ARC

PRISM Affiliate Risk Captive

FINANCIAL STATEMENTS WITH INDEPENDENT AUDITOR'S REPORT JUNE 30, 2022 AND 2021

PRISM Affiliate Risk Captive

June 30, 2022 and 2021

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ARC
Affiliate Risk Captive

December 8, 2022

Members, Board of Directors
PRISM Affiliate Risk Captive

Ladies and Gentlemen:

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

On June 30, 2022, the Captive celebrated the completion of its sixth year of operations. For the most part, the Captive took on the risk transferred from PRISM within fixed corridors (where the amount of coverage is a known dollar amount and there is no actuarial risk) in the workers' compensation, liability, and property programs. In 2018/19, PRISM transferred risk associated with a Loss Portfolio Transfer (LPT) from its General Liability 1 Program to ARC. The liability for this LPT is not limited to a specified corridor, and funding from PRISM to the Captive is reevaluated annually with respect to this risk. Additionally, starting with 2019/20, PRISM's Property Program began to transfer $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 $911M across all participating programs as of June 30, 2022.

The initial purpose for forming the Captive was to provide a better rate of return on investments by matching the long-term liabilities of PRISM with a more diversified portfolio of investments than what is afforded in the California regulatory framework. This had proved beneficial in the majority of the years of the Captive's operations. The total return on the Captive's portfolios was 7.28% for the year ended June 30, 2021; much higher than a rate of return on PRISM's portfolio of 0.21% for the same period. The total return on the Captive's portfolios was 4.12% for the year ended June 30, 2020; slightly lower than the rate of return on PRISM's portfolio of 4.81% for the same period. However, for the year ended June 30, 2022 the Captive recognized unrealized losses nearing $56.9M due to mark to market adjustments on its equity and fixed income holdings. This was the result of volatility in the equities market coupled with rising interest rates in the bond market. For the fiscal year ended June 30, 2022, the Captive recognized investment losses of $48.6M; $56.9M of which reflects unrealized losses on fair market value of investments. These losses coincided with adverse claims development in prior program years and resulted in a large drop to the Captive's net position. In response, PRISM made an additional capital contribution of $3.5M to ARC.

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

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

Gilbert CPAs, Certified Public Accountants, has issued an unmodified opinion that the Captive's financial statements, for the fiscal years ended June 30, 2022 and 2021, are fairly presented in conformity with Generally Accepted Accounting Principles. The independent auditor's report is presented in this document.

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

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

Respectfully Submitted,

Gina Dean

Gina Dean
President

Puneet Behl

Puneet Behl, CPA
Chief Financial Officer

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of PRISM Affiliate Risk Captive (the Captive) as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Captive's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Captive as of June 30, 2022 and 2021, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Captive and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Captive's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing

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standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Captive's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Captive's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2022, on our consideration of the Captive's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Captive's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Captive's internal control over financial reporting and compliance.

Gilbert CPAs

GILBERT CPAs
Sacramento, California

November 18, 2022

PRISM AFFILIATE RISK CAPTIVE
MANAGEMENT'S DISCUSSION & ANALYSIS

The following discussion and analysis provides an overview of the financial position of the PRISM Affiliate Risk Captive (ARC or the Captive, formerly Excess Insurance Organization, Inc.) and its activities for the fiscal years ended June 30, 2022 and 2021. 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, 2022 and 2021; 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, 2022 and 2021; the Statement of Cash Flows, which displays information pertaining to cash receipts and disbursements for the years ended June 30, 2022 and 2021; and the notes to the financial statements.

Notes to the Financial Statements

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

Insurance Activity

Effective July 1, 2016, the Captive reinsures portions of various PRISM programs. For the most part, the Captive underwrites aggregated risk corridors of PRISM for certain layers within its property and casualty programs including excess workers' compensation, general liability, medical malpractice and property programs. In fiscal year 2016/17, a loss portfolio was also transferred and covered by the Captive for PRISM's older claims in the Excess Workers' Compensation Program. In the 2019/20 and 2020/21 fiscal years, PRISM's Property Program transferred $10M of aggregated earthquake risk to the Captive, which was not fully funded; however, the expected loss for that risk was zero based on the very high attachment point (excess of $340M). Discounted liabilities of $212M are from the corridor risk resulting from PRISM's Loss Portfolio Transfer deal with MultiStrat Re and are included in these financial statements at June 30, 2022.

Following is the breakdown of undiscounted ultimate losses of the Captive for the 2021/22, 2020/21, and the 2019/20 program years:

	Ultimate Losses		
Programs	**2021/22**	**2020/21**	**2019/20**
Primary Workers' Compensation Program	$ 15,554,869	$ 14,339,526	$ 15,010,816
Excess Workers' Compensation Program	68,388,863	52,058,953	57,298,237
General Liability 1 Program	1,016,952	4,463,123	8,254,165
General Liability 2 Program	-	43,861,098	34,750,000
Medical Malpractice Program	1,495,891	2,000,000	2,000,000
Property Program	37,200,000	20,775,000	12,900,000
Total	**$ 123,656,575**	**$ 137,497,700**	**$ 130,213,218**

Expanded/Amended Business Plan

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

For the 2021/22 program year, ARC offered coverage to three public entity CUBs: Arizona School Risk Retention Trust; City of Portland, Oregon; and County of Pima, Arizona

Condensed Statement of Net Position

The Condensed Statement of Net Position in this MD&A presents the financial position of the Captive at June 30, 2022, 2021, and 2020. 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, 2022, 2021, and 2020 are summarized as follows:

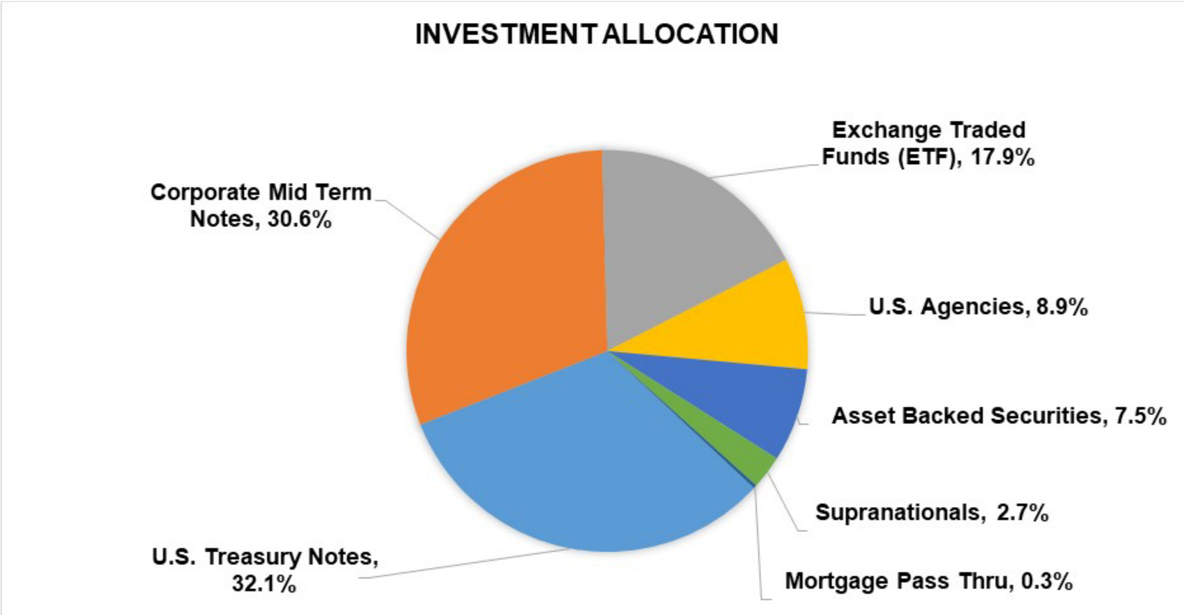
	June 30, 2022	June 30, 2021	June 30, 2020
Cash and Cash Equivalents	$ 5,132,649	$ 3,662,892	$ 7,880,746
Investments	504,526,582	490,822,875	349,955,457
Other Assets	31,100,755	4,115,552	11,589,434
Total Assets	540,759,986	498,601,319	369,425,637
Current Liabilities	221,670,939	139,523,550	98,443,338
Non Current Liabilities	318,782,882	330,226,135	249,586,407
Total Liabilities	540,453,821	469,749,685	348,029,745
Capital Stock	8,500,000	5,000,000	5,000,000
Unrestricted Net Position	(8,193,835)	23,851,634	16,395,892
Total Net Position	$ 306,165	$ 28,851,634	$ 21,395,892

Assets: The assets of the Captive totaled $541M at June 30, 2022 as compared to $499M at June 30, 2021, and $369M as of June 30, 2020. The majority of assets are in cash or investments and are provided by current year operating activities, which includes the collection of premiums of $176M in fiscal year 2021/22, $182M in fiscal year 2020/21, and $146.5M in fiscal year 2019/20, much of which could then be invested as claims are paid over a longer period. Current assets typically include investment income receivable, 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, 2022, current assets also included $21.8M and $3.5M due from PRISM to ARC for contributions for retained risk and for an additional capital contribution, respectively.

At June 30, 2022, 2021, and 2020, all cash was held in a bank, a money market account, or investment portfolios managed by Chandler Asset Management (CAM or Chandler), a professional investment management firm. The basic investment objective of the Captive is to foster a prudent and systematic investment program designed to seek ARC objectives through a diversified investment program. The Captive investments are comprised of three portfolios: Liquidity, Core Fixed, and Equity portfolios, separated not only to identify the cash flow needs of the Captive, but to also track the maturity and returns on different categories of investments separately. Total return strategies are employed to take advantage of disparities in the market to improve quality and yield, while maintaining liquidity.

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

The Captive's investments at June 30, 2022 are summarized as follows:



Liabilities: The liabilities of the Captive totaled $540M, $470M, and $348M at June 30, 2022, 2021, and 2020, respectively. The liabilities are mainly comprised of reserves for losses and Loss Adjustment Expenses (LAE) incurred from current and prior period operations and the loss portfolios transferred to the Captive in fiscal year 2016/17 and 2018/19. Liabilities include discounted Loss Portfolio Transfer for the General Liability 1 Program estimated at $212M, $147M, and $79M at June 30, 2022, 2021, and 2020, respectively.

Accounts Payable relate to the claims paid by PRISM billed back to the Captive for the latter part of fiscal years 2022, 2021, and 2020. The unearned revenue at June 30, 2020 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, 2022, 2021, and 2020 are summarized as follows:

Reserves and IBNR As of June 30,			
Programs	**2022**	**2021**	**2020**
Primary Workers' Compensation Program	$ 21,188,925	$ 20,629,881	$ 21,298,249
Excess Workers' Compensation Program	185,974,932	154,943,204	140,198,591
General Liability 1 Program	214,723,154	158,885,076	86,291,371
General Liability 2 Program	69,024,923	89,598,879	65,531,840
Medical Malpractice Program	3,167,218	2,862,883	1,820,708
Property Program	3,360,891	5,220,898	4,002,648
Total	**$ 497,440,043**	**$ 432,140,821**	**$ 319,143,407**

Net Position: Net position was in a surplus and totaled $306k at June 30, 2022, $28.9M at June 30, 2021, and $21.4M at June 30, 2020. These amounts include $8.5M of Capital Stock issued by the Captive for the paid in capital contributed by PRISM at June 30, 2022 and $5M at June 30, 2021 and 2020.

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, 2022. The Department may require additional capital based on the volume and type of risk to be retained. At inception, the Captive was capitalized with paid-in capital of $5M based on its approved business plan. An additional $3.5M was contributed to ARC by PRISM during the 2021/22 fiscal year. All dividends currently require regulatory approval prior to payment. No dividends were declared or paid during the years ended June 30, 2022, 2021, and 2020.

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, 2022, 2021, and, 2020 are summarized as follows:

	June 30, 2022	June 30, 2021	June 30, 2020
Operating Revenues:			
Premiums for Transferred Risk			
Admin & Broker Fees	$ 2,174,368	$ 1,613,201	$ -
Contributions for Retained Risk	173,482,134	180,356,538	146,541,399
Total Operating Revenues	175,656,502	181,969,739	146,541,399
Operating Expenses:			
Insurance Expense & Broker Fees	2,101,292	1,613,201	-
Provisions for Claims	156,007,827	205,057,044	162,510,885
Other Expenses	260,983	274,243	262,589
*Total Operating Expenses	158,370,102	206,944,488	162,773,474
Operating Income (Loss)	17,286,400	(24,974,749)	(16,232,075)
Nonoperating Revenues (Expenses):			
Investment Income (Loss) & Financing Fees	(49,331,869)	32,430,491	13,470,605
Total Nonoperating Revenues (Expenses)	(49,331,869)	32,430,491	13,470,605
Changes in Net Position	(32,045,469)	7,455,742	(2,761,470)
Net Position Beginning of Year	23,851,634	16,395,892	19,157,362
Additional Paid in Capital	8,500,000	5,000,000	5,000,000
Ending Balance	$ 306,165	$ 28,851,634	$ 21,395,892

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

The Captive's operating revenues totaled $176M for the year ended June 30, 2022, compared to $182M for the year ended June 30, 2021, and $146.5M for the year ended June 30, 2020. In 2021/22, $173.5M of the premiums collected was for retained risk, whereas $2.1M was for transferred risk for out of state entities. The lines of coverage included workers' compensation, general liability, and property in all three years. The workers' compensation corridors are subject to a payroll audit adjustment after the end of a program year. Direct written premiums charged to PRISM are set based on fixed corridor risks of PRISM covered by the Captive, conservatively discounted at rates set by PRISM's governing bodies and the Captive's Boards of Directors.

Direct written premiums by line of business in the fiscal years 2021/22, 2020/21, and 2019/20 are summarized as follows:

	Direct Written Premium		
Programs	**FY 2021/22**	**FY 2020/21**	**FY 2019/20**
Primary Workers' Compensation Program	$ 15,547,599	$ 13,609,062	$ 14,924,577
Excess Workers' Compensation Program	67,030,313	47,510,369	52,464,782
General Liability 1 Program	74,362,640	55,812,192	33,388,040
General Liability 2 Program	-	41,123,426	31,275,000
Medical Malpractice Program	1,451,014	1,900,000	1,800,000
Property Program	17,264,936	22,014,690	12,689,000
Total	**$ 175,656,502**	**$ 181,969,739**	**$ 146,541,399**

The Captive's total net incurred losses and LAE, excluding IBNR, totaled $510M, as of June 30, 2022 as compared to $427M, as of June 30, 2021, and $302.9M, as of June 30, 2020. Total incurred losses and LAE at the years ended June 30, 2022, 2021, and 2020 by line of coverage are summarized as follows:

	Incurred Losses, and LAE as of June 30,		
Programs	**2022**	**2021**	**2020**
Primary Workers' Compensation Program	$ 81,400,091	$ 65,757,629	$ 51,332,109
Excess Workers' Compensation Program	223,231,718	187,506,324	147,868,263
General Liability 1 Program	26,176,637	43,953,239	8,801,456
General Liability 2 Program	92,953,504	64,933,685	48,853,409
Medical Malpractice Program	3,949,689	3,769,051	63,818
Property Program	82,742,056	61,081,919	45,942,782
Total	**$ 510,453,695**	**$ 427,001,847**	**$ 302,861,837**

The Captive's other operating expenses totaled $215k for the year ended June 30, 2022 as compared to $274k for fiscal year 2020/21, and $263k for fiscal year 2019/20. These expenses included licensing fees, travel, legal, supplies, and reimbursement to PRISM for use of its staff to carry on the Captive's operations.

Non-operating revenues consist of investment income earned in the amount of ($48.6M) during the year ended June 30, 2022, as compared to $33M in fiscal year 2020/21, and $13.9M in fiscal year 2019/20. The investment expense for the year ended June 30, 2022 was $692k, reducing the total non-operating revenue to ($49.3M). Investment expense for the year ended June 30, 2021 was $521k, reducing the total non-operating revenue to $32.4M. Investment expense for the year ended June 30, 2020 was $386k, reducing the total non-operating revenue to $13.5M. The increase in investment expense is a result of a growing investment portfolio. Included in the investment income is an unrealized loss of ($56.9M) recorded in fiscal year 2021/22, as compared to gains of $25.4M recorded in fiscal year 2020/21, and $6.7M recorded in fiscal year 2019/20. These resulted from fluctuations in fair market values of the Captive's securities at the end of each fiscal year.

Budget to Actual Comparison

The Captive's fiscal year 2021/22 operating budget was approved in June 2021. The Captive's actual operating revenues totaled $176M, differed by 21% to budgeted revenues of $223M, for the year ended June 30, 2022. The budgeted revenue anticipated a greater transfer of risk from PRISM than was ultimately made. The lines of coverage included workers' compensation, general liability, property and medical malpractice. Investment income was under budget by $58M, due to decreases in the fair market value of investments (unrealized losses) recognized in FY 2021/22. While there was no budgeted amount for Provision for Claims Prior Year, adverse claim development drove the FY 2021/22 expense of $68M; this included adverse development in the GL1 Program's multiyear LPT. A premium of $72.4M was collected for this LPT in the 2021/22 fiscal year. Program administration costs include: investment management fee, legal fees, travel, State of Utah Captive fees, and banking and custody services. Actual investment management fees and bank fees totaling $692k were below the budgeted $830k estimate, due to the decreased value of cash and investments under management.

	Budget	Actual Results	Variance ($)
Revenues:			
Premiums for Transferred Risk	$ -	$ 2,101,293	$ 2,101,293
Broker Fees	-	46,477	46,477
Contributions for Retained Risk	223,429,286	173,482,134	(49,947,152)
Investment Income	9,000,000	(48,639,907)	(57,639,907)
Administration Fees	-	26,598	26,598
Total Revenues	232,429,286	127,016,595	(105,412,691)
Expenses:			
Transferred Risk & Insurance Expense	-	2,101,292	(2,101,292)
Broker Fees	-	46,477	(46,477)
Provision for Claims Current Year	211,913,647	87,930,853	123,982,794
Provision for Claims Prior Year	-	68,076,974	(68,076,974)
Program Administration	1,032,950	906,468	126,482
Appropriation for Contingencies	25,000	-	25,000
Total Expenses	212,971,597	159,062,064	53,909,533
Change in Net Position	19,457,689	(32,045,469)	
Beginning Net Position Balance July 1, 2021	30,588,263	28,851,634	
Additional Capital Contribution	-	3,500,000	
Ending Net Position Balance, June 30, 2022	$ 50,045,952	$ 306,165	

Economic Factors that will affect the Future

Investment Factors

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

Risk and Uncertainty

On March 11, 2020, the World Health Organization characterized coronavirus (COVID-19) as a pandemic, and on March 13, 2020, 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 throughout the past two years and a half, including mandatory business closures in the first two years. These measures, although designed to protect the overall public health, and had material adverse impacts on domestic and foreign economies. Vaccines have since been manufactured and made available for people worldwide. Although the vaccine usage varies from area to area, much of United States population has been vaccinated, and the domestic and global economy has begun to recover, although risks remain. Variants of the COVID-19 virus continue to pose a threat to human health as well as the economy.

As a result of COVID-19 and its variants, 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. Market volatility across asset classes has been exceptionally elevated in 2022 as central bank policymakers tighten financial conditions to combat uncomfortably high inflation readings. The high inflation readings are being exacerbated by lingering geopolitical issues, including the Ukraine/Russia conflict, which will lead to shortfalls in energy availability in coming months, most pronounced in Europe. The demand for labor in the United States remains strong, and wage inflation has ticked higher since the pandemic, however the number of job openings is beginning to lessen which will help to moderating inflation readings in the coming year. Because of the uncertainty of the markets during this time, ARC is unable to estimate the total impact the pandemic will have.

PRISM AFFILIATE RISK CAPTIVE
STATEMENT OF NET POSITION
JUNE 30, 2022 AND 2021

	June 30, 2022	June 30, 2021
ASSETS:		
Current Assets:		
Cash in Banks	$ 393,550	$ 339,398
Cash in the PRISM Treasury	4,739,099	3,323,494
TOTAL CASH & CASH EQUIVALENTS	5,132,649	3,662,892
Investments	7,476,045	36,805,157
Accounts Receivable		
Due From Members	357,537	-
Investment Income Receivable	1,983,574	1,610,302
Reinsurance Claims, Deposit with Carrier and Other	27,774,826	2,500,000
Prepaid Insurance and Expenses	984,818	5,250
TOTAL CURRENT ASSETS	43,709,449	44,583,601
Noncurrent Assets:		
Investments	497,050,537	454,017,718
TOTAL NONCURRENT ASSETS	497,050,537	454,017,718
TOTAL ASSETS	540,759,986	498,601,319
LIABILITIES:		
Current Liabilities:		
Accounts Payable	43,013,778	37,608,864
Claim Liabilities		
Claims Reported	170,107,430	101,914,686
Claims Incurred But Not Reported	8,549,731	-
TOTAL CURRENT LIABILITIES	221,670,939	139,523,550
Noncurrent Liabilities:		
Claims Reported	-	77,654,098
Claims Incurred But Not Reported	318,782,882	252,572,037
TOTAL NONCURRENT LIABILITIES	318,782,882	330,226,135
TOTAL LIABILITIES	540,453,821	469,749,685
NET POSITION:		
Capital Stock	8,500,000	5,000,000
Unrestricted	(8,193,835)	23,851,634
TOTAL NET POSITION	$ 306,165	$ 28,851,634

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

PRISM AFFILIATE RISK CAPTIVE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE FISCAL YEARS ENDED JUNE 30, 2022 AND 2021

	June 30, 2022	June 30, 2021
OPERATING REVENUES:		
Premiums for Transferred Risk	$ 2,101,293	$ 1,599,257
Broker Fees	46,477	13,944
Contributions for Retained Risk	173,482,134	180,356,538
Administration Fees	26,598	-
TOTAL OPERATING REVENUES	175,656,502	181,969,739
OPERATING EXPENSES:		
Insurance and Provision for Losses		
Transferred Risk & Insurance Expense	2,101,292	1,599,257
Broker Fees	46,477	13,944
Provision for Claims		
Current Year Claims	87,930,853	125,342,303
Prior Year Claims	68,076,974	79,714,741
Program Services	64,506	124,243
TOTAL OPERATING EXPENSES	158,220,102	206,794,488
TRANSFERS IN OR (OUT):		
Transfer Out	(150,000)	(150,000)
TOTAL TRANSFERS	(150,000)	(150,000)
OPERATING INCOME (LOSS)	17,286,400	(24,974,749)
NONOPERATING REVENUES (EXPENSES):		
Investment Income & Financing Fees, net of Investment Expense		
Investment Income (Loss)	(48,639,907)	32,951,870
Investment Expense	(691,962)	(521,379)
TOTAL NONOPERATING REVENUES (EXPENSES)	(49,331,869)	32,430,491
CHANGE IN NET POSITION	(32,045,469)	7,455,742
NET POSITION:		
Beginning of Year	23,851,634	16,395,892
Additional Paid in Capital	8,500,000	5,000,000
NET POSITION, END OF YEAR	$ 306,165	$ 28,851,634

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

PRISM AFFILIATE RISK CAPTIVE
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEARS ENDED JUNE 30, 2022 AND 2021

	June 30, 2022	June 30, 2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from Members	$ 158,847,608	$ 169,336,007
Claims Paid	(92,025,072)	(62,996,726)
Insurance Purchased	(1,743,754)	(1,599,257)
Payments to Suppliers	(50,177)	(108,925)
Internal Activities	(150,000)	(150,000)
NET CASH PROVIDED BY OPERATING ACTIVITIES	64,878,605	104,481,099
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Securities	(216,605,611)	(255,636,665)
Sales of Securities	146,029,961	140,185,070
Cash from Investment Earnings	7,858,764	7,274,021
Investment Expenses	(691,962)	(521,379)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(63,408,848)	(108,698,953)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,469,757	(4,217,854)
CASH AND CASH EQUIVALENTS: BEGINNING OF YEAR	3,662,892	7,880,746
END OF YEAR	$ 5,132,649	$ 3,662,892
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating Income (Loss)	17,286,400	(24,974,749)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities		
Changes in Assets and Liabilities		
Accounts Receivable, Net	(22,132,363)	7,741,158
Prepaid Expenses	(979,568)	(5,250)
Unearned Premium from Members	-	(14,991,000)
Accounts and Other Payables	5,404,914	23,713,526
Claim Liabilities	65,299,222	112,997,414
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	$ 64,878,605	$ 104,481,099
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES		
Unrealized gain/(loss) on investments	$ (56,871,943)	$ 25,415,823

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

(1) Organization

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

The Captive provides coverages for corridors assumed by PRISM within the excess and reinsurance layers of PRISM's various programs. The Captive underwrites fixed corridors of PRISM providing coverages for certain lines of coverage within its property and casualty programs including workers' compensation, general liability, property and Medical Malpractice. In fiscal year 2016/17, a loss portfolio 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 except for Medical Malpractice which is on a claims-made basis, and feature aggregate loss limits, also known as corridors.

For program year 2021/22, the Captive underwrote PRISM's programs, providing coverage of $102.9M to the corridors spread amongst various programs of PRISM, as follows:

- The Captive retained $15.5M for a corridor in the PRISM's $10k to $125k layer in their Primary Workers Compensation Program.
- The Captive retained $56.6M for a corridor in PRISM's layer between members' self-insured retentions to the pool limit ($5M limit for the Core Tower and $2.5M for the Educational Tower) in their Excess Workers Compensation Program, and for a corridor totaling $5M in the $45M excess $5M layer.
- The Captive retained $6.8M for a corridor in PRISM's $0-$125k primary layer dedicated to CSURMA in the Excess Workers' Compensation Program's Educational Tower.
- The Captive retained a $1M corridor for the Deductible Buy-Down Program within the General Liability 1 Program.
- The Captive retained $21.9M for a corridor in PRISM's members' deductibles to $3M layer in their Property Program from March 31, 2021 to March 31, 2022. A prorated risk of $16.4M was recorded in fiscal year 2021/22.
- The Captive retained $1.5M for a corridor in PRISM's Medical Malpractice Program.

For program year 2020/21, the Captive underwrote PRISM's programs, providing coverage of $137.5M to the corridors spread amongst various programs of PRISM, as follows:

- The Captive retained $14.3M for a corridor in the PRISM's $10k to $125k layer in their Primary Workers Compensation Program.
- The Captive retained $46.2M 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 $5.8M 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 $2.6M for a corridor in PRISM's $5M excess $10M layer and $1.3M for a corridor in PRISM's $10M excess $10M layer in their General Liability 1 Program, and a $600k corridor for the Deductible Buy-Down Program.

  The corridor for PRISM's $5M excess $10M layer is $15.1M in total and is spread over a period of 3 years from July 1, 2018 to June 30, 2021.

- The Captive retained $33M for a corridor in PRISM's members' self-insured retention to $10M layer and $10.9M for a corridor in PRISM's $5M excess $10M layer in their General Liability 2 Program.
- 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 $15.3M was recorded in fiscal year 2020/21. The Captive retained $21.9M for a corridor in PRISM's members' deductibles to $3M layer in their Property Program from March 31, 2021 to March 31, 2022. A prorated risk of $5.5M was recorded in fiscal year 2020/21.
- The Captive retained $2M for a corridor in PRISM's Medical Malpractice Program.

In addition to the above, the Captive also insures a GL1 LPT multiyear corridor, which is recorded in program year 2018/19 for accounting purposes. This corridor was $161.4M at June 30, 2021, and it increased to $233.7M at June 30, 2022 as a result of adding in program year 2021/22 and an actuarial reevaluation of losses. The Captive collected a total premium of $184.6M over four years for this corridor.

(2) Summary of Significant Accounting Policies

A. *Basis of Presentation*

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

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

B. *Cash and Cash Equivalents*

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

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

D. ***Receivables***
All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Interest on investments is recorded in the year the interest is earned, and is considered 100% collectible. The June 30, 2022 and 2021 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 a prefunded deposit from the Captive at June 30, 2022 and 2021.

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

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

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

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

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

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

J. ***Provision for Claims***

The reserves for losses and LAE include case basis estimates of reported losses, plus supplemental amounts related to IBNR losses. The reserves are based upon management's best estimate, claim adjusters' valuations, and actuarial determinations, and are discounted to present value using a 4.2% and 2.85% discount rate for fiscal years 2021/22 and 2020/21, 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.

K. ***Services***

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

L. ***Income Taxes***

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

M. ***Management Estimates***

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

N. ***Reclassification of Prior Year Presentation***

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

(3) Cash

A. *Cash and Cash Equivalents*

The Captive's cash and cash equivalents at June 30, 2022 and 2021 are reported at fair value and consist of the following:

	June 30, 2022	June 30, 2021
Cash in Bank, General Checking	$ 393,550	$ 339,398
Money Market	4,739,099	3,323,494
	$ 5,132,649	$ 3,662,892

B. *Custodial Credit Risk*

The carrying amount of the Captive's total cash in banks was $393,550 at June 30, 2022, and $339,398 at June 30, 2021. The bank balance was $393,550 at June 30, 2022 and $339,398 at June 30, 2021, and these balances were partially insured by the Federal Deposit Insurance Corporation (FDIC). As of June 30, 2022 and June 30, 2021, $143,550 and $89,398 are in excess of FDIC insured amounts, respectively. The Captive's investment policy does not address custodial credit risk.

(4) Investments

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

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

A. *Investment Credit Risk*

The Captive's investments at June 30, 2022 and 2021 are summarized in the following table. The credit quality rating used is Standard and Poor's, a nationally recognized rating agency.

		June 30, 2022		June 30, 2021	
Investments	Credit Quality Rating	Fair Value	%	Fair Value	%
U.S. Treasury Notes	AA+	$ 161,919,710	31.9%	$ 158,163,557	32.2%
U.S. Agencies	AA+ to A-1+	45,121,463	8.9%	53,836,432	11.0%
Asset Backed Securities	AAA	38,036,588	7.5%	16,509,350	3.4%
Asset Backed Securities	NR*	-	0.0%	3,017,178	0.6%
Corporate Mid Term Notes	AAA to A+	28,728,720	5.7%	19,190,381	3.9%
Corporate Mid Term Notes	A to BBB	125,454,606	24.9%	115,867,358	23.6%
Supranationals	AAA to A-1+	13,603,205	2.7%	14,178,027	2.9%
Commercial Paper	A-1+ to A-1	-	0.0%	999,158	0.2%
Negotiable CDs	A-1+ to A-1	-	0.0%	499,965	0.1%
Mortgage Pass Thru	Aaa	1,323,442	0.3%	2,274,295	0.5%
International Real Estate	NR	1,410,825	0.3%	1,842,120	0.4%
Real Estate	NR	8,894,158	1.8%	9,282,230	1.9%
International Equity	NR	8,479,790	1.7%	9,960,774	2.0%
Emerging Market Equity	NR	4,381,497	0.9%	5,255,470	1.1%
Large Cap US Equity	NR	32,241,399	6.4%	36,558,677	7.4%
Mid Cap US Equity	NR	14,189,824	2.8%	16,855,552	3.4%
Small Cap US Equity	NR	20,741,355	4.2%	26,532,351	5.4%
Totals		$ 504,526,582	100%	$ 490,822,875	100%

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, 2022 consist of the following:

	Fair Value	Less than 1 Year	One to Five Years	Time to Maturity
U.S. Treasury Notes	$ 161,919,710	$ -	$ 161,919,710	3.96
U.S. Agencies	45,121,463	3,000,537	42,120,926	3.21
Asset Backed Securities	38,036,588	-	38,036,588	2.96
Corporate Mid Term Notes	154,183,326	4,475,508	149,707,818	5.14
Supranationals	13,603,205	-	13,603,205	3.54
Mortgage Pass Thru	1,323,442	-	1,323,442	25.43
Subtotals*	414,187,734	7,476,045	406,711,689	3.51
ETF	90,338,848			n/a
Totals	$ 504,526,582	$ 7,476,045	$ 406,711,689	3.51

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

Maturities of investments held at June 30, 2021 consist of the following:

	Fair Value	Less than 1 Year	One to Five Years	Time to Maturity
U.S. Treasury Notes	$ 158,163,557	$ 19,103,018	$ 139,060,539	3.38
U.S. Agencies	53,836,432	2,720,809	51,115,623	3.91
Asset Backed Securities	19,526,528	7,884,424	11,642,104	2.91
Corporate Mid Term Notes	135,057,739	3,631,968	131,425,771	4.90
Supranationals	14,178,027	1,965,815	12,212,212	3.92
Commercial Paper	999,158	999,158	-	0.40
Negotiable CDs	499,965	499,965	-	0.98
Mortgage Pass Thru	2,274,295	-	2,274,295	26.46
Subtotals*	384,535,701	36,805,157	347,730,544	3.22
ETF	106,287,174			n/a
Totals	$ 490,822,875	$ 36,805,157	$ 347,730,544	3.22

*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 loss of $56.9M and unrealized gain of $25.4M for the years ended June 30, 2022 and 2021, respectively. Investment income includes realized loss of $173k and realized gain of $404k for the years ended June 30, 2022 and 2021, respectively.

PRISM AFFILIATE RISK CAPTIVE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2022 and 2021

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

	2021/22	2020/21
Beginning Fair Value	$ 490,822,875	$ 349,955,457
Less: Proceeds of Investments Disposed	(146,029,961)	(140,185,070)
Add: Cost of Investments Purchased	216,605,611	255,636,665
Add: Unrealized Gain/(Loss) in the year	(56,871,943)	25,415,823
Ending Fair Value	$ 504,526,582	$ 490,822,875

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

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

Unrealized gains and losses by Asset type for June 30, 2021 are shown below:

	Beginning Fair Value At July 1, 2020	Purchases	Dispositions	Subtotal	Ending Fair Value At June 30, 2021	Unrealized Gain/(Loss) in the year
U.S. Treasury Notes	$ 126,865,563	$ 142,022,287	(107,109,058)	161,778,792	$ 158,163,557	$ (3,615,235)
U.S. Agencies	31,357,877	27,660,004	(4,326,688)	54,691,193	53,836,432	(854,761)
Asset Backed Securities	17,062,972	12,146,730	(9,525,106)	19,684,596	19,526,528	(158,068)
Corporate Mid Term Notes	87,262,936	60,499,744	(11,249,153)	136,513,527	135,057,739	(1,455,788)
Supranationals	5,111,508	10,608,742	(1,442,434)	14,277,816	14,178,027	(99,789)
Municipal Bonds	-	-	-	-	-	-
Commercial Paper	2,987,964	999,158	(2,987,964)	999,158	999,158	-
Foreign Corporate Notes	-	-	-	-	-	-
Negotiable CDs	-	1,700,000	(1,200,000)	500,000	499,965	(35)
Mortgage Pass Thru	4,705,828	-	(2,344,667)	2,361,161	2,274,295	(86,866)
International Real Estate	1,456,721	-	-	1,456,721	1,842,120	385,399
Real Estate	7,161,151	-	-	7,161,151	9,282,230	2,121,079
International Equity	7,499,581	-	-	7,499,581	9,960,774	2,461,193
Emerging Market Equity	3,832,980	-	-	3,832,980	5,255,470	1,422,490
Large Cap US Equity	26,334,799	-	-	26,334,799	36,558,677	10,223,878
Mid Cap US Equity	11,153,404	-	-	11,153,404	16,855,552	5,702,148
Small Cap US Equity	17,162,173	-	-	17,162,173	26,532,351	9,370,178
Totals	$ 349,955,457	$ 255,636,665	$ (140,185,070)	$ 465,407,052	$ 490,822,875	$ 25,415,823

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

The Captive's Investment Policy places long-term asset allocation targets as 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 50% of the aggregated surplus of PRISM and the Captive.

The investments in the Captive's portfolio, as of June 30, 2022 and 2021, 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:

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

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

The following table sets forth by level, within the fair value hierarchy, the Captive's assets at fair value as of June 30, 2022 and 2021.

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

Investment type	**Assets at Fair Value as of June 30, 2021**		
	Level 1	**Level 2**	**Level 3**
U.S. Treasury Notes	$ -	$ 158,163,557	$ -
U.S. Agencies	-	53,836,432	-
Asset Backed Securities	-	19,526,528	-
Corporate Mid Term Notes	-	135,057,739	-
Supranationals	-	14,178,027	-
Commercial Paper	-	999,158	-
Negotiable CDs	-	499,965	-
Mortgage Pass Thru	-	2,274,295	-
International Real Estate	1,842,120	-	-
Real Estate	9,282,230	-	-
International Equity	9,960,774	-	-
Emerging Market Equity	5,255,470	-	-
Large Cap US Equity	36,558,677	-	-
Mid Cap US Equity	16,855,552	-	-
Small Cap US Equity	26,532,351	-	-
Total	$ 106,287,174	$ 384,535,701	$ -

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, 2022 of $570.6M have been presented at the net present value of $497.4M, using a 4.2% discount rate. For fiscal year ended on June 30, 2021, total claim liabilities of $480.6M have been presented at the net present value of $432.1M, using a 2.85% discount rate.

In 2018/19, the PRISM Board of Directors approved a Loss Portfolio Transfer (LPT) deal in their GL1 Program. The transaction, effective April 1, 2019, transfers the Program's liabilities to a reinsurer, MultiStrat Re (MS Re), going back to July 1, 2007, thereby stabilizing the Program's funding position, and also providing coverage for liabilities over the next 5 years (through June 30, 2024). Part of that deal was the implementation of a corridor that sits from $171M to $308M in payments that was transferred to the Captive. Based on recent actuarial analysis, the upper limit of this corridor has increased to $317M. The claim liabilities in that corridor increased from $147M at June 30, 2021 to $212M at June 30, 2022. This corridor was transferred to the Captive for an original premium of $38.5M in 2018/19. Additional premiums were collected in the amount of $28.9M in 2019/20, $44.8M in 2020/21 and $72.4M in 2021/22, for a total premium of $184.6M for all claims from July 1, 2007 to June 30, 2022. 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 claim liabilities, as of June 30, 2022, by each line of coverage:

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

The following represents undiscounted and discounted claim liabilities as of June 30, 2021 by each line of coverage:

	Claim Liabilities As of June 30, 2021	
Programs	**Undiscounted**	**Discounted**
Primary Workers' Compensation Program	$ 21,596,739	$ 20,629,881
Excess Workers' Compensation Program	181,237,105	154,943,203
General Liability 1 Program	173,775,472	158,885,076
General Liability 2 Program	95,075,128	89,598,879
Property Program	5,970,016	5,220,899
Medical Malpractice Program	2,984,242	2,862,883
Total	**$ 480,638,702**	**$ 432,140,821**

The following represents changes in those aggregate liabilities on a discounted basis for the Captive for the years ended June 30, 2022 and 2021:

		June 30, 2022	June 30, 2021
A.	Unpaid Claims and Claim Adjustment Expenses at the Beginning of the Fiscal Year	$ 432,140,821	$ 319,143,407
	Incurred Claims and Claim Adjustment Expenses:		
	Provision for Claims		
	Current Fiscal Year	87,930,853	125,342,303
	Prior Fiscal Years	68,076,974	79,714,741
B.	Total Incurred	156,007,827	205,057,044
	Payments:		
	Attributable to insured events of the		
	Current Fiscal Year	23,760,627	20,379,129
	Prior Fiscal Years	66,947,978	71,680,501
C.	Total Payments	90,708,605	92,059,630
D.	Total Unpaid Claims and Claim Claim Adjustment Expenses at end of the Fiscal Year (A+B-C)	$ 497,440,043	$ 432,140,821
	Claims Reported	$ 170,107,430	$ 179,568,783
	Claims Incurred But Not Reported	327,332,613	252,572,038
	Unallocated Loss Adjustment Expenses	-	-
	Total Claim Liabilities	$ 497,440,043	$ 432,140,821
	Current Claim Liabilities	$ 178,657,161	$ 101,914,686
	Noncurrent Claim Liabilities	318,782,882	330,226,135
	Total Claim Liabilities	$ 497,440,043	$ 432,140,821

(6) Net Position

Net position represents the capital stock of $8.5M, and unrestricted net position of ($8.2M) as of June 30, 2022, for a total of $306k. At June 30, 2021, net position represented the capital stock of $5M, and unrestricted net position of $23.9M, for a total of $28.9M. 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 with PRISM were $173.5M and $180.4M for the fiscal years 2021/22 and 2020/21, respectively.

Various payments were made by PRISM on behalf of the Captive. The claims and services overhead allocation expense was $92.6M for the year ended June 30, 2022, of which $42.9M was unpaid as of June 30, 2022. For the year ended June 30, 2021, the claims and services overhead allocation expense was $92.2M, of which $42.9M is unpaid as of June 30, 2021. The unpaid amounts, as of June 30, 2022 and 2021, are reported as Accounts Payable in the statement of net position.

At June 30, 2021, PRISM owed the Captive $5.4M for premiums in the Property Program for the period of March 31, 2021 to June 30, 2021. This receivable is net against the accounts payable balance at June 30, 2021.

The Captive paid PRISM a prefunded deposit for the Property Program to front monies for the payment of claims. As of June 30, 2022, and 2021, the Captive reflected $2.5M as the prefunded deposit in the financial statements.

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

(8) Service Agreements

The Captive has no employees. PRISM provides regulatory, accounting, records retention, and other related services. Expenses under this agreement are included in the Statement of Revenues, Expenses and Changes in Net Position transfers out for general administration, and totaled $150k for each of the years ended June 30, 2022 and June 30, 2021.

REQUIRED SUPPLEMENTARY INFORMATION

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

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

PRISM AFFILIATE RISK CAPTIVE
REQUIRED SUPPLEMENTARY INFORMATION
RECONCILIATION OF UNPAID CLAIMS LIABILITIES
JUNE 30, 2021 AND 2020

	Primary Workers' Compensation	Excess Workers' Compensation	General Liability 1	General Liability 2	Property	Medical Malpractice	Total June 30, 2021	Total June 30, 2020
A. Unpaid Claims and Claim Adjustment Expenses at the Beginning of the Fiscal Year	$ 21,298,249	$ 140,198,591	$ 86,291,371	$ 65,531,840	$ 4,002,648	$ 1,820,708	$ 319,143,407	$ 215,032,671
Incurred Claims and Claim Adjustment Expenses:								
Provision for Claims								
Current Fiscal Year	13,894,239	44,788,955	4,209,045	40,518,266	20,025,884	1,905,914	125,342,303	115,460,318
Prior Fiscal Years	225,740	2,819,298	74,666,328	1,557,955	357,219	88,201	79,714,741	47,050,567
B. Total Incurred	14,119,979	47,608,253	78,875,373	42,076,221	20,383,103	1,994,115	205,057,044	162,510,885
Payments:								
Attributable to insured events of the								
Current Fiscal Year	1,854,043	3,123,455	78,566	-	15,323,065	-	20,379,129	15,800,219
Prior Fiscal Years	12,934,304	29,740,185	6,203,102	18,009,182	3,841,788	951,940	71,680,501	42,599,930
C. Total Payments	14,788,347	32,863,640	6,281,668	18,009,182	19,164,853	951,940	92,059,630	58,400,149
D. Total Unpaid Claims and Claim Claim Adjustment Expenses at end of the Fiscal Year (A+B-C)	$ 20,629,881	$ 154,943,204	$ 158,885,076	$ 89,598,879	$ 5,220,898	$ 2,862,883	$ 432,140,821	$ 319,143,407
Claims Reported	$ 17,071,321	$ 107,262,276	$ 29,177,408	$ 21,122,953	$ 2,181,532	$ 2,753,293	$ 179,568,783	$ 145,283,805
Claims Incurred But Not Reported	3,558,560	47,680,928	129,707,668	68,475,926	3,039,366	109,590	252,572,038	173,859,602
Unallocated Loss Adjustment Expenses	-	-	-	-	-	-	-	-
Total Claim Liabilities	$ 20,629,881	$ 154,943,204	$ 158,885,076	$ 89,598,879	$ 5,220,898	$ 2,862,883	$ 432,140,821	$ 319,143,407
Current Claim Liabilities	$ 6,035,121	$ 26,514,781	$ 30,598,860	$ 36,537,749	$ 513,477	$ 1,714,698	$ 101,914,686	$ 69,557,000
Noncurrent Claim Liabilities	14,594,760	128,428,423	128,286,216	53,061,130	4,707,421	1,148,185	330,226,135	249,586,407
Total Claim Liabilities	$ 20,629,881	$ 154,943,204	$ 158,885,076	$ 89,598,879	$ 5,220,898	$ 2,862,883	$ 432,140,821	$ 319,143,407

PRISM AFFILIATE RISK CAPTIVE
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO EARNED PREMIUMS AND CLAIMS DEVELOPMENT INFORMATION
FOR THE TEN-YEAR PERIOD ENDED JUNE 30, 2022

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

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

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

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

PRISM AFFILIATE RISK CAPTIVE
SCHEDULE OF EARNED PREMIUMS AND CLAIMS DEVELOPMENT
FOR THE TEN YEAR PERIOD ENDED JUNE 30, 2022

POLICY YEAR	June 30, 2017*	June 30, 2018	June 30, 2019**	June 30, 2020	June 30, 2021	June 30, 2022
Earned Premiums	$ 78,135,139	$ 97,047,480	$ 285,083,012	$ 116,919,308	$ 142,291,017	$ 98,131,909
Less Ceded	-	-	-	-	(1,599,257)	(2,101,293)
Investment Earnings	8,455,949	9,085,250	4,128,540	3,824,907	(2,212,172)	(7,628,867)
1. Total Revenues Available For Payment of Claims	86,591,088	106,132,730	289,211,552	120,744,215	138,479,588	88,401,749
2. Unallocated Loss Adjustment Expense	-	-	-	-	-	-
3. Estimated Incurred Claims	75,803,096	93,571,460	136,235,191	115,460,318	126,941,559	90,032,145
Less Ceded Claims	-	-	-	-	(1,599,257)	(2,101,293)
Net Incurred Claims and Expenses, End of Policy Year	75,803,096	93,571,460	136,235,191	115,460,318	125,342,302	87,930,852
4. Cumulative Paid Claims as of:						
End of the Policy Year	15,161,362	14,402,517	15,791,866	15,800,219	20,379,129	23,760,627
One Year Later	25,087,580	34,315,031	31,499,850	34,032,022	35,135,227	
Two Years Later	49,070,991	48,376,052	56,452,674	52,745,455		
Three Years Later	61,901,911	65,867,160	78,892,048			
Four Years Later	72,906,676	74,319,643				
Five Years Later	75,493,265					
5. Reestimated Ceded Claims and Expenses	-	-	-	-	-	-
6. Reestimated Incurred Claims and Expenses						
End of the Policy Year	75,803,096	93,571,460	136,235,191	115,460,318	125,342,302	87,930,852
One Year Later	78,766,357	96,621,991	180,278,594	121,586,409	126,386,025	
Two Years Later	81,353,377	99,213,918	251,908,323	119,204,534		
Three Years Later	81,768,607	100,157,999	321,744,618			
Four Years Later	82,783,448	100,126,065				
Five Years Later	82,394,213					
7. Increase (Decrease) in Estimated Incurred Claims and Expense from End of the Policy Year	$ 6,591,117	$ 6,554,605	$ 185,509,427	$ 3,744,216	$ 1,043,723	$ -

*Affiliate Risk Captive established July 1, 2016
**GL1 LPT corridor included in 2018/19 program year