

CITY COUNTY INSURANCE SERVICES PROPERTY/CASUALTY TRUST

RULE PC 1: LOSS FUND PROTECTION AND SURPLUS DISTRIBUTION

The City County Insurance Services (CIS) Board of Trustees adopts the following rule regarding the protection of Pooled Risk Retention Program Loss Funds, and the distribution of “Surplus” from such Loss Funds. This Rule, effective July 1, 2020, supersedes and replaces Rule PC 1 which became effective April 1, 2009.

A. Loss Funds.

The CIS Pooled Risk Retention Program consists of two loss funds and three coverage lines: The Property and Liability coverage lines consist of one Loss Fund. The Workers’ Compensation coverage line consists of a separate and distinct Loss Fund.

All Loss Funds contribute to the Administrative Fund, established by the Board on January 17, 2020.

For each Line of Coverage the Member elects in a Coverage Year, a Contribution (“Initial Contribution”) is charged in accordance with the Trust’s underwriting policy. Initial Contributions represent a deposit into the Loss Fund for that Line of Coverage, against which losses are charged.

In any one Coverage Year, the Board’s targeted funding level for each Loss Fund includes an amount sufficient to pay the claims to be incurred in that year at confidence levels determined by the Board upon the advice of its consulting actuary, plus reinsurance premiums and a share of the operating expenses related to that Coverage Year. Each fund then makes a contribution to the Administrative Fund for the payment of operating expenses.

For purposes of this Rule, “Surplus” is defined as those monies remaining in a Loss Fund after making the contribution toward operating expenses, payments for excess/reinsurance, payment of claims and establishment of prudent reserves for outstanding known claims and claims not yet reported.

The Board may, in its sole discretion, transfer a specified amount of Surplus from one or more prior Coverage Years:

- (1) to another Coverage Year for within that Loss Fund, including the current or upcoming coverage year

The Board may impose “Deferred Contributions” for a Loss Fund as described in Section B of this rule.

The Board may declare a “Surplus Distribution to Members” from one or more Loss Funds as described in Section C of this rule.

B. Deferred Contributions:

The Board may authorize the collection of Deferred Contributions in one or more Loss Funds in the event that:

- 1) Ultimate losses and expenses exceed Loss Fund revenues for one or more Coverage Years; and
- 2) In the judgment of the Board, this shortfall presents a threat to the fiscal viability of the P/C Trust Program.

If the Board authorizes the collection of Deferred Contributions, the following conditions apply:

- 1) Deferred Contributions shall be assessed against the Members that participated in such coverage during the Coverage Years for which such Deferred Contribution applies. Amounts due shall be in the proportion that each such Member’s contribution plus that Member’s incurred losses bear to the sum of total contributions and losses of all Members for such coverage in such Coverage Years.
- 2) An Entity that participated as a Member during the Coverage Years for which Deferred Contributions are assessed is obligated to pay such Deferred Contribution when requested by the Board, regardless of its membership status at the time such Deferred Contributions are imposed.
- 3) The total of all contributions paid by a Member for a Coverage Year, including any Deferred Contributions paid pursuant to this rule, shall be used for purposes of determining distribution of Surplus as described in Part C of this rule.
- 4) Members shall be notified by January 31 if the Board proposes to collect Deferred Contributions in the upcoming fiscal year beginning July 1. The Board shall advise Members of their individual Deferred Contribution amount not later than March 31. Such amount will be due and payable at the same time as contributions for fiscal year coverage.

C. Surplus Distribution to Members.

The Board may consider a distribution of Surplus to members when the P/C Trust Net Position exceeds the capitalization level defined in the Member Equity Policy.

Distributions of Surplus will be made only from Loss Fund(s) for which reserves to pay outstanding claims have been accumulated to the target levels approved by the Board, and then only to the extent such reserve levels remain adequate.

If the Trustees determine that, consistent with this rule, a distribution of Surplus is appropriate then funds shall be distributed to the Members in accordance with the following:

- (1) No Member shall have a right to any specific share of Surplus funds except as herein provided.
- (2) Subject to sub-section 1(C)(3) of this Rule, surplus distributions as determined herein shall be by means of contribution credits available to apply to future contribution invoices, or, at the sole discretion of the Board, by means of cash payments to current participants in that Line of Coverage. Contribution credits expire on July 1 following three complete Fund Years after the distribution is made. Members may designate the amount of contribution credit to apply to invoices for each applicable Line of Coverage, or, in the absence of a Member designation, contribution credits shall be applied first to contributions for the applicable Line of Coverage for the coverage year in which such contribution credits are issued. If, by the Fund Year prior to the expiration of the contribution credits, a Member has unused credits in a Line of Coverage because the credits exceed the Member's three-year contributions for that Line of Coverage, the Member may apply such unused credits to contributions due for other Lines of Coverage included in the original distribution.
- (3) No distribution of Surplus shall be made in any manner to any Member that withdraws prior to the end of the commitment period of Membership established by the Trust, which period shall not exceed three (3) full Coverage Years.
- (4) At such time as the Board determines an amount of Surplus available for distribution, said Surplus shall be distributed as follows:
 - a. One-third (1/3) of the Surplus will be distributed to Members that made contributions in the Coverage Year, for the Line of Coverage for which Surplus is to be distributed. The proportion is that which each Member's

contribution bears to the total contributions of all Members in the Coverage Year, for the Line of Coverage for which Surplus is to be distributed.

- b. Two-thirds ($2/3$) of the Surplus will be distributed to Members that made contributions in the Coverage Year, for the Line of Coverage for which Surplus is to be distributed. The proportion is that which each Member's contributions, less incurred losses, bears to the total contributions, and less total incurred losses, of all Members in the Coverage Year, for the coverage for which Surplus is to be distributed. However, no distribution shall be made of the two-thirds of Surplus to Members whose contributions, in the Fund Year, for the Line of Coverage for which Surplus is to be distributed, are less than their incurred losses.

- (5) More than one distribution may be made for a given Line of Coverage for any Coverage Year. In the event of a second, or subsequent, distribution the amount to be distributed to a Member shall be computed in accordance with this rule, based on contributions and loss information as of the date of such later distribution. The amount so determined shall be reduced by any amounts previously distributed to the Member. No adjustment will be made due to changes in any associated factor after the date of the distribution.

D. Other Provisions

Payment of Claims. The Trust will make or secure payment or settlement of claims in accordance with the terms and conditions of the coverage agreements.

Excess Losses. In the event that a single loss or series of losses incurred within policy limits may exceed the amount of protection afforded by the applicable Loss Fund, other insurance carried by the P/C Trust, and provisions for Deferred Contributions under this rule, payment of valid losses shall be the obligation of the individual Member or Members against whom the claim(s) were made and perfected by judgment or settlement.

Adopted by CIS Board of Trustees
January 17, 2020

**CITY COUNTY INSURANCE SERVICES
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RULE PC 2: APPLICATION OF ALTERNATIVE CONTRIBUTION PLANS

The City County Insurance Services (CIS) Board of Trustees adopts the following rule regarding Pooled Risk Retention Program alternative contribution plans. This Rule, effective April 1, 2009, supersedes and replaces Rule Number 2 which was adopted April 6, 2001

ALTERNATIVE CONTRIBUTION PLANS

The CIS P/C Trust Pooled Risk Retention Program offers four different alternative contribution plans that offer a reduction to initial contributions, in exchange for assumption of an initial aggregate layer of risk.

Paid Loss Aggregate Deductible Plans: Offered to those Liability and Worker's Compensation Members that assume responsibility for paying an initial layer of claims, as determined by CIS PC Underwriting staff.

Paid Loss Retrospective Rating (Retro) Plans: Offered to Liability and Workers' Compensation Members. The Liability Retro Plan is administered in the exact same fashion as the Liability Aggregate Deductible plan, but with expanded parameters of savings and risk.

The Workers' Compensation Paid Loss Retro Plan incorporates additional loss-based fees, based upon a percentage of paid losses. Also, for Members who have not reached their maximum liability, additional contribution is collected at closeout which occurs at or before the five year anniversary of the plan.

COLLECTING ALTERNATIVE PLAN CONTRIBUTIONS.

Coverage Year means the 12 month period consistent with the period of coverage for the applicable Coverage Agreement.

1. Paid losses, applicable fees and "closeout" contributions shall be invoiced and paid quarterly. Amounts due shall be considered Contributions subject to the provisions of 3.2A of the CIS Bylaws.
2. The obligation of the Member to pay for losses shall cease when the aggregate amount paid equals the maximum liability under the respective plan.
3. CIS and any Member with an Alternative Plan may, by mutual written agreement, agree to a liquidated value from the remaining payments and liability applicable under the deductible.

4. Surplus distribution which may be due to a Member pursuant to Section C of Rule PC1 shall be computed as if the Member was not on an Alternative Plan. From such distribution shall be deducted the savings, if any, resulting to the Member from the Alternative Plan.
5. Contributions and allocation of losses used to calculate Surplus distribution pursuant to Section C of Rule PC1 shall be computed as if the Member had no Alternative Plan and the full amount of the Initial Contributions had been paid.

Adopted by CIS Board of Trustees
March 30, 2009

**CITY COUNTY INSURANCE SERVICES
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RULE PC 3: OPTIONAL DEFENSE BY MEMBER

The City County Insurance Services (CIS) Board of Trustees adopts the following rule regarding a Member's ability to provide an optional defense. This Rule, effective April 1, 2009, supersedes and replaces Rule Number 3 which became effective July 1, 2001

1. In any liability claim where the Executive Director reasonably believes, on the advice of the CIS Claims Manager, that a Member will object to settlement, or has been informed by the Member of such an objection to settlement, the following actions shall be taken:
 - a. The Member shall be advised in writing of the nature of the proposed settlement and of CIS's reason, in summary, for recommending such settlement.
 - b. The Member shall be advised in writing of its right to prevent CIS from settling the claim as proposed and the consequences of exercising that right as further set forth in this Rule.
2. A Member electing to prevent a proposed settlement pursuant to the Rule shall execute an agreement with CIS accepting responsibility for all additional costs including but not limited to legal and investigative expense and subsequent judgment or settlement, above such costs as would have been incurred had the Member not elected to prevent the proposed settlement.
3. The Member shall have the option of assuming the defense of the claim, in which event CIS shall tender to the Member such sum as would have been paid by CIS under the terms of the proposed settlement but for the Member's election to prevent such settlement pursuant to this Rule. Otherwise, the Trust shall continue to administer the claim and any associated legal defense, with all amounts expended thereupon, in excess of the amount of the proposed settlement prevented pursuant to this Rule, payable by the Member.

Adopted by the CIS Board of Trustees
March 30, 2009

**CIS
PROPERTY/CASUALTY TRUST**

RULE PC 4: NEW MEMBER COMBINED PROPERTY/LIABILITY PROGRAM

The CIS Board of Trustees adopts the following rule regarding a New Member Combined Property/Liability Program, effective July 1, 2017.

NEW MEMBER COMBINED PROPERTY/LIABILITY PROGRAM

All new members of the Property/Casualty (P/C) Trust must have both property and liability coverage.

1. All entities joining the P/C Trust for the first time are considered new members and must obtain and maintain property and liability coverage to qualify as a member of the CIS P/C Trust.
2. If a new member does not own property, a nominal fee will be assessed for coverage of its non-owned property.
3. This rule does not apply if an entity was a member of the P/C Trust prior to July 1, 2017, whether or not it has P/C Trust coverage in force on June 30, 2017.