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## Standard I: Governance

*Last update: 2018*

The AGRiP Advisory Standards for Governance address foundational and structural requirements for pool formation and maintenance. More importantly, the governance standards address the need for – and value of – engaged, educated, thoughtful and sufficiently independent leadership by the pool governing board to set the pool's direction in operational and financial matters. (Note: When used below, "Directors" mean members of the pool's governing body.)

For the purposes of this standard, we define:

- **Foundational** as formation requirements for both the pool itself and member participation in the pool.
- **Fiduciary and financial solvency** as governance best practices designed to influence the financial security of the pool.
- **Operational** as necessary governing board best practices that are neither foundational nor financial.

I-A.1. Pool maintains signed formation documents, such as articles of incorporation, a joint powers agreement, or interlocal agreement Yes

a. Please enter the name and date of last review for each of the formation documents Joint Powers Agreement last amended July 17, 2019

b. Explain review cycle, including frequency and how the process is documented within the pool

c. Explain revision process, including revisions to legal and membership relationship updates and approval process by membership

d. Explain communication process to pool members, including frequency and what is communicated

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**ATTACHMENT 7**

I-A.2. Pool has determined whether additional governing documentation, such as bylaws or governance policies, is necessary or desirable and adopted such policies if necessary Yes

Date of last review

a. Explain review cycle, including frequency and how the process is documented within the pool

b. Explain revision process, including revisions to legal and membership relationship updates and approval process by membership

c. Explain communication process to pool members, including frequency and what is communicated

Save Changes

I-A.3. Member agreements other than formation or governance documents, if required, are signed by both parties and copies are maintained by the pool Yes

Date of last review

a. Explain review cycle, including frequency and how the process is documented within the pool

b. Explain revision process, including revisions to legal and membership relationship updates and approval process by membership

c. Explain communication process to pool members, including frequency and what is communicated

Save Changes

I-A.4. Pool foundational and/or governing documents specifically address the following:

a. Membership eligibility Pool has required board policy

Cite policy (or section of policy) fulfilling standard: Article 22 of the Joint Powers Agreement

b. Membership obligation Pool has required board policy

Cite policy (or section of policy) fulfilling standard: Article 21 of the Joint Powers Agreement

c. Membership termination Pool has required board policy

Cite policy (or section of policy) fulfilling standard: Article 30 of the Joint Powers Agreement

d. Membership voting rights Pool has required board policy

Cite policy (or section of policy) fulfilling standard: Bylaws Article II Section 8

e. Selection procedures and qualifications for the pool's governing body Pool has required board policy

Cite policy (or section of policy) fulfilling standard: Bylaws Article 3

f. Powers and duties of the pool's governing body and any committees Pool has required board policy

Cite policy (or section of policy) fulfilling standard: Article 8 of the Joint Powers Agreement

g. Indemnification for liability of members of the governing body, officers, committee members and pool staff Pool has required board policy

Cite policy (or section of policy) fulfilling standard: Bylaws Section VII Section 3

h. Requirements for annual actuarial reviews Pool has required board policy

Cite policy (or section of policy) fulfilling standard: Article 18 of the Joint Powers Agreement

i. Requirements for annual financial audits Pool has required board policy

Cite policy (or section of policy) fulfilling standard: Article 18 of the Joint Powers Agreement

j. How pool financial information will be shared with pool members Pool has required board policy

Cite policy (or section of policy) fulfilling standard: Article 18 of the Joint Powers Agreement

k. Dissolution of the pool

Pool has required board policy

Cite policy (or section of policy) fulfilling standard: Article 30 of the Joint Powers Agreement

l. Distribution of pool assets and liabilities upon dissolution

Pool has required board policy

Cite policy (or section of policy) fulfilling standard: Article 30 of the Joint Powers Agreement

m. How dividends or other distribution of pool assets upon circumstances other than dissolution are determined and allocated among members

Pool has required board policy

Cite policy (or section of policy) fulfilling standard: Article 30 of the Joint Powers Agreement

n. If assessments are authorized, circumstances for determining the assessment and allocating it among members are defined

Pool has required board policy

Cite policy (or section of policy) fulfilling standard: Article 17 of the Joint Powers Agreement

o. Whether members are jointly and severally liable within the pool

Required policy is not applicable to the pool

Explain why the standard is not applicable to the pool:

CA Civil Code 1659 "Where all the parties who unite in a promise receive some benefit from the consideration, whether past or present, their promise is presumed to be joint and several" & " A promise, made in a singular number, but executed by several persons, is presumed

p. Provisions under which a member can leave the pool, and associated notice provisions the member must give the pool

Pool has required board policy

Cite policy (or section of policy) fulfilling standard: Article 24 of the Joint Powers Agreement

q. Whether a member remains responsible for any portion of its losses, or is eligible for any distribution of pool assets, upon departure from the pool

Pool has required board policy

Cite policy (or section of policy) fulfilling standard: Article 21 of the Joint Powers Agreement

Save Changes

I-A.5. The pool has determined its legal status, for example, as a public, private, or non-profit entity Yes

a. The pool maintains adequate records of its legal status Yes

b. The pool has determined whether it is deemed a regulated insurer under state laws Yes

c. The pool maintains adequate records of its status as a regulated insurer Not Applicable

Explain why the Standard is not applicable to the pool: We have determined that we are not a regulated insurer under state law; this standard does not apply to our pool.

Save Changes

I-A.6. The pool has determined its federal tax status. Yes

a. The pool maintains adequate records of its federal tax status Yes

b. The pool has determined its state tax status Yes

c. The pool maintains adequate records of its state tax status Yes

d. The pool complies with all applicable state and federal requirements as determined by its status Yes

e. If applicable, the pool files timely tax returns Not Applicable

Explain why the Standard is not applicable to the pool: The Authority is not a taxable entity and is not required to file either state or federal taxes.

Save Changes

I-B.1. The governing body is regularly trained on fiduciary obligations. The pool meets the Standard

Explain how Standard is met. This Standard may be met via board policy, statute, procedure or practice:

Save Changes

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.

The pool meets the Standard

Explain how Standard is met. This Standard may be met via board policy, statute, procedure or practice:

The financial solvency and performance of the pool are addressed annually during the agendaized presentation of the actuarial study, the setting of contribution rates, captive performance, and more. In addition, the annual Executive Committee Strategic Planning Workshop often includes topics related to the Authority's financial health. This includes providing direction regarding an adequate net position to respond to unanticipated events.

The governing body reviews and discusses projections and allocations for losses at least annually, including:

a. Allocations for loss development, including incurred but not reported losses	Yes	▼
b. Allocations for allocated and unallocated loss adjustment expenses	Yes	▼
c. Projections and allocations for contingency margins	Yes	▼

Save Changes

Your work has been saved.

I-B.3. The pool obtains competent legal advice regarding its own governance and operational issues.

The pool meets the Standard ▼

Explain how Standard is met. This Standard may be met via board policy, statute, procedure or practice:

a. Coverage counsel, general legal counsel, and defense counsel are segregated functions; or the pool Board has documented its approval to place more than one function with the same legal advisor

The pool meets the Standard ▼

Explain how Standard is met. This Standard may be met via board policy, statute, procedure or practice:

b. The pool requires counsel in any role not directly employed by the pool to have professional liability insurance

The pool meets the Standard ▼

Explain how Standard is met. This Standard may be met via board policy, statute, procedure or practice:

c. 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](#)

The pool meets the Standard ▼

Explain how Standard is met. This Standard may be met via board policy, statute, procedure or practice:

Save Changes

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.)

Pool has required board policy

Cite policy (or section of policy) fulfilling standard:

a. The governing body, at minimum, receives a summary of the annual actuarial study every year.

Pool has required board policy

Cite policy (or section of policy) fulfilling standard:

Save Changes

I-B.5. The governing body annually reviews the pool's net position policy.

Pool net position policy includes at minimum:

a. Methodology used for determining net position adequacy

Cite policy (or section of policy) fulfilling standard:

b. A defined target net position amount and/or range

Cite policy (or section of policy) fulfilling standard:

c. How net position levels will be communicated to pool members

Cite policy (or section of policy) fulfilling standard:

d. 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

Pool has required board policy

Cite policy (or section of policy) fulfilling standard:

Save Changes

I-B.6. The pool annually reviews its net position level in relation to the target net position and considers the net position when making annual funding decisions.

The pool meets the Standard

Explain how Standard is met. This Standard may be met via board policy, statute, procedure or practice:

Save Changes

I-B.7. The governing body reviews its written assessment policy at least every five years.

Pool assessment policy includes at minimum:

a. The circumstances that may trigger an assessment

b. Methodology used for determining overall assessment

c. Methodology for allocating assessments among pool members, including whether assessments are made based upon coverage year or years of pool operation

d. Whether and how members that leave the pool are responsible for their assessments

e. How and when assessment parameters and the need for assessment will be communicated to the governing body and pool members

f. How and when the assessment will be communicated to pool members

Save Changes

I-B.8. The governing body annually reviews the pool's investment policies, practices, and performance.

Yes

Pool investment policy includes at minimum:

a. Goals and intended use of investment income

Pool has required board policy

Cite policy (or section of policy) fulfilling standard:

b. Allowed allocation of invested assets, including regulatory constraints

Pool has required board policy

Cite policy (or section of policy) fulfilling standard:

c. Portfolio diversification, liquidity, and duration expectations

Pool has required board policy

Cite policy (or section of policy) fulfilling standard:

d. Explicit delegation of authority regarding investment decisions

Pool has required board policy

Cite policy (or section of policy) fulfilling standard:

e. Provisions for controls regarding invested assets, including those that address separation of duties, safekeeping and custodial procedures

Pool has required board policy

Cite policy (or section of policy) fulfilling standard:

f. How and when the governing body will be made aware of investment allocations, results, and related activities

Pool has required board policy

Cite policy (or section of policy) fulfilling standard:

g. How and when the governing body will interact directly with investment managers, advisors, and/or consultants

Pool has required board policy

Cite policy (or section of policy) fulfilling standard:

Save Changes

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. Yes

a. The governing body receives and reviews annual financial statements Yes

Save Changes

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. Yes

a. The audit firm directly reports its findings to the governing body, whether reporting to the entire body or a designated committee Yes

b. If the audit firm reports directly to a designated committee, the entire governing board still receives and reviews the audit report Yes

c. The audit includes a report on internal controls Yes

d. 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 Yes

e. The pool responds to any reportable conditions in the audit report within a reasonable period of time Yes

Save Changes

I-B.11. The governing body has determined when and how annual financial reports are distributed to pool members. Yes

Save Changes

I-B.12. Pool physical asset inventory and control policy includes at minimum:

a. Periodic inventory of physical assets

b. Recording of assets in the pool's financial records

c. A process to report asset changes to the responsible party

Save Changes

I-C.1. New Directors receive an orientation to the pool's governance structure, operations, legal and fiduciary responsibilities, budget, actuarial review, financial and investment policies.

Save Changes

I-C.2. The governing body approves minutes of its meetings.

a. The governing body has made a determination about minutes being distributed or otherwise made available to members

Save Changes

I-C.3. The governing body adopts and maintains a long-range or strategic plan.

a. The long-range or strategic plan includes a strategy for maintaining adequate net position to respond to unanticipated events causing significant financial impact to the pool

Save Changes

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.

Save Changes

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.

Save Changes

I-C.6. The governing body has adopted a records management and retention policy.

The adopted records management and retention policy outlines the treatment of all records, regardless of form, including at a minimum:

a. When records may be destroyed

b. Records that must be kept permanently

c. Records archiving practices  ▼

d. Whether and how the pool complies with any state required records retention and storage requirements  ▼

e. Documented process to prevent modification and deletion of permanent electronic files  ▼

f. Separation of confidential records from public records  ▼

g. Documented process for responding to public records requests  ▼

Save Changes

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.  ▼

Save Changes

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.  ▼

Save Changes

I-C.9. The governing body adopts an annual operating (non-loss expense) budget.  ▼

a. The governing body at least annually receives a budget comparison that includes meaningful metrics to monitor actual-to-budgeted performance  ▼

Save Changes

I-C.10. The pool insures or self-insures its administrative and operational risks, including:

a. Errors and omissions  ▼

b. Directors and officers  ▼

c. General liability  ▼

d. Auto liability  ▼

e. Workers' compensation  ▼

f. Property

g. Employee fidelity

h. Fiduciary liability

Save Changes

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.

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