Excess Insurance Organization Inc.

FINANCIAL STATEMENTS

FISCAL YEARS ENDED JUNE 30, 2020 AND 2019

REPORT OF INDEPENDENT AUDITORS

EXCESS INSURANCE ORGANIZATION, INC.

Fiscal Years Ended June 30, 2020 and 2019

Table of Contents

December 9, 2020

Members, Board of Directors
Excess Insurance Organization, Inc.

Ladies and Gentlemen:

The Excess Insurance Organization, Inc. (EIO 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), formerly known as CSAC Excess Insurance Authority, which is a California governmental Joint Powers Authority. Only the risks of PRISM, its parent company, are transferred to the Captive. Following the parent company's name change, the Captive is also changing its name and will soon be known as PRISM Affiliated Risk Captive, or PRISM ARC.

On June 30, 2020, the Captive celebrated completion of the fourth year of successful operations. 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, and property programs. Additionally, in 2019/20, 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). In total, the Captive covered risks of $514M across all participating programs in years ended June 30, 2020.

The initial purpose in 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. While this had proved beneficial in the first three years of the Captive's operations, the total return on the captive's portfolios was 4.12% for the year ended June 30, 2020, slightly lower than a rate of return on PRISM's portfolio of 4.81% for the same period. The 2019/20 return on the equity portfolio was negative 2.68% due to a negative fair market value adjustment recorded because of the initial economic downturn from COVID-19. The fair market value of the Captive's equity portfolio has seen a robust increase since June 2020, the impact of which will be reflected in the investment earnings for 2020/21. For comparison, the overall consolidated return for PRISM and the Captive was 4.12% for the year ended June 30, 2020 and 5.06% for the year ended June 30, 2019.

In October 2018, expansion of operations beyond California was authorized. National expansion will enable PRISM to spread and diversify risk and add volume, and leverage reinsurance markets. Actual implementation will be on a program-by-program basis. In October 2020, PRISM welcomed the first participant from outside of California through the Captive: Pima County, Arizona, who is now participating for property coverage.

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, 2020 and 2019, are fairly presented in conformity with Generally Accepted Accounting Principles. The independent auditor's report is presented in this report.

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 the 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

Puneet Behl

Gina Dean
President

Puneet Behl, CPA
Chief Financial Officer

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Excess Insurance Organization, Inc.
Salt Lake City, Utah

Report on the Financial Statements

We have audited the accompanying financial statements of Excess Insurance Organization, Inc. (the Captive) as of June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Captive's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

2880 Gateway Oaks Drive, Suite 100, Sacramento, CA 95833
Phone 916.646.6464 • Fax 916.929.6836 • GilbertCPA.com

Opinion

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, 2020 and 2019, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, 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

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Captive's basic financial statements. The Letter of Transmittal, as listed in the table of contents, is presented for the purposes of additional analysis and is not a required part of the basic financial statements. It has not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we express no opinion on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2020, 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 Standard*s in considering the Captive's internal control over financial reporting and compliance.

Gilbert CPAs

GILBERT CPAs
Sacramento, California

November 30, 2020

EXCESS INSURANCE ORGANIZATION, INC.
MANAGEMENT'S DISCUSSION & ANALYSIS

The following discussion and analysis provides an overview of the financial position of the Excess Insurance Organization, Inc. (EIO or the Captive) and its activities for the fiscal years ended June 30, 2020 and 2019. 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, 2020 and 2019; 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, 2020 and 2019; the Statement of Cash Flows, which displays information pertaining to cash receipts and disbursements for the years ended June 30, 2020 and 2019; 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 18 of this report.

Insurance Activity

Effective July 1, 2016, 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, 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 Workers' Compensation Program. In 2019/20, 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 $78.8M are from the corridor risk resulting from PRISM's Loss Portfolio Transfer deal with MultiStrat Re is included in these financial statements at June 30, 2020. All coverages provided are on an occurrence basis.

Following is the breakdown of undiscounted ultimate losses of the Captive for the 2019/20, 2018/19, and 2017/18 program years:

	Ultimate Losses		
Programs	**2019/20**	**2018/19**	**2017/18**
Primary Workers Compensation Program	$ 15,320,381	$ 14,327,404	$ 10,878,546
Excess Workers Compensation Program	57,022,253	55,977,745	62,611,469
Primary General Liability Program	1,104,165	1,114,909	500,000
General Liability 1 Program	3,500,000	91,733,793	2,500,000
General Liability 2 Program	34,750,000	24,500,000	17,973,212
Medical Malpractice Program	2,000,000	-	-
Property Program	12,900,000	10,400,000	10,400,000
Total	**$ 126,596,799**	**$ 198,053,851**	**$ 104,863,227**

Expanded Business Plan

From time-to-time, a regulatory approval may be sought for 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 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 from March 31, 2019 to March 31, 2020. The Captive also filed for approval of an additional corridor in PRISM's GL1 Program resulting from a Loss Portfolio Transfer deal entered into by PRISM with MultiStrat Re in fiscal year 2018/19. All transactions were approved by the Utah Insurance Department.

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, 2020, 2019, and 2018. 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, 2020, 2019, and 2018 are summarized as follows:

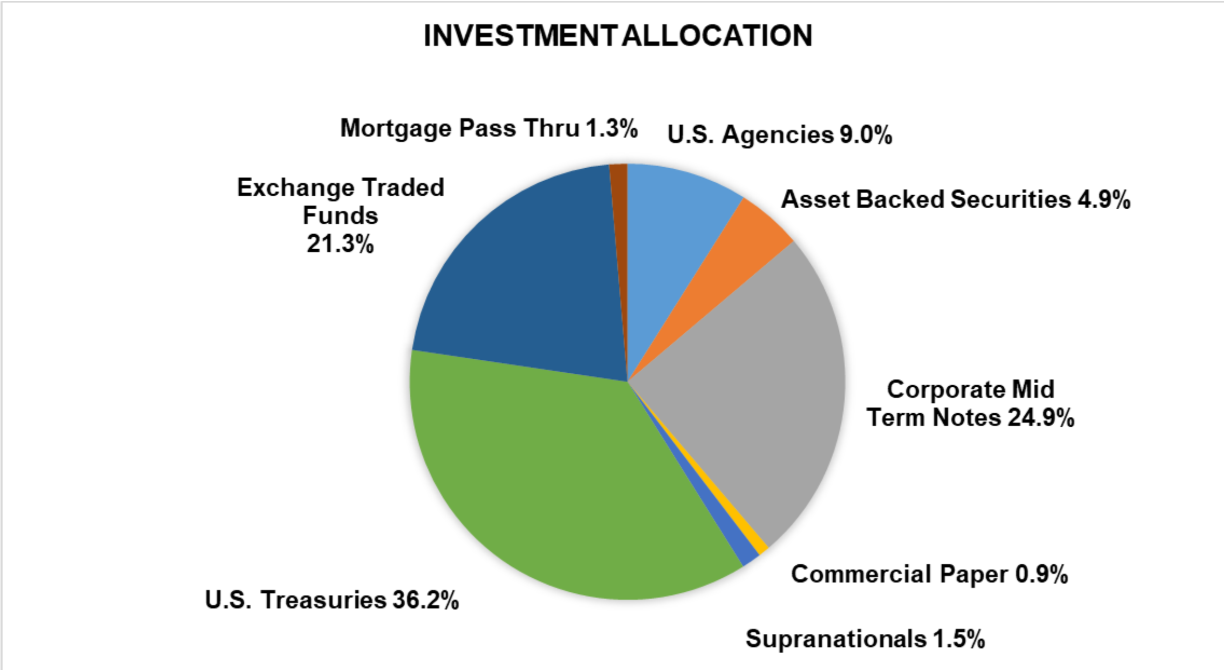
	June 30, 2020	June 30, 2019	June 30, 2018
Cash and Cash Equivalents	$ 7,880,746	$ 5,622,719	$ 3,065,933
Investments	349,955,457	231,568,828	153,610,671
Other Assets	11,589,434	43,824,980	3,195,481
Total Assets	369,425,637	281,016,527	159,872,085
Current Liabilities	98,443,338	103,826,494	55,865,158
Non Current Liabilities	249,586,407	153,032,671	90,347,720
Total Liabilities	348,029,745	256,859,165	146,212,878
Capital Stock	5,000,000	5,000,000	5,000,000
Unrestricted Net Position	16,395,892	19,157,362	8,659,207
Total Net Position	$ 21,395,892	$ 24,157,362	$ 13,659,207

Assets: The assets of the Captive totaled $369M at June 30, 2020 as compared to $281M as of June 30, 2019, and $159.9M as of June 30, 2018. The majority of assets are in cash or investments and are provided by current year operating activities, which includes the collection of premiums of $146.5M in fiscal year 2019/20, $139.7M in fiscal year 2018/19, and $97M in fiscal year 2017/18, much of which could then be invested as claims are paid over a longer period. Current assets include investment income receivable, due from members, prepaid expenses, due from Carrier, and a prefunded deposit fronted by the Captive to PRISM for claim payments in the Property Program.

At June 30, 2020, 2019, and 2018, 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 EIO 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 also to 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 EIO'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, 2020 are summarized as follows:



***Liabilities**:* The liabilities of the Captive totaled $348M at June 30, 2020, $256.9M in 2019, and $146.2M in 2018. The liabilities are mainly comprised of reserves for losses and Loss Adjustment Expenses (LAE) incurred from current and prior period operations and the loss portfolio transferred to the Captive in fiscal year 2016/17 and 2018/19. Liabilities also include $78.8M discounted Loss Portfolio transfer for General Liability 1 Program. Accounts Payable relate to the claims paid by PRISM billed back to the Captive for the latter part of fiscal years 2020, 2019, and 2018. The unearned revenue is from the Property Program corridor that runs from March 31st to March 31st.

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, 2020, 2019, and 2018 are summarized as follows:

Reserves and IBNR As of June 30,			
Programs	**2020**	**2019**	**2018**
Primary Workers Compensation Program	$ 21,298,249	$ 15,753,661	$ 13,562,295
Excess Workers Compensation Program	140,198,591	110,284,184	76,658,052
General Liability 1 Program	86,291,371	41,947,690	7,486,988
General Liability 2 Program	65,531,840	44,729,544	32,702,990
Medical Malpractice Program	1,820,708	-	-
Property Program	4,002,648	2,317,592	2,437,395
Total	**$ 319,143,407**	**$ 215,032,671**	**$ 132,847,720**

Net Position: Net position was in a surplus and totaled $21.4M at June 30, 2020, $24.2M at June 30, 2019, and $13.7M as of June 30, 2018. These amounts include $5M Capital Stock issued by the Captive for the paid in capital contributed by PRISM.

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, 2020. 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. All dividends currently require regulatory approval prior to payment. No dividends were declared or paid during the years ended June 30, 2020, 2019, and 2018.

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, 2020, 2019, and, 2018 are summarized as follows:

	June 30, 2020	June 30, 2019	June 30, 2018
Operating Revenues:			
Contributions for Retained Risk	$ 146,541,399	$ 139,666,969	$ 96,982,623
Total Operating Revenues	146,541,399	139,666,969	96,982,623
Operating Expenses:			
Provisions for Claims	162,510,885	141,872,741	96,534,720
Other Expenses	262,589	196,981	150,354
*Total Operating Expenses	162,773,474	142,069,722	96,685,074
Operating Income (Loss)	(16,232,075)	(2,402,753)	297,549
NonOperating Revenues (Expenses):			
Investment Income & Financing Fees	13,470,605	12,900,908	4,365,833
Total NonOperating Revenues (Expenses)	13,470,605	12,900,908	4,365,833
Changes in Net Position	(2,761,470)	10,498,155	4,663,382
Net Position Beginning of Year	19,157,362	8,659,207	3,995,825
Capital Stock	5,000,000	5,000,000	5,000,000
Ending Balance, June 30	$ 21,395,892	$ 24,157,362	$ 13,659,207

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

The Captive's operating revenues totaled $146.5M for the year ended June 30, 2020, compared to $139.7M for the year ended June 30, 2019, and $97M for the year ended June 30, 2018. 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 2019/20, 2018/19, and 2017/18 are summarized as follows:

	Direct Written Premium		
Programs	**FY 2019/20**	**FY 2018/19**	**FY 2017/18**
Primary Workers Compensation Program	$ 14,924,577	$ 13,956,633	$ 10,468,619
Excess Workers Compensation Program	52,464,782	51,507,971	57,602,551
General Liability 1 Program	33,388,040	42,022,365	2,760,000
General Liability 2 Program	31,275,000	22,050,000	16,535,355
Medical Malpractice Program	1,800,000	-	-
Property Program	12,689,000	10,130,000	9,932,000
Total	**$ 146,541,399**	**$ 139,666,969**	**$ 97,298,525**

The Captive's total net incurred losses and LAE, excluding IBNR, totaled $302.9M, as of June 30, 2020 as compared to $202M as of June 30, 2019, and $110.6M as of June 30, 2018. Total incurred losses and LAE for the years ended June 30, 2020, 2019, and 2018 by line of coverage are summarized as follows:

	Incurred Losses, and LAE as of June 30,		
Programs	**2020**	**2019**	**2018**
Primary Workers Compensation Program	$ 51,332,109	$ 35,786,354	$ 25,382,166
Excess Workers Compensation Program	147,868,263	87,213,177	34,649,877
General Liability 1 Program	8,801,456	8,295,403	7,386,203
General Liability 2 Program	48,853,409	37,079,412	21,248,290
Medical Malpractice Program	63,818	-	-
Property Program	45,942,782	33,603,032	21,926,807
Total	**$ 302,861,838**	**$ 201,977,378**	**$ 110,593,343**

The Captive's other operating expenses totaled $262.6k for the year ended June 30, 2020 as compared to $197k for fiscal year 2018/19, and $150k for fiscal year 2017/18. 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 of $13.9M during the year ended June 30, 2020 as compared to $13.2M in fiscal year 2018/19, and $4.5M in fiscal year 2017/18. The investment expense for the year ended June 30, 2020, was $386k reducing the total non-operating revenue to $13.5M. Investment expense for the year ended June 30, 2019 was $267k, reducing the total non-operating revenue to $12.9M. Investment expense for the year ended June 30, 2018 was $182k, reducing the total non-operating revenue to $4.4M. The increase in investment expense is a result of a growing investment portfolio. Included in the investment income is unrealized gain of $6.7M recorded in fiscal year 2019/20 as compared to $8.1M recorded in fiscal year 2018/19, and $$1.5M unrealized gain in 2017/18. These resulted from increase in fair market values of the Captive's securities at the end of each fiscal year.

Budget to Actual Comparison

The Captive's actual operating revenues totaled $146.5M compared to budget of $107.5 for the year ended June 30, 2020. The lines of coverage included workers' compensation, general liability, and property. Major contributing factor for the increase in the actual revenue compared to budgeted revenue, is premium of $28.9M collected for the Loss Portfolio Transfer for GL1 Program with a corresponding increase in expenses for Provisions for Claims in Prior Year. In addition, investment income was over budget by $1.9M mainly due to increase in cash invested during FY 2019/20 versus what was budgeted. All programs exceeded the budgeted revenue. Program administration costs include: investment management fee, travel, State of Utah Captive fees, and banking and custody services. Actual investment management fee and travel costs were $14k, $10.5k less, respectively, than the budgeted costs for 2019/20.

	Final Budget	Actual Results	Variance ($)
Revenues:			
Contributions for Retained Risk	$ 107,447,400	146,541,399	39,093,999
Investment Income	12,000,000	13,856,688	1,856,688
Total Revenues	119,447,400	160,398,087	40,950,687
Expenses:			
Provision for Claims Current Year	97,655,000	115,460,318	(17,805,318)
Provision for Claims Prior Year	2,000,000	47,050,567	(45,050,567)
Program Administration	682,750	648,672	34,078
Appropriation for Contingencies	25,000	-	25,000
Total Expenses	100,362,750	163,159,557	(62,796,807)
Total Income (Loss)	$ 19,084,650	$ (2,761,470)	$ (21,846,120)
Change in Net Position	$ 19,084,650	$ (2,761,470)	
Beginning Net Position Balance July 1, 2019	17,052,969	19,157,362	
Capital Stock	5,000,000	5,000,000	
Ending Net Position Balance, June 30, 2020	$ 41,137,619	$ 21,395,892	

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. Equities 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

On March 11, 2020, the World Health Organization characterized coronavirus (COVID-19) as a pandemic, and on March 13th, the President of the United States declared a national emergency relating to the disease. In addition to the President's declaration, state and local authorities have recommended social distancing and have imposed quarantine and isolation measures on large portions of the population, including mandatory business closures. These measures are designed to protect the overall public health; however, are expected to have material adverse impacts on domestic and foreign economies and may result in the United States entering a period of recession. As a result of COVID-19, there has been heightened market risk and volatility associated with the pandemic, and this could materially affect investment balances and the amounts reported in the statement of net position, as mentioned above. Because of the uncertainty of the markets during this time, the Captive is unable to estimate the total impact the pandemic will have.

EXCESS INSURANCE ORGANIZATION INC.
STATEMENT OF NET POSITION
JUNE 30, 2020 AND 2019

	June 30, 2020	June 30, 2019
ASSETS:		
Current Assets:		
Cash in Banks	$ 335,419	$ 333,707
Cash, Treasury	7,545,327	5,289,012
TOTAL CASH & CASH EQUIVALENTS	7,880,746	5,622,719
Investments	49,818,129	28,155,116
Accounts Receivable		
Due from Members	-	1,744,730
Investment Income Receivable	1,348,276	1,057,300
Prepaid Expense	-	6,950
Prefunded Deposit	2,500,000	2,500,000
Due from Carrier	7,741,158	38,516,000
TOTAL CURRENT ASSETS	69,288,309	77,602,815
Noncurrent Assets:		
Investments	300,137,328	203,413,712
TOTAL NONCURRENT ASSETS	300,137,328	203,413,712
TOTAL ASSETS	369,425,637	281,016,527
LIABILITIES:		
Current Liabilities:		
Unearned Revenue	14,991,000	7,692,000
Accounts Payable	13,895,338	34,134,494
Claims Liabilities	69,557,000	62,000,000
TOTAL CURRENT LIABILITIES	98,443,338	103,826,494
Noncurrent Liabilities:		
Claims Reported	75,726,806	40,799,490
Claims Incurred But Not Reported	173,859,601	112,233,181
TOTAL NONCURRENT LIABILITIES	249,586,407	153,032,671
TOTAL LIABILITIES	348,029,745	256,859,165
NET POSITION:		
Capital Stock	5,000,000	5,000,000
Unrestricted	16,395,892	19,157,362
TOTAL NET POSITION	$ 21,395,892	$ 24,157,362

The notes to the financial statements are
an integral part to this statement.

EXCESS INSURANCE ORGANIZATION INC.
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019

	June 30, 2020	June 30, 2019
OPERATING REVENUES:		
Contributions for Retained Risk	$ 146,541,399	$ 139,666,969
TOTAL OPERATING REVENUES	146,541,399	139,666,969
OPERATING EXPENSES:		
Provision for Claims, Current Year	115,460,318	97,879,956
Provision for Claims, Prior Years	47,050,567	43,992,785
Program Expense		
Actuarial/Audit	18,000	17,500
Licensing Fees	5,250	5,250
Captive Meetings and Travel	11,554	9,835
Legal Counsel	10,423	14,997
Office Supplies, Website Hosting & Misc. Expenses	-	657
Bank Fees	67,362	48,742
TOTAL OPERATING EXPENSES	162,623,474	141,969,722
TRANSFERS IN OR (OUT):		
Transfer Out for General Administration	(150,000)	(100,000)
TOTAL TRANSFERS	(150,000)	(100,000)
OPERATING INCOME (LOSS)	(16,232,075)	(2,402,753)
NONOPERATING REVENUES (EXPENSES):		
Investment Income	13,856,688	13,167,842
Investment Expenses	(386,083)	(266,934)
TOTAL NONOPERATING REVENUE (EXPENSES)	13,470,605	12,900,908
CHANGES IN NET POSITION	(2,761,470)	10,498,155
Net Position, Beginning of Year	19,157,362	8,659,207
Capital Stock	5,000,000	5,000,000
NET POSITION, END OF YEAR	$ 21,395,892	$ 24,157,362

The notes to the financial statements are
an integral part to this statement.

EXCESS INSURANCE ORGANIZATION INC.
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019

	June 30, 2020	June 30, 2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts for Transferred Risk	$ 186,366,921	$ 99,532,239
Claims Paid	(78,643,831)	(31,352,454)
Payments for General Administration	(150,000)	(100,000)
Payments to Others	-	(18,734)
Payments to Suppliers	(108,063)	(85,197)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	107,465,027	67,975,854
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Securities	(291,423,611)	(211,732,605)
Sales of Securities	179,741,360	141,912,548
Investment Earnings	6,861,334	4,667,923
Investment Expense	(386,083)	(266,934)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(105,207,000)	(65,419,068)
INCREASE IN CASH AND CASH EQUIVALENTS	2,258,027	2,556,786
CASH AND CASH EQUIVALENTS:		
BEGINNING OF YEAR	5,622,719	3,065,933
END OF YEAR	$ 7,880,746	$ 5,622,719
RECONCILIATION OF INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating Income (Loss)	$ (16,232,075)	$ (2,402,753)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities		
Changes in Assets and Liabilities:		
Due from Members	1,744,730	(1,744,730)
Prepaid Expenses	6,950	(6,950)
Due from Carrier	30,774,842	(38,516,000)
Unearned Revenue	7,299,000	126,000
Claims Liabilities	104,110,736	82,184,951
Accounts Payable	(20,239,156)	28,335,336
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	$ 107,465,027	$ 67,975,854
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES		
Unrealized gain/(loss) on investments	$ 6,704,378	$ 8,138,100

The notes to the financial statements are an integral part to this statement.

EXCESS INSURANCE ORGANIZATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2020 and 2019

(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 Utah Insurance Department.

PRISM is the sole member of the Captive. 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 program including workers' compensation, general liability, 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 Primary Workers' Compensation Program. All coverages are provided on an occurrence basis and feature aggregate loss limits, also known as corridors.

For program year 2019/20, the Captive underwrote PRISM's programs, providing coverage of $126.6M to the corridors spread amongst various programs of PRISM, as follows:

- The Captive retained $15.3M for a corridor in the PRISM's $10k to $125k layer in their Primary Workers Compensation Program.
- The Captive retained $49.3M 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.
- The Captive retained $7.7M 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 $3.5M for a corridor in PRISM's $5M excess $10M layer in their General Liability 1 Program, and a $1.1M for the Deductible Buy-Down Program.

  The corridor for PRISM's $5M excess $10M layer is $15.1M in total and will be spread over a period of 3 years from July 1, 2018 to June 30, 2021.
- The Captive retained $27.8M for a corridor in PRISM's members' self-insured retention to $10M layer and $7M for a corridor in PRISM's members' self-insured retention to $15M layer in their General Liability 2 Program.
- The Captive retained $10.4M for a corridor in PRISM's members' deductibles to $3M layer in their Property Program from March 31, 2019 to March 31, 2020. A prorated risk of $7.8M was recorded in fiscal year 2019/20. The Captive retained $20.4M for a corridor in PRISM's members' deductibles to $3M layer in their Property Program from March 31, 2020 to March 31, 2021. A prorated risk of $5.1M was recorded in fiscal year 2019/20.
- The Captive retained $2M for a corridor in PRISM's Medical Malpractice Program.

For program year 2018/19, the Captive underwrote PRISM's programs, providing coverage of $197.3M to the corridors spread amongst various programs of PRISM, as follows:

- The Captive retained $14.3M for a corridor in PRISM's $10k to $125k layer in their Primary Workers Compensation Program.
- The Captive retained $48.3M 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.

- The Captive retained \$7.0M 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 \$2.5M for a corridor in PRISM's \$5M excess \$10M layer in their General Liability 1 Program, a \$1.1M for the Deductible Buy-Down Program, and \$48.8M for the GL1 Loss Portfolio Transfer in FY 2018/19. The LPT exposure increased to \$89.2M at 6/30/20.

  The corridor for PRISM's \$5M excess \$10M layer is \$15.1M in total and will be spread over a period of 3 years from July 1, 2018 to June 30, 2021.
- The Captive retained \$24.5M for a corridor in PRISM's members' self-insured retention to \$10M layer in their General Liability 2 Program.
- The Captive retained \$10.4M for a corridor in PRISM's members' deductibles to \$3M layer in their Property Program from March 31, 2019 to March 31, 2020. A prorated risk of \$2.6M was recorded in fiscal year 2018/19.

(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 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, 2019 and 2020 balances in the receivable accounts are considered 100% collectible.

E. *Prefunded Deposit*

Prefund Deposit represents upfront payments to PRISM for claims to be paid in the future. PRISM holds $2.5M as prefunded deposit from the Captive at June 30, 2020 and 2019.

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. ***Contributions for Retained Risk***

The Captive currently retains all 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.

I. ***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 2.7% and 3.45% discount rate for fiscal years 2019/20 and 2018/19, respectively. 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.

J. ***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.

K. ***Income Taxes***

The Captive is organized and operated substantially to provide insurance and reinsurance solely for its member, 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.

L. ***Management Estimates***

The preparation of financial statements, in conformity with 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.

(3) Cash

A. ***Cash and Cash Equivalents***

The Captive’s cash and cash equivalents at June 30, 2020 and 2019 are reported at fair value and consist of the following:

	June 30, 2020	June 30, 2019
Cash in Bank, General Checking	$ 335,419	$ 333,707
Money Market	7,545,327	5,289,012
	$ 7,880,746	$ 5,622,719

B. ***Custodial Credit Risk***

The carrying amount of the Captive's total cash in banks was $335,419 at June 30, 2020 and $333,707 at June 30, 2019. The bank balance was $299,224 at June 30, 2020 and $333,707 at June 30, 2019, and these balances were partially insured by the Federal Deposit Insurance Corporation (FDIC). As of June 30, 2020 and June 30, 2019, $49,224 and $83,707 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 out 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, 2020 and 2019 are summarized in the following table. The credit quality rating used is Standard and Poor's, a nationally recognized rating agency.

		June 30, 2020		June 30, 2019	
Investments	Credit Quality Rating	Fair Value	%	Fair Value	%
U.S. Treasury Notes	AA+	$ 126,865,563	36.4%	$ 67,936,925	29.3%
U.S. Agencies	AA+ to A-1+	31,357,877	9.0%	21,545,267	9.3%
Asset Backed Securities	AAA	11,978,288	3.4%	4,262,639	1.8%
Asset Backed Securities	NR*	5,084,684	1.5%	3,997,773	1.7%
Corporate Notes	AAA to A+	16,081,147	4.6%	6,882,747	3.1%
Corporate Notes	A to BBB	71,181,789	20.3%	44,553,599	19.2%
Supranationals	AAA to A-1+	3,570,966	1.0%	1,139,927	0.5%
Supranationals	NR*	1,540,542	0.4%	1,507,973	0.7%
Commercial Paper	A-1+ to A-1	2,987,964	0.9%	3,067,937	1.3%
Foreign Corporate Notes	AAA to A	-	0.0%	5,741,235	2.5%
Negotiable CDs	A-1+ to A-1	-	0.0%	550,632	0.2%
Mortgage Pass Thru	Aaa	4,705,828	1.3%	7,169,416	3.1%
International Equity	NR	7,499,581	2.1%	9,443,478	4.1%
International Real Estate	NR	1,456,721	0.4%	1,258,906	0.5%
Large Cap US Equity	NR	26,334,799	7.5%	15,368,560	6.6%
Mid Cap US Equity	NR	11,153,404	3.2%	6,274,209	2.7%
Real Estate	NR	7,161,151	2.0%	5,748,735	2.5%
Emerging Market Equity	NR	3,832,980	1.1%	6,193,559	2.7%
Small Cap US Equity	NR	17,162,173	4.9%	18,925,311	8.2%
Total Investments		$ 349,955,457	100.00%	$ 231,568,828	100.00%

NR - Not Rated

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

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, 2020 consist of the following:

	Fair Value	Less than 1 Year	One to Five Years	Time to Maturity
U.S. Agencies	$ 31,357,877	$ 4,314,689	$ 27,043,188	3.28
Asset Backed Securities	17,062,972	-	17,062,972	2.76
Corporate Mid Term Notes	87,262,936	5,193,510	82,069,426	4.64
Supranationals	5,111,508	1,464,007	3,647,501	2.37
Mortgage Pass Thru	4,705,828	-	4,705,828	27.51
Commercial Paper	2,987,964	2,987,964	-	0.10
U.S. Treasuries	126,865,563	35,857,959	91,007,604	3.71
Totals	$ 275,354,648	$ 49,818,129	$ 225,536,519	3.34

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

Maturities of investments held at June 30, 2019 consist of the following:

	Fair Value	Less than 1 Year	One to Five Years	Time to Maturity
U.S. Agencies	$ 21,545,267	$ 7,875,585	$ 13,669,682	5.17
Asset Backed Securities	8,260,412	4,646	8,255,766	2.84
Corporate Mid Term Notes	51,436,347	1,901,821	49,534,526	30.69
Municipal Bonds	-	-	-	-
Supranationals	2,647,899	-	2,647,899	0.73
Mortgage Pass Thru	7,169,416	-	7,169,416	24.81
Negotiable CDs	550,632	550,632	-	0.02
Commercial Paper	3,067,937	3,067,937	-	0.05
Foreign Corporate	5,741,235	-	5,741,235	2.71
U.S. Treasuries	67,936,925	14,754,495	53,182,430	30.70
Totals	$ 168,356,070	$ 28,155,116	$ 140,200,954	3.49

*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 gain of $6.7M and $8.1M for the years ended June 30, 2020 and 2019, respectively.

EXCESS INSURANCE ORGANIZATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2020 and 2019

The calculation of unrealized gains and losses are shown in the following tables:

	June 30, 2020	June 30, 2019
Beginning Fair Value	$ 231,568,828	$ 153,610,671
Less: Investments Disposed	(179,741,360)	(141,912,548)
Add: Investments Purchased	291,423,611	211,732,605
Less Ending Fair Value	(349,955,457)	(231,568,828)
Unrealized Gain/(Loss) in the year	$ 6,704,378	$ 8,138,100

Unrealized gains and losses by Asset type for June 30, 2020 are shown below:

	Beginning Fair Value At July 1, 2019	Purchases	Dispositions	Subtotal	Ending Fair Value At June 30, 2020	Unrealized Gain/(Loss) in the year
U.S. Agencies	$ 21,545,267	$ 22,150,161	$ (13,071,482)	$ 30,623,946	$ 31,357,877	$ 733,931
Asset Based Securities	8,260,412	14,524,280	(6,796,955)	15,987,737	17,062,972	1,075,235
Corporate Notes	57,177,582	43,168,557	(16,251,519)	84,094,620	87,262,936	3,168,316
Mortgage Pass Thru	7,169,416	-	(2,482,357)	4,687,059	4,705,828	18,769
Certificates of Deposit	550,632	1,000,049	(1,550,000)	681	-	(681)
Commercial Paper	3,067,937	12,748,084	(12,828,057)	2,987,964	2,987,964	-
Supranationals	2,647,899	2,391,582	-	5,039,481	5,111,508	72,027
U.S. Treasuries	67,936,925	167,765,992	(113,968,840)	121,734,077	126,865,563	5,131,486
International Equity	9,443,478	2,460,652	(260,444)	11,643,686	7,499,581	(4,144,105)
International Real Estate	1,258,906	558,496	-	1,817,402	1,456,721	(360,681)
Large Cap US Equity	15,368,560	10,160,489	-	25,529,049	26,334,799	805,750
Mid Cap US Equity	6,274,209	5,603,729	-	11,877,938	11,153,404	(724,534)
Real Estate	5,748,735	2,206,834	-	7,955,569	7,161,151	(794,418)
Emerging Market Equity	6,193,559	1,844,939	(12,531,706)	(4,493,208)	3,832,980	8,326,188
Small Cap US Equity	18,925,311	4,839,767	-	23,765,078	17,162,173	(6,602,905)
Totals	$ 231,568,828	$ 291,423,611	$ (179,741,360)	$ 343,251,079	$ 349,955,457	$ 6,704,378

Unrealized gains and losses by Asset type for June 30, 2019 are shown below:

	Beginning Fair Value At July 1, 2018	Purchases	Dispositions	Subtotal	Ending Fair Value At June 30, 2019	Unrealized Gain/(Loss) in the year
U.S. Agencies	$ 13,209,637	$ 51,945,822	$ 43,299,973	$ 21,855,486	$ 21,545,267	$ (310,219)
Asset Based Securities	3,539,219	5,420,824	3,090,855	5,869,188	8,260,412	2,391,224
Corporate Notes	33,247,653	23,135,259	4,268,977	52,113,935	51,436,347	(677,588)
Mortgage Pass Thru	-	6,242,269	1,234,804	5,007,465	7,169,416	2,161,951
Certificates of Deposit	499,238	1,552,444	750,000	1,301,682	550,632	(751,050)
Commercial Paper	3,363,104	9,582,126	8,365,613	4,579,617	3,067,937	(1,511,680)
Supranationals	1,105,945	4,703,178	3,244,803	2,564,320	2,647,899	83,579
U.S. Treasuries	36,132,531	100,265,747	71,239,136	65,159,142	67,936,925	2,777,783
Foreign Corporate Notes	2,558,666	978,045	-	3,536,711	5,741,235	2,204,524
International Equity	5,663,143	3,974,684	-	9,637,827	9,443,478	(194,349)
International Real Estate	1,164,165	70,002	-	1,234,167	1,258,906	24,739
Large Cap US Equity	20,233,278	-	6,418,387	13,814,891	15,368,560	1,553,669
Mid Cap US Equity	6,132,259	159,922	-	6,292,181	6,274,209	(17,972)
Real Estate	3,194,876	2,276,416	-	5,471,292	5,748,735	277,443
Emerging Market Equity	5,245,376	935,640	-	6,181,016	6,193,559	12,543
Small Cap US Equity	18,321,581	490,227	-	18,811,808	18,925,311	113,503
Totals	$ 153,610,671	$ 211,732,605	$ 141,912,548	$ 223,430,728	$ 231,568,828	$ 8,138,100

C. ***Concentration of Credit Risk***

The Captive's investment policy places long-term asset allocation targets stated below:

	Captive's Target
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 40% of the aggregated surplus of PRISM and the Captive.

The investments in the Captive's portfolio as of June 30, 2020 and 2019 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.

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:

U.S. Agency Bonds, U.S. Treasury Notes, Asset Backed Securities, Corporate Mid-Term Notes, Foreign Corporate Notes, Supranationals and Commercial Paper are valued using Level 2 inputs. International equity, international real estate, large cap equity, mid cap equity, real estate, emerging market equity, negotiable CDs, mortgage pass through, and small cap U.S. equity are valued using Level 1 inputs.

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, 2020 and 2019.

Investment type	**Assets at Fair Value as of June 30, 2020**		
	Level 1	**Level 2**	**Level 3**
U.S. Agencies	$ -	$ 31,357,877	$ -
Asset Backed Securities	-	17,062,972	-
Corporate Medium Term Notes	-	87,262,936	-
Supranationals	-	5,111,508	-
Commercial Paper	-	2,987,964	-
U.S. Treasuries	-	126,865,563	-
International Equity	7,499,581	-	-
International Real Estate	1,456,721	-	-
Large Cap US Equity	26,334,799	-	-
Mid Cap US Equity	11,153,404	-	-
Real Estate	7,161,151	-	-
Emerging Market Equity	3,832,980	-	-
Small Cap US Equity	17,162,173	-	-
Mortgage Pass Thru	4,705,828	-	-
Total	$ 79,306,637	$ 270,648,820	$ -

Investment type	**Assets at Fair Value as of June 30, 2019**		
	Level 1	**Level 2**	**Level 3**
US Agencies	$ -	$ 21,545,267	$ -
Asset Backed Securities	-	8,260,412	-
Corporate Medium Term Notes	-	51,436,347	-
Foreign Corporate Notes	-	5,741,235	-
Supranationals	-	2,647,899	-
Commercial Paper	-	3,067,937	-
US Treasuries	-	67,936,925	-
International Equity	9,443,478	-	-
International Real Estate	1,258,906	-	-
Negotiable Certificates of Deposit	550,632	-	-
Large Cap US Equity	15,368,560	-	-
Mid Cap US Equity	6,274,209	-	-
Real Estate	5,748,735	-	-
Emerging Market Equity	6,193,559	-	-
Small Cap US Equity	18,925,311	-	-
Mortgage Pass Thru	7,169,416	-	-
Total	$ 70,932,806	$ 160,636,022	$ -

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, 2020 of $356.6M have been presented at the net present value of $319.1M, using a 2.7% discount rate. For fiscal year June 30, 2019, total claim liabilities of $247.3M have been presented at the net present value of $215M, using a 3.45% discount rate.

In 2018/19, the PRISM Board 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 Program's funding position, and also providing coverage for liabilities over the next 5 years (through June 30, 2024). Part of that deal was a corridor that sits from $171M to $308M in payments that was transferred to the Captive. The claims liabilities in that corridor increased from $38.5M at June 30, 2019 to $78.8M at June 30, 2020. This corridor was transferred to the Captive for an original premium of $38.5M in 2018/19 and additional premium of $28.9M in 2019/20 for a total premium of $67.5M for all claims from July 1, 2007 to June 30, 2020. More payments will be transferred for this layer as we progress 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. The following represents undiscounted and discounted claims liabilities as of June 30, 2020 by each line of coverage:

	Claims Liabilities As of June 30, 2020	
Programs	**Undiscounted**	**Discounted**
Primary Workers Compensation Program	$ 22,355,125	$ 21,298,249
Excess Workers Compensation Program	161,765,808	140,198,591
General Liability 1 Program	96,958,704	86,291,371
General Liability 2 Program	69,223,212	65,531,840
Property Program	4,359,866	1,820,708
Medical Malpractice	1,936,182	4,002,648
Total	**$ 356,598,897**	**$ 319,143,407**

The following represents undiscounted and discounted claims liabilities as of June 30, 2019 by each line of coverage:

	Claims Liabilities As of June 30, 2019	
Programs	**Undiscounted**	**Discounted**
Primary Workers Compensation Program	16,894,163	$ 15,753,661
Excess Workers Compensation Program	127,981,298	110,284,184
General Liability 1 Program	52,446,657	41,947,690
General Liability 2 Program	47,500,286	44,729,544
Property Program	2,455,496	2,317,592
Total	**$ 247,277,900**	**$ 215,032,671**

The following represents changes in those aggregate liabilities on a discounted basis for the Captive for the years ended June 30, 2020 and 2019:

		June 30, 2020	June 30, 2019
A.	Unpaid claims and claim adjustment expenses at the beginning of the fiscal year	$ 215,032,671	$ 132,847,720
	Incurred claims and claim adjustment expenses:		
	Provision for claims of the current fiscal year	115,460,318	97,879,956
	Increase (Decrease) in the provision for claims of prior fiscal years	47,050,567	43,992,785
B.	Total incurred claims and claim adjustment expenses	162,510,885	141,872,741
	Payments:		
	Claims and claim adjustment expenses attributable to insured events of the current fiscal year	15,800,219	15,791,865
	Claims and claim adjustment expenses attributable to insured events of prior fiscal years	42,599,930	43,895,925
C.	Total Payments	58,400,149	59,687,790
D.	Total unpaid claims and claim adjustment expenses at the end of the fiscal year (A+B-C)	$ 319,143,407	$ 215,032,671
	Current Claim Liabilities	$ 69,557,000	$ 62,000,000
	Noncurrent Claim Liabilities	249,586,407	153,032,671
	Total Claim Liabilities	$ 319,143,407	$ 215,032,671

(6) Net Position

Net position represents the capital stock of $5M, and unrestricted net position of $16.4M as of June 30, 2020, for a total of $21.4M. At June 30, 2019, Net position represented the capital stock of $5M, and unrestricted net position of $19.2M for a total of $24.2M. The unrestricted net position balances are available for future operations or distribution.

(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 were $146.5M and $139.7M for the program years 2019/20 and 2018/19, respectively.

Various payments were made by PRISM on behalf of the Captive. Claims and services overhead allocation expense was $58.6M for the year ended June 30, 2020, of which $13.9M is unpaid as of June 30, 2020. For the year ended June 30, 2019, the claims and services overhead allocation expense was $59.8M, out of which $34.1M was unpaid at June 30, 2019. Unpaid amounts as of June 30, 2020 and 2019 are reported as Accounts Payable in the statement of net position.

The Captive received $12.7M from PRISM for revenues in the Property Program for the period March 31, 2019 to March 31, 2020. Deferred revenue of $15M was reflected in the financial statements as of June 30, 2020.

The Captive paid PRISM a prefunded deposit in the Property Program to front monies for payment of claims. As of June 30, 2020 and 2019, the Captive reflected $2.5M as prefunded deposit in the financial statements.

PRISM owed the Captive a premium for the GL1 LPT corridor in the amount of $7.7M and $38.5M at June 30, 2020 and 2019, respectively. These amount were reflected in the Captive’s accounts receivable at those dates.

(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 the year ended June 30, 2020 and $100k for the year ended June 30, 2019.

REQUIRED SUPPLEMENTAL INFORMATION

EXCESS INSURANCE ORGANIZATION, INC.
RECONCILIATION OF UNPAID CLAIMS LIABILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020 AND 2019

		Primary Workers' Compensation	Excess Workers' Compensation	General Liability 1	General Liability 2	Property	Medical Malpractice	Total June 30, 2020	Total June 30, 2019
A.	Unpaid Claims and Claim Adjustment Expenses at the Beginning of the Fiscal Year	$ 15,753,661	$ 110,284,184	$ 41,947,690	$ 44,729,544	$ 2,317,592	$ -	$ 215,032,671	$132,847,720
	Incurred Claims and Claim Adjustment Expenses:								
	Provision for Claims								
	Current Fiscal Year	14,801,396	49,431,256	4,408,358	32,392,000	12,542,782	1,884,526	115,460,318	97,879,956
	Prior Fiscal Years	668,392	4,374,374	40,432,527	1,437,369	137,905	-	47,050,567	43,992,785
B.	Total Incurred	15,469,788	53,805,630	44,840,885	33,829,369	12,680,687	1,884,526	162,510,885	141,872,741
	Payments:								
	Attributable to insured events of the								
	Current Fiscal Year	2,043,656	5,044,046	108,565	-	8,540,134	63,818	15,800,219	15,791,865
	Prior Fiscal Years	7,881,544	18,847,177	388,639	13,027,073	2,455,497	-	42,599,930	43,895,925
C.	Total Payments	9,925,200	23,891,223	497,204	13,027,073	10,995,631	63,818	58,400,149	59,687,790
D.	Total Unpaid Claims and Claim Claim Adjustment Expenses at end of the Fiscal Year (A+B-C)	$ 21,298,249	$ 140,198,591	$ 86,291,371	$ 65,531,840	$ 4,002,648	$ 1,820,708	$ 319,143,407	$215,032,671
	Claims Reported	$ 17,434,149	$ 100,487,856	$ 307,293	$ 23,051,859	$ 4,002,648	$ -	$ 145,283,805	$102,799,490
	Claims Incurred But Not Reported	3,864,100	39,710,735	85,984,078	42,479,981	-	1,820,708	173,859,602	112,233,181
	Unallocated Loss Adjustment Expenses	-	-	-	-	-	-	-	-
	Total Claim Liabilities	$ 21,298,249	$ 140,198,591	$ 86,291,371	$ 65,531,840	$ 4,002,648	$ 1,820,708	$ 319,143,407	$215,032,671
	Current Claim Liabilities	$ 12,865,602	$ 23,335,237	$ 3,721,056	$ 28,263,385	$ 922,928	$ 448,792	$ 69,557,000	$ 62,000,000
	Noncurrent Claim Liabilities	8,432,647	116,863,354	82,570,315	37,268,455	3,079,720	1,371,916	249,586,407	153,032,671
	Total Claim Liabilities	$ 21,298,249	$ 140,198,591	$ 86,291,371	$ 65,531,840	$ 4,002,648	$ 1,820,708	$ 319,143,407	$215,032,671

EXCESS INSURANCE ORGANIZATION, INC.
RECONCILIATION OF UNPAID CLAIMS LIABILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

		Primary Workers' Compensation	Excess Workers' Compensation	General Liability 1	General Liability 2	Property	Total June 30, 2019
A.	Unpaid Claims and Claim Adjustment Expenses at the Beginning of the Fiscal Year	$ 13,562,295	$ 76,658,052	$ 7,486,988	$ 32,702,990	$ 2,437,395	$ 132,847,720
	Incurred Claims and Claim Adjustment Expenses:						
	Provision for Claims						
	Current Fiscal Year	13,732,530	47,544,736	3,431,590	22,748,242	10,422,858	97,879,956
	Prior Fiscal Years	611,727	3,184,472	38,893,798	1,302,788	-	43,992,785
B.	Total Incurred	14,344,257	50,729,208	42,325,388	24,051,030	10,422,858	141,872,741
	Payments:						
	Attributable to insured events of the						
	Current Fiscal Year	1,889,191	5,873,048	85,123	-	7,944,503	15,791,865
	Prior Fiscal Years	10,263,700	11,230,028	7,779,563	12,024,476	2,598,158	43,895,925
C.	Total Payments	12,152,891	17,103,076	7,864,686	12,024,476	10,542,661	59,687,790
D.	Total Unpaid Claims and Claim Claim Adjustment Expenses at end of the Fiscal Year (A+B-C)	$ 15,753,661	$ 110,284,184	$ 41,947,690	$ 44,729,544	$ 2,317,592	$ 215,032,671
	Claims Reported	$ 11,813,592	$ 63,723,988	$ 298,443	$ 24,304,935	$ 2,658,532	$ 102,799,490
	Claims Incurred But Not Reported	3,940,069	46,560,196	41,649,247	20,424,609	(340,940)	112,233,181
	Unallocated Loss Adjustment Expenses	-	-	-	-	-	-
	Total Claim Liabilities	$ 15,753,661	$ 110,284,184	$ 41,947,690	$ 44,729,544	$ 2,317,592	$ 215,032,671
	Current Claim Liabilities	$ 11,567,951	$ 25,624,588	$ 2,098,563	$ 20,391,306	$ 2,317,592	$ 62,000,000
	Noncurrent Claim Liabilities	4,185,710	84,659,596	39,849,127	24,338,238	-	153,032,671
	Total Claim Liabilities	$ 15,753,661	$ 110,284,184	$ 41,947,690	$ 44,729,544	$ 2,317,592	$ 215,032,671

EXCESS INSURANCE ORGANIZATION, INC.
REQUIRED SUPPLEMENTAL INFORMATION
NOTES TO EARNED PREMIUMS AND CLAIMS DEVELOPMENT INFORMATION
FOR THE TEN-YEAR PERIOD ENDED JUNE 30, 2020

The following schedule illustrates how earned premiums (net of reinsurance) and investment income of the Fund compared to related costs of loss (net of loss assumed by reinsurers) and other expenses assumed by the Fund 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 Fund (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.

EXCESS INSURANCE ORGANIZATION, INC.
SCHEDULE OF EARNED PREMIUM AND CLAIMS DEVELOPMENT
FOR THE TEN YEAR PERIOD ENDED JUNE 30, 2020

	POLICY YEAR	**June 30, 2017***	**June 30, 2018**	**June 30, 2019****	**June 30, 2020**
	Earned Premiums	$ 78,109,714	$ 97,072,905	$ 167,902,085	$ 116,957,339
	Investment Earnings	8,375,924	8,971,111	9,382,455	6,270,899
1.	Total Revenues Available For Payment of Claims	86,485,638	106,044,016	177,284,540	123,228,238
2.	Unallocated Loss Adjustment Expense	-	-	-	-
3.	Estimated Incurred Claims	75,803,096	93,571,460	136,235,191	115,460,318
	Less Ceded Claims	-	-	-	-
	Net Incurred Claims and Expenses, End of Policy Year	75,803,096	93,571,460	136,235,191	115,460,318
4.	Cumulative Paid Claims as of:				
	End of the Policy Year	15,161,362	14,402,517	15,791,866	15,800,219
	One Year Later	25,087,580	34,315,031	31,499,850	-
	Two Years Later	49,070,991	48,376,052	-	-
	Three Years Later	61,901,911	-	-	-
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
	One Year Later	78,766,357	96,621,991	180,278,594	-
	Two Years Later	81,353,377	99,213,918	-	-
	Three Years Later	81,768,607	-	-	-
7.	Increase (Decrease) in Estimated Incurred Claims and Expense from End of the Policy Year	$ 5,965,511	$ 5,642,458	$ 44,043,403	$ -

*Excess Insurance Organization, Inc. established July 1, 2016
**GL1 LPT corridor included in 2018/19 program year