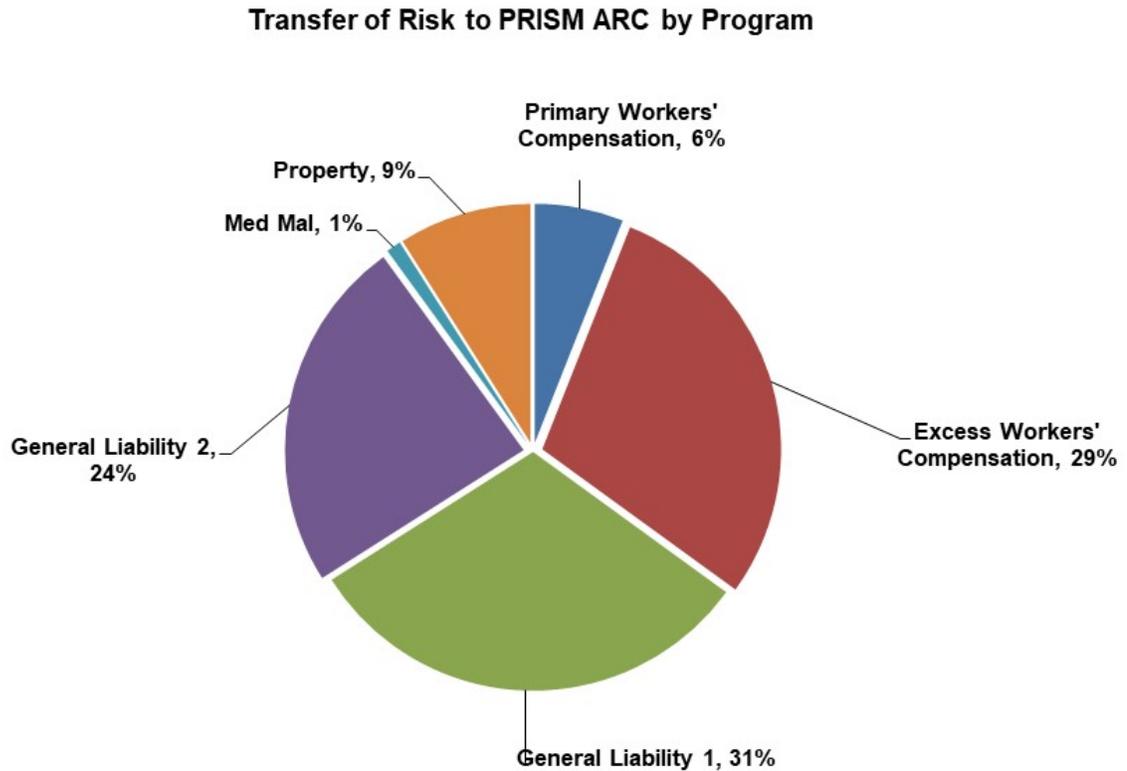
The distribution of 2022 budgeted Net Position by program is illustrated in the following chart:



## Transfer of Risk to Captive (PRISM ARC)

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

The distribution of 2021/22 transfer of risk to PRISM ARC 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				
	2018	2019	2020	2021	Budget 2021-22
<b>Member Units</b>					
Primary Workers' Comp	39	38	39	38	37
Excess Workers' Comp	175	171	181	183	180
Primary General Liability	22	21	0	0	0
General Liability 1	125	122	132	123	125
General Liability 2	18	17	18	18	18
Property	105	100	110	107	104
Medical Malpractice	52	52	52	52	52
Master Owner Controlled Insurance	16	16	18	18	17
PRISMHealth	37	36	42	42	44
Dental	154	154	171	171	170
<b>Total Member Units</b>	<b>743</b>	<b>727</b>	<b>763</b>	<b>752</b>	<b>747</b>
Member Counties	55	55	55	55	55
Member Public Entities	288	283	306	305	302
<b>Total Members</b>	<b>343</b>	<b>338</b>	<b>361</b>	<b>360</b>	<b>357</b>

PRISM's 55 member counties represent 95% of the 58 counties in the state. While the public entity membership currently consists of 302 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, 2021 to June 30, 2022**

	ACFR Actual 2019/20	Estimated 2020/21	Budget 2020/21	Percent of Total Revenue or Total Expense	Budget 2021/22	Percent of Total Revenue or Total Expense	Budget Increase (Decrease) Compared to 2020/21 Budget	Percentage Change
<b>REVENUES:</b>								
Premiums for Transferred Risk	\$ 991,137,637	\$ 881,193,554	\$ 881,593,488	67.29%	\$ 1,000,013,664	67.34%	\$ 118,420,177	13.43%
Dividend Income	174,054	28,150	0	0.00%	0	0.00%	0	0.00%
Broker Fees	14,784,924	15,309,530	12,443,462	0.95%	14,648,837	0.99%	2,205,375	17.72%
Contributions for Retained Risk	91,252,116	251,963,302	296,572,013	22.64%	353,965,082	23.83%	57,393,069	19.35%
Member Growth	0	0	50,000,000	3.82%	50,000,000	3.37%	0	0.00%
Investment Income	32,787,474	30,055,806	17,226,200	1.31%	12,620,000	0.85%	(4,606,200)	-26.74%
Financing Charges	156,151	160,877	157,000	0.01%	160,000	0.01%	3,000	1.91%
Administration Fees	25,423,157	28,332,844	27,486,572	2.10%	26,938,019	1.81%	(548,553)	-2.00%
Program Development Fees	139,952	0	0	0.00%	0	0.00%	0	0.00%
Member Services	579,779	23,246,788	24,173,080	1.84%	26,178,779	1.76%	2,005,699	8.30%
Tenant Income	437,334	385,266	419,353	0.03%	422,642	0.03%	3,289	0.78%
Other Income	1,941,029	549,526	126,000	0.01%	125,000	0.01%	(1,000)	-0.79%
<b>TOTAL REVENUES</b>	<b>1,158,813,607</b>	<b>1,231,225,642</b>	<b>1,310,197,168</b>	<b>100.00%</b>	<b>1,485,072,023</b>	<b>100.00%</b>	<b>174,874,856</b>	<b>13.35%</b>
<b>Expenditures</b>								
Member Dividends	7,311,760	9,028,150	4,014,000	0.32%	4,014,000	0.28%	0	0.00%
Insurance Purchased	870,164,217	866,630,529	881,452,238	69.36%	999,168,332	69.57%	117,716,094	13.35%
Broker Fees	14,741,476	14,790,534	12,443,462	0.98%	14,648,837	1.02%	2,205,375	17.72%
Provision for Claims	260,612,179	263,901,092	260,187,168	20.47%	301,212,391	20.97%	41,025,223	15.77%
Unallocated Loss Adjustment Expense	(590,000)	2,520,000	2,084,000	0.16%	2,271,000	0.16%	187,000	8.97%
Member Growth Premium/Provision for Claims	0	0	50,000,000	3.93%	50,000,000	3.48%	0	0.00%
Program Services	13,102,555	34,458,495	37,278,106	2.93%	40,022,959	2.79%	2,744,853	7.36%
Member Services	2,460,566	2,591,057	2,639,315	0.21%	2,738,403	0.19%	99,088	3.75%
General Administration Expense	14,928,506	16,611,755	18,430,750	1.45%	19,637,938	1.37%	1,207,188	6.55%
Building Operation Expense	637,765	569,021	702,170	0.06%	615,450	0.04%	(86,720)	-12.35%
Depreciation	1,213,454	982,998	1,100,169	0.09%	1,311,684	0.09%	211,515	19.23%
Delegated to Committees	0	0	545,000	0.04%	545,000	0.04%	0	0.00%
<b>TOTAL EXPENDITURES</b>	<b>1,184,582,478</b>	<b>1,212,083,630</b>	<b>1,270,876,378</b>	<b>100%</b>	<b>1,436,185,993</b>	<b>100.00%</b>	<b>165,309,615</b>	<b>13.01%</b>
Net Increase or (Decrease)	(25,768,871)	19,142,012	39,320,790		48,886,030		9,565,240	
<b>NET POSITION - JULY 1</b>	<b>200,031,853</b>	<b>174,262,982</b>	<b>149,955,211</b>		<b>193,404,994</b>			
<b>NET POSITION - JUNE 30</b>	<b>174,262,982</b>	<b>193,404,994</b>	<b>189,276,001</b>		<b>242,291,023</b>			

**PUBLIC RISK INNOVATION, SOLUTIONS, AND MANAGEMENT (PRISM)**  
**ADOPTED BUDGET**  
**Combining Budget for All Programs**  
**July 1, 2021 to June 30, 2022**

Combining 2021/22 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	\$ 34,417,673	\$ 162,487,456	\$ 99,720,417	\$ 131,259,375	\$ 137,703,202	\$ 12,485,922	\$ 10,000,000	\$ 565,215,010	\$ 0	\$ 70,153,895	\$ 1,223,442,950
Dividend Income	0	0	0	0	0	0	0	0	0	0	0
Broker Fees	817,206	3,518,361	2,653,372	1,075,591	0	15,207	0	4,283,500	2,285,600	0	14,648,837
Contributions for Retained Risk	17,382,294	2,503,615	47,307,596	0	6,355,176	14,487,315	0	0	42,499,800	0	130,535,796
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	720,000	1,750,000	145,000	0	160,000	400,000	0	48,000	69,000	18,000	3,310,000
Financing Charges	100,000	37,000	0	0	23,000	0	0	0	0	0	160,000
Administration Fees	6,113,925	8,455,442	5,546,257	3,315,824	997,988	1,406,983	140,000	961,600	0	0	26,938,019
Member Services	0	0	0	0	0	0	0	25,633,880	0	0	25,633,880
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>59,551,098</b>	<b>178,751,874</b>	<b>155,372,642</b>	<b>135,650,790</b>	<b>145,239,366</b>	<b>28,795,427</b>	<b>10,140,000</b>	<b>596,141,990</b>	<b>44,854,400</b>	<b>70,171,895</b>	<b>1,474,669,482</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	34,417,673	161,642,124	99,720,417	131,259,375	137,703,202	12,485,922	10,000,000	565,215,010	0	70,153,895	1,222,597,618
Broker Fees	817,206	3,518,361	2,653,372	1,075,591	0	15,207	0	4,283,500	2,285,600	0	14,648,837
Provision for Claims	8,231,327	2,234,000	25,311,000	0	0	11,469,117	0	0	42,053,300	0	89,298,744
Unallocated Loss Adjustment Expense	887,000	543,000	496,000	268,000	24,000	53,000	0	0	0	0	2,271,000
Program Services	8,732,186	1,731,561	904,500	660,000	216,500	624,207	0	25,780,580	490,475	0	39,140,009
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	0	0	0	0	0	0	0	0	0
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>55,135,392</b>	<b>169,719,046</b>	<b>129,135,289</b>	<b>133,312,966</b>	<b>137,968,702</b>	<b>24,672,453</b>	<b>10,000,000</b>	<b>595,318,090</b>	<b>46,854,375</b>	<b>70,153,895</b>	<b>1,422,270,208</b>
<b>TRANSFERS:</b>											
Transfers out to:											
General Administration	(4,217,206)	(5,763,941)	(4,021,789)	(2,306,896)	(616,309)	(899,172)	(46,827)	(485,945)	(341,039)	(14,200)	(18,713,324)
Claims System	(637,255)	(190,225)	(57,068)	(28,534)	0	(38,045)	0	0	0	0	(951,127)
Investment Fees	(52,350)	(136,900)	(6,375)	(3,875)	(9,675)	(24,900)	(250)	(4,700)	(10,350)	(625)	(250,000)
Building Rent	0	0	0	0	0	0	0	0	0	0	0
<b>TOTAL TRANSFERS</b>	<b>(4,906,811)</b>	<b>(6,091,066)</b>	<b>(4,085,232)</b>	<b>(2,339,305)</b>	<b>(625,984)</b>	<b>(962,117)</b>	<b>(47,077)</b>	<b>(490,645)</b>	<b>(351,389)</b>	<b>(14,825)</b>	<b>(19,914,451)</b>
Net Increase or (Decrease)	(491,105)	2,941,762	22,152,121	(1,481)	6,644,680	3,160,857	92,923	333,255	(2,351,364)	3,175	32,484,823
<b>NET POSITION - JULY 1, 2021</b>	<b>45,541,972</b>	<b>60,972,269</b>	<b>(22,518,291)</b>	<b>4,494,925</b>	<b>39,603,442</b>	<b>10,485,532</b>	<b>328,587</b>	<b>2,880,738</b>	<b>11,686,161</b>	<b>2,231,437</b>	<b>155,706,772</b>
<b>NET POSITION - JUNE 30, 2022</b>	<b>45,050,867</b>	<b>63,914,031</b>	<b>(366,170)</b>	<b>4,493,444</b>	<b>46,248,122</b>	<b>13,646,389</b>	<b>421,510</b>	<b>3,213,993</b>	<b>9,334,797</b>	<b>2,234,612</b>	<b>188,191,595</b>

**PUBLIC RISK INNOVATION, SOLUTIONS, AND MANAGEMENT (PRISM)**  
**ADOPTED BUDGET**  
**Combining Budget for All Programs**  
**July 1, 2021 to June 30, 2022**

Combining 2021/22 Budget	TOTAL ALL INSURANCE PROGRAMS	GENERAL ADMIN	IRON POINT BUILDING	CAPTIVE (PRISM ARC)	ELIMINATION	CONSOLIDATED BUDGET
<b>REVENUES:</b>						
Premiums for Transferred Risk	\$ 1,223,442,950	\$0	\$0	\$0	\$ (223,429,286)	\$ 1,000,013,664
Dividend Income	0	0	0	0	0	0
Broker Fees	14,648,837	0	0	0	0	14,648,837
Contributions for Retained Risk	130,535,796	0	0	223,429,286	0	353,965,082
Public Entity Participation Fees	0	0	0	0	0	0
Member Growth	50,000,000	0	0	0	0	50,000,000
Investment Income	3,310,000	400,000	0	9,000,000	(90,000)	12,620,000
Financing Charges	160,000	0	0	0	0	160,000
Administration Fees	26,938,019	0	0	0	0	26,938,019
Member Services	25,633,880	544,899	0	0	0	26,178,779
Tenant Income	0	0	422,642	0	0	422,642
Other Income	0	125,000	0	0	0	125,000
<b>TOTAL REVENUES</b>	<b>1,474,669,482</b>	<b>1,069,899</b>	<b>422,642</b>	<b>232,429,286</b>	<b>(223,519,286)</b>	<b>1,485,072,023</b>
<b>EXPENSES:</b>						
Member Dividends	4,014,000	0	0	0	0	4,014,000
Insurance Purchased	1,222,597,618	0	0	0	(223,429,286)	999,168,332
Broker Fees	14,648,837	0	0	0	0	14,648,837
Provision for Claims	89,298,744	0	0	211,913,647	0	301,212,391
Unallocated Loss Adjustment Expense	2,271,000	0	0	0	0	2,271,000
Program Services	39,140,009	0	0	882,950	0	40,022,959
Member Services	0	2,738,403	0	0	0	2,738,403
General Administration Expense	0	19,637,938	0	0	0	19,637,938
Building Operation Expense	0	0	615,450	0	0	615,450
Depreciation	0	1,073,345	238,339	0	0	1,311,684
Financing Expenses	0	0	90,000	0	(90,000)	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>1,422,270,208</b>	<b>23,649,686</b>	<b>963,789</b>	<b>212,821,597</b>	<b>(223,519,286)</b>	<b>1,436,185,993</b>
<b>TRANSFERS:</b>						
Transfers out to:						
General Administration	(18,713,324)	18,863,324	0	(150,000)	0	0
Claims System	(951,127)	951,127	0	0	0	0
Investment Fees	(250,000)	250,000	0	0	0	0
Building Rent	0	(503,699)	503,699	0	0	0
<b>TOTAL TRANSFERS</b>	<b>(19,914,451)</b>	<b>19,560,752</b>	<b>503,699</b>	<b>(150,000)</b>	<b>0</b>	<b>0</b>
Net Increase or (Decrease)	32,484,823	(3,019,035)	(37,448)	19,457,689	0	48,886,030
<b>NET POSITION - JULY 1, 2021</b>	<b>155,706,772</b>	<b>11,392,662</b>	<b>717,296</b>	<b>30,588,263</b>	<b>(5,000,000)</b>	<b>193,404,994</b>
<b>NET POSITION - JUNE 30, 2022</b>	<b>188,191,595</b>	<b>8,373,627</b>	<b>679,849</b>	<b>50,045,952</b>	<b>(5,000,000)</b>	<b>242,291,023</b>

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

**CALIFORNIA**



## **PROGRAM BUDGETS**

For the Fiscal Year  
July 1, 2021 to June 30, 2022

**Primary Workers' Compensation**

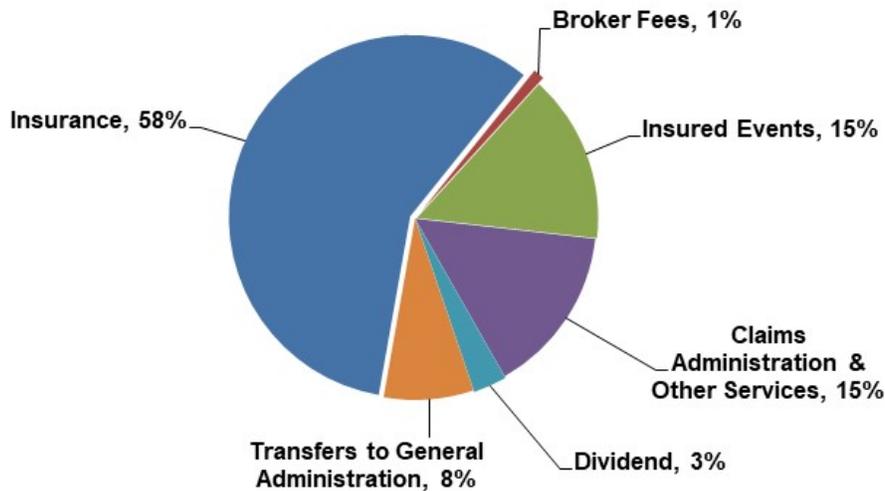
The objective of the Primary Workers' Compensation (PWC) Program is to provide members with an option to eliminate the Excess Workers' Compensation (EWC) self-insured retention and purchase first dollar coverage. The Program pools the first \$10k of loss expense, and then has excess coverage in place 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	37
Covered Payroll	\$2.7 Billion
Pool Premium	\$9.5 Million
Insurance	\$19.3 Million
Premium to PRISM ARC	\$15.1 Million
Public Entity Broker Fees	\$817 Thousand
ULAE Premiums	\$7.9 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 \$45.1M at June 30, 2022. The target equity range developed by the Underwriting Committee and approved by the Board of Directors is from \$5.1M - \$35.4M.



## **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.
- Evaluate opportunities to reinsure the \$0-\$10k layer and reduce the program's cost of self-insuring the layer.
- 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, as well as options for members to participate via web conference.
- Continue to review program policies and make revisions where appropriate.
- Continue to evaluate transfer of risk opportunities in the PRISM ARC 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.
- Develop PRISM's claims system for PWC TPAs' claims administration.

### **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.
- The Risk Management Subsidy Program was created to offset the direct costs members incur from securing external risk management products and services. Unless a member opts out, the Risk Management Subsidy is \$1,000 each year.
- 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. Any carryover credit from previous years' administration expense will reduce the current budget year's Administration fees charged to the members, unless otherwise determined by the Committee. 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.
- 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. 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 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.
- 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 balance.
- 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)  
REVENUE AND EXPENSE ADOPTED BUDGET  
PRIMARY WORKERS COMPENSATION PROGRAM  
July 1, 2021 to June 30, 2022**

Sources and Uses of Financial Resources	ACFR Actual 2019/20	Year to Date 12/31/2020	Estimated 2020/21	Budget 2020/21	Budget 2021/22	Increase (Decrease)	Text Detail
<b>REVENUES:</b>							
Premiums for Transferred Risk	\$ 33,344,195	\$ 31,209,423	\$ 31,209,423	\$ 31,317,563	\$ 34,417,673	\$ 3,100,110	Includes corridor deductible in the \$10 - \$125k layer reinsured by PRISM ARC, Excludes CSRM
Payroll Adjustment, Excess Insurance	157,339	0	0	0	0	0	
Contributions for Retained Risk	25,501,380	9,406,271	9,406,271	9,327,225	9,506,094	178,869	Billed at 90% confidence level undiscounted.
Payroll Adjustment, Pool Premiums	66,717	0	(272,590)	0	0	0	
ULAE Premium	8,576,265	8,640,300	8,640,300	8,841,300	7,876,200	(965,100)	Billed at 80% CL; discounted at 1.5%, Excludes CSRM
Public Entity Broker Fees	1,473,413	1,301,306	1,301,306	827,228	817,206	(10,022)	
Administration Fees	6,035,179	6,176,269	6,176,269	6,104,589	6,113,925	9,336	Incl. Schools LC Fee
Investment Income	3,854,128	682,992	682,992	1,450,000	720,000	(730,000)	
Member Finance Charges	87,884	93,496	93,496	94,000	100,000	6,000	
Development Fees	0	0	0	0	0	0	
Other Income	65,313	21,532	21,532	0	0	0	
<b>TOTAL REVENUES</b>	<b>79,161,813</b>	<b>57,531,589</b>	<b>57,258,999</b>	<b>57,961,905</b>	<b>59,551,098</b>	<b>1,589,193</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	33,898,696	31,728,425	31,728,425	31,317,563	34,417,673	3,100,110	Includes Placement Broker Fee
Primary W.C. Reinsurance Prem. PR Audit	157,340	0	0	0	0	0	
Public Entity Broker Fees	918,907	782,305	782,305	827,228	817,206	(10,022)	
Provision for Claims, Current Year	7,777,001	6,968,000	6,968,000	7,848,000	8,231,327	383,327	Provision for claims at expected
Provision for Claims, Prior Years	12,544,731	(2,309,364)	(2,309,364)	0	0	0	Provision for prior year claims
Provision for ULAE	(59,000)	0	944,000	680,000	887,000	207,000	Actuarial adjustment to the liability for future claims administration
CA State W.C. Assessments	1,942,071	1,780,708	1,780,708	2,350,000	2,240,000	(110,000)	DIR fees based on indemnity payments included in ULAE
<b>Total Retained and Transferred Risk</b>	<b>57,179,745</b>	<b>38,950,075</b>	<b>39,894,075</b>	<b>43,022,791</b>	<b>46,593,206</b>	<b>3,570,415</b>	
Program Administration							
Claims Administration	5,725,282	2,496,973	5,493,341	5,996,730	6,076,071	79,341	TPA fees to administer claims for the life of the claim, no CSRM
ISO Index Fees	39,595	22,261	60,000	75,000	70,000	(5,000)	Claims indexing service
Member Claims Audits	88,985	9,500	150,000	165,000	121,315	(43,685)	TPA's locations audited on biannual basis
Legal Fees	1,218	0	110,000	10,000	30,000	20,000	
Banking Services and Fees	55,714	33,038	66,000	64,000	75,000	11,000	
Managed Care Program Monitoring	114,000	76,000	119,000	119,000	119,800	800	Incl Bill review fee monitoring and negotiating
<b>Total Program Administration</b>	<b>6,024,795</b>	<b>2,637,772</b>	<b>5,998,341</b>	<b>6,429,730</b>	<b>6,492,186</b>	<b>62,456</b>	
Contingency Delegated to Governing Committee	0	0	0	50,000	50,000	0	Available with two-thirds vote of PWC Committee
<b>TOTAL EXPENDITURES</b>	<b>65,204,540</b>	<b>41,587,846</b>	<b>47,892,416</b>	<b>51,502,521</b>	<b>55,135,392</b>	<b>3,632,871</b>	

**PUBLIC RISK INNOVATION, SOLUTIONS, AND MANAGEMENT (PRISM)  
REVENUE AND EXPENSE ADOPTED BUDGET  
PRIMARY WORKERS COMPENSATION PROGRAM  
July 1, 2021 to June 30, 2022**

Sources and Uses of Financial Resources	ACFR Actual 2019/20	Year to Date 12/31/2020	Estimated 2020/21	Budget 2020/21	Budget 2021/22	Increase (Decrease)	Text Detail
<b>TRANSFERS:</b>							
Transfers out to:							
General Administration	\$ (4,809,446)	\$ (4,684,283)	\$ (4,684,283)	\$ (4,684,283)	\$ (4,217,206)	\$ 467,077	
GASB 68 Pension Funding	0	0	0	0	0	0	
Loss Prevention Subsidies	0	0	0	0	0	0	
PRISM Claims System Costs	(254,057)	(696,428)	(696,428)	(696,428)	(637,255)	59,173	
Risk Management Subsidy Dividend	0	0	0	0	0	0	
Investment Fees	(32,080)	(18,200)	(38,745)	(38,745)	(52,350)	(13,605)	
<b>TOTAL TRANSFERS</b>	<b>(5,095,583)</b>	<b>(5,398,911)</b>	<b>(5,419,456)</b>	<b>(5,419,456)</b>	<b>(4,906,811)</b>	<b>512,645</b>	
Net Increase or (Decrease)	8,861,690	10,544,832	3,947,127	1,039,928	(491,105)	(1,531,033)	
<b>NET POSITION - JULY 1</b>	<b>32,733,155</b>	<b>41,594,845</b>	<b>41,594,845</b>	<b>36,760,559</b>	<b>45,541,972</b>		
<b>NET POSITION - JUNE 30</b>	<b>41,594,845</b>	<b>52,139,676</b>	<b>45,541,972</b>	<b>37,800,487</b>	<b>45,050,867</b>		
Target Equity							
Low Range	9,830,167	7,090,322	7,090,322	7,090,322	5,139,487		
High Range	30,684,052	35,999,451	35,999,451	35,999,451	35,425,191		

## **Excess Workers' Compensation**

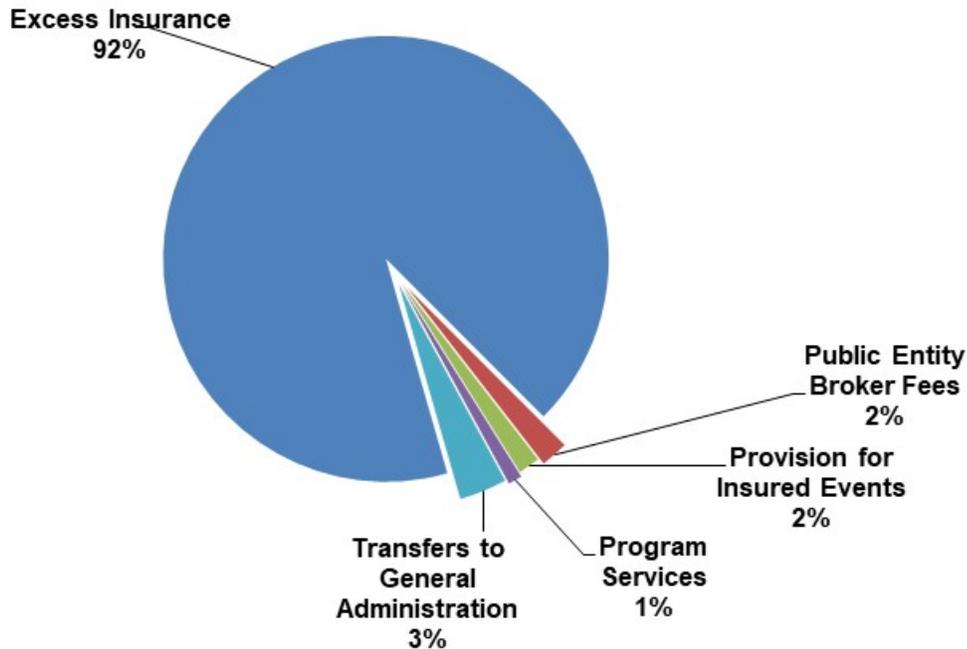
The objective of the Excess Workers' Compensation (EWC) program is to provide members an affordable Excess Workers' Compensation Program. The EWC Program provides members with the economic benefits of blending self-insurance or pooling, with the purchase of insurance.

### **Program Revenue Summary:**

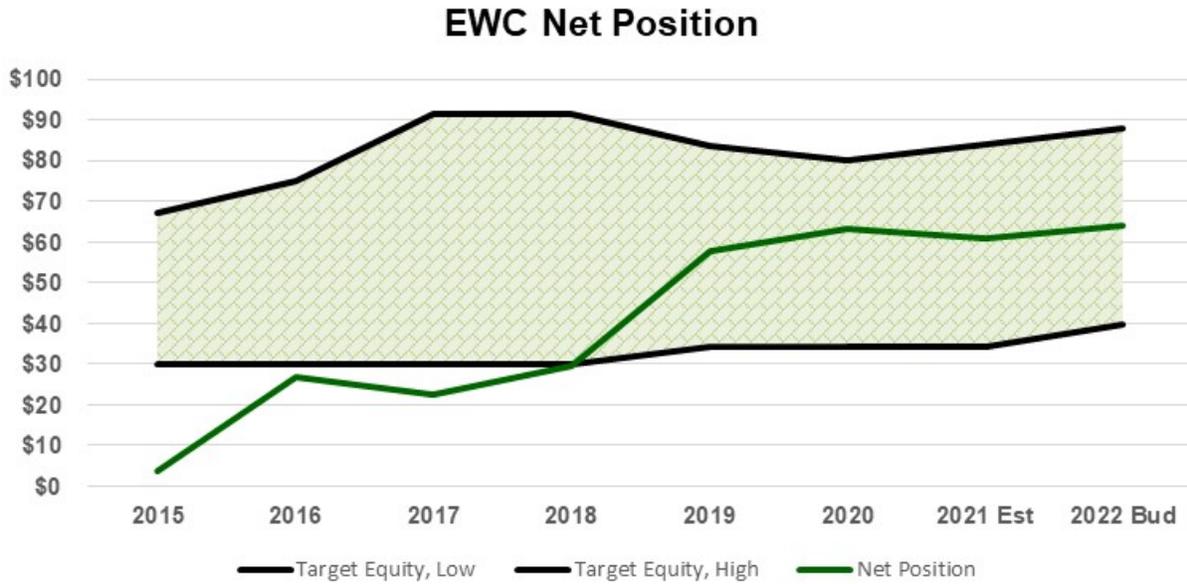
Number of Members	180
Covered Payroll	\$35.2 Billion
Pool Contribution	\$2.5 Million
Insurance	\$99.7 Million
Premium to PRISM ARC	\$62.8 Million
Broker Fees	\$3.5 Million
Administration and Fees	\$8.5 Million
Loss Prevention Subsidies	\$1,000 per member

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 \$63.9M at June 30, 2022. The target equity range developed by the Underwriting Committee and approved by the Board of Directors is from \$39.8M - \$87.8M. 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 keep the Program's Net Position within the target funding range.
- 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 in order to have up to date data for the renewal process and carrier discussions.
- Implement a new data analytics platform to allow for benchmarking of claims data.
- Continued focus on settling problematic, long-term, high-exposure claims via Compromise and Release.
- Utilize data scientist to create automated claim summaries to aid PRISM claims staff, and develop models to identify claims trends and mitigation points.
- 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.
- Analyze losses and consider adjustments to the allocation, which may include territory rating or changes to the safety payroll rating.
- Maintain stable pricing year-over-year striving 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 or mitigate the expansion of workers' compensation benefits that results in increased costs to the Program and membership.

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.
- 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 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 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.
- 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 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.

**PUBLIC RISK INNOVATION, SOLUTIONS, AND MANAGEMENT (PRISM)  
EXCESS WORKERS' COMPENSATION PROGRAM  
Adopted Budget  
July 1, 2021 to June 30, 2022**

Sources and Uses of Financial Resources	ACFR Actual 2019/20	Year to Date 12/31/2020	Estimated 2020/21	Budget 2020/21	Budget 2021/22	Increase (Decrease)	Text Detail
<b>REVENUES:</b>							
Premium for Transferred Risk	\$ 133,053,050	\$ 126,150,591	\$ 126,150,591	\$ 131,331,164	\$ 162,487,456	\$ 31,156,292	Includes corridors transferred to PRISM ARC
Payroll Audit, Excess Premiums	2,011,064	0	0	0	0	0	
Contribution for Retained Risk	4,914,664	2,775,186	2,775,186	2,873,983	2,503,615	(370,368)	Includes 10% quote share in \$45M excess of \$5M layer
Payroll Adjustments, Retained Risk	(403,143)	0	123,501	0	0	0	
Administration Fees	8,315,804	8,964,777	8,964,777	8,432,470	8,455,442	22,972	Includes Schools Loss Control Fee; admin set in March
Public Entity Broker Fees	4,025,170	4,264,063	4,264,063	3,053,931	3,518,361	464,430	
Investment Income	11,549,319	1,758,286	1,758,286	3,480,000	1,750,000	(1,730,000)	
Member Finance Fees	39,532	35,157	35,157	36,000	37,000	1,000	
Development Fees	0	0	0	0	0	0	
Other Income	360,712	0	0	0	0	0	
<b>TOTAL REVENUES</b>	<b>163,866,173</b>	<b>143,948,060</b>	<b>144,071,561</b>	<b>149,207,548</b>	<b>178,751,874</b>	<b>29,544,326</b>	
<b>EXPENDITURES:</b>							
Retained and Transferred Risk							
Excess Workers' Comp. Premiums	133,973,128	126,150,591	126,150,591	131,331,164	161,642,124	30,310,960	Includes Placement Broker Fee
Payroll Adjustments	1,781,373	8,909	8,909	0	0	0	
Public Entity Broker Fees	3,100,504	4,264,067	4,264,067	3,053,931	3,518,361	464,430	
Provision for Claims, Current Year	1,769,850	3,015,000	3,015,000	2,308,504	2,234,000	(74,504)	10% quote share in \$45M excess of \$5M layer
Provision for Claims, Prior Years	11,694,006	4,480,855	4,480,855	0	0	0	
Provision for ULAE	(956,000)	0	860,000	593,000	543,000	(50,000)	Cost to run off portfolio
Total Retained and Transferred Risk	151,362,861	137,919,422	138,779,422	137,286,599	167,937,485	30,650,886	
Program Administration							
Managed Care Program Monitoring	0	0	2,500	2,500	2,500	0	Incl Bill review fee monitoring and negotiating
Legal Fees	34,271	21,045	100,000	200,000	350,000	150,000	Increase due to CIGA and Amsafety litigation
ISO Index Fees	258,696	80,890	290,000	340,000	340,000	0	Claims indexing service
Member Claims Audits	655,880	347,190	641,000	641,000	708,861	67,861	
PRISM Claims Audits	0	0	0	0	20,200	20,200	Next due in 2021/22
Crisis Management Services	3,975	10,080	25,000	100,000	100,000	0	
Member Actuarial Studies	166,170	90,000	188,000	198,000	210,000	12,000	
Other Program Expense	0	0	0	0	0	0	
Total Program Administration	1,118,992	549,204	1,246,500	1,481,500	1,731,561	250,061	
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>152,481,853</b>	<b>138,468,627</b>	<b>140,025,922</b>	<b>138,818,099</b>	<b>169,719,046</b>	<b>30,900,947</b>	

**PUBLIC RISK INNOVATION, SOLUTIONS, AND MANAGEMENT (PRISM)  
EXCESS WORKERS' COMPENSATION PROGRAM  
Adopted Budget  
July 1, 2021 to June 30, 2022**

Sources and Uses of Financial Resources	ACFR Actual 2019/20	Year to Date 12/31/2020	Estimated 2020/21	Budget 2020/21	Budget 2021/22	Increase (Decrease)	Text Detail
<b>TRANSFERS:</b>							
Transfers out to:							
General Administration	\$ (5,828,299)	\$ (5,933,554)	\$ (5,933,554)	\$ (5,933,554)	\$ (5,763,941)	\$ 169,613	
Loss Prevention Subsidies	0	0	0	0	0	0	
PRISM Claims System Costs	(75,838)	(207,889)	(207,889)	(207,889)	(190,225)	17,664	
Risk Management Subsidy Dividend	0	0	0	0	0	0	
Investment Fees	(98,359)	(47,568)	(94,645)	(125,775)	(136,900)	(11,125)	External investment management fees
<b>TOTAL TRANSFERS</b>	<b>(6,002,496)</b>	<b>(6,189,011)</b>	<b>(6,236,088)</b>	<b>(6,267,218)</b>	<b>(6,091,066)</b>	<b>176,152</b>	
Net Increase or (Decrease)	5,381,824	(709,577)	(2,190,449)	4,122,231	2,941,762	(1,180,469)	
<b>NET POSITION - JULY 1</b>	<b>57,780,895</b>	<b>63,162,719</b>	<b>63,162,719</b>	<b>60,352,964</b>	<b>60,972,269</b>		
<b>NET POSITION - JUNE 30</b>	<b>63,162,719</b>	<b>62,453,141</b>	<b>60,972,269</b>	<b>64,475,195</b>	<b>63,914,031</b>		
Target Equity							
Low Range	34,125,000	34,125,000	34,125,000	34,125,000	39,799,000		
High Range	80,295,000	83,928,000	83,928,000	83,928,000	87,816,000		

## **General Liability 1**

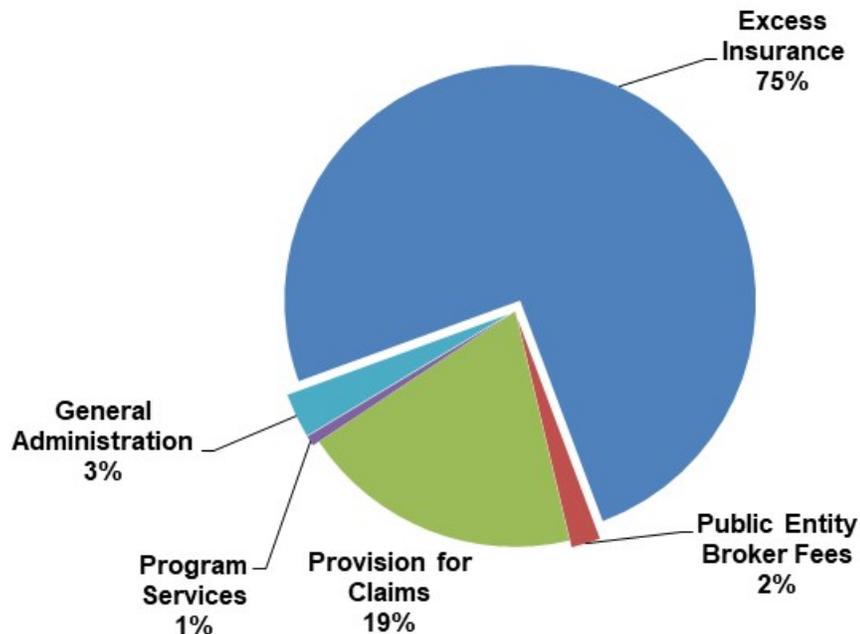
The objective of the General Liability 1 (GL1) Program is to provide members with a long-term, stable and financially strong alternative to traditional insurance. The GL1 Program provides members with the economic benefits of blending self-insurance or pooling, with the purchase of insurance.

### **Program Revenue Summary:**

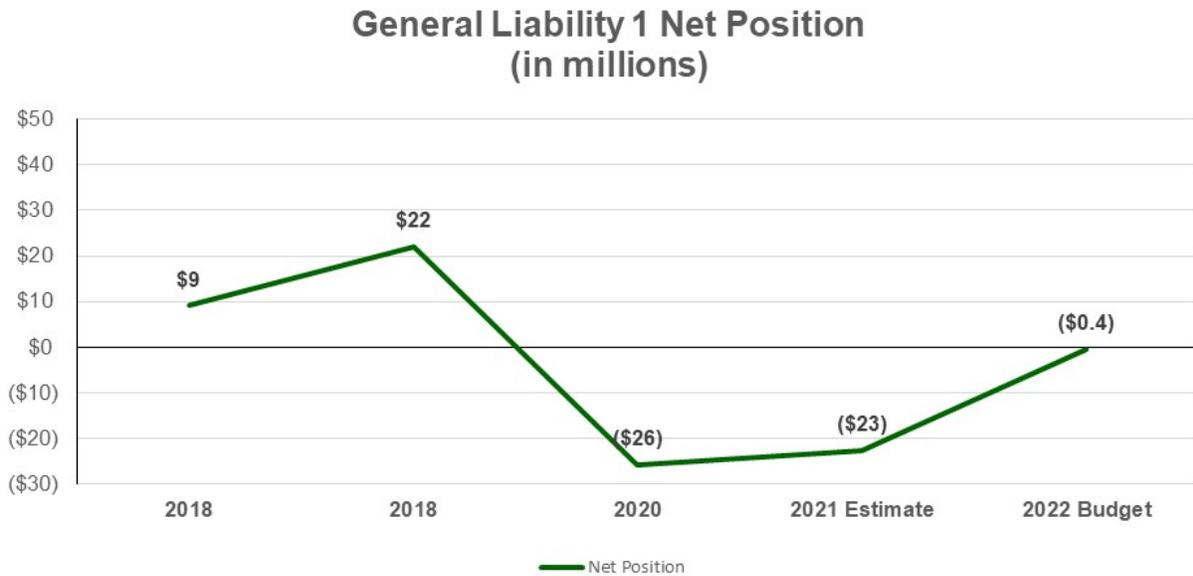
Number of Members	125
Covered Payroll	\$7.3 Billion
Pool Premium	\$47.3 Million
Insurance	\$29.8 Million
Premium to PRISM ARC	\$69.4 Million
Public Entity Broker Fees	\$2.7 Million
Administration and Fees	\$5.6 Million
Loss Prevention Subsidy	\$1,000 per member

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 \$366k at June 30, 2022.



The Net Position of the General Liability 1 program is expected to increase in 2021/22 as contributions for retained risk and projected investment income are expected to exceed claims costs for the policy year as estimated at the expected confidence level. Actual claims development will vary from actuarial estimates and may be favorable or adverse.



## **General Liability 1 (GL1)** **Program Budget Policy**

Program Goals for GL1 include the following:

### **Short Term Goals**

- Continue to evaluate and develop service offerings to the members to assist and support their risk management efforts in mitigating/preventing loss.
- Set rates for the upcoming year at an 80% confidence level to increase net assets so that the pool's funding is within the target funding 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 Departments, as needed.
- Continue to increase the use of standardized PRISM GL codes for general liability loss data to allow for better claims analysis and trend identification. Evaluate options to increase the usage of PRISM GL 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 or pool participation.
- Market the Program nationwide to improve the diversity of the Program exposure.
- Evaluate alternative insurance options, including insurance linked securities, to mitigate rate increases during the hard market.
- Begin offering Individual Member Corridor Deductible options for members.
- Analyze GL1 loss data and evaluate creating different rating groups within the GL1 allocation.

### **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.).

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 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 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.

**PUBLIC RISK INNOVATION, SOLUTIONS, AND MANAGEMENT (PRISM)**  
**GENERAL LIABILITY 1 PROGRAM**  
**Adopted Budget**  
**July 1, 2021 to June 30, 2022**

Sources and Uses of Financial Resources	ACFR Actual 2019/20	Year to Date 12/31/2020	Estimated 2020/21	Budget 2020/21	Budget 2021/22	Increase (Decrease)	Text Detail
<b>REVENUES:</b>							
Premiums for Transferred Risk	\$ 80,516,241	\$ 108,998,477	\$ 108,998,477	\$ 99,704,098	\$ 99,720,417	\$ 16,319	Incl. Corridor deductible reinsured by PRISM ARC
Contributions for Retained Risk	0	0	0	13,675,188	47,307,596	33,632,408	Funded at the 85% confidence level; 1.75% discount factor
Public Entity Broker Fees	2,348,595	2,595,578	2,595,578	2,200,113	2,653,372	453,259	
Investment Income	(53,894)	37	37	0	145,000	145,000	No interest expected due to LPT payout
Administration Fees	4,608,196	5,413,246	5,413,246	5,698,656	5,546,257	(152,399)	Includes Schools loss control fee; set in March
Program Development Fees	0	0	0	0	0	0	
Other Income	2,398	1,485	1,485	0	0	0	
<b>TOTAL REVENUES</b>	<b>87,421,536</b>	<b>117,008,823</b>	<b>117,008,823</b>	<b>121,278,055</b>	<b>155,372,642</b>	<b>34,094,587</b>	
<b>EXPENDITURES:</b>							
Pool Dividends	0	0	0	0	0	0	
<b>Retained and Transferred Risk</b>							
Premium for Transferred Risk	107,759,915	95,939,283	95,939,283	78,381,848	99,720,417	21,338,569	Incl. Placement and LPT Broker Fees
Public Entity Broker Fees	2,345,946	2,595,579	2,595,579	2,200,113	2,653,372	453,259	
Provision for Claims, Current Year	0	2,636,958	2,636,958	22,411,750	25,311,000	2,899,250	Claims expense
Provision for Claims, Prior Years	21,015,078	6,950,014	6,950,014	0	0	0	
Provision for ULAE	331,000	0	825,000	453,000	496,000	43,000	Including PGL
<b>Total Retained and Transferred Risk</b>	<b>131,451,939</b>	<b>108,121,833</b>	<b>108,946,833</b>	<b>103,446,711</b>	<b>128,180,789</b>	<b>24,734,078</b>	
<b>Program Administration</b>							
Financing Expenses	0	132,350	300,000	300,000	0	(300,000)	Interest paid to other programs due to negative cash; not billed back to members
ISO Fees	10,403	2,896	7,000	3,500	5,000	1,500	
Member Claims Audits	109,575	0	90,000	80,000	112,000	32,000	
PRISM Claims Audit	5,000	0	0	0	16,500	16,500	
Legal Expenses	82,592	87,740	250,000	410,000	525,000	115,000	Incl CAJPA Data Collection/Legislative Effort
Crisis Management Services	7,554	0	25,000	100,000	100,000	0	
Bank Fees	2,965	2,304	5,068	4,000	6,000	2,000	Allocated to PGL members only
Member Actuarial Studies	126,420	68,950	120,000	125,000	140,000	15,000	
<b>Total Program Administration</b>	<b>344,509</b>	<b>294,240</b>	<b>797,068</b>	<b>1,022,500</b>	<b>904,500</b>	<b>(118,000)</b>	
Contingency Delegated to Governing Committee	0	0	0	50,000	50,000	0	Available with two-thirds vote of the Executive Committee
<b>TOTAL EXPENDITURES</b>	<b>131,796,448</b>	<b>108,416,074</b>	<b>109,743,902</b>	<b>104,519,211</b>	<b>129,135,289</b>	<b>24,616,078</b>	

**PUBLIC RISK INNOVATION, SOLUTIONS, AND MANAGEMENT (PRISM)**  
**GENERAL LIABILITY 1 PROGRAM**  
**Adopted Budget**  
**July 1, 2021 to June 30, 2022**

Sources and Uses of Financial Resources	ACFR Actual 2019/20	Year to Date 12/31/2020	Estimated 2020/21	Budget 2020/21	Budget 2021/22	Increase (Decrease)	Text Detail
<b>TRANSFERS:</b>							
<u>Transfers out to:</u>							
General Administration	(3,390,973)	(3,963,474)	(3,963,474)	(3,963,474)	(4,021,789)	(58,315)	
Loss Prevention Subsidies	0	0	0	0	0	0	
Claims System Costs	(22,751)	(62,367)	(62,367)	(62,367)	(57,068)	5,299	
Risk Management Subsidy Dividend	0	0	0	0	0	0	
Investment Fees	(13,842)	(2,222)	(4,889)	(20,093)	(6,375)	13,718	
<b>TOTAL TRANSFERS</b>	<b>(3,427,566)</b>	<b>(4,028,063)</b>	<b>(4,030,730)</b>	<b>(4,045,934)</b>	<b>(4,085,232)</b>	<b>(39,298)</b>	
Net Increase or (Decrease)	\$ (47,802,478)	\$ 4,564,686	\$ 3,234,191	\$ 12,712,910	\$ 22,152,121	\$ 9,439,211	
<b>NET POSITION - JULY 1</b>	22,049,996	(25,752,482)	(25,752,482)	(21,984,598)	(22,518,291)		
<b>NET POSITION - JUNE 30</b>	(25,752,482)	(21,187,796)	(22,518,291)	(9,271,688)	(366,170)		
Net Position Designated for:							
Unrestricted Net Position	(25,752,482)	(21,187,796)	(39,386,454)	(27,445,688)	(17,234,333)		
Premium Rate Credit, accrued but not received until 7/1/21			16,868,163	18,174,000	16,868,163		
Total Net Position	(25,752,482)	(21,187,796)	(22,518,291)	(9,271,688)	(366,170)		
Target Equity							
Low Range	43,904,000	73,676,000	73,676,000	73,676,000	79,900,000		
High Range	53,300,000	83,276,000	83,276,000	83,276,000	89,500,000		

## **General Liability 2**

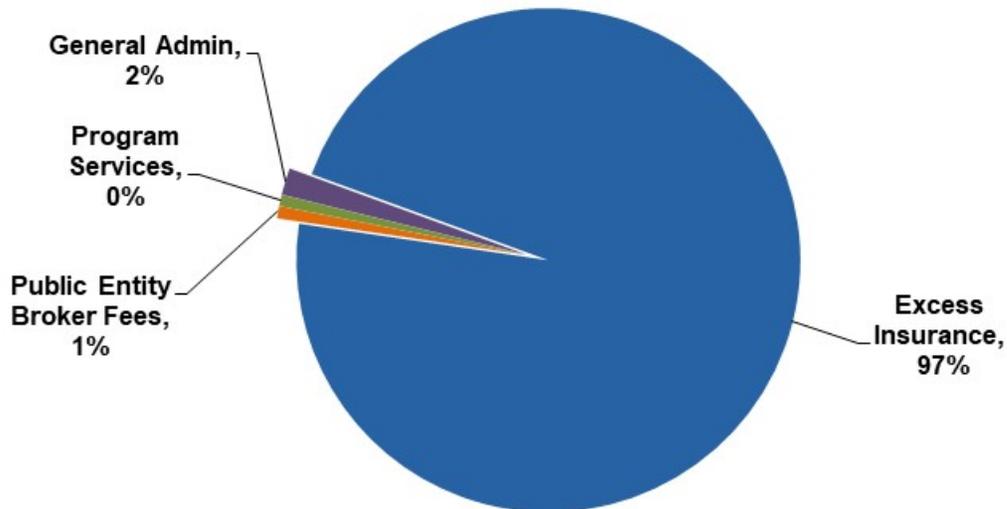
The objective of the General Liability 2 (GL2) Program is to provide members who can afford a high self-insured retention an affordable excess liability program with limited pool exposure, and insured coverage when available.

### **Program Revenue Summary:**

Number of Members	18
Covered Payroll	\$12.1 Billion
Insurance	\$77.8 Million
Premium to PRISM ARC	\$53.5 Million
Public Entity Broker Fees	\$1.1 Million
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.
- 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 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 was created to offset the direct costs members incur from securing external risk management products and services. Unless a member opts out, the Risk Management Subsidy is \$1,000 each year.

### **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 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, plus any additional amounts elected by members, is transferred to the General Administration Program and added to each member's risk management subsidy account balance.
- 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 (PRISM)  
GENERAL LIABILITY 2 PROGRAM  
Adopted Budget  
July 1, 2021 to June 30, 2022**

Sources and Uses of Financial Resources	ACFR Actual 2019/20	Year to Date 12/31/2020	Estimated 2020/21	Budget 2020/21	Budget 2021/22	Increase (Decrease)	Text Detail
<b>REVENUES:</b>							
Premiums for Transferred Risk	\$ 78,462,798	\$ 102,956,180	\$ 102,956,180	\$ 96,914,854	\$ 131,259,375	\$ 34,344,521	Group corridor deductible transferred to PRISM ARC
Contributions for Retained Risk	0	0	0	0	0	0	
Public Entity Broker Fees	645,421	827,378	827,378	779,005	1,075,591	296,586	
Investment Income and Finance Fees	(59,197)	17,850	17,850	70,000	0	(70,000)	
General Administration Fees	2,835,726	3,871,675	3,871,675	3,325,747	3,315,824	(9,923)	
Development Fees	0	0	0	0	0	0	
Other Income, Legal Expense Reimbursement	0	26,379	26,379	0	0	0	
<b>TOTAL REVENUES</b>	<b>81,884,748</b>	<b>107,699,462</b>	<b>107,699,462</b>	<b>101,089,606</b>	<b>135,650,790</b>	<b>34,561,184</b>	
<b>EXPENDITURES:</b>							
Retained and Transferred Risk							
Premium for Transferred Risk	78,462,798	100,934,041	100,934,041	96,914,854	131,259,375	34,344,521	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	619,109	827,378	827,378	779,005	1,075,591	296,586	
Provision for ULAE	98,000	0	405,000	270,000	268,000	(2,000)	
Total Retained and Transferred Risk	79,179,907	101,761,419	102,166,419	97,963,859	132,602,966	34,639,107	
Program Administration							
ISO Fees	19,828	10,450	15,000	15,000	15,000	0	
Member Actuarial Studies	24,000	13,000	32,000	32,000	40,000	8,000	
Uncovered Disputed Claims	0	0	0	0	0	0	
Legal Services	97,961	69,889	200,000	290,000	425,000	135,000	Incl CAJPA Data Collection/Legislative Effort
Member Claims Audit	55,725	0	100,000	100,000	80,000	(20,000)	
PRISM Claims Audit	0	0	0	0	0	0	
Crisis Management Services	0	0	25,000	100,000	100,000	0	
Financing Expense	0	27,547	55,094	0	0	0	
Total Program Administration	197,514	120,886	427,094	537,000	660,000	123,000	
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>79,377,421</b>	<b>101,882,305</b>	<b>102,593,513</b>	<b>98,550,859</b>	<b>133,312,966</b>	<b>34,762,107</b>	
<b>TRANSFERS:</b>							
Transfers out to:							
General Administration	(2,054,626)	(2,319,798)	(2,319,798)	(2,319,798)	(2,306,896)	\$ 12,902	
Loss Prevention Subsidies	0	0	0	0	0	0	
Claims System Costs	(11,376)	(31,183)	(31,183)	(31,183)	(28,534)	2,649	
Risk Management Subsidy Dividend	0	0	0	0	0	0	
Investment Fees	(2,138)	(1,338)	(2,944)	(2,766)	(3,875)	(1,109)	
<b>TOTAL TRANSFERS</b>	<b>(2,068,140)</b>	<b>(2,352,319)</b>	<b>(2,353,925)</b>	<b>(2,353,747)</b>	<b>(2,339,305)</b>	<b>14,442</b>	
Net Increase or (Decrease)	439,186	3,464,838	2,752,024	185,000	(1,481)	(186,481)	
<b>NET POSITION - JULY 1</b>	<b>1,303,715</b>	<b>1,742,901</b>	<b>1,742,901</b>	<b>1,765,075</b>	<b>4,494,925</b>		
<b>NET POSITION - JUNE 30</b>	<b>1,742,901</b>	<b>5,207,740</b>	<b>4,494,925</b>	<b>1,950,075</b>	<b>4,493,444</b>		

## Property

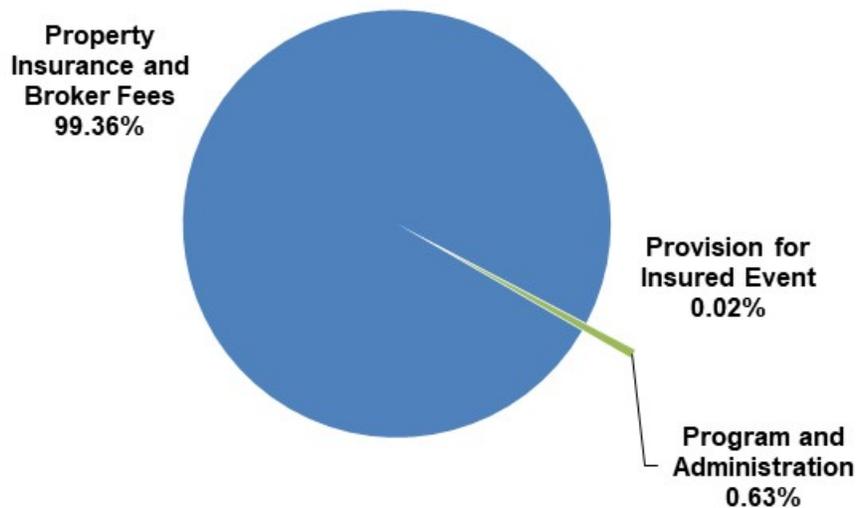
The objective of the Property Program is to provide a broad range of all-risk property coverage to members, including flood and earthquake. Members' property is divided into groups known as "towers". Each tower offers up to \$600M of property coverage.

### **Program Revenue Summary:**

Number of Members	104
Member deductibles	\$5,000 to \$100,000
Insured Values	\$82.72 Billion
Insurance	\$116.5 Million
Premium to PRISM ARC	\$21.2 Million
Pool Premium	\$355 Thousand
Catastrophic Pool	\$6 Million
Administration and Fees	\$1.0 Million

A summary of the Property Program budget is as follows:

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



Net Position in the Property Program is budgeted to increase by \$6.6M. This large increase is because revenues are collected to fund PRISM's retained risk on catastrophic losses and earthquake coverage whereas the related expenses are budgeted at zero. It is the program's policy to recognize the expense on such infrequent losses when they occur.

## 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 the PRISM 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 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, 2021 to June 30, 2022**

Sources and Uses of Financial Resources	ACFR Actual 2019/20	Year to Date 12/31/2020	Estimated 2020/21	Budget 2020/21	Budget 2021/22	Increase (Decrease)	Text Detail
<b>REVENUES:</b>							
No Claim Dividends	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	
Premiums for Transferred Risk	83,802,977	108,742,250	108,742,250	100,782,707	137,703,202	36,920,495	All risk; incl. corridors transferred to PRISM ARC
Retained Risk, Agg. Deductible Pool	6,000,000	226,594	6,226,594	6,300,000	6,355,176	55,176	CAT pool contribution \$6M plus 60% of PRISM excess EQ layer
Broker Fees	0	0	0	0	0	0	
Investment Income	892,931	169,723	169,723	480,000	160,000	(320,000)	
Member Finance Charges	25,964	31,359	31,359	27,000	23,000	(4,000)	
Administration Fees	1,310,540	1,363,278	1,363,278	1,327,613	997,988	(329,625)	
Other Income	1,132,500	375,000	375,000	0	0	0	Ceding commission from insurance placement
<b>TOTAL REVENUES</b>	<b>93,164,912</b>	<b>110,908,204</b>	<b>116,908,204</b>	<b>108,917,320</b>	<b>145,239,366</b>	<b>36,322,046</b>	
<b>EXPENDITURES:</b>							
Dividends	125,448	0	0	0	0	0	
Retained and Transferred Risk							
Premium for Transferred Risk	82,364,274	108,773,448	108,773,448	100,782,707	137,703,202	36,920,495	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	(159,369)	0	0	0	0	0	Claims for Catastrophic pool expensed as incurred
Provision for ULAE	2,000	0	14,000	18,000	24,000	6,000	
Total Retained and Transferred Risk	82,206,905	108,773,448	108,787,448	100,800,707	137,727,202	36,926,495	
Program Administration							
Financing Expenses	403,606	0	0	0	0	0	Interest on interfund borrowing rate
Legal Services	0	0	5,000	10,000	10,000	0	
Crisis Management Services	0	0	25,000	100,000	100,000	0	
Property Appraisals	245,574	104,584	110,000	445,000	106,500	(338,500)	
Total Program Administration	649,179	104,584	140,000	555,000	216,500	(338,500)	
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>82,981,532</b>	<b>108,878,032</b>	<b>108,927,448</b>	<b>101,380,707</b>	<b>137,968,702</b>	<b>36,587,995</b>	
<b>TRANSFERS:</b>							
Transfers out to:							
Transfers out to Administration	(628,030)	(668,351)	(668,351)	(668,351)	(616,309)	\$ 52,042	
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	(6,461)	(3,410)	(7,502)	(6,660)	(9,675)	(3,015)	
<b>TOTAL TRANSFERS</b>	<b>(634,491)</b>	<b>(671,761)</b>	<b>(675,853)</b>	<b>(675,011)</b>	<b>(625,984)</b>	<b>49,027</b>	
Net Increase or (Decrease)	9,548,889	1,358,411	7,304,903	6,861,602	6,644,680	(216,922)	
<b>NET POSITION - JULY 1</b>	<b>22,749,650</b>	<b>32,298,539</b>	<b>32,298,539</b>	<b>29,950,568</b>	<b>39,603,442</b>		
<b>NET POSITION - JUNE 30</b>	<b>32,298,539</b>	<b>33,656,950</b>	<b>39,603,442</b>	<b>36,812,170</b>	<b>46,248,122</b>		
Net Position Designated for:							
Catastrophic Pool	28,684,703	30,043,114	35,989,606	33,920,044	42,634,286		
Program Stabilization Fund	3,613,836	3,613,836	3,613,836	2,892,126	3,613,836		
Total Net Position	32,298,539	33,656,950	39,603,442	36,812,170	46,248,122		

## **Medical Malpractice**

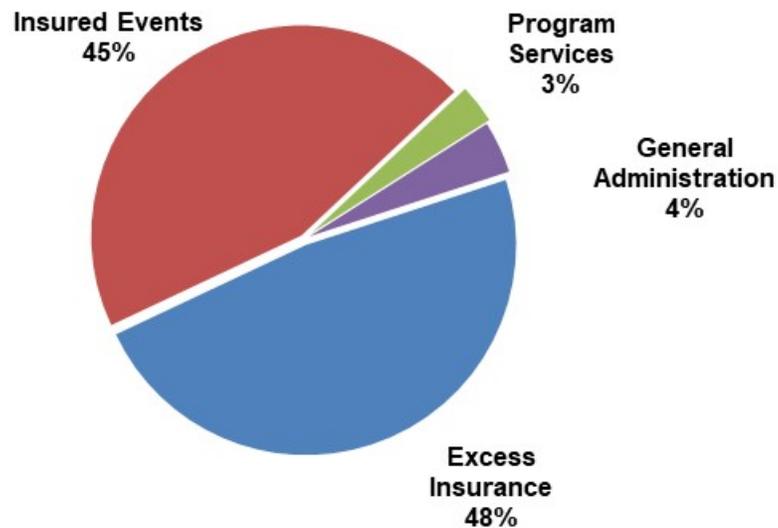
The objective of the Medical Malpractice Program is to provide members with the broadest possible General Liability and hospital or medical facilities professional liability coverage and limits at the lowest rates available. The Medical Malpractice Program provides members with the economic benefits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

### **Program Revenue Summary:**

Number of Members	52
Pool Premium	\$14.5 Million
Insurance	\$10.6 Million
Premium to PRISM ARC	\$1.9 Million
Administration and Fees	\$924 Thousand
Loss Prevention Subsidy	\$1,000 per member

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

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



The Medical Malpractice Program budgeted an increase in its Net Position of 30% in 2021/22. Rates for the program are developed such that contributions for retained risk plus investment income are budgeted to exceed claims costs. Actual claims development will vary from current estimates and may be favorable or adverse.



## **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
- 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 and research and provide information to members regarding other options for jail medical services,
- 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 was created to offset the direct costs members incur from securing external risk management products and services. Unless a member opts out, the Risk Management Subsidy is \$1,000 each year.
- 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 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, plus any additional amounts elected by members, is transferred to the general administration program and added to each member's risk management subsidy account balance.
- The Claims System transfer is based on program usage.

**PUBLIC RISK INNOVATION, SOLUTIONS, AND MANAGEMENT (PRISM)**  
**MEDICAL MALPRACTICE PROGRAM**  
**Adopted Budget**  
**July 1, 2021 to June 30, 2022**

Sources and Uses of Financial Resources	ACFR Actual 2019/20	Year to Date 12/31/2020	Estimated 2020/21	Budget 2020/21	Budget 2021/22	Increase (Decrease)	Text Detail
<b>REVENUES:</b>							
Premium for Transferred Risk	\$ 8,497,903	\$ 10,773,579	\$ 10,773,579	\$ 11,637,199	\$ 12,485,922	\$ 848,724	
Contribution for Retained Risk	8,405,120	10,264,485	10,264,485	10,011,564	14,487,315	4,475,751	
Public Entity Broker Fees	11,539	11,984	11,984	16,185	15,207	(978)	
Investment Income	1,796,363	343,395	343,395	600,000	400,000	(200,000)	
Claims Administration Fees	0	0	0	498,000	482,842	(15,158)	
Administration Fees	1,582,121	1,599,249	1,599,249	1,059,237	924,141	(135,096)	
Other Income	3,169	0	0	0	0	0	
<b>TOTAL REVENUES</b>	<b>20,296,215</b>	<b>22,992,692</b>	<b>22,992,692</b>	<b>23,822,185</b>	<b>28,795,427</b>	<b>4,973,243</b>	
<b>EXPENDITURES:</b>							
Retained and Transferred Risk							
Premium for Transferred Risk	8,497,910	10,773,580	10,773,580	11,637,199	12,485,922	848,723	
Public Entity Broker Fees	11,539	11,984	11,984	16,185	15,207	(978)	
Provision for Claims - Current Year	8,910,386	5,437,879	5,437,879	9,778,500	11,469,117	1,690,617	Estimated at expected discounted
Provision for ULAE	(6,000)	0	(528,000)	70,000	53,000	(17,000)	
Total Retained and Transferred Risk	22,359,737	21,850,220	21,322,220	21,501,884	24,023,246	2,521,362	
Program Administration							
ISO Index Fees	0	0	500	500	500	0	
Legal Expenses	7,077	1,811	6,000	15,000	15,000	0	
Claims & Loss Prevention Administration	471,188	236,862	498,000	498,000	487,707	(10,293)	
Member Actuarial Studies	6,000	1,000	8,000	8,000	8,000	0	
Claim Audits	0	0	10,000	10,000	0	(10,000)	
Crisis Management Services	0	0	25,000	100,000	100,000	0	
Loss Prevention Annual Seminar	0	0	5,000	12,700	13,000	300	Risk management seminar expense
Total Program Administration	484,265	239,672	552,500	644,200	624,207	(19,993)	
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>22,844,002</b>	<b>22,089,892</b>	<b>21,874,720</b>	<b>22,171,084</b>	<b>24,672,453</b>	<b>2,501,369</b>	

**PUBLIC RISK INNOVATION, SOLUTIONS, AND MANAGEMENT (PRISM)  
 MEDICAL MALPRACTICE PROGRAM  
 Adopted Budget  
 July 1, 2021 to June 30, 2022**

Sources and Uses of Financial Resources	ACFR Actual 2019/20	Year to Date 12/31/2020	Estimated 2020/21	Budget 2020/21	Budget 2021/22	Increase (Decrease)	Text Detail
<b>TRANSFERS:</b>							
<u>Transfers out to:</u>							
General Administration	\$ (858,625)	\$ (928,696)	\$ (928,696)	\$ (928,696)	\$ (899,172)	\$ 29,524	
Loss Prevention Subsidies	0	0	0	0	0	0	
Claims System Costs	(15,168)	(41,578)	(41,578)	(41,578)	(38,045)	3,533	
Risk Management Subsidy Dividend	0	0	0	0	0	0	
Investment Fees	(14,865)	(8,674)	(19,082)	(18,180)	(24,900)	(6,720)	
<b>TOTAL TRANSFERS</b>	<b>(888,658)</b>	<b>(978,948)</b>	<b>(989,356)</b>	<b>(988,454)</b>	<b>(962,117)</b>	<b>26,337</b>	
Net Increase or (Decrease)	(3,436,445)	(76,147)	128,616	662,647	3,160,857	2,498,211	
<b>NET POSITION - JULY 1</b>	<b>13,793,361</b>	<b>10,356,916</b>	<b>10,356,916</b>	<b>10,428,946</b>	<b>10,485,532</b>		
<b>NET POSITION - JUNE 30</b>	<b>10,356,916</b>	<b>10,280,768</b>	<b>10,485,532</b>	<b>11,091,593</b>	<b>13,646,389</b>		
Target Equity							
Low Range	4,461,000	7,949,000	7,949,000	7,949,000	9,442,000		
High Range	15,598,000	14,947,000	14,947,000	14,947,000	17,167,000		

**Master Rolling Owner Controlled Insurance Program**

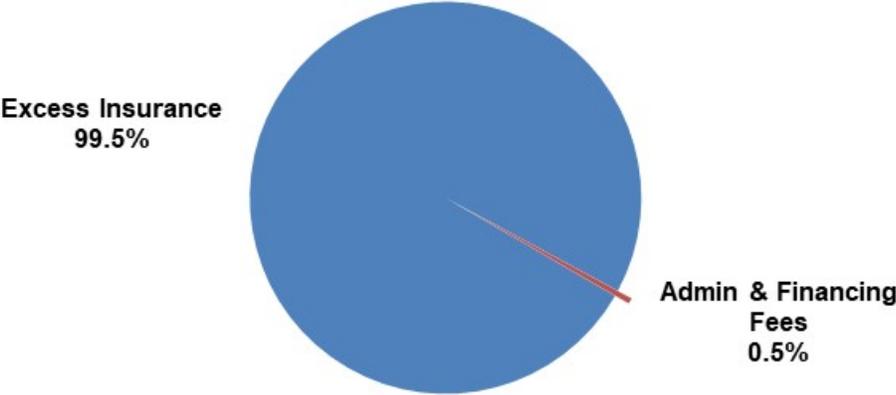
The Master Rolling Owner Controlled Insurance Program (MROCIP) enables members to purchase workers compensation and general liability coverage for all eligible parties working on their construction projects. The program incepted in January 2013, and currently has eight projects either approved or in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



As budgeted, collections for Administration Fees are greater than the related expenses, resulting in an increase in Net Position of \$93k.



## **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.
- Continue to expand member participation in the Program, with a target towards county jails and schools.
- Evaluate offering a “liability-only” option.
- Evaluate expanding the program out of state by offering stand-alone placements in the short-term.

### **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 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 PRISM staff and all other administrative costs. These administration costs are allocated to all PRISM programs based on a 3-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, 2021 to June 30, 2022**

Sources and Uses of Financial Resources	ACFR Actual 2019/20	Year to Date 12/31/2020	Estimated 2020/21	Budget 2020/21	Budget 2021/22	Increase (Decrease)	Text Detail
<b>REVENUES:</b>							
Premiums for Transferred Risk	\$ 10,009,122	\$ 6,096,053	\$ 6,096,053	\$ 10,000,000	\$ 10,000,000	\$ 0	
Broker Fees	0	0	0	0	0	0	
Investment Income	20,695	3,241	3,241	0	0	0	
Administration Fees	127,843	52,981	52,981	140,000	140,000	0	
Member Finance Charges	0	0	0	0	0	0	
Other Income	130	0	130	0	0	0	
<b>TOTAL REVENUES</b>	<b>10,157,791</b>	<b>6,152,276</b>	<b>6,152,406</b>	<b>10,140,000</b>	<b>10,140,000</b>	<b>0</b>	
<b>EXPENDITURES:</b>							
Retained and Transferred Risk							
Insurance Purchased	10,009,126	6,221,050	6,221,050	10,000,000	10,000,000	0	
Financing Expenses	0	0	0	0	0	0	
Total Retained and Transferred Risk	10,009,126	6,221,050	6,221,050	10,000,000	10,000,000	0	
<b>TOTAL EXPENDITURES</b>	<b>10,009,126</b>	<b>6,221,050</b>	<b>6,221,050</b>	<b>10,000,000</b>	<b>10,000,000</b>	<b>0</b>	
<b>TRANSFERS:</b>							
<u>Transfers out to:</u>							
General Administration	(74,050)	(52,458)	(52,458)	(52,458)	(46,827)	5,631	
Investment Fees	(171)	(84)	(185)	(203)	(250)	(47)	
<b>TOTAL TRANSFERS</b>	<b>(74,221)</b>	<b>(52,542)</b>	<b>(52,643)</b>	<b>(52,661)</b>	<b>(47,077)</b>	<b>5,584</b>	
Net Increase or (Decrease)	74,444	(121,316)	(121,287)	87,339	92,923	5,584	
<b>NET POSITION - JULY 1</b>	<b>375,430</b>	<b>449,874</b>	<b>449,874</b>	<b>430,969</b>	<b>328,587</b>		
<b>NET POSITION - JUNE 30</b>	<b>449,874</b>	<b>328,558</b>	<b>328,587</b>	<b>518,308</b>	<b>421,510</b>		

## **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.

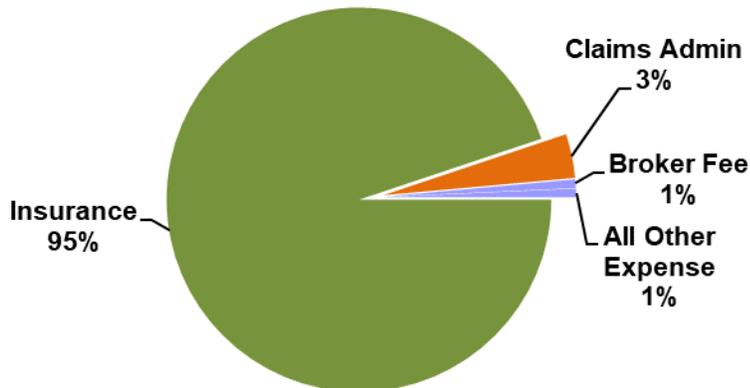
### **Program Revenue Summary:**

Number of Members	44
Insurance	\$565.2 Million
Eligibility Fees	\$3.5 Million
Claims Admin Fees	\$22.0 Million
Broker Fees	\$4.3 Million
PRISM Admin & Fees	\$962 Thousand

A summary of the PRISMHealth Program budget is as follows:

As budgeted, collections for Administration Fees are greater than the related expenses, resulting in an increase in Net Position of \$333k.

### **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
- Continue to present health care cost containment strategies for committee consideration
- Pharmacy Benefit Manager Assessment
- Conduct online Healthcare Symposium webinars
- Carrum Health Service Review
- Leverage Data Analytics and Reporting
- Behavioral Health Service Education/Review

**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.
- 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 2021 Fixed Administrative Costs:

Carrier/Vendor	Scope of Services		
Alliant	Broker Consultant Program Management	<b>Non-Kaiser Plans</b>	<b>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	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	
Alight	Benefits Administration	\$6.50 PEPM	
Anthem Blue Cross	Provider Network Claims Administration	\$48.47 to \$51.60 PEPM	
Benefit Coordinators Corporation (BCC)	Benefits Administration – TPA	\$7.00 PEPM	
Blue Shield of California	Provider Network Claims Administration	\$46.03 PEPM	
businessolver	Benefits Administration	\$6.60 PEPM	
Deerwalk	Program Data Analytics	\$0.35 PEPM	
Carrum Health	Surgical Benefit	\$0.75 PEPM	
Workterra	Benefits Administration	\$6.75 PEPM	
Pinnacle Claims Management	MexicoSelect Network	\$3.00 to \$5.00 PEPM	
PRISM	Pool Administration Governance	\$2.00 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, 2021 to June 30, 2022**

Sources and Uses of Financial Resources	ACFR Actual 2019/20	Year to Date 12/31/2020	Estimated 2020/21	Budget 2020/21	Budget 2021/22	Increase (Decrease)	Text Detail
<b>REVENUES:</b>							
Premiums for Transferred Risk	\$ 493,242,231	\$ 254,005,266	\$ 508,010,532	\$ 552,344,140	\$ 565,215,010	\$ 12,870,870	Paid directly to SISC
Third Party Administrator Fees	3,184,930	1,570,741	3,141,482	3,590,760	3,461,550	(129,210)	EBS/BCC/Business Solver/Pinnacle
ASO Fees for PRISMHealth Program	19,483,769	9,799,806	19,599,611	19,946,140	22,000,830	2,054,690	Carrier admin service organizations
Broker Fees	3,913,336	1,998,700	3,997,400	4,060,100	4,283,500	223,400	Paid to Alliant & other brokers;
Administration Fees	764,908	445,684	891,368	900,260	961,600	61,340	Incr. to \$2 per employee per month eff 1/1/20
Healthcare Reform Reinsurance Fee and PCORI Fee	1,206	0	0	0	171,500	171,500	No ACA fee in FY19/20
Investment Income	282,254	65,139	65,139	90,000	48,000	(42,000)	
Other Income	220,248	0	0	0	0	0	
<b>TOTAL REVENUES</b>	<b>521,092,882</b>	<b>267,885,336</b>	<b>535,705,532</b>	<b>580,931,400</b>	<b>596,141,990</b>	<b>15,210,590</b>	
<b>EXPENDITURES:</b>							
Member Dividends (Interest on Outstanding Balances)	12,259	0	0	14,000	14,000	0	Interest payable on Uncashed Dividend Balances
Retained and Transferred Risk							
Health Premiums, SISC	493,242,231	254,005,266	508,010,532	552,344,140	565,215,010	12,870,870	
Claims Admin. ASO Fees	19,483,769	9,799,806	19,599,611	19,946,140	22,000,830	2,054,690	
Broker Fees	3,913,336	1,998,700	3,997,400	4,060,100	4,283,500	223,400	
Third Party Administration Fees	3,184,930	1,570,741	3,141,482	3,590,760	3,468,750	(122,010)	
Healthcare Reform Reinsurance Fee and PCORI Fee	1,206	0	0	0	171,500	171,500	
Total Retained and Transferred Risk	519,825,473	267,374,513	534,749,025	579,941,140	595,139,590	15,198,450	
Program Administration							
PRISM Actuarial, Consulting and Other	48,000	24,000	48,000	34,000	34,000	0	PICORI revenue is \$171k, corr. Exp of \$164k is included here
PRISMHealth Symposium and Technician Workshop	4,868	184	(8,700)	92,181	105,500	13,319	
Other Misc. Expense	0	0	0	0	0	0	
Total Program Administration	52,868	24,184	39,300	126,181	139,500	13,319	
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>519,890,600</b>	<b>267,398,696</b>	<b>534,788,325</b>	<b>580,106,321</b>	<b>595,318,090</b>	<b>15,211,769</b>	
<b>TRANSFERS:</b>							
Transfers out to:							
General Administration	(539,342)	(557,606)	(557,606)	(557,606)	(485,945)	71,661	
Investment Fees	(2,433)	(1,635)	(3,597)	(3,195)	(4,700)	(1,505)	
<b>TOTAL TRANSFERS</b>	<b>(541,775)</b>	<b>(559,241)</b>	<b>(561,203)</b>	<b>(560,801)</b>	<b>(490,645)</b>	<b>70,156</b>	
Net Increase or (Decrease)	660,507	(72,602)	356,005	264,278	333,255	68,977	
<b>NET POSITION - JULY 1</b>	<b>1,864,226</b>	<b>2,524,733</b>	<b>2,524,733</b>	<b>2,179,832</b>	<b>2,880,738</b>		
<b>NET POSITION - JUNE 30</b>	<b>2,524,733</b>	<b>2,452,131</b>	<b>2,880,738</b>	<b>2,444,110</b>	<b>3,213,993</b>		
Balance in Admin Carryover	238,212	100,472	529,078	69,203	860,533		
Unrestricted Net Position	2,286,520	2,351,659	2,351,659	2,374,907	2,353,459		
Total Net Position	2,524,733	2,452,131	2,880,738	2,444,110	3,213,993		

## Dental

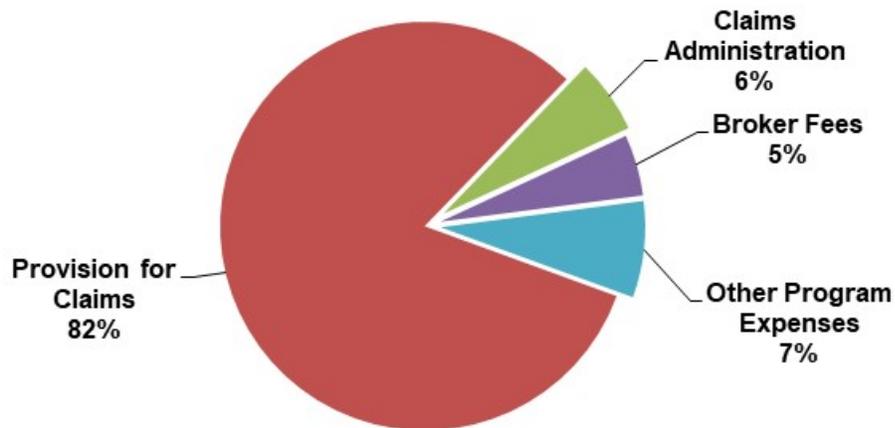
The Dental Program was created to provide members with comprehensive dental coverage and flexible benefit plan designs at the lowest possible rates. As a joint purchasing program, PRISM is able to leverage the size of its pooled participants to achieve volume pricing that is significantly lower than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

### **Program Revenue Summary:**

Number of Members	170
Pool Premium	\$41.3 Million
Pass Thru Premium	\$728 Thousand
Eligibility Fees	\$447 Thousand
Broker Fees	\$2.3 Million

A summary of the Dental Program budget is as follows:

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



Two million is budgeted for return to members via dividend in 2021/22, resulting in a planned decrease of 20% in the program's net position.

## **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
- Third Party Administration evaluation and assessment.
- Evaluate impact of COVID-19

### **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, 2021 to June 30, 2022**

Sources and Uses of Financial Resources	ACFR Actual 2019/20	Year to Date 12/31/2020	Estimated 2020/21	Budget 2020/21	Budget 2021/22	Increase (Decrease)	Text Detail
<b>REVENUES:</b>							
Contribution For Retained Risk	\$ 37,758,487	\$ 19,067,389	\$ 38,134,778	\$ 41,227,900	\$ 41,325,300	\$ 97,400	Includes the TPA fees
PRISM DHMO Pool Pass Thru Revenue	0	0	0	504,000	728,000	0	
Stabilization Funds Transferred	0	0	0	0	0	0	
Eligibility Administration	432,625	213,117	426,234	234,900	446,500	211,600	
Broker Fees	2,350,241	1,155,910	2,311,821	1,506,900	2,285,600	778,700	
Investment Income	782,331	135,008	135,008	170,000	69,000	(101,000)	
Other Income	0	0	0	0	0	0	
<b>TOTAL REVENUES</b>	<b>41,323,685</b>	<b>20,571,425</b>	<b>41,007,841</b>	<b>43,643,700</b>	<b>44,854,400</b>	<b>986,700</b>	
<b>EXPENDITURES:</b>							
Member Dividends	5,000,000	7,000,000	7,000,000	2,000,000	2,000,000	0	
Retained and Transferred Risk							
Provision for Claims Current Year	29,603,710	17,767,233	35,534,465	38,515,000	38,556,500	41,500	
Provision for Claims Prior Year	0	0	0	0	0	0	
PRISM DHMO Pool Pass Thru Expense	0	0	0	504,000	728,000	224,000	
Claims Administration TPA Fees	2,140,739	1,173,965	2,347,930	2,715,000	2,768,800	53,800	Paid to Delta Dental
Eligibility Administration	432,625	213,117	426,234	234,900	446,500	211,600	Paid to PBIA for maintaining eligibility and billing
Broker Fees	2,350,241	1,155,910	2,311,821	1,506,900	2,285,600	778,700	Paid to Alliant and other brokers
Stabilization Funds distributed	0	0	0	0	0	0	
Total Retained and Transferred Risk	34,527,315	20,310,225	40,620,449	43,475,800	44,785,400	1,309,600	
Program Administration							
Actuarial, Consulting and Legal	4,800	2,400	14,800	14,800	14,800	0	
Employee Benefit & Health Symposiums	1,217	46	100	23,045	29,175	6,130	
Total Program Administration	6,017	2,446	14,900	37,845	43,975	6,130	
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>39,533,332</b>	<b>27,312,671</b>	<b>47,635,349</b>	<b>45,538,645</b>	<b>46,854,375</b>	<b>1,315,730</b>	
<b>TRANSFERS:</b>							
Transfers out to:							
General Administration	(236,885)	(320,575)	(320,575)	(320,575)	(341,039)	(20,464)	
Investment Fees	(6,641)	(3,601)	(7,922)	(8,438)	(10,350)	(1,912)	
<b>TOTAL TRANSFERS</b>	<b>(243,526)</b>	<b>(324,176)</b>	<b>(328,497)</b>	<b>(329,013)</b>	<b>(351,389)</b>	<b>(22,376)</b>	
Net Increase or (Decrease)	1,546,827	(7,065,422)	(6,956,006)	(2,223,958)	(2,351,364)	(351,406)	
<b>NET POSITION - JULY 1</b>	<b>17,095,340</b>	<b>18,642,167</b>	<b>18,642,167</b>	<b>14,559,307</b>	<b>11,686,161</b>		
<b>NET POSITION - JUNE 30</b>	<b>18,642,167</b>	<b>11,576,745</b>	<b>11,686,161</b>	<b>12,335,349</b>	<b>9,334,797</b>		
Net Assets Designated for:							
Program Stabilization Funds - member designated	766,583	749,092	749,092	731,237	704,592		
Dental IBNR & Claim Fluctuation Reserves	5,200,000	5,200,000	5,200,000	5,200,000	5,200,000		
Admin Carryover	1,023,178	831,565	814,789	358,456	463,425		
Unrestricted Net Position	11,652,406	4,796,088	4,922,280	7,868,706	2,966,780		
Total Net Position	18,642,167	11,576,745	11,686,161	14,158,399	9,334,797		

### **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 Miscellaneous Programs include the following:

#### **Short Term Goals**

- Increase overall participation in Miscellaneous 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
- EAP Technology Product Enhancement
- Paid Family Leave (PFL) Product

Budget Policies for the Employee Benefits Miscellaneous Programs include the following:

#### **Revenues**

- In addition to the nine major coverage programs, PRISM provides group purchase insurance programs to offer members protection from other various exposures. These programs 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 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 payments are pass through to the insurance companies in which the programs contract as approved by the Employee Benefits Committee.
- EAP premium payments also pass through to the insurance companies in which the program contracts, as approved by the Employee Benefits Committee. Premium expense invoices are computed quarterly, based on each members set rate for their benefit level and the reported number of employees eligible for the EAP.

### **Transfers**

- Transfers out to the general administration program are used to pay for 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 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 Miscellaneous 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 nine major coverage programs, PRISM provides group purchase insurance programs to offer members protection from other various exposures. These programs 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 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, 2021 to June 30, 2022**

Sources and Uses of Financial Resources	ACFR Actual 2019/20	Year to Date 12/31/2020	Estimated 2020/21	Budget 2020/21	Budget 2021/22	Increase (Decrease)	Text Detail
<b>REVENUES:</b>							
Watercraft Dividend	\$ 25,880	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	Received from insurance carriers and paid out to members
Aircraft Dividend	148,173	0	0	0	0	0	Received from insurance carriers and paid out to members
Inmate Medical Dividend	0	28,150	28,150	0	0	0	Received from insurance carriers and paid out to members
EAP Premiums	1,658,040	1,012,651	1,970,304	1,670,500	1,950,250	279,750	
Life, LTD and STD Premiums	22,424,743	11,188,069	22,376,138	21,964,000	24,100,000	2,136,000	Growth in program
Vision Premiums	4,321,273	0	5,569,000	5,569,000	5,560,000	(9,000)	
Optional Excess	9,902,522	16,296,548	16,296,548	13,402,000	21,188,400	7,786,400	
Aviation Insurance	1,693,505	2,022,701	2,022,701	1,975,417	2,433,400	457,983	
Watercraft Insurance	330,988	354,961	354,961	350,000	458,500	108,500	
Course of Construction	144,778	0	0	600,000	389,400	(210,600)	No current upcoming projects
Crime and Honesty Bonds	1,760,003	2,151,710	2,151,710	2,038,000	2,660,100	622,100	
Pollution Liability Coverage	487,063	450,315	450,315	416,190	626,200	210,010	
Inmate Medical	637,675	732,097	732,097	670,000	842,700	172,700	
Cyber Liability	1,756,023	2,460,698	2,460,698	2,273,609	9,840,945	7,567,336	
EMMP	41,167	28,494	28,494	150,000	45,000	(105,000)	Introduction of new line of coverage in 18/19
Finance Fees	373	864	864	0	0	0	
Investment Income	97,297	9,770	9,770	27,000	18,000	(9,000)	
Other	213,036	82,047	82,047	59,000	59,000	0	
<b>TOTAL REVENUES</b>	<b>45,642,540</b>	<b>36,819,075</b>	<b>54,533,797</b>	<b>51,164,716</b>	<b>70,171,895</b>	<b>19,112,179</b>	
<b>EXPENDITURES:</b>							
Watercraft Dividend	25,880	0	0	0	0	0	These are carrier dividends paid to members who had no claims
Aviation Dividend	148,173	0	0	0	0	0	These are carrier dividends paid to members who had no claims
Inmate Medical Dividend	0	28,150	28,150	0	0	0	These are carrier dividends paid to members who had no claims
Transferred Risk							
EAP Premium Expense	1,658,040	1,012,651	1,970,304	1,670,500	1,950,250	279,750	
Life, LTD Premium Expense	22,424,743	11,188,069	22,376,138	21,964,000	24,100,000	2,136,000	
Vision Premiums	4,321,273	0	5,569,000	5,569,000	5,560,000	(9,000)	
Optional Excess	9,902,520	16,296,542	16,296,542	13,402,000	21,188,400	7,786,400	
Aviation Insurance	1,693,505	2,022,701	2,022,701	1,975,417	2,433,400	457,983	
Watercraft Insurance	330,983	354,963	354,963	350,000	458,500	108,500	
Course of Construction	144,778	0	0	600,000	389,400	(210,600)	
Crime and Honesty Bonds	1,760,005	2,151,716	2,151,716	2,038,000	2,660,100	622,100	
Pollution Liability	487,066	450,328	450,328	416,190	626,200	210,010	
Inmate Medical	637,675	732,097	732,097	670,000	842,700	172,700	
Cyber Liability	1,756,023	2,294,883	2,294,883	2,273,609	9,840,945	7,567,336	
EMMP	41,167	28,494	28,494	150,000	45,000	(105,000)	
Other	213,036	82,047	82,047	59,000	59,000	0	
Total Transferred Risk	45,370,815	36,614,491	54,329,213	51,137,716	70,153,895	19,121,179	
<b>TOTAL EXPENDITURES</b>	<b>45,544,868</b>	<b>36,642,641</b>	<b>54,357,363</b>	<b>51,137,716</b>	<b>70,153,895</b>	<b>19,121,179</b>	

**PUBLIC RISK INNOVATION, SOLUTIONS, AND MANAGEMENT (PRISM)  
MISCELLANEOUS PROGRAMS  
Adopted Budget  
July 1, 2021 to June 30, 2022**

Sources and Uses of Financial Resources	ACFR Actual 2019/20	Year to Date 12/31/2020	Estimated 2020/21	Budget 2020/21	Budget 2021/22	Increase (Decrease)	Text Detail
<b>TRANSFERS:</b>							
<u>Transfers out to:</u>							
General Administration	\$ (14,200)	\$ (14,200)	\$ (14,200)	\$ (14,200)	\$ (14,200)	\$ 0	
Internal Investment Fees	(804)	(222)	(488)	(945)	(625)	320	
<b>TOTAL TRANSFERS</b>	<b>(15,004)</b>	<b>(14,422)</b>	<b>(14,688)</b>	<b>(15,145)</b>	<b>(14,825)</b>	<b>320</b>	
Net Increase or (Decrease)	82,668	162,012	161,746	11,855	3,175	(8,680)	
<b>NET POSITION - JULY 1</b>	<b>1,987,023</b>	<b>2,069,692</b>	<b>2,069,692</b>	<b>2,019,504</b>	<b>2,231,437</b>		
<b>NET POSITION - JUNE 30</b>	<b>2,069,692</b>	<b>2,231,704</b>	<b>2,231,437</b>	<b>2,031,359</b>	<b>2,234,612</b>		
Net Position Designated for:							
Life Stabilization Fund	920,427	920,427	920,427	933,835	928,313		
LTD Stabilization Fund	995,477	995,477	995,477	1,012,378	1,004,414		
Unrestricted Net Position	153,788	315,800	315,534	61,478	301,886		
<b>Total Net Position</b>	<b>2,069,692</b>	<b>2,231,704</b>	<b>2,231,437</b>	<b>2,007,691</b>	<b>2,234,612</b>		

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

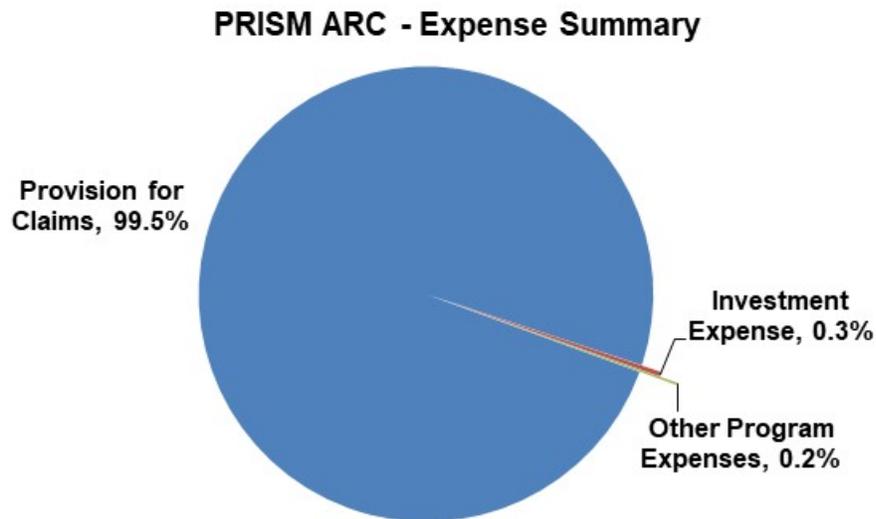
## **PRISM Affiliate Risk Captive**

PRISM Affiliate Risk Captive (PRISM ARC) is a captive insurance company formed by PRISM and is accounted for as a blended component unit. The Captive covers fixed corridors of PRISM as follows:

### **Program Revenue Summary:**

Primary Workers' Comp	\$15.1 Million
Excess Workers' Comp	\$62.8 Million
General Liability 1	\$69.4 Million
General Liability 2	\$53.5 Million
Property	\$21.2 Million
Med Mal	\$1.9 Million

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



The Net Position of PRISM ARC is budgeted to increase from an estimated \$30.6 million at June 30, 2021 to \$50.0 million at the end of the 2021/22 fiscal year. This 64% increase is expected as revenues for transferred risk are established at a higher confidence level while the related expenses are budgeted at the expected confidence level.

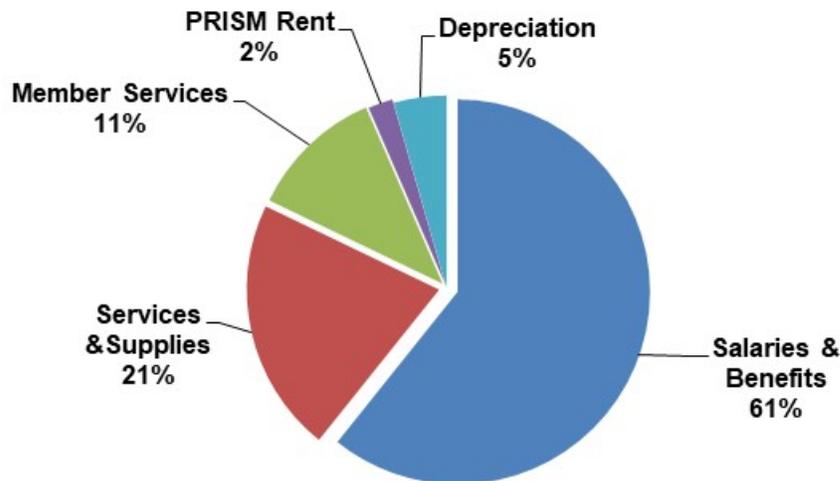
**PUBLIC RISK INNOVATION, SOLUTIONS, AND MANAGEMENT (PRISM)  
CAPTIVE  
Adopted Budget  
July 1, 2021 to June 30, 2022**

Sources and Uses of Financial Resources	ACFR Actual 2019/20	Year to Date 12/31/2020	Estimated 2020/21	Budget 2020/21	Budget 2021/22	Increase (Decrease)
<b>REVENUES:</b>						
Contribution For Retained Risk	\$ 146,541,399	\$ 176,238,543	\$ 176,238,543	\$ 182,394,953	\$ 223,429,286	\$ 41,034,333
Investment Income	13,856,688	21,573,006	26,966,258	11,000,000	9,000,000	(2,000,000)
Other Income			0		0	
<b>TOTAL REVENUES</b>	<b>160,398,087</b>	<b>197,811,550</b>	<b>203,204,801</b>	<b>193,394,953</b>	<b>232,429,286</b>	<b>39,034,333</b>
<b>EXPENDITURES:</b>						
Retained and Transferred Risk	0	0	1,599,257	0	0	0
Provision for Claims Current Year	115,594,702	126,061,500	126,061,500	176,106,414	211,913,647	35,807,233
Provision for Claims Prior Year	46,916,183	65,551,823	65,551,823	0	0	0
Total Retained and Transferred Risk	162,510,885	191,613,322	193,212,579	176,106,414	211,913,647	35,807,233
Program Administration						
Audit Services	18,000	18,600	18,600	18,600	19,200	600
Legal Service	10,423	1,800	8,000	8,000	8,000	0
Board Meetings	11,554	0	0	20,000	20,000	0
Utah Captive Fees	5,250	5,250	5,250	5,250	5,250	0
Investment Management Fees	386,083	253,011	525,000	500,000	700,000	200,000
Banking and Custody Fees	67,362	46,227	92,500	70,000	130,000	60,000
Management Services	150,000	150,000	150,000	150,000	150,000	0
Office Supplies, Website Hosting & Misc Expenses	0	0	500	500	500	0
Total Program Administration	648,671	474,888	799,850	772,350	1,032,950	260,600
Transfer out Contingency Delegated to Governing Co	0	0	0	25,000	25,000	0
<b>TOTAL EXPENDITURES</b>	<b>163,159,556</b>	<b>192,088,210</b>	<b>194,012,429</b>	<b>176,903,764</b>	<b>212,971,597</b>	<b>36,067,833</b>
Net Increase or (Decrease)	(2,761,469)	5,723,340	9,192,372	16,491,189	19,457,689	2,966,500
NET POSITION - JULY 1	19,157,361	16,395,892	16,395,892	10,617,576	25,588,263	
<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>21,395,892</b>	<b>27,119,231</b>	<b>30,588,263</b>	<b>32,108,765</b>	<b>50,045,952</b>	

## 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.

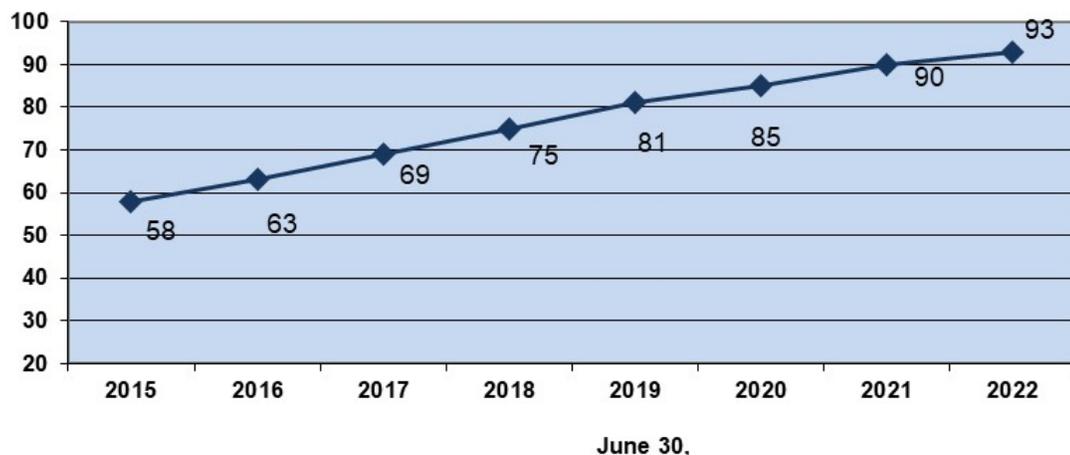
### General Administration Budget - Expense Summary



Highlights of the general administration budget are as follows:

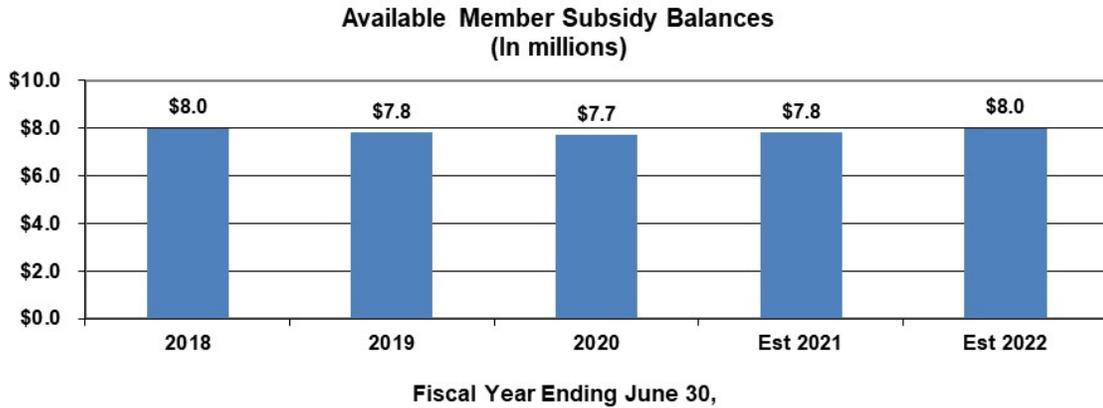
- Salaries and benefits includes three new positions to be added in 2021/22 across two areas: Liability Claims and Underwriting. These positions spread technical work among staff, speed up product and project timelines, reduce caseloads, and increase control over services. These changes will bring employee count to 93 in 2021/22.
- The history of the number of authorized positions is illustrated in the following chart. The count excludes two positions included in the capital outlay budget for development of the proprietary claims system which began in 2020/21.

### History of Authorized Staff Positions



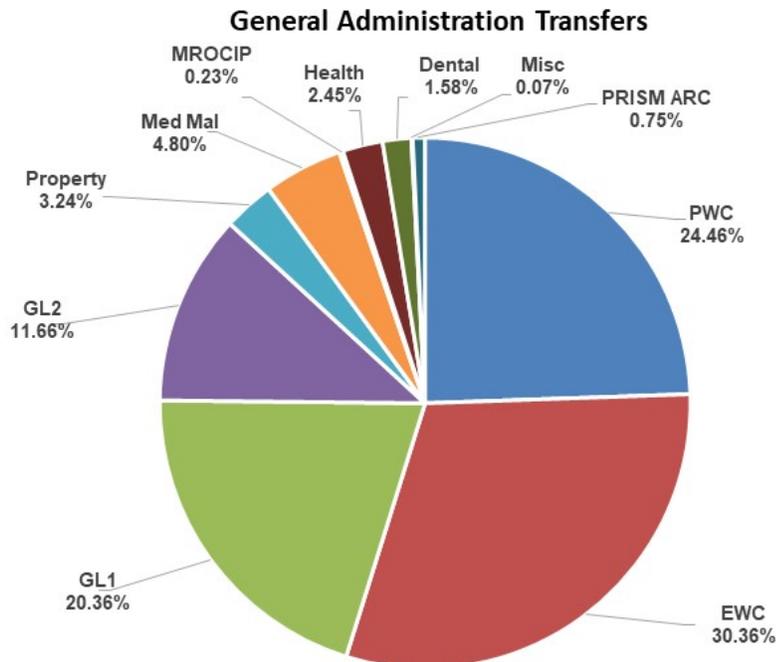
## Loss Preventions and Risk Management Subsidies

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.



Charges to PRISM programs from the General Administrative fund are based on expected costs during the budget period less any carryover approved in accordance with the Target Funding Guidelines. For fiscal year 2021/22 a carryover of \$3.0 million was approved to be used to offset transfers from other programs. As a result, there is expected to be a \$3.0 million decrease in the Net Position of the General Administrative fund.

## 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 development of member and pool management functionality on the PRISM website.
- Expand data and analytics services provided to members.
- Annually update the Insurance Requirements in Contracts Manual.
- Continue legislative advocacy regarding issues affecting PRISM'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 Pass the Baton – A Risk Management Mentor Program
  - Continue the Risk Management Practitioner Program
  - Marketing of new services including Law Enforcement Programs, POST Courses, Physical Abilities Testing, Workforce Management Software, Road Maintenance GIS Software, 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 to expand Risk Control services to Educational Members.
  - Continue and expand Gap Analysis Surveys within the Risk Assessment Tool to address PRISM business needs and Emerging Risks.
- Continue to work with TargetSolutions to expand the LMS services and trainings
- Market the fifth year of the Eagle Awards Program.
- Deliver annual employee performance reviews by June 15<sup>th</sup> of each year.
- Continue and update the fifth year of the PRISM 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 PRISM departments.

### Long Term Goals

- Strengthen funding policies to avoid capital erosion.
- Continue and improve professional development plans to all employees of PRISM.
- 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 PRISM 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 PRISM 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 PRISM 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 PRISM members to use during staff transitions or any other situation. This is a fee for service program pass thru for the PRISM financials.
- Strategic Planning- The PRISM Member Services department now offers facilitating strategic planning sessions for their members at a discounted price.
- Claims System – Members of the PRISM 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 PRISM'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 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.
- PLIP Income – The Executive Committee has approved a Personal Lines Insurance Program (PLIP) allowing PRISM 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 PRISM staff or services is shared with PRISM vendors.
- Reinsurer LP Subsidy –These are amounts received from some of the PRISM 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 PRISM partners and vendors, toward the cost of PRISM 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.

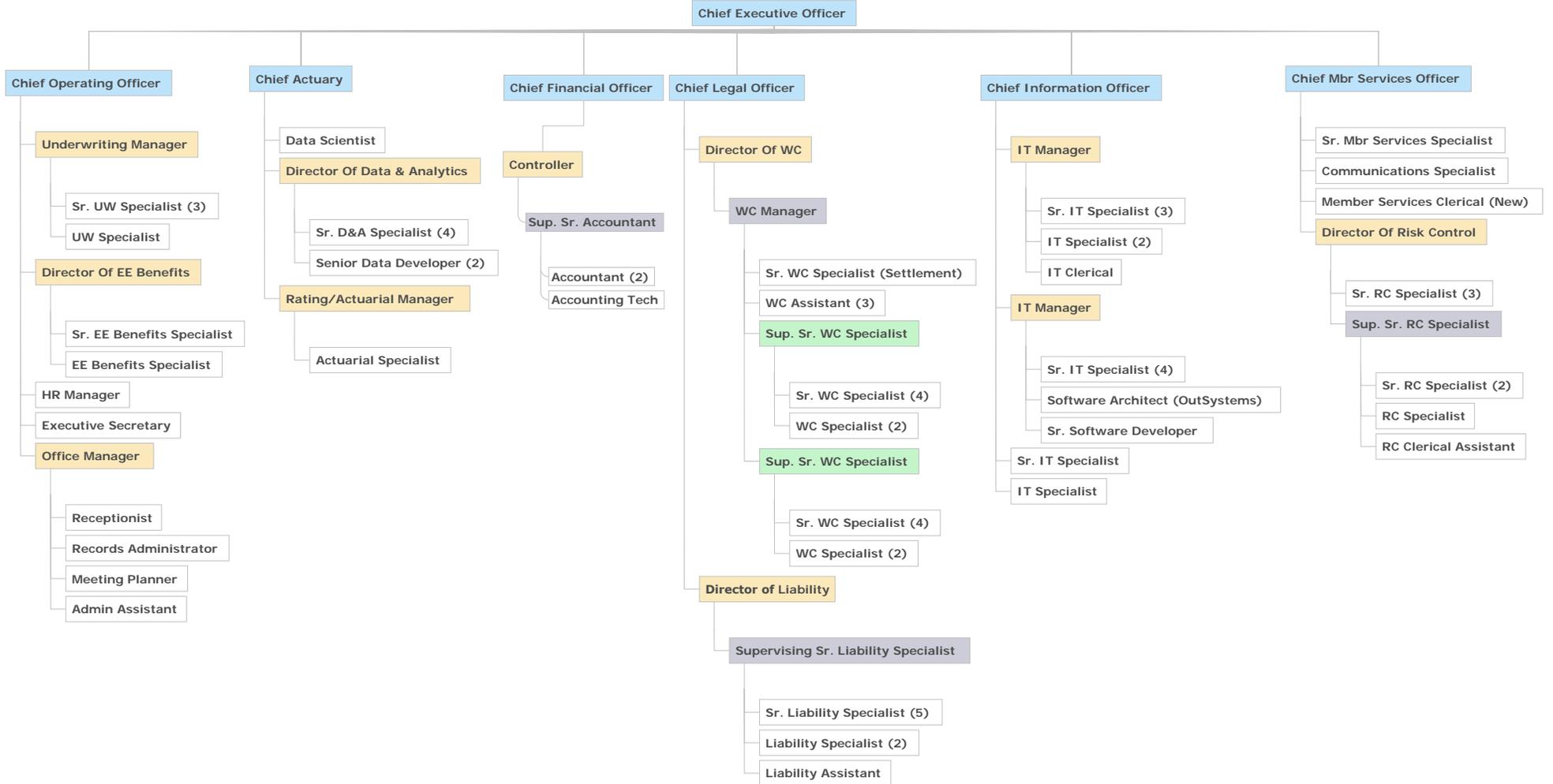
- Executive and Committee Travel – Members of Authority committees and members interested in joining Authority committees are reimbursed for ordinary and necessary travel expenses to attend committee meetings and the conduct of other committee activities. Reimbursements are based on the Travel Policy approved by the Board of Directors.
- Audit Services – An independent audit examination of the PRISM Annual Comprehensive Financial Report (ACFR) 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 PRISM 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, PRISM contract project management and depreciation on capitalized costs for the claims system, for both PRISM 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 PRISM and the Captive (PRISM ARC)
- All PRISM ARC expenses are borne by the Captive, either directly or as transfer from PRISM ARC to the PRISM's GA program. Every year, staff recommends the reasonable amount of PRISM ARC's share in the GA expenses of the PRISM. Since the Captive is a blended component unit of the PRISM, its budget and actual financial results are combined with PRISM'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 PRISM program are used to pay for PRISM 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 PRISM's General Administration Target Funding Guidelines. These administration costs are allocated to all PRISM 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 relevant PRISM programs are used to pay for the cost of claim system. This cost is charged to those programs whose claims are administered through the system and to the extent of their use of the system.
- A transfer in for investment fees reimburses the PRISM Treasury for the cost of third-party investment management services.
- PRISM rent is the share of rent for PRISM occupied premises and it is the transfer out from the GA program into the building program

PRISM  
Reporting Structure as of  
07/01/2021



## ADMINISTRATION DEPARTMENT

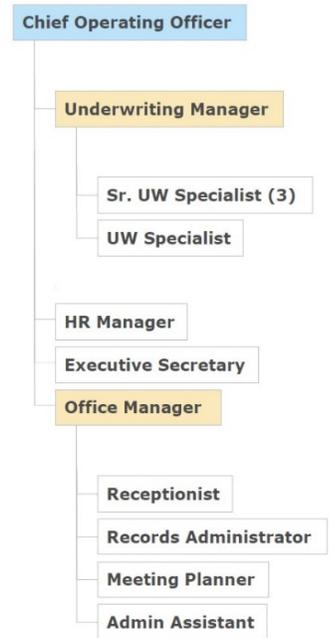
2021/22 Staffing Budget: \$1,942,076

### 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 2020/21:

- Seamless transition to newly appointed CEO, COO, and key management positions.
- Added the first two out-of-state member participants (Pima County, AZ and City of Portland, OR).
- Retained 98% of members at renewal of the programs, and added 9 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.
- Successfully completed a large portion of the rebranding process from CSAC EIA to PRISM and EIO to PRISM Affiliate Risk Captive (ARC).
- Successfully continued governance of PRISM by transitioning all meetings to a web based environment. In 2020, the number of meetings increased by 9% compared to the prior year. The number of members participating in meetings also increased 58%.
- Continued success with all staff working remotely, while maintaining very high levels of customer service and improving customer satisfaction ratings.
- Amended remote work policy, as a result of anticipated wider usage post COVID, to continue to cultivate and support a positive working environment, retain/attract employees, and promote happy/highly productive staff.
- Successfully implemented the new Office Manager position, which played a vital role in ensuring the office continued to run, employees had everything they needed to work remotely, and to ensure all COVID safeguards and precautions were in place.
- Maintained high levels of member contacts. In 2020, 58 member visits and/or detailed service overview meetings were held, as well as 25 new member orientations.
- Updated hard-market messaging for impacted coverage programs to assist members in communicating with their stakeholders.



Performance Measures for Fiscal 2021/22:

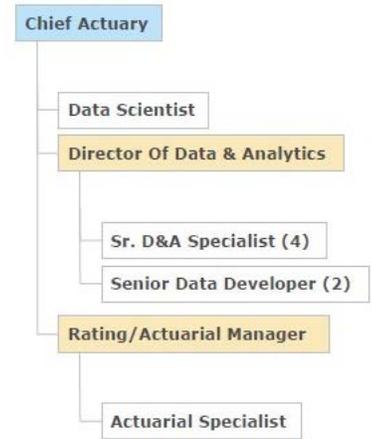
- Complete the re-branding to convert all materials, documents, and communication mediums to PRISM and PRISM ARC.
- Maintain high member satisfaction ratings with a 5% increase in Very Satisfied survey scores.
- Re-open the PRISM office for staff, members, and guests in a safe manner.
- Implement a hybrid model for meetings (both in-person and virtually) in order to ensure members continue a high level of engagement and PRISM remains member-directed.
- Continue to take a measured approach in looking for good opportunities to expand 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 participation in PAFR program.
- Continue development of succession plans for the technical support specialists and clerical staff and continue to maintain and update succession plans in place.

## ACTUARIAL SERVICES DEPARTMENT

2021/22 Staffing Budget: \$1,911,631

### 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 PRISM ARC.
- 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.
- Provide actionable data to various programs and departments



### Actuarial Major Accomplishments for Fiscal 2020/21:

- Completed actuarial analysis for the major property and casualty programs, including timely recommendations on rates for the 2020/21 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 PRISM ARC.
- Provided 2 PWC quotes and 3 PGL quotes.
- Provided a GL2 actuarial rate study and member model.
- Provided reinsurance analyzers to analyze various reinsurance scenarios for EWC, PWC, GL1, and GL2.
- Provided COVID-19 loss estimates for EWC and PWC.
- Developed a model to determine the likelihood of permanent disability workers' compensation claim of being C&R'ed
- Developed a tool to summarize and extract important claim information (body parts, ailments, treating physician, and other aspects) from lengthy first claim reports
- Produced jail, law enforcement and mental health flags for claims in the DnA database
- Provided pricing estimates for 3 prospective out of state participants
- Incorporated the rating of jail exposures into the Medical Malpractice Program
- Updated available deductible options for Medical Malpractice Program 2 members.
- Analyzed various underwriting factors (territory, safety/non-safety) for the EWC and GL1 programs

- Developed an Individual Member Corridor Deductible (IMCD) pricing model for the GL1 program and implemented it into the premium allocation
- Collaborated with Data and Analytics to automate the generation of loss data for the EWC and GL1 allocations
- Developed a model to identify sexual abuse and molestation (SAM) claims in the GL1 program for School members
- Developed SAM rates for GL1 School members on a claims made basis
- Provided other actuarial analyses.

Actuarial Performance Measures for Fiscal 2021/22:

- Strive for continued innovation, creative ideas, and progressive strategy as respects the programs, services and organization as a whole
- Ensure objectives outlined in the organizational strategic plan are moving forward and/or completed within the established timeframes
- Complete actuarial analysis for the major property and casualty programs, including timely recommendations on rates for the 2021/22 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, PWC, GL1 and possibly GL2.
- Provide all actuarial support for the PRISM ARC.
- Provide PWC and DBD quotes as needed.
- Update GL1 IMCD premium discount matrixes.
- Continue to analyze various underwriting factors (territory, safety/non-safety) for the EWC and GL1 programs.
- Update the PWC program ULAE calculation methodology.
- Update the 4850 benefits analysis for PWC and EWC.
- Examine appropriateness of actuarially rating all current payroll rated members in DBD as one as opposed to them receiving the average program rate.
- Analyze and update age to age loss development tail factors for the major program loss development factors.

D&A Departmental Functions:

- Manage monthly, semi-annual, and annual loss experience processing and reporting.
- Manage the loss reporting process including Claims Summary Reports (CSR), Loss Portfolio Transfer (LPT) reports, COVID and CIGA reporting, and Bordereaux (BDX).
- Provide the data, information and reports required to support the renewal process.
- Incorporate data from Underwriting and other sources to document membership and renewal data, along with exposures to support Actuarial needs.
- 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 all PRISM reporting and analytic needs.

### D&A Major Accomplishments in Fiscal 2020/21:

- Continued to complete all data management, reporting, and data collection activities, and several new projects and reports while onboarding and training four new staff (two existing positions, and two new positions).
- Completed the annual loss data collection process for the major P&C programs and provided semi-annual GL2 loss data package to the market.
- Produced all quarterly CSRs, and monthly and quarterly LPT reports and BDX.
- Developed new CIGA reports and a new AmTrust monthly PWC BDX.
- Continued to respond to changing COVID-19 reporting requirements including reporting member COVID data to the PRISM Excess Claims system, and in support of WC program renewals.
- Modified the current WC data extraction process from the SIMS Claims systems to accommodate invoice tracking, PWC payment tracking, and many other system changes including COVID-19 changes, and conversion of CorVel onto SIMS.
- Provided actuarial study data for the Actuarial team for the PWC, EWC, DBD, GL1, GL2 and Med/Mal programs. All delivered earlier than planned.
- Generated loss data and triangles for SAM claims for the actuarial team.
- Continued to pull contact and governance data from the Mura database, and the schedule of actuarial studies and claims audits from Laserfiche for reporting needs.
- With two new staff being able to focus on dashboards, staff made significant progress on getting new dashboards to the members:
  - The Member Benchmarking dashboard was demonstrated to the Executive Committee.
  - A separate Benchmarking Sub Committee was formed to review and advise on the benchmarking content of the new dashboard.
  - Staff is on track to release the pilot in May of 2021.
- Made significant progress automating loss reporting via development of the new PRISM Program Performance (PPP) system:
  - Developed new SIMS excess transactional extraction processes into the DnA database, and created the model, tables, and processes needed to support excess reporting and analytics.
  - Developed new database components to classify transactions into the layers and payers (representing PRISM insurance agreements over time), allowing for automated reporting of EWC losses by the program layers and reinsurers.

### D&A Performance Measures for Fiscal 2021/22:

- Strive for continued innovation, creative ideas, and progressive strategy as respects the programs, services and organization as a whole.
- Ensure objectives outlined in the organizational strategic plan are moving forward and/or completed within established timeframes.
- Provide the initial benchmarking tool/member dashboards to members by 7/1/21 with further development by 6/30/22.
- 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 reports as needed.
- Continue to track and report on COVID-19 claim activity.

- Produce annual excess reportable, monthly CIGA reimbursement / reconciliation / tracking, monthly loss runs, and monthly Education Tower reports.
- Deploy internal dashboards to support general staff data needs.
- Deploy initial PRISM Program Performance (PPP) dashboards and reports to functionally replace the current CSRs.
- Support the Data Science and Actuarial practices as needed.
- Continue to maintain and improve the DnA database and develop and deploy new information products for the membership, partners and staff.

## CLAIMS DEPARTMENT

2021/22 Staffing Budget: \$4,024,869

### Departmental Functions:

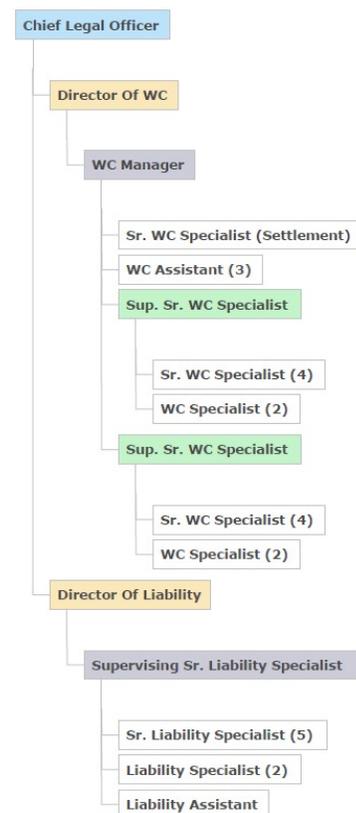
- Plan, organize and direct the claim functions throughout PRISM.
- Work with members, vendors and business partners to control claims costs.
- Provide Legal Services to PRISM including legal advice, respond to subpoenas and public records act requests, advise regarding Brown Act Compliance, and review of contracts.

### Major Accomplishments in Fiscal 2020/21:

- Finalized amendments to the JPA.
- Successful implementation of new GL claims reporting process to reinsurers.
- Updated GL1 reimbursement process to allow for faster turnaround time for reimbursing members and closing files.
- Developed Claims Conversation Corner to create a forum for the GL member community to discuss overarching claims issues.
- Worked with IT Department to build IMCD and Group Corridor Tracking mechanisms in SIMS.
- Through lobbying efforts, had a significant impact on a variety of bills introduced by the California legislature in 2020 and 2021.
- Processed claim reimbursements to members within 30 days of receipt of all supporting documentation.
- PRISM's workers' compensation claims team 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 DBD programs monthly.
- Created COVID-19 specific fields in the claims system for tracking positivity rates and provided weekly COVID-19 loss runs to reinsurers.
- Developed a methodology for adjusting a member's SIR when multiple claims arise out of a single occurrence that involves multiple members in the PWC and/or EWC Programs.
- Collaborated with PRISM's Data Scientist to develop tools to identify trends in WC claims and to gather GL data on SAM claims.
- Partnered with the Office of Self Insured Plans to provide training to Members and TPAs on the new annual reporting requirements.
- In coordination with IT, completed the transition of Corvel to PRISM's claims system.
- Provided webinars to members on alternative providers for jail medical services and on insurance and indemnification issues in contracts.

### Performance Measures for Fiscal 2021/22:

- Continue collaborating with IT to build an in-house claims system.
- Continue to work with members to help identify additional jail medical services providers.
- 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.
- Evaluate WC members' use of Carve-Out Programs and provide metrics of performance to the Claims Review Committee.
- Establish PWC TPA Report Cards for key claims performance measures.
- Review possibility of offering quarterly GL claims reviews with members.
- Update existing and develop new program reports to improve overall program management.

## EMPLOYEE BENEFITS DEPARTMENT

2021/22 Staffing Budget: \$434,406

Director Of EE Benefits

Sr. EE Benefits Specialist

EE Benefits Specialist

### 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 2020/21:

- 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.
- Added a fourth Benefits Administration vendor to the PRISMHealth program.
- Distributed \$75K in wellness funds to the members of the PRISMHealth program in a continued effort to support member wellness initiatives.
- Provided enhanced PRISMHealth member utilization reports via the new Integrate Data Analytics Platform for PRISMHealth members.
- Increased utilization with Telehealth services.
- \$7 Million Dental Program dividend declared and distributed to program members.
- 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.
- Documentation of Employee Benefits process and procedures.
- Completed the addition of Employee Benefits coverage data on the PRISM website.

### Performance Measures for Fiscal 2021/22:

- 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.
- Increase PRISM visibility at Employee Benefits related conferences.
- Maintain high member satisfaction.
- Implement new TPA partner for Health and for Dental.
- Promote member growth in all Employee Benefits Programs.
- Strengthen communication and collaboration with our Broker and Carriers.

## INFORMATION TECHNOLOGY DEPARTMENT

2021/22 Staffing Budget: \$2,631,050

### 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 2020/21:

- Enhanced migration/conversion data validation
- Implemented last PWC TPA (Corvel) on ClaimsXPress
- Continue to gather requirements and develop the new proprietary claims system
- Refined import tool to support claims with the high number of Covid19 cases being reported. Additionally, we collaborated to import EWC member claims from DNA, including financials
- Enhanced the replication between PRISM and all TPA's
- Created an automated excess payment process to support IMCD and group corridors for GL2 and future GL1 members
- Created OSIP AR2 addendum report
- Imported CIGA finances into excess module that was previously tracked on spreadsheets
- Enhanced the 1099 export to support new federal requirements
- Released Coverage Data application to members, including phase 1 of reporting, via the pool management system/website
- Continued development on the ANCP solution as well as released phase 1 Prospect application.
- Finished PRISM rebrand on website as well as EIO to ARC rebrand.
- Conducted Renewal Application survey and developed roadmap for final enhancement work.
- Completed Event Management enhancements to support hybrid meetings/events.
- Full year of enablement and support for entire staff working remotely full time.
  - Replaced all desktop computers with laptops (remote enablement)
- Increased internet bandwidth and resiliency at Folsom office and co-location site for no increased cost
- Significant information security improvements
  - Added 24x7x365 Security Operations Center (SOC) service
  - Replaced endpoint security software with next-gen advanced features
  - Implemented enhanced internet threat protection for remote workforce

- Data backups protected from ransomware infection
- Laptop data encryption
- Changed domain from csac-eia.org to prismrisk.gov
- Upgraded Building Access System
- Improved 3<sup>rd</sup> party IT support for IT infrastructure
  - New IT Service providers – improved service, less cost

Performance Measures for Fiscal 2021/22:

- Continue development of the new proprietary claims system
  - Tentative Minimum Viable Product implementation Spring 2022
- Evaluate and pursue development of the following claims system (ClaimsXpress) activities, if deemed appropriate
  - Migrate Hazelrigg data to Sedgwick by 6\1\2021
  - Implementation of the payment automation for IMCD and group corridors for GL2 and future GL1 members
  - Migrate Lake County data to new TPA
  - Change source code control platforms
  - Enhance bulk claim load for member submitted data and from the DNA database
- Continue development of the website portal's applications for prospects and additional named covered parties
- Expose Contact Management to staff and members on the website
- Develop and implement redesigned user dashboards on the website
- Implement virtual desktop technology to increase efficiency of PC management and lower long term cost of desktop computing
- Implement additional automated “bots” to handle routine workflows that save staff hours
- Conduct security assessment
  - Develop phased security roadmap
- Conference Room Upgrades
- IT Policy Review

## MEMBER SERVICES DEPARTMENT

2021/22 Staffing Budget: \$1,842,618

### 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 2020/21:

#### *Created*

- A COVID Resource Page on prismrisk.gov and a Law Enforcement landing page
- A 15% increase in training course completions and 21% increase in PRISMtv on-demand viewings
- Obtained a distance learning grant from POST and created an on-line, self-paced de-escalation course. Parallel course (unaffiliated with POST) was also developed and is available to all PRISM members on our LMS
- Courses with Articulate software & posted to VectorSolutions platform
- Risk Control Open Forum, Claims Conversation Corner and Perspectives – monthly online open forums for members
- A risk management mentor program called Pass the Baton
- An open channel & Podcast channel on PRISMtv

#### *Updated*

- CPS HR course work to include hybrid/online risk management practitioners program
- Safety Talks: A Tailgate/ Toolbox Resource
- IRIC Manual
- School Administrator's Guide to Preventing Sexual Abuse & Misconduct
- School Liability Handbook: Student Activities & Employment Issues
- Employment Practices Manuals
- HSI services - Added RSV & AVERT Training
- PlexusGlobal services – Added Drug & Alcohol Testing Program Management
- VectorSolutions services – Added FTO to Evaluations+

### Performance Measures and Goals for Fiscal 2021/22:

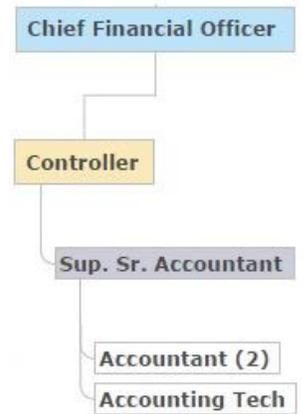
- Evaluate stop gap measures to fill risk management needs
- Identify individuals at member agencies to send targeted resources and information (Three Deep campaign)
- Expand member networking opportunities
- Develop methods to continually highlight available services to all members

## FINANCE DEPARTMENT

2020/21 Staffing Budget: \$818,775

### 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 2020/21:

- Participated in and received the Certificate of Achievement for Excellence in Financial Reporting (ACFR), 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.
- Successfully transitioned all accounting functions to electronic submission to facilitate processing during remote work structure. This includes implementing remote approval of documents such as invoice approval.
- Successful renewal billing cycle of 1059 invoices with a total value of \$555.2M with all amounts collected within 90 days.
- Financial audit completed for 2019/20 with no findings and unqualified opinion.
- Provided HR with payroll support during leave of absence.
- Assisted with CIGA invoicing process on the claim years from the CastlePoint liquidation.
- Successfully implement OpenGov budget software and created first ever interactive budget.

### Performance Measures for Fiscal 2021/22:

- Obtain ACFR 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 ACFR 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.
- Successfully collect all renewal billing amounts within 60 days.
- Research and Implement new accounting system.

**PUBLIC RISK INNOVATION, SOLUTIONS, AND MANAGEMENT (PRISM)**  
**GENERAL ADMINISTRATION PROGRAM**  
**Adopted Budget**  
**July 1, 2021 to June 30, 2022**

Sources and Uses of Financial Resources	ACFR Actual 2019/20	Year to Date 12/31/2020	Estimated 2020/21	Budget 2020/21	Budget 2021/22	Increase (Decrease)	Text Detail
<b>REVENUES:</b>							
Member Services							
Insurance Cert Tracking/Ent Risk Cons/Strategic Planning	\$ 254,506	\$ 138,445	\$ 0	\$ 3,000	\$ 3,000	\$ 0	Strategic Planning revenue. Insurance Cert. Tracking Pass through program discontinued in 20/21
Claims System Access	325,274	221,206	425,680	425,680	466,899	41,219	No new member implementation or customizations anticipated, more work in-house; pass thru item
PRISM Drug and Alcohol Consortium	0	0	0	0	0	0	
Investment Income	867,508	198,758	400,000	300,000	400,000	100,000	
PLIP Income	77,107	35,952	78,000	78,000	75,000	(3,000)	
Shared Cost Agreements	29,176	68,175	125,000	125,000	125,000	0	50% of Employee Benefits Specialists; 2/3 salary for CIGA temp
Reinsurer LP Subsidy/Credit	52,674	2,015	2,015	122,500	0	(122,500)	No credit anticipated in 21/22
Service partner Trade Show	0	0	0	7,000	0	(7,000)	No cost to PRISM
Other Revenues	0	0	0	1,000	0	(1,000)	
<b>TOTAL REVENUES</b>	<b>1,606,245</b>	<b>664,551</b>	<b>1,030,695</b>	<b>1,062,180</b>	<b>1,069,899</b>	<b>7,719</b>	
<b>EXPENDITURES:</b>							
Salaries and Benefits							
Regular Salaries	8,893,838	4,692,898	9,774,544	9,774,544	10,420,252	645,708	See Schedule 1 for detail on Salaries and Benefits
Retirement	1,092,971	492,758	1,150,000	1,259,226	1,264,650	5,424	
Employee Benefits	1,762,407	878,967	1,950,000	2,149,261	2,310,022	160,761	See Sch 2. Includes Benefit costs of new employees
Employment Taxes	135,396	81,386	168,645	168,645	178,120	9,475	
Temporary Services	49,472	43,240	135,000	135,000	481,410	346,410	Incr in WC temps
Employment Services	19,635	13,946	14,950	14,950	15,400	450	
Total Salaries and Benefits	11,953,719	6,203,196	13,193,139	13,501,626	14,669,854	1,168,228	
Services and Supplies:							
Staff Travel	288,457	3,704	15,000	480,000	400,445	(79,555)	Includes travel to file reviews, settlements, etc.
Authority Meeting Expenses	203,642	19,824	30,000	378,024	355,670	(22,354)	See Schedule 3
Committee Expenses	91,511	115	5,000	151,000	156,000	5,000	See Schedule 4
Audit Service	76,200	72,300	80,000	80,000	80,000	0	
Legal Counsel	0	0	35,000	25,000	25,000	0	Includes \$20k for Amicus
Periodicals and Publications	5,797	2,937	8,000	10,650	8,900	(1,750)	See Schedule 5
Training and Education	59,869	2,827	15,000	145,065	128,145	(16,920)	See Schedule 5
Educational Scholarships	510	0	0	8,000	7,000	(1,000)	See Schedule 5
Conferences and Seminars	39,617	5,718	15,000	87,775	93,274	5,499	See Schedule 5
Membership Dues	74,298	17,587	30,000	60,236	54,476	(5,760)	See Schedule 5
Insurance Cert Tracking Serv- PRISM Expense	0	0	6,000	6,000	6,000	0	
Office Supplies	58,421	7,227	18,000	63,000	81,600	18,600	Decreased need for office furniture in prior year, new desk chairs needed in 21/22
Computer Supplies, Software and Annual Maint.	237,750	115,093	491,850	561,850	674,667	112,817	See Schedule 6; New Accounting software and Data and Analytics Portal
Computer Hardware, Backup Data Center	170,438	56,293	159,900	159,900	182,650	22,750	See Schedule 6; Better support for hybrid staff (new monitors and docking stations)
Web Conferencing	15,980	8,340	21,120	21,120	30,335	9,215	See Schedule 6; Use of two web/conference solutions (WebEx and Zoom, Zoom primary)
Computer Technical Assistance	\$ 137,227	\$ 39,175	\$ 182,300	\$ 182,300	\$ 154,550	\$ (27,750)	See Schedule 6; Colocation costs now addressed via Telephone/Internet – change in providers

**PUBLIC RISK INNOVATION, SOLUTIONS, AND MANAGEMENT (PRISM)**  
**GENERAL ADMINISTRATION PROGRAM**  
**Adopted Budget**  
**July 1, 2021 to June 30, 2022**

Sources and Uses of Financial Resources	ACFR Actual 2019/20	Year to Date 12/31/2020	Estimated 2020/21	Budget 2020/21	Budget 2021/22	Increase (Decrease)	Text Detail
Website Design/Hosting/Support	\$ 385,244	\$ 206,416	\$ 397,000	\$ 397,000	\$ 400,000	\$ 3,000	See Schedule 6; Rebranding design changes continued
Claims System	547,270	341,864	1,039,445	1,039,445	951,127	(88,318)	See Schedule 7; No migrations and reduction in TPAs
Insurance	291,041	363,283	363,283	353,001	454,900	101,899	See Schedule 8; increase in all lines of coverage
Postage	8,717	5,100	10,000	12,000	12,000	0	
Telephone	42,926	28,370	61,600	61,600	106,400	44,800	Change in Provider/Service, includes colocation
Printing	34,958	17,071	40,000	80,050	64,500	(15,550)	See Schedule 9
Maintenance	0	0	7,000	7,000	7,000	0	
Accreditation and Certifications	1,055	345	2,000	2,000	12,000	10,000	CAJPA accreditation due in FY 21/22; GFOA award submissions included
Consultant	37,300	8,700	40,000	84,000	49,000	(35,000)	Software consulting, PERS and OPEB actuarial; addl peer review for actuarial 25k, lower internal audit 10k
Awards and Recognition	3,784	759	10,000	21,545	21,545	0	
Member Development	49,294	3,439	30,000	100,563	69,900	(30,663)	See Schedule 10; CASBO conference expenses, member give aways items; Incl \$50k for PR budget
Legislative Advocate Contracts	108,552	65,000	113,000	120,000	125,000	5,000	Based on contracts
Bank Charges	4,933	5,963	13,118	6,000	6,000	0	
Investment Expense	177,795	101,694	180,000	225,000	250,000	25,000	Portfolio investment management services; due to collection of annual premium in advance
<b>Total Services and Supplies</b>	<b>3,152,587</b>	<b>1,499,143</b>	<b>3,418,616</b>	<b>4,929,124</b>	<b>4,968,084</b>	<b>38,960</b>	
<b>Member Services</b>							
RC Seminars / Training Programs & Materials	366	32,742	47,742	73,800	69,600	(4,200)	
EIA Loss Prevention Platform	1,070,000	1,320,000	1,320,000	1,305,000	1,320,000	15,000	
A-Check Global EPN Program	167,533	87,117	174,235	174,235	181,204	6,969	Contractual increase
Automated Assessment Tool	177,779	75,000	75,000	75,000	75,000	0	Maintenance & support cost
INXPO On Demand Program	0	18,000	36,000	36,000	36,000	0	PRISM TV
Service partner Trade Show	0	0	0	7,000	0	(7,000)	No cost to PRISM
Member Legal Services	407,000	284,200	506,000	519,000	559,200	40,200	Incl. Eyers Law Group and Legal Counsel.
Other RC Program Services & Materials	0	6,092	6,400	23,600	30,500	6,900	IRIC, video streaming and misc. risk control
Insurance Cert Tracking Serv/Enterprise Risk	252,618	138,445	0	0	0	0	Insurance Cert. Tracking Pass through program discontinued in 20/21
Claims System Access	385,270	158,712	425,680	425,680	466,899	41,219	No new member implementation or customizations anticipated, more work in-house; pass thru item
<b>Total Member Services</b>	<b>2,460,566</b>	<b>2,120,308</b>	<b>2,591,057</b>	<b>2,639,315</b>	<b>2,738,403</b>	<b>99,088</b>	
<b>Depreciation</b>							
Furniture and Equipment	143,097	73,075	176,500	176,500	256,100	79,600	Incl. virtual desktops and Backup/Security Appliance (Rubrik)
Software	797,805	281,120	590,351	713,000	817,245	104,245	Incl. Website development, ACFR software, Bots, Data analytics development platform
<b>Total Depreciation</b>	<b>940,902</b>	<b>354,195</b>	<b>766,851</b>	<b>889,500</b>	<b>1,073,345</b>	<b>183,845</b>	
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>\$ 18,507,773</b>	<b>\$ 10,176,843</b>	<b>\$ 19,969,663</b>	<b>\$ 22,159,565</b>	<b>\$ 23,649,686</b>	<b>\$ 1,490,121</b>	

**PUBLIC RISK INNOVATION, SOLUTIONS, AND MANAGEMENT (PRISM)**  
**GENERAL ADMINISTRATION PROGRAM**  
**Adopted Budget**  
**July 1, 2021 to June 30, 2022**

Sources and Uses of Financial Resources	ACFR Actual 2019/20	Year to Date 12/31/2020	Estimated 2020/21	Budget 2020/21	Budget 2021/22	Increase (Decrease)	Text Detail
<b>TRANSFERS:</b>							
<u>Transfer In (Out) from:</u>							
General Admin Transfer - PWC	\$ 6,223,536	\$ 10,617,837	\$ 4,684,283	\$ 4,684,283	\$ 4,217,206	\$ (467,077)	Based on 3 year average time study of PRISM staff
General Admin Transfer - EWC	5,123,344	0	5,933,554	5,933,554	5,763,941	(169,613)	" "
General Admin Transfer - GL1	3,358,116	3,963,474	3,963,474	3,963,474	4,021,789	58,315	" "
General Admin Transfer - GL2	1,643,084	2,319,798	2,319,798	2,319,798	2,306,896	(12,902)	" "
General Admin Transfer - Property	573,908	668,351	668,351	668,351	616,309	(52,042)	" "
General Admin Transfer - Medical Malpractice	679,320	928,696	928,696	928,696	899,172	(29,524)	" "
General Admin Transfer - MROCIP	100,392	52,458	52,458	52,458	46,827	(5,631)	" "
General Admin Transfer - PRISMHealth	508,653	557,606	557,606	557,606	485,945	(71,661)	" "
General Admin Transfer - Dental	210,823	320,575	320,575	320,575	341,039	20,464	" "
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 - PRISM ARC	150,000	150,000	150,000	150,000	150,000	0	Fee to PRISM ARC for administrative services
Claims System Costs, PWC	168,632	728,317	696,428	696,428	637,255	(59,173)	Now participating in new claims system that includes all PWC TPAs
Claims System Costs, EWC	127,611	176,000	207,889	207,889	190,225	(17,664)	See Schedule 7
Claims System Costs, GL1	38,283	62,367	62,367	62,367	57,068	(5,299)	" "
Claims System Costs, GL2	19,142	31,183	31,183	31,183	28,534	(2,649)	" "
Claims System Costs, Med Mal	25,522	41,578	41,578	41,578	38,045	(3,533)	" "
PRISM Rent	(481,657)	(503,699)	(503,699)	(503,699)	(503,699)	0	Transfer to building program
Investment Fees	177,795	86,954	180,000	225,000	250,000	25,000	Charge to programs based on their share of treasury funds
<b>TOTAL TRANSFERS</b>	<b>18,659,804</b>	<b>20,215,695</b>	<b>20,308,741</b>	<b>20,353,741</b>	<b>19,560,752</b>	<b>(792,989)</b>	
Net Increase or (Decrease)	1,758,276	10,703,403	1,369,773	(743,644)	(3,019,035)	(2,275,391)	
<b>NET POSITION - JULY 1</b>	<b>8,264,613</b>	<b>10,022,887</b>	<b>10,022,889</b>	<b>7,786,270</b>	<b>11,392,662</b>		
<b>NET POSITION - JUNE 30</b>	<b>\$ 10,022,889</b>	<b>\$ 20,726,290</b>	<b>\$ 11,392,662</b>	<b>\$ 7,042,626</b>	<b>\$ 8,373,627</b>		

**PUBLIC RISK INNOVATION, SOLUTIONS, AND MANAGEMENT (PRISM)**  
**Adopted Capital Outlay Budget**  
**July 1, 2021 to June 30, 2022**

Line Item	2021/22 Budget
<b>General Administration Fund</b>	
<b><u>Furniture and Equipment</u></b>	
Conference Room	\$ 150,000
Servers - D&A	45,000
Servers - IT	20,000
Virtual Desktops	200,000
Copier	15,000
Backup/Security Appliance	55,000
Office/workstation modifications	60,000
<b>Total Furniture and Equipment</b>	<b>545,000</b>
<b><u>Software</u></b>	
Website Development	845,000
Laserfiche Modules (Web/Forms/Portal)	5,000
Bots	75,000
Microsoft SQL License	50,000
Data Analytics development platform	30,000
<b><u>SIMS Claims System</u></b>	
SIMS: Professional Services	200,000
SIMS: New User Licenses PRISM and TPAs	105,000
SIMS: Member Moves	33,000
SIMS: One-Time costs	30,000
SIMS: Contingency	54,000
SIMS MBR: Professional Services	16,000
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	748,100
<b>Total Software Additions</b>	<b>5,151,000</b>
<b>Building Fund</b>	
PRISM Tenant Improvements First Floor Addl. Space	25,000
Hybrid Work Model	40,000
Parking Lot Repair	11,250
TI allowance Halle Properties	37,000
<b>Total Building Fund</b>	<b>113,250</b>
<b>Grand Total Capital Outlay</b>	<b>\$ 5,809,250</b>

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

Schedule 1A

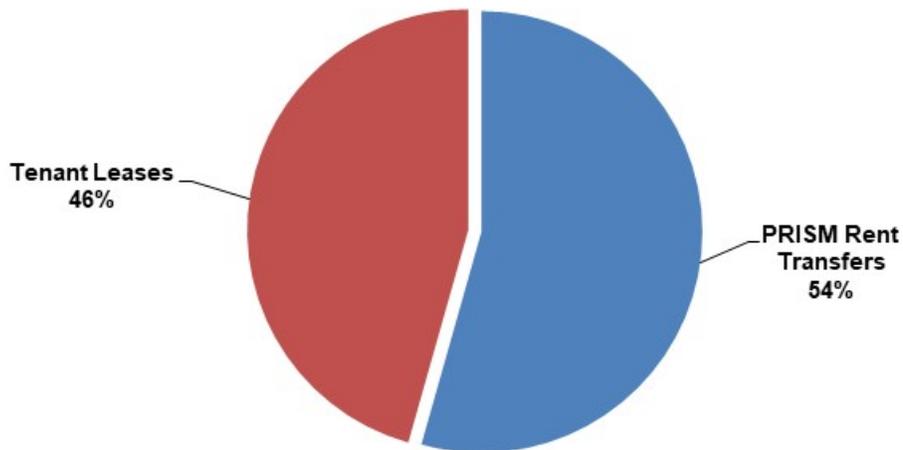
**Publicly Available Pay Schedule  
Adopted Salary Range Effective July 1, 2021**

Position	Salary Grade	Salary Range (Annual)		
Chief Executive Officer	Contract			304,500
Chief Actuarial Officer	16	227,760	-	364,416
Chief Operating Officer	15	174,984	-	279,972
Chief Member Services Officer	15	174,984	-	279,972
Chief Legal Counsel	15	174,984	-	279,972
Data Scientist	14	168,684	-	244,596
Software Architect	14	168,684	-	244,596
Chief Information Officer	13	142,920	-	228,672
Chief Financial Officer	13	142,920	-	228,672
Director of Business Analytics	12	140,520	-	210,780
Director of Employee Benefits	12	140,520	-	210,780
Director of Risk Control	12	140,520	-	210,780
Director of Liability Claims	12	140,520	-	210,780
Director of WC Claims	12	140,520	-	210,780
IT Manager	11	133,824	-	200,736
Underwriting Manager	10	112,932	-	169,404
WC Claims Manager	10	112,932	-	169,404
Controller	10	112,932	-	169,404
Human Resources Manager	10	112,932	-	169,404
Office Manager	10	112,932	-	169,404
Actuarial Rating Manager	10	112,932	-	169,404
Supervising Sr. RC Specialist	9-S	93,780	-	135,984
Supervising Sr. Accountant	8-S	89,412	-	129,648
Supervising Sr. WC Claims Specialist	8-S	89,412	-	129,648
Supervising Liability Claims Specialist	8-S	89,412	-	129,648
Sr. Risk Control Specialist	9	81,528	-	118,212
Sr. I.T. Specialist	9	81,528	-	118,212
Sr. Member Services Specialist	9	81,528	-	118,212
Sr. Database Developer	9	81,528	-	118,212
Sr. Specialist - Software Developer	9	81,528	-	118,212
Sr. Liability Claims Specialist	8	77,760	-	112,752
Sr. WC Claims Specialist	8	77,760	-	112,752
Sr. Underwriting Analyst	8	77,760	-	112,752
Sr. Business Analytics Developer	8	77,760	-	112,752
Sr. Employee Benefits Specialist	8	77,760	-	112,752
Liability Claims Specialist	7	67,896	-	95,052
Actuarial Analyst	7	67,896	-	95,052
Risk Control Specialist	6	59,904	-	83,868
WC Claims Specialist	6	59,904	-	83,868
IT Specialist	5	57,180	-	80,052
Communications Specialist	5	57,180	-	80,052
Accountant	5	57,180	-	80,052
Underwriting Specialist	5	57,180	-	80,052
Employee Benefits Specialist	5	57,180	-	80,052
Meeting & Event Planner	4	53,964	-	75,552
Executive Secretary	4	53,964	-	75,552
Claims Assistant	3	48,276	-	67,584
Accounting Technician	2	43,140	-	60,396
Clerical Assistant	1	39,792	-	51,732
Receptionist	1	39,792	-	51,732

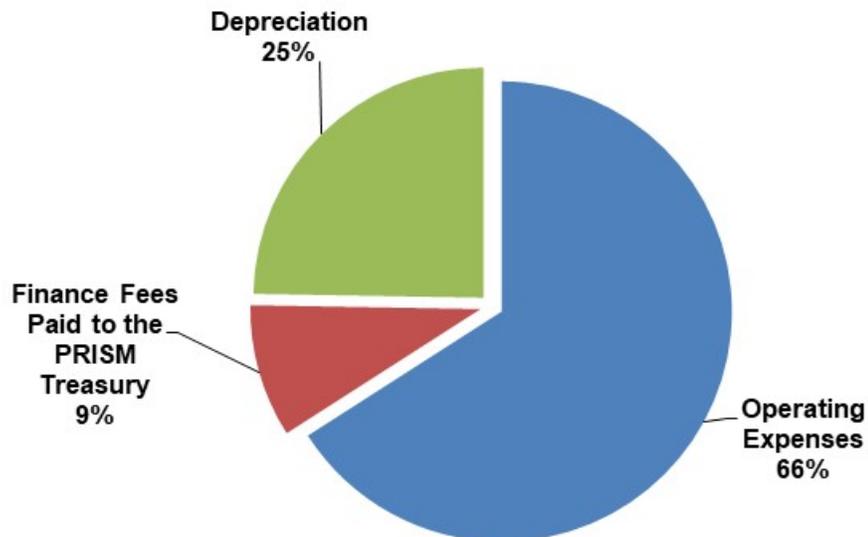
## **Building Fund**

PRISM has invested \$9.2M 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, 2021 to June 30, 2022**

Sources and Uses of Financial Resources	ACFR Actual 2019/20	Year to Date 12/31/2020	Estimated 2020/21	Budget 2020/21	Budget 2021/22	Increase (Decrease)	Text Detail
<b>REVENUES:</b>							
Lease Income - Tenants	\$ 437,334	\$ 192,633	\$ 385,266	\$ 419,353	\$ 422,642	\$ 3,289	Tenant terminated lease, budgeted vacancy
<b>TOTAL REVENUES</b>	<b>437,334</b>	<b>192,633</b>	<b>385,266</b>	<b>419,353</b>	<b>422,642</b>	<b>3,289</b>	
<b>EXPENDITURES:</b>							
Operating Expenses							
Janitorial	50,971	30,172	70,000	87,520	68,360	(19,160)	
Utilities	80,283	49,281	91,281	96,500	84,490	(12,010)	addl cleaning in July 2020
Garbage	5,763	3,252	6,800	6,280	6,800	520	
Water and Sewer	9,495	3,399	9,000	15,400	16,000	600	
Security & Fire Sprinkler Monitoring	13,144	7,748	15,000	17,290	20,360	3,070	
Landscape Maintenance	10,909	11,894	20,000	15,300	22,290	6,990	
Pest Control	1,155	735	1,540	1,530	1,530	0	
Commission Expense	46,920	0	75,000	98,000	0	(98,000)	Broker commision for two lease renewals in 20/21; none in 21/22
Common Area Maintenance	22,853	12,035	25,000	31,200	32,400	1,200	
Building Repairs	272,995	0	0	0	60,000	60,000	Lobby door hardware, Poss HVAC repairs
Building Maintenance	33,657	54,867	120,000	147,750	110,600	(37,150)	
Mello Roos Tax	14,835	6,638	15,810	15,810	14,660	(1,150)	
Insurance	26,390	0	31,400	31,400	42,500	11,100	
Legal Service	10,468	6,853	50,000	100,000	100,000	0	Litigation for building
Management Fees	37,923	17,610	38,190	38,190	35,460	(2,730)	
Finance Fees to PRISM Treasury	131,465	65,863	140,800	140,800	90,000	(50,800)	
<b>Total Operating Expenses</b>	<b>769,228</b>	<b>270,347</b>	<b>709,821</b>	<b>842,970</b>	<b>705,450</b>	<b>(137,520)</b>	
Depreciation							
Depreciation - Building	96,314	40,240	96,307	96,307	96,314	7	
Depreciation - Roof	8,333	8,333	8,340	8,340	8,333	(7)	
Depreciation - Parking Lot	7,500	7,500	7,500	7,500	10,313	2,813	
Depreciation - Tenant Improvements	160,404	76,115	104,000	98,522	123,379	24,857	Certain items fully depreciated
<b>Total Depreciation</b>	<b>272,551</b>	<b>132,189</b>	<b>216,147</b>	<b>210,669</b>	<b>238,339</b>	<b>27,670</b>	
Appropriation for Contingencies	0	0	0	20,000	20,000	0	
<b>TOTAL EXPENDITURES</b>	<b>1,041,780</b>	<b>402,536</b>	<b>925,968</b>	<b>1,073,639</b>	<b>963,789</b>	<b>(109,851)</b>	
<b>TRANSFERS:</b>							
Transfers in from General Administration							
Building Rent	481,657	503,699	503,699	503,699	503,699	0	
<b>TOTAL TRANSFERS</b>	<b>481,657</b>	<b>503,699</b>	<b>503,699</b>	<b>503,699</b>	<b>503,699</b>	<b>0</b>	
Net Operating Margin	(122,789)	293,797	(37,002)	(150,587)	(37,448)	113,140	
<b>NET POSITION - JULY 1</b>	<b>877,087</b>	<b>754,298</b>	<b>754,298</b>	<b>705,814</b>	<b>717,296</b>		
<b>NET POSITION - JUNE 30</b>	<b>\$ 754,298</b>	<b>\$ 1,048,095</b>	<b>\$ 717,296</b>	<b>\$ 555,227</b>	<b>\$ 679,849</b>		

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

**CALIFORNIA**

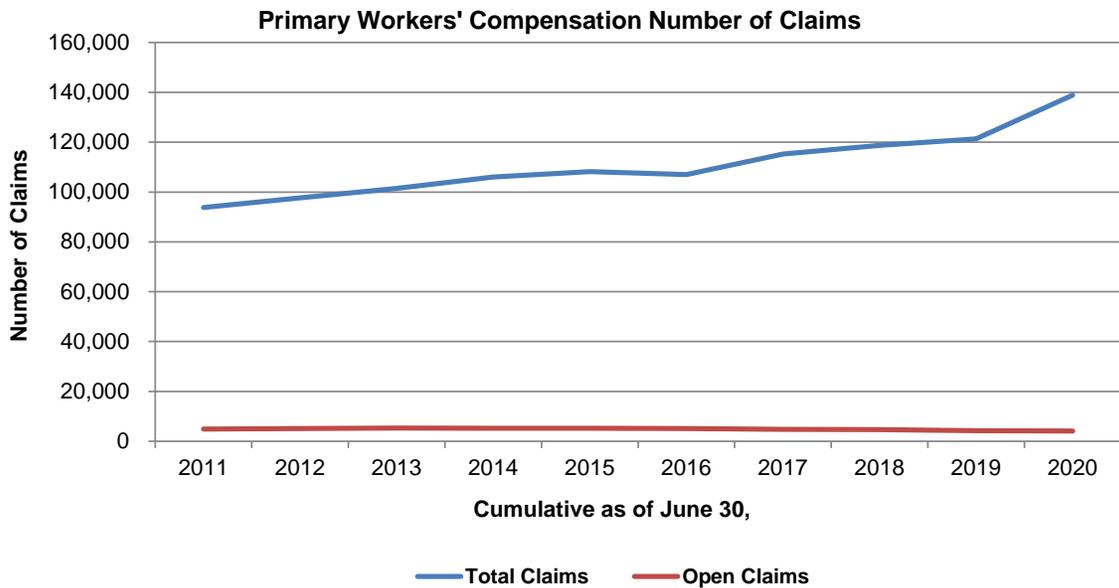
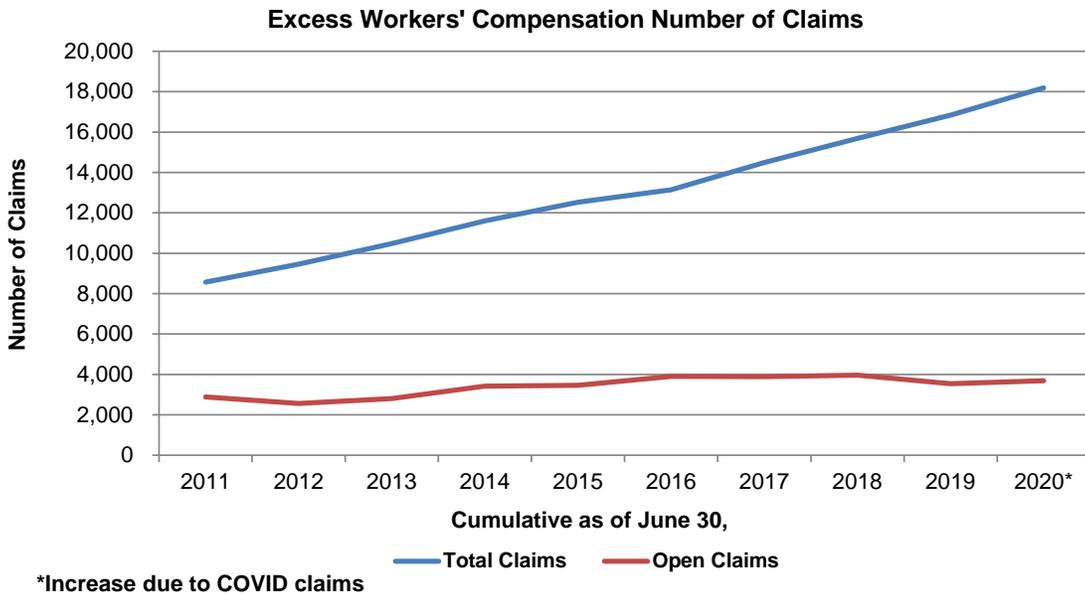


## **STATISTICAL/ SUPPLEMENTAL SECTION**

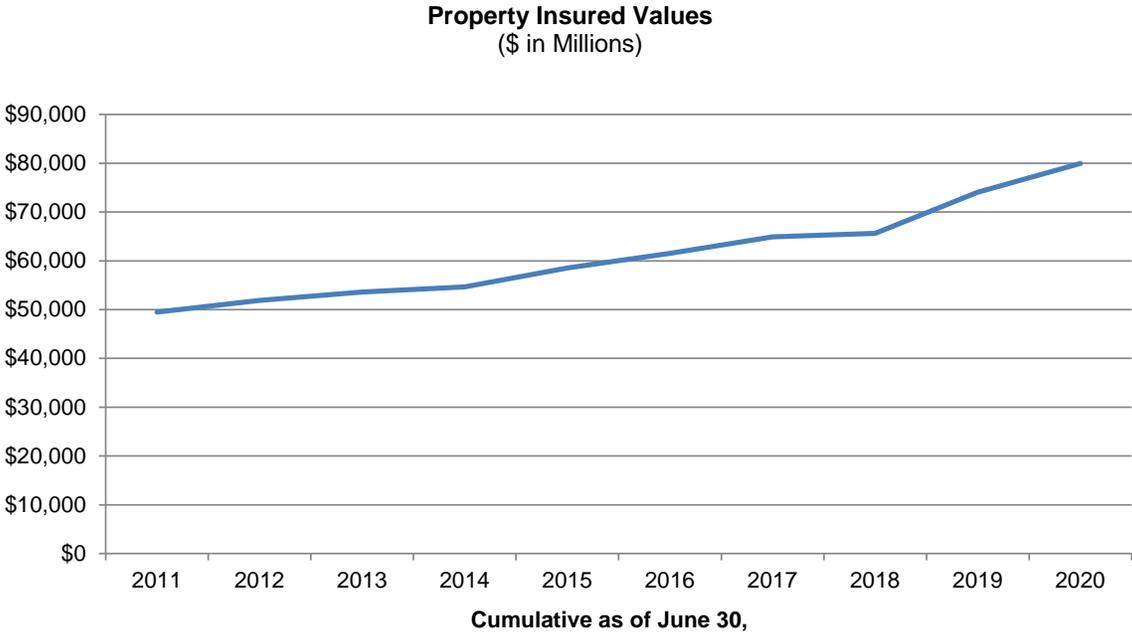
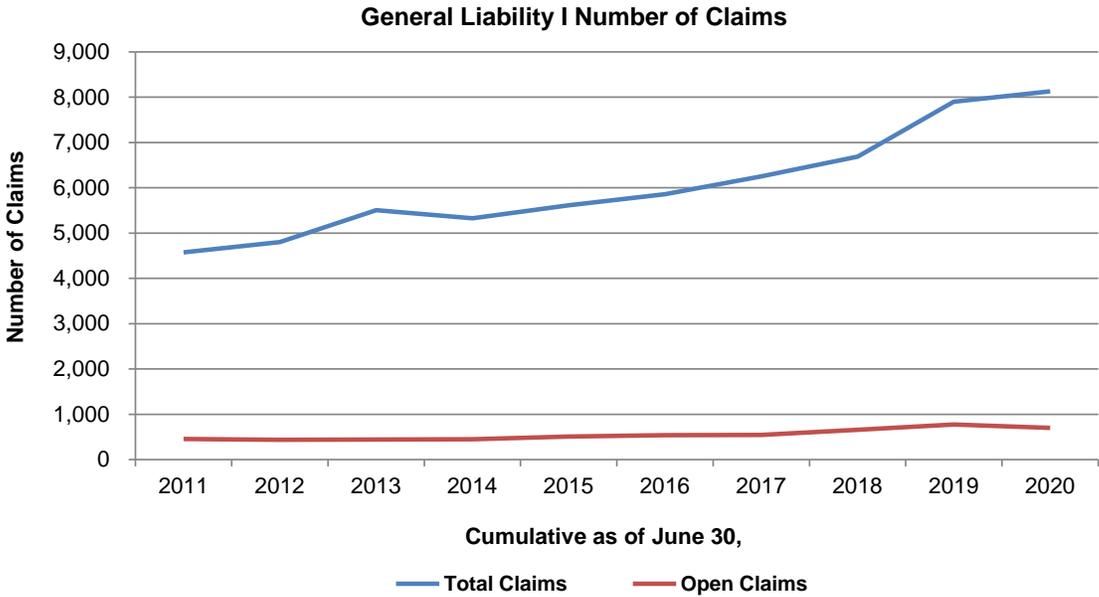
For the Fiscal Year  
July 1, 2021 to June 30, 2022

**PRISM  
ECONOMIC INDICATORS AND INFORMATION  
FOR THE 10-YEAR PERIOD ENDING JUNE 30, 2020**

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 ACFR'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, 2020**



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

	Budget Year Beginning				
	2017	2018	2019	2020	2021
<b>Budgeted Full-Time</b>					
<b>Equivalents by Department</b>					
Administration	12	13	13	13	14
Actuarial	7	8	8	11	11
Finance	5	6	6	6	6
Information Technology	13	14	15	17	17
Claims	24	26	28	29	31
Member Services (LP)	12	12	12	13	13
Employee Benefits	2	2	3	3	3
<b>Total Employees</b>	<b>75</b>	<b>81</b>	<b>85</b>	<b>92</b>	<b>95</b>
<b>Number of Retirees</b>	<b>7</b>	<b>9</b>	<b>9</b>	<b>10</b>	<b>12</b>

	Fiscal Year End				
	2018	2019	2020	2021	Budget 2021-22
<b>Member Units</b>					
Primary Workers' Comp	39	38	39	38	37
Excess Workers' Comp	175	171	181	183	180
Primary General Liability	22	21	0	0	0
General Liability 1	125	122	132	123	125
General Liability 2	18	17	18	18	18
Property	105	100	110	107	104
Medical Malpractice	52	52	52	52	52
Master Owner Controlled Insurance	16	16	18	18	17
PRISMHealth	37	36	42	42	44
Dental	154	154	171	171	170
<b>Total Member Units</b>	<b>743</b>	<b>727</b>	<b>763</b>	<b>752</b>	<b>747</b>
Member Counties	55	55	55	55	55
Member Public Entities	288	283	306	305	302
<b>Total Members</b>	<b>343</b>	<b>338</b>	<b>361</b>	<b>360</b>	<b>357</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.

**Joint Powers Agreement:** This is a formal, legal agreement between two or more public agencies that share a common power and want to jointly implement programs or deliver services.

**Joint Powers Authorities (JPA):** Legally created entities that allow two or more public agencies to jointly exercise powers to work on a common problem, fund a project, or act as a representative body for a specific activity.

**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 (TPA):** 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.