

XXX Underwriting Criteria/Policy

General Standards for Membership

XXX members must be government entities that are not for profit. We specialize in special purpose districts which include ports, fire districts, water and sewer districts, conservation districts, health districts, irrigation districts, library districts, park and recreation districts, public facilities districts, and public development authorities.

Our goal when underwriting a risk is to carefully consider the following elements:

- Objectivity & fairness – Subjective elements are minimized
- Simplicity – Simplicity and cost effectiveness have been emphasized
- Emphasis on loss control – Each member has the ability to lower their premium by a clean loss history and good risk management
- Stability – Each member's premium rate should remain stable and predictable unless they have an unfavorable loss experience

Loss ratio

XXX evaluates the loss ratio to help determine if a member is a low, medium or high risk. There is no specific number that triggers further underwriting, but a loss ratio above 50% would warrant further underwriting inquiries.

Claims frequency and severity

XXX evaluates members on a loss based analysis. We ask for the prior 6 year loss history and look for a pattern of losses involving certain locations, repeated type of losses (trip & falls, employment, auto, vandalism, etc) or a time based loss pattern (i.e. irrigation districts tend to have losses in early spring when they fill the canals).

XXX carefully evaluates large losses and/or frequent types of losses. The risk management staff conducts evaluations and/or site inspections when warranted.

Underwriting Management System (CMS)

XXX' Underwriting Management System was specifically designed for our pool. It tracks all underwriting data including schedules, rates, deductibles, notes, evidence of coverage, contracts, and types of coverage.

The system maintains and organizes all the information from the renewal process.

The application for new members has specific questions based on the type of entity. Information is obtained regarding prior coverage and loss experience, prior and current employment practices, hazardous material and/or activities, etc.

Loss control/Risk Management

If an applicant has significant loss exposures and an unfavorable loss history, Enduris may choose to do an on-site inspection of the operation. There are several areas to evaluate including, but not limited to, management practices, loss control practices, vehicle usage and maintenance, personnel policies, training, years of operation, availability of legal advice and budget. If there is significant potential exposure due to contractual agreements, XXX may request a review of contract language with an eye towards best practices in contractual risk transfer.

If recommendations are made and implemented, the exposure can be reevaluated. If recommendations are made and not implemented, the applicant may not be accepted.

Rates

XXX has an actuarial analysis twice a year and rate setting once a year. Our actuary is Z.

The process XXX follows when setting rates include measure of exposure, loss history and current rate. To assist with consistency, the basic formula used is:

Exposure x Group rate x Experience Adjustment x Deductible Factor = Premium

XXX does have a minimum account premium of \$2,495.

Member Renewal Underwriting

Members' underwriting data is updated annually for membership renewal. This process is electronic and website based. The following systems are in place to update and apply member loss experience and exposure data.

Loss experience – member claims are monitored through our LCMS claims management system and experience rating is applied at renewal per actuary recommendations. Additional loss mitigation actions may be required of the member at the discretion of the management team.

Annual Renewal Questionnaire – members are required to respond to an annual on-line renewal questionnaire updating their exposure information. This online renewal system updates our Customer Management System (CMS) and we review and apply the updates at renewal (or sooner if appropriate).

Member Inspections – We meet with members to discuss and inspect operations. Members with specific requests or concerns, or those with unfavorable trends get priority. We affirm or update exposure data, review contracts and make loss prevention recommendations.

Risk Management Log – We routinely receive risk management questions from members and are requested to review contracts. The questions and contract reviews are recorded, along with our responses. They are logged and cross-referenced so we can monitor individual as well as pool trends that may require training and education for members or staff.

Insurance to Value – We apply an annual Marshall & Swift inflation guard factor to member property schedules in an effort to keep replacement cost schedules current. Under some circumstances this system includes scheduling a replacement cost appraisal to manage unique or high dollar property values.