

NEVADA PUBLIC AGENCY INSURANCE POOL

FINANCIAL STATEMENTS

June 30, 2017 and 2016

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INDEPENDENT AUDITOR'S REPORT

To the Executive Director and the Board of Directors
Nevada Public Agency Insurance Pool

Report on the Financial Statements

We have audited the accompanying Statements of Net Position of the Nevada Public Agency Insurance Pool as of June 30, 2017 and 2016 and the related Statements of Revenues and Expenses and Changes in Net Position and Statements of Changes in Cash Flows for the years then ended.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Nevada Public Agency Insurance Pool as of June 30, 2017 and 2016 and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis beginning on page 5 and 10 year claims development schedule on page 23 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Bertrand & Associates, LLC

Carson City, Nevada
October 31, 2017

Management's Discussion and Analysis

Purpose:

To further understanding of significant financial issues, this Nevada Public Agency Insurance Pool (NPAIP) management discussion and analysis:

- a) Provides an overview of the NPAIP's financial activities,
- b) Identifies significant changes in the NPAIP's financial position and its ability to address subsequent year financial challenges,
- c) Provides insights into the long-term financial viability of NPAIP.

Background:

NPAIP implemented the Governmental Accounting Standards Board (GASB) requirements set forth in GASB Statement No. 34 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Government*. NPAIP's financial information must be accompanied by enhanced analysis, both short and long term, and explanations of significant financial statement elements. Since the Nevada Public Agency Insurance Pool operates as an enterprise created pursuant to NRS 277, the Interlocal Cooperation Act, its financial statements will be presented in a manner that reflects its operations much like a private company.

Using this Annual Report:

Since the financial statements report information about the NPAIP using accounting methods similar to those used by private sector organizations, these statements offer short and long term financial information about the NPAIP's activity. The financial statements show a comparison of two audited years ending June 30, 2017 and June 30, 2016 to facilitate understanding of changes in the financial position over time.

The Statement of Net Position includes NPAIP's assets and liabilities and information about the nature and amounts of investments in resources (assets) and the obligations to creditors (liabilities). It also provides the basis for computing rate of return, evaluation of the capital structure and for assessing the liquidity and financial flexibility of NPAIP.

Current year revenues and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Net Position. This statement measures the success of the NPAIP's operations for the fiscal year compared to the previous year and can be used as a measure of the NPAIP's credit worthiness and whether NPAIP successfully recovers its costs through its sources of revenue.

The Statement of Cash Flows serves to provide information about the NPAIP's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments and net changes in cash resulting from operations and investments. It also discloses from where cash comes, for what it was used and the change in cash balance during the reporting period. Since NPAIP incurs financial obligations to pay for claims that occurred in the past from current year resources and at the same time receives revenue that it must retain for payment of future claims from future resources, cash flow may vary significantly from year to year.

Financial Highlights:

By board policy, NPAIP is audited each year by an independent auditor. Since its inception on May 1, 1987 and continuing through this fiscal year, the independent auditor's report offers an unqualified opinion on the financial statements. Such an opinion reflects the highest opinion that can be obtained from an independent auditor.

Management decided to add the following Condensed Statement of Net Position to the annual MD&A. This provides a convenient financial picture of the financial status of the Nevada Public Agency Insurance Pool. Even though the net position of NPAIP declined from \$34,862,387 in FY 2016 to \$31,740,678 in FY 2017, the combined financial picture of the NPAIP and its pure captive PRM has proportionally risen. This shift of assets to PRM will result increase financial flexibility in reinsurance structure and investment returns.

CONDENSED STATEMENTS OF NET POSITON

	<u>2017</u>	<u>2016</u>
Cash and investments	\$ 26,989,994	\$ 33,712,964
Receivables	2,957,686	2,069,360
Other assets	83,691	21,673
Capital assets, net	1,622,469	1,645,098
Contributed surplus PRM, net	10,420,230	8,067,123
Total assets	<u>42,074,070</u>	<u>45,516,218</u>
Accounts payable	165,724	87,831
Other liabilities and deferred revenues	162,668	-
Reserve for claims and claims related expense	10,005,000	10,566,000
Total liabilities	<u>10,333,392</u>	<u>10,653,831</u>
Net positon -unrestricted	30,118,209	33,217,289
Net positon -restricted for pledged securities	1,622,469	1,645,098
Total net positon	<u>\$ 31,740,678</u>	<u>\$ 34,862,387</u>

CONDENSED STATEMENTS OF REVENUES AND EXPENSES

	<u>2017</u>	<u>2016</u>
Assessments revenues	\$ 14,159,528	\$ 14,377,529
Loss fund provision and program expenses	12,255,080	10,751,445
Administration expenses	4,729,146	4,136,166
Total expenses	16,984,226	14,887,611
(Decrease) in operating net position	<u>(2,824,698)</u>	<u>(510,082)</u>
Non-operating net investment income	(297,011)	1,209,345
(Decrease) increase in net position	<u>\$ (3,121,709)</u>	<u>\$ 699,263</u>

Changes in Net Position:

Fiscal year ended June 30, 2017: \$31,740,678

Fiscal year ended June 30, 2016: \$34,163,124

Net change: (\$2,422,446) or -7.0%.

Net Position changes reflect both operating and non-operating net investment income. Increases in Net Position are retained to assure financial stability and strength of NPAIP based upon the board's long-term strategy.

Both property and casualty coverages can experience significant volatility particularly when the retention levels per loss are high. Because NPAIP retains a substantial portion of the property and casualty risk, it is important to the long-term viability of NPAIP to be able to meet its financial obligations to its Members by growing its Net Position. Insurance market conditions periodically make it important to be able to increase our retentions, which results in increased volatility that must be cushioned strongly. NPAIP board policy requires a 70% actuarial confidence level as a prudent level to develop a strong financial position in keeping with the NPAIP Board's goals of creating and sustaining a durable financial position.

During previous fiscal years 2001 and 2002, the board purchased land and built its office building located at 201 S. Roop Street, Carson City, Nevada. As a result, \$1,622,469 of the total assets for fiscal year end June 30, 2017 consists of capital assets (after depreciation).

Total revenues:

Fiscal year ended June 30, 2017: \$14,159,528

Fiscal year ended June 30, 2016: \$14,377,529

Net change: (\$218,000) or -1.5%

NPAIP's primary revenue source comes from Member contributions to the NPAIP's Loss Fund, administrative budget and reinsurance costs. A slight reduction in revenues occurred as a result of lower exposure and rates. Rental income constitutes the secondary revenue source and it was up due to rental rate increases. A one-time refund of \$46,383 from Travelers BoilerRe of accumulated credits for infrared inspections constituted 67% of the \$68,324. A dividend payment from United Educators of \$5,516 also contributed to the Other Income total for June 30, 2017.

Total expenses:

Fiscal year ended June 30, 2017: \$16,984,226

Fiscal year ended June 30, 2016: \$14,887,611

Net change: \$1,060,614 or 7.7%.

The most significant factor in this change was attributable to increased incurred losses. The development schedule included in the financial statement provides the history of the claims reserve changes each year over 10 years.

Contributed Surplus:

Included in the total assets is NPAIP's capitalization to start its own pure captive mutual insurance company, Public Risk Mutual. Initially, in 2004, NPAIP invested \$1,000,000, an amount to be amortized over 10 years. The NPAIP Board determined that an additional \$10,000,000 capitalization to PRM from NPAIP will occur over a two-fiscal year period (Fiscal Year 2017 and Fiscal Year 2018). At June 30, 2017, NPAIP's contribution to Public Risk Mutual increased to \$23,777,263. Amortization expense as of June 30, 2017 was \$1,946,893 based upon NPAIP's policy to continue to amortize each of these contributions over a ten-year period. Public Risk Mutual provided reinsurance to the NPAIP for certain property and liability coverage during this year.

Operating Net Position:

Fiscal year ended June 30, 2017: (\$2,824,698)

Fiscal year ended June 30, 2016: (\$ 510,082)

Net change: (\$3,334,780)

Increases in claims costs comprised \$919,377 of the increase in program expense. The balance of the overall operating expense change came from increased administration expenses of \$592,980 largely from member education, risk management grants, services and amortization expenses.

Net investment income:

Fiscal year ended June 30, 2017: (\$ 297,011)

Fiscal year ended June 30, 2016: \$1,209,345

Net change: (\$1,506,356)

Again, the net decrease reflects the large contribution to surplus of Public Risk Mutual. Investments are marked to market value at the time of the financial statements, which may result in a negative or positive overall result. Maintaining positive returns under the difficult economic conditions during this fiscal year speaks to the investment strategies employed by NPAIP. The investment portfolio of \$26,229,345 is comprised of governmental type investments which, if held to maturity, will yield the respective coupon rates although interim performance may lag. Most of NPAIP's investments are anticipated to be held to maturity. NPAIP is restricted by Nevada statutes to invest in governmental securities in the same manner as other political subdivisions. Management adjusts the mix of investments as market conditions change.

Capital Assets and Debt Administration:

With NPAIP's purchase of land and completion of construction of its headquarters building, the NPAIP's capital assets comprise 3.61% of its total assets. The building generates rental income and diversifies NPAIP's investments. NPAIP remains debt free.

Comparative Key Performance Indicators:

In order to enhance analysis, comparative information is provided for Assets, Liabilities, Net Position, Revenues and Expenses as shown in the chart below. The benchmarks shown in the chart resulted from a pooling and captives' industry study conducted a few years ago by Tillinghast and provides a useful tool to facilitate management's analysis and understanding of the financial results. Other performance indicators may be used by insurance companies but are not necessarily useful comparative indicators for risk pools.

Financial Ratios	POOL	POOL	POOL	POOL	POOL
	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017
Total Revenue	\$ 14,832,482	\$ 14,610,828	\$ 14,364,004	\$ 14,377,529	\$ 14,159,528
Total Income (excludes special reserve adjustments 96 & 98)	\$ 1,416,264	\$ 1,752,247	\$ 1,225,208	\$ 699,263	\$ (3,121,709)
Net Operating Income	\$ 1,540,389	\$ 1,266,150	\$ 537,007	\$ (510,082)	\$ (2,824,698)
Net Investment Income	\$ (124,125)	\$ 486,097	\$ 688,201	\$ 1,209,345	\$ (297,011)
Total Assets	\$ 42,911,169	\$ 43,758,612	\$ 44,345,129	\$ 45,516,218	\$ 42,074,070
Total Liabilities	\$ 11,725,500	\$ 10,820,696	\$ 10,182,005	\$ 10,653,831	\$ 10,333,392
Net Position	\$ 31,185,669	\$ 32,937,916	\$ 34,163,123	\$ 34,862,387	\$ 31,740,678
Net Position to SIR (Board target: 12:1)	62.4	65.9	68.3	69.7	63.4
SIR to Net Position (Benchmark: captives <.10; group captives <.25)	0.016	0.015	0.015	0.014	0.016
% Assets attributable to Net Position	72.7%	75.3%	77.0%	76.6%	75.4%
Total assets/total liabilities	3.66	4.04	4.36	4.27	4.27
Revenues to Net Position (Benchmark: <2.5:1 and >0)	0.48	0.44	0.42	0.41	0.41
Loss Reserves to Net Position (discounted): Benchmark <3:1 and >0	0.37	0.35	0.34	0.33	0.32
Total liabilities to liquid assets: Benchmark <100%	39%	35%	32%	32%	26%
Change in Net Position: >-10%	4.8%	5.6%	3.7%	2.0%	-9.1%
Return on Net Position: Net Operating Income/Net Position	4.9%	3.8%	1.6%	-1.5%	-9%
Return on Net Position: Total Income/Net Position	4.5%	5.3%	3.6%	2.0%	-10%

Economic Factors:

There were stable insurance market conditions for property and liability reinsurance for fiscal year ending June 30, 2017. Rates in property coverage were stable as were liability rates. However, the winter of 2017 produced an unprecedented level of snow in the Sierra Nevada Mountains; this and other weather-related claims resulted in new property claims of \$3,480,592 incurred and \$1,032,251 paid for Fiscal Year 2017 for NPAIP. Despite these new property claims, the preemptive flood and other weather-related damage controls were effective in mitigating even worse property damage. It is unknown at this time how much effect other national weather-related occurrences will be influencing the overall reinsurance renewal rates for Fiscal Year 2019.

Medical inflation continues to be higher than the overall consumer price index nationally, which affects the underlying costs of liability claims payable by NPAIP. Based upon claims activity and the tendency of plaintiffs to appeal judgments more often, litigation costs continue to rise. The NPAIP's defense

costs have risen as a result of the types of cases being filed and the increase in the hourly rate that assures retention of competent counsel to handle civil rights cases in particular.

Fiscal year ending June 30, 2017 evidenced stable insurance market conditions for property and liability reinsurance. Rates in property coverage were stable as were liability rates.

NPAIP continued its membership in the following reinsurers in which it has a financial interest:

- ❖ Public Risk Mutual, its own pure captive, that provides reinsurance for property and liability coverage
- ❖ County Reinsurance, Ltd., a captive mutual reinsurer for all members other than schools for liability coverage
- ❖ United Educators, a captive risk retention group for schools liability coverage reinsurance
- ❖ Government Entities Mutual (GEM), a captive mutual reinsurer, that provides a layer of liability reinsurance

Subsequent Events:

The one subsequent event that will slightly change the future financial statement will be the technology support structure. As of July 1, 2017, NPAIP will be absorbing all costs related to the maintenance, replacement, and improvements to all technological needs for the management of all technological needs. Prior to July 1, 2017, Public Agency Risk Management Services (PARMS) absorbed the financial responsibility of maintaining the technological support. The human resource consulting non-profit, Public Resources, Inc (PRI), and the management firm, PARMS, will be invoiced monthly for the technology services provided by NPAIP. The change will result in an increase of operating expenses and an increase in service fee income. PARMS will continue to charge its management service fee for the management of Public Agency Compensation Trust (PACT), Public Risk Mutual (PRM), and Public Compensation Mutual (PCM), which has included technology services.

Requests for Information:

While the purpose of this discussion and financial report is to provide a general overview of the NPAIP's financial position, requests for additional financial information should be addressed to Wayne Carlson, Executive Director, 201 S. Roop, Suite 102, and Carson City, NV 89701-4790.

Wayne Carlson, Executive Director
Nevada Public Agency Insurance Pool

NEVADA PUBLIC AGENCY INSURANCE POOL
Statements of Net Position
June 30, 2017 and 2016

ASSETS	<u>2017</u>	<u>2016</u>
Current assets:		
Cash and cash equivalents	\$ 625,884	\$ 419,052
Investments	26,229,345	33,121,767
Accrued interest	134,765	172,145
Deductibles receivable	146,244	260,779
Assessments receivable	26,170	15,607
Other Receivables	72,522	50
Specific and aggregate recoverables	2,712,750	1,792,924
Prepaid expense	83,691	21,673
Total current assets	<u>30,031,371</u>	<u>35,803,997</u>
Capital assets:		
Land, building & equipment, net	1,622,469	1,645,098
Other assets:		
Contributed Surplus Public Risk Mutual, net	10,420,230	8,067,123
Total Assets	<u><u>42,074,070</u></u>	<u><u>45,516,218</u></u>
 LIABILITIES		
Other current liabilities:		
Accounts payable	165,724	87,831
Risk Management Grants payable	157,564	-
Deferred inflows of resources	5,104	-
Current portion of reserve for claims and claims adjustment expenses	4,581,556	4,552,056
Total current liabilities	<u>4,909,948</u>	<u>4,639,887</u>
Noncurrent liabilities:		
Reserve for claims and claims adjustment expenses	5,423,444	6,013,944
Total non-current liabilities:	<u>5,423,444</u>	<u>6,013,944</u>
Total Liabilities	<u><u>10,333,392</u></u>	<u><u>10,653,831</u></u>
 NET POSITION		
Net Position, unrestricted	30,118,209	33,217,289
Net Position, invested in capital assets	1,622,469	1,645,098
Total Net Position	<u><u>\$ 31,740,678</u></u>	<u><u>\$ 34,862,387</u></u>

See accompanying notes

NEVADA PUBLIC AGENCY INSURANCE POOL
Statements of Revenues, Expenses and Changes in Net Position
For Years Ended June 30, 2017 and 2016

OPERATING REVENUES	<u>2017</u>	<u>2016</u>
Premiums written	\$ 13,832,878	\$ 13,938,226
Rental income	258,326	257,937
Other Income	68,324	181,366
Total revenues	<u>14,159,528</u>	<u>14,377,529</u>
PROGRAM EXPENSES		
Losses and loss adjustment expenses	4,549,021	3,629,644
Excess insurance premiums	5,633,992	5,044,561
Pooling and loss control fees	505,000	505,000
Third party administrator fees	659,418	652,721
Agent commissions	905,483	911,271
Taxes written	2,166	8,248
Total program expenses	<u>12,255,080</u>	<u>10,751,445</u>
ADMINISTRATIVE EXPENSES		
Management fees	490,136	475,860
Building maintenance and utilities	124,219	80,948
Depreciation	44,564	44,593
Amortization	1,946,893	1,779,165
Travel	48,662	54,711
Casualty insurance	51,553	40,767
Operating expenses	113,484	232,066
Legal expenses	85,109	40,931
Loss control awards & grants	320,627	185,900
Consultant appraisals	87,500	114,850
Environmental consultation	23,665	18,972
Technology services	81,967	-
Member education & training	1,310,767	1,067,403
Total pool administration expenses	<u>4,729,146</u>	<u>4,136,166</u>
Total program and administration expenses	<u>16,984,226</u>	<u>14,887,611</u>
Decrease in operating net position	(2,824,698)	(510,082)
Increase in non-operating net investment income	(297,011)	1,209,345
(Decrease) increase in net position	(3,121,709)	699,263
Net position, beginning of year	34,862,387	34,163,124
Net position, end of year	<u>\$ 31,740,678</u>	<u>\$ 34,862,387</u>

See accompanying notes

NEVADA PUBLIC AGENCY INSURANCE POOL
Statements of Cash Flows
For Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Premiums written	\$ 13,941,954	\$ 14,030,877
Rental income	258,326	257,937
Other revenues	68,324	181,366
Payment for claims	(5,110,021)	(3,187,644)
Payment to vendors	(11,381,636)	(9,361,641)
Net Cash (Used) Provided from Operating Activities	<u>(2,223,053)</u>	<u>1,920,895</u>
Cash flows from investing activities:		
Interest and dividend income, net of expenses	957,587	868,608
Purchases of investments	(7,595,831)	(14,541,729)
Proceeds from sales of investments	13,391,219	12,563,981
Net Cash Provided (Used) in Investing Activities	<u>6,752,975</u>	<u>(1,109,140)</u>
Cash flows from capital activities:		
Increase in capitalization of PRM	(4,300,000)	(1,488,723)
Equipment purchases	(23,090)	-
Net Cash Used for Capital Activities	<u>(4,323,090)</u>	<u>(1,488,723)</u>
Increase in Cash and Cash Equivalents	206,832	(676,968)
Cash and Cash Equivalents, beginning of fiscal year	419,052	1,096,020
Cash and Cash Equivalents, year ended June 30	<u>625,884</u>	<u>419,052</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating net loss	(2,824,697)	(510,082)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	45,719	44,593
Amortization expense	1,946,893	1,779,165
Decrease in deductibles receivable	103,972	109,589
(Increase) decrease in prepaid expense	(134,491)	5,419
(Increase) decrease in other receivables	(882,446)	20,385
Increase in accounts payable	77,893	46,764
Increase (decrease) in deferred inflows of resources	5,104	(16,938)
(Decrease) increase in claims and loss adjustment expenses	(561,000)	442,000
Net Cash (Used) Provided by Operating Activities	<u>\$ (2,223,053)</u>	<u>\$ 1,920,895</u>

See accompanying notes

NEVADA PUBLIC AGENCY INSURANCE POOL
Notes to Financial Statements
June 30, 2017 and 2016

NOTE 1 - NATURE OF ORGANIZATION

The Nevada Public Agency Insurance Pool (NPAIP) is a quasi-governmental entity formed by an intergovernmental agreement between political subdivisions of the state of Nevada and organized to operate as a group self-insurer. The purpose of the organization is to seek the prevention or lessening of casualty losses to its members and injuries to persons, which might result in claims being made against such members. In addition to self-funding and excess insurance protection, the program provides risk management services with emphasis on loss control, claims administration, and management support services. The NPAIP is fully funded by member participants. Members file claims with Alternative Service Concepts, LLC (ASC), which has been contracted to perform claims adjustments for the NPAIP.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Presentation

The Nevada Public Agency Insurance Pool has prepared its financial statements in accordance with accounting principles generally accepted in the United States of America. NPAIP has implemented Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis – for State and Local Governments*.

The financial statements have been prepared on the basis of accounting principles generally accepted in the United States of America for governmental entities and insurance enterprises, where applicable, which may differ from the basis of accounting followed in statutory reporting.

Accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Measurement Focus, Basis of Accounting

The financial statements are reported using the economic resources management focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows. Expenditures are recorded when the related fund liability is incurred.

Cash Equivalents:

For purposes of the statement of cash flows, the NPAIP considers investments with original maturity dates less than 90 days to be cash equivalents.

Investment and Interest Income:

Investments are recorded at fair market value. Interest income, realized and unrealized gains and losses are shown as net investment income.

The NPAIP is authorized, by state statutes, to make investments in bonds and debentures of the United States, bills and notes of the U.S. Treasury the maturities of which cannot be more than 10 years from date of purchase except as permitted by law. The NPAIP is also authorized to purchase negotiable certificates of deposit issued by commercial banks or insured savings and loan associations, the U.S. Postal Service and Government National Mortgage Association securities.

Credit Risk:

Credit risk is the risk that the issuer of a security will default on principal and interest of the security. NPAIP's policy is to invest in corporate debt issues with a minimum of an "AA" rating from Moody's or Standard and Poor's rating services or U.S. Government and government backed securities. In addition, NPAIP's policy is to diversify the investment portfolio so that the impact of potential losses from any one type of security or from any one issuer will be minimized.

Budget

A budget is prepared by management though there is no legal budgetary requirement.

NEVADA PUBLIC AGENCY INSURANCE POOL
Notes to Financial Statements
June 30, 2017 and 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Concentration of Credit Risk:

NPAIP limits investments in fixed income securities to 10% of the total fixed income portfolio to any one issuer. No more than 15% of the total investment pool will be invested in any one class of security, industry or company. NPAIP will not directly invest in securities maturing more than ten (10) years from the date of purchase, except as permitted by law. The policy does not place a limit on the purchase of U.S. Government and government backed securities.

Interest Rate Risk:

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. NPAIP will, to the extent possible, minimize this risk by matching investment maturities to liability due dates. This allows NPAIP to hold investments to maturity thus mitigating losses from the sale of investments prior to their maturity date. Additionally, exposure to fair value losses arising from decreasing interest rates is minimized by investing predominantly in investments with short to mid-term maturities that perform in line with the return of a managed fund comprised of 1 – 3 year Treasury Bonds.

Deductible and Specific Excess Recoverable Receivables:

Deductibles receivable represents the portion of a claim to be collected from members. Specific excess recoverables represents amounts to be collected from excess insurers on claims made by members against the NPAIP in excess of the NPAIP's retention.

Fixed Assets:

Equipment on the books is depreciated over the estimated useful lives of the assets using the straight-line method and the lives assigned to assets range from 5 years to 7 years. The office building cost is depreciated using the straight-line method over a period of 40 years with no salvage value.

Legal Fees:

Legal fees included in administration expenses are primarily for corporate legal work only; all legal expenses associated with a particular claim are charged directly to that claim's experience. Legal work on claims affects losses incurred and loss adjustment expenses.

Losses and Loss Adjustment Expenses:

Reserves for losses and allocated loss adjustment expenses are provided based on case basis estimates for losses reported and NPAIP's historical loss experience for claims incurred but not reported (IBNR). The liability for unpaid losses and loss adjustment expenses includes the estimated cost of investigating and settling all claims incurred as of the balance sheet date. Such amounts are determined on the basis of an evaluation of the NPAIP's independent consulting actuary. The liability for unpaid losses and loss adjustment expenses has not been discounted for the time value of money. Although such estimates are NPAIP's best estimates of the expected values, the actual results may vary from these values.

Member Loss Fund Contributions and Unearned Member Loss Fund Contributions:

Member contributions are collected in advance and recognized as revenue in the period for which insurance protection is provided. Contributions are allocated by PARMS with actuarial input.

Federal Income Taxes

In accordance with Internal Revenue Service code Section 115, organizations formed, operated and funded by political subdivisions may exclude income from those activities that qualify for exclusion. Accordingly, no provision for income taxes has been provided in the accompanying financial statements.

Supplementary Development Schedule - Unaudited

The Claims Development Schedule reports claims on a reported year basis. Loss reserves shown on the financial statements are discounted; however, the development schedule reflects undiscounted loss reserves.

NEVADA PUBLIC AGENCY INSURANCE POOL
Notes to Financial Statements
June 30, 2017 and 2016

NOTE 3 – CASH AND INVESTMENTS

The carrying amount of NPAIP’s deposits with financial institutions at June 30, 2017 and 2016 was \$625,884 and \$419,052.

The financial institution balance at June 30, 2017 and 2016 was \$886,860 and \$498,061 respectively. The difference between the carrying amount and bank balance results from outstanding checks and/or deposits not yet reflected in the bank’s records.

	<u>2017</u>	<u>2016</u>
Amounts insured by FDIC	\$ 250,000	\$ 219,313
Amounts collateralized	239,517	-
Cash equivalents at brokerage firm	<u>397,343</u>	<u>278,748</u>
 Total deposits at financial institutions	 <u>\$ 886,860</u>	 <u>\$ 498,061</u>

NPAIP maintains its cash, cash equivalents and investments in a commercial bank and a brokerage institution. All amounts in the commercial bank are insured by the FDIC or collateralized. Amounts at the brokerage firm are insured through SIPC and additional amounts above SIPC coverage limits are insured by the broker through an insurance policy.

A summary of investments as of June 30, 2017 is as follows:

	<u>Fair Value</u>	<u>Investment Maturities in Years</u>			
		<u>1 year of less</u>	<u>1-5</u>	<u>5-10</u>	<u>Over 10</u>
U.S. Government & Agencies	\$ 2,875,432	\$ 1,151,989	\$ 1,723,443	\$ -	\$ -
U.S. Mortgage-backed securities	18,710,223	-	367,389	3,254,406	15,088,428
U.S. Government backed securities	4,643,690	-	3,449,190	714,920	479,580
Total cash and investments	<u>\$ 26,229,345</u>	<u>\$ 1,151,989</u>	<u>\$ 5,540,022</u>	<u>\$ 3,969,326</u>	<u>\$ 15,568,008</u>

A summary of investments as of June 30, 2016 is as follows:

	<u>Fair Value</u>	<u>Investment Maturities in Years</u>			
		<u>1 year of less</u>	<u>1-5</u>	<u>5-10</u>	<u>Over 10</u>
U.S. Treasuries	\$ 4,711,348	\$ -	\$ 760,117	\$ 3,951,231	\$ -
U.S. Government & Agencies	5,646,838	-	5,016,557	630,281	-
U.S. Mortgage-backed securities	17,782,680	-	598,780	4,458,611	12,725,289
U.S. Government backed securities	4,980,901	-	2,004,108	2,381,364	595,429
Total cash and investments	<u>\$ 33,121,767</u>	<u>\$ -</u>	<u>\$ 8,379,562</u>	<u>\$ 11,421,487</u>	<u>\$ 13,320,718</u>

Actual maturities may differ from contractual maturities as some borrowers have the right to call or prepay with or without call or prepayment penalties. NPAIP categorizes its fair value measurement within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

NPAIP has the following recurring fair value measurements as of year-end June 30,

1. U.S. Treasuries and U.S. Government guaranteed securities of \$397,373 and \$4,990,098 for years ended June 30, 2017 and 2016 respectively are valued using quoted market prices (Level 1 inputs).
2. U.S. Government Agencies and U.S. back securities of \$25,831,972 and \$28,131,669 for years ended June 30, 2017 and 2016 respectively are valued using a matrix pricing model (Level 2 inputs).

NEVADA PUBLIC AGENCY INSURANCE POOL
Notes to Financial Statements
June 30, 2017 and 2016

NOTE 4 – LAND, BUILDING AND EQUIPMENT

Building and land are reported at cost less accumulated depreciation. Depreciation is calculated on the straight line basis over the estimated useful lives of the assets. NPAIP capitalizes equipment and building related expenditures that are greater than \$5,000. When assets are disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized in operations. Activity for the years ended June 30, 2017 and 2016 was as follows:

Property and equipment activity for the year ended June 30, 2017 was as follows:

	Estimated Useful Life	June 30, 2016	Additions	Dispositions	June 30, 2017
Land	-	\$ 466,652	\$ -	\$ -	\$ 466,652
Building	40	1,783,716	-	-	1,783,716
Equipment, furniture, fixtures & vehicles	5-7	94,857	23,090	-	117,947
		<u>2,345,225</u>	<u>23,090</u>	<u>-</u>	<u>2,368,315</u>
Less accumulated depreciation		(700,127)	(45,719)	-	(745,846)
Capital assets net accumulated depreciation		<u>\$ 1,645,098</u>	<u>\$ (22,629)</u>	<u>\$ -</u>	<u>\$ 1,622,469</u>

Property and equipment activity for the year ended June 30, 2016 was as follows:

	Estimated Useful Life	June 30, 2015	Additions	Dispositions	June 30, 2016
Land	-	\$ 466,652	\$ -	\$ -	\$ 466,652
Building	40	1,783,716	-	-	1,783,716
Equipment, furniture, fixtures & vehicles	5-7	94,857	-	-	94,857
		<u>2,345,225</u>	<u>-</u>	<u>-</u>	<u>2,345,225</u>
Less accumulated depreciation		(655,534)	(44,593)	-	(700,127)
Capital assets net accumulated depreciation		<u>\$ 1,689,691</u>	<u>\$ (44,593)</u>	<u>\$ -</u>	<u>\$ 1,645,098</u>

NOTE 5 – RETENTION

Nevada Public Agency Insurance Pool retains a portion of claims prior to the application of coverage provided by its excess or reinsurance contracts. The coverage limits provided by the NPAIP within its retention amounts are as follows:

<u>NPAIP Limits:</u>	<u>2016-2017</u>	<u>2015-2016</u>
Property blanket limit	\$200,000	\$200,000
Liability per event	\$500,000	\$500,000
Monies & securities per loss	\$500,000	\$500,000
Equipment breakdown	\$ 50,000	\$ 50,000

NEVADA PUBLIC AGENCY INSURANCE POOL
Notes to Financial Statements
June 30, 2017 and 2016

NOTE 6 – UNPAID CLAIMS LIABILITIES

NPAIP estimates losses and loss adjustment expense based on historical experience and payment and reporting patterns. These estimates are based on data available at the time of the estimate and are reviewed by NPAIP’s independent consulting actuary.

Inherent in the estimates of the ultimate liability for unpaid claims are expected trends in claim severity, claim frequency, and other factors that may vary as claims are settled. The amount and uncertainty in the estimates are affected by such factors as the knowledge of the actual facts and circumstances and amount of historical claims experienced relative to the development period that has been affected by the change in premium levels and increase in closing and settlement of claims.

As discussed in Note A, the NPAIP establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claims adjustment expenses, both allocated and unallocated. The following represents changes in those aggregate liabilities for the NPAIP in the last two years:

	<u>2017</u>	<u>2016</u>
Unpaid losses and loss adjustment expenses at beginning of year or period	<u>\$ 10,566,000</u>	<u>\$ 10,124,000</u>
Incurred losses and loss adjustment expenses:		
Provision for insured events of current year	5,635,000	5,168,000
Increase (decrease) in provision for insured events of prior fiscal years	<u>(1,085,979)</u>	<u>(1,538,356)</u>
Total incurred losses and loss adjustment	4,549,021	3,629,644
Payments:		
Claims and claim adjustment expenses attributable to insured events of current fiscal year/period	(988,000)	(485,000)
Claims and claims adjustment expenses attributable to insured events of prior	<u>(4,122,021)</u>	<u>(2,702,644)</u>
Total Payments	(5,110,021)	(3,187,644)
Unpaid claims and claims adjustment expenses At end of fiscal year	<u><u>\$ 10,005,000</u></u>	<u><u>\$ 10,566,000</u></u>

In 2017 the current portion of the reserve, cash expected to be paid within 12 months, is \$4,581,556 and the long-term portion is \$5,423,444. At the end of 2016 the current portion was \$4,552,056 and the long term portion was \$6,013,944.

At June 30, 2017 and 2016, NPAIP recorded the liability for losses and loss adjustment expenses based on an estimate of its independent consulting actuary. The reserve balances were developed by an independent actuary and are management’s best estimate of reserves at June 30, 2017 and 2016.

NEVADA PUBLIC AGENCY INSURANCE POOL
Notes to Financial Statements
June 30, 2017 and 2016

NOTE 7 - RELATED PARTY TRANSACTIONS

Public Agency Risk Management Services, Inc. (PARMS) is presently contracting with the NPAIP and PACT to provide management services from July 1, 2014 through June 30, 2019. PARMS serves both the NPAIP and the PACT as the Executive Director/Administrator. PARMS is a service corporation wholly owned by Mr. Wayne Carlson. Contract fees paid for years ended June 30, 2017 and 2016 were \$490,136 and \$475,860 respectively.

Minimum future payments:	
2018	504,840
2019	519,985
Total payments	<u>\$ 1,024,825</u>

PARMS leases office space at 201 S. Roop St. in Carson City, Nevada from the Nevada Public Agency Insurance Pool through a separate lease agreement that coincides with the term of the management contract. Payments made in 2017 and 2016 were \$69,781 and \$69,804. The contract dated July 1, 2013 is for a five year lease period and includes a 2% per annum increase in the lease expenses which began on July 1, 2014.

Minimum future payments:	
2018	71,177
Total payments	<u>\$ 71,177</u>

PARMS provides accounting services to the Nevada Association of Counties and Wayne Carlson is authorized as the second signer on checks disbursed from that organization's accounts.

Effective July 1, 2006, Nevada Public Agency Insurance Pool (NPAIP) jointly with Public Agency Compensation Trust (PACT) provided a grant to Pooling Resources, Inc. (PRI), a nonprofit organization formed by the executive director of NPAIP, Wayne Carlson, and whose directors are Cash Minor, Alan Kalt and Curtis Calder. The cost of this grant was \$756,000 and \$565,000 for the years ended June 30, 2017 and 2016 respectively. PRI provides human resources management services to NPAIP members. PRI pays PARMS a management fee to provide operational and financial oversight of PRI.

Minimum future payments:	
2018	779,350
2019	794,950
2020	811,200
Total payments	<u>\$ 2,385,500</u>

NPAIP is the sole policy holder of Public Risk Mutual Company which was formed as a non-profit captive mutual insurance company.

NEVADA PUBLIC AGENCY INSURANCE POOL
Notes to Financial Statements
June 30, 2017 and 2016

NOTE 8 –CONTRIBUTED SURPLUS TO PUBLIC RISK MUTUAL

In May 2004, NPAIP’s board of directors authorized the startup of a member-owned nonprofit captive mutual insurance company and contributed to the surplus of the company with an initial \$1,000,000 surplus contribution. The company, Public Risk Mutual, is domiciled in Nevada and as of September 1, 2004, became the excess property insurer for NPAIP. Subsequent contributions to surplus were made by NPAIP. The cumulative contributions were \$23,777,263 and \$19,477,260 as of year ended June 30, 2017 and 2016. Some of the Public Risk Mutual’s board members also serve as board members of NPAIP.

Public Risk Mutual was formed by members of NPAIP to reduce the costs of insurance, to obtain direct access to reinsurance, to provide broader coverage for policyholders, to broaden investment opportunities and to build equity to enable provision of coverage not obtainable elsewhere.

In April 2017, the Executive Committee of Nevada Public Agency Insurance Pool (NPAIP) approved the transfer of ten million (\$10,000,000) surplus funds to its pure captive Public Risk Mutual (PRM). This action was ratified by the full Board of Trustees of PRM on April 27, 2017 during the annual meeting. As of July 1, 2017, \$4,300,000 has been transferred from NPAIP to PRM. The transfer of the remaining \$5,700,000 is scheduled to be completed by December 31, 2017.

Since the creation of the captive PRM, all transfers from NPAIP to PRM have been amortized. Therefore, the initial \$4,300,000 asset transfer has been accounted for in the amortization schedule that continually accounts for the NPAIP capital surplus contributions to PRM. The remaining \$5,700,000 that will be contributed to PRM in fiscal year 2018 is a board commitment and will be entered in the ongoing amortization schedule in fiscal year 2018. NPAIP’s investment advisor, Strategic Asset Alliance, and NPAIP’s money manager, New England Asset Management, have developed an orderly transfer plan based on the appropriate selling and purchasing points for the designated assets. This helps accomplish the goals of providing NPAIP with profits of the sales and PRM with the purchase of more suitable investment assets. This enables NPAIP and PRM to maintain the appropriate Net Position for their respective risk retention amounts.

As a condition of providing surplus contributions, but without any expectation that the funds will be returned, NPAIP will recoup the contributions to surplus. Therefore, management considers the surplus contributions a development cost asset that can provide lower operating costs in the future and estimates that the savings in excess insurance costs to NPAIP will recoup the contributions to surplus. Therefore, the NPAIP’s interest in PRM is being amortized over 10 years. Amortization expense was \$1,946,893 and \$1,779,165 for fiscal years ended 2017 and 2016.

	June 30, 2016	Additions	June 30, 2017
Contributed surplus to Public Risk Mutual	\$ 19,477,263	\$ 4,300,000	\$ 23,777,263
Accumulated amortization	(11,410,140)	(1,946,893)	(13,357,033)
Contributed Surplus net of accumulated amortization	<u>\$ 8,067,123</u>	<u>\$ 2,353,107</u>	<u>\$ 10,420,230</u>
	June 30, 2015	Additions	June 30, 2016
Contributed surplus to Public Risk Mutual	\$ 17,988,540	\$ 1,488,723	\$ 19,477,263
Accumulated amortization	(9,630,975)	(1,779,165)	(11,410,140)
Contributed Surplus net of accumulated amortization	<u>\$ 8,357,565</u>	<u>\$ (290,442)</u>	<u>\$ 8,067,123</u>

NEVADA PUBLIC AGENCY INSURANCE POOL
Notes to Financial Statements
June 30, 2017 and 2016

NOTE 9 – EXCESS INSURANCE OR REINSURANCE

Nevada Public Agency Insurance Pool offers limits as shown in the policy form. Highlights of some of the limits and sub-limits are shown on the table below. However, NPAIP obtains various excess or reinsurance policies from several excess or reinsurance companies to bear a portion of the risks not retained by the NPAIP under its retention.

<u>Property limits:</u>	<u>2016 -2017</u>	<u>2015 - 2016</u>
Blanket limit per loss:	\$300,000,000	\$300,000,000
Earthquake Aggregate Sub-limit:	150,000,000	150,000,000
Flood Aggregate Sub-limit:	150,000,000	150,000,000
Equipment Breakdown Sub-limit:	100,000,000	60,000,000
Money & Securities (including Employee Dishonesty) Sub-limit:	500,000	500,000
<u>Liability limits:</u>		
Each and Every Per Event Limit:	10,000,000	10,000,000
Products/Completed Operations per member)	Included	Included
Wrongful Acts (per member)	Included	Included
Law Enforcement (per member)	Included	Included
Emergency Response to Pollution Aggregate Sub-limit:	1,000,000	1,000,000
Sexual Abuse Sub-limit	2,500,000	2,500,000
<u>Aggregate Limits:</u>		
General Aggregate (per member)	10,000,000	10,000,000
Sexual abuse Sub-limit	2,500,000	2,500,000
<u>Cyber Security Event Liability and Privacy Response Cover Limits:</u>		
Cyber Security Event Liability	2,000,000	2,000,000
Privacy Response Expense	500,000	500,000

NPAIP reinsurance is as follows:

Property 2015-2016 The property limits shown above excess of NPAIP’s retentions as follows:

Retention \$200,000 per event

Public Risk Mutual: \$300,000 limit per loss subject to \$200,000 NPAIP retention all coverages

Travelers Boiler Re: \$50,000 NPAIP retention for Equipment Breakdown

Lloyds of London various syndicates: NPAIP retentions \$500,000 per occurrence except no reinsurance for Equipment breakdown or money and securities

Liability 2015-2016: The liability limits shown above excess of NPAIP’s retention of \$500,000 with:

- a) Public Risk Mutual 20% of \$2,500,000, excluding school districts, plus 15% of \$7,000,000 excess of \$3,000,000
- b) County Reinsurance, ltd. 80% of \$2,500,000, excluding school districts, plus \$750,000 excess of \$250,000 per cyber liability event
- c) United Educators \$2,500,000 for school districts only, plus \$1,500,000 per cyber liability event for school districts only
- d) Government Entities Mutual, Inc., 35% quota share of \$7,000,000 excess of \$3,000,000
- e) Lloyds of London Brit Syndicates, Ltd., 50% quota share of \$7,000,000 excess of \$3,000,000
- f) Public Risk Mutual \$1,000,000 excess of \$1,000,000 per cyber event plus \$250,000 excess \$250,000 each school district

Property 2016-2017 The property limits shown above excess of NPAIP’s retentions as follows:

Retention \$200,000 per event

Public Risk Mutual: \$300,000 limit per loss subject to \$200,000 NPAIP retention all coverages

Travelers Boiler Re: \$50,000 NPAIP retention for Equipment Breakdown

Lloyds of London various syndicates: NPAIP retentions \$500,000 per occurrence except no reinsurance for Equipment breakdown or money and securities

NEVADA PUBLIC AGENCY INSURANCE POOL
Notes to Financial Statements
June 30, 2017 and 2016

NOTE 9 – EXCESS INSURANCE OR REINSURANCE (continued)

Liability 2016-2017: The liability limits shown above excess of NPAIP’s retention of \$500,000 with:

- a. Public Risk Mutual 30% of \$2,500,000, excluding school districts, plus 25% of \$7,000,000 excess of \$3,000,000
- b. County Reinsurance, ltd. 70% of \$2,500,000, excluding school districts, plus \$750,000 excess of \$250,000 per cyber liability event
- c. United Educators \$2,500,000 for school districts only, plus \$1,500,000 per cyber liability event for school districts only
- d. Government Entities Mutual, Inc., 35% quota share of \$7,000,000 excess of \$3,000,000
- e. Lloyds of London Brit Syndicates, Ltd., 40% quota share of \$7,000,000 excess of \$3,000,000
- f. Public Risk Mutual \$1,000,000 excess of \$1,000,000 per cyber event plus \$250,000 excess \$250,000 each school district

NOTE 10 – LEASES

On March 12, 2016 NPAIP entered into a lease agreement with Sierra Office Solutions for a high-speed copy machine. The lease is classified as an operating lease with minimum monthly payments of \$430 for 60 months.

NPAIP entered into a lease for a postage machine with Mailfinance in March 2016. The lease is an operating lease with minimum monthly payments of \$50 for the first 12 months and \$65 for the remaining 48 months.

Minimum lease payments for leases are as follows for the following years ended June 30,

Minimum lease payments:			
2018	\$	5,936	
2019		5,742	
2020		3,870	
		-	
Total minimum lease payments	\$	15,548	

NOTE 11 –SUBSEQUENT EVENTS

On July 1, 2017, NPAIP assumed ownership from PARMS of the server and computers and will be absorbing all costs related to the maintenance, replacement, and improvements for all its technological needs. NPAIP manages all technological needs for the organization and designated support contractors will be assessed a monthly technology support fee.

Management has evaluated the activities and transactions subsequent to June 30, 2017 to determine the need for any adjustments to, and disclosure within the financial statements for the year ended June 30, 2017. Management has evaluated subsequent events through October 31, 2017 which is the date the financial statements were available for issue.

NEVADA PUBLIC AGENCY INSURANCE POOL
COMPARATIVE SCHEDULE OF CLAIMS DEVELOPMENT (UNAUDITED)
EARNED ASSESSMENTS AND ALLOCATED EXPENSES FOR TEN-YEAR PERIOD - YEAR ENDED JUNE 30,

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Required Contributions & Investment Income:										
Earned	\$14,643,824	\$15,184,061	\$15,721,731	\$14,964,155	\$16,331,984	\$14,843,453	\$14,843,453	\$15,129,697	\$15,659,967	\$13,926,199
Ceded	(3,681,857)	(3,919,235)	(4,388,536)	(4,642,512)	(5,019,808)	(4,812,711)	(4,812,711)	(5,253,026)	(5,044,561)	(5,633,992)
Net earned	10,961,967	11,264,826	11,333,195	10,321,643	11,312,176	10,030,742	10,030,742	9,876,671	10,615,406	8,292,207
Unallocated Expenses	3,715,519	4,103,075	4,521,913	4,968,874	5,659,813	5,485,380	5,485,380	5,755,797	6,213,405	6,801,212
Estimated Incurred Claims & Expense End of Policy Year:										
Incurred	7,232,000	6,118,000	6,036,000	5,938,000	5,471,000	5,370,000	5,370,000	4,317,000	5,168,000	5,635,000
Ceded	-	-	-	-	-	-	-	-	(87,500)	(1,427,141)
Net Incurred	7,232,000	6,118,000	6,036,000	5,938,000	5,471,000	5,370,000	5,370,000	4,317,000	5,080,500	4,207,859
Paid (cumulative) as of:										
End of policy year	1,020,000	397,000	417,000	833,000	722,000	652,000	788,000	551,000	485,000	988,000
One Year Later	3,301,000	1,078,000	1,546,000	1,736,000	1,538,000	1,670,000	1,538,000	1,681,000	2,291,000	
Two Years Later	4,041,000	1,767,000	2,386,000	2,083,000	2,331,000	1,937,000	2,142,000	2,061,000		
Three Years Later	4,403,000	2,443,000	2,827,000	3,053,000	2,601,000	2,548,000	2,656,000			
Four Years Later	4,505,000	2,594,000	3,401,000	3,306,000	2,723,000	2,797,000				
Five Years Later	4,579,000	2,641,000	3,799,000	3,324,000	3,003,000					
Six Years Later	4,634,000	2,837,000	3,632,000	3,370,000						
Seven Years Later	4,683,000	2,845,000	3,638,000							
Eight Years Later	4,746,000	2,845,000								
Nine Years Later	4,832,000									
Re-estimated ceded claims & Expenses	12,106,451	-	731,734	2,236,444	341,501	282,938	1,725,000	371,978	1,715,561	1,427,141
Re-estimated Claims & Expense										
End of policy year	7,232,000	6,118,000	6,036,000	5,938,000	5,471,000	5,370,000	4,851,000	4,317,000	5,168,000	5,635,000
One Year Later	6,844,000	4,793,000	4,953,000	4,973,000	4,461,000	4,425,000	4,159,000	3,864,000	4,769,000	
Two Years Later	5,972,000	3,921,000	4,185,000	4,287,000	3,780,000	3,650,000	3,713,000	3,134,000		
Three Years Later	5,353,000	3,272,000	3,618,000	4,051,000	3,297,000	3,137,000	3,285,000			
Four Years Later	4,874,000	3,054,000	3,712,000	4,048,000	3,265,000	3,350,000				
Five Years Later	4,848,000	3,000,000	3,925,000	3,972,000	3,308,000					
Six Years Later	4,750,000	2,923,000	3,743,000	3,491,000						
Seven Years Later	4,793,000	2,845,000	3,638,000							
Eight Years Later	4,838,000	2,845,000								
Nine Years Later	4,940,000									
Increase (Decrease) in Estimated Incurred Claims & Expenses from End of Policy Year	(2,394,000)	(3,273,000)	(2,293,000)	(1,966,000)	(2,206,000)	(2,233,000)	(1,657,000)	(453,000)	(311,500)	-

This information is required by the Governmental Accounting Standards Board