

**SRP CAPTIVE RISK SOLUTIONS, LIMITED
MEETING NOTICE AND AGENDA**

**BOARD OF DIRECTORS MEETING
Monday, January 11, 2021, 9:30 AM**

SRP Captive Risk Solutions, Limited meetings will be held via teleconference until further notice. The public may participate in these teleconference meetings by contacting the Corporate Secretary's Office at (602) 236-4398.

Directors: David Rousseau, President; John Hoopes, Vice President; Debbie Hendrickson, Mario Herrera, and Jack White Jr.

Call to Order
Roll Call

1. **CONSENT AGENDA:** The following agenda item(s) will be considered as a group by the Board of Directors and will be enacted with one motion. There will be no separate discussion of these item(s) unless a Board Member requests, in which event the agenda item(s) will be removed from the Consent Agenda and considered as a separate item.....PRESIDENT DAVID ROUSSEAU
 - Request for approval of the minutes for the meeting of August 18, 2020
2. Request for Approval for the Renewal of Property Terrorism Risk Insurance Coverage through the CaptiveMARCIA PHILPOTT
3. Request for Approval of Third-Party Vendors for Audit and Actuary Services for the Fiscal Year 2021 (FY21) Annual AuditMARCIA PHILPOTT
4. Request for Approval for the Renewal of Medical Stop Loss Coverage Through the CaptiveMARCIA PHILPOTT
5. Request for Approval of the FY22 Operating BudgetJEFFREY WRIGHT
6. Review of Interim Financial StatementsJEFFREY WRIGHT
7. Report on Appointment of Directors for FY22PRESIDENT DAVID ROUSSEAU
8. Appointment of Officers for FY22PRESIDENT DAVID ROUSSEAU
9. Report on Conflict of Interest Statements SECRETARY JOHN FELTY
10. AdjournPRESIDENT DAVID ROUSSEAU

The Board may vote during the meeting to go into Executive Session, pursuant to A.R.S. §38-431.03(A)(3), for the purpose of discussion or consultation for legal advice with legal counsel to the Board on any of the matters listed on the agenda.

Visitors: All property in your possession, including purses, briefcases, packages or containers, will be subject to inspection.



**NOTICE WILL BE SENT REGARDING THE NEXT
SRP CAPTIVE RISK SOLUTIONS, LIMITED BOARD MEETING**

MINUTES
BOARD OF DIRECTORS
SRP CAPTIVE RISK SOLUTIONS, LIMITED

DRAFT

August 18, 2020

A meeting of the Board of Directors of the SRP Captive Risk Solutions, Limited (the Captive), an Arizona corporation, convened at 9:30 a.m. on Tuesday, August 18, 2020, via teleconference from the Geronimo Conference Room at the SRP Administration Building, 1500 North Mill Avenue, Tempe, Arizona. This meeting was conducted via teleconference in compliance with open meeting law guidelines.

Directors of the Captive present at roll call via teleconference were David Rousseau, President of the Captive and SRP; John R. Hoopes, Vice President of the Captive and SRP; and Deborah S. Hendrickson, Mario J. Herrera, and John M. White Jr. of SRP.

Also present via teleconference were Randy J. Miller, Director of SRP; Mark L. Farmer, Council Chairman of SRP; Rocky J. Shelton, Council Vice Chairman of SRP; Brian J. Koch, Treasurer of the Captive and Corporate Treasurer of SRP; John M. Felty, Secretary of the Captive and Corporate Secretary of SRP; Lora F. Hobaica, Assistant Secretary of the Captive and Assistant Corporate Secretary of SRP; Mmes. Melissa J. Burger, Katie I. Cormier, Sara C. McCoy, Sue Ann Perkinson, Marcia J. Philpott of SRP; Messrs. Mike Hummel, Aidan J. McSheffrey, Michael J. O'Connor, and Jeffrey A. Wright of SRP; and Michelle Lei and Tempe Robins of Strategic Risk Solutions, Inc. (SRS) of the State of Arizona.

In compliance with A.R.S. §38-431.02, Anaveli H. Sierras of the SRP Corporate Secretary's Office had posted a notice and agenda of the meeting of the Board of Directors of the Captive at the SRP Administration Building, 1500 North Mill Avenue, Tempe, Arizona, at 9:00 a.m. on Friday, August 14, 2020.

President and Director D. Rousseau served as Chairman and called the meeting to order at 9:30 a.m.

Consent Agenda

President and Director D. Rousseau requested a motion for approval of the Consent Agenda, in its entirety.

On a motion duly made by Director J.M. White Jr. and seconded by Director D.S. Hendrickson, the Board of Directors of the Captive unanimously approved and adopted the following item on the Consent Agenda:

- Approval of the minutes for the meeting of January 6, 2020, as presented

Corporate Secretary J.M. Felty polled the Directors via teleconference on Director J.M. White Jr.'s motion to approve the Consent Agenda, in its entirety. The vote was recorded as follows:

YES:	Directors David Rousseau, President; John R. Hoopes, Vice President; and Deborah S. Hendrickson, Mario J. Herrera, and John M. White Jr.	(5)
NO:	None	(0)
ABSTAINED:	None	(0)
ABSENT:	None	(0)

Liability Terrorism Wrap-Up Reinsurance Program

Using a PowerPoint presentation, Marcia J. Philpott, SRP Manager of Insurance Services, stated that the purpose of the presentation was to request approval to renew the Liability Terrorism Wrap-Up Reinsurance Program offered to SRP for its corporate liability program, including reinsurance obtained from Lloyd's of London, effective October 15, 2020 through October 15, 2021.

Ms. M.J. Philpott noted that the terrorism coverage was previously provided through Associated Electric and Gas Insurance, Ltd. (AEGIS) and Energy Insurance Mutual (EIM) through SRP's excess liability program. She stated that AEGIS and EIM provided a \$35 million aggregate with a \$3 million self-insured retention and only covered certified Acts of Terrorism. Ms. M.J. Philpott explained that in October 2011, SRP opted for a reinsurance Terrorism Risk and Insurance Act (TRIA) wrap option through Lloyd's of London.

Ms. M.J. Philpott stated that the Captive provided the coverage to SRP with \$135 million reinsured through Lloyd's of London. She reviewed the annual premium for the Captive and Lloyd's of London for the program terms ending October 15, 2020 and October 15, 2021. Ms. M.J. Philpott concluded by requesting approval to renew the Terrorism Liability policy provided to SRP with reinsurance through Lloyd's of London.

On a motion duly made by Director M.J. Herrera, seconded by Director D.S. Hendrickson and carried, the Board granted approval, as presented.

Corporate Secretary J.M. Felty polled the Directors via teleconference on Director M.J. Herrera's motion for approval. The vote was recorded as follows:

YES:	Directors David Rousseau, President; John R. Hoopes, Vice President; and Deborah S. Hendrickson, Mario J. Herrera, and John M. White Jr.	(5)
NO:	None	(0)
ABSTAINED:	None	(0)
ABSENT:	None	(0)

Copies of the PowerPoint slides used in this presentation are on file in the SRP Corporate Secretary's Office and, by reference, made a part of these minutes.

Excess Liability Policy for SRP

Using a PowerPoint presentation, Ms. M.J. Philpott stated that the purpose of the presentation was to request approval to renew the Excess Liability Policy provided to SRP through the Captive, effective October 15, 2020, at a cost not to exceed the 10% budgeted increase. She reminded the Board that the Excess Liability Policy had been written through the Captive since October 2005. She said that in October 2010, the policy limit was increased to \$2,000,000 excess \$1,000,000.

Continuing, Ms. M.J. Philpott stated that the expiring premium was \$497,870 and that the new premium is \$547,650 based on existing market conditions. She concluded by requesting approval to renew the Excess Liability Policy through the Captive, effective on October 15, 2020, at a cost not to exceed the 10% budgeted increase.

On a motion duly made by Director D.S. Hendrickson, seconded by Director J.M. White Jr. and carried, the Board granted approval, as presented.

Corporate Secretary J.M. Felty polled the Directors via teleconference on Director D.S. Hendrickson's motion for approval. The vote was recorded as follows:

YES:	Directors David Rousseau, President; John R. Hoopes, Vice President; and Deborah S. Hendrickson, Mario J. Herrera, and John M. White Jr.	(5)
NO:	None	(0)
ABSTAINED:	None	(0)
ABSENT:	None	(0)

Copies of the PowerPoint slides used in this presentation are on file in the SRP Corporate Secretary's Office and, by reference, made a part of these minutes.

Physical Damage Coverage for Unmanned Aircraft System/Drone Program

Using a PowerPoint presentation, Ms. M.J. Philpott stated that the purpose of the presentation was to request approval to place an insurance policy covering physical damage coverage-only for all owned SRP Unmanned Aircraft Systems/drones and their equipment through the Captive, effective October 15, 2020 through October 15, 2021.

Ms. M.J. Philpott stated that SRP started its Unmanned Aircraft Systems program in 2017, operated through SRP's Flight Services. She said that Insurance Services began a commercial Unmanned Aircraft Systems/drone insurance policy covering both physical damage and liability. Ms. M.J. Philpott said that SRP currently owns seven Unmanned Aircraft Systems/drones in its fleet, including ancillary equipment.

Continuing, Ms. M.J. Philpott provided an overview of the current Unmanned Aircraft Systems/drone insurance coverage through Global Aviation. She said that although coverage is available in the commercial market, many large insureds either self-insure or place the physical damage coverage portion within their captive. Ms. M.J. Philpott noted that in the event of a claimed physical damage loss, the commercial market can

be inequitable at renewals on pricing or potentially decline coverage. She stated that this option allows the Captive to hold the physical damage premium to build up reserve for potential losses without penalizing the insured, SRP.

Ms. M.J. Philpott explained that the liability exposure for the use of Unmanned Aircraft Systems/drones verses small premiums in commercial insurance market does not make the use of the captive viable for liability coverage. She detailed the proposed Unmanned Aircraft Systems/drones physical damage insurance policy through the Captive. Ms. M.J. Philpott concluded by requesting approval to place an insurance policy covering physical damage coverage-only for all owned SRP Unmanned Aircraft Systems/drones and their equipment through the Captive, effective October 15, 2020 through October 15, 2021.

On a motion duly made by Director M.J. Herrera, seconded by Director J.M. White Jr. and carried, the Board granted approval, as presented.

Corporate Secretary J.M. Felty polled the Directors via teleconference on Director M.J. Herrera's motion for approval. The vote was recorded as follows:

YES:	Directors David Rousseau, President; John R. Hoopes, Vice President; and Deborah S. Hendrickson, Mario J. Herrera, and John M. White Jr.	(5)
NO:	None	(0)
ABSTAINED:	None	(0)
ABSENT:	None	(0)

Copies of the PowerPoint slides used in this presentation are on file in the SRP Corporate Secretary's Office and, by reference, made a part of these minutes.

Review and Request for Approval of Audited Financials

Using a PowerPoint presentation, Tempe Robins of SRS, the management company for the Captive, reminded the Board that Crowe Horwath, LLP, Certified Public Accountants and Consultants, had conducted the financial audit of the Captive for the fiscal year ended April 30, 2020. She noted that the audited financial statements had been distributed to the Members.

Ms. T. Robins reported that Crowe Horwath, LLP had conducted a comprehensive audit of the Captive's financial statements for the fiscal year ended April 30, 2020. She said that Crowe Horwath, LLP had issued an unqualified report on the financial statements. Ms. T. Robbins stated that, in the opinion of Crowe Horwath, LLP, the statements of the Captive had been presented fairly and in accordance with generally accepted accounting principles.

Continuing, Ms. T. Robins reviewed the materials provided by Crowe Horwath, LLP, which detailed the business audit process, the significant accounting and reporting issues and transactions impacting the financial statements, and the required communications to the Board.

Ms. T. Robins requested approval by the Directors of the Captive that the audited financial information was presented to their satisfaction.

On a motion duly made by Director J.M. White Jr., seconded by Director D.S. Hendrickson and carried, the Board granted approval, as presented.

Corporate Secretary J.M. Felty polled the Directors via teleconference on Director J.M. White Jr.'s motion for approval. The vote was recorded as follows:

YES:	Directors David Rousseau, President; John R. Hoopes, Vice President; and Deborah S. Hendrickson, Mario J. Herrera, and John M. White Jr.	(5)
NO:	None	(0)
ABSTAINED:	None	(0)
ABSENT:	None	(0)

Continuing, Ms. T. Robins provided an overview of the 2020 Captive Manager Report. She discussed the Captive Ratio Report which was prepared by Strategic Risk Solutions. Ms. T. Robins outlined the key Captive ratios as follows: leverage, liquidity, and profitability. She viewed the Captive's balance sheets, income statements, and expenses. Ms. T. Robins concluded by discussing the operating results. She stated that Captive is financially sound when compared to captive industry ratios and that its capital position is strong relative to the risk being underwritten.

Copies of the handout distributed and the PowerPoint slides used in this presentation are on file in the SRP Corporate Secretary's Office and, by reference, made a part of these minutes.

Dan McGill of PricewaterhouseCoopers entered the meeting during the presentation.

Review of Interim Financials

Using a PowerPoint presentation, Jeffrey A. Wright, SRP Director of Financial Reporting, reviewed the interim financial statements of the Captive for the three-month period ended July 31, 2020 and for the 12-month period ended April 30, 2020.

Mr. J.A. Wright compared the three months ended July 31, 2020 to the three months ended July 31, 2019 for such categories as income, expenses, and investment income. He concluded with a comparison of monthly actuals through July 31, 2020 to budget for income and expenses.

Copies of the PowerPoint slides used in this presentation are on file in the SRP Corporate Secretary's Office and, by reference, made a part of these minutes.

Mr. K.J. Lee entered the meeting during the presentation.

There being no further business to come before the Board, the meeting adjourned at 10:15 a.m.

John M. Felty
Secretary

SRP CAPTIVE RISK SOLUTIONS, LIMITED BOARD OF DIRECTORS MEETING

**Marcia Philpott
Manager, Insurance Services**

**PROPERTY TERRORISM RENEWAL
JANUARY 11, 2021**



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SRP CAPTIVE RISK SOLUTIONS, LIMITED

TERRORISM RISK INSURANCE ACT EXTENSION

- U.S. House of Representatives passed extension on December 10, 2014
- Extension Program specifics:
 - Duration: 6-year reauthorization
 - Program Trigger: \$200 million trigger – no change in 2015, but phased-in over the following five
 - Co-share: 80% -20% - no change in 2015, then phased in by 1% per year
 - Program Cap: \$100 Billion (unchanged from current program)
 - Deductible: 20% (unchanged from current program)
 - Certification: Treasury Secretary to report to Congress on certification process and issue final rules
- H.R.4634 - Terrorism Risk Insurance Program Reauthorization Act of 2019

SRP CAPTIVE RISK SOLUTIONS, LIMITED

TERRORISM RISK INSURANCE ACT COVERAGE

	Existing Program	Proposed Program
Policy Limit	\$650 M	\$650 M
Deductible	\$1 M	\$1 M
Total Insured Value (TIV)	\$12,600 M	TBD
Policy Term	6/15/2020 – 6/15/2021	6/15/2021 – 6/15/2022
TRIPRA (Rate per \$1000 TIV)	\$.041	TBD
TRIPRA Premium	\$517,566	TBD
Reinsurance through London	\$68,500	TBD
NET Premium to SRPCRS	\$449,066	TBD

SRP CAPTIVE RISK SOLUTIONS, LIMITED TERRORISM RISK INSURANCE ACT COVERAGE

Request for Approval:

Authorize SRP Captive Risk Solutions to renew Terrorism Risk Insurance for SRP at a cost not to exceed a 15% increase over the expiring annual premium and reinsure through Lloyds of London not to exceed a 15% increase over expiring annual premium on June 15th, 2021.

SRP CAPTIVE RISK SOLUTIONS, LIMITED BOARD OF DIRECTORS MEETING

**Marcia Philpott
Manager, Insurance Services**

**APPROVAL OF CAPTIVE VENDORS
JANUARY 11, 2021**



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APPROVAL OF CAPTIVE VENDORS

- Captive Audit Services
 - Crowe LLP
 - Fee \$19,500
- Captive Actuary Services
 - Walter J. Haner, FCAS, MAAA
 - Walter Haner & Associates, Inc.
 - Fee \$4,800

SRP CAPTIVE RISK SOLUTIONS, LIMITED

APPROVAL OF CAPTIVE VENDORS

Request for Approval:

Approval of Third-Party Vendors for audit and actuary services for SRP Captive Risk Solutions, Ltd for the fiscal year ending April 30, 2021.

SRP CAPTIVE RISK SOLUTIONS, LIMITED BOARD OF DIRECTORS MEETING

**Marcia Philpott
Manager, Insurance Services**

**MEDICAL STOP LOSS RENEWAL
JANUARY 11, 2021**



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SRP CAPTIVE RISK SOLUTIONS, LIMITED

MEDICAL STOP LOSS

- The captive approach being considered involves:
 - Retaining more risk with SRP
 - Increasing the commercial market attachment point to reduce fixed expense
 - Providing a cost benefit to SRP benefits group
- Worked with brokers, McGriff, Siebel's & Williams, and manager, Strategic Risk Solutions
- Board had renewed for the past 5 year

SRP CAPTIVE RISK SOLUTIONS, LIMITED

MEDICAL STOP LOSS FINANCIALS

Year	2015	2016	2017	2018	2019
Premium	\$1,216,083	\$1,223,360	\$1,273,340	\$1,356,320	\$1,432,241
Reinsurance	\$292,232	\$329,845	\$352,617	\$518,625	\$595,007
Net Profit	\$923,851	\$893,514	\$920,723	\$837,694	\$837,723
Losses	\$1,743,123	\$1,069,228	\$2,450,774	\$253,613	\$3,200,574
Reinsurance	\$243,123		\$950,774		\$450,817
Net Loss	\$1,500,000	\$1,069,228	\$1,500,000	\$253,613	\$2,749,757
Captive	(\$576,149)	(\$175,714)	(\$579,277)	\$584,081	(\$1,912,523)

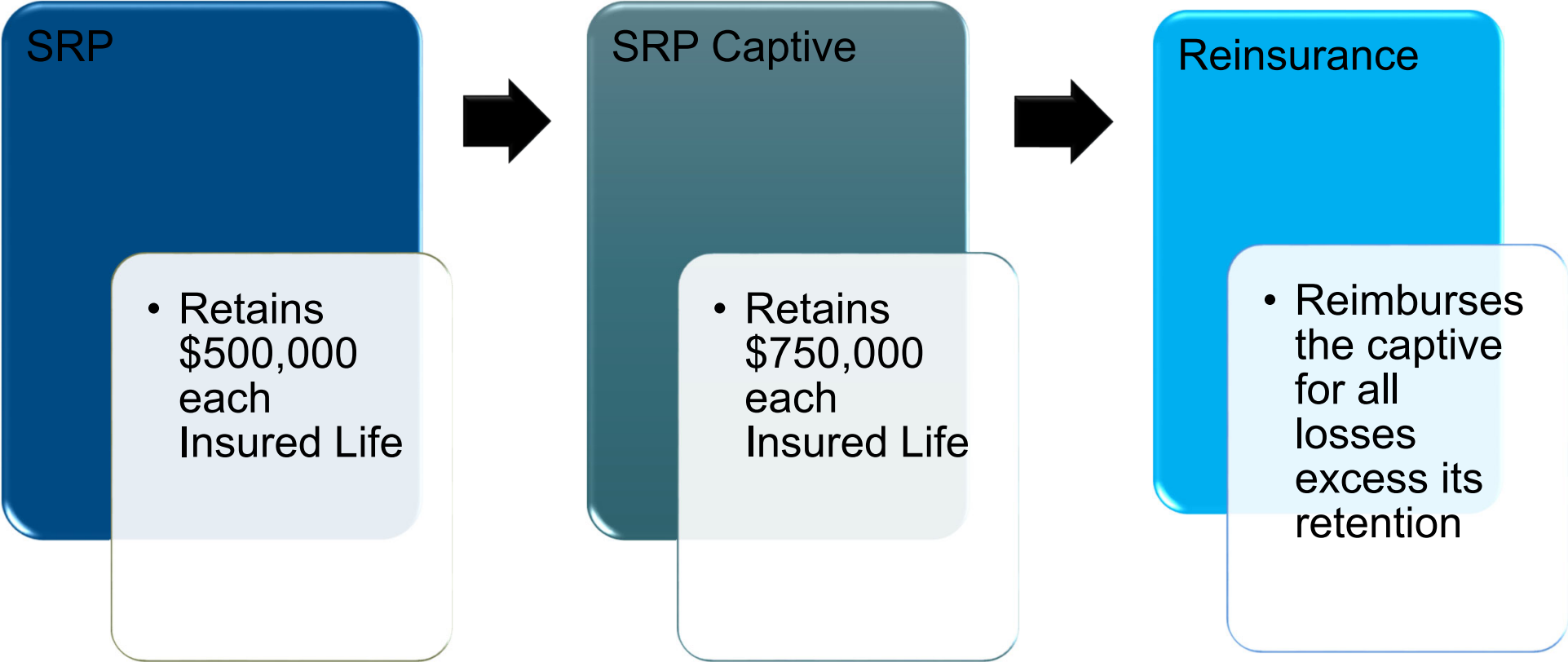
SRP CAPTIVE RISK SOLUTIONS, LIMITED

MSL CLAIM HISTORY

Plan Year	2015	2016	2017	2018	2019
Number of Claims	2	3	5	5	10
Total Paid Claims	\$1,743,123	\$1,067,366	\$2,450,774	\$253,613	\$3,200,574
SRPCRS Retention/ Aggregate Attachment	\$1,500,000	\$1,500,000	\$1,500,000	\$1,800,000	\$500K per Claim
Actual Reinsurance with Aggregate Attachment	\$243,123	-	\$950,774	-	\$450,817

SRP CAPTIVE RISK SOLUTIONS, LIMITED

CURRENT MEDICAL STOP LOSS STRUCTURE



SRP CAPTIVE RISK SOLUTIONS, LIMITED

MEDICAL STOP LOSS PLAN YEAR 2020

Medical Stop Loss Financials	Amounts through November 2020
Premium Charges to SRP	\$1,595,359
Reinsurance Premiums Paid	\$501,452
Net Premium to the Captive	\$1,093,907
SRP Insured Claims	\$1,581,658
Anticipated Reinsurance	none
Current Financial Impact to Captive	(\$487,751)

SRP CAPTIVE RISK SOLUTIONS, LIMITED

MEDICAL STOP LOSS PLAN YEAR 2021 PROPOSAL

2021 Plan Year	Rates	Estimated*
Premium Charged to SRP	\$27.07	\$1,912,333
Reinsurance Premium	\$8.22	\$580,694
Net Premium to Captive		\$1,333,639

* Based on 5,887 insured lives

At the request of SRP Benefits, the 2021 Plan Year will extend the development period from 6 to 12 months. The additional cost was included in final rates.

SRP CAPTIVE RISK SOLUTIONS, LIMITED MEDICAL STOP LOSS COVERAGE

Request for Approval:

Authorize the renewal of Medical Stop Loss Coverage for Salt River Project and authorize the Procurement of Reinsurance Coverage to limit the risk incurred for SRP Captive Risk Solutions, Ltd.

SRP CAPTIVE RISK SOLUTIONS, LIMITED BOARD OF DIRECTORS MEETING

**Jeff Wright
Director, Financial Reporting**

**2022 OPERATING BUDGET
JANUARY 11, 2021**



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SRP CAPTIVE RISK SOLUTIONS, LIMITED

2022 OPERATING BUDGET

	Projected FY 2021	Proposed FY 2022	Year-over-Year Change
Premiums Earned	\$2,233,818	\$2,518,890	\$285,072
Income from Investments	\$103,496	\$50,000	(\$53,496)
Total Income	\$2,337,315	\$2,568,890	\$231,576
License Fee	\$5,500	\$5,500	-
Directors & Meeting Expense	\$1,920	\$2,100	\$180
Management Fee	\$55,000	\$55,000	-
Audit Fee	\$19,500	\$19,500	-
Actuarial Fee	\$4,800	\$5,000	\$200
Bank Fee	\$2,310	\$2,500	\$190
Conferences & Memberships	\$2,750	\$2,750	-
Project Consulting	-	\$10,000	\$10,000
Paid Losses & Reserves	\$2,589,000	\$2,390,000	(\$199,000)
Total Expenses	\$2,680,780	\$2,492,350	(\$188,430)
Net Income	(\$343,465)	\$76,540	\$420,006

SRP CAPTIVE RISK SOLUTIONS, LIMITED PROPOSED 2022 OPERATING BUDGET

Request for Approval:

Approve Operating Budget for fiscal year 2022.

SRP CAPTIVE RISK SOLUTIONS, LIMITED BOARD OF DIRECTORS MEETING

**Jeff Wright
Director, Financial Reporting**

**INTERIM FINANCIAL RESULTS
JANUARY 11, 2021**



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INTERIM FINANCIAL RESULTS

	Period Ended 10/31/20	Period Ended 4/30/20	Six Month Change
Total Assets	\$13,605,421	\$14,343,180	(\$737,759)
Total Liabilities	\$4,686,802	\$5,417,420	\$730,617
Equity	\$8,918,619	\$8,925,760	(\$7,142)
	Six Months Ended 10/31/20	Six Months Ended 10/31/19	Year over Year Change
Income	\$1,086,840	\$881,830	\$205,010
Expenses	(\$1,145,730)	(\$1,371,885)	\$226,155
Investment Income	\$51,748	\$154,386	(\$102,638)
Net Income (Loss)	(\$7,142)	(\$335,669)	\$328,527

SRP CAPTIVE RISK SOLUTIONS, LIMITED

ACTUAL VS BUDGET

	Actual 10/31/2020	Budget 10/31/2020	Variance
Premiums Earned	\$1,086,840	\$1,083,109	\$3,732
Income from Investments	\$51,748	\$150,000	(\$98,252)
Total Income	\$1,138,588	\$1,233,109	(\$94,520)
License Fee	\$5,500	\$5,500	-
Directors & Meeting Expense	\$960	\$1,050	\$90
Management Fee	\$27,500	\$27,500	-
Audit Fee	\$9,750	\$9,750	-
Actuarial Fee	\$2,400	\$2,500	\$100
Bank Fee	\$1,155	\$1,250	\$95
Conferences & Memberships	-	\$4,750	\$4,750
Paid Losses & Reserves	\$1,098,465	\$1,075,000	(\$23,465)
Total Expenses	\$1,145,730	\$1,127,300	(\$18,430)
Net Income	(\$7,142)	\$105,809	(\$112,950)

**SRP CAPTIVE RISK SOLUTIONS, LIMITED
BOARD OF DIRECTORS MEETING
PRESIDENT ROUSSEAU
JANUARY 11, 2021**

SRP CAPTIVE RISK SOLUTIONS APPOINTMENT OF DIRECTORS



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SRP CAPTIVE RISK SOLUTIONS, LIMITED APPOINTMENT OF DIRECTORS FOR FISCAL YEAR 2022

- **Deborah S. Hendrickson**
- **Mario J. Herrera**
- **John R. Hoopes**
- **David Rousseau**
- **John M. White Jr.**

SRP CAPTIVE RISK SOLUTIONS, LIMITED BOARD OF DIRECTORS MEETING

**David Rousseau
President**

**APPOINTMENT OF OFFICERS FOR FY22
JANUARY 11, 2021**



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SRP CAPTIVE RISK SOLUTIONS, LIMITED

APPOINTMENT OF OFFICERS FOR FISCAL YEAR 2022

Title	Name
President	David Rousseau
Vice President	John R. Hoopes
Secretary	John M. Felty
Assistant Secretary	Lora F. Hobaica
Treasurer	Brian J. Koch
Assistant Treasurer	Dale R. Politi