

## ADVISORY STANDARDS FOR RECOGNITION

### I. GOVERNANCE (Last Updated: 2018)

Governance standards address foundational and structural requirements for pool formation and maintenance. More importantly, they address engaged, educated, thoughtful and sufficiently independent leadership by the pool governing body to set direction.

---

#### FOUNDATIONAL – STANDARD I-A

- I-A.1 **Formation Documents:** The pool maintains signed formation documents, such as articles of incorporation, a joint powers agreement, or interlocal agreement. There is a regular, documented cycle of operational review for needed updates, adjustments, and compliance with the pool formation document. Revisions to the pool formation document are properly filed with appropriate governing or regulating authorities.
- I-A.2 **Governance Documents:** The pool has determined whether additional governing documentation, such as bylaws or governance policies, is necessary or desirable. The governing body has formally adopted any such documents or policies, and has a schedule of regular, documented review and update.
- I-A.3 **Other Membership Documents:** Member agreements other than formation or governance documents, if required, are signed by both parties and copies are maintained by the pool. There is a regular, documented cycle of review and adjustments, if needed, to member agreements, including legal and member relationship updates. There is documented communication to pool members on a

regular basis about the status and key provisions of member agreements, including member obligations.

I-A.4 Formation, governance, and/or other membership documents (whether in single or multiple source documents), include at a minimum provisions regarding:

- Membership eligibility
- Membership obligation
- Membership termination
- Membership voting rights
- Selection procedures and qualifications for the pool's governing body
- Powers and duties of the pool's governing body and any committees
- Indemnification for liability of members of the governing body, officers, committee members and pool staff
- Requirements for annual actuarial reviews
- Requirements for annual financial audits
- How pool financial information will be shared with pool members
- Dissolution of the pool
- Distribution of pool assets and liabilities upon dissolution
- How dividends or other distribution of pool assets upon circumstances other than dissolution are determined and allocated among members
- If assessments are authorized, circumstances for determining the assessment and allocating it among members are defined
- Whether members are jointly and severally liable within the pool
- Provisions under which a member can leave the pool, and associated notice provisions the member must give the pool
- Whether a member remains responsible for any portion of its losses, or is eligible for any; and, distribution of pool assets, upon departure from the pool

I-A.5 The pool has determined its legal status, for example as a public, private, or non-profit entity; and whether it is deemed a regulated insurer under state laws. The pool maintains adequate records of such status and complies with all applicable state and federal requirements as determined by its status.

I-A.6 The pool has determined its federal and state tax status, maintains adequate records of such status, and, if applicable, timely files applicable tax returns.

## **FIDUCIARY AND FINANCIAL SOLVENCY – STANDARD I-B**

- I-B.1 The governing body is regularly trained on fiduciary obligations.
- I-B.2 The governing body reviews and discusses overall pool financial solvency and financial performance at least annually based upon benchmarks and comparisons established by the governing body, including at minimum projections and allocations of funding for:
- Losses
  - Loss development, including incurred but not reported losses
  - Allocated and unallocated loss adjustment expenses
  - Contingency margins
- I-B.3 The governing body obtains competent legal advice regarding its own governance and operational issues.
- Coverage counsel, general legal counsel, and defense counsel are segregated functions; or the governing body has documented its approval to place more than one function with the same legal advisor.
  - The pool requires counsel in any role not directly employed by the pool to have professional liability insurance.
  - Outsourced legal advice roles are documented in written contracts that are compliant with the contract provisions outlined in [Standard III-A of Service Provider Contracts](#).
- I-B.4 The governing body requires an annual actuarial study to determine reserve adequacy, signed by a Fellow of the Casualty Actuarial Society or a Member of the American Academy of Actuaries who is independent of the pool. For pools employing an in-house actuary a biennial peer review of reserve adequacy by an actuary independent of the pool is acceptable. The governing body at minimum yearly receives a summary of the annual actuarial study.
- I-B.5 The governing body has written policies that it reviews annually regarding net position. The policy includes, at a minimum:
- Methodology used for determining net position adequacy
  - A defined target net position amount and/or range
  - How net position levels will be communicated to pool members
  - The method of calculating return of net position to members, including whether allocations are made based upon coverage year or all years of pool operation
- I-B.6 The pool annually reviews its net position levels in relation to the target net position and considers net position when making annual funding decisions.
- I-B.7 The governing body has written policies that it reviews at least every five years regarding assessments. The policies and review practices exist, even if the pool has

not experienced and does not plan an assessment. The policy includes, at a minimum:

- The circumstances that may trigger an assessment
- Methodology used for determining the overall assessment needed by the pool
- Methodology for allocating assessments among pool members, including whether assessments are made based upon coverage year or all years of pool operation
- Whether and how members that leave the pool are responsible for their assessments
- How and when assessment parameters and the need for assessment will be communicated to the governing body
- How and when the assessment will be communicated to pool members

I-B.8 The governing body annually reviews the pool's investment policies, practices, and performance. The pool's investment policy includes, at a minimum:

- Goals and intended use of investment income
- Allowed allocation of invested assets, including regulatory constraints
- Portfolio diversification, liquidity, and duration expectations
- Explicit delegation of authority regarding investment decisions
- Provisions for controls regarding invested assets, including those that address separation of duties, safekeeping and custodial procedures
- How and when the governing body will be made aware of investment allocations, results, and related activities
- How and when the governing body will interact directly with investment managers, advisors, and/or consultants

I-B.9 The pool annually prepares financial statements in accordance with generally accepted accounting principles as applied to pools or as required by state law. The governing body receives and reviews annual financial statements.

I-B.10 An annual audit of the pool's financial records is conducted by a qualified independent certified public accountant or state audit agency and includes a signed opinion regarding the financial statements.

- The audit firm directly reports its findings to the governing body, whether reporting to the entire body or a designated committee.
- If the audit firm reports directly to a designated committee, the entire governing board still receives and reviews the audit report.
- The audit includes a report on internal controls.
- The audit includes a report on the status of the previous year's recommended audit actions, along with any activity by the pool in follow-up.
- The pool responds to any reportable conditions in the audit report within a reasonable period of time.

- I-B.11 The governing body has determined when and how annual financial reports are distributed to pool members.
- I-B.12 The pool has adopted a physical asset inventory and control policy that at minimum includes periodic inventory of assets, recording of assets in the pool's financial records, and a process to report asset changes to the responsible party.

### **I-C: Operational**

- I-C.1 New governing body members receive an orientation to the pool's governance structure, operations, legal and fiduciary responsibilities, budget, actuarial review, financial and investment policies.
- I-C.2 The governing body approves minutes of its meetings. The governing body has made a determination about minutes being distributed or otherwise made available to members.
- I-C.3 The governing body develops and maintains a long-range or strategic plan, including a strategy for maintaining adequate net position to respond to unanticipated events causing significant financial impact to the pool.
- I-C.4 The governing body has methods to review both the strategic plan and operational work plans over time and to assess overall performance against the plans.
- I-C.5 The governing body regularly considers whether and how the pool's investment strategy connects to its net position and/or assessment policies.
- I-C.6 The governing body has adopted a records management and retention policy. The policy outlines the treatment of all records, regardless of form, including at a minimum:
- When records may be destroyed
  - Records that must be kept permanently
  - Records archiving practices
  - Whether and how the pool complies with any state required records retention and storage requirements
  - Documented process to prevent modification and deletion of permanent electronic files
  - Separation of confidential records from public records
  - Documented process for responding to public records requests
- I-C.7 The governing body has determined under what circumstances to make copies of current and former binders, correspondence, policies, endorsements and certificates of excess and/or reinsurance available to members for review.
- I-C.8 The governing body makes periodic evaluations of the quality, stability and financial solvency of all past and present reinsurance, excess, and insurance providers.

- I-C.9 The governing body adopts an annual operating (non-loss expense) budget and receives at least an annual budget comparison that includes meaningful metrics to monitor actual-to-budgeted performance.
- I-C.10 The pool insures or self-insures its administrative and operational risks, including errors and omissions, directors and officers, general and auto liability, workers' compensation, property, employee fidelity and fiduciary liability.
- I-C.11 The pool has a Code of Conduct applicable to the pool governing body and staff (whether directly employed by the pool or under contract) that is generally consistent with the AGRiP Model Code of Conduct.

## II. STAFFING (Last Updated: 2024)

Staffing standards apply regardless of the pool's internal or outsourced staffing structure, in any combination.

"Contracted staff" include staff assigned to pool operations from a sponsoring entity or association, whether assigned to the pool in full or in part. These standards do not apply to occasional use of outsourced support, such as temporary staffing arrangements.

The standards address certain staffing circumstances and risks that are unique to public entity pooling. They do not address every possible employment or staffing obligation.

---

### II-A If the pool employs any of its own staff:

- The pool's authority to directly employ staff is expressly granted and documented accordingly.
- Authority to set terms of employment, compensation (including bonuses) and employee benefits (including leave) is documented.
- The scope of the governing body's authority related to staffing is clearly defined and documented, including but not limited to:
  - Setting terms of employment
  - Determining compensation (including bonuses)
  - Employee benefits and leave
  - Oversight of staff
- Written policies are in place, and:
  - Are reviewed regularly based on a documented process
  - Are communicated to staff at least annually
  - Are communicated to the governing body at least annually
  - Address the following provisions, at a minimum:
    - FTE definition, expected work hours, and expense reimbursements
    - Allowable acceptance of gifts, perks or other benefits from outside entities
    - Performance review standards and practices
    - Conflict of interest policies
    - Antidiscrimination policies
    - Whistleblower policies

II-B If the pool uses contracted staff for core pooling operations:

- The scope of the governing body's authority related to staffing decisions and staff oversight is clearly defined and documented (including documentation of the governing body having no authority).
- Outsourced staffing expectations and costs, and other related requirements, are documented in a written contract that is compliant with [Standard III-A of Service Provider Contracts](#).



### III. SERVICE PROVIDER CONTRACTS (Last Updated: 2026)

Standards for service provider contracts recognize the wide array of professional and service relationships used by pools to meet operational needs, and the importance of having thorough and consistent practices for entering into and managing those relationships.

Service contracts include but are not limited to: agreements for staffing resources, administrators for pool management (including associations that administer a pool), third-party administrators, systems and system maintenance, reinsurance and excess brokers, investment managers, general counsel, coverage counsel, agents authorized by the pool to place coverage for members, project consultants, professional advisors, or other operational relationships.

---

III-A The pool has a written policy about the contract terms that must be included within all service contracts it enters into. At a minimum, the pool requires the following contract provisions be addressed as a matter of policy:

- Agreement term
- Scope of services provided
- Whether periodic reporting is required by the service providers, and the form and timing of such reports
- Service-level agreement (performance measures or minimum service requirements and corresponding reporting methods)
- Compensation details
- Ownership and confidentiality of pool data and information, including whether pool information is used in any AI-enabled systems, services or outputs, and whether pool information is used to train AI resources
- Business continuity obligations of the service provider
- Data security obligations of the service provider, including for any AI-enabled systems, services or outputs
- Records retention standards and accountabilities, including for any AI-enabled systems, services or outputs
- Compliance with applicable state and federal regulations
- Indemnification of the parties and insurance requirements
- Rights of the parties to audit any operations, information, systems, services or outputs
- Assignability of the contracted relationship
- Cancellation and termination of the agreement, including expectations for returning or securely destroying pool data and ongoing use of pool data in AI systems, models or training

- Contract breach definition and remedies
- Legal venue to resolve disputes
- Choice of law

III-B The pool has a written policy defining:

- Under what circumstances service procurement requires a transparent, competitive selection process (for example, contracts over a certain dollar amount or contracts for specific services)
- Who has authority for entering into contracts on behalf of the pool
- Under what circumstances service provider engagements require governing body approval (for example, contracts over a certain dollar amount or contracts for specific services)

III-C The pool has a defined practice for legal review of all service contracts entered into on behalf of the pool. Such a process may include variable parameters for legal review based upon type of service and/or dollar amount of contracts.

III-D The pool's governing body receives annual documentation of all service contracts entered into by the pool, except for such de minimus contracts as the governing body has defined in policy as unnecessary to bring to its attention. Contract documentation to the governing body includes the fee structure of contracts, including whether commission-based fees are paid by or to the pool, and whether compensation to or by the pool is calculated as a percentage of savings.

III-E If the pool authorizes or endorses agents or brokers that members use to place coverage with the pool, the governing body receives full disclosure about the fee structure and whether commission-based fees are paid by the pool to such agents or brokers. Agent or broker compensation structure information is provided at least annually to the governing body, and at any time the compensation structure changes.

III-F The pool does not (under any circumstances) require or expect service providers to provide gifts, perks, or other benefits to its governing board or staff as a condition of doing business with the pool.

## IV. MEMBER RELATIONS (Last Updated: 2020)

Member relations standards recognize the importance of building and maintaining strong relationships between the pool and its members.

---

IV-A The pool has documented strategies addressing:

- Member retention goals and methods
- Prioritization of in-person visits to members
- Growth goals and methods, including marketing initiatives to potential pool members
- Orientation of new pool members

IV-B.1 The pool has determined the appropriate frequency, format and content for communicating important pool information to its members in order to facilitate its members' understanding about the pool's values, operations and efficacy.

IV-B.2 The pool communicates the following information to its members:

- The pool's overall strategic vision or plan
- The pool's value proposition in the market
- Net position of the pool in the current year and over time
- Basic information about pool coverages, limits, member deductible options, etc.
- Loss trends such as major types of losses (measured by frequency and/or severity) or new risk areas
- Membership data on the whole, for example the total number of members, total pool exposures, etc.
- Services offered by the pool including training courses, onsite risk management reviews or evaluations, wellness programs, grants, phone consultation services, etc.; and the number of such services provided to members
- Decisions and important actions of the pool's governing body that could impact members

IV-C The pool has considered whether and how to measure member satisfaction with its:

- Coverages
- Claims functions
- Enrollment meetings
- Underwriting practices
- Risk management services
- Communication methods with members
- Any other pool-determined important measure of effective member services and/or member relationships

The pool's governing body is regularly apprised of key findings from member satisfaction evaluations.

- IV-D The pool has considered how it will meet member relationship goals and objectives relative to roles within its member agencies, for instance elected officials, administrators, agents or brokers, and other key people.

The pool has a system, tool and/or workflow in place to measure the pool's performance toward building and maintaining member relationships.

- IV-E The pool communicates with representatives about their individual roles and responsibilities to build or maintain a positive relationship with pool members including:

- Board members
- Staff
- Contracted employees
- Third party administrators working for the pool

## V. COVERAGE (Last Updated: 2019)

Coverage standards relate to the pool's coverage documentation, adequacy, change management, legal review, and dispute resolution for all lines of coverage offered to members.

---

- V-A The pool provides clear documentation of coverage to its members. Coverage documentation is regularly reviewed for ease of understanding, flow of information, and member comprehension.

Coverage documentation (including member communication) is consistent with state laws or regulations about whether coverage provided by the pool is "insurance."

The pool provides a certificate of coverage to all members, agents, business partners, and/or to their contracted indemnitees as required by law, and/or as requested.

- V-B The pool regularly examines and evaluates the coverage it provides members to determine whether new coverage should be introduced, or existing coverage modified. The process to review coverage includes:

- Considering input from members
- Reviewing state or national coverage regulations and requirements, and changes in legislation or regulation that might impact coverage
- Gathering input from claims, underwriting, member services, risk management, or other departments
- Consulting with reinsurance, excess, or stop loss partners
- Reviewing local and national insurance market trends, market competition, market coverage and pricing

- V-B.1 The pool effectively manages, documents, and communicates coverage changes. In doing so, the pool:

- Maintains historical records about what coverage changes have taken place, with effective dates
- Documents and follows approval processes, including whether coverage changes need approval by the governing body, regulators, reinsurance and excess partners, or others

- V-B.2 The pool has determined how frequently coverage counsel will be engaged to review coverage documentation (existing and/or proposed), and engages such review. Include the date coverage documents were last reviewed by coverage counsel.

V-C The pool has a documented process for resolving member coverage disputes that includes staff authorities, escalation to the governing body, when counsel will be engaged to guide the pool, and any outside remedies or processes that members may elect.

## VI. UNDERWRITING (Last Updated: 2026)

Underwriting standards recognize the need for a pool to establish sound criteria for pricing coverage, assuring adequate information collection and analysis, and communication needs.

---

VI-A The pool has written and objective underwriting criteria to evaluate member risk and pricing. If the pool uses AI to support underwriting decisions, it has determined appropriate parameters to validate and review all decisions facilitated through AI means.

The pool has an application that prospective members complete in order to request coverage, and a method for gathering data about any risk changes upon member renewal.

The pool has determined its overall pricing philosophy for new and renewing members and establishes annual goals relative to overall underwriting performance, such as a target for overall underwriting income and/or a rate target for the year.

The pool has determined how pool expenses including losses, loss adjustment expenses, and administrative expenses will be allocated among members.

The pool has determined whether and to what extent a member's exposure(s) and experience will impact its required contributions.

The pool has determined the degree to which underwriting discretion can be asserted in member pricing.

VI-B The pool has a system or set of systems that allow it to collect, maintain, report, and analyze member underwriting information, with at least the following minimum capabilities:

- Generate reports by member entity, member contributions, coverage type, and other appropriate variables determined by the pool
- Report current and historical exposures and rates, by member entity
- Provide summary and detailed analysis of exposures to effectively interact with reinsurance and/or excess insurance partners, actuaries, regulators, and others as may be appropriate or required
- Full transparency into any AI-enabled analytics, recommendations and business rules

VI-C The pool communicates its overall underwriting goals and methods to its members, including deadlines for submitting underwriting information and any consequences that might apply.

The pool provides members with information about upcoming rate and/or contribution changes in a manner that is timely and aligns with the pool's notice provisions for member withdrawal.

VI-D The pool has determined whether members may or must place coverage with the pool through an insurance agent or broker.

If the pool allows or requires a member to use an agent or broker intermediary, it clearly communicates with both the agent/broker and the member entity about:

- The role of the agent or broker with the pool and any compensation paid by the pool to the agent or broker (including fees or commissions embedded within the member's contribution)
- Expectations of the member, regardless of the presence and role of the agent/broker
- Communications the pool will make to its member directly

The pool has determined whether and on what basis it will pay member agents or brokers.



## VII. BUSINESS CONTINUITY (Last Updated: 2026)

Business continuity standards address the need for adequate practices to sustain operations of the pool amid a variety of threats or business interruptions.

These standards apply regardless of the pool's staffing and administrative structure as in-house or contracted, the presence of TPAs or other functional service providers, or the presence (or absence) of an association relationship.

---

VII-A The pool has assessed its business continuity risks and has adopted a written, all hazards business continuity plan. At a minimum, the business continuity plan includes plans and parameters for the following during a significant business interruption of any kind:

- Alternate procedures, system access, work locations, and other resources needed to maintain core pool business operations and assist in recovery of full operations
- Methods for recovery of and access to critical data, and parameters for securing data that may be private and/or confidential
- Methods for recovery of and access to critical operational systems and communications infrastructure, including phone systems, email systems, website and web portals, customer relationship management or similar contact systems of record, claims systems, finance systems, etc.
- Access to reinsurance and/or excess insurance records, including current and former binders, correspondence, policies, endorsements and certificates
- Physical access to contact information (including phone numbers) for members, pool governing body members, pool staff, and key vendors that may need to be contacted
- When the plan will be invoked or implemented, the team responsible for implementation, by whom and upon what circumstances notification will be made to pool staff and the governing body, service providers, and members

VII-B The pool has adopted a cyber incident response plan. The cyber incident response plan addresses at a minimum:

- Pool capabilities and methods to detect and investigate potential cyber threats and suspected cyber incidents, including those presented by AI systems or through AI means
- How the pool will prioritize and analyze reports of incidents to determine if further action is needed
- How the pool will collect and preserve evidence if a cyber incident is suspected

- Strategies the pool will use for containing a cyber threat or incident to prevent further spread or damage
- Strategies the pool will use to eliminate or mitigate an active threat, including stopping the threat and mitigating the vulnerability that allowed the threat to occur
- Strategies the pool will use for restoring operations once the threat has been eliminated, including identifying the last time the impacted system was functioning properly and restoring backups to this state
- When the plan will be invoked or implemented, the team responsible for implementation, by whom and upon what circumstances notification will be made to pool staff and the governing body, service providers, and members

VII-C If the pool maintains a physical office space, the pool has adopted an emergency response plan or emergency action plan defining procedures and actions during a crisis event (e.g. fire, earthquake, active threat) to direct people and resources away from danger, evacuate facilities, and work with first responders to ensure safety.

VII-D The pool has documented how its business continuity plan, cyber incident response plan, and emergency response plan will be reviewed, maintained, and tested over time. The pool communicates relevant aspects of these plans to all staff at least annually and holds drills or training sessions regularly to ensure staff know how to respond.

VII-E The pool has discussed business continuity with the governing body and makes periodic reports to the governing body regarding its preparedness and response plans for business disruptions.

## VIII. DATA SECURITY (Last Updated: 2026)

Standards about data security recognize the need to protect data collected or maintained by the pool.

These standards apply regardless of the pool's staffing and administrative structure as in-house or contracted, the presence of TPAs or technology service providers, or the presence (or absence) of an association relationship.

---

VIII-A The pool has procedures and protocols to limit access to its computer network to authorized users, hardware, devices and software.

VIII-B The pool actively manages the security and lifecycle of hardware authorized to access its network through patching, upgrades, and discontinuation/retirement to prevent exploitation of vulnerable services and settings.

VIII-C If the pool allows access to its network for pool purposes by any personally-owned devices from any source, such as staff-owned or service provider mobile phones, laptops, or tablets, it has a written policy regarding acceptable use of devices, allowed devices, support for devices, and security protocols for pool data.

VIII-D The pool has a written AI use policy applicable to all people with access to pool systems or data, including permitted and non-permitted uses of AI for any pool purpose, and permitted and non-permitted access by any AI system to any pool data, information or other resources.

VIII-E The pool has data security and protection procedures in place to prevent data compromise and the unintentional release of sensitive information, including at a minimum:

- Hardware and infrastructure protection such as firewalls, proxy servers, endpoint detection and response, network monitoring, intrusion prevention systems, multifactor authentication and virtual private networks
- Protection from user-based risks such as data loss prevention systems, least privilege access, and restricting system downloads
- Protection from emerging risks as the result of AI systems implemented by the pool or its service providers, and AI-enabled cybersecurity threats

VIII-F The pool has determined how often to conduct data backups in light of its operations and data needs. The pool actively protects and backs up electronic files, including at a minimum the following provisions:

- Housing back-up data separately from the pool's main network, whether offsite, air-gapped, or in the cloud
- Encrypting backups that contain PII or sensitive data
- Testing backups on a periodic basis

VIII-G The pool has defined the use, assignment, revocation, and configuration of administrative privileges for everyone with administrative access to computers, networks, and applications.

VIII-H The pool regularly provides cybersecurity training to all users with access to its system(s), including training about emerging and new cyber threats such as those posed by AI.

VIII-I The pool regularly conducts data vulnerability assessments and remedies issues when necessary.

VIII-J All hardware, software, data use and data storage systems are compliant where necessary with relevant federal and state laws.

VIII-K The pool makes periodic reports to its governing body regarding the security of the pool's data and any planned security enhancements.

## **IX. CLAIMS MANAGEMENT (Last Updated: 2026)**

Claims management standards recognize the need for thoughtful and thorough claims management, administration, litigation, and claims auditing practices in administering claims by members.

---

**IX-A** Regardless of whether the pool administers claims using in-house staff or a contracted relationship, the pool has written procedures addressing the entire life cycle of claims management and administration activities and shares them with the administration team regularly, including at a minimum, procedures that address:

- Initial notice and intake procedures for new claims
- Adjuster assignments and supervisory oversight
- File notes and claim documentation
- Reserving practices, including reserve changes or updates
- Timeliness standards for claims adjusting activities
- Claim investigation methods, expectations and activities
- Methods to raise coverage questions or other reasons a claim might be denied, and the process for doing so
- Member and/or claimant communication expectations throughout the life of a claim
- Methods to identify and effectively manage claims with potential to be more severe than originally expected
- Subrogation and salvage activities and expectations
- Timely and complete reporting of claims to the pool's reinsurers or excess carriers, and tracking of recoverables
- If the pool uses AI to support claims management and administration, it has determined appropriate parameters to validate and review all decisions facilitated through AI means.

**IX-A.1** Regardless of whether the pool administers claims using in-house staff or a contracted relationship, the pool assures qualified claims staff including:

- The claims administration staff are provided regular training to assure their understanding of and compliance with documented claims processes, procedures, and expectations
- The claims administration staff has regular opportunity to discuss challenging claims, roundtable claim results and processes, and consider opportunities for better managing member claims

**IX-A.2** Regardless of whether the pool administers claims using in-house staff or a contracted relationship, the pool has specific written policies regarding:

- Claim settlement authority levels and hierarchy, including whether and when a committee or governing body must approve settlements
- An appeals process for members to dispute claim denials, including whether and when escalation to the governing body is allowed

IX-B The pool has an electronic system or set of systems that allows the pool to maintain, report, and analyze claim information and claim financial data with at least the following minimum capabilities:

- Generate claim reports by member entity, claimant, subscriber, or other appropriate variable that has been consciously determined by the pool
- Report accurate financial data by claim including amount paid, claim or case reserves, and recoverables
- Report total incurred and paid claims by line of business, as of a given valuation date
- Reconcile claims data to the pool's financial accounting system
- Full transparency into any AI-enabled analytics, recommendations and business rules

IX-B.1 The pool has determined what member-specific claims data and information it will provide to a member and on what basis and/or timing it will do so.

The pool provides to any requesting member the member's own claims for requested time period of data including, at a minimum, claim identifiers (claimant, facility, etc.) dates of loss, and amounts paid by claim.

Any electronic claims system(s) in place at the pool (whether or not the systems are owned and maintained by the pool directly) are appropriately secured and accessible only by appropriate and authorized users.

The pool has taken adequate steps to assure its claims data are fully accessible, portable, and able to be converted to a new system if necessary for any reason.

IX-C The pool maintains litigation management practices including at a minimum:

- Attorney qualifications required to defend claims on behalf of member entities
- Criteria and a process for accepting or approving attorneys to defend claims on behalf of member entities
- Criteria and a process for accepting a defense attorneys not otherwise approved by the pool
- Required reporting by the defense attorney to the pool about litigation status, budget, and overall case management
- Required communication by the defense attorney to the member entity, including regular status reports or updates
- Performance standards or guidelines for defense attorneys

IX-D Independent Claims Audit:

Regardless of whether the pool administers claims using in-house staff or a contracted relationship, the pool conducts a claims audit by a qualified firm or individual, at least once every three years. The claims audit is conducted by a firm or person independent of the pool and its claims administrators, reinsurers or excess carriers.

The independent claims audit includes, at a minimum, review of the following key of the pool's claims management policies and procedures:

- Timely claims handling
- Claim file documentation and supervisory oversight
- Adherence to claim payment and settlement authorities
- Claim reserving practices
- Adequacy of claims investigation
- Adequacy of claim communication with the pool member and claimant;
- Litigation management activities
- Alignment of loss experience reports to case reserves and payments

The pool governing body is provided a written report of findings from the audit, including any areas of deficiencies or exceptions and how the pool will address such deficiencies. Include the date of the last claims audit.

- IX-E The pool has a documented procedure to address how claims will be managed and processed when they present an actual, potential, or perceived conflict to the claims staff relative to the pool's governance activities and/or governing body.

The intent of this standard is to address the handling and management of such claims, not the governance conflict that may exist. Examples might include a disputed valuation for a property claim from the member entity of a director sitting on the governing body of the pool; a pool governing body director with a workers' comp claim against the pool; or an auto liability claim involving a member of the pool's governing body. Another possible claims conflict would be if a pool employee or member of the governing body has a claim against the pool for an action the pool self-insures.

## **X. PROFESSIONAL DEVELOPMENT (Last Updated: 2020)**

Professional development standards recognize the importance of having competent staff and governing body members to lead the pool and execute all pool activities.

---

**X-A** The pool has established professional development expectations for its governing body about:

- Public entity pooling structure and regulation
- The roles, responsibilities, and decision making authority of governing body members
- Methods and degree of oversight the governing body provides for pool financial status, including the pool's net position policy
- How the pool allocates costs and risks among members and the impact of its overall pricing philosophies
- The pool's reinsurance, excess insurance, and/or stop loss model and retention(s)
- The pool's investment practices and investment management oversight
- Financial and operational industry norms and best practices

**X-B** As related to all pool staff, whether employed or contracted and applicable regardless of tenure or role at the pool:

- The pool has established expectations for professional development through relevant training and ongoing education
- The pool identifies appropriate professional development opportunities
- The pool has determined whether certifications are required or recommended and to what extent ongoing education costs are reimbursed
- The pool provides onboarding and orientation pertinent to the job duties
- The pool provides professional networking opportunities with other public entity pools, professional organizations or associations, and service provider partners

**X-C** Staff directly employed by the pool are provided:

- Annual performance goals
- At least annual performance feedback
- Job specific skills training



## **XI. RISK MANAGEMENT (Added: 2020)**

Risk management standards address the commitment of a pool to risk management initiatives, priorities, and communication practices.

---

- XI-A The pool regularly examines member loss exposures and loss performance to determine its risk management philosophy.
- XI-B The pool has identified overall risk management goals and desired outcomes.
- XI-C The pool has considered how, when and where to prioritize deployment of risk management resources or programs to members.
- XI-D The pool communicates its overall risk management philosophy, goals and priorities to its members, staff and contracted service providers.
- XI-E The pool provides, delivers or promotes risk management programs to members with content specifically designed to avoid or reduce known risks.
- XI-F The pool has established and documented risk management standards or expectations members must meet.

## **XII. OPERATIONALIZING ARTIFICIAL INTELLIGENCE (Added: 2026)**

Standards for operationalizing artificial intelligence (AI) recognize the rapidly growing use of AI to support pooling and access to pool data resources by AI systems, whether by the pool itself or service providers.

These standards apply regardless of the pool's staffing and administrative structure as in-house or contracted, the presence of TPAs or technology service providers, or the presence (or absence) of an association relationship.

---

- XII-A The pool knows where and how AI systems are being used to support its operations, including by service providers and business partners with access to pool data, information or other resources.
- XII-B The pool has a process by which to regularly review and update its understanding of AI use that supports its operations, adjusting AI practices and policies as needed in a rapidly changing AI environment.
- XII-C The pool has clearly communicated standards and practices about AI decision-making in its operations and when human oversight is required.
- XII-D The pool has a plan for managing AI transparency, errors, bias and concerning outputs.
- XII-E The pool has determined when and how to communicate its use of AI to members.