

RHODE ISLAND INTERLOCAL



BUILDING ON OUR FOUNDATIONS



2014 ANNUAL REPORT

YOU are The Trust

THE RHODE ISLAND INTERLOCAL RISK MANAGEMENT TRUST IS MEMBER-OWNED AND MANAGED,
PROVIDING THE HIGHEST RISK MANAGEMENT SERVICE OPPORTUNITIES TO RHODE ISLAND
PUBLIC ENTITIES AND THE PEOPLE THAT THEY SERVE.

Dear Member-Owners,

A foundation can best be described as a basis upon which something stands or is supported. This year's Annual Report theme "Building on Our Foundations" takes a look at how The Trust has successfully built upon its enduring commitment to provide the highest risk management service opportunities to Rhode Island's local governmental entities and the people that they serve.

The Trust first laid its foundation back in 1986 when Rhode Island local municipalities and school districts came together to find a way to work cooperatively to jointly self-insure their risks. The construction was unique, as The Trust was not designed as a traditional insurance company, but rather an organization focused on risk sharing and financing. Trust Members are encouraged to incorporate sound risk management protocols and safety procedures into their daily routines so that fewer losses will be experienced, ultimately resulting in lower premiums for all Trust Members.

By creating value through partnership and collaboration, The Trust is better able to engineer innovative solutions that work to the benefit of all Members by helping them learn and consistently practice the highest standards of public sector risk management. After more than two decades of listening to, understanding, and serving the needs of Rhode Island's public sector entities, The Trust is able to continually fine-tune and develop highly targeted insurance and risk management programs and services like no other.

Although it has grown significantly over the last 28 years, The Trust has remained committed to its unparalleled tradition of excellence to find new and better ways to manage the unique risks facing its Member municipalities, school districts and special purpose districts. By following this blueprint, The Trust has firmly cemented itself as the premier source for local governmental insurance and risk management services in Rhode Island.

Sincerely,



Ian C. Ridlon, Esq.
President & Executive Director



Stephen A. Alfred
Chairman, Board of Trustees
South Kingstown Town Manager



LEADERSHIP

For 28 years, The Trust has built upon its foundation as a Member-owned and managed organization, providing the highest risk management service opportunities to Rhode Island public entities and the people that they serve. It has earned its place as the premier, one-stop shop for public entity insurance and risk management services, serving as an architect for innovative ways to address the unique exposures of its participating Member municipalities, school districts and special purpose districts.

A leadership change occurred when, for the first time in 22 years, the Board of Trustees appointed a new President and Executive Director. On February 1, 2014, Ian C. Ridlon, Esq. became The Trust's fourth President and Executive Director. He immediately committed to continue building upon The Trust's foundation and unparalleled tradition of excellence, while at the same time vowing to work collaboratively to find new and better ways to assist Trust Members by expanding programs and controlling costs.

Having served as The Trust's General Counsel and Director of Legal Services for the prior eight years, Ian is familiar with The Trust's staff and operations, and has a strong grasp of the issues facing Members. This enabled him to move into his new leadership role effortlessly. He got to work quickly to institute several changes designed to provide for more streamlined and efficient operations.

A thorough review of the overall functionality and effectiveness of The Trust's internal underwriting and claims systems was undertaken. After a number of discussions with sister pools, professional associations and actuarial advisors, The Trust solicited and received proposals from various companies who specialize in public sector pool design, underwriting, claims, marketing and management systems and is planning to have the new systems in place over the next year.



To better integrate and enhance operations, a number of staff positions were restructured and filled. With the retirement of Brian Ahern, The Trust hired a new Director of Risk Management Services. Colleen Cook, ARM, joined The Trust with over 20 years of risk management experience, much of which was developed in the public sector. Under her leadership, The Trust is looking to redefine, enhance and expand its loss prevention programs to better address the issues facing Trust Member entities. Colleen Bodziony was named Director of Operations and Member Services where she is responsible for facilitating the integration of all Trust departments, as well as membership services, account management and program marketing. Brian Lavalley was named Director of Employee Benefits Programs where he is responsible for developing health, dental and life insurance rates, Member benefit plan design alternatives and The Trust's wellness programs. Shannon Ruff was named Director of Property & Casualty Underwriting where she is responsible for developing and fine-tuning the underwriting models

and strategies used to establish Member premiums, as well as work with The Trust's various reinsurers.

Ian will remain involved with state and local organizations to further the vision and influence of The Trust and its Members. He was appointed to serve on the Workers' Compensation Advisory Council where he can provide public sector interests a stronger voice by ensuring that the workers' compensation system remains fair and properly balanced between the interests of injured workers and local governmental employers who often face some unique circumstances not encountered by private sector firms. Additionally, Ian continues to serve on the Public Safety Dispatch Subcommittee of the legislatively created Joint Municipal Shared Services Committee, which is investigating ways that public safety dispatch services can be shared among communities to increase efficiencies and reduce costs.



PARTNERSHIP

Partnership and collaboration are the cornerstones of The Trust's existence. Working together with its Members, The Trust is able to provide a solid foundation for comprehensive insurance protection at a reasonable cost while also initiating and improving loss prevention and risk management programs that work to the benefit of all Members. As partners, Trust Members have the unique opportunity to take action together.

The Trust's Safety Committee Roundtable, which brings together representatives from all Member safety committees to share risk management ideas and collaborate on evolving safety programs, has become a building block for Trust Members. This Member-driven, interactive forum allows Members to work collaboratively toward the common goal of reducing workplace injuries. Through the Roundtable, Members have cooperatively drafted and shared the blueprints for a number of important loss prevention programs. The Roundtable allows one entity to lay the groundwork,

while others are able to share in and build upon the success of shared risk management protocols. The Roundtable has served as a springboard for collaboration and partnership for the workers' compensation, property/liability and wellness programs.

The Trust's Pre-Screening of Adverse Employment Actions Program is another great example of shared risk management success. It was engineered when The Trust noticed an alarming increase in both frequency and severity of employment related claims. The Program was structured to allow Members to address legal ramifications of employment determinations with Trust retained panel counsel early on in the process, and before taking any action. This way, Members are able to reduce the likelihood of a claim occurring, or at the very least, can provide for a successful, and less costly, defense in the event of a claim. The Program has been in existence for only five years, but is proving to be a valuable tool. An internal comparative analysis revealed



that Public Officials claims for the policy period 2007-2010 versus 2011-2014 show that the number of claims has decreased by more than 40%.

Working together, side by side, on key issues aimed at reducing police liability across the state, The Trust's unique partnership with the local law enforcement community has proven a mutually beneficial union. Recently, The Trust was invited to participate on a committee, convened by then Governor Chafee, to address public safety officials' response to the alarming increase in drug overdose deaths in Rhode Island. The Trust was able to lend its expertise and provide much needed guidance regarding potential liability of police and first responders in administering Narcan, a medicine that can counter the effects of opiate overdoses.

The Trust has also been a strong supporter of the Rhode Island Police Accreditation Commission as it strives to bring in-state accreditation to all law enforcement

agencies in Rhode Island. With a steady framework in place, The Trust is now entering the final year of an initial three year financial commitment and has, to date, contributed nearly \$90,000 toward the Accreditation Program. The Trust intends to continue its support of these efforts on a year-by-year basis beginning in 2015, as more Member departments achieve accreditation and then, equally importantly, come up for their certification renewal. To date, 44 law enforcement agencies are actively pursuing accreditation through the Program, 31 of which are Trust Members. So far, nine departments have earned their accreditation while another 14 are expected to be accredited by June 2015.



FINANCIAL

By spreading the risk of loss amongst a variety of entities across the state, and by employing pro-active loss prevention measures, The Trust is able to provide a stable and long-term risk financing foundation for all of its Members. The Trust's financial structure is simple – the success of the various risk sharing pools accrue to its Member-Owned municipalities, school districts and special purpose districts. Cumulatively, since 1998, The Trust has returned nearly \$25 million to Members as dividends from its various risk sharing pools. This past year alone, The Trust returned more than \$5 million to Health and Dental Pool Members in the form of Member Equity rate credits. With its financial strength and strong Member Equity, The Trust has the confidence and flexibility to better control rising premium rates and continue to build upon its existing risk management programs and services.

When losses do occur, Members are well protected. Over the last several years, Trust Members have

experienced very high property losses, not only from severe storms which are unquestionably becoming more frequent, but also from the even more routine types of loss – the freeze-ups, an occasional fire, or wind, rain and snow damage. The proliferation of catastrophic storms has taken a toll not only on Members in terms of physical loss, but also on the cost of The Trust's reinsurance for such incidents.

Despite a significant, marketwide increase in property reinsurance, The Trust has been able to minimize the financial impact on its Members to some degree thanks to its strong Member Equity position which has been used to offset a portion of the increases. Additionally, The Trust has gone a step further and re-engineered its reinsurance structure by aggressively scouring the market for new reinsurers and modifying the way the reinsurers interact to provide coverage. This effort has the dual benefit of better controlling costs and providing more expansive coverage. Additionally, for



the first time ever, The Trust secured a separate standalone Terrorism Policy which provides its Members with a broader scope of coverage and also resulted in a premium savings.

The Trust is constantly renovating and developing plans of action and long-term strategies to ensure that the risk sharing pooling concept remains a viable foundation of sound and progressive public sector management for Rhode Island's municipalities, school districts and special purpose districts. In a relatively new venture, the Board of Trustees recently authorized The Trust to move ahead and partner with Public Agency Retirement Services (PARS) to create a Trust-sponsored Other Post Employment Benefits (OPEB) Program. The establishment of an OPEB "trust" fund provides numerous benefits to Members. By pooling investments, Members would maximize returns and lower costs through better investment returns, essentially using the higher rates of returns flowing from

a diversified and long-term investment program rather than a short-term, lower rate investment program. The total OPEB liability for Rhode Island's cities, towns and school districts is over \$3 billion, but is currently less than 2% funded. Accordingly, a Trust OPEB Program will provide Rhode Island's municipalities and school districts with an invaluable tool to address this issue.



RESOURCE



By design, what The Trust is able to offer its Members is unique, and involves much more than just insurance. The Trust is an expert on public sector risk and, as such, has come to be relied upon as a valuable resource for many. Members frequently come to The Trust for help in solving some of their most challenging issues.

Aging Workforce

A great example is the work The Trust has done to establish the framework for dealing with the challenges associated with an aging workforce. With more and more employees working later into life, it is imperative that steps be taken now to prepare and guide Member employees toward work and lifestyle choices that sustain productivity, reduce health risks and minimize injuries while on the job.

The Trust has been monitoring the impact of work-related injuries to aging workers by examining workers' compensations claims costs. With the addition of a

certified ergonomist to its Loss Prevention service offerings, The Trust is working closely with its Members to mitigate risk associated with an aging workforce by anticipating the physical and cognitive changes of age through ergonomic interventions that maximize health, safety and productivity.

Additionally, The Trust has started to lay the groundwork for a comprehensive employee wellness program that can support a healthy lifestyle. Using health assessments, education, coaching, and other methods, The Trust is helping Members avoid the impact of age-related health risks through early identification and intervention. By implementing wellness initiatives, Members have the opportunity to positively influence the health and well-being of their work force, and ultimately drive down their overall health insurance costs.



Vacant and Abandoned Properties

The Trust has spent a great deal of time over the last several months working with its Members to reduce the inherent costly risk associated with vacant and abandoned properties. These properties are known to create an “attractive nuisance” and, as such, become frequent targets for vandals and other intruders. Additionally, because they often go unchecked for long periods of time, these properties are highly susceptible to fire, structural damage (collapsed roof, burst pipes) and environmental issues (water, asbestos, lead, etc.), all of which can translate into costly losses. Through the services and expertise of its Property Loss Prevention Specialist, The Trust has been able to provide comprehensive, on-site inspections and has helped its Members to institute and increase protective safeguards, such as proper maintenance, security and regular supervision of their vacant properties, to better minimize risks and help reduce costly losses.

Value Added Services for Health Pool Members

The Trust provides its Health Pool Members with a number of value-added services including Affordable Care Act (ACA) Compliance & Analysis, related Human Resource Services and Support, Underwriting and Financial Analysis, Wellness Programs and Audits of eligibility and claims. The Trust continues to solicit Member feedback relative to these services and is looking to see what other services could be added in the future to help its Members navigate the constantly changing landscape of health care.

Building on its distinctly different approach to insurance and risk management, The Trust has become a great resource. It continually strives to anticipate the needs of its Members, whether in the scope or type of insurance coverage, risk management program, model policies or compliance matters.

TRUST MEMBERSHIP

MUNICIPALITIES

Barrington, Bristol, Burrillville, Central Falls, Charlestown, Coventry, Cumberland, East Greenwich, East Providence, Exeter, Foster, Gloucester, Hopkinton, Jamestown, Johnston, Lincoln, Little Compton, Middletown, Narragansett, New Shoreham, Newport, North Kingstown, North Smithfield, Pawtucket, Portsmouth, Richmond, Scituate, Smithfield, South Kingstown, Tiverton, Warren, Warwick, West Greenwich, West Warwick, Woonsocket

SCHOOL DISTRICTS

Barrington, Bristol Warren Regional, Burrillville, Central Falls, Chariho Regional, Coventry, Cranston, Cumberland, East Greenwich, East Providence, Exeter-West Greenwich Regional, Foster, Foster-Glocester Regional, Gloucester, Jamestown, Johnston, Lincoln, Little Compton, Middletown, Narragansett, New Shoreham, Newport, North Kingstown, North Providence, North Smithfield, Pawtucket, Portsmouth, Scituate, Smithfield, South Kingstown, Tiverton, Warwick, West Warwick, Woonsocket

SPECIAL PURPOSE DISTRICTS

Benjamin Church Senior Center, Bonnet Shores Fire District, Bradford Fire District, Burrillville Sewer Commission, Chariho Tri-Town Task Force, Clark Memorial Library, Cross' Mills Public Library, Davisville Free Library Association, Discover Newport, East Bay Educational Collaborative, East Greenwich Free Library Association, East Greenwich Housing Authority, East Smithfield Public Library, EBEC Holdings, Foster Land Trust, George Hail Free Library, Gloucester Housing Authority, Gloucester Land Trust, Gloucester Manton Public Library, Greenville Public Library, Harmony Library, Hope Library, Jesse M. Smith Memorial Library, Johnston Housing Authority, Kent County Water Authority, Laymen in North Kingstown Schools (LINKS), Lincoln Water Commission, Little Compton Free Public Library, Nasonville Fire District, Newport County Regional Special Education Program, Newport Public Library, North Scituate Public Library, North Smithfield Fire and Rescue Services, North Smithfield Public Library, North Tiverton Fire District, Northern Rhode Island Collaborative, Pawtucket Water Supply Board, Pawtuxet River Authority and Watershed Council, Portsmouth Free Public Library, Portsmouth Multi-Purpose Senior Center, Portsmouth Water and Fire District, Providence Public Buildings Authority, Prudence Island Water District, Rhode Island Interlocal Risk Management Trust, Rhode Island League of Cities and Towns, Salvatore Mancini Resource and Activity Center, Shady Harbor Fire District, South Kingstown CARES, Stone Bridge Fire District, The Libraries of Foster, Tiverton Wastewater District, Volunteers of Warwick Schools (VOWS), West Bay Collaborative, West Warwick Housing Authority, West Warwick Regional Wastewater Treatment Facility, West Warwick Senior Center

TRUSTEES

Stephen A. Alfred, Chair
Town Manager
Town of South Kingstown

Peter A. DeAngelis, Jr., Vice Chair
Town Manager
Town of Barrington

Scott Avedisian
Mayor
City of Warwick

Jeffry Ceasrine, P.E.
Town Engineer
Town of Narragansett

Maryanne Crawford, CPA, SFO
Director of Administrative Services
South Kingstown School Department

James A. Diosa
Mayor
City of Central Falls

Douglas Fiore
Director of Administration & Finance
Tiverton School Department

Robert A. Hicks, Ed.D.
Superintendent
New Shoreham School Department

Thomas R. Hoover, ICMA-CM
Town Manager
Town of Coventry

John P. Mainville, CGFM
Finance Director
Town of Burrillville

Lori A. Miller
Business Administrator
Lincoln Public Schools

Antonio A. Teixeira
Town Administrator
Town of Bristol

Daniel L. Beardsley, (ex-officio)
Executive Director
Rhode Island League of Cities & Towns

COMMITTEES

EMPLOYEE BENEFITS

Scott Avedisian, *Chair*

Diane L. Brennan

Thomas E. Coyle, III

Lynne S. Dible, CGFM, SPHR

Douglas Fiore

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Laura Kenyon

David Krugman

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STAFF

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Director of Claims

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Business Analytics & Data Specialist

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Network Administrator

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Director of Risk Management Services

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Loss Prevention Specialist

Kenneth J. Fogarty
Property Loss Prevention Specialist

Melissa J. LeBlanc, RN
Health & Safety Promotion Coordinator

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Colleen M. Bodziony
Director of Operations &
Member Services

Michelle A. Auclair
Communications/Member Services
Specialist

Carlin Weirick
Marketing & Member Services
Representative

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Rehabilitation (POWR)

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William J. Thompson, FSA, MAAA
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Windsor, CT

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Avon, CT

INDEPENDENT INVESTMENT ADVISOR

P-Solve Asset Solutions
Waltham, MA

INSURANCE CONSULTANT

James W. Evans, Jr., ARM
Albert Risk Management Consultants
Needham, MA

RHODE ISLAND INTERLOCAL RISK MANAGEMENT TRUST, INC.

BALANCE SHEETS

June 30, 2014 and 2013

	2014	2013
ASSETS		
Cash and cash equivalents	\$ 20,647,276	\$ 20,679,554
Investments, at fair value	84,953,508	71,027,096
Investment in NLC-Mutual Ins. Co.	6,619,338	5,885,866
Reinsurance recoverable on paid losses	194,049	1,371,281
Member receivables	34,249,526	11,412,292
Interest receivable	107,522	118,034
Prepaid expenses and other assets	367,871	149,758
Fixed assets, net of accumulated depreciation	419,973	270,946
Deposit held by claims administrator	1,768,400	1,768,400
Total Assets	\$149,327,463	\$112,683,227

LIABILITIES AND TRUST BALANCE

Liabilities:

Unpaid losses and loss adjustment expenses, net	\$ 42,607,808	\$ 39,373,509
Claims payable	4,248,681	3,635,554
Premiums billed in advance	34,245,596	11,403,193
Premiums received in advance	1,607,966	112,031
Dividends payable	-	2,834,934
Member payables	2,091,795	5,805,218
Accounts payable and accrued expenses	2,656,973	3,447,245
Total Liabilities	\$ 87,458,819	\$ 66,611,684
Trust balance	61,868,644	46,071,543
Total Liabilities and Trust Balance	\$149,327,463	\$112,683,227

STATEMENTS OF OPERATIONS AND CHANGES IN TRUST BALANCE

For the Years Ended June 30, 2014 and 2013

	2014	2013
REVENUES		
Premiums written & earned, net	\$152,028,791	\$150,097,978
Investment income, net	1,526,672	1,455,609
Increase in equity earnings of NLC-Mutual Ins. Co.	733,472	232,359
Net realized gains on sale of investments	647,583	297,236
Increase in fair value of investments	2,820,549	574,739
Finance fee income	54,319	22,411
Miscellaneous income	163,519	48,017
Total Revenues	\$157,974,905	\$152,728,349

LOSSES AND EXPENSES

Incurred losses and loss adjustment expenses	\$137,775,970	\$135,000,429
General and administrative expenses	3,803,774	2,878,331
Professional services	370,022	369,280
Loss control	228,038	230,745
Dividend expense	-	5,766,653
Total Losses & Expenses	\$142,177,804	\$144,245,438
Change in Trust balance	15,797,101	8,482,911
Beginning Trust balance	46,071,543	39,252,588
Member capital contributions	-	350,760
Member capital distributions	-	(1,960,631)
Earned equity distribution for withdrawn Member	-	(54,085)
Ending Trust Balance	\$ 61,868,644	\$ 46,071,543

These condensed statements are derived from The Trust's audited financial statements at June 30, 2014 and 2013 and for the years then ended and do not include all the notes to the financial statements which would be required for conformity with accounting principles generally accepted in the United States ("GAAP"). A copy of the complete financial statements, prepared in accordance with GAAP, including notes and the unmodified opinion, dated December 3, 2014 of The Trust's independent auditors, can be obtained from The Trust upon request.

RHODE ISLAND INTERLOCAL



RISK MANAGEMENT TRUST

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