



P. O. Box 1538
 Rancho Cordova, CA 95741

916 859-4900
 916 859-7167 fax GS
 www.keenan.com
 License No. 0451271

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.