# Colorado Special Districts Property and Liability Pool

## Evaluation of Administrative Structure
## and Financial Statements
## For the Purpose of Assigning a 2024 – 2025
## Financial Stability Rating®
## (Non-NRSRO)

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Dublin, Ohio 43017-2310

October 16, 2024

## Contents

# INTRODUCTION

## *Limited Purpose*

Colorado Special Districts Property and Liability Pool, the Pool, retained Demotech to evaluate the financial stability, and related information pertinent to the assignment a 2024 - 2025 Financial Stability Rating® to the Pool. This report summarizes the information made available to Demotech as of the date of this report, presents our interpretation of the financial stability of the Pool and assigns our Financial Stability Rating® based upon the information received and reviewed to date.

## *Distribution and Restriction of Use*

Demotech prepared this report for the board and management of the Pool. This report summarizes the review underlying our assignment of our 2024 – 2025 Financial Stability Rating®. The Pool can distribute the report in its entirety. This report must be reviewed and considered in its entirety. Excerpts should not be created nor relied upon. At any given point in time, the latest Financial Stability Ratings® assigned by Demotech can be found at www.demotech.com.

# RELIANCE UPON AVAILABLE INFORMATION AND DATA

The data and financial information we relied upon was prepared by or prepared under the responsibility of the Pool. Although Demotech analyzed the data for reasonableness and consistency from reporting period to reporting period; we did not verify, review nor audit the data or information that we relied upon.

## *Limitations*

Financial results are compiled using point estimates. As estimates, results are subject to variability. The possibility of variability arises from the fact that all factors affecting ultimate claim outcomes have not taken place and, therefore, cannot be evaluated with certainty. Our evaluation was based on our interpretation of historical experience and operating results as well as our opinion of the financial data provided to us. We have not anticipated extraordinary changes to the numerous factors that might impact actual, future results and thereby create differences from historical, reported operating results.

We have used analysis methods that we believe could produce reasonable results given current information, the Pool's history, and its business model. No guarantee, expressed or implied, should be inferred that future operating results will be as anticipated by the Pool or as by Demotech. In assessing the reasonableness of the results, we assumed that a range of reasonable estimates of historical results exists. It is our opinion that the Pool's results represent one of the values within the range of reasonable estimates.

The analysis presented in this report is based on the data we requested, received on October 2, 2024. The purpose of this report is to assign a Financial Stability Rating® to the Pool at the beginning of the 2024 – 2025 renewal cycle.

## *Data Sources*

This analysis was based on data provided by the Pool as well as public financial information of traditional insurance carriers. We assumed oral and written representations made by Pool representatives applied to all of the data and information provided to us. If data or information provided was not accurate and complete, conclusions may not be accurate or complete and may need to be revised.

## *Data Received and Reviewed*

The following information was provided to Demotech by representatives of the Pool or acquired through public sources. Information provided by the Pool will be treated as confidential. Information to date includes:

- List of the Pool's reinsurers
- Specimen insurance policies
- Terrorism and sabotage underwriting guidelines
- Information related to property insurance contracts placed with Lloyd's
- Property contract endorsement with XL Bermuda
- Property contract endorsement with Swiss Re
- Property contract endorsement with Chubb
- Public Entity Liability policy
- Pollution policy
- Identity theft policy (identity recovery)
- Crime, Fidelity and Deposit policy
- Workers' Compensation excess policy
- Actuarial report related to year-end 2023 loss and loss adjustment expense reserves
- Audited financial statements – 2012 through 2023, inclusive
- Unaudited year to date August 31, 2024 financial statement
- Communication with representatives of the Pool.

## *Independence of Evaluation*

Demotech served as an independent financial analyst of the Pool. No one associated with Demotech has any financial or conflicting interest in the Pool, its affiliates, subsidiaries, parent, or contractors.

# BACKGROUND INFORMATION

## *Pool Background*

The Pool is sponsored by the Special District Association of Colorado and provides insurance coverage to participating Special Districts throughout the State of Colorado. The Pool provides property, terrorism, general liability, automobile physical damage and liability, public officials' liability, employee dishonesty and crime, identity recovery, pollution liability, worker's compensation and equipment breakdown coverages to its members. On December 31, 2023, there were 2,189 special districts who were members of the Pool for property and liability coverage and 1,240 special districts who were members of the Pool for workers' compensation coverage.

## *Administration*

The Pool has an agreement with McGriff Insurance Services, LLC to operate, administer and manage the Pool. Under this agreement, the management fee is 14.39% of the expiring year's gross written contribution. Under an agreement with the Pool, Sedgwick Claim Management Services. Inc. administers claim processing.

The Pool has entered into an agreement with the Special District Association of Colorado to provide certain administrative services. The fee for these services is computed at 1.5% of the gross annual contributions billed. The agreement may be terminated at any time by mutual agreement of both parties.

## *Reinsurance and Insurance Products*

**Reinsurance**

The Pool has entered into reinsurance contracts to minimize exposure to large individual losses as well as significant frequency of smaller losses. A summary of coverages in effect as of December 31, 2023 is:

| | Limit of Pool Retention per Occurrence | Limit of Total Coverage per Occurrence |
|---|---|---|
| Property (Wind and Hail Only) | $1,000,000 | $350,000,000 |
| Property (All other Perils, including Inland Marine) | 300,000 | 350,000,000 |
| Terrorism - Property Damage and Business Interruption | 10,000 | 100,000,000 |
| Terrorism – Liability | 10,000 | 10,000,000 |
| Liability | 1,200,000 | 10,000,000 |
| Automobile – Liability | 1,200,000 | 10,000,000 |
| Automobile – Physical Damage (Comprehensive only) | 300,000 | 350,000,000 |
| Public Officials Liability - Employment Related | 1,200,000 | 10,000,000 |
| Public Officials Liability – Non-employment Related | 1,200,000 | 10,000,000 |
| Equipment Breakdown | 100,000 | 100,000,000 |
| Identity Recovery | - | 35,000 |
| Pollution Liability | 100,000 | 1,000,000 |
| Employee Dishonesty and Crime | - | As Scheduled |
| Coverage A Workers' Compensation (Presumption Claims) | 1,000,000 | Statutory |
| Coverage A Workers' Compensation (Firefighters) | 1,000,000 | Statutory |
| Coverage A Workers' Compensation (All Other Classes of Employees) | 1,000,000 | Statutory |
| Coverage B Workers' Compensation (Fire fighters) | 1,000,000 | 2,000,000 |
| Coverage B Workers' Compensation (All Other Classes of Employees) | 1,000,000 | 2,000,000 |
| Volunteer Accident | - | 25,000 |
| Cyber | 200,000 | 800,000 |

**Property and Automobile - Physical Damage**
The Pool is self-insured for losses and loss adjustment expenses up to the greater of $300,000 or the sum of the individual member's deductible for each occurrence. The Pool is self-insured for losses and loss adjustment expenses up to the greater of $ 1,000,000 or the sum of the individual member's deductible for each occurrence as related to wind and hail damage. Property losses have a $ 3,141, 361 annual stop loss aggregate limit. Wind and Hail property losses have a $8,893,312 annual stop loss aggregate limit. Once the stop loss aggregate limit is met, exclusive of auto physical damage losses, the Pool's self-insured retention declines to $25,000 per occurrence.

Earthquake and flood losses, which exceed either the greater of $300,000, or the sum of the individual member's deductible of 2% of total value of property damaged (subject to a minimum of $5,000 and a maximum of $50,000 per occurrence) per occurrence, are covered 100% under excess policies, with a limit per occurrence and annual aggregate of $350,000,000, except a $60,000,000 per occurrence and all member aggregate limit is applied to flood claims which occur within the Special Flood Zones A and V as defined by the Federal Emergency Management Agency. Claims are subject to a deductible selected by the member.

**Terrorism**
The Pool is self-insured for property and business interruption losses and loss adjustment expenses up to $10,000 for each occurrence, subject to a limit of $100,000,000 in the aggregate. The Pool self-insured for liability losses and loss adjustment expenses up to $10,000 per member, per claim, subject to a limit of $10,000 per member, per claim. The reinsurance also covers loss or damage to property and liability losses resulting from a malicious attack up to a limit of $ 5,000,000, subject to a $5,000 per occurrence deductible. The aggregate limit for all coverages combined is $105,000,000. There is no aggregate deductible.

**Casualty – General Liability, Automobile Liability, Employment Practices Liability, and Public Officials' Liability**
The deductible retained by the CSD Pool is $1,200,000 per occurrence. Losses in excess of this retention are covered with a limit per occurrence of $10,000,000 under three excess reinsurance layers. The first $800,000,000 limit is excess of the deductible and the second excess layer limit of $3,000,000 excess of $2,000,000 are reinsured with General Reinsurance Corporation. The third excess layer limited to $5,000,000 excess of $5,000,000 is reinsured with Hudson Excess Insurance Company. However, the limit as respects to bonds and/ or securities is reinsured up to $3,000,000 aggregate for all members.

**Public Officials Liability - Employment Related**
Employment-related claims are covered the same as all other liability claims, with variable deductible arrangements on an individual district basis.

**Equipment Breakdowns**
The Pool has entered into arrangements that provide facultative reinsurance coverage for equipment breakdown claims. The Pool retains the first $100,000 per claim. Losses in excess of this retention are covered up to a limit of $100,000,000 for any one accident and/ or any one electronic circuitry impairment.

**Identity Recovery**
The Pool has entered into arrangements, which provide 100% facultative reinsurance coverage for identity recovery losses subject to an annual aggregate of $35,000 per identity recovered.

**Pollution Liability**
The CSD Pool is subject to a self-insured for the first $100,000 per pollution incident subject to $400,000,000 aggregate. Sewage back-up pollution claims are subject to a $150,000 per pollution incident retention, Losses excess of these retentions are covered, subject to policy terms, exclusions, and conditions, up to a $1,000,000 each pollution incident limit and a $5,000,000 aggregate. The exception is business interruption coverage which is subject to a (3) day waiting period deductible up to $ 250,000 of each pollution incident and annual aggregate limit.

**Employee Dishonesty and Crime**
The Pool has entered into arrangements which provide 100% facultative reinsurance coverage for excess coverage for employee dishonesty and crime claims.

**Volunteer Accident Policy**
The Pool has entered into an arrangement for volunteer accident policy that provides $ 25,000 accident medical expenses benefit which is an annual limit per member, excess of any other primary health coverage.

**Workers' Compensation**
The reinsurance coverage limit is as defined in Colorado workers' compensation laws and $2,000,000 per occurrence related to employer's liability claims in excess of the Pool's retention of $1,000,000 per occurrence for presumption claim, $1,000,000 per occurrence for firefighters, and $1,000,000 per occurrence for all other classes of employee.

**Cyber – Incident Response Cost, System Damage, and Income Loss**
The deductible retained by the CSD Pool is $200,000 per occurrence. Losses in excess of this retention are covered up to an excess limit of $800,000 for each and every claim and annual aggregate. There are 36 Pool members who qualified for the $1,000,000 cyber limit. Each was secured a policy to reinsure the excess limit.

**Asset Management**

The Pool believes insurance and investment risk are inextricably linked. Consequently, the assumption of risk in either area may impact the Pool's ability to assume risk in the other. Management believes it is imperative that the investment policy provide a framework to manage and adjust investment portfolio risk profiles to accommodate corporate insurance risk preferences.

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

# FINANCIAL STABILITY RATING® (Non-NRSRO)

## *Synopsis of Financial Review*

Based upon our review, we believe that the Pool's loss and loss adjustment expense ratios, on both a direct and net basis, and resultant operating results, in conjunction with its business model, administrative capabilities and operating practices, are reasonable given operating conditions, current pricing environment and the demographics associated with the Pool’s book of business. Furthermore, management has developed a reinsurance program that supplements the strengths of the Pool’s current balance sheet.

Our Ratio Analysis and Discussion of Ratios summarized some of the critical analyses that we performed. Concurrently, we developed a Composite Peer Group of carriers licensed in Colorado having a comparable size, based upon admitted assets reported at calendar year-end 2024 and a comparable mix of business. The comparison of the Pool to the composite follows this report. We believe that the comparison of the Pool’s ratios to the ratios of the Composite Peer Group provides additional support for the FSR assigned to the Pool. A review of unaudited year-to-date financial statements for calendar year 2024 confirmed this level of FSR.

## *Financial Stability Rating® (FSR)*

Demotech, Inc. was registered with the U.S. Securities and Exchange Commission (SEC) on July 11, 2022 as a national recognized statistical rating agency in the classification of Insurance Companies. However, the applicable definition of an ‘insurance company’ does not include special district pools. .

Although an FSR is an opinion, it appears that the financial statements and other information submitted for our review are consistent with our criteria for assignment of a Financial Stability Rating®. Furthermore, it is our opinion that current capitalization provides a sufficient margin to absorb a significant variance between the Pool's anticipated operating results and a worst-case scenario of operating results. Therefore, we have assigned a Financial Stability Rating® of AAA, Unsurpassed, our highest rating applicable to a pool.

As part of our overall review process, we will monitor quarterly and annual information produced from the current date through October 31, 2025 , inclusive.

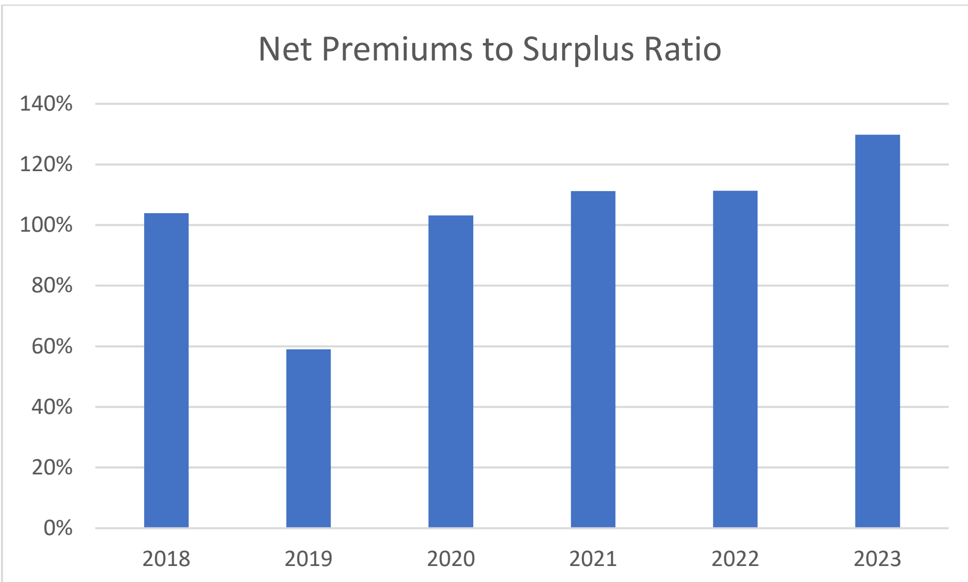
Respectfully submitted,

Joseph L. Petrelli, ACAS, ASA, MAAA (MBA)
President

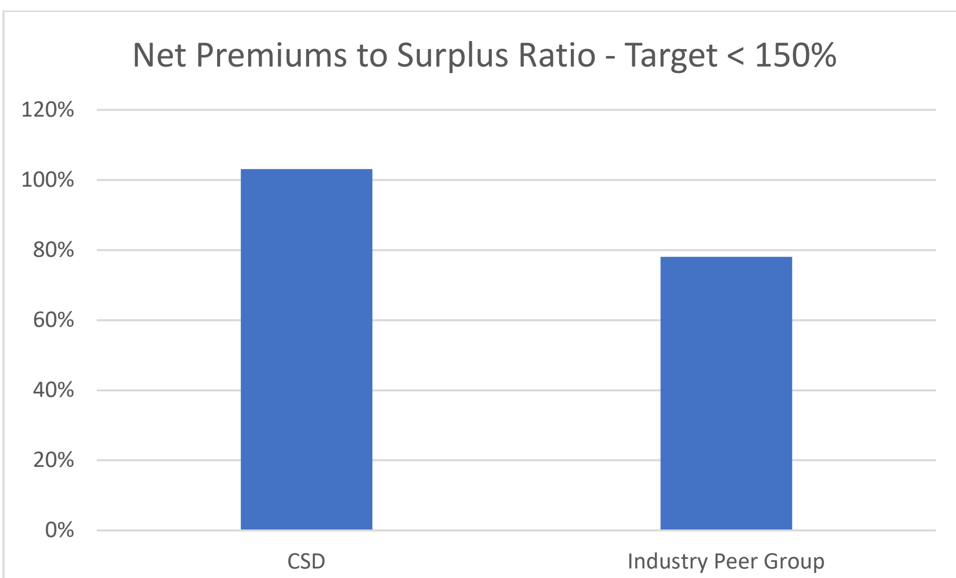
**Net Premiums to Surplus Ratio**

$$\frac{\text{Net Premiums}}{\text{Surplus}}$$

A pool's Net Premiums to Surplus ratio measures the adequacy of the cushion attributable to policyholder's surplus, net as to the benefits of reinsurance ceded. As such, this ratio is often viewed in conjunction with the ratio of Gross Premiums to Surplus. The higher the net ratio, the more risk borne by the pool in relation to policyholder's surplus. A substantial differential between the ratio of Net Premiums to Surplus and the ratio of Gross Premiums to Surplus may indicate that the pool is dependent on reinsurance. However, if the ratios are somewhat comparable, the pool is less dependent on reinsurance to serve its members.



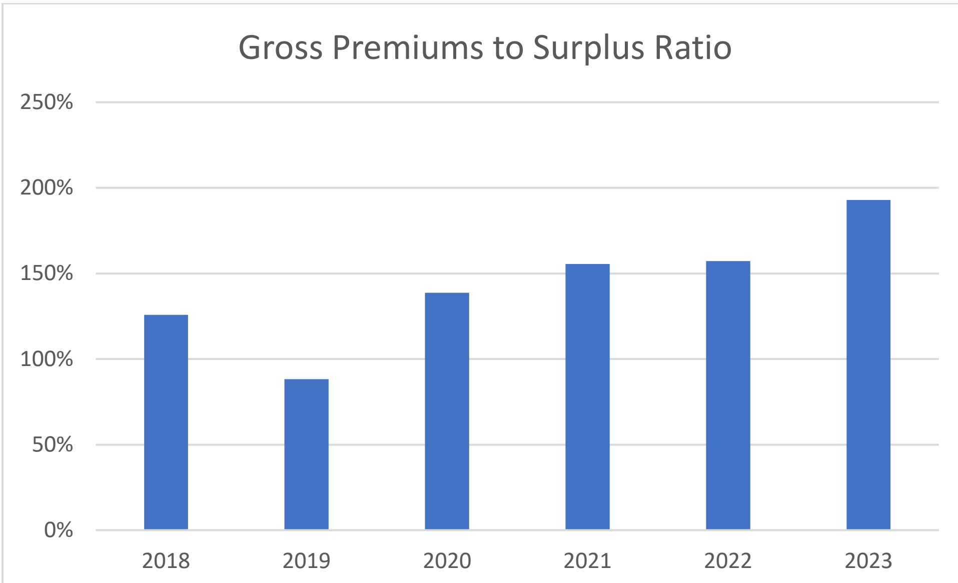

| Pool Financial Ratios | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | CSD Pool Average | Target | General Industry |
|---|---|---|---|---|---|---|---|---|---|
| **Net Premiums to Surplus Ratio** | 104% | 59% | 103% | 111% | 111% | 130% | 103% | < 150% | 78% |



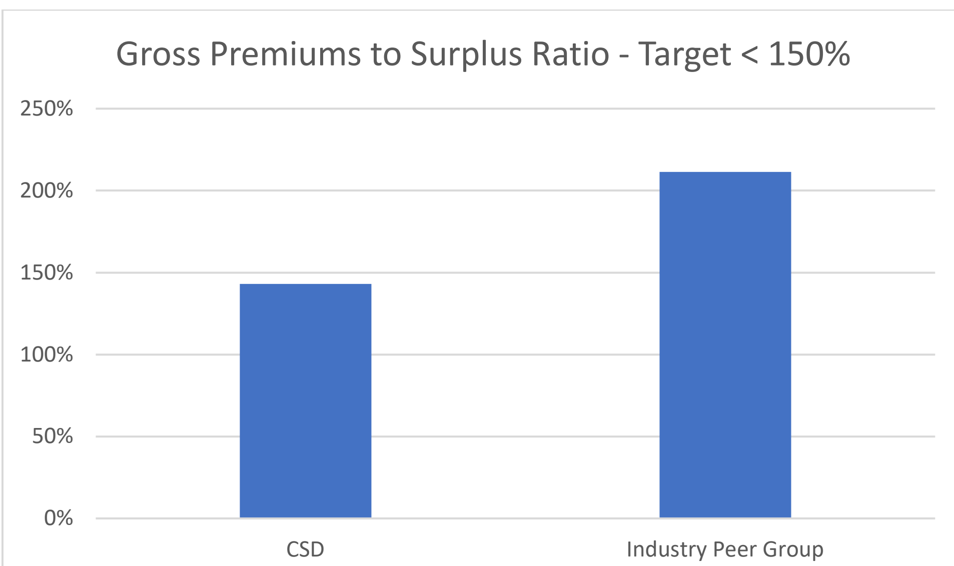
**Gross Premiums to Surplus Ratio**

$$\frac{\text{Gross Premiums}}{\text{Surplus}}$$

A pool's Gross Premiums to Surplus ratio incorporates exposure on all coverages written, direct or assumed, not yet reflecting the beneficial impact of reinsurance. As such, this ratio is often viewed in conjunction with the ratio of Net Premiums to Surplus. A substantial differential between the ratio of Gross Premiums to Surplus and the ratio of Net Premiums to Surplus may indicate heavy dependence on reinsurance. However, if the two ratios are comparable, there is less dependence on reinsurance to serve members.




| Pool Financial Ratios | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | CSD Pool Average | Target | General Industry |
|---|---|---|---|---|---|---|---|---|---|
| Gross Premiums to Surplus Ratio | 126% | 88% | 139% | 156% | 157% | 193% | 114% | < 150% | 211% |

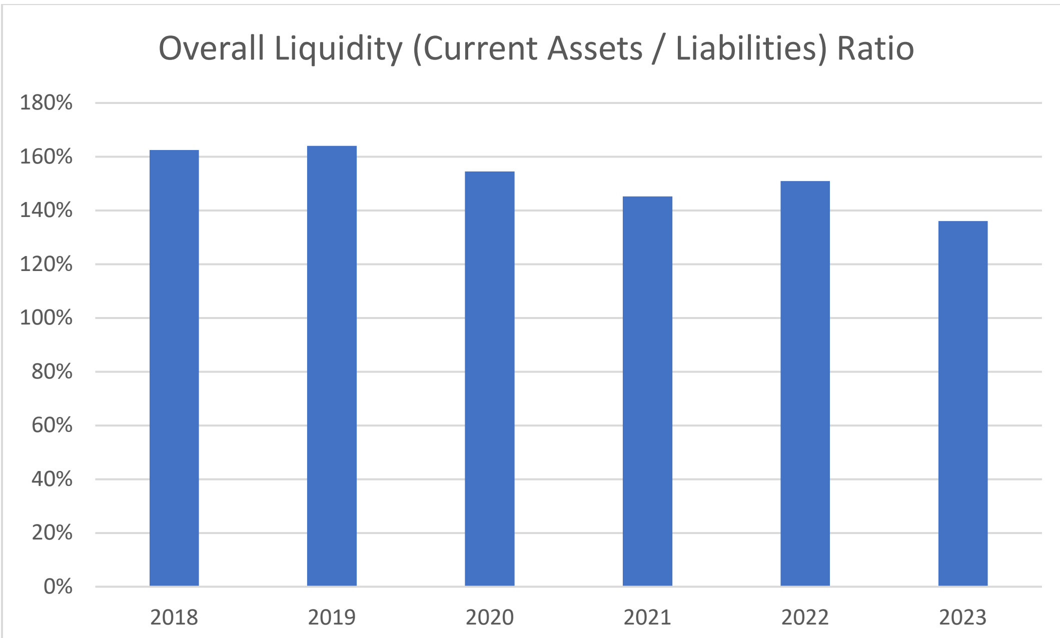


**Overall Liquidity Ratio**

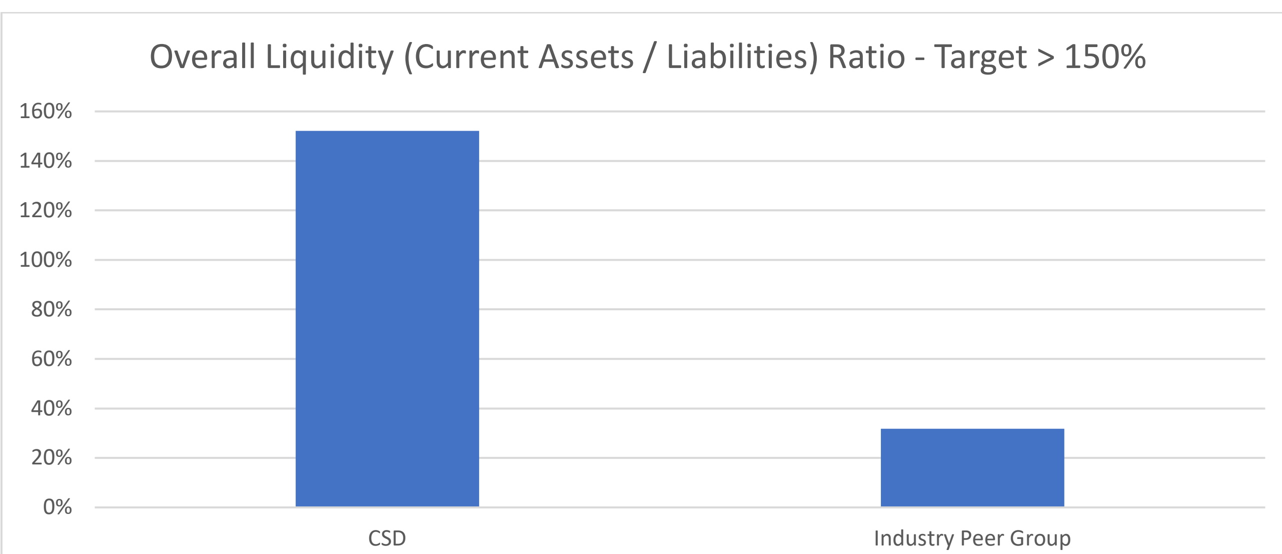
$$\frac{\text{Total Liabilities}}{\text{Liquid Assets}}$$

The Overall Liquidity ratio measures how much a pool "owes" in relation to its liquid assets. For this ratio, we look at liquid assets or investments that can be sold quickly with little to no loss in value. This benchmark can provide an estimate of financial implications if liquidation of the pool becomes necessary. Investments considered liquid include cash, treasury bills, money market instruments, government and municipal bonds, etc. These investments are enumerated as Current Assets on a pool's Balance Sheet.

This ratio presents perspective based upon a snapshot in time, the date of the balance sheet. Long-term averages and consistent monitoring provide greater perspective than any one ratio at a singular point in time.




| Pool Financial Ratios | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | CSD Pool Average | Target | General Industry |
|---|---|---|---|---|---|---|---|---|---|
| **Overall Liquidity (Current Assets / Liabilities) Ratio** | 162% | 164% | 155% | 145% | 151% | 136% | 184% | > 150% | 32% |



**Loss and Loss Adjustment Expense Ratio**

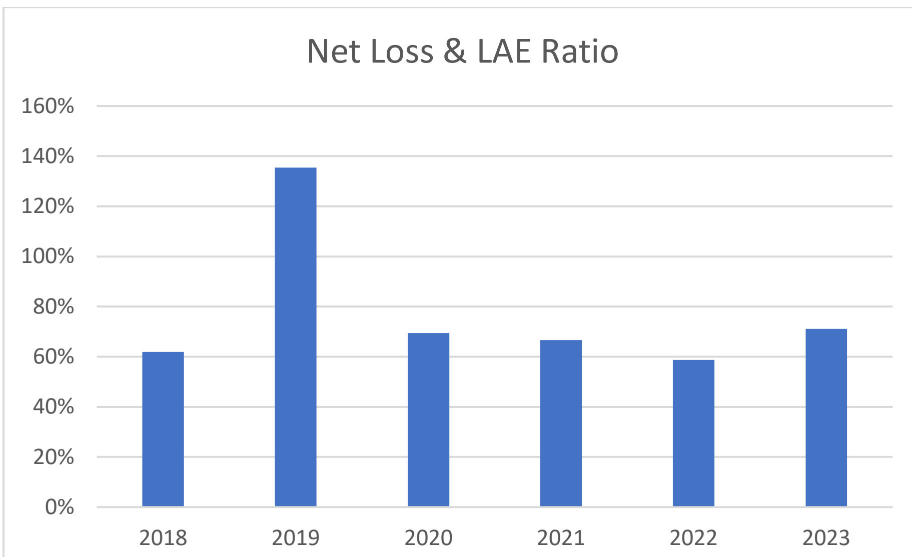
$$\frac{\text{Net Incurred Losses and LAE}}{\text{Net Premiums}}$$

The Loss and LAE ratio is a pool's net incurred losses and loss adjustment expense (LAE) relative to its net premiums, usually presented on a calendar year basis. The loss ratio is calculated net of reinsurance as to premiums and losses.

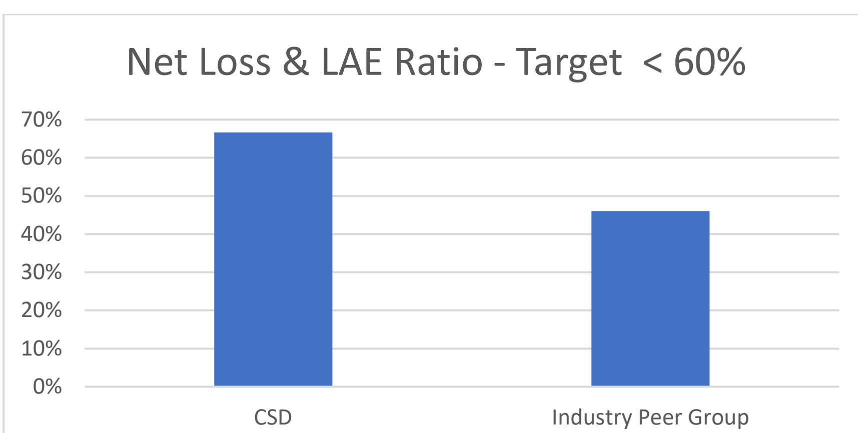
Loss and LAE are typically the largest expense component of any insurance entity. Monitoring loss ratios over time is important in assessing all aspects of pool operations, pricing and financial stability. To fully understand a pool's loss ratio results, there are many factors to consider, including but not limited to, the period of time over which losses are paid, the frequency and severity of the lines of coverage being offered, the adequacy of pricing, the amount of the loss control measures, and other nuances in operations.

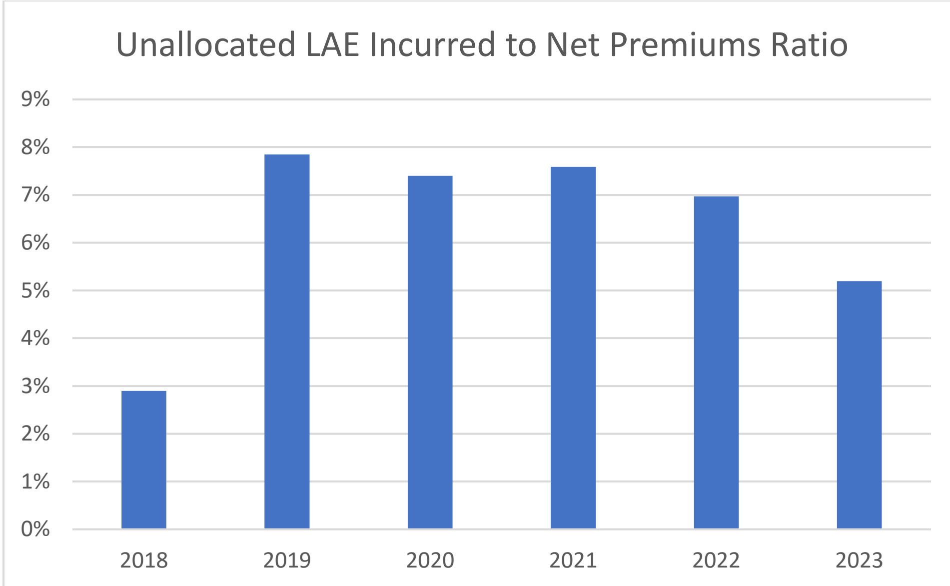
Losses for longer-tailed coverages, such as workers' compensation, take longer to report and develop and are paid out over many years. Although a longer payout cycle means an insurer can anticipate investment income to offset loss costs, the longer payout cycle adds uncertainty to the ultimate resolution and cost of a claim.

Confidence level calculations can impact the loss ratio. Pools may also choose to fund with premiums set at a 75 percent confidence level, preferring to err on the side of caution. This pricing preference would increase the premium, i.e., the denominator of the ratio, and thus create a smaller loss ratio compared to those pools that fund premiums at the expected level (50 percent confidence level.)

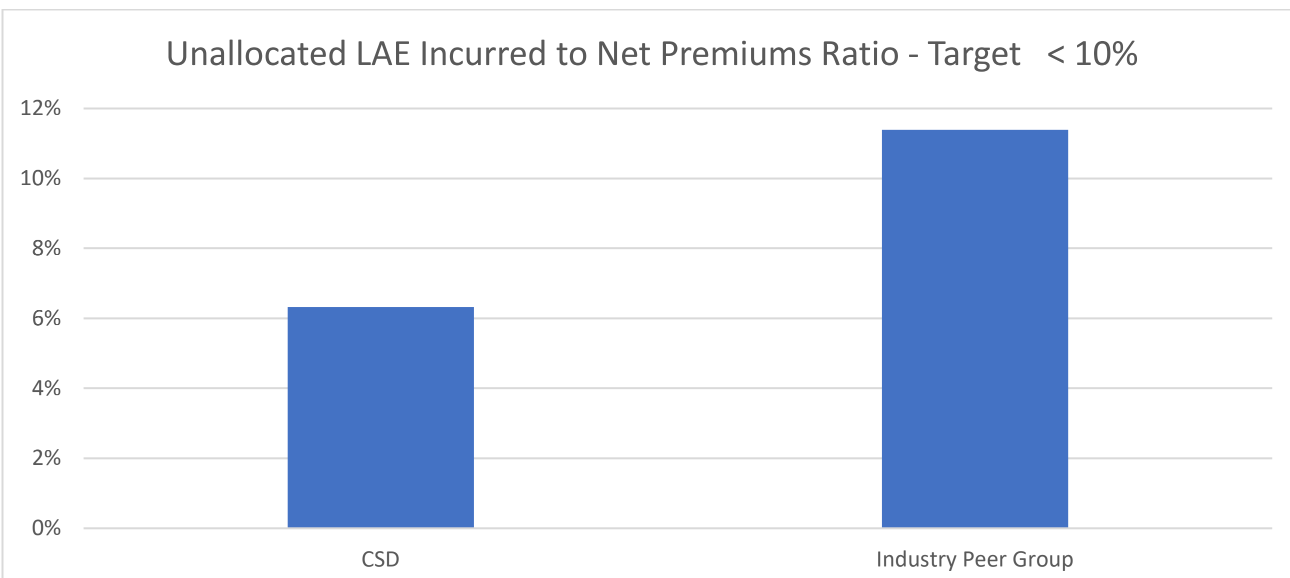



| Pool Financial Ratios | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | CSD Pool Average | Target | General Industry |
|---|---|---|---|---|---|---|---|---|---|
| **Net Loss & LAE Ratio** | 62% | 135% | 69% | 67% | 59% | 71% | 67% | < 60% | 46% |






| Pool Financial Ratios | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | CSD Pool Average | Target | General Industry |
|---|---|---|---|---|---|---|---|---|---|
| **Unallocated LAE Incurred to Net Premiums Ratio** | 3% | 8% | 7% | 8% | 7% | 5% | 6% | < 10% | 11% |



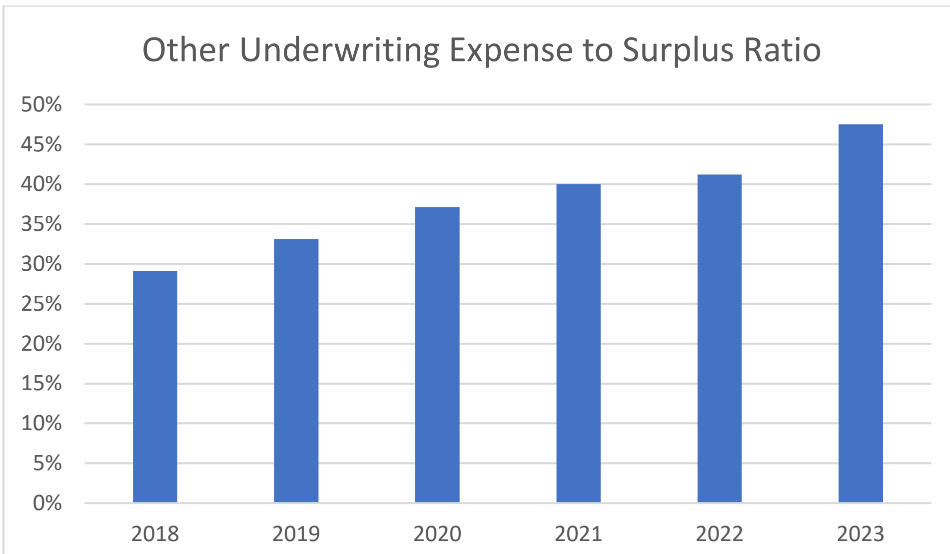
**Other Underwriting Expense to Surplus Ratio**

$$\frac{\text{Other Underwriting Expense (Net of Reinsurance)}}{\text{Surplus}}$$

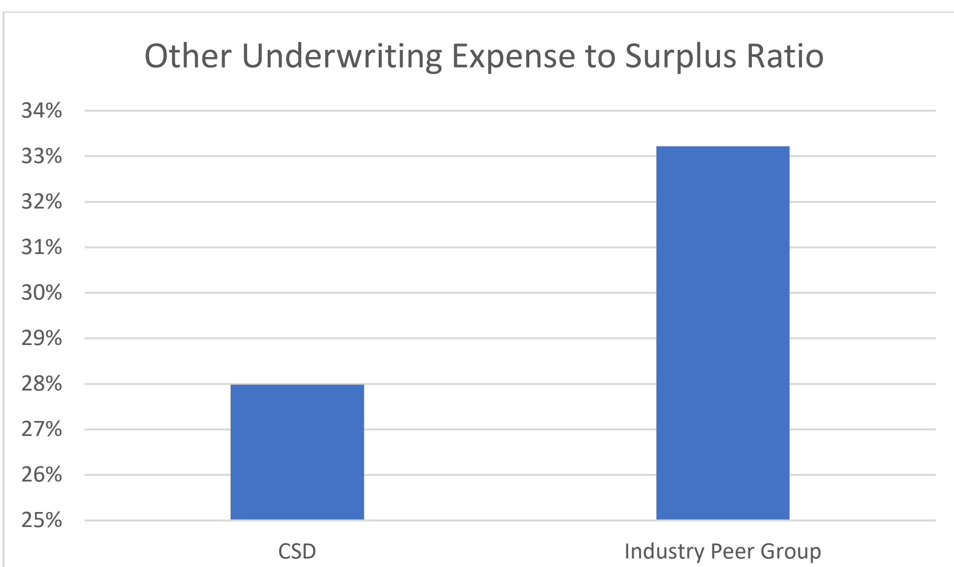
Please note this is NOT the expense ratio in the traditional sense, which is usually defined as expenses divided by premiums.

Other underwriting expense (net of reinsurance) is the administrative and operational cost of running the pool, reduced for reinsurance costs, incurred losses, and loss adjustment expenses (LAE). This benchmark ratio compares the administrative and operational expense costs to a pool's surplus rather than to its premium level.

By measuring the amount of administrative and operational expenses to the pool's surplus, pools can benchmark these costs to similarly sized pools. Pools can also compare the relative cost of administration and operations, which include risk management and loss control products and services offered to its members, against those same relative costs of commercial insurance carriers. Using surplus as a proxy to a pool's size is not perfect, as some pools have different philosophical approaches to net position. Depending on financial and surplus policies set by a pool's Board of Directors, this ratio might vary dramatically among pools of similar size with different philosophies on net position.



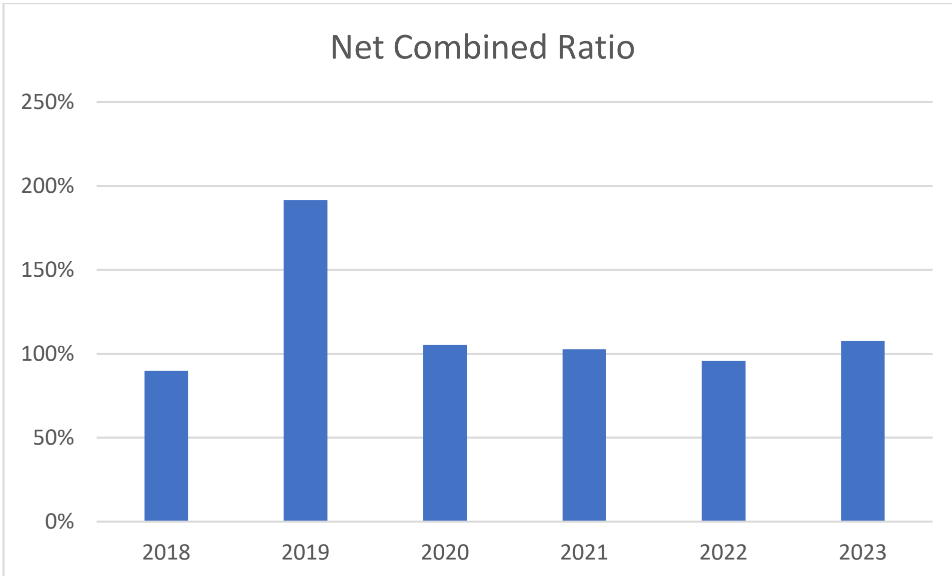

| Pool Financial Ratios | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | CSD Pool Average | General Industry |
|---|---|---|---|---|---|---|---|---|
| Other Underwriting Expense to Surplus Ratio | 29% | 33% | 37% | 40% | 41% | 47% | 38% | 33% |



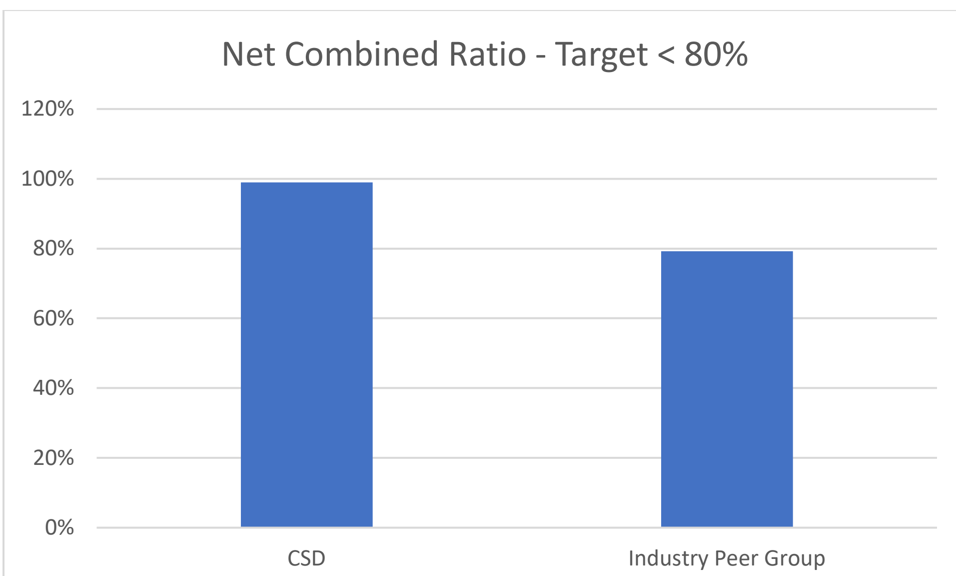
**Net Combined Ratio**

$$\frac{\text{Net Incurred Losses + Non-Loss Expenses}}{\text{Net Premiums}}$$

The net combined ratio can serve as a basic measure of a pool's overall underwriting results in a year. Of the three figures used for this ratio, two can be impacted and managed. Expenses might be lowered with more efficient operations, and premiums can be increased to better align with losses and expense costs.



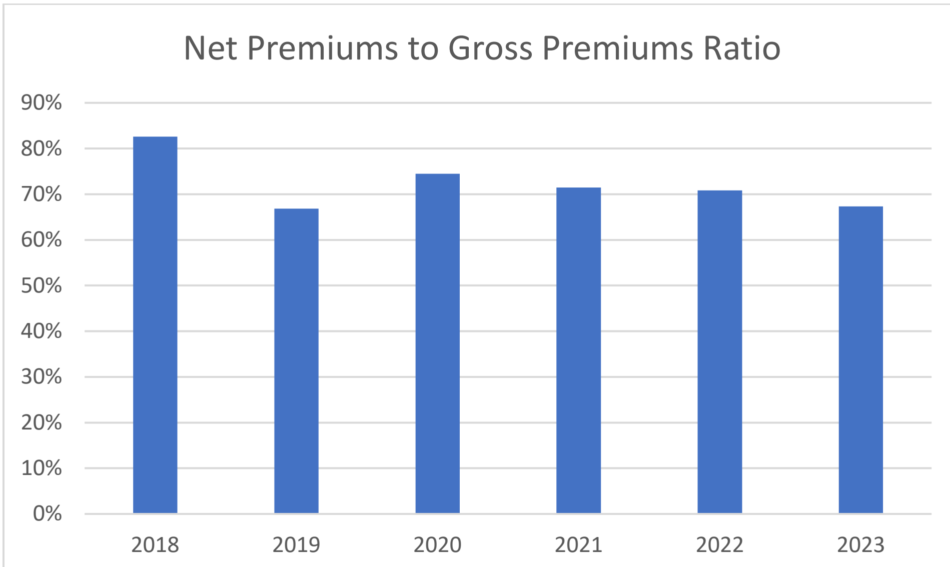

| Pool Financial Ratios | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | CSD Pool Average | Target | General Industry |
|---|---|---|---|---|---|---|---|---|---|
| Net Combined Ratio | 90% | 192% | 105% | 103% | 96% | 108% | 99% | < 80% | 79% |



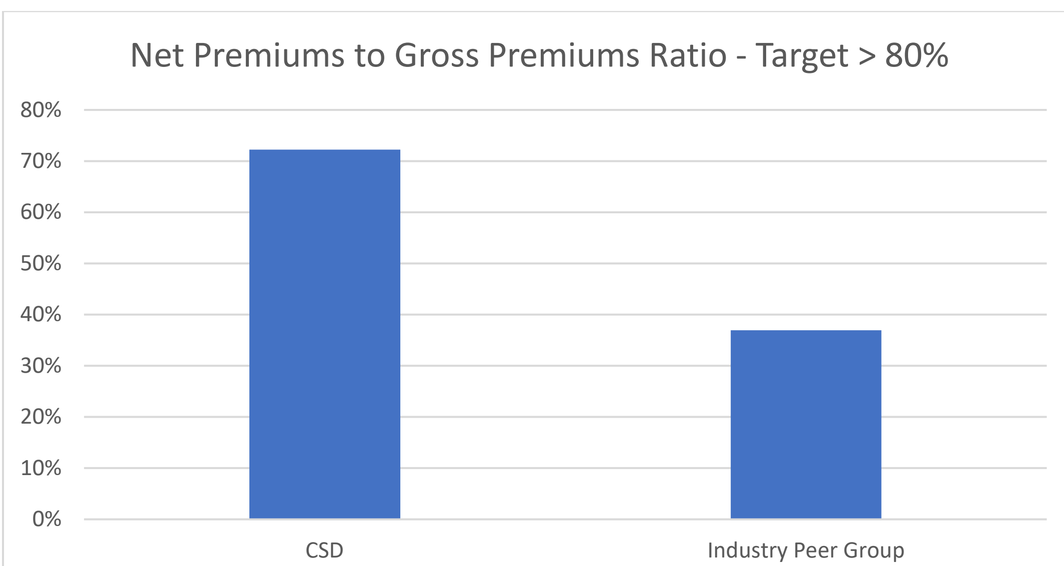
**Net Premiums to Gross Premiums Ratio**

$$\frac{\text{Net Premiums}}{\text{Gross Premiums}}$$

This ratio measures the percentage of premium retained by the Pool to pay the anticipated loss and LAE expenses of its members as well as their expenses associated with program management. A target of 80% retention or more implies that the Pool is comfortable retaining the overwhelming majority of its exposure to loss. This level of retention implies confidence in the quality of the book of business written by the Pool.



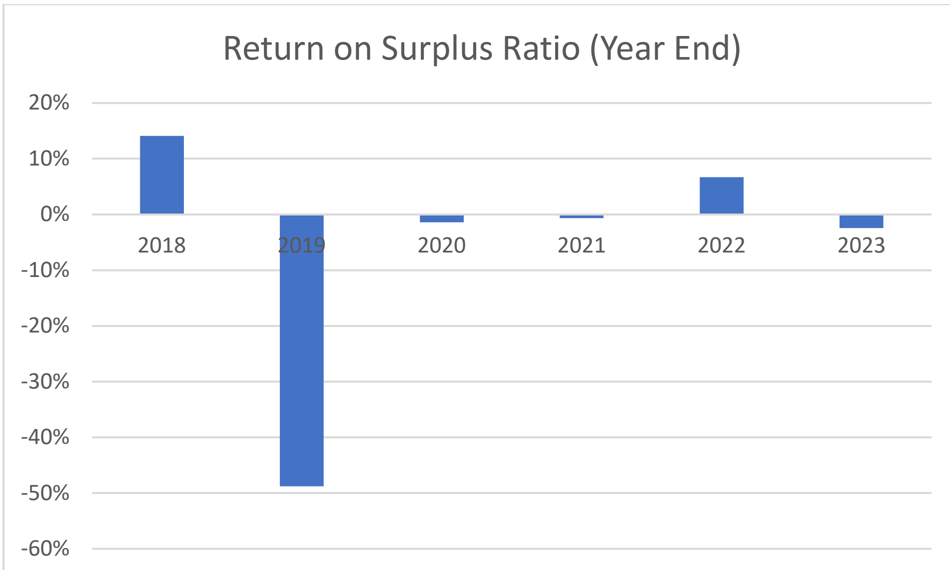

| Pool Financial Ratios | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | CSD Pool Average | Target | General Industry |
|---|---|---|---|---|---|---|---|---|---|
| Net Premiums to Gross Premiums Ratio | 83% | 67% | 74% | 71% | 71% | 67% | 77% | > 80% | 37% |



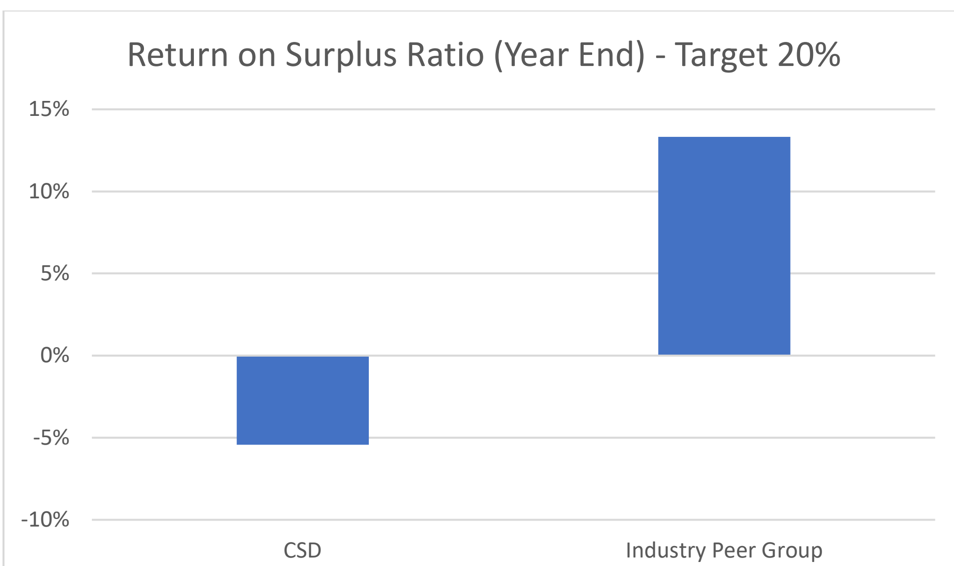
**Return on Surplus Ratio (Year End)**

$$\frac{\text{Net Premiums} - \text{Net Losses} - \text{Expenses} + \text{Investment Income}}{\text{Surplus}}$$

The economic viability of a pool, and concurrently, a pool's ability to serve its members, is enhanced by a favorable return on surplus. The return on surplus summarizes the degree to which members, through the results of the pool, have enhanced its ability to address the needs of its members.



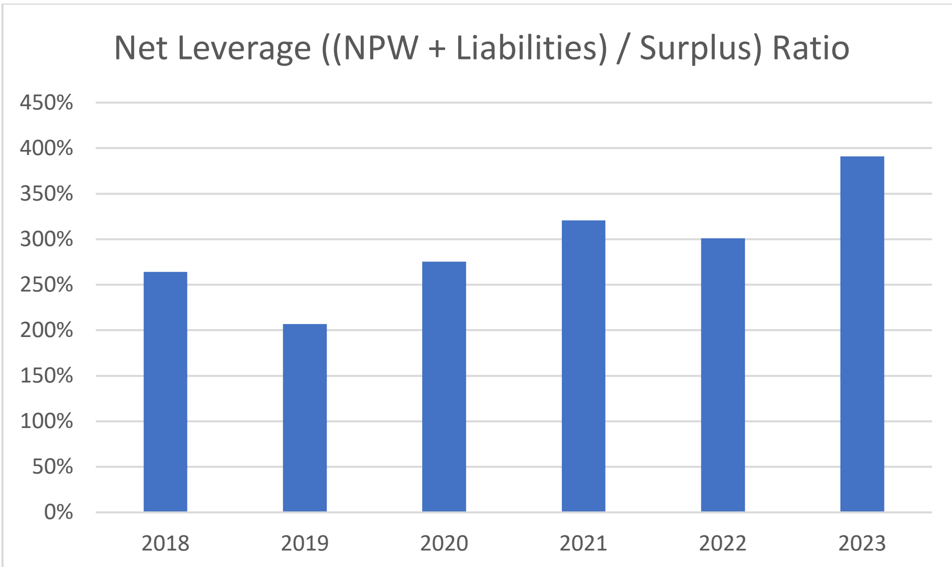

| Pool Financial Ratios | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | CSD Pool Average | Target | General Industry |
|---|---|---|---|---|---|---|---|---|---|
| Return on Surplus Ratio (Year End) | 14% | -49% | -1% | -1% | 7% | -2% | 5% | 20% | 13% |



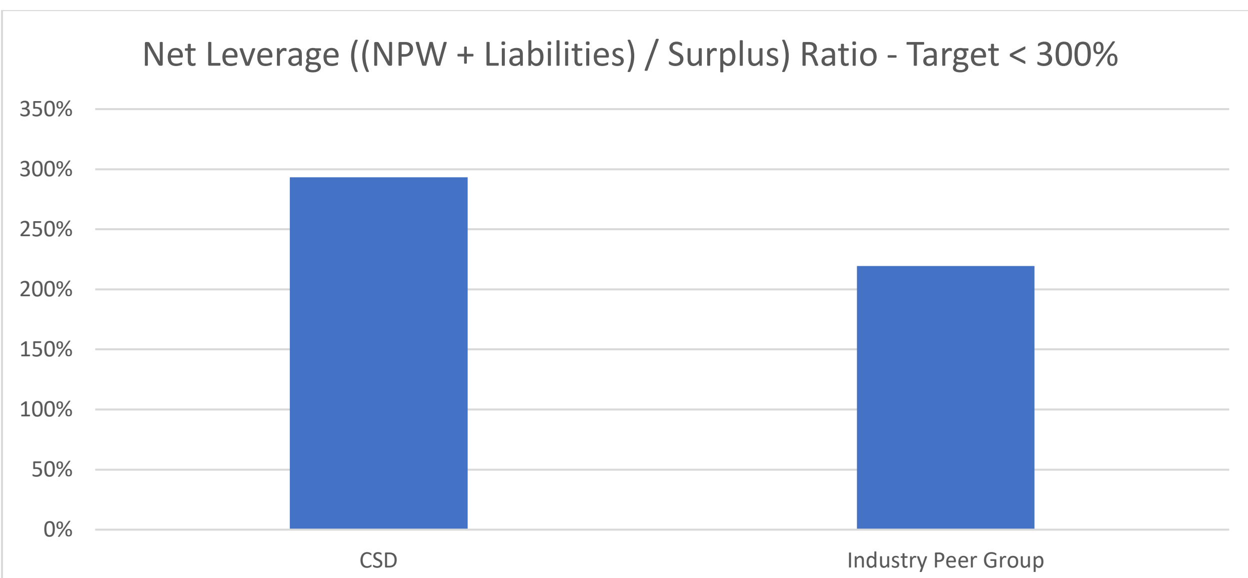
**Net Leverage Ratio**

$$\frac{\text{Liabilities + Net Premiums}}{\text{Surplus}}$$

The Net Leverage Ratio measures the sum of net leverage from previously written premium (liabilities) and current premium (net premium). As such, it measures net premiums and net liabilities to surplus. As such, it measures the combination of an insurer's net exposure to pricing errors in its current book of business, errors of estimation of liabilities after the application of reinsurance, in relation to surplus.



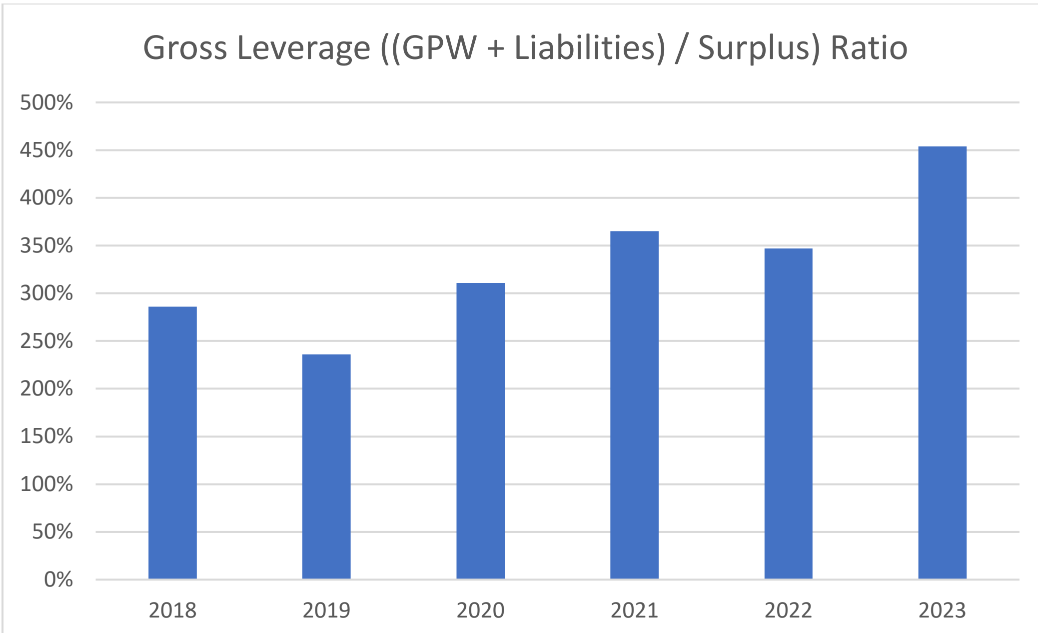

| Pool Financial Ratios | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | CSD Pool Average | Target | General Industry |
|---|---|---|---|---|---|---|---|---|---|
| Net Leverage ((NPW + Liab) / Surplus) Ratio | 264% | 207% | 275% | 321% | 301% | 391% | 223% | < 300% | 219% |



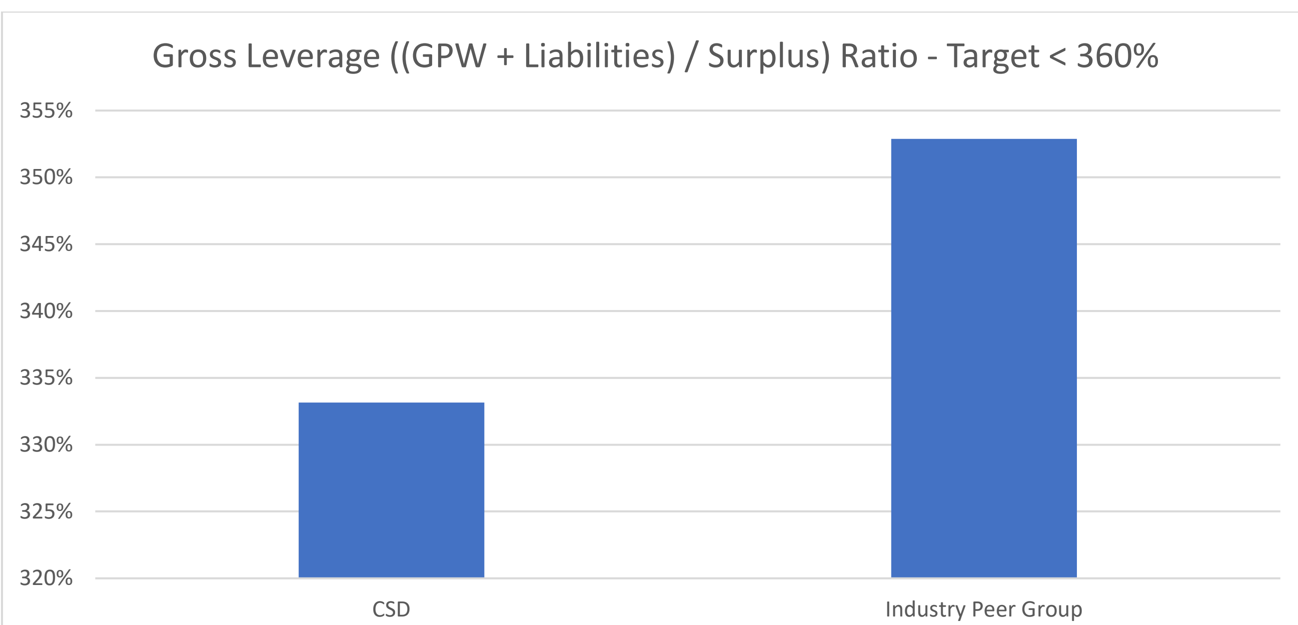
**Gross Leverage Ratio**

$$\frac{\text{Liabilities + Gross Premiums}}{\text{Surplus}}$$

The Gross Leverage Ratio measures the sum of net leverage as well as ceded reinsurance leverage to surplus. As such, it measures an insurer's gross exposure to pricing errors in its current book of business, errors in the estimation of liabilities before the application of reinsurance, i.e., exposure to reinsurers.




| Pool Financial Ratios | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | CSD Pool Average | Target | General Industry |
|---|---|---|---|---|---|---|---|---|---|
| Gross Leverage ((GPW + Liab) / Surplus) Ratio | 286% | 236% | 311% | 365% | 347% | 454% | 250% | < 360% | 353% |

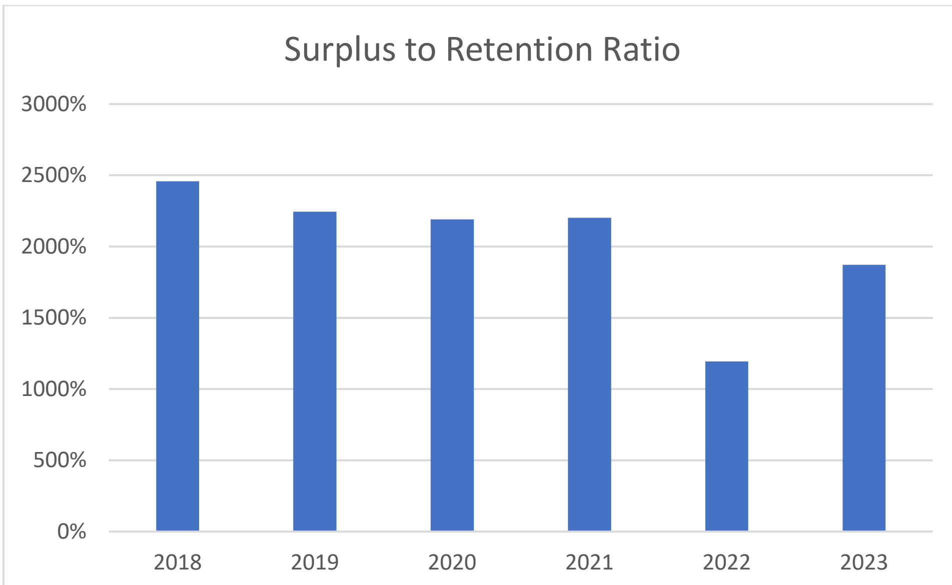


**Surplus to Retention Ratio**

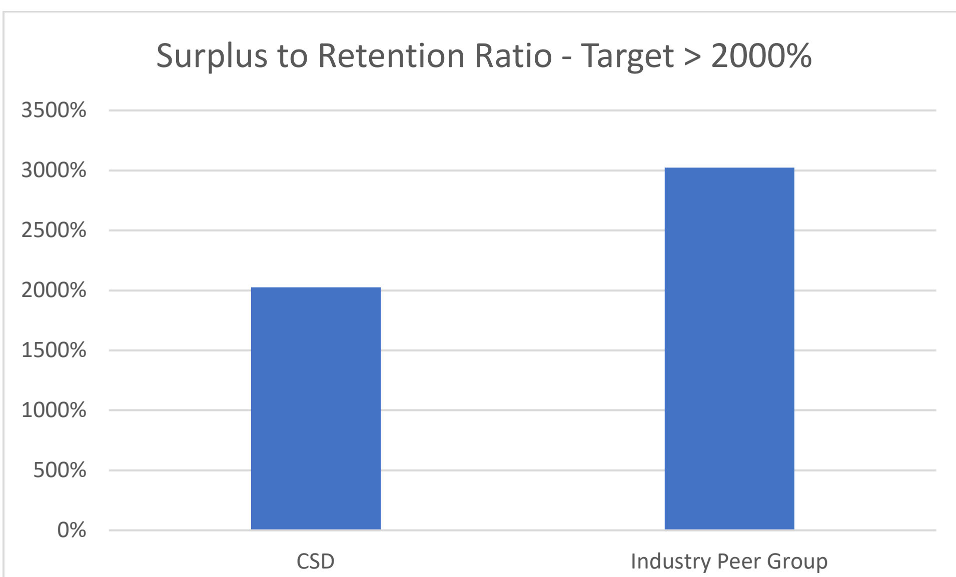
$$\frac{\text{Surplus}}{\text{Retention}}$$

A pool's per occurrence retention is the total estimated loss-per-risk a pool retains on its balance sheet as a liability, not including ceded risk to a reinsurer or excess insurer or taking members' deductibles into consideration. When that risk is measured against surplus, the pool can evaluate adequacy of its surplus to withstand multiple large losses within its retention.

A general rule of thumb is that no retained occurrence should expose more than ten percent of surplus, which equates to a retention ratio of 10:1. Pools are often more conservative than insurance companies in an effort to preserve long-term stability for members, which often means retention ratios are greater than 10. Pool outcomes between 100 and 700 are common.




| Pool Financial Ratios | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | CSD Pool Average | Target | General Industry |
|---|---|---|---|---|---|---|---|---|---|
| Surplus to Retention Ratio | 2457% | 2244% | 2190% | 2203% | 1194% | 1873% | 2523% | > 2000% | 3024% |

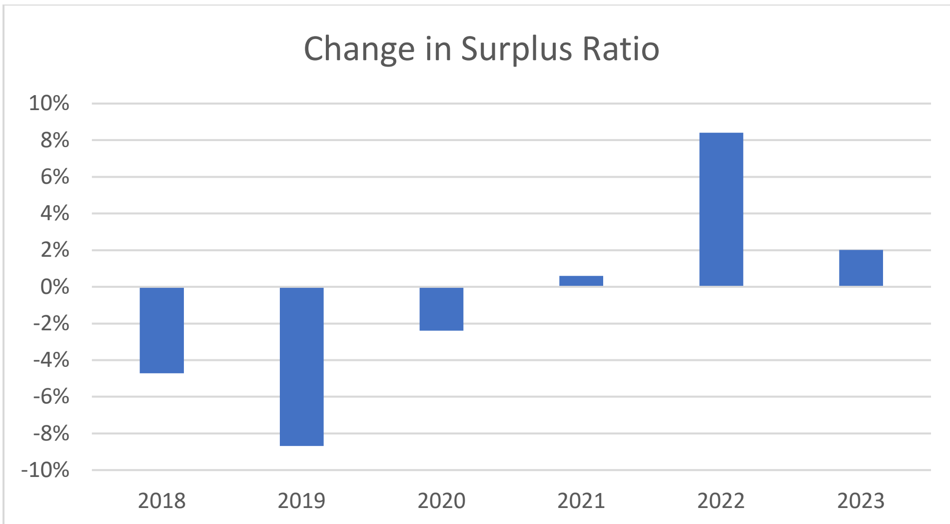


**Change in Surplus Ratio**

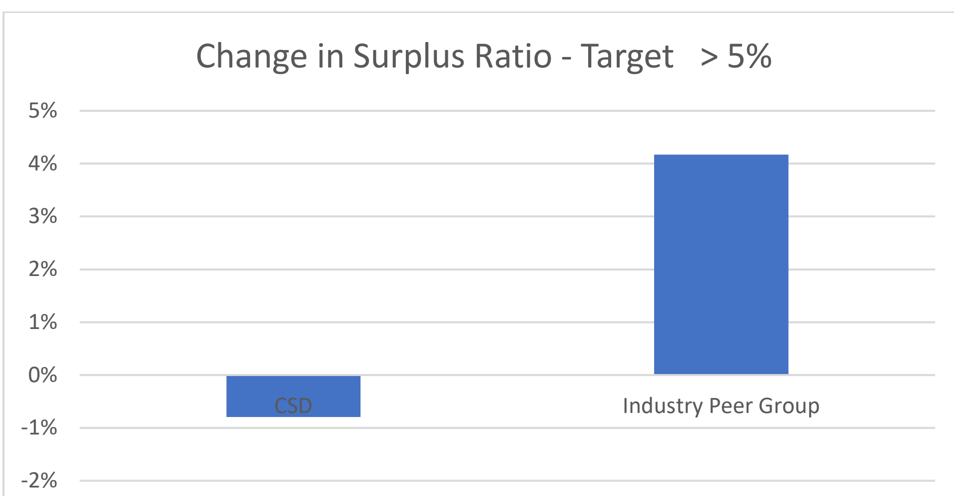
$$\frac{\text{Surplus (Current year)} - \text{Surplus (Prior year)}}{\text{Surplus (Prior Year)}}$$

The Change in Member Equity ratio is an indicator of year-over-year change in financial condition. A pool's surplus reflects its bottom line after all financial transactions in a reporting year have been accounted. Factors that could impact surplus include premiums changes, unrealized capital gains or losses, investment gains or losses, reinsurance, recoverable, accounting changes, dividends, etc.

Increases in surplus are encouraged. Although a decrease in surplus may signal a weakening financial position, it does not necessarily indicate a problem situation exists.




| Pool Financial Ratios | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | CSD Pool Average | Target | General Industry |
|---|---|---|---|---|---|---|---|---|---|
| Change in Surplus Ratio | -5% | -9% | -2% | 1% | 8% | 2% | 3% | > 5% | 4% |



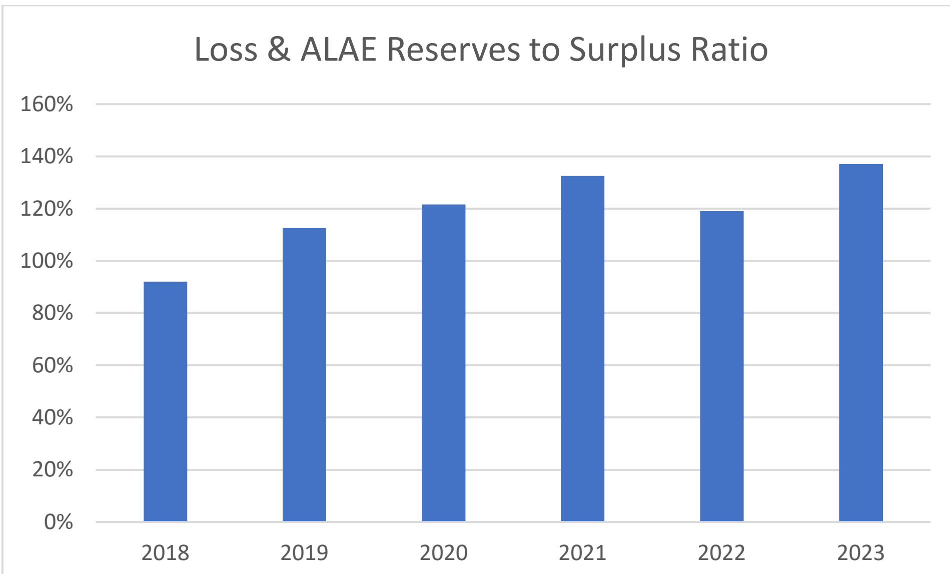
**Loss and LAE Reserves to Surplus Ratio**

$$\frac{\text{Loss \& LAE Reserves}}{\text{Surplus}}$$

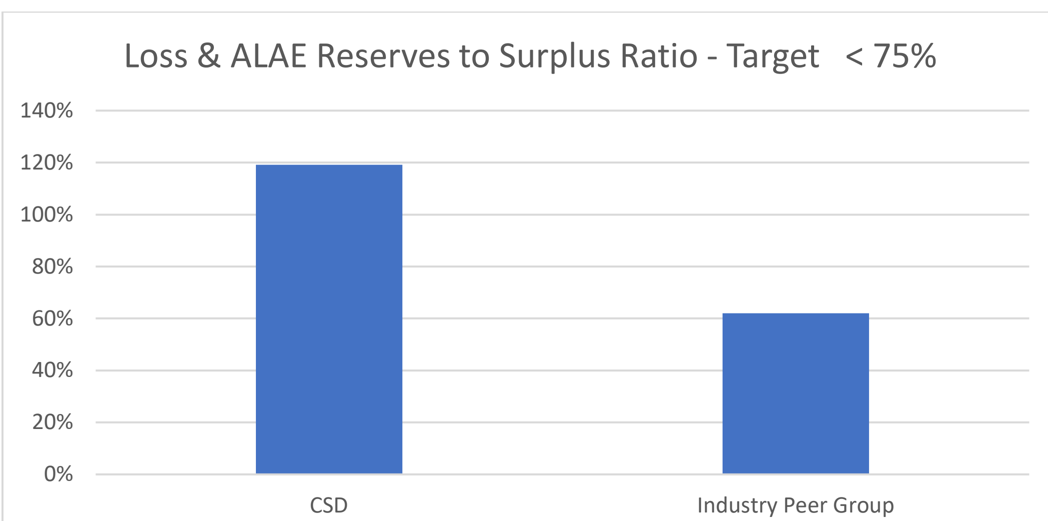
Risk transfer represents a unique product and pricing structure compared to other business transactions. Typically, businesses sell items that have immediately measurable costs. However, final costs in risk transfer relationships are not known for years, which makes understanding potential ramifications of ultimate long term costs important for pools.

On a pool's balance sheet, the unknown part of risk transfer costs include case reserves and reserves for claims that are incurred but not reported (IBNR). Reserves exist as a liability to the pool at the evaluation date of its financial statement. The reserve leverage ratio measurers the relative size of those liabilities by comparing a pool's reserves to its surplus, to estimate the pool's ability to absorb larger than expected losses. Generally speaking, the lower the ratio, the more financially capable the pool is to absorb costs in excess of carried loss and loss adjustment expense reserves.

Because the reserves used to calculate this ratio are net of reinsurance, pools should be cognizant of the amount of reinsurance recoveries they might receive. Uncollectible reinsurance could substantially increase this ratio and affect the pool's financial strength.



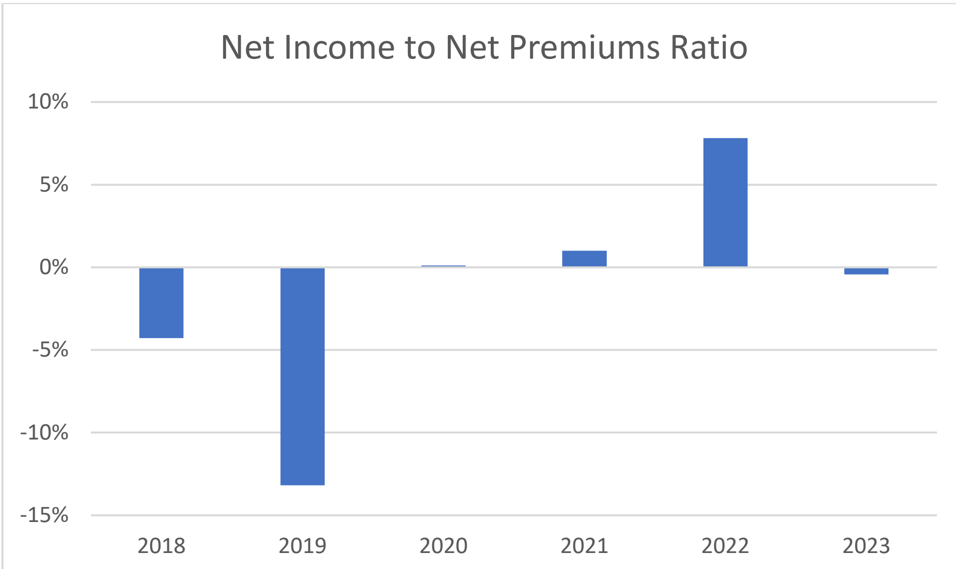

| Pool Financial Ratios | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | CSD Pool Average | Target | General Industry |
|---|---|---|---|---|---|---|---|---|---|
| Loss & ALAE Reserves to Surplus Ratio | 92% | 112% | 122% | 133% | 119% | 137% | 86% | < 75% | 62% |



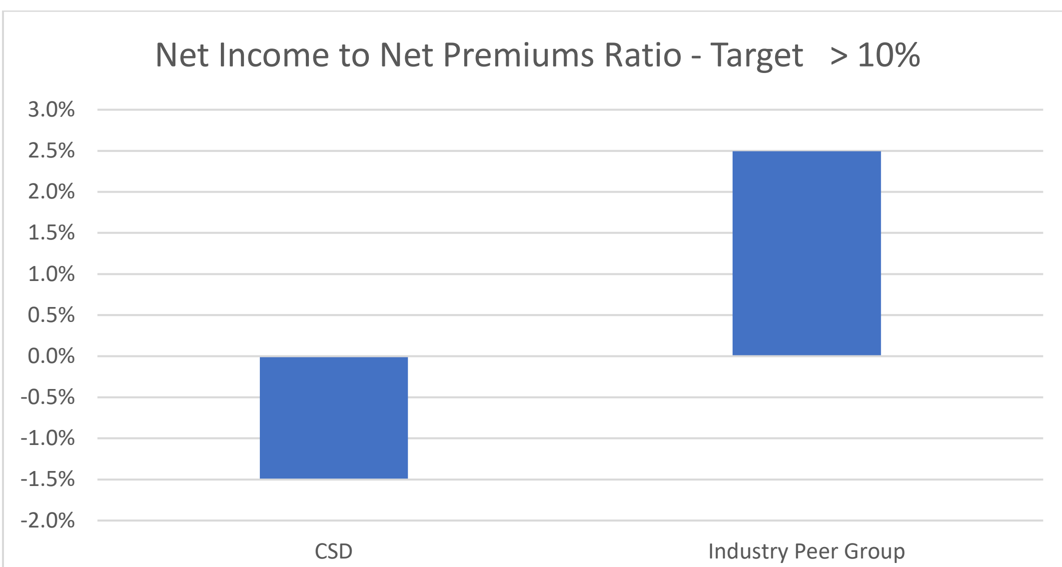
**Net Income to Net Premiums Ratio**

$$\frac{\text{Net Income}}{\text{Net Premiums}}$$

The Net Income of a pool including realized capital gains or losses and investment income is a measure of the profitability of the pool. A ratio in excess of zero is an indication that the operations during the current period have contributed to growth in the financial position of the pool, i.e. surplus.



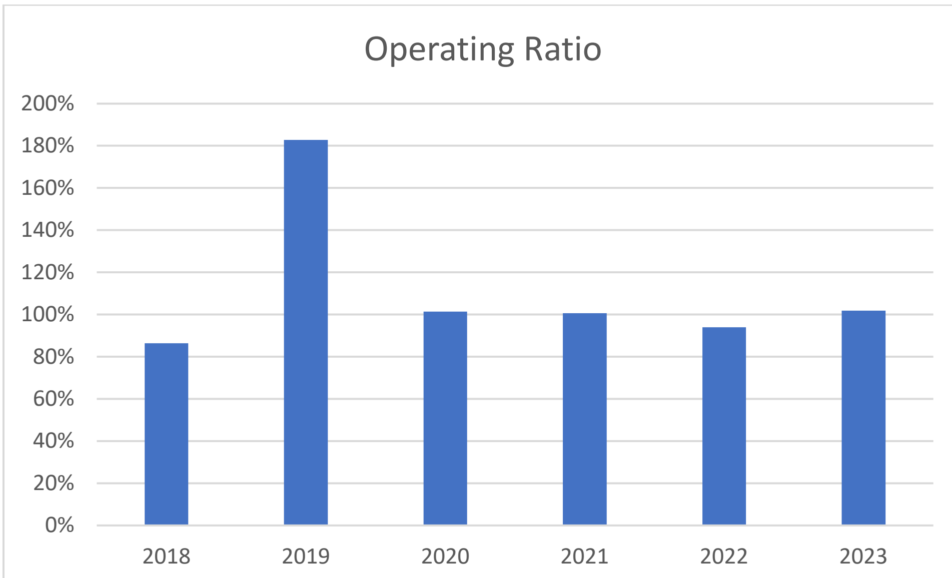

| Pool Financial Ratios | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | CSD Pool Average | Target | General Industry |
|---|---|---|---|---|---|---|---|---|---|
| Net Income to Net Premiums Ratio | -4% | -13% | 0% | 1% | 8% | 0% | 3% | > 10% | 2% |



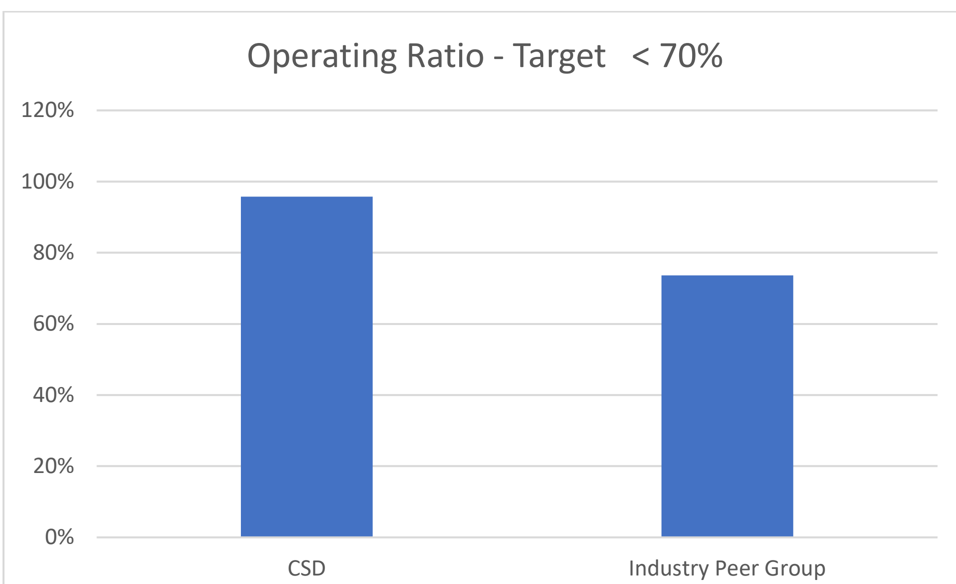
**Operating Ratio**

$$\frac{\text{(Net Incurred Losses + Non-Loss Expenses – Investment Income)}}{\text{Net Premiums}}$$

Like the combined ratio, a pool's operating ratio is a basic measure of financial stability and solvency. This ratio takes investment income into consideration. The components of the operating ratio can be managed to some degree. Expenses might be lowered by more efficient operations, and premiums can be adjusted to closer align with expected losses and costs. Some pools have flexibility to shift investment practices in order to maximize income, however, that decision is a product of a pool's investment goals, whether long-term stability or short term gains and state statutes. Many pools seek to change the cost curve for members through loss control and risk management tools to prevent or mitigate loss costs.



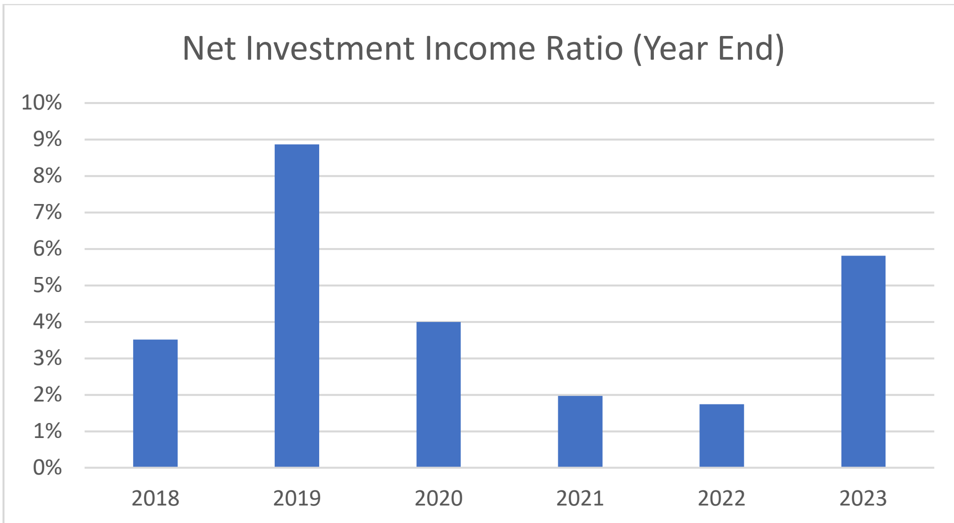

| Pool Financial Ratios | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | CSD Pool Average | Target | General Industry |
|---|---|---|---|---|---|---|---|---|---|
| Operating Ratio | 86% | 183% | 101% | 101% | 94% | 102% | 96% | < 70% | 74% |



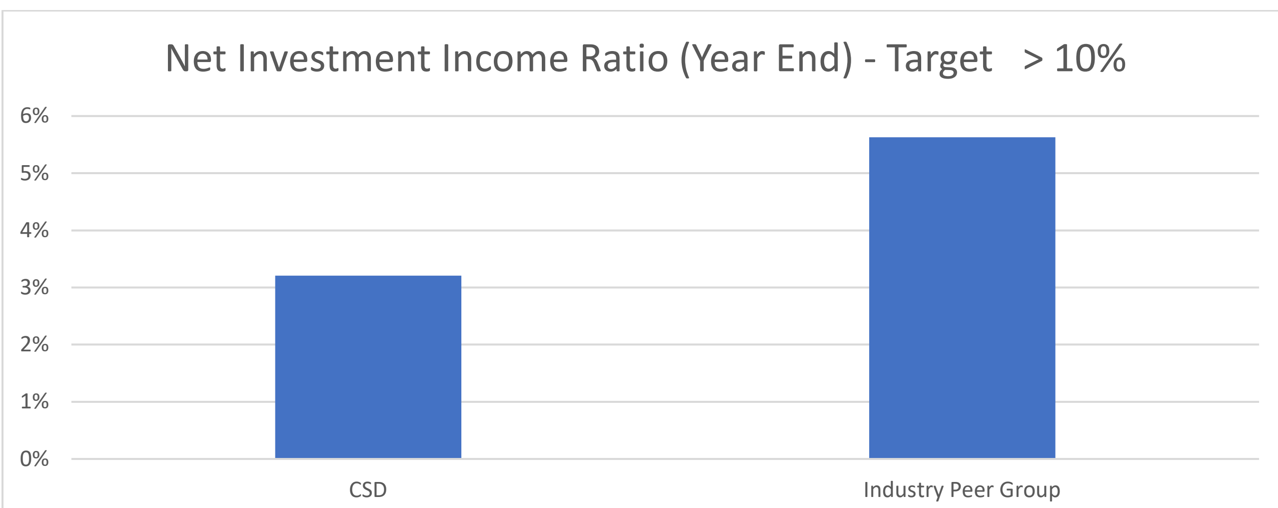
**Net Investment Income Ratio**

$$\frac{\text{Investment Income}}{\text{Net Premiums}}$$

The Net Investment Income Ratio represents investment income earned during the year less investment expenses and depreciation on real estate. Investment expenses are the expenses related to generating investment income and capital gains but exclude income taxes. It is measured as a percentage of annual income on the investment portfolio.



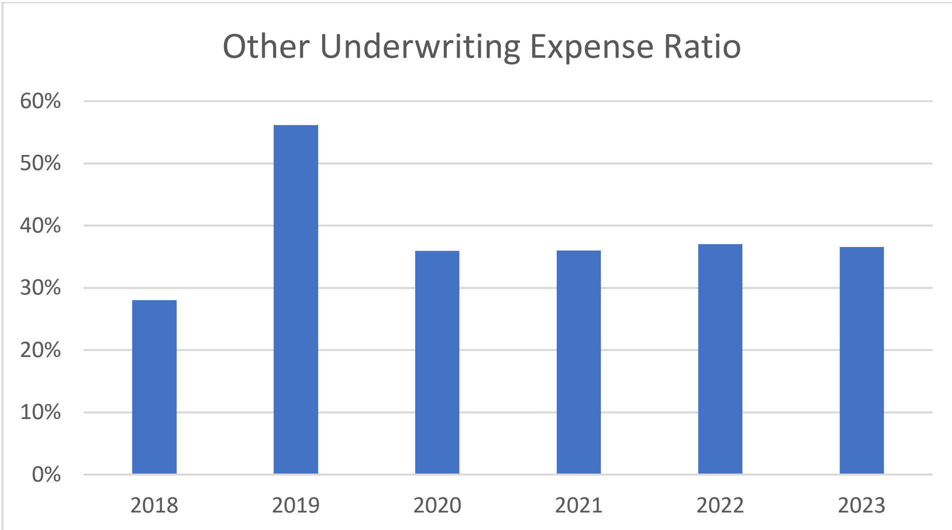

| Pool Financial Ratios | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | CSD Pool Average | Target | General Industry |
|---|---|---|---|---|---|---|---|---|---|
| Net Investment Income Ratio (Year End) | 4% | 9% | 4% | 2% | 2% | 6% | 3% | > 10% | 6% |



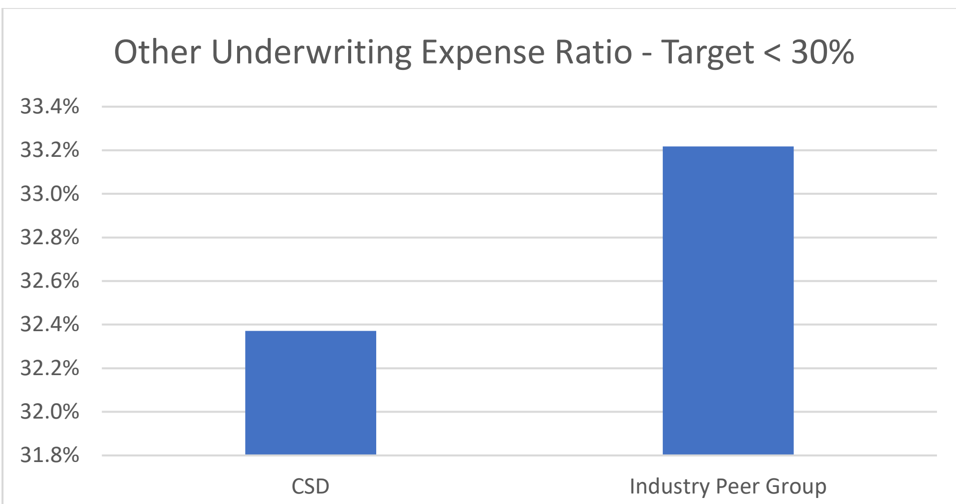
**Other Underwriting Expense Ratio**

$$\frac{\text{Other Underwriting Expenses}}{\text{Net Premiums}}$$

The percentage of net premiums allocated to underwriting costs, such as commissions to agents and brokers, salaries, benefits, contracted services, and other operational expenses. This ratio is determined by dividing the other underwriting expenses total by net premiums. It is a measure of business efficiency.




| Pool Financial Ratios | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | CSD Pool Average | Target | General Industry |
|---|---|---|---|---|---|---|---|---|---|
| Other Underwriting Expense Ratio | 28% | 56% | 36% | 36% | 37% | 37% | 32% | < 30% | 33% |



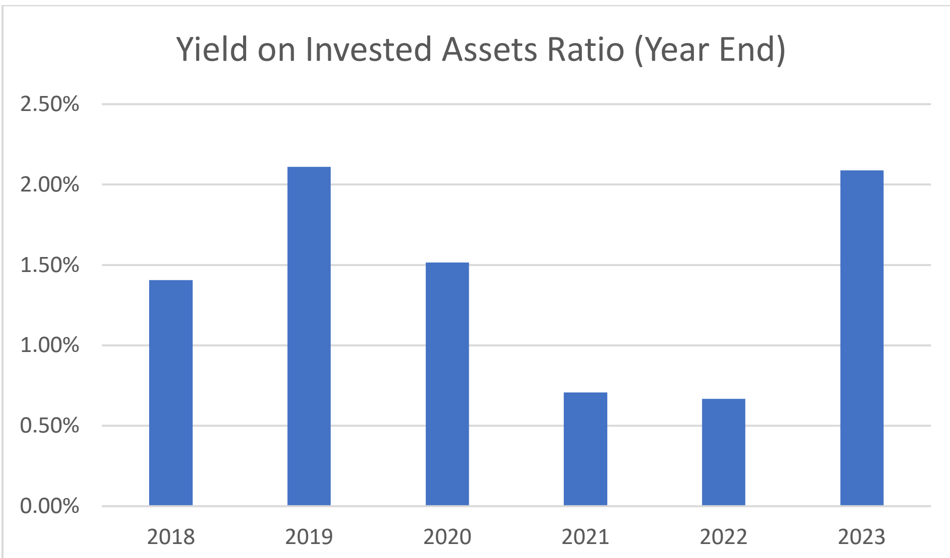
**Yield on Invested Assets (Year End) Ratio**

$$\frac{\text{Investment Income}}{\text{Invested Assets}}$$

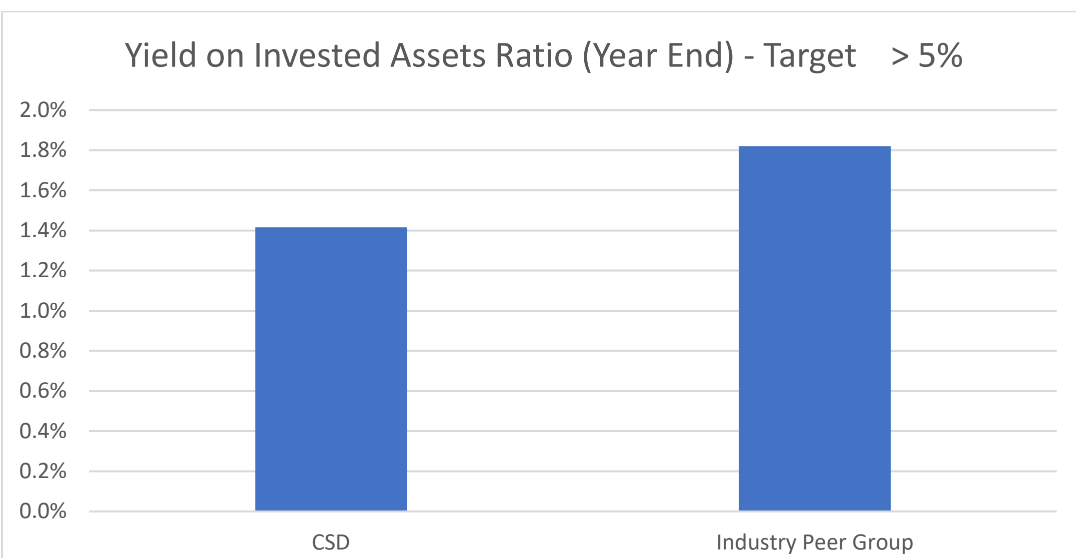
The portfolio yield is the percentage of investment income in relation to the size of a pool's invested asset portfolio. Investments income can be a critical element to a pool's business model, and can be used to offset premiums needed from members, pay dividends, or fund projects and programs for members.

A portfolio with high yield might seem attractive, but with additional expected yield may come high volatility in investment performance. For this reason, pools are often statutorily restricted to low-yield investment vehicles as a protection from volatility, and usually have a lower portfolio yield than insurance companies.

Investment income as used in this ratio is considered net of portfolio management expenses. Higher-yielding portfolios, such as actively managed accounts and equity funds, typically carry a higher fee structure, while low-yielding bond portfolios tend to carry a lower cost structure.



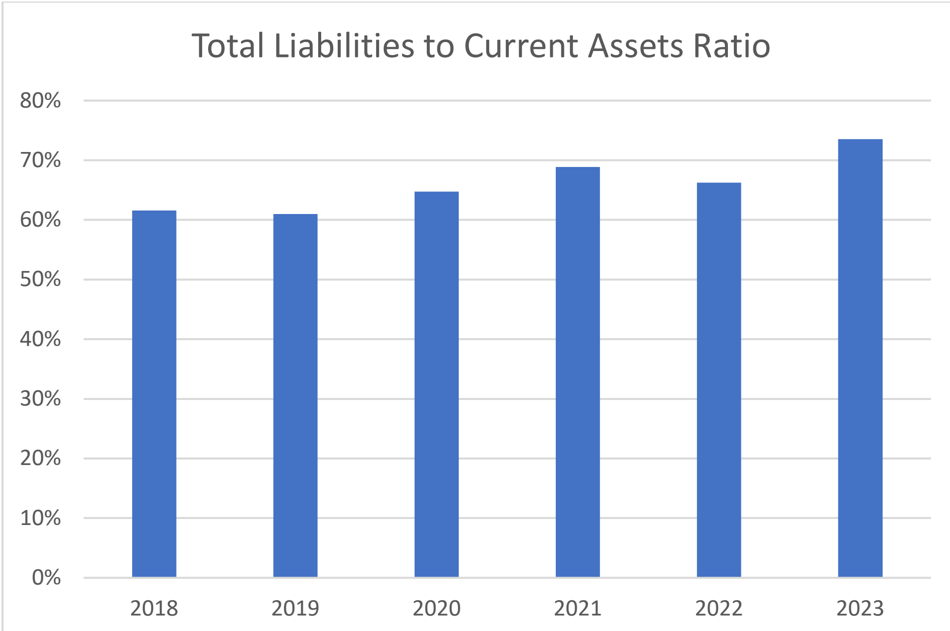

| Pool Financial Ratios | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | CSD Pool Average | Target | General Industry |
|---|---|---|---|---|---|---|---|---|---|
| Yield on Invested Assets (Year End) Ratio | 1.41% | 2.11% | 1.51% | 0.71% | 0.67% | 2.09% | 1% | > 5% | 1.82% |



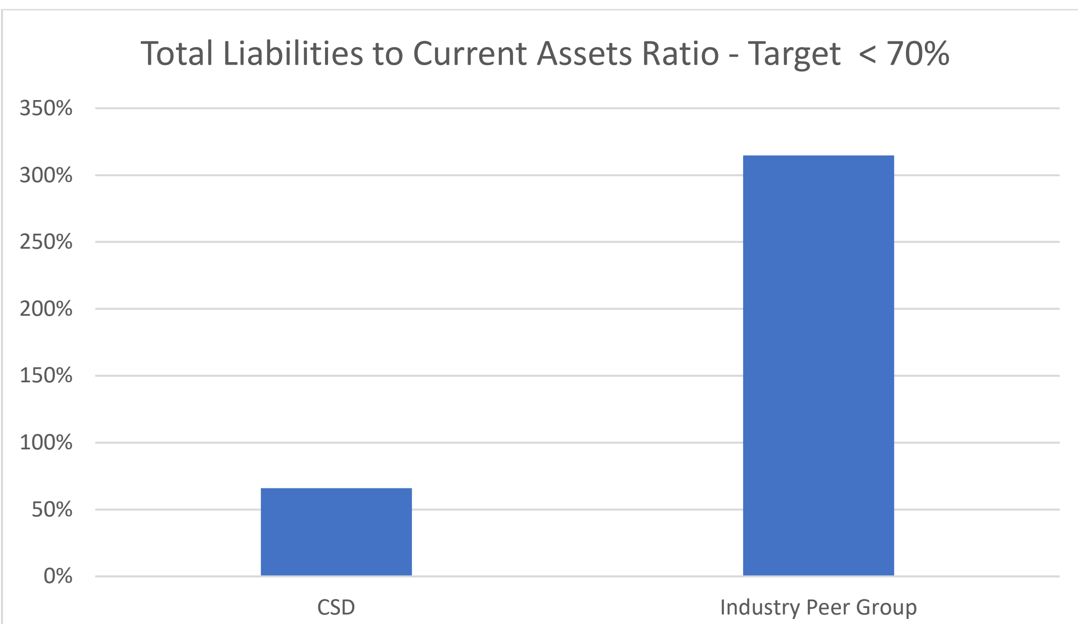
**Liabilities to Current Assets Ratio**

$$\frac{\text{Liquid Assets}}{\text{Total Liabilities}}$$

This ratio presents perspective based upon a snapshot in time. Long-term averages and consistent monitoring of trends provide greater meaning than any one ratio at a point in time.




| Pool Financial Ratios | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | CSD Pool Average | Target | General Industry |
|---|---|---|---|---|---|---|---|---|---|
| Total Liabilities to Current Assets Ratio | 62% | 61% | 65% | 69% | 66% | 74% | 56% | < 70% | 315% |



| Pool Financial Ratios | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | CSD Pool Average | Target | General Industry |
|---|---|---|---|---|---|---|---|---|---|
| 1. Net Premiums to Surplus Ratio | 104% | 59% | 103% | 111% | 111% | 130% | 103% | < 150% | 78% |
| 2. Total Liabilities to Current Assets Ratio | 62% | 61% | 65% | 69% | 66% | 74% | 66% | < 70% | 315% |
| 3. Net Loss & LAE Ratio | 62% | 135% | 69% | 67% | 59% | 71% | 77% | < 60% | 46% |
| 4. Other Underwriting Expense Ratio | 28% | 56% | 36% | 36% | 37% | 37% | 38% | < 30% | 33% |
| 5. Net Combined Ratio | 90% | 192% | 105% | 103% | 96% | 108% | 115% | < 80% | 79% |
| 6. Net Premiums to Gross Premiums Ratio | 83% | 67% | 74% | 71% | 71% | 67% | 72% | > 80% | 37% |
| 7. Return on Surplus Ratio (Year End) | 14% | -49% | -1% | -1% | 7% | -2% | -5% | 20% | 13% |
| 8. Net Leverage ((NPW + Liabilities) / Surplus) Ratio | 264% | 207% | 275% | 321% | 301% | 391% | 293% | < 300% | 219% |
| 9. Gross Leverage ((GPW + Liabilities) / Surplus) Ratio | 286% | 236% | 311% | 365% | 347% | 454% | 333% | < 360% | 353% |
| 10. Surplus to Retention Ratio | 2457% | 2244% | 2190% | 2203% | 1194% | 1873% | 2027% | > 2000% | 3024% |
| 11. Change in Surplus Ratio | -5% | -9% | -2% | 1% | 8% | 2% | -1% | > 5% | 4% |
| 12. Loss & ALAE Reserves to Surplus Ratio | 92% | 112% | 122% | 133% | 119% | 137% | 119% | < 75% | 62% |
| 13. Gross Premiums to Surplus Ratio | 126% | 88% | 139% | 156% | 157% | 193% | 143% | < 150% | 211% |
| 14. Net Income to Net Premiums Ratio | -4% | -13% | 0% | 1% | 8% | 0% | -1% | > 10% | 2% |
| 15. Operating Ratio | 86% | 183% | 101% | 101% | 94% | 102% | 111% | < 70% | 74% |
| 16. Overall Liquidity (Current Assets / Liabilities) Ratio | 162% | 164% | 155% | 145% | 151% | 136% | 152% | > 150% | 32% |
| 17. Unallocated LAE Incurred to Net Premiums Ratio | 3% | 8% | 7% | 8% | 7% | 5% | 6% | < 10% | 11% |
| 18. Net Investment Income Ratio (Year End) | 4% | 9% | 4% | 2% | 2% | 6% | 4% | > 10% | 6% |
| 19. Yield on Invested Assets Ratio (Year End) | 1.41% | 2.11% | 1.51% | 0.71% | 0.67% | 2.09% | 1% | > 5% | 1.82% |

| | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|---|
| **20. Investment Leverage Ratio** | 260% | 248% | 272% | 310% | 290% | 361% |
| **21. Premium Leverage Ratio** | 104% | 59% | 103% | 111% | 111% | 130% |
| **22. Net Leverage (NPW + Loss & ALAE Reserves)/Surplus)** | 196% | 171% | 225% | 244% | 230% | 267% |
| **Other Underwriting Expense to Surplus Ratio** | 29% | 33% | 37% | 40% | 41% | 47% |

| Historical Data | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|---|
| **Total Assets** | $63,918,422 | $55,602,023 | $59,612,386 | $68,195,261 | $69,212,177 | $81,143,798 |
| **Current Assets** | $63,914,047 | $54,398,384 | $58,271,123 | $67,024,075 | $68,410,400 | $79,803,164 |
| **Liabilities** | $39,345,647 | $33,163,342 | $37,710,994 | $46,165,251 | $45,329,704 | $58,670,068 |
| **Surplus** | $24,572,775 | $22,438,681 | $21,901,392 | $22,030,010 | $23,882,473 | $22,473,730 |
| **Gross Premiums** | $30,930,669 | $19,801,624 | $30,369,864 | $34,271,633 | $37,528,197 | $43,353,964 |
| **Net Losses and LAE Incurred** | $15,816,137 | $17,921,621 | $15,698,081 | $16,308,966 | $15,608,732 | $20,742,152 |
| **Other Underwriting Expenses** | $7,157,568 | $7,434,118 | $8,127,494 | $8,814,524 | $9,839,234 | $10,674,325 |
| **Investment Income** | $898,330 | $1,173,628 | $903,033 | $482,027 | $462,530 | $1,695,393 |
| **Reinsurance Paid** | $5,389,361 | $6,568,936 | $7,759,895 | $9,779,361 | $10,945,292 | $14,177,691 |
| **Highest Retention** | $1,000,000 | $1,000,000 | $1,000,000 | $1,000,000 | $2,000,000 | $1,200,000 |
| **Loss & ALAE Reserves (Net)** | $22,609,000 | $25,242,000 | $26,640,000 | $29,196,999 | $28,417,000 | $30,793,000 |
| **Net Income** | -$1,091,816 | -$1,745,167 | $27,754 | $248,161 | $2,079,032 | -$127,233 |
| **Unallocated LAE Incurred (Net)** | $739,444 | $1,038,163 | $1,672,424 | $1,858,163 | $1,853,208 | $1,516,783 |
| **ULAE Outstanding Reserves (Net)** | $904,300 | $1,009,700 | $1,065,600 | $1,168,000 | $1,136,700 | $1,231,600 |