

**ROCKY MOUNTAIN RISK INSURANCE GROUP**

Financial Statements As Of June 30, 2016 And 2015

Together With Independent Auditors' Report

**JDS** professional  
group  
certified public accountants, consultants and advisors

# ROCKY MOUNTAIN RISK INSURANCE GROUP

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of Rocky  
Mountain Risk Insurance Group:

We have audited the accompanying financial statements of Rocky Mountain Risk Insurance Pool (the "Pool"), which comprise the statutory statements of admitted assets, liabilities, capital and surplus as of June 30, 2016 and 2015, and the related statutory statements of operations, changes in capital and surplus, and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of the Division of Insurance of the Colorado Department of Regulatory Agencies. Management is also responsible for 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 error or fraud.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 control 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 opinion.

#### *Members:*

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Independent Auditors' Report (Continued)

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the admitted assets, liabilities, and surplus of Rocky Mountain Risk Insurance Pool as of June 30, 2016 and 2015, and the results of its operations for the years then ended, in accordance with the financial reporting provisions of the Division of Insurance of the Colorado Department of Regulatory Agencies as described in Note 2.

**Basis of Accounting**

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the basis of the financial reporting provisions of the Division of Insurance of the Colorado Department of Regulatory Agencies, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with the requirements of the Division of Insurance of the Colorado Department of Regulatory Agencies. Our opinion is not modified with respect to that matter.

**Restriction on Use**

This report is intended solely for the information and use of the Board of Directors, school district members of the Pool, management of the Pool and the Colorado Division of Insurance, NAIC (National Association of Insurance Commissioners) and Colorado Department of Regulatory Agencies and is not intended to be and should not be used by anyone other than these specified parties.

**Other Matters**

*Supplemental Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Pool's basic financial statements. The investment risks interrogatories, summary investment schedule and schedules of investment held are presented for purposes of additional analysis as required by NAIC (National Association of Insurance Commissioners) and are not a required as a part of the basic financial statements. The schedule of statutory basic surplus by school district and schedule of loss development information (marked as "unaudited") are presented for purposes of additional analysis and is not required part of the basic financial statements.

Independent Auditors' Report (Continued)

The investment risks interrogatories, summary investment schedule, statutory basic surplus schedules by school district and schedules of investment held are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. The schedules of loss development information marked "unaudited" has not been subject to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it. In our opinion, the investment risks interrogatories, summary investment schedule, schedule of statutory basic surplus by school district and the schedule of investments held are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*JDS Professional Group*

November 7, 2016

## ROCKY MOUNTAIN RISK INSURANCE GROUP

Statutory Statements Of Admitted Assets, Liabilities, Capital And Surplus  
As Of June 30, 2016 And 2015

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	<u>2016</u>	<u>2015</u>
<b>ADMITTED ASSETS</b>		
Cash and cash equivalents	\$ 4,317,003	\$ 2,917,443
Premium receivable	1,600,000	
Investments	1,272,277	4,120,827
Reinsurance recoverable	32,011	94,167
Capital and surplus receivable	171,808	
Other receivables	212,593	218,942
Accrued interest receivable	1,858	2,876
	<u>                    </u>	<u>                    </u>
<b>TOTAL ADMITTED ASSETS</b>	<u><u>\$ 7,607,550</u></u>	<u><u>\$ 7,354,255</u></u>
<b>LIABILITIES, CAPITAL AND SURPLUS</b>		
<b>Liabilities:</b>		
Reserve for losses and loss adjustment expense	\$ 5,528,338	\$ 4,199,178
Reserve for unallocated loss adjustment expense	229,380	201,609
Other liabilities	17,968	20,237
Total Liabilities	<u>5,775,686</u>	<u>4,421,024</u>
<b>Capital and Surplus:</b>		
Subordinated debt	1,739,424	1,651,404
Unassigned surplus	92,440	1,281,827
Total Capital and Surplus	<u>1,831,864</u>	<u>2,933,231</u>
	<u>                    </u>	<u>                    </u>
<b>TOTAL LIABILITIES, CAPITAL AND SURPLUS</b>	<u><u>\$ 7,607,550</u></u>	<u><u>\$ 7,354,255</u></u>

The accompanying notes are an integral part of the financial statements.

# ROCKY MOUNTAIN RISK INSURANCE GROUP

Statutory Statements Of Operations  
For The Years Ended June 30, 2016 And 2015

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	<u>2016</u>	<u>2015</u>
<b>REVENUE</b>		
Premiums earned (net of excess insurance premiums of \$1,234,957 in 2016 and \$1,151,305 in 2015)	\$ 4,661,955	\$ 3,801,110
<b>UNDERWRITING EXPENSES</b>		
Net losses and loss adjustment expenses (net of reinsurance recoveries of \$32,011 in 2016 and \$94,167 in 2015)	4,897,011	2,214,763
Other underwriting expenses	1,006,558	945,212
Total underwriting expenses	<u>5,903,569</u>	<u>3,159,975</u>
<b>UNDERWRITING INCOME</b>	(1,241,614)	641,135
Net Investment Income (Loss)	<u>28,369</u>	<u>14,226</u>
<b>NET INCOME (LOSS) FROM OPERATIONS BEFORE DIVIDENDS TO MEMBERS</b>	(1,213,245)	655,361
Dividends to members	<u>(147,950)</u>	<u>(1,981,169)</u>
<b>NET INCOME (LOSS)</b>	<u><u>(1,361,195)</u></u>	<u><u>(1,325,808)</u></u>

The accompanying notes are an integral part of the financial statements.

## ROCKY MOUNTAIN RISK INSURANCE GROUP

Statutory Statements Of Changes In Capital and Surplus  
For The Years Ended June 30, 2016 And 2015

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	<u>Subordinate Debt</u>	<u>Unassigned Surplus</u>	<u>Total</u>
<b>Capital and Surplus, June 30, 2014</b>	<b>\$ 1,902,824</b>	<b>\$ 3,054,777</b>	<b>\$ 4,957,601</b>
Net (loss)		(1,325,808)	(1,325,808)
Surplus distribution - Member withdrawal	(163,400)	(447,142)	(610,542)
Member surplus adjustment against receivable	(88,020)		(88,020)
Net change in surplus for the year	<u>(251,420)</u>	<u>(1,772,950)</u>	<u>(2,024,370)</u>
<b>Capital and Surplus, June 30, 2015</b>	<b><u>1,651,404</u></b>	<b><u>1,281,827</u></b>	<b><u>2,933,231</u></b>
Net (loss)		(1,361,195)	(1,361,195)
Surplus contributions		171,808	171,808
Member surplus adjustment against receivable	88,020		88,020
Net change in surplus for the year	<u>88,020</u>	<u>(1,189,387)</u>	<u>(1,101,367)</u>
<b>Capital and Surplus, June 30, 2016</b>	<b><u><u>\$ 1,739,424</u></u></b>	<b><u><u>\$ 92,440</u></u></b>	<b><u><u>\$ 1,831,864</u></u></b>

The accompanying notes are an integral part of the financial statements.

# ROCKY MOUNTAIN RISK INSURANCE GROUP

Statutory Statements Of Cash Flows  
For The Years Ended June 30, 2016 And 2015

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	<u>2016</u>	<u>2015</u>
<b>Cash Flows from Operating Activities:</b>		
Premiums collected from participants	\$ 4,332,287	\$ 4,467,433
Premiums paid to reinsurers	(1,234,947)	(1,151,305)
Loss and loss adjustment expenses paid	(3,572,921)	(2,720,229)
Underwriting expenses paid	(857,167)	(952,601)
Interest received	29,658	51,433
Net cash (used in) operating activities	<u>(1,303,090)</u>	<u>(305,269)</u>
<b>Cash Flows from Investing Activities:</b>		
Investments purchased	(9,288)	(2,117,632)
Investments matured and sold	2,857,838	3,604,336
Net cash provided by investing activities	<u>2,848,550</u>	<u>1,486,704</u>
<b>Cash Flows from Financing Activities:</b>		
Surplus Distribution - Member Withdrawal		(447,142)
Dividends	(145,900)	(1,981,169)
Net cash (used in) financing activities	<u>(145,900)</u>	<u>(2,428,311)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	1,399,560	(1,246,876)
Cash And Cash Equivalents - Beginning Of Year	<u>2,917,443</u>	<u>4,164,319</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 4,317,003</u>	<u>\$ 2,917,443</u>

The accompanying notes are an integral part of the financial statements.

# ROCKY MOUNTAIN RISK INSURANCE GROUP

Notes To Statutory Financial Statements  
June 30, 2016 And 2015

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## (1) Nature Of Organization

The Rocky Mountain Risk Insurance Group (the "Pool") was formed by an intergovernmental agreement among five public school districts within Adams County in the State of Colorado. The Pool provides various types of property, liability and workers' compensation insurance coverage to its members. Effective October 13, 2015, the Pool changed it name to Rocky Mountain Risk Insurance Group.

## (2) Summary Of Significant Accounting Policies

### Basis Of Presentation

The Pool's statutory financial statements are presented on the basis of accounting practices prescribed or permitted by the Division of Insurance of the Colorado Department of Regulatory Agencies (the "Division"). The Division has adopted the National Association of Insurance Commissioners' statutory accounting practices (NAIC SAP) as the basis of its statutory accounting practices, except Colorado state law does provide limitations on investments. As of June 30, 2016 and 2015, there was no monetary effect on net income and statutory surplus by using an accounting practice which differs from NAIC statutory accounting practices and procedures. NAIC SAP is a comprehensive basis of accounting other than generally accepted accounting principles (GAAP), such practices vary from GAAP; the more significant variances are as follows:

### **Bonds**

For statutory accounting purposes, bonds are carried at promulgated amounts that are primarily at amortized cost; however, the NAIC requires certain bonds to be carried at market value. For GAAP purposes, held-to-maturity bonds are carried at amortized cost, and the remaining fixed maturity investments are reported at fair value with unrealized capital gains and losses reported in operations for those designated as trading and as a separate component of other comprehensive income in surplus for those designated as available-for-sale.

### **Nonadmitted Assets**

Certain assets and certain reductions of liabilities are not recognized by the state insurance departments and, accordingly, are excluded from the balance sheet for statutory accounting purposes. Such assets principally consist of furniture and equipment, prepaid expenses and certain receivable balances. Under GAAP, all assets and liabilities are included in the balance sheet.

### **Subordinated Debt**

Subordinated debt is treated as a component of surplus rather than as a liability.

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**Statements Of Cash Flows**

Cash and short-term investments in the Statements of Cash Flow represent cash balances and investments with initial maturities of one year or less. Under GAAP, the corresponding captions of cash and cash equivalents include cash balances and investments with initial maturities of three months or less.

The Pool has not determined the effect of all the aforementioned variances between statutory insurance accounting practices and generally accepted accounting principles.

**Cash And Cash Equivalents**

Cash and cash equivalents include cash on hand and money market instruments with a maturity of one year or less when purchased.

**Investments**

Investments consist principally of government obligations and are carried at cost or amortized cost as prescribed by the NAIC Securities Valuation Office.

**Premiums From Members**

Premiums from members are recognized as earned on a monthly pro rata basis over the applicable period of coverage, which coincides with the Pool's fiscal year. Premiums earned from members are reported net of reinsurance premiums. Approximately 51% of the premiums written during the years ended June 30, 2016 and 2015, were from one member district.

**Losses And Loss Adjustment Expenses**

Insurance losses and related adjustment expenses are charged to operations as incurred. The reserves for losses and loss adjustment expenses are determined based upon case-basis evaluations and independent actuarial projections and include a provision for incurred but not reported losses. The actuarial projections of ultimate losses on reported claims and the estimate of claims incurred but not reported are based on the Pool's experience and insurance industry data. Losses are reported net of estimated amounts recoverable from excess insurance. Adjustments to the probable ultimate liability for losses and loss adjustment expense are made continually, based on subsequent developments and experience, and are included in operations as incurred. Since the reserve is based upon estimates, the actual cost of settling all remaining claims may be more or less than the reserves for losses and loss adjustment expenses as of June 30, 2016 and 2015.

**Income Taxes**

The Pool provides an essential governmental function to its members as described in Section 115 of the Internal Revenue Code and is exempt from federal income taxes pursuant to the Internal Revenue Code.

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Use Of Estimates

The preparation of financial statements in conformity with Statutory Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Evaluation Of Subsequent Events

The Pool has evaluated subsequent events through November 7, 2016, the date which the financial statements were available to be issued, and considered any relevant matters in preparation of the financial statements and footnotes.

(3) **Cash, Investments And Fair Value Of Financial Instruments**

Cash

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government, and entities such as the Pool, deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least equal to the aggregate uninsured deposits.

The State Regulatory Commissions for banks and financial services are required by Statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

Investments

The Pool's investment policy specifies investment instruments meeting defined rating and risk criteria, which includes the following:

- Obligations of the United States and certain U.S. government agency securities
- Certain international agency securities
- General obligation and revenue bonds of U.S. local government entities
- Bankers' acceptances of certain banks
- Commercial paper
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools

**ROCKY MOUNTAIN RISK INSURANCE GROUP**

Notes To Statutory Financial Statements (Continued)

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The Pool consisted of the following investments as of June 30, 2016 and 2015:

	Gross Amortized Cost	Unrealized Gains (Losses)	Fair Value
As of June 30, 2016:			
Certificate of deposits	\$ 1,272,277	\$	\$ 1,272,277
Total investments	<u>\$ 1,272,277</u>	<u>\$</u>	<u>\$ 1,272,277</u>
As of June 30, 2015:			
Total federal agency notes	\$ 2,603,383	\$ 2,327	\$ 2,605,710
Certificate of deposits	1,517,444		1,517,444
Total investments	<u>\$ 4,120,827</u>	<u>\$ 2,327</u>	<u>\$ 4,123,154</u>

As of June 30, 2016, the maturities on the investments were as follows:

Within one year \$ 1,272,277

As of June 30, 2015, the maturities on the investments were as follows:

Due in one to five years \$ 4,120,827

A mortgage-backed security with a par value of \$600,000 is on joint deposit with the Division of Insurance of the State of Colorado as of June 30, 2016 and 2015.

**COLOTRUST**

Since June 30, 2004, the Pool had invested in the Colorado Local Government Liquid Asset Trust (the "Trust"), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all state statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to \$1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and repurchase agreements collateralized by certain obligations of U.S. government agencies. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. As of June 30, 2016 and 2015, the Pool had invested \$4,059,977 and \$2,664,765 in COLOTRUST PLUS+, respectively. Such amounts are reflected in cash and cash equivalents in the financial statements.

**Fair Value Of Financial Instruments**

Cash and cash equivalents, accrued interest receivable, reinsurance recoverable, other receivables and other liabilities are reflected in the financial statements at fair value because of the short-term maturity of those instruments.

Reserves for losses and loss adjustment expenses are actuarially determined and as of June 30, 2016 and 2015, there is no indication that the fair value of these liabilities would significantly differ from the amounts determined by the actuary.

**(4) Nonadmitted Assets**

Nonadmitted assets are charged directly to surplus. As of June 30, 2016 and 2015, there were \$63,640 of prepaid expenses relating to risk management fees.

(5) **Reserves For Losses And Loss Adjustment Expenses**

Components of the reserves for losses and loss adjustment expenses as of June 30, 2016 and 2015, are as follows:

	Worker's Compensation	Liability/ Property	Total
As of June 30, 2016:			
Estimated reserves for losses and allocated loss adjustment expense-			
Reported	\$ 1,604,443	\$ 802,393	\$ 2,406,836
Incurred but not reported	2,265,266	856,236	3,121,502
	<u>3,869,709</u>	<u>1,658,629</u>	<u>5,528,338</u>
Estimated reserves for unallocated loss adjustment expense	229,380		229,380
	<u>\$ 4,099,089</u>	<u>\$ 1,658,629</u>	<u>\$ 5,757,718</u>
As of June 30, 2015:			
Estimated reserves for losses and allocated loss adjustment expense-			
Reported	\$ 1,161,084	\$ 630,993	\$ 1,792,792
Incurred but not reported	1,563,061	843,325	2,406,386
	<u>2,724,145</u>	<u>1,474,318</u>	<u>4,199,178</u>
Estimated reserves for loss adjustment expense	201,609		201,609
	<u>\$ 2,925,754</u>	<u>\$ 1,474,318</u>	<u>\$ 4,400,787</u>

# ROCKY MOUNTAIN RISK INSURANCE GROUP

Notes To Statutory Financial Statements (Continued)

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The following represents changes in the reserves during the years ended June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Unpaid loss and loss adjustment expenses at beginning of year	\$ 4,400,787	\$ 4,957,308
Incurred losses and loss adjustment expenses:		
Provision for insured events of the current year	2,153,242	1,827,955
Provision for insured events of prior years	<u>2,743,769</u>	<u>386,808</u>
Total incurred loss and loss adjustment expenses	<u>4,897,011</u>	<u>2,214,763</u>
Payments:		
Losses and loss adjustment expenses attributable to insured events of the current year	(1,198,864)	(1,078,253)
Losses and loss adjustment expenses attributable to insured events of prior years	<u>(2,341,216)</u>	<u>(1,693,031)</u>
Total payments	<u>(3,540,080)</u>	<u>(2,771,284)</u>
Unpaid loss and loss adjustment expenses at end of the year	<u>\$ 5,757,718</u>	<u>\$ 4,400,787</u>

## (6) Insurance Contracts

The Pool has entered into insurance contracts that minimize its exposure to both large individual losses as well as a significant frequency of smaller losses.

A summary of the coverages in effect as of June 30, 2016 and 2015, are as follows:

### **Property**

The Pool has property insurance policies to provide coverage on losses up to \$1,000,000 under the multiline insurance coverage and then up to \$1,000,000,000 under excess insurance coverage per occurrence. This coverage is subject to the Pool's retention of \$100,000 per occurrence. The per occurrence limits apply to all members of the Pool, regardless of the number of members involved in an occurrence.

### **Liability**

The Pool also has insurance coverage for its general, automobile and errors and omissions liability protection coverages. The reinsurance coverage with limits are \$10,000,000 per occurrence/aggregate for general liability, \$5,000,000 per occurrence auto liability, and \$5,000,000 per claim/aggregate for educators' legal liability in excess of the Pool's retention of \$150,000 per occurrence.

**Workers' Compensation**

The Pool also has insurance coverage for its workers' compensation coverage. The reinsurance coverage limit is \$25,000,000, per occurrence. The Pool's retention is \$550,000 per occurrence.

**Multiline Aggregate Limit**

The aggregate amount of losses paid by the Pool in a given year is limited to a defined amount (\$925,000 for the years ended June 30, 2016 and 2015). The excess insurer will indemnify the Pool for the next \$500,000 of losses.

**Other Insurance Issues**

Members of the Pool purchase boiler and machinery, and crime coverages through the Pool. The Pool does not retain any liability for these coverages and all premium costs associated with these coverages are passed on to the participating members.

**(7) Member Capital Contributions And Dividends**

The Pool is required by the State of Colorado to maintain minimum statutory capital and surplus of \$500,000 consisting of \$200,000 and \$300,000 for workers' compensation and liability and property coverage, respectively.

The Pool is capitalized in accordance with regulations issued by the Colorado Division of Insurance by the Pool's issuance of \$1,139,424 of interest-bearing and \$600,000 of non-interest bearing surplus certificates to participating school districts. These certificates have been reflected in the financial statements as a component of surplus.

The interest-bearing certificates bear interest at a rate to be determined by the Board of Directors. Currently, the school districts and the Pool do not intend to require the payment of interest on these certificates and, accordingly, interest expense has not been accrued. Payments of principal and interest, if any, on these certificates must be approved by the Colorado Division of Insurance.

The Pool paid \$147,950 and \$1,981,169 as dividends to members during the years ending June 30, 2016 and 2015, respectively. In addition, during the fiscal year ending June 30, 2016, the Pool required capital and surplus contributions from a few members of \$171,808. These capital and surplus contributions were required to prevent negative surplus balances. Capital and surplus contributions were collected from member districts in the amount of \$18,259 subsequent to June 30, 2016, with the remaining balance of \$153,549 to be received by December 31, 2016.

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(8) **Insurance Servicing Agreements**

The Pool has entered into an agreement with the Adams County Board of Cooperative Educational Services to provide administrative services to the Pool. Fees for such services were \$490,000 and \$468,395 for the years ended June 30, 2016 and 2015, respectively.

Additionally, the Pool has entered into an agreement with a third-party claims administrator. For the years ended June 30, 2016 and June 30, 2015, fees for such services were \$154,289 and \$185,496, respectively.

(9) **Withdrawal Agreement**

Effective July 1, 2014, Adams County School District 14 ("District 14") withdrew as a member of the Pool. The terms of the withdrawal have been outlined in a Withdrawal Agreement. In accordance with the Withdrawal Agreement, on July 3, 2014, the Pool paid a dividend in the amount of \$283,074 to District 14 during the fiscal year ended June 30, 2015. In addition during the fiscal year ended June 30, 2015, the Pool distributed surplus and subordinated debt in the amount of \$447,142 and \$163,400, respectively. During the fiscal year ended June 30, 2016, the Pool did not distribute any surplus and subordinated debt.

As of June 30, 2016 and 2015, District 14 owed the Pool an amount of \$212,593 and \$218,942 relating to the net loss expense and reserve for losses and loss adjustment liability, respectively.

In addition, commencing July 1, 2014, District 14 shall make annual administrative overhead payments to the Pool for as long as Pool continues to exist and the actuary reports for Pool shows that the Insurance Pool has retained liabilities for District 14 claims. During the years ending June 30, 2016 and 2015, District 14 was assessed administrative overhead charges of \$90,000 and \$29,026, respectively.

# ROCKY MOUNTAIN RISK INSURANCE GROUP

## Supplemental Investment Risks Interrogatories

As Of June 30, 2016

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1. State the reporting entity's total admitted assets as reported on Page 2 of the annual statement\*\*. \$ 7,607,550
2. State by investment category the 10 largest exposures to a single issuer/borrower/investment, excluding U.S. government, U.S. government agency securities and those U.S. government money market funds listed in the Appendix to the *SVO Purposes and Procedures Manual* as exempt, property occupied by the company and policy loans.

Investment Category	Amount	Percentage of Total Admitted Assets
a. Certificate of Deposit	509,851	6.702%
b. Certificate of Deposit	762,426	10.022%
c.		0.000%
d.		0.000%
e.		0.000%
f.		0.000%
g.		0.000%
h.		0.000%
i.		0.000%
j.		0.000%

3. State the amounts and percentages of the reporting entity's total admitted assets held in bonds and preferred stocks by NAIC rating.

Bonds	Preferred Stocks	
NAIC - 1	P/RP - 1	0.000%
NAIC - 2	P/RP - 2	0.000%
NAIC - 3	P/RP - 3	0.000%
NAIC - 4	P/RP - 4	0.000%
NAIC - 5	P/RP - 5	0.000%
NAIC - 6	P/RP - 6	0.000%

4. Assets held in foreign investments less than 2.5% of the reporting entity's total admitted assets, therefore detail not required for interrogatories 5-10.
11. Assets held in Canadian investments less than 2.5% of the reporting entity's total admitted assets, therefore detail not required for interrogatory 11.
12. Assets held in investments with contractual sales restrictions less than 2.5% of the reporting entity's total admitted assets, therefore detail not required for interrogatory 12.
13. Assets held in equity interests less than 2.5% of the reporting entity's total admitted assets, therefore detail not required for interrogatory 13.
14. Assets held in nonaffiliated, privately placed equities less than 2.5% of the reporting entity's total admitted assets, therefore detail not required for interrogatory 14.

\*\* Pursuant to Regulation 2-2-1, the Pool is not required to file an annual statement using the National Association of Insurance Commissioners blank. The disclosures herein are required by the Insurance Department of the State of Colorado in accordance with Statutory Accounting Principles.

## ROCKY MOUNTAIN RISK INSURANCE GROUP

### Supplemental Investment Risks Interrogatories (Continued)

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15. Assets held in general partnership interests less than 2.5% of the reporting entity's total admitted assets, therefore detail not required for interrogatory 15.

Note: Items 16 through 24 not applicable to Rocky Mountain Risk Self-Insurance Pool and accordingly, these items have been omitted.

**ROCKY MOUNTAIN RISK INSURANCE GROUP**

Summary Investment Schedule  
As Of June 30, 2016

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Investment Categories	Holdings		Statement	
	\$	%	\$	%
1. Bonds				
1.1 U.S. Treasury Securities				
1.2 U.S. government agency obligations				
1.21 Issued by U.S. Government Agencies				
1.22 Issued by U.S. Government-sponsored agencies				
1.3 Foreign Government (including Canada, excluding mortgage-backed securities)				
1.4 Securities issued by states, territories and possessions and political subdivisions in the U.S.				
1.41 U.S. States and territories general obligations				
1.42 Political subdivisions of U.S. states, territories and possessions general obligations				
1.43 Revenue and assessment obligations				
1.44 Industrial development bonds and similar obligations				
1.5 Mortgage-backed securities (includes residential and commercial MBS)				
1.51 Pass-through securities				
1.511 Guaranteed by GNMA				
1.512 Issued by FNMA and FHLMC				
1.513 Other pass-through securities				
1.52 Other mortgage-backed securities:				
1.521 Issued by FNMA, FHLMC or GNMA				
1.522 Other mortgage-backed securities and collateralized by MBS issued or guaranteed by FNMA, FHLMC, or GNMA				
1.523 All other mortgage-backed securities				
2. Other debt and other fixed income securities (excluding short term)				
2.1 Unaffiliated domestic securities (includes credit tenant loans rated by the SVO)	1,272,277	22.8%	1,272,277	22.8%
2.2 Unaffiliated foreign securities				
2.3 Affiliated securities				
3. Equity interests				
3.1 Investments in mutual funds				
3.2 Preferred stocks				
3.21 Affiliated				
3.22 Unaffiliated				
3.3 Publicly traded equity securities (excluding preferred stocks)				
3.31 Affiliated				
3.32 Unaffiliated				
3.4 Other equity securities				
3.41 Affiliated				
3.42 Unaffiliated				

**ROCKY MOUNTAIN RISK INSURANCE GROUP**

Summary Investment Schedule (Continued)

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Investment Categories	Holdings		Statement	
	\$	%	\$	%
3.5 Other equity interests including tangible personal property under lease				
3.51 Affiliated				
3.52 Unaffiliated				
4. Mortgage loans				
4.1 Construction and land development				
4.2 Agricultural				
4.3 Single family residential properties				
4.4 Multifamily residential properties				
4.5 Commercial loans				
5. Real Estate Investments				
5.1 Property occupied by company				
5.2 Property held for production of income (includes \$_____ of property acquired in satisfaction of debt)				
5.3 Property held for sale (\$_____ including property acquired in satisfaction of debt)				
6. Policy Loans				
7. Receivables for securities				
8. Cash and Short term Investments	4,317,003	77.2%	4,317,003	77.2%
9. Other Invested Assets				
10. <b>Total Invested Assets</b>	<b>\$ 5,589,280</b>	<b>100.0%</b>	<b>\$ 5,589,280</b>	<b>100.0%</b>

**ROCKY MOUNTAIN RISK INSURANCE GROUP**

**Schedule Of Loss Development Information (Unaudited)  
For The Year Ended June 30, 2016**

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
1. Net earned premium and investment income	\$ 3,901,000	\$ 4,001,000	\$ 3,955,000	\$ 3,759,000	\$ 3,783,000	\$ 4,395,000	\$ 4,547,000	\$ 4,600,000	\$ 3,815,000	\$ 4,690,000
2. Unallocated expenses	703,000	690,000	805,000	701,400	977,490	952,000	1,158,000	1,102,000	945,000	1,007,000
3. Estimated incurred claims and expense, end of coverage year	2,833,000	3,115,000	2,734,000	2,203,000	2,044,000	3,598,000	2,155,000	2,692,000	1,828,000	2,153,000
4. Paid (cumulative) as of end of coverage year less recoveries	1,049,000	1,192,000	772,000	1,355,000	1,069,000	2,031,000	1,369,000	1,452,000	1,078,000	1,199,000
One year later	1,886,000	2,116,000	1,731,000	2,751,000	1,781,000	3,534,000	2,322,000	2,816,000	2,318,000	
Two years later	2,291,000	2,414,000	1,860,000	3,750,000	1,998,000	3,803,000	2,488,000	3,471,000		
Three years later	2,359,000	2,506,000	2,384,000	3,312,000	2,141,000	4,113,000	2,645,000			
Four years later	2,368,000	2,705,200	2,027,000	3,387,000	2,167,000	4,357,000				
Five years later	2,516,000	2,607,000	2,041,000	3,286,000	2,161,000					
Six years later	2,507,000	2,618,000	2,050,000	3,288,000						
Seven years later	2,527,000	2,618,000	2,043,000							
Eight years later	2,527,000	2,167,000								
Nine years later	2,523,000									
5. Estimated incurred claims and expenses	2,833,000	3,115,000	2,734,000	2,203,000	2,044,000	3,598,000	2,155,000	2,692,000	1,828,000	2,153,000
End of coverage year	2,744,000	2,806,000	1,898,000	3,341,000	2,082,000	3,970,000	2,828,000	3,501,000	3,002,000	
One year later	2,647,000	2,477,000	2,002,000	3,466,000	2,122,000	3,971,000	2,590,000	3,841,000		
Two years later	2,380,000	2,634,000	2,040,000	3,413,000	2,183,000	4,303,000	2,681,000			
Three years later	2,393,000	2,613,000	2,047,000	3,397,000	2,203,000	4,484,000				
Four years later	2,511,000	2,608,000	2,042,000	3,296,000	2,161,000					
Five years later	2,507,000	2,618,000	2,050,000	3,324,000						
Six years later	2,527,000	2,618,000	2,043,000							
Seven years later	2,527,000	2,617,000								
Eight years later	2,527,000									
Nine years later	2,523,000									
6. Increase (decrease) in estimated incurred claims and expense from end of coverage year (5 less 3)	(310,000)	(498,000)	(691,000)	1,121,000	117,000	886,000	526,000	1,149,000	1,174,000	0

**ROCKY MOUNTAIN RISK INSURANCE GROUP**

Schedule Of Statutory Basis Surplus By School District  
As Of June 30, 2016

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<u>School District Number</u>	<u>Subordinated Debt</u>	<u>Unassigned Surplus</u>	<u>Total</u>
1	\$ 193,893		\$ 193,893
12	720,378	57,372	777,750
14	129,900		129,900
27J	185,304		185,304
50	509,949	35,068	545,017
	<u>\$ 1,739,424</u>	<u>\$ 92,440</u>	<u>\$ 1,831,864</u>

**ROCKY MOUNTAIN RISK INSURANCE GROUP**

Schedule Of Investments Held  
As Of June 30, 2016

Description	Coupon Interest Rate		Maturity Date		Par Value	Amortized Cost	Market Value
	Rate	Year	Month	Value			
Certificate of Deposit	0.500%	2016	8	509,851	509,851	509,851	
Certificate of Deposit	0.500%	2016	11	762,426	762,426	762,426	
				<u>\$ 1,272,277</u>	<u>\$ 1,272,277</u>	<u>\$ 1,272,277</u>	