

UTAH COUNTIES INDEMNITY POOL NET ASSET MANAGEMENT POLICY

SECTION A EFFECTIVE DATE AND FREQUENCY OF REVIEW

1. The effective date of this policy is December 15, 2016.
2. This policy should be reviewed annually, but not less than every five years by the Board of Directors.
3. This policy should also be reviewed any time that changes to laws or rules governing the management of net assets are amended or recommendations are made by the UCIP CEO or CFO, which would require review and update to this policy.
4. Failure to review this policy in the frequency stated shall not nullify, void, limit or waive this policy or any action taken under this policy.
5. This policy is considered to be amended at the time any new federal or state law becomes effective which conflicts with this policy, but only to the extent necessary to come into compliance with new law.

SECTION B PURPOSE

1. Manage Net Asset levels to assure adequate assets to protect UCIP's financial position without holding excessive public funds as Net Assets.

SECTION C AUTHORITY

1. The Board has authority to adopt this policy under the UCIP Interlocal Agreement and Bylaws.

SECTION D APPLICABILITY AND SCOPE

1. This policy applies to all decisions regarding budget, contribution rates, reinsurance structure and dividends considered or approved by the Board.

SECTION E DEFINITIONS

1. Annual contribution: the prior year's audited annual contribution.
2. Board: Board of Directors of the Utah Counties Indemnity Pool.
3. CEO: the Chief Executive Officer of the Utah Counties Indemnity Pool.
4. CFO: the Chief Financial Officer of the Utah Counties Indemnity Pool.

5. Claim Reserve Deterioration Fund: a notional fund shown on the UCIP financial statements as restricted funds. Net Assets are reduced by the Claim Reserve Fund when calculating ratios for the purpose of determining dividends to assure adequate funds are maintained after any dividend distribution to account for deterioration of claims reserves in excess of the actuarially expected reserves.
6. Dividend: distribution of UCIP Net Assets to UCIP Members.
7. Net Assets: equity or surplus balances of UCIP which exceed liabilities identified on its audited financial statements.
8. Rate Stabilization Fund: a notional fund shown on the UCIP financial statements as restricted funds. Net Assets are reduced by the Rate Stabilization Fund when calculating ratios for the purpose of determining dividends to assure adequate funds are maintained after any dividend distribution to account for unexpected expenses without necessity of short-term Member rate increases.
9. UCIP: means the Utah Counties Indemnity Pool.

SECTION F POLICY STATEMENTS

1. The Board shall review the audited Net Assets as part of the Member Rate setting process. The Board may use the Member Contribution Rate setting process, Claim Reserve Deterioration Fund, Rate Stabilization Fund, and the Dividend Plan to manage and control Net Assets.
2. The Board conducts a Member Rate setting process annually in order to determine annual Member contributions in accordance with the UCIP Interlocal Agreement. In addition to the actuarial rate analysis, competitive factors and all other factors which impact the rate setting decision process, the Board shall review the audited Net Asset position in relation to this policy as part of their annual Member Contribution Rate setting process.
3. The Claim Reserve Deterioration Fund may be used to assure designated reserves are adequate to pay all claims assumed. This fund will be shown as a restricted fund separately on the financial statements from the claim reserves, and will show the difference, if any, between the “expected” loss reserves identified by the actuary and the amount of reserves the Board approves to dedicate. The “expected” level provides a 60% confidence level that the reserves are adequate to pay all claims assumed. The Board should consider approving reserves in the 80% to 90% confidence level when UCIP performance allows.
4. The Rate Stabilization Fund may be utilized to designate surplus to cover temporary or unexpected expenses, particularly reinsurance expense, to avoid temporary rate fluctuation. This fund will be shown as a restricted fund separately on the financial statements from budgeted expenses. As reinsurance expenses can only be estimated at the time Member Contribution Rates are developed, the primary use of this fund will be to

cover costs of estimates that were low when rates were developed, as this would only affect the rates for that year. Additional amounts may be set aside to account for unexpected increases in reinsurance costs for other expenses, to allow for gradual rate change over multiple years.

5. The Dividend Plan should be used to return excess Net Assets to Members in the manner described in the Dividend Policy.
6. When determining if Net Assets are within the ranges identified in this policy, audited Net Assets shall be compared to the prior year's audited annual contributions.

SECTION G PROCEDURES AND RESPONSIBILITIES

1. Net Assets should not exceed 250% of annual contributions unless the Board has specific needs for such surplus which may include but not be limited to the following:
 - a. Expectation of new membership;
 - b. Development of a new line of coverage;
 - c. Development of new or expanded coverage;
 - d. Change or restructuring of the reinsurance program, particularly of the Pool's Self-Insured Retention; or
 - e. Development of new or expanded services.
2. Net Assets should not fall below 50% of annual contributions. If Net Assets do fall below 50%, the Board shall immediately implement a plan to increase Net Assets.

SECTION H REVISION HISTORY

1. Adopted: December 15, 2016
2. Revised: October 25, 2018
3. Revised: June 18, 2021

SECTION I APPENDICES

1. There are no appendices to this policy