



County Workers' Compensation Pool

Statutory Financial Statements

December 31, 2023 and 2022

(With Independent Auditor's Report Thereon)

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940 Main Street
Louisville, CO 80027
tel 303.665.8060 fax 303.665.0813

www.kfinancial.com

Independent Auditor's Report

The Board of Directors
County Workers' Compensation Pool

Opinions

We have audited the financial statements of County Workers' Compensation Pool (the Pool), which comprise the statutory statements of admitted assets, liabilities, and members' surplus as of December 31, 2023 and 2022, and the related statutory statements of income and members' surplus, and statutory cash flows for the years then ended, and the related notes to the financial statements.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the accompanying financial statements present fairly, in all material respects, the statutory basis admitted assets, liabilities and members' surplus of County Workers' Compensation Pool as of December 31, 2023 and 2022, and the statutory statements of income and members' surplus and statutory cash flows thereof for the years then ended in accordance with the financial reporting provisions of the Division of Insurance of the Department of Regulatory Agencies of the State of Colorado (the Division) described in Note 2.

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 section of our report, the financial statements do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of County Workers' Compensation Pool as of December 31, 2023 and 2022, or the results of its operations or cash flows thereof for the years then ended.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Pool and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

As described in Note 2 of the financial statements, the financial statements are prepared by the Pool on the basis of the financial reporting provisions of the Division, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the Division. The effects on the financial statements of the variances between the statutory basis of accounting described in Note 2 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.



Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with financial reporting provisions of the Division. 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 fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Pool's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Pool's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Pool's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

K Financial

Louisville, Colorado
March 14, 2024

COUNTY WORKERS' COMPENSATION POOL
STATUTORY STATEMENTS OF ADMITTED ASSETS,
LIABILITIES AND MEMBERS' SURPLUS

DECEMBER 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
ADMITTED ASSETS		
Cash and cash equivalents	\$ 1,205,113	\$ 644,398
Investments	<u>53,420,284</u>	<u>52,271,415</u>
Total cash and investments	54,625,397	52,915,813
Due from self-funded counties	187,066	168,960
Accrued interest receivable	<u>663,165</u>	<u>587,793</u>
TOTAL ADMITTED ASSETS	<u>\$55,475,628</u>	<u>\$53,672,566</u>
LIABILITIES AND MEMBERS' SURPLUS		
LIABILITIES		
Reserve for losses and loss adjustment expenses	\$ 24,925,809	\$ 25,542,903
Reserve for unallocated loss adjustment expenses	1,048,448	1,267,045
Surplus distribution payable	2,697,610	3,000,000
Deposits held for self-funded counties	250,000	275,000
Non-member payable	1,132,616	-
Accounts payable	<u>50,992</u>	<u>101,195</u>
Total liabilities	30,105,475	30,186,143
MEMBERS' SURPLUS	<u>25,370,153</u>	<u>23,486,423</u>
TOTAL LIABILITIES AND MEMBERS' SURPLUS	<u>\$55,475,628</u>	<u>\$53,672,566</u>

These statutory financial statements should be read only in connection with
the accompanying notes to statutory financial statements.

COUNTY WORKERS' COMPENSATION POOL
STATUTORY STATEMENTS OF INCOME AND MEMBERS' SURPLUS

DECEMBER 31, 2023 and 2022

	2023	2022
UNDERWRITING INCOME		
Member contributions written	\$ 11,871,960	\$ 12,137,689
Reinsurance and excess insurance ceded	<u>(1,277,196)</u>	<u>(1,077,991)</u>
Net underwriting income	<u>10,594,764</u>	<u>11,059,698</u>
UNDERWRITING EXPENSES		
Net losses and loss adjustment expense incurred	5,169,356	5,849,447
Unallocated loss adjustment expense incurred	785,927	1,222,222
Other underwriting expenses incurred	<u>1,283,163</u>	<u>737,430</u>
Total underwriting expenses incurred	<u>7,238,446</u>	<u>7,809,099</u>
UNDERWRITING GAIN	3,356,318	3,250,599
NET INVESTMENT INCOME	<u>1,269,274</u>	<u>1,008,080</u>
NET INCOME BEFORE RETURN OF SURPLUS	4,625,592	4,258,679
RETURN OF SURPLUS	(3,000,000)	(3,000,000)
MEMBERS' SURPLUS - BEGINNING OF YEAR	23,486,423	22,272,062
CHANGES IN NONADMITTED ASSETS	<u>258,138</u>	<u>(44,318)</u>
MEMBERS' SURPLUS - END OF YEAR	<u>\$ 25,370,153</u>	<u>\$ 23,486,423</u>

These statutory financial statements should be read only in connection with
the accompanying notes to statutory financial statements.

COUNTY WORKERS' COMPENSATION POOL
STATUTORY STATEMENTS OF CASH FLOWS

DECEMBER 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Contributions and assessments received from members (net of surplus returned)	\$ 8,569,570	\$ 10,137,689
Net loss and loss adjustment expenses paid	(6,574,923)	(6,683,296)
Reinsurance premiums paid	(1,277,196)	(1,077,991)
Other underwriting expenses paid	(201,770)	(688,877)
Investment income received	<u>2,573,970</u>	<u>2,069,465</u>
Net cash flow provided by operating activities	3,089,651	3,756,990
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments purchased	(8,172,395)	(14,953,844)
Proceeds from maturity and sales of investments	<u>5,643,459</u>	<u>9,246,681</u>
Net cash flow used in investing activities	<u>(2,528,936)</u>	<u>(5,707,163)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	560,715	(1,950,173)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>644,398</u>	<u>2,594,571</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 1,205,113</u>	<u>\$ 644,398</u>

These statutory financial statements should be read only in connection with
the accompanying notes to statutory financial statements.

COUNTY WORKERS' COMPENSATION POOL
NOTES TO STATUTORY FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 1: ORGANIZATION

The County Workers' Compensation Pool (the Pool) was formed on January 1, 1985, by an intergovernmental agreement among certain counties in Colorado. The purpose of the Pool is to provide workers' compensation coverage for the employees of the member counties. The number of counties that were members of the Pool were 47 and 48 as of December 31, 2023 and 2022, respectively.

In carrying out this function, the Pool collects contributions from the member counties, verifies claims for workers' compensation benefits submitted by member counties' employees and pays legitimate claims and other pool expenses.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements have been prepared in conformity with accounting practices prescribed or permitted by the Division of Insurance of the Department of Regulatory Agencies of the State of Colorado, which vary in some respects from generally accepted accounting principles. The more significant differences are as follows:

1. Certain assets, such as excess recoveries receivable and prepaid expenses are designated as "non-admitted assets" and are excluded from the Statements of Admitted Assets, Liabilities and Members' Surplus by a charge to surplus.
2. Investments are carried at amortized cost instead of fair value.

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

Use of Estimates

The preparation of financial statements in conformity with accounting practices prescribed or permitted by the Division of Insurance of the Department of Regulatory Agencies of the State of Colorado 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Investments

Investments are carried at amortized cost. Realized gains and losses are determined using the specific identification method. The amortization of bond premiums and the accrual of bond discounts is calculated using the straight-line method.

COUNTY WORKERS' COMPENSATION POOL
NOTES TO STATUTORY FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Pool evaluates investments for impairment on an ongoing basis. When the following circumstances exist, the Pool classifies the impairment as "other than temporary" and writes the investment value down to fair value:

1. Fair value has been 10% or more below cost for 6 months.
2. There is not sufficient evidence supporting a projected increase in fair value above cost in the near term.
3. The Pool does not have the ability and/or intent to hold the investment until its fair value recovers.

The Pool evaluated its investments on December 31, 2023, and 2022, and determined that there were no "other than temporary" impairments requiring adjustments in the financial statements.

Member Contributions

Annual contributions are recognized on the monthly pro rata basis in relation to the period of coverage provided, which coincides with the Pool's fiscal year. Contributions for prior claims years, if required, are recognized when assessed.

Cash and Cash Equivalents

For the purpose of the Statements of Cash Flows, the Pool considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Reserve for Losses and Loss Adjustment Expenses

The coverage offered by the Pool is on an occurrence basis, which provides for payment of claims that occur during the period of coverage regardless of when the claim is received.

Insurance losses and related adjustment expense are charged to operations as incurred. The reserve for losses and loss adjustment expenses (both allocated and unallocated) are determined based upon case basis evaluations and actuarial projections by the Pool's actuary, which includes a provision for incurred but not reported losses. Such liabilities are based on estimates and, while management believes that the amounts are adequate, the ultimate liability may be in excess of or less than the amounts provided. 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 workers' compensation insurance industry data. Losses are reported net of estimated amounts recoverable from excess insurance and self-funded counties. Adjustments to the probable ultimate liability for losses and loss adjustment expenses are made continually based on subsequent developments and experience and are included in operations as incurred.

COUNTY WORKERS' COMPENSATION POOL
NOTES TO STATUTORY FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Pool provides an essential government function to its members as described in Section 115 of the Internal Revenue Code (the Code) and is considered to be exempt from Federal income taxes pursuant to the Code. Therefore, the accompanying financial statements do not include a provision for income taxes.

NOTE 3: CASH AND INVESTMENTS

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. These uninsured public deposits are to be maintained by another institution or held in trust. The PDPA requires that the fair value of the collateral must exceed 102% of the uninsured deposits.

The Colorado Division of banking is required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

On December 31, 2023, the Pool's cash deposits had a bank balance of \$742,629 which is insured by the Federal Deposit Insurance Corporation (FDIC), up to \$250,000. Any balance in excess of \$250,000 is collateralized as required by the PDPA. The carrying balance of cash deposits as of December 31, 2023, is \$529,589.

On December 31, 2022, the Pool's cash deposits had a bank balance of \$874,036 which is insured by the Federal Deposit Insurance Corporation (FDIC), up to \$250,000. Any balance in excess of \$250,000 is collateralized as required by the PDPA. The carrying balance of cash deposits as of December 31, 2022, is \$591,083.

Investments

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments, and entities such as the Pool, may invest. The Pool has adopted an investment policy which is more restrictive and limits investments to:

- Obligations of the United States and certain U.S. government agency securities
- Bankers' acceptances of certain banks
- Commercial paper
- Local government investment pools
- Any other investment authorized in Part 6 of C.R.S., Title 24, Article 75 regarding investments of public funds as approved by the Board of Directors.

COUNTY WORKERS' COMPENSATION POOL
NOTES TO STATUTORY FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 3: CASH AND INVESTMENTS (CONTINUED)

The Pool owned the following investments as of December 31, 2023:

	Carrying Amount	REMAINING MATURITY (in Months)		
		12 or Less	13 to 24	25 to 60
Negotiable certificates of deposit	\$ 8,850,900	\$ 2,000,000	\$ 1,900,000	\$ 4,950,900
U.S. treasury securities	3,997,152	99,625	429,798	3,467,729
Corporate debt securities	40,572,232	4,861,030	16,522,734	19,188,468
Local government investment pool	655,012	655,012	-	-
	<u>\$ 54,075,296</u>	<u>\$ 7,615,667</u>	<u>\$ 18,852,532</u>	<u>\$ 27,607,097</u>

The Pool owned the following investments as of December 31, 2022:

	Carrying Amount	REMAINING MATURITY (in Months)		
		12 or Less	13 to 24	25 to 60
Negotiable certificates of deposit	\$ 9,100,900	\$ 1,000,000	\$ 2,250,000	\$ 5,850,900
U.S. treasury securities	625,433	-	99,024	526,409
Corporate debt securities	42,545,082	3,084,158	5,430,560	34,030,364
Local government investment pool	46,270	46,270	-	-
	<u>\$ 52,317,685</u>	<u>\$ 4,130,428</u>	<u>\$ 7,779,584</u>	<u>\$ 40,407,673</u>

As of December 31, 2023, and 2022, the Pool had invested \$655,012 and \$46,270, respectively, 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.

Two separate Certificates of Deposit with a total face amount of \$500,000 are on joint deposit with the Division of Insurance of the State of Colorado on December 31, 2023, and 2022.

COUNTY WORKERS' COMPENSATION POOL
NOTES TO STATUTORY FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 3: CASH AND INVESTMENTS (CONTINUED)

A summary of the amortized cost and fair value of the Pool's investments on December 31, 2023, and 2022, by contractual maturity, is as follows:

	2023	
	Amortized	
	Cost	Fair Value
Maturity:		
Due in one year or less	\$ 6,960,654	\$ 6,857,224
Due after one through five years	46,459,630	44,480,441
	\$ 53,420,284	\$ 51,337,665
	2022	
	Amortized	
	Cost	Fair Value
Maturity:		
Due in one year or less	\$ 4,084,158	\$ 4,029,633
Due after one through five years	48,187,257	44,625,832
	\$ 52,271,415	\$ 48,655,465

The Pool's investments on December 31, 2023, and 2022, are summarized below:

	2023			
	Amortized Cost	Gross	Gross	Fair Value
		Unrealized Gains	Unrealized Losses	
Negotiable certificates of deposit	\$ 8,850,900	\$ 1,107	\$ (311,638)	\$ 8,540,369
U.S. treasury securities	3,997,152	7,002	(35,799)	3,968,355
Corporate debt securities	40,572,232	9,879	(1,753,170)	38,828,941
	\$ 53,420,284	\$ 17,988	\$ (2,100,607)	\$ 51,337,665
	2022			
	Amortized Cost	Gross	Gross	Fair Value
		Unrealized Gains	Unrealized Losses	
Negotiable certificates of deposit	\$ 9,100,900	\$ -	\$ (477,188)	\$ 8,623,712
U.S. treasury securities	625,433	-	(18,414)	607,019
Corporate debt securities	42,545,082	-	(3,120,348)	39,424,734
	\$ 52,271,415	\$ -	\$ (3,615,950)	\$ 48,655,465

COUNTY WORKERS' COMPENSATION POOL
NOTES TO STATUTORY FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 3: CASH AND INVESTMENTS (CONTINUED)

On December 31, 2023, and 2022, the Pool had the following unrealized losses, which are considered temporary, therefore the underlying securities were not impaired:

<u>Description of securities</u>	2023					
	<u>Less than 12 months</u>		<u>12 Months or Greater</u>		<u>Total</u>	
	<u>Fair Value</u>	<u>Unrealized losses</u>	<u>Fair Value</u>	<u>Unrealized losses</u>	<u>Fair Value</u>	<u>Unrealized losses</u>
Negotiable certificates of deposit	\$ 1,962,731	\$ (37,269)	\$ 6,076,531	\$ (274,369)	\$ 8,039,262	\$ (311,638)
U.S. treasury securities	98,367	(1,258)	2,389,222	(34,541)	2,487,589	(35,799)
Corporate debt securities	4,796,126	(64,904)	33,215,207	(1,688,266)	38,011,333	(1,753,170)
	<u>\$ 6,857,224</u>	<u>\$ (103,431)</u>	<u>\$ 41,680,960</u>	<u>\$ (1,997,176)</u>	<u>\$ 48,538,184</u>	<u>\$ (2,100,607)</u>

<u>Description of securities</u>	2022					
	<u>Less than 12 months</u>		<u>12 Months or Greater</u>		<u>Total</u>	
	<u>Fair Value</u>	<u>Unrealized losses</u>	<u>Fair Value</u>	<u>Unrealized losses</u>	<u>Fair Value</u>	<u>Unrealized losses</u>
Negotiable certificates of deposit	\$ 993,907	\$ (6,092)	\$ 7,629,805	\$ (471,096)	\$ 8,623,712	\$ (477,188)
U.S. treasury securities	-	-	607,019	(18,414)	607,019	(18,414)
Corporate debt securities	3,035,725	(48,432)	36,389,009	(3,071,916)	39,424,734	(3,120,348)
	<u>\$ 4,029,632</u>	<u>\$ (54,524)</u>	<u>\$ 44,625,833</u>	<u>\$ (3,561,426)</u>	<u>\$ 48,655,465</u>	<u>\$ (3,615,950)</u>

Proceeds from the sales, calls and maturities of debt securities during 2023 and 2022 were approximately \$5,643,459 and \$9,246,681, respectively.

Gross gains of \$0 and \$52,708 were realized on those sales and calls during 2023 and 2022, respectively.

Gross losses of \$170,473 and \$94,004 were realized on those sales and calls during 2023 and 2022, respectively.

NOTE 4: RESERVES FOR LOSSES AND LOSS ADJUSTMENT EXPENSES

Components of the reserve for losses and loss adjustment expenses are as follows on December 31, 2023, and 2022:

	<u>2023</u>	<u>2022</u>
Estimated reserves for claims		
Reported	\$ 15,576,050	\$ 15,917,899
Incurred but not reported	9,349,759	9,625,004
	<u>\$ 24,925,809</u>	<u>\$ 25,542,903</u>

COUNTY WORKERS' COMPENSATION POOL
NOTES TO STATUTORY FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 4: RESERVES FOR LOSSES AND LOSS ADJUSTMENT EXPENSES
(CONTINUED)

Changes in this liability for the years ended December 31, 2023, and 2022 were as follows:

Changes in this liability for the years ended December 31, 2023 and 2022 were as follows:

	<u>2023</u>	<u>2022</u>
Reserves for losses and loss adjustment expenses at beginning of year	\$ 26,809,948	\$ 26,396,800
Incurred losses and loss adjustment expenses:		
Provision for insured events of the current year	8,195,927	9,392,226
Decrease in provision for insured events of prior years	<u>(2,240,644)</u>	<u>(2,320,557)</u>
Total incurred losses and loss adjustment expenses	5,955,283	7,071,669
Payments, net of recoveries		
Losses and loss adjustment expenses attributable to insured events of the current year	2,307,112	2,256,712
Losses and loss adjustment expenses attributable to insured events of prior years	<u>4,483,862</u>	<u>4,401,809</u>
Total payments	<u>6,790,974</u>	<u>6,658,521</u>
Reserve for losses and loss adjustment expenses at year end	<u>\$ 25,974,257</u>	<u>\$ 26,809,948</u>
Reserve for losses and loss adjustment expenses	\$ 24,925,809	\$ 25,542,903
Reserve for unallocated loss adjustment expenses	<u>1,048,448</u>	<u>1,267,045</u>
	<u>\$ 25,974,257</u>	<u>\$ 26,809,948</u>

As a result of changes in estimates of insured events in prior years, the provision for losses and loss adjustment expenses decreased in 2023 by \$2,240,644 as a result of lower-than-anticipated losses and related expenses.

As a result of changes in estimates of insured events in prior years, the provision for losses and loss adjustment expenses decreased in 2022 by \$2,320,557 as a result of lower-than-anticipated losses and related expenses.

The reserve for losses and loss adjustment expenses is based upon actuarial projections prepared by the Pool's independent actuary and provided to the Division of Insurance annually. However, there exists a range of variability around the best estimate of the ultimate cost of settling all Pool claims. While management's estimate of the ultimate cost of settling all Pool claims as of December 31, 2023, and 2022 is \$25,974,257 and \$26,809,948, respectively, which includes unallocated loss adjustment expenses of \$1,048,448 and \$1,267,045, respectively, the actual cost of settling all remaining claims may be more or less than the reserves for losses and loss adjustment expenses as of December 31, 2023, and 2022.

COUNTY WORKERS' COMPENSATION POOL
NOTES TO STATUTORY FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 4: RESERVES FOR LOSSES AND LOSS ADJUSTMENT EXPENSES
(CONTINUED)

Certain member counties have been partially self-funded. These counties are responsible for their own claims up to a maximum per claim liability, as follows:

	Years	Per Claim
	<u>Self-Funded</u>	<u>Maximum</u>
Pueblo	1990 - 1992	\$ 200,000
Pueblo	1993 - 2023	\$ 225,000
Summit	1996 - 2009	\$ 100,000
Summit	2010 - 2023	\$ 150,000

Amounts in excess of these per claim maximums will be paid by the Pool.

The Pool maintains minimum deposits from these counties and bills these counties as claims and expenses are paid on their behalf. An estimate of the total claims and expenses attributable to each of these counties was made by the Pool's independent actuary. As of December 31, 2023, and 2022, respectively, approximately \$4,139,552 and \$4,026,744 had been reflected as a reduction to the reserves for losses and loss adjustment expenses. The Pool recorded a membership contribution from the participating counties of \$1,211,481 and \$1,165,539 in 2023 and 2022, respectively.

The Pool has purchased annuities from several life insurance companies in settlement with various claimants. Although management believes they have acquired these annuity policies from solvent carriers, a contingent liability in the amount of \$165,291 and \$175,014 as of December 31, 2023, and 2022, respectively, exists if the life insurance companies could not meet their annuity payment obligations.

NOTE 5: INSURANCE CONTRACTS

Excess of Loss

The Pool has entered into excess of loss contracts to limit large losses. For 2023 and 2022, the Pool's exposure on individual claims paid is \$875,000. The excess insurer has an obligation under the contracts to pay in excess of this retention amount up to statutory limits.

NOTE 6: MEMBERS' SURPLUS

The Pool is required by the Division of Insurance of the State of Colorado to maintain a minimum statutory surplus of \$300,000. The Pool allocates contributions, paid losses, and underwriting expenses by claim year and, accordingly, may make assessments or distributions to counties which were members during a claim year. Distributions can be made as adjustments of future contributions or as direct payments. The Pool declared \$3,000,000 as a return of surplus to members for the years ended December 31, 2023, and 2022.

COUNTY WORKERS' COMPENSATION POOL
NOTES TO STATUTORY FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 7: ADMINISTRATIVE AND CLAIMS SERVICING AGREEMENTS

The Pool has entered into an agreement with County Technical Services, Inc. (CTSI), a nonprofit corporation, to provide administrative services to the Pool. Fees for such services were \$547,962 and \$491,363 in 2023 and 2022, respectively. Additionally, CTSI provides claims administration services for the Pool. Fees for such services were \$1,004,524 and \$895,501, in 2023 and 2022, respectively. CTSI is considered a related party for purposes of these financial statements.

NOTE 8: FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It establishes a hierarchy for fair value measurements based upon inputs to the valuation and the degree to which they are observable or not observable in the market. The three levels in the hierarchy are as follows:

- Level 1 - Inputs to the valuation are based upon quoted prices (unadjusted) for identical assets or liabilities in active markets that are accessible as of the measurement date.
- Level 2 - Inputs to the valuation include quoted prices in either markets that are not active, or in active markets for similar assets or liabilities, inputs other than quoted prices that are observable, and inputs that are derived principally from or corroborated by observable market data.
- Level 3 - Inputs to the valuation are unobservable inputs for the asset or liability.

The fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used by the Pool.

- Certificates of deposit: Valued at amortized cost, which approximates fair value.
- U.S. treasury securities: Valued at the amortized cost of shares held by the Pool at year end.
- Bonds: Valued at the amortized cost of shares held by the Pool at year end.
- Local government investment pool: Valued at cash equivalent.

COUNTY WORKERS' COMPENSATION POOL
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NOTE 8: FAIR VALUE MEASUREMENTS (CONTINUED)

Financial assets measured at fair value on a recurring basis are reflected in the Pool's Statement of Admitted Assets, Liabilities, and Members' Surplus on December 31, 2023, as follows:

	Assets:			Total
	Level 1	Level 2	Level 3	
Negotiable certificates of deposit	\$ 8,540,369	\$ -	\$ -	\$ 8,540,369
U.S. treasury securities	3,968,355	-	-	3,968,355
Corporate debt securities	-	38,828,941	-	38,828,941
Local government investment pool	655,012	-	-	655,012
Total	\$ 13,163,736	\$ 38,828,941	\$ -	\$ 51,992,677

Financial assets measured at fair value on a recurring basis are reflected in the Pool's Statement of Admitted Assets, Liabilities and Members' Surplus on December 31, 2022, as follows:

	Assets:			Total
	Level 1	Level 2	Level 3	
Negotiable certificates of deposit	\$ 8,623,712	\$ -	\$ -	\$ 8,623,712
U.S. treasury securities	607,019	-	-	607,019
Corporate debt securities	-	39,424,734	-	39,424,734
Local government investment pool	46,270	-	-	46,270
Total	\$ 9,277,001	\$ 39,424,734	\$ -	\$ 48,701,735

NOTE 9: CONCENTRATIONS

The business plan of the Pool calls for contributions to be allocated and spread out among members to avoid concentrations. There were no contributions from individual members during the years ended December 31, 2023, and 2022, that exceeded 10% of total contributions.

NOTE 10: INSURANCE AND FINANCIAL RISKS

Insurance Risks

Insurance risk is the risk that an event will take place giving rise to a claim or claims and includes the uncertainty of the amount and timing of any resulting claim or claims. Factors influencing insurance risk include but are not limited to the amount of risk undertaken, risk diversification and geographical and industry exposures. The Pool directly insures certain risks of members and as such there is a concentration of insurance risk within the industry sector and territory in which the Pool operates.

NOTE 11: SUBSEQUENT EVENTS

As part of the administrative services provided to the Pool, CTSI has evaluated events subsequent to December 31, 2023, through March 14, 2024, 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 Pool's results going forward.