



Questions to Ask About Your Public Entity Pool

for Board Directors, Staff Members, and Vendors

This is a starting list of useful questions for newer staff members and board members to consider in review of their own pool's activities, operations, and environment. Longer-term staff members and board members should also know the answer to these questions, and should be able to address how the Pool's philosophy or approach to these things has changed over time.

Regulation

State regulation and reporting

- What state laws and regulations is the pool subject to?
- What and to whom does the pool have to report?
- Are there any likely areas of change or challenge to our pooling regulations? Do we expect more or less regulation in the future, and why?

Governance

Pool structure, scope and decision-making

- What is the pool's legal structure or grant of authority?
- What members does the pool serve?
- How are Board members selected and what programs does the Board oversee?
- What is the role of the Board in decision-making – at what level and for what issues?
- Does the Board have D&O coverage or does it self-insure its risks, and why?

Financial / Underwriting

General Financial

- How are liabilities stated in the pool's financial statements?
 - Ultimate cost or discounted to present value?
 - At "Expected Value" or at some higher confidence level?
- Can the pool assess its members if necessary?
- Does the pool have targets for fund balance? How are targets established and reviewed?
- What does the pool do with surplus funds?
- How do we evaluate the overall adequacy of our total reserves, and how frequently?



- Do we routinely look to change actuarial firms or solicit a second opinion – why or why not?
- Could we withstand a dramatic change in reinsurance terms, retention, or pricing?
- Can we afford to expand coverage (within reason) without immediate support from reinsurers?

Self insurance and reinsurance structures

- At what level is the pool retaining risk, and why is that the right amount of risk to retain?
- Who are the pool's reinsurers, what are their credit ratings, and how stable are the relationships?
- What is the pool's philosophy on pricing vs. stability of reinsurance partners?
- What has our overall claims experience been with our reinsurance partners – have we had disputed or challenging claims with them, and how have we resolved for those issues?
- What are areas of coverage risk in our own member coverage documents as compared to our reinsurance or excess policies? Are there gaps we should be aware of?

Underwriting and rating practices

- What is the pool's pricing philosophy?
- How much discretion does the pool allow its underwriters?
- How much risk of loss do members maintain vs. pass to the pool?
- How does the pool allocate costs and risks among members?
- What is the Board's role in establishing member rates and allocation of risks?

Loss trends

- What loss areas are shifting in frequency, cost, or both?
- Are there other inflationary, regulatory, or legislative trends that could impact the pool's loss experience?
- What trends are being seen in other states that we should be mindful of (tort cap challenges, coverage interpretations, new benefit legislation, etc.)?
- Is the pool collecting data that will help it identify important trends?

Investment practices and policies

- What investments can the pool make and how are they managed?
- What investment outcome is the pool looking for?
- What's the current and projected outlook for our particular mix of investments and investment strategy, and what realistic expectations should we have regarding performance of our portfolio?
- How does the pool connect investment practices to its rate-setting activities?



Coverage & Service

Coverages

- What sorts of coverage does the pool offer, and what is the pool's general philosophy about covering losses?
- What sort of coverage document does the pool use?

Other pool services

- What other services does the pool offer its members?
- What innovations has the pool brought forward to members?
- How does the pool distinguish itself from commercial coverage or competitors?

Membership & Environment

Membership philosophy

- Are there standards for who can join the pool?
- What happens if a member leaves?
- How does the pool measure member satisfaction?
- What reputation do we have with our members, and what are critical success factors to maintaining a good reputation and member relationships?
- How would we know if our reputation was suffering?

Competitive environment

- Who is the pool's main competition and on what basis?
- How does the pool view our role in the marketplace?
- Is the pool's membership growing, decreasing, or staying the same? Why? What impact does this have on all other areas of consideration?
- If a competitor were to go knocking on a member's door, what would they say is our main deficiency or weakness?
- Are there any competitive trends elsewhere in the country that might be worth watching?
- How would we respond if a competitor entered our market with the intent of "buying the business?"

Agents

- Does the pool use agents as a distribution method to its members?
- What sort of role do agents play for member entities?
- How are agents compensated?



Operations

Staffing structure; and how it relates to third-party contract relationships

- What sort of structure, roles, and relationships does the pool have with outside service providers?
- Why does this make sense for pooling operations?
- What would the pool do if there were a significant shift in any of these relationships?
- Do we have continuity plans that include disruption of operations for any reason, succession plans for our pool administrator and other key executive staff, and contingency plans should a key vendor or service provider relationship change unexpectedly?

Association relationships

- Is the pool connected to or endorsed by any association(s)? To what extent and what are the terms?
- Is there a financial relationship between the pool and association(s)? What is the rationale for financial support in either direction?

Technology & Information Resources

- Who owns the technology systems currently in use?
- Who owns our data including loss data, loss control information, underwriting information, and all other data resources?
- How would we access our information and data resources if our technology systems or vendor relationships changed? What systems and information redundancies are in place?
- What state laws are we subject to regarding our data, information resources, information retention, public information, etc.?
- How do we evaluate our technology resources relative to member expectations and needs?