San Joaquin Valley Insurance Authority

AGENDA

Meeting Locations:

County of Fresno CAO Conference Room 304, Hall of Records
2281 Tulare Street
Fresno, CA 93721

County of Tulare Board Chambers
Administrative Building
2800 West Burrel Avenue
Visalia, CA 93291

December 7, 2018 9:30 AM

1. Call to Order
2. Roll Call
3. Approval of Agenda (A)
4. Public Comment: At this time, members of the public may comment on any item, within the jurisdiction of the SJVIA, not appearing on the agenda. In order for everyone to be heard, please limit your comments to 3 minutes or less. Anyone wishing to be placed on the agenda for a specific topic should contact the SJVIA Manager's Office and submit correspondence at least 14 days before the desired date of appearance.
5. Receive and File 2016 Audited Financial Statements (I)
6. Receive Consultant's Report on Reinsurance Renewal and Marketing Results and Authorize the President to Execute Agreement Subject to Approval of SJVIA Counsel and Staff (A)
7. Adjournment

In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact the SJVIA Manager at 559-600-1810 or the Assistant SJVIA Manager at 559-636-4900. Notification 48 hours prior to the meeting will enable staff to make reasonable arrangements to ensure accessibility. Documents related to the items on this Agenda submitted to the Board after distribution of the Agenda packet are available for public inspection at the County of Fresno plaza Building, 2220 Tulare St, 14th Floor, Fresno, CA during normal business hours. All documents are also posted online to www.sjvia.org.

A = Action Item *I = Information Item*

SJVIA
San Joaquin Valley
Insurance Authority

Meeting Location:
County of Tulare
Board of Supervisors Chambers
2800 W. Burrel Avenue
Visalia, CA 93291
December 7, 2018 - 9:00 AM

AGENDA DATE: December 7, 2018

ITEM NUMBER: Item 5

SUBJECT: Receive and File 2016 Audited Financial Statements (I)

REQUEST(S): That the Board Receives and Files the 2015-2016 Audited Financial Statements

DESCRIPTION:
Informational item. Please see attached report.

FISCAL IMPACT/FINANCING:
None.

ADMINISTRATIVE SIGN-OFF:

Oscar J Garcia

Oscar J. Garcia, CPA
SJVIA Auditor-Treasurer

PRICE PAIGE & COMPANY
Accountancy Corporation

The Place to Be

September 17, 2018

To the Board of Directors
San Joaquin Valley Insurance Authority
Fresno, California

We have audited the financial statements of the San Joaquin Valley Insurance Authority (the Authority) for the year ended June 30, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 14, 2018. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Authority are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2016. We noted no transactions entered into by the Authority during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the Authority's financial statements was:

> Unpaid claims and claims adjustment expense is determined using claims, premium, expense, and enrollment data with relevant actuarial assumptions. We evaluated the key factors and assumptions used to develop the unpaid claims and claims adjustment expense in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent and clear.

Difficulties Encountered in Performing the Audit

The completion of our audit was delayed because certain audit documentation requested from Anthem BC was unavailable. We eventually decided to perform alternative procedures but the initial delay impacted the timing and completion of the audit. We encountered no significant difficulties in dealing with management in performing and completing our audit.

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Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. There are no misstatements detected as a result of the audit procedures.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 17, 2018.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Authority's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Authority's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

<u>Other Matters</u>

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of Board of Directors and management of the San Joaquin Valley Insurance Authority and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Price Paige & Company

SAN JOAQUIN VALLEY INSURANCE AUTHORITY

FINANCIAL STATEMENTS WITH INDEPENDENT AUDITOR'S REPORTS

FOR THE YEAR ENDED JUNE 30, 2016

SAN JOAQUIN VALLEY INSURANCE AUTHORITY
FRESNO, CALIFORNIA

JUNE 30, 2016

TABLE OF CONTENTS

PRICE PAIGE & COMPANY
Accountancy Corporation

The Place to Be

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
San Joaquin Valley Insurance Authority
Fresno, California

Report on the Financial Statements

We have audited the accompanying financial statements of San Joaquin Valley Insurance Authority (the Authority), a component unit of the County of Fresno, California, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the San Joaquin Valley Insurance Authority, as of June 30, 2016, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the Claims Development Information on pages 20-21 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated September 17, 2018, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Price Paige & Company

Clovis, California
September 17, 2018

BASIC FINANCIAL STATEMENTS

SAN JOAQUIN VALLEY INSURANCE AUTHORITY
FRESNO, CALIFORNIA

STATEMENT OF NET POSITION
JUNE 30, 2016

Current Assets:	
Cash and cash equivalents	$ 213,892
Intergovernmental receivables	3,157,317
Other receivable	30,123
Investment income receivable	391
Prepaid expenses	7,339
Total current assets	3,409,062
Noncurrent Assets:	
Deposits receivable	1,415,881
Investments	400
Total noncurrent assets	1,416,281
Total assets	4,825,343
LIABILITIES	
Current Liabilities:	
Accounts payable	1,188,366
Intergovernmental payables	402,636
Unearned member contributions	562,717
Unpaid claims and claims adjustment expenses	9,331,529
Total current liabilities	11,485,248
Noncurrent Liabilities:	
Intergovernmental interest payable	10,945
Intergovernmental loan payable	2,000,000
Intergovernmental payables	950,389
Unpaid claims and claims adjustment expenses	6,016
Total noncurrent liabilities	2,967,350
Total liabilities	14,452,598
NET POSITION	
Unrestricted	(9,627,255)
Total net position	$ (9,627,255)

The notes to the financial statements are an integral part of this statement.

SAN JOAQUIN VALLEY INSURANCE AUTHORITY
FRESNO, CALIFORNIA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2016

Operating Revenues:	
Member contributions	$ 107,624,644
Total operating revenues	107,624,644
Operating Expenses:	
Claims and claims adjustment expenses	111,220,547
Administrative expenses	7,622,465
Total operating expenses	118,843,012
Operating income (loss)	(11,218,368)
Nonoperating Revenues (Expenses):	
Investment loss	(5,122)
Interest expense	(10,945)
Total nonoperating revenues (expenses)	(16,067)
Change in net position	(11,234,435)
Net position, beginning of year	1,607,180
Net position, end of year	$ (9,627,255)

The notes to the financial statements are an integral part of this statement.

SAN JOAQUIN VALLEY INSURANCE AUTHORITY
FRESNO, CALIFORNIA

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016

Cash flows from operating activities:	
Cash received from members	$ 145,311,780
Cash received from reinsurance and refunds	1,424,012
Cash paid to vendors	(44,282,759)
Cash paid for claims	(108,983,701)
Net cash provided by (used in) operating activities	(6,530,668)
Cash flows from investing activities:	
Liquidation of investments	3,138,953
Net cash provided by (used in) investing activities	3,138,953
Cash flows from noncapital financing activities:	
Cash received from loans payable	2,000,000
Net cash provided by (used in) noncapital financing activities	2,000,000
Net increase (decrease) in cash and cash equivalents	(1,391,715)
Cash and cash equivalents - beginning	1,605,607
Cash and cash equivalents - ending	$ 213,892

The notes to the financial statements are an integral part of this statement.

SAN JOAQUIN VALLEY INSURANCE AUTHORITY
FRESNO, CALIFORNIA

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016
(Continued)

Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:		
Operating income (loss)	$	(11,218,368)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
(Increase) decrease in due from other governmental units		3,409,426
(Increase) decrease in other receivables		823,337
(Increase) decrease in deposits receivable		(344,211)
(Increase) decrease in prepaid expenses		49,006
Increase (decrease) in accounts payable		(1,321,301)
Increase (decrease) in unearned member contributions		(88,479)
Increase (decrease) in due to other governmental units		(67,945)
Increase (decrease) in unpaid claims and claims adjustment expenses		2,227,867
Total adjustments		4,687,700
Net cash provided by (used in) operating activities	$	(6,530,668)
Noncash Investing Activities:		
Changes in unrealized gain (loss) on investments	$	(19,014)
Accrued investment income		13,892
Total noncash investing activities	$	(5,122)
Interest expense	$	(10,945)
Total noncash financing activities	$	(10,945)

The notes to the financial statements are an integral part of this statement.

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NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements are presented in conformity with accounting principles generally accepted in the United States of America for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and other authoritative sources.

A. Reporting Entity

On October 6, 2009, County of Fresno and County of Tulare entered into an agreement creating the San Joaquin Valley Insurance Authority (the Authority) to negotiate, purchase or otherwise fund health, vision, dental, and life insurance for the employees of County of Fresno and certain employees of County of Tulare, in all instances subject to obtaining a financial commitment by the County of Fresno and County of Tulare to pay for their respective costs. Both counties desire to secure such coverage for the purpose of obtaining other coverage and/or insurance policies at more favorable rates, and for the purpose of administering such insurance programs with greater efficiency, than they could obtain by their individual efforts.

The Authority is governed by the Board of Directors which is composed of seven directors. Four of the directors are appointed by the County of Fresno Board of Supervisors and three of the directors are appointed by the County of Tulare Board of Supervisors. The Board of Directors, President and Vice President serve two-year terms. The County of Fresno or the County of Tulare may withdraw from the Authority by giving 120 days written notice to the Board of Directors. Upon the dissolution, all assets of the Authority will be distributed among the County of Fresno and County of Tulare in proportion to their cash contributions.

The Authority's Board of Directors voted to keep health insurance costs neutral and moved from a claims-servicing pool to a risk-sharing pool and insurance-purchasing pool effective January 1, 2012. The result is that the claims experience of all member entities is pooled and risk is shared among all members, or the risk is transferred to commercial insurers by purchasing insurance. The County of Fresno and the County of Tulare have transferred their reserve funding for incurred but not reported (IBNR) claims to the Authority.

The Authority is legally separate from the County of Fresno (the County). However, the Authority is a component unit of the County due to the fact that the County appoints a voting majority of the Authority's board and, accordingly, can significantly influence the activities and level of services performed by the Authority.

The Authority itself does not employ any personnel. The County of Fresno and the County of Tulare staff provides the necessary services such as maintenance and accounting to the Authority on a reimbursement basis.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

The Authority's Board of Directors has elected to open membership consideration to other public agencies to increase membership, further reduce imbedded overhead cost and leverage additional growth to improve the Authority's negotiating capabilities with plan vendors in California. The following public agencies have joined the Authority during the current fiscal year:

- County of Sutter, Sutter County Superior Courts, and City of Marysville (effective July 1, 2015)

B. Basis of Accounting

The Authority complies with Generally Accepted Accounting Principles (GAAP). The Authority's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

The Authority is a proprietary entity; it uses an enterprise fund format to report its activities for financial statement purposes. Proprietary Fund Financial Statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows.

Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Operating revenues in the enterprise fund are those revenues that are generated from the primary operations of the Authority. These revenues include premiums for insurance coverage. All other revenues are reported as nonoperating revenues. Operating expenses are those expenses that are essential to the primary operations of the Authority. All other expenses are reported as nonoperating expenses.

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

C. Basis of Presentation

Since San Joaquin Valley Insurance Authority is both an insurance-purchasing pool and a risk-sharing pool, the Authority's activities include both acting as an insurance purchaser and as an insurer. For the activities for which the Authority was acting as an insurance purchaser, GASB Statement No. 10 states that public entity risk pools that do not accept, transfer or pool risk among participants but instead transfer that risk to commercial insurers by purchasing insurance are acting as insurance purchasers and not insurers. Accordingly, operating statements of these pools should report insurance purchasing service revenue (if any) and administrative costs. Amounts collected or due from pool participants and remitted to the insurance carriers should be reported as a net liability. For the activities for which the Authority was acting as an insurer, operating statements should report member contributions as well as claims and administrative expenses.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Position

1. Cash

For purposes of the Statement of Cash Flows, the Authority considered all cash in banks to be cash. Cash included three bank accounts as of the start of the year, but only two bank accounts with the JPMorgan Chase Bank as of year-end. As one bank account was no longer deemed necessary, this bank account was closed during the year with the proceeds rolled into one of the two remaining accounts.

2. Investments

Investments are recorded at fair value. Investment income is recorded as earned.

3. Intergovernmental Receivables

Certain revenues are earned by the Authority during the current reporting period but are not received until after the beginning of the next fiscal year. These revenues are reported as intergovernmental receivables in the financial statements.

4. Deposits Receivable

The Authority has made the required minimum claims deposit to Anthem Blue Cross. $1,250,618 of the current $1,415,882 deposit will be returned to the Authority when the Authority discontinues the agreement with Anthem Blue Cross. $165,264 will be returned in 2017-2018.

5. Member Contributions

Each member is assessed a premium which is intended to cover the Authority's claims, operating costs, claim expenses and any premiums for any risk transferred to commercial insurers by purchasing insurance for the insurance programs. Premiums are based upon the approved rates by the Authority's Board of Directors. All premiums are recognized as revenue when earned, based upon the period covered by the premiums. In determining if a premium deficiency exists, the pool does not consider anticipated investment income.

6. Accounts Payable

Certain costs are incurred by the Authority during the current reporting period but are not paid until after the beginning of the next fiscal year. These costs are reported as payables in the financial statements. The Authority's current accounts payable balance of $1,188,366 as of June 30, 2016, is related to certain contract services and payments for eligibility administration and consulting fees as well as amounts collected or due from pool participants and remitted to the insurance carriers. Adjustments to estimates are charged or credited to expense in the periods in which they are made.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Position (Continued)

7. Intergovernmental Payables

The County of Fresno has made a required minimum claims deposit of $884,432 to Anthem Blue Cross on behalf of the Authority. The Authority will repay the County of Fresno after receiving refunds from Anthem Blue Cross. Additionally, $451,045 of excise taxes is due to the federal government. The current and noncurrent intergovernmental payables as of June 30, 2016 are $402,636 and $950,389, respectively.

8. Unpaid Claims and Claims Adjustment Expenses

The Authority establishes claims liabilities based on estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and of claims that have been incurred but not reported (IBNR). Because actual claims costs depend on such complex factors as inflation, changes in doctrines of legal liability, and damage awards, the process used in computing claims liabilities does not necessarily result in an exact amount. Claims liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claim frequency, and other economic and social factors. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made.

9. Reinsurance

In the ordinary course of business, the Authority reinsures certain risks with commercial insurers through contractual agreements, commonly referred to as reinsurance ceded. These agreements serve to limit the Authority's potential losses for large aggregate and individual losses. Reinsurance permits recovery of a portion of losses from reinsurers, although it does not discharge the primary liability of the Authority as direct insurer of the risks reinsured. A contingent liability exists with respect to reinsurance ceded to the extent that any reinsurer is unable to meet its obligation assumed under the reinsurance agreements. The Authority does not report reinsured risk as liabilities unless it is probable that those risks will not be covered by reinsurers. Premiums ceded to reinsurers during fiscal year 2016 were $2,761,514, and the amounts recovered from reinsurers during fiscal year 2016 were $198,626.

10. Intergovernmental Loans and Interest Payable

As of June 30, 2016, the Authority has obtained operating loans totaling two-million dollars from the County of Fresno. The County of Fresno loan is expected to be repaid by December 30, 2021 or earlier if sufficient funds are available. The loan is accruing interest at the County of Fresno's treasury pool interest rate.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Position (Continued)

11. Net Position

Net position is reported in three categories as follows:

Net Investment in capital assets – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that attributed to the acquisition.

Restricted – This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted – This amount represents all resources that do not meet the definition of "net investment in capital assets" or "restricted net position."

12. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 – CASH AND CASH EQUIVALENTS

Summary of Deposits

Cash and cash equivalents as of June 30, 2016 are classified in the accompanying financial statements as follows:

Statement of net position:	
Cash and cash equivalents	$ 213,892
Total cash and cash equivalents	$ 213,892

Cash and cash equivalents as of June 30, 2016 consist of the following:

Deposits with financial institutions	$ 213,892
Total cash and cash equivalents	$ 213,892

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the Authority's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies.

As of June 30, 2016, the Authority's deposits with financial institutions in excess of federal depository insurance limits were held in fully collateralized accounts, as permitted by the California Government Code.

NOTE 3 – INTERGOVERNMENTAL RECEIVABLES

The Authority's current intergovernmental receivables balance of $3,157,317 as of June 30, 2016 is related to insurance premiums, claims reserve, eligibility administration service fees, consulting fees and other administrative fees due from the County of Fresno. As of June 30, 2016, all of the intergovernmental receivables are considered by management to be collectible. Therefore, no allowance for doubtful accounts has been recognized.

NOTE 4 – RECONCILIATION OF CLAIMS LIABILITIES

Liabilities for claims are based on undiscounted estimates of the ultimate net cost of settling all claims which are incurred but unpaid at year-end, including claims incurred but not reported. The following represents changes in liabilities for the Authority during the fiscal year ended June 30, 2016:

	2016	2015
Unpaid claims and claim adjustment expenses at beginning of year	$ 7,109,678	$ 8,720,755
Incurred claims and claim adjustment expenses:		
Provision for insured events of current year	111,220,547	85,195,058
Decrease in provision for insured events of prior years	-	-
Total incurred claims and claim adjustment expense	111,220,547	85,195,058
Payments:		
Claims and claim adjustment expenses attributable to insured events of current year	100,151,412	77,594,079
Claims and claim adjustment expenses attributable to insured events of prior years	8,841,268	9,212,056
Total payment	108,992,680	86,806,135
Total unpaid claims and claim adjustment expenses at end of the year	$ 9,337,545	$ 7,109,678

NOTE 5 – LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2016 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Interest Payable	$ -	$ 10,945	$ -	$ 10,945
Loans Payable	-	2,000,000	-	2,000,000
Intergovernmental Payables	954,162	65,957	(69,730)	950,389
Unpaid Claims and Claims Adjustment Expenses	-	6,016	-	6,016
Total	$ 954,162	$ 2,082,918	$ (69,730)	$ 2,967,350

As of June 30, 2016 the Authority has obtained an operating loan totaling two-million dollars from the County of Fresno. The County of Fresno loan is expected to be repaid by December 30, 2021 or earlier if sufficient funds are available. The loan is accruing interest at the County of Fresno's treasury pool interest rate. As of June 30, 2016, this rate was 1.355 percent. This rate varies since the County of Fresno invests public funds in a manner which will provide a market average rate of return consistent with the objectives of the Investment Policy while meeting the daily cash flow demands of the County Treasury, and conform to all state laws governing the investment of public funds.

Annual debt service requirements for the loan are as follows:

Year Ending June 30	Principal	Interest
2017	$ -	$ 27,100
2018	-	27,100
2019	-	27,100
2020	-	27,100
2021	2,000,000	27,100
Total	$ 2,000,000	$ 135,500

NOTE 6 – COMMITMENTS AND CONTINGENCIES

Commitments and contingencies, undeterminable in amount, include normal recurring pending claims and litigation. In the opinion of management, based upon discussion with legal counsel, there is no pending litigation which is likely to have a material adverse effect on the financial position of the Authority.

NOTE 7 – RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; and errors and omission. During the year ended June 30, 2016, the Authority carried insurance through various commercial carriers for all risks of losses. No settlements have exceeded coverage levels in place during the fiscal year 2015-2016.

The Authority participated in the following insurance coverage programs with various commercial carriers:

Coverage Type	Description	Limit	Deductible
Master Crime Policy	Coverage is provided for incidents such as public employee dishonesty, forgery or alteration, theft, computer fraud and embezzlement.	$15 Million	$ 25,000
Trustees Errors & Omissions	Fiduciary liability insurance is a popular vehicle for the financial protection of fiduciaries of employee benefit plans against legal liability arising out of their role as fiduciaries, including the cost of defending those claims that seek to establish such liability. Coverage is provided for incidents such as miscalculation, a class action lawsuit, and enrollment errors.	$10 Million	$ 25,000
Special Liability	This program provides coverage for claims from third parties alleging damages due to negligence arising out of personal injury and property damage.	$10 Million	$ 1,000
Fiduciary Liability	Pays the legal liability arising from claims for alleged failure to act prudently. Protects the assets of a plan fiduciary due to allegations of breach of fiduciary duties. ERISA explicitly allows for the purchase of fiduciary insurance. It could be a breach of fiduciary duty if a claim arises and no insurance is in place that was readily available.	$5 Million	N/A

NOTE 8 – SUBSEQUENT EVENTS

As of January 1, 2018, twenty-two public agencies have elected to leave the Authority on or before January 1, 2018, with three public agencies expected to remain for the 2018 calendar year.

As of January 1, 2018, the Authority has obtained operating loans totaling five-million dollars from the County of Fresno and four-million dollars from the County of Tulare. The County of Fresno loan is expected to be repaid by December 30, 2021, or earlier if sufficient funds are available. The County of Tulare loan was originally expected to be repaid by June 30, 2018, but the agreement was amended and the loan is now expected to be repaid by December 30, 2021, or earlier if sufficient funds are available. Each loan is accruing interest at its respective county’s treasury pool interest rate.

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REQUIRED SUPPLEMENTARY INFORMATION

SAN JOAQUIN VALLEY INSURANCE AUTHORITY
FRESNO, CALIFORNIA

CLAIMS DEVELOPMENT INFORMATION
JUNE 30, 2016

The following table illustrates how the Authority's earned revenue (net of reinsurance) and investment income compare to related costs of loss (net of loss assumed by reinsurers) and other expenses assumed by the Authority as of the end of the previous four fiscal years. Note that only six months of activity is shown for the fiscal year 2012 since the period for which the Authority used a risk-sharing pool was only six months from January 1, 2012 through June 30, 2012. The rows of the table are defined as follows:

(1) This line shows the total of each fiscal year's gross earned contribution revenue and investment revenue, contribution revenue ceded to reinsurers, and net earned contribution revenue and reported investment revenue.

(2) This line shows each fiscal year's other operating costs of the Authority including overhead and claims expenses.

(3) This line shows the Authority's gross incurred claims and allocated claim adjustment expenses, claims assumed by reinsurers, and net incurred claims and allocated adjustment expense (both paid and accrued) as originally reported at the end of the year in which the event that triggered coverage occurred (called fiscal year).

(4) This section of one row shows the cumulative net amounts paid as of the end of successive years for each fiscal year.

(5) This line shows the latest re-estimated amount of claims assumed by reinsurers as of the end of current year for each fiscal year.

(6) This section of one row shows how each fiscal year's net incurred losses increased or decreased as of the end of successive years. (This annual re-estimation results from new information received on known claims, reevaluation of existing information on known claims, and emergence of new claims not previously known.)

(7) This line compares the latest re-estimated net incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of losses is greater or less than originally thought. As data for individual fiscal years mature, the correlation between original estimates and re-estimated amounts is commonly used to evaluate the accuracy of net incurred claims currently recognized in less mature fiscal years. The columns of the table show data for successive fiscal years.

SAN JOAQUIN VALLEY INSURANCE AUTHORITY
FRESNO, CALIFORNIA

CLAIMS DEVELOPMENT INFORMATION
JUNE 30, 2016

		2012	2013	2014	2015	2016
(1)	Required contribution and investment revenue:					
	Earned	$ 37,177,277	$ 71,106,229	$ 83,391,236	$ 89,887,953	$ 110,381,036
	Ceded	953,519	1,911,418	1,940,663	2,244,758	2,761,514
	Net earned	36,223,758	69,194,811	81,450,573	87,643,195	107,619,522
(2)	Unallocated expenses	2,385,290	5,000,268	6,159,114	6,917,501	7,622,465
(3)	Estimated claims and expenses, end of fiscal year:					
	Incurred	30,233,575	67,195,841	75,886,191	86,497,444	111,419,173
	Ceded	249,031	1,555,632	1,362,659	1,302,386	198,626
	Net incurred	29,984,544	65,640,209	74,523,532	85,195,058	111,220,547
(4)	Net paid (cumulative) as of:					
	End of fiscal year	23,901,668	57,532,430	67,720,407	77,594,079	100,151,412
	One year later	28,318,935	63,725,119	77,893,672	81,850,351	-
	Two years later	27,175,135	63,726,540	77,893,672	-	-
	Three years later	27,175,135	63,726,540	-	-	-
	Four years later	27,175,135	-	-	-	-
(5)	Reestimated ceded claims and expenses	249,031	1,555,632	1,362,659	1,302,386	198,626
(6)	Reestimated net incurred claims and expenses:					
	End of fiscal year	29,984,544	65,640,209	74,523,532	85,195,058	111,220,547
	One year later	28,324,433	63,726,540	74,523,532	85,195,058	-
	Two years later	27,175,135	63,726,540	74,523,532	-	-
	Three years later	27,175,135	63,726,540	-	-	-
	Four years later	27,175,135				
(7)	Increase (decrease) in estimated net incurred losses and expenses from end of fiscal year	(2,809,409)	(1,913,669)	-	-	-

Note that the current year net paid (cumulative) amounts for 2012 and 2013 are adjusted to the vendor's actual claims lag reports and basic claims information not appearing on the vendor's actual claims lag reports. Consequently, the current year and prior year differences may represent adjustments of the former actuary's calculations to the actual claims lag reports, not necessarily only additional payments as would normally be the case. Additionally, payments for the 2014 year reflect an amount that exceeds the net claims incurred. This is primarily due to claims related refunds and stop-loss proceeds, which results in lower net claims expense on the financial statements than claims ultimately paid.

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OTHER INDEPENDENT AUDITOR'S REPORT

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PRICE PAIGE & COMPANY
Accountancy Corporation

The Place to Be

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
San Joaquin Valley Insurance Authority
Fresno, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the San Joaquin Valley Insurance Authority (the Authority), a component unit of the County of Fresno, California, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise of the Authority's basic financial statements, and have issued our report thereon dated September 17 , 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Price Paige & Company

Clovis, California
September 17, 2018

SAN JOAQUIN VALLEY INSURANCE AUTHORITY
FRESNO, CALIFORNIA

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2016

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued	Unmodified			
Internal control over financial reporting: Material weaknesses identified?		yes	X	no
Significant deficiencies identified that are not considered to be material weaknesses?		yes	X	none reported
Noncompliance material to financial statement noted?		yes	X	no

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

San Joaquin Valley Insurance Authority

Meeting Locations:

County of Fresno CAO Conference Room 304, Hall of Records
2281 Tulare Street
Fresno, CA 93721

County of Tulare Board Chambers
Administrative Building
2800 West Burrel Avenue
Visalia, CA 93291

December 7, 2018 9:30 AM

AGENDA DATE: December 7, 2018

ITEM NUMBER: Item 6

SUBJECT: Receive Consultant's Report on Reinsurance Renewal and Marketing Results and Authorize the President to Execute Agreement Subject to Approval of SJVIA Counsel and Staff (A)

REQUEST(S): That the Board of Directors approve the recommendation and authorize the President to execute agreement subject to approval of SJVIA Counsel and Staff.

DESCRIPTION:

As part of the 2019 SJVIA self-funded medical/Rx renewal, Keenan requested and received the 2019 reinsurance renewal. Additionally, Keenan conducted a reinsurance marketing to secure the most competitive reinsurance rates. It is recommended that the SJVIA:

- Select Voya, the incumbent carrier, as the reinsurer for 2019;
- Renew at the $450,000 reinsurance level;
- For 2020, revisit a risk share pool arrangement for the SJVIA with the County of Fresno at $250,000, the County of Tulare at $200,000, and the City of Marysville at $75,000 to the reinsurance level of $450,000 to allow greater rate stability.

AGENDA: San Joaquin Valley Insurance Authority

DATE: December 7, 2018

FISCAL IMPACT/FINANCING:

The reinsurance rate used in the development of the 2019 rates was 15.0% higher than the 2018 reinsurance rate. The recommended 2019 reinsurance rate is 9.0% higher than the 2018 reinsurance rate. The 6.0% or $102,151 difference will be available for reserve accumulation. Keenan does not recommend revising the 2019 rates for the difference.

ADMINISTRATIVE SIGN-OFF:

Paul Nerland
SJVIA Manager

Rhonda Sjostrom
SJVIA Assistant Manager

SAN JOAQUIN VALLEY INSURANCE AUTHORITY (SJVIA)

2019 Stop Loss Renewal/Marketing Presentation

December 7, 2018

Presented by:

Keenan & Associates

SAN JOAQUIN VALLEY INSURANCE AUTHORITY (SJVIA)

Table of Contents

SAN JOAQUIN VALLEY INSURANCE AUTHORITY (SJVIA)
EXECUTIVE SUMMARY
FINAL RESULTS
Effective Date: January 1, 2019

I. Stop Loss Marketing and Renewal Results:

- Stop loss RFP marketed to thirteen (13) stop loss carriers. Seven (7) carriers quoted and six (6) declined.
- Requested to match current Voya coverage and conditions

II. Voya Renewal:

- **Initial** - Renewal offer is an approximate **13.4%** increase, or an additional $226,970, in annual premium when compared to current
- **Final** - Renewal offer is an approximate **9.0%** increase, or an additional $152,833, in annual premium when compared to current and a savings of $74,137 in annual premium when compared to the final renewal offer
- **Projected Experience Credit Refund of $166,000 (Based on claims paid October 31, 2018) subject to renewal with Voya**
- Includes - Alternate deductible options of $500,000
- Includes - Experience Credit Advantage with a maximum premium refund (25% of net profit)
- No New Lasers at Renewal and a 50% Rate Cap
- Includes Mirroring Endorsement
- Individual Gapless Renewal
- Medicare is primary for retirees age 65 and over
- No Re-Disclosure required

III. Berkley Proposal:

- **Proposed** - Renewal offer is an approximate **9.0%** increase, or an additional $151,688, in annual premium when compared to current
- Includes - Alternate deductible option of $500,000

IV. TM HCC Proposal:

- **Proposed** - Renewal offer is an approximate **10.3%** increase, or an additional $173,747, in annual premium when compared to current
- Includes - Alternate deductible option of $500,000

SAN JOAQUIN VALLEY INSURANCE AUTHORITY (SJVIA)
Stop Loss RFP Analysis
Carrier Responses

Carrier	Financial Rating	Status	Notes
Voya Financial (Incumbent)	A (Excellent)	Quoted	Finalist
Berkely	A+ (Superior)	Quoted	Finalist
TM HCC	A++ (Superior)	Quoted	Finalist
Anthem	A (Excellent)	Declined	Uncompetitive with current rates
Berkshire Hathaway	A++(Superior)	Quoted	Uncompetitive with proposed rates
Liberty	A+ (Superior)	Quoted	Uncompetitive with proposed rates
Optum	A (Excellent)	Quoted	Uncompetitive with proposed rates
Partner Re	A+ (Superior)	Quoted	Uncompetitive with proposed rates
QBE	A (Excellent)	Declined	Uncompetitive with current rates
Reliance Standard	A+ (Superior)	Declined	Uncompetitive with current rates
SunLife	A+ (Superior)	Declined	Uncompetitive with current rates
Swiss Re	A+ (Superior)	Declined	Uncompetitive with current rates
Symetra	A (Excellent)	Declined	Uncompetitive with current rates

SAN JOAQUIN VALLEY INSURANCE AUTHORITY (SJVIA)
FINANCIAL SUMMARY
Effective Date: January 1, 2019

QUOTED DEDUCTIBLE OPTIONS	$450,000 Current Annual Premium	$450,000 Initial Renewal	$450,000 Final Renewal	$500,000 Annual Premium
Voya	$1,689,348	$1,916,318	$1,842,181	$1,662,629
% Increase/Decrease over Current		13.4%	9.0%	-1.6%
$ Increase/Decrease over Current		$226,970	$152,833	($26,720)
Berkley			$1,841,036	$1,554,255
% Increase/Decrease over Current			9.0%	-8.0%
$ Increase/Decrease over Current			$151,688	($135,093)
TM HCC			$1,863,095	$1,750,114
% Increase/Decrease over Current			10.3%	3.6%
$ Increase/Decrease over Current			$173,747	$60,766

Voya Assumptions/Contingencies

No fully insured lives are covered.

Plan designs and contribution levels are assumed as submitted to underwriting. Any changes may require an adjustment to the individual excess risk rates and/or monthly aggregate corridor.

Plan must have medical case management and utilization review.

All claims are reported/paid in U.S. dollars.

Any costs charged by the claim administrator for reports required to substantiate claims will be paid by the employer.

The proposal is based on the data submitted. Any changes to this data may allow us to modify the proposal.

Plan designs and contribution levels are assumed as submitted to underwriting. Any changes may require an adjustment to the individual excess risk rates and/or monthly aggregate corridor.

This proposal includes a second year laser free renewal, so no new individual adjusted deductible will apply.

Renewal Rate Cap Endorsement guarantees your subsequent year's renewal will be capped at 50% and no new individual adjusted deductible will apply (laser free renewal).

Medicare is primary for retirees age 65 and over.

Experience Refund Agreement included.

SAN JOAQUIN VALLEY INSURANCE AUTHORITY (SJVIA)
STOP LOSS MARKETING ANALYSIS - SPECIFIC DEDUCTIBLE LEVEL OF $450,000
Effective Date: January 1, 2019

	Current	Initial Renewal	Final Renewal	Proposed Option	Proposed Option
Carrier Name	Voya	Voya	Voya	Berkley	TM HCC
Rate Guarantee / Cap		1 Year	1 Year	1 Year	1 Year
Specific Stop Loss (SSL)					
Specific Deductible	$450,000	$450,000	$450,000	$450,000	$450,000
Annual Maximum Reimbursement	Unlimited	Unlimited	Unlimited	Unlimited	Unlimited
Contract Basis	12/18	12/18	12/18	12/18	12/18
Covered Expense	Medical, Rx	Medical, Rx	Medical, Rx	Medical, Rx	Medical, Rx
Specific Premium					
Single (4,818)	$14.13	$16.45	$15.81	$10.13	$12.26
Family (2,149)	$33.83	$37.43	$35.99	$48.68	$44.76
Composite (6,967)	$20.21	$22.92	$22.03	$22.02	$22.28
Specific Monthly Premium	**$140,779**	**$159,693**	**$153,515**	**$153,420**	**$155,258**
Specific Annual Premium	**$1,689,348**	**$1,916,318**	**$1,842,181**	**$1,841,036**	**$1,863,095**
% Increase/Decrease over Current		**13.4%**	**9.0%**	**9.0%**	**10.3%**
$ Increase/Decrease over Current		**$226,970**	**$152,833**	**$151,688**	**$173,747**

Projected Experience Credit Refund (Based on claims paid - October 31, 2018)	$165,621
Projected Annual Cost Summary	$1,842,181
Experience Credit Refund *	($165,621)
Projected Annual Premium (after Experience Credit)	**$1,676,560**
% Increase/Decrease over Current	**-0.8%**
$ Increase/Decrease over Current	**($12,788)**

** Experience credit refund is contingent on renewal with Voya and maintaining a loss ratio no greater than 65%.*

SAN JOAQUIN VALLEY INSURANCE AUTHORITY (SJVIA)
STOP LOSS MARKETING ANALYSIS - SPECIFIC DEDUCTIBLE LEVEL OF $500,000
Effective Date: January 1, 2019

	Current	Renewal Option	Proposed Option	Proposed Option
Carrier Name	Voya	Voya	Berkley	TM HCC
Rate Guarantee / Cap		1 Year	1 Year	1 Year
Specific Stop Loss (SSL)				
Specific Deductible	$450,000	**$500,000**	**$500,000**	**$500,000**
Annual Maximum Reimbursement	Unlimited	Unlimited	Unlimited	Unlimited
Contract Basis	12/18	12/18	12/18	12/18
Covered Expense	Medical, Rx	Medical, Rx	Medical, Rx	Medical, Rx
Specific Premium				
Single (4,818)	$14.13	$14.27	$8.35	$11.47
Family (2,149)	$33.83	$32.48	$41.55	$42.15
Composite (6,967)	$20.21	$19.89	$18.59	$20.93
Specific Monthly Premium	**$140,779**	**$138,552**	**$129,521**	**$145,843**
Specific Annual Premium	**$1,689,348**	**$1,662,629**	**$1,554,255**	**$1,750,114**
% Increase/Decrease over Current		**-1.6%**	**-8.0%**	**3.6%**
$ Increase/Decrease over Current		**($26,720)**	**($135,093)**	**$60,766**

Projected Experience Credit Refund (Based on claims paid - October 31, 2018)	$165,621
Projected Annual Cost Summary	$1,662,629
Experience Credit Refund *	($165,621)
Projected Annual Premium (after Experience Credit)	**$1,497,007**
% Increase/Decrease over Current	**-11.4%**
$ Increase/Decrease over Current	**($192,341)**

** Experience credit refund is contingent on renewal with Voya and maintaining a loss ratio no greater than 65%.*

SAN JOAQUIN VALLEY INSURANCE AUTHORITY (SJVIA)

TOTAL CLAIMS PAID MEDICAL

EXCEEDING $200,000

Paid Date Range: 1/1/2018 To 10/31/2018

Claimant	Group	Plan	Relation	Total Medical Only Paid
1	COF	EPO	EMPLOYEE	$830,847
2	COF	PPO	EMPLOYEE	329,702
3	COF	EPO	DEPENDENT	257,482
4	COF	EPO	EMPLOYEE	243,659
5	COF	EPO	DEPENDENT	219,085
Total				**$1,880,775**

SAN JOAQUIN VALLEY INSURANCE AUTHORITY (SJVIA)

ESTIMATED LOSS RATIO

Contract Year	Carrier	Spec. Deduct.	Basis	Covg.	Catg.	Count	Rates	Monthly Premium	# Months	Net Annual Premium	# Months	Estimated Claims Over Sepc. Ded.	Stop Loss Recovery
YTD 2018	Voya	$450,000	12/18	MED/RX	EE Family	4,818 2,149	$14.13 $33.83	$68,078 $72,701	12	$1,689,348	10	$380,847	22.5%
										$1,689,348		**$380,847**	**22.5%**

Claims Over Specific Deductible

	Claimants	Paid Claims	Specific Ded.	Expected Reimb.
YTD 2018	1	$830,847	$450,000	$380,847

SAN JOAQUIN VALLEY INSURANCE AUTHORITY (SJVIA)

REFUNDING ELIGIBLE EXAMPLE

Voya -	
Refunding Agreement:	**Expected (based on claims through October 31, 2018)**
Gross Premium	$1,689,606
Net Premium (provided by Voya)	$1,605,126
Loss Threshold	**65%**
Threshold Dollar Amount	$1,043,332
Actual Incurred Claims (Anthem reporting)	$380,847
End of Year Loss Ratio	**23.7%**
Total Excess	$662,485
Refund Percentage	25% of the Excess
Lesser of Estimated Eligible Refund or Max. Refund	**$165,621**
% of Premium Returned (capped refund @15% of premium)	**10%**

Additional Assumptions and Definitions:

Loss Threshold: This represents the amount of premium that is available to share with the client.

Loss Ratio: Must be below 65% of gross premium to achieve a refund.

Total Excess: Equals the threshold dollar amount minus actual incurred claims.

Refund Percentage: The group will receive 25% of the excess premium below the 65% loss threshold, to a max of 15% of total premium.

Eligible Refunds: Will be calculated 6 months after the benefit period and is subject to renewal with Voya.

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December 7, 2018

SJVIA Board Meeting: Consultant's Report on the Risk Share Model

The SJVIA purchases reinsurance at the $450,000 level to protect the SJVIA from adverse claim activity above the reinsurance level. While this is an appropriate reinsurance level for the overall SJVIA, it would be too high for each entity individually.

The SJVIA Board has implemented a strategy of not having any cost share between the entities under the $450,000 level. This policy applies the $450,000 reinsurance level to each entity individually. Large claim activity below the reinsurance level could adversely impact renewal rates.

In the 2019 reinsurance marketing, the marketplace was reluctant to quote lower levels for the SJVIA citing not appropriate for a group the size of the SJVIA. In instances where reinsurance is not available in the marketplace, risk share arrangements can benefit pools by smoothing renewals for all members. For 2018, Keenan modeled a risk share arrangement and the SJVIA Board elected not to implement it. Using the 2018 risk share model and applying it to the 2019 renewal creates insight as to how the model would work.

Risk Share Example	COF	COT	COM	Total
2018 Esitmated Risk Share Fee	$18.48	$12.06	$385.30	$18.06
Sharing Level to $450,000	$250,000	$200,000	$75,000	
Total 12 Month Enrollment	48,978	34,461	508	83,947
Total 2018 Risk Share Fund	$905,113	$415,600	$195,732	$1,516,446
Total 2018 Pooled Risk	$374,759	$558,861	$0	$933,619
Ending Balance	$530,355	($143,261)	$195,732	$582,826
2019 Projected Premium	$53,522,403	$27,750,349	$820,135	$82,092,887
Benefit to 2019 Rate	0.00%	-0.52%	0.00%	0.00%
Large Claim Experience	**COF**	**COT**	**COM**	**Total**
Claimant 1	$477,078	$371,005		
Claimant 2	$373,713	$327,110		
Claimant 3	$251,046	$307,011		
Claimant 4		$305,749		
Claimant 5		$239,032		
Claimant 6		$208,953		
Total Large Claims	$1,101,837	$1,758,861	$0	$2,860,697

Based on the 2018 model, The County of Tulare would have realized a 0.5% rate reduction and the SJVIA would have established a $582,826 reserve for future risk sharing. Over time it could be possible to build reserves to a level where the SJIVA completely self-funds the risk share model and only recuperates deficits through rate funding. It should be noted that the risk share reserve buildup would have a dollar for dollar impact on the SJVIA's overall reserve buildup.