

# **UTAH COUNTIES INDEMNITY POOL RATE SETTING POLICY**

## **SECTION A EFFECTIVE DATE AND FREQUENCY OF REVIEW**

1. The effective date of this policy is August 17, 2023.
2. This policy should be reviewed annually, but not less than every three years by the Board.
3. This policy should also be reviewed any time that changes to laws or rules governing rate setting by the board members of interlocal agencies are amended or recommendations are made by the UCIP CEO, 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. This policy outlines the policy of the Board related to rate setting by the Directors.
2. The purpose of rate setting is to establish Member contributions or fees to fund UCIP.

## **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 rating for contributions or fees considered or approved by the Board.

## **SECTION E DEFINITIONS**

1. Board: the Board of Directors of the Utah Counties Indemnity Pool.
2. CEO: the Chief Executive Officer of the Utah Counties Indemnity Pool.
3. Director: a member of the Board of Directors of the Utah Counties Indemnity Pool.

4. Exposure or Exposures: Member owned or leased assets in accordance with the Bylaws Coverage Addendum.
5. Member: each of the Participating Members of UCIP as listed in the Coverage Addendum.
6. Rate or Rates: a fixed charge per value or number of Member exposures used to calculate contributions or fees to fund UCIP.
7. 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.
8. UCIP: the Utah Counties Indemnity Pool.

## **SECTION F POLICY STATEMENTS**

1. It is the policy of the Board to provide equitable and stable rates for the Members.
2. The Board will conduct a rate setting process annually in order to determine annual Member contributions or fees in accordance with the UCIP Interlocal Agreement.
3. The Board will manage net asset levels to assure adequate assets to protect UCIP's financial position and ability to stabilize rates, without holding excessive public funds as net assets, in accordance with the Net Asset Management Policy.

## **SECTION G PROCEDURES AND RESPONSIBILITIES**

1. Members have the obligation to report Exposures that are covered under the Coverage Addendum to UCIP, in accordance with the Bylaws of UCIP.
2. UCIP shall submit annually updated Member Exposure data, loss data and expense data to a Board approved independent actuary for analysis. The actuary will provide expected losses and rate estimates for UCIP's self-funded coverage layer, to the Board and CEO. Based on the actuarial rate analysis provided and historical rate analysis, rate stability, competitive factors and all other factors that impact the rate setting decision process, the CEO shall provide the Board recommended rates with member contribution estimates at the August regularly scheduled meeting.
3. UCIP shall submit annually updated Member Exposure data and any additional information requested to the Board approved excess and reinsurance carriers. The carriers will provide rates for coverage layers above UCIP's self-funded coverage layer.

4. In addition to the actuarial rate analysis, rate stability, competitive factors and all other factors that impact the rate setting decision process, the Board shall review the audited net assets as part of the Member Rate setting process.
5. 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.
6. Approval of Rates will be finalized by the Board and submitted to Members by UCIP at a time that will aid the Members in their budget process.

## **SECTION H REVISION HISTORY**

1. Adopted: August 17, 2023

## **SECTION I APPENDICES**

1. There are no appendices to this policy.