

**CAWCD INSURANCE COMPANY, INC.
(A COMPONENT UNIT OF CENTRAL ARIZONA
WATER CONSERVATION DISTRICT)**

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020



WEALTH ADVISORY | OUTSOURCING
AUDIT, TAX, AND CONSULTING

CLAconnect.com

CAWCD INSURANCE COMPANY, INC.
(A COMPONENT UNIT OF CENTRAL ARIZONA WATER CONSERVATION DISTRICT)
TABLE OF CONTENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020

INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	4
FINANCIAL STATEMENTS	
STATEMENTS OF NET POSITION	7
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION	8
STATEMENTS OF CASH FLOWS	9
NOTES TO FINANCIAL STATEMENTS	10



INDEPENDENT AUDITORS' REPORT

Board of Directors
CAWCD Insurance Company, Inc.
Phoenix, Arizona

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of CAWCD Insurance Company, Inc. (the Company), a component unit of the Central Arizona Water Conservation District (CAWCD), which comprise the statements of net position as of December 31, 2021 and 2020, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Company, as of December 31, 2021 and 2020, and the respective changes in its 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 Opinions

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

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 Company's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company'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 Company'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 on pages 4 through 6 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Phoenix, Arizona
April 7, 2022

CAWCD INSURANCE COMPANY, INC.
(A COMPONENT UNIT OF CENTRAL ARIZONA WATER CONSERVATION DISTRICT)
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2021 AND 2020

Introduction

The following is management's discussion and analysis of the financial performance of the CAWCD Insurance Company, Inc. (the Company) for the years ended December 31, 2021 and 2020.

The Company is organized and operated exclusively to support, benefit, or carry out some or all of the purposes of Central Arizona Water Conservation District (CAWCD) and its other affiliated departments (Affiliates). In furtherance of such purposes, the Company provides or will enter into arrangements to insure various liability risks of CAWCD and its Affiliates.

The financial statements of the Company consist of the Statements of Net Position, Statements of Revenues, Expenses, and Changes in Net Position and the Statements of Cash Flows. The Statements of Net Position present information on the Company's assets, liabilities and net position. The Statements of Revenues, Expenses, and Changes in Net Position present information showing how the Company's net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows which is shown by the Statements of Cash Flows.

Statements of Net Position

	2021	2020	2019
Assets:			
Cash, Cash Equivalents, and Certificate of Deposit	\$ 11,318,398	\$ 8,890,087	\$ 8,791,518
Escrow Deposit	10,000	10,000	10,000
Prepaid Expenses	-	4,500	-
Premium Receivable	-	71,251	36,583
	\$ 11,328,398	\$ 8,975,838	\$ 8,838,101
Liabilities:			
Accrued Expenses	\$ 78,954	\$ 74,909	\$ 72,045
Unearned Premium	15,187	-	-
Reserve for Losses, Loss Adjustment, and Benefit Expenses	3,301,569	3,641,300	5,421,792
Total Liabilities	3,395,710	3,716,209	5,493,837
Net Position	7,932,688	5,259,629	3,344,264
Total Liabilities and Net Position	\$ 11,328,398	\$ 8,975,838	\$ 8,838,101

Increase in total assets in 2021 is attributed to the premiums for the health benefits program exceeding total operating expenses by \$2,648,394, offset by a decrease in the claims liability.

Increase in total assets in 2020 is mainly attributed to the premiums for the health benefits program during the reported years.

CAWCD INSURANCE COMPANY, INC.
(A COMPONENT UNIT OF CENTRAL ARIZONA WATER CONSERVATION DISTRICT)
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2021 AND 2020

In 2021, reserves for losses, loss adjustment, and benefit expenses decreased by \$339,731 or 9% as a result of the settlement of 2016 and 2018 liability claims.

In 2020, reserves for losses, loss adjustment and benefit expenses decreased by \$1,780,492 or 33% as a result of the settlement of 2018 property claims.

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Revenue			
Gross Premiums Written	\$ 11,192,810	\$ 10,548,983	\$ 10,261,340
Less Premiums to Third-Party Insurers	<u>-</u>	<u>-</u>	<u>594,980</u>
Direct Premiums Written	<u>\$ 11,192,810</u>	<u>\$ 10,548,983</u>	<u>\$ 9,666,360</u>
Premiums Earned, Net	\$ 11,192,810	\$ 10,548,983	\$ 9,666,360
Investment Income	<u>24,410</u>	<u>29,104</u>	<u>15,856</u>
Total Revenue	<u>\$ 11,217,220</u>	<u>\$ 10,578,087</u>	<u>\$ 9,682,216</u>

In 2020, CAWCD began to pay insurance premiums directly to third-party insurers. The Company's insurance premiums are estimated to provide for the projected ultimate losses for each policy year of the various liability risks of CAWCD and its affiliates and operating expenses.

In 2021 and 2020, the Company's written premiums increased by \$643,827 or 6%, and 882,623 or 9%, respectively, which is mainly attributed to premiums for the health benefit program.

In 2021, investment income decreased by \$4,694 or 16% due to lower interest rates.

In 2020, investment income increased by \$13,248 or 84% due to higher interest rates.

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Expenses			
Losses, Loss Adjustment, and Benefit Expenses	\$ 8,309,282	\$ 8,434,474	\$ 7,862,386
Other Underwriting Expenses	35,610	35,593	30,144
Operating Expenses	<u>199,269</u>	<u>192,655</u>	<u>223,371</u>
Total Expenses	<u>\$ 8,544,161</u>	<u>\$ 8,662,722</u>	<u>\$ 8,115,901</u>

In 2021, losses, loss adjustment, and benefit expenses decreased by \$125,192 or 1% which is a result of favorable underwriting experience and severity trends for the workers' compensation and property lines.

CAWCD INSURANCE COMPANY, INC.
(A COMPONENT UNIT OF CENTRAL ARIZONA WATER CONSERVATION DISTRICT)
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2021 AND 2020

In 2020, losses, loss adjustment and benefit expenses increased by \$572,088 or 7% as a result of changes in estimates from insured events due to unfavorable underwriting experience and frequency and severity trends for the property coverage.

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Net Position			
Net Position:			
Restricted	\$ 2,250,000	\$ 2,250,000	\$ 2,250,000
Unrestricted	5,682,688	3,009,629	1,094,264
	<u>\$ 7,932,688</u>	<u>\$ 5,259,629</u>	<u>\$ 3,344,264</u>
Change in Net Position:			
Net Position, Beginning of Year	\$ 5,259,629	\$ 3,344,264	\$ 1,777,949
Change in Net Position	<u>2,673,059</u>	<u>1,915,365</u>	<u>1,566,315</u>
Net Position - End of Year	<u>\$ 7,932,688</u>	<u>\$ 5,259,629</u>	<u>\$ 3,344,264</u>

The increases in net position for 2021 and 2020 are attributed to increase in premiums for all lines of coverage.

Requests for Financial Information

This financial report is designed to provide a general overview of the Company's finances. Questions concerning any of the information provided in this report or requests for additional financial information, contact:

Douglas A. Dunlap, CPA
 VP, CFO and Treasurer
 Post Office Box 43020
 Phoenix, Arizona 85080-3020
 623-869-2360
ddunlap@cap-az.com

Theodore C. Cooke
 President and CEO
 Post Office Box 43020
 Phoenix, Arizona 85080-3020
 623-869-2167
tcooke@cap-az.com

CAWCD INSURANCE COMPANY, INC.
(A COMPONENT UNIT OF CENTRAL ARIZONA WATER CONSERVATION DISTRICT)
STATEMENTS OF NET POSITION
DECEMBER 31, 2021 AND 2020

ASSETS	<u>2021</u>	<u>2020</u>
ASSETS		
Cash and Cash Equivalents	\$ 8,923,481	\$ 6,495,170
Certificate of Deposit	2,394,917	2,394,917
Escrow Deposit	10,000	10,000
Prepaid Expenses	-	4,500
Premium Receivable	-	71,251
	<hr/>	<hr/>
Total Assets	<u><u>\$ 11,328,398</u></u>	<u><u>\$ 8,975,838</u></u>
LIABILITIES AND NET POSITION		
LIABILITIES		
Accrued Expenses	\$ 78,954	\$ 74,909
Reinsurance Payable	15,187	-
Reserve for Losses, Loss Adjustment, and Benefit Expenses:		
Reported Claims	668,947	1,141,205
Claims Incurred but not Reported	2,632,622	2,500,095
Total Liabilities	<hr/> <u>3,395,710</u>	<hr/> <u>3,716,209</u>
NET POSITION		
Restricted	2,250,000	2,250,000
Unrestricted	5,682,688	3,009,629
Total Net Position	<hr/> <u>7,932,688</u>	<hr/> <u>5,259,629</u>
	<hr/>	<hr/>
Total Liabilities and Net Position	<u><u>\$ 11,328,398</u></u>	<u><u>\$ 8,975,838</u></u>

See accompanying Notes to Financial Statements.

CAWCD INSURANCE COMPANY, INC.
(A COMPONENT UNIT OF CENTRAL ARIZONA WATER CONSERVATION DISTRICT)
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
OPERATING REVENUES		
Premiums Earned, Net	\$ 11,192,810	\$ 10,548,983
OPERATING EXPENSES		
Losses, Loss Adjustment, and Benefit Expenses	8,309,282	8,434,474
Other Underwriting Expenses	35,610	35,593
Operating Expenses	199,269	192,655
Total Operating Expenses	8,544,161	8,662,722
OPERATING INCOME	2,648,649	1,886,261
NONOPERATING ACTIVITY		
Investment Income	24,410	29,104
CHANGES IN NET POSITION	2,673,059	1,915,365
Net Position - Beginning of Year	5,259,629	3,344,264
NET POSITION - END OF YEAR	\$ 7,932,688	\$ 5,259,629

See accompanying Notes to Financial Statements.

CAWCD INSURANCE COMPANY, INC.
(A COMPONENT UNIT OF CENTRAL ARIZONA WATER CONSERVATION DISTRICT)
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Premiums Collected	\$ 11,279,248	\$ 10,514,315
Losses, Loss Adjustment, and Benefit Expenses Paid	(8,649,013)	(10,214,966)
Other Underwriting and Operating Expenses	(226,334)	(229,884)
Net Cash Provided by Operating Activities	2,403,901	69,465
 CASH FLOWS PROVIDED BY INVESTING ACTIVITIES		
Interest Income Received	24,410	29,104
 NET INCREASE IN CASH AND CASH EQUIVALENTS	2,428,311	98,569
Cash and Cash Equivalents - Beginning of Year	6,495,170	6,396,601
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 8,923,481	\$ 6,495,170
 RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating Income	\$ 2,648,649	\$ 1,886,261
Adjustment to Reconcile Operating Loss to Net Cash Provided (Used) by Operating Activities:		
Premium Receivable	71,251	(34,668)
Prepaid Expenses	4,500	(4,500)
Accrued Expenses	4,045	2,864
Reinsurance Payable	15,187	-
Reserve for Losses, Loss Adjustment, and Benefit Expenses	(339,731)	(1,780,492)
Net Cash Provided by Operating Activities	\$ 2,403,901	\$ 69,465

See accompanying Notes to Financial Statements.

CAWCD INSURANCE COMPANY, INC.
(A COMPONENT UNIT OF CENTRAL ARIZONA WATER CONSERVATION DISTRICT)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Reporting Entity

CAWCD Insurance Company, Inc. (the Company) is a blended component unit of the Central Arizona Water Conservation District (CAWCD). The primary objective in forming the Company is to provide stable insurance coverage by ensuring availability of appropriate coverage for lower layers of CAWCD's insurance program, controlling and managing the claims process, developing specific loss prevention/loss control services, and stabilizing the changes in self-insured retention, perils covered and premiums charged for CAWCD's insurance program.

The Company was incorporated under the laws of the state of Hawaii and formed to be a nonprofit captive insurance company pursuant to Article 19 of Chapter 431 of the Hawaii Revised Statutes. The Company received its Certificate of Authority from the Hawaii Insurance Division on December 18, 2003. The Certificate of Authority enables the Company to operate as a captive insurance company in the state of Hawaii. CAWCD is the sole member of the Company and was initially capitalized with \$350,000, of which \$250,000 was required. Effective January 1, 2012, the Company was required to increase its capitalization by \$2,000,000.

The Company insures the following risks, by policy, for the period January 1, 2020 to January 1, 2022:

<u>Type of Risk</u>	<u>Coverage Limits</u>
Workers Compensation	\$2,000,000 per occurrence, no annual aggregate except \$2,000,000 annual aggregate for disease only
Public Officials Liability, Including Employment Practices Liability	\$1,000,000 per claim, no annual aggregate on a claims-made basis
Property	\$2,000,000 per occurrence, no annual aggregate
Automobile Liability	\$2,000,000 per occurrence, no annual aggregate
General Liability	\$2,000,000 per occurrence, annual aggregate
Fiduciary	\$2,000,000 annual aggregate limit on a claims-made basis
Police Professional Liability	\$2,000,000 per claim, \$2,000,000 annual aggregate on a claims-made basis
Nonowned Aircraft Liability	\$2,000,000 per occurrence, no annual aggregate
Health Benefit Program	The Company provides medical, prescriptions, dental, and vision for Central Arizona Water Conservation District's (CAWCD) self-funded health and benefits program covering CAWCD's eligible employees, COBRA participants, and retirees.

CAWCD INSURANCE COMPANY, INC.
(A COMPONENT UNIT OF CENTRAL ARIZONA WATER CONSERVATION DISTRICT)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Health Benefits

The Plan offers first day health benefits (including dental and vision) to full-time employees working 30 or more hours per week and Central Arizona Water Conservation District retirees, their beneficiaries and covered dependents. The cost of health care services is recognized as a deduction in the period in which it is provided to participants. Liabilities for health claims incurred but not reported are estimated by an independent actuary.

Basis of Accounting

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as applicable to an enterprise fund of a governmental unit. Accordingly, the accrual basis of accounting is utilized, whereby revenues are recorded when they are earned, and expenses are recorded when the liability is incurred.

The operating revenues and expenses of the Company generally result from providing insurance coverage to CAWCD and Affiliates in connection with the Company's ongoing operations.

Cash, Cash Equivalents, and Deposits

The Company's cash and cash equivalents are considered to be cash in bank and money market funds with maturities of 90 days or less when originally acquired. Escrow deposit relates to cash held in escrow to pay claims by the Company's claim administrator as of December 31, 2021 and 2020. The certificate of deposit has a maturity date extending beyond 90 days.

Reserve for Losses, Loss Adjustment, and Benefit Expenses

The reserve for losses, loss adjustment, and benefit expenses includes the unpaid accumulation of case estimates for losses reported; estimates for losses incurred but not reported, and estimates of expenses for investigating and adjusting incurred losses. In estimating the unpaid loss, loss adjustment and benefit expenses, the Company and its consulting actuaries, employ methods and assumptions they consider reasonable and appropriate given the information currently available. The reserve for losses, loss adjustment and benefit expenses is based upon the aggregated loss experience of CAWCD and is estimated using individual case-basis valuations and statistical analysis. These estimates are subject to the effects of trends in loss severity and frequency. Management believes the reserve for losses, loss adjustment, and benefit expenses is adequate. The estimates are continually reviewed and adjusted, as necessary, as experience develops or new information becomes known; the effects of such adjustments are included in current operations.

CAWCD INSURANCE COMPANY, INC.
(A COMPONENT UNIT OF CENTRAL ARIZONA WATER CONSERVATION DISTRICT)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reserve for Losses, Loss Adjustment, and Benefit Expenses (Continued)

There is a level of uncertainty inherent in the evaluation of the required losses, loss adjustment and benefit expense reserves for the Company. The long-tailed nature of liability claims adds to the uncertainty. The ultimate costs of claims are dependent upon future events, the outcomes of which are affected by many factors.

The Company's claim reserving procedures and settlement philosophy, current and perceived social conditions, economic inflation, current and future court rulings and jury attitudes, improvements in medical technology, and many other economic, scientific, legal, political, and social factors all can have significant effects on the ultimate costs of claims. Since the emergence and disposition of claims are subject to uncertainties, the net amounts that will ultimately be paid to settle the liability may vary significantly from the estimated amounts provided for in the accompanying financial statements. Any adjustments to reserves are reflected in the operating results of the periods in which they are made.

Excess Insurance

CAWCD uses excess insurance to reduce exposure to losses for the Company. Excess insurance permits recovery of a portion of losses, although it does not discharge the primary liability of the Company as direct insurer of the risks insured.

Premium Revenue

The Company derives all of its premium revenue from CAWCD. Premiums are earned on a pro-rata basis over the term of the related policies. Premiums related to the unexpired terms of the policies are reported as unearned.

Use of Estimates in Preparing Financial Statements

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America. The preparation of those financial statements requires management to make a number of estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Such estimates and assumptions could change in the future, as more information becomes known which could impact the amounts reported and disclosed herein. Management believes that its estimates and assumptions are reasonable in the circumstances; however, actual results could differ from those estimates.

CAWCD INSURANCE COMPANY, INC.
(A COMPONENT UNIT OF CENTRAL ARIZONA WATER CONSERVATION DISTRICT)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 2 CASH, CASH EQUIVALENTS, AND DEPOSITS

The following is a summary of the Company's cash, cash equivalents, and deposits:

	<u>2021</u>	<u>2020</u>
Cash in Bank	\$ 7,435,227	\$ 5,126,166
Maximizer Savings	1,488,254	1,369,004
Total Cash and Cash Equivalents	<u>8,923,481</u>	<u>6,495,170</u>
Escrow Deposits	10,000	10,000
Certificate of Deposit	2,394,917	2,394,917
Total Cash and Investments	<u>\$ 11,328,398</u>	<u>\$ 8,900,087</u>

CAWCD is authorized to self-insure workers' compensation in the state of Arizona. The state of Arizona requires CAWCD to establish segregated funds for the payment of losses and claims for the self-insured workers' compensation program. CAWCD utilized the Company's captive insurance authority to meet the state of Arizona requirement.

At December 31, 2021 and 2020, the Company's reported cash and certificates of deposits were \$11,318,398 and \$8,890,087, respectively. The bank balances related to these deposits totaled \$11,548,219 and \$9,241,893 at December 31, 2021 and 2020, respectively. Bank balances of \$11,298,219 and \$8,991,893 at December 31, 2021 and 2020, respectively, are uncollateralized. Cash is a legally authorized investment pursuant to the Hawaii Insurance Code.

The Company manages its exposure to interest rate risk by limiting the weighted average maturity of its money market mutual funds to 90 days. The Company's money market mutual funds are unrated.

NOTE 3 PREMIUMS

In 2020, CAWCD began to pay excess insurance premiums directly to third-party insurers. Previously, several of the premiums were paid to the Company and then remitted to the third-party insurer. Premiums for CAWCD's insurance policies covering property, general liability and other casualty risks, the health benefits program, and the workers compensation self-insured accounts are paid to third party administrators for covered claims. Beginning with policies effective January 1, 2020, premiums include funding for administrative expenses.

CAWCD INSURANCE COMPANY, INC.
(A COMPONENT UNIT OF CENTRAL ARIZONA WATER CONSERVATION DISTRICT)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 3 PREMIUMS (CONTINUED)

For the policy periods January 1, 2020 to January 1, 2022, the Company's premium revenue consisted of the following:

	2021		2020	
	Written	Earned	Written	Earned
Gross Premiums Written	\$ 11,192,810	\$ 11,192,810	\$ 10,548,983	\$ 10,548,983
Less Premiums to Third-Party Insurers	-	-	-	-
Direct Premiums Written	<u>\$ 11,192,810</u>	<u>\$ 11,192,810</u>	<u>\$ 10,548,983</u>	<u>\$ 10,548,983</u>

NOTE 4 RESERVE FOR LOSSES, LOSS ADJUSTMENT, AND BENEFIT EXPENSES

The following table provides a reconciliation of the beginning and ending balances of the reserve for losses, loss adjustment and benefit expenses at December 31, 2021 and 2020:

	2021	2020
Balance - Beginning of Year	\$ 3,641,300	\$ 5,421,792
Add Provision for Losses, Loss Adjustment and Benefit Expenses for Claims Occurring During:		
Current Year	8,697,415	8,325,474
Prior Years	<u>(388,133)</u>	<u>109,000</u>
Total	8,309,282	8,434,474
Deduct Losses, Loss Adjustment and Benefit Expenses Payments for Claims Occurring During:		
Current Year	8,257,656	7,823,615
Prior Years	<u>391,357</u>	<u>2,391,351</u>
Total	<u>8,649,013</u>	<u>10,214,966</u>
Balance - End of Year	<u>\$ 3,301,569</u>	<u>\$ 3,641,300</u>

In 2021, reserves for losses, loss adjustment, and benefit expenses decreased by \$339,731 or 9% as a result of the settlement of 2016 and 2018 claims.

In 2020, reserves for losses, loss adjustment, and benefit expenses decreased by \$1,780,492 or 33% as a result of the settlement of 2018 property claim.

CAWCD INSURANCE COMPANY, INC.
(A COMPONENT UNIT OF CENTRAL ARIZONA WATER CONSERVATION DISTRICT)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 5 RELATED PARTY TRANSACTIONS

CAWCD performs certain administrative functions for the Company at no charge to the Company.

NOTE 6 MINIMUM CAPITAL AND SURPLUS

The Hawaii Insurance Division has established certain minimum capital and surplus requirements for the Company. Effective January 2012, the minimum capital and surplus was increased from \$250,000 to \$2,250,000 by the Hawaii Insurance Division which is attributed to the addition of the self-funded health and benefits program of CAWCD. As of December 31, 2021 and 2020, the Company was in compliance with the minimum capital and surplus requirements of the state of Hawaii.

Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor. CLA is an independent member of Nexia International, a leading, global network of independent accounting and consulting firms. See [nexia.com/member-firm-disclaimer](https://www.nexia.com/member-firm-disclaimer) for details. **CliftonLarsonAllen LLP**

