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**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 modelled 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.

| <b>Risk Share Example</b>     | <b>COF</b>   | <b>COT</b>   | <b>CIM</b> | <b>Total</b> |
|-------------------------------|--------------|--------------|------------|--------------|
| 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%        |
| <b>Large Claim Experience</b> | <b>COF</b>   | <b>COT</b>   | <b>CIM</b> | <b>Total</b> |
| 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.