



ANNUAL REPORT

2022

NORTH DAKOTA
NDIRF
INSURANCE
RESERVE FUND

CHAIRPERSON'S REPORT

DEAR NDIRF MEMBER:

For the past 14 years, I've served as Slope County Commissioner, an opportunity that has enabled me to further understand and appreciate the essential and everyday services you, North Dakota local governments, provide to make life easier and better for community members and area businesses.

This opportunity has also enabled me to serve on the NDIRF Board of Directors and as Board Chairperson over the past year, learning about the resilience of the NDIRF and the political subdivision membership it serves.

Our shared resilience was first demonstrated in 1986 when we collectively formed the NDIRF, a member-owned risk pool. Since then, the NDIRF has been a strong and stable organization, providing affordable and comprehensive liability, auto, and public assets coverages, claims resolution, and risk management resources exclusively to you, North Dakota local governments.

In 2022, though we experienced unrealized investment losses due to volatile market conditions, the NDIRF closed the year with an operating surplus of over \$2 million and \$22 million in members' equity.

To ensure the NDIRF's investment losses remained unrealized, our Board of Directors made the decision to not declare a 2022 conferment of benefits. This decision enables the NDIRF to wait for the market to rebound rather than sell investments from a loss position.

You can rest assured the NDIRF remains strong and stable.

On behalf of the NDIRF Board of Directors, we look forward to another year of serving you, and thank you for being a member of the NDIRF.

Sincerely,

Scott Ouradnik
Chairperson
Board of Directors

BOARD OF DIRECTORS AND MEMBER AFFILIATION

[as of Dec. 31, 2022]



Scott Ouradnik
Chairperson
Counties



Aaron Birst
Counties



Matt Gardner
Cities



Darcie Huwe
Cities



Tyler Jacobson
Others



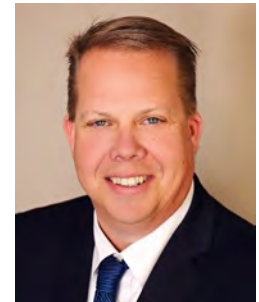
Burdell Johnson
Others



Sonya Larson
Schools

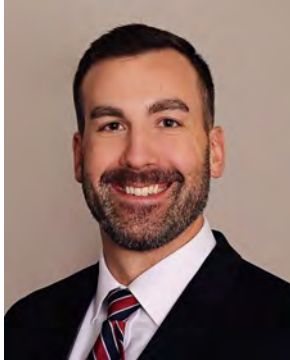


Chad Peterson
Counties



Chris West
Cities

FROM THE CEO



A handwritten signature in black ink, appearing to read 'B Quintus', positioned above the printed name.

Brennan Quintus
NDIFR CEO

DEAR NDIFR MEMBER:

We talk a lot about strength and stability at the NDIFR because these traits are inherent to our organization. When the NDIFR was formed in 1986, you, North Dakota local governments, were in need of strength and stability. At the time, the commercial insurance industry was strained, resulting in scarcely available or exorbitantly priced local government liability coverage. With no where to turn, you turned to each other and created the NDIFR, a member-owned risk pool.

For over 36 years, we have exclusively served you, and we strive every day to be *the* source of risk services for you. We provide liability, auto, and public assets coverages, claims services, and risk management resources, and we also administer the North Dakota State Fire and Tornado Fund (NDFT), which provides property coverage, and State Bonding Fund, which provides employee fidelity risk management.

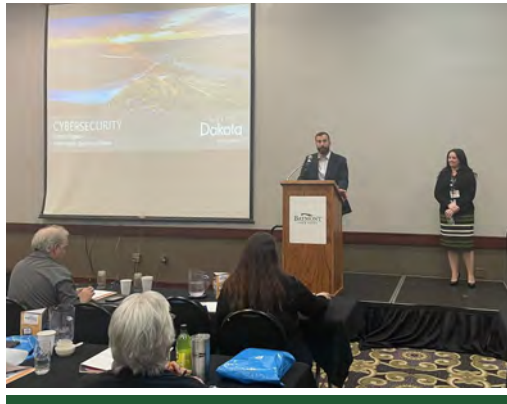
As you learned from our Board Chairperson Scott Ouradnik's message, last year we achieved an operating surplus of over \$2 million. This surplus occurred without sacrificing our level of service and without reducing the products, services, or training resources available to you through NDIFR membership.

Our loss ratio, the measure of overall membership loss, was well below budget, and our members' equity and assets remained relatively stable compared to past years.

Our excellent operating results helped to offset the investment losses we experienced in 2022; however, it's important to note these losses were not realized because we didn't sell them in a loss position. Even though the NDIRF sustained unrealized investment losses, you can rest assured the NDIRF remains a strong and stable source of risk services. We retain more than twice the amount of surplus our consulting actuarial firm requires to provide a 95% confidence level we can meet future financial obligations, which is the highest confidence level they will provide.

As you page through this report, you'll find further financial results that demonstrate the NDIRF's financial strength and stability. You'll also learn about results that can't be found in financial statements, including our partnerships, sponsorships, and risk management resources to help you enhance your organizational risk management posture.

On behalf of our employees, thank you for your membership in the NDIRF!



Photos: (Left) Quintus presents on City claims data at the North Dakota League of Cities (NDLC) Spring workshop, informing attendees about risk management resources available through NDIRF membership. (Right) Quintus is joined by ND Information Technology Governance, Risk and Compliance Lead Jessica Newby to introduce the NDIRF's cyber liability rate reduction program. Members that implement three required cybersecurity measures may be eligible for up to a 4% rate reduction.

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 2,586 members in 2022 (**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**)

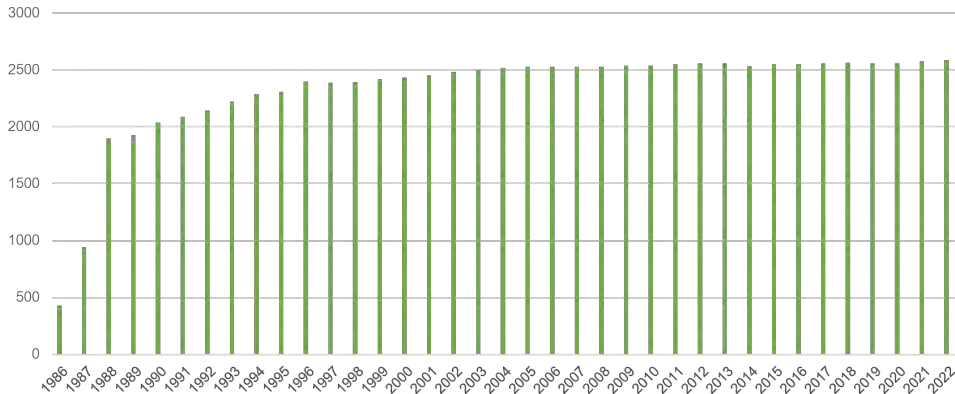


FIGURE 1: NDIRF MEMBERSHIP

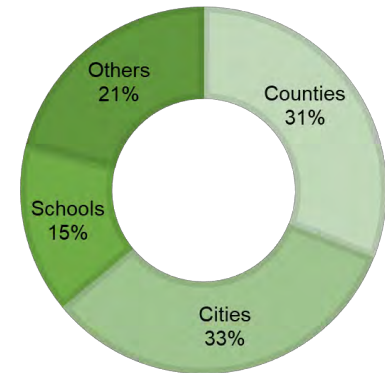


FIGURE 2: MEMBER PREMIUM DISTRIBUTION

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 \$75 million to our members.

The NDIRF Board of Directors did not declare a 2022 conferment of benefits largely due to unrealized investment market losses.



NDIRF Member Services Rep. Mark Verke gives road safety presentation at township officer's meeting.

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 effects 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,

Ctd. on p. 9

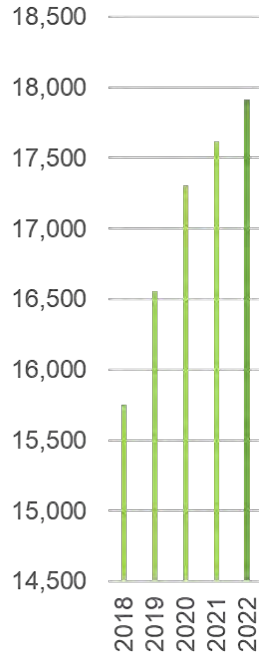


FIGURE 3: NET WRITTEN PREMIUM
[in thousands]

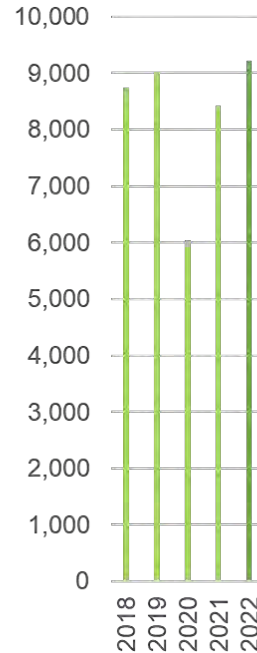


FIGURE 4: LOSSES
[in thousands]

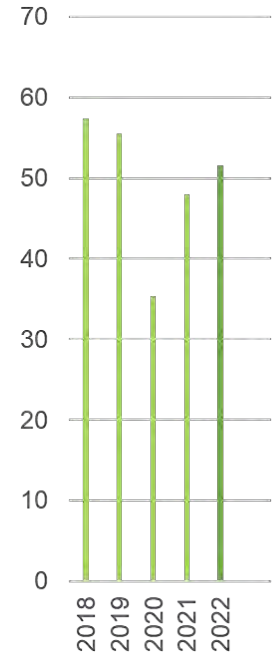


FIGURE 5: LOSS RATIOS

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 2022. The .4% 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 2022 were consistent with previous years' losses. **(Fig. 4)** *2020 loss amounts were low due a reduction in activity during the pandemic.*

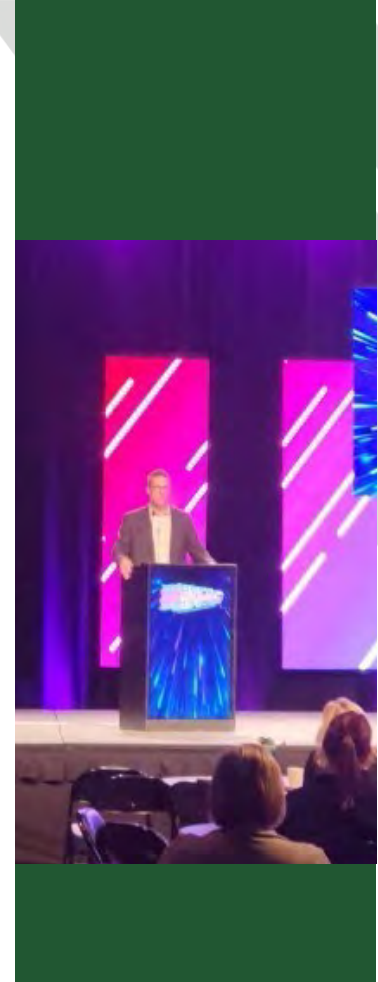
Our 2022 total loss amount was \$9.2 million, resulting in an overall 51.5% loss ratio. **(Fig. 5)** As a reference, our annual loss ratio budget is 60%.

Liability losses in 2022 accounted for our highest loss amounts at \$4.5 million (56% loss ratio), and auto losses were close behind at \$4 million (51% loss ratio).

From 2021-2022, liability losses increased by nearly \$3 million. This increase was affected by claim costs for incidents that occurred during the pandemic. The processing of these claims was delayed due to pandemic-related legal system delays.

Ctd. on p. 10

Photo: Member Services Director Corey Olson introduces the closing workshop at the 2022 NDACo Annual Conference.



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

- Online and in-person defensive driving courses (DDC)
- 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 2022 our partnerships with organizations that provide related training or offer 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 HR Collaborative also publishes an annual HR



Photo: The NDIRF's quarterly Participator newsletter features a different member each issue. In the issue pictured here, we featured the City of Dickinson and provided insight from Risk Management Specialist Greg Beck. Beck shared information about how to enhance risk management programs and communication and how he has partnered with the NDIRF to update building property valuations. The Participator is available on the NDIRF's website at www.NDIRF.com>Reference Section>The Participator.

Reference Guide for Local Government and hosts a biennial conference and 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 members. The platform offers thousands of self-paced professional development and training courses for local government professionals, including POST Board approved law enforcement courses. Additionally, the platform enables entities to build customized and automated training programs. LocalGovU is available at www.NDIRF.com>Training.



Photo: (Left) Member Services Rep. Mark Verke presents training sponsorship to North Dakota Local Technical Assistance (NDLTAP) Program Director Dale Heglund. (Right) Member Services Director Corey Olson presents training sponsorship to North Dakota Firefighters Association (NDFFA) President Curtis Freeman.

INVESTMENTS

The NDIRF ended 2022 with net earnings of **-\$2.7 million (Fig. 6)** and **\$22.6 million** in members' equity. **(Fig. 7)**

Members' equity decreased slightly in 2022. This decrease is due to last year's \$5.3 million Conferment of Benefits payment and 2022's investment losses.

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.

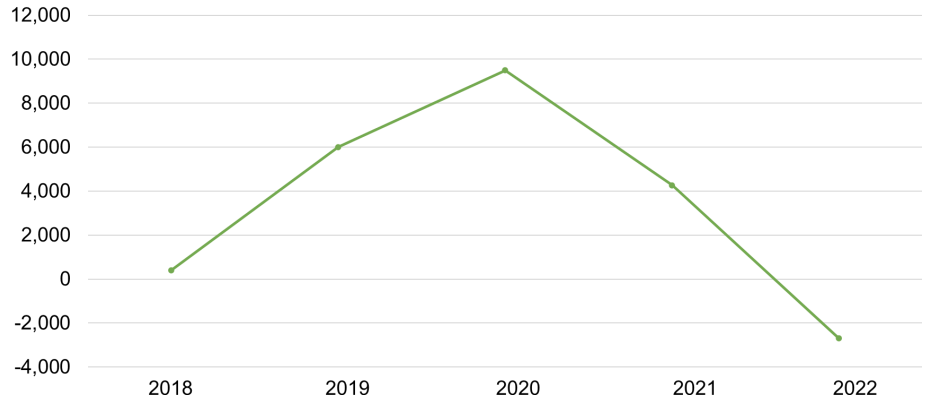


FIGURE 6: NET EARNINGS
[in thousands]

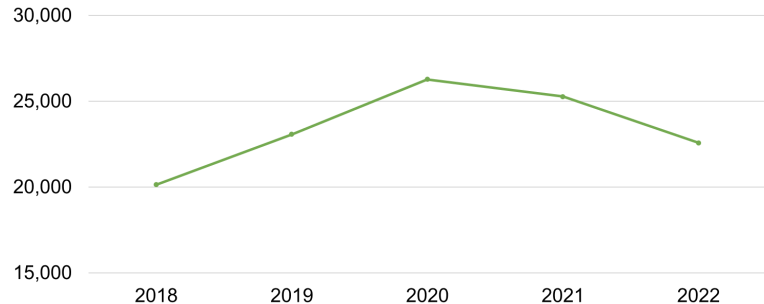


FIGURE 7: MEMBERS' EQUITY
[in thousands]

INVESTMENTS, CTD.

The NDIRF investment portfolio in 2022 was distributed 77% in fixed income, 13% in equities, 7% in cash, and 3% in real estate. Our fixed income returns were -8.3% (2021: -1.63%) and equity returns were -23.48% (2021: 26%). Overall, our portfolio earned a -10.74% return (2021: 2.46%), for a total unrealized loss of \$5.1 million (2021: \$1.15 million gain).

The investment portfolio loss we experienced is due to the unprecedented fixed income and equity losses most investors endured in 2022. 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+.



Photo: For the past 14 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.



Photo: Member Services Rep. Mark Verke at the City of Mandan's Public Works open house.



Photo: Member Services Director Corey Olson at the Women in Law Enforcement 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 2022, 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.

During the July 1, 2022, renewal, we introduced Blanket Limit of Insurance, a coverage option for adequately scheduled and valued property.*

The NDFT's total insured value has grown by over \$5 billion since 2019, a result was 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>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 2022 highlights:



IN-PERSON DDC

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



ONLINE DDC

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



LOCALGOVU

1,327 LocalGovU courses were completed. LocalGovU is free for NDIRF members.



PROPERTY SURVEYS

116 property surveys — for a total of **945** 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.



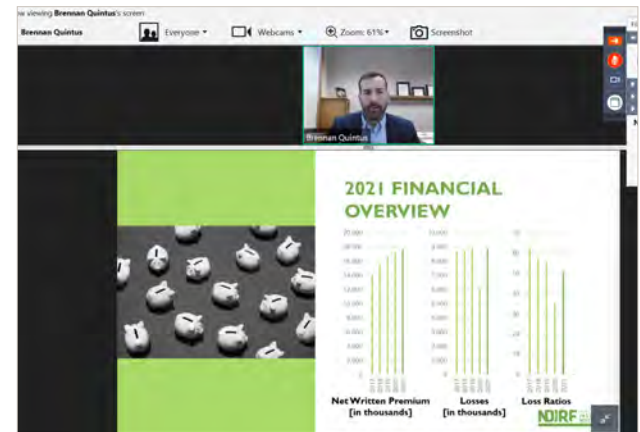
Our partnerships include the ND Association of Counties, ND League of Cities, ND Recreation & Parks Association, ND School Boards Association, ND Township Officers Association, and the HR Collaborative.

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.



Photos: (Above) Member Services Director Corey Olson gives LocalGovU presentation at the biennial HR Collaborative Conference. (Above Right) CEO Brennan Quintus gives virtual presentation, reviewing the NDIRF's financial and operational performance of the previous year and highlighting claim trends and training resources available through NDIRF membership. (Right) Underwriting Director Jeff Tescher gives virtual presentation, reviewing the North Dakota State Fire and Tornado Fund renewal process and coverages, including new endorsements.



PROPERTY SCHEDULE

NO STATE FIRE AND TORNADO FUND

Named Member: Memorial Name
 Memorandum Number: FT 2024-04
 Effective Date: 11/01/2022 to 11/01/2023

LINE	PROPERTY NAME AND LOCATION	CLASSIFICATION	Amount	Rate	Year	Endorsement	Rate	Plan	Rate	Rate	Rate	Rate	Rate
1	State House and Buildings	1	11,000	0.015	11/01/2022	11/01/2023	0.015	11/01/2022	0.015	11/01/2022	0.015	11/01/2022	0.015
TOTAL PROPERTY VALUE: \$11,000,000													
TOTAL PREMIUM: \$1,650,000													

NORTH DAKOTA
State Fire and Tornado Fund



Photos: (Above) Olson and Member Services Representative Mark Verke host a booth at the NDACo 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 hosts a booth at the annual North Dakota Firefighter's Association's State Fire School. (Right) Quintus presents at the Annual Independent Insurance Agents of North Dakota (IIAND) Annual Conference. Our presentations at agent events review language within our forms written specifically to address the coverage needs of North Dakota political subdivisions. The presentations also inform agents about new available endorsements and updates to existing coverages.



FINANCIAL STATEMENTS [in thousands]

BALANCE SHEET

Assets

Cash and Cash Equivalents	\$	3,255
State of ND—State Fire and Tornado Fund cash		41
Investments		42,388
Agents' balances		559
Interest receivable		256
Deferred policy acquisition costs		766
Land, building and equipment, net		547
Other assets		<u>280</u>
Total Assets	\$	48,092

Liabilities and Net Assets

Liabilities		
Accounts Payable	\$	75
Payable to State of ND—State Fire and Tornado Fund		39
Conferment payable		34
Accrued expenses		195
Unearned premiums		6,176
Unearned commission—State Tornado and Fire Fund		341
Reserve for losses		11,108
Reserve for incurred but not reported losses		<u>7,544</u>
	\$	25,512

Net Assets

Without member restrictions		<u>22,580</u>
Total Liabilities and Net Assets	\$	48,092

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, 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 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	\$	17,912
Commission income—State Fire and Tornado Fund		<u>650</u>
Total revenues		18,562

Expenses

Losses and loss adjustment expenses		9,220
Underwriting and administrative		<u>6,892</u>
Total expenses		<u>16,112</u>

Revenues over Expenses **\$ 2,450**

Nonoperating Revenues

Investment income, net of investment expenses of \$68 and \$81 in 2022 and 2021, respectively	\$	1,048
Realized and unrealized (losses) gains on investments, net		<u>-6,195</u>
Total nonoperating revenues		<u>-5,147</u>
Change in Net Assets Without Member Restrictions		-2,697
Net Assets Without Member Restrictions, Beginning of Year		<u>25,277</u>
Conferment Declared		-

Net Assets Without Member Restrictions, End of Year **\$ 22,580**

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 shows, when applicable, the conferment of benefits declared by the NDIRF Board of Directors. The result the NDIRF'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 2022 audited financial statements are available at www.NDIRF.com>NDIRF Info>Financials.



NORTH DAKOTA
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RESERVE FUND
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