

# APEI SPECIAL MEMBERSHIP MEETING

November 14, 2024

## AGENDA

November 14, 2024

Via Zoom

9:00 AM

[Registration Link](#)

1. Call to Order  
Mark Vink,  
Board Chair
2. Establish Quorum  
Mark Vink
3. Introduction of Board and Staff  
Barbara Thurston,  
Executive Director
4. Acceptance of Agenda  
Mark Vink  
**Motion:** To approve agenda as presented (or amended)
5. Summary of Proposed plan of Merger  
Lon Garrison,  
APEI Board Member
6. Approval of the Plan of Merger  
Lon Garrison  
**Proposed Motion:** To approve the Plan of Merger as adopted by the APEI board  
on September 27, 2024.  
  
*Vote to be held by roll call of all APEI members*
7. Comments from APEI board members – up to 5 minutes each
8. Comments from APEI Members – up to 5 minutes each
9. Meeting adjournment  
Mark Vink

**Summary Plan for the Merger of  
Alaska Municipal League Joint Insurance Association  
and  
Alaska Public Entity Insurance  
with the Alaska Public Risk Alliance**

**as recommended by the  
APEI/AMLJIA Consolidation Committee  
September 19, 2024**

**and adopted by the  
AMLJIA Board of Trustees and APEI Board of Directors  
September 27, 2024**

## Introduction

For almost 40 years, the majority of Alaska's public entities have shared the cost of self-insuring their risks as members of one of two organizations dedicated to serving them. Alaska Public Entity Insurance (APEI) was initially formed by the Alaska Association of School Boards (AASB) in 1986, and the Alaska Municipal League (AML) created the Alaska Municipal League Joint Insurance Association (AMLJIA) two years later.

These not-for-profit organizations, like their counterparts across the U.S. and Canada, have been good stewards of their members' funds, and provided extensive risk management programs to reduce the frequency and severity of claims, protecting members and their taxpayers.

Much has changed over the decades since the pools were formed. Although they started out serving different constituencies – school districts joined APEI and municipalities joined AMLJIA – that is no longer the case. Both pools now cover municipalities and schools; both provide comprehensive coverage for the same risks, and both offer extensive loss control programs for both traditional and emerging risks.

**In 2024, AMLJIA and APEI are much more alike than they are different.**

Although they are each successful, both pools are relatively small. Consequently, their rates can be volatile from year to year: one or more large claims have a bigger impact on a small pool than they would on a larger pool because there are fewer members to share the cost.

Would one larger pool better serve Alaska's public entities than the two smaller pools? That's the question the leaders of APEI and AMLJIA sought to answer. **After nearly two years of exploration, collaboration, and expert advice, eight representatives of APEI and AMLJIA reached a conclusion: Yes.** One pool would bring more value to Alaska's municipalities and school districts than two.

Combining AMLJIA and APEI is based on the same principle that caused school districts and municipalities to create the pools back in the 1980's: we will do better together than we can alone.

The members of the Consolidation Committee, four from AMLJIA and four from APEI, recommended that the Boards of their respective organizations approve the creation of a new nonprofit corporation: Alaska Public Risk Alliance, to serve all eligible Alaska public entities, and that APEI and AMLJIA merge with APRA, effective July 1, 2025.

**On September 27, 2024, the Boards of AMLJIA and APEI each voted unanimously to pass a resolution accepting the Committee's recommendation.**

Why did the Boards of two pools that have existed for about 40 years agree to move forward with the merger? They agreed with the Committee that the merger provided significant advantages for their memberships:

- The pool risks would be spread across a larger population, creating greater stability.
- Earthquake models show a lower probable maximum loss in an earthquake event as one pool than the sum of the two pools separately.
- The merger provided greater purchasing power for reinsurance, as well as for goods and services.
- The independent actuary says that the pools together require less capital for security than the capital that would be needed for the two pools standing alone.
- The merger eliminates duplication of some costs.
- And, the combined pools' staff means greater expertise and expanded service and risk management offerings for all members.

**This is a summary of the Merger Plan.** You are encouraged to review the full plan, including the recommended Bylaws and Cooperative Participation Plan for APRA, available via the APRA website, [alaskarisk.org](http://alaskarisk.org). If you have questions, please contact the executive director of your current pool, or send an e-mail to [info@alaskarisk.org](mailto:info@alaskarisk.org).

## The AMLJIA-APEI-APRA Merger Plan

The Boards of APEI and AMLJIA each have voted unanimously to form a new nonprofit corporation, the Alaska Public Risk Alliance (APRA), and for the three nonprofit corporations merge, in accordance with Alaska law, effective July 1, 2025, with APRA as the surviving corporation.

If the plan adopted by the AMLJIA and APEI boards are also approved by each pool's members, the Committee would undertake incorporation of APRA prior to July 1, 2025, and the merger would be effective upon approval of the State of Alaska. APRA would begin operation on July 1, 2025 and by law, APEI and AMLJIA would cease to exist.

### 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.*

Highlights of the plan are as follows:

- **APEI's and AMLJIA's programs, their staff, their claim reserves, their real estate holdings, agreed-upon amounts of their member equity, and their exposures, will be merged into APRA.** By law, APRA will assume all the outstanding liabilities of AMLJIA and APEI – primarily the open claims of each pool. This includes liabilities for reported and known claims, as well as liabilities for possible unreported claims related to events that may have occurred at any time during the pools' existence.
- **APRA will be established as a nonprofit corporation after January 1 and prior to July 1, 2025,** operating as a "shell" until the merger occurs. At the time APRA is incorporated, APEI and AMLJIA will each contribute \$500,000 to APRA. These funds will be used to support implementation activities prior to July 1, 2025. The initial APRA board will set parameters for expenditures from these funds. Starting funds that remain unspent after the merger is complete will be considered part of APRA's unallocated capital.
- **Current public entity APEI and AMLJIA members that enter into the Cooperative Participation Agreement developed for APRA will be able to join APRA on July 1, 2025.** As members, they will receive coverage under the coverage agreements that APRA has adopted, subject to the provisions that the member has elected, and payment of the contributions determined for each entity prior to July 1.

- **APRA's initial Board of Directors will consist of the eight Committee members.** At the time of the merger, an interim board will be formed, consisting of the eight initial board members and an additional four members to be appointed by the AMLJIA and APEI boards. The Board will operate in accordance with the Bylaws initially developed by the Committee or as later modified by APRA's board.
- The combined pool will continue to operate from both the current AMLJIA office in Anchorage and the current APEI Juneau office. **All staff members of each pool will be invited to continue their service to Alaska municipalities and school districts** as part of APRA. It is expected that Kevin Smith, AMLJIA executive director, will retire on July 1, 2025, and an executive director for APRA will be recruited.

### Financial

- The Board will establish **an initial funding target for APRA such that it would take a 1-in-4,000 year event to bring the pool to ruin.** AMLJIA and APEI will each contribute 50 percent of the required capital, currently estimated by an independent actuarial firm at slightly more than \$20.5 million. This capital target reflects 99.975% confidence that this amount is enough to fund a 1-in-4,000 year event, and would be equivalent an A.M. Best rating between A and AA, a high level of security.

Once the merger is complete, APEI will have capital remaining for its Board to disburse over several years.

- The plan includes a **first-year (2025-26) guarantee that the change in each member's rates will not be more than 10 percent above their 2024-25 rates** for all coverages combined. This guarantee does not include the impact of changes in exposures (new buildings, additional autos, increases in payrolls, etc.) that a member may have. Funding for the guarantee will come from unallocated capital, which means that other members' rates will not be artificially increased to cover the cost of the guarantee.

Although this is a one-year guarantee, **the expectation is that the merger will result in more stable rates for all members** going forward.

- New, simplified, and comprehensive coverage documents have been adopted for APRA, representing the "best" of AMLJIA's and APEI's current coverages. Although many provisions have changed to some degree, **all pool members will see some expansion of coverage**, compared with what they now have, without any gaps in or duplication of coverage as members move into APRA.

- At this point, **property coverage limits** are \$250 million per occurrence (single event) for all members combined, and **liability limits** are \$15 million per member, with lower limits offered for law enforcement.
- There are two versions of the **property coverage** document: one providing guaranteed replacement coverage (AMLJIA's current coverage) and the other providing a margin clause (APEI's current policy). APRA's brokers will approach the reinsurance market early in 2025 to place the guaranteed replacement coverage for 2025-26 and, depending on cost, may also seek a price for the margin clause as well. The APRA Board will make a decision considering both cost and coverage in Spring 2025. APRA also will develop a property appraisal program to align scheduled values with replacement costs.
- Key provisions of the **liability coverage** include \$1 million per victim, \$5 million per perpetrator limits for sexual abuse or molestation (SAM) claims, ensuring all AMLJIA members have coverage, and that avoid making the pool a target for runaway litigation costs and verdicts. All members will automatically receive \$1 million in law enforcement liability coverage, with the option to purchase limits up to \$15 million.
- While the pool doesn't dictate **workers' compensation and employers' liability** coverage, APRA will provide coverage for workers under two federal acts related to harbors, and coverage for members of governing bodies as they perform their duties. APRA will also assist members in placing commercial market coverage for their out-of-state workers.

### Programs and Services

- **Members will receive enhanced services from APRA** that take full advantage of the benefits associated with combining both pools' staff and programs. Loss control credits will continue to be offered by APRA.
- The founders of APEI and AMLJIA, **the Association of Alaska School Boards (AASB) and the Alaska Municipal League (AML) respectively, will continue to have a strong connection to APRA** through an agreement that provides services to APRA members and support to the two associations. The AML and AASB executive directors will be voting members of the APRA Board.
- **Members will be encouraged, but not required, to use the services of a broker.** Members that engage a broker will receive a 5 percent contribution credit, up to \$50,000 as an offset to the broker fees.