

**CITY COUNTY INSURANCE SERVICES (CIS)
BOARD OF TRUSTEES GOVERNANCE POLICY**

(Last Amended February 2009)

SECTION I. BOARD PROCESS

Purpose:

In these policies, the Board identifies for whom it governs and outlines its governance approach and governing style.

- 1.0 Responsibility. The Board recognizes its fiduciary duty to each of the three Trusts it administers as more fully described in the 2008 City County Insurance Services Declaration and Agreement of Trust signed by AOC in August 2008 and by LOC in October 2008.
- 1.1. Role. The Board's allegiance in trust, and CIS' long term business survival, require it to protect and manage CIS' assets for the benefit of its Members (those local governments that purchase coverage and services through CIS), and to further the interests of the sponsoring associations. On behalf of its members, the Board directs the CIS organization in the accomplishment of desired results - expressed in Ends Policies (Section 4), and the avoidance of unacceptable activities and conditions - expressed in Executive Limitations Policies (Section 3).
- 1.2. *Linkage to Members*. Cities and counties who have joined LOC and AOC are not compelled to purchase coverage, plans and services from CIS. They judge whether the products and services offered by CIS are cost-effective when compared to other alternatives available in the open market place. Competitive market forces influence CIS product selection and pricing. Under Board direction, CIS seeks to attract and retain market share by understanding the dynamics of this market place and by producing outputs and generating outcomes that are highly valued by its Members. Trustees are visible and active supporters of more aggressive risk management practices among Members.
- 1.2A *Member Driven* The Board educates itself regarding the values held by cities and counties in LOC and AOC, paying particular attention to those entities that are CIS Members. The Board acts under the influence of these values and views expressed by Member representatives serving on the CIS Benefits Advisory Committee and the CIS Property/Casualty (P/C) Trust Advisory Committee. Education is facilitated by reviewing industry reports prepared by staff and outside sources; studying responses to member surveys and focus groups; engaging in direct contact with Members, beneficiaries and stakeholders; and monitoring the demand and utilization of similar products and services in the market place.
- 1.2A(1) If available, monies are allocated within CIS' annual operating budget for member surveys, focus groups, opinion analysis and meeting costs associated with ownership linkage and industry awareness.

- 1.2B. *LOC/AOC Link*. The Board recognizes that LOC and AOC assist in promoting sound risk management practices and marketing the products and services of CIS, including but not limited to use of the names and goodwill of LOC and AOC.
- 1.2B(1). If available, monies are allocated within CIS' annual operating budget to compensate LOC and AOC for their sponsorship and support. The Board is available to meet with the governing bodies of LOC and AOC at their request.
- 1.3. Explicit Governing Policies. The Board directs, controls and inspires the organization through the careful establishment of these broad written policies reflecting the Board's values and perspectives about Ends to be achieved and Means to be avoided. The Board may change its Ends and Executive Limitations Policies at any time, consistent with Board-Executive Director Policy 2.4.
- 1.3A. *Ends*. The Board defines what CIS is to accomplish in terms of results, recipients, and costs, and expresses these expectations in Ends Policies (Section 4).
- 1.3B. *Means*. The Board delegates accountability for CIS' performance to the executive director. How performance will be monitored and controlled is described in Board-Executive Relationship policies (Section 2).
- 1.3C. *Limits*. The Board, in Executive Limitations policies (Section 3), identifies those activities and conditions that it considers unacceptable in a business setting.
- 1.4. Board Governance Procedures. The Board carries out its job with discipline, emphasizing strategic leadership rather than administrative detail, future orientation rather than past or present focus, outward vision rather than internal or interpersonal preoccupation, policy rather than single events, collective rather than individual decisions and governs pro-actively rather than re-actively.
- 1.4A. *Board Focus*. The Board cultivates a sense of group responsibility. The Board works in partnership with the executive director, staff, Members and other key stakeholders. Only those issues that are within the Board's chosen areas of responsibility consume Board time. That is, the Board works on the Board's job, not on the job of staff, though the Board may review staff performance against Board policies at any time. The Board acts so that coverage, rates, expenditures and reserves are where they need to be.
- 1.4B. *Board Meetings*. Meetings are for the single task of getting the Board's business done. CIS Members are advised of meeting dates, times and locations. Meetings are open to Members, except when an executive session is called.
- 1.4B(1). The Board convenes once a quarter, if needed, and designates the annual Risk Management Conference as its Annual Meeting.
- 1.4B(2). All Board action requires affirmative votes of a majority of the Trustees. Trustees

may participate in meetings telephonically or by means of similar off-site communications devices consistent with state law. Six trustees constitute a quorum for Board meetings.

- 1.4B(3). Trustees prepare for meetings, are well informed and participate productively in discussion, always within the boundaries of discipline established by the Board.
- 1.4B(4). The Board is the sole authority over its own meeting agenda. The chairperson exercises this control on behalf of the Board, though any trustee - with a majority agreeing - can add or delete business from the agenda. Agenda material is provided to trustees with adequate lead-time for preparation.
- 1.4B(5). Deliberation at Board meetings is fair and open, but also efficient, timely, and orderly. Important background materials will be available at least one week in advance of Board meetings.
- 1.4C. *Chairperson.* The Board charges the chairperson to make decisions on issues of Board Process and Board-Executive Relationship, within established policies.
 - 1.4C(1). The Board elects from among themselves, a chairperson, vice-chair and secretary to serve an annual term beginning July 1 each year. The chair and vice-chair positions alternate annually between appointees of LOC and AOC.
 - 1.4C(2). The chairperson oversees the integrity and fulfillment of the Board's process and occasionally represents the Board to outside parties.
 - 1.4C(3). The chairperson is authorized to use any reasonable interpretation of the provisions in Board Process and Board-Executive Relationship policies, except where the Board specifically delegates portions of this authority to others.
- 1.4D. *Board Members.* On taking office, trustees sign an "acknowledgment of fiduciary responsibility agreement." The Board commits itself and its trustees to ethical,, businesslike and lawful conduct, including proper use of authority and appropriate decorum when acting as trustees.
 - 1.4D(1). Because poor governance costs more than learning to govern well, the Board invests in its governance capacity. Trustees participate in educational and training opportunities to ensure continual development in their roles and engage in periodic Board discussion of process improvement and fiduciary duties.
 - 1.4D(1)a. If available, monies are set aside in CIS' annual operating budget for trustee training, including attendance at relevant conferences and workshops. Training monies are used liberally to maintain and increase trustee education in the governance process.
 - 1.4D(1)b. If available, training monies are used liberally to orient new trustees, and candidates for service on the Board, in the Board's governance process.

- 1.4D(2). Recognizing that the LOC and AOC appoint the CIS Board of Trustees, the Board may choose to offer suggestions regarding qualifications for appointees and ask that such guidelines be considered in the appointment process.
- 1.4D(3) Trustees respect the confidentiality appropriate to sensitive issues.
- 1.4E. *Board Committees.* The Board structures Board committees to assist with Board tasks.
- 1.4E(1). Board committees help the Board by preparing policy alternatives and implications for Board consideration. Board committees do not speak or act for the Board except when formally given authority for specific and time-limited purposes. Their authority does not conflict with authority delegated to the executive director.
- 1.4E(2) Standing Board Committees' include:
 Finance Committee
 Audit Committee
- 1.4F. *Board Planning Cycle.* To govern in a manner consistent with Board policies, the Board follows an annual agenda that evaluates Ends policies at least once a year and continually improves Board performance through trustee education and enriched input and deliberation. At meetings, the Board deals with consent agenda items as expeditiously as possible. Staff performance is included on the meeting agenda if monitoring reports show policy violations.
- 1.4F(1). The Board's first calendar quarter meeting is held in conjunction with the CIS Risk Management Conference. Its focus is on securing Board input regarding coverage and benefits plans for the upcoming fiscal year.
- 1.4F(2). The second calendar quarter meeting deals with rate making, administrative planning and budgeting issues so that a one-year segment of the Board's most recent statement of long-term Ends can be accomplished.
- 1.4F(3). The third calendar quarter meeting deals primarily with renewals and developing strategies for consultation with Members, which takes place during the balance of the calendar year.
- 1.4F(4). The fourth calendar quarter meeting, usually in a retreat setting, focuses primarily on the Board's major oversight responsibilities, trustee education, review of prior fiscal year performance, and planning for new calendar year activities. This meeting is also an opportunity for the Board to assess periodically its bylaws and structure.
- 1.4F(5). Outside monitoring assistance is arranged at Board request so the Board can exercise control over organizational performance. This includes, but is not limited to financial audits and actuarial studies.
- 1.4F(5)a. Monies are allocated in CIS' annual operating budget for actuarial studies,

financial audits and other third party monitoring of organizational performance.

SECTION 2. BOARD-EXECUTIVE DIRECTOR RELATIONSHIP

Purpose

These policies spell out how the Board transfers authority to management. These policies describe the nature of the delegation as well as the way in which the proper use of delegated authority is monitored. Policies do not necessarily describe what is delegated, but rather how delegation occurs. They do not tell the executive director what to do, but rather describe how that position relates to the Board.

- 2.0 Relationship. The Board conducts its business through the executive director.
- 2.1 Delegation. The Board instructs the executive director through written policies prescribing the organizational Ends to be achieved - certain results, for identified recipients, at certain costs - and, in Executive Limitation policies - describing organizational situations and actions to be avoided. The executive director is then expected to use a reasonable interpretation of these policies.
- 2.1A. *Executive Director Authority*. As long as the executive director uses a reasonable interpretation of the Board's Ends and Executive Limitation Policies, the executive director is authorized to make all decisions, take all actions, establish all practices and develop all activities.
- 2.2. Accountability. The executive director is the Board's link to operational achievement. All authority and accountability of staff, as far as the Board is concerned, is considered the authority and accountability of the executive director. The executive director is accountable to the Board for CIS achieving the Board's Ends policies and avoiding transgressions of the Board's Executive Limitations policies.
- 2.3. Assuring Performance. Monitoring occurs to determine the degree to which Board policies are being met. Systematic and rigorous monitoring of the executive director's job performance will be against the outputs and outcomes the executive director is charged to deliver - organizational performance upon Ends policies, and organizational operation within limits established in Executive Limitations policies.
- 2.3A. *Method*. Adopted policies will be monitored in one or more of three ways:
Internal Report: Disclosure of compliance information from the executive director.
External Report: Discovery of compliance information by a disinterested external auditor or inspector selected by and reporting to the Board.
Direct Inspection: Discovery of compliance information by the Board as a whole, or its designated representative.
- 2.3B. *Frequency*. Any policy can be monitored by any method at any time the Board chooses. For regular monitoring, however, the Board classifies each Ends and Executive Limitations policy according to established frequency and methods:

Monitoring Schedule	Method	Frequency
Ends Policies		
4.0. Desired Results	Staff report - participation/retention levels	3 rd Quarter
	Staff report – work plan updates	Quarterly
	Board - review of governance policies	4 th Quarter
	Board - evaluating executive director performance	4 th Quarter
	Staff Report - Friday Report to Trustees	Weekly
	Staff Report – Quarterly Report to Members.	Quarterly
4.1. Coverage	Review by Matrix Coordinators	1 st & 2 nd Quarter
4.2. Risk Management	Staff report – work plan reviews	Quarterly
4.3. Fin. Stability	Review by Auditor and Actuary.	4 th Quarter
	Staff report - operating performance - CYPM	4 th Quarter
	Staff report - rates for upcoming policy year	2nd Quarter
4.4 Value to Members	Staff report –Advisory Committee Meetings	Quarterly

Executive Limitations Policies

3.0. Limitations	Staff Report - Friday Report to Trustees	Weekly
3.1. Member Treatment	Annual Member Survey	1 st Quarter
	Staff report - member eligibility requirements met	3rd Quarter
3.2. Staff Treatment	Staff report - personnel review with Finance Cttee	2nd Quarter
3.3. Fin. Planning	Staff report - Proposed CIS operating budget	3rd Quarter
	Staff report - operating budget monitoring	Quarterly
	Financial review by auditor	4th Quarter
	Staff report - Consultation with AOC/LOC	2nd Quarter
3.4. Asset Protection	Report by actuary, Staff CYPM	4th Quarter
	Staff report –loss projections	Quarterly
	Staff report - investment of CIS funds	Quarterly
3.5. Board Support	Review by Chair and Board members	Quarterly
	Staff report - monitoring & decision data	Quarterly

2.4. Effect of Amending Policies. The Board may change its Ends and Executive Limitations policies, thereby shifting the boundary between Board and executive director domains. So long as any particular delegation is in place, the Board is expected to support the executive director's choices. This does not prevent the Board from obtaining information in the delegated areas.

2.5. Individual Trustees Relationship with Staff. Only decisions of the Board acting as a body are binding upon the executive director and staff.

2.5A. *Individual Board Member Contact.* Decisions or instructions of individual trustees or Board committees are not binding on staff, except in rare instances where the Board gives specific authorization. Individual trustees may have whatever relationship with the executive director or a staff member that is acceptable to the executive director, except that they can never carry the instructive authority of the Board, nor can they waive requirements set by the Board. If trustees or committee members require information or assistance without Board authorization, the executive director may refuse such requests that require - in the executive

director's judgment - a material amount of staff time or funds, or that are disruptive.

- 2.6. Evaluating Performance of Executive Director. Annually, at its 4th Quarter Meeting, the Board formally evaluates the executive director, considering the degree of organizational accomplishment upon Ends policies, and organizational compliance with Executive Limitations policies as primary performance criteria.

SECTION 3. EXECUTIVE LIMITATIONS

Purpose

Executive Limitations Policies reflect assurances the Board needs before it is willing to safely withdraw from most details of operation. While Ends policies tell the executive director what the Board intends for the organization to achieve, Executive Limitations policies tell the executive director and staff what the Board will not tolerate.

These policies establish the conditions for pre-approval of any staff decisions or activities that do not violate the policies. In effect, the Board is saying to the executive director, any action you take can be considered Board-approved if it does not violate these policies and the executive director is accountable for ensuring that all further decisions and actions constitute reasonable interpretations of the policy limits. If the Board worries about staff making reasonable interpretations of Board policy it can make further clarifying policy sub-sets, until it is satisfied that staff won't get it wrong.

The Board monitors whether the staff means used does indeed respect the boundaries placed on them by these policies.

- 3.0 Executive Limitations. The executive director shall not cause nor allow any practice, organizational circumstance, activity or decision that is either imprudent or in violation of commonly accepted business or professional ethics as they might apply to organizations similar to CIS. The executive director shall not endanger CIS' public image or credibility, thereby jeopardizing its ability to accomplish its mission.
- 3.1. Treatment of Participating Members. With respect to interactions with current or prospective Members, the executive director shall not cause or allow conditions, procedures or decisions that are undignified, discourteous or fail to provide appropriate confidentiality or privacy.
- 3.1A. *Member Eligibility*. CIS products and services shall not be offered to an entity that does not belong to LOC and AOC.
- 3.2. Treatment of Staff. With respect to treatment of staff, the executive director may not cause or allow conditions that are unlawful, unfair or undignified.
- 3.2A. *Compensation and Benefits*. With respect to employment, compensation, and benefits to employees, consultants, contract workers and volunteers, the executive director shall not cause or allow jeopardy to fiscal integrity or public image.

- 3.2A(1). The number of full-time equivalent positions, total staff compensation, and benefits shall not exceed those authorized by the Board during the annual budget setting process. Salaries and benefits will not deviate materially from that offered for similar positions in comparable public or private sector market settings.
- 3.2A(2). The executive director shall not operate without written personnel policies that clarify personnel rules for staff; provide for effective handling of grievances; and protect against unlawful or wrongful conditions.
- 3.2A(3) The executive director shall not fail to maintain an up-to-date management staff development program and current succession plan.
- 3.3 Financial Planning & Budgeting. Fiscal year planning shall not deviate materially from the Board's Ends policies.
- 3.3A CIS administrative costs will not be out of line with those of its competitors and other pools that offer similar programs
- 3.3B. *Actual Expenditures*. With respect to the actual ongoing financial conditions and activities, the executive director shall not cause or allow a material deviation of actual expenditures from the Board-approved operating budget.
- 3.3B(1). Funds shall not be received, processed or disbursed under controls that are insufficient under applicable generally accepted accounting principles.
- 3.3C. *Financial Audit*. Financial record keeping for any fiscal year shall not be complete until an independent auditor selected by the Board and reporting to an Audit Committee appointed by the Board, has conducted an annual audit of funds received, invested, kept and disbursed by CIS.
- 3.3D. *Commingling of Funds*. Funds for each separate Trust may not be commingled without assurances that they can be accounted for and used exclusively for the benefits of Members in each separate Trust.
- 3.3E. *Consultation with Local Government Associations*. The executive director shall not present the annual operating budget and work plan for CIS without first consulting LOC and AOC regarding their assessment of CIS related services required by their respective members.
- 3.4 Asset Protection. The executive director shall not allow CIS assets to be unprotected, inadequately maintained, inappropriately used or put at undue risk.
- 3.4A. *Reserves*. Reserves shall not be allowed to fall below the level adopted by the Board and considered necessary to provide stability and security to CIS programs, according to sound actuarial and underwriting principles.
- 3.4A(1).The assessment of actuarial soundness of CIS Trust reserves shall not be complete until an independent qualified actuary has advised on the sufficiency of

reserves. Such evaluation will be conducted as frequently as is required for prudent management by an independent actuary selected by and reporting to the Board.

- 3.4B. *Investments.* The executive director shall not allow investments to be made in violation of the Board's adopted investment policy.
- 3.4C. *Insurance.* The executive director shall not intentionally expose CIS, the Board or staff to claims of liability.
- 3.4C(1). The executive director shall not fail to secure coverage against theft and casualty losses and against liability losses to Board members, staff or each of the Trusts, in amounts that are reasonable for similar organizations of like size.
- 3.4C(2). The executive director shall not fail to protect intellectual property, information and files from loss, significant damage or misuse.
- 3.5. Communication and Support to the Board. The executive director shall not permit the Board to be uninformed or unsupported in its work.
- 3.5A. *Monitoring Data.* The executive director shall not neglect to submit monitoring data required by the Board, in a timely, accurate and understandable fashion, directly addressing provisions of Board policies being monitored. The executive director shall not let the Board remain unaware of relevant trends, anticipated adverse media coverage and material external and internal changes, with particular emphasis on changes in the assumptions upon which any Board policy has previously been established.
- 3.5B. *Decision Data.* The executive director shall not fail to assemble for the Board as many staff and external points of view, opinions and options as needed for fully informed Board choices. Information may not be presented in unnecessarily complex or lengthy form. The executive director shall not fail to supply for the consent agenda all items delegated to the executive director, yet required by law or contract to be Board-approved, along with related monitoring assurance.
- 3.5C. *Other Data.* The executive director shall not fail to advise the Board if, in the executive director's opinion, the Board is not in compliance with its own policies on Board Process and Board-Executive Director Relationship. This is appropriate in the case of Board behavior that is detrimental to the working relationship between the Board and the executive director.

SECTION 4. ENDS (DESIRED RESULTS)

Purpose

Ends policies clarify the results CIS is expected to accomplish. The focus is not on what the organization does, but on what it is for. What will be different, for whom, and at what cost? Who will or who will not benefit from CIS, and in what ways, and at what cost. Ends policies prescribe results, recipients and costs, not activities and intentions.

Ends (Desired Results). The Board's Vision is that:

CIS is highly valued because we are a consistent presence for our Members, providing superior risk financing and risk management services across all coverage lines in a thoroughly professional manner. CIS has an outstanding reputation based on superior performance. We have long-standing partnerships with our Members, who value our role in enabling them to invest jointly in their long-term future.

As the ultimate owners of CIS assets, unallocated surplus accrues to their benefit. We strive to provide the best coverage and plans at the best rates and to establish the standards that apply in our marketplace. We offer all lines of coverage to all eligible entities, including small entities under-served in the marketplace. Members recognize the value of CIS's breadth of coverage and services, and they understand that their contribution to CIS is an investment in long-term protection.

We are selective and fair in our pricing, which may reflect industry conditions but is driven by Members' anticipated losses and program expenses. We recognize and reward good loss experience. We acknowledge poor performance and set prices appropriately, working with poorer performers to improve loss ratios through adequate pricing and aggressive risk management. Members take responsibility for reducing their own claims in order to lower losses and minimize their annual contributions. If a competitor offers a more effective package to eligible entities, we adapt where needed to better serve our Members. If we believe they are simply buying business, we stand firm because we know that a mindless price war ultimately hurts our Members.

All trusts and all lines of coverage are financially viable; all have sufficient reserves.

CIS Board - Goals

- CIS offers LOC/AOC members the best coverage and plans at the best rates
- CIS works with its Members to aggressively manage risk across all lines of coverage
- CIS ensures that each Trust it administers is financially viable
- CIS manages each Trust so that it is highly valued in the local government marketplace

Implementing the Board's Vision and Goals - Our Mission at CIS

City County Insurance Services (CIS) administers three separate Trust programs that enable members of LOC/AOC to act jointly on matters of mutual concern to manage **Risk**, which is broadly defined as "a possible loss or other adverse event that has the potential to interfere with an entity's financial stability or ability to fulfill its mission."

Consistent with the LOC/AOC Trust Agreement and the CIS Board's Bylaws, Rules and Policies, members of LOC/AOC place funds with Trusts administered by CIS in anticipation of receiving:

- (1) Coverage and benefits plans that protect against the adverse effects of events that threaten their financial stability and ability to fulfill their mission.
- (2) Support and assistance to help them aggressively manage their cost of risk.
- (3) A joint ownership interest in a financially viable Trust that is highly valued by its Members.

In their dealings with CIS, our Member-Owners expect that CIS will honor its promise of future performance. We meet or exceed expectations when:

- (1) We clearly and consistently communicate the membership benefits and obligations of each Trust program, and
- (2) We establish a high level of Member-Owner "trust" that we will deliver the benefits plans, coverage products and services we describe, in a manner that meets their needs, using fair, ethical and financially sound business practices.

By acting as risk financing and risk management partners with our Member-Owners CIS differentiates itself from insurance companies that sell products and services to clients. The dual concepts of administering Trusts, where local governments come together to achieve specific results, and the principle of "trust", the confidence that we will listen and fulfill the promises we make with acceptable outcomes, is key to understanding our mission and purpose

Mission Statement

In a word, CIS exists to be "**Trust/trust-worthy**". As Trustees, staff, and contract service providers, our work is consistent with this mission when we invest our energy and align our efforts.....

"To Deliver Trust-WORTHY results in trust-worthy ways".

We **deliver Trust-WORTHY results** when we protect our Member-Owners against risk with appropriate coverage/plans, efficient resolution of claims and effective risk management services, at rates we can justify and Member-Owners can support, as demonstrated by their continued use of our programs.

We deliver results **in trust-worthy ways** when our actions enhance the value and confidence Member-Owners and others have in CIS – when we listen, and when we are truthful, respectful, reliable, supportive, fiscally prudent and completely professional in our service to one another, to each Trust program, and to each of our Member-Owners .

4.1 Coverage/Plans. CIS offers Members the best coverage and plans at the best rates.

4.1A. *Offerings*. CIS offers to every city and county in LOC/AOC property and casualty

coverage and employee benefits plans that are tailored to the needs of Members, are the broadest available in the market place and are priced at competitive market rates. Staff will track and report the results of these marketing efforts.

4.1A(1). CIS aggregates the collective buying power of Members, and utilizes the economic advantages of individual and pooled risk retention, to provide joint self-insured risk retention pools for property and casualty coverage which reflects lower overall costs than commercial insurance products.

4.1A(1)(a). Members are charged rates appropriate to their exposures and loss experience.

4.1A(2). CIS aggregates the collective buying power of Members to secure employee benefits plan options that respond to Member needs, provided through joint self-insured risk retention pools or group purchase programs negotiated with carriers. The employee benefits Trusts' administered by CIS market a choice of plan options for health and welfare benefits i.e. medical, dental, vision, life, short and long term disability and related services. These options are offered to local government employers, their employees and dependents, at rates that seek to stabilize the cost of funding these programs for Members.

4.2. Risk Management. CIS works with Members to assist them to aggressively manage risks across all coverage and plans.

4.2A. *Services*. CIS makes available effective loss prevention and loss control programs, claims management and consulting, data gathering, information sharing, education, training and related risk management services.

4.2A(1). CIS' risk management efforts will focus on areas of greatest risk as reflected in claims experience data.

4.2A(2). Using individualized risk management plans, CIS staff will help Members prioritize where risk management efforts are likely to be most effective in reducing their cost of risk.

4.2A(3). Through a combination of adequate pricing and effective risk management, CIS loss ratios will continue to meet target levels approved by the Board.

4.3. Financial Viability of CIS. CIS is financially stable and highly valued by its Members.

4.3A. *Joint Self-insured Pools*. CIS joint self-insured pools are financed through the use of actuarially sound contribution schedules at appropriate retention levels. Each year's contributions are expected to cover that year's losses and expenses and add to surplus. The Board establishes target reserve levels.

4.3B. *Group Purchase*. CIS' group purchase programs are underwritten by the carrier or insurer. Surplus amounts generated by group purchase programs may be used, subject to Board approval, as a subsidy to write down group rates proposed by carriers in order to provide pricing stability to Members. If rates imposed by CIS are

likely to result in a shortfall for any group purchase program, surcharges may be imposed on Members in the program where the shortfall is anticipated.

- 4.3C. *Reporting.* The CIS Board and Members will receive regular reports on key benchmarks that reflect the status of CIS operations.
- 4.4. Highly Valued. CIS manages each Trust so that it is highly valued in the local government marketplace.
 - 4.4A. *Cooperative Efforts.* CIS works together with those who have common interests when these efforts have the potential to produce benefits for CIS Members. CIS acts as a catalyst for change and innovation helping Members to better finance and manage their risks. CIS is a leader in working with other programs and affiliates of the local government associations on issues of joint interest.
 - 4.4B. *Membership Services.* CIS acknowledges the importance of membership services and works with LOC and AOC to improve and expand services to local governments in ways that are consistent with CIS' own vision.
 - 4.4C. *Risk Management Advisors/Local Agents.* The Board acknowledges the potential for risk management assistance to be provided by local insurance agents designated by CIS as Risk Management Advisors (RMA) and the value of such assistance to Members and to CIS. CIS has no direct agency relationship with RMA's/local agents, allowing that relationship to be negotiated in each local community. Fee-for-service compensation is handled at the Member entity level. If it is the preference of the entity and the RMA, CIS accommodates the collection of a local agent commissions-type payment and forwards that payment on to the RMA..
 - 4.4D. *Diversity.* The Board recognizes the geographic and size diversity of local governments and designs and actively markets innovative and competitive products and services appropriate for the wide range of needs and interests of the Members. CIS exercises the necessary judgment to find the appropriate balance between being responsive to the needs of prospective members, and individual Members, while protecting the basic integrity of its core programs for current Members.
 - 4.4E. *New Products & Services.* New products and services, which do not have a demonstrated link to the pricing for current programs, are financed from sources other than existing Trust funds.
 - 4.4F. *Service Approach.* CIS trustees and staff recognize they are customers of, and service providers to, others with an interest in CIS. As such, CIS representatives communicate and treat people with respect and courtesy while consciously adding value to CIS' relationships with Members, RMA's, local agents, LOC/AOC, suppliers, citizens and other stakeholders.
 - 4.4G. *Personal Responsibility.* Representatives of CIS accept personal responsibility and accountability for their own actions as they strive to create opportunities,

remove barriers and ensure that CIS is highly valued by its Members.

4.4H *Legislative Involvement.* CIS acts as an information resource to Members and LOC/AOC in presenting to appropriate legislative bodies and committees, data related to the cost of public body risk in Oregon.

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