

APEI-AMLJIA Information Session #4

AMLJIA & APEI, OCTOBER 2, 2024

Thank you for joining us today for what's the fourth update to members on the work of the Consolidation Committee for AMLJIA and APEI. I'm Lynn McNamara, a consultant to public entity pools, and I've been working with the Committee for over a year now.

Today's session is being recorded, and will be posted online after the meeting, along with the slides and commentary.

How to participate

- Raise “hand”
- Put question in chat
- Remain muted until time to talk
- Q & A at the end

We need and want your participation today.

If possible, we’d like to go through the information, and then have our Q & A at the end. When that time comes, please use the “raise hand” feature at the bottom of your screen, or type it in the chat.

There are a lot of us in the session, so we ask that you keep your microphone muted until you’re called on to speak.

Agenda

Welcome and introductions

Where we are now:

- Committee recommendation, action of the Boards

The Plan of Merger

Member vote

Q and A

We are in a different place than when we last met a couple of months ago, and we'll spend most of our time today talking about where that is and what it means for the membership of both pools.

But before we go further, let me turn the floor over to the Consolidation Committee chair, Lon Garrison, to welcome you.

The Committee

Representing APEI

Lon Garrison, Assn. of Alaska School Boards
Melissa Haley, City and Borough of Sitka
Brad Thompson, at-large board member
Mark Vink, Bering Strait School District

Staff:

Barbara Thurston, Executive Director
Carleen Mitchell, Deputy Director

Representing AMLJIA

Nils Andreassen, Alaska Municipal League
Joe Evans, at-large board member
Bryant Hammond, Nome
Brandi Harbaugh, Kenai Peninsula Borough

Staff:

Kevin Smith, Executive Director
Brennan Hickok, Deputy Director

Committee Activities to Date

- 15 meetings, plus online work sessions.
- Member survey to gauge issues of importance to members, understand perceptions of consolidation.
- Three member information sessions to share updates, invite questions.
- Development of website with FAQs, videos of info sessions.

This has been a very active committee, meeting in person or on Zoom at least once a month since August 2023. They also conducted a member survey at the beginning of the process, and had three previous information sessions to keep the membership of both pools updated. And, the APRA website at alaskarisk.org has also provided information.



We're here today to talk about the Plan of Merger that's been developed to bring APEI and AMLJIA together.

Consolidation,
or Merger?



And I imagine you're saying to yourself, merger??? I thought this was a consolidation? What we're proposing isn't any different, but legally, we've learned that creating APRA and then having AMLJIA and APEI become part of it requires a merger rather than a consolidation. The process is the same, but the timing is different.

Boards approve APEI-AMLJIA-APRA Merger!

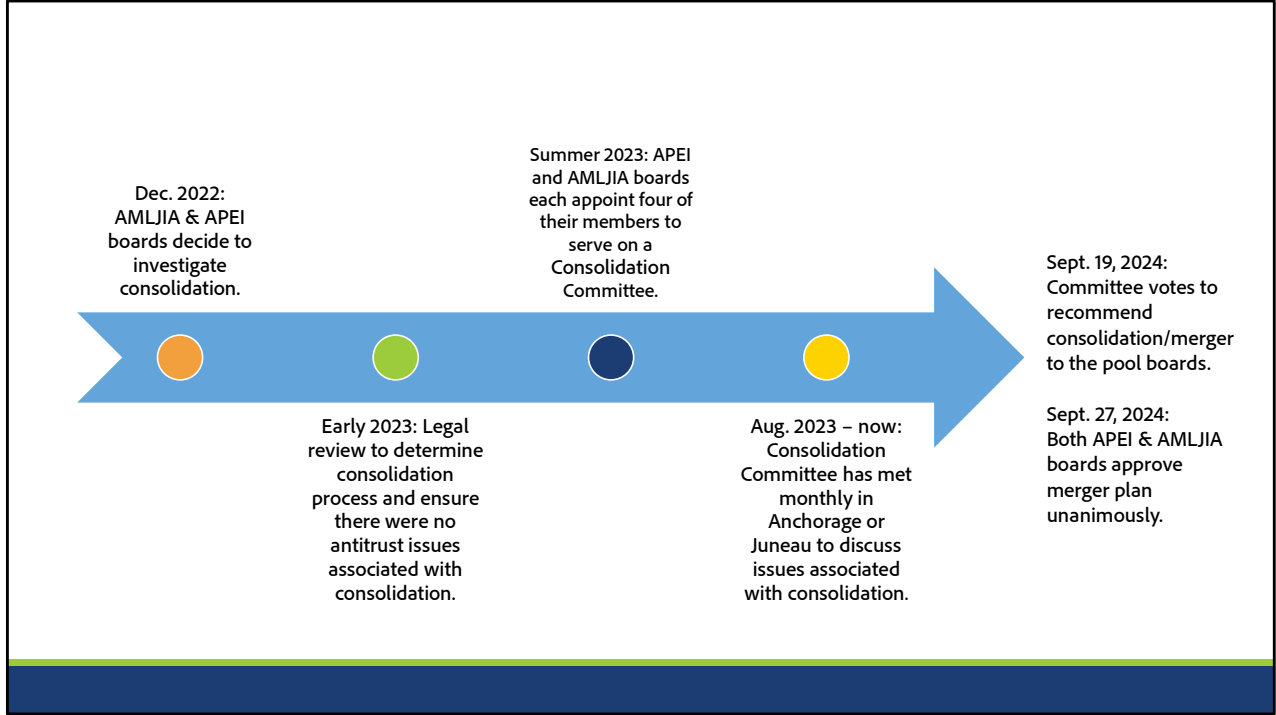
... now it's up to members



The big news since we last met in July is that on Friday, the APEI and AMLJIA boards both unanimously approved the merger into APRA. So now it's up to you, the members, to decide how to move forward.



Before we move forward, though, it's worth a few minutes to look back at how we go here.



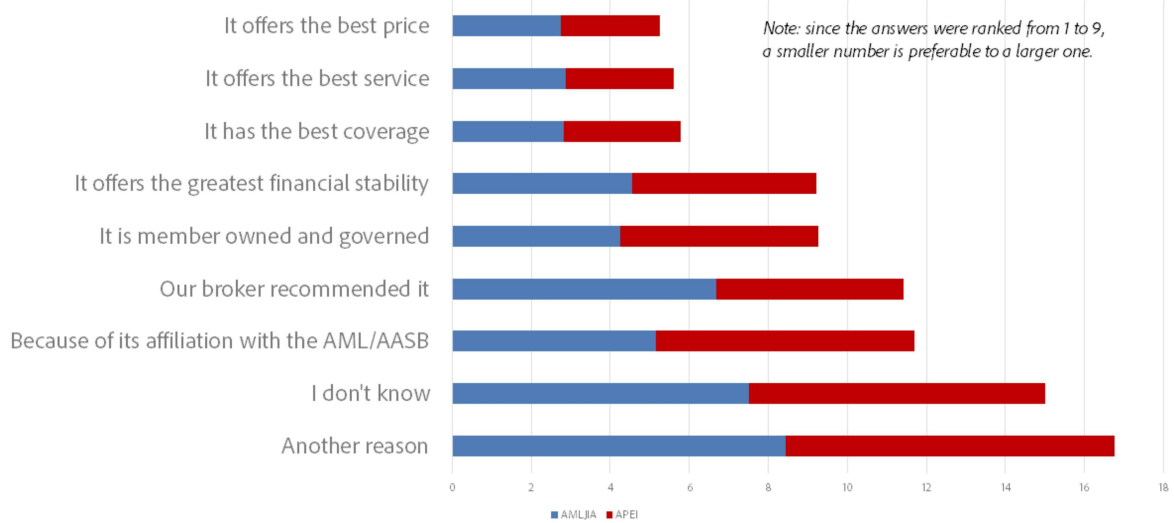
This process dates back to the end of 2022, when the two boards decided to investigate whether consolidation made sense. After an initial legal review to make sure there were no impediments, the boards in the summer of 2023 each appointed four members to the consolidation committee. As I said, the committee has been meeting at least once a month since then, and on September 19, they voted to recommend to the two boards that the pools merge. That was followed by Friday’s vote by the boards, and sets the stage for why we’re here today.



What members told us (Summer 2023)

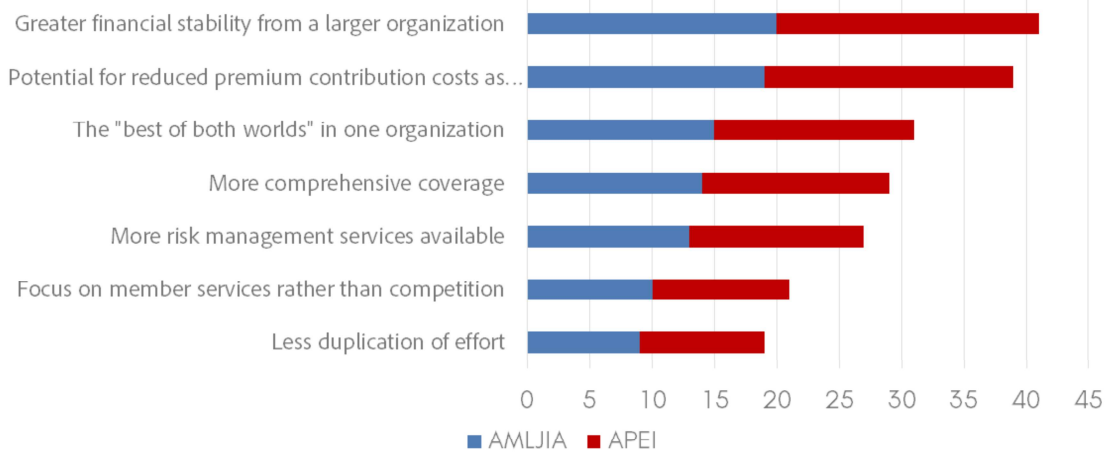
Let's go back now to the summer of 2023, when some of you may have completed a survey of members to understand what was important to them, and what they would hope for if a consolidation occurred.

Q4: Please rank-order your answer to the following question, where #1 is the most important reason: "We are a member of [our pool] today because..."



The committee used your answers to the survey questions to guide them as they thought about consolidation. You'll note at the top that the top three reasons for belonging to a pool are best price, best service, and best coverage, followed by financial stability. You'll also note that the members of both pools – AMLJIA in blue and APEI in red – were aligned on what was important to them.

Q11: What might you see as possible benefits of an APEI/AMLJIA consolidation?



When thinking about the possible benefits of consolidation, the members of both pools were again aligned, thinking about the potential for greater financial stability, the potential for reduced costs, and the “best of both worlds” in one organization. Again, these answers guided the committee as they worked over the past year.

APEI/AMLJIA Consolidation Committee

Workshop #1
September 29, 2023

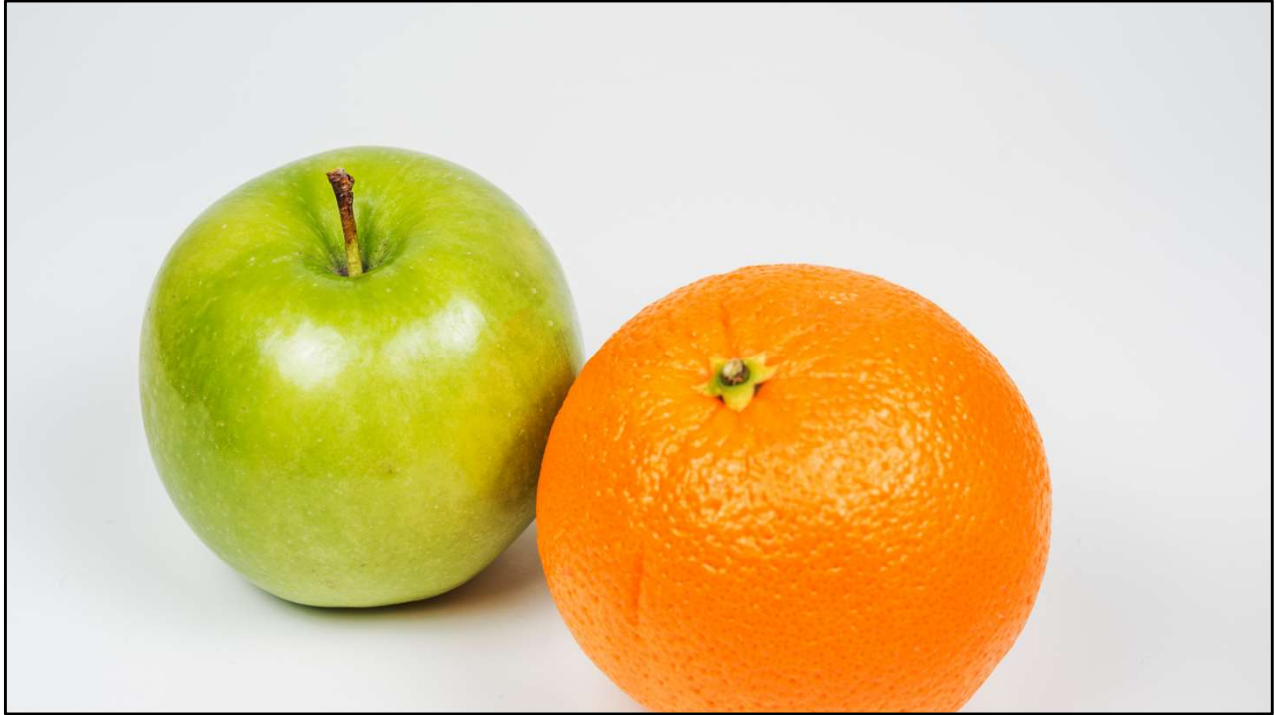


We are here today with a recommendation to move ahead with the merger, but it has truly been a process. The Committee's third meeting, but first in-person workshop was just about a year ago.

As I read the room that day, what I felt...



... was a fair amount of skepticism.



I suggested that the two pools were like an apple and an orange. Both fruits, both great and nutritious.



... but as a fruit salad, they could be even more. And the reaction I got was, “well, I like being an apple. I’ve been perfectly fine as an apple for all these years.” Or, “could anything be better than an orange? I think not.”

Consolidation Math

$$1 + 1 = < 2$$

Funding needed for one combined pool vs. two separate pools

$$1 + 1 = > 2$$

Services that can be provided by combining staff expertise and existing programs

But what changed that perception was simple math that over the past year has been reinforced. The idea that $1 + 1$ is less than two when it comes to the funding needed to operate one pool vs. two. And that $1 + 1$ is greater than two when it comes to the services that can be provided when you combine the expertise of the staff from the two pools, and the existing programs that they offer.



That's when the committee began focusing on what the future might be, and imagining a new organization.



And that new organization is APRA, the Alaska Public Risk Alliance.

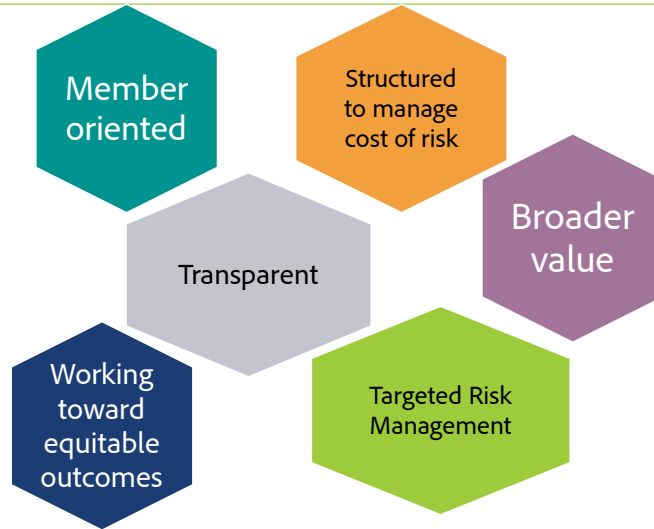
APRA's mission:

The Alaska Public Risk Alliance (APRA) empowers member communities by pooling resources and expertise to meet their unique risk management and coverage needs, ensuring long-term sustainability and value.



... whose mission is to empower

Committee Principles



Early on, the Committee adopted several principles to guide their work, and they have been true to them throughout the process.

- It wants a pool that's member-oriented and member governed;
- A pool that is structured for solid financial results and price stability over time;
- It wants transparency and to create broader value for members through
- Targeted risk management;
- And, decisions that work toward equitable outcomes and that take members into account.



Their other objective was to, wherever possible, offer members – and the staff – the best of the two pools’ offerings. And as we talk through the components of the merger, you’ll see that played out in the decisions that the Committee made.

How the Committee approached its work

- Focus on consensus.
- Techniques: polling, scenarios, open discussion.
- Both big picture and details (governance document wording).
- Nothing that couldn't be worked out.

This was not a passive process or a passive Committee. Led by Lon, the Committee's work focused on achieving consensus. They went about that in a number of different ways, by doing polling that revealed agreement or differences, work with scenarios to learn who and how different decisions would affect different groups of members, and plain old open discussion.

This is a group that focused on the big picture, but wasn't afraid to get into the details, such as working on the wording of the bylaws and cooperative participation agreement in the meetings.

What they found over time is that even though they may have come into these discussions with different points of view, there was nothing that they couldn't work through and work out.

Engaging the experts



It's important for you to know that although the Committee did a lot of work on its own, they were guided throughout the process by experts.

Expert Advice



They received legal guidance, actuarial guidance, and guidance on coverage and reinsurance impact, all of which were critical to making good decisions about the future.

The Plan



Let's talk now about the merger plan itself.



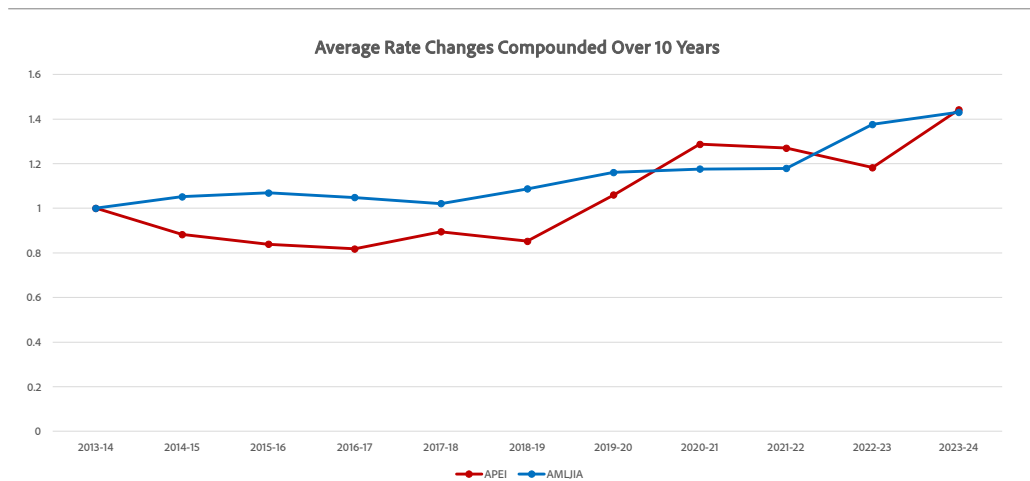
And why the two boards of pools that have been around for about 40 years decided that the time to merge is now.

What's behind that conclusion?

- Pool risks are spread across a larger population.
- Earthquake models show lower probable maximum loss as one pool, than the sum of the two pools separately.
- Greater purchasing power for reinsurance, as well as goods and services.
- Actuary says pools together require less capital for security than the capital needed for the two pools standing alone.
- Eliminates duplication of some costs.
- Combined pools' staff = greater expertise, expanded offerings for all members.

There are some simple reasons for a 'yes' vote on the merger, and they go back to the consolidation math we talked about earlier. The primary reasons are financial – a greater spread of risk, favorable earthquake models, greater purchasing power, the need to hold less capital, and eliminating duplicate costs. But the benefit of combining the talented staff and the services of each pool are just as important.

But what about competition?



One of the biggest concerns we've heard over the past year is about the lack of competition if the two pools come together. It's understandable – generally, when businesses compete, costs are lower for consumers. The difference is that pools are not businesses, per se. They are nonprofit administrators of self-insured programs, and their rates are driven by the cost of claims and the reinsurance needed for financial protection.

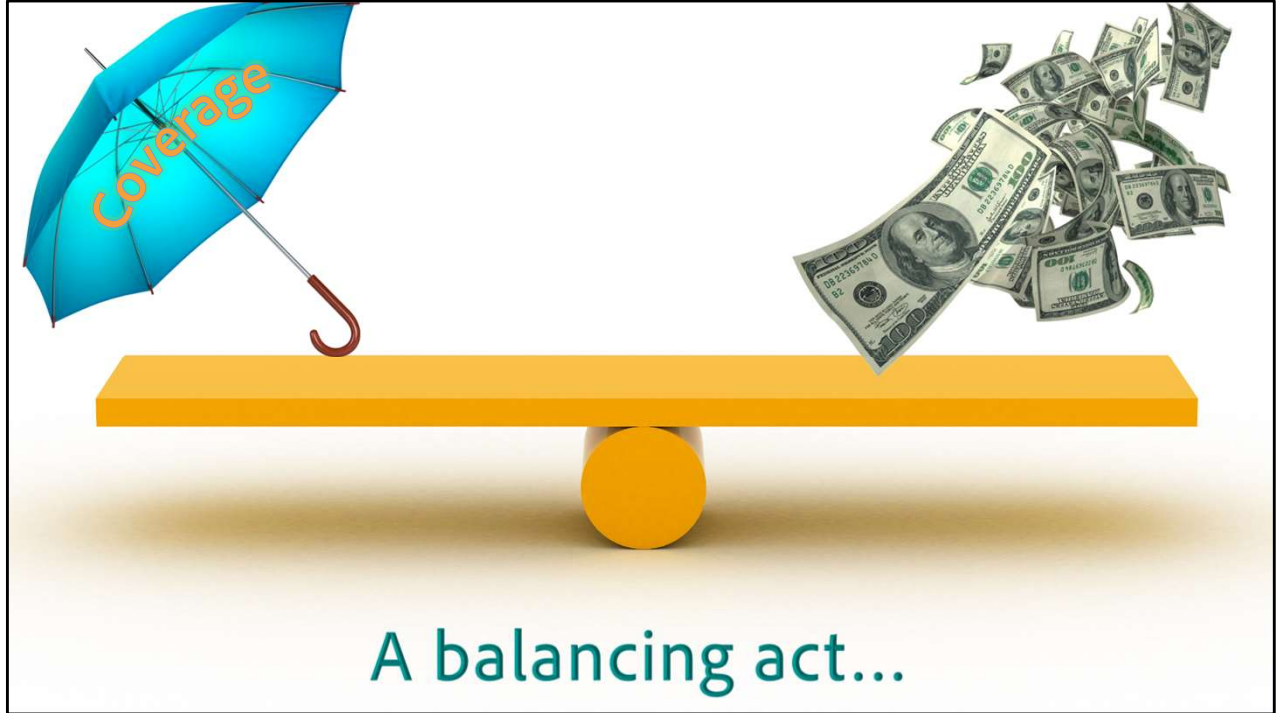
As you see on the chart, when we looked at rates over the past 10 years, and compounded them for each pool year over year, we see that sometimes one pool is higher or lower than the other, but in the end, they are virtually the same.

Of course, there still will be competition, from the private insurance market. Although APRA will always strive to be the best option for public entities, the market still could provide a better choice for some.

Coverage



One of the most difficult tasks in developing APRA has been combining the separate coverages offered by AMLJIA and APEI into one APRA program. While both pools have covered the same risks, there were many small differences that needed to be considered.



It is, and has been, a balancing act to provide members with the best coverage, and to keep it affordable, not just in the first year, but ongoing. The Committee has constantly been aware of that challenge and acted accordingly.

Coverage

- **New and simplified coverage document** for property, liability, workers' comp.
- Although many provisions have changed to some degree, **all pool members will see some expansion of coverage**, compared with what they now have.
- **Coverage limits** (at this point):
 - Property - \$250 million for all members combined per occurrence
 - Liability - \$15 million per member; lower limits offered for law enforcement

Here are some of the highlights of the coverage documents that have been developed over the last few months, and we thank those who took the time to review the draft documents and comment on them. Your input was very valuable.

As I said, these are all new documents for property, liability, and workers' compensation. There have been provisions that will have changed from the current world for members of both pools, but all members will see some expansion of coverage from what they have now.

We've been asked about what coverage limits APRA will be offering. At this point, we are expecting that the aggregate property limit will be \$250 million per occurrence. This amount is the total that would be paid for all members combined for losses related to a single occurrence (such as a big storm or wildfire). \$250 mil is consistent with the aggregate limit that is currently

provided by AMLJIA – APEI’s limit is a bit lower at \$200 mil. We will work with our reinsurers to model APRA’s expected probable maximum loss to make sure that this limit is sufficient for our risks, and will increase the amount of coverage if we feel that it is necessary.

Again at this point, APRA plans to provide \$15 million in liability coverage, consistent with amounts currently offered by both APEI and AMLJIA. Lower limits will be offered for law enforcement liability.

Property Coverage

- **Two options for property coverage developed**; final decisions to be made in Spring, once reinsurance costs are available.
- Ensuring **accurate property valuations will be important** to controlling reinsurance cost and promoting fairness among members over both the short and the long run.

Two options for property coverage that have been developed in an effort to balance price and coverage – we’ll talk about those in a second, along with how the Committee’s discussion revealed the importance of accurate property valuations in controlling reinsurance costs and ensuring fairness among members.

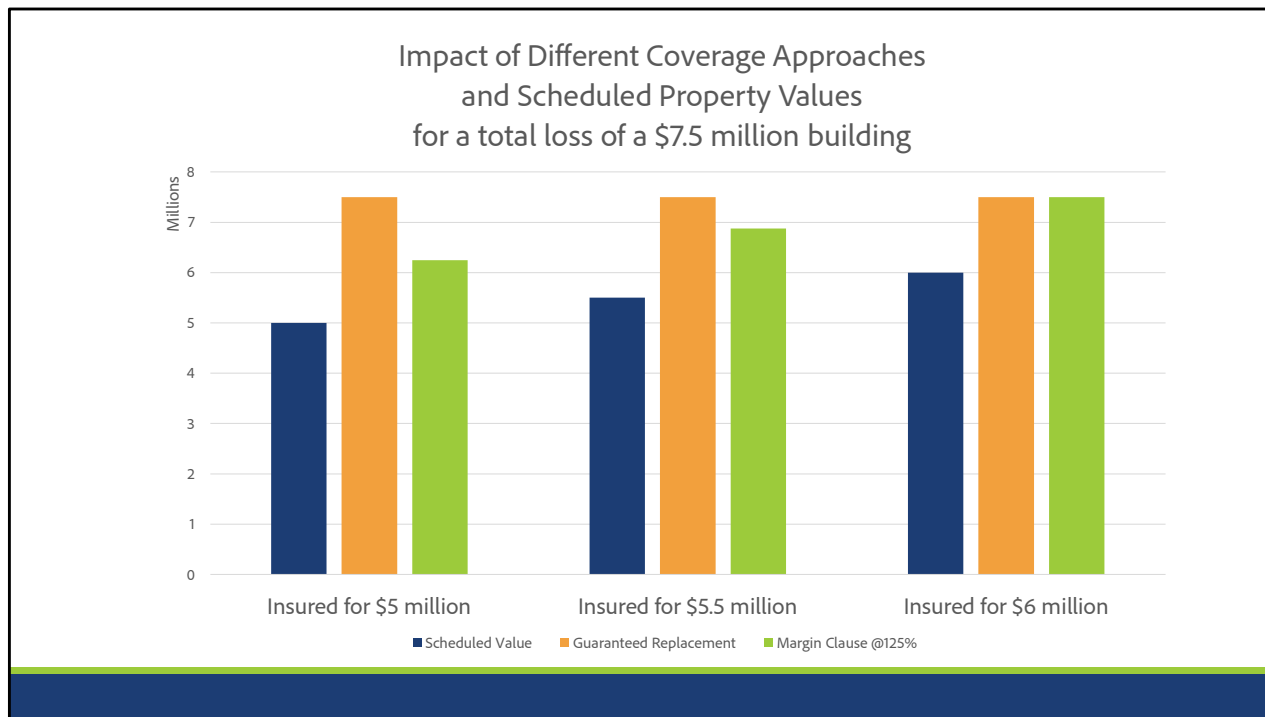
Property: the decisions

- Guaranteed replacement or enhanced margin clause? Both policies developed.
- Brokers will try to place guaranteed replacement, as “best of” coverage; if price appears prohibitive, margin clause price will be requested.
- APRA board will make decision about which coverage to offer in Spring 2025.
- APRA will have a property appraisal program to align scheduled values with replacement costs.

The big decision for the Committee was whether to offer the guaranteed replacement cost that the AMLJIA property policy provides, or the enhanced margin clause that APEI would offer. Guaranteed replacement means that the pool will pay the full amount of the loss. The margin clause means that the pool will pay up to 125% of the scheduled value of the property, which may or may not be enough to cover the full amount.

In keeping with the “best of” concept, the Committee decided to have the brokers try to place guaranteed replacement coverage. That may be the end of the story. But if the price is very high, they’ll request a quote for margin clause coverage, and the Committee – by that time, the interim board – will decide which direction to go in.

The other decision made regarding property coverage is to have a formal, multi-year appraisal program for APRA to align the values members report for their buildings with actual replacement costs.



Let's look at how the two different approaches to coverage come into play when there's a big loss and the impacted building isn't scheduled for its actual replacement value.

In this scenario, there's a building that has a major fire, and the cost to replace it is going to be \$7.5 million. The blue bar is the amount the building is scheduled for. The orange bar shows what guaranteed replacement cost coverage would provide. And the green bar represents what a 125% margin clause would pay.

The group of bars on the left assumes that the building in question has been scheduled at \$5 million. Yet, the guaranteed replacement coverage pays the full \$7.5 million. The margin clause payment is less, just over six million. It's more than the building has been scheduled for, but less than the full amount.

In the center group of bars, we assume that the building has been scheduled for \$5.5 million. There's still a gap between full replacement value and the margin clause, but it's smaller. And in the group of bars on the right, the building is scheduled for \$6 million. In that case, the payment under either coverage approach is virtually the same, even though the building was insured for less than the full value.

If your community or school district is the owner of that building, you're most interested in the orange and green bars. But if you're not the owner, you should be most interested in the gap between the blue and orange bars. When the pool pays more than the member has scheduled the building for – and paid contributions for – that cost ultimately gets passed on to the rest of the members in higher rates. The smaller the gap, the better it is for all members.

Why are appraisals so important?

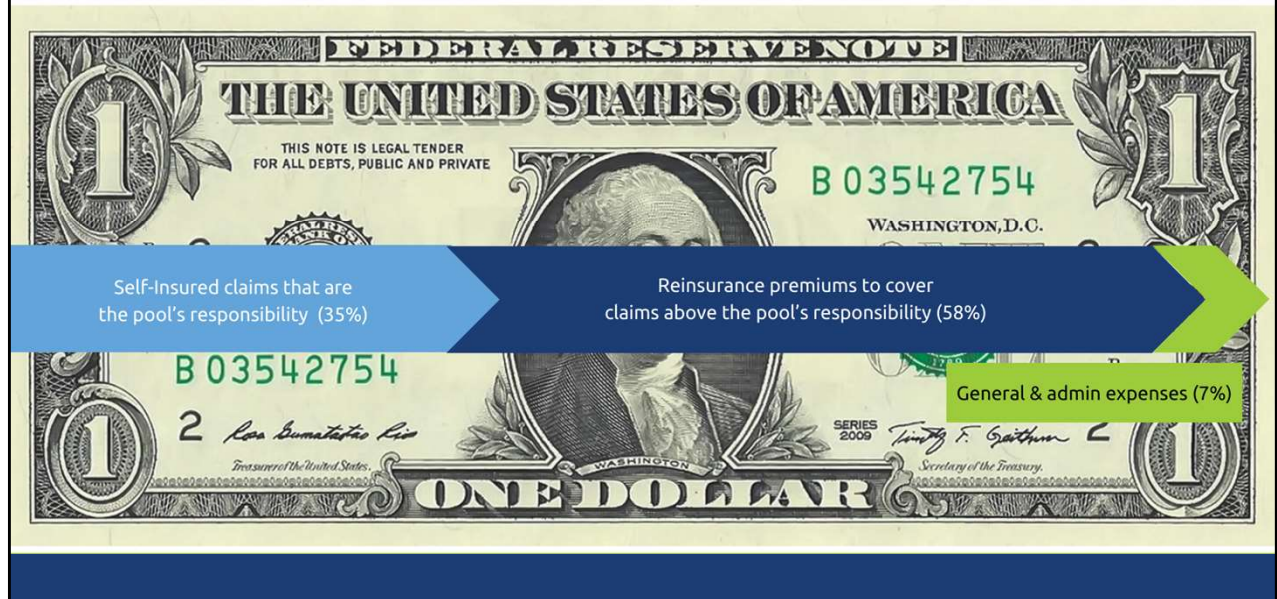
- Members get enough coverage to rebuild when they have a loss.
- Members pay the right amount to cover their expected losses. More fair to all members.
- Proper valuation of properties increases APRA's credibility among reinsurers, which translates to coverage and pricing.



That's the reason why appraisals are so important. The pool – and the members – want to make sure that they have the right amount of coverage when there's a loss. It's also the most fair if all members are paying the right amount to cover their prospective losses.

Properly valued properties also make the pool more credible among reinsurers, and that translates to better coverage and better pricing from the reinsurance market.

Reinsurance is an important factor in coverage decisions



And that matters because, as we've talked about before, reinsurance premiums are almost 60% of each dollar spent by the pool. To be sustainable, the coverage choices have to be supported by reinsurers, and at prices that won't break the bank.

Liability: Broad Protection

- Covers broad range of risks faced by municipalities, school districts.
- Drafters careful to ensure there would be no gaps in coverage.
- Key provisions:
 - Sexual abuse or molestation (SAM): \$1 million/victim, \$5 million/perpetrator.
 - Same as current APEI coverage; ensures all AMLJIA members have coverage available
 - Strategic limits to protect against runaway litigation costs/verdicts
 - Law enforcement:
 - All members will automatically receive \$1 million of Law Enforcement Liability coverage, with the option to purchase higher limits, up to \$15 million.
 - Consistent with AMLJIA's current policy of allowing smaller members to purchase lower limits.

There are a couple of key changes in the broad protection that Liability coverage provides. As the group brought the two pools' coverages together, they were careful to make sure that there would be no gaps in coverage for either pool. That would have been an issue for SAM and employment liability coverage particularly, where the determination of the occurrence date may impact coverage.

As you'll see, APRA's SAM coverage will be the same as APEI's current coverage - \$1 million/victim, \$5 million/perpetrator. That does two things: it guarantees that all AMLJIA members will have some coverage available for a SAM claim in any given year, and it protects against runaway litigation costs or settlements, because there's a limit to the funds available.

AMLJIA's current coverage has a \$15 million aggregate limit, shared among all members. That amount could be used up by one member in a year, leaving the rest with nothing.

For law enforcement, APRA will provide \$1 million in law enforcement liability coverage for all members, regardless of size or whether they have a police department. Every community has some kind of law enforcement exposure, so this is needed protection. For communities wanting more coverage, up to \$15 million in

coverage will be available.

Workers' Compensation/ Employers' Liability

- Covers workers under 2 federal acts related to harbors.
- Coverage to members of governing bodies (school board, city council, etc.)
- APRA will assist members that have out-of-state employees in placing coverage in the commercial market for those workers.

Workers' comp coverage is statutory, so the pool doesn't dictate coverage. But APRA will offer additional coverage related to the two federal laws that provide benefits to harbor workers, which a few members have, as well as coverage for governing bodies as they carry out their responsibilities. For members that have workers outside of Alaska who can't be covered by Alaska workers' comp law, APRA will help to obtain commercial coverage for those employees.

Enhanced Services



Let's talk now about APRA's services.

Combined Staff = Enhanced Service

- APRA's initial services will reflect a **melding of the AMLJIA and APEI member services, loss control, and risk management activities**. They will include in-person and online training, inspections, and consultation as needed and available.
- Programs responding to risks like sexual abuse or molestation, employment, and police professional services **will have a greater depth and reach to all members**.
- **Loss control incentives and safety grants** will be part of the program, likely in a form that responds to the then-current risks.
- **Claims handling and resolution will follow the same high standards** that members are used to, with the larger staffing available to provide backup and support for one another.

One of the best things about the merger is the opportunity to enhance services by combining the staffs and programs offered now by AMLJIA and APEI. At the outset, the two programs will be melded together. We've noted that the two programs complement each other now, so that bringing them together offers all members something more than what they have right now, especially in the highest cost areas of sexual abuse or molestation, law enforcement, employment issues.

Examples of service enhancement

All members will have access to:

- Employment risk management: in-person advice and onsite training, plus an employment law hotline and background checks.
- Law enforcement: police professional program that includes training, consultation, background checks, and a ballistic vest reimbursement program.
- Sexual abuse or molestation prevention: in-person training, in addition to existing targeted resources.
- Risk management and other resources by virtue of APRA's partnership with AML and AASB.
- A combined online training catalog.

Here are a few examples of how bringing the pools together into APRA will benefit all members. Whether it's employment risk management, law enforcement, SAM, or additional resources, each pool brings something different to the party. One of the things that makes the merger desirable is that each pool has done risk management a little differently, which means that APRA's program will be more robust overall, rather than just duplicating services.



Let's talk about the governance structure for APRA.

New board, governing documents, partnership

- APRA will have a 12-member Board of Directors; members elect 10 of the board members.
- Eight of the board members must represent APRA-member entities and are ideally split between school districts and municipalities.
- New Bylaws and a Cooperative Participation Agreement have been developed for APRA, building on the existing AMLJIA and APEI documents. Development of a governance policy is planned as part of a Board policy manual.
- The Alaska Municipal League and Alaska Association of School Boards will maintain a strong connection to APRA through a partnership providing resources and services to the pool and its members.

The Committee recommended a 12 member board of directors – large enough to provide good representation, but not so large as to be unwieldy. Eight of the board members will represent member entities, and ideally, four would be from municipalities and the other four would represent school districts. Another two members will be “at large”, and don’t have to represent a member. The final two members are the executive directors of AML and AASB.

There are new bylaws and CPA, built by bringing together the two pools’ documents, and refined by the Committee. Both of those documents are available for your review.

The board also will develop a policy manual that includes a governance policy, defining the relationship between the board and executive director.

AASB and AML, as the creators of APEI and AMLJIA respectively, still have an important role to play with APRA, in addition to being represented on the Board. The two associations and APRA will work together in a partnership that brings services and resources to the pool members. They also will have a formal role in recruiting candidates for the APRA board.

Financial Provisions



The financial provisions of the merger – how these pools come together now and how they will benefit members moving forward has been a primary subject of discussion.

Position of Strength

- Actuaries reviewing the financial conditions of the two pools agree that **each has sufficient claim reserves and capital to appropriately fund the new pool.**
- APRA will be capitalized at a high level of confidence that pool can withstand challenges, targeting an amount of capital such that **it would take a 1-in-4,000-year event to bring the pool to ruin.**
- At the time of the merger, both APEI and AMLJIA will contribute their invested claim reserves, their real estate holdings, and equal amounts of capital from each to start APRA, and will take on the AMLJIA and APEI claim liabilities that will remain on June 30, 2025.

Both APEI and AMLJIA are coming together from a position of strength. One of the first acts of the Committee was to bring in Select Actuarial to evaluate the financial condition of each pool. They found in 2023, and again in 2024, that each pool has sufficient claim reserves and capital to appropriately fund APRA.

The Committee also wanted to make sure APRA would be funded at a high enough level to withstand adverse events. The target they chose indicates that it would take a 1 in 4,000 year event to bring the pool to ruin.

Assuming we move forward, that capital will flow into APRA from AMLJIA and APEI. Both pools will contribute the claims reserves they have invested, their real estate, and equal amounts of capital from each pool. The claim reserves will support the claim liabilities that remain on June 30, 2025. By law, APRA will take on those liabilities, and those claims will be resolved over time.

Capital Targets

- Set an initial target of a 1-in-4,000 year event – between an “A” and a “AA” rating or a 99.975% confidence level.
- Select Actuarial agrees the target is a reasonable choice for a start-up pool, but would be good to increase over time.
- Results in required economic capital of \$20.564 million based on 6/30/24 data – may change slightly by 6/30/25.

We talked a minute ago about the 1 in 4,000 year event. That means that there’s a 99.975% percent level of confidence that APRA will always have enough capital to sustain whatever comes its way. For those familiar with the insurance rating agency AM Best, that’s between an A and AA rating – very high.

Interestingly, as high as that percentage is, the actuaries think it still would be good to try to increase it over time.

The actuaries calculated required capital of \$20.564 million as of this June 30; that number may change slightly when the books close on June 30, 2025. But in any case, the capital amount for the combined pool is less than it would be if the capital needs for APEI and AMLJIA as separate pools were added together. It’s another example of one pool being more efficient than two.

Capital Contributions

- Pools will each contribute 50% of the required capital to APRA. Final amounts will be determined after June 30, 2025..
- APEI will have remaining capital for its Board to disburse over several years.

As the last slide showed, the necessary capital is a little over \$20 million. Each pool will contribute half of that required capital, with final amounts determined at the time of the merger. In any case, APEI will still have capital left over after the merger; its board will decide in the next few months how that capital will be disbursed over time.

First Year Rate Guarantee

- Members want to know how much APRA will cost; won't have the information to project that until Spring 2025.
- Plan is to **cap each member's rates for 2025-26 at 10% above the current year's rates.**
 - All lines of coverage combined
 - Does not include increases in the number of or value of exposures (buildings, autos, payroll, etc.) which would be added on in any circumstances.
- Funding will come from unallocated capital.

The big question that we imagine most of you have is, what is it going to cost? You who deal with rates know that both pools set their rates in the spring for the upcoming July 1 year. That's because reinsurers won't provide firm rates until just a few months before the coverage year starts.

So it becomes a circular discussion: you want to know what it's going to cost, and we can't tell you because we don't yet know.

What the Committee did know is that members need some certainty. And so the plan is to cap member rates for the 2025-26 year at 10% above the current year's rates. From what we do know now, it's reasonable to think that many members' rates will be below that 10% cap.

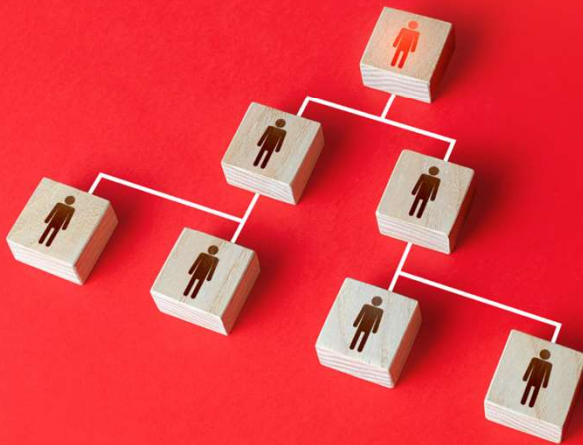
There are a couple of caveats. One is that the cap is for all lines of coverage combined. A member may have an increase higher than 10% for workers' comp, for example, and lower rate increases for property and liability. The cap is for all of the coverage a member has.

The other caveat is that increases in exposures are not included in the calculation. If a member has new buildings, autos, or an increase in payroll, those exposures are

considered separately. That's true now, and it will be true for APRA.

Funding to pay for this rate guarantee will come from unallocated capital, which means that other members' rates will not be artificially increased to cover the cost of the guarantee. While the guarantee only applies to the first year after the merger, the Committee and future APRA board are very aware of members' concerns regarding possible rate increases. Since we don't control inflation and the insurance markets, it would be unreasonable to promise a rate decrease. But we are expecting that the merger will lead to more stable rates for all members.

Staffing and service providers



Key staff and service decisions

- All APEI and AMLJIA employees will be invited to join APRA if the merger occurs.
- A new pay structure will need to be determined, but it appears that salaries between the two pools are comparable.
- The Committee has agreed on a benefits package that represents the “best” of the two pools’ offerings, with a minimal financial impact.
- An organizational chart for APRA neatly fits the pools’ current staff without unnecessary duplication or overlap. The Board will recruit for an executive director; open to current employees.

One of the Committee’s earliest decisions was to invite all current employees to join APRA, and to fill any vacant positions that exist in either pool’s org charts. Bringing the members together into one pool is not going to mean any less work for the staff – everyone will be needed to make sure APRA provides the service that you’ve come to expect from AMLJIA and APEI. The pay and benefits of both pools are also comparable, and offering the “best of” to employees has a minimal financial impact.

Interestingly, everyone currently on staff fits nicely into the new org chart. There’s no real duplication or overlap. The Board has decided to recruit for an executive director if APRA goes forward, ideally someone with close ties to Alaska.

About Brokers:



It's clear that brokers provide a valuable service to members, and in doing so, provide value to the pool as well. The Committee took that into account when thinking about the role of brokers with APRA.

Broker Approach & Compensation

- Members encouraged but not required to use a broker's services.
- Recognize that brokers provide some services that assist the pool as well as supporting the members that engage them.
- Provide a contribution discount of 5 percent, up to \$50,000, to members that utilize a broker.

APRA's policy is that members will be strongly encouraged, but not required, to work with a broker, and to take advantage of all that a broker can provide. That's consistent with AMLJIA's current policy that takes into account the many very small communities for whom there would likely be few available brokers.

To recognize the broker's value, APRA will provide a contribution discount of 5%, up to \$50,000, to members that use a broker's services. Members will need to affirm their work with the broker at renewal time to obtain the discount.





1. RECOMMENDATION

Consolidation Committee recommends to the APEI & AMLJIA Boards that a new nonprofit corporation (APRA) be created and that AMLJIA and APEI merge with APRA in accordance with the plan of merger presented.

 Sept. 19



2. PLAN APPROVAL

Each board approves the plan by resolution.* (AS 10.20.221)

*Resolution must include:

- Names of corporations proposing to merge & name of corporation into which they will merge.
- Terms and conditions of the proposed merger.
- Statement of changes to the articles of incorporation of the "surviving" corporation (APRA, in our case).
- Other necessary/desirable provisions of the merger.

 Sept. 27

(AS 10.20.221)

We are here:



3. REFERRAL TO MEMBERS

Each board submits the merger plan (per resolution) to a vote by members at an annual or special meeting, providing written notice to each entity that includes the plan or summary thereof. (AS 10.20.236)

4. MEMBER VOTE

For each pool, assuming a quorum of members (per pool requirements) is present at the meeting, plan is adopted if 2/3 of members voting in person or via proxy vote in favor. (AS 10.20.236)



And if the members vote yes, the state has the last word on approval of the merger.



Let's talk a bit about the consolidation vote itself, tentatively scheduled for mid-November.

Who votes?

AMLJIA and APEI bylaws both provide that *each participating member entity has one vote.*

- AMLJIA:
Voter is the “permanent representative” (chief executive officer or his/her designee).
- APEI:
Voter is the “permanent representative” designated by each public entity.

A reminder that each member entity has one vote, and each member has designated a representative who will actually be the “voter” in the special meeting. APEI and AMLJIA will provide more information about how the voting will take place in the near future.

What happens if
members don't
approve the
merger?



APEI & AMLJIA boards will have to decide how to move forward

Likely outcomes:

- Both pools adopt new coverage documents prepared for APRA & develop an appraisal program.
- AMLJIA likely to continue with guaranteed replacement property coverage, APEI with margin clause.
- Continue as before, without the benefits and economies of a larger pool.

If there's a no vote, it's up to the two pool boards to decide what to do. A likely outcome is that the pools both decide to adopt the new coverage documents prepared for APRA, since a great deal of time and money was put into the effort and there is agreement that the new documents provide strong, comprehensive coverage that benefit members of both pools. The only difference is likely to be property, as AMLJIA will continue to seek reinsurance for guaranteed replacement coverage, and APEI for coverage with the enhanced margin clause.

The boards of both pools are very aware, as a result of the conversations around property coverage, that ensuring the accuracy of scheduled values is very important in any case.

Otherwise, it's business as usual, without the ability to eliminate the duplication we discussed, and without the positive effects of a larger pool.



The member vote is the last piece of the puzzle in the creation of APRA. We encourage you to download and read the entire plan and the documents we've talked about today by going to the APRA website at alaskarisk.org and requesting a copy.



Now it's time for your questions...



If you have more questions as you review the plan, please reach out to Barbara or Kevin, or send an e-mail to info@alaskarisk.org. Thank you for your time today.