



PRISM Affiliate Risk Captive

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**FINANCIAL STATEMENTS WITH  
INDEPENDENT AUDITOR'S REPORT  
JUNE 30, 2023 AND 2022**



**PRISM Affiliate Risk Captive**

**June 30, 2023 and 2022**

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December 13, 2023

Members, Board of Directors  
PRISM Affiliate Risk Captive

Ladies and Gentlemen:

PRISM Affiliate Risk Captive (ARC or the Captive), is a captive insurance company regulated by the Utah Insurance Department. The Captive is reported as a blended component unit of Public Risk Innovation, Solutions, and Management (PRISM), which is a California governmental Joint Powers Authority.

On June 30, 2023, the Captive celebrated the completion of its seventh year of operations. For the most part, the Captive took on the risk transferred from PRISM within fixed corridors (where the amount of coverage is a known dollar amount and there is no actuarial risk) in the workers' compensation, liability, medical malpractice, and property programs. In total, the Captive covered risks of \$1.05B across all participating programs as of June 30, 2023. In 2018/19, PRISM transferred risk associated with a Loss Portfolio Transfer (LPT) from its General Liability 1 Program to ARC. The liability for this LPT is not limited to a specified corridor, and funding from PRISM to the Captive is reevaluated annually with respect to this risk. For the fiscal year ended June 30, 2023 ARC collected an additional \$108.5M to fund the LPT risk while the corresponding increase in ultimate losses were estimated at \$63M. Accordingly, the LPT activity accounted for the majority of the \$60.4M in operating income for the year ended June 30, 2023.

The initial purpose for forming the Captive was to provide a better rate of return on investments by matching the long-term liabilities of PRISM with a more diversified portfolio of investments than what is afforded in the California regulatory framework. This had proved beneficial in the majority of the years of the Captive's operations. However, for the year ended June 30, 2022 the Captive recognized investment losses of \$48.6M; \$56.9M of which reflected unrealized losses on fair market value of investments on its equity and fixed income holdings. This was the result of volatility in the equities market coupled with rising interest rates in the bond market. These losses coincided with adverse claims development in prior program years and resulted in a large drop to the Captive's net position. In response, PRISM made an additional capital contribution of \$3.5M to ARC at June 30, 2022. For the fiscal year ended June 30, 2023, investment returns were positive with \$16M in recognized investment income, including \$2.5M of unrealized losses on fair market value of investments.

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75 Iron Point Circle, Suite 200  
Folsom, CA 95630



In October 2018, expansion of operations beyond California was authorized. National expansion will enable PRISM to spread and diversify risk, add volume, and leverage reinsurance markets. Actual implementation has been on a program-by-program basis. In all, ARC has welcomed three participants from outside of California: Pima County, Arizona; City of Portland, Oregon; and Arizona School Risk Retention Trust.

Based upon our comprehensive framework of internal control, we believe our report is accurate in all material respects, that it fairly sets forth the financial position and results of operations of the Captive, and that all necessary disclosures for understanding the report have been included. Because the cost of control should not exceed the benefits to be derived, our objective is to provide reasonable, rather than absolute assurance, that our financial statements are free of any material misstatements.

Gilbert CPAs, Certified Public Accountants, has issued an unmodified opinion that the Captive's financial statements, for the fiscal years ended June 30, 2023 and 2022, are fairly presented in conformity with Generally Accepted Accounting Principles. The independent auditor's report is presented in this document.

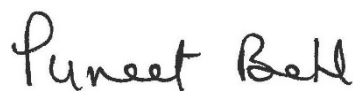
The Management's Discussion and Analysis (MD&A) immediately follows the independent auditor's report. The MD&A provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

The preparation of this report would not have been possible without the best efforts of PRISM's Finance and Administrative Departments, and we thank them for their contribution. We commend the Captive's Board of Directors for their support in maintaining the highest standards of professionalism in the management of the Captive's finances and operations.

Respectfully Submitted,



Gina Dean  
President



Puneet Behl, CPA  
Chief Financial Officer



## **INDEPENDENT AUDITOR'S REPORT**

**Board of Directors  
PRISM Affiliate Risk Captive  
Salt Lake City, Utah**

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the accompanying financial statements of PRISM Affiliate Risk Captive (the Captive) as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Captive's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Captive as of June 30, 2023 and 2022, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Captive 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 opinion.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and 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 Captive's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

#### ***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 generally accepted auditing

standards and *Government Auditing Standards* 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 generally accepted auditing standards and *Government Auditing Standards*, 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 Captive'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 Captive'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.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, reconciliation of unpaid claims liabilities, schedule of earned premiums and claims development on pages 8-15, 34-35, and 37 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Information***

Management is responsible for the other information included in the annual report. The other information comprises the letter of transmittal but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2023, on our consideration of the Captive's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Captive's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Captive's internal control over financial reporting and compliance.

*Gilbert CPAs*

GILBERT CPAs  
Sacramento, California

November 29, 2023

## **PRISM AFFILIATE RISK CAPTIVE MANAGEMENT'S DISCUSSION & ANALYSIS**

The following discussion and analysis provides an overview of the financial position of the PRISM Affiliate Risk Captive (ARC or the Captive, formerly Excess Insurance Organization, Inc.) and its activities for the fiscal years ended June 30, 2023 and 2022. This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes thereto, which follow this section.

The Captive, a component unit of Public Risk Innovation, Solutions, and Management (PRISM), provides insurance coverages to PRISM. As part of PRISM, the assets, liabilities, revenues, expenses, and changes in net position of the Captive are included in the consolidated financial statements of PRISM. The Captive is a not-for-profit corporation formed under the State of Utah Revised Nonprofit Corporation Act, and is governed by its Board of Directors and regulated by the State of Utah Insurance Department.

### **Overview of the Financial Statements**

The financial statements report information about the Captive as a whole, in accordance with U.S. Generally Accepted Accounting Principles as prescribed by the Governmental Accounting Standards Board, which have also been used in the preparation of the Annual Statement filed with the State of Utah Insurance Department. Financial statements include the Statement of Net Position, which provides information about the Captive's financial condition at June 30, 2023 and 2022; the Statement of Revenues, Expenses, and Changes in Net Position, which presents information regarding the results of operations and changes in net position for the years ended June 30, 2023 and 2022; the Statement of Cash Flows, which displays information pertaining to cash receipts and disbursements for the years ended June 30, 2023 and 2022; and the notes to the financial statements.

### **Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements, and can be found beginning on page 19 of this report.

### **Insurance Activity**

Effective July 1, 2016, the Captive reinsures portions of various PRISM programs. For the most part, the Captive underwrites aggregated risk corridors of PRISM for certain layers within its property and casualty programs including excess workers' compensation, general liability, medical malpractice and property programs. In fiscal year 2016/17, a loss portfolio was also transferred and covered by the Captive for PRISM's older claims in the Excess Workers' Compensation Program. In the 2019/20 and 2020/21 fiscal years, PRISM's Property Program transferred \$10M of aggregated earthquake risk to the Captive, which was not fully funded; however, the expected loss for that risk was zero based on the very high attachment point (excess of \$340M). Discounted liabilities of \$223M are from the risk transfer resulting from PRISM's Loss Portfolio Transfer deal with MultiStrat Re and are included in these financial statements at June 30, 2023.



Following is the breakdown of undiscounted ultimate losses of the Captive for the 2022/23, 2021/22, and the 2020/21 program years:

Programs	Ultimate Losses		
	2022/23	2021/22	2020/21
Primary Workers' Compensation Program	\$ 15,297,035	\$ 15,554,869	\$ 14,339,526
Excess Workers' Compensation Program	74,994,266	68,388,863	52,058,953
General Liability 1 Program	6,018,787	1,016,952	4,463,123
General Liability 2 Program	15,000,000	-	43,861,098
Medical Malpractice Program	2,000,000	1,495,891	2,000,000
Property Program	-	37,200,000	20,775,000
<b>Total</b>	<b>\$ 113,310,088</b>	<b>\$ 123,656,575</b>	<b>\$ 137,497,700</b>

### Expanded/Amended Business Plan

From time-to-time, a regulatory approval may be sought for amendments to the business plan, modification of pool limits, PRISM's carrier changes, or other changes to risk transferred to the Captive. A proposal for Changes in Lines and/or Limits of Coverage is filed with the Utah Insurance Department for every new program year. In 2020/21, the Captive filed for a business plan amendment to provide Controlled Unaffiliated Business (CUB) coverage to other governmental entities outside of California in its Property, Excess Workers' Compensation, General Liability 1, and General Liability 2 Programs. In 2019/20, the Captive filed for approval to take on a corridor risk in PRISM's Medical Malpractice Program from October 1, 2019 to September 30, 2020. In 2018/19, the Captive filed for approval to take on an earthquake quota share risk in PRISM's Property Program. The Captive also filed for approval of an additional corridor in PRISM's General Liability 1 Program resulting from a Loss Portfolio Transfer deal entered into by PRISM with MultiStrat Re in fiscal year 2018/19. All of these were approved by the State of Utah Insurance Department.

For the 2022/23 program year, ARC offered coverage to three public entity CUBs: Arizona School Risk Retention Trust; City of Portland, Oregon; and County of Pima, Arizona.

## Condensed Statement of Net Position

The Condensed Statement of Net Position in this MD&A presents the financial position of the Captive at June 30, 2023, 2022, and 2021. The difference between total assets and total liabilities – net position – is one indicator of the current financial condition of the Captive, while the change in net position is an indication of whether the overall financial condition has improved or worsened during the year.

The Captive's assets, liabilities, and net position at June 30, 2023, 2022, and 2021 are summarized as follows:

	June 30, 2023	June 30, 2022	June 30, 2021
Cash and Cash Equivalents	\$ 14,964,431	\$ 5,132,649	\$ 3,662,892
Investments	590,658,242	504,526,582	490,822,875
Other Assets	38,494,461	31,100,755	4,115,552
Total Assets	644,117,134	540,759,986	498,601,319
Current Liabilities	169,258,187	221,670,939	139,523,550
Non Current Liabilities	398,874,784	318,782,882	330,226,135
Total Liabilities	568,132,971	540,453,821	469,749,685
Capital Stock	8,500,000	8,500,000	5,000,000
Unrestricted Net Position	67,484,163	(8,193,835)	23,851,634
Total Net Position	\$ 75,984,163	\$ 306,165	\$ 28,851,634

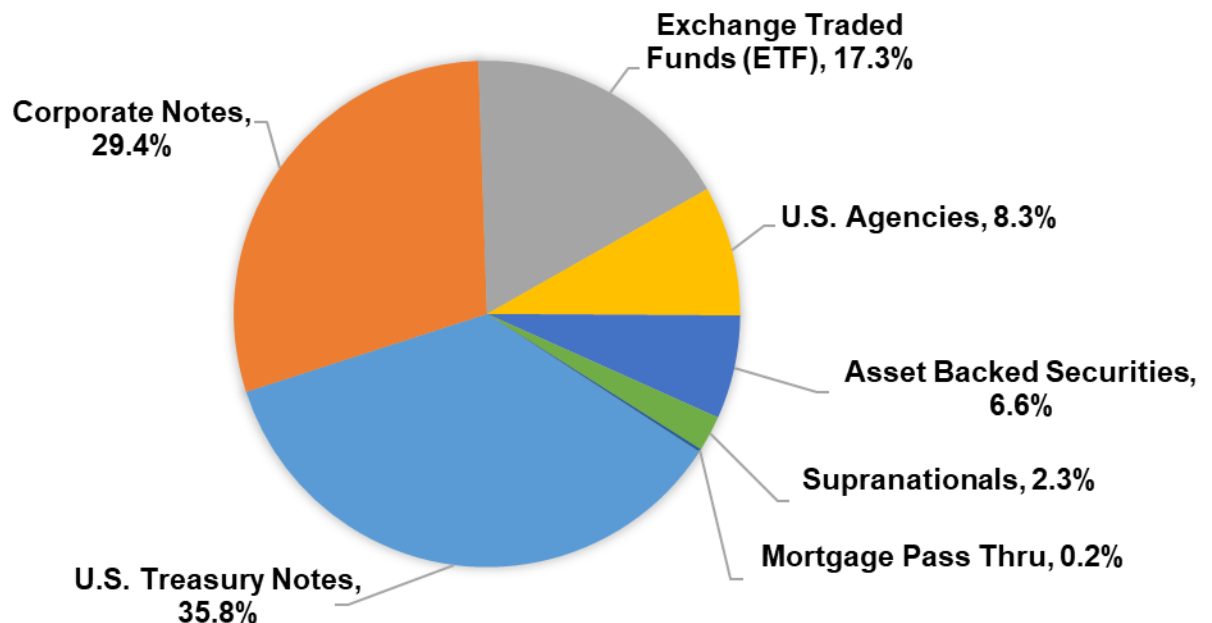
**Assets:** The assets of the Captive totaled \$644M at June 30, 2023 as compared to \$541M at June 30, 2022, and \$499M at June 30, 2021. The majority of assets are in cash or investments and are provided by current year operating activities, which includes the collection of premiums of \$219M in fiscal year 2022/23, \$176M in fiscal year 2021/22, and \$182M in fiscal year 2020/21, much of which could then be invested as claims are paid over a longer period. Current assets typically include investment income receivable, prepaid expenses, and amounts due from carriers. A prefunded deposit fronted by the Captive to PRISM for claim payments in the Property Program totaling \$2.5M was returned by PRISM in 2022/23 as the related corridors covered by ARC are exhausted. This prefunded deposit was an element of assets at June 30, 2022 and June 30, 2021. At June 30, 2023, current assets included \$35M due from PRISM to ARC for contributions for retained risk. At June 30, 2022, current assets included \$21.8M and \$3.5M due from PRISM to ARC for contributions for retained risk and for an additional capital contribution, respectively.

At June 30, 2023, 2022, and 2021, all cash was held in a bank, a money market account, or investment portfolios managed by Chandler Asset Management (CAM or Chandler), a professional investment management firm. The basic investment objective of the Captive is to foster a prudent and systematic investment program designed to seek ARC objectives through a diversified investment program. The Captive investments are comprised of three portfolios: Liquidity, Core Fixed, and Equity portfolios, separated not only to identify the cash flow needs of the Captive, but to also track the maturity and returns on different categories of investments separately. Total return strategies are employed to take advantage of disparities in the market to improve quality and yield, while maintaining liquidity.

The Liquidity Portfolio is structured to provide safety of principal, liquidity to meet the PRISM ARC's cash needs, and generate a competitive return/yield. The Core Fixed Income and Equity Portfolios are managed to an asset allocation target in line with the Captive's risk parameters and return objectives.

The Captive's investments at June 30, 2023 are summarized as follows:

## INVESTMENT ALLOCATION



**Liabilities:** The liabilities of the Captive totaled \$568M, \$540M, and \$470M at June 30, 2023, 2022, and 2021, respectively. The liabilities are mainly comprised of reserves for losses and Loss Adjustment Expenses (LAE) incurred from current and prior period operations and the loss portfolios transferred to the Captive in fiscal year 2016/17 and 2018/19. Liabilities include discounted Loss Portfolio Transfer for the General Liability 1 Program estimated at \$223M, \$212M, and \$147M at June 30, 2023, 2022, and 2021, respectively.

Accounts Payable relate to the claims paid by PRISM billed back to the Captive for the latter part of fiscal years 2023, 2022, and 2021.

The reserves for losses and LAE reported in the financial statements include case-based reserves and supplemental amounts for Incurred But Not Reported (IBNR) losses up to the discounted maximum limit of the corridor. The reserves for losses and LAE are stated on a discounted basis, meaning they reflect an adjustment for net present value. Unallocated Loss Adjustment Expenses (ULAE) costs are not reserved by the Captive as they are paid by PRISM.

Management believes that its aggregate liability for unpaid losses and LAE at period-end represents its best estimate of the amount necessary to cover the ultimate cost of losses, based upon the available data and an actuarial analysis prepared by an actuary.

Reserves for losses, including IBNR and LAE, by line of business at June 30, 2023, 2022, and 2021 are summarized as follows:

Reserves and IBNR As of June 30,			
Programs	2023	2022	2021
Primary Workers' Compensation Program	\$ 19,587,315	\$ 21,188,925	\$ 20,629,881
Excess Workers' Compensation Program	221,962,672	185,974,932	154,943,204
General Liability 1 Program	230,243,044	214,723,154	158,885,076
General Liability 2 Program	70,883,927	69,024,923	89,598,879
Medical Malpractice Program	4,415,801	3,167,218	2,862,883
Property Program	74,320	3,360,891	5,220,898
<b>Total</b>	<b>\$ 547,167,079</b>	<b>\$ 497,440,043</b>	<b>\$ 432,140,821</b>

**Net Position:** Net position was in a surplus and totaled \$76M at June 30, 2023, \$306k at June 30, 2022, and \$28.9M at June 30, 2021. These amounts include \$8.5M of Capital Stock issued by the Captive for the paid in capital contributed by PRISM at June 30, 2023 and 2022 and \$5M at June 30, 2021.

The Captive's unrestricted net position was in excess of the \$250k minimum, unimpaired paid-in capital, and surplus required by the State of Utah Insurance Department (the Department) for single parent captive insurance companies at June 30, 2023. The Department may require additional capital based on the volume and type of risk to be retained. At inception, the Captive was capitalized with paid-in capital of \$5M based on its approved business plan. An additional \$3.5M was contributed to ARC by PRISM during the 2021/22 fiscal year. No dividends were declared or paid during the years ended June 30, 2023, 2022, and 2021.

### Condensed Statement of Revenues, Expenses, and Changes in Net Position

The Condensed Statement of Revenues, Expenses, and Changes in Net Position for the years ended June 30, 2023, 2022, and, 2021 are summarized as follows:

	June 30, 2023	June 30, 2022	June 30, 2021
Operating Revenues:			
Premiums for Transferred Risk			
Admin & Broker Fees	\$ 2,729,234	\$ 2,174,368	\$ 1,613,201
Contributions for Retained Risk	215,829,609	173,482,134	180,356,538
Total Operating Revenues	218,558,843	175,656,502	181,969,739
Operating Expenses:			
Insurance Expense & Broker Fees	2,729,234	2,101,292	1,613,201
Provisions for Claims	155,219,005	156,007,827	205,057,044
Other Expenses	195,182	260,983	274,243
*Total Operating Expenses	158,143,421	158,370,102	206,944,488
Operating Income (Loss)	60,415,422	17,286,400	(24,974,749)
Nonoperating Revenues (Expenses):			
Investment Income (Loss) & Financing Fees	15,262,576	(49,331,869)	32,430,491
Total Nonoperating Revenues (Expenses)	15,262,576	(49,331,869)	32,430,491
Changes in Net Position	75,677,998	(32,045,469)	7,455,742
Net Position Beginning of Year	(8,193,835)	23,851,634	16,395,892
Additional Paid in Capital	8,500,000	8,500,000	5,000,000
Ending Balance	\$ 75,984,163	\$ 306,165	\$ 28,851,634

\*Does not match basic Financial Statement due to presentation of transfers to PRISM

The Captive's operating revenues totaled \$219M for the year ended June 30, 2023, compared to \$176M for the year ended June 30, 2022, and \$182M for the year ended June 30, 2021. In

2022/23, premiums collected for retained risk totaled \$215.8M, whereas \$2.7M was for transferred risk for out of state entities. In 2021/22, premiums collected for retained risk totaled \$173.5M and \$2.1M was for transferred risk for out of state entities. The lines of coverage included workers' compensation, general liability, and property in all three years. The workers' compensation corridors are subject to a payroll audit adjustment after the end of a program year. Direct written premiums charged to PRISM are set based on fixed corridor risks of PRISM covered by the Captive, conservatively discounted at rates set by PRISM's governing bodies and the Captive's Boards of Directors.

Direct written premiums by line of business in the fiscal years 2022/23, 2021/22, and 2020/21 are summarized as follows:

Programs	Direct Written Premium		
	FY 2022/23	FY 2021/22	FY 2020/21
Primary Workers' Compensation Program	\$ 14,780,715	\$ 15,547,599	\$ 13,609,062
Excess Workers' Compensation Program	71,302,801	67,030,313	47,510,369
General Liability 1 Program	115,527,721	74,362,640	55,812,192
General Liability 2 Program	13,500,000	-	41,123,426
Medical Malpractice Program	1,940,000	1,451,014	1,900,000
Property Program	1,507,606	17,264,936	22,014,690
<b>Total</b>	<b>\$ 218,558,843</b>	<b>\$ 175,656,502</b>	<b>\$ 181,969,739</b>

The Captive's total net incurred losses and LAE, excluding IBNR, totaled \$753M as of June 30, 2023, as compared to \$510M as of June 30, 2022, and \$427M as of June 30, 2021. Total incurred losses and LAE at the years ended June 30, 2023, 2022, and 2021 by line of coverage are summarized as follows:

Programs	Incurred Losses, and LAE as of June 30,		
	2023	2022	2021
Primary Workers' Compensation Program	\$ 99,751,471	\$ 81,400,091	\$ 65,757,629
Excess Workers' Compensation Program	271,899,243	223,231,718	187,506,324
General Liability 1 Program	178,700,005	26,176,637	43,953,239
General Liability 2 Program	113,731,295	92,953,504	64,933,685
Medical Malpractice Program	5,746,506	3,949,689	3,769,051
Property Program	83,425,680	82,742,056	61,081,919
<b>Total</b>	<b>\$ 753,254,200</b>	<b>\$ 510,453,695</b>	<b>\$ 427,001,847</b>

The Captive's claims expenses including reinsurance expenses stayed the same at \$158M for the years ended June 30, 2023 and 2022 whereas those expenses totaled \$207M for the year ended June 30, 2021. The Captive's other operating expenses totaled \$195k for the year ended June 30, 2023 as compared to \$215k for fiscal year 2021/22, and \$274k for fiscal year 2020/21. These expenses included licensing fees, travel, legal, supplies, and reimbursement to PRISM for use of its staff to carry on the Captive's operations.

Non-operating revenues consist of investment income earned in the amount of \$16M during the year ended June 30, 2023, as compared to (\$48.6M) in fiscal year 2021/22, and \$33M in fiscal year 2020/21. The investment expense for the year ended June 30, 2023 was \$707k, reducing the total non-operating revenue to \$15.3M. Investment expense for the year ended June 30, 2022 was \$692k, reducing the total non-operating revenue to (\$49.3M). Investment expense for the year ended June 30, 2021 was \$521k, reducing the total non-operating revenue to \$32.4M. The increase in investment expense is a result of a growing investment portfolio. Included in the investment income is an unrealized loss of (\$2.5M) recorded in fiscal year 2022/23, as compared to unrealized loss of (\$56.9M) recorded in fiscal year 2021/22, and a gain of \$25.4M recorded in fiscal year 2020/21. These resulted from fluctuations in fair market values of the Captive's securities at the end of each fiscal year.

## Budget to Actual Comparison

The Captive's fiscal year 2022/23 operating budget was approved in June 2022. The Captive's actual revenues totaled \$234.5M, differed by 64% to budgeted revenues of \$143M, for the year ended June 30, 2023. The budgeted revenue did not anticipate the additional corridor risk transfer to ARC for the GL1 Program's LPT. The lines of coverage included workers' compensation, general liability, property and medical malpractice. Investment income, included in the revenues, was over budget by \$8.6M, reflecting earnings in the ARC portfolio. Actual expenses, including claims expenses for the current and prior years, were higher by 32% over the budgeted expenses. While there was no budgeted amount for Provision for Claims Prior Year, adverse claim development drove the FY 2022/23 expense of \$59.8M; this included adverse development in the GL1 Program's multiyear LPT. A premium of \$49.4M was collected for this LPT in the 2022/23 fiscal year. Program administration costs include: investment management fee, legal fees, travel, State of Utah Captive fees, and banking and custody services. Actual investment management fees and bank fees, include in total expenses, totaling \$707k were below the budgeted \$870k estimated for services.

	Budget	Actual Results	Variance (\$)
Revenues:			
Premiums for Transferred Risk	\$ -	\$ 2,671,817	\$ 2,671,817
Broker Fees	-	57,417	57,417
Contributions for Retained Risk	135,943,046	215,829,609	79,886,563
Investment Income	7,400,000	15,969,911	8,569,911
<b>Total Revenues</b>	<b>143,343,046</b>	<b>234,528,754</b>	<b>91,185,708</b>
Expenses:			
Transferred Risk & Insurance Expense	-	2,671,817	(2,671,817)
Broker Fees	-	57,417	(57,417)
Provision for Claims Current Year	119,676,039	95,387,016	24,289,023
Provision for Claims Prior Year	-	59,831,989	(59,831,989)
Program Administration	1,089,300	902,517	186,783
Appropriation for Contingencies	25,000	-	25,000
<b>Total Expenses</b>	<b>120,790,339</b>	<b>158,850,756</b>	<b>(38,060,417)</b>
<b>Total Income (Loss)</b>	<b>\$ 22,552,707</b>	<b>\$ 75,677,998</b>	<b>\$ 53,125,291</b>
<b>Change in Net Position</b>	<b>22,552,707</b>	<b>75,677,998</b>	
<b>Beginning Net Position Balance July 1, 2022</b>	<b>5,079,823</b>	<b>306,165</b>	
<b>Ending Net Position Balance, June 30, 2023</b>	<b>\$ 27,632,530</b>	<b>\$ 75,984,163</b>	

## Economic Factors that will affect the Future

### Investment Factors

The Captive faces many factors that can affect the value of investments including concentration of credit risk, the current state of the US and global economic outlook, geopolitical risks, and systemic risks, which may affect both equity and fixed-income securities. Equity securities respond to such factors as economic conditions, individual Captive earnings performance, and market liquidity, while fixed-income securities are particularly sensitive to credit risks and changes in interest rates.

### *Risk and Uncertainty*

Interest rates have increased materially since the Federal Reserve began to remove monetary policy accommodation in March 2022 due to elevated inflation metrics and the unintended consequences of the high levels of fiscal stimulus during the COVID pandemic. The Fed Funds rate increased from a range of 0.00% to 0.25% at the beginning of 2022 to a range of 5.00% to 5.25% at the end of June 2023. The large change in interest rates has had a negative impact on the valuations of fixed income assets as legacy assets have been marked to market lower, to reflect the current, higher level of interest rates. The large change in interest rates and the subsequent change in market values of underlying fixed income investments could materially impact the amounts reported in the statement of net position. If the change in interest rates and tightening of financial conditions does not bring down inflation to levels consistent with policymakers' objectives over an intermediate time horizon, a further deterioration in the underlying value of fixed income assets is possible.

**PRISM AFFILIATE RISK CAPTIVE  
STATEMENT OF NET POSITION  
JUNE 30, 2023 AND 2022**

	<u>June 30, 2023</u>	<u>June 30, 2022</u>
<b>ASSETS:</b>		
Current Assets:		
Cash in Banks	\$ 417,646	\$ 393,550
Cash in the PRISM Treasury	14,546,785	4,739,099
<b>TOTAL CASH &amp; CASH EQUIVALENTS</b>	14,964,431	5,132,649
Investments	31,988,617	7,476,045
Accounts Receivable		
Due From Members	434,992	357,537
Investment Income Receivable	2,891,887	1,983,574
Reinsurance Claims, Deposit with Carrier and Other	35,160,082	27,774,826
Prepaid Insurance and Expenses	7,500	984,818
<b>TOTAL CURRENT ASSETS</b>	85,447,509	43,709,449
Noncurrent Assets:		
Investments	558,669,625	497,050,537
<b>TOTAL NONCURRENT ASSETS</b>	558,669,625	497,050,537
<b>TOTAL ASSETS</b>	644,117,134	540,759,986
<b>LIABILITIES:</b>		
Current Liabilities:		
Accounts Payable	20,965,892	43,013,778
Claim Liabilities		
Claims Reported	148,217,975	170,107,430
Claims Incurred But Not Reported	74,320	8,549,731
<b>TOTAL CURRENT LIABILITIES</b>	169,258,187	221,670,939
Noncurrent Liabilities:		
Claims Reported	159,197,992	-
Claims Incurred But Not Reported	239,676,792	318,782,882
<b>TOTAL NONCURRENT LIABILITIES</b>	398,874,784	318,782,882
<b>TOTAL LIABILITIES</b>	568,132,971	540,453,821
<b>NET POSITION:</b>		
Capital Stock	8,500,000	8,500,000
Unrestricted	67,484,163	(8,193,835)
<b>TOTAL NET POSITION</b>	\$ 75,984,163	\$ 306,165



**PRISM AFFILIATE RISK CAPTIVE**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**FOR THE FISCAL YEARS ENDED JUNE 30, 2023 AND 2022**

	<u>June 30, 2023</u>	<u>June 30, 2022</u>
<b>OPERATING REVENUES:</b>		
Premiums for Transferred Risk	\$ 2,671,817	\$ 2,101,293
Broker Fees	57,417	46,477
Contributions for Retained Risk	215,829,609	173,482,134
Administration Fees	<u>-</u>	<u>26,598</u>
<b>TOTAL OPERATING REVENUES</b>	<u>218,558,843</u>	<u>175,656,502</u>
<b>OPERATING EXPENSES:</b>		
Insurance and Provision for Losses		
Transferred Risk & Insurance Expense	2,671,817	2,101,292
Broker Fees	57,417	46,477
Provision for Claims		
Current Year Claims	95,387,016	87,930,853
Prior Year Claims	59,831,989	68,076,974
Program Services	<u>45,182</u>	<u>64,506</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>157,993,421</u>	<u>158,220,102</u>
<b>TRANSFERS IN OR (OUT):</b>		
Transfer Out	<u>(150,000)</u>	<u>(150,000)</u>
<b>TOTAL TRANSFERS</b>	<u>(150,000)</u>	<u>(150,000)</u>
<b>OPERATING INCOME (LOSS)</b>	<u>60,415,422</u>	<u>17,286,400</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>		
Investment Income (Loss) & Financing Fees, net of Investment Expense		
Investment Income (Loss)	15,969,911	(48,639,907)
Investment Expense	<u>(707,335)</u>	<u>(691,962)</u>
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<u>15,262,576</u>	<u>(49,331,869)</u>
<b>CHANGE IN NET POSITION</b>	75,677,998	(32,045,469)
<b>NET POSITION:</b>		
Beginning of Year	(8,193,835)	23,851,634
Additional Paid in Capital	<u>8,500,000</u>	<u>8,500,000</u>
<b>NET POSITION, END OF YEAR</b>	<u>\$ 75,984,163</u>	<u>\$ 306,165</u>

**PRISM AFFILIATE RISK CAPTIVE  
STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2023 AND 2022**

	<u>June 30, 2023</u>	<u>June 30, 2022</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Receipts from Members	\$ 208,306,916	\$ 158,847,608
Claims Paid	(126,637,830)	(92,025,072)
Insurance Purchased	(3,362,563)	(1,743,754)
Payments to Suppliers	(47,344)	(50,177)
Internal Activities	(150,000)	(150,000)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>78,109,179</u>	<u>64,878,605</u>
<b>CASH FLOWS FROM CAPITAL &amp; RELATED FINANCING ACTIVITIES:</b>		
Purchase/Sale of Capital Stock	<u>3,500,000</u>	<u>-</u>
<b>NET CASH PROVIDED (USED) BY CAPITAL &amp; RELATED FINANCING ACTIVITIES</b>	<u>3,500,000</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of Securities	(414,697,469)	(216,605,611)
Sales of Securities	326,033,627	146,029,961
Cash from Investment Earnings	17,593,780	7,858,764
Investment Expenses	(707,335)	(691,962)
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<u>(71,777,397)</u>	<u>(63,408,848)</u>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	9,831,782	1,469,757
<b>CASH AND CASH EQUIVALENTS: BEGINNING OF YEAR</b>	<u>5,132,649</u>	<u>3,662,892</u>
<b>END OF YEAR</b>	<u><u>\$ 14,964,431</u></u>	<u><u>\$ 5,132,649</u></u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>		
Operating Income (Loss)	60,415,422	17,286,400
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities		
Changes in		
Accounts Receivable, Net	(10,962,711)	(22,132,363)
Prepaid Expenses	977,318	(979,568)
Accounts and Other Payables	(22,047,886)	5,404,914
Claim Liabilities	49,727,036	65,299,222
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u><u>\$ 78,109,179</u></u>	<u><u>\$ 64,878,605</u></u>
<b>NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES</b>		
Unrealized gain/(loss) on investments	<u><u>\$ (2,532,182)</u></u>	<u><u>\$ (56,871,943)</u></u>

**PRISM AFFILIATE RISK CAPTIVE  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2023 and 2022**

**(1) Organization**

The Captive, a component unit of Public Risk Innovation, Solutions, and Management (PRISM), provides insurance coverage to PRISM. As part of PRISM, the assets, liabilities, revenues, expenses, and changes in net position of the Captive are included in the consolidated financial statements of PRISM. The Captive is a not-for-profit corporation formed on June 24, 2016 under the State of Utah rules for nonprofit entities and is governed by its Board of Directors and regulated by the State of Utah Insurance Department.

The Captive provides coverages for corridors assumed by PRISM within the excess and reinsurance layers of PRISM's various programs. The Captive underwrites fixed corridors of PRISM providing coverages for certain lines of coverage within its property and casualty programs including workers' compensation, general liability, property and Medical Malpractice. In fiscal year 2016/17, a loss portfolio transfer (LPT) was approved transferring the risk to the Captive for PRISM's older claims in the Primary Workers' Compensation Program. All coverages are provided on an occurrence basis except for Medical Malpractice which is on a claims-made basis. All coverages feature aggregate loss limits - also known as corridors - with the exception of the GL1 LPT discussed below.

The Captive insures a GL1 LPT multiyear corridor, which is recorded in program year 2018/19 for accounting purposes. This undiscounted corridor was \$233.7M at June 30, 2022, and it increased to \$296.6M at June 30, 2023 as a result of adding in program year 2022/23 and an actuarial reevaluation of losses. The Captive collected a total premium of \$293.1M over five years for this corridor.

For program year 2022/23, the Captive underwrote PRISM's programs, providing coverage of \$114.3M to the corridors spread amongst various programs of PRISM, as follows:

- The Captive retained \$16.3M for a corridor in the PRISM's \$10k to \$125k layer in their Primary Workers' Compensation Program.
- The Captive retained \$58.1M for a corridor in PRISM's layer between members' self-insured retentions to the pool limit (\$5M limit for the Core Tower and \$2.5M for the Educational Tower) in their Excess Workers' Compensation Program, and for two corridors totaling \$10M, one in the \$45M excess \$5M layer and one in the \$40M excess \$10M layer.
- The Captive retained \$6.9M for a corridor in PRISM's \$0-\$125k primary layer dedicated to CSURMA in the Excess Workers' Compensation Program's Educational Tower.
- The Captive retained a \$1M corridor for the Deductible Buy-Down Program within PRISM's General Liability 1 Program.
- The Captive retained a \$5M corridor within PRISM's \$9M excess \$10M layer in the General Liability 1 Program
- The Captive retained a \$15M corridor within PRISM's \$15M excess \$10M layer in the General Liability 2 Program.
- The Captive retained \$2M for a corridor in PRISM's Medical Malpractice Program.

For program year 2021/22, the Captive underwrote PRISM's programs, providing coverage of \$109.2M to the corridors spread amongst various programs of PRISM, as follows:

- The Captive retained \$15.5M for a corridor in the PRISM's \$10k to \$125k layer in their Primary Workers' Compensation Program.
- The Captive retained \$56.6M for a corridor in PRISM's layer between members' self-insured retentions to the pool limit (\$5M limit for the Core Tower and \$2.5M for

**PRISM AFFILIATE RISK CAPTIVE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEARS ENDED JUNE 30, 2023 and 2022**

the Educational Tower) in their Excess Workers' Compensation Program, and for a corridor totaling \$5M in the \$45M excess \$5M layer.

- The Captive retained \$7.6M for a corridor in PRISM's \$0-\$125k primary layer dedicated to CSURMA in the Excess Workers' Compensation Program's Educational Tower.
- The Captive retained a \$1M corridor for the Deductible Buy-Down Program within the General Liability 1 Program.
- The Captive retained \$21.9M for a corridor in PRISM's members' deductibles to \$3M layer in their Property Program from March 31, 2021 to March 31, 2022. A prorated risk of \$16.4M was recorded in fiscal year 2021/22.
- The Captive retained \$1.5M for a corridor in PRISM's Medical Malpractice Program.

**(2) Summary of Significant Accounting Policies**

**A. *Basis of Presentation***

The accounts of the Captive are organized on the basis of governmental fund accounting. The Captive operates a single enterprise fund, which is considered a separate accounting entity. An enterprise fund is used to account for governmental activities where the intent is that the cost of providing goods or services is financed primarily through user charges.

The financial statements have been prepared in accordance with the U. S. Generally Accepted Accounting Principles (GAAP), including all applicable statements of the Governmental Accounting Standards Board (GASB). The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. As a non-profit entity with a governmental entity as its sole member, the Captive follows the accounting standard hierarchy established by the GASB for a special purpose entity engaged solely in business-types activities. Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied. The accounting records are maintained using the economic resources measurement focus and the accrual basis of accounting.

**B. *Cash and Cash Equivalents***

The Captive considers cash in the bank and money market accounts to be cash and cash equivalents.

**C. *Investments***

Investments are recorded (Note 4) at fair value. Investment income is recorded as earned.

**D. *Receivables***

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Interest on investments is recorded in the year the interest is earned, and is considered 100% collectible. The June 30, 2023 and 2022 balances in the receivable accounts are considered 100% collectible.

**PRISM AFFILIATE RISK CAPTIVE  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2023 and 2022**

**E. *Prefunded Deposit***

Prefunded Deposit represents upfront payments to PRISM for claims to be paid in the future. PRISM held \$2.5M as a prefunded deposit from the Captive at June 30, 2022. The deposit was returned during the 2022/23 fiscal year, bringing the balance to zero at June 30, 2023.

**F. *Classification of Revenues***

The Captive has classified its revenue as either operating or non-operating revenues. Certain significant revenue streams relied upon for operations are recorded as non-operating revenues, as defined by GASB Statement 34 including investment income. Revenues and expenses are classified according to the following criteria:

- Operating revenues: Operating revenues include activities that have the characteristics of exchange transactions, such as insurance premiums, assessments for insured events, and administration fees.
- Non-operating revenues: Non-operating revenues include activities that have the characteristics of non-exchange transactions and other revenue sources described in GASB Statement 34, such as investment income and finance charges.

**G. *Expenses***

Expenses are recognized when goods or services are received, or in the case of claims, when the insured event occurs. Expense accrual entries include liabilities for reported claims and liabilities for IBNR claims.

**H. *Premiums for Transferred Risk***

Premiums for transferred risk are resources collected to purchase commercial insurance; they are collected in advance and recognized as revenues in the period for which insurance protection is provided.

**I. *Contributions for Retained Risk***

Contributions for retained risk are collected from PRISM to fund the corridors and share in the cost of claims within those corridors.

Contributions for retained risk are collected in advance and recognized as revenues in the period for which insurance protection is provided. Workers' compensation program corridors are based on estimated payrolls and are adjusted in the subsequent fiscal year, based on actual payroll data.

**J. *Provision for Claims***

The reserves for losses and LAE include case basis estimates of reported losses, plus supplemental amounts related to IBNR losses. The reserves are based upon management's best estimate, claim adjusters' valuations, and actuarial determinations, and are discounted to present value using a 4.2% discount rate for fiscal years 2022/23 and 2021/22. Future adjustments to these amounts resulting from the continuous review process, as well as differences between estimates and ultimate losses, will be reflected in the statement of revenues, expenses, and changes in net position when such adjustments become known. Given the complexity of the reserve process, the ultimate liability may be significantly more or less than such estimates indicate. ULAEs are not reserved by the Captive as they are paid for by PRISM.

**PRISM AFFILIATE RISK CAPTIVE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEARS ENDED JUNE 30, 2023 and 2022**

**K. Services**

Services donated by many officers and directors are important to the activities of the Captive. The financial statements do not recognize the value of these donated services, since there is no basis for measuring and valuing these services.

**L. Income Taxes**

The Captive is organized and operated substantially to provide insurance and reinsurance solely for its members which are all governmental entities, primarily PRISM. PRISM is a California Joint Powers Authority, and is considered a government entity under Section 115(1) of the Internal Revenue Code of 1986, as amended (or corresponding provisions of any future United States internal revenue law) (the "Code"). The Captive provides an essential governmental function within the meaning of section 115(1) of the Code. Furthermore, the Captive is formed exclusively for the purposes for which a corporation may be formed under the Utah Revised Nonprofit Corporation Act, and not for pecuniary profit or financial gain. The net earnings of the Captive may only accrue to PRISM or, if said organization ceased to exist or to qualify as an entity, which may exclude its income from gross income under section 115 of the Code, to one or more state or local governments, political subdivisions thereof, or entities which may exclude its income from gross income under section 115 of the Code. The Captive itself is intended to qualify as such an entity and is therefore not subject to federal or state income taxes.

**M. Management Estimates**

The preparation of financial statements, in conformity with the U.S. GAAP, requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Although management believes these estimates and assumptions are reasonable, they are based upon information available at the time the estimate or judgment is made and actual amounts could differ from those estimates. The most significant areas that require management estimates relate to the reserves for losses and loss adjustment expenses.

**N. Reclassification of Prior Year Presentation**

Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reported net position or change in net position.

**(3) Cash**

**A. Cash and Cash Equivalents**

The Captive's cash and cash equivalents at June 30, 2023 and 2022 are reported at fair value and consist of the following:

	<u>June 30, 2023</u>	<u>June 30, 2022</u>
Cash in Bank, General Checking	\$ 417,646	\$ 393,550
Money Market	14,546,785	4,739,099
	<u>\$ 14,964,431</u>	<u>\$ 5,132,649</u>

**PRISM AFFILIATE RISK CAPTIVE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**B. Custodial Credit Risk**

The carrying amount of the Captive's total cash in banks was \$417,646 at June 30, 2023, and \$393,550 at June 30, 2022. The bank balance was \$417,646 at June 30, 2023 and \$393,550 at June 30, 2022, and these balances were partially insured by the Federal Deposit Insurance Corporation (FDIC). As of June 30, 2023, and June 30, 2022, \$167,646 and \$143,550 are in excess of FDIC insured amounts, respectively. The Captive's investment policy does not address custodial credit risk.

**(4) Investments**

The investments in the financial statements are governed by the Captive's Investment Policy.

The Captive's Investment Policy identifies procedures that will foster a prudent and systematic investment program designed to seek the Captive's objectives through a diversified investment portfolio. An appropriate level of risk shall be maintained by purchasing investments within the context of a well-diversified portfolio. Adequate diversification between Equities and Fixed-Income securities shall be applied to prevent an undue amount of investment risk with any one area. The Captive strives to achieve returns and control risk by meeting certain asset allocation targets set forth in the Captive's Investment Policy. The classes of investments that most adequately meet the above mentioned criteria shall be allowed for purchase. They are Equity and Fixed-Income investments of U.S. and non-U.S. issuers, Real Estate Investment Trusts and Commodities. The Investment Policy also lists some prohibited transactions such as direct short sales of individual securities, direct margin purchases, direct investment in commodities future contracts, direct investment in real estate or direct real estate lending, and hedge funds.

**A. Investment Credit Risk**

The Captive's investments at June 30, 2023 and 2022 are summarized in the following table. The credit quality rating used is Standard and Poor's, a nationally recognized rating agency.

		June 30, 2023		June 30, 2022	
Investments	Credit Quality Rating	Fair Value	%	Fair Value	%
U.S. Treasury Notes	AA+	\$ 211,731,598	35.8%	\$ 161,919,710	32.1%
U.S. Agencies	AA+	49,064,512	8.3%	45,121,463	8.9%
Asset Backed Securities	AAA	25,773,970	4.4%	38,036,588	7.5%
Asset Backed Securities	NR*	13,313,221	2.3%	-	0.0%
Corporate Notes	AAA to A+	27,118,341	4.6%	28,728,720	5.7%
Corporate Notes	A to BBB-	146,781,010	24.9%	125,454,606	24.9%
Supranationals	AAA	13,392,766	2.3%	13,603,205	2.7%
Mortgage Pass Thru	AAA to AA+	1,099,222	0.2%	1,323,442	0.3%
International Equity	NR	10,324,601	1.7%	8,479,790	1.7%
International Real Estate	NR	1,758,513	0.3%	1,410,825	0.3%
Large Cap US Equity	NR	25,570,828	4.3%	32,241,399	6.4%
Mid Cap US Equity	NR	35,138,467	5.9%	14,189,824	2.8%
Real Estate	NR	9,363,734	1.6%	8,894,158	1.8%
Emerging Market Equity	NR	4,997,457	0.8%	4,381,497	0.9%
Small Cap US Equity	NR	15,230,002	2.6%	20,741,355	4.1%
Total Investments		\$ 590,658,242	100%	\$ 504,526,582	100%

NR - Not Rated

NR\* - Not rated by Standard & Poor's. However, rated Aaa by Moody's.

**PRISM AFFILIATE RISK CAPTIVE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEARS ENDED JUNE 30, 2023 and 2022**

**B. Investment Interest Rate Risk**

The Captive's Investment Policy limits the interest rate sensitivity of the fixed-income portfolio by stipulating the overall duration of the portfolio must be maintained within a range of +/- 20% of the duration, as specified by the Captive and consistent with the appropriate index.

Maturities of investments held at June 30, 2023 consist of the following:

	Fair Value	Less than 1 Year	One to Five Years	More than 5 Years	Time to Maturity
U.S. Treasury Notes	\$ 211,731,598	\$ 26,279,943	\$ 114,991,467	\$ 70,460,188	2.90
U.S. Agencies	49,064,512	2,979,911	39,534,103	6,550,498	1.71
Asset Backed Securities	39,087,191	811,896	38,275,295	-	1.43
Corporate Notes	173,899,351	1,916,867	107,811,097	64,171,387	3.78
Supranationals	13,392,766	-	13,392,766	-	1.45
Mortgage Pass Thru	1,099,222	-	-	1,099,222	24.42
Subtotals*	<u>\$ 488,274,640</u>	<u>\$ 31,988,617</u>	<u>\$ 314,004,728</u>	<u>\$ 142,281,295</u>	<u>2.51</u>
ETF	102,383,602	-	-	-	n/a
Totals	<u>\$ 590,658,242</u>	<u>\$ 31,988,617</u>	<u>\$ 314,004,728</u>	<u>\$ 142,281,295</u>	<u>2.51</u>

\*Excludes Exchange Traded Funds (ETF) that have no maturity dates.

Maturities of investments held at June 30, 2022 consist of the following:

	Fair Value	Less than 1 Year	One to Five Years	More than 5 Years	Time to Maturity
U.S. Treasury Notes	\$ 161,919,710	\$ -	\$ 124,648,749	\$ 37,270,961	3.96
U.S. Agencies	45,121,463	3,000,537	37,978,801	4,142,125	3.21
Asset Backed Securities	38,036,588	-	38,036,588	-	2.96
Corporate Notes	154,183,326	4,475,508	77,887,213	71,820,605	5.14
Supranationals	13,603,205	-	13,603,205	-	3.54
Mortgage Pass Thru	1,323,442	-	-	1,323,442	25.43
Subtotals*	<u>\$ 414,187,734</u>	<u>\$ 7,476,045</u>	<u>\$ 292,154,556</u>	<u>\$ 114,557,133</u>	<u>3.51</u>
ETF	90,338,848	-	-	-	n/a
Totals	<u>\$ 504,526,582</u>	<u>\$ 7,476,045</u>	<u>\$ 292,154,556</u>	<u>\$ 114,557,133</u>	<u>3.51</u>

\*Excludes Exchange Traded Funds (ETF) that have no maturity dates.

The Captive recognizes all investments at fair value in accordance with GASB Statement 31 and GASB Statement 72. Fair value equals estimated market values obtained from the Interactive Data Corporation (IDC) pricing system, a leading provider of financial information to global markets. The calculation of realized gains and losses is independent of the calculation of the change in the fair value of investments. Investment income includes unrealized losses of \$2.5M and \$56.9M for the years ended June 30, 2023 and 2022, respectively. Investment income includes realized gain of \$4.7M and realized loss of \$173k for the years ended June 30, 2023 and 2022, respectively.



**PRISM AFFILIATE RISK CAPTIVE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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The calculation of unrealized gains and losses are shown in the following tables:

	2022/23	2021/22
Beginning Fair Value	\$ 504,526,582	\$ 490,822,875
Less: Proceeds of Investments Disposed	(326,033,627)	(146,029,961)
Add: Cost of Investments Purchased	414,697,469	216,605,611
Add: Unrealized Gain/(Loss) in the year	(2,532,182)	(56,871,943)
Ending Fair Value	\$ 590,658,242	\$ 504,526,582

Unrealized gains and losses by Asset type for June 30, 2023 are shown below:

	Beginning Fair Value At				Ending Fair Value At	Unrealized Gain/(Loss)
	July 1, 2022	Dispositions	Purchases	Subtotal	June 30, 2023	in the year
U.S. Treasury Notes	\$ 161,919,710	\$ (215,999,223)	\$ 270,154,330	\$ 216,074,817	\$ 211,731,598	\$ (4,343,219)
U.S. Agencies	45,121,463	(44,290,072)	48,994,013	49,825,404	49,064,512	(760,892)
Asset Backed Securities	38,036,588	(10,469,816)	11,248,951	38,815,723	39,087,191	271,468
Corporate Notes	154,183,326	(22,098,479)	43,067,428	175,152,275	173,899,351	(1,252,924)
Supranationals	13,603,205	4,587	-	13,607,792	13,392,766	(215,026)
Commercial Paper	-	(10,860,405)	10,860,405	-	-	-
Negotiable CDs	-	(6,734,769)	6,734,769	-	-	-
Mortgage Pass Thru	1,323,442	(255,044)	-	1,068,398	1,099,222	30,824
International Equity	8,479,790	-	699,495	9,179,285	10,324,601	1,145,316
International Real Estate	1,410,825	(2,289,373)	2,307,654	1,429,106	1,758,513	329,407
Large Cap US Equity	32,241,399	(7,365,898)	-	24,875,501	25,570,828	695,327
Mid Cap US Equity	14,189,824	-	18,689,824	32,879,648	35,138,467	2,258,819
Real Estate	8,894,158	-	1,240,338	10,134,496	9,363,734	(770,762)
Emerging Market Equity	4,381,497	-	700,262	5,081,759	4,997,457	(84,302)
Small Cap US Equity	20,741,355	(5,675,135)	-	15,066,220	15,230,002	163,782
Totals	\$ 504,526,582	\$ (326,033,627)	\$ 414,697,469	\$ 593,190,424	\$ 590,658,242	\$ (2,532,182)

Unrealized gains and losses by Asset type for June 30, 2022 are shown below:

	Beginning Fair Value At				Ending Fair Value At	Unrealized Gain/(Loss)
	July 1, 2021	Dispositions	Purchases	Subtotal	June 30, 2022	in the year
U.S. Treasury Notes	\$ 158,163,557	\$ (95,375,868)	\$ 111,445,133	\$ 174,232,822	\$ 161,919,710	\$ (12,313,112)
U.S. Agencies	53,836,432	(5,220,374)	-	48,616,058	45,121,463	(3,494,595)
Asset Backed Securities	19,526,528	(7,601,678)	27,391,949	39,316,799	38,036,588	(1,280,211)
Corporate Notes	135,057,739	(24,706,194)	64,498,639	174,850,184	154,183,326	(20,666,858)
Supranationals	14,178,027	(1,938,013)	2,509,000	14,749,014	13,603,205	(1,145,809)
Commercial Paper	999,158	(999,158)	-	-	-	-
Negotiable CDs	499,965	(9,361,556)	8,861,556	(35)	-	35
Mortgage Pass Thru	2,274,295	(827,120)	-	1,447,175	1,323,442	(123,733)
International Equity	9,960,774	-	769,370	10,730,144	8,479,790	(2,250,353)
International Real Estate	1,842,120	-	-	1,842,120	1,410,825	(431,295)
Large Cap US Equity	36,558,677	-	-	36,558,677	32,241,399	(4,317,278)
Mid Cap US Equity	16,855,552	-	-	16,855,552	14,189,824	(2,665,728)
Real Estate	9,282,230	-	688,780	9,971,010	8,894,158	(1,076,852)
Emerging Market Equity	5,255,470	-	441,184	5,696,654	4,381,497	(1,315,157)
Small Cap US Equity	26,532,351	-	-	26,532,351	20,741,355	(5,790,997)
Totals	\$ 490,822,875	\$ (146,029,961)	\$ 216,605,611	\$ 561,398,525	\$ 504,526,582	\$ (56,871,943)

**PRISM AFFILIATE RISK CAPTIVE  
NOTES TO THE FINANCIAL STATEMENTS  
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**C. Concentration of Credit Risk**

The Captive's Investment Policy places long-term asset allocation targets as stated below:

	<u>Captive's Target</u>
Equities	0% - 50%
Fixed Income	50% - 100%

1. The equity allocation limitation are specific to the surplus funds of the Captive.
2. The asset manager will be responsible for determining the asset allocation within the targets and rebalance as necessary.
3. The Fixed-Income allocation includes the liquidity portion to meet short-term cash flow requirements. The liquidity portfolio will maintain cash and cash equivalents of \$250k, as required by the Utah Insurance Department.
4. It is further noted the maximum amount of equity exposure, at the time of purchase, will be limited to 50% of the aggregated surplus of PRISM and the Captive.

The investments in the Captive's portfolio, as of June 30, 2023 and 2022, conform to these guidelines.

**D. Fair Value Measurements**

Fair value is defined in the accounting standards 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. Assets and liabilities reported at fair value are organized into a hierarchy based on the levels of inputs observable in the marketplace that are used to measure fair value. Inputs are used in applying the various valuation techniques and take into account the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, liquidity statistics, and other factors specific to the financial instrument. Observable inputs reflect market data obtained from independent sources. In contrast, unobservable inputs reflect the entity's assumptions about how market participants would value the financial instrument.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used for financial instruments measured at fair value on a recurring basis.

Level 1 – Prices based on unadjusted quoted prices in active markets that are accessible for identical assets or liabilities are classified as Level 1.

Level 2 – Quoted prices in the markets that are not considered to be active, dealer quotations or alternative pricing sources for similar assets or liabilities for which all significant inputs are observable, either directly or indirectly are classified as Level 2.

Level 3 – Investments classified as Level 3 have significant unobservable inputs, as they trade infrequently or not at all. The inputs into the determination of fair value of these investments are based upon the best information in the circumstance and may require significant management judgment.

**PRISM AFFILIATE RISK CAPTIVE**  
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The asset's, or liability's, fair value measurement level within a 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. Cash and cash equivalents are not measured at fair value and are not subject to the fair value disclosure requirements.

Following is a description of the valuation methodologies used for assets measured at fair value:

The U.S. Treasury Notes, U.S. Agencies, Asset Backed Securities, Corporate Notes, Supranationals, and Mortgage Pass Thru are valued using Level 2 inputs. International Equity, International Real Estate, Large Cap US Equity, Mid Cap US Equity, Real Estate, Emerging Market Equity and Small Cap US Equity are valued using Level 1 inputs.

The Level 2 investments are evaluated on market-based measurements that are processed through a rules based pricing application and represent a good faith determination as to what the holder may receive in an orderly transaction (for an institutional round lot position typically \$1M or greater current value U.S. dollar or local currency equivalent) under current market conditions.

The following table sets forth by level, within the fair value hierarchy, the Captive's assets at fair value as of June 30, 2023.

<b>Investment type</b>	<b>Assets at Fair Value as of June 30, 2023</b>		
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
U.S. Treasury Notes	\$ -	\$ 211,731,598	\$ -
U.S. Agencies	-	49,064,512	-
Asset Backed Securities	-	39,087,191	-
Corporate Notes	-	173,899,351	-
Supranationals	-	13,392,766	-
Mortgage Pass Thru	-	1,099,222	-
International Equity	10,324,601	-	-
International Real Estate	1,758,513	-	-
Large Cap US Equity	25,570,828	-	-
Mid Cap US Equity	35,138,467	-	-
Real Estate	9,363,734	-	-
Emerging Market Equity	4,997,457	-	-
Small Cap US Equity	15,230,002	-	-
<b>Total</b>	<b>\$ 102,383,602</b>	<b>\$ 488,274,640</b>	<b>\$ -</b>

**PRISM AFFILIATE RISK CAPTIVE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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The following table sets forth by level, within the fair value hierarchy, the Captive's assets at fair value as of June 30, 2022.

<b>Investment type</b>	<b>Assets at Fair Value as of June 30, 2022</b>		
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
U.S. Treasury Notes	\$ -	\$ 161,919,710	\$ -
U.S. Agencies	-	45,121,463	-
Asset Backed Securities	-	38,036,588	-
Corporate Notes	-	154,183,326	-
Supranationals	-	13,603,205	-
Mortgage Pass Thru	-	1,323,442	-
International Equity	8,479,790	-	-
International Real Estate	1,410,825	-	-
Large Cap US Equity	32,241,399	-	-
Mid Cap US Equity	14,189,824	-	-
Real Estate	8,894,158	-	-
Emerging Market Equity	4,381,497	-	-
Small Cap US Equity	20,741,355	-	-
<b>Total</b>	<b>\$ 90,338,848</b>	<b>\$ 414,187,734</b>	<b>\$ -</b>

**E. Foreign Currency Risk**

Per the Investment Policy, fixed income investments must be denominated in U.S. dollars, but investments can be made in both U.S. and non-U.S. issuers. The equity portion of the portfolio has exposure to international investments and is exposed to some foreign currency risk; however, all returns are converted back into U.S. dollars.

**(5) Reserves for Losses and Loss Adjustment Expenses**

The Captive establishes claim liabilities based on estimates of the ultimate cost of claims (including claims adjustment expenses) that have been reported but not settled, and of claims that have been incurred but not reported. Claim liabilities are recomputed periodically using a variety of actuarial and statistical techniques. Claim liability estimates reflect recent settlements, claims frequency, and other economic and social factors. A provision for inflation in the calculation of estimated future claims cost is implicit in the calculation because reliance is placed both on actual historic data that reflects past inflation, and on other factors that are considered to be approximate modifiers of past experience. Adjustments to claim liabilities are charged, or credited, to expense in the period in which they are made.

The claim liabilities in all programs are established at a level which includes investment income on monies set aside to pay claims, that is, on a discounted basis. Total claim liabilities at June 30, 2023 of \$644M have been presented at the net present value of \$547.2M, using a 4.2% discount rate. For fiscal year ended on June 30, 2022, total claim liabilities of \$570.6M have been presented at the net present value of \$497.4M, using a 4.2% discount rate.

In 2018/19, the PRISM Board of Directors approved a Loss Portfolio Transfer (LPT) deal in their GL1 Program. The transaction, effective April 1, 2019, transfers the Program's liabilities to a reinsurer, MultiStrat Re (MS Re), going back to July 1, 2007, thereby stabilizing the

**PRISM AFFILIATE RISK CAPTIVE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEARS ENDED JUNE 30, 2023 and 2022**

Program's funding position, and also providing coverage for liabilities over the next 5 years (through June 30, 2024). This agreement was extended during the 2022/23 fiscal year to cover claims through June 30, 2026. Part of that deal was the implementation of a corridor that sits from \$171M to \$317M in payments that was transferred to the Captive. Based on recent actuarial analysis, the upper limit of this corridor has increased to \$552.8M as a result of adding two additional years to the original deal. The claim liabilities in that corridor increased from \$212M at June 30, 2022 to \$297M at June 30, 2023. This corridor was transferred to the Captive for an original premium of \$38.5M in 2018/19. Additional premiums were collected in the amount of \$28.9M in 2019/20, \$44.8M in 2020/21, \$72.4M in 2021/22, and \$108.5M in 2022/23 for a total premium of \$293.1M for all claims from July 1, 2007 to June 30, 2026. More payments will be transferred for this layer as the Captive progresses through the years.

Annually, the actuaries and staff evaluate the discount rate to be used for the actuarial valuation of claim liabilities. This is of particular importance for the Excess Workers' Compensation Program and the General Liability 1 Program, because claim liabilities are paid over a longer period of time. The rates in each Program could vary because of the claims payout pattern. Liabilities for both the years below were discount at 4.2% p.a. investment return assumption.

The following represents undiscounted and discounted claim liabilities, as of June 30, 2023, by each line of coverage:

<b>Programs</b>	<b>Claim Liabilities As of June 30, 2023</b>	
	<b>Undiscounted</b>	<b>Discounted</b>
Primary Workers' Compensation Program	\$ 20,743,288	\$ 19,587,315
Excess Workers' Compensation Program	272,721,006	221,962,672
General Liability 1 Program	269,395,869	230,243,044
General Liability 2 Program	76,391,475	70,883,927
Property Program	74,320	4,415,801
Medical Malpractice Program	4,645,625	74,320
<b>Total</b>	<b>\$ 643,971,583</b>	<b>\$ 547,167,079</b>

The following represents undiscounted and discounted claim liabilities as of June 30, 2022 by each line of coverage:

<b>Programs</b>	<b>Claim Liabilities As of June 30, 2022</b>	
	<b>Undiscounted</b>	<b>Discounted</b>
Primary Workers' Compensation Program	\$ 22,610,197	\$ 21,188,925
Excess Workers' Compensation Program	229,758,086	185,974,932
General Liability 1 Program	236,348,406	214,723,154
General Liability 2 Program	75,028,211	69,024,923
Property Program	3,586,987	3,360,891
Medical Malpractice Program	3,328,187	3,167,218
<b>Total</b>	<b>\$ 570,660,074</b>	<b>\$ 497,440,043</b>

**PRISM AFFILIATE RISK CAPTIVE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEARS ENDED JUNE 30, 2023 and 2022**

The following represents changes in those aggregate liabilities on a discounted basis for the Captive for the years ended June 30, 2023 and 2022:

	June 30, 2023	June 30, 2022
A. Unpaid Claims and Claim Adjustment Expenses at the Beginning of the Fiscal Year	\$ 497,440,043	\$ 432,140,821
Incurring Claims and Claim Adjustment Expenses:		
Provision for Claims		
Current Fiscal Year	95,387,016	87,930,853
Prior Fiscal Years	59,831,989	68,076,974
B. Total Incurred	155,219,005	156,007,827
Payments:		
Attributable to insured events of the		
Current Fiscal Year	6,350,923	23,760,627
Prior Fiscal Years	99,141,046	66,947,978
C. Total Payments	105,491,969	90,708,605
D. Total Unpaid Claims and Claim Adjustment Expenses at end of the Fiscal Year (A+B-C)	\$ 547,167,079	\$ 497,440,043
Claims Reported	\$ 307,415,967	\$ 170,107,430
Claims Incurred But Not Reported	239,751,112	327,332,613
Unallocated Loss Adjustment Expenses	-	-
Total Claim Liabilities	\$ 547,167,079	\$ 497,440,043
Current Claim Liabilities	\$ 148,292,295	\$ 178,657,161
Noncurrent Claim Liabilities	398,874,784	318,782,882
Total Claim Liabilities	\$ 547,167,079	\$ 497,440,043

**(6) Net Position**

Net position represents the capital stock of \$8.5M, and unrestricted net position of \$67.5M as of June 30, 2023, for a total of \$76M. At June 30, 2022, net position represented the capital stock of \$8.5M, and unrestricted net position of (\$8.2M), for a total of \$306k. The unrestricted net position balances are available for future operations or distribution.

**PRISM AFFILIATE RISK CAPTIVE  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2023 and 2022**

**(7) Related Party Transactions**

Related party transactions result from premiums written, losses, and loss adjustment expenses, incurred from insurance coverage provided to PRISM by the Captive. Total premiums written with PRISM were \$215.8M and \$173.5M for the fiscal years 2022/23 and 2021/22, respectively.

Various payments were made by PRISM on behalf of the Captive. The claims and services overhead allocation expense was \$102.2M for the year ended June 30, 2023, of which \$20.9M was unpaid as of June 30, 2023. For the year ended June 30, 2022, the claims and services overhead allocation expense was \$92.6M, of which \$42.9M is unpaid as of June 30, 2022. The unpaid amounts, as of June 30, 2023 and 2022, are reported as Accounts Payable in the statement of net position.

The Captive paid PRISM a prefunded deposit for the Property Program to front monies for the payment of claims. As of June 30, 2022, the Captive reflected \$2.5M as the prefunded deposit in the financial statements. PRISM returned the \$2.5M deposit in 2022/23 as the related corridors covered by ARC are near exhaustion.

PRISM owed the Captive premiums of \$34.4M for the GL1 Program LPT corridor at June 30, 2023. In addition, PRISM owed the Captive reimbursement for an invoice it paid on behalf of PRISM totaling \$768k at June 30, 2023. These amounts are reflected in the Captive's accounts receivable at June 30, 2023.

PRISM owed the Captive premiums of \$46k and \$21.7M for the Excess Workers' Compensation 2021/22 corridors and for GL1 Program LPT corridor, respectively, at June 30, 2022. In addition, PRISM owed the Captive an additional capital contribution of \$3.5M at June 30, 2022. These amounts are reflected in the Captive's accounts receivable at June 30, 2022.

**(8) Service Agreements**

The Captive has no employees. PRISM provides regulatory, accounting, records retention, and other related services. Expenses under this agreement are included in the Statement of Revenues, Expenses and Changes in Net Position transfers out for general administration, and totaled \$150k for each of the years ended June 30, 2023 and June 30, 2022.

## **REQUIRED SUPPLEMENTARY INFORMATION**



**PRISM AFFILIATE RISK CAPTIVE  
REQUIRED SUPPLEMENTARY INFORMATION  
RECONCILIATION OF UNPAID CLAIM LIABILITIES  
JUNE 30, 2023 AND 2022**

	Primary Workers' Compensation	Excess Workers' Compensation	General Liability 1	General Liability 2	Property	Medical Malpractice	Total June 30, 2023	Total June 30, 2022
A. Unpaid Claims and Claim Adjustment Expenses at the Beginning of the Fiscal Year	\$ 21,188,925	\$ 185,974,932	\$ 214,723,154	\$ 69,024,923	\$ 3,360,891	\$ 3,167,218	\$ 497,440,043	\$ 432,140,821
Incurred Claims and Claim Adjustment Expenses:								
Provision for Claims								
Current Fiscal Year	14,703,558	60,250,223	5,462,235	13,095,000	-	1,876,000	95,387,016	87,930,853
Prior Fiscal Years	764,280	10,415,010	45,970,719	2,400,740	226,096	55,144	59,831,989	68,076,974
B. Total Incurred	15,467,838	70,665,233	51,432,954	15,495,740	226,096	1,931,144	155,219,005	156,007,827
Payments:								
Attributable to insured events of the								
Current Fiscal Year	3,073,334	3,223,327	54,262	-	-	-	6,350,923	23,760,627
Prior Fiscal Years	13,996,114	31,454,166	35,858,802	13,636,736	3,512,667	682,561	99,141,046	66,947,978
C. Total Payments	17,069,448	34,677,493	35,913,064	13,636,736	3,512,667	682,561	105,491,969	90,708,605
D. Total Unpaid Claims and Claim Adjustment Expenses at end of the Fiscal Year (A+B-C)	\$ 19,587,315	\$ 221,962,672	\$ 230,243,044	\$ 70,883,927	\$ 74,320	\$ 4,415,801	\$ 547,167,079	\$ 497,440,043
Claims Reported	\$ 18,980,722	\$ 132,048,847	\$ 117,253,245	\$ 36,236,912	\$ -	\$ 2,896,241	\$ 307,415,967	\$ 170,107,430
Claims Incurred But Not Reported	606,593	89,913,825	112,989,799	34,647,015	74,320	1,519,560	239,751,112	327,332,613
Unallocated Loss Adjustment Expenses	-	-	-	-	-	-	-	-
Total Claim Liabilities	\$ 19,587,315	\$ 221,962,672	\$ 230,243,044	\$ 70,883,927	\$ 74,320	\$ 4,415,801	\$ 547,167,079	\$ 497,440,043
Current Claim Liabilities	\$ 17,088,115	\$ 36,022,654	\$ 51,126,088	\$ 40,436,887	\$ 74,320	\$ 3,544,231	\$ 148,292,295	\$ 178,657,161
Noncurrent Claim Liabilities	2,499,200	185,940,018	179,116,956	30,447,040	-	871,570	398,874,784	318,782,882
Total Claim Liabilities	\$ 19,587,315	\$ 221,962,672	\$ 230,243,044	\$ 70,883,927	\$ 74,320	\$ 4,415,801	\$ 547,167,079	\$ 497,440,043

**PRISM AFFILIATE RISK CAPTIVE**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**RECONCILIATION OF UNPAID CLAIM LIABILITIES**  
**JUNE 30, 2022 AND 2021**

	Primary Workers' Compensation	Excess Workers' Compensation	General Liability 1	General Liability 2	Property	Medical Malpractice	Total June 30, 2022	Total June 30, 2021
A. Unpaid Claims and Claim Adjustment Expenses at the Beginning of the Fiscal Year	\$ 20,629,881	\$ 154,943,204	\$ 158,885,076	\$ 89,598,879	\$ 5,220,898	\$ 2,862,883	\$ 432,140,821	\$ 319,143,407
Incurred Claims and Claim Adjustment Expenses:								
Provision for Claims								
Current Fiscal Year	14,867,165	53,755,614	951,275	-	16,948,022	1,408,777	87,930,853	125,342,303
Prior Fiscal Years	706,872	2,204,969	65,644,669	(527,040)	-	47,504	68,076,974	79,714,741
B. Total Incurred	15,574,037	55,960,583	66,595,944	(527,040)	16,948,022	1,456,281	156,007,827	205,057,044
Payments:								
Attributable to insured events of the								
Current Fiscal Year	2,550,868	2,836,419	9,072	-	18,364,268	-	23,760,627	20,379,129
Prior Fiscal Years	12,464,125	22,092,436	10,748,794	20,046,916	443,761	1,151,946	66,947,978	71,680,501
C. Total Payments	15,014,993	24,928,855	10,757,866	20,046,916	18,808,029	1,151,946	90,708,605	92,059,630
D. Total Unpaid Claims and Claim Adjustment Expenses at end of the Fiscal Year (A+B-C)	\$ 21,188,925	\$ 185,974,932	\$ 214,723,154	\$ 69,024,923	\$ 3,360,891	\$ 3,167,218	\$ 497,440,043	\$ 432,140,821
Claims Reported	\$ 17,698,790	\$ 118,058,816	\$ 642,941	\$ 29,095,855	\$ 2,829,043	\$ 1,781,985	\$ 170,107,430	\$ 179,568,783
Claims Incurred But Not Reported	3,490,135	67,916,116	214,080,213	39,929,068	531,848	1,385,233	327,332,613	252,572,038
Unallocated Loss Adjustment Expenses	-	-	-	-	-	-	-	-
Total Claim Liabilities	\$ 21,188,925	\$ 185,974,932	\$ 214,723,154	\$ 69,024,923	\$ 3,360,891	\$ 3,167,218	\$ 497,440,043	\$ 432,140,821
Current Claim Liabilities	\$ 17,789,878	\$ 119,831,332	\$ 6,236,938	\$ 30,137,951	\$ 2,842,924	\$ 1,818,138	\$ 178,657,161	\$ 101,914,686
Noncurrent Claim Liabilities	3,399,047	66,143,600	208,486,216	38,886,972	517,967	1,349,080	318,782,882	330,226,135
Total Claim Liabilities	\$ 21,188,925	\$ 185,974,932	\$ 214,723,154	\$ 69,024,923	\$ 3,360,891	\$ 3,167,218	\$ 497,440,043	\$ 432,140,821

**PRISM AFFILIATE RISK CAPTIVE**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**NOTES TO EARNED PREMIUMS AND CLAIMS DEVELOPMENT INFORMATION**  
**FOR THE TEN-YEAR PERIOD ENDED JUNE 30, 2023**

The following schedule illustrates how earned premiums (net of reinsurance) and investment income of the Captive compared to related costs of loss (net of loss assumed by reinsurers) and other expenses assumed by the Captive, as of the end of each of the last 10 years. The rows of the schedule are defined as follows:

1. This line shows the total of each fiscal year's earned premium, revenues ceded to reinsurers and stop-loss policies, and investment revenues. The total revenues are net of dividends returned to members.
2. This line shows the amount of reported unallocated claim adjustment expenses and reported other costs not allocated to individual claims.
3. This line shows incurred claims and allocated claim adjustment expense of the Captive (both paid and accrued) as originally reported at the end of the first year in which the event occurred that triggered coverage under the contract (called policy year).
4. This section of rows shows the cumulative amounts paid as of the end of each successive year for each policy year.
5. This line shows the latest reestimated amount of claims assumed by reinsurers as of the end of the current year for each policy year.
6. This section of rows shows how each policy year's incurred claims increased or decreased as of the end of each successive year. These annual reestimations result from new information received on known claims, reevaluation of existing information on known claims, and emergence of new claims not previously known.
7. This line compares the latest reestimated incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of claims cost is greater or less than originally thought.

As data for individual policy years mature, the correlation between original estimates and reestimated amounts is commonly used to evaluate the accuracy of incurred claims currently recognized in less mature policy years.

The columns of the schedule show data for successive policy years.

**PRISM AFFILIATE RISK CAPTIVE**  
**SCHEDULE OF EARNED PREMIUMS AND CLAIMS DEVELOPMENT**  
**FOR THE TEN YEAR PERIOD ENDED JUNE 30, 2023**

<b>POLICY YEAR</b>	<b>June 30, 2017*</b>	<b>June 30, 2018</b>	<b>June 30, 2019**</b>	<b>June 30, 2020</b>	<b>June 30, 2021</b>	<b>June 30, 2022</b>	<b>June 30, 2023</b>
Earned Premiums	\$ 78,135,139	\$ 97,047,480	\$ 393,550,605	\$ 116,919,308	\$ 142,291,017	\$ 100,701,884	\$ 106,299,647
Less Ceded	-	-	-	-	(1,599,257)	(2,101,293)	(1,507,606)
Investment Earnings	8,762,203	9,791,475	11,259,278	5,335,522	(599,066)	(6,378,953)	2,537,441
1. Total Revenues Available For Payment of Claims	86,897,342	106,838,955	404,809,883	122,254,830	140,092,694	92,221,638	107,329,482
2. Unallocated Loss Adjustment Expense	-	-	-	-	-	-	-
3. Estimated Incurred Claims	75,803,096	93,571,460	136,235,191	115,460,318	126,941,559	90,032,146	96,894,622
Less Ceded Claims	-	-	-	-	(1,599,257)	(2,101,293)	(1,507,606)
Net Incurred Claims and Expenses, End of Policy Year	75,803,096	93,571,460	136,235,191	115,460,318	125,342,302	87,930,853	95,387,016
4. Cumulative Paid Claims as of:							
End of the Policy Year	15,161,362	14,402,517	15,791,866	15,800,219	20,379,129	23,760,627	6,350,923
One Year Later	25,087,580	34,315,031	31,499,850	34,032,022	35,135,227	35,654,146	
Two Years Later	49,070,991	48,376,052	56,452,674	52,745,455	65,520,110		
Three Years Later	61,901,911	65,867,160	78,892,048	60,228,568			
Four Years Later	72,906,676	74,319,643	120,434,767				
Five Years Later	75,493,265	80,759,329					
Six Years Later	76,890,390						
5. Reestimated Ceded Claims and Expenses	-	-	-	-	-	-	-
6. Reestimated Incurred Claims and Expenses							
End of the Policy Year	75,803,096	93,571,460	136,235,191	115,460,318	125,342,302	87,930,853	95,387,016
One Year Later	78,766,357	96,621,991	180,278,594	121,586,409	126,386,024	91,781,899	
Two Years Later	81,353,377	99,213,918	251,908,323	119,204,534	131,060,575		
Three Years Later	81,768,607	100,157,999	321,744,618	121,199,660			
Four Years Later	82,783,448	100,126,065	369,273,324				
Five Years Later	82,394,213	101,449,861					
Six Years Later	82,852,978						
7. Increase (Decrease) in Estimated Incurred Claims and Expense from End of the Policy Year	\$ 7,049,882	\$ 7,878,401	\$ 233,038,133	\$ 5,739,342	\$ 5,718,273	\$ 3,851,046	\$ -

\*Affiliate Risk Captive established July 1, 2016

\*\*GL1 LPT corridor included in 2018/19 program year