



**FOR NORTH DAKOTA
FOR LOCAL GOVERNMENT
FOR YOU**

NDIRF NORTH DAKOTA
INSURANCE
RESERVE FUND

2021 ANNUAL REPORT

FROM THE CEO



A handwritten signature in black ink, appearing to read 'B Quintus', written over a light blue background.

Brennan Quintus
NDIRF CEO

DEAR NDIRF MEMBERS,

North Dakota local governments came together over 36 years ago to form the NDIRF. Since then, much has changed, from our operations and coverages to the services we provide, but the **one thing that remains constant is our commitment to serving North Dakota, local government, and you.**

This report summarizes our 2021 collective financial, claims, and training accomplishments. The strong correlation between training and reduced loss activity is one of the main reasons we continue to offer or support Member training. The more training your political subdivision engages in, the more effective and efficient it becomes, leading to reduced loss activity. Reduced loss activity not only strengthens your entity, it also strengthens the NDIRF.

One of the highlights of this report is the **\$5.3 million 2021 Conferment of Benefits!** This amount was due to strong underwriting results, favorable investment returns, and our continued responsible stewardship of the Fund. 2021's conferment was one of the largest Conferment of Benefits in NDIRF history!

In addition to enjoying the best available coverage and rates lower than the traditional insurance marketplace, the Conferment of Benefits program is your entity's opportunity to share in the success of the NDIRF as a Member of the Fund.

On behalf of the NDIRF Board of Directors and staff, thank you for your continued participation in NDIRF!

BOARD OF DIRECTORS AND MEMBER AFFILIATION

[as of Dec. 31, 2021]



Darcie Huwe
Chairperson
Cities



Scott Ouradnik
Chairperson Elect
Counties



Blake Crosby
Cities



Tyler Jacobson
Others



Burdell Johnson
Others



Sonya Larson
Schools



Chad Peterson
Counties



Terry Traynor
Counties



Chris West
Cities

MEMBERSHIP

The NDIRF is *the* source of risk services for North Dakota political subdivisions, who become Member-Owners of the NDIRF by purchasing coverage.

Our coverages are designed specifically for North Dakota political subdivisions, addressing your needs and concerns so you can remain focused on serving your community.

We proudly provided coverage to 2,577 Members in 2021 (**Fig. 1**), which is over 90% of the entities eligible to participate in the Fund. As you can see from the charts below, we serve a variety of local government entities, and the relative premium distribution among them has remained historically very stable. (**Fig. 2**)

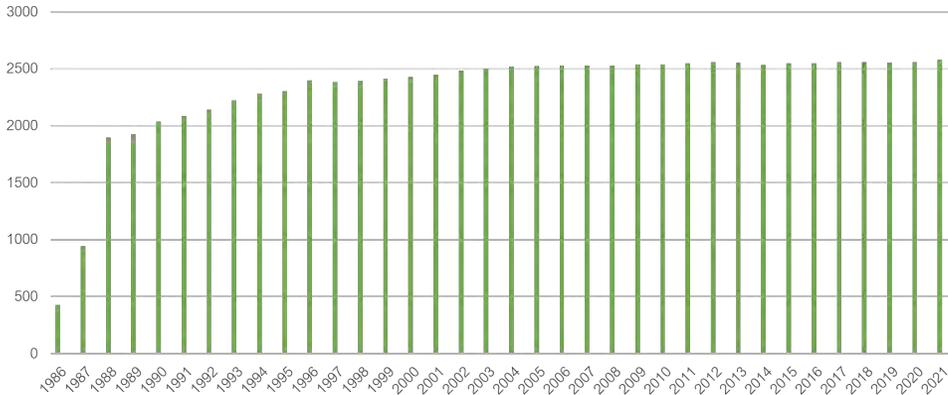


FIGURE 1: NDIRF MEMBERSHIP

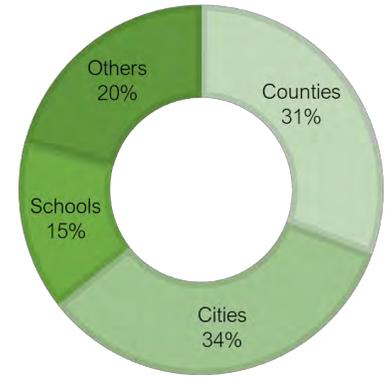


FIGURE 2: MEMBER PREMIUM DISTRIBUTION



NDIRF Member Services Rep. Mark Verke presenting on roadway safety at the 2021 NDTOA Annual Meeting.

CONFERMENT OF BENEFITS

Our Conferment of Benefits program returns surplus dollars to NDIRF Members. The surplus is generated from premium collected, continued responsible Fund management, and annually accrued investment income, demonstrating the value of your entity's NDIRF Membership.

We are proud to share our board of directors declared a 2021 Conferment of Benefits and returned \$5.3 million in conferment to our Members.

The Conferment of Benefits program was introduced in 1996 and, since that time, we have returned over \$75 million to our Members.

PREMIUMS AND LOSSES

As a self-insurance risk pool, the NDIRF is insulated from the commercial insurance industry's rate fluctuations influenced by regional, national, or even international events; however, we monitor these events to evaluate their potential effect on our Members and determine if we need to adjust NDIRF coverages or premiums accordingly.

Our ability to remain in control of our coverages and premiums while we monitor both our Members' and the insurance industry's loss trends allows us to maintain stable rates for our Members.

For example, our most recent general rate increase was in 2018,
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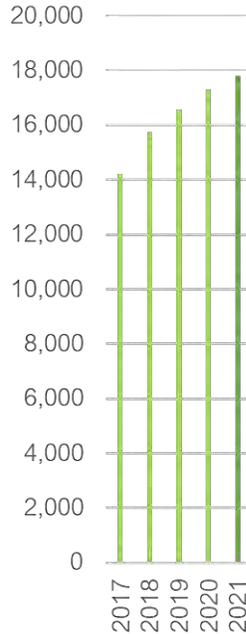


FIGURE 3: NET WRITTEN PREMIUM
[in thousands]

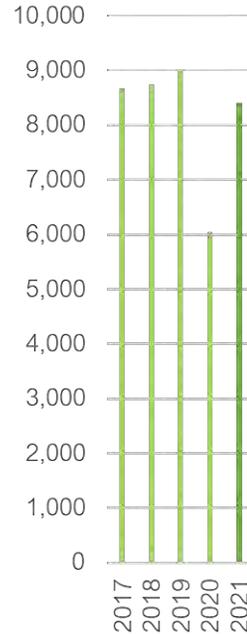


FIGURE 4: LOSSES
[in thousands]

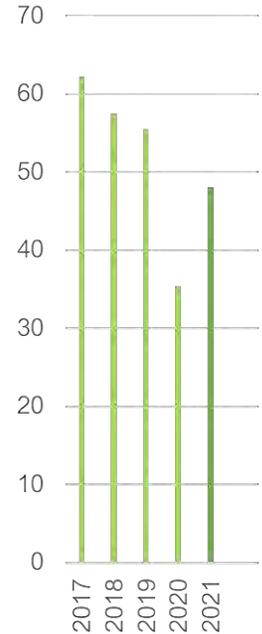


FIGURE 5: LOSS RATIOS

following close monitoring of increasing loss trends from 2014-17. This general rate increase was implemented to ensure the NDIRF's financial stability in a higher loss environment.

We are proud to share we did not implement a general rate increase in 2021. The 2.8% increase in written premium illustrated in **Fig. 3** was due to covered auto and equipment value increases and Members taking advantage of new coverage options.

Losses were extremely low in 2020 because many local government services were disrupted or cancelled due to the pandemic. You can rest assured 2021's loss amounts are consistent with previous years' losses. **(Fig. 4)**

Our 2021 total loss amount was \$8.4 million, resulting in a 48% loss ratio. **(Fig. 5)** As a reference, we budget for a 60% annual loss ratio.

Auto losses in 2021 accounted for our highest loss amounts at \$5.6 million and public assets losses were \$1.2 million, resulting in 70% or higher loss ratios for these loss categories.

The nearly \$3 million increase from 2020 to 2021 in auto and public assets losses is largely attributed to the return of activities (operations, travel, etc.) and highlights

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Photo: Director of Member Services Corey Olson giving a presentation at the NDA Co's Sheriff's and Deputies Association Meeting about the NDIRF's reimbursement for hands-on law enforcement training.



the continued need for the following risk management courses we offer at no cost to Members:

- Online and in-person defensive driving courses (DDC)
- Equipment operation courses through our partnership with the **ND Local Technical Assistance Program (NDLTAP)**

Over the past several years, the loss amounts for liability claims, most notably law enforcement and employment-related claims, continue to be a focus.

To help our Members reduce or mitigate these claim types, in 2021 we continued our partnerships with organizations that provide related training or offered training sponsorships, including:

- Maintained our partnership with the ND Association of Counties, ND League of Cities, ND School Boards Association, and ND Parks and Recreation Association in the **HR Collaborative**, an organization that provides ND local governments with human resource management tools, resources, and training. The organization also publishes an annual HR Reference



Photo: The ND IRF's quarterly *Participant* newsletter features a new member each issue. In the issue pictured here, we featured Williams County and provided insight from HR, Communications, and GIS Director Helen Askim. Askim shared information about how Williams County manages HR operations to reduce potential claims and how she works with the ND IRF to navigate complex employment-related issues. The *Participant* is available on the ND IRF's website at www.NDIRF.com>Reference Section>The *Participant*.

Guide for Local Government and hosts a bi-annual training conference. For more information, visit www.hrndgov.org.

- Offered reimbursements for law enforcement officers to receive hands-on subject control and defensive tactics training from an experienced law enforcement officer. The courses are POST certified and can be customized for each agency's training needs. For more information, contact our Member Services Department at MemberServices@ndirf.com.
- Continued LocalGovU, our online training platform that offers thousands of professional development and training courses for local government employees. The course types range from general safety to cybersecurity, and include specific courses for HR professionals and law enforcement officers. LocalGovU also features an extensive catalogue of POST certified courses.



Photo: The NDIRF's LocalGovU online training platform is provided at no cost to Members. The platform offers thousands of self-paced professional development and training courses for local government professionals. Additionally, the platform enables your entity to build customized training programs in which automatic emails are used to inform and remind employees about courses they need to complete. LocalGovU is available on our website at www.NDIRF.com> Training.

The more serious claims, estimated to incur losses of \$50,000 or more, continue to increase, highlighting the trend toward a consistently higher level of claim activity and expense.

EARNINGS AND EQUITY

The NDIRF ended 2021 with net earnings of \$4.3 million (**Fig. 6**) and \$25.3 million in Members' equity. (**Fig. 7**)

(Fig. 7)

Members' equity decreased slightly in 2021, a result of 2020's record \$6.2 million Conferment of Benefits and 2021's significant conferment of \$5.3 million.

Our current level of members' equity showcases the NDIRF's continued financial strength. Our consulting actuaries indicate the current level of Members' equity provides an outstanding confidence level — well in excess of 90% — that expected future obligations can be met.

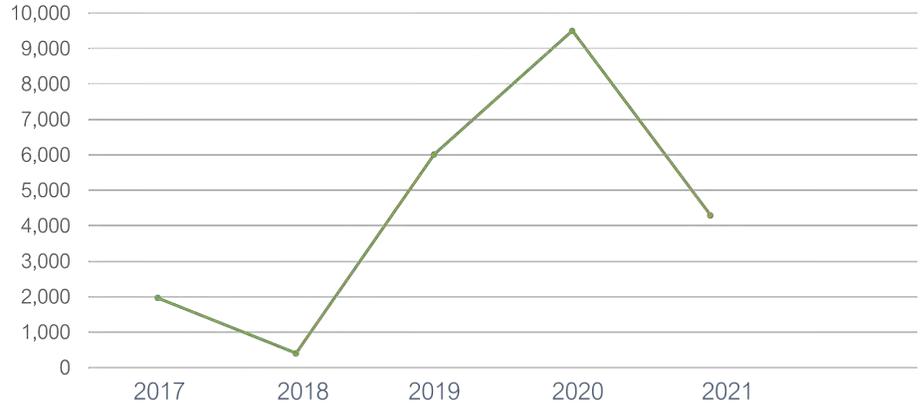


FIGURE 6: NET EARNINGS
[in thousands]

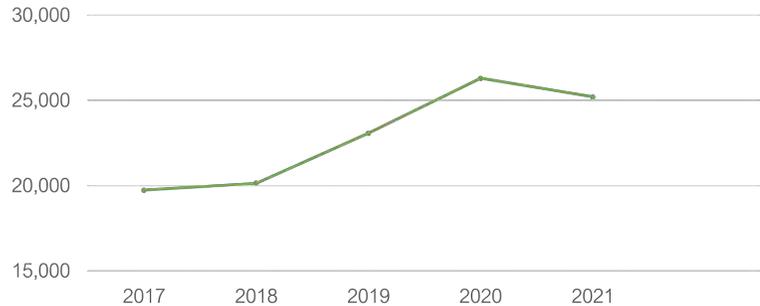


FIGURE 7: MEMBERS' EQUITY
[in thousands]

INVESTMENTS

The NDIRF investment portfolio was distributed 74% in fixed income, 15% in equities, 8% in cash, and 3% in real estate in 2021. Our fixed income returns were -1.63% (2020: 6.46%) and equity returns were 26.17% (2020: 24%). Overall, our portfolio earned a 2% return (2020: 9.3%), for a total gain of \$1.15 million (2020: \$4.18 million).

The fixed income loss our portfolio experienced is due to the fixed income losses experienced by most investors in 2021. The good news is this loss is primarily unrealized, which means the NDIRF did not sell our holdings in a down market, and we are still receiving dividend and interest income from our portfolio. The quality of our fixed income portfolio is high, with an average S&P quality rating of A+.

MEMBER ADVOCACY

The NDIRF provides insight to lawmakers on how proposed legislation may affect the property or liability exposure of local governments. During the 2021 legislative session, the NDIRF was integral in shaping the legislation regarding changes to the liability limitations afforded to North Dakota political subdivisions, which will go into effect on July 1, 2022.

Photo: NDIRF CEO Brennan Quintus testifying during the 2021 legislative session.



ND STATE FIRE AND TORNADO FUND ADMINISTRATION

The NDIRF began administering the North Dakota Fire and Tornado Fund (NDFT) in 2019, which provides property coverage to North Dakota state agencies and political subdivisions.

In our third year administering the NDFT, we continued to streamline processes and fulfill our goal of making the NDFT look and feel like an NDIRF product. We also increased communication with the Fund's members by introducing The Communicator in October 2021, a quarterly electronic newsletter.

During the July 1, 2021, renewal, we introduced the following additional coverage options: wind/hail per building deductible removal, an increased sewer backup limit, and additional per building debris removal limits. For more information about these coverages, review our Fall 2021 Communicator.

The NDFT's total insured value has grown by over \$3 billion since we began administering the Fund. This result was achieved through the collaboration of the Fund's members, local agents, and our Member Services Department to verify property schedules, update property values, and add new or missing property to schedules.



Photo: The North Dakota State Fire and Tornado Fund's quarterly Communicator newsletter features the latest news and information from the NDFT. The Communicator is available on the NDIRF's website at www.NDIRF.com>Reference Section>The Communicator.

MEMBER SERVICES

The NDIRF is proud to sponsor and provide various training resources, presentations, and events for our Members in an effort to help them reduce claims and support further operational efficiencies and effectiveness. Here are some 2021 highlights:



IN-PERSON DDC

270 of our Members' employees completed in-person defensive driving courses (DDC) which are offered at no cost through their entity's NDIRF membership.



ONLINE DDC

640 of our Members' employees completed online defensive driving courses (DDC), offered free through NDIRF membership.



LOCALGOVU

1,222 LocalGovU courses were completed.



PROPERTY SURVEYS

120 property surveys — for a total of 1,351 total buildings surveyed — for the ND State Fire and Tornado Fund.



PARTNERSHIPS AND SPONSORSHIPS

The NDIRF continued its significant support for Member associations, training resources, and events.

Our partnerships include the ND Association of Counties, ND League of Cities, ND Recreation & Parks Association, ND School Boards Association, ND Township Officers Association, and the HR Collaborative.

We also continued our partnership with the ND Local Technical Assistance Program (NDLTAP) to support local government road maintenance and signage education.

Training resources and events covered a variety of topics, including employment practices, road maintenance, law enforcement liability, playground safety, and development and maintenance of online employment policies and procedures.

FINANCIAL STATEMENTS [in thousands]

BALANCE SHEET

Assets

Cash and Cash Equivalents	\$	4,497
State of ND—State Fire and Tornado Fund cash		42
Investments		46,757
Agents' balances		539
Interest receivable		224
Deferred policy acquisition costs		770
Land, building and equipment, net		628
Other assets		<u>266</u>
Total Assets	\$	53,723

Liabilities and Net Assets

Liabilities		
Accounts Payable	\$	53
Payable to State of ND—State Fire and Tornado Fund		41
Conferment payable		5,323
Accrued expenses		202
Unearned premiums		6,221
Unearned commission—State Tornado and Fire Fund		267
Reserve for losses		9,897
Reserve for incurred but not reported losses		<u>6,442</u>
	\$	28,446

Net Assets

Without member restrictions		<u>25,277</u>
Total Liabilities and Net Assets	\$	53,723

BALANCE SHEET

The balance sheet details what the NDIRF owns (assets) and what the NDRF owes (liabilities) at a given point in time. Assets and Liabilities and Net Assets should always be in balance, with each dollar of assets offset by a dollar of liabilities and net assets.

ASSETS

Assets include cash, investments, money due from agents, and the value of the land and buildings owned by the NDIRF. The NDIRF invests in a variety of assets in order to diversify financial risk, maintain appropriate funding, and keep Member costs down.

LIABILITIES AND NET ASSETS

Liabilities are the amounts we potentially owe others. These include premiums paid at the beginning of the coverage period but earned over the course of the coverage period, the conferment declared by the Board for the prior year, but paid in April of the following year, and claims reserved, which includes estimates for both claims reported and claims incurred but not reported.

Net Assets represents the financial strength of the Fund and provides security for our Members. Net Assets increase or decrease based on the operation and investment return results of the Fund.

FINANCIAL STATEMENTS [in thousands]

STATEMENT OF ACTIVITIES

Revenues

Premiums earned	\$	17,615
Commission income—State Fire and Tornado Fund		<u>534</u>
Total revenues		18,149

Expenses

Losses and loss adjustment expenses		8,428
Underwriting and administrative		<u>6,609</u>
Total expenses		<u>15,037</u>

Revenues over Expenses **\$ 3,112**

Nonoperating Revenues

Investment income, net of investment expenses of \$81 and \$143 in 2021 and 2020, respectively		1,030
Realized and unrealized gains on investments, net		<u>123</u>
Total nonoperating revenues		<u>1,153</u>
Change in Net Assets Without Member Restrictions		4,265
Net Assets Without Member Restrictions, Beginning of Year		<u>26,288</u>
Conferment Declared		<u>(5,276)</u>

**Net Assets Without Member
Restrictions, End of Year** **\$ 25,277**

STATEMENT OF ACTIVITIES

The statement of activities details the activity of the Fund through the year.

The revenues include premiums paid by Members and commission earned by the NDIRF for the administration of the ND Fire and Tornado Fund and State Bonding Fund. The expenses include the losses and expenses paid for claims, agent commissions, and administrative costs of operating the Fund. The statement of activities also shows the nonoperating income received from the returns on the Fund's investment portfolio.

The statement of activities also shows, when applicable, the Conferment of Benefits declared by the NDIRF Board of Directors. The result the Fund's activities provides for the increase or decrease of the net assets each year.

If you would like financial information beyond what this report contains, the 2021 audited financial statements are available at www.NDIRF.com>NDIRF Info>Financials.



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