



# **NDIRF** NORTH DAKOTA INSURANCE RESERVE FUND



**For North Dakota.  
For Local Government.  
For You.**

# **ANNUAL REPORT 2020**

# FROM THE CEO

**Dear NDIRF Member,**

2020 was obviously a year far from normal for all of us. Just as you continued to serve your communities, the NDIRF continued to serve you through all the uncertainty 2020 threw at us. While challenging, 2020 also provided an opportunity for many great achievements, and this annual report provides an overview of our achievements over the past year as we continued to provide cost-effective, stable risk services For North Dakota, For Local Government, and For You.

We started the year by promoting our partnership with the South East Education Cooperative (SEEC) to create the North Dakota Public Health Insurance Trust (NDPHIT), an association health plan through which your entity can obtain health, vision, and dental coverages as well as additional employee benefits. The goal of NDPHIT is to provide North Dakota local governments with more control over their health insurance and employee benefits costs, giving them access to better coverage, better service, and lower rates. In its first enrollment, the NDIRF was among 32 members that participated in the Trust. *Get more information about NDPHIT on p. 12.*

Shortly after our NDPHIT announcement, COVID-19 began making its way into our communities. The NDIRF closely followed ND Response and CDC guidelines to help keep our employees safe and reduce the spread of COVID-19 in our community. Our CIO Vance Krebs worked incredibly fast to program employees' computers and office equipment so they could continue to serve you — and each other — using virtual communication tools.

The pandemic has also shown how quickly your entity can adapt and leverage technology to stay connected with your employees and community members. The dedication you demonstrated, and continue to demonstrate, speaks to your commitment to serving your communities and providing support when it's needed most.

This commitment extends to your ongoing initiatives to build safe and inclusive communities as our state's population grows and diversifies. The NDIRF supported these initiatives in 2020 by partnering with the North Dakota Association of Counties to provide diversity training at its annual meeting, and we sponsored in-part the Grand Forks Police Department's acquisition of a state-of-the-art de-escalation training center.

Your navigation through the uncertainty of 2020 reminds me, in a small way, of the resiliency and adaptability North Dakota local government entities showed when they formed the NDIRF 35 years ago. I enjoy telling the NDIRF formation story because it's a story of self-reliance, perseverance, and success. It also serves as a powerful

reminder of why the NDIRF exists. In the early to mid-1980s, the traditional insurance market abruptly halted its local government offerings — or began charging exorbitant, cost-prohibitive rates — leaving your entities exposed to the financial risks inherent with operating local governments. With nowhere to turn, you turned to each other, forming the NDIRF, a self-insurance pool owned by its members.

The NDIRF is proud to serve you — our member-owners — by offering comprehensive coverages, fair and efficient claims servicing, and robust loss control services.

The success of the NDIRF over the past 35 years is evidenced by our Conferment of Benefits Program which returns surplus funds to you. The surplus is generated from strong underwriting results, favorable investment returns, and responsible Fund stewardship. **Our 2020 Conferment of Benefits was our largest in the program's history, resulting in the return of \$6.3 million to our members.** *Get more information about the conferment on p. 5.*

While 2020 was a challenging year, and some challenges of 2020 may linger today, as a North Dakotan I know your entity will weather the adversity through collaboration or by simply rolling up your sleeves and getting to work. It's what makes our state a great place to live, and it's what makes serving your entities such an honor for the NDIRF Board of Directors and staff.

Thank you for all that you do for your communities and for your continued membership in the NDIRF.

Sincerely,



Brennan Quintus  
Chief Executive Officer



Brennan Quintus

# MEMBERSHIP

All North Dakota political subdivisions are eligible for NDIRF membership.

In 2020, 2,556 political subdivisions (**Fig. 1**) participated in the Fund, a total that shows over 90% of the entities eligible to participate in the Fund — and become member-owners — did so by purchasing coverage.

Membership distribution by entity type shows the broad spectrum of local governments the NDIRF serves. The relative premium distribution among them has remained very stable historically. (**Fig. 2**)

Fig. 2 Member Premium Distribution

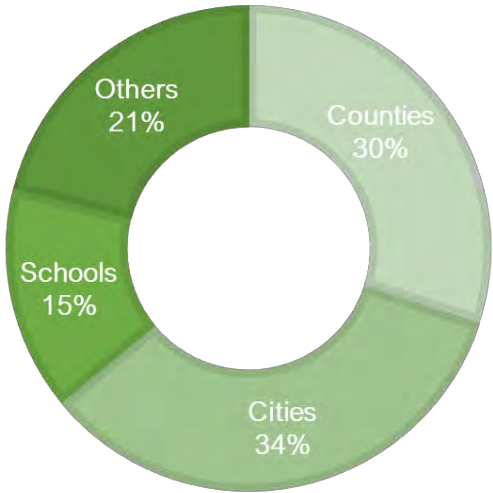


Fig. 1 NDIRF Membership



# CONFERMMENT OF BENEFITS

The NDIRF is proud to share its board of directors declared a Conferment of Benefits in 2020, returning \$6.3 million in conferment to its members. This amount represents the largest Conferment of Benefits since the program's inception in 1996, a result achieved by continued strong underwriting results, favorable investment returns, and responsible stewardship of the Fund.

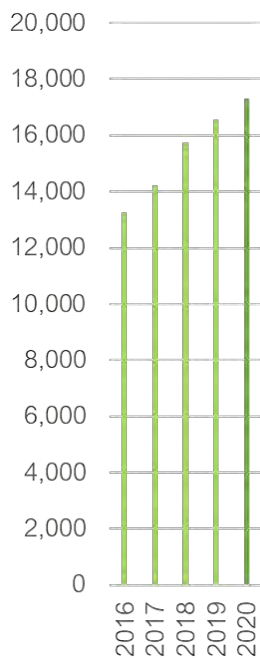
The Conferment of Benefits Program gives NDIRF member-owners the opportunity to share in the success of the Fund. This program is in addition to providing comprehensive affordable coverages, responsive claims services, and risk services support.

Including the 2020 conferment, the NDIRF has returned nearly \$71 million to its members since the inception of the Conferment of Benefits Program.

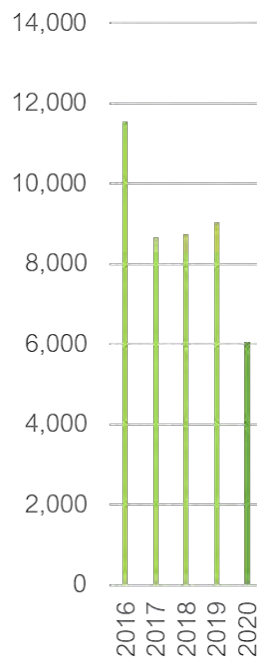
# PREMIUMS AND LOSSES

The NDIRF's rates have historically remained stable as compared to the annual fluctuation of the rates found in the traditional insurance marketplace. However, following loss increase trends in 2016 and 2017, the NDIRF implemented in 2018 a general rate increase to ensure the Fund remains financially stable in a higher loss environment. The NDIRF did not take a general rate increase in 2020; however, value increases of covered autos and equipment, as well as new coverage offerings, increased written premium by 4.5 percent in 2020. **(Fig. 3)**

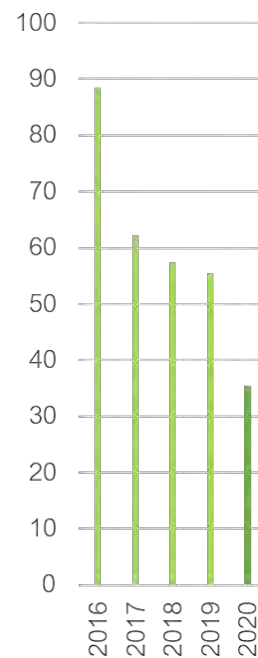
Temporary changes in how NDIRF members served the public resulted in significantly lower losses than previous years' trends. **(Fig. 4)** The 2020 total loss amount was \$6.05 million which produced a loss ratio of 35.4 percent. **(Fig. 5)** For consideration, the NDIRF budgets for a 60 percent loss ratio.



**Fig. 3 Net Written Premium**  
[in thousands]



**Fig. 4 Losses**  
[in thousands]



**Fig. 5 Loss Ratios**

# INVESTMENTS

The distribution of 2020 losses was similar to previous years in which the highest total loss amounts were from liability, including law enforcement, corrections, contractual dispute, and employment-related claims.

The NDIRF will continue to offer risk services initiatives to reduce frequency of these claim types.

Automobile and public assets loss activity was much lower in 2020, presumably due to the general reduction in activity related to the pandemic. Loss trends for these claims types have remained stable over the past few years, which can in part be attributed to the NDIRF's continued emphasis on defensive driving courses and additional risk services. Automobile losses in 2020 were \$2.56 million, producing a 34 percent loss ratio, and public assets losses were \$646,000, producing a loss ratio of 38 percent.

The more serious claims, reserved at \$25,000 or more, continue to be higher than average, highlighting the trend toward a consistently higher level of claim activity and expense.

The NDIRF's investment portfolio, as of December 31, 2020, was distributed 74 percent in fixed income; 17 percent in equities; and 9 percent in cash or equivalents. The quality of the fixed income portfolio is high, with an average S&P quality rating of A+.

Overall, the NDIRF investment portfolio provided a 9.3 percent overall return in 2020, slightly lower than last year's return of 10.92 percent. Fixed income returns were 6.46 percent, as compared to 2019's 7.6 percent, and equity returns were 24 percent, as compared with 2019's 31.8 percent. These returns enabled the NDIRF's investments to gain \$4.18 million in 2020 which is \$250,000 less in gains than 2019.

# EARNINGS AND

The pandemic's affect can also be felt in the NDIRF's net earnings. The low loss levels combined with significant investment returns contributed to a net income of over \$9 million, which is over \$3 million more than last year. **(Fig. 6)**

Members' equity also increased, coming in at over \$26 million which is a \$3 million increase from 2019.

The growth of members' equity demonstrates the continued strength and stability of the Fund. In the years following 2016's unprecedented loss activity, the Fund has rebounded. The continued increase in members' equity levels resulted in the highest Conferment of Benefits in NDIRF history being paid out in 2021.

The Fund's consulting actuaries indicate the current level of members' equity provides an outstanding confidence level (well in excess of 90%) that all expected future obligations can be met. **(Fig. 7)**





# EQUITY

Fig. 6 Net Earnings [in thousands]

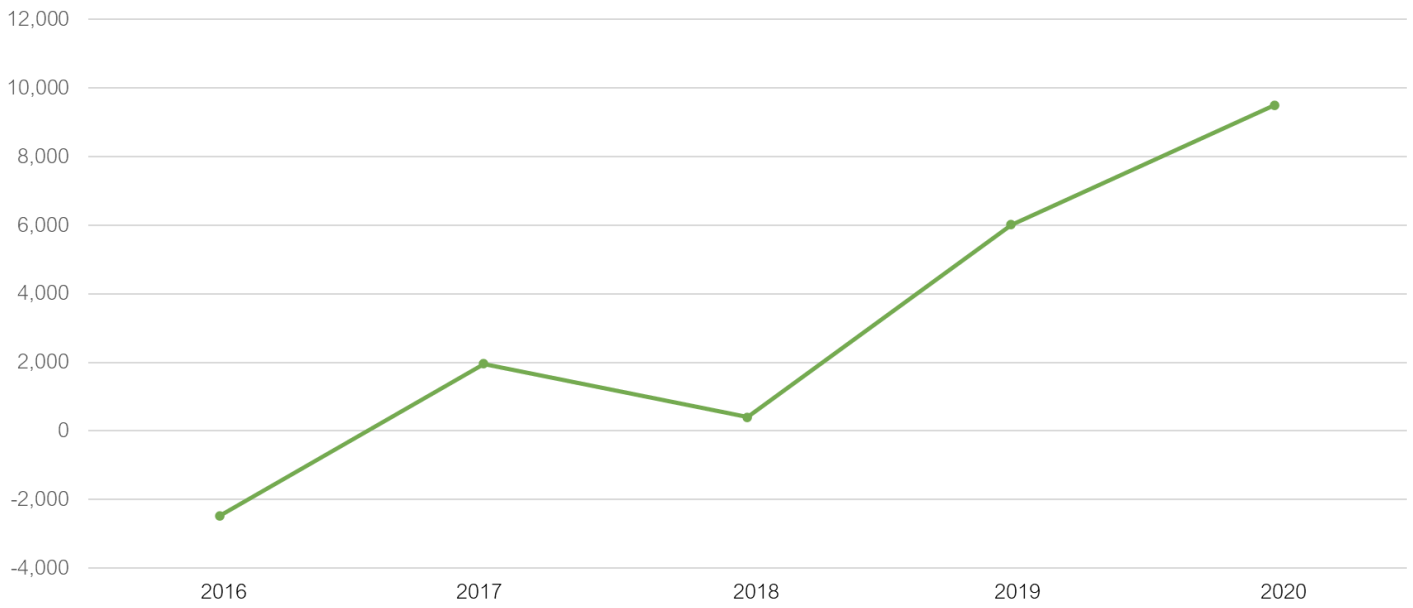
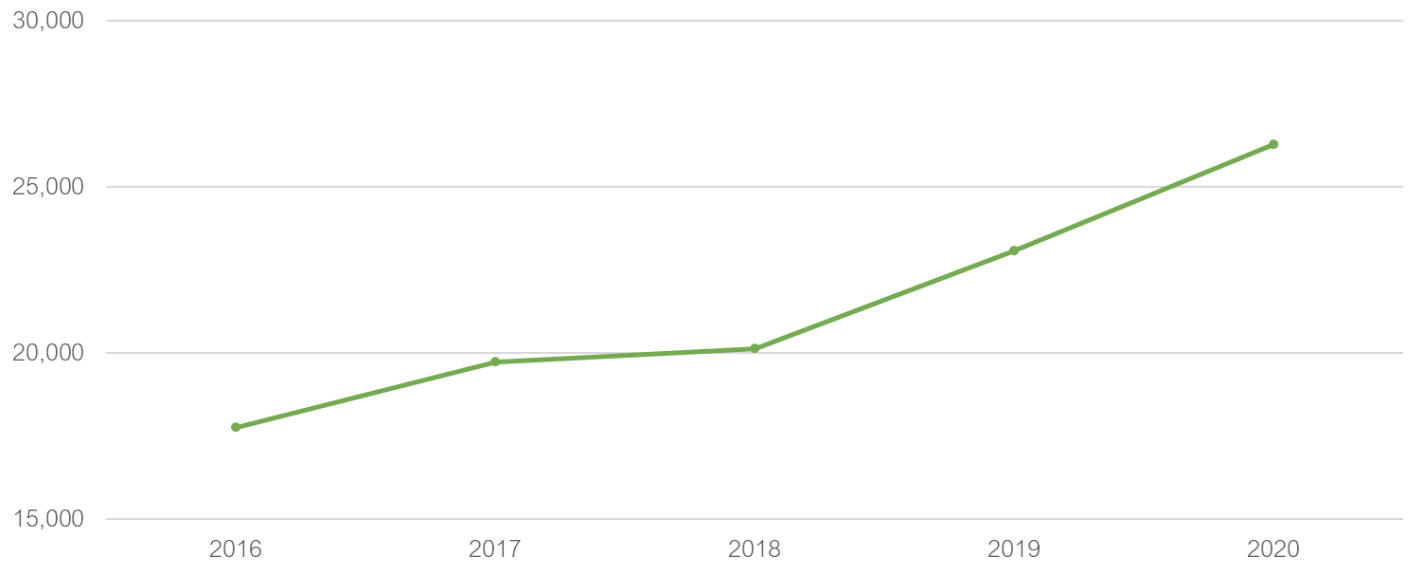


Fig. 7 Members' Equity [in thousands]



# MEMBER SERVICES

In-person trainings were understandably disrupted the most during the pandemic, causing the NDIRF's Member Services Department to act fast and adapt its training for a virtual environment.

The NDIRF partnered with the National Safety Council to offer online defensive driving courses. These courses were first available in the fall of 2020 and have since been attended by 291 NDIRF members.

Usage for LocalGovU, the NDIRF's online training center, increased by over 47 percent in 2020, indicating NDIRF members were adapting their employee training to contain virtual components. LocalGovU is a free resource for all NDIRF members and offers hundreds of professional development courses for all aspects of local government, including human resources, maintenance, and safety.

The NDIRF continued to offer independent training resources as well as through partnerships with the ND Association of Counties, ND League of Cities, ND Recreation & Parks Association, ND School Boards Association, and the HR Collaborative. Training resources covered a variety of topics, including employment practices, road maintenance, law enforcement liability, playground safety, special coverage issues for specific member groups, and development and maintenance of online employment policies and procedures.

The NDIRF also continued its partnership with the ND Local Technical Assistance Program (NDLTAP) in its efforts to educate local officials and employees regarding road maintenance and signage. In addition to funding, the NDIRF also provides support through its Member Services Department.

Training will remain a top priority for the NDIRF because it helps reduce claims, keeping the Fund strong, but as important, it provides NDIRF members with the tools and resources to run more efficient and effective local government organizations.

# SPECIAL FUND ADMINISTRATION

The NDIRF in June 2019 began administering the North Dakota Fire and Tornado Fund (NDFT), which provides property coverage to North Dakota state agencies and political subdivisions, and the State Bonding Fund, which provides employee fidelity risk coverage to state agencies and political subdivisions. The administration of these funds enables the NDIRF to further serve its membership.

In its second year of managing the NDFT, the NDIRF continued to streamline processes, reducing administrative costs by approximately \$200,000. The NDFT's total insured value grew by \$2 billion as a result of the NDIRF's initiatives to collect updated property values as well as add buildings not previously covered. These initiatives are important in protecting NDFT members and North Dakota taxpayers from catastrophic out-of-pocket losses due to inadequate coverage limits or uncovered property.

The NDIRF's Member Services Department continues to offer property surveys for NDFT members, providing assistance in valuing property and verifying property information.



# NDPHIT

The NDIRF introduced in early 2020 the North Dakota Public Health Insurance Trust (NDPHIT), an association health plan through which North Dakota local governments can obtain health, vision, and dental coverages as well as additional employee benefits. *Refer to p. 2 for further information.*

The NDIRF does not administer NDPHIT; however, it serves as a trusted source on the NDPHIT board, providing risk pool management guidance.

In its first year, the NDIRF and 32 of its members, for a total of 2,612 subscribers, enrolled in NDPHIT. This initial group experienced zero percent rate increases for plans nearly identical to their previous health coverages and flexible spending accounts as well as access to additional ancillary/voluntary benefits (dental, vision, accident, short-term disability, etc.).



# BOARD OF DIRECTORS



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# CONCLUSION

For the past 35 years, the NDIRF has proudly served its membership comprised of North Dakota local government entities.

As highlighted in this report, even in the midst of an uncertain year, North Dakota local governments can rely on the strength and stability of the NDIRF. The Fund is in strong financial health and is well-positioned to continue to be the premier provider of dependable risk services for its membership.

