



Small Cities Organized Risk Effort (SCORE) Target Funding Benchmarks

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Outline

Funding Policy – Purpose & Definitions

Benchmarks – Key Risk Exposures

- Large Losses
- Reserving Errors
- Pricing Errors

Trends & Takeaways

Target Funding Policy - Purpose

Guidance for Board in development of annual funding, dividend and assessment decisions

Provide benchmarks to *measure and maintain* the pool's *financial stability*

Expose deteriorating experience and *react to minimize adverse impact* on the pool

Definitions

Net Deposit (ND) - total annual “premium” less excess insurance costs.

Self Insured Retention (SIR) - the maximum amount of exposure to a single loss retained by SCORE.

Confidence Level (CL) – an estimated probability that a given level of funding will be sufficient to pay actual claim costs. The higher a CL the greater certainty the actuary has that losses will not exceed the dollar value used to attain the CL. An estimate at the 70% CL means that in 7 of 10 years the amount will be at least enough to pay all applicable claims.

Net Position (NP) (Equity, Surplus or Net Assets) - Total Assets less Expected Liabilities.

Expected Liabilities (EL) – Outstanding Reserves plus Incurred But Not Reported (IBNR) and Loss Adjustment Expense (LAE), discounted, at the “Expected” CL (approx. 55% CL).

Benchmarks Measure Exposure To:

Large Losses – Net Position (NP) to SIR

Reserving Errors –Expected Liabilities (EL) to NP

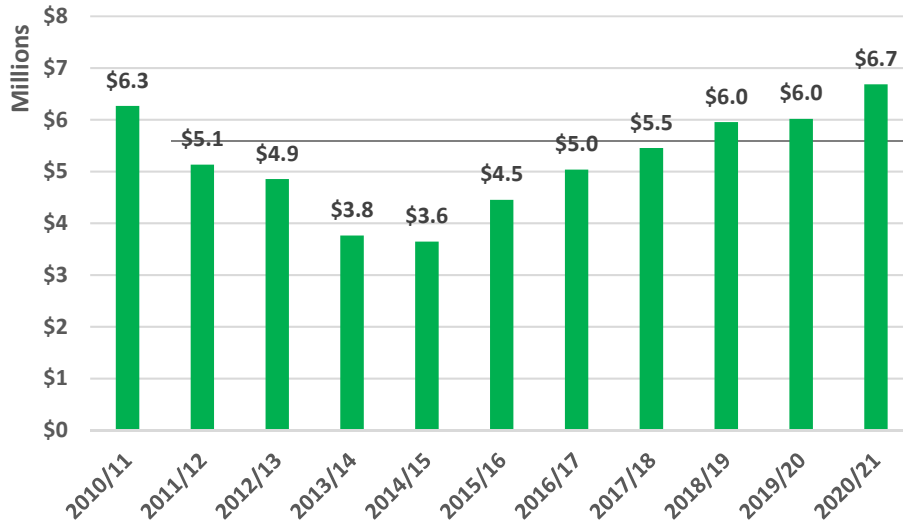
Pricing Errors –Net Deposits (ND) to NP

Also measure *yearly changes & trends* in

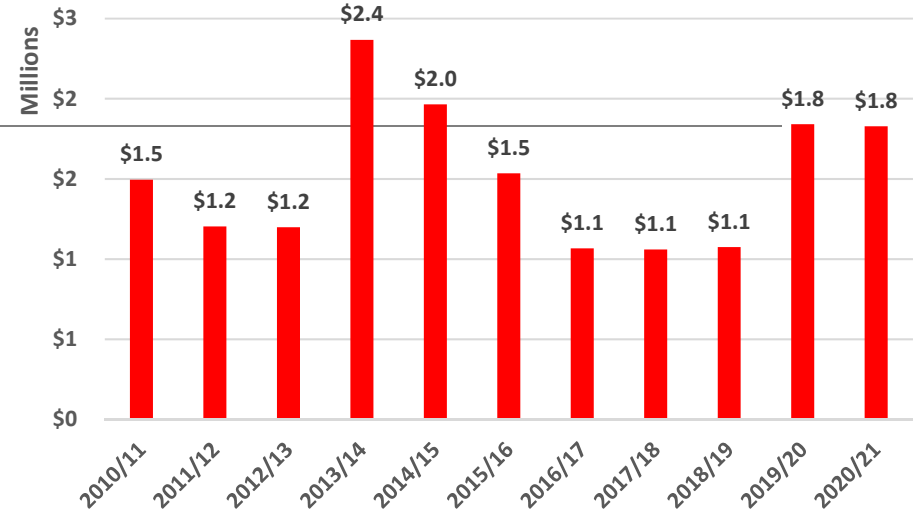
Net Position, Liabilities, and Deposits

Financials For Liability Analysis

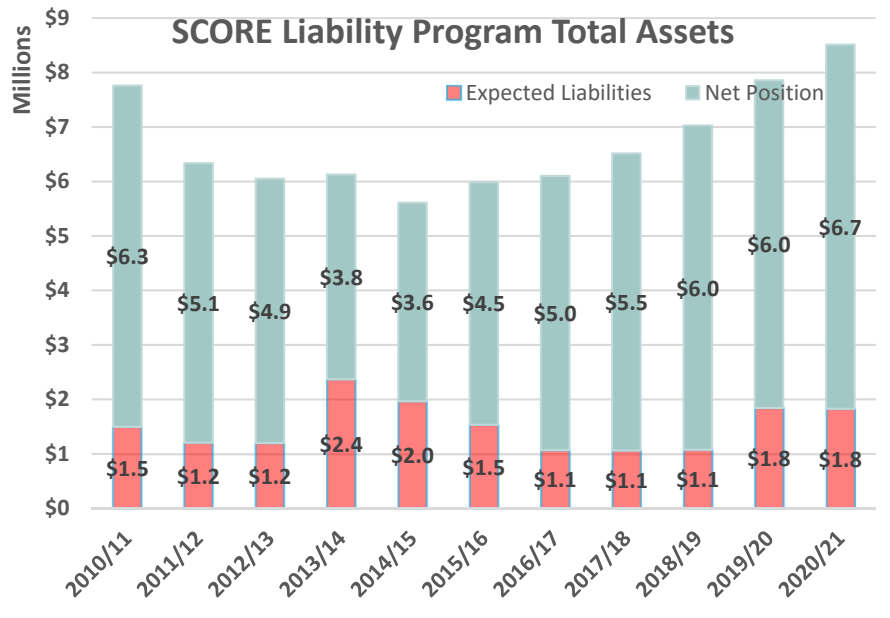
SCORE Liability Program Net Position



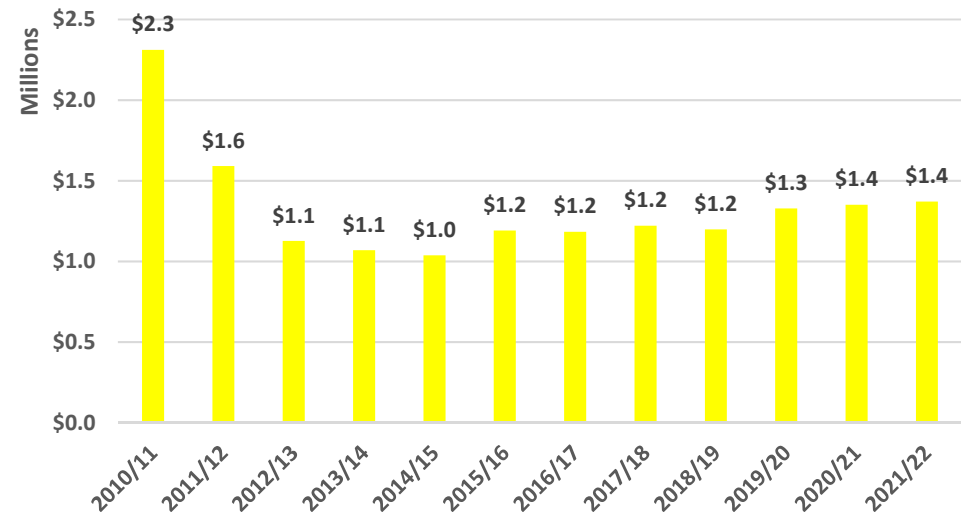
SCORE Liability Program Expected Liabilities



SCORE Liability Program Total Assets

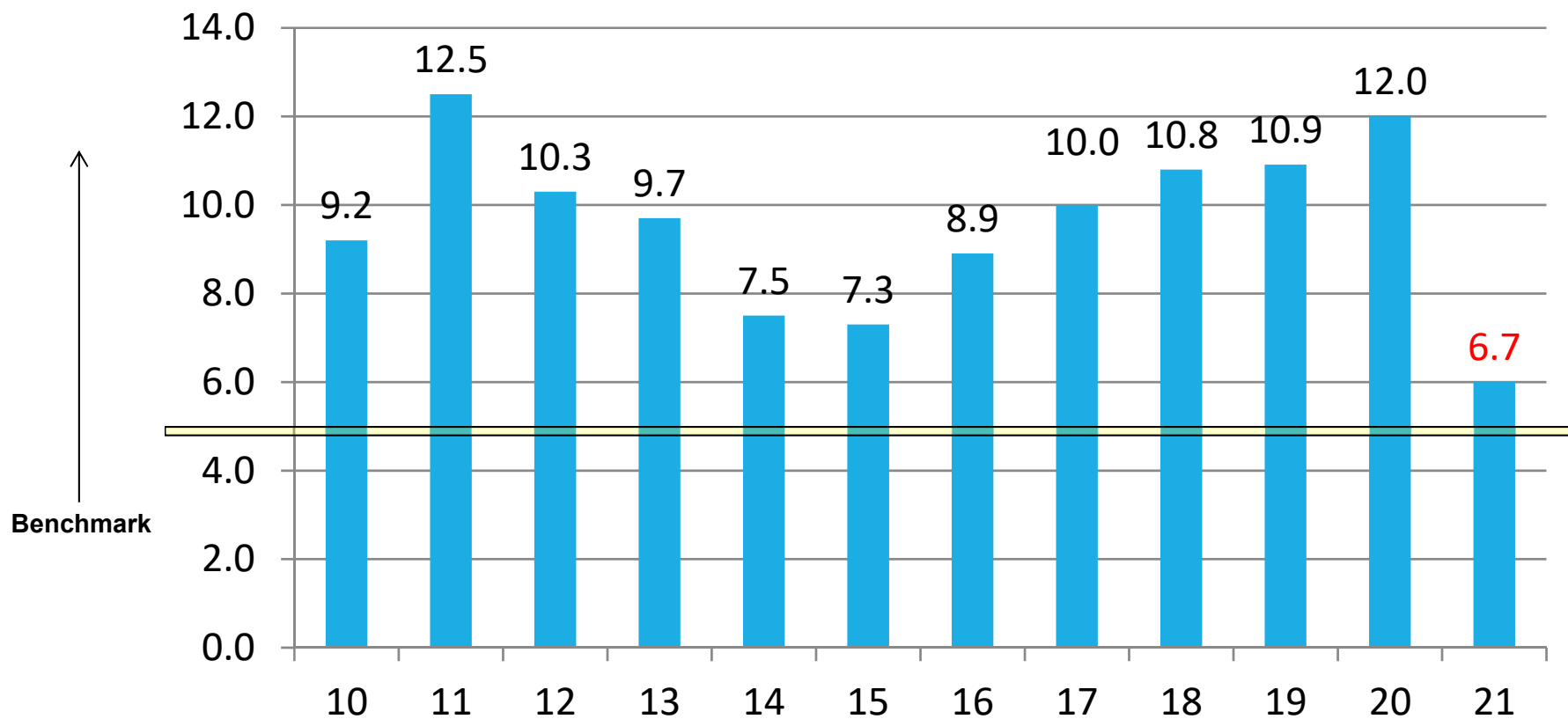


SCORE Liability Program Net Deposit



Net Position to SIR – Liability

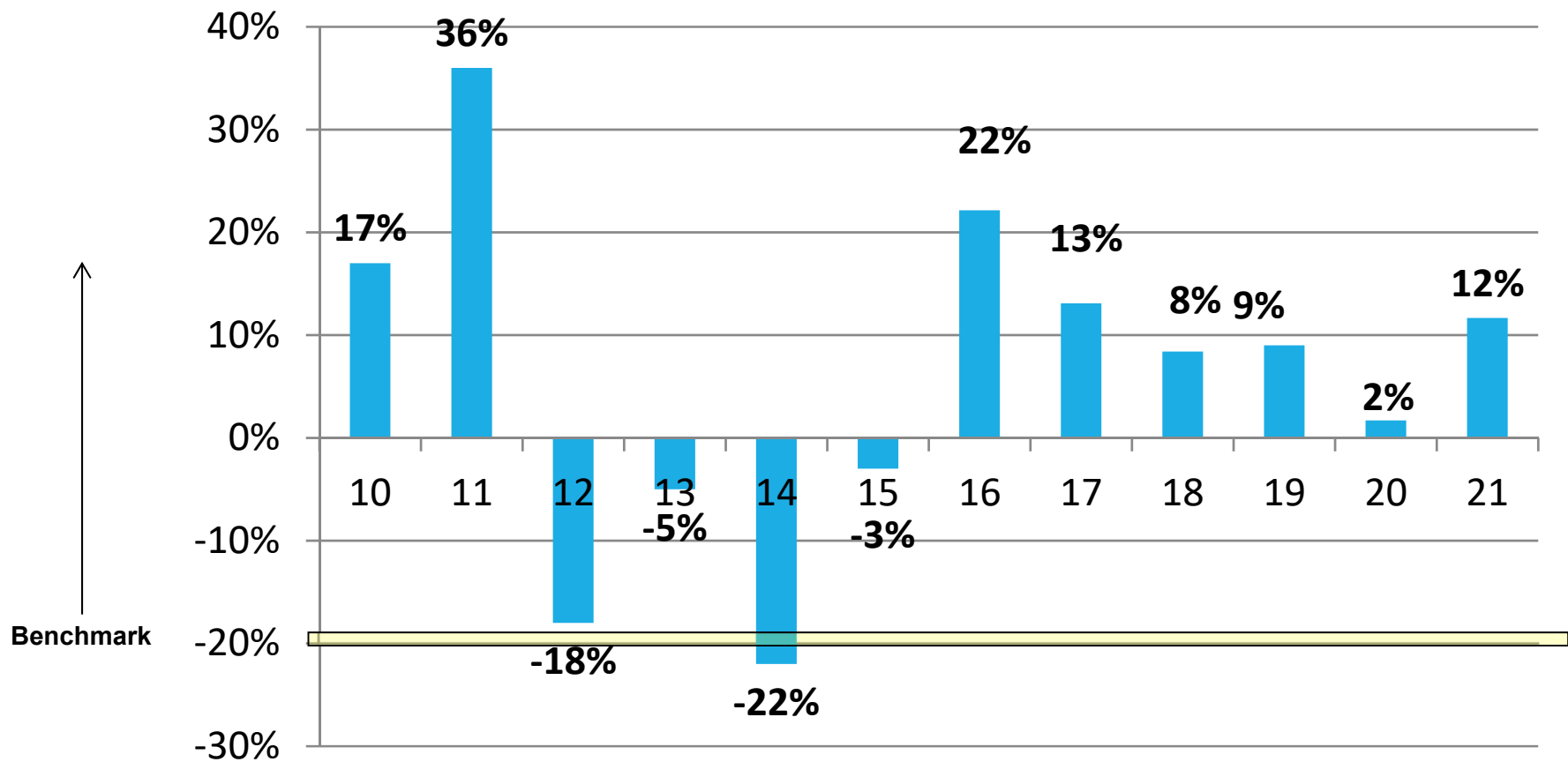
Benchmark $\geq 5:1$ SIR = \$500,000



2021 based on \$1M SIR

Change in Net Position – Liability

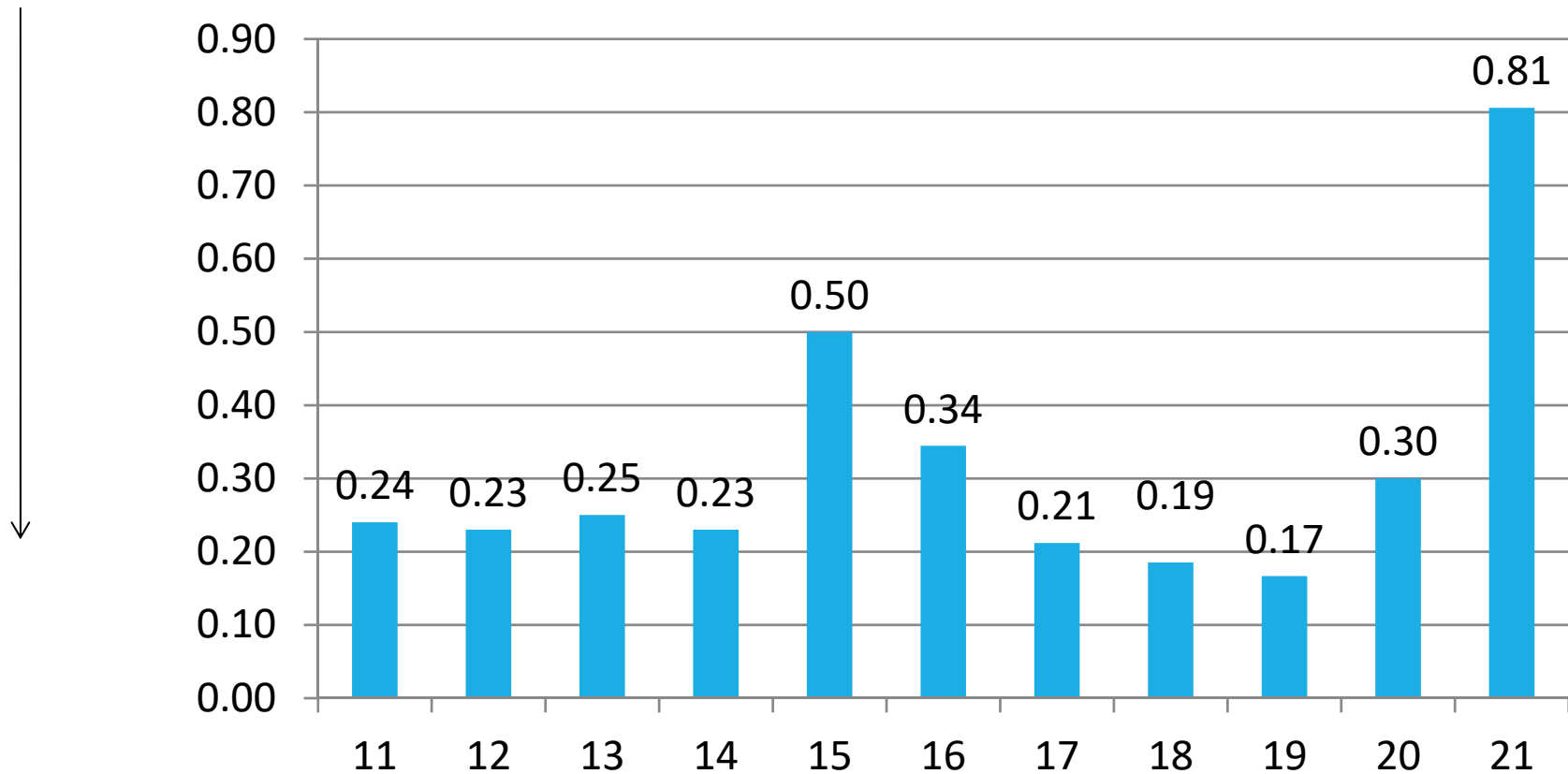
Benchmark $\geq -10\%$



Expected Liabilities to NP – Liability

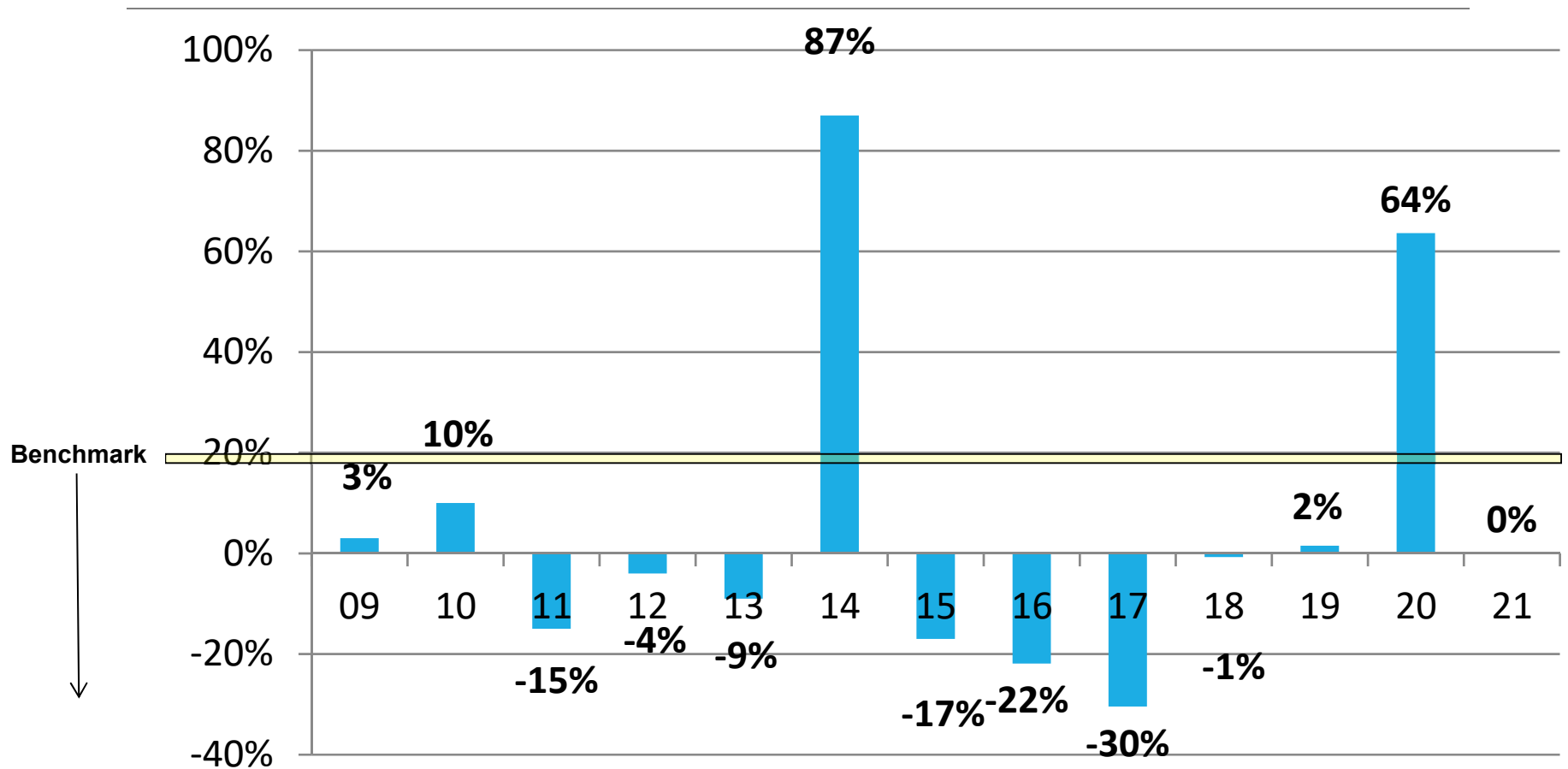
Benchmark $\leq 1.5:1$

Benchmark 1.5



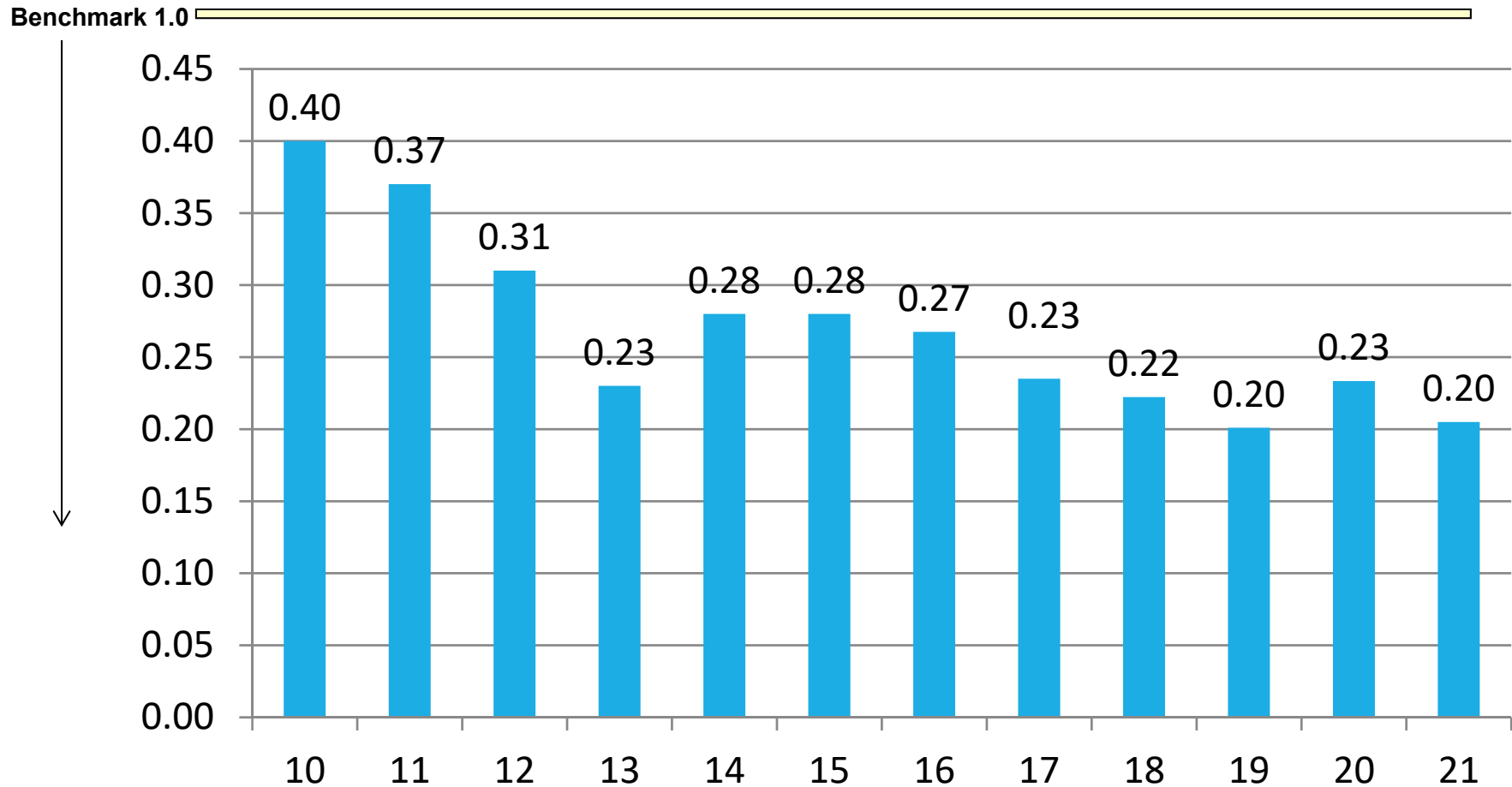
Change in Liabilities – Liability

Benchmark $\leq 20\%$



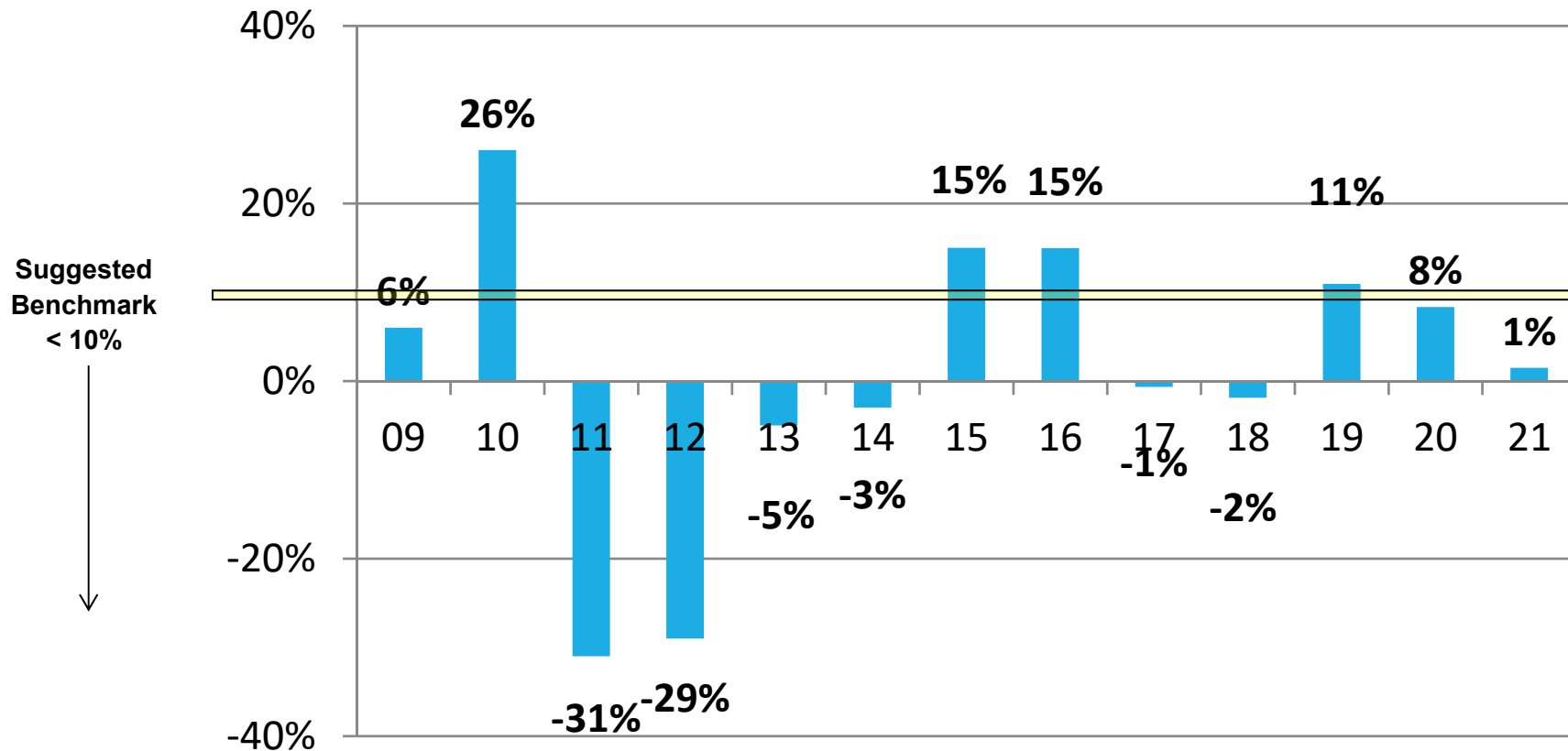
Net Deposit to NP - Liability

Benchmark $\leq 1:1$



Change in Net Deposit – Liability

No Benchmark Set



Summary of Liability Program & Trends

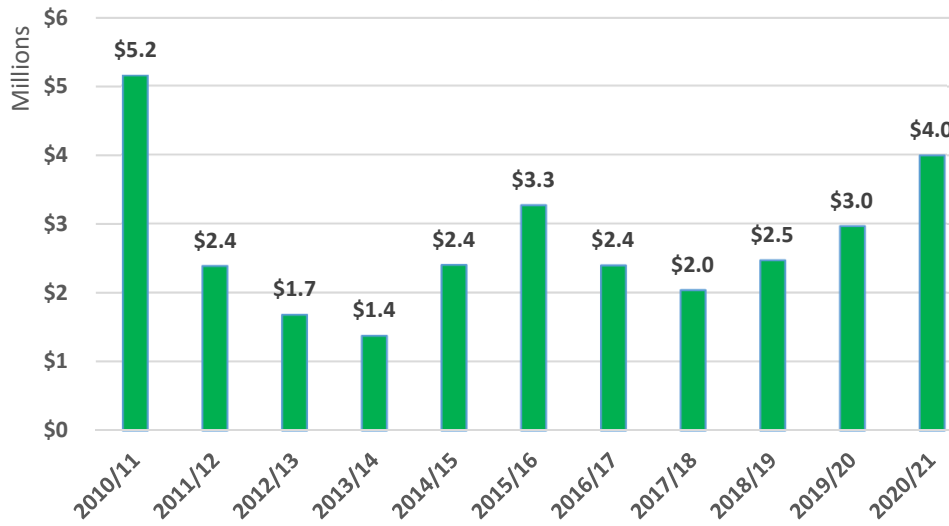
Results improving and within benchmarks with steady Net Position of \$6.7 in spite of increase in Liabilities.

Able to absorb anticipated increase in SIR to as high as \$1M and maintain ratio above target at 6.7:1.

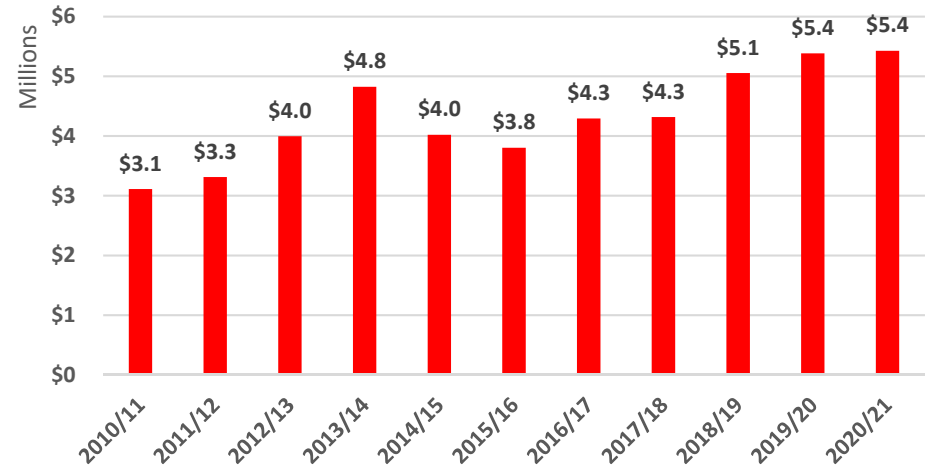
Increased volatility and higher settlement values are cause to maintain a conservative approach until (if?) the trends change.

Financials For Work Comp Analysis

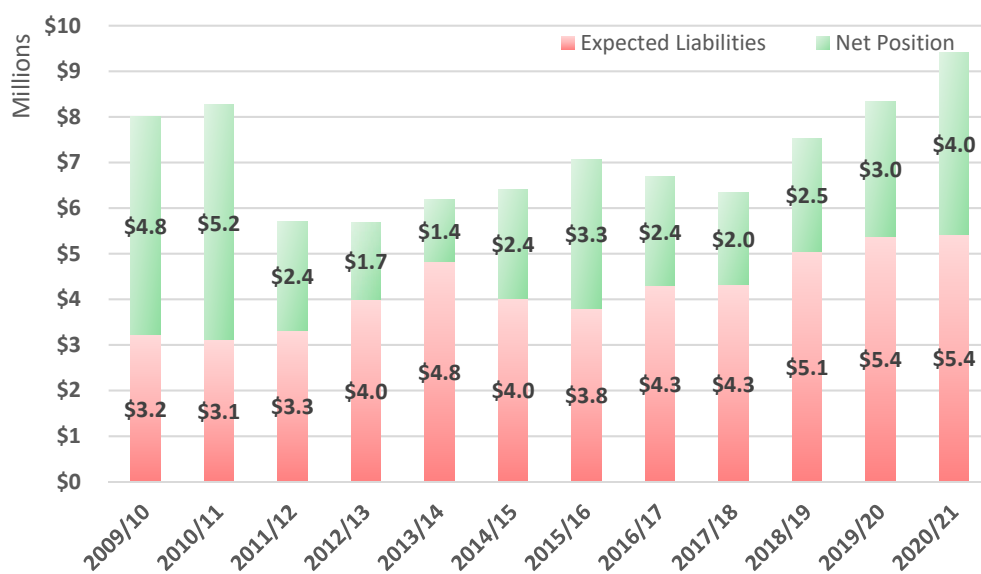
SCORE Work Comp Program Net Position



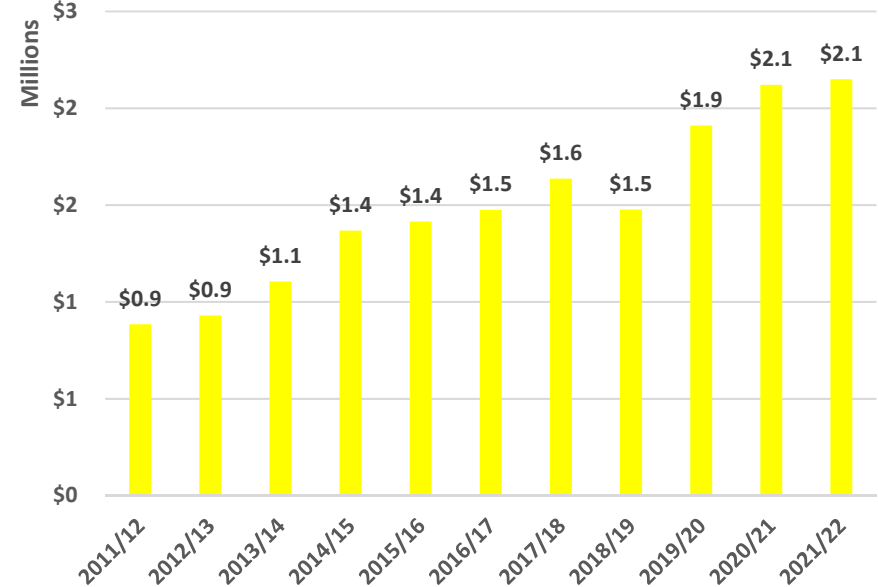
SCORE Work Comp Program Expected Liabilities



SCORE Work Comp Program Total Assets

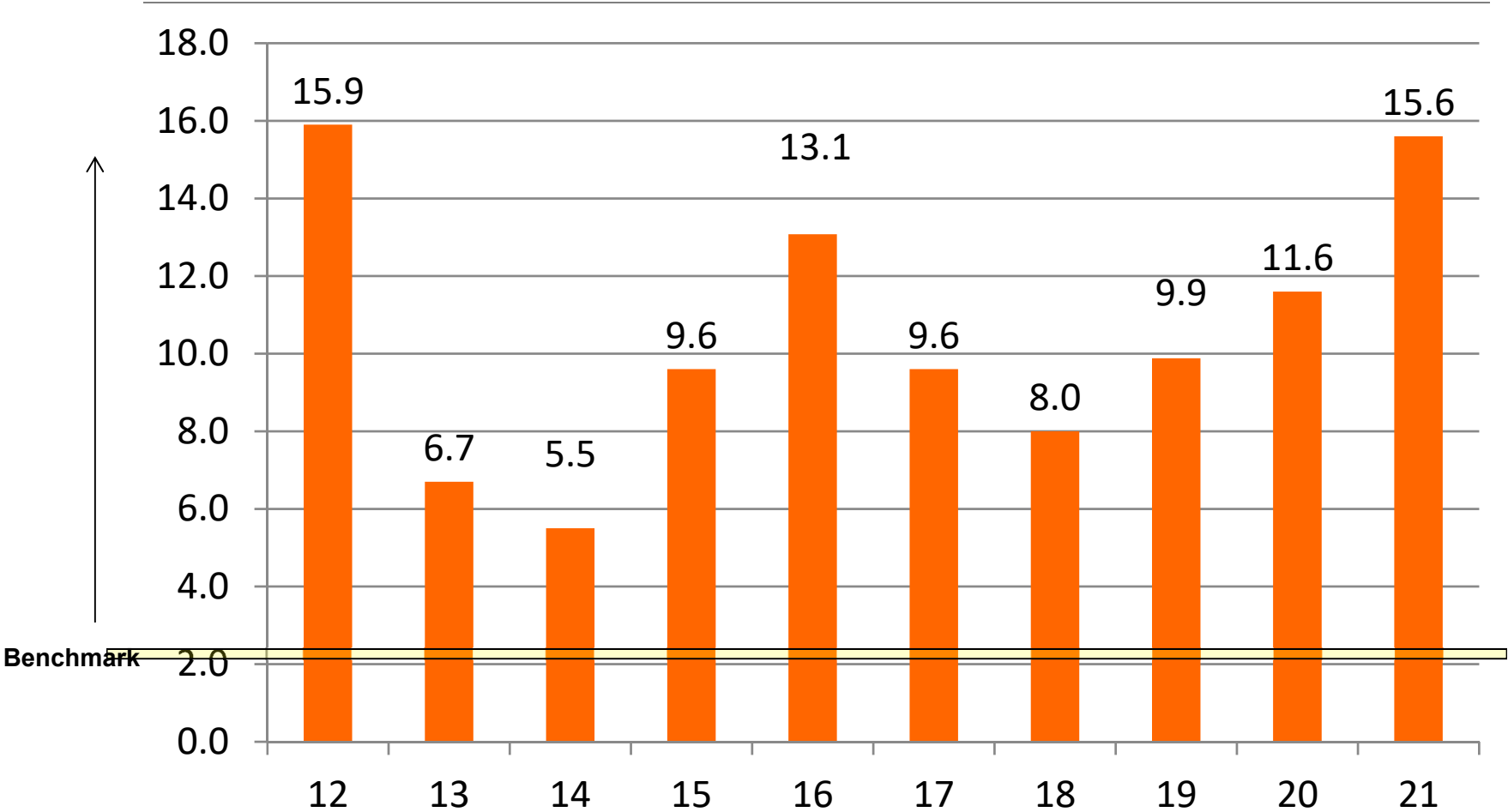


SCORE Work Comp Program Net Deposit



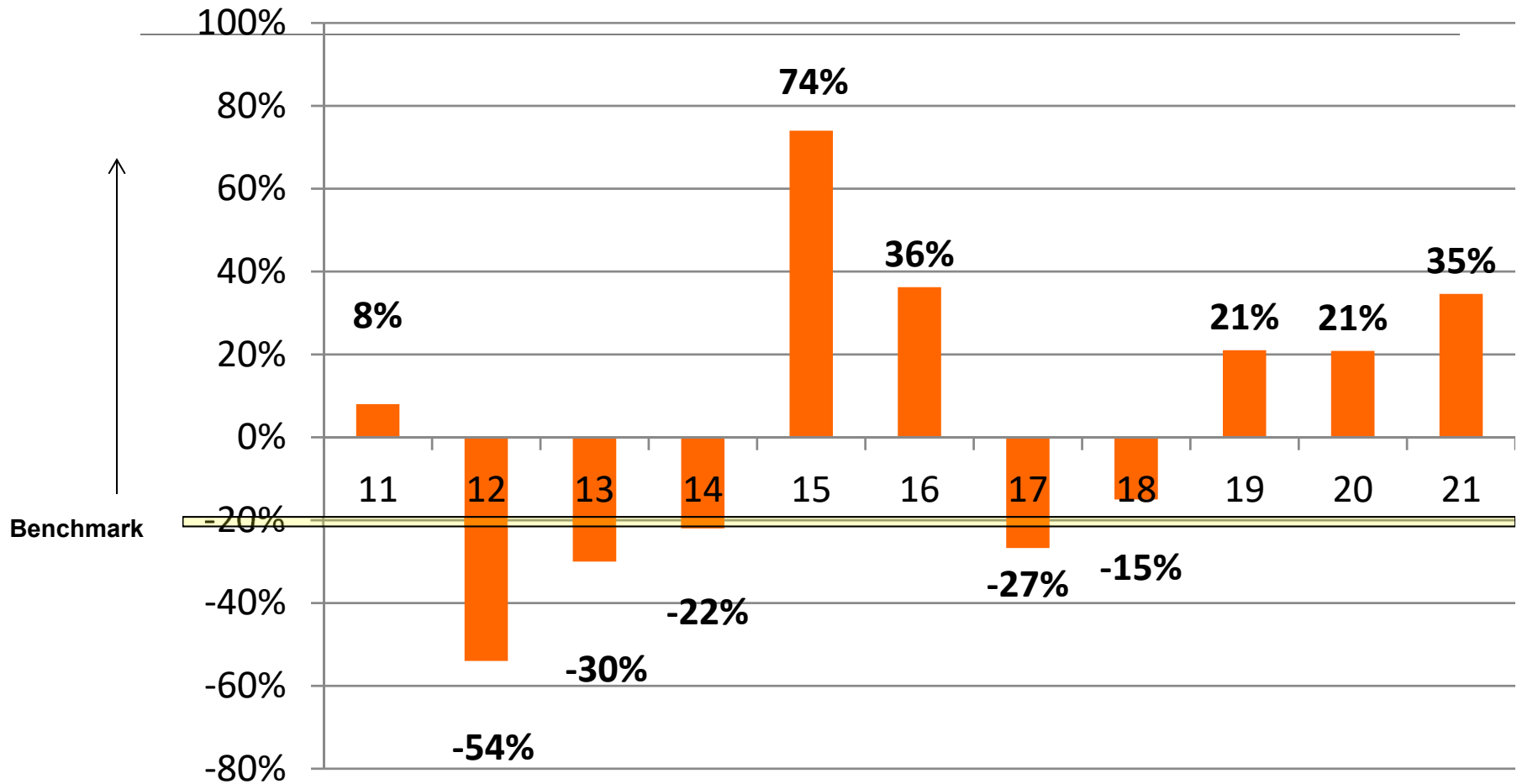
Net Position to SIR – Work Comp

Benchmark $\geq 5:1$ SIR = \$250,000



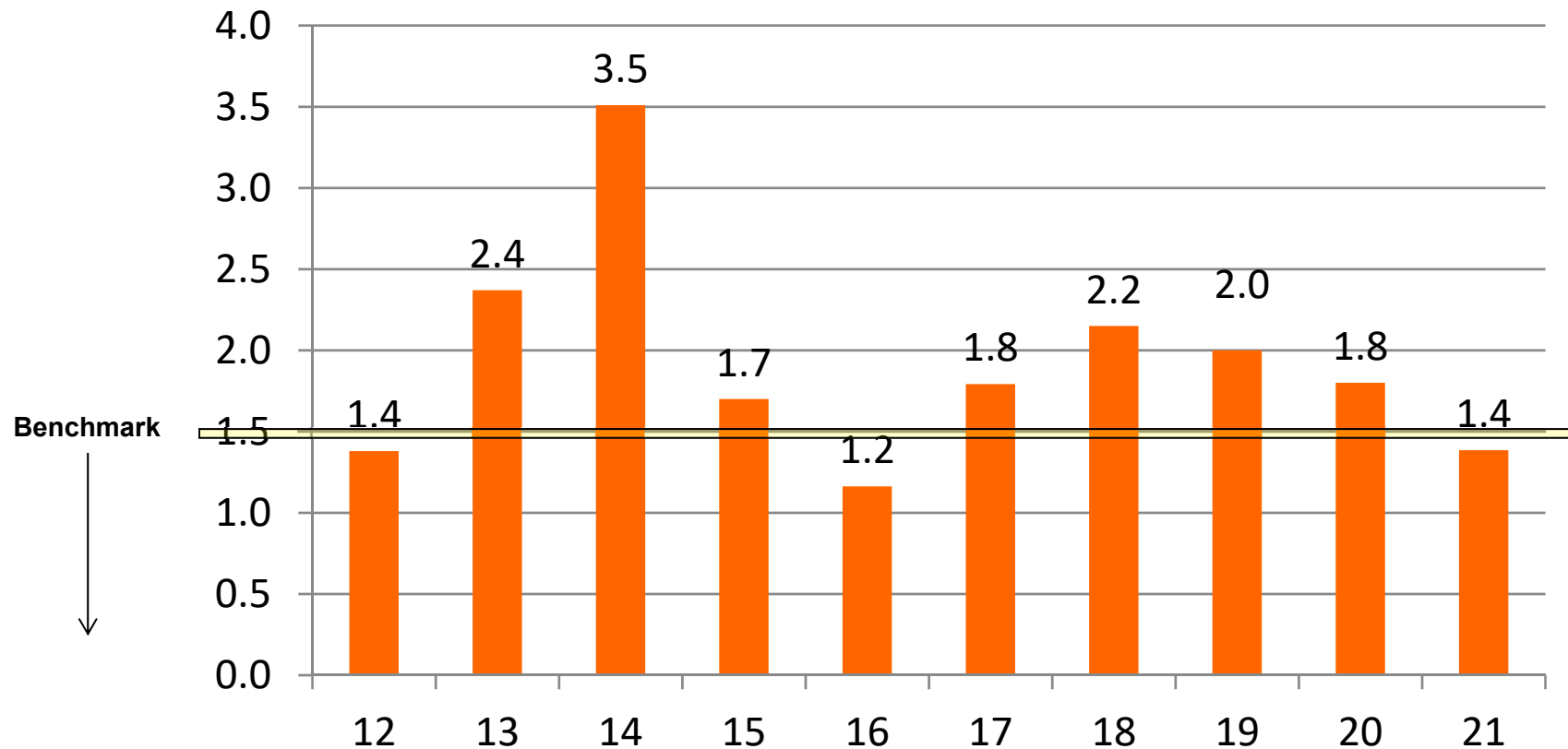
Change in Net Position – Work Comp

Benchmark $\geq -10\%$



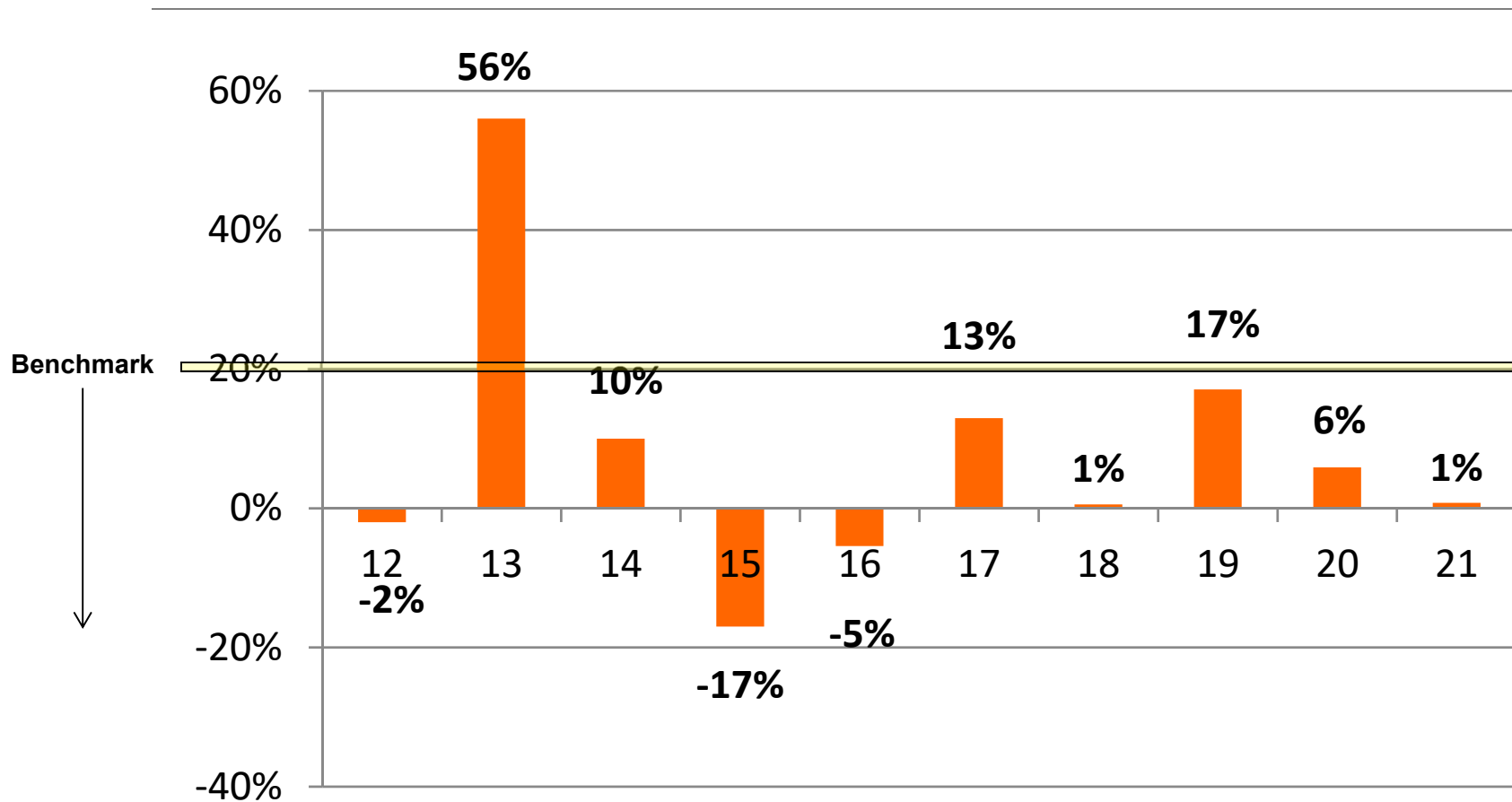
Expected Liabilities to NP – WC

Benchmark $\leq 1.5:1$



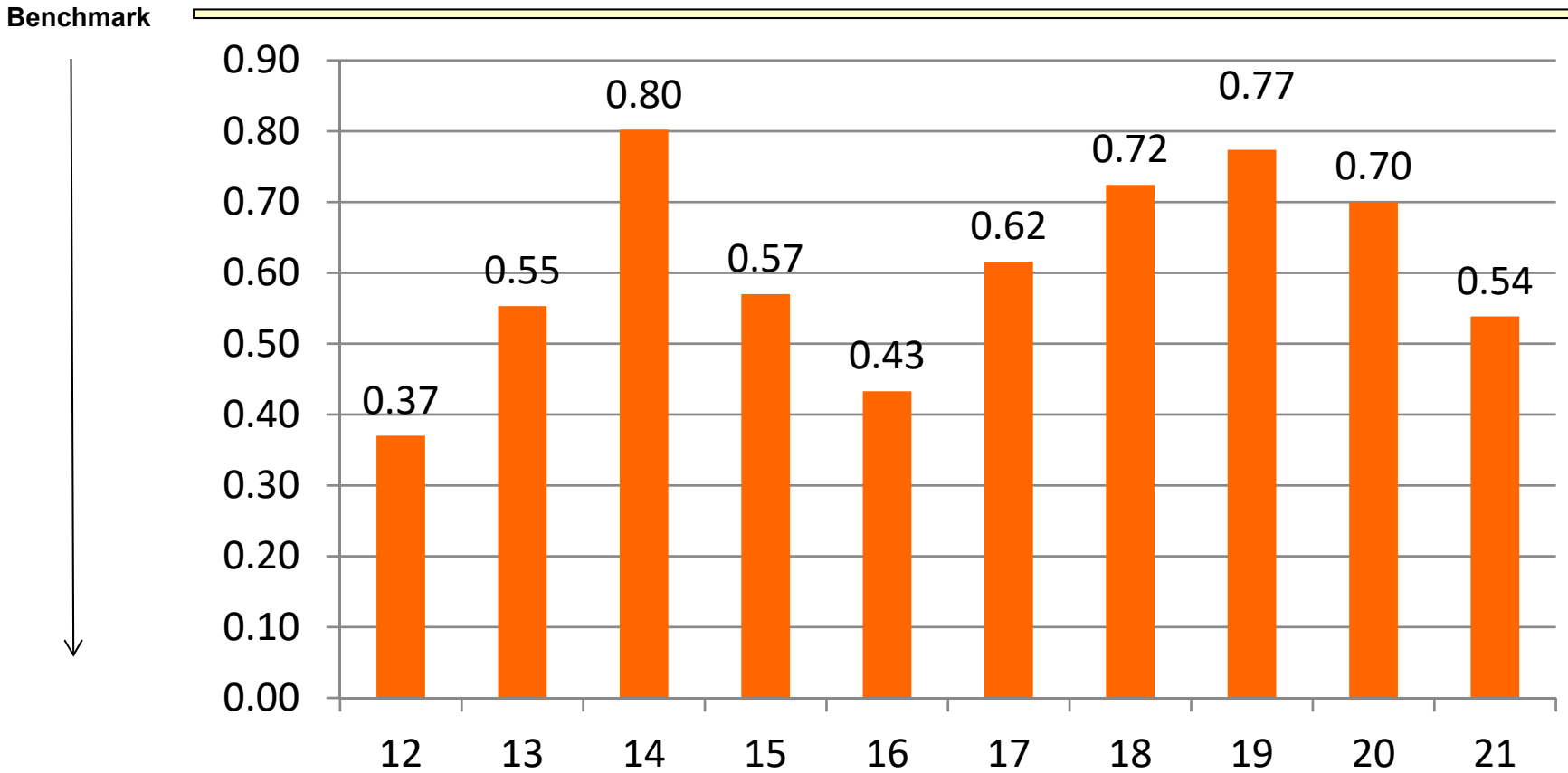
Change in Liabilities – Work Comp

Benchmark $\leq 20\%$



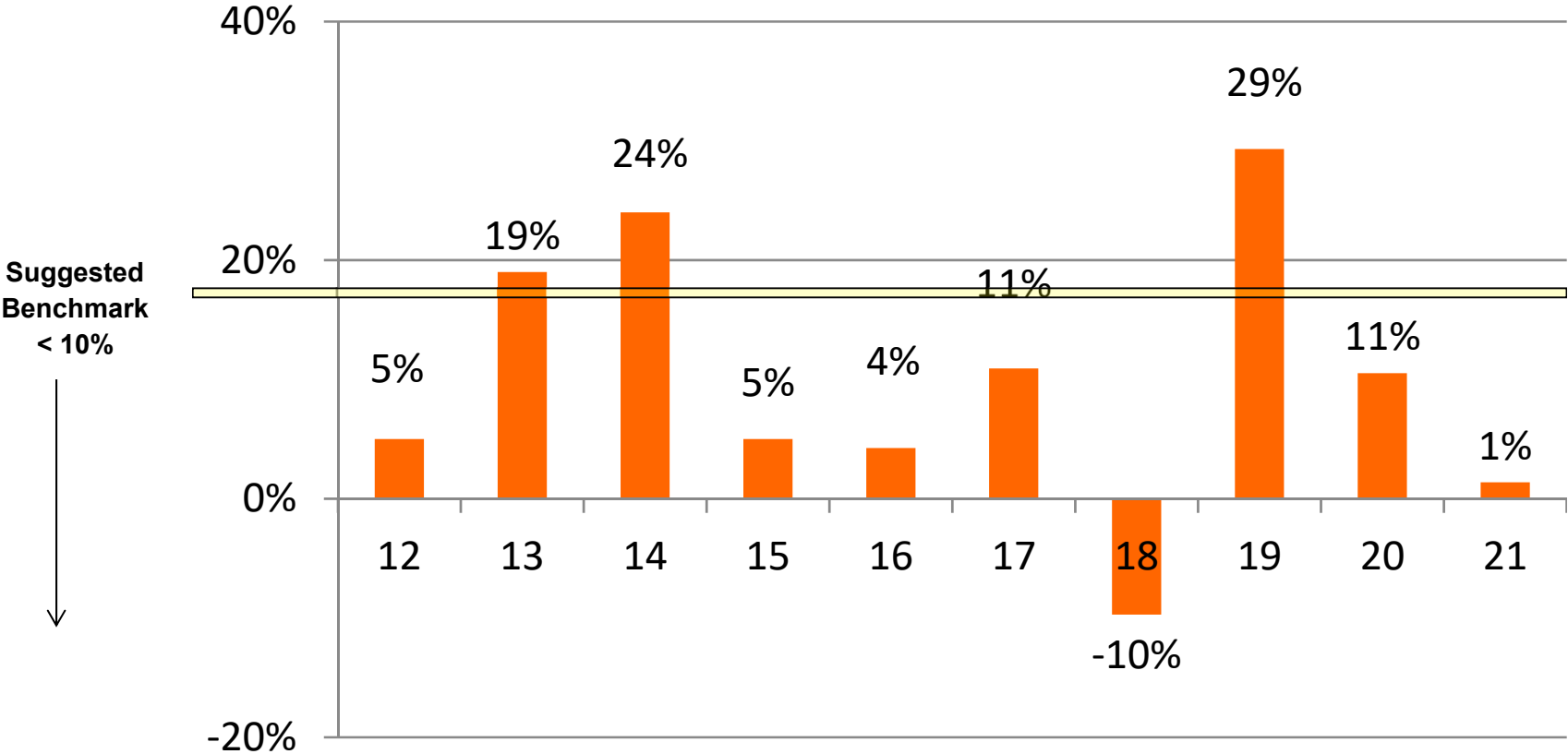
Net Deposit to NP - Work Comp

Benchmark $\leq 1:1$



Change in Net Deposit - Work Comp

No Benchmark Set



Summary of Work Comp Programs & Trends

Maintaining results within benchmarks with \$1M increase in Net Position this year and conservative funding at 80% CL.

This despite increasing liabilities that tapered of last year, being matched with steady funding.

Maintain conservative funding approach to be prepared for increasing severity from presumptions, COVID, cumulative injuries, etc.

Annual Funding Levels

LIABILITY

Program Year	Funding Confidence
2021-22	75%
2020-21	75%
2019-20	75%
2018-19	70%
2017-18	70%
2016-17	70%
2015-16	70%
2014-15	70%

WORKERS' COMP

Program Year	Funding Confidence
2021-22	80%
2020-21	80%
2019-20	80%
2018-19	75%
2017-18	75%
2016-17	75%
2015-16	70%
2014-15	70%

Conclusion

SCORE is well-funded to meet its future claims liabilities and the margin for error continues to improve for both programs with increases in annual funding confidence levels and Net Position.

The programs will continue to be closely monitored to try to anticipate and mitigate any negative trends.

An increase in SCORE's SIR will put added pressure on maintaining adequate funding and reserves.

Any Questions?

