

Date: April 12, 2001
Bulletin 2001-005

AUDITOR OF STATE BULLETIN

TO: LIBRARY CLERKS/TREASURERS
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EDUCATIONAL SERVICE CENTER BOARDS OF EDUCATION
COMMUNITY SCHOOLS
CITY AUDITORS, FINANCE DIRECTORS & TREASURERS
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CITY LEGISLATIVE AUTHORITIES
CITY LAW DIRECTORS, SOLICITORS AND ATTORNEYS
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VILLAGE LAW DIRECTORS/SOLICITORS/ATTORNEYS
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SCHOOL DISTRICT TREASURERS
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COUNCIL OF SCHOOLS/EDUCATION RELATED
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COUNTY AND INDEPENDENT FAIRS
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WATERSHED CONSERVANCY DISTRICTS
SPECIAL DISTRICTS
ECONOMIC DEVELOPMENT AND PLANNING AGENCIES
COMMUNITY IMPROVEMENT CORPORATIONS
COMMUNITY DEVELOPMENT CORPORATIONS
METROPOLITAN HOUSING AUTHORITIES
AIRPORT AUTHORITIES
SOIL AND WATER CONSERVATION DISTRICTS
GOVERNMENTAL INSURANCE POOLS
WATER AND SEWER DISTRICTS
CEMETERIES
COUNCILS OF GOVERNMENT
ELECTRIC/GAS UTILITIES
HOSPITALS
INDEPENDENT PUBLIC ACCOUNTANTS

SUBJECT: REVISED CODE REQUIREMENTS FOR SELF INSURED POLITICAL SUBDIVISIONS, INCLUDING
GOVERNMENTAL INSURANCE POOLS

Bulletin
2011-08
amends this
Bulletin. You
should read
2011-08 in
conjunction

Executive Summary

Sections 9.833, 2744.08 and 2744.081 of the Ohio Revised Code describe legal and accounting requirements for self-insured subdivisions and governmental pools.¹ These Sections require certain subdivisions to establish separate self-insured funds. The Sections do not prescribe funding methods or funding amounts. Management is responsible for determining that adequate financial resources are available to timely pay self-insured claims.

These sections may require an actuary to opine on the fair presentation of certain self-insured liabilities annually, **even for some cash basis subdivisions**. Actuaries are responsible only to determine that the liability was computed in accordance with accepted loss reserving standards. Management is responsible for computing the liability (though management may engage an actuary to assist with the calculation). Management should use the actuarially-measured information to assist in determining appropriate rates to charge other funds (or that pools should charge to participating subdivisions). Rates should not only be sufficient to cover current claims, but should also reasonably provide additional amounts to pay unforeseen costs, such as incurred but not reported (IBNR) claims. Management should monitor cash balances restricted for self insurance, claims paid and charges to other funds (or subdivisions). A significant excess or deficiency of cash over or under the actuarial liability, or an actuarial liability that steadily increases over time, suggests that rates require adjustment.

Allowing a significant unfunded liability to accumulate could have adverse consequences on cash flows in a future period.

This Bulletin (1) clarifies these Revised Code requirements; (2) amends The Ohio Compliance Supplement's (OCS) suggested audit procedures related to these requirements (OCS sections ~~6-1 and 6-2~~); (3) includes guidance related to funding self-insured plans; (4) describes actuarial qualifications and applicable standards for actuarial reporting and (5) includes an example risk management disclosure cash-basis subdivisions should include with their audited financial statements.

Now OCS 1-16 and 1-17.

We are aware that some contents of this Bulletin are highly technical. If the Sections apply to your subdivision, you may wish to discuss these matters with a qualified actuary, your independent accountant or your regional Auditor of State's Office.

Summary of the legal requirements

Note: Readers should refer to the attached summary of Ohio Revised Code Requirements Relating to Self Insurance (Appendix 2) for a listing of requirements applicable to self-insured subdivisions and governmental self-insurance pools.

Ohio Revised Code Sections 9.833, 2744.08, 2744.081 (the Sections), and 5705.13(A) impose important requirements for self-insured political subdivisions,² to help assure management has established appropriate liability amounts. The Sections have some similar requirements, but apply to different types of liabilities and to different subdivisions:

9.833

Applies to self-insured officer or employee health benefit programs, whether the program is solely that of an individual subdivision (referred to herein as "single subdivision"), or is a governmental pool. Certain provisions of 9.833 do not apply to single subdivision programs in municipal corporations, ~~townships or counties~~.

2744.08

Applies to single-subdivision programs self insuring against potential liability in damages in civil actions for injury, death, or loss to persons or property allegedly caused by an act or omission of the political subdivision or any of its employees in connection with a governmental or proprietary function.

2744.081

Applies only to pools providing coverage for the payment of judgments, settlement of claims, expense, loss, and damage that arises, or is claimed to have arisen, from an act or omission of the political subdivision or any of its employees in connection with a governmental or proprietary function and to indemnify or hold harmless the subdivision's employees against such loss or damage.

5705.13(A)

Allows subdivisions with taxing authority to reserve fund equity for self insurance.

Per 2011-08, 9.833(C)(1), (2) & (4) were amended, and now apply to counties and twps.

Important considerations

1. In circumstances described in Appendix 2, subdivisions must compute self-insured liabilities. An actuary must opine on the fair presentation of the liability. The actuary often relies on information the subdivision or a third-party administrator provides. This information might include, for example, the number, gender and ages of employees or other data. This data must be reasonably accurate for the actuary to form an opinion.

¹ A governmental pool is a pool with membership limited to political subdivisions.

² The Sections define a political subdivision as any municipal corporation, township, county, school district or other body corporate and politic responsible for governmental activities in a geographic area smaller than the State.

Since an actuary is not responsible for auditing data submitted to him or her, the subdivision's auditors should subject data submitted to the actuary to testing. Auditors should refer to Auditing Standards Section AU 336 (especially 336.12(b)) regarding this requirement.

2.

Actuarial standards and Government Accounting Standards Board Statement 10 (GASB 10), *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, require that liabilities be accrued not only for insured events reported by claimants, but also for incurred but not reported (IBNR) claims. For instance, an insured employee illness occurring prior to the balance sheet date might not be submitted to a plan for payment until well after the balance sheet date. Nevertheless, the estimated insured cost of that claim is a liability as of the balance sheet date. Subdivisions and pools should use estimation / actuarial methods to estimate IBNR. Cash-basis subdivisions are not subject to GASB 10. However, we believe they should disclose certain information related to risk management. When the Sections require an actuarial measurement for a cash-basis subdivision, the subdivision should disclose that information in the notes to its audited financial statements. Appendix 1 includes an example disclosure.

risk

Actuarial requirements of Appendix 2 apply only to the extent a subdivision or pool has *not* transferred risk to another entity. For example, if a subdivision purchases a policy from a private carrier covering all reasonably anticipated claims amounts (usually excepting an immaterial deductible), the subdivision has transferred risk to the carrier. The subdivision would not be subject to the Section(s), even if it had a separate fund to collect amounts to be paid as premiums to the carrier.

For subdivisions or pools purchasing only large stop-loss caps, the subdivision or pool **is** self insured **up to** the cap limit, and would be subject to the Sections.

As another example, assume a subdivision other than a pool contractually agrees to pay a "premium" or required contribution to an insurer or claims servicing pool, with the ultimate charge based on the subdivision's subsequent claims/loss experience. If the subdivision's losses exceed the initial charge, it will be assessed an additional amount to fully reimburse the "insurer." Conversely, if premiums exceed losses, the subdivision will receive a refund or reduction in future premium rates. In this situation, the subdivision is self insured, and is subject to these Sections. The annual premium is more in the nature of a deposit, and the "insurer" is functioning more as a claims servicer, rather than as an insurer.

As a final example, assume a pool's plan does not permit a supplemental assessment or refund to a subdivision based on its individual experience. However, the pool may make supplemental assessments if the experience of the overall pool is unfavorable. In this instance, except for deductible amounts, risk has been transferred to the pool. A governmental pool assuming the risk of losses would be subject to the Sections rather than the participating subdivisions.

We are aware that some pooling agreements have attributes of both the preceding paragraphs. Such arrangements must be individually analyzed in determining the applicability of the Sections and of this Bulletin.

Funding

The amount charged to other funds (or that a pool charges to participating subdivisions) to pay claims is a matter of management judgment. The Sections do not prescribe a funding method. The minimum requirement would be only cash needed to pay claims when due, and is referred to as "pay-as-you-go funding." For example, when a subdivision pays only the amounts a third-party claims administrator requires to pay approved claims, a subdivision is using pay-as-you-go funding.

While this method is the least costly in the short term, it is risky, since catastrophic illnesses or other significant self-insured liabilities could cause a material increase in required payments. A more fiscally conservative approach is to fund an additional amount above that needed for approved claims, to build a "cushion" for large, unforeseen claims.

The most prudent approach is to fund liabilities when they occur, rather than when approved for payment. This method of funding is called full funding. Full funding requires charging other funds (or other pool participants, or reserving equity under 5705.13(A)(2), Rev. Code) an amount such that assets equal the actuarial liability.

Discounting the Liability

GASB 10 (paragraph 59) and actuarial standards permit, but do not require, discounting the liabilities. Discounting (i.e., reducing the liability amount to a present value based on an appropriate interest/discount rate) has little effect on liability amounts due in the near term. However, for large amounts due several years hence, discounting can significantly reduce the recorded liability. Discounting may be preferable when (1) entities have significant long-term payments due and (2) they wish to fully fund liabilities. Not using a discounting method in circumstances (1) and (2) could cause an over funding of liabilities, since self-insurance investment earnings should approximately offset the subsequent writeup of discounted liabilities.³

When a subdivision discounts its liability, Actuarial Standard of Practice No. 9 suggests it may be appropriate to provide a cushion for uncertainty. We believe this requires discounting reserves above the expected value, or above the midpoint

³ The Revised Code may require such interest be recorded to the general fund. See statutes related to investment earnings

Superseded by AU-C 500.08 and 500.A38 -- .48 (auditee-hired actuary); or AU-C 620 (auditor-hired actuary, if necessary) to test auditee's actuarial work.)

of the range or above the 50% confidence level. The actuary we consulted with in drafting this Bulletin routinely encourages self-insured clients to set the reserve at the 90% confidence level, for conservatism. For example, an actuarial/statistical analysis may determine that discounted, estimated losses could range from \$100,000 to \$200,000, with a fifty percent likelihood that losses will be less than \$160,000, and a 90% likelihood that losses will be less than \$185,000. Applying conservatism to Actuarial Standard No. 9 would suggest setting the actuarial liability at \$185,000.

GASB Cod C 50.111

Note that if no amount in the range is deemed a better estimate than another, paragraph 54 of Governmental Accounting Standard No. 10. suggests accruing the minimum from the range (i.e., \$100,000). However, we believe paragraph 54 and the conservatism principle would not preclude accruing a \$185,000 liability in GAAP balance sheets.

External Financial Reporting

The Sections require the actuary's report be available upon request. The Sections also require subdivisions to prepare an annual statement of the actuarial liability and claims disbursements. There is no prescribed format for the disbursement report. While the Sections do not require a separate audit of either the actuary's report or the disbursement report, both reports will be important to audits the Auditor of State (or independent accountants) perform under Chapter 117, Rev. Code.

Since an actuarial measurement of the liability is usually consistent with GASB 10, GAAP subdivisions can usually accrue the actuarial liability in their general purpose financial statements, which are, of course, subject to audit by the Auditor of State.

GAAP entities reporting equity reserves in the general fund per 5705.13(A) should reduce the reserve on the GAAP balance sheet for amounts accrued as liabilities under GASB 10.

Subdivisions following the Auditor of State's cash basis of accounting should disclose the actuarially-measured liability in a note to the audited financial statements. The disclosure should also include the year-end self insurance fund cash balance. The note should disclose any equity reserved for self insurance under 5705.13(A), unless that amount is disclosed on the face of the financial statements. An example disclosure is attached to this Bulletin. We will similarly modify the examples our staff use to assist subdivisions in preparing cash-basis financial statement notes. This disclosure requirement applies to audits covering fiscal years ending December 31, 2000 and subsequent years. We suggest that the disclosure include comparative information to help inform readers of significant trends in the liabilities.

Audit Considerations

Section has been updated for the November, 2023 OCS. Changes are not marked.

Sections 1-16 and 1-17 of the November, 2023 Ohio Compliance Supplement related to these Sections are revised as follows:

- The asterisked statement in Sections 1-16 and 1-17 is revised as follows:
"Reserved" means liabilities measured in accordance with accepted actuarial principles.
- Step 2 in Sections 1-16 and 1-17 is amended to note that the procedures described (i.e., testing information the client provides to the actuary) may be necessary to comply with Statement on Auditing Standard No. 73, AU-C 500.08 and 500A38 --A.48 (auditee-hired actuary) is applicable when the actuary's liability calculation is accrued as a GAAP liability or presented in a cash-basis entity's notes.
- Step 3 is added to Sections 1-16 and 1-17: Determine whether the actuary's opinion language (including the scope of the work) generally complied with the example described in the "Actuarial Opinions" section of Auditor of State Bulletin 2001-05.
- Step 4 is added to Sections 1-16 and 1-17: Consider whether any qualification in the actuary's report affects the financial statement opinion. (For cash-basis entities, an inability to adequately calculate and present the liability may constitute a qualification related to the adequacy of disclosure.)

Actuarial Requirements

If subdivisions issue requests for proposals (RFP) for actuarial services, they should consider the following in drafting their RFP, and when evaluating proposals.

Qualifications

Sections 9.833 and 2744.081 require the actuary to be a member of the American Academy of Actuaries. However, not all members of the Academy are qualified to render the opinions required by these Sections.

As a *general* rule, a Fellow or Associate of the Casualty Actuarial Society (FCAS or ACAS) would be qualified to report on the casualty liabilities described in 2744.081. An FCAS or ACAS may also be qualified to report on health claims liabilities per 9.833.

Also, as a *general* rule, a Fellow or Associate of the Society of Actuaries (FSA or ASA) would be qualified to report on health claims liabilities per 9.833.

We recommend that RFPs require actuaries to include their professional certifications and examples of similar engagements performed and/or references from other clients.

Statement on Auditing Standards No. 73 (~~AU 336.08~~) states an auditor should consider the actuary's professional

**Now in AU-C 500.A39
(auditee-hired actuary)**

certifications, reputation and experience with the work under consideration. The proposal may be a source of this information.

Applicable Actuarial Standards

In preparing and opining on the reserve (i.e., liability), actuaries should consider the following standards of practice:

- Actuarial Standard of Practice No. 5: *Incurred Health Claim Liabilities*
- Actuarial Standard of Practice No. 9: *Documentation and Disclosure in Property and Casualty Insurance Ratemaking, Loss Reserving and Valuations*
- Actuarial Standard of Practice No. 21: *The Actuary's Responsibility to the Auditor*
- Actuarial Standard of Practice No. 28: *Compliance with Statutory Statement of Actuarial Opinion Requirements for Hospital, Medical and Dental Service or Indemnity Corporations, and for Health Maintenance Organizations*
- Actuarial Standard of Practice No. 36: *Statements of Actuarial Opinion Regarding Property/Casualty Loss and Loss Adjustment Expense Reserves*

Actuarial Opinions

We believe actuarial opinions similar in format with that described in the *Instructions to the National Association of Insurance Commissioners Blank* would comply with the Sections. Such a report would include paragraphs (1) identifying the actuary, (2) the scope of the matter subject to the opinion, (3) an opinion and, (4) if needed, one or more relevant comment paragraphs. One or more additional paragraphs may be needed to address any opinion qualifications.

Example identification paragraph:

I, (name and title of actuary) am associated with the firm of (name of firm). I am a member of the American Academy of Actuaries and meet its qualification standards. I am a Fellow/Associate of the Casualty Actuarial Society. I was appointed by the (name of subdivision or pool)'s governing board on (insert date) to render this opinion.

Example Scope Paragraphs:

I have examined the actuarial assumptions and methods used in determining the reserves listed below, as shown in the Report of Actuarially-Determined Liabilities of the (name of subdivision or pool) as required by Section 9.833 (or 2744.081) of the Ohio Revised Code, as of (last day of fiscal year).

(List liabilities covered by the opinion, which typically would include:)

Unpaid losses

Unpaid loss adjustment expenses

The liabilities listed in the Report of Actuarially-Determined Liabilities include (do not include) anticipated subrogation⁴ and (or) discounting.

In forming my opinion on the loss and loss adjustment expense reserves, I relied upon data prepared by the responsible officers or employees of the (name of subdivision or pool). I evaluated that data for reasonableness and consistency. In other respects, my examination included such review of the actuarial assumptions and methods used and such tests of the calculations as I considered necessary.

Example Opinion Paragraph:

In my opinion, the amounts carried by the (name of subdivision or pool) for unpaid losses and unpaid loss adjustment expenses meet the requirement of Section 9.833 (2744.081) of the Ohio Revised Code, are computed in accordance with accepted loss reserving standards and principles, and make a reasonable provision for all unpaid loss and loss expense obligations of the (name of subdivision or pool) under the terms of its policies and agreements.

Relevant Comments Paragraph(s)

In the relevant comments paragraphs, the actuary should comment on significant types of losses and the major risk factors (including adverse court decisions, legislation) which the actuary believes materially affect the variability of the reserves.

If there has been any material change in the actuarial assumptions and/or methods from those used in prior years, the actuary should describe the change by inserting a phrase such as:

A material change in the actuarial assumptions (and/or methods) was made during the past year, but such change accords with accepted loss reserving standards. (A brief description of the change would follow.)

You can refer questions regarding this Bulletin to the Accounting & Auditing Support Division of the Auditor of State at 800/282-0370.

⁴ Note that paragraph 9 of GASB Statement 30 requires reducing liabilities for recoveries from unsettled claims, such as salvage or subrogation. Therefore, when the actuary's work will be used to support a liability computed to conform with GASB 10, the liability should be reduced for anticipated subrogation

Appendix 1: Example Note for Cash-Basis Subdivisions

X.

RISK MANAGEMENT

(Note: Use only the paragraphs that apply. Some of the descriptions below are mutually exclusive, so you must make appropriate modification.)

Commercial Insurance

The (name of subdivision) has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles
- Errors and omissions

The (name of subdivision) is uninsured for the following risks:

- Comprehensive property and general liability
- Vehicles
- Errors and omissions

(Insert the following sentence if uninsured losses were material.) During 20EE, the (name of subdivision) paid \$ ____ for losses that exceeded insurance coverage.

(Also disclose any significant changes in coverage from the prior year.)

Risk Pool Membership

The (name of subdivision) is a member of the XYZ Joint Self Insurance Pool (the Pool). The Pool assumes the risk of loss up to the limits of the (name of subdivision's) policy. The Pool may make supplemental assessments if the experience of the overall pool is unfavorable. [Modify the preceding sentence as needed.] The Pool covers the following risks:

- General liability and casualty
- Public official's liability
- Vehicle

The Pool reported the following summary of ~~assets and actuarially-measured liabilities~~ available to pay those liabilities as of December 31:

actuarially-measured liabilities and assets

	<u>2001</u>	<u>2000</u>
Cash and investments	\$	\$
Actuarial liabilities	\$	\$

Self Insurance

The (name of subdivision) is also self insured for [describe type of coverage, such as employee health or liability insurance]. The Self Insurance Fund pays covered claims to service providers, and recovers these costs from charges to other funds based on an actuarially determined cost per employee. [OR] Interfund rates are charged based on claims approved by the claims administrator. [OR] describe other method of cost recovery. A comparison of Self Insurance Fund cash and investments to the actuarially-measured liability as of December 31 follows:

	<u>2001</u>	<u>2000</u>
Cash and investments	\$	\$
Actuarial liabilities	\$	\$

Note Comments

1. This illustration applies to entities using the Auditor of State's (i.e., cash) basis of accounting. GAAP-basis entities should follow the disclosure requirements described in GASB Statements 10 and 30.
2. As stated above, this illustration will always require considerable modification. For example, the illustration describes an entity that simultaneously has obtained commercial liability insurance, has no liability insurance and has pooled its liability risk. Usually only one of these three conditions will apply.
3. The example also describes an entity that has joined a pool to insure liability risks and is self insured for health insurance. The opposite may apply, or some other combination may apply.
4. As illustrated in the second *commercial insurance* paragraph, we request that entities disclose if they have elected to forego liability insurance. We would consider a subdivision to be uninsured when it has none of the following:
 - a. Commercial insurance coverage
 - b. A self insurance fund
 - c. Fund equity reserve for self insurance under 5705.13(A)(2)
 - d. Participates in a self insurance pool
 - e. Annual appropriations for claims costs reasonably sufficient to cover those costs.
5. There is no requirement to disclose a lack of health insurance coverage. Health insurance coverage is an employee benefit; failing to insure health coverage is a risk for employees, not a direct risk to a subdivision. Conversely, subdivisions should disclose if they have contractually agreed to cover employee health costs. Such costs are often significant and therefore of interest to financial statement readers.
6. The two-year comparison of cash and investments vs. actuarial-liabilities is a useful measurement of the adequacy of a subdivision's funding methods / formulas. A significant excess of liabilities over assets or a trend showing a deteriorating excess of assets should warn management and financial statement users that current funding methods / formulas may require modification. In such instances, we would expect management to disclose plans to address the issue. We will not object if entities are unable to present data from years prior to December 31, 2000. We would accept a single year presentation. However, for years ending on or after December 31, 2001 we would expect two years of data in the presentation.
7. If the notes do not address management's plans regarding a material deficiency, auditors should consider whether the disclosure is sufficient (see Auditing Standards Section ~~AU 431~~). Auditors should also consider whether a going concern contingency exists (Auditing Standards Section ~~AU 341~~).

Superseded by AU-C 540.20.

Superseded by AU-C 570.
8. While the Auditor of State believes all subdivisions with significant self-insurance commitments should have an actuary measure the liability annually, the Revised Code does not require this for all subdivisions or all types of insurance (see Appendix 2, following this page). If the Revised Code requires the measurement, but an entity elects not to comply, the entity would be unable to prepare the comparison of assets with actuarial liabilities, and auditors should consider (1) qualifying their opinions for an inadequate disclosure and (2) reporting a material noncompliance finding in the report on compliance and internal controls required by *Government Auditing Standards*.

However, if the Revised Code does not require an entity to actuarially measure its liabilities, the lack of an actuarial disclosure would not affect auditors' reports. The disclosure could still describe the funding methods. An entity should also disclose if it were unable to pay claims in a timely manner.
9. The auditor's opinion encompasses the Note. The extent and nature of procedures is a matter of judgment based on risk, but might include the following:
 - a. Briefly read policies to support that coverage is current for commercial policies.
 - b. Perform the amended Chapter 6 procedures for the Ohio Compliance Supplement described in the Bulletin.
 - c. Compare the assets disclosed to similar assets in the audited financial statements.
 - d. Compare the last check written to a commercial carrier, to a pool, or to a third-party administrator to the invoice date to determine whether approved claims or premiums are paid reasonably currently.

This table has been revised and is included as part of OCS 1-16 and 1-17.

Appendix 2: Summary of Revised Code Requirements Relating to Self Insurance

Ref.	ORC Provision	Health Benefits Insurance Requirements per ORC 9.833					Liability Insurance per ORC 2744.08 & .081		
		Single Subdivision* Programs	Single Municipality, Township, or County Programs	Pool Members	Pool Members	Single Subdivision Programs	Pool Members	Pool Members	Pools
9.833(C)(2) 2744.08(A)(2)(a) 5705.13(A)	1. Establish a separate internal service fund by ordinance or resolution to account for all claims, administrative and other related program costs.	Required	Permitted by 5705.13(A)	Required	N/A	Permitted by 5705.13(A) and 2744.08(A)(2)(a)	Requires AOS permission per 5705.12	N/A	
9.833(C)(2)&(6) 2744.08(A)(2)(a) 5705.10	2. Recover self insurance fund costs by charges to other funds based on those funds' relative exposures or loss experiences. (These interfund charges should be recorded as revenues and expenditures rather than transfers, and are not subject to the restrictions on interfund transfers or 5705.14 - .16, ORC.)	Required, unless another financing source exists.	Required if using a separate fund, unless that fund has another revenue source.	Required, unless another revenue source exists.	N/A	Required if using a separate fund, unless that fund has another revenue source.	Required if using a separate fund, unless that fund has another revenue source.	N/A	
9.833(C)(6) 2744.08(A)(2)(a) 5705.10	3. Charge claims, administrative and other related program costs directly to fund(s) based on the funds' relative exposures or loss experiences. Or may charge all costs to one fund and recover them from other funds based on those funds' relative exposures or loss experiences. (The statement in step 2 above about transfers applies here, too.)	N/A, must follow step 2.	Optional	N/A, must follow step 2.	N/A	Optional	Optional	N/A	
9.833(C)(5) 2744.081(A)(4)	4. Pools can charge claims and other program costs to participating subdivisions based on the subdivisions' relative experience, loss exposure or as otherwise agreed by contract.	N/A	N/A	N/A	Required to remain solvent.	N/A	N/A	Required to remain solvent.	
5705.13(A)(2)	5. Reserve fund equity to provide for self insurance costs.	Permitted only for the self insurance fund.	Permitted only for the general or self insurance fund.	Prohibited	N/A	Permitted only for the general or self insurance fund	Prohibited	N/A	

* Except municipal corporations, townships and counties. Also, Chapter 5705 applies only to subdivisions with taxing authority, defined in 5705.01.

ORC Ref.	ORC Provision	Health Benefits Insurance Requirements per ORC 9.833				Liability Insurance per ORC 2744.08 & .081		
		Single Subdivision* Programs	Single Municipality, Township, or County Programs	Pool Members	Pools	Single Subdivision Programs	Pool Members	Pools
9.833(C)(1) 2744.081(A)(1) 5705.13(A)(3)	6. Compute an actuarial liability as of the last day of the fiscal year.	Required	Optional, but required for reserve accounts established per step 5.	N/A	Required	Optional, but required for reserve accounts established per step 5.	N/A	Required
9.833(C)(1) 2744.081(A)(1)	7. Prepare a report within 90 days of fiscal year end, listing: a. The actuarial liability as of the last day of the fiscal year; b. Program disbursements, including claims paid, legal representation and consultant costs. The program administrator must maintain this report.	Required	Optional	N/A	Required	Optional	N/A	Required
9.833(C)(1) & 2744.081(A)(1) & (3)	8. Contract with a member of the American Academy of Actuaries. Obtain a report from the actuary annually, on the fair presentation of the actuarial liability presented in the report described in step 7.	Required	Optional	N/A	Required	Optional	N/A	Required
9.833(C)(7) 2744.081(B)	9. Establish a multi-subdivision cost containment program. May hire risk managers, health care cost containment specialists, other consultants to reduce health care costs.	Optional	Optional	Optional	Participating subdivisions can do this. The pool cannot do this directly.	Optional	Optional	Participating subdivisions can do this. The pool cannot do this directly.

ORC Ref.	ORC Provision	Health Benefits Insurance Requirements per ORC 9.833					Liability Insurance per ORC 2744.08 & .081		
		Single Subdivision* Programs	Single Municipality, Township, or County Programs	Pool Members	Pools	Single Subdivision Programs	Pool Members	Insurance Pools	
9.833(C)(3) 2744.08(A)(2)(a) 2744.081(A)(2)	10. Contract, without the necessity of competitive bidding, to any person, political subdivision, nonprofit corporation organized under ORC 1702 or regional council of governments created under ORC 167, to administer a self insurance program.	Optional	Optional	Optional	Participating subdivisions can do this. The pool cannot do this directly.	Optional	Optional	Participating subdivisions can do this. The pool cannot do this directly.	
9.833(C)(9) 2744.081(D)	11. Issue GO or special obligation bonds or notes in anticipation of these bonds pursuant to ordinance or resolution of the legislative body. Use the debt proceeds to pay claims or other costs associated with the self insurance program.	Optional	Optional	Optional	Participating subdivisions can do this. The pool cannot do this directly.	Optional	Optional	Participating subdivisions can do this. The pool cannot do this directly.	
9.833(A)(2) 2744.08(A)(2)(b)	12. Contract between more than one subdivision for joint administration of a single subdivision self insurance program.	Optional	Optional	N/A	N/A	Optional	N/A	N/A	

* ~~Except municipal corporations, townships and counties.~~

Note: This table summarizes the requirements of Ohio Revised Code Sections 9.833, 2744.08, 2744.081 and 5705.13(A)(2). However, self-insured subdivisions and government self-insurance pools should refer to the statutes for the complete text of the legal requirements.