

**COLORADO INTERGOVERNMENTAL
RISK SHARING AGENCY
Denver, Colorado**

**COMBINED STATUTORY FINANCIAL STATEMENTS
December 31, 2018 and 2017**

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITOR'S REPORT	1
COMBINED STATUTORY FINANCIAL STATEMENTS	
Combined Statutory Statements of Admitted Assets, Liabilities and Surplus	1
Combined Statutory Statements of Income	2
Combined Statutory Statements of Unassigned Surplus	3
Combined Statutory Statements of Cash Flow	4
Notes to Combined Statutory Financial Statements	5
SUPPLEMENTARY INFORMATION	20
Reconciliation of Reserves for Unpaid Losses and Loss Adjustment Expenses.....	21
Workers' Compensation Pool Ten Year Loss Development Information	22
Property and Casualty Pool Ten Year Loss Development Information	23
Supplemental Investment Information.....	24
Summary Investment Schedule	25
Combining Statutory Schedule - Admitted Assets, Liabilities and Surplus Information - December 31, 2018	26
Combining Statutory Schedule - Admitted Assets, Liabilities and Surplus Information - December 31, 2017	27
Combining Statutory Schedule - Income and Changes in Surplus Information - Year Ended December 31, 2018.....	28
Combining Statutory Schedule - Income and Changes in Surplus Information - Year Ended December 31, 2017.....	29
Combining Statutory Schedule - Cash Flow Information - Year Ended December 31, 2018.....	30
Combining Statutory Schedule - Cash Flow Information - Year Ended December 31, 2017	31



INDEPENDENT AUDITORS' REPORT

Board of Directors
Colorado Intergovernmental Risk Sharing Agency
Denver, Colorado

Report on the Financial Statements

We have audited the accompanying combined financial statements of Colorado Intergovernmental Risk Sharing Agency (Agency), which comprise the combined statutory statements of admitted assets, liabilities, and surplus as of December 31, 2018 and 2017, and the related combined statutory statements of income, unassigned surplus, and cash flow for the years then ended, and the related notes to the combined statutory financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined statutory financial statements in accordance with the financial reporting provisions of the Division of Insurance of the Department of Regulatory Agencies of the State of Colorado. 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these combined statutory 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 combined statutory 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 auditors' 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.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1, the combined statutory financial statements are prepared by the Agency on the basis of the financial reporting provisions of the Division of Insurance of the Department of Regulatory Agencies of the State of Colorado, 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 Department of Regulatory Agencies of the State of Colorado. The effects on the combined statutory financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, are described in Note 1, and are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the combined statutory financial statements referred to in the first paragraph do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Agency as of December 31, 2018 and 2017, or the results of its operations or its cash flows for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the combined statutory financial statements referred to in the first paragraph present fairly, in all material respects, the admitted assets, liabilities, and members' surplus of the Agency as of December 31, 2018 and 2017, and the results of its operations and its cash flows for the years then ended, on the basis of the financial reporting provisions of the Division of Insurance of the Department of Regulatory Agencies of the State of Colorado as described in Note 1.

Other Matters

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the combined statutory financial statements as a whole. The reconciliation of reserves for unpaid losses and loss adjustment expenses, ten year loss development information, supplemental investment information, summary investment schedule, and the combining schedules on pages 21 through 31 are presented for purposes of additional analysis and are not a required part of the combined statutory financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined statutory financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined statutory financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined statutory financial statements or to the combined statutory financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the statutory financial statements as a whole.



CliftonLarsonAllen LLP

Greenwood Village, Colorado
April 11, 2019

**COLORADO INTERGOVERNMENTAL RISK SHARING AGENCY
COMBINED STATUTORY STATEMENTS OF ADMITTED ASSETS,
LIABILITIES, AND SURPLUS**
December 31, 2018 and 2017

Admitted Assets	2018	2017
Cash and invested assets:		
Bonds, at amortized cost, fair value of \$69,188,800 in 2018 and \$75,095,633 in 2017	\$ 70,020,053	\$ 75,879,646
Cash, cash equivalents, and short term investments	3,360,220	3,852,285
Investment in NLC Mutual Insurance Company	697,901	697,901
Real estate, at cost, net of accumulated depreciation	3,866,858	4,072,025
Total cash and invested assets	77,945,032	84,501,857
Accrued investment income	301,596	282,812
Receivable from members	1,104,213	1,004,690
Excess insurance receivable	4,547,072	2,151,327
Electronic data processing equipment, at cost, net of accumulated depreciation	30,188	37,962
Prepaid excess insurance premiums	69,762	102,350
Other admitted assets	2,250	4,171
Total admitted assets	\$ 84,000,113	\$ 88,085,169
Liabilities and Surplus		
Reserves for unpaid losses and loss adjustment expenses, net of excess insurance recoverables	\$ 31,296,241	\$ 32,518,728
Accounts payable and accrued liabilities	559,168	569,973
Member credits payable	1,168,489	801,200
Special contribution plan deposits	25,000	25,000
Unearned member contributions	66,053	62,675
Total liabilities	33,114,951	33,977,576
Unassigned surplus	50,885,162	54,107,593
Total liabilities and surplus	\$ 84,000,113	\$ 88,085,169

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

**COLORADO INTERGOVERNMENTAL RISK SHARING AGENCY
COMBINED STATUTORY STATEMENTS OF INCOME**

Years ended December 31, 2018 and 2017

	2018	2017
Member contributions earned (net of excess insurance and reinsurance premiums and brokerage commissions of \$8,914,368 and \$7,175,625 in 2018 and 2017, respectively)	<u>\$ 26,311,315</u>	<u>\$ 25,948,155</u>
Deductions:		
Losses and loss adjustment expenses incurred	20,162,656	14,429,614
Other underwriting expenses incurred	<u>10,077,092</u>	<u>9,686,584</u>
Total underwriting deductions	<u>30,239,748</u>	<u>24,116,198</u>
 Net underwriting (loss) gain	 (3,928,433)	 1,831,957
 Net investment income	 <u>1,653,654</u>	 <u>1,646,100</u>
Net (loss) income	<u>\$ (2,274,779)</u>	<u>\$ 3,478,057</u>

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

**COLORADO INTERGOVERNMENTAL RISK SHARING AGENCY
COMBINED STATUTORY STATEMENTS OF UNASSIGNED SURPLUS**

Years ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Unassigned surplus, beginning of year	\$ 54,107,593	\$ 51,085,506
Net (loss) income	(2,274,779)	3,478,057
Change in nonadmitted assets (Note 5)	(23,459)	88,189
Distributions and credits to members and withdrawn members	<u>(924,193)</u>	<u>(544,159)</u>
Unassigned surplus, end of year	<u>\$ 50,885,162</u>	<u>\$ 54,107,593</u>

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

**COLORADO INTERGOVERNMENTAL RISK SHARING AGENCY
COMBINED STATUTORY STATEMENTS OF CASH FLOW**

Years ended December 31, 2018 and 2017

	2018	2017
Cash flow from operating activities:		
Contributions collected from members, net of excess insurance premiums and brokerage commissions paid	\$ 26,338,181	\$ 25,868,104
Losses and loss adjustment expenses	(23,871,310)	(18,528,593)
Underwriting expenses paid	<u>(9,356,498)</u>	<u>(8,768,043)</u>
Cash used in underwriting operations	(6,889,627)	(1,428,532)
Net investment income received	1,332,461	1,146,508
Other amounts collected	<u>1,923</u>	<u>942</u>
Net cash used in operating activities	<u>(5,555,243)</u>	<u>(281,082)</u>
 Cash flow from investing activities:		
From investments sold, matured, or repaid:		
Bonds	<u>26,962,012</u>	<u>35,682,730</u>
For investments acquired:		
Cost of investments acquired	(21,283,902)	(35,482,734)
Purchases of property and equipment, net	<u>(58,028)</u>	<u>(16,585)</u>
Investments acquired	<u>(21,341,930)</u>	<u>(35,499,319)</u>
Net cash provided by investing activities	<u>5,620,082</u>	<u>183,411</u>
 Cash flow used in financing activities:		
Distributions and credits to members	<u>(556,904)</u>	<u>(579,018)</u>
Net cash used in financing activities	<u>(556,904)</u>	<u>(579,018)</u>
 Net decrease in cash and cash equivalents	(492,065)	(676,689)
 Cash and cash equivalents, beginning of year	<u>3,852,285</u>	<u>4,528,974</u>
 Cash and cash equivalents, end of year	<u>\$ 3,360,220</u>	<u>\$ 3,852,285</u>

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

**COLORADO INTERGOVERNMENTAL RISK SHARING AGENCY
NOTES TO COMBINED STATUTORY FINANCIAL STATEMENTS**

December 31, 2018 and 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Colorado Intergovernmental Risk Sharing Agency

Colorado Intergovernmental Risk Sharing Agency (CIRSA or the Agency) was formed January 1, 1991, by the combination of the Colorado Intergovernmental Risk Sharing Agency Property and Casualty Pool (Property and Casualty Pool or CIRSA/PC) and the Colorado Intergovernmental Risk Sharing Agency for Workers' Compensation Pool (Workers' Compensation Pool or CIRSA/WC). The Property and Casualty Pool was originally formed January 1, 1982 to provide property and liability coverages and related services for its member municipalities. The Workers' Compensation Pool was originally formed January 1, 1988 to provide workers' compensation coverages and related services for its member municipalities. The combination was made pursuant to authorization by the board of directors and by a vote of the membership, and accordingly, the statutory financial statements are presented on a combined basis.

Membership in CIRSA is evidenced by execution of the Bylaws and Intergovernmental Agreement. At December 31, 2018, CIRSA membership consisted of 230 municipalities and 47 special districts. There were 274 members of the Property and Casualty Pool and 143 members of the Workers' Compensation Pool with 140 being members of both pools. At December 31, 2018, 197 member municipalities have populations of less than 10,000; 23 member municipalities have populations between 10,000 and 40,000; and 10 member municipalities have populations between 40,000 and 135,000. Based on earned premium, approximately 73% relates to property and casualty and 27% relates to workers' compensation coverage. CIRSA's general objectives are to provide member municipalities and special districts defined property and liability and/or workers' compensation coverages through joint self-insurance and excess insurance. Any member may withdraw from CIRSA by giving written notice to the board of directors of the prospective effective date of its withdrawal. Members may be admitted by a vote of the board of directors absent a membership request to deny admittance. CIRSA's rate-setting policies are established by the board of directors, in consultation with independent actuaries. The board of directors may credit members' future contributions if the board considers total net position exceeds business needs. Although it has never occurred, CIRSA member municipalities and special districts are subject to a supplemental assessment in the event of a deficiency. In addition to the coverage described above, the board of directors has authorized CIRSA to provide claims administration and loss control services to Colorado nonmember public entities. At December 31, 2018 and 2017, the Agency was not providing this service to any other nonmember public entity.

Basis of Presentation

The Property and Casualty Pool and Workers' Compensation Pool are accounted for separately for the purpose of identifying economic funds and member interests but are presented on a combined basis in the accompanying statutory financial statements. All inter-pool accounts and transactions have been eliminated.

The Agency prepares its statutory financial statements in accordance with accounting practices prescribed or permitted by the Division of Insurance of the Department of Regulatory Agencies of the State of Colorado (the Division). Prescribed statutory accounting practices are those practices that are incorporated directly or by reference to state laws, regulations, and general administrative rules applicable to all insurance enterprises domiciled in a particular state.

**COLORADO INTERGOVERNMENTAL RISK SHARING AGENCY
NOTES TO COMBINED STATUTORY FINANCIAL STATEMENTS**

December 31, 2018 and 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Effective January 1, 2001, Colorado adopted the National Association of Insurance Commissioners' (NAIC) statutory accounting practices, which are codified in the NAIC's Accounting Practices and Procedures Manual (the Manual). Therefore, compliance with the Manual is a prescribed accounting practice.

Statutory accounting practices contained in the Manual vary in some respects from accounting principles generally accepted in the United States of America. The more significant statutory practices include: (1) contributions are taken into earnings over the periods covered by the policies, whereas the related acquisition costs are expensed when incurred; (2) bonds are carried at amortized cost instead of at fair value; (3) reinsurance transactions relating to the combined statutory statement of admitted assets, liabilities, and surplus are reported on a net basis rather than a gross basis; and (4) assets are included in the combined statutory statements of admitted assets, liabilities, and surplus at "admitted asset value," and "nonadmitted assets" are excluded through a charge against unassigned surplus. The effects on the combined financial statements of the variances between statutory accounting practices and accounting principles generally accepted in the United States of America are as follows:

	2018	2017
Statutory (loss) net income	\$ (2,274,779)	\$ 3,478,057
Net decrease in the fair value of investments	(47,242)	(342,727)
Distributions and credits to members and withdrawn members	(924,193)	(544,159)
GAAP change in net position	\$ (3,246,214)	\$ 2,591,171
Statutory unassigned surplus	\$ 50,885,162	\$ 54,107,593
Unrealized investment losses	(831,254)	(784,012)
Non admitted assets (Note 5)	490,585	467,126
GAAP members' net position	\$ 50,544,493	\$ 53,790,707

Use of Estimates

The preparation of statutory financial statements in accordance with accounting practices prescribed by the Division requires 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 statutory financial statements and the reported amounts of revenue and expenses during the reporting period. Significant estimates include the reserves for unpaid losses and loss adjustment expenses. Actual results could differ from those estimates.

Investments

Investments in debt securities consist of United States government and corporate obligations and are carried at amortized cost. Investments whose maturities at the time of acquisition are one year or less are classified as short-term investments.

The amortization of bond premium or discount is calculated using the effective interest method taking into consideration specified interest and principal provisions over the life of the bond.

Bonds containing call provisions are amortized to the call or maturity value or date, which produces the lowest asset value, in accordance with the Manual.

**COLORADO INTERGOVERNMENTAL RISK SHARING AGENCY
NOTES TO COMBINED STATUTORY FINANCIAL STATEMENTS**

December 31, 2018 and 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

All investment income is recognized as revenue (or expense) in the combined statutory statements of income. Gains and losses on investments sold are realized in operations and are computed based on the specific-identification method.

Cash and Cash Equivalents

For purposes of the combined statutory statements of cash flow, cash and cash equivalents include cash on deposit, money market funds, and other investments with maturities of three months or less at the date of acquisition. The Agency's cash on deposit amounts are held in Colotrust and Wells Fargo accounts.

Cash deposits in non-interest bearing accounts are insured up to \$250,000 by the Federal Deposit Insurance Corporation for 2018 and 2017, respectively. At December 31, 2018 and 2017, the Agency's cash deposits in non-interest bearing accounts had balances of \$4,199,267 and \$1,526,743, respectively. Also, these amounts, in addition to cash deposits in interest bearing accounts, are collateralized by securities held by another institution or held in trust, as required by the provisions of the Public Deposit Protection Act.

Real Estate and Electronic Data Processing Equipment

Per the Agency's capitalization policy, expenditures greater than \$2,500 for items with a useful life in excess of a year, are capitalized. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets. Depreciation expense is included in other underwriting expense incurred.

Real estate and electronic data processing equipment were reported as follows at December 31:

	2018			
	Cost	Accumulated Depreciation	Net	Depreciation Expense
Real estate	\$ 8,503,835	\$ 4,636,977	\$ 3,866,858	\$ 240,061
Electronic data processing equipment	584,696	554,508	30,188	30,110
Nonadmitted fixed assets	3,116,581	2,822,716	293,865	158,054
	2017			
	Cost	Accumulated Depreciation	Net	Depreciation Expense
Real estate	\$ 8,469,231	\$ 4,397,206	\$ 4,072,025	\$ 239,997
Electronic data processing equipment	640,084	602,122	37,962	58,371
Nonadmitted fixed assets	2,963,912	2,685,989	277,923	209,303

**COLORADO INTERGOVERNMENTAL RISK SHARING AGENCY
NOTES TO COMBINED STATUTORY FINANCIAL STATEMENTS**

December 31, 2018 and 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Member Contributions

Member contributions are earned on a pro rata basis over the applicable contract periods. The period over which risk protection is provided is generally consistent with the contract period, and the contract periods are consistent with the Agency's fiscal year-end. The members' coverages are continuous until canceled. Contributions greater than 90 days past due are nonadmitted in accordance with the Manual. The Agency considers anticipated investment income in determining if a premium deficiency exists.

Excess Insurance and Reinsurance

The cost of excess insurance and reinsurance coverage is charged to income ratably over the period of coverage and is reported as a reduction of member contributions earned. Losses, loss adjustment expenses, and the reserves for loss and loss adjustment expenses are reported net of reinsured amounts in accordance with the Manual.

Reserve for Unpaid Losses and Loss Adjustment Expenses

The reserve for unpaid losses and loss adjustment expenses represents the estimated liability for claims reported, plus claims incurred and not reported and the related loss adjustment expenses, including the effects of inflation and other societal and economic factors. The Agency does not discount reserves for unpaid losses and loss adjustment expenses. The reserve for unpaid losses and loss adjustment expenses is estimated by an independent third-party actuary using individual case-basis valuations and statistical analysis. Those estimates are subject to inherent variability caused by the nature of the insurance process. The potentially long period of time between the occurrence of an insured event and the final settlement of a claim and the possible effects of changes in the legal, social, and economic environments contribute to this variability. Although considerable variability is inherent in the estimates of ultimate losses and loss adjustment expenses and the resulting reserves, management believes that the reserves for unpaid losses and loss adjustment expenses are adequate. The estimates are continually reviewed and adjusted as necessary as experience develops or new information becomes known; such adjustments are included in current operations.

Income Taxes

The Agency provides an essential governmental function to its members as described in Section 115 of the Internal Revenue Code, and accordingly, its revenue is exempt from federal and state income taxes. The Agency has received a determination letter regarding its tax status from the Internal Revenue Service. Therefore, the accompanying combined statutory financial statements do not include a provision for income taxes.

Administration Fee

Most general and administrative expenses of CIRSA are recorded by CIRSA/PC, which charges an administration fee to CIRSA/WC for its share of these expenses. Administration fees, which were \$1,628,005 and \$1,165,007 during 2018 and 2017, respectively, are eliminated in the accompanying combined statutory financial statements.

**COLORADO INTERGOVERNMENTAL RISK SHARING AGENCY
NOTES TO COMBINED STATUTORY FINANCIAL STATEMENTS**

December 31, 2018 and 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Member Credits Payable

Each year, CIRSA's board of directors declares and allocates various credits to members. As of December 31, 2018, and 2017, member credits payable consisted of the following:

	2018	2017
Loss control credit accounts	\$ 1,147,060	\$ 772,365
Equity credits held for deductibles	21,429	28,835
	\$ 1,168,489	\$ 801,200

Loss Control Credit Accounts

The Loss Control Credit Accounts Program was designed to encourage members to establish and implement safety-related programs. During 2018 and 2017, the board of directors designated \$923,636 and \$543,793, respectively, to be allocated to members based on the results of an annual loss control audit performed by CIRSA. Members receive a "score" for loss control activities during the year and the total loss control credit is allocated to members based on this score. Members can apply their credit to future contributions, receive a cash payment, or receive loss control credits, which can be applied to the purchase of safety-related items. Undistributed amounts in loss control credit accounts were \$1,147,060 and \$772,365 at December 31, 2018 and 2017, respectively.

Surplus Credits Held for Deductibles

In prior years, the CIRSA board awarded equity credits for members of the property and casualty pool when the net position of the pool was considered to have exceeded business needs. Members may retain these distributions in the pools so that the credits can be applied against future deductible payments and the credits earn interest. Interest of \$557 and \$366 was credited in 2018 and 2017, respectively. The equity credits held for deductibles payable at December 31, 2018 and 2017 were \$21,429 and \$28,835, respectively. The equity credits to be paid to members were \$0 at December 31, 2018 and 2017, respectively.

**COLORADO INTERGOVERNMENTAL RISK SHARING AGENCY
NOTES TO COMBINED STATUTORY FINANCIAL STATEMENTS**

December 31, 2018 and 2017

NOTE 2 - INVESTMENTS

The Agency's investments at December 31 are summarized as follows:

	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
2018:				
U.S. Treasury securities	\$ 35,693,271	\$ 36,652	\$ (470,127)	\$ 35,259,796
U.S. Government agency obligations	10,197,847	14,947	(120,407)	\$ 10,092,387
Corporate obligations	17,092,225	-	(269,075)	\$ 16,823,150
Municipal bonds	1,430,809	-	(9,941)	\$ 1,420,868
Mortgage backed securities	885,592	-	(20,201)	\$ 865,391
Supranational securities	4,120,377	12,667	(2,484)	\$ 4,130,560
Negotiable certificates of deposit	599,932	-	(3,284)	596,648
Total	<u>\$ 70,020,053</u>	<u>\$ 64,266</u>	<u>\$ (895,519)</u>	<u>\$ 69,188,800</u>
2017:				
U.S. Treasury securities	\$ 34,080,589	\$ -	\$ (415,248)	\$ 33,665,341
U.S. Government agency obligations	18,800,237	23,691	(227,903)	18,596,025
Corporate obligations	18,810,349	7,198	(142,716)	18,674,831
Municipal bonds	1,442,310	-	(20,388)	1,421,922
Commercial paper	1,096,535	-	(534)	1,096,001
Negotiable certificates of deposit	1,649,626	326	(8,439)	1,641,513
Total	<u>\$ 75,879,646</u>	<u>\$ 31,215</u>	<u>\$ (815,228)</u>	<u>\$ 75,095,633</u>

A summary of the amortized cost and fair value of the Agency's investments in bonds at December 31, 2018 and 2017, by contractual maturity, is as follows:

	2018	
	Amortized Cost	Fair Value
Maturity:		
Due in one year or less	\$ 15,181,245	\$ 15,063,790
Due after one through five years	48,917,916	48,359,291
Due after five through ten years	5,562,299	5,409,914
Due after ten years	358,593	355,805
	<u>\$ 70,020,053</u>	<u>\$ 69,188,800</u>
	2017	
	Amortized Cost	Fair Value
Maturity:		
Due in one year or less	\$ 7,837,201	\$ 7,813,774
Due after one through five years	62,495,964	61,855,667
Due after five through ten years	5,546,481	5,426,192
	<u>\$ 75,879,646</u>	<u>\$ 75,095,633</u>

**COLORADO INTERGOVERNMENTAL RISK SHARING AGENCY
NOTES TO COMBINED STATUTORY FINANCIAL STATEMENTS**

December 31, 2018 and 2017

NOTE 2 - INVESTMENTS (CONTINUED)

Proceeds from the sales, calls and maturities of debt securities during 2018 and 2017 were approximately \$26,962,000 and \$35,683,000, respectively. Gross gains of \$10 and \$114,402, respectively, were realized on those sales and calls. Gross losses of \$227,123 and \$81,116, respectively, were realized on sales and calls.

At December 31, 2018 and 2017, bonds with a carrying value of \$506,206 and \$524,990, respectively, were pledged to the Division of Insurance of the State of Colorado to satisfy regulatory requirements.

The carrying amounts of other financial instruments at December 31, 2018 and 2017, which includes cash and cash equivalents, short-term investments, premiums receivable, interest and dividends due, and accrued accounts payable and accrued other expenses, and payables to affiliates, approximate their fair values because of the short maturity of these instruments.

At December 31, 2018, the Agency had the following unrealized losses, which are considered temporary, and therefore the underlying securities were not impaired:

Description of securities	Less than 12 months		12 Months or Greater		Total	
	Fair Value	Unrealized losses	Fair Value	Unrealized losses	Fair Value	Unrealized losses
U.S. Government						
Agency Obligations	\$ 493,746	\$ (2,466)	\$ 8,856,576	\$ (117,941)	\$ 9,350,322	\$ (120,407)
U.S. Treasury Securities	4,361,195	(13,727)	24,291,818	(456,400)	28,653,013	(470,127)
Municipal Bonds	-	-	1,420,868	(9,941)	1,420,868	(9,941)
Mortgage Backed Securities	492,618	(2,808)	372,773	(17,393)	865,391	(20,201)
Supranational Securities	546,390	(2,484)	-	-	546,390	(2,484)
Negotiable Certificates of Deposit	-	-	596,648	(3,284)	596,648	(3,284)
Corporate Obligations	1,344,510	(19,352)	15,478,640	(249,723)	16,823,150	(269,075)
	<u>\$ 7,238,459</u>	<u>\$ (40,837)</u>	<u>\$ 51,017,323</u>	<u>\$ (854,682)</u>	<u>\$ 58,255,782</u>	<u>\$ (895,519)</u>

At December 31, 2017, the Agency had the following unrealized losses, which are considered temporary, and therefore the underlying securities were not impaired:

Description of securities	Less than 12 months		12 Months or Greater		Total	
	Fair Value	Unrealized losses	Fair Value	Unrealized losses	Fair Value	Unrealized losses
U.S. Government						
Agency Obligations	\$ 1,049,000	\$ (10,508)	\$ 17,025,121	\$ (217,395)	\$ 18,074,121	\$ (227,903)
U.S. Treasury Securities	19,293,783	(164,037)	14,371,558	(251,211)	33,665,341	(415,248)
Municipal Bonds	-	-	1,421,922	(20,388)	1,421,922	(20,388)
Commercial Paper	1,096,001	(534)	-	-	1,096,001	(534)
Negotiable Certificates of Deposit	592,296	(7,519)	523,892	(920)	1,116,188	(8,439)
Corporate Obligations	6,074,913	(40,926)	11,768,704	(101,790)	17,843,617	(142,716)
	<u>\$ 28,105,993</u>	<u>\$ (223,524)</u>	<u>\$ 45,111,197</u>	<u>\$ (591,704)</u>	<u>\$ 73,217,190</u>	<u>\$ (815,228)</u>

U.S. Government Agency Obligations

Any unrealized losses in government securities are due to interest rate fluctuations. Because of the ability to hold to maturity, plus the credit quality of government securities, government obligation unrealized losses are considered temporary.

**COLORADO INTERGOVERNMENTAL RISK SHARING AGENCY
NOTES TO COMBINED STATUTORY FINANCIAL STATEMENTS**

December 31, 2018 and 2017

NOTE 2 - INVESTMENTS (CONTINUED)

Corporate and Municipal Obligations

At December 31, 2018 and 2017, investment grade bonds held in the portfolio all had an AA- rating or higher upon purchase. However, corporate bonds of Bank of Nova Scotia, Bank of Montreal, Coca-Cola Company, IBM Corp, and General Electric Corp have subsequently fallen below these criteria. The Agency continues to monitor these investments closely. All bonds can be held to maturity and any unrealized losses are considered temporary.

All investments held by the Agency at December 31, 2018 and 2017 had an NAIC rating of 1 upon purchase which includes investments that are insured and registered or which are held by the Agency or its agent in the Agency's name. However, corporate bonds of General Electric Corp have subsequently fallen below this criteria to an NAIC rating of 2. The Agency continues to monitor this investment closely.

The Agency's net investment income is summarized as follows:

	Year Ended December 31	
	2018	2017
Debt securities	\$ 1,315,713	\$ 1,136,358
Cash and cash equivalents	110,750	44,282
Rental revenue	539,536	535,375
Net realized gain on sale of capital assets	2,056	
Net realized (losses) gains on sale of investments	(227,113)	33,286
Gross investment income	1,740,942	1,749,301
Investment expenses	(87,288)	(103,201)
Net investment income	\$ 1,653,654	\$ 1,646,100

Expenses associated with rental revenue from office space leased to tenants in the Agency's building are included in the total building expenses related to the Agency's home office operations of \$483,660 and \$440,188 during 2018 and 2017, respectively, and are included in other underwriting expenses incurred in accordance with statutory accounting practices. Rental income related to Agency-owned buildings occupied by the Agency during 2018 and 2017 was \$483,887 and \$466,915 respectively and is included in rental revenue above. The related expense is included in other underwriting expenses incurred on the combined statements of income.

NLC Mutual Insurance Company provided workers' compensation reinsurance to the Agency from 2002 through 2006 and property reinsurance from 2003 through 2006. NLC Mutual Insurance Company is also a risk pool, as is the Agency. To obtain the reinsurance, the Agency, therefore, was required to make a capital contribution to become a member of the NLC Mutual Insurance Company pool, in addition to regular premiums paid. The related capital contributions associated with NLC Mutual Insurance Company are presented as an investment at cost as of December 31, 2018, and 2017 for \$697,901 for both years, in accordance with the Manual.

**COLORADO INTERGOVERNMENTAL RISK SHARING AGENCY
NOTES TO COMBINED STATUTORY FINANCIAL STATEMENTS**

December 31, 2018 and 2017

NOTE 2 - INVESTMENTS (CONTINUED)

Concentration of Credit Risk

State law limits investments in corporate bonds of any single issuer to five percent of the Agency's portfolio. No single issuer of corporate bonds represents more than five percent of the Agency's portfolio. However, more than 5 percent of the Agency's investments were invested as follows as of December 31:

	<u>2018</u>		<u>2017</u>	
Federal National Mortgage Association	\$ 7,486,630	10.69%	\$ 9,041,192	11.92%
Federal Home Loan Bank	-	0.00%	4,568,001	6.02%

NOTE 3 - EXCESS INSURANCE AND REINSURANCE

The Agency has entered into various excess insurance and reinsurance contracts to limit large losses and minimize exposure on large risks. Coverage for policies is provided under the following terms:

Worker's compensation:

<u>Year(s) ended</u>	<u>Reinsurance coverage</u>
1996 – 2005	100% of statutory limits in excess of \$400,000 for workers' compensation coverage.
2006 – 2012	100% of statutory limits in excess of \$500,000 for workers' compensation coverage.
2013	100% of statutory limits in excess of \$500,000 for workers' compensation coverage for all claims made by employees other than firefighters or police officers, \$750,000 for all claims made by firefighters or police officers except \$1,000,000 for all claims made by firefighters under Colorado HB 07-1008.
2014 -2015	100% of statutory limits in excess of \$500,000 for workers' compensation coverage for all claims made by employees other than firefighters or police officers, \$750,000 for all claims made by firefighters or police officers except \$1,250,000 for all claims made by firefighters under Colorado HB 07-1008.
2016 - 2018	100% of statutory limits in excess of \$500,000 for workers' compensation coverage for all claims made by employees other than firefighters or police officers, \$750,000 for all claims made by firefighters or police officers

**COLORADO INTERGOVERNMENTAL RISK SHARING AGENCY
NOTES TO COMBINED STATUTORY FINANCIAL STATEMENTS**

December 31, 2018 and 2017

NOTE 3 - EXCESS INSURANCE AND REINSURANCE (CONTINUED)

Property and casualty:

Year(s) ended	Excess coverage
2003 – 2005	Excess liability – 100% of \$4,000,000 in excess of \$1,000,000 per claim/occurrence (except auto liability, which is 100% of \$500,000 in excess of \$1,000,000 and Public Officials' Errors and Omissions, which is also 100% of \$4,000,000 in excess of \$10,000,000 annual aggregate per member). Excess property – 100% of \$500,000,000 in excess of \$1,000,000 per claim/occurrence.
2006	Property reinsurance – 100% of \$500,000 in excess of \$500,000 per claim/occurrence. Excess liability – 100% of \$4,000,000 in excess of \$1,000,000 per claim/occurrence (except auto liability, which is 100% of \$500,000 in excess of \$1,000,000 and Public Officials' Errors and omissions, which is also 100% of \$4,000,000 in excess of \$1,000,000 but has a \$10,000,000 annual aggregate per member). Liability reinsurance – 100% of \$500,000 in excess of \$500,000 per claim/occurrence. Excess property – 100% of \$500,000,000 in excess of \$1,000,000 per claim/occurrence. Property reinsurance – 100% of \$500,000 in excess of \$500,000 per claim/occurrence.
2007 – 2013	Liability reinsurance – 100% of \$4,400,000 in excess of \$600,000 per claim/occurrence (except auto liability, which is 100% of \$900,000 in excess of \$600,000 and Public Officials' Errors and Omissions, which is also 100% of \$4,400,000 in excess of \$600,000 but has a \$10,000,000 annual aggregate per member). Excess property – 100% of \$500,000,000 in excess of \$500,000 per claim/occurrence.
2014 - 2015	Liability reinsurance – 100% of \$4,000,000 in excess of \$1,000,000 per claim/occurrence for all liability losses. Public Officials' Errors and Omissions has a \$10,000,000 annual aggregate per member. Excess property – 100% of \$500,000,000 in excess of \$500,000 per claim/occurrence.
2016 - 2017	Liability reinsurance – 100% of \$4,000,000 in excess of \$1,000,000 per claim/occurrence for all auto liability losses. 100% of \$9,000,000 in excess of \$1,000,000 for all General Liability, Police Professional Liability and Public Officials' Errors and Omissions. Public Officials' Errors and Omissions has a \$10,000,000 annual aggregate per member. Excess property – 100% of \$500,000,000 in excess of \$500,000 per claim/occurrence.
2018	Liability reinsurance – 100% of \$4,000,000 in excess of \$1,000,000 per claim/occurrence for all auto liability losses. 100% of \$9,000,000 in excess of \$1,000,000 for all General Liability, Police Professional Liability and Public Officials' Errors and Omissions. Public Officials' Errors and Omissions has a \$10,000,000 annual aggregate per member. Excess property – 100% of \$500,000,000 in excess of \$1,000,000 per claim/occurrence.

**COLORADO INTERGOVERNMENTAL RISK SHARING AGENCY
NOTES TO COMBINED STATUTORY FINANCIAL STATEMENTS**

December 31, 2018 and 2017

NOTE 3 - EXCESS INSURANCE AND REINSURANCE (CONTINUED)

The Agency does not have a legal obligation to pay losses or loss adjustment expenses in excess of the annually established loss fund and amounts recoverable under excess specific and aggregate insurance contracts. Losses and loss adjustment expenses incurred in excess of loss funds and amounts recoverable from excess insurance are direct liabilities of the participating members. However, the excess agreements do not relieve the Agency of its obligations, and a failure of the excess insurer to honor its obligations could result in losses to the Agency. The Agency evaluates and monitors the financial condition of its excess insurers to minimize its exposure to loss from excess insurer insolvency. Management of the Agency believes its excess insurers and reinsurers are financially sound and will continue to meet their contractual obligations.

Excess insurance and reinsurance has reduced member contributions earned and losses and loss adjustment expenses by the following amounts:

	<u>Year ended December 31,</u>	
	<u>2018</u>	<u>2017</u>
Member contributions earned		
Premiums paid	\$ 8,659,316	\$ 6,920,763
Brokerage commissions	255,052	254,862
Loss and loss adjustment expenses paid	9,240,917	11,442,236
Loss and loss adjustment expenses unpaid	20,479,072	16,264,323

The Agency has the following excess insurance and reinsurance recoverables at December 31:

	<u>2018</u>	<u>2017</u>
National Union Fire Insurance Company of Pittsburgh, PA	\$ 92,057	\$ 92,057
NLC Mutual Insurance Company	4,734,398	5,258,021
New York Marine and General Insurance Company	647,022	929,385
Great American Insurance Company	5,660,018	115,798
Selective Insurance Company of America	-	167
Axis Insurance Company	9,990,829	9,072,993
Aspen Specialty Insurance Company	1,035,962	-
Liberty Surplus Insurance Corporation	1,726,604	-
RSUI Indemnity Company	1,139,254	2,947,229
	<u>\$ 25,026,144</u>	<u>\$ 18,415,650</u>

The above amounts are recorded as follows at December 31:

	<u>2018</u>	<u>2017</u>
Excess reinsurance receivable, net	\$ 4,547,072	\$ 2,151,327
Reserves for unpaid losses and loss adjustment expenses	<u>20,479,072</u>	<u>16,264,323</u>
	<u>\$ 25,026,144</u>	<u>\$ 18,415,650</u>

**COLORADO INTERGOVERNMENTAL RISK SHARING AGENCY
NOTES TO COMBINED STATUTORY FINANCIAL STATEMENTS**

December 31, 2018 and 2017

NOTE 3 - EXCESS INSURANCE AND REINSURANCE (CONTINUED)

The Agency's reinsurers had the following AM Best rating at December 31, 2018:

<u>Reinsurer</u>	<u>AM Best rating</u>
National Union Fire Insurance Company of Pittsburgh, PA	A
NLC Mutual Insurance Company	N/A
New York Marine and General Insurance Company	A-
Great American Insurance Company	A+
Selective Insurance Company of America	A
RSUI Indemnity Company	A+
Axis Insurance Company	A+
American International Group, Inc. (AIG)	N/A
Liberty Surplus Insurance Corporation	A
Aspen Specialty Insurance Company	A
The Princeton Excess & Surplus Lines Insurance Company	A+
First Specialty Insurance Corporation	A+
United National Insurance Company	A
HDI Global Insurance Company	A

The Agency's Executive Director serves on the board of directors of NLC Mutual Insurance Company (NLC).

**COLORADO INTERGOVERNMENTAL RISK SHARING AGENCY
NOTES TO COMBINED STATUTORY FINANCIAL STATEMENTS**

December 31, 2018 and 2017

NOTE 4 - RESERVES FOR UNPAID LOSSES AND LOSS ADJUSTMENT EXPENSES

Beginning January 1, 1986, the Agency's coverage to member municipalities for all lines except for property, auto physical damage, and workers' compensation is on a claims-made basis. Accordingly, claims incurred in one year but not reported until a subsequent year are accounted for in the year reported. Claims incurred prior to January 1, 1986 are accounted for in the year of the loss occurrence. The following table provides a reconciliation of the beginning and ending reserve balances, net of excess insurance recoverable:

	<u>Year ended December 31,</u>	
	<u>2018</u>	<u>2017</u>
Reserves for unpaid losses and loss adjustment expenses, net of excess insurance recoverables, beginning of year	\$ 32,518,728	\$ 34,626,118
Add incurred loss and loss adjustment expenses, net of excess insurance:		
Provision for covered events of the current year	23,958,766	20,431,759
Decrease in provision for covered events of prior years	<u>(3,796,110)</u>	<u>(6,002,145)</u>
Total incurred losses and loss adjustment expenses, net of excess insurance	<u>20,162,656</u>	<u>14,429,614</u>
Deduct payments:		
For claims attributable to covered events of the current year	8,779,903	6,866,901
For claims attributable to covered events of prior years	<u>12,605,240</u>	<u>9,670,103</u>
Total payments	<u>21,385,143</u>	<u>16,537,004</u>
Reserves for unpaid losses and loss adjustment expenses, net of excess insurance recoverables, end of year	<u>\$ 31,296,241</u>	<u>\$ 32,518,728</u>

As a result of changes in estimates of insured events in prior years, the provision for loss and loss adjustment expenses decreased by \$3,796,110 and by \$6,002,145 in 2018 and 2017, respectively. The change in estimates resulted because of favorable development for losses incurred in years prior to 2018 and 2017.

The anticipated effect of inflation is implicitly considered when estimating liabilities for losses and loss adjustment expenses. While anticipated, price increases due to inflation are considered in estimating the ultimate claim costs, the increase in average severities of claims is caused by a number of factors that vary with the individual type of policy written. Future average severities are projected based on historical trends adjusted for implemented changes in underwriting standards, policy provisions, and general economic trends. Those anticipated trends are monitored based on actual development and are modified if necessary.

NOTE 5 - SURPLUS

Pursuant to the Agency's bylaws, the board of directors may, at their discretion, credit or distribute accumulated members' equity to member municipalities or transfer such accumulated excesses to a reserve fund that may be used to pay claims and expenses related thereto. Amounts credited or distributed to members are recorded as a charge to equity when they are declared.

**COLORADO INTERGOVERNMENTAL RISK SHARING AGENCY
NOTES TO COMBINED STATUTORY FINANCIAL STATEMENTS**

December 31, 2018 and 2017

NOTE 5 - SURPLUS (CONTINUED)

The board of directors adopted a surplus policy, which sets forth a target formula for surplus. Surplus in excess of the computed target is considered by the Board for return to members. The target computation considers the amounts for the excess fund, a confidence level on the underlying loss funds, and an amount designated for purposes approved by the Board on an annual basis.

In 2018 and 2017, the board authorized the Agency to credit \$924,193 and \$544,159, respectively, to member municipalities and withdrawn members. At December 31, 2018 and 2017, \$1,168,489 and \$801,200 of credits remained undistributed, respectively. The undistributed amounts are included in member credits payable in the accompanying combined statutory statements of admitted assets, liabilities, and surplus. The surplus credits, and the related undistributed amounts, are applied to future deductibles, contributions, or loss control accounts in accordance with the requests of the member municipalities.

Pursuant to regulations of the Division of Insurance of the State of Colorado (the Division), the Agency is required to maintain minimum surplus of \$500,000. At December 31, 2018 and 2017, the Agency's statutory surplus was \$50,885,162 and \$54,107,593, respectively.

At December 31, 2018 and 2017, nonadmitted assets for statutory reporting purposes, which are shown as a reduction of unassigned surplus on the accompanying combined statutory statements of admitted assets, liabilities, and surplus, consisted of the following:

	2018	2017
Furniture, fixtures and equipment	\$ 3,116,581	\$ 2,963,912
Accumulated depreciation	(2,822,716)	(2,685,989)
Prepaid operating expenses	196,562	182,775
Receivable from members	91	6,226
Employee advances	67	202
	\$ 490,585	\$ 467,126

NOTE 6 - LEASES

The Agency leases automobiles and office space in Montrose, Colorado under various noncancelable operating leases. Future minimum rental commitments under these operating leases are as follows:

Year ending December 31:

2019	\$ 115,079
2020	87,737
2021	29,706

Rent expense included in general and administrative expenses for the years ended December 31, 2018 and 2017 was \$141,796 and \$121,437, respectively.

The Agency owns an office building and has historically leased a portion of the building to tenants under operating leases. There are no future rental receipts under these operating lease agreements but the Agency is currently exploring future leases.

**COLORADO INTERGOVERNMENTAL RISK SHARING AGENCY
NOTES TO COMBINED STATUTORY FINANCIAL STATEMENTS**

December 31, 2018 and 2017

NOTE 7 - CONTINGENCIES

In the normal course of operations, the Agency is involved in litigation related principally to claims made under insurance contracts. Those actions are considered by the Agency in estimating the reserves for losses and loss adjustment expenses. In the opinion of management, the resolution of these matters will not have a material effect on the Agency's financial position, results of operations, or liquidity.

NOTE 8 - DEFINED CONTRIBUTION MONEY PURCHASE PENSION PLAN

The employees of the Agency participate in the Colorado Intergovernmental Risk Sharing Agency Retirement Plan, which is a defined contribution plan established by the Agency and is maintained and administered by Vanguard Fiduciary Trust Company. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees become plan members upon employment. Under this plan, 10% of the plan members' compensation is withheld and remitted to the Plan Administrator along with a matching payment of 10% from the Agency. The Agency's contributions, plus earnings, are 100% vested. There is no liability for benefits under the plan beyond the Agency's matching payments. Plan provisions and contribution requirements are established and may be amended by the Agency's board of directors.

Contributions actually made by plan members and the Agency for the years ended December 31, 2018 and 2017, which represents the 10% required contribution, are as follows:

	<u>2018</u>	<u>2017</u>
Plan members	<u>\$ 431,504</u>	<u>\$ 426,797</u>
Agency	<u>\$ 431,504</u>	<u>\$ 426,797</u>

NOTE 9 - SUBSEQUENT EVENTS

CIRSA has evaluated events subsequent to December 31, 2018 through April 11, 2019, which is the issuance date of this report. There were no material events noted in the subsequent period that would have impacted the results reported herein or in the Agency's results going forward.

This information is an integral part of the accompanying combined statutory financial statements.

SUPPLEMENTARY INFORMATION

COLORADO INTERGOVERNMENTAL RISK SHARING AGENCY
SUPPLEMENTARY INFORMATION – RECONCILIATION OF RESERVES FOR
UNPAID LOSSES AND LOSS ADJUSTMENT EXPENSES
Years Ended December 31, 2018 and 2017

	<u>2018</u>			<u>2017</u>		
	<u>WC Pool</u>	<u>PC Pool</u>	<u>Combined</u>	<u>WC Pool</u>	<u>PC Pool</u>	<u>Combined</u>
Reserves for unpaid losses and loss adjustment expenses, net of excess insurance recoverables	<u>\$ 12,328,648</u>	<u>\$ 20,190,080</u>	<u>\$ 32,518,728</u>	<u>\$ 13,037,002</u>	<u>\$ 21,589,116</u>	<u>\$ 34,626,118</u>
Add incurred losses and loss adjustment expenses, net of excess insurance recoverables:						
Provision for covered events of the current year	5,695,676	18,263,090	23,958,766	5,806,925	14,624,834	20,431,759
Decrease in provision for covered events of prior years	<u>(1,084,469)</u>	<u>(2,711,641)</u>	<u>(3,796,110)</u>	<u>(2,958,919)</u>	<u>(3,043,226)</u>	<u>(6,002,145)</u>
Total incurred losses and loss adjustment expenses, net of excess insurance	<u>4,611,207</u>	<u>15,551,449</u>	<u>20,162,656</u>	<u>2,848,006</u>	<u>11,581,608</u>	<u>14,429,614</u>
Deduct payments, net of excess insurance recoverables:						
For claims attributable to covered events of the current year	1,302,528	7,477,375	8,779,903	1,288,386	5,578,515	6,866,901
For claims attributable to covered events of prior years	<u>3,169,487</u>	<u>9,435,753</u>	<u>12,605,240</u>	<u>2,267,974</u>	<u>7,402,129</u>	<u>9,670,103</u>
Total payments	<u>4,472,015</u>	<u>16,913,128</u>	<u>21,385,143</u>	<u>3,556,360</u>	<u>12,980,644</u>	<u>16,537,004</u>
Reserves for unpaid losses and loss adjustment expenses, net of excess insurance recoverables	<u>\$ 12,467,840</u>	<u>\$ 18,828,401</u>	<u>\$ 31,296,241</u>	<u>\$ 12,328,648</u>	<u>\$ 20,190,080</u>	<u>\$ 32,518,728</u>

**COLORADO INTERGOVERNMENTAL RISK SHARING AGENCY
SUPPLEMENTARY INFORMATION – WORKERS’ COMPENSATION POOL
TEN-YEAR LOSS DEVELOPMENT INFORMATION**

December 31, 2018
(In Thousands of Dollars)

**COLORADO INTERGOVERNMENTAL RISK SHARING AGENCY
SUPPLEMENTARY INFORMATION - WORKERS’ COMPENSATION POOL
TEN-YEAR LOSS DEVELOPMENT INFORMATION**

December 31, 2018
(In Thousands of Dollars)

The following table illustrates how the Workers’ Compensation Pool’s (Pool) earned revenue (net of excess insurance) and investment income compare to related costs of loss (net of loss assumed by excess insurers) and other expenses assumed by the Pool as of the end of each of the previous ten years. The rows of the table are defined as follows:

- (1) This line shows the total of each year’s gross earned member contributions and reported investment revenues, amounts of excess insurance\ premiums, and reported member contributions (net of excess insurance) and reported investment revenue.
- (2) This line shows each year’s other operating costs of the Pool including overhead and claims expense not allocable to individual claims.
- (3) This line shows the Pool’s gross incurred losses and allocated loss adjustment expense, losses assumed by excess insurers, and net incurred adjustment expenses (both paid and accrued) as originally reported at the end of the year in which the event that triggered coverage occurred (called coverage year).
- (4) This section of ten rows shows the cumulative net amounts paid as of the end of successive years, for each coverage year.
- (5) This line shows the latest reestimated amount of losses assumed by excess insurers for each coverage year.
- (6) This section of ten rows shows how each coverage year’s net incurred losses increased or decreased as of the end of successive years. (This annual reestimation results from new information received on known losses, reevaluation of existing information on known losses, and emergence of new losses not previously known.)
- (7) This line compares the latest reestimated net incurred losses amount to the amount originally established (line 3) and shows whether this latest estimate of losses is greater or less than originally thought.

As data for individual coverage years mature, the correlation between original estimates and reestimated amounts is commonly used to evaluate the accuracy of net incurred losses currently recognized in less mature coverage years. The columns of the table show data for successive coverage years.

	<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>	<u>2018</u>
1. Member contributions and investment income:										
Earned	\$ 8,077	\$ 7,948	\$ 8,241	\$ 7,384	\$ 7,115	\$ 8,206	\$ 8,575	\$ 8,569	\$ 8,746	\$ 8,942
Excess/reinsurance premiums	1,123	1,201	1,231	1,117	1,168	1,227	1,415	1,193	1,302	1,504
Net earned	6,954	6,747	7,010	6,267	5,947	6,979	7,160	7,376	7,444	7,438
2. Unallocated expenses	2,223	1,635	752	731	743	734	739	752	1,272	1,757
3. Estimated incurred losses and expenses, end of coverage year:										
Incurred	6,313	5,952	6,049	6,590	5,436	5,503	5,623	5,430	5,807	5,696
Assumed by excess insurers	453	-	289	1,342	-	-	-	-	-	-
Net incurred	5,860	5,952	5,760	5,248	5,436	5,503	5,623	5,430	5,807	5,696
4. Net paid (cumulative) as of:										
End of accident year	1,473	1,221	1,004	712	802	1,021	1,079	1,036	1,288	1,303
One year later	3,386	2,695	2,837	1,811	1,870	2,655	2,148	2,269	2,980	-
Two years later	4,297	3,382	3,587	2,649	2,192	3,542	2,548	2,878	-	-
Three years later	4,660	3,748	4,211	2,990	2,275	3,973	3,085	-	-	-
Four years later	4,852	3,941	4,385	3,087	2,293	4,249	-	-	-	-
Five years later	4,968	3,968	4,633	3,086	2,256	-	-	-	-	-
Six years later	5,061	4,032	4,651	3,100	-	-	-	-	-	-
Seven years later	5,066	4,033	4,678	-	-	-	-	-	-	-
Eight years later	5,129	4,033	-	-	-	-	-	-	-	-
Nine years later	5,134	-	-	-	-	-	-	-	-	-
5. Reestimated losses and expenses assumed by excess insurers	646	-	-	58	-	-	-	-	-	-
6. Reestimated net incurred losses and expenses:										
End of accident year	5,860	5,952	5,760	5,248	5,436	5,503	5,623	5,430	5,807	5,696
One year later	6,947	6,218	6,314	4,547	4,354	5,882	4,462	5,113	5,906	-
Two years later	6,572	5,487	6,335	4,378	3,422	5,631	3,844	4,393	-	-
Three years later	6,470	5,038	6,158	3,734	2,814	5,034	3,981	-	-	-
Four years later	5,928	4,640	5,836	3,517	2,514	4,770	-	-	-	-
Five years later	5,680	4,414	5,485	3,273	2,405	-	-	-	-	-
Six years later	5,496	4,312	5,031	3,294	-	-	-	-	-	-
Seven years later	5,443	4,238	4,961	-	-	-	-	-	-	-
Eight years later	5,384	4,178	-	-	-	-	-	-	-	-
Nine years later	5,341	-	-	-	-	-	-	-	-	-
7. (Decrease) increase in estimated net incurred losses and expenses from end of coverage year	(519)	(1,774)	(799)	(1,954)	(3,031)	(733)	(1,642)	(1,037)	99	-

**COLORADO INTERGOVERNMENTAL RISK SHARING AGENCY
SUPPLEMENTARY INFORMATION – PROPERTY AND CASUALTY POOL
TEN-YEAR LOSS DEVELOPMENT INFORMATION**

December 31, 2018
(In Thousands of Dollars)

The following table illustrates how the Property and Casualty Pool's (Pool) earned revenue (net of excess insurance) and investment income compare to related costs of loss (net of loss assumed by excess insurers) and other expenses assumed by the Pool as of the end of each of the previous ten years. The rows of the table are defined as follows:

- (1) This line shows the total of each year's gross earned member contributions and reported investment revenues, amounts of excess insurance premiums, and reported member contributions (net of excess insurance) and reported investment revenue.
- (2) This line shows each year's other operating costs of the Pool including overhead and claims expense not allocable to individual claims.
- (3) This line shows the Pool's gross incurred losses and allocated loss adjustment expense, losses assumed by excess insurers, and net incurred losses and loss adjustment expenses (both paid and accrued) as originally reported at the end of the year in which the event that triggered coverage occurred (called coverage year).
- (4) This section of ten rows shows the cumulative net amounts paid as of the end of successive years, for each coverage year.
- (5) This line shows the latest reestimated amount of losses assumed by excess insurers for each coverage year.
- (6) This section of ten rows shows how each coverage year's net incurred losses increased or decreased as of the end of successive years. (This annual reestimation results from new information received on known losses, reevaluation of existing information on known losses, and emergence of new losses not previously known.)
- (7) This line compares the latest reestimated net incurred losses amount to the amount originally established (line 3) and shows whether this latest estimate of losses is greater or less than originally thought.

As data for individual coverage years mature, the correlation between original estimates and reestimated amounts is commonly used to evaluate the accuracy of net incurred losses currently recognized in less mature coverage years. The columns of the table show data for successive coverage years.

	<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>	<u>2018</u>
1. Member contributions and investment income:										
Earned	\$ 19,014	\$ 18,924	\$ 20,890	\$ 21,203	\$ 21,688	\$ 24,226	\$ 24,446	\$ 25,516	\$ 26,024	\$ 27,404
Excess/reinsurance premiums	4,284	4,544	4,967	5,256	5,396	5,742	6,140	5,563	5,874	7,410
Net earned	14,730	14,380	15,923	15,947	16,292	18,484	18,306	19,953	20,150	19,994
2. Unallocated expenses	4,882	5,424	6,457	6,762	7,081	7,188	7,430	7,801	7,947	7,838
3. Estimated incurred losses and expenses, end of coverage year:										
Incurred	10,640	12,378	11,905	11,881	41,403	12,901	18,922	15,801	24,518	32,006
Assumed by excess/reinsurers	-	599	-	346	29,734	1,142	3,930	1,069	9,893	13,743
Net incurred	10,640	11,779	11,905	11,535	11,669	11,759	14,992	14,732	14,625	18,263
4. Net paid (cumulative) as of:										
End of accident year	2,364	2,770	3,117	2,725	3,042	3,165	3,928	5,479	5,579	7,477
One year later	4,063	5,311	5,725	5,063	5,687	5,841	7,357	7,644	9,259	-
Two years later	5,614	6,585	6,844	6,362	7,078	7,709	10,625	10,840	-	-
Three years later	6,685	6,913	7,370	7,349	7,965	9,419	13,153	-	-	-
Four years later	7,243	7,378	7,753	7,686	8,109	9,462	-	-	-	-
Five years later	7,641	7,386	7,924	7,686	8,120	-	-	-	-	-
Six years later	7,641	7,387	7,964	7,685	-	-	-	-	-	-
Seven years later	7,787	7,387	7,975	-	-	-	-	-	-	-
Eight years later	7,799	7,387	-	-	-	-	-	-	-	-
Nine years later	7,799	-	-	-	-	-	-	-	-	-
5. Reestimated losses and expenses assumed by excess/reinsurers	571	466	122	1,183	19,808	1,521	8,519	1,485	9,252	13,743
6. Reestimated net incurred losses and expenses:										
End of accident year	10,640	11,779	11,905	11,535	11,669	11,759	14,992	14,732	14,625	18,263
One year later	10,170	12,113	10,859	9,603	9,748	12,875	14,209	13,065	13,242	-
Two years later	9,503	8,830	9,279	8,760	9,229	10,904	14,107	12,623	-	-
Three years later	8,359	7,779	8,456	8,769	8,887	10,461	14,081	-	-	-
Four years later	7,785	7,650	8,048	7,781	8,314	9,677	-	-	-	-
Five years later	7,737	7,398	8,074	7,688	8,257	-	-	-	-	-
Six years later	7,722	7,387	7,995	7,685	-	-	-	-	-	-
Seven years later	7,881	7,387	8,076	-	-	-	-	-	-	-
Eight years later	7,799	7,387	-	-	-	-	-	-	-	-
Nine years later	7,799	-	-	-	-	-	-	-	-	-
7. (Decrease) increase in estimated net incurred losses and expenses from end of coverage year	(2,841)	(4,392)	(3,829)	(3,850)	(3,412)	(2,082)	(911)	(2,109)	(1,383)	-

**COLORADO INTERGOVERNMENTAL RISK SHARING AGENCY
SUPPLEMENTAL INVESTMENT INFORMATION**

December 31, 2018

CIRSA's total admitted assets as of December 31, 2018 are \$84,000,113

The Agency's ten largest exposures to a single issuer/borrower/investment excluding: (i) 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, and (ii) property occupied by the Agency are:

Issuer	Description	Amortized Cost	Percentage of Total Admitted Assets
Chevron Corp	Corporate Note	\$ 2,388,881	2.84%
Toyota Motor Credit	Corporate Note	1,699,119	2.02%
Florida State Board of Administration Finance Corp	Municipal Note	1,430,809	1.70%
Bank of Nova Scotia	Corporate Note	1,425,660	1.70%
Bank of Montreal	Corporate Note	1,424,746	1.70%
Walmart Stores Inc	Corporate Note	1,374,351	1.64%
Apple Inc	Corporate Note	1,319,326	1.57%
Colgate-Palmolive Company	Corporate Note	1,121,428	1.34%
Microsoft Corp	Corporate Note	978,464	1.16%
Coca-Cola Company Corp	Corporate Note	759,925	0.90%

Amounts and percentages of the Agency's total admitted assets held in bonds and preferred stocks by NAIC designation.

Bonds - NAIC - 1	69,502,926	82.74%
Bonds - NAIC - 2	517,127	0.62%

**COLORADO INTERGOVERNMENTAL RISK SHARING AGENCY
SUMMARY INVESTMENT SCHEDULE**

December 31, 2018

Investment categories	Gross investment holdings		Admitted assets as reported in the annual statement	
1. Bonds:				
1.1 U.S. Treasury Securities	\$	35,693,271	45%	\$ 35,693,271 45%
1.2 U.S. government agency and corporate obligations (excluding mortgage-backed securities)				
1.21 Issued by U.S. Government Agencies		10,197,847	13%	10,197,847 13%
1.4 Securities issued by states, territories and possessions and political subdivisions in the US				
1.42 Political subdivisions of states, territories and possessions and political subdivisions general obligations		1,430,809	2%	1,430,809 2%
1.5 Mortgage-backed securities				
1.51 Pass-through securities				
1.512 Issued or guaranteed by FNMA and FHLMC		495,426	1%	495,426 1%
1.52 CMOs and REMICs				
1.521 Issued or guaranteed by GNMA, FNMA, FHLMC or VA		390,167	1%	390,167 1%
2. Other debt and fixed income securities				
2.1 Unaffiliated domestic securities		21,812,534	28%	21,812,534 28%
5. Real Estate Investments				
5.1 Property occupied by company		3,866,858	5%	3,866,858 5%
10. Cash and short-term investments		3,360,220	4%	3,360,220 4%
11. Other invested assets		697,901	1%	697,901 1%
12. Total invested assets	\$	<u>77,945,033</u>	<u>100%</u>	\$ <u>77,945,033</u> <u>100%</u>

COLORADO INTERGOVERNMENTAL RISK SHARING AGENCY
COMBINING STATUTORY SCHEDULE –
ADMITTED ASSETS, LIABILITIES, AND SURPLUS INFORMATION
December 31, 2018

Admitted Assets	CIRSA/PC	CIRSA/WC	Combining adjustments	Combined
Cash and invested assets:				
Bonds	\$ 37,901,628	\$ 32,118,425	\$ -	\$ 70,020,053
Cash and cash equivalents	1,047,928	2,312,292	-	3,360,220
Investment in NLC Mutual Insurance Company	303,549	394,352	-	697,901
Real estate, net of accumulated depreciation	<u>3,034,529</u>	<u>832,329</u>	<u>-</u>	<u>3,866,858</u>
Total cash and invested assets	42,287,634	35,657,398	-	77,945,032
Accrued investment income	152,436	149,160	-	301,596
Receivable from members	965,511	138,702	-	1,104,213
Excess insurance receivable	3,792,029	755,043	-	4,547,072
Electronic data processing equipment, net of accumulated depreciation	30,188	-	-	30,188
Prepaid insurance premiums	69,762	-	-	69,762
Interpool accounts receivable and other admitted assets	<u>176,011</u>	<u>18,784</u>	<u>(192,545)</u>	<u>2,250</u>
Total admitted assets	<u>\$ 47,473,571</u>	<u>\$ 36,719,087</u>	<u>\$ (192,545)</u>	<u>\$ 84,000,113</u>
Liabilities and Surplus				
Reserves for unpaid losses and loss adjustment expenses	\$ 18,828,401	\$ 12,467,840	\$ -	\$ 31,296,241
Interpool payable	173,761	18,784	(192,545)	-
Accounts payable and accrued liabilities	513,997	45,171	-	559,168
Member credits payable	751,819	416,670	-	1,168,489
Special contribution plan deposits	-	25,000	-	25,000
Unearned member contributions	<u>66,053</u>	<u>-</u>	<u>-</u>	<u>66,053</u>
Total liabilities	20,334,031	12,973,465	(192,545)	33,114,951
Unassigned surplus	<u>27,139,540</u>	<u>23,745,622</u>	<u>-</u>	<u>50,885,162</u>
Total liabilities and surplus	<u>\$ 47,473,571</u>	<u>\$ 36,719,087</u>	<u>\$ (192,545)</u>	<u>\$ 84,000,113</u>

COLORADO INTERGOVERNMENTAL RISK SHARING AGENCY
COMBINING STATUTORY SCHEDULE –
ADMITTED ASSETS, LIABILITIES, AND SURPLUS INFORMATION
December 31, 2017

Admitted Assets	CIRSA/PC	CIRSA/WC	Combining adjustments	Combined
Cash and invested assets:				
Bonds	\$ 45,491,622	\$ 30,388,024	\$ -	\$ 75,879,646
Cash and cash equivalents	827,113	3,025,172	-	3,852,285
Investment in NLC Mutual Insurance Company	303,549	394,352	-	697,901
Real estate, net of accumulated depreciation	<u>3,173,030</u>	<u>898,995</u>	<u>-</u>	<u>4,072,025</u>
Total cash and invested assets	49,795,314	34,706,543	-	84,501,857
Accrued investment income	150,796	132,016	-	282,812
Receivable from members	880,467	124,223	-	1,004,690
Excess insurance receivable	1,491,452	659,875	-	2,151,327
Electronic data processing equipment, net of accumulated depreciation	37,962	-	-	37,962
Prepaid insurance premiums	100,796	1,554	-	102,350
Interpool accounts receivable and other admitted assets	<u>4,171</u>	<u>63,213</u>	<u>(63,213)</u>	<u>4,171</u>
Total admitted assets	<u>\$ 52,460,958</u>	<u>\$ 35,687,424</u>	<u>\$ (63,213)</u>	<u>\$ 88,085,169</u>
Liabilities and Surplus				
Reserves for unpaid losses and loss adjustment expenses	\$ 20,190,080	\$ 12,328,648	\$ -	\$ 32,518,728
Interpool payable	63,213	-	(63,213)	-
Accounts payable and accrued liabilities	527,211	42,762	-	569,973
Member credits payable	535,019	266,181	-	801,200
Special contribution plan deposits	-	25,000	-	25,000
Unearned member contributions	<u>62,675</u>	<u>-</u>	<u>-</u>	<u>62,675</u>
Total liabilities	21,378,198	12,662,591	(63,213)	33,977,576
Unassigned surplus	<u>31,082,760</u>	<u>23,024,833</u>	<u>-</u>	<u>54,107,593</u>
Total liabilities and surplus	<u>\$ 52,460,958</u>	<u>\$ 35,687,424</u>	<u>\$ (63,213)</u>	<u>\$ 88,085,169</u>

**COLORADO INTERGOVERNMENTAL RISK SHARING AGENCY
COMBINING STATUTORY SCHEDULE –
INCOME AND CHANGES IN SURPLUS INFORMATION**

December 31, 2018

	<u>CIRSA/PC</u>	<u>CIRSA/WC</u>	<u>Combining adjustments</u>	<u>Combined</u>
Underwriting income:				
Member contributions earned	\$ 26,689,736	\$ 8,535,947	\$ -	\$ 35,225,683
Excess/reinsurance premiums	(7,155,393)	(1,503,923)	-	(8,659,316)
Brokerage fees	<u>(255,052)</u>	<u>-</u>	<u>-</u>	<u>(255,052)</u>
Net member contributions earned	<u>19,279,291</u>	<u>7,032,024</u>	<u>-</u>	<u>26,311,315</u>
Deductions:				
Losses and loss adjustment expenses incurred	15,551,449	4,611,207	-	20,162,656
Other underwriting expenses incurred	<u>9,792,648</u>	<u>1,912,449</u>	<u>(1,628,005)</u>	<u>10,077,092</u>
Total underwriting deductions	<u>25,344,097</u>	<u>6,523,656</u>	<u>(1,628,005)</u>	<u>30,239,748</u>
Net underwriting gain (loss)	(6,064,806)	508,368	1,628,005	(3,928,433)
Net investment income	1,096,882	556,772	-	1,653,654
Management fee	<u>1,628,005</u>	<u>-</u>	<u>(1,628,005)</u>	<u>-</u>
Net income	(3,339,919)	1,065,140	-	(2,274,779)
Unassigned surplus, beginning of year	31,082,760	23,024,833	-	54,107,593
Change in nonadmitted assets	(29,594)	6,135	-	(23,459)
Distributions and credits to members	<u>(573,707)</u>	<u>(350,486)</u>	<u>-</u>	<u>(924,193)</u>
Unassigned surplus, end of year	<u>\$ 27,139,540</u>	<u>\$ 23,745,622</u>	<u>\$ -</u>	<u>\$ 50,885,162</u>

COLORADO INTERGOVERNMENTAL RISK SHARING AGENCY
COMBINING STATUTORY SCHEDULE –
INCOME AND CHANGES IN SURPLUS INFORMATION
December 31, 2017

	<u>CIRSA/PC</u>	<u>CIRSA/WC</u>	<u>Combining adjustments</u>	<u>Combined</u>
Underwriting income:				
Member contributions earned	\$ 24,871,668	\$ 8,252,112	\$ -	\$ 33,123,780
Excess/reinsurance premiums	(5,619,094)	(1,301,669)	-	(6,920,763)
Brokerage fees	<u>(254,862)</u>	<u>-</u>	<u>-</u>	<u>(254,862)</u>
Net member contributions earned	<u>18,997,712</u>	<u>6,950,443</u>	<u>-</u>	<u>25,948,155</u>
Deductions:				
Losses and loss adjustment expenses incurred	11,581,608	2,848,006	-	14,429,614
Other underwriting expenses incurred	<u>9,579,092</u>	<u>1,272,499</u>	<u>(1,165,007)</u>	<u>9,686,584</u>
Total underwriting deductions	<u>21,160,700</u>	<u>4,120,505</u>	<u>(1,165,007)</u>	<u>24,116,198</u>
Net underwriting gain (loss)	(2,162,988)	2,829,938	1,165,007	1,831,957
Net investment income	1,152,537	493,563	-	1,646,100
Management fee	<u>1,165,007</u>	<u>-</u>	<u>(1,165,007)</u>	<u>-</u>
Net income	154,556	3,323,501	-	3,478,057
Unassigned surplus, beginning of year	31,174,439	19,911,067	-	51,085,506
Change in nonadmitted assets	94,415	(6,226)	-	88,189
Distributions and credits to members	<u>(340,650)</u>	<u>(203,509)</u>	<u>-</u>	<u>(544,159)</u>
Unassigned surplus, end of year	<u>\$ 31,082,760</u>	<u>\$ 23,024,833</u>	<u>\$ -</u>	<u>\$ 54,107,593</u>

COLORADO INTERGOVERNMENTAL RISK SHARING AGENCY
COMBINING STATUTORY SCHEDULE –
CASH FLOW INFORMATION
Year ended December 31, 2018

	<u>CIRSA/PC</u>	<u>CIRSA/WC</u>	<u>Combining adjustments</u>	<u>Combined</u>
Cash flow from operating activities:				
Contributions collected from members, net of excess insurance premiums and brokerage commissions paid	\$ 19,304,603	\$ 7,033,578	\$ -	\$ 26,338,181
Losses and loss adjustment expenses paid	(19,289,648)	(4,581,662)	-	(23,871,310)
Underwriting expenses paid	(9,210,480)	(1,774,026)	1,628,005	(9,356,501)
Cash provided by (used in) underwriting operations	(9,195,525)	677,890	1,628,005	(6,889,630)
Net investment income received	739,670	592,791	-	1,332,461
Other amounts received	1,629,928	-	(1,628,005)	1,923
Net cash provided by (used in) operating activities	(6,825,927)	1,270,681	-	(5,555,246)
Cash flow from investing activities:				
Proceeds from investments sold, matured, or called	22,526,149	4,435,863	-	26,962,012
Cost of investments acquired	(15,064,472)	(6,219,427)	-	(21,283,899)
Purchase of property and equipment, net	(58,028)	-	-	(58,028)
Net cash provided by (used in) investing activities	7,403,649	(1,783,564)	-	5,620,085
Cash flow used in financing activities:				
Distributions and credits to members	(356,907)	(199,997)	-	(556,904)
Net cash used in financing activities	(356,907)	(199,997)	-	(556,904)
Net increase (decrease) in cash and cash equivalents	220,815	(712,880)	-	(492,065)
Cash and cash equivalents, beginning of year	827,113	3,025,172	-	3,852,285
Cash and cash equivalents, end of year	<u>\$ 1,047,928</u>	<u>\$ 2,312,292</u>	<u>\$ -</u>	<u>\$ 3,360,220</u>

COLORADO INTERGOVERNMENTAL RISK SHARING AGENCY
COMBINING STATUTORY SCHEDULE –
CASH FLOW INFORMATION
Year ended December 31, 2017

	<u>CIRSA/PC</u>	<u>CIRSA/WC</u>	<u>Combining adjustments</u>	<u>Combined</u>
Cash flow from operating activities:				
Contributions collected from members, net of excess insurance premiums and brokerage commissions paid	\$ 18,919,215	\$ 6,948,889	\$ -	\$ 25,868,104
Losses and loss adjustment expenses paid	(14,575,526)	(3,953,067)	-	(18,528,593)
Underwriting expenses paid	(8,730,849)	(1,202,201)	1,165,007	(8,768,043)
Cash provided by (used in) underwriting operations	(4,387,160)	1,793,621	1,165,007	(1,428,532)
Net investment income received	631,351	515,157	-	1,146,508
Other amounts received	1,165,949	-	(1,165,007)	942
Net cash provided by (used in) operating activities	(2,589,860)	2,308,778	-	(281,082)
Cash flow from investing activities:				
Proceeds from investments sold, matured, or called	30,050,345	5,632,385	-	35,682,730
Cost of investments acquired	(27,627,907)	(7,854,827)	-	(35,482,734)
Purchase of property and equipment, net	(16,585)	-	-	(16,585)
Net cash provided by (used in) investing activities	2,405,853	(2,222,442)	-	183,411
Cash flow used in financing activities:				
Distributions and credits to members	(381,859)	(197,159)	-	(579,018)
Net cash used in financing activities	(381,859)	(197,159)	-	(579,018)
Net decrease in cash and cash equivalents	(565,866)	(110,823)	-	(676,689)
Cash and cash equivalents, beginning of year	1,392,979	3,135,995	-	4,528,974
Cash and cash equivalents, end of year	<u>\$ 827,113</u>	<u>\$ 3,025,172</u>	<u>\$ -</u>	<u>\$ 3,852,285</u>