



2023 ANNUAL REPORT

NORTH DAKOTA
NDIRF
INSURANCE
RESERVE FUND

CHAIRPERSON'S REPORT

DEAR NDIRF MEMBER:

One thing you will notice in this annual report is the NDIRF's continued financial strength which enables us to provide comprehensive liability, auto, and public assets coverages, claims services, and risk management at an affordable price for North Dakota's political subdivisions.

To illustrate this point, the NDIRF retains nearly twice the surplus amount our actuarial consultant recommends, earning the highest percentage confidence level they will provide (95%) regarding our ability to meet future financial obligations. You can rest assured the NDIRF is more than adequately funded to help protect you from covered losses.

We shared in 2022 that, like many investors, the NDIRF suffered losses in our investment portfolio. Though the losses were unrealized, meaning we did not sell investments at a loss, our board of directors did not declare a 2022 Conferment of Benefits.

While our 2023 investment performance greatly improved, our board of directors made the decision not to declare a 2023 Conferment of Benefits.

The NDIRF maintains a significant amount of its assets in investments, and we expect to hold our investments until their value has fully recovered. By retaining our investments, we better position the NDIRF for future investment gains.

As you may have come to expect, the NDIRF's 2023 operational performance remained strong and stable, resulting in nearly \$8 million in net earnings. This result guided our board's decision to not assess a 2024 general rate increase, meaning most members' rates will remain stable throughout 2024.

On behalf of the NDIRF Board of Directors and staff, thank you for your membership in the NDIRF.

BOARD OF DIRECTORS AND MEMBER AFFILIATION

[as of Dec. 31, 2023]



Chad Peterson
Chairperson
Counties



Aaron Birst
Counties



Matt Gardner
Cities



Darcie Huwe
Cities



Tyler Jacobson
Others



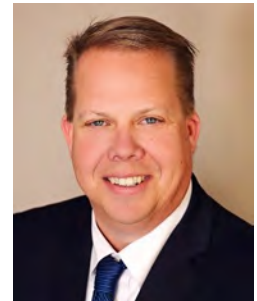
Burdell Johnson
Others



Sonya Larson
Schools



Scott Ouradnik
Counties



Chris West
Cities

FROM THE NDIRF LEADERSHIP TEAM

Nora Frueh
CFO

Vance Krebs
CIO

Keith Pic
Director of Claims

Jeff Tescher
Director of
Underwriting

Corey Olson
Director of Member
Services

DEAR NDIRF MEMBER:

Let's talk about your risk pool. If you're thinking, "My what?," you're likely not alone.

Along with 2,597 North Dakota local government entities, your entity helps form the North Dakota Insurance Reserve Fund (NDIRF), a nonprofit government risk pool through which you obtain liability, auto, and public assets coverages.

We refer to each entity that participates in the NDIRF as a member. This term carries the meaning that you're a part of a community — a group that you've invested in and, likewise, has invested in you.

For the NDIRF's Board of Directors and employees, the term member also carries a meaning of purpose.

As each year passes, the local government liability insurance crisis that occurred in 1986 becomes more distant. The sting of the volatile liability insurance market has subsided, and your entity's fears about being able to access liability, auto, and public assets coverages has faded.

Have you ever wondered *why* or *how* these wounds healed? Because your

entity, along with many others, formed the NDIRF in the midst of this aforementioned crisis.

In each of our annual reports, we highlight key figures and information from the past year to help your entity learn about the latest NDIRF activity and celebrate our collective achievements.

One of the NDIRF's most notable 2023 achievements was that no general rate increase was filed. This result represents the fulfillment of the NDIRF's founding members' primary goal: to build a strong and stable risk pool so that local governments could continue to provide critical services to their community members.

NDIRF members also remained committed to ongoing risk management and safety training in 2023. They participated in the NDIRF's free online defensive driving courses, free LocalGovU online professional development and safety courses, and the HR Collaborative for Local Government's six-session webinar series. *See further results on p. 15.* They also engaged with their entity associations to participate in training and earn certification credits.

We are so proud to serve the NDIRF's members, and we are so thankful for the trust you place in us to manage your risk pool.

Please enjoy this latest report, and please feel free to reach out to us at (701) 224-1988 or Info@ndirf.com if you have any questions regarding the information shared within it.

MEMBERSHIP

The NDIRF is *the* source of risk services for North Dakota political subdivisions. By obtaining coverage from the NDIRF, political subdivisions become member-owners of the fund.

Our coverages are designed specifically for local governments, addressing their needs and concerns so they can remain focused on serving their communities.

We proudly provided coverage to 2,597 members in 2023 (**Fig. 1**), which is over 90% of the entities eligible to participate in the fund. As seen in 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**)

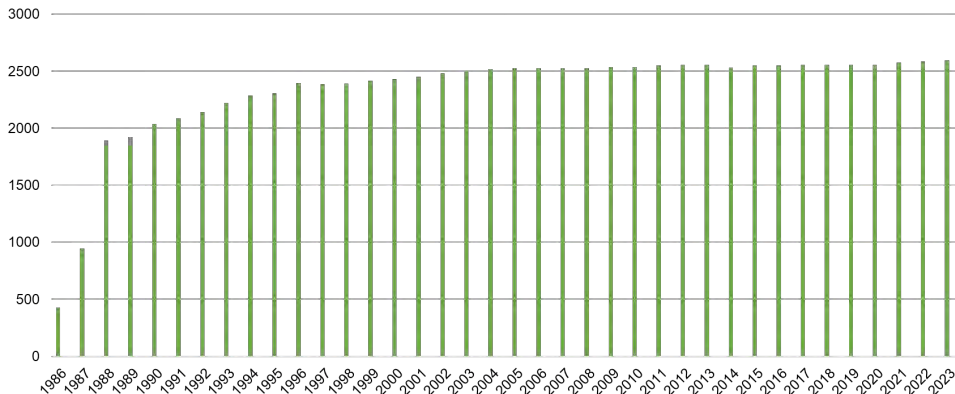


FIGURE 1: NDIRF MEMBERSHIP

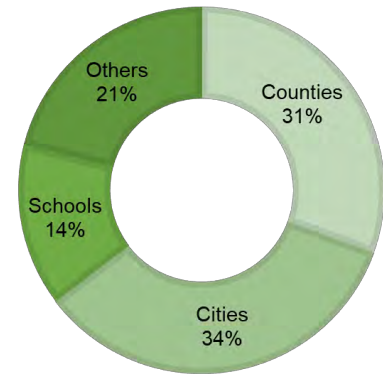


FIGURE 2: MEMBER PREMIUM DISTRIBUTION

CONFERMENT OF BENEFITS

Our Conferment of Benefits program returns surplus dollars to NDIRF members. The surplus is generated from premium collected, responsibly managed funds, and annually accrued investment income.

The Conferment of Benefits program was introduced in 1996 and has returned over \$76 million to our members.

The NDIRF Board of Directors did not declare a 2023 conferment of benefits to continue to allow the NDIRF's investment assets to recover their full value.



NDIRF Member Services Director Corey Olson gives a property inventory and valuation presentation at the North Dakota Recreation and Park Association's 2023 State Conference.

PREMIUMS AND LOSSES

As a nonprofit 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 effects on our members and determine if we need to adjust NDIRF coverages and/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,

Ctd. on p. 9

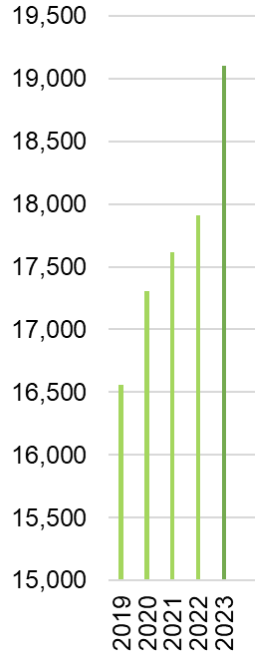


FIGURE 3: NET WRITTEN PREMIUM
[in thousands]

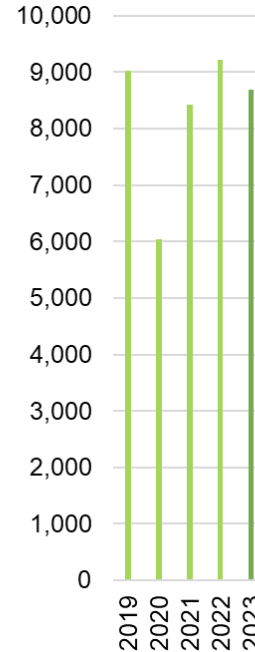


FIGURE 4: LOSSES
[in thousands]

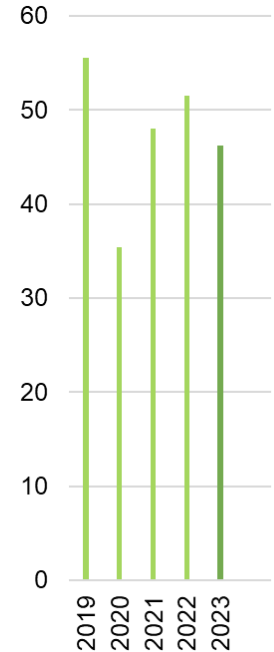


FIGURE 5: LOSS RATIOS

following close monitoring of increasing loss trends from 2014-2017. 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 2023. The 7.1% 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.

Loss amounts in 2023 were consistent with previous years' losses. **(Fig. 4)** *2020 loss amounts were low due a reduction in activity during the pandemic.*

Our 2023 total loss amount was \$8.7 million, resulting in an overall 46.2% loss ratio. **(Fig. 5)** As a reference, our annual loss ratio budget is 60%.

Auto losses in 2023 accounted for our highest loss amounts at \$5.4 million (63.2% loss ratio), liability losses accounted for \$2.6 million (31.3% loss ratio), and public assets losses accounted for \$665,000 (34.9% loss ratio).

The auto and liability loss amounts highlight the continued need for the following risk management courses we offer:

- Online defensive driving courses (DDC)

Ctd. on p. 10

Photo: Member Services Director Corey Olson hosts a booth at an insurance agent event, demonstrating the NDIRF's support of local agents who serve our members.



- Equipment operation courses through our partnership with the **ND Local Technical Assistance Program (NDLTAP)**

Loss amounts for liability claims, most notably law enforcement and employment-related claims, have increased significantly over the past several years.

To help our members reduce or mitigate these claim types, we continued in 2023 our partnerships with organizations that provide related training or offer training sponsorships, including:

- Became the owner of the **HR Collaborative for Local Government** program which provides ND local governments with human resource management tools, resources, and training. This program was formed in 2008 by the ND Association of Counties, ND League of Cities, ND School Boards Association, ND Parks and Recreation Association, and the NDIRF. The HR Collaborative publishes an annual HR Reference Guide for Local Government and hosts a biennial conference and virtual series. In 2023, the HR Collaborative attracted 423 registrants for its six-



Photo: The NDIRF's quarterly Participant newsletter features a different member each issue. In the issue pictured here, we featured Ward County and provided insight from Auditor and Treasurer Marisa Haman. Haman shared information about how to enhance risk management programs and communication and how she has partnered with the NDIRF to provide defensive driving courses for employees. The Participant is available on the NDIRF's website at www.NDIRF.com>News>The Participant.

session summer virtual series.

- 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.
- Continued **LocalGovU**, our free online training platform that offers thousands of local government professional development and training courses. 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.

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.



Photo: LocalGovU online training platform is provided at no cost to NDIRF members. The platform offers thousands of self-paced professional development and training courses for local government professionals, including POST Board approved law enforcement courses, and the ability to build customized and automated training programs. LocalGovU is available at www.NDIRF.com>Member Benefits>Online Training.

INVESTMENTS

The NDIRF ended 2023 with net earnings of nearly \$8 million (**Fig. 6**) and \$30.1 million in members' equity. (**Fig. 7**)

Members' equity increased from its 2022 dip for a total amount of \$30.5 million in 2023. This increase is due to continued strong operational and underwriting results and a more favorable investment market.

Our current members' equity amount 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 95% — that expected future obligations can be met.

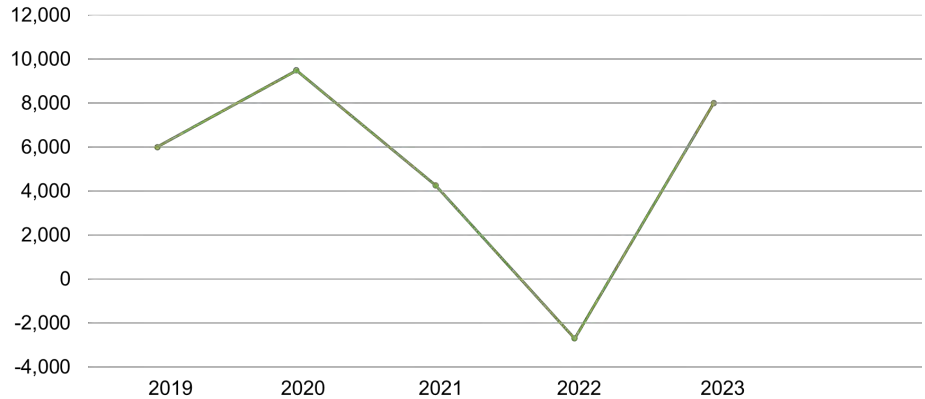


FIGURE 6: NET EARNINGS
[in thousands]

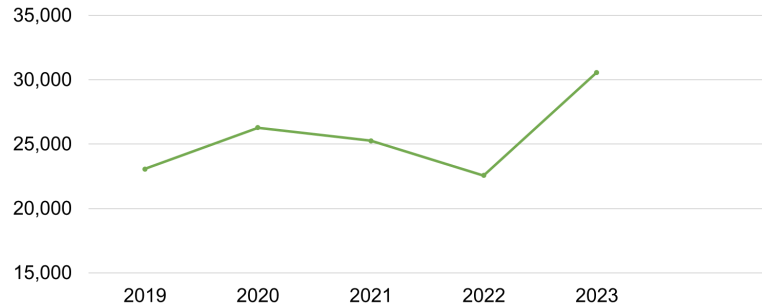


FIGURE 7: MEMBERS' EQUITY
[in thousands]

INVESTMENTS, CTD.

The NDIRF investment portfolio in 2023 was distributed 69% in fixed income, 15% in equities, 9% in cash/money markets, 4% in CDs, and 3% in real estate. Our fixed income returns were 6.34% (2022: -8.3%) and equity returns were 30.2% (2022: -23.48%). Overall, our portfolio earned a 9.86% return (2022: -10.74%), for a total gain of \$4.2 million (2022: \$5.1 million loss).

The investment portfolio losses we experienced in 2022 were due to unprecedented fixed income and equity losses. The losses were primarily unrealized because the NDIRF did not sell our holdings in a down market. Our investments significantly recovered in 2023; however, they had not by year-end returned to full value. The quality of our fixed income portfolio is high, with an average S&P quality rating of A+.



Photo: (Above Left) For the past 15 years, the NDIRF has sponsored scholarships for local government park and recreation professionals who participate in the North Dakota Recreation and Park Association's (NDRPA) annual Certified Playground Safety Inspector (CPSI) two-day course. (Above Right) Marketing and Communications Manager Joanna Drennen leads a communication presentation at the annual Law Enforcement Administrative Support Conference.

ND STATE FIRE AND TORNADO FUND ADMINISTRATION

The NDIRF has administered the North Dakota Fire and Tornado Fund (NDFT) since 2019. The NDFT provides property coverage to North Dakota state agencies and political subdivisions.

Throughout 2023, we continued to streamline processes and fulfill our goal of making the NDFT look and feel like an NDIRF product. We distributed quarterly Communicator e-newsletters, and we hosted renewal webinars for the fund's members and agents.

The NDFT's total insured value has grown by over \$7.5 billion since 2019, a result achieved through the collaboration of the fund's members, agents, and our employees who have verified property schedules, updated property values, and added new or missing property to schedules.

**This communication is provided for educational purposes only and provides a general description of NDIRF or NDFT coverage. Representations of coverage provided by the NDIRF or NDFT within the context of this communication may not reference all language contained in the coverage documents provided by the NDIRF or the NDFT. Refer to the appropriate coverage documents for exact coverage, conditions, exclusions, and other relevant information. Coverage documents can be viewed and downloaded from our website at www.NDIRF.com.*



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>News>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 2023 highlights:



IN-PERSON DDC

689 in-person defensive driving courses (DDC) completed. These courses are free to NDIRF members.



ONLINE DDC

417 online defensive driving courses (DDC) completed. These courses are free for NDIRF members.



LOCALGOVU

1,478 LocalGovU courses were completed. LocalGovU is free for NDIRF members.



PROPERTY SURVEYS

112 property surveys — for a total of **940** 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.



Photo: (Above) Marketing and Communications Manager and HR Collaborative Executive Director Joanna Drennen receives the 2023 Service Award of the Year from the Bismarck Mandan Chamber EDC. The award acknowledges individuals who often don't receive external recognition for their dedication to consistently showing warmth of welcome, going above & beyond to help colleagues or customers, & exemplifying high customer service within their industry. Photo Credit: Bismarck Mandan Chamber EDC.



Photo: (Above): Member Services Representative Mark Verke receives the North Dakota Safety Council's Outstanding Safety Instructor Award. The award recognizes individuals who have made significant contributions to workplace safety. Verke has received the award eight times since 2013.



Photos: (Above) Director of Member Services Corey Olson hosts a booth at the North Dakota Police Chiefs Association's Annual Conference. The NDIRF hosts booths at many of our members' statewide association events to meet face-to-face with our members and provide them with NDIRF news and information. The events we attend reach various audiences, including representatives from counties, cities, schools, parks and recreation, townships, firefighters, and law enforcement. We also host booths at various statewide agent events. (Above Right) Olson and Member Services Representative Carrie Wingenbach host a booth at the North Dakota School Boards Association's annual conference.

FINANCIAL STATEMENTS [in thousands]

BALANCE SHEET

Assets

Cash and Cash Equivalents	\$	6,062
State of ND—State Fire and Tornado Fund cash		51
Certificates of deposit		1,007
Investments		46,058
Agents' balances		604
Interest receivable		298
Deferred policy acquisition costs		801
Land, building and equipment, net		501
Other assets		<u>310</u>

Total Assets **\$ 55,692**

Liabilities

Accounts Payable	\$	42
Payable to State of ND—State Fire and Tornado Fund		49
Conferment payable		35
Accrued expenses		219
Unearned premiums		6,473
Unearned commission—State Tornado and Fire Fund		487
Reserve for losses		10,370
Reserve for incurred but not reported losses		<u>7,438</u>
	\$	25,113

Net Assets

Without member restrictions	\$	<u>30,579</u>
Total Liabilities and Net Assets	\$	55,692

BALANCE SHEET

The balance sheet details what the NDIRF owns (assets) and what the NDIRF 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, 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 NDIRF and provides security for our members. Net Assets increase or decrease based on the operation and investment return results of the NDIRF.

FINANCIAL STATEMENTS [in thousands]

STATEMENT OF ACTIVITIES

Revenues

Premiums earned	\$	18,841
Commission income—State Fire and Tornado Fund		<u>882</u>
Total revenues		19,723

Expenses

Losses and loss adjustment expenses		8,698
Underwriting and administrative		<u>7,268</u>
Total expenses		<u>15,966</u>

Revenues over Expenses **\$ 3,757**

Nonoperating Revenues

Investment income, net of investment expenses of \$68 and \$81 in 2022 and 2021, respectively	\$	1,268
Realized and unrealized (losses) gains on investments, net		<u>2,974</u>
Total nonoperating revenues		<u>4,242</u>
Change in Net Assets Without Member Restrictions		7,999
Net Assets Without Member Restrictions, Beginning of Year		<u>22,580</u>

Net Assets Without Member Restrictions, End of Year **\$ 30,579**

STATEMENT OF ACTIVITIES

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

The revenues include premiums paid by members and commission earned by the NDIRF for the administration of the North Dakota 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 NDIRF. The statement of activities also shows the nonoperating income received from the returns on the NDIRF's investment portfolio.

The statement of activities also demonstrates how the NDIRF's activities provide for the increase or decrease of the net assets each year.

If you would like financial information beyond what this report contains, the 2023 audited financial statements are available at www.NDIRF.com>About>Financials.



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RESERVE FUND
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