Appendix

Appendix A: Louisiana

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DIVISION OF ADMINISTRATION

OFFICE OF RISK MANAGEMENT

COMMERCIAL INSURANCE PLACEMENT REPORT AND FINANCIAL ANALYSIS

Fiscal Year 2023

Effective July 1, 2022 pursuant LRS 39:1540

Contents

Executive Summary

Pursuant to R.S. 39:1540, in accordance with industry best practices, and approved by the State Legislature, the Office of Risk Management (ORM) entered into a contract awarded to Arthur J. Gallagher Risk Management Services, Inc. (Gallagher) for a five-year period from February 1, 2018 to January 31, 2023, to provide insurance brokerage and related services to ORM. This insurance placement model continues to serve the State risk program well. ORM has maintained increased coverage limits since the contract's inception and has vastly increased the number of markets willing to consider participating in the State's program. Estimated annual cost savings specific to the broker legislation change is an estimated $9M annually. The year 2021 was the third largest property loss year in recorded history. Multiple storm losses in 2020 and 2021 drove the continued hardening of the property insurance marketplace specific to Louisiana. On January 1, 2022, Business Insurance reported, "Reinsurance rates up sharply at January renewals. Catastrophe prone accounts with losses increased 10% to 25%." However, Louisiana experienced reinsurance rate action ranging from 30% - 50%, accompanied by a restricted appetite for Louisiana business. Some Industry experts now consider Louisiana the state most vulnerable to weather events in the U.S.

The Legislature's leadership in approving Act 715 of 2014 continues to save significant dollars and reap benefits critical to the State and its ability to maintain coverage necessary to recover from a catastrophic event.

Pursuant to the original legislation addressed in Act 715 Louisiana Legislation 2014, ORM identified key targets/goals:

- To assure and obtain competitive pricing for insurance, including full transparency related to revenue;
- To validate and certify a global marketing effort;
- To create strong market relationships between the State and potential insurers, necessary for on-going program support;
- To continue to negotiate optimal coverage terms;
- To seek multi-year contract terms and rates;
- To reduce dependence on wholesale brokers, thereby saving public dollars;
- To create long-term program stability;
- To improve the quality of data provided to the marketplace;
- To enhance coverage and resources for the State's fine arts assets and unique culture;
- To further expand a focus on Higher Education and their specific needs.

ORM is pleased to again report that each key target goal identified was addressed in the July 1, 2022 renewals. Detailed information on the lines of insurance secured and a fiscal analysis follow in this report.

Statewide Property Program Overview

The State, through its Broker, continued to build upon its market relationships to place insurance effective July 1, 2022 on total property values of $21,502,536,139.

Part of the continued success of the State's property program is due to consistent communication with the global underwriting community. The COVID-19 pandemic once again interfered with the usual in-person meeting process; however, several domestic in-person meetings occurred. The majority of the underwriters participating have been on the State's property program for a number of years now, but potential new market partners were included in the conversations as well.

The significant outcome of the meetings concerning the July 1, 2022 placement are as follows:

- The lead for the property program is Lloyds of London, Beazley. Syndicate. AIG was added as a new participant. The overall property program market rate increase was 13.47%. The total premium increase however was 23.57% based in part on increased values. This is a very good result considering the losses, the marketplace and as compared against our peers. (Numerous Louisiana public sector risks with losses received pricing increases above 100% accompanied by reduced limits.)
- Property program options were received addressing: limits, retentions, second event and parametric options, etc. This renewal a combination of parametric options were bound, expanding the coverage scope.
- The ancillary lines remained competitive with rates near expiring.

Statewide Property Program – Market Participants

The program is diverse by design and reflects an expanded cross section of the insurance marketplace: Domestic, Lloyds of London, Bermuda, Treaty Reinsurers, Parametric and Insurance Linked Securities (ILS) program participants.

Berkley Re	RPS Eagle	Starr Surplus Lines Ins. Co.	Allied World Assurance Co.	Berkshire (Parametric)	Westport Insurance Co.	MS Amlin	North American Capacity Ins./Swiss Re
Markel/Evanston Insurance Company	Arch Specialty Insurance Co.	Everest Indemnity Insurance Co.	XL Insurance America, Inc.	Axis Surplus Lines Insurance Co.	Hallmark Specialty Insurance Co.	Swiss Re (Parametric)	National Fire and Marine
Ironshore Specialty Ins. Co.	Westchester Surplus Lines	General Security Indemnity Co. of Arizona (SCOR)	Lloyds of London	SOMPO/ Endurance	Canopius U.S.	Nephila	Tokio Marine America Ins Co
Everest Re	RSUI Insurance/ Landmark American Insurance	Indian Harbor Insurance Co.	Endurance American Specialty	Starstone Specialty Ins. Co.	AIG Specialty Insurance Co.	Munich Re	Gallagher Re

Statewide Property Program: Coverages, Limits and Pricing

The following chart shows the renewal coverage bound on July 1, 2022. The limits shown are specific to Named Storm, Flood, Fire and AOP, and are in excess of the State's $50M retention.

Coverage	Limits	Price
Named Storm	$400M	$40,433,324
Flood	$325M	Incl.
Fire and AOP (All Other Perils)	$800M	Incl.
Fine Arts	$400M	$193,875
Boiler and Machinery	$250M	$471,197
Terrorism (incl. Nuclear, Chemical, Biological, & Radiation (NCBR)	$150M	$190,000
Brokerage Fee[1]		$1,050,000
Total		$42,338,396

Fine Arts Policy

The stand-alone policy insuring the State's substantial fine arts assets renewed July 1, 2022, as per the expiring limit. The coverage limit of $400M is written separately and is in addition to the master property policy described above. The definition of fine arts is broad by design. Coverage enhancements are specific to the fine arts exposure, which include a specialized adjusting team. The Fine Arts policy is written with XL Specialty Insurance Company with a $100M Limit primary layer with an excess layer written with Lloyds of London with a $300M xs $100M limit. The permanent collection deductible is $2,500 for all other perils besides wind/flood and hail. Fine Art on loan or consignment has a zero dollar deductible for all other perils besides wind/flood and hail. Total premium for 2022-2023 is $193,875 which represents a minimal increase in premium of $3,000 over the prior year.

Terms, conditions and deductibles remained the same as expiring, with the exception of the windstorm, flood, and hail aggregate deductible increasing to $300,000 per storm. The change is market-driven, and not specific to the State's loss experience.

Equipment Breakdown (Boiler & Machinery)

The Equipment Breakdown policy is written by XL Insurance America, Inc. This policy covers loss or damage resulting from accidents to boilers, pressure vessels, turbines, machinery, and air conditioning motors and compressors located in buildings owned by the State or buildings for which the State has contractually assumed legal liability. This coverage insures the object for repair or replacement. Coverage also includes business interruption, extra expense and consequential damage. The policy has a coverage limit of $250 Million. Total premium for 2022-2023 is $471,197 which represents an increase in premium of $47,621 over the prior year. This is due to an increase in values and a small rate increase.

[1] The fee shown above is the entire brokerage fee, including both property and casualty lines.

Terrorism

Lloyds of London writes the property terrorism policy. This coverage provides sabotage and terrorism coverage for Property and Business Interruption, terrorism liability, and Chemical, Biological, Radiological and Nuclear (CBRN) coverage with respect to the Insured's operations. The policy has a coverage limit of $150 Million. This policy renewed for $190,000 for a slight increase in premium of $10,000 over the prior year. The increase is due to an increase in property values.

Property Brokerage Fees

The broker's contract was awarded in 2018 for a five-year term. The fee is $1,050,000 annually for property and casualty placements combined.

Financial Analysis (Statewide Property Program)

Act 374, which was signed into law by Governor Edwards on June 7, 2016, eliminated the requirement for ORM to pay surplus lines taxes and surcharges. The combined savings for these taxes/surcharges equaled $1,744,976 for 2022-2023.

Combined Limit and Pricing Comparison – Statewide Property

Coverage	FY22 Limits	FY23 Limits	FY22 Price	FY23 Price	Price Difference
Named Storm Flood Fire and AOP	$400M $325M $800M	$400M $325M $800M	$32,719,725 Incl. Incl.	$40,433,324 Incl. Incl.	$7,713,599
Fine Arts	$400M	$400M	$190,875	$193,875	$3.000
Boiler and Machinery	$250M	$250M	$423,576	$471,197	$47,621
Terrorism	$150M	$150M	$180,000	$190,000	$10,000
Total			$33,514,176	$41,288,396	$7,774,220

Casualty Insurance Program Overview

The marketing process was similar to the property renewal. The worldwide marketplace was again approached. Terms and conditions were renewed as per expiring.

Based on the most recent appraisal, Hull & Machinery values are up from $89,085,507 to $114,177,000. We were able to achieve a 1.1% Hull rate decrease which brought premium from $233,276 to $270,602, net of the upfront continuity credit. The increase of the liability – P&I, Vessel Pollution, and both excess layers is 12.3%, which is currently a standard market rise on the liability side. The same continuity credit on expiring has been applied to the renewal. The expiring Marine pricing was $772,584 after the policy year 2021-2022 continuity credit was applied. The total renewal pricing is $833,202, resulting in an additional cost of $60,618 to the State effective July 1, 2022.

Aviation Hull & Liability

Aviation Hull & Liability limits were reduced from $25 million to $10 million due to market conditions. Aviation Hull & Liability are written with National Union Insurance Company. The $10M limit includes passengers and hull per scheduled aircraft for a premium of $630,895, which is $56,122 less than what was paid last fiscal year but with a $15 million limit reduction. Business Insurance reported in July 2022, "Aviation insurance buyers face some of the most challenging renewals in more than a decade, as rising exposures and the war in Ukraine drive up costs, with some experts predicting the toughest conditions since 9/11".

Aviation General Liability (Airport)

This coverage was also renewed effective July 1, 2022 for an annual premium of $21,350, an increase in premium of $1675, from the prior term. Aviation General Liability is written with National Union Insurance Company with a $25M Each Occurrence Limit.

ASM and the Louisiana Stadium and Exposition District (LSED)

Coverage is obtained by ORM on behalf of the above named insureds as per written contract for operations at the Louisiana Superdome, New Orleans Arena, & Champions Square. The coverage was marketed globally with the following results:

Crime

Coverage remained with Hiscox with a flat renewal premium of $10,958.

Workers Compensation

Coverage remained with LWCC with a renewal premium of $695,975. This is additional cost of $30,738 from the expiring term. The premium is based on a 3.55% payroll increase and an experience mod increase of 2%.

Excess Commercial General Liability

Coverage was not renewed per ORM's request. The terms of the contract changed and ASM is now responsible for procuring CGL directly.

Cyber Liability

Coverage was written for the State's Office of Technology Services (OTS) and the agencies/departments that fall under OTS for IT services. It also includes coverage for those State Higher Education institutions that choose to participate. As the insurance program continues and the State's IT work becomes more aligned within all agencies, data collection will be undertaken and coverage expanded as it makes sense to do so. Coverage includes the following:

- Technology/Professional Errors & Omissions
- Network Security Privacy Liability
- Data Recovery and Business interruption
- Multimedia Liability
- Privacy Regulatory Defense and Penalties
- Notification
- Cyber Extortion
- Business Income and Digital Asset Restoration

This coverage was renewed July 1, 2022 with Lloyds of London. Limits were renewed with $11.5M each and every claim with an $11.5M policy aggregate. Named Higher Education institutions are included with a sub-limit of $2M each and every claim subject to the $11.5M aggregate limit. The renewal premium for 2022-2023 is $776,250 representing a premium decrease for this term of $38,750.

Public entities have been targeted for cyber-attacks in a significant way throughout the US. As such, carriers have paid out a large number of high dollar claims specifically for public entities, most often as a result of ransomware attacks. Public sector insureds are leading the claim activity in terms of both frequency and severity. The cyber marketplace is shrinking, with available capacity a growing concern. In many cases, re-insurers are refusing to provide reinsurance to their insured market clients. Carriers are required by their reinsurers to institute premium increases, higher retentions, and in some cases are sub-limiting coverages. Other than the Florida and Louisiana property marketplace, cyber coverage is currently the most challenging line of business in the insurance industry. Renewal terms were negotiated and the State's retention remained at $1,500,000. The 25% Sublimit and 50% Coinsurance clauses found in the prior year's policy were removed for the Higher Education institutions for ransomware. A 50% sublimit now applies to all coverages for the OTS managed agencies where the proximate cause is ransomware. This is due to OTS's lack of Multi-Factor Authentication. A biometric exclusion applies to LA Tech, LSUHSC New Orleans, and Southeastern.

Crisis Response

This coverage renewed July 1, 2022 with Lloyds of London with limits of $1M per occurrence/$5M policy aggregate. The renewal pricing is flat at $63,138 annually. This coverage provides on-site response services to man-made and natural disasters that result in three or more fatalities and/or critical injuries. It includes the establishment of family assistance centers near the location of the incident, media support, assistance to victims' families, assistance to first responders and other types of necessary resources consistent with managing the aftermath of a crisis.

Licensed Professional Liability (Higher Education Student Experiential Learning)

Many of the State's Higher Education Institutions offer internship programs through outside businesses and non-profit agencies as part of the curriculum, for example, a teaching internship through a local school system. Many third party providers/businesses require evidence of professional liability and general liability coverage from the student and institution before they will allow students to intern at their facility. The State provides casualty coverage for the institutions, but per state law is unable to include the students as insureds. The exception to this is malpractice liability coverage provided through Louisiana Revised Statute 40:1237.1 et. seq. In the past, this has created a challenge for those institutions and their students who are dependent on the cooperation of third parties to assist with their internship curriculums. Coverage was renewed effective July 1, 2022 with United Educators Insurance Company to provide coverage to those students participating in qualifying programs at specifically named institutions. Limits remain unchanged from the prior term -- $1M per claim/$5M policy aggregate. Certificates of insurance are provided by Gallagher to the institutions to evidence coverage for the students.

This policy was renewed for an annual premium of $179,130. The premium increase of $6,674 is attributed to the hardening liability market trend and the addition of the Louisiana Fire and Emergency Training Academy. The cost is not borne by the State, but is left to each participating institution to manage and pass through to the participating students.

Foreign Travel Package Policy

The Office of Risk Management, recognizing the exposure for foreign travel, purchased a master policy through Zurich American Insurance Company for employees travelling on business for the State of Louisiana. Coverages provided are General Liability - $1M per Occurrence/$2M Aggregate limit; Automobile Liability $1M each Accident; $1M each Employee per accident/$1M each employee per disease/$1M per disease policy aggregate for Voluntary International Employee Compensation and Employers Liability. Additional coverages include Business Travel Accident, Property. The annual premium for this policy is $2,750.

Casualty Brokerage Fees

As stated above, the fee for the Statewide Casualty Program is included within the annual Property Placement Fee for a combined total of $1,050,000 for 2022-2023, which is the same as the previous year.

Combined Limit and Pricing Comparison – Statewide Casualty

Coverage	FY22 Expiring Limits	FY23 Renewal Limits	FY22 Expiring Price	FY23 Renewal Price	FY22 to FY23 Price Change
Wet Marine[2] Hull Protection and Indemnity (P&I) Pollution	 Replacement $100M *Incl.*	 Replacement $100M *Incl.*	$772,584 *Incl.* *Incl.* *Incl.*	$833,202 *Incl.* *Incl.* *Incl.*	$60,618
Crime (incl. employee theft) – ASM and LSED	$500,000	$500,000	$10,958	$10,958	-
Workers Compensation – ASM and LSED	Statutory	Statutory	$665,237	$695,975	$30,738
Employer's Liability	$1M	$1M	-	-	-
Excess General Liability - ASM and LSED	$50M	Not Renewed	$1,083,000	$0	($1,083,000)
Cyber Liability	$20M/$20M & $15M/$15M Higher Ed	$11.5M/$11.5M & $2M/$11.5M Higher Ed	$815,000	$776,250	($38,750)
Crisis Response	$1M/$5M	$1M/$5M	$63,138	$63,138	-
Aviation Hull & Liability	$25M Hull Sched. Val.	$10M Hull Sched. Val.	$687,017	$630,895	($56,122)
Aviation General Liability (Airport)	$25M Liab.	$25M Liab.	$19,675	$21,350	$1,675
Agent Fee			*Fee Incl. in Property Placement*	*Fee Incl. in Property Placement*	-
Total			**4,116,609**	**$3,031,768**	**($1,084,841)**

Additional Information

Reduced Dependence on Wholesale Brokers

A significant factor in the reduction of brokerage fees in 2015 through 2022, was the reduced dependence on wholesale brokers. The State saved $3.1 million dollars in brokerage fees/wholesaler revenue in 2015 as Gallagher placed much of the coverage directly rather than through the utilization of a wholesale broker. If you extrapolate this across the last eight years, the savings in wholesale brokerage commission alone is near $24.8 million dollars. Both domestic and international wholesale brokers are used only when needed. Additionally, when Gallagher used wholesale brokers, both Gallagher and ORM were present during the presentations to ensure control of the placement. The revenue for the domestic wholesalers are included in the contract brokerage fee of $1,050,000. The international wholesale

[2] The expiring and renewal premiums are net of the premium continuity credits of $78,676 and $82,970 respectively.

brokers (London and Bermuda) received 3% - 5% wholesale commission (included in the premium), compared to double digit wholesaler compensation in the past procurement model.

The following markets were directly placed by the broker, without wholesale broker assistance:

AWAC	Berkshire	Canopius US	CV Starr	National Union Insurance Co.	Ironshore	Swiss Re
	United Educators	AIG	Hiscox	Munich Re	SCOR	

Focused Higher Education Program

The participation in the Student Internship Liability coverage program has significantly increased since inception in 2016. We expect this trend to continue. Round table discussions on risk management specific to higher education have been ongoing since the fall of 2015 and continue quarterly and regionally. The response to this has been positive. Gallagher worked closely with ORM to facilitate a system-wide membership to URMIA, a national risk management organization specific to higher education institution membership. In doing so, the State's higher education institutions have access to their peers and resources across the U.S. Gallagher continues to bring a higher education practice and reputation to the table to assist with the State's exposures concerning higher education risks.

In Summary

ORM's intent is not only to save money and significantly improve coverage limits - both of which have been accomplished -- but also to take steps necessary to create a long lasting property program that will stand against another severe storm season through multi-year rates and participation guarantees to gain rate protection and program stability. Gallagher and ORM do expect to see the overall market continue to harden, and ORM is prepared to adjust the program in upcoming fiscal years to minimize premium increases while still providing adequate coverage to protect the State's assets. Protecting the State's budget and being able to cost effectively insure the State's assets remains paramount through the process with each and every renewal.

The success of the placements from 2015 through 2022 are evidenced by the pricing, coverage terms and number of markets competing for participation in the State's program.

The substantial dollar savings for all lines of coverage placed in the commercial market for ORM including increased limits, coverage improvements, program stability, and market relationships would not have been possible under the old insurance procurement model. The enactment of Act 715 in the 2014 Regular Session, which allowed ORM to select a broker rather than bidding a predetermined insurance program, facilitated the tremendous impact made on the insurance marketplace. This impact is evidenced in the program presented in this report.

For clarification, the savings shown in this report are based on actual commercial premiums paid for coverage placed for FY 21-22 versus FY 22-23.

STATE OF LOUISIANA
OFFICE OF RISK MANAGEMENT
SUMMARY OF INSURANCE COVERAGES

EFFECTIVE JULY 1, 2023

Airport Liability

Primary:	Commercial Insurance
Broker:	Arthur J. Gallagher
Insurance Company:	National Union Fire Ins. Co.
Limit:	$25,000,000 per occurrence, includes hangar keepers' liability Named Agencies Only
Agency Deductible:	$1,000 hangar keepers' liability only

Aviation Hull and Liability

Primary:	Commercial Insurance
Broker:	Arthur J. Gallagher
Insurance Company:	National Union Fire Ins. Co
Limit:	Liability - $10,000,000 per occurrence Hull – Agreed value per aircraft on file at ORM Named Agencies Only
Agency Deductible:	Liability – None Hull - None

Automobile Liability & Physical Damage

Primary:	Louisiana Self-Insurance Fund
Limit:	Liability: $5,000,000 per occurrence Physical Damage: Actual Cash Value per auto
Agency Deductible:	$1,000 Collision $1,000 Other than collision

Employee Dishonesty Bond (See Crime policy)

Bridge Property Damage

Primary:	Louisiana Self-Insurance Fund
Limit:	DOTD LA 1 Toll Road - $4,434,560 per occurrence property damage; $4,750,000 per occurrence business interruption. LA Tech University Pedestrian Bridge - $500,000 per occurrence property damage.
Agency Deductible:	None

Commercial General Liability (Excludes Superdome, Arena, Champions Square)

Primary:	Louisiana Self-Insurance Fund
Limit:	$5,000,000 per occurrence
Agency Deductible:	None

Crime (Excludes Superdome, Arena, Champions Square)

Primary:	Louisiana Self-Insurance Fund
Limit:	Crime - $2,000,000 per occurrence for all locations handling money and securities Bond: - $500,000 employee theft (employee dishonesty) per occurrence $100,000 employee faithful performance of duty per occurrence
Agency Deductible:	$1,000

Crime (Superdome, Arena, Champions Square Only)

Primary:	Commercial Insurance
Broker:	Arthur J. Gallagher
Insurance Company:	Hiscox Insurance Co.
Limit:	$500,000 per occurrence, includes employee theft
Agency Deductible:	$250

Cyber Liability

Primary:	Louisiana Self-Insurance Fund
Limit:	$1,500,000 per claim Named Agencies Only
Agency Deductible:	None
Excess:	Commercial Insurance
Broker:	Arthur J. Gallagher
Insurance Company:	Lloyds of London Named Agencies Only
Limit:	$11,500,000 per claim for Non-Higher Ed with a $11,500,000 aggregate $2,000,000 per claim per entity for Higher Ed with a $11,500,000 aggregate
Agency Deductible:	None

Crisis Response Services through Disaster Management International

Primary:	Commercial Insurance
Broker:	Arthur J. Gallagher
Insurance Company:	Lloyds of London
Limit:	$1,000,000 per occurrence/$5,000,000 annual aggregate
Agency Deductible:	None

Equipment Breakdown Protection (Boiler & Machinery)

Primary:	Louisiana Self-Insurance Fund
Limit:	$500,000 per breakdown
Agency Deductible:	$1,000
Excess:	Commercial Insurance
Broker:	Arthur J. Gallagher
Insurance Company:	XL America Insurance Company
Limit:	$250,000,000 excess of $500,000 Primary Insurance per breakdown

Agency Deductible:	None

Fine Art

Primary:	Commercial Insurance
Broker:	Arthur J. Gallagher
Insurance Company:	Lloyds of London
Limit:	$400,000,000 per occurrence
Agency Deductible:	Permanent collection - $2,500 Loans – None

Licensed Professional Liability (Higher Education Student Experiential Learning)

Primary:	Commercial Insurance
Broker:	Arthur J. Gallagher
Insurance Company:	United Educators
Limit:	$1,000,000 per claim/$5,000,000 annual aggregate Named Agencies Only
Agency Deductible:	None

Medical Malpractice Liability

Primary:	Louisiana Self-Insurance Fund
Limit:	$5,000,000 per occurrence
Agency Deductible:	None

Property

Primary:	Louisiana Self-Insurance Fund
Limit:	$50,000,000 per occurrence for named storm and flood $10,000,000 per occurrence for all other perils Business Interruption limited to one (1) year Replacement cost on buildings; actual cash value on business personal property and movable/mobile buildings
Agency Deductible:	$1,000 non-flood $5,000 flood

Excess:	Commercial Insurance
Broker:	Arthur J. Gallagher
Insurance Company:	Various international and domestic companies
Limit:	$300,000,000 named storm $260,000,000 flood and earthquake $800,000,000 all other perils
Agency Deductible:	None

Property (Designated Small Boards and Commissions Only)

Primary:	Louisiana Self-Insurance Fund
Limit:	$15,000,000 per occurrence for all perils, including named hurricane and flood Business Interruption limited to one (1) year Replacement cost on buildings; actual cash value on business personal property and movable/mobile buildings $15,000,000 per breakdown equipment breakdown/boiler & machinery

Agency Deductible:	$1,000 non-flood $5,000 flood

Publishers Media Liability

Primary:	Louisiana Self-Insurance Fund
Limit:	$5,000,000 per occurrence
Agency Deductible:	None

Terrorism

Primary:	Louisiana Self-Insurance Fund
Limit:	$10,000 per occurrence liability $100,000 per occurrence biological & chemical
Agency Deductible:	None
Excess:	Commercial Insurance
Broker:	Arthur J. Gallagher
Insurance Company:	Lloyds of London
Limit:	$150,000,000 per occurrence/aggregate property damage/time element $25,000,000 per occurrence/aggregate liability $10,000,000 per occurrence biological & chemical
Agency Deductible:	None

Wet Marine

Primary:	Louisiana Self-Insurance Fund
Limit:	Protection & Indemnity - $750,000 per occurrence Masters & crew members - $1,000,000 Hull – Various per vessel
Agency Deductible:	P&I – None Hull - $1,000 Pollution - None
Excess:	Commercial Insurance
Broker:	Arthur J. Gallagher
Insurance Company:	Various international companies Named Agencies Only
Limit:	Protection & Indemnity - $100,000,000 per occurrence Masters & crew members - $100,000,000 per occurrence Hull – Various per vessel – Agreed value per vessel Pollution - $100,000,000
Agency Deductible:	None

Workers' Compensation and Employers' Liability

Primary:	Louisiana Self-Insurance Fund
Limit:	Employee benefits - Statutory Employers liability - $5,000,000 each accident/disease
Agency Deductible:	None

Workers' Compensation (Superdome, Arena, Champions Square Only)

Primary:	Commercial Insurance
Broker:	Arthur J. Gallagher
Insurance Company:	Louisiana Workers Compensation Corporation (LWCC)
Limit:	Employee benefits - Statutory
	Employers liability - $1,000,000 each accident/disease
Agency Deductible:	None

Office of Risk Management Income Statement

2023

Property

Statement of Financial Position

	June 30, 2023
ASSETS	
Cash and investments	$ (88,420,340)
Insurance receivables	1,048,444
Interest receivable and other assets	15,637,658
Prepaid insurance	53,982,896
Capital assets, net of accumulated depreciation	301
Total assets	$ (17,751,041)
LIABILITIES AND NET ASSETS	
Liabilities	
Loss and expense reserves	$ 19,892,044
Unearned premium	
Other liabilities	846,790
Total liabilities	20,738,834
Net assets	
Unrestricted net assets	(38,489,875)
Total liabilities and net assets	$ (17,751,041)

Statement of Activities and Changes in Net Assets

OPERATING REVENUES	
Premiums written	$ 79,448,540
Other revenue	
Disaster Recoveries	35,809,838
Excess Commercial Recovery Revenue	2,000,000
General fund appr./non-tort reimbursement	28,239,264
Less: Cost of insurance	(41,548,010)
Total operating revenues	103,949,632
OPERATING EXPENSES	
General and administrative expenses	1,081,946
Claims cost:	
Losses	60,847,963
Less: Deductible payment in lieu of premiums	-
Allocated loss adjustment expense	2,554,477
Unallocated loss adjustment expense	17,790,211
Change in provision for losses/expenses	(35,650,576)
Total operating expenses	46,624,021
Operating income (losses)	57,325,611
NON-OPERATING REVENUES (EXPENSES)	
Interest income	14,908
Gain(loss) on disposal of capital assets	-
Total non-operating revenues (expenses)	14,908
Net income (losses) before transfers	57,340,519
Transfers in	-
Transfers out	-
Total (net) transfers	-
Change in net assets	57,340,519
Total net assets - beginning	(95,830,394)
Prior period adjustment	-
Total net assets - beginning, adjusted	(95,830,394)
Total net assets - ending	$ (38,489,875)

State of Louisiana

- An estimated liability recorded for $1.0 billion to recognize the State's share of the costs in three partnerships with the Federal Government to construct and improve levee systems in the greater New Orleans area, known as the Hurricane and Storm Damage Risk Reduction System.

Condensed Statement of Activities

(in thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2022	2021	2022	2021	2022	2021
Revenues						
Program Revenues:						
Charges for Services	$ 2,911,498	$ 2,866,069	$ 441,850	$ 417,649	$ 3,353,348	$ 3,283,718
Operating Grants & Contributions	24,416,390	21,181,085	1,241,698	4,950,825	25,658,088	26,131,910
Capital Grants & Contributions	684,880	633,298	46,973	32,946	731,853	666,244
General Revenues:						
Income Taxes	5,487,953	4,605,063	--	--	5,487,953	4,605,063
Sales & Use Taxes	4,893,094	4,177,735	--	--	4,893,094	4,177,735
Other Taxes	3,125,763	2,590,983	--	--	3,125,763	2,590,983
Other	563,146	1,711,828	432	(2,045)	563,578	1,709,783
Total Revenues	42,082,724	37,766,061	1,730,953	5,399,375	43,813,677	43,165,436
Expenses						
Governmental Activities:						
General Government	2,354,997	3,074,335	--	--	2,354,997	3,074,335
Culture, Recreation & Tourism	157,933	136,497	--	--	157,933	136,497
Transportation & Development	1,548,330	1,572,389	--	--	1,548,330	1,572,389
Public Safety	3,149,310	2,181,064	--	--	3,149,310	2,181,064
Health & Welfare	20,678,382	18,963,840	--	--	20,678,382	18,963,840
Corrections	859,020	893,694	--	--	859,020	893,694
Youth Development	110,375	133,518	--	--	110,375	133,518
Conservation & Environment	797,731	732,220	--	--	797,731	732,220
Education	8,045,577	7,064,883	--	--	8,045,577	7,064,883
Agriculture & Forestry	189,198	155,101	--	--	189,198	155,101
Economic Development	221,277	194,658	--	--	221,277	194,658
Military & Veterans Affairs	215,511	237,337	--	--	215,511	237,337
Workforce Support & Training	297,937	325,252	--	--	297,937	325,252
Interest on Long-term Debt	229,724	246,892	--	--	229,724	246,892
Business-Type Activities:						
Higher Education	--	--	559,332	537,473	559,332	537,473
Lending & Financing Activities	--	--	26,454	25,903	26,454	25,903
Property Assistance	--	--	8,703	9,841	8,703	9,841
Prison Enterprises	--	--	30,055	29,445	30,055	29,445
Regulation & Oversight	--	--	48,083	51,075	48,083	51,075
Unemployment Insurance	--	--	624,342	5,562,889	624,342	5,562,889
Total Expenses	38,855,302	35,911,680	1,296,969	6,216,626	40,152,271	42,128,306
Net Increase (Decrease) before Transfers	3,227,422	1,854,381	433,984	(817,251)	3,661,406	1,037,130
Transfers In (Out)	(184,665)	(144,477)	184,665	144,477	--	--
Net Increase (Decrease)	3,042,757	1,709,904	618,649	(672,774)	3,661,406	1,037,130
Net Position - Beginning, as Restated	4,673,746	2,845,956	1,014,587	1,686,770	5,688,333	4,532,726
Net Position - Ending	$ 7,716,503	$ 4,555,860	$ 1,633,236	$ 1,013,996	$ 9,349,739	$ 5,569,856

Louisiana's overall net position increased by $3.7 billion. Approximately $3.0 billion of this increase is from the State's governmental activities and $619 million from business-type activities.

For governmental activities, the State's primary revenue sources are tax revenues included in general revenues above and federal revenues included in operating grants and contributions. Both of these revenue sources increased in fiscal year 2022, with a $2.1 billion increase in tax revenues and a $3.2 billion increase in operating grants and contributions.

2021

State of Louisiana

- An estimated liability recorded for $1.3 billion to recognize the State's share of the costs in three partnerships with the Federal Government to construct and improve levee systems in the greater New Orleans area, known as the Hurricane and Storm Damage Risk Reduction System (HSDRRS).

Condensed Statement of Activities

(in thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2021	2020	2021	2020	2021	2020
Revenues						
Program Revenues:						
Charges for Services	$ 2,866,069	$ 2,709,429	$ 417,649	$ 479,350	$ 3,283,718	$ 3,188,779
Operating Grants & Contributions	21,181,085	17,171,529	4,950,825	3,540,055	26,131,910	20,711,584
Capital Grants & Contributions	633,298	586,194	32,946	38,865	666,244	625,059
General Revenues:						
Income Taxes	4,605,063	4,163,523	–	–	4,605,063	4,163,523
Sales & Use Taxes	4,177,735	3,729,536	–	–	4,177,735	3,729,536
Other Taxes	2,590,983	2,589,018	–	–	2,590,983	2,589,018
Other	1,711,828	1,334,228	(2,045)	(162)	1,709,783	1,334,066
Total Revenues	37,766,061	32,283,457	5,399,375	4,058,108	43,165,436	36,341,565
Expenses						
Governmental Activities:						
General Government	3,074,335	2,314,015	–	–	3,074,335	2,314,015
Culture, Recreation & Tourism	136,497	116,014	–	–	136,497	116,014
Transportation & Development	1,572,389	1,415,047	–	–	1,572,389	1,415,047
Public Safety	2,181,064	2,008,320	–	–	2,181,064	2,008,320
Health & Welfare	18,963,840	16,194,195	–	–	18,963,840	16,194,195
Corrections	893,694	707,416	–	–	893,694	707,416
Youth Development	133,518	112,321	–	–	133,518	112,321
Conservation & Environment	732,220	565,621	–	–	732,220	565,621
Education	7,064,883	6,610,669	–	–	7,064,883	6,610,669
Agriculture & Forestry	155,101	140,607	–	–	155,101	140,607
Economic Development	194,658	233,454	–	–	194,658	233,454
Military & Veterans Affairs	237,337	209,300	–	–	237,337	209,300
Workforce Support & Training	325,252	235,317	–	–	325,252	235,317
Interest on Long-term Debt	246,892	284,761	–	–	246,892	284,761
Business-Type Activities:						
Higher Education	–	–	537,473	515,007	537,473	515,007
Lending & Financing Activities	–	–	25,903	32,557	25,903	32,557
Property Assistance	–	–	9,841	8,116	9,841	8,116
Prison Enterprises	–	–	29,445	26,866	29,445	26,866
Regulation & Oversight	–	–	51,075	50,099	51,075	50,099
Unemployment Insurance	–	–	5,562,889	4,078,459	5,562,889	4,078,459
Total Expenses	35,911,680	31,147,057	6,216,626	4,711,104	42,128,306	35,858,161
Net Increase (Decrease) before Transfers	1,854,381	1,136,400	(817,251)	(652,996)	1,037,130	483,404
Transfers In (Out)	(144,477)	(172,666)	144,477	172,666	–	–
Net Increase (Decrease)	1,709,904	963,734	(672,774)	(480,330)	1,037,130	483,404
Net Position - Beginning, as Restated	2,845,956	1,719,453	1,686,770	2,164,941	4,532,726	3,884,394
Net Position - Ending	$ 4,555,860	$ 2,683,187	$ 1,013,996	$ 1,684,611	$ 5,569,856	$ 4,367,798

Louisiana's overall net position increased by $1.0 billion. The State's net position in governmental activities increased by $1.7 billion, while net position in business-type activities decreased by $673 million. Most of the explanations for the increases in fund balance at the fund level, account for the rise in net position at the government-wide level (e.g., increased income and sales tax collections, etc.). See the next section, The State's Funds, for more information at the fund level.

2020

State of Louisiana

- Unfunded reserves for incurred claims payable to outside parties for worker's compensation, disallowed costs, and various lawsuits of approximately $2.2 billion.

Condensed Statement of Activities

(in thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2020	2019	2020	2019	2020	2019
Revenues						
Program Revenues:						
Charges for Services	$ 2,709,429	$ 2,509,221	$ 479,350	$ 499,627	$ 3,188,779	$ 3,008,848
Operating Grants & Contributions	17,171,529	14,412,186	3,540,055	194,025	20,711,584	14,606,211
Capital Grants & Contributions	586,194	669,490	38,865	41,184	625,059	710,674
General Revenues:						
Income Taxes	4,163,523	4,134,987	–	–	4,163,523	4,134,987
Sales & Use Taxes	3,729,536	3,843,976	–	–	3,729,536	3,843,976
Other Taxes	2,589,018	2,716,902	–	–	2,589,018	2,716,902
Other	1,334,228	1,670,411	(162)	4,912	1,334,066	1,675,323
Total Revenues	32,283,457	29,957,173	4,058,108	739,748	36,341,565	30,696,921
Expenses						
Governmental Activities:						
General Government	2,314,015	2,216,867	–	–	2,314,015	2,216,867
Culture, Recreation & Tourism	116,014	100,426	–	–	116,014	100,426
Transportation & Development	1,415,047	1,445,953	–	–	1,415,047	1,445,953
Public Safety	2,008,320	1,008,130	–	–	2,008,320	1,008,130
Health & Welfare	16,194,195	14,755,484	–	–	16,194,195	14,755,484
Corrections	707,416	779,224	–	–	707,416	779,224
Youth Development	112,321	86,781	–	–	112,321	86,781
Conservation & Environment	565,621	651,864	–	–	565,621	651,864
Education	6,610,669	6,357,514	–	–	6,610,669	6,357,514
Agriculture & Forestry	140,607	201,646	–	–	140,607	201,646
Economic Development	233,454	213,769	–	–	233,454	213,769
Military & Veterans Affairs	209,300	189,476	–	–	209,300	189,476
Workforce Support & Training	235,317	255,141	–	–	235,317	255,141
Interest on Long-term Debt	284,761	278,405	–	–	284,761	278,405
Business-Type Activities:						
Higher Education	–	–	515,007	471,802	515,007	471,802
Lending & Financing Activities	–	–	32,557	26,396	32,557	26,396
Property Assistance	–	–	8,116	8,288	8,116	8,288
Prison Enterprises	–	–	26,866	27,043	26,866	27,043
Regulation & Oversight	–	–	50,099	47,107	50,099	47,107
Unemployment Insurance	–	–	4,078,459	152,840	4,078,459	152,840
Total Expenses	31,147,057	28,540,680	4,711,104	733,476	35,858,161	29,274,156
Net Increase (Decrease) before Transfers	1,136,400	1,416,493	(652,996)	6,272	483,404	1,422,765
Transfers In (Out)	(172,666)	(160,648)	172,666	160,648	–	–
Net Increase (Decrease)	963,734	1,255,845	(480,330)	166,920	483,404	1,422,765
Net Position - Beginning, as Restated	1,719,453	345,035	2,164,941	2,000,303	3,884,394	2,345,338
Net Position - Ending	$ 2,683,187	$ 1,600,880	$ 1,684,611	$ 2,167,223	$ 4,367,798	$ 3,768,103

Louisiana's overall net position increased by $483.4 million from the prior fiscal year. The State's net position in governmental activities increased by $964 million, while net position in business-type activities decreased by $480 million. The following contributed to the changes in the state's net position:

- The State saw a $2.7 billion increase in federal revenues and $2.4 billion increase in expenditures in governmental activities due mainly to additional funding and related expenses related to COVID-19. On March 1, 2020 President Donald J. Trump proclaimed a national emergency due to the COVID-19 outbreak in the United States. As a result of the President's emergency declaration, Congress enacted the Coronavirus Aid, Relief, and

Lousiana Citizens Property Insurance Corporation

2023

LOUISIANA CITIZENS PROPERTY INSURANCE CORPORATION
STATUTORY STATEMENTS OF ADMITTED ASSETS, LIABILITIES, AND SURPLUS
DECEMBER 31, 2023 AND 2022

	2023	2022
ADMITTED ASSETS		
Cash and invested assets:		
Cash, cash equivalents, and short-term investments	$ 584,468,123	$ 358,008,376
Bonds	113,196,922	83,324,863
Total cash and invested assets	697,665,045	441,333,239
Interest and dividends receivable	1,929,406	1,474,055
Premium receivable and agent's balances, net	81,725,683	58,427,167
Reinsurance receivable, net	4,427,497	22,695,639
Admitted electronic data processing equipment and software, at cost less accumulated depreciation of approximately $18,873,988 and $18,531,907 at December 31, 2023 and 2022, respectively	486,385	462,890
Emergency assessments receivable - 2005 deficit	166,530,000	229,944,547
Emergency assessments receivable - companies	20,000,000	16,000,000
Other receivables	110,542	110,542
TOTAL ADMITTED ASSETS	$ 972,874,558	$ 770,448,079

Continued

LOUISIANA CITIZENS PROPERTY INSURANCE CORPORATION
STATUTORY STATEMENTS OF ADMITTED ASSETS, LIABILITIES, AND SURPLUS
DECEMBER 31, 2023 AND 2022

LIABILITIES AND SURPLUS	2023	2022
Liabilities:		
Loss reserves	$ 80,949,065	$ 40,776,218
Loss adjustment expense reserves	13,358,228	9,523,015
Commissions payable to agents	13,129,284	9,970,950
Unearned premiums	335,528,696	241,867,216
Taxes, licenses, and fees accrued	13,709,430	9,692,594
Provision for reinsurance	87,088	193,539
Accounts payable and other accrued expenses	9,268,184	9,145,868
Amounts retained or withheld from others	13,405	17,997
Ceded reinsurance premiums payable, net of ceding commissions	194,667	44,008,695
Unearned tax exempt surcharge	10,544,414	7,235,808
Interest payable	584,056	796,473
Bonds payable	171,908,361	226,836,516
Liability for funds restricted for debt service	129,001,482	93,293,756
Total liabilities	778,276,360	693,358,645
Surplus:		
Unassigned surplus	194,598,198	77,089,434
Total accumulated surplus	194,598,198	77,089,434
TOTAL LIABILITIES AND SURPLUS	$ 972,874,558	$ 770,448,079

See notes to statutory financial statements.

LOUISIANA CITIZENS PROPERTY INSURANCE CORPORATION
STATUTORY STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
REVENUES:		
Premiums earned	$ 260,616,120	$ 82,954,980
LOSSES AND UNDERWRITING EXPENSES:		
Losses incurred	83,356,956	52,391,700
Loss adjustment expenses incurred	14,922,572	15,166,034
Other underwriting expenses	85,563,298	59,096,958
Total losses and underwriting expenses	183,842,826	126,654,692
NET UNDERWRITING GAIN (LOSS)	76,773,294	(43,699,712)
Investment income	13,582,271	2,310,971
Interest expense	(4,122,604)	(5,378,435)
Emergency assessment income (loss)	(146,672)	4,701,222
Application and other miscellaneous fees	4,135,586	7,928,310
Finances and service charges not included in premiums	800,268	549,126
Net loss from agents or premium balances charged off	(99,475)	(76,350)
NET INCOME (LOSS)	$ 90,922,668	$ (33,664,868)

See notes to statutory financial statements.

2022

LOUISIANA CITIZENS PROPERTY INSURANCE CORPORATION
STATUTORY STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
REVENUES:		
Premiums earned	$ 82,954,980	$ 35,381,945
LOSSES AND UNDERWRITING EXPENSES:		
Losses incurred	52,391,700	44,525,740
Loss adjustment expenses incurred	15,166,034	5,816,415
Other underwriting expenses	59,096,958	14,663,988
Total losses and underwriting expenses	126,654,692	65,006,143
NET UNDERWRITING LOSS	(43,699,712)	(29,624,198)
Investment income	2,310,971	443,649
Interest expense	(5,378,435)	(6,537,168)
Emergency assessment income	4,701,222	6,546,297
Application and other miscellaneous fees	7,928,310	885,312
Finances and service charges not included in premiums	549,126	244,266
Net loss from agents or premium balances charged off	(76,350)	(294,960)
NET LOSS	$ (33,664,868)	$ (28,336,802)

See notes to statutory financial statements.

2021

LOUISIANA CITIZENS PROPERTY INSURANCE CORPORATION
STATUTORY STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
REVENUES:		
Premiums earned	$ 35,381,945	$ 36,166,483
LOSSES AND UNDERWRITING EXPENSES:		
Losses incurred	44,525,740	42,694,860
Loss adjustment expenses incurred	5,816,415	6,667,163
Other underwriting expenses	14,663,988	13,527,375
Total losses and underwriting expenses	65,006,143	62,889,398
NET UNDERWRITING LOSS	(29,624,198)	(26,722,915)
Investment income	443,649	1,602,876
Interest expense	(6,537,168)	(7,637,209)
Emergency assessment income	6,546,297	7,457,120
Application and other miscellaneous fees	885,312	465,160
Finances and service charges not included in premiums	244,266	208,746
Net loss from agents or premium balances charged off	(294,960)	(5,808)
NET LOSS	$ (28,336,802)	$ (24,632,030)

See notes to statutory financial statements.

2020

LOUISIANA CITIZENS PROPERTY INSURANCE CORPORATION
STATUTORY STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
REVENUES:		
Premiums earned	$ 36,166,483	$ 39,507,043
LOSSES AND UNDERWRITING EXPENSES:		
Losses incurred	42,694,860	12,759,078
Loss adjustment expenses incurred	6,667,163	6,324,176
Other underwriting expenses	13,527,375	14,240,148
Total losses and underwriting expenses	62,889,398	33,323,402
NET UNDERWRITING GAIN (LOSS)	(26,722,915)	6,183,641
Net investment income	1,602,876	3,890,565
Interest expense	(7,637,209)	(8,697,132)
Emergency assessment income	7,457,120	7,799,054
Application and other miscellaneous fees	465,160	426,314
Finances and service charges not included in premiums	208,746	213,732
Net loss from agents or premium balances charged off	(5,808)	(5,676)
NET INCOME (LOSS)	$ (24,632,030)	$ 9,810,498

See notes to statutory financial statements.

Appendix B: Mississippi

i. State of Mississippi Department of Finance and Administration Property Coverage Document 2023-2024 Fiscal Year

ii. Mississippi Department of Finance and Administration (Office of State Property Insurance) 2022,2021,2020,2019

iii. Mississippi Institutions of Higher Learner 2022, 2021, 2020, 2019

STATE OF MISSISSIPPI

Property Coverage Document

April 29, 2023 – 2024

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NAMED INSURED AND MAILING ADDRESS

1. State of Mississippi

including all of its agencies, departments, boards, commissions and any other entity or interest that now exists or may hereafter be constituted or acquired and any part an interest which the Insured is legally responsible to insure. Hereafter referred to as the “Insured."

Mailing Address: Department of Finance and Administration
Office of State Property Insurance
501 N West Street,
Suite 901-B
Jackson, MS, 39201

2. TERM OF INSURANCE

In consideration of the annual premium, this policy attaches and covers for a period of twelve months, from April 29th, 2023 to April 29th, 2024, beginning and ending at 12:01 A.M., standard time, at the location of the property involved.

The actual effective time of attachment of this insurance on the above date shall be the same time as the actual effective time of cancellation or expiration of policy(ies) replaced or renewed by this policy.

3. PROGRAM LIMITS OF LIABILITY

The Company's maximum program limit of liability in an occurrence, including any insured Time Element loss, will not exceed $500,000,000 for any one occurrence, subject to the following provisions:

A. Program limits of liability and time limits stated below or elsewhere in this Policy are part of, and not in addition to, the Policy program limit of liability.

B. Program limits of liability in an occurrence apply to the total direct physical loss or physical damage at all locations and for all coverages involved, including any insured Time Element loss, subject to the following provisions:

i. When a program limit of liability applies in the aggregate during any policy year, the Company's maximum amount payable will not exceed such program limit of liability during any policy year.

ii. When a program limit of liability applies to a location or other specified property, such program limit of liability will be the maximum amount payable for all direct physical loss or physical damage arising from direct physical loss or physical damage at such location or to such other specified property.

C. With respect to the peril of Earthquake (as referred to in Section 13), this Company shall not be liable, per occurrence and in any one policy year, for more than its proportion of $200,000,000. Where the peril of Earthquake is the predominant cause of direct physical loss or physical damage any ensuing physical loss or damage arising from a peril not otherwise excluded herein, other than Fire, shall be subject to the sublimits and aggregates specified in this policy.

D. With respect to the peril of Flood (as referred to in Section 13), this Company shall not be liable, per occurrence and in any one policy year, for more than its proportion of $200,000,000. Where the peril of Flood is the predominant cause of direct physical loss or physical damage any ensuing physical loss or damage arising from a peril not otherwise excluded here, other than Fire, shall be subject to the sublimits and aggregates specified in this Policy.

E. With respect to the peril of Flood (as referred to in Section 13) for locations wholly located within Flood Zones A or V as defined by the Federal Emergency Management Agency, this Company shall not be liable, per occurrence and in any one policy year, for more than its proportion of $100,000,000. Where the peril of Flood is the predominant cause of direct physical loss or physical damage any ensuing physical loss or damage arising from a peril not otherwise excluded herein, other than Fire, shall be subject to the sublimits or aggregates specified in this Policy.

F. With respect to the peril of Named Windstorm (as referred to in Section 13) this Company shall be liable, per occurrence for its proportion of $300,000,000. Where the peril of Named Windstorm is the predominant cause of direct physical loss or physical damage any ensuing physical loss or damage arising from a peril not otherwise excluded herein, other than Fire, shall be subject to the sublimits and aggregates specified in this Policy.

G..	Accounts Receivable	$25,000,000 per occurrence
H.	Auto Physical Damage (excludes over the road)	$75,000,000 per occurrence
I.	Business Interruption	$10,000,000 per occurrence
J.	Civil or Military Authority (90 days)	$ 5,000,000 per occurrence
K.	Contingent Time Element	$ 5,000,000 per occurrence
L.	Decontamination Costs	$ 2,500,000 per occurrence
M.	Debris Removal	Greater of 25% or $50,000,000 per occurrence

N.	Demolition and Increased Cost of Construction	$500,000,000 per occurrence
O.	Expediting Expense	$50,000,000 per occurrence
P.	Extra Expense	$50,000,000 per occurrence
Q.	Fine Arts, excluding outdoor monuments	$20,000,000 per occurrence
R.	Ingress/Egress (90 days)	$ 5,000,000 per occurrence
S.	Plants, Trees, Outdoor Lighting	$ 1,000,000 per occurrence
T.	Leasehold Interest	$10,000,000 per occurrence
U.	LEED Coverage	$10,000,000 per occurrence
V.	Loss Adjustment Expenses	$ 2,500,000 per occurrence
W.	Miscellaneous Unnamed Locations	$25,000,000 per occurrence; $10,000,000 Tiers I and II
X.	Mold Fungus & Mildew – resulting from a covered cause of loss	$10,000,000 per occurrence
Y.	Newly Acquired Property	$50,000,000 per occurrence
	• Tier 1 & 2 Named Windstorm	$25,000,000 per occurrence
Z.	Property in Course of Construction	$20,000,000 per occurrence
AA.	Rental Value	$10,000,000 per occurrence
BB.	Royalties	$ 1,000,000 per occurrence
CC.	Service Interruption (including off-premises)	$25,000,000 per occurrence
DD.	Transit	$10,000,000 per occurrence
EE.	Valuable Papers	$50,000,000 per occurrence

FF. The Company shall have no liability for any Time Element Loss when the Period of Recovery applicable to all Time Element loss is equal to or less than 24 hours. If the 24 hour time period is exceeded the company's liability for the Time Element loss shall apply and the Period of Recovery shall be measured from the inception of the occurrence for which loss is being claimed. The applicable deductible shall then apply. If more than one location is involved in any occurrence for which the 24 hours is applicable, only those locations where the Period of Recovery exceeds the Time Period shall be considered in the loss payment.

GG. This Policy shall apply to the Insured's interest in the Dry Dock located 1000 Jerry St., PE Hwy, Pascagoula, MS 39567 but responds only for the difference in conditions and/or excess of the underlying coverage, provided by a third party . This policy excludes any liability which is covered and payable by the third party coverage, whose insurance is considered primary and non-contributory.

4. DEDUCTIBLES

All losses, damages or expenses arising out of any one occurrence shall be adjusted as one loss, and from the amount of such adjusted loss shall be deducted **$500,000** except:

A. With respect to Flood:

(1) With respect to locations wholly located within Flood Zones A or V, the deductible shall be $500,000 per building, $500,000 contents per building and $250,000 business interruption/time element, subject to a minimum of $500,000 per occurrence. However, this deductible shall not apply to ensuing direct physical loss or physical damage arising from a peril not otherwise excluded herein.

(2) With respect to any other Flood loss, the deductible shall be $500,000 per occurrence. However, this deductible shall not apply to ensuing direct physical loss or physical damage arising from a peril not otherwise excluded herein.

(3) In the event that the Insured maintains underlying insurance through the National Flood Insurance Program, it is agreed that this policy excludes the peril of flood to the extent of recovery under such National Flood Insurance Policy(s). Should the amount of loss payable under such National Flood Insurance Policy(s) exceed the applicable flood deductible under this policy, then no deductible shall apply hereunder. However, if the amount to be paid under such National Flood Insurance Policy(s) is less than the applicable flood deductible under this policy, then the amount to be deducted hereunder shall not exceed the difference between the amount to be paid under the Insured's National Flood Insurance Policy(s) and the applicable flood deductible under

this policy. Insurance maintained through the National Flood Insurance Program shall be considered Underlying Insurance.

B. With respect to **Named** Windstorm at locations wholly located within Hancock, Harrison, Jackson, Pearl River, Stone, and George counties, the deductible shall be 2% of the Total Insured value at the time when such loss occurs, per separate unit of insurance, subject to a minimum of$1,000,000 per occurrence. This deductible shall apply only to those units of insurance suffering a loss in the occurrence and for which a claim is being made. However, this deductible shall not apply to ensuing direct physical loss or physical damage not otherwise excluded herein.

C. With respect to all other Wind/Hail, the deductible shall be $1,000,000 per occurrence.

D. With respect to any Service Interruption, "the duration of such interruption" referred to in the policy must be in excess of 24 hours.

E. With respect to Ingress / Egress or Civil or Military Authority, "the duration of such interruption" referred to in the policy must be in excess of 24 hours.

The following shall be considered a separate unit of insurance: (a) each separate building or structure; (b) the contents of each separate building or structure; (c) property in each yard; (d) business interruption as defined in Clause 7.B. for the twelve month period immediately following the loss.

If two or more deductible amounts in this policy apply to a single occurrence, the total to be deducted shall not exceed the largest deductible.

As respects theft, the term Occurrence as referred to elsewhere within the policy means the sum total of all losses of covered property resulting from one or more concealed acts committed by one person or more than one person acting in unison to the extent such loss is not otherwise excluded under this policy.

The deductible amounts specified above shall not apply to general average contributions and salvage charges.

5. LOSS PAYABLE

Loss, if any, shall be adjusted with and payable to the Insured or order, whose receipt shall constitute a release in full of all liability under this policy with respect to such loss.

6. TERRITORY

This policy covers loss occurring anywhere in the world excluding those countries, individuals, or entities as to which coverage would be in violation of any U.S. economic or trade sanctions such as, but not limited to, those sanctions administered and enforced by the U.S. Treasury Department's Office of Foreign Assets Control ("OFAC"), unless the Insured has been granted a U.S. Treasury Department Office of Foreign Assets Control License or other expressed or constructive authorization by the U.S. Government to do business with that country, individual or entity, and then coverage is provided only to the extent legally permitted as a result of the issuance of the license or other expressed or constructive authorization, subject to all of the terms, conditions and limitations found in this policy.

7. COVERAGE

Except as hereinafter excluded, this policy covers:

A. Real and Personal Property

(1) The interest of the Insured in all real and personal property owned, used, leased by the Insured, or intended for use by the Insured, or hereafter constructed, erected, installed, or acquired, including while in course of construction, erection, installation, and assembly. In the event of direct physical loss or physical damage, this Company agrees to accept and consider the Insured as sole and unconditional owner of improvements and betterments, notwithstanding any contract or leases to the contrary.

(2) The interest of the Insured in real and personal property of others in the Insured's care, custody, or control.

(3) Real and Personal Property which the Insured is legally responsible to insure prior to direct physical loss or physical damage.

(4) At the option of the Insured, personal property of the Insured's officials, employees and representatives while on the premises of the Insured. This insurance shall then act as primary insurance.

(5) Contractors' and vendors' interest in property covered to the extent of the Insured's liability imposed by law or assumed by contract entered into prior to direct physical loss or physical damage, whether written or oral.

(6) Mobile Equipment.

(7) Vehicles licensed for highway use.

B. Time Element

Definition: Wherever used in this policy, the term "Time Element" means any one or all of the following coverages: Business Interruption, Extra Expense, Rental Value, Leasehold interest, Royalties and Time Element Extensions described herein.

a. Business Interruption — Gross Earnings

(1.) Loss resulting from necessary interruption of business conducted by the Insured, whether total or partial, and caused by direct physical loss, damage, or destruction insured herein.

(2). If such loss occurs during the term of this policy, it shall be adjusted on the basis of ACTUAL LOSS SUSTAINED by the Insured, consisting of the net profit which is thereby prevented from being earned and of all charges and expenses only to the extent that these must necessarily continue during the interruption of business including Ordinary Payroll and only to the extent such charges and expenses would have been earned had no loss occurred.

"Ordinary Payroll" is defined to be the entire payroll expense for all employees of the Insured except officers, executives, department managers, employees under contract, and other important employees as determined by the Insured.

(3) In the event of loss, damage, or destruction covered herein to property as described in Clause 7.A, which results in an interruption of research and development activities which in themselves would not have produced income during the Period of Recovery, this policy shall cover the actual loss sustained of the continuing fixed charges and expenses, including Ordinary Payroll directly attributable to such research and development activities.

(4) However, this Company shall not be liable under this Clause B. for any loss resulting from direct physical loss damage, damage to or destruction of finished stock nor for the time required to reproduce said finished stock. Finished stock shall mean stock manufactured by the Insured which in the ordinary course of the Insured's business is ready for packing, shipment, or sale.

(5) Resumption of Operations: If the Insured, by reasonable means within its control, could reduce the loss resulting from the interruption of business:

(a) by a complete or partial resumption of operation of the property insured, whether damaged or not; or

(b) by making use of available stock, merchandise, or other property;

such reduction shall be taken into account in arriving at the amount of loss hereunder.

(6) Experience of the Business:

(a) In determining the amount of net profit, charges and expenses covered hereunder for the purpose of ascertaining the amount of loss sustained, due consideration shall be given to the experience of the business before the date of direct physical loss or physical damage or destruction and to the probable experience thereafter had no loss occurred to real or personal property as described in Clause 7.A.

(b) With respect to alterations, additions, and property while in the incidental course of construction, erection, installation, or assembly, due consideration shall be given to the available experience of the business after completion of the construction, erection, installation, or assembly.

C. Extra Expense

(1) Extra Expense incurred resulting from direct physical loss, damage, or destruction covered herein during the term of this policy to real or personal property as described in Clause 7.A.

(2) **"Extra Expense"** means the excess of the total cost reasonably and necessarily chargeable to the operation of the Insured's business/operations over and above the total cost that would normally have been incurred to conduct the business had no direct physical loss or physical damage occurred.

D. Rental Value

(1) Rental Value loss sustained by the Insured resulting from direct physical loss, damage, or destruction ~~covered~~ insured herein during the term of this

policy to real and personal property as described in Clause 7.A. but not exceeding the reduction in rental value less charges and expenses which do not necessarily continue.

(2) "Rental Value" is defined as the sum of:

(a) the total anticipated gross rental income from tenant occupancy of the described property as furnished and equipped by the Insured; and

(b) the amount of all charges which are the legal obligation of the tenant(s) in force at the time of loss and which would otherwise be obligations of the Insured; and

(c) the fair rental value of any portion of said property which is occupied by the Insured.

(3) Experience of the Business:

(a) In determining the amount of rental value insured hereunder for the purposes of ascertaining the actual loss sustained, due consideration shall be given to the rental experience before the date of direct physical loss, damage or destruction and to the probable experience thereafter had no loss occurred to real and personal property as described in Clause 7.A.

(b) With respect to alterations, additions, and property while in the course of construction, erection, installation, or assembly, due consideration shall be given to the available rental experience of the business after completion of the construction, erection, installation, or assembly.

(4) Rental Income Insurance for the Benefit of the Landlord:

(a) This policy will serve as rental income insurance in those situations where the insured is required under a lease or rental agreement to maintain such insurance on behalf of any landlord.

E. Royalties

(1) Loss of income to the Insured under royalty, licensing fees, or commission agreements between the Insured and another party which is not realizable due to direct physical loss, damage, or destruction by any of the perils covered herein during the term of this policy to property of the other party of the type insured under this policy.

(2) If such loss occurs during the term of this policy, it shall be adjusted on the basis of actual loss sustained of such income referred to in paragraph 1 above, which would have been earned had no loss occurred.

(3) Resumption of Operations: The Insured shall influence, to the extent reasonably possible, the party with whom the agreement described in paragraph 1 above has been made to use any other machinery, supplies or locations in order to resume business so as to reduce the amount of loss hereunder, and the Insured shall cooperate with that party in every reasonable way to effect this, but not financially unless such expenditures shall be authorized and paid by this Company.

(4) Experience of the Business: In determining the amount of income derived from the agreement(s) described in paragraph 1 above for the purpose of ascertaining the amount of loss sustained, due consideration shall be given to the amount of income derived from such agreement(s) before the date of damage or destruction and to the probable amount of income thereafter had no loss occurred to real and personal property of the type insured under this policy of such other party.

F. Soft Costs

(1) Those costs over and above the costs which normally would have been incurred with respect to property while in the incidental course of construction, erection, installation and assembly caused by direct physical loss, damage or destruction covered herein during the term of this policy to property covered hereunder, including such property while in transit.

(2) Recovery in the event of loss hereunder shall be the actual loss sustained by the Insured consisting of:

(a) the amount of actual interim or construction financing interest including loan fees and other one-time charges, which exceeds the interest that would have been incurred had no delay resulted;

(b) realty taxes and ground rent if any;

(c) advertising and promotional expenses;

(d) cost of additional commissions incurred upon renegotiating leases;

(e) architects', surveyors', legal', accounting', and consulting engineers' fees not otherwise covered elsewhere in this policy;

(f) project administration expense;

(g) insurance premiums.

G. Time Element Extensions

(1) This policy, subject to all provisions and without increasing the limits of this policy, also insures against direct physical loss, damage, or destruction resulting from:

(a) Contingent Time Element: property that wholly or partially prevents any direct or indirect supplier of goods and/or services to the Insured from rendering their goods and/or

services, or property that wholly or partially prevents any direct or indirect receiver of goods and/or services from the Insured from accepting the Insured's goods and/or services, such supplier or receiver to be located within the territorial limits;

(b) Impounded Water: dams, reservoirs, or equipment connected therewith when water, used as a raw material or used for power or for other purposes, stored behind such dams or reservoirs is released from storage and causes an interruption of business as a result of lack of water supply from such sources;

(c) Leader Property: property not owned or operated by the Insured, located within five miles of the Insured, which attracts business to the Insured.

(1) Interruption by Civil or Military Authority: This policy is extended to cover the actual loss sustained during the period of time when access to real or personal property is prevented by order or action of civil or military authority issued in connection with direct physical loss or physical damage from a peril insured against.

(2) Ingress/Egress: This policy is extended to cover the actual loss sustained during the period of time when, in connection with or following direct physical loss or physical damage from a peril

insured against, access to or egress from real or personal property of the Insured is prevented.

H. Provisions Applicable to Business Interruption, Extra Expense, Rental Value, Royalties and Soft Costs Coverages

(1) Period of Recovery: shall commence with the date ofsuch direct physical loss or physical damage and shall not be limited by the date of expiration or cancellation of this policy. The length of time for which loss may be claimed:

(a) shall not exceed such length of time as would be required with the exercise of due diligence and dispatch to rebuild, repair, or replace the property that has been destroyed or damaged;

(i) with the exercise of due diligence and dispatch to rebuild, repair, or replace such part of the property as has been destroyed or damaged;

(ii) to restore the interrupted services to the premises and the premises made ready for normal operations when such interruption is caused by an accidental occurrence;

(b) and, such additional length of time to restore the Insured's business to the condition that would have existed had no loss occurred, commencing with the later of the followingdates:

(i) the date on which the liability of the Company for direct physical loss or physical damage would otherwise terminate; or

(ii) the date on which repair, replacement, or rebuilding of the property that has been damaged is actually completed;

but in no event for more than one year from said later commencement date unless written approval is received from the Company;

(c) with respect to alterations, additions and property while in the course of construction, erection, installation, or assembly shall be determined as provided in subparagraph (a) above, but such determined length of time shall be applied to the experience of the business after the business has reached its planned level of production or level of business operations;

(a) shall commence with the date of such direct physical loss or physical damage and shall not be limited by the date of expiration of this policy or cancellation date.

For buildings that have been certified as Leadership in Energy and Environmental Design (LEED) properties, the period of liability as provided for in subparagraphs a, b, c and d above shall include the (additional) time necessary to recertify the building following an insured loss to the LEED certification level that existed prior to said loss. Such (additional) time period shall include the time necessary to flush out the reconstructed space with 100% outside air and to add new filtration media to conform to the said existing LEED level.

(2) Special Exclusions: This section of the policy does not insure against any increase of loss which may be occasioned by the suspension, lapse, or cancellation of any lease, license, contract, or order; nor for any increase of loss due to interference at the Insured's premises by strikers or other persons with rebuilding, repairing, or replacing the property damaged or destroyed, or with the resumption or continuation of business, or with the re-occupancy of the premises.

(3) Expense to Reduce Loss: This policy also covers such expenses incurred for the purpose of reducing any loss under this policy, but such expenses may not exceed the amount by which the loss under this policy is thereby reduced.

(4) Downzoning: In the event of physical direct physical loss or physical damage insured under this policy that causes the enforcement of any law, ordinance, governmental directive or standard regulating the construction, repair, use, or occupancy of property, this Company shall be liable for (additional) business interruption and/or rental value loss resulting from the inability to rebuild existing property to like kind and quality, height, area, and/or occupancy, and with such loss measured for the length of time as would have been required with the exercise of due diligence and dispatch to rebuild or replace such existing property and not otherwise recoverable elsewhere under the policy.

I. Transit

(1) Property in transit within and between the territorial limits of this policy, including the coastal waters thereof, by any means of conveyance, from the time the property is moved for purpose of loading and continuously thereafter while awaiting and during loading and unloading and in temporary storage, including temporary storage on any conveyance intended for use for any outbound or used for

inbound shipment, including during deviation and delay, until safely delivered and accepted into place of final destination.

(2) This insurance is extended to cover direct physical loss or physical damage to property:

(a) sold and shipped by the Insured under terms of Free On Board point of origin or other terms usually regarded as terminating the shipper's responsibility short of points of delivery;

(b) arising out of any unauthorized person(s) representing themselves to be the proper party(ies) to receive goods for shipment or to accept goods for delivery;

(c) occasioned by the acceptance by the Insured, by its agents, or by its customers of fraudulent bills of lading, shipping and delivery orders, or similar documents;

(d) at the Insured's option, which is incoming to the Insured.

(3) (a) The Insured may waive right(s) of recovery against private, contract, and common carriers and accept bills of lading or receipts from carriers, bailees, warehousemen, or processors limiting their liability, but this transit insurance shall not inure to the benefit of any carrier, bailee, warehouseman, or processor.

(b) With respect to shipments made under subparagraphs 2(a) and 2(d) above, this Company agrees to waive its rights of subrogation against consignees at the option of the Insured.

(4) The Insured is not to be prejudiced by any agreements exempting lightermen from liability.

(5) Seaworthiness of any vessel or watercraft and airworthiness of any aircraft are admitted between this Company and the Insured.

J. Accounts Receivable

In the event of physical direct physical loss or physical damage to records of accounts receivable caused by direct physical loss or physical damage insured herein, this Company shall be liable for:

(1) All sums due the Insured from customers, provided the Insured is unable to effect collection thereof as the direct result of loss of or damage to records of accounts receivable;

(2) Interest charges on any loan to offset impaired collections pending repayment of such sums made uncollectible by such direct physical loss or physical damage;

(3) Collection expense in excess of normal collection cost and made necessary by such direct physical loss or physical damage;

(4) Other expenses, when reasonably incurred by the Insured in reestablishing records of accounts receivable following such direct physical loss or physical damage.

For the purpose of this insurance, credit card company charge media shall be deemed to represent sums due the Insured from customers, until such charge media is delivered to the credit card company.

When there is proof that a loss of records of accounts receivable has occurred but the Insured cannot more accurately establish the total amount of accounts receivable outstanding as of the date of such loss, such amount shall be computed as follows:

(1) The monthly average of accounts receivable during the last available twelve months shall be adjusted in accordance with the percentage increase or decrease in the twelve months **average** of monthly gross revenues which may have occurred in the interim.

(2) The monthly amount of accounts receivable thus established shall be further adjusted in accordance with any demonstrable variance from the average for the particular month in which the loss occurred, due consideration being given to the normal fluctuations in the amount of accounts receivable within the fiscal month involved.

There shall be deducted from the total amount of accounts receivable, however established, the amount of such accounts evidenced by records not lost or damaged, or otherwise established or collected by the Insured, and an amount to allow for probable bad debts which would normally have been uncollectible by the Insured.

K. Leasehold Interest

(1) Pro rata proportion from the date of loss to expiration date of the lease (to be paid without discount) on the Insured's interest in:

(a) the amount of bonus paid by the Insured for the acquisition of the lease not recoverable under the terms of the lease;

(b) improvements and betterments to real property which are not covered under any other section of this policy;

(c) the amount of advance rental paid by the Insured and not recoverable under the terms of the lease;

when property of the type insured is rendered wholly or partially untenantable by any insured loss during the term of this policy and the lease is canceled by the party not the Named Insured under this policy in accordance with the conditions of the lease or by statutory requirements of the appropriate jurisdiction in which the damaged or destroyed property is located; and

(2) The Interest of the Insured as Lessee or Lessor

(a) "The Interest of the Insured as Lessee or Lessor" when property is rendered wholly or partially un-tenantable by any insured loss during the term of this policy and the lease is canceled by the party not the Named Insured by this policy in accordance with the conditions of the lease or by statutory requirements of the appropriate jurisdiction in which the damaged or destroyed property is located.

(b) "The Interest of the Insured as Lessee or Lessor" as referred to herein shall be paid for the first three months succeeding the date of the loss and the "Net Lease Interest" shall be paid for the remaining months of the unexpired lease.

(3) Definitions

The following terms, wherever used in this section shall mean:
(a) "The Interest of the Insured as Lessee" is defined as:

(i) the excess of the rental value of similar premises over the actual rental payable by the lessee (including any maintenance or operating charges paid by the lessee) during the unexpired term of the lease; and

(ii) the rental income earned by the Insured from sublease agreements, to the extent not covered under any other section of this policy, over and above the rental expenses specified in the lease between the Insured and the lessor.

(b) "The Interest of the Insured as Lessor" is defined as the difference between the rents payable to the lessor under the terms of the lease in effect at the time of loss and +he actual rent collectible by the lessor during the unexpired term of the lease provided the lease is canceled by the lessee, to the extent not covered under any other section of this policy.

(c) "Net Lease Interest" is defined as that sum, which placed at 6% interest compounded annually will be equivalent to the "The Interest of the Insured as Lessee or Lessor."

(4) This Company shall not be liable for any increase of loss which may be occasioned by the suspension, lapse or cancellation of any license or by the Named Insured exercising any option to cancel the lease. Furthermore, the Named Insured shall use due diligence including all things reasonably practicable to diminish loss under this clause.

L. Service Interruption

(1) Property Damage

Physical loss or damage at an insured location resulting from the interruption of electricity, steam, gas, water, sewer, telecommunications, or any other utility or service to that location which results from physical loss or damage of the type insured by this policy at a facility (including transmission and distribution lines) of the utility or service supplier which immediately prevents in whole or in part the delivery of such utility or service.

(2) Time Element

Time Element loss at an insured location resulting from the interruption of electricity, steam, gas, water, sewer, or telecommunications or any other utility or service to that location which results from physical loss or damage of the type insured by this policy not otherwise excluded herein at a facility (including transmission and distribution lines) of the utility or service supplier that immediately prevents in whole or in part the delivery of such utility or service.

The length of time for which such loss may be claimed shall not exceed the length of time, beginning when the interruption occurs and ending when with due diligence and dispatch the service could be wholly restored and the location receiving the utility or service made ready for normal operations, which is in excess of any time indicated as the waiting period qualifier in Section 4, Deductible.

The Company(ies) will not be liable if the interruption of such utility or service is caused directly or indirectly by the failure of the Insured to comply with the terms and conditions of any contracts the Insured has for the supply of such specified utilities or services.

The Insured will immediately notify the suppliers of utilities or services of any interruption of such services.

There is no liability for any loss resulting from the interruption of the business that is insured under subparagraph identified as Contingent Time Element.

8. COVERAGE EXTENSIONS

A. Demolition and Increased Cost of Construction

In the event of direct physical loss or physical damage under this policy that causes the enforcement of any law, ordinance, governmental directive or standard in place at the time and place of loss regulating the construction, repair, use, or occupancy of property, this Company shall be liable for:

1) the cost of demolishing the undamaged property including the cost of clearing the site;

2) the proportion that the value of the undamaged part of the property bore to the value of the entire property prior to loss;

3) increased cost of repair or reconstruction of the damaged and undamaged property on the same or another site, limited to the cost that would have been incurred in order to comply with the minimum requirements of such law or ordinance regulating the repair or reconstruction of the damaged property on the same site. However, this Company shall not be liable for any increased cost of construction loss unless the damaged property is actually rebuilt orreplaced;

4) any increase in the business interruption, extra expense, rental value or royalties loss arising out of the additional time required to comply with said law or ordinance.

B. Debris Removal

In the event of direct physical loss or physical damage to property, this policy insures reasonable expenses incurred to remove debris from an insurance location.

1) the cost of removal of debris of property covered hereunder;

2) the cost of removal of debris of property not covered hereunder from the premises of the Insured;

C. LEED Properties

With respects to a building or property contained within such building that has been certified as Leadership in Energy and Environmental Design (LEED) properties, coverage provided hereunder is extended to cover the reasonable and necessary costs of recycling such debris including separating materials and diverting such debris to recycling centers.

D. Expediting Expense

This policy covers the extra cost of temporary repair and/or replacement and of expediting the repair and/or replacement of damaged property insured hereunder, including, but not limited to, overtime and express freight or other rapid means of transportation.

E. Loss Adjustment Expenses

This policy **is** extended to include reasonable expenses incurred by the Insured, or by the Insured's representatives for preparing and certifying details of a claim resulting from a loss which would be payable under this policy. However, this Company shall not be liable under this clause for expenses incurred by the insured in utilizing the services of a public adjuster.

F. Fire Brigade Charges and Extinguishing Expenses

This policy covers the following expenses resulting from an insured loss:

1) fire brigade charges and any extinguishing expenses which the insured incurs;

2) loss and disposal of fire extinguishing materials expended.

G. Defense Costs

This policy, subject to all of its provisions, also insures the costs and fees to defend any claim or suit against the Insured and/or its directors, officers and/or employees alleging physical direct physical loss or physical damage as insured against to property of others in the care, custody or control of the Insured to the extent of the Insured's liability therefore, even if such claim or suit is groundless, false or fraudulent; but the Company may without prejudice make such investigation, negotiation or settlement of any such claim or suit as it deems expedient.

H. Consequential Loss

(1) In the event of direct physical loss or physical damage not otherwise excluded to property, and such damage, without the intervention of any other independent excluded cause, results in a sequence of events which causes physical damage to insured property, then there shall be liability under the policy for the resulting loss.

(2) This policy also insures against consequential loss to the property insured caused by but not limited to change of temperature or humidity or by interruption of power, heat, air conditioning, or refrigeration resulting from direct physical loss or physical damage not otherwise excluded. It is agreed that exclusions C, D, and E contained in Section 10, "Perils Excluded" shall not apply to this extension when such direct physical loss or physical damage occurs at a location which is not owned or operated by the Insured.

(3) This policy also insures the reduction in value to the remaining part or parts of any lot of merchandise usually sold by lots or sizes, color ranges, or other classifications due to damage to or destruction of a part of such lots or other classifications due to a cause of loss not otherwise excluded.

I. Control of Damaged Merchandise

The Insured, exercising a reasonable discretion, shall be the sole judge as to whether the goods involved in any loss under this policy are fit for normal intended use or consumption. No goods so deemed by the Insured to be unfit for consumption shall be sold or otherwise disposed of except by the Insured or with the Insured's consent, but the Insured shall allow this Company any salvage obtained by the Insured on any sale or other disposition of such goods. The Insured shall have full right to the possession of and retain control of all goods involved in any loss under this policy.

J. Brands or Trademarks

In case of damage insured against to property bearing a brand or trademark or which in any way carries or implies the guarantee or the responsibility of the manufacturer or Insured, the salvage value of such damaged property shall be determined after removal at the Company's expense in the customary manner of all such brands or trademarks or other identifying characteristics.

9. PERILS INSURED AGAINST

This policy insures against:

A. All risks of direct physical loss of or damage to property described herein occurring during the term of insurance including general average, salvage, and all other charges on shipments covered hereunder, except as hereinafter excluded.

Physical direct physical loss or physical damage shall include any damage to computer hardware by a covered peril.

10. PERILS EXCLUDED

This policy does not insure:

A. against any fraudulent or dishonest act or acts committed by the Insured or any of the Insured's employees meaning only dishonest or fraudulent acts committed by the Insured or the Insured's employees with the manifest intent to:

(1) cause the Insured **to** sustain such loss, and

(2) obtain financial benefit for the Insured, Insured's employee, or for any other person or organization intended by the Insured or the employee to receive such benefit. This exclusion does not apply to acts of damage or destruction by employees, but theft by employees is not covered.

B. against the cost of making good, defective design or specifications, faulty material, or faulty workmanship; however, this exclusion shall not apply to direct physical loss or physical damage resulting from such defective design or specifications, faulty material, or faulty workmanship;

C. against electrical injury or disturbance to electrical appliances, devices, or wiring caused by electrical currents artificially generated unless loss or damage not otherwise excluded ensues and then this policy shall cover for such ensuing direct physical loss or physical damage;

D. against mechanical breakdown unless direct physical loss or physical damage not otherwise excluded ensues and then this policy shall cover for such ensuing direct physical loss or physical damage;

E. against explosion, rupture, or bursting of steam boilers, steam pipes, steam turbines, or steam engines owned or operated by the Insured unless direct physical loss or physical damage not otherwise excluded ensues and then this policy shall cover for such ensuing direct physical loss or physical damage; it is agreed that direct loss resulting from the explosion of accumulated gases or unconsumed fuel within the firebox (or combustion chamber) of any fired vessel or within the flues or passages which conduct the gases or combustion therefrom shall be covered hereunder;

F. against errors in processing or manufacture of the Insured's product unless direct physical loss or physical damage not otherwise excluded ensues and then this policy shall cover for such ensuing direct physical loss or physical damage;

G. against wear and tear, inherent vice, rust, corrosion, or gradual deterioration unless direct physical loss or physical damage not otherwise excluded ensues and then this policy shall cover for such ensuing physical loss or physical damage;

H. against latent defect, normal settling or normal shrinkage of walls, floors, or ceilings unless direct physical loss or physical damage not otherwise excluded ensues and then this policy shall cover for such ensuing direct physical loss or physical damage;

I. against nuclear reaction, or nuclear radiation, or radioactive contamination, all whether controlled or uncontrolled, and whether such loss be direct or indirect, proximate or remote; except:

(1) if fire ensues, liability is specifically assumed for direct loss by such ensuing fire but not including any loss due to nuclear reaction, nuclear radiation, or radioactive contamination;

J. 1) against warlike action in time of peace or war, including action in hindering, combating, or defending against an actual, impending, or expected attack:

a) by any government or sovereign power (de jure or de facto) or by any authority maintaining or using military, naval, or air forces;

b) or by military, naval, or air forces;

c) or by an agent of any such government, power, authority, or forces;

(2) against any weapon employing atomic fission or fusion;

(3) against insurrection, rebellion, revolution, civil war, usurped power, or action taken by governmental authority in hindering, combating, or defending against such occurrence;

(4) against seizure or destruction by order of public authority, except destruction by order of public authority to prevent the spread of, or to otherwise contain, control or minimize loss, damage or destruction not otherwise excluded under this policy;

(5) against risks of contraband or illegal trade.

Notwithstanding the above provisions, J. (1), (3), (4), and (5), this insurance shall cover direct physical loss or physical damage directly caused by acts committed by an agent of any government, party, or faction engaged in war, hostilities, or warlike operations, provided such agent is acting secretly and not in connection with any operation of armed forces (whether military, naval, or air forces) in the country where the property is situated. Nothing in the foregoing shall be construed to include any loss, damage or expense caused by or resulting from any of the risks or perils excluded above, excepting only the acts of certain agents expressly covered herein, but in no event shall this insurance include any loss, damage, or expense caused by or resulting from any weapon of war employing atomic fission or fusion whether in time of peace or war;

K. against mysterious disappearance or loss or shortage disclosed on taking inventory or any unexplained loss.

L. against vermin and insects unless direct physical loss or damage not otherwise excluded ensues and then this policy shall cover for such ensuing physical loss or physical damage.

Exclusions B, C, D, E, F, and H do not apply to property in transit.

Exclusions C, D, E and F do not apply to alterations, additions, and property while in the course of construction, erection, installation, or assembly.

Exclusions C, D, and E do not apply to electronic data processing systems and valuable papers and records.

Exclusion E does not apply to locomotives, rolling stock or other conveyance insured herein.

11. PROPERTY EXCLUDED

This policy does not cover direct physical loss or physical damage to:

A. Land; however, this exclusion shall not apply to the cost of reclaiming, restoring or repairing land improvements. Land improvements are defined as any alteration to the natural condition of the land by grading, landscaping, earthen dikes or dams, and additions to land such as pavements, roadways, or similar works;

B. Water, except water which is normally contained within any type of tank, piping system or other process equipment;

C. Growing crops, standing timber and animals except for research;

D. Watercraft in excess of 26 feet and more than 50 horsepower, aircraft, motor vehicles licensed for highway use when not on the Insured's premises, but this exclusion shall not apply to contractor's equipment;

E. Waterborne shipments via the Panama Canal, and to and from Puerto Rico, the Virgin Islands, Hawaii, and Alaska;

F. Export shipments after loading on board an overseas vessel or watercraft or after ocean marine insurance attaches, whichever occurs first; and import shipments prior to discharge from the overseas vessel or watercraft or until the ocean marine insurance terminates, whichever occurs last.

G. Satellite, spacecraft and launch vehicle

H. Off premises transmission and distribution lines more than 1000ft from an insured premises

I. Offshore drilling rigs and platforms, drilling barges and power barges and all other off shore risk.

J. Property situated in the State of California for the peril of Earthquake.

K. Accounts, bills, currency, money, notes securities, evidence of debt, jewelry, watches, furs, jewels, precious stones, bullion, gold, silver and other precious metals that are not the property of the Insured, except as insured as Fine Arts.

L. Underground Mines

12. VALUATION

In case of loss, the basis of adjustment shall be as follows:

A. Stock

(1) Raw Stock (materials and supplies in the state in which the Insured received them for conversion by the Insured into finished stock, including supplies consumed in such conversion or in the service rendered by the Insured) shall be valued at replacement cost at the time and place of loss.

(2) Stock in process (raw stock which has undergone any aging, seasoning, or other processing by the Insured but which has not become finished stock) shall be valued at the Insured's selling price of finished stock at the time of loss, less any manufacturing expense not incurred by the Insured and less any discounts, rebates, and un-incurred expenses to which the sales price would have been subject.

(3) Finished stock (stock which in the ordinary course of the Insured's business is ready for packing, shipment or sale) and merchandise shall be valued at the Insured's selling price at the time of loss, less all discounts, rebates, and un-incurred expenses to which such sales price would have been subject.

B. Real and Personal Property

(1) Buildings, structures, furniture and fixtures, machinery, equipment, improvements and betterments, shall be valued at the replacement cost new on the same premises, as of the date of replacement.

(2) Electronic Data Processing or control equipment and production machinery and equipment or any part thereof shall be valued at the cost to repair or replace new on the same premises as of the time of replacement except, that with respect to items for which replacement with identical property is impossible, the replacement cost shall be the cost of items similar to the destroyed property and intended to perform the same function but which may include technological advances.

(3) Valuable papers and records shall be valued at the cost to reproduce the property as of the date of reproduction including the cost of gathering and/or assembling information;

"Valuable papers and records" are defined as written, printed, or otherwise inscribed documents and records, including but not limited to books, maps, films, drawings, abstracts, deeds, mortgages, micro-inscribed documents, manuscripts, and media and the data recorded thereon, but not including money and/or securities.

"Media" is defined as materials upon which data is recorded including, but not limited to, paper tapes, cards, electronic memory circuits, and magnetic or optical storage devices. "Data" is defined as facts, concepts, or instructions in a form usable for communications, interpretation, or processing by automatic means. It includes computer programs.

The term "securities" shall mean all negotiable and non-negotiable instruments or contracts representing either money or other property, and includes revenue and other stamps in current use, tokens and tickets but does not include money.

(4) Property of others which the Insured is required to insure to a stipulated value shall be valued at the replacement cost new as of the date of replacement, if replaced at the Insured's option; otherwise at the stipulated value.

(5) Fine Arts shall be valued at the appraised value; or, if there is no appraisal, at the greater of the original acquisition cost or the market value at the time of the loss.

(6) Other property not otherwise provided for, the amount you actually spend to repair or if replaced, at replacement cost new on the same premises as of the date of replacement of like kind and quality.

(7) Permission is granted for the Insured to replace the damaged property with any property at the same site or at another site within the territorial limits of this policy, but recovery is limited to what it would cost to replace on the same site. If property damaged or destroyed is not repaired, rebuilt or replaced within a reasonable period after the direct physical loss or physical damage, this Company shall not be liable for more than the actual cash value at the time of loss (ascertained with proper deduction for depreciation) of the property damaged or destroyed. However, limitations imposed by federal, state, municipal or other governmental laws, ordinances, governmental directives or standards shall not result in actual cash valuation but in a replacement cost new valuation. Nevertheless, the Insured may elect initially to make a claim on an actual cash value basis subject to the terms and conditions of this policy, and subsequently submit a claim for the difference between the actual cash value settlement and replacement cost new as stipulated within this Valuation clause, provided the Company is notified of this intent within a reasonable period after the direct physical loss or physical damage and provided the property which is damaged or destroyed is repaired, rebuilt or replaced.

(8) For property that qualifies as Historic Landmark status, the Insured shall have sole discretion as to the means by which said property shall be repaired, rebuilt, or replaced and shall include the cost to repair or replace with material of like kind and quality compatible to those originally used including the cost of skilled labor and/or authentic materials necessary to restore the property as nearly as possible to its original condition, but not to exceed the actual costs that would have been incurred in order to comply with Historical Landmark status requirements.

(9) For buildings insured under this policy that have been certified as Leadership in Energy and Environmental Design (LEED) properties, this Company shall also be liable for:

a. the costs to recertify the building following an insured loss to the LEED certification level that existed prior to said loss; such costs shall include the cost to flush out the reconstructed space with 100% outside air and to add new filtration media to conform with the said existing LEED level.

b. the necessary and reasonable costs to hire LEED Accredited professional engineers to provide building commissioning or retro-commissioning services and to oversee post loss repair or reconstruction in order to verify and document that the repaired or replaced property, as well as other property including but not limited to life safety systems, health safety systems, HVAC, plumbing and electrical systems and their related controls whether damaged or not in the loss occurrence have been installed and calibrated properly and perform to documented design criteria and manufacturers' specifications;

13. EARTHQUAKE, FLOOD AND NAMED WINDSTORM

A. Each loss by earthquake, flood or named windstorm shall constitute a single occurrence hereunder if:

(1) more than one earthquake shock occurs within any period of 168 hours during the term of this policy, the beginning of which 168 hour period may be determined by the Insured; or

(2) any flood occurs within a period of 168 hours of the continued rising or overflow of any river(s) or stream(s) and the subsidence of same within the banks of such river(s) or stream(s); or

(3) any flood results from any tsunami, tidal wave, seismic sea wave, or series thereof caused by any one disturbance; or

(4) any direct physical loss, damage or destruction is caused by or results from a Named Windstorm within a 72 hour period. Other ensuing physical loss, damage or destruction not contained in the Named Windstorm definition and not otherwise excluded herein shall not be considered Named Windstorm for the purposes of this description.

Earthquake is defined as a shaking or trembling of the earth that is tectonic in origin. Further, ensuing physical loss, damage or destruction arising from a peril not otherwise excluded herein caused by such earthquake shall not be considered earthquake within the terms and conditions of this policy.

Flood is defined as a rising and overflowing of a body of water onto normally dry land. Such definition does not include Storm Surge. Further, ensuing physical loss, damage or destruction arising from a peril not otherwise excluded herein caused by such flood shall not be considered flood within the terms and conditions of this policy.

Named Windstorm means a hurricane or typhoon which is named by Natural Oceanic and Atmospheric Administration's (NOAA) National Hurricane Center or similar meteorological authority. For purposes of this definition Named Windstorm shall include direct physical loss, damage or destruction caused by:

(1) direct action of wind including ensuing Storm Surge;
(2) any material, object or debris that is carried, propelled or in any manner moved by such windstorm;
(3) any tornado(es) that is the result of actions or effects of such windstorm;
(4) hail that is the result of actions or effects of such windstorm;
(5) lightning that is the result of actions or effects of such windstorm;
(6) rain or water (not constituting a Flood), whether the rain or water is driven by wind or not, that enters a building or structure insured under this policy through an opening(s) created by the direct action of such windstorm.

If the wind speed drops below the parameter for naming storms as described above then any direct physical loss, damage or destruction resulting from such reduced wind speed shall not be considered direct physical loss, damage or destruction from a Named Windstorm. However, any direct physical loss, damage or destruction resulting from wind speeds that do meet the criteria of a hurricane or typhoon shall be considered direct physical loss, damage or destruction from a Named Windstorm.

Storm Surge means water driven inland from coastal waters by high winds and low atmospheric pressure associated with a Named Windstorm. Such definition shall not be considered Flood.

B. Should any time period referred to in Clause A. above commence prior to expiration or cancellation date of this policy, this Company shall pay all such earthquake, flood, or named windstorm losses occurring during such period ls if such period fell entirely within the term of this policy.

C. This Company shall not be liable, however, for any loss caused by any earthquake, flood, or named windstorm commencing before the effective date and time or commencing after the expiration date and time of this policy.

14. CONTRIBUTING INSURANCE

Contributing insurance is insurance written upon the same plan, terms, conditions, and provisions as those contained in this policy. This insurance shall contribute in accordance with the conditions of this policy only with other contributing insurance as defined.

15. EXCESS INSURANCE / DROP DOWN / PRIORITY OF PAYMENTS

A. Coverage hereunder shall not apply until the amount of loss, damage or expense arising out of any one occurrence exceeds

<u>See Participation Page (Endorsement 6)</u>

plus the applicable portion of the primary policy deductible and any waiting period attributable to the perils and/or property and/or coverages insured hereunder.

The amount of the applicable portion of the primary policy deductible referred to above shall be determined by the proportion that the amount of loss attributable to the perils and/or property and/or coverages insured against under this policy (without application of the excess provision) bears to the total amount of loss multiplied by the amount of the applicable primary deductibles.

In the event that the total amount of loss, damage, or expense attributable to the perils and/or property and/or coverage insured under the underlying insurance exceeds that amount at which this policy would normally attach, but due to the application of sublimits in the underlying policy(ies), the total loss, damage and expense payable by the underlying policy(ies) does not fully exhaust the underlying policy(ies) limit, then this policy shall drop down and be liable for the loss as covered under this policy in excess of the amount paid by the underlying policy(ies).

As respects theft, the term Occurrence as referred to elsewhere within the policy means the sum total of all losses of covered property resulting from one or more concealed acts committed by one person or more than one person acting in unison to the extent such loss is not otherwise excluded under this policy.

In determining the amount of any loss, damage, or expense for which this policy is excess, the total loss for all coverages caused by any combination of perils, one or more of which is insured against under the primary policy, shall be used even though all such perils or coverages are not insured against under this excess policy.

(1) Any recoveries made under the primary policy shall be considered as first applying to those perils and/or property and/or coverages not insured against by this policy. Upon exhaustion of the primary policy limits, this policy shall drop down and be liable for the loss in excess of the amount attributable to the primary policy as respects those perils and/or coverages and/or property insured hereunder subject to the limit of this policy.

(2) If there is any other excess insurance covering the perils and/or property and/or coverages insured against in the primary policy, but not covered by this policy, this insurance shall then allocate any loss recoveries made under the primary policy in the same proportion as the amount of loss involving the property and/or coverages insured against by this policy bears to the combined total loss. Upon exhaustion of the primary policy limits, this policy shall drop down and be liable for the loss in excess of the amount attributed to the primary policy as respects those perils and/or property and/or coverages covered hereunder subject to the limit of this policy.

(3) Paragraph two shall not apply, however, when the amount of loss attributed to the perils insured under the primary policy, but not covered under this policy, exceed the total amount of insurance provided by the primary and excess coverages with respect to said perils. In this situation any recoveries made under the primary policy shall first apply to those perils not insured against by this policy. Upon exhaustion of the primary policy limits, this policy shall drop down and be liable for the loss in excess of the amount attributed to the primary policy as respects those perils covered hereunder subject to the limit of this policy.

(4) In the event the Insured is a contributing or self-insurer with respect to the perils and/or property and/or coverages otherwise insured in any underlying insurance and no policy is issued to define the extent of this contributing or self-insurance, for the purposes of this Excess Clause, the Insured's contributing or self-insurance shall be deemed to be the same as either: (a) all other contributing insurance participating in the Insured's layer(s); or (b) all other contributing insurance participating in the layer below the Insured's layer where the Insured is entirely self-insuring the layer. If the coverage provided by the policy(s) of the other contributing insurance company(s) is non-concurrent, then the contributing or self-insurance provided by the Insured within the layer in question shall be deemed to be the same as the coverage provided by that contributing insurance company whose policy provides the least indemnity for the loss.

C. In the event the annual aggregate limits provided for flood and/or earthquake in any underlying insurance are diminished or exhausted in any one policy year, the coverage provided under this policy shall respond as excess of the remaining limits.

In such event, the applicable amount of the deductible provision of the primary policy shall apply to the combination of all policies.

Where applicable relative to contributing insurance policy(ies) described in either subparagraphs B(4)(a) or B(4)(b) above, in the event the Insured is providing contributing or self-insurance in any of the layer(s) of insurance, and such other contributing insurance policies contain aggregate program limits of liability, the Insured's contributing or self-insurance for those coverages shall be deemed to be aggregated also.

16. UNDERLYING INSURANCE

A. Underlying insurance is insurance on all or any part of the deductible and against all or any of the causes of loss covered by this policy including declarations of value to the carrier for hire. The existence of such underlying insurance shall not prejudice or affect any recovery otherwise payable under this policy.

If the limits of such underlying insurance exceed the deductible amount which would apply in the event of loss under this policy, then that portion which exceeds such a deductible amount shall be considered other insurance, as defined in the Other Insurance clause.

17. OTHER INSURANCE

Except for insurance described by the contributing insurance clause, the excess insurance clause, or the underlying insurance clause, this policy shall not cover to the extent of any other collectible insurance, whether directly or indirectly covering the same property against the same causes of loss. This Company shall be liable for direct physical loss or physical damage only to the extent of that amount in excess of the amount recoverable from such other collectible insurance. As used herein, "other collectible insurance" does not include self-insurance, deductibles, self-insured retentions or fronting policies.

18. SUBROGATION

A. Any release from liability entered into by the Insured prior to loss hereunder shall not affect this policy or the right of the Insured to recover hereunder. The right of subrogation against the Insured, affiliated, subsidiary, and associated companies or corporations, the Insured's officers, directors, and employees, or any other corporations or companies associated with the Insured through ownership or management, and at the option of the Insured against a tenant, vendor, supplier or customer of the Insured, is waived.

B. In the event of any payment under this policy, this Company shall be subrogated to the extent of such payment to all the Insured's rights of recovery therefore. The Insured shall execute all papers required and shall do anything that may be reasonably necessary at the expense of the Company to secure such right. The Company will act in concert with all other interests concerned, i.e., the Insured and any other Company(ies) participating in the payment of any loss as primary or excess insurers, in the exercise of such rights of recovery.

If any amount is recovered as a result of such proceedings, the net amount recovered after deducting the cost of recovery shall be divided between the interests concerned in the proportion of their respective interests. If there should be no recovery, the expense of proceedings shall be borne by the insurers instituting the proceedings.

19. SALVAGE AND RECOVERIES

All salvages, recoveries and payments, excluding proceeds from subrogation and underlying insurance, recovered or received prior to a loss settlement under this policy, shall reduce the loss accordingly. If recovered or received subsequent to a loss settlement under this policy, such net amounts recovered shall be divided between the interests concerned, i.e. the Insured and any other Company(ies) participating in the payment of any loss, in the proportion of their respective interests.

20. MACHINERY

In case of direct physical loss or physical damage insured against to any part of a machine or unit consisting of two or more parts when complete for use, the liability of the Company shall be limited to the value of the part or parts lost or damaged or, at the Insured's option, to the cost and expense of replacing or duplicating the lost or damaged part or parts or of repairing the machine or unit.

21. ERRORS OR OMISSIONS

Any unintentional error or omission made by the Insured shall not void or impair the insurance hereunder provided the Insured reports such error or omission as soon as reasonably possible after discovery by the Insured's home office insurance department.

22. NOTICE OF LOSS

As soon as practicable after any direct physical loss or physical damage occurring under this policy is known to the State of Mississippi, Department of Finance and Administration. The Insured shall report such direct physical loss or physical damage to Sedgwick attention Chris Mokry, with a copy to Debbie Crosby, claims advocate at Debbie_Crosby@ajg.com and Jeff Estes, Arthur J. Gallagher Risk Management Services 1076 Highland Colony Parkway Suite 300, Ridgeland, MS 39157, Jeff_Estes@ajg.com, for transmission to this Company.
Any delay by the Insured in providing notice shall not affect the Insured's right to coverage under this policy, except if and to the extent that the Company proves that it actually and substantially was prejudiced by any unreasonable delay in notice.

23. PROOF OF LOSS

The Insured, at the request of the Company, will render a signed and sworn proof of loss to the Company or its appointed representative stating: the place, time, cause of the loss, damage, or expense; the interest of the Insured and of all others; the value of the property involved in the loss; and the amount of loss, damage, or expense.

24. PARTIAL PAYMENT OF LOSS

In the event of a loss covered by this policy, it is understood and agreed that the Company will issue partial payment(s) of claim subject to the policy provisions. Such partial payment(s) shall not be less than the undisputed estimate of physical loss or physical damage between the Insured and the Company.

25. ASSIGNED ADJUSTER AND DISASTER MITIGATION

It is agreed that at the Insured's option, the Company will use:

Sedgwick
Attention: Chris Mokry
438 Katherine Drive, Suite A
Flowood, MS 39232

And, if a consulting engineer is needed:

Consulting Engineer:
Young & Associates

for the adjustment of all claims made against this policy. This assignment may be changed by mutual consent of the Insured and the Company.

26. APPRAISAL

If the Insured and this Company fail to agree on the amount of the loss, each, upon written demand of either the Insured or this Company made within 60 days after receipt of proof of loss by the Company, shall select a competent and disinterested appraiser. The appraisers shall then select a competent and disinterested umpire. If they should fail for 15 days to agree upon such umpire, then upon the request of the Insured or of this Company, such umpire shall be selected by a judge of a court of record in the county and state in which such appraisal is pending. Then, at a reasonable time and place, the appraisers shall appraise the loss, stating separately the value at the time of loss and the amount of loss. If the appraisers fail to agree, they shall submit their differences to the umpire. An award in writing by any two shall determine the amount of loss and shall be paid by the Company within 30 days thereafter. The Insured and this Company shall each pay his or its chosen appraiser and shall bear equally the other expenses of the appraisal and of the umpire. However, if the award is greater than the amount offered by the Company in payment of the loss at any time before the award is rendered, then the Company shall pay 100% of the fees and expenses for each appraiser and the umpire and for the appraisal.

27. PAIR AND SET

Except as provided under the Machinery clause and paragraph (3) of the Consequential Loss clause, in the event of direct physical loss or physical damage insured against to any article or articles which are a part of a pair or set, the measure of direct physical loss or physical damage to such article or articles shall be, at the Insured's option:

A. the reasonable and fair proportion of the total value of the pair or set, giving consideration to the importance of said article or articles, but in no event shall such direct physical loss or physical damage be construed to mean total loss of the pair or set; or

B. the full value of the pair or set provided that the Insured surrenders the remaining article or articles of the pair or set to the Company.

28. ASSISTANCE AND COOPERATION OF THE INSURED

The Insured shall reasonably cooperate with this Company, and, at this Company's reasonable request and expense, shall attend hearings and trials and shall assist in effecting settlements, in securing and giving evidence, in obtaining the attendance of witnesses and in conducting suits.

29. SUE AND LABOR

Subject to no overall increase in the limits of liability as set forth herein, in case of actual or imminent physical loss or-physical damage, it shall, without prejudice to this insurance, be lawful and necessary for the Insured, their factors, servants, or assigns to sue, labor and travel for, in and about the defense, the safeguard, and the recovery of property or any part of the property insured hereunder; nor, in the event of physical loss or physical damage, shall the acts of the Insured in recovering, saving, and preserving the insured property be considered a waiver or an acceptance of abandonment. This Company shall pay the reasonable and necessary expenses so incurred subject to the applicable deductibles as outlined in Section 4 Deductibles.

30. PAYMENT OF LOSS

All adjusted claims shall be due and payable no later than 45 days after presentation and acceptance of proofs of loss by this Company or its appointed representative.

31. REINSTATEMENT

With the exception of loss caused by perils which are subject to annual aggregate limits as noted in Section 3, no loss hereunder shall reduce the amount of this policy.

32. SUIT AGAINST THE COMPANY

No suit or action on this policy for the recovery of any claim shall be sustainable in any court of law or equity unless the Insured shall have fully complied with all the requirements of this policy; however, if there is any dispute between the Insured and the Company as to whether the Insured has fully complied with all the requirements of this policy, such a dispute may be resolved in a suit or action on the policy for recovery of any claim. The Company agrees that any action or proceedings against it for recovery of any loss under this policy shall not be barred if commenced within two years and one day after the Insured provides notice to the Company in accordance with clause 24 above, which period shall be tolled from the date of notice until the date that the Insured receives the Company's final coverage decision (this two year and one day period is referred to as the "limitations period"). However, the limitations period shall not apply if by the laws of the State of the address of the Insured such a limitation is invalid or if the laws of the state in which any such action is brought permit a longer period of time within which to commence such a suit. Furthermore, any tolling of the limitations period shall not preclude the Insured from bringing a suit or any other proceeding regarding recovery for any loss or of any claim hereunder during the period of tolling or at any other time. Prosecution of a suit by the Insured shall not be barred due to the failure of the Company to timely advise and notify the Insured of the expiration of any applicable dates to file and commence said suit.

It is agreed that in the event of the failure of the Company to pay any amount claimed to be due hereunder or in the event of any other dispute relating to this policy, the Company, at the request of the Insured, will submit to the jurisdiction of any court of competent jurisdiction within the United States and will comply with all of the requirements necessary to give such court jurisdiction and all matters hereunder shall be determined in accordance with the law and practice of such court, not including the court's law regarding choice of law.

33. CERTIFICATES OF INSURANCE

Should there be any discrepancy between this policy and the Certificate then this policy shall prevail. Any certificate of insurance issued in connection with this policy shall be issued solely as a matter of convenience or information for the addressee(s) or holder(s) of said certificate of insurance, except where any Additional Insured(s) or Loss Payee(s) are named pursuant to the Special Provisions of said certificate of insurance. In the event any Additional Insured(s) or Loss

Payee(s) are so named, this policy shall be deemed to have been endorsed accordingly, subject to all other terms, conditions and exclusions stated herein.

The Company hereby authorizes Arthur J. Gallagher Risk Management Services, Inc. to issue certificates of insurance including any Mortgagee, Loss Payee and Additional Insured clauses.

34. MORTGAGE CLAUSE

Direct physical loss or physical damage, ifany, under this policy, shall be payable to any mortgagee, (or trustee) as designated herein by endorsement or certificate of insurance, as interest may appear, under all present or future mortgages upon the property herein described in which the aforesaid may have an interest as mortgagee (or trustee), in order of precedence of said mortgages, and this insurance, as to the interest of the mortgagee (or trustee) only therein, shall not be invalidated by any act or neglect of the mortgagor or owner of the within described property, by any foreclosure or other proceedings or notice of sale relating to the property, nor by any change in the title of ownership of the property, nor by the occupation of the premises for purposes more hazardous than are permitted by this policy; provided, that in case the mortgagor or owner shall neglect to pay any premium due under this policy, the mortgagee (or trustee) shall, on demand, pay the same.

Provided, also, that the mortgagee (or trustee) shall notify this Company of any change of ownership or occupancy or increase of hazard which shall come to the knowledge of said mortgagee (or trustee) and, unless permitted by this policy, it shall be noted thereon and the mortgagee (or trustee) shall, on demand, pay the premium for such increased hazard for the term of the use thereof; otherwise this policy shall be null and void.

This Company reserves the right to cancel this policy at any time as provided by its terms, but in such case this policy shall continue in force for the benefit only of the mortgagee (or trustee) for 10 days after notice to the mortgagee (or trustee) of such cancellation and shall then cease, and this Company shall have the right, on like notice, to cancel this agreement.

Whenever this Company shall pay the mortgagee (or trustee) any sum for direct physical loss or physical damage under this policy and shall claim that, as to the mortgagor or owner, no liability therefore existed, this Company shall, to the extent of such payment, be thereupon legally subrogated to all the rights of the party to whom such payment shall be made, under all securities held as collateral to the mortgage debt, or may, at its option, pay to the mortgagee (or trustee) the whole principal due or to grow due on the mortgage, with interest accrued thereon to the date of such payments, and shall receive a full assignment and transfer of the mortgage and of all such other securities; but not subrogation shall impair the right of the mortgagee (or trustee) to recover the full amount of said mortgagee's (or trustee's) claim.

35. CANCELLATION

A. This policy may be canceled at any time at the request of the Insured or it may be canceled by the Company by mailing via registered or certified mail to the Insured at:

Department of Finance and Administration
C/o George Roberson
Office of State Property Insurance
PO Box 267
Jackson, MS, 39205-0267

and to the additional named insureds / loss payees/ mortgagees indicated on the certificates of insurance issued during the term of this policy, written notice stating when, not less than 90 days thereafter, such cancellation shall be effective. The earned premium shall be computed on a pro-rata basis.

B. This policy may be non-renewed by the Company for any reason permitted by law to cancel it by mailing to the Insured at the Mailing Address shown in the policy and to the additional insureds / loss payees / mortgagees indicated on certificates of insurance or endorsements hereunder issued during the term of this policy, written notice of non-renewal provided at least 90 days but not more than 120 days before the expiration date of this policy.

The mailing of notice as aforesaid shall be sufficient proof of notice and the effective date and hour of cancellation stated in the notice shall become the end of the policy period. Delivery of such written notice either by the Insured or by the Company shall be equivalent to mailing.

D. Cancellation shall not affect coverage on any shipment in transit on the date of cancellation. Coverage will continue in full force until such property is safely delivered and accepted at place of final destination.

E. In the event of non-payment of premium this policy may be canceled by the Company by mailing to the Insured at the address shown in A. above stating when, not less than 15 days thereafter, such cancellation shall be effective. Reinstatement of coverage shall be effective immediately upon receipt of premium by the Company.

36. VACANCY

The Insured has permission to cease operations or remain vacant or unoccupied without consent of the Company(ies) and will not limit and/or hinder any coverage and/or loss indemnification as provided within.

37. JOINT LOSS AGREEMENT (AS APPLICABLE) With respect to insurance provided by this policy, it is agreed that:

A. If at the time of loss, there is in existence a policy(ies) issued by a boiler and machinery insurance Company(ies) and/or excess Difference in Conditions (DIC) insurance Company(ies) which may cover the same property or cover the location at which the property subject to loss is situated; and

B. if there is a disagreement between the companies under this policy and such other contract either as to:

(1) whether such damage or destruction is insured against by this policy or by an accident insured against by such boiler and machinery insurance policy and/or excess Difference In Condition (DIC) insurance Company(ies); or

(2) the extent of participation of this policy and of such boiler and machinery insurance policy and/or excess DIC insurance Company(ies) in a loss which is insured against, partially or wholly, by any one or all of said policies;

the Company(ies) shall, upon written request of the Insured, pay to the Insured one-half of the amount of the loss which is in disagreement, but in no event more than the Company(ies) would have paid if there had been no boiler and machinery insurance policy and/or excess DIC insurance policy in effect, subject to the following conditions:

(1) the amount of the loss which is in disagreement, after making provisions for any undisputed claims payable under the said policies and after the amount of the loss is agreed upon by the Insured and the companies is limited to the minimum amount remaining payable under either the boiler and machinery and/or excess DIC or this policy(ies);

(2) the boiler and machinery insurance Company(ies) and/or excess DIC insurance Company(ies) shall simultaneously pay to the Insured at least one half of said amount which is in disagreement;

(3) the payments by the companies hereunder and acceptance of the same by the Insured signify the agreement of the companies to submit to and proceed with arbitration within ninety days of such payments;

The arbitrators shall be three in number, one of whom shall be appointed by the boiler and machinery insurance Company(ies) and/or excess DIC insurance Company(ies), one of whom shall be appointed by the Company(ies), and the third of whom shall be appointed by consent of the other two; the decision by the arbitrators shall be binding on the companies and that judgment upon such award may be entered in any court of competent jurisdiction;

(4) the Insured agrees to cooperate in connection with such arbitration but not to intervene therein;

(5) the provisions shall not apply unless such other policy issued by the boiler and machinery insurance Company(ies) and/or excess DIC insurance Company(ies) is similarly endorsed;

6) acceptance by the Insured of sums paid pursuant to the provisions, including an arbitration award, shall not operate to alter, waive, surrender or in any way affect the rights of the Insured against any of the companies.

37. VALUES

The values and schedule of property declared to the Company at the inception of the policy are for premium purposes only and shall not limit the coverages provided by this policy.

38. TITLES OF PARAGRAPHS

The titles of paragraphs of this form and of endorsements and supplemental contracts, if any, now or hereafter attached hereto are inserted solely for convenience of reference and shall not be deemed in any way to limit or affect the provisions to which they relate.

39. CONFORMANCE

The terms of this policy which are in conflict with the applicable statutes of the state wherein this policy is issued are hereby amended to conform to such statutes, unless the statutes narrow or limit the coverage afforded by this policy and do not bar a policy from providing broader coverage.

40. NEWLY ACQUIRED LOCATIONS

This policy insures direct physical loss or physical damage to property of the type insured when such property is purchased, leased, acquired or comes under the control of the Insured after the inception date of this policy. This coverage for Newly Acquired Locations applies from the date the Insured first acquires an insurable interest in such property and continues until the property is reported to the Company and the Company has agreed to insure the location, or the time limit shown in the Limits of Liability clause, whichever is earlier. The time limit begins on the date of purchase, lease or other acquisition. If the property is not reported to the Company with the designated timeframe coverage for this location shall fall under the Miscellaneous Unnamed Locations coverage.

41. MISCELLANEOUS UNNAMED LOCATIONS

Miscellaneous Unnamed Locations means any unreported property of the type insured situated within the policy Territory which does not fit the definition of a Newly Acquired Location under the terms of this policy. This definition does not include property in transit.

ENDORSEMENTS #1 - #6

ENDORSEMENTS 1 – 6:

1) Seepage and/or Pollution and/or contamination exclusion
2) Occurrence Program Limit of Liability Endorsement
3) Contingent Coverage for scheduled real property
4) Excess Coverage for Capitol Complex Endorsement
5) Mold Endorsement
6) amenditory endorsement for mid term changes

ENDORSEMENT NO. 1

The following provisions are hereby attached to and made part of this Policy:

(1) SEEPAGE AND/OR POLLUTION AND/OR CONTAMINATION EXCLUSION

Notwithstanding any provisions in the policy to which this Endorsement is attached, this policy does not insure against loss, damage, costs or expenses in connection with any kind or description of seepage and/or pollution and/or contamination, direct or indirect, arising from any cause whatsoever. Nevertheless if a peril not excluded from this policy arises directly or indirectly from seepage and/or pollution and/or contamination any physical loss or physical damage insured under this policy arising directly from that peril shall (subject to the terms, conditions and limitations of the policy) be covered.

However if the insured property is the subject of direct physical loss or physical damage for which this Company has paid or agreed to pay then this policy (subject to its terms and conditions and limits) insures against direct physical loss or physical damage to the property insured hereunder caused by resulting seepage and/or pollution and/or contamination.

The Insured shall give notice to the Company of intent to claim no later than 18 months after the date of original physical physical loss or physical damage.

(2) DEBRIS REMOVAL AND COST OF CLEAN UP EXTENSION

(a) Notwithstanding the provision of the preceding exclusion in this Endorsement or any provision respecting seepage and/or pollution and/or contamination, and/or debris removal and/or cost of cleanup in the policy to which this Endorsement is attached, in the event of direct physical loss or physical damage to the property insured hereunder, this policy (subject otherwise to its terms, conditions and limitations, including but not limited to any applicable deductible) also insures, within the limit of liability stated in Section 3:

(i) expenses reasonably incurred in removal of debris of the property insured hereunder destroyed or damaged from the location of the loss, and/or

(ii) cost of clean-up, at the location of the loss, made necessary as a result of such direct physical direct physical loss or physical damage;

Provided that this policy does not insure against the costs of decontamination or removal of water, soil or any other substance not covered by this policy on or under such premises.

(b) It is a condition precedent to recovery under this extension that the Company shall have paid or agreed to pay for direct physical direct physical loss or physical damage to the property insured hereunder unless such payment is precluded solely by the operation of any deductible and that the Insured shall give notice to the Company of intent to claim for cost of removal of debris or cost of clean-up no later than 12 months after the date of the original physical direct physical loss or physical damage

(3) AUTHORITIES EXCLUSION

Notwithstanding any of the preceding provisions of this Endorsement, except in respect of certain specific coverage(s) provided elsewhere in the policy to which this Endorsement is attached, this policy does not insure against fines, penalties and expenses directly attributable to such fines and penalties incurred or sustained by or imposed on the Insured at the order of any government agency, court or other authority arising from any cause whatsoever.

(4) Nothing in this Endorsement shall override any radioactive contamination exclusion clause in the policy to which this Endorsement is attached.

ALL OTHER TERMS AND CONDITION REMAIN UNCHANGED.

ENDORSEMENT NO. 2

The following provisions are hereby attached to and made part of this Policy:

Occurrence Program limit of liability Endorsement

It is understood and agreed that the following special terms and conditions apply to this policy:

1. The program limit of liability or Amount of Insurance shown on the face of this policy, or endorsed onto this policy, is the total limit of the Company's liability applicable to each occurrence, as hereafter defined. Notwithstanding any other terms and conditions of this policy to the contrary, in no event shall the liability of the Company exceed this limit or amount irrespective of the number of locations involved. The term "occurrence" shall mean any one loss, disaster, casualty or series of losses, disasters, or casualties, arising out of one event.

   When the term applies to loss or losses from the perils of tornado, cyclone, hurricane, windstorm, Named storm, hail, ice storm, snow storm, volcanic eruption, riot, riot attending a strike, civil commotion, and vandalism and malicious mischief one event shall be construed to be all losses arising during a continuous period of 72 hours. When filing proof of loss, the Insured may elect the moment at which the 72 hour period shall be deemed to have commenced, which shall not be earlier than the first loss to the covered property occurs.

2. The premium for this policy is based upon the Statement of Values on file with the Company, or attached to this policy. In the event of loss hereunder, liability of the Company, subject to the terms of paragraph 1. above, shall be limited to the actual adjusted amount of loss, less applicable deductible(s).

ENDORSEMENT NO. 3

The following provisions are hereby attached to and made part of this Policy:

Contingent Coverage for Scheduled Real Property

1. Coverage for real property at scheduled locations on file with the company (2023 State of MS SOV: Contingent — State Military) is provided where;

   a) Physical direct physical loss or physical damage by a peril insured under the policy to which this endorsement attaches occurs; and,

   b) The State of Mississippi is required by the Army to provide for recovery up to 25% of the physical direct physical loss or physical damage sustained.

2. The recovery under this extension of coverage shall be the lesser of.

   a) 25% of the full replacement cost of the damaged real property

   b) 25% of the individual location program limit of liability shown on the schedule on file with the company

   c) The actual cost to repair or replace the damaged real property

No coverage is provided for damaged property that is repurposed for another use that is substantially different from that use existing at the time of loss.

ENDORSEMENT NO. 4

The following provisions are hereby attached to and made part of this Policy:

It is understood and agreed that this policy provides coverage excess of the underlying policy for the State owned facilities known as the Capitol Complex as detailed below:

Company: AFM - Effective: 4/29/2023-2024-Policy #1114769

ENDORSEMENT NO. 5

The following provisions are hereby attached to and made part of this Policy:

Mold Endorsement

The Company shall not be liable for any direct physical loss or physical damage in the form of, caused by, arising out of, contributed to, or resulting from fungus, mold(s), mildew or yeast; or any spores or toxins created or produced by or emanating from such fungus, mold(s), mildew or yeast;

A. fungus includes, but is not limited to, any of the plants or organisms belonging to the major group fungi, lacking chlorophyll, and including mold(s), rusts, mildews, smuts and mushrooms;

B. mold(s) includes, but is not limited to, any superficial growth produced on damp or decaying organic matter or on living organisms, and fungus that produce mold(s);

C. spores means any dormant or reproductive body produced by or arising or emanating out of any fungus, mold(s), mildew, plants, organisms or microorganisms,

regardless of any other cause or event that contributes concurrently or in any sequence to such loss.

This exclusion shall not apply to any direct physical loss or physical damage in the form of, caused by, contributed to or resulting from fungus, mold(s), mildew or yeast, or any spores or toxins created or produced by or emanating from such fungus, mold(s), mildew or yeast which is directly caused by a covered peril, provided that such fungus, mold(s), mildew or yeast direct physical loss or physical damage is reported to the Company within twelve months from the date of the loss.

A $10,000,000 per occurrence program limit of liability applies to coverage provided by

this endorsement. All other terms and conditions remain unchanged.

ENDORSEMENT #6

This endorsement, effective 12:01 AM, 04/29/2023
Forms a part of Policy No.:
Issued to: State of Mississippi
BY: Manuscript form

AMENDATORY ENDORSEMENT

This endorsement modifies insurance provided by the Policy.

Total Insured Values change throughout the policy term. It is the intent of this policy that any additions exceeding $25,000,000 value per building will be formally added to the Statement of Values at the time of acquisition. All other changes will be considered in effect at the time of change, but will be reported to the markets no later than November 15 of each year. Changes in the last six months of the policy period will be managed at renewal.

In consideration of a premium change of________________, it is agreed that the Property Values as of the first six months of the policy term is attached and on file with the company.

Total Insured Values	Value Change
________________________	________________________

All other terms and conditions of the Policy remain the same.

Date of change:____________________

Insured: State of Mississippi

Policy Period: April 29, 2023 to April 29, 2024

1. ATTACHMENT CLAUSE

This policy is made and accepted subject to the foregoing provisions and stipulations which are hereby made a part of this policy, together with such other provisions, stipulations and agreements as are enclosed hereon or added hereto, as provided in this policy.

The insurance company(ies) signatory hereto (hereinbefore called the Company) each for itself severally but not jointly do(es) insure for the amount underwritten for each and every loss covered hereunder as set forth under their respective names. The collective liability of each Company shall not exceed the Program limit of liability or any appropriate Subprogram limit of liability or any Annual Aggregate limit.

The program limit of liability or amount of insurance shown on the face of this policy, or endorsed on this policy, is the total limit of the Company's liability applicable to each occurrence, as defined in this policy. Notwithstanding any other terms and conditions of this policy to the contrary, in no event shall the liability of the Company exceed this limit or amount irrespective of the number of locations involved.

In witness whereof, the following Company(ies) execute and attest these presents, and subscribe for the amount of participation of the insurance provided hereunder as shown:

COMPANY	POLICY NO.	PARTICIPATION	LAYER	AUTHORIZED
RSUI Group - Landmark American Insurance Company Primary 100	LHD932582	$5,000,000 part of the Primary $100,000,000	5%	
Starr Specialty Lines Insurance Agency Inc. (Starr Specialty Lines Insurance Agency Inc.) Primary 100	SLSTPTY11791423	$12,500,000 part of the Primary $100,000,000	12.50%	
Ironshore Insurance Ltd (Fosun International Holdings Ltd) Primary 100	1000391897-04	$2,500,000 part of the Primary $100,000,000	2.50%	

Beazley Insurance Company, Inc. (Beazley Insurance Company, Inc.) Primary 100	W1E873230701	$5,000,000 part of the Primary $100,000,000	5%	
Westchester Fire Insurance Company (Chubb Group of Insurance Companies) Primary 100	D37354107016	$2,500,000 part of the Primary $100,000,000	2.50%	
Allie World Assurance Co. (AWAC) Primary 100	031231991A	$5,000,000 part of the Primary $100,000,000	5%	
Lexington Insurance Company Primary 100	011144797	$10,000,000 part of the Primary $100,000,000	10%	
Underwriters at Lloyd's London Primary 100 HCC	PW0523623	$4,000,000 part of the Primary $100,000,000	4%	
Underwriters at Lloyd's London Primary 100 ARK	PW0523723	$2,000,000 part of the Primary $100,000,000	2%	
Underwriters at Lloyd's London Primary 100 Hiscox	PW0223023	$3,000,000 part of the Primary $100,000,000	3%	

Underwriters at Lloyd's London Primary 100 Alchemy	PW0523823	$2,000,000 part of the Primary $100,000,000	2%	
Underwriters at Lloyd's London Primary 100 QBE	PW0523523	$2,000,000 part of the Primary $100,000,000	2%	
Underwriters at Lloyd's London Primary 50 Kiln	PW0525623	$3,250,000 part of Primary $50,000,000	6.50%	
Underwriters at Lloyd's London Primary 50 Blenheim	PW0523923	$1,000,000 part of Primary $50,000,000	2%	
Underwriters at Lloyd's London Primary 50 Apollo	PW0523423	$1,500,000 part of Primary $50,000,000	3%	
Underwriters at Lloyd's London Primary 50 Brit	PW0210123	$9,000,000 part of Primary $50,000,000	18%	
Underwriters at Lloyd's London Primary 25 Kiln	PW053023	$1,625,000 part of Primary $25,000,000	6.50%	

Underwriters at Lloyd's London Primary 25- CIN	PW0223123	$1,375,000 part of Primary $25,000,000	5.50%	
Underwriters at Lloyd's London Primary 25- Lancs	PW0527423	$750,000 part of Primary $25,000,000	3%	
Underwriters at Lloyd's London - SCOR 25x25	PW0230523	$1,250,000 part of the $25,000,000 excess of $25,000,000	5%	
Westfield 25x25	XAR-321410G-00	$2,500,000 part of the $25,000,000 excess of $25,000,000	10%	
London- Munich Re 50x50	PW0528623	$3,625,000 part of the $50,000,000 excess of $50,000,000	7.25%	
London- Parner RE 50x50	PW0524023	$2,500,000 part of the $50,000,000 excess of $50,000,000	5%	
London-Convex 50x50	PW0528523	$2,500,000 part of the $50,000,000 excess of $50,000,000	5%	

London-AXA 50x50	PW0524123	$1,250,000 part of the $50,000,000 excess of $50,000,000	2.50%	
London-Alchemy 50x50	PW0524223	$2,000,000 part of the $50,000,000 excess of $50,000,000	4%	
London- Fidelis 50x50	PW0448323	$3,750,000 part of the $50,000,000 excess of $50,000,000	7.50%	
London- ARK 50x50	PW0222823	$2,000,000 part of the $50,000,000 excess of $50,000,000	4%	
London-Atrium 50x50	PW0222823	$875,000 part of the $50,000,000 excess of $50,000,000	1.75%	
London- RSA 50x50	PW0527923	$1,250,000 part of the $50,000,000 excess of $50,000,000	2.50%	
Endurance American Specialty Insurance Company (sompo) 50x50	ESP30036810900	$2,500,000 part of the $50,000,000 excess of $50,000,000	5%	

Starstone Specialty Insurance Company (Core Specialty) 50x100	L83906231CSP	$7,500,000 part of the $50,000,000 excess of $100,000,000	15%	
Canopius 50x100	CUS30000075	$5,000,000 part of the $50,000,000 excess of $100,000,000	10%	
Westfield 50x100	XAR-00009JC-01	$1,750,000 part of the $50,000,000 excess of $100,000,000	3.50%	
AmWINS RE (Starr) 50x100	23SLCFM11637001	$3,500,000 part of the $50,000,000 excess of $100,000,000	7%	
London NOA 50x100	PW0382123	$3,750,000 part of the $50,000,000 excess of $100,000,000	7.50%	
Kinsale 50x100	0100237440-0	$3,500,000 part of the $50,000,000 excess of $100,000,000	7%	
Arch Specialty Insurance Co. 50x100	ESP1002597-03	$2,500,000 part of the $150,000,000 excess of $150,000,000	5%	

Evanston Ins. Co. (Markel Corporation Group) 150x150	MKLV2XPR001568	$5,000,000 part of the $150,000,000 excess of $150,000,000	3.33%	
RSUI Group - Landmark American Insurance Company 150x150	LHD932583	$10,750,000 part of the $150,000,000 excess of $150,000,000	7.17%	
Lexington Insurance Company 150x150	061384254	$7,500,000 part of the $150,000,000 excess of $150,000,000	5%	
Axis Surplus Insurance Company 150x150	EAF666715-23	$5,000,000 part of the $150,000,000 excess of $150,000,000	3.33%	
Western World Insurance Compnay (SRU) 150x150	SSC0001347	$2,500,000 part of the $150,000,000 excess of $150,000,000	1.67%	
AxaXL 150x150	US00117612PR23A	$3,000,000 part of the $150,000,000 excess of $150,000,000	2%	
London Fidelis 150x150	PW0530423	$18,750,000 part of the $150,000,000 excess of $150,000,000	12.50%	

Fireman's Fund Indemnity Corporation (Allianz) 150x150	USP00155623	$30,000,000 part of the $150,000,000 excess of $150,000,000	20%	
London Fidelis 200 x 100	PW0373623	$20,000,000 part of the $200,000,000 excess of $100,000,000	10.00%	
Swiss Re Corporate Solutions Elite 200x100	NAP 2001671 06	$70,000,000 part of the $200,000,000 excess of $100,000,000	35%	
Chubb Bermuda Insurance Ltd (ACE Group) 200x300	PW0222923	$200,000,000 part of the $200,000,000 excess of $300,000,000	100%	

Mississippi Department of Finance and Administration (Office of State Property Insurance)

2022

Mississippi

Government-wide Financial Analysis

Net Position

The State's combined net position for governmental and business-type activities increased $2,429,522,000 in fiscal year 2022. Current year net position is $19,636,463,000 in contrast to the prior year balance of $17,206,941,000. Business-type activities reported positive balances in all three components of net position, while governmental activities and the State as a whole continued to reflect a negative balance in the unrestricted component of net position.

Net position consisted primarily of investment in capital assets such as land, buildings, machinery and equipment, and infrastructure, less any outstanding debt used to acquire those assets. The State uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the State's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

Net investment in capital assets increased $198,914,000 from the previous year. The governmental activities' increase of $197,521,000 was primarily due to additions to construction in progress related to building projects, as well as, additions to infrastructure for roads, highways, and bridges.

Restricted net position represents resources that are subject to externally imposed restrictions. Restricted net position increased by $1,513,416,000, or 29.3 percent during fiscal year 2022.

The remaining net position is classified as unrestricted. As of June 30, 2022, the State had a deficit unrestricted net position of $3,579,925,000. The deficit is due, in part, to the State issuing debt on behalf of component units and other entities for construction, repair and renovation of non-state capital assets. The positive unrestricted balance of $437,352,000 in business-type activities may be used to meet ongoing obligations to citizens and creditors; however, internally imposed designations of certain resources further limit the purposes for which those resources may be used.

	Governmental Activities		Business-type Activities		Total	
	2022	2021*	2022	2021*	2022	2021*
Current and other assets	$ 13,645,572	$ 10,574,162	$ 1,764,238	$ 1,822,651	$ 15,409,810	$ 12,396,813
Capital assets	17,448,781	17,174,319	681,804	670,227	18,130,585	17,844,546
Total Assets	31,094,353	27,748,481	2,446,042	2,492,878	33,540,395	30,241,359
Deferred outflows of resources	587,538	535,114	5,232	4,812	592,770	539,926
Noncurrent liabilities	8,363,229	9,203,703	291,072	312,573	8,654,301	9,516,276
Other liabilities	4,538,985	3,594,752	283,620	365,938	4,822,605	3,960,690
Total Liabilities	12,902,214	12,798,455	574,692	678,511	13,476,906	13,476,966
Deferred inflows of resources	937,582	96,361	82,214	1,017	1,019,796	97,378
Net position:						
Net investment in capital assets	15,871,159	15,673,638	664,685	663,292	16,535,844	16,336,930
Restricted	5,988,213	4,523,658	692,331	643,470	6,680,544	5,167,128
Unrestricted (deficit)	(4,017,277)	(4,808,517)	437,352	511,400	(3,579,925)	(4,297,117)
Total Net Position	$ 17,842,095	$ 15,388,779	$ 1,794,368	$ 1,818,162	$ 19,636,463	$ 17,206,941

*The 2021 amounts presented here have not been restated for the implementation of GASB 87.

Mississippi

Changes in Net Position

Operating grants and contributions of $9,761,534,000 and taxes of $9,537,189,000 were the State's major revenue sources. Together, they accounted for 85.3 percent of total revenues. Revenue from taxes increased $943,761,000. As in the prior year, the majority of the State's total expenses were related to the health and social services function at $9,304,163,000 or 46.1 percent as medical expenses continued their upswing. Expenses within this function increased over the prior year by $660,276,000. Unemployment compensation expenses decreased significantly by $2,343,711,000 as demand for unemployment compensation benefits decreased.

Changes in Net Position
(amounts expressed in thousands)

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Revenues:						
Program Revenues:						
Charges for services	$ 2,083,433	$ 1,859,949	$ 950,676	$ 903,506	$ 3,034,109	$ 2,763,455
Operating grants and contributions	9,754,027	9,747,825	7,507	2,060,185	9,761,534	11,808,010
Capital grants and contributions	593,164	609,699	319	254	593,483	609,953
General Revenues:						
Taxes	9,537,189	8,593,428			9,537,189	8,593,428
Other			1,234		1,234	
Investment income	(273,373)	24,296	(31,054)	95,536	(304,427)	119,832
Total Revenues	21,694,440	20,835,197	928,682	3,059,481	22,623,122	23,894,678
Expenses:						
General government	3,013,112	3,082,051			3,013,112	3,082,051
Education	4,310,039	3,999,625			4,310,039	3,999,625
Health and social services	9,304,163	8,643,887			9,304,163	8,643,887
Law, justice and public safety	984,391	985,135			984,391	985,135
Recreation and resource development	409,737	601,528			409,737	601,528
Regulation of business and professions	43,502	46,066			43,502	46,066
Transportation	957,153	975,611			957,153	975,611
Interest on long-term debt	198,943	252,159			198,943	252,159
Unemployment compensation			39,726	2,383,437	39,726	2,383,437
Port Authority at Gulfport			33,850	41,393	33,850	41,393
Prepaid affordable college tuition			7,780	(39,396)	7,780	(39,396)
State life and health plan			853,898	840,168	853,898	840,168
Other business-type			28,051	27,536	28,051	27,536
Total Expenses	19,221,040	18,586,062	963,305	3,253,138	20,184,345	21,839,200
Excess/(Deficit) before extraordinary Items and Transfers	2,473,400	2,249,135	(34,623)	(193,657)	2,438,777	2,055,478
Extra item, impairment loss from hurricane damage, net of insurance recovery				(878)		(878)
Transfers	(20,084)	(419,988)	20,084	419,988		
Change in Net Position	2,453,316	1,829,147	(14,539)	225,453	2,438,777	2,054,600
Net Position - Beginning, as restated	15,388,779	13,559,632	1,808,907	1,592,709	17,197,686	15,152,341
Net Position - Ending	$ 17,842,095	$ 15,388,779	$ 1,794,368	$ 1,818,162	$ 19,636,463	$ 17,206,941

2021

Mississippi

Statement of Activities

For the Year Ended June 30, 2021 (Expressed in Thousands)

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	$ 3,082,051	$ 963,628	$ 1,483,369	$ 8
Education	3,999,625	73,534	879,112	
Health and social services	8,643,887	473,343	6,965,422	
Law, justice and public safety	985,135	86,939	240,728	2,248
Recreation and resource development	601,528	86,959	151,065	95
Regulation of business and professions	46,066	40,505	619	
Transportation	975,611	135,041	27,510	607,348
Interest on long-term debt	252,159			
Total Governmental Activities	18,586,062	1,859,949	9,747,825	609,699
Business-type activities:				
Unemployment compensation	2,383,437	60,821	2,060,185	
Port Authority at Gulfport	41,393	27,868		
Prepaid affordable college tuition	(39,396)	9,060		
State life and health insurance plan	840,168	788,688		
Other business-type	27,536	17,069		254
Total Business-type Activities	3,253,138	903,506	2,060,185	254
Total Primary Government	$ 21,839,200	$ 2,763,455	$ 11,808,010	$ 609,953
Component units:				
Universities	$ 3,957,204	$ 2,321,555	$ 553,293	$ 59,089
Nonmajor	508,828	505,798		3,436
Total Component Units	$ 4,466,032	$ 2,827,353	$ 553,293	$ 62,525

General revenues:
- Taxes:
  - Sales and use
  - Gasoline and other motor fuel
  - Individual income
  - Corporate income and franchise
  - Insurance
  - Other
- Investment income
- Other
- Payment from State of Mississippi

Contributions to permanent endowments

Extraordinary item - Impairment loss from hurricane damage, net of insurance recovery

Transfers

Total General Revenues, Contributions and Transfers

Change in Net Position

Net Position - Beginning, as restated

Net Position - Ending

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

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
$ (635,046)	$	$ (635,046)	
(3,046,979)		(3,046,979)	
(1,205,122)		(1,205,122)	
(655,220)		(655,220)	
(363,409)		(363,409)	
(4,942)		(4,942)	
(205,712)		(205,712)	
(252,159)		(252,159)	
(6,368,589)		(6,368,589)	
	(262,431)	(262,431)	
	(13,525)	(13,525)	
	48,456	48,456	
	(51,480)	(51,480)	
	(10,213)	(10,213)	
	(289,193)	(289,193)	
(6,368,589)	(289,193)	(6,657,782)	
			$ (1,023,267)
			406
			(1,022,861)
4,288,970		4,288,970	
439,632		439,632	
2,177,134		2,177,134	
746,748		746,748	
398,038		398,038	
542,906		542,906	
24,296	95,536	119,832	429,037
			397,824
			725,148
			50,830
	(878)	(878)	
(419,988)	419,988		
8,197,736	514,646	8,712,382	1,602,839
1,829,147	225,453	2,054,600	579,978
13,559,632	1,592,709	15,152,341	3,552,220
$ 15,388,779	$ 1,818,162	$ 17,206,941	$ 4,132,198

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2020

Mississippi

Statement of Activities

For the Year Ended June 30, 2020 (Expressed in Thousands)

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	$ 2,467,094	$ 410,915	$ 43,356	$ 55
Education	3,764,765	12,523	728,767	
Health and social services	8,287,561	540,041	6,423,604	204
Law, justice and public safety	980,190	86,531	267,956	8,447
Recreation and resource development	378,211	506,725	154,059	1,441
Regulation of business and professions	46,280	31,884	496	
Transportation	897,040	104,388	22,122	590,843
Interest on long-term debt	224,121			
Total Governmental Activities	17,045,262	1,693,007	7,640,360	600,990
Business-type activities:				
Unemployment compensation	2,147,728	64,409	1,831,014	
Port Authority at Gulfport	37,026	29,440		
Prepaid affordable college tuition	(2,222)	9,549		
State life and health insurance plan	790,519	777,732		
Other business-type	28,149	18,552		
Total Business-type Activities	3,001,200	899,682	1,831,014	
Total Primary Government	$ 20,046,462	$ 2,592,689	$ 9,471,374	$ 600,990
Component units:				
Universities	$ 3,976,364	$ 2,294,334	$ 557,951	$ 22,791
Nonmajor	340,001	340,150		891
Total Component Units	$ 4,316,365	$ 2,634,484	$ 557,951	$ 23,682

General revenues:
- Taxes:
  - Sales and use
  - Gasoline and other motor fuel
  - Individual income
  - Corporate income and franchise
  - Insurance
  - Other
- Investment income
- Other
- Payment from State of Mississippi

Contributions to permanent endowments

Transfers

Total General Revenues, Contributions and Transfers

Change in Net Position

Net Position - Beginning, as restated

Net Position - Ending

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

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Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
$ (2,012,768)	$	$ (2,012,768)	
(3,023,475)		(3,023,475)	
(1,323,712)		(1,323,712)	
(617,256)		(617,256)	
284,014		284,014	
(13,900)		(13,900)	
(179,687)		(179,687)	
(224,121)		(224,121)	
(7,110,905)		(7,110,905)	
	(252,305)	(252,305)	
	(7,586)	(7,586)	
	11,771	11,771	
	(12,787)	(12,787)	
	(9,597)	(9,597)	
	(270,504)	(270,504)	
(7,110,905)	(270,504)	(7,381,409)	
			$ (1,101,288)
			1,040
			(1,100,248)
3,765,465		3,765,465	
416,820		416,820	
1,976,858		1,976,858	
654,257		654,257	
359,957		359,957	
520,296		520,296	
108,246	34,364	142,610	242
			305,821
			787,082
			32,662
(5,819)	5,819		
7,796,080	40,183	7,836,263	1,125,807
685,175	(230,321)	454,854	25,559
12,885,684	1,824,970	14,710,654	3,526,590
$ 13,570,859	$ 1,594,649	$ 15,165,508	$ 3,552,149

2019

Mississippi

Statement of Activities

For the Year Ended June 30, 2019 (Expressed in Thousands)

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	$ 2,412,774	$ 827,965	$ 12,678	$ 229
Education	3,610,869	14,913	724,498	97
Health and social services	7,799,755	567,213	5,850,994	955
Law, justice and public safety	823,290	88,929	214,449	9,875
Recreation and resource development	525,045	77,983	194,077	95
Regulation of business and professions	46,308	37,060	302	40
Transportation	846,227	40,164	16,835	583,546
Interest on long-term debt	216,247			
Total Governmental Activities	16,280,515	1,654,227	7,013,833	594,837
Business-type activities:				
Unemployment compensation	60,625	72,172	989	
Port Authority at Gulfport	36,702	29,106		
Prepaid affordable college tuition	14,826	11,641		
State life and health insurance plan	792,020	752,604		
Other business-type	27,892	18,539		8
Total Business-type Activities	932,065	884,062	989	8
Total Primary Government	$ 17,212,580	$ 2,538,289	$ 7,014,822	$ 594,845
Component units:				
Universities	$ 3,778,334	$ 2,285,709	$ 509,638	$ 30,088
Nonmajor	28,839	24,797		4,327
Total Component Units	$ 3,807,173	$ 2,310,506	$ 509,638	$ 34,415

General revenues:
- Taxes:
  - Sales and use
  - Gasoline and other motor fuel
  - Individual income
  - Corporate income and franchise
  - Insurance
  - Other
- Investment income
- Other
- Payment from State of Mississippi

Contributions to permanent endowments

Transfers

Total General Revenues, Contributions and Transfers

Change in Net Position

Net Position - Beginning, as restated

Net Position - Ending

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

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
$ (1,571,902)	$	$ (1,571,902)	
(2,871,361)		(2,871,361)	
(1,380,593)		(1,380,593)	
(510,037)		(510,037)	
(252,890)		(252,890)	
(8,906)		(8,906)	
(205,682)		(205,682)	
(216,247)		(216,247)	
(7,017,618)		(7,017,618)	
	12,536	12,536	
	(7,596)	(7,596)	
	(3,185)	(3,185)	
	(39,416)	(39,416)	
	(9,345)	(9,345)	
	(47,006)	(47,006)	
(7,017,618)	(47,006)	(7,064,624)	
			$ (952,899)
			285
			(952,614)
3,629,500		3,629,500	
430,764		430,764	
1,917,567		1,917,567	
648,347		648,347	
360,047		360,047	
513,111		513,111	
113,085	44,695	157,780	96,393
			243,822
			740,797
			41,876
(17,901)	17,901		
7,594,520	62,596	7,657,116	1,122,888
576,902	15,590	592,492	170,274
12,308,782	1,809,380	14,118,162	3,356,326
$ 12,885,684	$ 1,824,970	$ 14,710,654	$ 3,526,600

Mississippi Institutions of Higher Learning
2023

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Management's Discussion and Analysis (Unaudited)

June 30, 2023

Statement of Net Position

The Statement of Net Position presents the financial position as of the end of the fiscal year and includes all assets, liabilities, deferred outflows, and deferred inflows of the IHL System. Cash and investments are generally reported at fair values. Capital assets are reported at historical cost less an allowance for depreciation and amortization. The difference between total assets and deferred outflows, and total liabilities and deferred inflows – net position – is one indicator of the current financial condition, while the change in net position is an indicator of whether the overall financial condition has improved or worsened during the current year. From the data presented, readers of the Statement of Net Position are able to determine the assets available to continue the operations of the entity, and how much is owed to vendors, investors, and lending institutions. Finally, the Statement of Net Position provides a picture of the net position and its availability for expenditure.

Net position is classified into components as follows:

- Net investment in capital assets represents the investment in property, plant, and equipment less any related debt used to acquire those assets.
- Restricted nonexpendable net position consists of the IHL System's permanent endowment funds.
- Restricted expendable net position is available for expenditure but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets.
- Unrestricted net position is available for any lawful purpose of the IHL System.

Summary of Net Position (Condensed)

	June 30, 2022	June 30, 2023	Change 2022 to 2023
Assets:			
Current assets	$ 1,593,367,919	1,664,166,596	4.4 %
Capital assets, net	4,606,960,130	4,761,080,932	3.3
Other assets	1,387,646,550	1,453,631,905	4.8
Deferred outflows	490,752,155	599,243,678	22.1
Total assets and deferred outflows of resources	$ 8,078,726,754	8,478,123,111	4.94 %
Liabilities:			
Current liabilities	$ 635,609,005	640,907,085	0.8
Noncurrent liabilities	3,880,941,613	4,881,193,506	25.8
Deferred inflows	880,392,415	181,518,420	(79.4)
Total liabilities and deferred inflows of resources	$ 5,396,943,033	5,703,619,011	5.7 %
Net position (deficit):			
Investment in capital assets, net of debt	$ 3,349,669,211	3,446,878,219	2.9 %
Restricted – nonexpendable	185,522,926	190,390,227	2.6
Restricted – expendable	395,157,663	433,967,475	9.8
Unrestricted	(1,248,566,079)	(1,296,731,821)	(3.9)
Total net position	$ 2,681,783,721	2,774,504,100	3.5 %

At June 30, 2023 and 2022, current assets totaled $1.66 billion and $1.59 billion, respectively, and consisted primarily of cash and cash equivalents, short-term investments and net receivables. Current assets increased 4.4% (or $70.8 million) from June 30, 2022 to 2023. Cash and cash equivalents, and short-term investments constituted approximately 66% of current assets as of June 30, 2023, while net receivables constituted

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(or $48.2 million) from June 30, 2022 to 2023. The unrestricted deficit is the result of the implementation of GASB Statement Nos. 68 and 75, under which IHL recognizes a liability for its net pension and OPEB obligations.

Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position presents the revenues earned and expenses incurred during the year. Activities are reported as either operating or nonoperating. Operating revenues are earned by providing goods and services to various customers and constituencies. Operating expenses are incurred to acquire or produce the goods and services and to carry out the mission of the IHL System. Nonoperating revenues are revenues received for which goods and services are generally not provided. A public university's dependence on state aid and gifts usually results in operating deficits because state appropriations and gifts are classified as nonoperating revenues. The utilization of long-lived assets, referred to as capital assets, is reflected in the financial statements as depreciation, which spreads the cost of an asset over its expected useful life.

Change in total net position as presented on the Statement of Net Position are based on the activity presented in the Statement of Revenues, Expenses and Changes in Net Position. The purpose of the statement is to present the revenues earned, both operating and nonoperating, and the expenses incurred, operating and nonoperating, and any other revenues, expenses, gains or losses received or incurred by the IHL System.

Summary of Revenues, Expenses and Changes in Net Position (Condensed)

		2022	2023	Change 2022 to 2023
Operating revenues	$	3,044,979,771	3,218,887,338	5.7 %
Operating expenses		3,847,088,067	4,225,681,463	9.8
Operating loss		(802,108,296)	(1,006,794,125)	25.5
Nonoperating revenues	$	937,246,927	1,021,384,917	9.0
Income before other revenues, expenses, gains or losses		135,138,631	14,590,792	(89.2)
Other revenues, expenses, gains or losses		114,506,471	78,129,587	(31.8)
Change in net position		249,645,102	92,720,379	(62.9)
Net position, beginning of the year		2,432,138,619	2,681,783,721	10.3
Net position, end of the year	$	2,681,783,721	2,774,504,100	3.5 %

Operating Revenues

Operating revenues for the IHL System equaled $3.2 billion and $3.0 billion for fiscal years 2023 and 2022, respectively. Operating revenues increased 5.7% (or $174 million) during 2023. Major components of operating revenues are the UMMC patient care revenues (42.4% in 2023 and 41.1% in 2022), net tuition and fees (21.3% in 2023 and 22.2% in 2022), grants and contracts revenues (17.2% in 2023 and 17.7% in 2022), and sales and service revenues from auxiliary activities (10.5% in 2023 and 10.3% in 2022). The following table summarizes the IHL System's operating revenues for the past two fiscal years.

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Management's Discussion and Analysis (Unaudited)

June 30, 2023

Operating Revenues

	2022	2023	Change 2022 to 2023
Tuition and fees, net	$ 677,300,039	686,127,990	1.3 %
Grants and contracts	539,365,631	553,921,626	2.7
Federal appropriations	14,800,675	16,065,608	8.5
Sales and services of educational departments	80,870,946	85,816,824	6.1
Auxiliary enterprises, net	312,545,905	338,374,559	8.3
Patient care revenues	1,251,077,962	1,365,774,381	9.2
Other	169,018,613	172,806,350	2.2
Total operating revenues	$ 3,044,979,771	3,218,887,338	5.7 %

Net tuition and fee revenues increased 1.3% (or $8.8 million) during 2023. In 2023, all but JSU increased tuition rates, on average, by $223 (or 2.7%).

Patient care revenues at UMMC increased 9.2%, or $115 million from June 30, 2022 to 2023.

Operating Expenses

Operating expenses for the IHL System totaled $4.3 billion and $3.8 billion for fiscal years 2023 and 2022, respectively. Operating expenses increased by 9.8% (or $379 million) during 2023. Personnel costs (including fringe benefits) were the largest expense component for the IHL System, representing 58% of the total in 2023 and 56.6% in 2022. Other major components include contractual services (16.7% in 2023 and 15.3% in 2022), commodities (11.9% in 2023 and 12.3% in 2022), and scholarships and fellowships (4.7% in 2023 and 7.4% in 2022). The following table summarizes the IHL System's operating expenses (by major object category) for the past two fiscal years.

Operating Expenses

	2022	2023	Change 2022 to 2023
By major object category:			
Salaries and wages	$ 1,731,655,127	1,832,509,450	5.8 %
Fringe benefits	444,696,977	620,724,480	39.6
Travel	43,247,698	60,886,146	40.8
Contractual services	590,337,899	705,279,482	19.5
Utilities	82,054,505	92,259,266	12.4
Scholarships and fellowships	286,515,653	198,441,231	(30.7)
Commodities	474,328,091	502,057,442	5.8
Depreciation and amortization	190,762,209	204,527,031	7.2
Other	3,489,908	8,996,935	157.8
Total operating expenses	$ 3,847,088,067	4,225,681,463	9.8 %

The IHL System's personnel expenses increased in 2023 (12.7%, or $277 million) after experiencing an across-the-system decline in the prior year. All institutions experienced increases in personnel costs in 2023. Travel expenses experienced a significant increase again, $17.6 million (or 40.8%) after a $27 million increase in the prior year. Travel had been down for two consecutive years previously. Contractual services increased 19.5%, or $115 million. The cost of commodities continues to rise, 5.8% (or $27.7 million) in 2023. Scholarship and fellowship expenses decreased 30.7%, or $88 million, from 2022 to 2023.

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Management's Discussion and Analysis (Unaudited)

June 30, 2023

As an alternative presentation model, the IHL System's operating expenses are shown below by major functional classification. Functional classifications are the traditional categories that universities have used in past financial presentations (pre-GASB 34). These functions represent the types of programs and services that the universities generally provide. For example, funds utilized to compensate a classroom professor or provide classroom materials would be classified as instruction.

Operating Expenses

	2022	2023	Change 2022 to 2023
By function:			
Instruction	$ 659,968,760	749,533,168	13.6 %
Research	378,964,397	419,809,462	10.8
Public service	176,410,298	205,796,670	16.7
Academic support	158,428,564	179,234,949	13.1
Student services	96,673,649	110,644,231	14.5
Institutional support	322,249,724	361,920,362	12.3
Operations and maintenance of plant	201,203,141	219,168,191	8.9
Student aid	285,645,522	211,506,885	(26.0)
Auxiliary enterprises	290,072,412	325,801,025	12.3
Depreciation and amortization	190,819,779	204,527,031	7.2
Hospital	1,176,207,392	1,328,080,110	12.9
Other	1,691,621	2,487,707	47.1
Eliminations	(91,247,192)	(92,828,328)	1.7
Total operating expenses	$ 3,847,088,067	4,225,681,463	9.8 %

Funding for the Instruction function continues to be one of the IHL System's highest priorities. Instruction costs increased by 13.6% (or $89.6 million) after declining by 6.8% the previous year. In 2023, it maintained a 20% approximate share of total operations. Institutional research (internal and external) and public service costs have always commanded one of the System's primary cost missions. In 2023, research experienced an 11% increase ($41 million) over prior year; these costs represent approximately 14.8% of the IHL System's total focus during 2023. Institutional support costs typically present the functions of the executive management department, general administration, logistical support services, computing, public relations and development. These costs increased by 12.3% (or $39.7 million) in 2023 after experiencing a 10.9% decline in the previous year. Auxiliary enterprise costs include all expenses associated with departments that primarily exist to furnish goods or services to students, faculty, or staff and that charge a fee directly related to, although not necessarily equal to, the cost of the goods and services. Auxiliary departments are required to be essentially self-supporting activities. Examples are (1) student housing, (2) food services, (3) bookstores, and (4) intercollegiate athletics. Auxiliary expenses increased by 12.3% ($35.7 million) in fiscal year 2023. Student Aid expenses experienced a sharp decline of $74 million (26%) after increasing $49.2 million the year before. Finally, hospital expenses increased 13% ($152 million) after holding steady at $1.2 billion in 2022. The hospital operations contribution ratio remained steady at 73%.

The IHL System identified millions of dollars in inter-campus transactions that required elimination for financial statement presentation purposes. Examples of such transactions would be student financial aid funds administered by the IHL Executive Office that were directed to the campuses, as well as grant agreements between one or more IHL System institutions in which one campus served as a primary recipient and the other campus acted as a sub-recipient.

2022

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

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June 30, 2022

(or $154.2 million) from June 30, 2021 to 2022. The unrestricted deficit is the result of the implementation of GASB Statement Nos. 68 and 75, under which IHL recognizes a liability for its net pension and OPEB obligations.

Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position presents the revenues earned and expenses incurred during the year. Activities are reported as either operating or nonoperating. Operating revenues are earned by providing goods and services to various customers and constituencies. Operating expenses are incurred to acquire or produce the goods and services and to carry out the mission of the IHL System. Nonoperating revenues are revenues received for which goods and services are generally not provided. A public university's dependence on state aid and gifts usually results in operating deficits because state appropriations and gifts are classified as nonoperating revenues. The utilization of long-lived assets, referred to as capital assets, is reflected in the financial statements as depreciation, which spreads the cost of an asset over its expected useful life.

Change in total net position as presented on the Statement of Net Position are based on the activity presented in the Statement of Revenues, Expenses and Change in Net Position. The purpose of the statement is to present the revenues earned, both operating and nonoperating, and the expenses incurred, operating and nonoperating, and any other revenues, expenses, gains or losses received or incurred by the IHL System.

Summary of Revenues, Expenses and Changes in Net Position (Condensed)

		2021	2022	Change 2021 to 2022
Operating revenues	$	2,786,941,000	3,044,979,771	9.3 %
Operating expenses		3,744,020,192	3,847,088,067	2.8
Operating loss		(957,079,192)	(802,108,296)	(16.2)
Nonoperating revenues	$	1,081,842,228	937,246,927	(13.4)
Income (loss) before other revenues, expenses, gains or losses		124,763,036	135,138,631	8.3
Other revenues, expenses, gains or losses		108,396,458	114,506,471	5.6
Change in net position		233,159,494	249,645,102	7.1
Net position, beginning of the year		2,198,979,125	2,432,138,619	10.6
Net position, end of the year	$	2,432,138,619	2,681,783,721	10.3 %

Operating Revenues

Operating revenues for the IHL System equaled $3.0 billion and $2.8 billion for fiscal years 2022 and 2021, respectively. Operating revenues increased 9.3% (or $258 million) during 2022. Major components of operating revenues are the UMMC patient care revenues (41.1% in 2022 and 42.2% in 2021), net tuition and fees (22.2% in 2022 and 23.3% in 2021), grants and contracts revenues (17.7% in 2022 and 16.3% in 2021), and sales and service revenues from auxiliary activities (10.3% in 2022 and 10.9% in 2021). The following table summarizes the IHL System's operating revenues for the past two fiscal years.

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Management's Discussion and Analysis (Unaudited)

June 30, 2022

Operating Revenues

	2021	2022	Change 2021 to 2022
Tuition and fees, net	$ 650,347,838	677,300,039	4.1 %
Grants and contracts	455,390,620	539,365,631	18.4
Federal appropriations	15,519,984	14,800,675	(4.6)
Sales and services of educational departments	59,530,803	80,870,946	35.8
Auxiliary enterprises, net	303,503,843	312,545,905	3.0
Patient care revenues	1,176,245,589	1,251,077,962	6.4
Other	126,402,323	169,018,613	33.7
Total operating revenues	$ 2,786,941,000	3,044,979,771	9.3 %

Net tuition and fee revenues increased 4.1% (or $27 million) during 2022. In 2022, all but JSU increased tuition rates, on average, by $260 (or 3.2%).

Grants and contracts revenue increased 18.4% (or $84 million) during fiscal year 2022, primarily due to the $62 million increase in federal grants and contracts, and timing differences in both federal and state funding of student aid, research, and other various grants and contracts.

Patient care revenues at UMMC increased 6.4%, or $74.8 million from June 30, 2021 to 2022.

Operating Expenses

Operating expenses for the IHL System totaled $3.8 billion and $3.7 billion for fiscal years 2022 and 2021, respectively. Operating expenses increased a modest 2.8% (or $103 million) during 2022. Personnel costs (including fringe benefits) were the largest expense component for the IHL System, representing 56.6% of the total in 2022 and 61.6% in 2021. Other major components include contractual services (15.3% in 2022 and 13.2% in 2021), commodities (12.3% in 2022 and 2021), and scholarships and fellowships (7.4% in 2022 and 5.9% in 2021). The following table summarizes the IHL System's operating expenses (by major object category) for the past two fiscal years.

Operating Expenses

	2021	2022	Change 2021 to 2022
By major object category:			
Salaries and wages	$ 1,676,015,889	1,731,655,127	3.3 %
Fringe benefits	631,512,198	444,696,977	(29.6)
Travel	16,295,965	43,247,698	165.4
Contractual services	493,488,217	590,280,329	19.6
Utilities	64,697,178	82,054,505	26.8
Scholarships and fellowships	221,826,245	286,515,653	29.2
Commodities	462,118,373	474,328,091	2.6
Depreciation and amortization	170,848,756	190,819,779	11.7
Other	7,217,371	3,489,908	(51.6)
Total operating expenses	$ 3,744,020,192	3,847,088,067	2.8 %

The IHL System's personnel expenses decreased in 2022 (5.7%, or $131.2 million). UMMC was able to reduce personnel costs by $34.7 million in 2022. All institutions experienced decreases in personnel costs in

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2022. Travel expenses experienced a significant increase, $27 million or 165.4%, after two years of steady decline. Contractual services increased 19.6%, or $96.8 million. The cost for commodities continues to rise, 2.6% (or $12.2 million) in 2022. Scholarship and fellowship expenses increased 29.2%, or $64.7 million, from 2021 to 2022.

As an alternative presentation model, the IHL System's operating expenses are shown below by major functional classification. Functional classifications are the traditional categories that universities have used in past financial presentations (pre-GASB 34). These functions represent the types of programs and services that the universities generally provide. For example, funds utilized to compensate a classroom professor or provide classroom materials would be classified as instruction.

Operating Expenses

		2021	2022	Change 2021 to 2022
By function:				
Instruction	$	708,276,802	659,968,760	(6.8)%
Research		340,001,037	378,964,397	11.5
Public service		171,766,271	176,410,298	2.7
Academic support		168,004,666	158,428,564	(5.7)
Student services		90,556,891	96,673,649	6.8
Institutional support		361,613,088	322,249,724	(10.9)
Operations and maintenance of plant		183,463,518	201,203,141	9.7
Student aid		236,454,524	285,645,522	20.8
Auxiliary enterprises		252,957,703	290,072,412	14.7
Depreciation and amortization		170,848,756	190,819,779	11.7
Hospital		1,145,383,790	1,176,207,392	2.7
Other		1,602,133	1,691,621	5.6
Eliminations		(86,908,987)	(91,247,192)	5.0
Total operating expenses	$	3,744,020,192	3,847,088,067	2.8 %

Funding for the Instruction function continues to be one of the IHL System's highest priorities. While instruction costs decreased by 6.8% (or $48 million) in 2022, it still maintained an approximate 20% share of total operations. Institutional research (internal and external) and public service costs have always commanded one of the System's primary cost missions. In 2022, research experienced an 11% increase ($39 million) over prior year; these costs represent approximately 14.4% of the IHL System's total focus during 2022. Institutional support costs typically present the functions of the executive management department, general administration, logistical support services, computing, public relations and development. These costs decreased by 10.9% (or $39.4 million) in 2022. Auxiliary enterprise costs include all expenses associated with departments that primarily exist to furnish goods or services to students, faculty, or staff and that charge a fee directly related to, although not necessarily equal to, the cost of the goods and services. Auxiliary departments are required to be essentially self-supporting activities. Examples are (1) student housing, (2) food services, (3) bookstores, and (4) intercollegiate athletics. Auxiliary expenses increased by 14.7% ($37.1 million) in fiscal year 2022. Student Aid expenses experienced a sharp increase of $49.2 million, or 20.8%. Finally, hospital expenses remained steady at $1.2 billion. The hospital operations contribution ratio improved from 71% to 75%.

The IHL System identified millions of dollars in inter-campus transactions that required elimination for financial statement presentation purposes. Examples of such transactions would be student financial aid funds administered by the IHL Executive Office that were directed to the campuses, as well as grant agreements between one or more IHL System institutions in which one campus served as a primary recipient and the other campus acted as a sub-recipient.

2021

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Unrestricted net position (deficit) equaled $(1.40) billion and $(1.55) billion at June 30, 2021 and 2020, respectively, and represents those assets that are available to the IHL System for any lawful purpose. The value of unrestricted net position improved 9.4% (or $145.4 million) from June 30, 2020 to 2021 but had fallen back by 4.6% (or $68.5 million) from June 30, 2019 to 2020. The unrestricted deficit is the result of the implementation of GASB Statement Nos. 68 and 75, under which IHL recognizes a liability for its net pension and OPEB obligations.

Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position presents the revenues earned and expenses incurred during the year. Activities are reported as either operating or nonoperating. Operating revenues are earned by providing goods and services to various customers and constituencies. Operating expenses are incurred to acquire or produce the goods and services and to carry out the mission of the IHL System. Nonoperating revenues are revenues received for which goods and services are generally not provided. A public university's dependence on state aid and gifts usually results in operating deficits because state appropriations and gifts are classified as nonoperating revenues. The utilization of long-lived assets, referred to as capital assets, is reflected in the financial statements as depreciation, which spreads the cost of an asset over its expected useful life.

Changes in total net position as presented on the Statement of Net Position are based on the activity presented in the Statement of Revenues, Expenses and Changes in Net Position. The purpose of the statement is to present the revenues earned, both operating and nonoperating, and the expenses incurred, operating and nonoperating, and any other revenues, expenses, gains or losses received or incurred by the IHL System.

Summary of Revenues, Expenses and Changes in Net Position (Condensed)

	Years ended June 30,			Changes between years	
	2019	2020	2021	2019 to 2020	2020 to 2021
Operating revenues	$ 2,720,082,179	2,752,093,996	2,786,941,000	1.2 %	1.3 %
Operating expenses	3,610,653,918	3,792,667,222	3,744,020,192	5.0	(1.3)
Operating loss	(890,571,739)	(1,040,573,226)	(957,079,192)	16.8	(8.0)
Nonoperating revenues	$ 876,337,399	954,950,291	1,081,842,228	9.0	13.3
Income (loss) before other revenues, expenses, gains or losses	(14,234,340)	(85,622,935)	124,763,036	501.5	(245.7)
Other revenues, expenses, gains or losses	117,676,039	127,586,688	108,396,458	8.4	(15.0)
Change in net position	103,441,699	41,963,753	233,159,494	(59.4)	455.6
Net position, beginning of the year	2,053,573,673	2,157,015,372	2,198,979,125	5.0	1.9
Net position, end of the year	$ 2,157,015,372	2,198,979,125	2,432,138,619	1.9 %	10.6 %

Operating Revenues

Operating revenues for the IHL System equaled $2.8 billion, $2.8 billion and $2.7 billion for fiscal years 2021, 2020 and 2019, respectively. Operating revenues increased 1.3% (or $34.8 million) and 1.2% (or $32.0 million) during 2021 and 2020, respectively. Major components of operating revenues are the UMMC patient care revenues (42.2% in 2021, 43.5% in 2020 and 43.2% in 2019), net tuition and fees (23.3% in 2021, 23.8% in 2020 and 24.0% in 2019), grants and contracts revenues (16.3% in 2021, 16.2% in 2020 and 15.7% in 2019), and sales and service revenues from auxiliary activities (10.9% in 2021, 10.1% in 2020 and 11.1% in 2019). The following table summarizes the IHL System's operating revenues for the past three fiscal years.

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Operating Revenues

	Years ended June 30,			Changes between years	
	2019	2020	2021	2019 to 2020	2020 to 2021
Tuition and fees, net	$ 652,821,111	656,024,712	650,347,838	0.5 %	(0.9)%
Grants and contracts	426,501,389	446,576,323	455,390,620	4.7	2.0
Federal appropriations	14,410,558	15,047,436	15,519,984	4.4	3.1
Sales and services of educational departments	67,564,996	59,175,654	59,530,803	(12.4)	0.6
Auxiliary enterprises, net	301,979,850	277,624,810	303,503,843	(8.1)	9.3
Patient care revenues	1,176,072,282	1,197,526,479	1,176,245,589	1.8	(1.8)
Other	80,731,993	100,118,582	126,402,323	24.0	26.3
Total operating revenues	$ 2,720,082,179	2,752,093,996	2,786,941,000	1.2 %	1.3 %

Net tuition and fee revenues decreased 0.9% (or $5.7 million) and increased 0.5% (or $3.2 million) during years 2021 and 2020, respectively. In 2021, most IHL institutions kept in-state tuition rates at the same level as 2020. In 2020 and 2019, all IHL institutions raised their in-state tuition rates (average increase of 4.2% and 4.3%, respectively).

Grants and contracts revenue increased 2.0% (or $8.8 million) and 4.7% (or $20.1 million) during fiscal years 2021 and 2020, respectively, due to timing differences in both federal and state funding of student aid, research, and other various grants and contracts.

Patient care revenues at UMMC decreased 1.8%, or $21.3 million from June 30, 2020 to 2021, after an increase of 1.8%, or $21.5 million, from June 30, 2019 to 2020.

Operating Expenses

Operating expenses for the IHL System totaled $3.7 billion, $3.8 billion, and $3.6 billion for fiscal years 2021, 2020 and 2019, respectively. Operating expenses decreased a modest 1.3% (or $48.6 million) during 2021 after a 5.0% increase (or $182.0 million) during 2020. Personnel costs (including fringe benefits) were the largest expense component for the IHL System, representing 61.6% of the total in 2021, 62.1% of the total in 2020 and 62.4% in 2019. Other major components include contractual services (13.2% in 2021, 13.1% in 2020, and 13.6% in 2019), commodities (12.3% in 2021, 11.6% in 2020, and 11.1% in 2019), and scholarships and fellowships (5.9% in 2021 and 2020, and 4.9% in 2019). The following table summarizes the IHL System's operating expenses (by major object category) for the past three fiscal years.

Operating Expenses

	Years ended June 30,			Changes between years	
	2019	2020	2021	2019 to 2020	2020 to 2021
By major object category:					
Salaries and wages	$ 1,655,778,835	1,714,592,861	1,676,015,889	3.6 %	(2.2)%
Fringe benefits	596,194,684	639,544,393	631,512,198	7.3	(1.3)
Travel	51,263,875	39,220,404	16,295,965	(23.5)	(58.5)
Contractual services	490,922,090	497,655,634	493,488,217	1.4	(0.8)
Utilities	69,936,844	65,448,869	64,697,178	(6.4)	(1.1)
Scholarships and fellowships	177,199,230	222,855,969	221,826,245	25.8	(0.5)
Commodities	400,969,012	441,578,818	462,118,373	10.1	4.7
Depreciation	162,945,647	166,891,329	170,848,756	2.4	2.4
Other	5,443,701	4,878,945	7,217,371	(10.4)	47.9
Total operating expenses	$ 3,610,653,918	3,792,667,222	3,744,020,192	5.0 %	(1.3)%

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The IHL System's personnel expenses decreased in 2021 (2.0%, or $46.6 million) after an increase (4.8%, or $102.9 million) in 2020. UMMC was able to reduce personnel costs by $44.1 million in 2021. Three institutions experienced large increases in personnel costs in 2020: MSU ($22.7 million), UM ($12.2 million), and UMMC ($62.1 million). Travel expenses experienced its second year decline, a drastic cut in 2021 (58.5% or $22.9 million) after a 23.5% (or $12.0 million) reduction in 2020. Contractual services are stable at $490 million. The cost for commodities continues to rise, 4.7% (or $20.5 million) in 2021 and 10.1% ($40.6 million) in 2020. Scholarship and fellowship expenses remained stable at $222 million after a dramatic increase of 25.8% (or $45.7 million) from 2019 to 2020.

As an alternative presentation model, the IHL System's operating expenses are shown below by major functional classification. Functional classifications are the traditional categories that universities have used in past financial presentations (pre-GASB 34). These functions represent the types of programs and services that the universities generally provide. For example, funds utilized to compensate a classroom professor or provide classroom materials would be classified as instruction.

Operating Expenses

	Years ended June 30,			Changes between years	
	2019	**2020**	**2021**	**2019 to 2020**	**2020 to 2021**
By function:					
Instruction	$ 686,583,567	734,275,776	708,276,802	6.9 %	(3.5)%
Research	398,647,090	379,720,277	340,001,037	(4.7)	(10.5)
Public service	155,578,022	167,615,740	171,766,271	7.7	2.5
Academic support	161,058,006	159,274,875	168,004,666	(1.1)	5.5
Student services	95,869,389	93,575,381	90,556,891	(2.4)	(3.2)
Institutional support	314,094,435	338,206,103	361,613,088	7.7	6.9
Operations and maintenance of plant	182,269,595	181,528,720	183,463,518	(0.4)	1.1
Student aid	184,284,320	232,484,261	236,454,524	26.2	1.7
Auxiliary enterprises	283,007,079	271,961,699	252,957,703	(3.9)	(7.0)
Depreciation	162,945,647	166,891,329	170,848,756	2.4	2.4
Hospital	1,067,381,363	1,153,660,067	1,145,383,790	8.1	(0.7)
Other	1,004,804	1,364,384	1,602,133	35.8	17.4
Eliminations	(82,069,399)	(87,891,390)	(86,908,987)	7.1	(1.1)
Total operating expenses	$ 3,610,653,918	3,792,667,222	3,744,020,192	5.0 %	(1.3)%

Funding for the Instruction function continues to be one of the IHL System's highest priorities. While instruction costs decreased by 3.5% (or $26 million) in 2021 and increased by 6.9% ($47.7 million) in 2020, it still maintained an approximate 20% share of total operations. Although institutional research (internal and external) and public service costs have always commanded one of the System's primary cost missions, research experienced its second year in a row of decline, 10.5% (or $39.7 million) in 2021 and by 4.7% (or $18.9 million) in 2020; these costs represent approximately 13.7% and 14.4% of the IHL System's total focus during 2021 and 2020, respectively. Institutional support costs typically present the functions of the executive management department, general administration, logistical support services, computing, public relations and development. These costs increased by 6.9% (or $23.4 million) in 2020 and by 7.7% (or $24.1 million) in 2020. Auxiliary enterprise costs include all expenses associated with departments that primarily exist to furnish goods or services to students, faculty, or staff and that charge a fee directly related to, although not necessarily equal to, the cost of the goods and services. Auxiliary departments are required to be essentially self-supporting activities. Examples are (1) student housing, (2) food services, (3) bookstores, and (4) intercollegiate athletics. Auxiliary expenses decreased by 7.0% ($19.0 million) in fiscal year 2021 and by 3.9% ($11.0 million) in fiscal year 2020. Student Aid expenses remained steady at $230 million after a dramatic 26.2% increase in 2020. Finally, hospital expenses remained steady at $1.2 billion after experiencing an 8.1% increase (or $86.3 million) in 2020. The hospital operations contribution ratio remained steady at 71%.

2020

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Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position presents the revenues earned and expenses incurred during the year. Activities are reported as either operating or nonoperating. Operating revenues are earned by providing goods and services to various customers and constituencies. Operating expenses are incurred to acquire or produce the goods and services and to carry out the mission of the IHL System. Nonoperating revenues are revenues received for which goods and services are generally not provided. A public university's dependence on state aid and gifts usually results in operating deficits because state appropriations and gifts are classified as nonoperating revenues. The utilization of long-lived assets, referred to as capital assets, is reflected in the financial statements as depreciation, which spreads the cost of an asset over its expected useful life.

Changes in total net position as presented on the Statement of Net Position are based on the activity presented in the Statement of Revenues, Expenses and Changes in Net Position. The purpose of the statement is to present the revenues earned, both operating and nonoperating, and the expenses incurred, operating and nonoperating, and any other revenues, expenses, gains or losses received or incurred by the IHL System.

Summary of Revenues, Expenses and Changes in Net Position (Condensed)

	Years ended June 30,			Changes between years	
	2018	2019	2020	2018 to 2019	2019 to 2020
Operating revenues	$ 2,588,271,917	2,720,082,179	2,752,093,996	5.1 %	1.2 %
Operating expenses	3,546,846,603	3,610,653,918	3,792,667,222	1.8	5.0
Operating loss	(958,574,686)	(890,571,739)	(1,040,573,226)	(7.1)	16.8
Nonoperating revenues	$ 848,725,053	876,337,399	954,950,291	3.3	9.0
Loss before other revenues, expenses, gains or losses	(109,849,633)	(14,234,340)	(85,622,935)	(87.0)	501.5
Other revenues, expenses, gains or losses	104,684,693	117,676,039	127,586,688	12.4	8.4
Change in net position	(5,164,940)	103,441,699	41,963,753	(2,102.8)	(59.4)
Net position, beginning of the year	2,201,645,519	2,053,573,673	2,157,015,372	(6.7)	5.0
Adjustment to beginning of year net position, related to OPEB	(142,906,906)	—	—		
Net position, beginning of the year, as restated	2,058,738,613	2,053,573,673	2,157,015,372	(0.3)	5.0
Net position, end of the year	$ 2,053,573,673	2,157,015,372	2,198,979,125	5.0 %	1.9 %

Operating Revenues

Operating revenues for the IHL System equaled $2.8 billion, $2.7 billion and $2.6 billion for fiscal years 2020, 2019 and 2018, respectively. Operating revenues increased 1.2% (or $32.0 million) and 5.1% (or $131.8 million) during 2020 and 2019, respectively. Major components of operating revenues are the UMMC patient care revenues (43.5% in 2020, 43.2% in 2019 and 42.4% in 2018), net tuition and fees (23.8% in 2020, 24.0% in 2019 and 24.6% in 2018), grants and contracts revenues (16.2% in 2020, 15.7% in 2019 and 15.1% in 2018), and sales and service revenues from auxiliary activities (10.1% in 2020, 11.1% in 2019 and 11.6% in 2018). The following table summarizes the IHL System's operating revenues for the past three fiscal years.

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Operating Revenues

	Years ended June 30, 2018	2019	2020	Changes between years 2018 to 2019	2019 to 2020
Tuition and fees, net	$ 637,343,596	652,821,111	656,024,712	2.4 %	0.5 %
Grants and contracts	390,967,888	426,501,389	446,576,323	9.1	4.7
Federal appropriations	11,424,012	14,410,558	15,047,436	26.1	4.4
Sales and services of educational departments	64,361,012	67,564,996	59,175,654	5.0	(12.4)
Auxiliary enterprises, net	299,776,697	301,979,850	277,624,810	0.7	(8.1)
Patient care revenues	1,097,355,744	1,176,072,282	1,197,526,479	7.2	1.8
Other	87,042,968	80,731,993	100,118,582	(7.3)	24.0
Total operating revenues	$ 2,588,271,917	2,720,082,179	2,752,093,996	5.1 %	1.2 %

Net tuition and fee revenues increased 0.5% ($3.2 million), 2.4% ($15.5 million) and 3.9% ($23.9 million) during fiscal years 2020, 2019 and 2018, respectively. All IHL institutions raised their in-state tuition rates during 2020 and 2019 (average increase of 4.2% and 4.3%, respectively). At institutions where nonresident surcharges exist, non-Mississippi residents also paid a higher tuition rate during 2020 and 2019 (average increase of 4.0%). Despite four years of continuing decline in enrollment, these rate increases have sourced an increase in total tuition and fees, net.

Grants and contracts revenue increased 4.7% ($20.1 million) and 9.1% ($35.5 million) during fiscal years 2020 and 2019, respectively, due to timing differences in both federal and state funding of student aid, research, and other various grants and contracts.

Patient care revenues at UMMC increased 1.8%, or $21.5 million, and 7.2%, or $78.7 million, from June 30, 2019 to 2020 and June 30, 2018 to 2019.

Operating Expenses

Operating expenses for the IHL System totaled $3.8 billion, $3.6 billion, and $3.5 billion for fiscal years 2020, 2019 and 2018, respectively. Operating expenses increased by 5.0% ($182.0 million) during 2020 succeeding a modest increase of 1.8% ($63.8 million) during 2019. Personnel costs (including fringe benefits) were the largest expense component for the IHL System, representing 62.1% of the total in 2020, 62.4% of the total in 2019 and 64.0% in 2018. Other major components include contractual services (13.1% in 2020, 13.6% in 2019, and 13.0% in 2018), commodities (11.6% in 2020, 11.1% in 2019, and 10.2% in 2018), and scholarships and fellowships (5.9% in 2020, and 4.9% during 2019 and 2018). The following table summarizes the IHL System's operating expenses (by major object category) for the past three fiscal years.

Operating Expenses

	Years ended June 30, 2018	2019	2020	Changes between years 2018 to 2019	2019 to 2020
By major object category:					
Salaries and wages	$ 1,606,270,626	1,655,778,835	1,714,592,861	3.1 %	3.6 %
Fringe benefits	662,262,302	596,194,684	639,544,393	(10.0)	7.3
Travel	51,554,010	51,263,875	39,220,404	(0.6)	(23.5)
Contractual services	460,274,893	490,922,090	497,655,634	6.7	1.4
Utilities	67,691,651	69,936,844	65,448,869	3.3	(6.4)
Scholarships and fellowships	173,593,845	177,199,230	222,855,969	2.1	25.8
Commodities	360,375,027	400,969,012	441,578,818	11.3	10.1
Depreciation	158,707,098	162,945,647	166,891,329	2.7	2.4
Other	6,117,151	5,443,701	4,878,945	(11.0)	(10.4)
Total operating expenses	$ 3,546,846,603	3,610,653,918	3,792,667,222	1.8 %	5.0 %

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The IHL System's personnel expenses increased in both 2020 (4.8%, or $102.9 million) and 2019 (3.5%, or $72.9 million). However, with the vast fluctuations in the non-cash impact on fringe benefits expense resultant from GASB Statements 68 and 75, it appears that personnel costs decreased 0.7% in 2019. Three institutions experienced large increases in personnel costs in both 2020 and 2019, respectively: MSU ($22.7 million and $21.2 million), UM ($12.2 million and $13.3 million), and UMMC ($62.1 million and $45.0 million); other institutions were able to decrease this outlay. Travel expenses were greatly reduced during 2020, by $12.0 million or 23.5%. In fiscal year 2020, contractual services increased slightly by 1.4%, or $6.7 million, after a 6.7%, or $30.6 million, increase in 2019. The cost for commodities increased substantially by 10.1% ($40.6 million) in 2020, and 11.3% ($40.6 million) in 2019. Scholarship and fellowship expenses increased dramatically by 25.8% ($45.7 million) in 2020 and only 2.1% ($3.6 million) during 2019.

As an alternative presentation model, the IHL System's operating expenses are shown below by major functional classification. Functional classifications are the traditional categories that universities have used in past financial presentations (pre-GASB 34). These functions represent the types of programs and services that the universities generally provide. For example, funds utilized to compensate a classroom professor or provide classroom materials would be classified as instruction.

Operating Expenses

		Years ended June 30,		Changes between years	
	2018	2019	2020	2018 to 2019	2019 to 2020
By function:					
Instruction	$ 712,997,543	686,583,567	734,275,776	(3.7)	6.9
Research	357,159,355	398,647,090	379,720,277	11.6	(4.7)
Public service	156,483,236	155,578,022	167,615,740	(0.6)	7.7
Academic support	157,423,996	161,058,006	159,274,875	2.3	(1.1)
Student services	91,020,868	95,869,389	93,575,381	5.3	(2.4)
Institutional support	318,663,709	314,094,435	338,206,103	(1.4)	7.7
Operations and maintenance of plant	172,894,846	182,269,595	181,528,720	5.4	(0.4)
Student aid	184,242,727	184,284,320	232,484,261	0.0	26.2
Auxiliary enterprises	278,349,778	283,007,079	271,961,699	1.7	(3.9)
Depreciation	158,702,986	162,945,647	166,891,329	2.7	2.4
Hospital	1,034,104,753	1,067,381,363	1,153,660,067	3.2	8.1
Other	1,551,900	1,004,804	1,364,384	(35.3)	35.8
Eliminations	(76,749,094)	(82,069,399)	(87,891,390)	6.9	7.1
Total operating expenses	$ 3,546,846,603	3,610,653,918	3,792,667,222	1.8 %	5.0 %

Funding for the Instruction function continues to be one of the IHL System's highest priorities. While instruction costs increased by 6.9% ($47.7 million) in 2020 and decreased by 3.7% ($26.4 million) in 2019, it still maintained an approximate 20% share of total operations. Institutional research (internal and external) and public service costs continue to command one of the System's primary cost missions. Although increasing between 2018 and 2019 (11.6%, or $41.5 million), fiscal year 2020 experienced a modest decrease in research by 4.7%, or $18.9 million; these costs represent approximately 14.4% and 15.3% of the IHL System's total focus during 2020 and 2019, respectively. Institutional support costs typically present the functions of the executive management department, general administration, logistical support services, computing, public relations and development. These costs increased 7.7% ($24.1 million) in 2020 and decreased 1.4% ($4.6 million) in 2019. Auxiliary enterprise costs include all expenses associated with departments that primarily exist to furnish goods or services to students, faculty, or staff and that charge a fee directly related to, although not necessarily equal to, the cost of the goods and services. Auxiliary departments are required to be essentially self-supporting activities. Examples are (1) student housing, (2) food services, (3) bookstores, and (4) intercollegiate athletics. Auxiliary expenses decreased 3.9% ($11.0 million) in fiscal year 2020 and increased 1.7% ($4.7 million) in fiscal year 2019. Student Aid expenses increased dramatically by 26.2%, or $48.2 million, after remaining stable at $184 million in 2018 and 2019. Finally, hospital expenses experienced an 8.1% increase (or $86.3 million) in 2020 and 3.2% growth (or $33.3 million) in 2019. The increased expenditures of 2020 outweighed the increase in patient care revenues, which reduced the hospital operations contribution ratio to 2018 levels (75.3% to 71.6%).

Appendix C: Missouri

i. Missouri Public Entity Risk Management Fund (MOPERM) Property Insurance) 2023, 2022,2021,2020

Missouri Public Entity Risk Management Fund (MOPERM)
2023

MISSOURI PUBLIC ENTITY RISK MANAGEMENT FUND

STATEMENTS OF NET POSITION
December 31, 2023 and 2022

	2023	2022
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 31,489,477	$ 22,159,152
Investments, at fair value	128,961,195	118,015,936
Deposits and accounts receivable	555,849	573,086
Accrued interest receivable	535,209	442,494
Deferred acquisition costs	380,047	172,086
Prepaid expenses	7,363	8,526
Total current assets	161,929,140	141,371,280
FIXED ASSETS, NET	638,661	680,269
DEFERRED OUTFLOW OF RESOURCES	758,961	612,342
Total assets and deferred outflow of resources	$ 163,326,762	$ 142,663,891
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Advance contributions	$ 10,466,706	$ 11,167,214
Unearned contributions	4,720,059	4,854,328
Accounts payable and accrued expense	242,999	550,601
Total current liabilities	15,429,764	16,572,143
NONCURRENT LIABILITIES		
Loss and loss adjustment expense reserves	83,628,067	76,301,181
Net pension and OPEB liability	3,523,115	3,327,632
Total noncurrent liabilities	87,151,182	79,628,813
DEFERRED INFLOW OF RESOURCES	283,631	194,043
Total liabilities and deferred inflow of resources	102,864,577	96,394,999
NET POSITION		
Net investment in capital assets	638,661	680,269
Unrestricted	59,823,524	45,588,623
Total net position	60,462,185	46,268,892
Total liabilities, deferred inflow of resources and net position	$ 163,326,762	$ 142,663,891

The notes to financial statements are an integral part of these statements.

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MISSOURI PUBLIC ENTITY RISK MANAGEMENT FUND

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Years Ended December 31, 2023 and 2022

	2023	2022
OPERATING REVENUES		
Contributions	$ 36,853,751	$ 30,263,345
Investment income	2,440,877	3,529,602
Other income	403,667	18,770
Total operating revenues	39,698,295	33,811,717
OPERATING EXPENSES		
Losses and loss adjustment expenses	25,852,850	20,324,845
Excess insurance premiums	4,735,518	3,603,178
General and administrative	4,742,729	8,726,039
Total operating expenses	35,331,097	32,654,062
Operating income	4,367,198	1,157,655
NON-OPERATING REVENUE		
Unrealized gain (loss) on investments	9,826,095	(18,045,910)
Change in net position	14,193,293	(16,888,255)
Net position, beginning of year	46,268,892	63,157,147
Net position, end of year	$ 60,462,185	$ 46,268,892

The notes to financial statements are an integral part of these statements.

MISSOURI PUBLIC ENTITY RISK MANAGEMENT FUND

STATEMENTS OF CASH FLOWS
Years Ended December 31, 2023 and 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Contributions collected	$ 35,726,270	$ 33,240,271
Loss and loss adjustment expenses paid	(18,216,023)	(21,788,470)
Payments to suppliers and excess insurer	(9,051,542)	(10,989,507)
Payments to employees	(824,498)	(804,972)
Investment income received	3,247,445	3,176,149
Other income	403,667	18,770
Net cash provided by operating activities	11,285,319	2,852,241
CASH FLOWS USED IN CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of capital assets	(849)	(11,037)
CASH FLOWS USED IN INVESTING ACTIVITIES		
Proceeds from investments	33,750,209	37,198,057
Purchase of investments	(35,704,354)	(41,182,640)
Net cash (used) in investing activities	(1,954,145)	(3,984,583)
Change in cash and cash equivalents	9,330,325	(1,143,379)
Cash and cash equivalents, beginning of year	22,159,152	23,302,531
Cash and cash equivalents, end of year	$ 31,489,477	$ 22,159,152
Reconciliation of net operating loss to net cash provided by operating activities:		
Net operating income	$ 4,367,198	$ 1,157,655
Adjustments to reconcile net operating loss to net cash provided by operating activities:		
Depreciation and amortization	42,457	47,911
Pension expense, net of contributions	294,296	379,603
Loss on disposal of capital assets	-	26,765
Realized loss (gain) on investments	834,981	(352,541)
Changes in certain assets and liabilities:		
Decrease in deposits and accounts receivable	309,941	12,768
(Increase) in accrued interest receivable	(92,715)	(116,515)
(Increase) in contributions in course of collection	(292,704)	(12,919)
Decrease (increase) in prepaid expenses	1,163	(5,155)
(Increase) decrease in deferred acquisition costs	(207,961)	100,073
Increase (decrease) in loss and loss adjustment expense reserves	7,326,886	(1,463,474)
(Decrease) increase in advance contributions	(700,508)	1,304,924
(Decrease) increase in unearned contributions	(134,269)	1,684,921
(Decrease) increase in accounts payable and accrued expenses	(463,446)	88,225
Net adjustments	6,918,121	1,694,586
Net cash provided by operating activities	$ 11,285,319	$ 2,852,241
Schedule of noncash investing, capital, and financing activities:		
Increase in fair value of investments	$ 9,826,095	$ 18,045,910

The notes to financial statements are an integral part of these statements.

2022

MISSOURI PUBLIC ENTITY RISK MANAGEMENT FUND

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Years Ended December 31, 2022 and 2021

	2022	2021
OPERATING REVENUES		
Contributions	$ 30,263,345	$ 27,175,446
Investment income	3,529,602	7,152,862
Other income	18,770	27
Total operating revenues	33,811,717	34,328,335
OPERATING EXPENSES		
Losses and loss adjustment expenses	20,324,845	16,216,207
Excess insurance premiums	3,603,178	3,183,899
General and administrative	8,726,039	3,781,149
Total operating expenses	32,654,062	23,181,255
Operating income	1,157,655	11,147,080
NON-OPERATING REVENUE		
Unrealized (loss) on investments	(18,045,910)	(572,270)
Change in net position	(16,888,255)	10,574,810
Net position, beginning of year	63,157,147	52,582,337
Net position, end of year	$ 46,268,892	$ 63,157,147

The notes to financial statements are an integral part of these statements.

2021

MISSOURI PUBLIC ENTITY RISK MANAGEMENT FUND

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Years Ended December 31, 2021 and 2020

	2021	2020
OPERATING REVENUES		
Contributions	$ 27,175,446	$ 25,488,439
Investment income	7,152,862	5,552,740
Other income (loss)	27	(22,711)
Total operating revenues	34,328,335	31,018,468
OPERATING EXPENSES		
Losses and loss adjustment expenses	16,216,207	14,569,430
Excess insurance premiums	3,183,899	2,232,661
General and administrative	3,781,149	3,694,041
Total operating expenses	23,181,255	20,496,132
Operating income	11,147,080	10,522,336
NON-OPERATING REVENUE		
Unrealized (loss) gain on investments	(572,270)	4,941,359
Change in net position	10,574,810	15,463,695
Net position, beginning of year	52,582,337	37,118,642
Net position, end of year	$ 63,157,147	$ 52,582,337

The notes to financial statements are an integral part of these statements.

2020

MISSOURI PUBLIC ENTITY RISK MANAGEMENT FUND

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Years Ended December 31, 2020 and 2019

	2020	2019
OPERATING REVENUES		
Contributions	$ 25,488,439	$ 23,489,544
Investment income	5,552,740	3,135,487
Other (loss) income	(22,711)	228
Total operating revenues	31,018,468	26,625,259
OPERATING EXPENSES		
Losses and loss adjustment expenses	14,569,430	24,871,279
Excess insurance premiums	2,232,661	4,344,962
General and administrative	3,694,041	3,485,226
Total operating expenses	20,496,132	32,701,467
Operating income (loss)	10,522,336	(6,076,208)
NON-OPERATING REVENUE		
Unrealized gain on investments	4,941,359	8,493,612
Change in net position	15,463,695	2,417,404
Net position, beginning of year	37,118,642	34,701,238
Net position, end of year	$ 52,582,337	$ 37,118,642

The notes to financial statements are an integral part of these statements.

Appendix D: Oklahoma

i. The Oklahoma Real Property Asset Report 2023

ii. Oklahoma Schools Insurance Group (OSIG) Income Statement 2022, 2021, 2020

iii. Oklahoma Office of Management & Enterprise Services Income Statement 2022

REAL PROPERTY

ASSET REPORT

2023

OKLAHOMA
Office of Management
& Enterprise Services

CONTENTS

Oklahoma Agricultural Building

INTRODUCTION

The Guardian overlooking the Oklahoma State Flag

Since the enactment of the Oklahoma State Government Asset Reduction and Cost Savings Program in 2011, the of Management and Enterprise Services has published an annual report of all property owned or leased by the State of Oklahoma. The 2023 Oklahoma Real Property Asset Report is the twelfth publication of this statutorily required report. All agencies, boards, commissions, and public trusts with the state as a (ABCs) are surveyed annually to capture changes, corrections and additional data on all property owned or leased by the State of Oklahoma. The data in the surveys is compiled and published online in an interactive format. Links to the data are found in this report. Additionally, OMES analyzes the data to provide an informative, at-a-glance summary of the data submitted by the agencies. Real property is divided into the categories of owned and leased and then further subdivided by agency and location to calculate the sum of the square footages and acreages of the properties. Properties are also divided by predominant use to present a clearer view of the function of the properties owned and leased by the State of Oklahoma.

OMES analyzed the submitted data on property utilization and value to identify the 5% most underutilized and included that information in this report. As required by the Oklahoma State Government Asset Reduction and Cost Savings Program, the Report of the 5% Most Underutilized Properties also contains information on the value of the property and the potential ad valorem tax revenue that might be generated by private ownership of the property.

Many agencies continue to and correct the data submitted, resulting in changes in the data and more complete information. These revisions and corrections may result in changes in square footage for the agency that are not the result of changes in the actual footprint. OMES requests utility information as part of the survey, and some ABCs include the utility information in their survey responses. OMES would like to thank the ABCs for the time and diligence they have expended to update and improve the information reported.

METHOD OF COLLECTING AND COMPILING DATA

To capture the data for the 2023 report, OMES surveyed all state agencies, boards, commissions and public trusts having the State of Oklahoma as a . This report captures the information provided, including all noted changes in the property owned or leased by the State of Oklahoma, all recorded changes in the number of full-time employees at a location and the level of utilization of a property. Due to the deadlines required for compiling data, analyzing information and publishing the report, some recent ’s report.

State Capitol Building

All data contained in this report was self-reported by each state agency, board or commission. The accuracy, authenticity and integrity of the data reported to OMES are the responsibility of the reporting ABC. OMES’ objective is limited to compiling the data into a comprehensive listing, providing public access to the reported data and updating the comprehensive listing in a timely manner when changes are received from state agencies. Except for minor corrections by OMES with information available and supplemental information provided by ABCs during follow-up by OMES, the information provided by the ABCs is listed as reported.

This report contains information on owned and leased properties. When a state agency owns a property and the property is leased to another state agency, the property will appear twice in the report. When an agency reported no property, either owned or leased, a blank will appear in the report. Properties with title held by the Oklahoma Capitol Improvement Authority pursuant to bond resolution will not appear in the Oklahoma Capitol Improvement Authority listing but will be shown in the Real Property Inventory List for the agency with an asterisk before the physical address. OMES implemented a new real property management database that has enabled OMES to better identify leases in state-owned space and subleases from other state agencies, and this has resulted in a substantial shift in the totals on data on the square footage leased from the private sector square footage leased in state-owned space. Square footages and building or structure types are listed as reported. ABCs methods for classifying structures and calculating square footage vary. Discrepancies in the totals on the agency and county were created due to the empty in the raw data submitted by the ABCs. For example, if an agency listed a property without including the full location information, the property will appear in the agency but may

The electronic version of the Real Property Inventory List can be found at:
https://oklahoma.gov/omes/divisions/capital-assets-management/real-estate-leasing-services/resources/reports.html

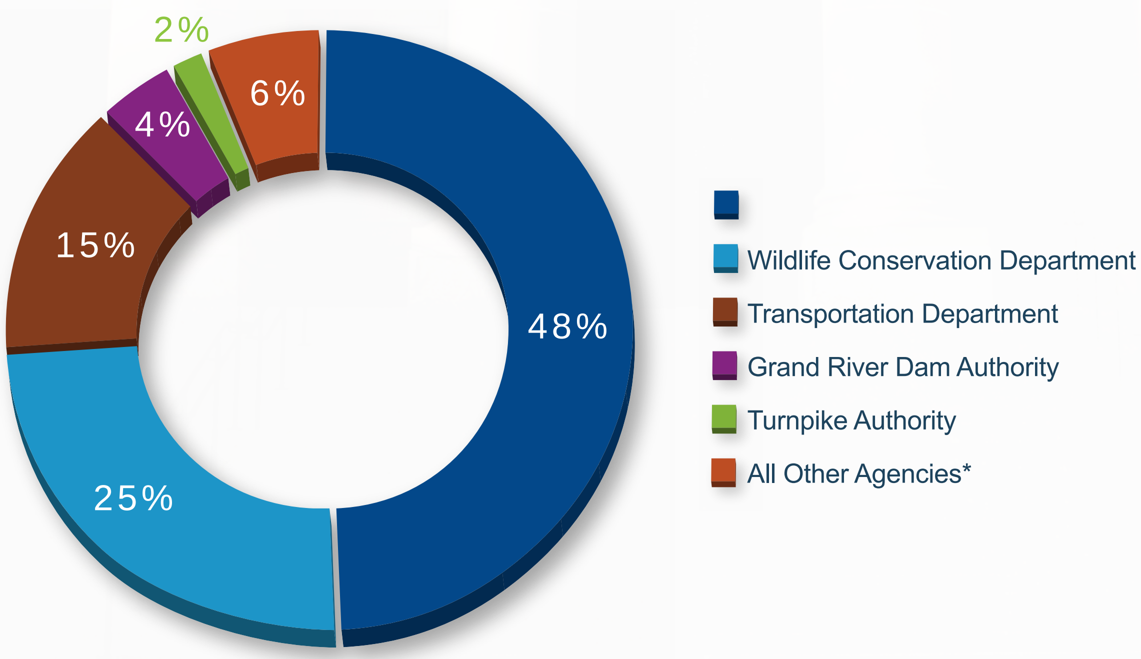
NUMBERS AT-A-GLANCE

OWNED AND LEASED SPACE IN BUILDINGS AND STRUCTURES

	Square Feet
State-owned space	87,988,626
Leased space from private sector	4,630,372*
Leased space in state-owned buildings	4,083,019*

*When reported as subleased by the agency, space subleased by ABCs from other ABCs has been removed from this data to avoid duplication. Increases in owned square footage from previous reports may be the result of property acquisition, construction or correction in data reported. Leases from the federal government, counties, cities and other political subdivisions are included with *Leased space from private sector*.

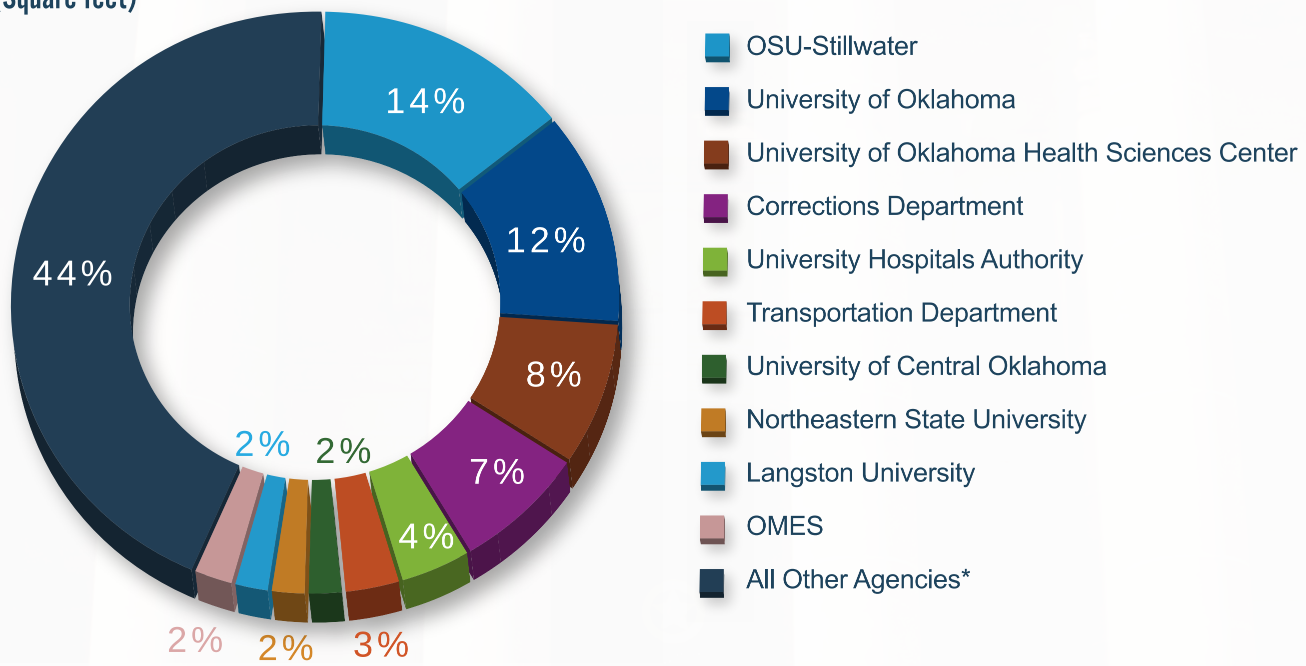
OWNED LAND (Acres)



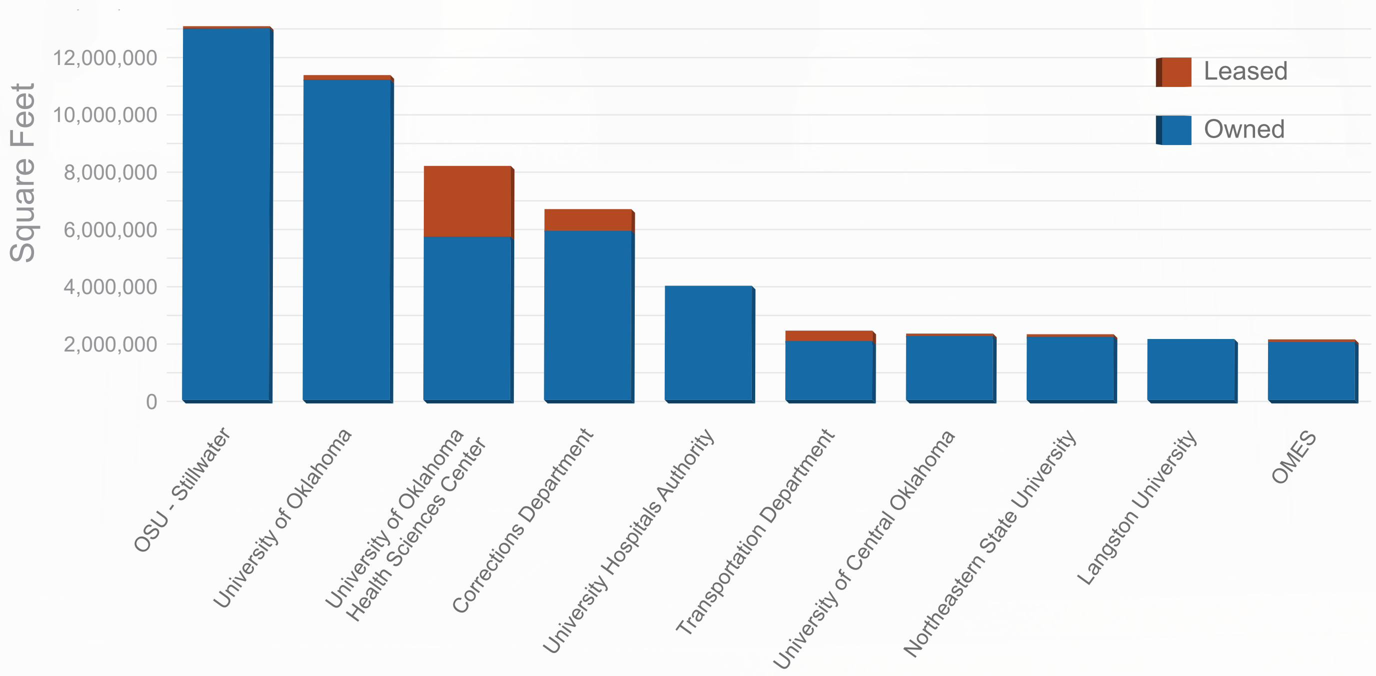
*All Other Agency landowners are listed in the Inventory List section contained within this report.

TOP 10 AGENCIES WITH THE MOST OWNED AND LEASED PROPERTIES IN BUILDINGS AND STRUCTURES

(Square feet)

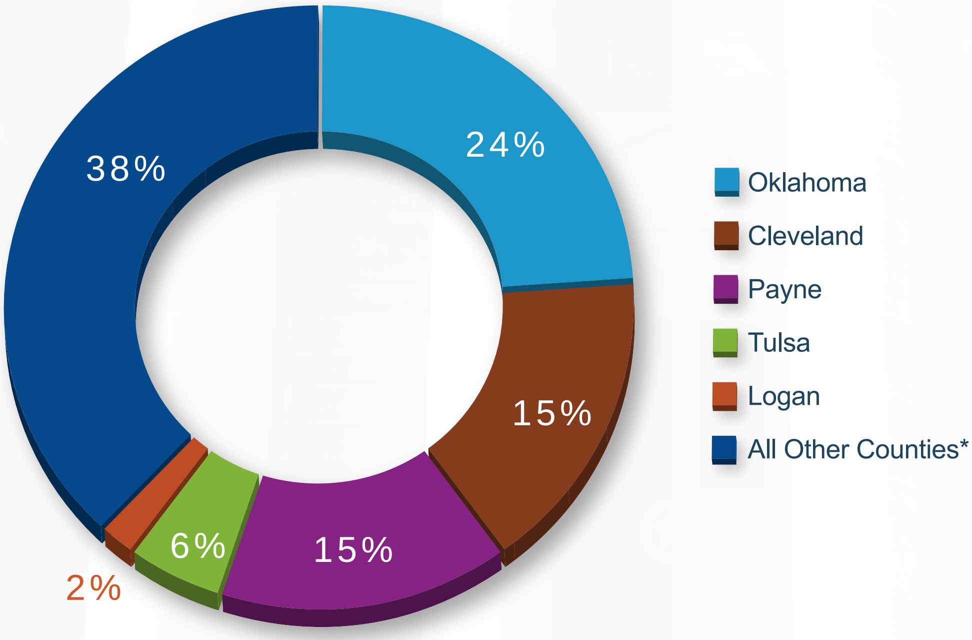


*All Other Agencies are listed in the Inventory List section contained within this report.



TOP FIVE COUNTIES WITH THE MOST OWNED PROPERTIES IN BUILDINGS AND STRUCTURES

(Square feet)

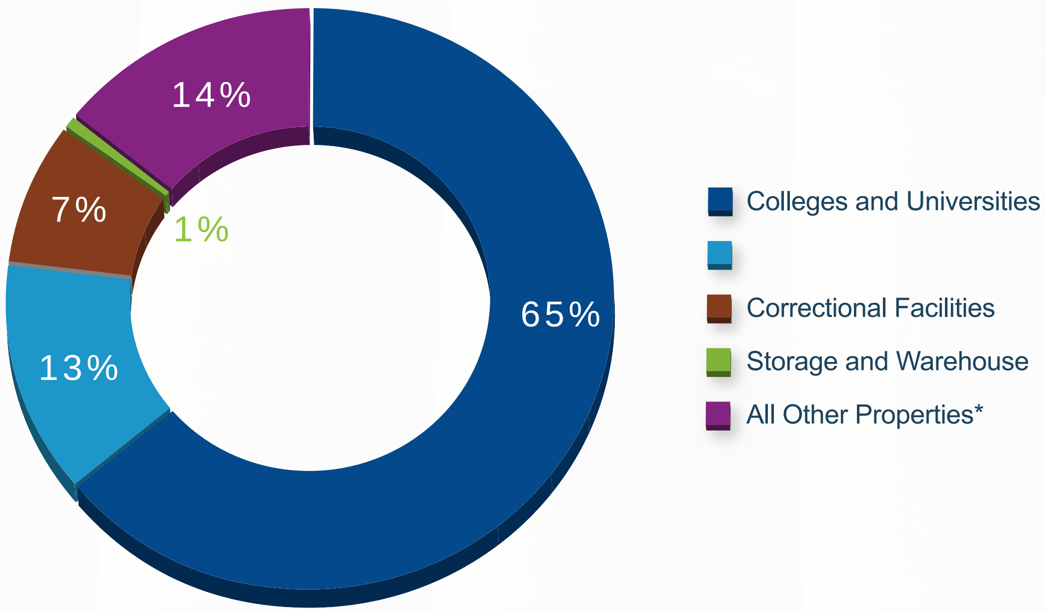


Counties	Building and Structures Owned Square Footage	Building and Structures Leased from Private Sector Square Footage	Building and Structures Leased in State-Owned Buildings Square Footage
Oklahoma	20,683,416	1,495,382	3,772,442*
Cleveland	13,551,261	211,867	28,037
Payne	13,439,658	70,206	
Tulsa	5,138,161	376,600*	172,868*
Logan	2,101,761	2,481	110

*When reported as subleased by the agency, space ABCs sublease from other ABCs has been removed from this data to avoid duplication. Leases from the federal government, counties, cities and other political subdivisions are included with *Leased space from private sector.*

PREDOMINANT USE OF BUILDINGS AND STRUCTURES OWNED PROPERTIES

(Square feet)



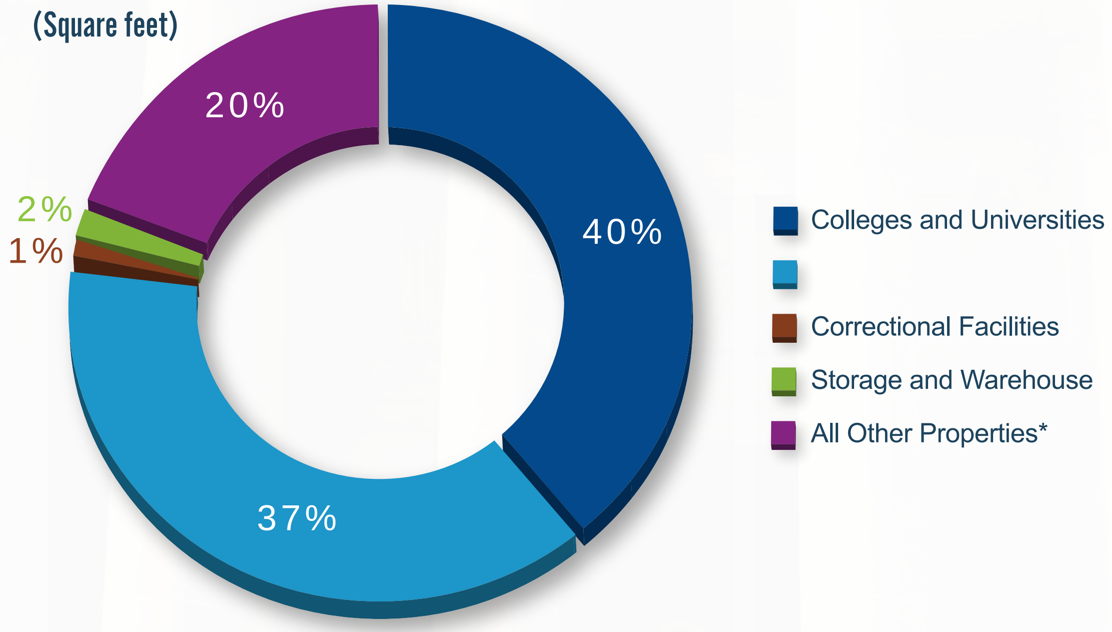
Appendix A.

Predominant Use	Building and Structures Owned Square Footage	Building and Structures Leased from Private Sector Square Footage	Building and Structures Leased in State-owned Buildings Square Footage
Colleges and Universities	57,133,147	241,741	180,760
Office	11,078,117	2,582,006*	2,351,771*
Correctional Facilities	5,945,379	655,157	
Storage and Warehouse	1,079,425	545,277	63,234

*When reported as subleased by the agency, space ABCs sublease from other ABCs has been removed from this data to avoid duplication.

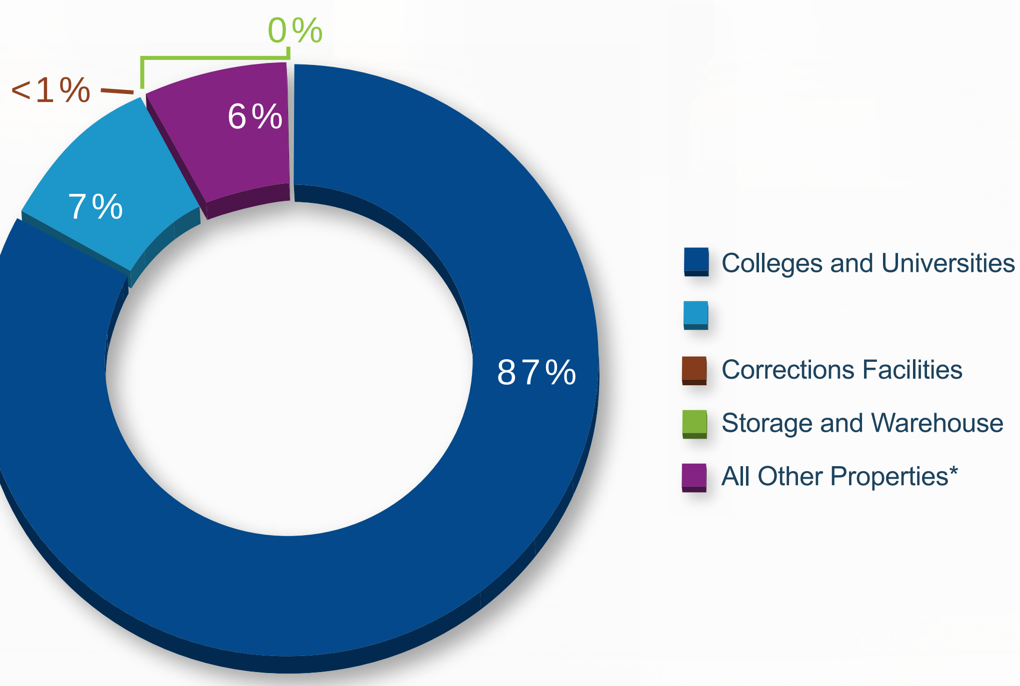
Leases from the federal government, counties, cities and other political subdivisions are included with *Leased space from private sector*.

PREDOMINANT USE OF BUILDINGS AND STRUCTURES OWNED PROPERTIES – CITY OF OKLAHOMA CITY



Appendix A.

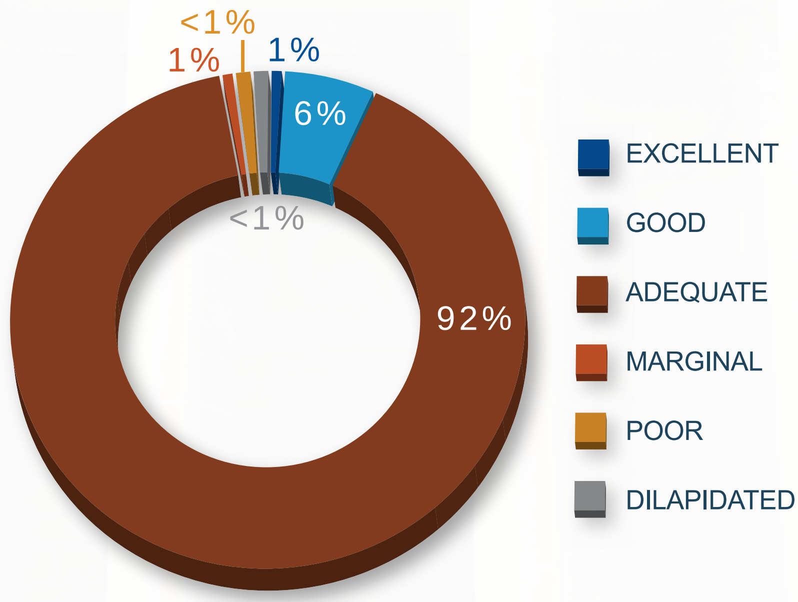
PREDOMINANT USE OF BUILDINGS AND STRUCTURES OWNED PROPERTIES – CITY OF TULSA



Appendix A.

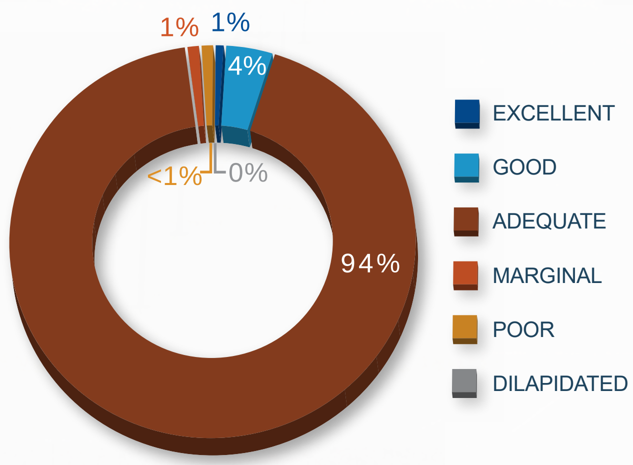
PROPERTY CONDITION FOR ALL OWNED BUILDINGS AND STRUCTURES

(Square feet)



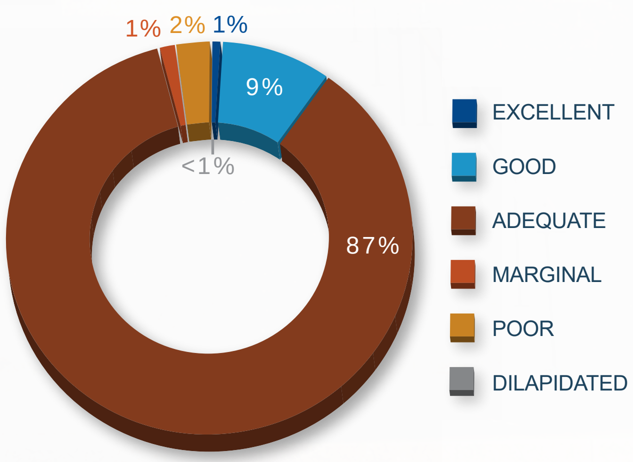
PROPERTY CONDITION FOR OWNED COLLEGE AND UNIVERSITY BUILDINGS AND STRUCTURES

(Square feet)



PROPERTY CONDITION FOR OWNED NON-COLLEGE AND UNIVERSITY BUILDINGS AND STRUCTURES

(Square feet)



HIGHLIGHTED PROPERTIES

To provide a glimpse of the unique and diverse properties owned by the State of Oklahoma, OMES selected properties from the 2023 Real Property Inventory List to highlight in this report. The selected properties are not representative of the entire property inventory owned by the state. Instead, they were selected as examples of buildings used by the state, demonstrating diversity and historical value.

These properties illustrate the challenges facing the state in making asset management determinations. Historical value must be balanced with economic concerns. ABCs have faced many challenges in maintaining properties they own. Budgetary constraints have at times forced ABCs to decide between investing money in maintenance of owned structures and allocating the funds to support their missions. The properties highlighted in this year's report demonstrate the excellence some agencies have achieved in meeting these challenges through diligence and a strategic and integrated approach to capital asset management.

Above: Oklahoma History Center

Right: Café in the Capitol Building

Oklahoma Judicial Center

OKLAHOMA JUDICIAL CENTER, OKLAHOMA CITY

The Oklahoma Judicial Center, named the Wiley Post Historical Building after the famed aviator, was originally constructed as the home of the Oklahoma Historical Society. Located at 2100 N. Lincoln Blvd. in Oklahoma City, the building was designed by the architectural Layton, Hicks, & Forsyth, and construction began in 1929. The design is Neo-Classical with a façade of limestone from Indiana with granite from Georgia as the material for the front steps. The front of the building sports two story columns with Ionic capitals.

Above the entrance are the words, Oklahoma Historical Society, the building's original purpose. The building was listed on the National Register of Historic Places in 1990. The building is closely associated with two former chief justices. Chief Justice Robert L. Williams, who later became governor, secured the funding for the building and was president of the Historical Society when it moved into the building in 1929. Renovation of the building was authorized by the Oklahoma State Legislature in 2005, and in 2011 the building became a building for the judiciary and is now called the Oklahoma Judicial Center. The Judicial Center houses a museum quality collection which is detailed in a corresponding book, Art of the Judicial Center.

Oklahoma Veterans Memorial outside the Judicial Center

Next to the building is the Oklahoma Veteran's Memorial, which was built in 1986 and restored during the renovation of the Judicial Center. The focal point of the memorial is a statue that, per the American Legion website, is called "The Big Guy" and is an eight-and-half-foot tall bronze statue of a man wearing the uniform and equipment of a Vietnam war soldier. It sits on a three-and-a-half-foot tall pedestal in front of bronze plaques depicting World War I, World War II, the Korean War, and the Vietnam War. Black granite walls were added in 2012 to include additional names of those

.

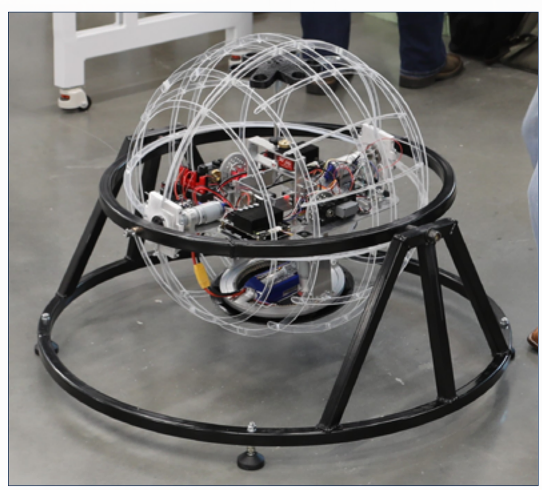
Exterior of The Endeavor Building

ENDEAVOR-OKLAHOMA STATE UNIVERSITY, STILLWATER

COLLEGE OF ENGINEERING, ARCHITECTURE AND TECHNOLOGY

ENDEAVOR was the idea of former Oklahoma State University Dean Paul Tilkasky to address educational needs observed in the engineering industry. ENDEAVOR is designed to provide and maximize students' hands-on experiences while exploring fundamental engineering principles with industry aligned instruction. Students also learn in interdisciplinary teams with other students from various engineering disciplines. In addition to interdisciplinary hands-on learning for fundamental courses, ENDEAVOR also supports interdisciplinary engineering design courses and projects that build cutting edge prototypes and provide answers to industrial needs.

ENDEAVOR itself is a 72,000-square-foot engineering playground that has three design spaces, 14 laboratories, 21st-century electronic board manufacturing and 3D printing makerspaces and a machine shop. Since 2018, over 1,500 students use ENDEAVOR each week as well as all nine schools of Oklahoma State's College of Engineering, Architecture and Technology. All spaces are highly and can accommodate multiple disciplines using the same laboratory. The facility also has over $10 million dollars of equipment including a wind tunnel, water scrubber, pipeline , industrial distillation suite, isolated electrical grid with renewable power production, modern radio and optic equipment, modern electronic test equipment, advanced materials laboratory, advanced geotech lab and much more.



Design created by students at the Endeavor

This remarkable one-of-a-kind facility was made possible by OSU's generous donors, students and their families. ENDEAVOR is also the college center for outreach and recruitment. Tours are available every weekday starting at 2 p.m., and Design Expos are available to the public at the end of every fall and spring semester. Finally, class tours can be arranged to meet school schedules.

HONEY SPRINGS BATTLEFIELD, CHECOTAH

Battle at Honey Springs

The Honey Springs located at 423159 E. 1030 Rd. in Checotah, Oklahoma, is a historical site that preserves the location of the Engagement at Honey Springs, the largest battle that took place in Indian Territory. Per the Oklahoma Historical Society website, the battle was fought on July 17, 1863, between the First Division Army of the Frontier and the Confederate Indian Brigade. Cherokee and Muscogee (Creek) regiments fought on both sides of the There were 9,000 troops involved and they included the aforementioned Native American soldiers, as well as regiments from Texas and the First Kansas Colored Volunteers, the African American regiment in the Union army.

Exterior of the Honey Springs Battlefield Museum

The area had a Confederate depot along the Texas Road, a vital route through the area, and troops had gathered there after a battle earlier in the month at Cabin Creek and were awaiting reinforcements from Fort Smith. The Union general had received reinforcements from Fort Gibson, forded the Arkansas River, and marched on Honey Springs the night of July 16. The began the next day with an artillery duel between the two forces and lasted most of the day. The First Kansas Colored Volunteers were a standout in the drawing praise from superior for their performance on the The day ended with the Confederates retreat and their loss of control of Indian Territory north of the Arkansas River.

The current site occupies about 990 acres in Muskogee and McIntosh Counties. It has multiple interpretation sites and trails across the site that tells a step-by-step story of the battle. The property is accessible Tues. through Sat. from 9 a.m. to 4:30 p.m. A museum is available on site, for a small fee, that has artifacts, displays, and a short that talks about the battle. Every November the museum puts on a reenactment of the battle that is open to the public.

J.M. Davis Arms & Historical Museum

J.M. DAVIS ARMS & HISTORICAL MUSEUM, CLAREMORE

The J.M. Davis Arms & Historical Museum, located two blocks north of where Davis's Mason Hotel stood in downtown Claremore, Oklahoma exhibits and preserves the collection of John Monroe Davis. Davis his hotel with thousands of and other unique artifacts and was an important attraction on historic Route 66. Davis had no heirs so he leased his collection to the State of Oklahoma for 99 years for the sum of $1 provided the State would build a museum to exhibit his collection.

The museum exhibits over 11,000 ranging from a 1370s Chinese hand cannon to modern sporting The museum also displays thousands of artifacts, including saddles, spurs, cattle brands, beer steins and Toby mugs, animal heads and horns, political buttons and convention ribbons, musical instruments, knives, bows and arrows, Claremore history, and history of the Cherokee Nation in northeastern Oklahoma.

Portrait of J.M. Davis

WPA Bronze Shield

Stanley Vestal Building

STANLEY VESTAL, WEATHERFORD

The Stanley Vestal Building, also known as The Y Chapel, honors one of Southwestern Oklahoma State University's (SWOSU) early scholars, Stanley Vestal. Constructed in the spring of 1941 and completed in June of the same year, the building received funding from both WPA funds and private donations from local citizens and students.

Throughout its over 80 year history, the Stanley Vestal Building has served various purposes, including the university health center, the campus museum, the honors college, a chapel, and most recently is the home of Bulldog Central—a new initiative connecting students with resources that aid in their success while at SWOSU. The native stone structure still proudly displays its original brass WPA bronze shield, mounted on the left side of the main entrance.

Positioned on Campus Drive, south of the old science building, this single-story native sandstone structure boasts a steeply pitched gabled roof. The centered entrance, set back beneath a cross gable, is by a pair of double-hung windows with a 6-over-6 pane The same window arrangement is replicated at the rear, and an additional entrance is located on the southern side of the chapel. An expansive exterior stone

Stanley Vestal

The building is named after Stanley Vestal, the pen name of Walter S. Campbell, who was the stepson of SWOSU's president, President Leonard Campbell. Walter completed his education at Southwestern Normal School in 1908 and pursued advanced studies at the University of Oxford in England, earning a graduate degree. As the Rhodes Scholar from Oklahoma, Walter, under the pen name Stanley Vestal, gained recognition as an esteemed historian of the American West. Serving as a Research Professor of English at the University of Oklahoma, he played a pivotal role in imparting professional writing expertise. In this dual capacity, he distinguished himself as a scholar and writer, marking a achievement for a graduate of Southwestern Normal.

AGENCY PROFILES

The Agency table contains information on all of the buildings and structures owned or leased by the State of Oklahoma. The agencies are listed in alphabetical order; the buildings and structures are sorted to indicate if they are owned or leased. Square footage given is as provided by the reporting ABC. Additionally, totals are provided for each agency. More detailed information can be found in the 2023 Real Property Inventory List.

Agency Name	Owned Buildings and Structures		Leased Buildings and Structures		Total Buildings and Structures	
	Total Square Footage	Number of Structures	Total Square Footage	Number of Structures	Square Footage	Number of Structures
Abstractors Board			928	1	928	1
Accountancy Board			4184	1	4184	1
Aeronautics Commission			3,287	2	3,287	2
Agriculture, Food and Forestry	63,084	7	176,744	36	239,828	43
Agriculture Mediation Board			1,500	1	1,500	1
Alcoholic Beverage Licensing and Law Enforcement Commission (ABLE)			14,706	3	14,706	3
Architects Board			1,230	1	1,230	1
Arts Council			8,299	3	8,299	3
Attorney General			106,743	4	106,743	4
Auditor and Inspector			24,046	8	24,046	8
Banking Department			16,264	3	16,264	3

Agency Name	Owned Buildings and Structures		Leased Buildings and Structures		Total Buildings and Structures	
	Total Square Footage	Number of Structures	Total Square Footage	Number of Structures	Square Footage	Number of Structures
Behavioral Health Licensure Board			550	1	550	1
Boll Weevil Eradication			10,300	1	10,300	1
Bureau of Investigation	163,421	7	33,244	39	196,665	46
Cameron University	1,279,536	56			1,279,536	56
Career and Technology Education Department			392	2	392	2
Carl Albert State College	411,097	31			411,097	31
Center for Advancement of Science and Technology			5,230	1	5,230	1
Children and Youth Commission			6,046	1	6,046	1
Chiropractic Examiners Board			875	1	875	1
Commerce Department	39,750	2	2,214	2	41,964	4
Commissioners of	1,338,058	25			1,338,058	25
Connors State College	364,001	41	10,400	1	374,401	42
Conservation Commission			12,374	2	12,374	2
Construction Industries Board			9,272	1	9,272	1

Agency Name	Owned Buildings and Structures		Leased Buildings and Structures		Total Buildings and Structures	
	Total Square Footage	Number of Structures	Total Square Footage	Number of Structures	Square Footage	Number of Structures
Consumer Credit			3,878	1	3,878	1
Corporation Commission			56,160	7	56,160	7
Corrections Department	5,945,379	1,030	748,426	71	6,693,805	1,101
Cosmetology and Barbering Board			3,448	1	3,448	1
Court of Appeals (Oklahoma Judicial Branch)					0	0
Dentistry Board			1,590	2	1,590	2
Disability Concerns			679	1	679	1
District Attorneys Council			9,101	1	9,101	1
East Central University	1,083,937	40			1,083,937	40
Eastern Oklahoma State College	434,924	35			434,924	35
Education Department			119,583	1	119,583	1
Educational Quality and Accountability			2,355	1	2,355	1
Election Board			11,863	2	11,863	2
Emergency Management			31,030	3	31,030	3
Employment Security Commission			153,899	30	153,899	30

Agency Name	Owned Buildings and Structures		Leased Buildings and Structures		Total Buildings and Structures	
	Total Square Footage	Number of Structures	Total Square Footage	Number of Structures	Square Footage	Number of Structures
Environmental Quality Department	473,405	2	15,157	22	488,562	24
Ethics Commission			2,879	1	2,879	1
Fire Marshal			5,855	3	5,855	3
Pension and Retirement			2,829	1	2,829	1
Funeral Board			950	1	950	1
			28,368	3	28,368	3
Grand River Dam Authority	1,619,825	103	31,200	2	1,651,025	105
Health Care Authority			154,085	1	154,085	1
Health Care Workforce Training Commission			1,656	1	1,656	1
Health Department	241,913	7	822,490	86	1,064,403	93
Historical Society	566,110	109	5,000	1	571,110	110
Horse Racing Commission			3,552	6	3,552	6
House of Representatives			113,324	1	113,324	1
Housing Finance Agency	33,783	1			33,783	1
Human Services Department	1,067,650	66	882,927	68	1,950,577	134

Agency Name	Owned Buildings and Structures		Leased Buildings and Structures		Total Buildings and Structures	
	Total Square Footage	Number of Structures	Total Square Footage	Number of Structures	Square Footage	Number of Structures
Indigent Defense			44,260	12	44,260	12
Industrial Finance Authority			2,000	1	2,000	1
Insurance Department	32,500	1	3,557	1	36,057	2
Interstate Oil Compact Commission			2,209	1	2,209	1
J.D. McCarty Center	115,217	13	0	1	115,217	14
J.M. Davis Memorial Commission	40,000	1			40,000	1
Judicial Complaints Council			1,120	2	1,120	2
Juvenile Affairs	183,817	21	98,313	62	282,130	83
Labor Department			16,316	1	16,316	1
Langston University	2,133,373	53			2,133,373	53
Law Enforcement Education and Training Council	179,670	10			179,670	10
Law Enforcement Retirement System	76,704	1	3,915	1	80,619	2
Legislative Service Bureau			1,307	1	1,307	1
Libraries Department	22,000	1	110,750	2	132,750	3

Agency Name	Owned Buildings and Structures		Leased Buildings and Structures		Total Buildings and Structures	
	Total Square Footage	Number of Structures	Total Square Footage	Number of Structures	Square Footage	Number of Structures
Licensed Social Workers Board			725	1	725	1
Lieutenant			3,019	1	3,019	1
Petroleum Gas Board			2,212	1	2,212	1
Long Term Care Administrators Board of Examiners			0	0	0	0
Lottery Commission			16,677	2	16,677	2
Medical Licensure and Supervision Board			13,676	2	13,676	2
Medical Marijuana Authority			66,079	2	66,079	2
Medicolegal Investigations Board			168,470	2	168,470	2
Mental Health and Substance Abuse Services Department	1,555,756	81	215,616	23	1,771,372	104
Midwestern Oklahoma Development Authority	236,077	209			236,077	209
Military Department	1,843,965	45	3,296	6	1,847,261	51
Mines Department			6,587	1	6,587	1

Agency Name	Owned Buildings and Structures		Leased Buildings and Structures		Total Buildings and Structures	
	Total Square Footage	Number of Structures	Total Square Footage	Number of Structures	Square Footage	Number of Structures
Motor Vehicle Commission			1,203	1	1,203	1
Multiple Injury Trust Fund			2,448	1	2,448	1
Murray State College	576,044	53			576,044	53
Narcotics and Dangerous Drugs Control Bureau	31,134	2	69,105	7	100,239	9
Native American Cultural and Educational Authority	147,996	5			147,996	5
Northeastern Oklahoma A&M College	706,389	59			706,389	59
Northeastern State University	2,221,759	82	2,400	1	2,224,159	83
Northern Oklahoma College	981,026	86			981,026	86
Northwestern Oklahoma State University	811,721	41			811,721	41
Nursing Board			7,992	1	7,992	1
Oklahoma City Community College	1,055,001	20			1,055,001	20
Oklahoma Development Finance Authority	7,977	1			7,977	1

Agency Name	Owned Buildings and Structures		Leased Buildings and Structures		Total Buildings and Structures	
	Total Square Footage	Number of Structures	Total Square Footage	Number of Structures	Square Footage	Number of Structures
Oklahoma Educational Television Authority	37,437	8	221	1	37,658	9
Oklahoma Municipal Power Authority	94,358	20		1	94,358	21
Oklahoma Panhandle State University	1,003,407	56			1,003,407	56
Oklahoma State			7,221	1	7,221	1
Oklahoma Statewide Virtual Charter School Board			2,114	1	2,114	1
OMES	2,039,188	56	37,300	3	2,076,488	59
Optometry Board			1,056	1	1,056	1
Osteopathic Examiners Board			1,498	2	1,498	2
OSU-Agriculture Research Station	320,285	167			320,285	167
OSU-Center for Health Sciences	1,179,565	17	118,391	5	1,297,956	22
OSU-County Extension			0	79	0	79
OSU-Institute of Technology Okmulgee	1,059,213	71	1,045	2	1,060,258	73
OSU Medical Authority			11,688	2	11,688	2

Agency Name	Owned Buildings and Structures		Leased Buildings and Structures		Total Buildings and Structures	
	Total Square Footage	Number of Structures	Total Square Footage	Number of Structures	Square Footage	Number of Structures
OSU-OKC	595,108	24			595,108	24
OSU-Stillwater	13,049,244	694	10,271	10	13,059,515	704
OSU-Tulsa	557,221	7	8,115	1	565,336	8
OSU-Veterinary Medicine	498,783	51			498,783	51
Pardon and Parole Board			2,642	1	2,642	1
Pharmacy Board			8,440	1	8,440	1
Police Pension and Retirement System	36,559	1			36,559	1
Private Vocational Schools Board			1,325	4	1,325	4
Professional Engineers and Land Surveyors	9,060	1			9,060	1
Psychologists Examiners			501	1	501	1
Public Employees Retirement System	101,217	1	14,633	1	115,850	2
Public Safety Department	293,024	39	43,149	88	336,173	127
Real Estate Commission			8,239	1	8,239	1
Redlands Community College	734,347	78			734,347	78

Agency Name	Owned Buildings and Structures		Leased Buildings and Structures		Total Buildings and Structures	
	Total Square Footage	Number of Structures	Total Square Footage	Number of Structures	Square Footage	Number of Structures
Regents for Higher Education	3,500	38	55,230	2	58,730	40
Regional University System			872	1	872	1
Rehabilitation Services	501,864	22	213,886	39	715,750	61
Rogers State University	1,020,999	40			1,020,999	40
Rose State College	759,583	26	9,133	1	768,716	27
School of Science and Mathematics	215,658	5			215,658	5
Secretary of State			12,149	2	12,149	2
Securities Commission			12,098	2	12,098	2
Seminole State College	369,640	18	14,024	2	383,664	20
Senate			92,861	1	92,861	1
Service Oklahoma			81,376	23	81,376	23
Southeastern Oklahoma State University	998,848	59			998,848	59
Southwestern Oklahoma State University	1,316,897	69			1,316,897	69
Space Industry Development Authority	446,925	46			446,925	46

Agency Name	Owned Buildings and Structures		Leased Buildings and Structures		Total Buildings and Structures	
	Total Square Footage	Number of Structures	Total Square Footage	Number of Structures	Square Footage	Number of Structures
Speech-Language Pathology and Audiology			460	1	460	1
Student Loan Authority			28,616	1	28,616	1
Supreme Court (Oklahoma Judicial Branch)	145,950	1	46,338	8	192,288	9
Tax Commission	148,000	1	58,922	4	206,922	5
Teachers Retirement System	98,000	1	13,934	1	111,934	2
Tobacco Settlement Trust			7,208	1	7,208	1
Tourism and Recreation Department	1,630,883	1,731	43,541	11	1,674,424	1,742
Transportation Department	2,062,386	756	363,972	46	2,426,358	802
			16,825	2	16,825	2
Tulsa Community College	1,709,289	31			1,709,289	31
Turnpike Authority	702,609	313	1,794	3	704,403	316
Uniform Building Code Commission			3,959	1	3,959	1
University Center at Ponca City			16,123	1	16,123	1

Agency Name	Owned Buildings and Structures		Leased Buildings and Structures		Total Buildings and Structures	
	Total Square Footage	Number of Structures	Total Square Footage	Number of Structures	Square Footage	Number of Structures
University Hospitals Authority	4,003,461	19			4,003,461	19
University of Central Oklahoma	2,248,041	74	49,940	12	2,297,981	86
University of Oklahoma	11,241,677	312	157,978	28	11,399,655	340
University of Oklahoma Health Sciences Center	5,731,065	71	2,480,561	26	8,211,626	97
University of Oklahoma- Law Center	12,735	1			12,735	1
University of Science and Arts of Oklahoma	595,459	28			595,459	28
Used Motor Vehicle and Parts Commission			2,789	1	2,789	1
Veterans Affairs	1,521,381	49	22,704	3	1,544,085	52
Veterinary Medical Examiners Board			1,194	1	1,194	1
Water Resources Board			40,993	2	40,993	2
Western Oklahoma State College	363,889	27	5,721	2	369,610	29
Wildlife Conservation Department	447,872	254	19,022	5	466,894	259

Agency Name	Owned Buildings and Structures		Leased Buildings and Structures		Total Buildings and Structures	
	Total Square Footage	Number of Structures	Total Square Footage	Number of Structures	Square Footage	Number of Structures
Workers' Compensation Commission			58,292	2	58,292	2
Workers' Compensation Court of Existing Claims			3,114	1	3,114	1
Total	87,988,626	7,630	8,737,841	1,013	96,726,467	8,643

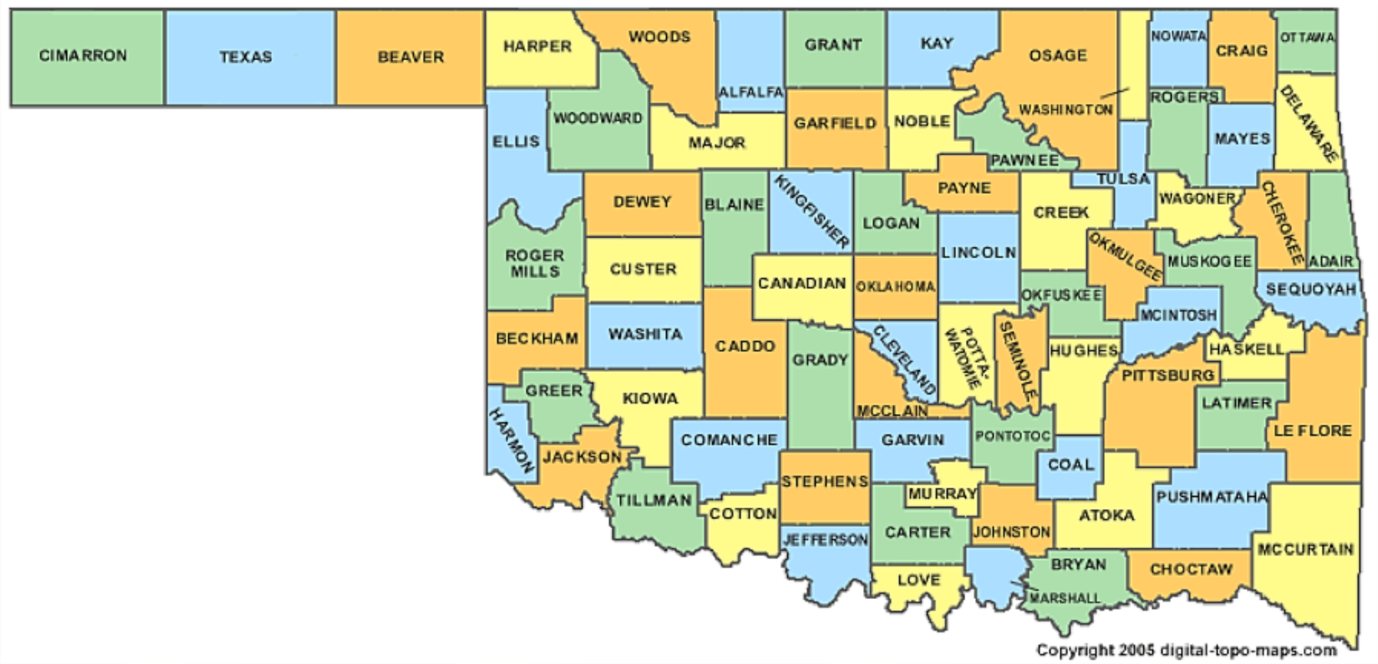
*Governor' 's residence.

YEARLY TOTALS

Building and Structures	FY 18	FY 19	FY 20	FY 21	FY 22	FY 23
Totals (Square footage)	**94,145,138**	**94,905,582**	**95,813,664**	**95,906,338**	**96,166,594**	**96,726,467**
Owned (Square footage)	87,587,176	87,757,655	85,988,075	87,161,859	87,378,198	87,988,626
Leased (Square footage)	6,587,962	6,147,927	9,807,083	8,744,479	8,788,396	8,737,841

Increases in owned square footage from previous reports may be the result of property acquisition, construction or correction in data reported.

OKLAHOMA COUNTIES



The link below opens the OMES website and allows the user to view an interactive map and/or details for each property.

https://oklahoma.gov/omes/divisions/capital-assets-management/real-estate-licensing-services/maps/property-assets.html

COUNTY PROFILES

The County table provides a view of all the buildings and structures owned or leased by the State of Oklahoma sorted alphabetically by county. Because location data was provided on some property locations, buildings or structures may appear in the Agency

County	Owned Buildings and Structures		Leased Buildings and Structures		Total Buildings and Structures	
	Total Square Footage	Number of Structures	Total Square Footage	Number of Structures	Square Footage	Number of Structures
Adair	15,975	10	7,724	4	23,699	14
Alfalfa**	358,746	116	80	2	358,826	118
Atoka**	655,719	179	18,405	8	674,124	187
Beaver	31,051	12	2,244	6	33,295	18
Beckham*,**	92,486	28	29,294	10	121,780	38
Blaine***	76,757	72	5,315	7	82,072	79
Bryan*	1,011,753	81	43,290	14	1,055,043	95
Caddo***	143,762	112	397,530	9	541,292	121
Canadian*,**	1,069,194	120	25,028	10	1,094,222	130
Carter***	566,932	248	47,559	16	614,491	264
Cherokee*,***	2,007,858	206	116,251	18	2,124,109	224
Choctaw	38,168	29	10,662	6	48,830	35
Cimarron	34,945	31	0	2	34,945	33
Cleveland*,,*****	13,551,261	629	239,904	32	13,791,165	661
Coal	5,660	4	0	3	5,660	7
Comanche*,**	1,601,537	105	105,300	25	1,706,837	130
Cotton	52,373	17	174	4	52,547	21
Craig**	911,462	118	2,224	8	913,686	126
Creek	79,542	33	15,305	13	94,847	46
Custer*	1,590,768	139	33,244	13	1,624,012	152
Delaware	89,539	80	15,301	10	104,840	90
Dewey	12,176	11	0	1	12,176	12
Ellis	30,330	12	0	3	30,330	15
	1,007,618	93	150,953	19	1,158,571	112

County	Owned Buildings and Structures		Leased Buildings and Structures		Total Buildings and Structures	
	Total Square Footage	Number of Structures	Total Square Footage	Number of Structures	Square Footage	Number of Structures
Garvin	389,347	40	9,738	5	399,085	45
Grady*	685,632	74	28,961	12	714,593	86
Grant	8,292	8	0	2	8,292	10
Greer**	503,208	168	9,164	5	512,372	173
Harmon	14,160	7	5,400	2	19,560	9
Harper	96,400	15	1,895	3	98,295	18
Haskell	13,476	8	9,551	7	23,027	15
Hughes	43,988	16	300,435	5	344,423	21
Jackson*	491,399	58	37,065	11	528,464	69
Jefferson	8,600	6	0	2	8,600	8
Johnston*	524,015	70	16,958	6	540,973	76
Kay*	616,915	90	70,333	19	687,248	109
	43,476	23	8,817	6	52,293	29
Kiowa	31,999	38	8,332	5	40,331	43
Latimer*,***	911,877	173	19,879	7	931,756	180
Le Flore*,**,***	730,424	200	12,932	14	743,356	214
Lincoln	107,496	33	10,987	8	118,483	41
Logan*	2,101,761	71	2,591	7	2,104,352	78
Love	73,349	65	5,489	4	78,838	69
Major	70,003	12	5,150	3	75,153	15
Marshall***	126,055	58	6,222	6	132,277	64
Mayes	1,719,671	67	18,026	8	1,737,697	75
McClain	34,325	32	27,725	14	62,050	46
McCurtain*,***	331,919	173	104,228	27	436,147	200
McIntosh***	182,451	77	18,613	9	201,064	86
Murray	409,604	39	4,812	5	414,416	44
Muskogee*,**,***	1,395,485	270	60,701	17	1,456,186	287
Noble	138,127	39	345	3	138,472	42
Nowata	11,602	11		2	11,602	13
Okfuskee**	442,931	57	8,710	4	451,641	61

County	Owned Buildings and Structures		Leased Buildings and Structures		Total Buildings and Structures	
	Total Square Footage	Number of Structures	Total Square Footage	Number of Structures	Square Footage	Number of Structures
Oklahoma*,**	20,683,416	495	5,267,824	238	25,951,240	733
Okmulgee	1,110,659	92	33,028	11	1,143,687	103
Osage**,***	456,491	125	15,412	6	471,903	131
Ottawa*	789,357	123	19,778	8	809,135	131
Pawnee	57,939	30	18,197	6	76,136	36
Payne*	13,439,658	772	70,206	20	13,509,864	792
Pittsburg*,**,***	1,207,657	183	107,849	17	1,315,506	200
Pontotoc*	1,390,724	67	46,870	17	1,437,594	84
Pottawatomie**	448,788	60	67,599	16	516,387	76
Pushmataha	153,597	55	26,181	11	179,778	66
Roger Mills	27,330	13	0	1	27,330	14
Rogers*	1,153,762	67	121,005	15	1,274,767	82
Seminole*	389,973	32	29,397	9	419,370	41
Sequoyah*,***	153,533	93	38,027	13	191,560	106
Stephens	140,041	20	48,198	16	188,239	36
Texas*	1,039,025	75	27,289	14	1,066,314	89
Tillman	22,692	12	10,735	4	33,427	16
Tulsa*	5,138,161	209	549,468	52	5,687,629	261
Wagoner*	776,689	92	12,146	8	788,835	100
Washington*	236,042	18	24,518	9	260,560	27
Washita	712,180	276	18,498	4	730,678	280
Woods*,**	896,870	98	23,314	11	920,184	109
Woodward**,***	225,504	112	52,638	16	278,142	128
Totals	**87,943,687**	**7,602**	**8,707,022**	**993**	**96,650,709**	**8,595**

Counties that contain college campuses, correctional facilities and state parks with 40,000 square feet or more are designated as shown below.

* College or university campus.

** Correctional facility.

*** State park.

REPORT OF UNDERUTILIZED PROPERTIES

The underutilized reports were created using the methodology established by OMES Real Estate and Leasing Services. The methodology is detailed in Appendix B. The Underutilized Property Report includes all underutilized properties owned by the State of Oklahoma as reported to OMES. Underutilized properties are as buildings, facilities and land that were reported as being utilized at 50% or less of capacity.

The underutilized properties were given an estimated monetary value based upon the appraised or assessed value of the property. Formal appraisals were not obtained but were considered if the reporting agency had one on Obtaining appraisals on all underutilized properties was determined to be cost prohibitive. Appraisals will be obtained, as appropriate, should it be determined to be in the best interest of the State of Oklahoma to divest itself of the underutilized property.

The 5% most underutilized properties were then determined based upon estimated value. The 5% of the properties with the lowest level of utilization and the highest estimated value appear on the Report of 5% Most Underutilized Properties.

Report of Underutilized Properties

Print version (8 pp.)

REPORT OF 5% MOST UNDERUTILIZED PROPERTIES

The Report of 5% Most Underutilized Properties contains the properties that were determined to be the most underutilized of all reported underutilized state properties. Determinations on level of utilization were based solely on data provided by the ABCs. An estimated value was assigned to each property, and the 5% of the properties with the lowest level of utilization and the highest value were designated as the 5% most underutilized properties. These properties are listed on the Report of 5% Most Underutilized Properties. A report of the 5% most underutilized properties was part of the legislative mandate that enabled creation of the comprehensive property listing.

Report of 5% Most Underutilized Properties

Print version (1 p.)

INVENTORY LISTS

REAL PROPERTY

The Real Property Inventory lists consist of all properties owned and leased by the State of Oklahoma as reported to OMES. A of real property is provided in Appendix A. The properties listed are sorted by agency, whether the property is owned or leased, and location. The report is separated into the following three lists: owned, leased and ABCs with no real property.

State of Oklahoma Real Property Inventory List – Owned

Print version (566 pp.)

State of Oklahoma Real Property Inventory List – Leased

Print version (49 pp.)

State of Oklahoma Real Property Inventory List – ABCs with No Real Property

Print version (2 pp.)

RIGHTS-OF-WAY

The Rights-of-Way Lists contain information on rights-of-way from the Department of Transportation and the Turnpike Authority Appendix A.

Department of Transportation

The Oklahoma Department of Transportation maintains approximately 12,260 miles of state and interstate highways. The widths of highway rights-of-way vary depending on the highway's functional and other factors. Variation of right-of-way widths is dependent upon several characteristics such as drainage, topography, geometrics and utilities. Correspondingly, right-of-way widths vary anywhere from approximately 80- to 300-plus feet based on the necessity at any given location.

Department of Transportation Rights-of-Way Inventory List

Print version (144 pp.)

Turnpike Authority

The Turnpike Authority is authorized to construct, maintain, repair and operate turnpike projects at locations authorized by the Legislature of the State of Oklahoma and approved by the Department of Transportation. The Turnpike Authority has provided the following Rights-of-Way and Easement data for all Oklahoma turnpikes.

Turnpike Authority Rights-of-Way Inventory List

Print version (61 pp.)

MINERAL INTEREST

The Mineral Interest List is a historical listing of oil and gas leases under the authority of the Appendix A.

[OMES Mineral Interest Inventory List]

[Print version (26 pp.)]

PERSONAL PROPERTY

The Personal Property List contains information on all personal property owned by the State of Appendix A.

[State of Oklahoma Personal Property Inventory List]

[Print version Part 1 (1,222 pp.)]

[Print version Part 2 (1,335 pp.)]

[Print version Part 3 (1,427 pp.)]

APPENDIX A

DEFINITIONS

ABC: Any state agency, board, commission, or public trust having the State of Oklahoma as a

Appraisal: The practice of developing and reporting an opinion of the value of real property in conformance with the Uniform Standards of Professional Appraisal Practice as promulgated by the Appraisal Standards Board of Appraisal Foundation.

Data.ok.gov website: The part of Oklahoma's website that allows users to download state

Highest and best use: The reasonably probable and legal use of property that is physically

Historic property: Property with age and to be considered historic. can be achieved by direct association with individuals, events, or activities, by embodying distinctive architectural styles or characteristics, or by having the potential to yield information.

Lot: A small tract or parcel of land or real estate that has an owner or is divided by a public entity for the purpose of sale; historically used for smaller portions of land.

Leased property: Real property the reporting agency leases from another entity. The property may be owned by another state agency, another government entity, or the private sector.

Mineral interest: The ownership of any minerals, mines, quarries, mineral springs, or overriding royalty interest, and productions payments with respect to oil and gas leases.

National Register of Historic Places: list of the nation's historic places worthy of preservation. The list is a catalogue of the buildings, sites, structures, districts, and objects with

National Trust for Historic Preservation: A that works to save America's historic places.

Owned Property: A property that is owned by the reporting agency or owned by the State of Oklahoma and operated and managed by the reporting agency.

Parcel: A piece of real estate, usually resulting from the division of a large area of land; any area of land contained within a single description.

Personal property: The current inventory of tangible assets owned by state boards, commissions, institutions, agencies, and the institutions comprising the Oklahoma state system of higher education and the University Hospitals Authority, including machinery, implements, tools, furniture and livestock, that may be used repeatedly without material impairment of its physical condition and have a calculable period of service and value exceeding the reporting thresholds for the entity.

Predominant use: The general primary function of a property, such as colleges or universities, or storage and warehouse.

Real property: Land, and generally whatever is erected, growing upon or to land; also, rights issuing out of, annexed to, and exercising in or about land.

Real Property Inventory List: A comprehensive list of property submitted by the state agencies, boards, commissions, and public trusts listing all real property owned, the value of the property, and any underutilized property.

Rights-of-way: Lands for use for railway or highway; rights-of-way can be comprised of fee ownership, perpetual easements, utility easements, channel easements, drainage easements, dedication deeds and, in some cases, limited term easements.

Tract: A

Underutilized property: An entire property or portion thereof, with or without improvements, which is used only at irregular periods or intermittently by the accountable landholding agency for current program purposes of that agency, or which is used for current program purposes that can be with only a portion of the property. Underutilized property may include undeveloped land, buildings, warehouses, commercial and industrial facilities, and military holdings and residences.

DEFINITIONS OF PROPERTY CONDITION CLASSIFICATIONS

Excellent: Property has no visible defects, is in new or near new condition, and may still be under warranty if applicable.

Good: Property is in good condition, but no longer new, and may have some slightly defective or deteriorated component(s) but is overall functional.

Adequate: Property has moderately deteriorated or defective components; but has not exceeded its useful life.

Marginal: Property has defective or deteriorated component(s) in need of replacement; and it has exceeded its useful life.

Poor: Property has critically damaged component(s) or needs immediate repair; well past useful life.

Dilapidated:

DEFINITIONS OF PROPERTY TYPES

Academic building: Any building with a primary purpose that is academic in nature.

Boat slip: Boat storage or dock.

Cafeteria/food service: A dining facility or food preparation area.

Cemetery/burial site: A location that includes graveyards, cemeteries, or other places of internment.

Chapel: A facility for religious services.

Clinical space/building: A facility or area for medical services, such as a doctor's or psychologist's

Correctional facility: Prisons, jails, reformatories and other places of correction or detention.

Court: A facility or area used as chambers or courts of law.

Fleet: A

Hangar/airport: Any facility for the storage or maintenance of aircraft, with or without a complex of runways for takeoff and landing.

Historic structure: A building or structure of historic and preserved by the state as such.

Hospital: An inpatient facility for medical treatment or other clinical purposes.

Housing/residence: A residential structure or facility.

Laboratory: A facility equipped to conduct experiments, tests, investigations, and analysis.

Land – agricultural: Land used for grazing, farming or other agriculture uses.

Land – historic site: An archeological site or land in an area or location of historic and preserved by the state as such.

Land – livestock:

Land – other usage: Land with a usage other than the categories, or improved

Land – park: An area of land, either landscaped or in its natural state, used for recreation or as a public area. Structures and other improvements may be located on the land.

Land – sports: Land used as an outdoor sports such as a baseball, track, or soccer where the improvements are minimal.

Land – unimproved:

Land – wildlife refuge: An area of land that is being maintained and managed for hunting, or other outdoor activities.

Laundry: A facility for cleaning garments, linens and other fabrics.

Library: A facility where archival documents, reference materials, and other literary, musical, and artistic materials are kept.

Lodging: A facility for temporary stays, such as hotels, motels, guest cabins and lodges.

Maintenance/repair shop: A facility generally used for the support of maintenance and repair of equipment, buildings, and grounds.

Mineral interest: The interest that confers the right to extract, modify and sell the minerals that .

Museum: A building in which objects of historical, artistic, or cultural interest are stored and exhibited.

Office: Any place for the regular transaction of business or performance of a particular service.

Other:

Parking lot: An area used for the parking of vehicles.

Radio/communications: A building or structure that houses radio and other communications equipment, excluding towers.

Radio/communications tower: A structure designed to support antennas for radio communications, telecommunications, and broadcasting, including television.

Salt/sand storage: A

Sports facility: A structure or facility used for sports and athletics, such as stadiums or gymnasiums.

Storage: A structure in which things are stored.

Theater/auditorium: A facility with seating space for audiences and used for performances, movies, conferences, or other large gatherings.

Toll facility: A structure or facility used for collecting tolls, including booths, gates and other structures.

Training: A facility used for training, typically professional or vocational seminars or classes.

Utility building/structure: An ancillary building serving a function, such as a communications hut, machine shed, barn or other support function.

Vehicle storage: A facility for the storage of vehicles, such as cars or machinery.

Visitor's center: A property or structure that provides information or education exhibits and rest areas for visitors to the State of Oklahoma, state properties and points of interest.

Warehouse: A large building where materials or goods may be stored prior to their distribution.

APPENDIX B

UNDERUTILIZED METHODOLOGY

To consider all underutilized properties, regardless of the ability of the State of Oklahoma to quickly divest itself of the property, OMES has altered the method of identifying the 5% most underutilized properties.

Report of Underutilized Property

The Underutilized Property Report contains all properties and land self-reported by agencies as being utilized at 50% or less of capacity.

Report of 5% Most Underutilized Properties

To calculate the 5% most underutilized properties, OMES sorts all the underutilized properties by level of utilization, with the lowest level of utilization OMES estimates the fair market value and the local tax revenue for each property. The properties with the lowest level of utilization are sorted by the estimated value, with the highest value OMES determines the 5% most underutilized properties by identifying the 5% of the underutilized properties with the lowest utilization and the greatest value.

Oklahoma State Capitol in 1963

Oklahoma Schools Insurance Group (OSIG)
2022

Oklahoma Schools Insurance Group

Statements of Net Position
June 30, 2022 and 2021

	2022	2021
Assets		
Current assets:		
Cash and cash equivalents	$ 3,284,376	$ 4,400,849
Investments	23,763,776	9,405,295
Reinsurance receivable:		
Reinsurance receivable on paid and unpaid losses	70,322,577	107,248,342
Less reinsurance receivable on unpaid losses	(58,879,178)	(88,489,543)
Reinsurance receivable on paid losses	11,443,399	18,758,799
Accounts receivable	-	23,481
Prepaid expenses	10,496	12,627
Total current assets	38,502,047	32,601,051
Noncurrent assets:		
Long term investments	1,450,944	1,409,744
Total assets	$ 39,952,991	$ 34,010,795
Liabilities and Net Position		
Current liabilities:		
Unpaid losses and loss adjustment expenses:		
Gross case reserves	$ 81,597,178	$ 101,967,709
Less reinsurance recoverable on unpaid losses	(58,879,178)	(88,489,543)
Net unpaid losses and loss adjustment expenses	22,718,000	13,478,166
Accrued expenses	96,482	65,438
Prepaid member contributions	1,638,771	2,039,372
Total current liabilities	24,453,253	15,582,976
Noncurrent liabilities:		
Unpaid losses and loss adjustment expenses:		
Incurred but not reported (IBNR) reserves	7,643,000	4,519,000
Total liabilities	32,096,253	20,101,976
Net position:		
Unrestricted	7,856,738	13,908,819
Total net position	7,856,738	13,908,819
Total liabilities and net position	$ 39,952,991	$ 34,010,795

See notes to financial statements.

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Oklahoma Schools Insurance Group

Statements of Revenues, Expenses, and Changes in Net Position
Years Ended June 30, 2022 and 2021

	2022	2021
Operating revenues:		
Member contributions	$ 76,827,200	$ 51,610,260
Operating expenses:		
Losses and loss adjustment expenses, net	36,257,220	16,414,213
Reinsurance premiums	34,658,888	25,321,119
Agent commissions	5,981,262	4,984,961
Management fees	4,609,631	3,612,718
Claims administration fees	884,980	719,233
Actuarial and accounting	103,216	99,440
Risk management services	164,228	166,328
Other	218,881	372,580
Total operating expenses	82,878,306	51,690,592
Operating loss	(6,051,106)	(80,332)
Nonoperating revenues (losses):		
Investment income	34,409	215,073
Net change in the fair value of investments	(35,384)	(891)
Net nonoperating revenue (losses)	(975)	214,182
Change in net position	(6,052,081)	133,850
Net position at beginning of year	13,908,819	13,774,969
Net position at end of year	$ 7,856,738	$ 13,908,819

See notes to financial statements.

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Oklahoma Schools Insurance Group

Statements of Cash Flows
Years Ended June 30, 2022 and 2021

	2022	2021
Operating activities:		
Member contributions received	$ 74,787,828	$ 49,323,776
Prepaid member contributions received	1,638,771	2,039,372
Reinsurance premiums paid	(34,658,888)	(25,321,119)
Payments collected from reinsurers	66,193,665	50,803,580
Payments for claims, management and administrative fees and other operating expenses	(94,677,193)	(82,665,009)
Net cash provided by (used in) operating activities	13,284,183	(5,819,400)
Investing activities:		
Purchases of investments	(87,070,000)	(4,000,000)
Proceeds from maturity and sales of investments	72,657,799	8,000,000
Interest and dividend income received	11,545	266,846
Net cash (used in) provided by investing activities	(14,400,656)	4,266,846
Net change in cash and cash equivalents	(1,116,473)	(1,552,554)
Cash and cash equivalents at beginning of year	4,400,849	5,953,403
Cash and cash equivalents at end of year	$ 3,284,376	$ 4,400,849
Reconciliation of operating loss to net cash provided by (used in) operating activities:		
Operating loss	$ (6,051,106)	$ (80,332)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:		
Changes in assets and liabilities:		
Reinsurance receivable on paid losses	7,315,400	(8,107,146)
Accounts receivable	23,481	55,549
Prepaid expenses	2,131	-
Accrued expenses	31,044	(20,923)
Prepaid member contributions	(400,601)	(247,112)
Unpaid losses and loss adjustment expenses—case reserves and incurred but not reported (IBNR) reserves	12,363,834	2,580,564
Net cash provided by (used in) operating activities	$ 13,284,183	$ (5,819,400)

See notes to financial statements.

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Oklahoma Schools Insurance Group **Exhibit 6**

Property with Auto Physical Damage (Premises)

Forecast Ultimate Losses for 7/1/22-23

Maintenance Deductible	$25,000
Aggregate Deductible	$30,000,000
Trailing Deductible	$100,000

(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)
					(C) + (D) + (E)		(F) - (G)	(B) - (G) - (H)
		OSIG	OSIG	OSIG	OSIG Retained		OSIG Retained	
	Total	Maintenance	Aggregate	Trailing	Gross	Member	Net of Member	Insured
Percentile	Losses	Deductibles	Losses	Deductible	Losses	Deductibles	Deductibles	Excess
20.0%	$30,342,000	$3,455,000	$26,570,000	$0	$30,342,000	$1,525,000	$28,494,000	$0
25.0%	$33,062,000	$3,516,000	$29,276,000	$0	$33,027,000	$1,578,000	$31,024,000	$0
30.0%	$35,809,000	$3,572,000	$30,000,000	$140,000	$33,775,000	$1,626,000	$31,824,000	$1,645,000
35.0%	$38,701,000	$3,625,000	$30,000,000	$359,000	$34,078,000	$1,673,000	$32,180,000	$4,235,000
40.0%	$41,828,000	$3,675,000	$30,000,000	$565,000	$34,321,000	$1,718,000	$32,448,000	$7,092,000
45.0%	$45,250,000	$3,724,000	$30,000,000	$766,000	$34,539,000	$1,763,000	$32,684,000	$10,285,000
50.0%	$49,067,000	$3,774,000	$30,000,000	$964,000	$34,752,000	$1,808,000	$32,904,000	$13,881,000
55.0%	$53,438,000	$3,824,000	$30,000,000	$1,161,000	$34,962,000	$1,855,000	$33,120,000	$18,103,000
60.0%	$58,676,000	$3,876,000	$30,000,000	$1,359,000	$35,172,000	$1,903,000	$33,335,000	$23,163,000
65.0%	$64,817,000	$3,931,000	$30,000,000	$1,560,000	$35,388,000	$1,955,000	$33,557,000	$29,231,000
70.0%	$71,134,000	$3,990,000	$30,000,000	$1,772,000	$35,610,000	$2,011,000	$33,784,000	$35,491,000
75.0%	$77,182,000	$4,054,000	$30,000,000	$1,998,000	$35,847,000	$2,073,000	$34,026,000	$41,496,000
80.0%	$83,543,000	$4,127,000	$30,000,000	$2,240,000	$36,107,000	$2,144,000	$34,291,000	$47,818,000
85.0%	$91,221,000	$4,213,000	$30,000,000	$2,509,000	$36,394,000	$2,230,000	$34,590,000	$55,350,000
90.0%	$102,037,000	$4,325,000	$30,000,000	$2,819,000	$36,738,000	$2,343,000	$34,945,000	$65,931,000
95.0%	$121,618,000	$4,500,000	$30,000,000	$3,209,000	$37,208,000	$2,522,000	$35,447,000	$85,247,000
Expected	$58,011,000	$3,798,000	$27,948,000	$1,167,000	$32,913,000	$1,846,000	$31,067,000	$25,098,000
TIV in $00s	$222,815,965							
Rate	$0.260				$0.148		$0.139	$0.113

Recommended Funding Range	
Low	$32,904,000
High	$34,026,000

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OSIG 2201 PR & APD Forecast - 30M agg
Select Actuarial Services

2021

Oklahoma Schools Insurance Group

Statements of Revenues, Expenses, and Changes in Net Position
Years Ended June 30, 2021 and 2020

	2021	2020
Operating revenues:		
Member contributions	$ 51,610,260	$ 43,471,382
Operating expenses:		
Losses and loss adjustment expenses, net	16,414,213	12,229,381
Reinsurance premiums	25,321,119	20,940,436
Agent commissions	4,984,961	4,094,279
Management fees	3,612,718	3,359,429
Claims administration fees	719,233	647,117
Actuarial and accounting	99,440	99,440
Risk management services	166,328	166,397
Other	372,580	491,037
Total operating expenses	51,690,592	42,027,516
Operating income (loss)	(80,332)	1,443,866
Nonoperating revenues:		
Investment income	215,073	456,713
Net change in the fair value of investments	(891)	29,721
Net nonoperating revenues	214,182	486,434
Change in net position	133,850	1,930,300
Net position at beginning of year	13,774,969	11,844,669
Net position at end of year	$ 13,908,819	$ 13,774,969

See notes to financial statements.

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Oklahoma Schools Insurance Group

Statements of Cash Flows
Years Ended June 30, 2021 and 2020

	2021	2020
Operating activities:		
Member contributions received	$ 49,323,776	$ 40,224,493
Prepaid member contributions received	2,039,372	2,286,484
Reinsurance premiums paid	(25,321,119)	(20,940,436)
Payments collected from reinsurers	50,803,580	22,538,114
Payments for claims, management and administrative fees and other operating expenses	(82,665,009)	(46,825,426)
Net cash used in operating activities	(5,819,400)	(2,716,771)
Investing activities:		
Purchases of investments	(4,000,000)	(35,000,000)
Proceeds from maturity and sales of investments	8,000,000	38,500,000
Interest and dividend income received	266,846	206,532
Net cash provided by investing activities	4,266,846	3,706,532
Net change in cash and cash equivalents	(1,552,554)	989,761
Cash and cash equivalents at beginning of year	5,953,403	4,963,642
Cash and cash equivalents at end of year	$ 4,400,849	$ 5,953,403
Reconciliation of operating income (loss) to net cash used in operating activities:		
Operating income (loss)	$ (80,332)	$ 1,443,866
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Distributions payable to members applied to contributions	-	(1,478,521)
Changes in assets and liabilities:		
Reinsurance receivable on paid losses	(8,107,146)	(5,864,313)
Accounts receivable	55,549	(57,189)
Accrued expenses	(20,923)	29,528
Prepaid member contributions	(247,112)	518,116
Unpaid losses and loss adjustment expenses—case reserves and incurred but not reported (IBNR) reserves	2,580,564	2,691,742
Net cash used in operating activities	$ (5,819,400)	$ (2,716,771)

See notes to financial statements.

2020

Oklahoma Schools Insurance Group

Statements of Revenues, Expenses, and Changes in Net Position
Years Ended June 30, 2020 and 2019

	2020	2019
Operating revenues:		
Member contributions	**$ 43,471,382**	$ 32,872,092
Operating expenses:		
Losses and loss adjustment expenses, net	**12,229,381**	9,950,688
Reinsurance premiums	**20,940,436**	15,352,691
Agent commissions	**4,094,279**	3,175,125
Management fees	**3,359,429**	2,629,767
Claims administration fees	**647,117**	588,769
Actuarial and accounting	**99,440**	92,715
Risk management services	**166,397**	137,512
Other	**491,037**	196,566
Total operating expenses	**42,027,516**	32,123,833
Operating income	**1,443,866**	748,259
Nonoperating revenues:		
Investment income	**456,713**	474,913
Net change in the fair value of investments	**29,721**	278,682
Net nonoperating revenues	**486,434**	753,595
Change in net position before distributions	**1,930,300**	1,501,854
Distributions to members	**-**	1,478,521
Change in net position	**1,930,300**	23,333
Net position at beginning of year	**11,844,669**	11,821,336
Net position at end of year	**$ 13,774,969**	$ 11,844,669

See notes to financial statements.

Oklahoma Office of Management & Enterprise Services 2022

State of Oklahoma
Balance Sheet – Governmental Funds
Governmental Funds
June 30, 2022
(expressed in thousands)

		Permanent Funds			
	General	Commissioners of the Land Office	Department of Wildlife Lifetime Licenses	Tobacco Settlement Endowment Trust	Total Governmental Funds
Assets					
Assets					
Cash/Cash Equivalents	$ 11,554,859	$ 125,733	$ 8,522	$ 46,506	$ 11,735,620
Investments	68,280	2,466,670	91,120	1,541,898	4,167,968
Security Lending Investments	920,873	-	-	182,832	1,103,705
Accounts Receivable	139,152	-	-	-	139,152
Interest and Investment Revenue Receivable	32,726	13,565	-	4,175	50,466
Federal Grants Receivable	1,118,352	-	-	-	1,118,352
Taxes Receivable	1,133,372	-	-	-	1,133,372
Leases Receivable	32,878	69,270	-	-	102,148
Leases Receivable - Component Units	281,904	-	-	-	281,904
Other Receivables	42,102	13,511	-	1,913	57,526
Due from Other Funds	146	1,745	140	-	2,031
Due from Fiduciary Funds	68	-	-	-	68
Due from Component Units	3,263	-	-	-	3,263
Due From Component Units - Noncurrent	54,202	-	-	-	54,202
Inventory	88,470	-	-	-	88,470
Prepaid Items	1,564	-	-	-	1,564
Other Assets	5,698	523	7	-	6,228
Total Assets	$ 15,477,909	$ 2,691,017	$ 99,789	$ 1,777,324	$ 20,046,039
Liabilities					
Accounts Payable and Accrued Liabilities	$ 1,741,632	$ 12,594	$ -	$ 17,038	$ 1,771,264
Unearned Revenue	1,075,258	284	-	-	1,075,542
Payable Under Securities Lending Agreements	920,873	-	-	182,832	1,103,705
Tax Refunds Payable	401,145	-	-	-	401,145
Due to Other Funds	1,885	-	-	122	2,007
Due to Fiduciary Funds	98,684	-	-	-	98,684
Due to Component Units	162,275	-	-	2,547	164,822
Due to Others	261,809	-	-	-	261,809
Total Liabilities	$ 4,663,561	$ 12,878	$ -	$ 202,539	$ 4,878,978
Deferred Inflows					
Deferred Lease Inflows	$ 32,800	$ 93,863	$ -	$ -	$ 126,663
Unavailable Revenue	368,105	-	-	-	368,105
Total Deferred Inflows	$ 400,905	$ 93,863	$ -	$ -	$ 494,768
Fund Balances					
Nonspendable	$ 90,058	$ 2,584,276	$ 99,789	$ 1,306,413	$ 4,080,536
Restricted	1,632,847	-	-	-	1,632,847
Committed	8,427,748	-	-	113,054	8,540,802
Assigned	-	-	-	155,318	155,318
Unassigned	262,790	-	-	-	262,790
Total Fund Balances	$ 10,413,443	$ 2,584,276	$ 99,789	$ 1,574,785	$ 14,672,293

The Notes to the Financial Statements are an integral part of this statement.

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

Total Fund Balance - Governmental Funds			$	14,672,293
Amounts reported for governmental activities in the statement of net position are different because:				
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:				
Land	$	2,067,759		
Buildings and Improvements		1,831,073		
Equipment		741,957		
Infrastructure		23,226,591		
Construction in Progress		362,663		
Accumulated Depreciation		(14,449,342)		
				13,780,701
Some of the state's revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are considered to be unearned.				368,105
The state's portion of pension accruals determined by the actuarial calculations of the pension systems created by statute:				
Net Pension Asset	$	1,082,452		
Deferred Pension Plan Outflows		347,295		
Net Pension Liability		(75,425)		
Deferred Pension Plan Inflows		(1,336,095)		
				18,227
The state's portion of the net other postemployment benefit accruals as determined by the actuarial calculations of the pension systems created by statute:				
Net Other Postemployment Benefit Asset	$	104,046		
Deferred Other Postemployment Benefit Outflows		45,769		
Net Other Postemployment Benefit Liability		(157,108)		
Deferred Other Postemployment Benefit Inflows		(70,866)		
				(78,159)
Timing differences caused by the component units with alternative year end dates resulted in differences in due to/from other funds.				(4)
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:				
Notes Payable	$	(109,952)		
Revenue Bonds		(1,542,434)		
Capital Leases and Certificates of Participation		(92,250)		
Bond Issue Premiums		(128,848)		
Accrued Interest on Bonds		(31,659)		
Compensated Absences		(189,827)		
Claims and Judgments		(142,350)		
				(2,237,320)
Net Position of Governmental Activities			$	26,523,843

The Notes to the Financial Statements are an integral part of this statement.

State of Oklahoma
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2022
(expressed in thousands)

		Permanent Funds			
	General	Commissioners of the Land Office	Department of Wildlife Lifetime Licenses	Tobacco Settlement Endowment	Total Governmental Funds
Revenues					
Taxes					
Income Taxes - Individual	$ 4,235,500	$ -	$ -	$ -	$ 4,235,500
Sales Tax	3,550,107	-	-	-	3,550,107
Gross Production Tax	1,736,288	-	-	-	1,736,288
Income Taxes - Corporate	902,865	-	-	-	902,865
Motor Vehicle Taxes	968,429	-	-	-	968,429
Fuel Taxes	569,442	-	-	-	569,442
Tobacco Taxes	460,625	-	-	-	460,625
Other Business Taxes	370,340	-	-	-	370,340
Insurance Taxes	188,471	-	-	-	188,471
Beverage Taxes	169,935	-	-	-	169,935
Other Taxes	240,725	-	-	-	240,725
Licenses, Permits and Fees	978,823	-	3,247	-	982,070
Interest and Investment Revenue	137,144	(102,279)	-	(110,786)	(75,921)
Federal Revenue	13,282,831	-	-	-	13,282,831
Sales and Services	223,266	-	-	-	223,266
Other Grants and Reimbursements	333,097	-	-	-	333,097
Fines and Penalties	68,045	-	-	-	68,045
Other	199,093	7,795	-	61,212	268,100
Total Revenues	$ 28,615,026	$ (94,484)	$ 3,247	$ (49,574)	$ 28,474,215
Expenditures					
Education	$ 5,908,767	$ 139,154	$ -	$ -	$ 6,047,921
Government Administration	3,130,056	-	-	60,369	3,190,425
Health Services	8,477,738	-	-	-	8,477,738
Legal and Judiciary	295,814	-	-	-	295,814
Museums	13,775	-	-	-	13,775
Natural Resources	463,591	-	-	-	463,591
Public Safety and Defense	970,175	-	-	-	970,175
Regulatory Services	277,123	-	-	-	277,123
Social Services	3,941,632	-	-	-	3,941,632
Transportation	417,180	-	-	-	417,180
Capital Outlay	1,489,367	-	-	10	1,489,377
Debt Service					
Principal Retirement	141,899	-	-	-	141,899
Interest	64,270	-	-	-	64,270
Total Expenditures	$ 25,591,387	$ 139,154	$ -	$ 60,379	$ 25,790,920
Revenues in Excess of (Less Than) Expenditures	$ 3,023,639	$ (233,638)	$ 3,247	$ (109,953)	$ 2,683,295
Other Financing Sources (Uses)					
Transfers In	$ 93,307	$ 150	$ -	$ -	$ 93,457
Transfers Out	(2,675)	(11,286)	-	-	(13,961)
Bonds Issued	263,360	-	-	-	263,360
Capital Leases	10,702	-	-	-	10,702
Note Proceeds	56,802	-	-	-	56,802
Sale of Capital Assets	19,330	-	-	-	19,330
Total Other Financing Sources (Uses)	$ 440,826	$ (11,136)	$ -	$ -	$ 429,690
Net Change in Fund Balances	$ 3,464,465	$ (244,774)	$ 3,247	$ (109,953)	$ 3,112,985
Fund Balances - Beginning of Year (as restated)	6,948,978	2,829,050	96,542	1,684,738	11,559,308
Fund Balances - End of Year	$ 10,413,443	$ 2,584,276	$ 99,789	$ 1,574,785	$ 14,672,293

The Notes to the Financial Statements are an integral part of this statement

Reconciliation of the Governmental Funds Schedule of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities

Net Change in Fund Balances - Total Governmental Funds		$ 3,112,985
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statements of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays ($1,109,793) exceeded depreciation ($706,284) in the current period.		403,509
In the statement of activities, only the gain on the sale of assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the asset sold.		(7,778)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(103,394)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which bond proceeds ($263,360) and note proceeds ($56,802) exceeded payments ($97,738).		(222,424)
The amount by which the actuarial calculated accruals from pension plans changed compared to the prior fiscal year:		
Increase in net pension asset	$ 1,065,095	
Decrease in deferred outflows from pension plans	(318,861)	
Decrease in net pension liability	911,930	
Increase in deferred inflows from pension plans	(1,322,874)	
		335,290
The amount by which the actuarial calculated accruals for other postemployment benefits changed compared to the prior fiscal year:		
Increase in net other postemployment benefits asset	$ 68,866	
Increase in deferred outflows from other postemployment benefits	(1,692)	
Decrease in net other postemployment benefits liability	(7,952)	
Decrease in deferred inflows from other postemployment benefits	(38,184)	
		21,038
For assets acquired as capital leases, the amount financed is reported in the governmental funds as a source of financing. However, capital leases are long-term liabilities in the statement of net position. This is the amount by which the payment of principal ($44,161) exceeded the addition of new capital leases ($10,702).		33,459
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
Accretion of bond premiums	$ 13,462	
Decrease in entity-wide interest payable	286	
Increase in compensated absences	(4,872)	
Timing difference of due from/to other funds	(5)	
Decrease in claims and judgments payable	(47,338)	
		(38,467)
Change in Net Position of Governmental Activities		$ 3,534,218

The Notes to the Financial Statements are an integral part of this statement.

Appendix E: Tennessee

i. The State of Tennessee Captive Insurance Company Audited Financial Statements 2023

ii. Local Government Property and Casualty Pool Income Statement 2023, 2022, 2021, 2020

iii. Public Entity Partners Income Statement 2023, 2022, 2021, 2020

The State of Tennessee Captive Insurance Company

AUDITED FINANCIAL STATEMENTS

June 30, 2023

FMC

THE STATE OF TENNESSEE CAPTIVE INSURANCE COMPANY

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June 30, 2023

FMC

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and the Captive Manager
The State of Tennessee Captive Insurance Company
Nashville, Tennessee

Opinion

We have audited the accompanying financial statements of **The State of Tennessee Captive Insurance Company**, a nonprofit corporation, which comprise the balance sheet as of June 30, 2023, and the related statements of operations, changes in owner's equity, and cash flows for the period from June 15, 2022 (date operations began) through June 30, 2023, and the related notes to the financial statements.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of The State of Tennessee Captive Insurance Company (the "Company") as of June 30, 2023, and the results of its operations and its cash flows for the period from June 15, 2022 (date operations began) through June 30, 2023, 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. 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 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 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 Company's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

FMC CPAs, PLLC

Nashville, Tennessee
November 15, 2023

THE STATE OF TENNESSEE CAPTIVE INSURANCE COMPANY

BALANCE SHEET

June 30, 2023

ASSETS	
Cash and cash equivalents	$ 39,715,441
Deferred policy acquisition costs	15,502
TOTAL ASSETS	$ 39,730,943
LIABILITIES AND OWNER'S EQUITY	
LIABILITIES	
Reserves for losses and loss adjustment expenses	$ 21,497,562
Unearned premiums	3,875,404
Accounts payable	90,000
TOTAL LIABILITIES	25,462,966
OWNER'S EQUITY	
Contributed capital	23,800,000
Retained earnings	(9,532,023)
TOTAL OWNER'S EQUITY	14,267,977
TOTAL LIABILITIES AND OWNER'S EQUITY	$ 39,730,943

See notes to financial statements.

THE STATE OF TENNESSEE CAPTIVE INSURANCE COMPANY

STATEMENT OF OPERATIONS

Period from June 15, 2022 (Date Operations Began) through June 30, 2023

REVENUES	
Premiums Earned	
Direct premiums written	$ 14,881,200
Change in unearned premiums	(3,875,404)
Premiums Earned	11,005,796
Interest income	1,106,246
TOTAL REVENUES	12,112,042
EXPENSES	
Losses and loss adjustment expenses	21,497,562
Policy acquisition and other underwriting expenses	146,503
TOTAL EXPENSES	21,644,065
INCOME (LOSS) BEFORE INCOME TAXES	(9,532,023)
Income taxes (Note A)	0
NET INCOME (LOSS)	$ (9,532,023)

See notes to financial statements.

THE STATE OF TENNESSEE CAPTIVE INSURANCE COMPANY

STATEMENT OF CHANGES IN OWNER'S EQUITY

Period from June 15, 2022 (Date Operations Began) through June 30, 2023

	Contributed Capital	Retained Earnings	Total Owner's Equity
Contributed capital	$ 23,800,000		$ 23,800,000
Net income (loss)		(9,532,023)	(9,532,023)
BALANCE AT JUNE 30, 2023	$ 23,800,000	$ (9,532,023)	$ 14,267,977

See notes to financial statements.

THE STATE OF TENNESSEE CAPTIVE INSURANCE COMPANY

STATEMENT OF CASH FLOWS

Period from June 15, 2022 (Date Operations Began) through June 30, 2023

OPERATING ACTIVITIES	
Direct premiums collected	$ 14,881,200
Interest income received	1,106,246
Policy acquisition and other underwriting expenses paid	(72,005)
Net Cash Provided By Operating Activities	15,915,441
INVESTING ACTIVITIES	0
FINANCING ACTIVITIES	
Contributed capital	23,800,000
Net Cash Provided By Financing Activities	23,800,000
NET INCREASE IN CASH AND CASH EQUIVALENTS	$ 39,715,441
Cash and cash equivalents at beginning of period	0
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 39,715,441

(Continued)

THE STATE OF TENNESSEE CAPTIVE INSURANCE COMPANY

STATEMENT OF CASH FLOWS - Continued

Period from June 15, 2022 (Date Operations Began) through June 30, 2023

RECONCILIATION OF NET INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES

NET INCOME (LOSS)	$ (9,532,023)
Reconciling Adjustments	
Decrease (increase) in assets:	
Deferred policy acquisition costs	(15,502)
Net decrease (increase) in assets	(15,502)
Increase (decrease) in liabilities:	
Reserves for losses and loss adjustment expenses	21,497,562
Unearned premiums	3,875,404
Accounts payable	90,000
Net increase (decrease) in liabilities	25,462,966
Total Reconciling Adjustments	25,447,464
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 15,915,441

See notes to financial statements.

THE STATE OF TENNESSEE CAPTIVE INSURANCE COMPANY

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

NOTE A -- NATURE OF OPERATIONS

General: The State of Tennessee Captive Insurance Company (the "Company") is a nonprofit corporation that was established effective June 2, 2022, by the State of Tennessee as a pure captive insurance company domiciled in the State of Tennessee. The Tennessee Department of Commerce and Insurance (the "Department") issued a certificate of authority to the Company, effective June 15, 2022, which enabled it to begin insurance operations. The Company's ongoing activities are subject to the provisions of the Revised Tennessee Captive Insurance Act (Title 56, Chapter 13 of the Tennessee Code Annotated), and other state and federal laws and regulations. The Captive Insurance Division of the Department, as directed by its Commissioner, has primary responsibility for regulation of the Company's activities as a pure captive insurance company domiciled in Tennessee. On June 15, 2022, the Company began operations to provide all-risk property insurance and cyber liability to The State of Tennessee.

Ownership and Business Operations: The Company is a separate legal entity owned and controlled by the State of Tennessee and insures the State of Tennessee's potential losses, exposures and risks of the executive, legislative, and judicial branches of the Tennessee state government including, but not limited to, Tennessee public institutions of higher education. The Company is administered by the Tennessee Treasury Department of Claims and Risk Management.

Company Governance and Management: The Company has no employees and is governed by a Board of Directors (the "Board"), which includes members from the State of Tennessee's Board of Claims. The Board has obtained day-to-day captive management services pursuant to an agreement between the State of Tennessee and Aon Risk Services South, Inc. ("ARS"). ARS utilizes the services of Aon Insurance Managers (USA) Inc. ("Captive Manager"), a captive management company with offices in Charleston, South Carolina. The Captive Manager provides general management services which include policy issuance, program management accounting and regulatory compliance.

The State of Tennessee has obtained specialized claims handling, adjusting, and processing services from Sedgwick, an independent third-party service provider with offices in Nashville, Tennessee for claims covered by the insurance policies. Fees for these services are paid by the State of Tennessee on behalf of the Company.

NOTE B -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation: The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), which are contained in the Financial Accounting Standards Board *Accounting Standards Codification* ("FASB ASC"). After the initial reporting period from June 15, 2022 (date operations began) through June 30, 2023 (the "reporting period"), the Company will use the July 1 through June 30 fiscal year as its annual reporting period.

Use of Estimates: The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities. Significant estimates used by management in preparing these financial statements principally include those assumed in connection with: a) determining deferred policy acquisition costs, and b) establishing reserves for unpaid losses and loss adjustment expenses. Due to uncertainties inherent in the estimation process, it is expected that management's estimates will differ from the amounts ultimately realized, and such differences may be material.

THE STATE OF TENNESSEE CAPTIVE INSURANCE COMPANY

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Cash and Cash Equivalents: Cash consists of balances on deposit in a commercial bank. For financial statement purposes, all cash balances reflected on the Company's books as of a reporting date are aggregated and the net balance is reported. Generally, the Federal Deposit Insurance Corporation ("FDIC") insures the total amount deposited by each customer in a participating bank up to its basic limit of $250,000. From time to time, the Company's cash balances on deposit in a single bank may exceed the FDIC insurance limit.

Cash equivalents include highly-liquid, interest-bearing investments, such as shares in money market mutual funds, that have original maturities of three months or less at the time of acquisition. Cash equivalents are recorded at cost, which approximates fair value. The Company held no cash equivalents at June 30, 2023.

Investments: In accordance with U.S. GAAP, the Company may report investments at amortized cost or at fair value in the financial statements in accordance with their investment type and classification.

Debt Securities - Generally, debt securities may be classified by management as held-to-maturity, available-for-sale, or trading. Held to maturity debt securities are recorded at amortized cost. Available-for-sale debt securities are recorded at fair value and the change in amount of unrealized capital gain and loss, net of deferred taxes, is excluded from earnings and included as a component of comprehensive income. Trading debt securities are recorded at fair value with the change in unrealized capital gains and losses reported in earnings. The company held no investments in debt securities at June 30, 2023.

Equity Securities - Equity securities are recorded at fair value with the change in unrealized capital gains and losses reported in earnings. The Company held no investments in equity securities at June 30, 2023.

Policy Acquisition Costs: Costs directly associated with the successful acquisition of new and renewal insurance coverage provided to the affiliate insured companies are capitalized and amortized over the respective inforce period of the policies. Acquisition costs incurred by the Company principally include premium taxes that relate to underwriting and issuance of policies. Such policy acquisition costs are amortized over the effective 12-month period of the related insurance policies. The deferred policy acquisition cost asset in the accompanying balance sheet at June 30, 2023 is $15,502. Amortization of $44,023 was charged to operations for the reporting period.

Premiums: Insurance premiums are earned ratably over the terms of the policies, which are generally issued for a 12-month period. The liability for unearned premiums is determined using a monthly pro-rata calculation method. Amounts received prior to the effective date of a coverage period, if any, are recognized as "Advance premiums" and reported as a liability in the balance sheet.

Premiums Receivable: Premiums receivable (if any) are recorded when a policy is issued and on the effective date of a policy endorsement. Installments due as of a reporting date and thereafter are recognized as "premiums receivable". Premiums are generally paid in full at the beginning effective date of the policy. Accordingly, there are no past due receivables and an allowance for uncollectible premiums receivable was deemed unnecessary at June 30, 2023.

THE STATE OF TENNESSEE CAPTIVE INSURANCE COMPANY

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Losses and Loss Adjustment Expenses: The reserves for unpaid losses and loss adjustment expenses include estimates for reported losses ("case reserves"), plus supplemental amounts for incurred but not reported losses ("IBNR"). Case reserves are established for the amount of expected losses and adjusted as necessary. IBNR reserves are established based upon loss projections using a combination of historical loss experience and industry data. In establishing the reserves for unpaid losses and loss adjustment expenses, management uses the findings of an independent consulting actuary.

Management believes that its aggregate reserves for unpaid losses and loss adjustment expenses at year end represents its best estimate, based upon available data, of the amount necessary to cover the ultimate cost of losses; however, it is not presently possible to determine whether actual loss experience will conform to the assumptions used in determining the estimated amounts for such liability at the balance sheet date. Accordingly, the ultimate liability could be in excess of, or less than, the amount indicated in the financial statements by a significant amount. As adjustments to these estimates become necessary, such adjustments will be reflected in current year operations.

Reinsurance Assumed and Ceded: The Company does not have any reinsurance agreements.

Income Taxes: The Company qualifies as a nonprofit corporation under Section 501(c) of the internal revenue code and is exempt from federal income taxes. Accordingly, the Company has no uncertain tax positions as of June 30, 2023.

Subsequent Events: In preparing the accompanying financial statements, management has evaluated subsequent events through November 15, 2023, which represents the date the financial statements were available to be issued.

NOTE C -- RESERVES FOR UNPAID LOSSES AND LOSS ADJUSTMENT EXPENSES

The Company retains aggregate property losses of $25,000,000 excess of per occurrence self-insured retention amount of $2,500,000 for all types of property claims in excess of current maintenance deductibles, as specified within the terms of its insurance policy. In addition, the Company retains aggregate losses of $10,000,000 excess of a per occurrence retention amount of $1,500,000 for cyber liability claims. Activity in the Company's reserves for unpaid losses and loss adjustment expenses is summarized as follows for the reporting period:

	2022 - 2023
Total reserves as of June 15, 2022	$ 0
Incurred related to:	
Current reporting period	21,497,562
Prior period	0
Total incurred during the reporting period	21,497,562
Paid related to:	
Current reporting period	0
Prior period	0
Total paid during the reporting period	0
TOTAL RESERVES AT JUNE 30, 2023	$ 21,497,562

THE STATE OF TENNESSEE CAPTIVE INSURANCE COMPANY

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

The reporting period reflects amounts incurred from June 15, 2022 through June 30, 2023, and accordingly, there is no loss development experience that relates to prior reporting periods. In establishing the reserves for unpaid losses and loss adjustment expenses, which includes expected development on known claims, management uses the findings of an independent actuary. The actuary incorporates a variety of actuarial methods and judgements in developing a range of reasonable estimates. There is significant uncertainty inherent in the actuary's estimate. The actuary uses the specific historical incurred and paid loss data related to the Company as well as well as industry data, on a per claim basis.

The information about incurred and paid claims development of property claims for the Company's inception to date reporting period, and the average annual percentage payout of incurred claims by age as of June 30, 2023, is presented as required supplementary information, and has therefore not been audited.

Cumulative incurred losses and loss adjustment expenses (LAE), by accident year are as follows (in thousands):

	For the Period June 15, 2022 through June 30, 2023
Accident Year	**2023**
2022-2023	$ 21,498

Cumulative paid losses and loss adjustment expenses by accident year are as follows (in thousands):

	For the Period June 15, 2022 through June 30, 2023
Accident Year	**2023**
2022-2023	$ 0

Calculation of reserves for unpaid losses and loss adjustment expenses is as follows (in thousands):

For the period June 15, 2022 through June 30, 2023	
Cumulative incurred losses and loss adjustment expenses (above)	$ 21,498
Cumulative paid losses and loss adjustment expenses (above)	0
Total reserves for unpaid losses and loss adjustment expenses	$ 21,498

THE STATE OF TENNESSEE CAPTIVE INSURANCE COMPANY

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

As of June, 2023, incurred losses and loss adjustment expenses (LAE), incurred but not reported claims (IBNR) liabilities, and frequency of claims by accident year based on number of claimants is as follows (in thousands, except claim counts):

Accident Year	Incurred Losses and LAE	IBNR Liabilities Plus Expected Development on Reported Claims	Cumulative No. of Reported Claims
1	$ 21,498	$ 0	2

Through the end of the reporting period, there have been no claim payouts. Accordingly, the Company has no average historical annual payout to report.

NOTE D -- MINIMUM REGULATORY EQUITY (CAPITAL AND SURPLUS)

Pure captive insurance companies domiciled in Tennessee (including the Company) are required to maintain unimpaired "capital and surplus" of not less than $250,000, which may be in the form of cash, cash equivalents, and/or an irrevocable letter of credit with a bank, as permitted by Section 56-13-105 of the Tennessee Code Annotated. At June 30, 2023, the Company's total owner's equity exceeds the minimum regulatory "capital and surplus" requirement in Tennessee.

NOTE E -- STATE PREMIUM TAXES

The State of Tennessee levies premium taxes on captive insurance companies at variable rates based on specified levels of written and assumed premiums. The Company calculated premium taxes for the reporting period at a rate of 0.4% of annual gross written premiums, subject to a minimum annual premium tax of $5,000, plus a filing fee. For the reporting period ended June 30, 2023, the Company incurred premium tax of $59,525, which is included as a component of deferred policy acquisition costs capitalized and amortized over the respective in-force period of the policies.

NOTE F -- COMMITMENTS, CONCENTRATIONS AND CONTINGENCIES

COMMITMENTS

Contractual Fees for Captive Management Services: Annual fees to the Captive Manager are allocated to the Captive Manager from the funds received from the agreement that the State of Tennessee has with Aon Risk Services South, Inc. as this agreement includes captive management fees. The Captive will reimburse the State of Tennessee the captive management fees on an annual basis. The management agreement will continue in-force until terminated with notice (as specified in the contract).

CONCENTRATIONS AND CONTINGENCIES

Concentration of Premium Revenues: Total direct written premiums represent amounts from insureds that are affiliated with the Company. (Refer to Note A for additional information.)

Local Government Property and Casualty Pool 2023

Local Government Property and Casualty Pool

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the Year Ended June 30, 2023

OPERATING REVENUES	
Premiums earned	$ 24,681,045
OPERATING EXPENSES	
Losses and loss adjustment expenses	18,783,637
Excess insurance premiums	6,662,745
Claims administration fees	687,996
Commissions	1,993,818
Professional fees	113,244
Other administrative expenses	582,854
	28,824,294
OPERATING LOSS	(4,143,249)
NON-OPERATING REVENUE	
Net investment income	251,551
DECREASE IN NET POSITION	(3,891,698)
Net position at July 1, 2022	24,295,866
NET POSITION AT JUNE 30, 2023	$ 20,404,168

The accompanying notes are an integral part of this statement.

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Local Government Property and Casualty Pool

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2023

CASH FLOWS FROM OPERATING ACTIVITIES:	
Premiums collected	$ 24,681,045
Losses and loss adjustment expenses paid	(14,752,824)
Excess insurance premiums paid	(6,662,745)
Other expenses paid	(3,647,486)
NET CASH USED IN OPERATING ACTIVITIES	(382,010)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Net deposit in State Investment Pool	2,098,925
Purchases of debt securities	(15,643,071)
Proceeds from sales of debt securities	10,942,295
Purchases of certificates of deposit	(526,722)
Maturities of certificates of deposit	2,075,458
Investment income collected	1,122,533
NET CASH PROVIDED BY INVESTING ACTIVITIES	69,418
NET DECREASE IN CASH AND CASH EQUIVALENTS	(312,592)
Cash and cash equivalents at July 1, 2022	350,738
CASH AND CASH EQUIVALENTS AT JUNE 30, 2023	$ 38,146

NON-CASH INVESTING ACTIVITIES

A non-cash decrease in other invested assets and net investment income of $734,673 was recorded related to the investment in County Reinsurance Limited as discussed in Note 6.

A non-cash decrease in investment securities and net investment income of $393,449 was recorded as a result of adjusting investment securities to their estimated fair value.

The accompanying notes are an integral part of this statement.

Local Government Property and Casualty Pool

STATEMENT OF CASH FLOWS - CONTINUED

For the Year Ended June 30, 2023

RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:	
Operating loss	$ (4,143,249)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Changes in operating assets and liabilities:	
(Increase) decrease in assets:	
Excess insurance recoverable on paid losses and loss adjustment expenses	(1,911,542)
Policyholder deductibles receivable	(211,994)
Other assets	(8,050)
Increase (decrease) in liabilities:	
Unpaid losses and loss adjustment expenses	5,942,355
Accrued expenses and accounts payable	(49,530)
NET CASH USED IN OPERATING ACTIVITIES	$ (382,010)

The accompanying notes are an integral part of this statement.

2022

Local Government Property and Casualty Pool

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the Year Ended June 30, 2022

OPERATING REVENUES	
Premiums earned	$ 21,625,525
OPERATING EXPENSES	
Losses and loss adjustment expenses	12,368,208
Excess insurance premiums	5,260,768
Claims administration fees	1,535,006
Commissions	1,762,208
Professional fees	112,539
Other administrative expenses	553,838
	21,592,567
OPERATING INCOME	32,958
NON-OPERATING LOSS	
Net investment loss	(2,182,678)
DECREASE IN NET POSITION	(2,149,720)
Net position at July 1, 2021	26,445,586
NET POSITION AT JUNE 30, 2022	$ 24,295,866

The accompanying notes are an integral part of this statement.

2020

Local Government Property and Casualty Pool

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the Year Ended June 30, 2020

OPERATING REVENUES	
Premiums earned	$ 19,236,546
OPERATING EXPENSES	
Losses and loss adjustment expenses	12,347,044
Excess insurance premiums	3,675,402
Claims administration fees	1,703,523
Commissions	1,710,594
Professional fees	58,004
Other administrative expenses	505,402
	19,999,969
OPERATING LOSS	(763,423)
NON-OPERATING INCOME	
Net investment income	1,433,712
INCREASE IN NET POSITION	670,289
Net position at July 1, 2019	25,768,618
NET POSITION AT JUNE 30, 2020	$ 26,438,907

The accompanying notes are an integral part of this statement.

Public Entity Partners
2023

PUBLIC ENTITY PARTNERS

Statements of Net Position

June 30, 2023 and 2022

Assets and Deferred Outflows of Resources

	2023	2022
Current assets:		
Cash and cash equivalents	$ 8,964,695	$ 9,621,422
Investments	227,736,816	234,888,762
Premiums receivable	2,894,555	3,120,290
Accrued interest and other receivables	4,271,896	3,535,398
Prepaid reinsurance and other expenses	2,954,368	4,177,774
Reinsurance recoverable on paid losses	4,366,334	3,825,553
Total current assets	251,188,664	259,169,199
Premises, property, and equipment		
Non-depreciable	1,957,084	1,957,084
Depreciable	6,818,040	7,228,261
Total premises, property, and equipment	8,775,124	9,185,345
Right-to-use subscription based IT asset	689,428	1,036,564
Other assets	750,000	-
Total assets	261,403,216	269,391,108
Deferred outflows of resources:		
Pension changes in investment experience	1,493,602	1,222,703
Pension changes in investment earnings, net	49,080	-
Pension changes in actuarial assumptions	470,261	631,967
Employer pension contributions	821,026	752,811
Total deferred outflows of resources	2,833,969	2,607,481
	$ 264,237,185	$ 271,998,589

Liabilities, Deferred Inflows of Resources, and Net Position

	2023	2022
Current liabilities:		
Reserve for losses and loss adjustment expenses	$ 125,953,474	$ 134,097,677
Unearned premiums	15,630,649	14,978,886
Dividends payable	138,791	8,107,462
Accounts payable and accrued liabilities	2,625,232	2,238,497
Current portion of subscription based IT liability	345,083	345,061
Total current liabilities	144,693,229	159,767,583
Net pension liability	2,261,648	200,738
Subscription based IT liability, excluding current portion	344,345	446,542
Total liabilities	147,299,222	160,414,863
Deferred inflows of resources:		
Pension changes in investment experience	17,773	26,661
Pension changes in investment earnings, net	-	1,754,261
Total deferred inflows of resources	17,773	1,780,922
Net position:		
Investment in capital assets	8,775,124	9,185,345
Unrestricted	108,145,066	100,617,459
Total net position	116,920,190	109,802,804
	$ 264,237,185	$ 271,998,589

See accompanying notes to the financial statements.

11

PUBLIC ENTITY PARTNERS

Statements of Revenues, Expenses, and Changes in Net Position

Years ended June 30, 2023 and 2022

	2023	2022
Operating revenues:		
Gross earned premiums	$ 83,873,161	$ 80,424,915
Reinsurance premiums ceded	(14,207,387)	(12,935,347)
Net earned premiums	69,665,774	67,489,568
Investment income - interest earnings, net	10,489,150	9,102,384
Investment income - net decrease in fair value of investments	(14,494,258)	(57,228,454)
Other income	238,877	232,040
Total operating revenues	65,899,543	19,595,538
Operating expenses:		
Losses and loss adjustment expenses	40,942,791	46,011,495
Policy acquisition costs	6,838,211	6,890,849
General and administrative expenses	11,070,495	9,735,218
Total operating expenses	58,851,497	62,637,562
Operating income (loss)	7,048,046	(43,042,024)
Nonoperating revenues:		
Gain on disposal of depreciable capital assets	-	350
Total change in net position	7,048,046	(43,041,674)
Net position, beginning of year	109,802,804	160,844,478
Dividends declared	-	(8,000,000)
Member lapsed dividend credits	69,339	-
Net position, end of year	$ 116,920,190	$ 109,802,804

See accompanying notes to the financial statements.

PUBLIC ENTITY PARTNERS

Statements of Cash Flows

Years ended June 30, 2023 and 2022

	2023	2022
Cash flows from operating activities:		
Cash receipts:		
Premiums received	$ 78,081,420	$ 74,649,715
Interest received	10,291,445	9,199,927
Special rating plan reimbursements	4,723,910	5,176,785
Reinsurance recoveries received	4,170,340	1,109,342
Claim recoveries received	2,706,950	2,399,092
Other cash receipts	166,935	757,330
Total cash receipts	100,141,000	93,292,191
Cash disbursements:		
Claim payments	55,330,265	54,496,727
General and administrative	13,723,149	12,596,828
Reinsurance premiums	13,054,689	17,191,334
Claims administration	6,221,142	5,799,250
Policy acquisition	4,260,105	5,354,209
Total cash disbursements	92,589,350	95,438,348
Net cash provided by (used in) operating activities	7,551,650	(2,146,157)
Cash flows from capital and related financing activities:		
Purchases of premises, property, and equipment	(41,042)	(425,482)
Principal payments on subscription liabilities	(66,166)	(361,050)
Interest paid on subscription liabilities	(8,857)	(2,650)
Net cash used in capital and related financing activities	(116,065)	(789,182)
Cash flows from investing activities:		
Purchases of investments	(35,194,267)	(191,895,050)
Proceeds from sales and maturities of investments	27,101,955	169,910,189
Net cash used in investing activities	(8,092,312)	(21,984,861)
Net decrease in cash and cash equivalents	(656,727)	(24,920,200)
Cash and cash equivalents, beginning of year	9,621,422	34,541,622
Cash and cash equivalents, end of year	$ 8,964,695	$ 9,621,422

See accompanying notes to the financial statements.

PUBLIC ENTITY PARTNERS

Statements of Cash Flows (continued)

Years ended June 30, 2023 and 2022

	2023	2022
Reconciliation of operating income (loss) to net cash used in operating activities:		
Operating income (loss)	$ 7,048,046	$ (43,042,024)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	771,248	539,605
Net amortization of premium paid on investments	609,424	635,753
Net realized losses on sales of investments	1,246,999	5,991,884
Net unrealized losses on investments	12,637,835	50,600,817
Decrease (increase) in premiums receivable	225,735	(159,090)
Decrease (increase) in accrued interest and other receivables	486,908	(4,088,294)
Increase in reinsurance recoverable on paid losses	(540,781)	(2,542,150)
Increase in net deferred outflows of resources	(226,488)	(1,204,419)
Decrease in reserve for losses and loss adjustment expenses	(8,144,203)	(2,509,029)
Increase in unearned premiums	651,763	274,581
Decrease in dividends payable	(7,899,332)	(7,565,644)
Increase in accounts payable and accrued liabilities	386,735	134,019
Increase (decrease) in net pension liability	2,060,910	(957,539)
Decrease (increase) in deferred inflows of resources	(1,763,149)	1,745,373
Net cash provided by (used in) operating activities	$ 7,551,650	$ (2,146,157)

See accompanying notes to the financial statements.

2022

PUBLIC ENTITY PARTNERS

Statements of Revenues, Expenses, and Changes in Net Position

Years ended June 30, 2022 and 2021

	2022	2021
Operating revenues:		
Gross earned premiums	$ 80,424,915	$ 78,575,946
Reinsurance premiums ceded	(12,935,347)	(12,310,020)
Net earned premiums	67,489,568	66,265,926
Investment income - interest earnings, net	9,102,384	8,765,053
Investment income - net increase (decrease) in fair value of investments	(57,228,454)	1,481,241
Other income	232,040	25,376
Total operating revenues	19,595,538	76,537,596
Operating expenses:		
Losses and loss adjustment expenses	46,256,456	38,046,467
Policy acquisition costs	6,890,849	6,534,607
General and administrative expenses	9,735,218	8,946,990
Total operating expenses	62,882,523	53,528,064
Operating income (loss)	(43,286,985)	23,009,532
Nonoperating revenues (expenses):		
Gain (loss) on disposal of depreciable capital assets	350	(28)
Software licenses fee	-	4,893
Total nonoperating revenues	350	4,865
Total change in net position	(43,286,635)	23,014,397
Net position, beginning of year	160,844,478	145,245,008
Dividends declared	(8,000,000)	(7,500,000)
Member lapsed dividend credits	-	85,073
Net position, end of year	$ 109,557,843	$ 160,844,478

See accompanying notes to the financial statements.

2021

PUBLIC ENTITY PARTNERS

Statements of Revenues, Expenses, and Changes in Net Position

Years ended June 30, 2021 and 2020

	2021	2020
Operating revenues:		
Gross earned premiums	$ 78,575,946	$ 76,079,608
Reinsurance premiums ceded	(12,310,020)	(9,957,555)
Net earned premiums	66,265,926	66,122,053
Investment income - interest earnings, net	8,765,053	8,548,453
Investment income - net increase in fair value of investments	1,481,241	9,265,435
Other income	25,376	186,972
Total operating revenues	76,537,596	84,122,913
Operating expenses:		
Losses and loss adjustment expenses	38,046,467	50,888,327
Policy acquisition costs	6,534,607	6,458,472
General and administrative expenses	8,946,990	11,483,576
Total operating expenses	53,528,064	68,830,375
Operating income	23,009,532	15,292,538
Nonoperating revenues (expenses):		
Gain (loss) on disposal of depreciable capital assets	(28)	1,778,744
Sponsorship fees	-	3,200
Software licenses fee	4,893	10,503
Total nonoperating revenues (expenses)	4,865	1,792,447
Total change in net position	23,014,397	17,084,985
Net position, beginning of year	145,245,008	149,130,025
Dividends declared	(7,500,000)	(21,000,000)
Member lapsed dividend credits	85,073	29,998
Net position, end of year	$ 160,844,478	$ 145,245,008

See accompanying notes to the financial statements.

2020

PUBLIC ENTITY PARTNERS

Statements of Revenues, Expenses and Changes in Net Position

Years ended June 30, 2020 and 2019

	2020	2019
Operating revenues:		
Gross earned premiums	$ 76,079,608	$ 73,446,705
Reinsurance premiums ceded	(9,957,555)	(9,604,222)
Net earned premiums	66,122,053	63,842,483
Investment income - interest earnings, net	8,548,453	9,050,477
Investment income - net increase in fair value of investments	9,265,435	15,208,268
Other income	186,972	173,093
Total operating revenues	84,122,913	88,274,321
Operating expenses:		
Losses and loss adjustment expenses	50,888,327	36,059,818
Policy acquisition costs	6,458,472	6,612,634
General and administrative expenses	11,483,576	8,157,450
Total operating expenses	68,830,375	50,829,902
Operating income	15,292,538	37,444,419
Nonoperating revenues:		
Gain on disposal of capital assets	1,778,744	100
Sponsorship fees	3,200	4,055
Software licenses fee	10,503	9,600
Total nonoperating revenues	1,792,447	13,755
Total change in net position	17,084,985	37,458,174
Net position, beginning of year	149,130,025	118,158,998
Dividends declared	(21,000,000)	(6,500,000)
Member lapsed dividend credits	29,998	12,853
Net position, end of year	$ 145,245,008	$ 149,130,025

See accompanying notes to the financial statements.

Appendix F: Texas

i. Insurable Assets Interim Study Final Report 2016

ii. State of Texas Summary of Insurance 2024-2025 Fiscal Year

iii. State Office of Risk Management Income Statement 2023, 2022, 2021, 2020

iv. Texas Windstorm Insurance Agency (TWIA) Income Statement 2023, 2022, 2021

INSURABLE STATE ASSETS INTERIM STUDY

FINAL REPORT

House Bill No. 3750, 84^{th} R.S.

Draft(s) Issued: August-October, 2016
Final Report: Issued December, 2016
Subject to Further Revision

State Office of Risk Management

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INSURABLE STATE ASSETS INTERIM STUDY

BACKGROUND

As noted by the Legislative Budget Board (LBB) in its 2013 *State Real Property Inventory* issue brief to the Texas Legislature:

> *The State of Texas owns significant amounts of real property of varying types and purposes. While several state agencies have information about state-owned property, the information varies and is inconclusive. There is currently no single state entity that maintains a complete database of property sites with consistent specifics including location, size, improvements and value. The lack of information and oversight negatively affects the state's ability to adequately manage and protect its real property assets, and to assess applicable values.*[1]

Pursuant to HB 3750 84th Regular Session, the LBB was asked to collect detailed information from each state agency and institution of higher education that possesses real property, and to provide that information to the State Office of Risk Management (Office) for consolidation, findings, analysis, and any recommendations regarding a statewide strategy to ensure that all real property owned by the state is adequately insured. The following Insurable Assets Interim Study is the result of that process.

To decrease the burden and potential fiscal impact on individual state agencies, the LBB coordinated with the Office, the Texas Higher Education Coordinating Board (THECB, for higher education information), the General Land Office (GLO, for certain other state entities), and six other selected entities,[2] to assist in compiling the statewide data.

Other State-Owned Real Property Reports

- **2013 Issue Brief**
  Legislative Budget Board
- **2013 Interim Study**
  State Office of Risk Management
- **2011 Interim Study**
  State Office of Risk Management
- **2014 Facilities Master Plan Report**
  Texas Facilities Commission
- **State Real Property Evaluation Reports**
  General Land Office

[1] LBB Issue Brief #304, *State Real Property Inventory*, April 2013.
http://www.lbb.state.tx.us/Documents/Publications/Issue_Briefs/304_State%20Property.pdf

[2] Additional entities include the Texas Department of Housing and Community Affairs, Texas Workforce Commission, Texas Health and Human Services System, Teacher Retirement System, Employee Retirement System, and Texas State Preservation Board.

EXECUTIVE SUMMARY

HB 3750 Implementation

The fundamental premise of HB 3750 is that consolidating and analyzing comprehensive asset data will allow the Legislature and the State of Texas to better understand what assets the State owns, and other relevant information, for the purposes of making important public policy and strategic and operational determinations at an enterprise level. By collecting this data, the Office has sought to identify and verify assets detail at a previously unconsidered level, identify any issues in the mechanisms by which data is reported or the accuracy of that data, and to specify any uninsured and underinsured exposures associated with those assets. The ultimate purpose of HB 3750 is to support consideration of possible approaches to improving reporting, the criteria associated with that reporting, and to support any recommendations for protecting State-owned assets in the most efficient and cost-effective manner.

Key Findings and Recommendations

There is a Significant Potential of Financial Loss to the State from Possibly Uninsured and Underinsured Real Property. Current reported assets information indicates total values of building, land, and contents in excess of $80 Billion. Based on data collected, this study identified potential uninsured and underinsured exposures in excess of $59.7 Billion. However, a significant portion of this potential exposure may in fact be fully or partially insured. While detailed data was not reported to the Office pursuant to HB3750, major institutions of higher education submitted additional information reducing this sum to approximately $7.4 Billion. While not all of this exposure requires risk transfer through insurance, appropriate determinations require assessment of accurate and complete data, and mechanisms for funding attritional uninsured or underinsured losses.

Inaccuracy, Incompleteness, and Decentralization of Data Reduces Full Analysis Capability and Reduces Valuation Confidence. Issues with current data accuracy and integrity have been identified. Knowing the full extent of the State's exposure is the first step in determining the appropriate risk prevention and control measures the State should implement to prevent or reduce claims and losses, and make other strategic and operations determinations. Comprehensive data on state-owned assets can give the State a better understanding of risks the State faces. With this knowledge, the State can begin to make informed decisions regarding the mechanisms the State will use to prevent, reduce, and mitigate potential loss.

The Statewide Strategy to Ensure the State Is Adequately Insured Requires Legislative Action. This report recommends a hybridized system that incorporates multiple approaches to managing the State's risk as being the most advantageous to the State. This model incorporates a centralized, mandatory state property insurance program that incorporates a pooling and reserve approach, in concert with a self-insured retention limit and reinsurance for larger, catastrophic losses. The actual mechanism(s) chosen for a statewide strategy to ensure that State assets are adequately insured should be determined after the State has a thorough understanding of its risks. From an insurance perspective, accurate and current data is necessary to calculate the maximum probable and maximum possible losses per state-owned building and across the entire State enterprise. Additional relevant considerations are the impact of the selected options on overall state operations, the costs associated with retaining the risk versus transferring the risk through reinsurance, and should provide clear procedures for identifying when and how funding will be made available in emergencies.

The Potential Benefits of Maintaining a Comprehensive Database of State-Owned Property Will Require Multi-Agency Partnership. This report concludes that maintaining a centralized, consistent, and comprehensive database of state-owned property would provide detailed and up-to-date information on state-owned property supporting informed decision-making and long-term planning. Complete and accurate data is foundational to the design of any comprehensive asset protection strategy and enterprise maintenance. Once data is collected, the data must be continually maintained and updated to ensure accuracy and completeness, and in a consistent format to ensure the State's ability to identify, track, and report on state-owned property. Any centralization would ideally support simultaneous availability of information to multiple agencies, with the ability to create analytics and reports based on the entirety or any subset of the collected data.

The Potential Risk of Maintaining a Comprehensive Database of State-Owned Property May Require Protections From the Public Information Act (PIA). The database will necessarily contain information about state-owned assets such as security systems, land and building values, information technology infrastructures, and other confidential information. Most of the information contained in the database is a categorical exception from the PIA. Safeguarding the database would reduce the potential for market exploitation or inadvertently creating a security threat against a state-owned asset.

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Contents

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A. DETAILED FINDINGS

1. State-Owned Property

As a result of HB 3750, the Office implemented a risk managing information system, or RMIS, a single database system capable of accommodating the comprehensive data on state-owned land, buildings, and contents. This system includes capabilities for significant analytics, and is extensible and includes the first iteration of consistent reporting requirements by including elements of HB 3750 and relevant existing data fields of existing data repositories.

a. General Overview

The consolidated database currently contains 15,246 individual reported records. These records include buildings (13,633), state-owned land (1,376), and contents (237).

Based on the reported record dataset, the total estimated replacement cost of the reported state-owned assets is currently $80,860,698,320.

The number of state-owned buildings account for 89.42% of the total estimated replacement cost value. The number of state-owned land accounts for 9.03% of total estimated market value.

The highest concentration of reported state-owned buildings is in Austin with 812, facilities while the highest concentration of estimated replacement cost is in Houston, with $12,962,784,035 of values.

Figure 1 Number of Buildings by City[3]

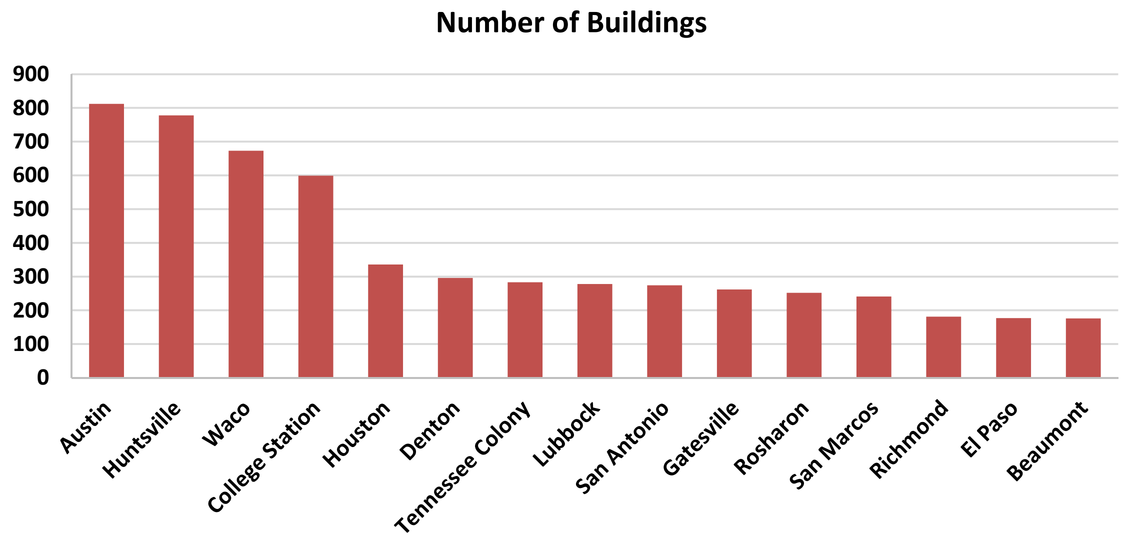
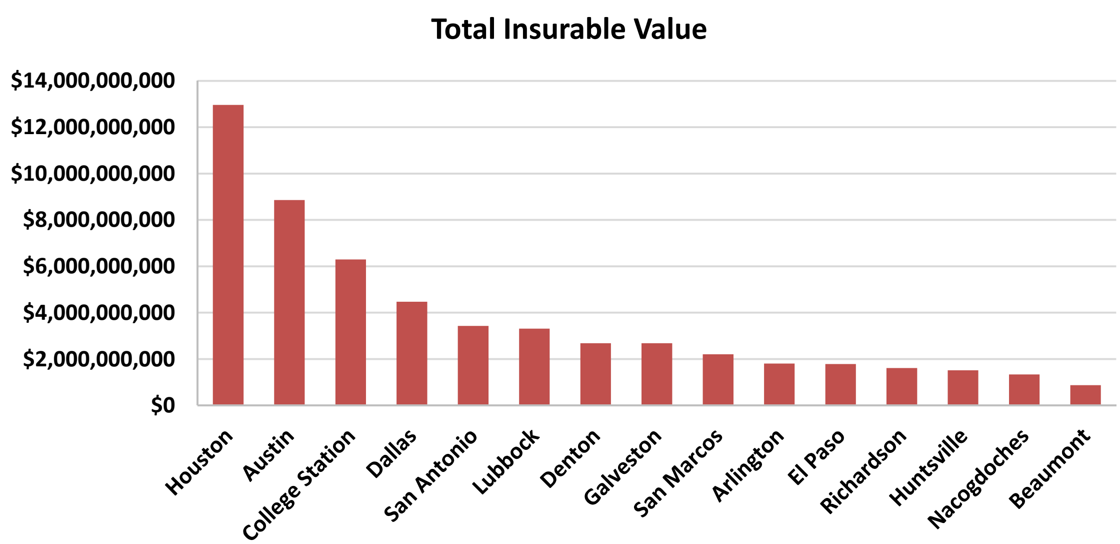


Figure 2 Total Estimated Total Insurable Value by City[4]



The total acreage of state-owned land is approximately 10,124,425 acres. According to the United States Department of Agriculture's Natural

At a Glance:

Buildings & Facilities

- Texas Park and Wildlife Department owns 1,552 buildings/facilities.

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[3] Figure 1 charts the top 15 cities with highest concentrations of reported state-owned buildings. A grand total of 392 cities were reported to contain, at least, 1 state-owned building.

[4] Figure 2 charts the top 15 cities with the highest reported total insurable value of state-owned buildings. A grand total of 273 cities were reported to have a state-owned building with a reported total insurable value.

Resources Conservation Service, the total surface area of Texas is 171,051,900 acres.[5] Reported acreage constitutes the state of Texas owns approximately 6% of the state's total area.

The state owns an array of buildings and facilities that range from historically significant and irreplaceable sites to barns, prisons, parks, and football stadiums. The construction dates of the state-owned buildings range from the 1830s to 2010s.

- Texas State Technical College- Waco owns 641 buildings/facilities.

Land

- Texas Department of Transportation owns 275 parcels of land.
- University of Texas System owns 88 parcels of land.

State-entities and institutions of higher education were not required by HB 3750 to report the same data regarding contents. Contents data that was reported was not consistent or verifiable within the timeframe allotted by HB 3750 for conclusion of reporting and analysis. The Office utilized data from the FY15 Comprehensive Annual Financial Report to determine the value of furniture and equipment, other capitol, and computer software for the entire state at $9,974,439,000.

As noted above, the best estimated total replacement cost for buildings, and contents for currently reported state-owned assets is $80,860,698,320 the market value for land is 2,687,660,810. The Office previously estimated approximately 60 – 80 billion dollars in state-owned assets through extrapolation of incomplete data (non-consolidated, non-reported data). Reported data verifies the general accuracy of those estimates, but the incompleteness of reported data indicates current values may be higher.

b. Notable Specifics

Institutions of higher education own 6,064 of 13,633 buildings reported (44%). Other state entities owned the remaining 7,569 of 13,633 buildings (56%). Reported land parcels of institutions of higher education and other state entities was similar to building ownership ratio, with higher education owning 555 of 1,376 parcels (40%) of the total parcels of land reported, while state-entities owned 821 of 1,376 parcels (60%).

The Texas Parks and Wildlife Department, Texas Department of Transportation, and Health and Human Services Commission own the most buildings, respectively, when comparing state entities, with a total of 3,391 of 7,569 buildings (44%). The Texas Department of Transportation, The Texas Parks and Wildlife Department and the Department of Public Safety own the highest number of land parcels, with 560 of 821 parcels (68%).

[5] http://www.nrcs.usda.gov/Internet/FSE_DOCUMENTS/nrcseprd396218.pdf

With regard to the institutions of higher education, Texas State Technical College at Waco, Texas A&M University, and The University of Texas at Austin own 1,714 of 6,064 buildings (28%).

The University of Texas System, Texas Woman's University, Texas A&M University Forestry Services rank the three highest owners of land. These institutions of higher education own 164 of 555 parcels (29%).

2. State Exposure

The consolidation of data on state-owned assets has increased the overall understanding of the state's risk exposure, indicating that further statistical and data analysis of consolidated information can be used to identify potential exposures leading to implementation of a statewide risk strategy and insurance plan. Through a comprehensive statewide risk strategy and insurance plan, the state of Texas can mitigate exposure and reduce the potential for catastrophic damages and loss.

With complete data, the state could produce more definitive hurricane models with information from a consolidated database.[6] Based upon extrapolated information from the state Sponsored Property Insurance Program but including excepted programs, Texas has a .04% chance that a single hurricane (250 year storm) could cause losses exceeding $2 Billion.

Complete data would also produce more definitive hail and tornado models. Texas leads the nation in hail loss claims.[7] Texas is also one of the top five states in tornado occurrences.[8] The knowledge which could be extracted from a comprehensive consolidated database could be used in developing mitigation strategies relative to exposures and potential losses due to weather related risks.

a. Potentially Uninsured/Underinsured Assets

For potentially uninsured/underinsured properties, the state as a whole does not have a specific funded reserve for losses. When a loss is sustained, the affected individual entity must absorb the loss within current budgets and/or request a supplemental appropriation from the Legislature.

The consolidated database contains 13,633 records on reported state-owned buildings, with the total estimated value of $70,886,259,320.50. However, the final version of

[6] Appendix A: RPS Analytics 2016 Hurricane Catastrophe Analysis Executive Summary. This summary is based upon the 40 state entities and institutions of high education participating in the State Sponsored Property Insurance Program as a sample.

[7] 19% of all hail related claims are located in Texas from the National Insurance Crime Bureau ForeCAST Report May 2, 2016.

[8] U.S. Department of Commerce, National Oceanic and Atmospheric Administration, National Weather Service *Quick Facts: Tornadoes*, July 20, 2009.

HB3750 did not retain a provision requiring entities to report insurance coverage. Of 13,633 buildings reported, 1,452 properties are specifically known to be insured due to participation in the Statewide Insurance Purchasing Program administered by the Office.

Insured Building	Number of Buildings	TIV
Not reported	12,181	$ 59,728,642,293.19
Yes	1,452	$ 11,157,617,027.31
Grand Totals	13,633	**$ 70,886,259,320.50**

At the time of data compilation and analysis, a maximum of 12,181 appeared to be potentially uninsured or underinsured (89%) and the total potential exposure of uninsured/underinsured properties, as expressed in total insurable value, was $59,728,642,293.[9] This figure represents collected data only, and should not be solely relied upon. **Importantly, institutions of higher education subsequently communicated with the Office and provided important additional detail on a significant portion of this exposure, as described below.**

b. Higher Education Post-Collection Detail

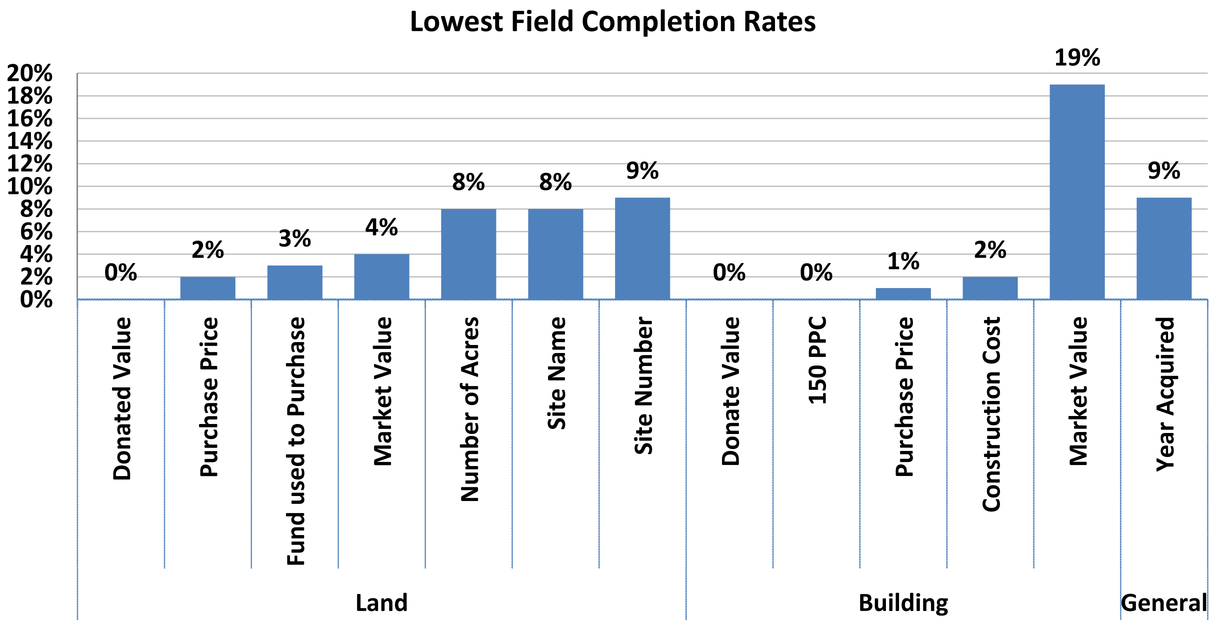
The Texas A&M University System, the University of Texas System, the Texas Tech University System, and the Texas State University System each manage their own insurance programs. Consistent with the testimony at a March 2016 hearing of the House Committee on Business and Industry, and again subsequent to the HB3750 joint committee hearings and data collection process, each of the four university systems has represented that they have confirmed property insurance programs in place, including reserving capacity. The insurable assets subject to the four institutions insurance programs, as reported to the Office, represent approximately $52.3 billion of the $70.9 billion in state assets as compiled in this study. With the Office's program covering approximately $11.2 billion (non-reserved), the remaining unverified uninsured/underinsured property is more estimated to be approximately **$7.4 billion**.

3. Incomplete Data

Complete and accurate data is foundational to the design of any comprehensive asset protection strategy. Once data is collected, the data must be continually maintained and updated to ensure accuracy and integrity.

[9] Appendix B: Insured and Uninsured Buildings.

The HB 3750 analysis does raise concerns regarding the accuracy, consistency, and integrity of data on state-owned property. Consistent with legislative concern, analysis of data integrity reveals instrumental information is incomplete. This is due to a number of factors, including but not limited to statewide inconsistencies on how data was recorded, different methodologies in determining values, and lack of relevant data.



a. Value

Value can be expressed in various ways by state entities - purchase price, market value, replacement cost, etc. - and a variety of methods and formulas can be used to determine value. HB 3750 required state entities to report the value of the building base upon replacement value, market value, donated value, or purchase price. Aside from inconsistent market valuation techniques, market value was not reported for 11,043 buildings (18.4%). Therefore, of those 11,043 buildings, 2,019 building records in the database have a reported replacement cost of zero, as a result of the replacement cost not being captured at the time of an appraisal or not being reported to the Office.

Some valuation data submitted was based on appraisals, and may be generally relied upon to determine replacement value. Of reported records, 6,950 buildings of 13,633 (51%) had appraisals on record. However, the Office notes that some appraisals were not current or verifiable, dating as far as back as 1996, and some others did not include relevant data. For tax purposes, the Texas Comptroller of Public Accounts recommends that appraisals should be conducted every three to four years to ensure up-to-date replacement cost information is available.[10] The standard in the risk management and insurance industry is similar, with a three to five year cycle.

The state's ability to accurately calculate replacement cost of the entire pool of state-owned property is negatively affected by these issues. While a single standard for valuation to accurately calculate replacement cost in the event of loss would enable the Office to better assess risk maintenance, risk avoidance (insurance), and risk assumption, valuation is used for different purposes by various agencies. Nonetheless, providing consistency in determining market value and replacement cost statewide would provide more accurate comparisons suitable for enterprise-level analysis and determinations.

b. COPE Data

Construction, occupancy, protection, and exposure (COPE) data is essential for evaluation of risk. State-owned buildings may require improved construction techniques to mitigate damage from hail storms, tornados, and flood. Occupancy can assist with risk planning affecting state employees when catastrophic events occurs. In addition, fire and security protections and exposure management mitigate against potential loss of property and lives.

All reported protection information was consolidated into the database. Audible and visual fire alarm systems, active sprinkler systems, presence of smoke detectors and secure entry locations were recorded but are incomplete for all state entities.

Consistent data on fire protection systems is key to the State Fire Marshall's Office (SFMO) assessments of state-owned buildings' protections against fire hazards, and is vital information to efficiently plan safety strategies for the highest risk state-owned buildings. This data is also necessary for accurate insurance quoting representing exposures. Complete and consistent COPE data is necessary for risk planning, and developing policies and procedures to effectively plan and mitigate against potential loss.

c. Contents

Property insurance claims will include the damaged contents inside the building. An analysis of the data collected indicates that 165 state entities did not report contents. To provide actionable estimated information in this report, the Office has utilized the Comprehensive Accounting Financial Report (CAFR) from the 2015 fiscal year for alternative data. The CAFR reports $9,974,439,000 in furniture and equipment, other capitol, and computer software. The Office notes that this total is not inclusive of all

[10] http://comptroller.texas.gov/propertytax/local-protest/remedies/valuing-property.html. Though the Comptroller's recommendation for property appraisal is for tax purposes, the recommendation would be kept consistent.

state-owned contents as the minimum threshold reporting requirement excludes furniture and equipment valued under $5,000 and software valued under $100,000. The minimal threshold reporting requirements could exclude contents that could cumulatively increase the value of the reported contents.

B. DATA COLLECTION AND CONSOLIDATION

Significant caution must be taken for any conclusions drawn from, or reliance upon, the consolidated data on state-owned assets. It is important to note that the consolidated data is known to be incomplete, because all data on all state-owned land, buildings, and contents was not reported or was only partially reported. The data in this study is based upon information that was previously reported to, or maintained by, other collecting entities for specific purpose and use. To that end, this consolidation is a snapshot of HB 3750-related information as it exists today in various other locations, subject to limited verification and correction as required for valid inclusion in analysis. Therefore, the overall valuation, exposure, and insurance strategy is likely to be revised in the event of an increased completion rate and confidence level.

1. Data Integrity

The Office imported and then audited the data it received from the LBB. During the audit, the Office identified data discrepancies and other items that affected the integrity of the data in the consolidated database. While typographical errors may have a minor impact on data analysis, incomplete reporting of fields did hinder accurate data analysis. Other data integrity issues include:

a. Consistency

As expected, the information reported for state entities regarding assets was not uniform because the information was not centralized and was collected for specific use. In addition, HB 3750 listed five different standards that could be used to express the value of a reported asset. Asset value could be based on replacement cost, market value, donated value, purchase price, or appraised value.

Valuation does depends upon focus. From an insurance perspective, total insurable value and replacement costs are essential. From a market standpoint, appraised values are important. Some reported property values in the consolidated database were based upon outdated values, which does not account for inflation or other variances.

State entities that compile data from other state entities collect different data elements and maintain the data in different formats, including paper files. Tracking and reporting on state-owned assets is not based on the same source of information. The data reported may not be defined by the same terms or concepts between entities. For example, some entities use a numeric system (e.g. “3”) and others assign a term (e.g. “fair”) to indicate the condition of a building. These differing criteria affect the ability to analyze and compare important data elements for the purpose of statewide focus.

b. Accuracy and Validation

The collection, compilation, and verification of state-owned assets data reveals inaccuracy and inconsistencies between the consolidated database, state-entities' data on state-owned assets, and data maintained by individual state entities.

As an audit sampling and confidence determination, several entities were asked to validate the property data collected on behalf of the entity and supplied to the Office. Where validated, corrections and updates were addressed and the deviance was noted as an area of concern. However, agency representatives were often hesitant to make changes to or add omitted data because the source and/or accuracy of the data was unknown. When omitted data is not added or reported, or data is not amended to become accurate or complete, the data is diluted, which hinders thorough validation.

In many instances, the same address was provided for every building on a parcel of land instead of a unique physical address for each structure. By providing one address for multiple buildings, the ability to validate locations of state-owned building is difficult.

c. Outdated Data

State entities that were asked to validate the data reported on their behalf identified at least 21 properties that are no longer owned by the State.

As stated above, the consolidated data revealed appraisals on 6,950 state-owned buildings were reported. However, 6,376 (96%) of the reported appraisals are five years or older and the most recent appraisals were completed in 2012. Outdated appraisals cannot be relied upon because there is no price appreciation from the original date of the appraisal to the current year. Relying upon outdated appraisals to calculate replacement value does not account for any increase in value due to current market conditions or inflation.

Table 1 The Number of Appraisals per Year.[11]

Last Appraisal Year Building	Location Count
1996	8
1999	81
2002	11
2003	13
2004	10
2005	15
2006	269
2007	88

[11] The years in white indicate outdated appraisals. Those appraisals in blue indicated appraisals that could possibly be used to indicate replacement value.

2008	221
2009	172
2010	2835
2011	735
2012	1918
2013	529
2014	23
2015	14
2016	8
Grand Total	**6950**

2. Data Challenges

Given the constrained timeframe under HB 3750, the LLB, GLO, TFC, THECB, and the Office coordinated efforts to collect a massive amount of data on behalf of the state. The coordinated effort for collection, verification, and consolidation presented a significant challenge to the entities involved, as no such data collection has been previously performed in the state. Therefore, the entities involved had to mine and collect data without existing procedures, criteria, and terminology to define the data collected. Although the consolidation of information raises the concerns outlined herein, it is important to note that inconsistences and other issues were anticipated.

a. Procedural Impediments

To meet the prescribed time constraints in HB 3750, the consolidated database was populated through a data import using a specially formatted Excel template. The template was designed with drop down menus for many data fields to attempt to increase consistency and decrease human error. Criteria used within the template drop down menus were expanded to accommodate differences between how data was tracked or labeled at the state-entity level.

This method was implemented to accommodate export of data from existing collection databases, rather than direct input by individual agencies. However, use of the template was complicated by the use of the criteria captured by the expanded selections made data analysis difficult. Different state-entities used different versions of the Excel software and compatibility issues between different Excel versions introduced consistency variances. For example, drop down menus designed to standardize data elements were able to be bypassed and non-standard data introduced, requiring manual correction or notation.

b. Time Constraint Consideration

Also due to the time constraints in the bill, the LBB and the Office could not ask each individual state entity to provide missing data, update asset records, or validate data. Some data, such as the fund type used to purchase a building, contents, and TIV, was not readily available and could not be compiled in the timeframe provided for the data collection. Therefore, some data not subject to sampling and audit remains either incomplete or based on extrapolation.

C. STATEWIDE STRATEGY TO ENSURE STATE IS ADEQUATELY INSURED

A large number of state assets are not currently protected from loss through insurance. The Office has previously recommended the creation of a centralized, mandatory state property insurance program to normalize the cost of ordinary losses to individual state entity budgets. This recommendation is restated and incorporated by reference herein. That statewide strategy incorporates use of a combination of traditional insurance options and risk retention and risk transfer mechanisms to minimize the budgetary impact of ensuring state-owned assets are adequately insured. [12]

1. Risk Retention

Self-insured retention plans would allow a state entity, or the state as a whole, to pay for losses up to a certain level out of existing budgets, without the costs associated with traditional insurance. With this method, the state entity, or the State as a whole, would need to create and maintain dedicated funds in a minimum amount that are allocated for and dedicated to payment of claims up to a predetermined dollar amount. These costs are anticipated losses, known as attritional losses (or simply as the cost of doing business).

Pooling is a risk retention strategy that combines resources to finance experienced losses. State pools could be created based upon common exposures, geography, or any mutually supporting combination. Each participant would contribute resources to the pool that would be used to the equal benefit of the participants. Pooling programs would allow the state to include or exclude entities based on their ability to meet underwriting guidelines. Pooling would stabilize the premium (contribution) for individual participants and create more consistency in annual budgeting.

Thereafter, reinsurance or excess insurance can be used to assist with losses that exceed a self-insured retention limit or a pool's resources.

2. Risk Transfer

The state can insure its assets against damage or loss through insurance options. However, insuring all state-owned assets through traditional insurance routes would likely represent the most expensive option for the state. Traditional insurance is primarily advantageous for small geographical spreads. To finance large losses, the state could establish a reserve sufficient to deal with moderate spikes in losses from year to year and consider purchasing reinsurance for large, catastrophic losses. Determining the dollar limits for reinsurance is dependent upon accurate and comprehensive data on state-owned assets.

[12] *See*, Appendix D: State Office Risk Management 2011 Insurable Assets Study; Appendix E: State Office Risk Management 2013 Insurable Assets Subsequent Study

In order to implement a complete and thorough statewide asset protection plan, the following recommendations are made.

D. RECOMMENDATIONS

As a result of HB 3750, the Office was able to base observations on state-owned assets and generalized risk assessments. Specifically, the consolidated database provided an opportunity to better manage, understand, and analyze state-owned assets. With standardized, accurate, and comprehensive data, regardless of where the consolidated data is housed, the Office could prepare thorough risk analyses and a statewide asset insurability plan to better protect the state from all types of loss.

The unique challenges in collecting, auditing, and validating data for HB 3750 warrant consideration of the continuation and potential expansion of a centralized, consolidated database for state-owned assets.

1. **Continue Collection to Address Accuracy and Completeness of Data, and Validate and Maintain Data through a Centralized, Consolidated Database**
   State entities should participate in identifying essential statutory data and any additional data that would be beneficial to risk and insurability analysis. A comprehensive set of data elements should be created and applied uniformly across all state entities that possess state-owned assets. A consolidated database can be used to centralize this data and provide easy accessibility.

2. **Establish Consistent Data Elements**
   Future extension of the purposes underlying HB 3750 should include expectations, guidelines, and clearly defined data criteria to increase efficiency in reporting and ensure accurate, complete data is reported in a timely manner. Formal procedures on data reporting would streamline how data is reported, audited, and validated in the consolidated database. Defining the data would create more consistent information and provide an opportunity for more thorough, complete, and extensive analysis of statewide risk exposures. With consistent and unified data criteria, the scope of the data could be refined to provide more accuracy and simplify reporting.

3. **Require Regular Data Updates**
   State entities should be allowed/required to update their reported data annually or more frequently as needed. Through data revision, verification, and updating, the data in the consolidated database can become more refined, insightful, and contemporary to address statewide issues as they arise.

   Having an up-to-date appraisal for a building is essential for a comprehensive asset protection plan. Current appraisals are a more accurate assessment of the actual cost to replace a building because the value is based on current market conditions, cost of construction index, and contemporary labor costs.

Clear guidelines on the content and structure of state-owned property appraisals would ensure consistent and comprehensive data is collected with every appraisal and eliminate gaps in the data. Guidelines that set forth procedures, define data, and establish the scope of the data would enhance the accuracy and consistency of appraisals. State entities should provide and/or update appraisal data to ensure accurate replacement values for the buildings are reported. Direct reporting as changes occur will improve the accuracy of the data and remove potentially outdated data sooner.

4. Utilization of Consolidated Data

The consolidated database would be a conduit for state entities to coordinate their respective operational goals and increase efficiency. Data from one entity could be utilized by another state entity for validation and to fulfill statutory obligations.

The consolidated data could also be used for predictive catastrophic event and risk modeling. Statewide predictive risk modeling would allow the Office and other entities to perform more detailed risk and insurance analyses and enhance statewide risk and insurance strategies. This data could also support trend tracking and benchmarking of state-owned assets subject to significant risk exposures. The consolidated data could further be used to obtain better competitive market rates for uninsured state-owned buildings and contents. Readily available and accurate underwriting data can expedite risk transfer through insurance. Each entity's costs for retained and transferred risks could be tracked and analyzed. TFC, GLO, and other state entities could identify underutilized or unoccupied space in state-owned buildings leading to better utilization or sale of state-owned assets that have not been utilized.

The LBB, SAO, and the Comptroller could use the database to document the sale and acquisition of property and the source of the funds used to purchase the property. The data could assist in audits and for budgeting purposes. Information pertaining to income generation through the sale of property and the use of general revenue funds for maintenance, renovation projects, and new construction can be audited and analyzed for comprehensive budget purposes.

The State Fire Marshal's Office (SFMO) has an expanded role for fire protection of state-owned buildings and the safety of state employees in state-owned and leased buildings. The consolidated database could be used to track and benchmark fire inspections. The SFMO could use other data within the consolidated database, such as fire safety protections, alarm protections, building occupancy, and severity of loss of life indicators to schedule inspections. Similarly, the Office could select locations for loss control inspections using the consolidated data.

The Texas Public Finance Authority (TPFA) issues debt on behalf of multiple agencies and certain institutions of higher education. State law allows general obligation bonds to be backed by the full faith credit of Texas. Self-Supporting debts are expected to be repaid through loan repayments. Not self-supporting debts are expected to be repaid with general revenue (e.g. repair and construction projects).[13] TPFA could use the database to ascertain budgeting levels, debt ratios, and other structured finance analyses. The data could demonstrate the state's management of its fiscal affairs and debt management. With improved information and greater ability to examine the state's financials, Texas' credit rating/bond solid credit rating can be sustained or increased.

5. Require Security and Confidentiality of State-Owned Property Data

Property and content information in the database should be exempted from the Public Information Act (PIA), Texas Government Code Chapter 552. Knowledge that any data reported to the consolidated database would be secure and not subject to PIA would encourage state entities to report more thorough data and decrease enterprise risk concerns. For example, information pertaining to protection systems could compromise the integrity of a state building. Likewise, the disclosure of the state's information technology infrastructure could make it susceptible to cyber-attack. The Capitol Complex, Governor's Mansion, Texas Department of Criminal Justice, and Texas Military Department are only a few of the state entities with highly sensitive security information about their respective buildings and contents.

Exempting information in the consolidated database from the PIA would safeguard the state's ability to obtain appropriate levels of insurance at reasonable and appropriate rates. By pooling statewide risks, individual agencies with average or poor risk ratings are able to benefit from the group buying power of the Statewide Sponsored Property Insurance Program. Diluting participation in that program would drive up insurance costs for the state.

Texas Government Code §552.105 exempts information relating to the location of real and personal property for a public purpose prior to a public announcement of a project. Appraisal and purchase price are also excepted prior to the formal award of contracts for the property.

[13] http://www.lbb.state.tx.us/Documents/Publications/Presentation/2214_Debt_Summary.pdf

APPENDICES

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APPENDIX A

Knowledge. Relationships.
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HB3750

2016 HURRICANE

CATASTROPHE ANALYSIS EXECUTIVE SUMMARY

Requested by Risk Placement Services

August, 2016

Risk Placement Services, Inc.

ANALYTICS

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RPS Analytics does not endorse one model over another, nor is it the intent of this summary to compare the results or methodologies of the models to each other. RPS Analytics strongly recommends the use of multiple models, which provides clients a range of results from different scientific approaches.

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Executive Summary

This document reports the results of RPS Analytics catastrophe analyses of HB3750 2016 hurricane portfolio commissioned by Risk Placement Services (RPS). This report includes HB3750's property exposure summary detailing its locations exposed to the peril of hurricane events.

RPS Analytics reviewed and reformatted the exposure data as necessary and used them as input to AIR Worldwide Touchstone v3.1 model and Risk Management Solutions (RMS) RiskBrowser v15.0tm model. These models are systems of computer programs that incorporate the fundamental physical characteristics of hurricanes and earthquakes, expressed mathematically.

Through our hazard analysis we will identify exposure values and geocoding resolution. Secondary characteristics, where provided will also be applied in the modeling.

With a series of deterministic and probabilistic analyses performed, we will be able to identify the 20 to 1,000 year expected losses. The portfolio was run on an Occurrence Exceeding Probability (OEP). The loss estimates produced will help HB3750 to:

- Develop risk management guidelines that account for hurricane risk.
- Manage and control exposure to hurricane losses.

Portfolio Assumptions & Insured Value Summary

For each line of business, the following assumptions will be made:

- All locations are insured to value (i.e. total limit = total value).
- Number of stories, year built and square footage where provided were applied in the models.
- Secondary characteristics where provided were applied in the models.
- All values listed in this portfolio are in whole dollars unless otherwise noted.
- All hurricane analyses include demand surge.

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- Values Summary

Building	Content	Business Interruption	Total
$69,506,460,019	$0	$0	**$69,506,460,019**
100.00%	0.00%	0.00%	**100.00%**

- The order of geo-coding scheme is coordinate, building, parcel, street, block, postal code, and city. The more exact address HB3750 provided us, the more accurate loss we can provide through each analysis. The chart below shows that 100.00% of locations geocoded to coordinate.

Geocode Resolution	No of Risks	Total Values	% Total
Coordinate	14,001	$69,506,460,019	100.00%
Total	**14,001**	**$69,506,460,019**	**100.00%**

- 99.87% of exposed values modeled are in the State of Texas.

State	No of Risks	Total Values	% Total
TX	13,978	$69,415,897,678	99.87%
OK	23	$90,562,341	0.13%
Total	**14,001**	**$69,506,460,019**	**100.00%**

Analysis Summary

Hurricane *(Incl Storm Surge)*

HB3750 has approximately $69 Billion in values exposed to hurricane related events in the United States. **Figure 1-1** illustrates the probability of ground up losses exceeding various amounts due to one event in a given year, as described by the Occurrence Exceedance Probability (OEP). The 250yr event loss probability is commonly used by the insurance marketplace as a gauge for insurance pricing.

Critical Prob.	Return Period	AIR	RMS
		Ground Up	Ground Up
0.10%	1,000	$3,827,515,575	$4,279,821,943
0.20%	500	$3,047,842,763	$3,286,235,142
0.40%	**250**	**$2,128,904,675**	**$2,420,519,525**
1.00%	100	$1,230,281,164	$1,439,285,923
2.00%	50	$703,016,947	$846,797,873
5.00%	20	$256,623,107	$311,299,284
AAL		**$57,908,355**	**$68,231,947**

Figure 1-1

AIR:

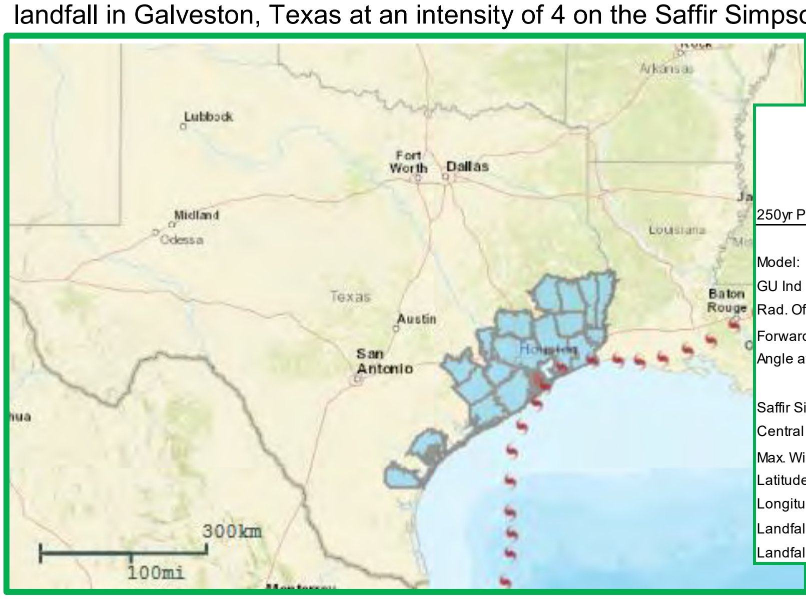
➢ According to AIR Touchstone, there is a 0.4% annual probability (a.k.a. the 250 year event) that a single hurricane (OEP) event will cause losses that will exceed $2.1 billion.

RMS:

➢ According to RMS RiskBrowser, there is a 0.4% annual probability (a.k.a. the 250 year event) that a single hurricane (OEP) event will cause losses that will exceed $2.4 billion.

250Yr Event Loss

The AIR 250yr ground-up stochastic event producing the loss of $2.1 billion is a hurricane making landfall in Galveston, Texas at an intensity of 4 on the Saffir Simpson Scale.



Texas	
Ground Up Loss	
County	
(USD)	
250yr PML	$2,128,904,675
Event Detail Information	
Model:	Hurricane
GU Ind Prop. Loss	$31,567,845,746
Rad. Of Max Winds(mi):	20
Forward Speed(mph):	10.7
Angle at Landfall(°):	30.6
Landfall	
Saffir Simpson Scale:	4
Central Pressure (mb):	931.9
Max. Wind Speed (mph):	149.9
Latitude (°):	29.266001°
Longitude (°):	-94.821999°
Landfall Area:	TX
Landfall SubArea:	Galveston

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Hurricane *(Excl Storm Surge)*

HB3750 has approximately $69 Billion in values exposed to hurricane related events in the United States. **Figure 1-2** illustrates the probability of ground up losses exceeding various amounts due to one event in a given year, as described by the Occurrence Exceedance Probability (OEP). The 250yr event loss probability is commonly used by the insurance marketplace as a gauge for insurance pricing.

Critical Prob.	Return Period	AIR	RMS
		Ground Up	Ground Up
0.10%	1,000	$3,248,411,583	$4,053,059,517
0.20%	500	$2,617,704,620	$3,092,647,154
0.40%	**250**	**$1,693,451,210**	**$2,260,622,886**
1.00%	100	$1,001,898,715	$1,331,629,391
2.00%	50	$547,581,309	$783,393,388
5.00%	20	$214,540,262	$291,265,094
AAL		**$48,262,554**	**$63,908,752**

Figure 1-2

AIR:

➢ According to AIR Touchstone, there is a 0.4% annual probability (a.k.a. the 250 year event) that a single hurricane (OEP) event will cause losses that will exceed $1.7 billion.

RMS:

➢ According to RMS RiskBrowser, there is a 0.4% annual probability (a.k.a. the 250 year event) that a single hurricane (OEP) event will cause losses that will exceed $2.3 billion.

250Yr Event Loss

The AIR 250yr ground-up stochastic event producing the loss of $1.7 billion is a hurricane making landfall in Galveston, Texas at an intensity of 4 on the Saffir Simpson Scale.

Texas	
Ground Up Loss	
County	
(USD)	
250yr PML	$1,693,451,210
Event Detail Information	
Model:	Hurricane
GU Ind Prop. Loss	$79,515,963,487
Rad. Of Max Winds(mi):	33.7
Forward Speed(mph):	12.3
Angle at Landfall(^{0}):	-49.3
Landfall	
Saffir Simpson Scale:	4
Central Pressure (mb):	944.8
Max. Wind Speed (mph):	141.2
Latitude (^{0}):	29.392000°
Longitude (^{0}):	-94.571999°
Landfall Area:	TX
Landfall SubArea:	Galveston

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Glossary of Terms

Average Annual Loss (AAL): the annualized estimate of loss to a representative unit of exposure from a broad range of modeled catastrophe events;

Centroid: A point latitude and longitude which is meant to represent the center of a defined geographical area.

Demand Surge: 'Post loss inflation' of building materials/labor, typically applied only to the building damage, and not to the business interruption/contents loss components;

Geocoding: the process of associating an address, such as a street or postal address, with an estimate of the latitude and longitude coordinates that represent the location on the ground

Ground Up Loss: the amount of loss sustained before deductions, underlying coverages and reinsurance are applied.

Gross Loss: the insurer's or cedant's loss after deductibles, attachment point(s), and limits are applied, but before any reinsurance.

Modified Mercalli Intensity (MMI Scale): subjective scale used to describe the observed local shaking intensity and related effects of an earthquake. The scale ranges from 1 (barely felt) to 12 (total destruction), with slight damage beginning at 6. In general, the MMI will decrease with distance from the fault, except in regions with poor soils. Intensity is different from magnitude, which is a measure of earthquake dimension, rather than effects. The MMI scale differs from the Richter scale in that it is used to measure the intensity of an earthquake in a particular area.

Occurrence Exceedance Probability (OEP): the probability that the most costly event in any one year will exceed a certain threshold. These are the figures relevant for Catastrophe excess of loss reinsurance;

Probable Maximum Loss (PML): estimate of the maximum loss on a particular risk as a result of a single event, assessed with due care and taking into account all risk elements;

Return Period: the expected length of time between recurrences of two events with similar characteristics. The return period can also refer to specific level of loss;

Richter scale: the original magnitude scale developed by Charles Richter in 1935. Usually referred to as local magnitude, this scale is still often used by scientists for measuring earthquake intensity. The Richter magnitudes are based on a logarithmic scale (base 10).

Saffir-Simpson Scale: Scale commonly used to measure windstorm intensity. Uses a range of 1 to 5, with 5 being the most intense storms. Named after Herbert Saffir and Robert Simpson.

Storm Surge: the effect of flood caused by storm. Modeling a portfolio with storm surge will generate larger losses for a given return period than modeling that same portfolio without storm surge.

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APPENDIX 1
Occurrence Exceeding Probability (OEP™) Analysis Descriptions
For Information Purposes Only

RPS Analytics conducted a series of deterministic and probabilistic analyses, utilizing catastrophe models, to assess the catastrophe risk to which a portfolio is exposed. These analyses included an Occurrence Exceeding Probability (OEP™) analysis and an Average Annual Loss analysis. Each of these analyses is briefly described below.

Occurrence Exceeding Probability (OEP™) Analysis
The OEP™ analysis represents a comprehensive analysis of possible catastrophic events. A series of events encompassing the complete range of probable United States events is simulated. The resulting event losses and standard deviations are used to create a severity distribution for the size of loss given that an event has occurred. Uncertainty in the loss amount caused by an event, known as secondary uncertainty, is reflected in these calculations. Similarly, the event rates are used to create a frequency distribution for the number of occurrences in a given year. A simulation approach is then used, sampling from the frequency and severity distributions, to arrive at 10,000 simulated years of losses with at least one occurrence per year.

In order to create an OEP™, the maximum loss for each simulated year is selected and the probability of each simulated year is calculated as one divided by the total number of simulated years. For example, during the sampling process, if 20,000 iterations were needed in order to get 10,000 iterations with at least one occurrence, then the probability for each simulated year would be 1/20,000 or 0.005%. These simulated years are then sorted by maximum loss, from largest to smallest loss, for each financial perspective separately. A cumulative probability, which represents the probability of incurring a loss of the specified amount or greater (i.e., an occurrence exceeding probability), is then calculated for each loss level by aggregating the individual simulated year probabilities, beginning with the probability associated with the largest loss.

A sample of the results of an OEP™ analysis is provided in the table below. The Estimated Maximum Loss and Cumulative Annual Probability column represent the two elements used to create an OEP™ curve.

Simulated Year	Probability of Occurrence	Estimated Maximum Loss	Cumulative Annual Probability of Exceedance	Loss Return Period
2	0.005%	$200M	0.005%	20,000 years
3	0.005%	$150M	0.010%	10,000 years
1	0.005%	$90M	0.015%	6,667 years

The table above indicates that there is a 0.015% annual probability of losing $90 million or more as a result of a single event. In other words, a loss of $90 million or greater would be expected to occur on average every 6,667 years (the loss return period for a $90 million loss is 6,667 years). Since the OEP™ analysis considers all storms and their probabilities; it is the cornerstone analysis for understanding the probability of various levels of overall portfolio loss. Using this analysis, the probability of a specific dollar level of loss or the level of loss associated with a specific probability can be established.

Annual Estimated Loss Analysis
The Average Annual Loss analysis calculates a single loss number for the portfolio that reflects the average amount of loss that can be expected on an annual basis based on all possible events that could impact the portfolio. Average Annual Loss is calculated by weighting all potential losses by their associated annual probabilities. This analysis presents the reader with insight into the expected annual losses to the portfolio. It is also useful for determining the relative risk of various components of the portfolio. Within this report, the relative risk of individual postal codes and counties is examined.

Secondary Uncertainty
Note that the inclusion of secondary uncertainty (i.e., the uncertainty around the mean loss at a particular loss perspective) in RMS's model, analysis can sometimes result in gross loss exceeding ground-up losses and net losses exceeding pre-cat net losses.

RPS Analytics Primary and Secondary Model
Currently, RPS Analytics will produce OEP Curves using two catastrophe models. RPS Analytics performed careful research before licensing two catastrophe models that, in our opinion, represent the best technology available. The varying results between models should further illustrate that these tools should be understood to only create benchmarks for your considerations.

Knowledge. Relationships.
Trust and Confidence.

Risk Placement Services, Inc. ANALYTICS

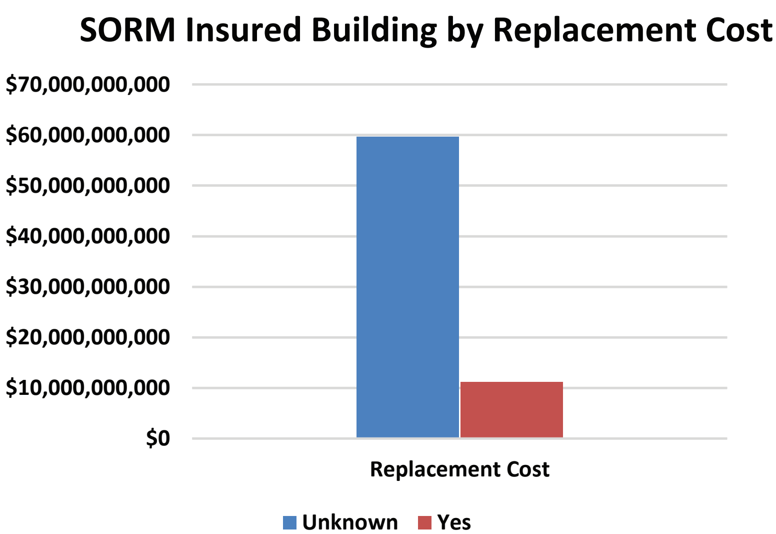
Disclaimer

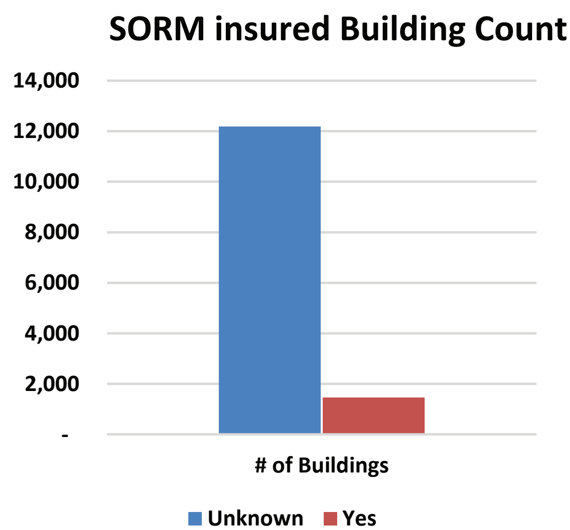
AIR Worldwide Touchstone (AIR) v3.1 and Risk Management Solutions (RMS) RiskBrowser v15.0 are licensed technologies used in combination in providing this information are based on the scientific data, mathematical and empirical models, and encoded experience of earthquake engineers, wind engineers, structural engineers, geologists, seismologists, meteorologists, and geotechnical specialists. As with any models of complex physical systems, particularly those with low frequencies of occurrence and potentially high severity outcomes, the actual losses from catastrophic events may differ from the results of simulation analyses. Furthermore, the accuracy of predictions depends largely on the accuracy and quality of the data input by the user.

The loss estimates and their associated probabilities are estimates of the magnitude of losses that may occur in the event of such natural hazards; they are not factual and do not predict future events. Actual loss experience can differ materially. They depend on data and inputs supplied by the client over which RPS Analytics exercises no control. The assumptions that RPS Analytics used in creating them may not constitute the exclusive set of reasonable assumptions and methodologies. The use of alternative assumptions and methodologies could yield materially different results.

RPS Analytics does not recommend making catastrophic risk management decisions based solely on the information contained in this report. Rather, this report should be viewed as a supplement to other information, including your company's specific business practice and financial situation.

APPENDIX B


SORM Insured Building by Replacement Cost
$70,000,000,000
$60,000,000,000
$50,000,000,000
$40,000,000,000
$30,000,000,000
$20,000,000,000
$10,000,000,000
$0
Replacement Cost
Unknown
Yes


SORM insured Building Count
14,000
12,000
10,000
8,000
6,000
4,000
2,000
-
# of Buildings
Unknown
Yes

APPENDIX C

STATE OFFICE of RISK MANAGEMENT

STATE OFFICE OF RISK MANAGEMENT
Senate Bill No. 1, 81st R.S.

STATE INSURABLE ASSETS STUDY

JANUARY 2011

Table of Contents

I. Background

The State Office of Risk Management (Office) is responsible for administering insurance services obtained by State agencies, including the government employees' workers' compensation insurance program and the State risk management programs.[1] Pursuant to Senate Bill No. 1, 81st R.S., as codified in the General Appropriations Act, the Office was directed to prepare a report and offer recommendations for a potential statewide strategy to insure State assets against damage or loss and comment on the advisability of various insurance options, including self-insurance, privately placed insurance, and stop-loss insurance.[2]

The Office currently administers the voluntary State of Texas Property Insurance Program, which currently insures approximately $11B in Total Insurable Values (TIV). State agencies are not generally required to insure their assets, but 27 agencies have elected to participate to insure their real property and contents, either for a business purpose or to comply with external requirements, such as property financed with public bonds or as a prerequisite to Federal Emergency Management Agency assistance. Only a minority of State property is currently covered by insurance. The Office estimates the State in total has approximately 40,000-45,000 properties with a combined TIV of $50B-$80B.

It is often assumed the State of Texas self-insures its real and personal property.[3] This long-held belief partially stems from the 1921 Senate Concurrent Resolution No. 3, 37th R.S., and partially from the existence of unappropriated general revenue and mechanisms for requesting supplemental appropriations for sustained losses.[4] The latter is not technically self-insurance, as the State has no specific funded reserve for losses to real or personal property nor has it established a process for adjusting claims and distributing payments. Most agencies are functionally uninsured, unless they have obtained specific insurance policies or established agency funding reserves.

Under the current statutory insurance program administered by the Office, each agency makes an individual decision to either insure its property, or a portion thereof, or retain any potential loss. When uninsured losses occur, the agency must either absorb those losses within current budgets or request additional appropriations from the Legislature.

[1] Texas Labor Code §412.011, et seq.
[2] GAA, pg. I-80, Rider 4
[3] For the purposes of this report, real property is defined as "land and immovable structures attached to the land," and personal property is defined as "tangible property, which is often called 'contents'." Richard V. Rupp, CPCU, Rupp's Insurance & Risk Management Glossary, 2nd Edition, 1996
[4] The 1921 resolution sets forth that it is "the policy of the state to self-insure its buildings" and recommended establishment of a fund for paying losses. No fund has been established.

For agencies that do not purchase insurance, the Legislature has historically assisted those agencies in financing uninsured catastrophic losses. Past sessions have seen multiple agencies requesting financial assistance from the Legislature for damage sustained; most recently from natural disasters such as Tropical Storm Allison and Hurricanes Rita, Katrina, Dolly, Gustav, and Ike. Similar situations may occur from manmade events, such as the arson attack on the Governor's Mansion in June 2008.[5]

Requests for financial assistance over the last few legislative sessions have exceeded a quarter of a billion dollars. Known appropriations for general costs caused by natural disasters from Sept. 1, 2007, through June 29, 2009, as reported in HB 4586, are provided in the Appendix. These figures reflect only known payments that were to be distributed to the respective agencies at the time of the report.

[5] The building had a Builder's Risk insurance policy in place during a roof repair at the time of the fire. The Builder's Risk insurance policy provided some recovery but was well below the approximately $22M requested of the Legislature to rebuild the historically classified building to its previous state.

II. Methodology

While the State tracks some properties in a centralized manner, there is currently no single existing source that identifies or tracks the condition, replacement value, and geographical location of all State assets. The lack of complete current or verifiable information regarding full exposures prohibits accurate cost evaluations as part of this report. According to industry experts consulted during the preparation of this report, this is a common issue in state insurance plans and is a fundamental prerequisite to performing a cost analysis for all methods of protection.

The Office's study was conducted by identifying categorical strategies, utilizing reasonable extrapolations based on data collected in the current voluntary program, and consulting with practicing industry experts on various strategies, including strategies utilized by other states. The experts provided information and responded to specific inquiries on concepts and approaches. The strategies identified include both financial and non-financial options, including traditional insurance, individual self-insured retention, pooling, captives, CAT (catastrophic) bonding, and set asides. Non-financial options include strengthening of procedural mechanisms and potential legislative policy.

To compare various approaches, experts addressed the following inquiries from the Office:

What should be the goal of a State Property Program?
What are the recommended approaches for the State to handle the risk of its insurable assets?
What are other states' approaches to property programs, specifically those with similar exposures and size of Texas?
What important aspects must be, and should be, addressed prior to, during, and after instituting a statewide program?
What additional services would the State require to implement various strategies?
How should agencies be motivated to participate?
What are available and/or recommended approaches to funding a statewide program?

III. Options

All of the industry experts consulted stressed the importance of developing and maintaining a comprehensive database of all of the real property and contents currently owned by the State, the geographical location of the properties, the replacement cost, and the COPE (Construction, Occupancy, Protection, and Exposure) characteristics on each piece of property before any program can or should be recommended or implemented. Complete and accurate identification of the property to be insured is a necessary prerequisite of all the approaches discussed.

The experts offered diverse options, recommended best practices, and proposed methodologies for structuring a large insurance program for State use. The following sections address the potential distinct approaches and strategies identified by the Office and by consultants responding to the Office's request for consultations. The options presented are not listed in order of benefit, preference, or advisability for adoption.

A. Financing Options

1. Traditional/Commercial Insurance

Traditional insurance is a component of most basic risk financing plans. In general, traditional insurance transfers the risk of loss from damage to property from the owner to an insurance company, which collects a premium from the owner in return for payment of covered losses.

<u>Advantages</u>. Traditional insurance reduces the financial uncertainty of accidental losses, as a known premium can be incorporated with attendant deductibles to limit State exposure in the event of a large loss. Transferring this risk, particularly in the event of a large (or catastrophic) loss, provides additional financial resources for the State to address other needs. Claims handling and risk control services are typically incorporated in traditional insurance options, providing for value-added services and potential loss control.

<u>Disadvantages</u>**.** In commercial insurance, terms and conditions of an off-the-shelf policy may be unstable, as may be premium charges in response to loss experience both at the individual agency and within the industry-covered population. Traditional insurance routes would likely represent a more expensive option for the State, based on the potential number of buildings and total insurable value of the buildings. Traditional insurance is primarily advantageous for small geographical spreads and may be inappropriate for a statewide approach. In a time of catastrophic

losses, some insurance companies may opt to discontinue insurance coverage in certain counties within the State, leaving portions of the State or subsets of agencies uninsured. Commercial insurance will include the insurer's expense, profits, and risk charges in the premium paid. The insurance premium to cover an estimated 40,000-45,000 buildings could be a considerable increase over current premium costs, decreasing the cash flow for the State. Traditional insurance may not be a complete transfer of hazard risk, as some agencies may have exposures that an insurance company may not be willing to cover (e.g., agencies located in flood zones may be required to purchase additional flood insurance from the National Flood Insurance Program).

2. Individual Self-Insured Retention

Individual self-insured plans would require each state entity to pay for its losses out of its own budget, but without the costs associated with procuring insurance. This type of strategy requires a specific, formal system for recording losses and processing payments from a dedicated revenue source.

Self-insurance works best for high frequency and low severity claims. Unpredictable, high severity claims, such as property losses, are not ideal for this type of program as the claims fund may be inadequate to pay a large loss. Self-insurance is best suited to organizations committed to risk control, able to tolerate risk retention, and willing to provide funding and administrative resources necessary to make the program work. Self-insured programs are usually coupled with excess liability insurance to assist in covering catastrophic losses.

<u>Advantages</u>. A self-insured program would allow the State to have control over its own claims: claims adjusters could be independently selected; claims handling guidelines can be written to State specifications; and timelines for settling claims could be handled internally. There is a potentially significant cost savings if the frequency and severity of losses is minimal, avoiding recurrent premium and administrative costs associated with traditional insurance. This approach is not reliant on insurance market trends.

<u>Disadvantages</u>. Frequency and severity of losses can be unpredictable, leading to loss of cost savings compared to premium-based, risk-transfer mechanisms. Catastrophic property losses, even if infrequent, must be allocated for and dedicated funds protected in the form of minimum reserves in the event of a large loss. The financial costs of property losses, particularly from

natural disasters or external intentional acts, can be extremely large and subject to events outside effective loss control mechanisms, unlike other forms of self-insurance where losses may be limited or controlled (e.g., tort liability limitations, workers' compensation losses, etc.). Internal administrative handling of a self-insured program (recording, adjusting, scheduling, payment, and possible litigation) can require significant resources when dealing with losses. Assets and reserves must be rebuilt after payment processing, further reducing potential savings over other strategies.

3. Statewide Self-Insured Retention

This strategy is identical to the preceding section, excepting its State-level approach (i.e., the funds for paying losses are retained centrally by the Legislature or a designated agency that receives a direct appropriation). This option is most closely associated with Senate Concurrent Resolution No. 3, 37th R.S., which is attached as Appendix 2.

4. Pooling

The concept of pooling refers to the strategy of entities combining resources to finance experienced losses. Pools may be grouped by common exposure(s), business focus, geography, genesis, or any other mutuality supporting combination. Each entity contributes resources to the group as a whole, used for the equal benefit of the members.

Generally, protection against exceeding pool resources must be factored in, including consideration of reinsurance treaties purchased to ensure the pool does not become insolvent in a particularly catastrophic year, or obtaining excess insurance based on the catastrophic exposures in different demographic areas (in this configuration, the pool would fund the primary layer of coverage and excess would cover losses exceeding the primary layer).

The State of Arkansas uses an "all in or all out" pooling approach, with universities permitted exemption. The Arkansas pool uses a state's master insurance policy form, although the form may be altered to suit Arkansas' universities' specific needs. Buildings are appraised every three years to ensure they are insured to value (however, Arkansas insures approximately 3,600 structures compared to Texas' potential estimated 40,000-45,000 structures).

Pooling programs would allow the State to include or exclude agencies based on ability to meet underwriting guidelines and create layers for certain properties based on exposure to catastrophic losses.

Potentially, each entity would be treated as a separate insured and have separate limits of liability for each insured building. As noted, a reinsurance treaty would be recommended to follow form to the master policy and stand behind it to ensure pool solvency. Claims handling may be outsourced or internally administered (either centrally and/or on a loss-value basis by individual entities), with authority of the pool administrator to set retention rates, designate surcharges, exclude non-maintained or non-compliant buildings, or assess penalties or modifiers for loss control failures.

Advantages. Pooling increases the predictability of each participant's losses by reducing the variability of their average loss.[6] Premium (contribution) stability in risk pooling allows for more consistency in the annual budgeting for agencies. Similar to individual self-insurance retention, pooling allows the State the option of handling claims either in-house or through a third-party administrator and adds additional consistency in the regulation of loss-control programs for participants. Pooling is a common approach to real and personal property protection in the United States, and there is an availability of third parties to assist in the administration of this strategy.

Disadvantages**.** Pooling requires large participation and diversification of the State's property to be successful and to avoid adverse selection limiting the successful spreading of risks (i.e., high and low risks, covered properties both in and out of Tier 1). Statewide participation may be required to be mandated by the Legislature to ensure pool viability. Losses may exceed pooled assets, or assets may be substantially reduced by losses or other events, leading to pool insolvency.

5. Captives

Captives are another form of risk financing that operates to pool the State's risks and refers to a dedicated subsidiary insurer or insurers to address the State's risk financing needs. In such a strategy, the State retains a significant share of its own losses in exchange for the benefit of having its own dedicated insurer, who collects premiums, issues policies, and handles claims. A Captive insurer usually purchases reinsurance to transfer some of the loss exposure to another insurance company.

A Captive approach may also operate to centralize the loss retentions between agencies, allowing for potentially higher loss retentions at a statewide level, and the dedicated nature of the subsidiary relationship

[6] Risk Financing, 4th Edition, Berthelsen, Elliott & Harrison, 2006, at 24.

allows the parent to design and control the claims-handling process to suit its needs.

Advantages. Generally, the administrative costs associated with procuring traditional insurance are not included in Captives. Captives typically adjust the claims, reducing internal resources and/or funds that would have been spent on a third-party administrator, and overhead or profit costs are eliminated from premiums. Direct access to the international market of reinsurers is immediately available through the Captive (where a self-administered pool would have to be certified by the Texas Department of Insurance or otherwise specifically authorized through legislation to access these markets). Captives may have increased negotiating power with commercial insurers during market downturns, particularly in a statewide program with a large TIV.

Disadvantages. Captive insurance requires a considerable capital outlay and start-up cost. Start-up and annual operating costs for a Captive are estimated to range from $35,000-$150,000 depending on the size of the insured base. Unless directly funded by the Legislature, each State agency would need to have a designated fund available for costs associated with utilizing the Captive, including adequate retention limits, administrative costs, premiums, and other charges. If the Captive is designed with inadequate resources and losses exceed the Captive's ability to pay, the loss could financially cripple the Captive and the State. Reinsurers may choose not to follow the form of a Captive, leaving gaps in coverage.

6. CAT Bonding

A CAT Bond is an insurance-linked security. The purpose of a CAT Bond is to transfer otherwise insurable large risks to potential investors. CAT Bonds were developed because of the limited availability and affordability of catastrophe reinsurance. These bonds are issued by securitization and special purpose vehicles (SPV) of large reinsurers, insurers, or large corporations. They are designed to imitate the traditional excess catastrophic insurance and reinsurance. They can be issued for any type of catastrophic insurable risk such as hurricanes, tornados, and other naturally occurring risks.

CAT Bonds are highly specialized and are not a commonly used form of protection of assets. The strategy is identified herein as an option that may warrant additional consideration should the Legislature specifically identify further study respecting non-traditional or highly specialized risk transfer mechanisms.

B. Non-Financial Options

1. Procedural Mandates

One aspect of catastrophic losses experienced by the State is the lack of standardized and recurring procedural methodologies for the reporting, oversight, financing/appropriation, and payment of losses.

Given the estimated 40,000-45,000 structures owned by the State, it should be possible, with adequate data, to project the average annual loss with a fair degree of accuracy. While the State of Texas has some concentrations of property (notably in Austin, Tier 1 coastal areas, and college campuses) the size and diversity of the State makes it unlikely that any single catastrophic event could threaten all of its assets. Put in simpler terms, while we cannot establish the probability that an individual State building will experience a loss with any degree of accuracy, given historical and current data, we should be able to project the average annual loss across all state properties.

To finance large losses that currently fall to the legislative budget process, the State could establish a reserve sufficient to deal with moderate spikes in losses from year to year and establish a formalized process for requesting necessary financing. The details of application could be established by legislation, and oversight and administration could be delegated if, and as, required.

2. Asset Restructuring

Ownership of the asset involves ownership of the risk of loss and responsibility for replacement and/or repair. Some states have utilized nominal sales of state assets and period lease-backs from investors as a method of balancing the budget.[7] While outside the scope of this study, these budget approaches raise the possibility of transferring risk from the state to the owners of leased properties, at least in situations where there would be no ownership interest retained (i.e., outright sale to a new owner with leasing rights versus a nominal sale as collateral with buy back rights). This approach represents a significant shift in the State's current risk management policy. Although this method of risk transfer has been utilized by other states, none were the size of or had the estimated TIV of the State of Texas. Asset restructuring is mentioned here in an effort to present the Legislature with as many risk management options as possible.

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[7] See, http://tucsoncitizen.com/hot-off-the-press-release/2010/01/14/state-sells-buildings-for-735-million-money-to-help-balance-budget/ for a description of such an approach by the State of Arizona.

C. Hybridized System

Given that each option has both identified strengths and weaknesses, an ideal program would be specifically designed to ensure an approach customized to meet the unique needs and exposures of Texas. The development of a hybridized system is heavily dependent on accurate and current information for the selection of procedure, programs, services, and products.

One problem with the State's current decentralized and non-mandatory approach to insuring State properties is that incurred losses do not fall to agencies proportionally. While small losses may be absorbed within agencies' operational budgets, large losses can threaten an agency's continuity of service and fall disproportionately on the legislative budget process. By creating a centralized, mandatory state property insurance program, whether funded by assessments to covered agencies, legislative appropriation, or some combination thereof, it would be possible to normalize the cost of ordinary losses to individual State agency budgets at minimized additional expense. Such a program offers the additional benefit of providing timely disbursements of funds to covered entities that experience a loss to minimize disruption of agency operations. Importantly, the losses described here are not new expenditures. Because a majority of State property is currently not protected by insurance and the State currently pays the entire loss from some part of its budget, this approach is intended to improve the current process for paying losses.

A mandatory property insurance program as described would pool losses to the extent that individual agencies would minimize the budget impact of a casualty loss, but in such a system the legislative budget process retains the liability of large losses. This approach can be combined with other financing approaches as described above.

To finance large losses that currently fall to the legislative budget process, the State could establish a reserve sufficient to deal with moderate spikes in losses from year to year and even consider purchasing reinsurance for large, catastrophic losses. Determining the dollar limits that should be applied to the portion of the loss that would be retained by the State, including deductibles paid by the affected property owner, and the portion that would be commercially insured is a matter for legislative discretion and will be heavily influenced by market conditions and the availability of reinsurance.

IV. Considerations

As the State agency administering the specialized government employees' workers' compensation program and the State's risk management program, including the insurance purchasing program, the Office strongly emphasizes the following considerations as part of any evaluation of identified strategies herein.

A. Adjusting Services

Claims handling involves a team of specially trained individuals able to adjust the many varieties of property loss the State could experience. Claims handlers require specialized skills in adjusting, settling and administering claim payments, so decentralization of this function should be carefully scrutinized. Should the State undertake internal claim management as part of any insurance strategy, it is strongly recommended that any program emphasize professional training and standardization, including potential centralization, and have the resources required to adequately oversee timely and accurate claim processing.

Alternatively, as discussed above, a third-party administrator (TPA) may be used for handling the State's claims. Depending on claim frequency, a TPA may bring additional flexibility to handle spikes of activity related to catastrophic claims. Another potential advantage to this approach is additional transfer of liability for handling the claims to the external administrator. On the negative consideration, there is a financial trade-off respecting the cost of contracting with a TPA for such a program. Contract maintenance and oversight and specific fiscal controls must be put in place for such an arrangement, including consideration of long-tail claims that could potentially cross vendor and/or insurer contracts.

B. Loss Prevention/Risk Control Services

To ensure a program results in long-term savings to the State, any program must be proactive in reducing claims. Risk control services specifically related to property and historical buildings, as well as best practices for property maintenance, prevention, and control of losses will be highly important to a successful strategy. As with adjusting, the State may utilize in-house staff to provide the loss prevention and loss control services or opt for a contracted service.

V. Recommendations

The actual mechanism(s) chosen for a statewide strategy for adequately insuring State assets should be determined by the Legislature after considering the impact on overall State operations, the costs associated with retaining the risk versus transferring the risk through reinsurance, and should provide clear procedures for identifying when and how funding will be made available in emergencies. Based on the study identifications, a **hybridized system** that incorporates multiple approaches would be the most advantageous to the State.

To determine which, if any, of the identified options is most financially advantageous to the State within such a system, an appraisal must be commissioned identifying all property and contents currently owned by the State, the geographical location of the properties, the replacement cost, and the COPE characteristics on each piece of property. The maximum probable and maximum possible losses should also be calculated per building and across the entire program from reported information, allowing for accurate provisioning and selection of an appropriate strategy.

It is recommended the Legislature allocate responsibility and resources to undertake a data collection and modeling process, including legislative mandates for agency compliance and a time frame for the completion of the data collection. Completion of reporting, analysis, and modeling should result in a formal recommendation of prioritized strategies for Legislative consideration on the best-suited model and strategies for protecting State of Texas assets.

After selection and authorization of strategy, procurement, and marketing, implementation should be undertaken under designated agency authority and require ongoing analysis and data collection to ensure the State is insuring its assets in the most cost-effective way for the taxpayers.

The Board of Directors and staff of the State Office of Risk Management are available to respond to any inquiries and to undertake all efforts respecting the matters herein. Any inquiries may be directed to Jonathan D. Bow, Executive Director, State Office of Risk Management, P.O. Box 13777, Austin, TX 78711-3777, by telephone to (512) 936-1502, or facsimile at (512) 370-9025.

Appendices

Appendix 1

Table 1
Appropriations for General Costs Caused by Natural Disasters Reported in the Sept. 1, 2007, Biennial Presentation to the Legislature on June 29, 2009

State Agencies that Received Money from Legislature	Funds provided from the General Revenue Fund	Notation Location
UT Medical Branch at Galveston	$150,000,000	H.B. No.4586 Section 55
Brazosport College	$120,111	H.B. No.4586 Section 55
Parks and Wildlife Department	$12,000,000	H.B. No.4586 Section 55
UT M.D. Anderson Cancer Center	$1,725,995	H.B. No.4586 Section 55
Alvin College	$2,358,771	H.B. No.4586 Section 55
Texas A&M Galveston	$6,200,000	H.B. No.4586 Section 55
Texas Forest Service	$385,091	H.B. No.4586 Section 55
Houston Community College	$1,507,670	H.B. No.4586 Section 55
Commission on Environmental Quality	$4,600,000	H.B. No.4586 Section 55
San Jacinto College	$3,045,820	H.B. No.4586 Section 55
Galveston College	$407,406	H.B. No.4586 Section 55
Texas Engineering Extension Service	$1,200,000	H.B. No.4586 Section 55
Adjutant General’s Department	$1,244,007	H.B. No.4586 Section 55
The University of Texas at Brownsville	$1,200,000	H.B. No.4586 Section 55
Lamar University	$2,803,561	H.B. No.4586 Section 55
Lamar Institute of Technology	$2,007,758	H.B. No.4586 Section 55
Lamar State College - Port Arthur	$829,530	H.B. No.4586 Section 55
Texas Southern University	$9,720,192	H.B. No.4586 Section 55
College of the Mainland	$176,236	H.B. No.4586 Section 55
The University of Texas Pan American	$102,258	H.B. No.4586 Section 55
The University of Texas Health Center at Tyler	$1,461,557	H.B. No.4586 Section 55
The University of Texas Health Science Center at Houston	$1,000,000	H.B. No.4586 Section 55
University of Houston System Administration	$7,339,000	H.B. No.4586 Section 55
Texas State Technical College - Harlingen	$904,558	H.B. No.4586 Section 55
Lamar State College - Orange	$600,000	H.B. No.4586 Section 55

Prairie View A&M University	$488,864	H.B. No.4586 Section 55
Lee College	$137,554	H.B. No.4586 Section 55
Department of Agriculture	$20,000,000	H.B. No.4586 Section 55
Total	**$233,565,939**	

Table 2

Certain Appropriations for Disaster Relief
Reported in the Sept. 1, 2007, Biennial Presentation
to the Legislature on June 29, 2009

State Agencies that Received Money from Legislature out of this fund	Appropriated Funds from the General Revenue Fund to the Trusted Program of the Office of the Governor	Notation Location
Texas Education Agency	$10,000,000	H.B. No.4586 Section 58
Texas Engineering Extension Service	For TX Task force 1 Flooding - No $ amount provided.	H.B. No.4586 Section 58
General Land Office	For repairs made to the Protective Dune System for County Road 257. No $ amount provided.	H.B. No.4586 Section 58
Total Available for Disbursement	**$62,000,000**	**HB4586 Appropriations for state agencies.doc**

Appendix 2

CONCURRENT RESOLUTIONS

PROVIDIXG THAT THE STATE SHALL CARRY ITS OWN INSURANCE ON STATE BUILDINGS AND CONTENTS

S. C. R. No. 3.]

Whereas, It is of great financial importance to the State that a fixed policy be established with reference to carrying fire insurance upon buildings and contents belonging to the State and its various institutions, and

Whereas, The insurance data and information tabulated and set out on page 261 of the First Annual Report of the State Board of Control indicate that a substantial saving can be made to the State in carrying its own insurance; therefore be it

Resolved, by the Senate of the State of Texas, the House of Representatives concurring herein, That hereafter it shall be and is the Fixed policy of this State that the State shall carry its own insurance upon State buildings a:nd contents, and that no insurance policies shall be taken out upon any of the public buildings of this State, nor upon the contents thereof, and the State Board of Control and all other Boards having charge of buildings of the State, and the contents of such buildings, are hereby instructed not to have such buildings nor property insured, notwithstanding there may be items in the appropriation bills authorizing the expenditure of money for the payment of insurance premiums.

Provided that it is declared to be the policy of the State hereafter at the end of each two years period to set aside approximately one per cent of the value of all public buildings owned by the State, as a sinking fund until ten per cent of the total value of all such buildings has been accumulated, and that this sinking fund shall be invested in school bonds in the school districts of this State.

Provided, however, that this resolution, or any part of its provisions shall not apply to or affect the University of Texas, and its branches, and that it is the fixed policy of the State that all buildings and the contents thereof belonging to the University of Texas, and its branches, shall be kept insured at all times against any loss by fire or tornadoes.

[NOTE.–The foregoing resolution was adopted by the Senate, August 24, 1921; and was adopted by the House August 24, 1921.]

Acknowledgements

The State Office of Risk Management would like to thank the following entities for their assistance and expertise in gathering information about state insurance programs around the nation. The experts shared examples of various insurance options, and their experiences regarding property programs administered in other states.

American Appraisal

Arthur J. Gallagher Risk Management Services

Cedar Consulting LLC

Munich RE

North American Solutions

Texas Department of Insurance

Wells Fargo Insurance Services USA

Willis Group Holdings

York Insurance Service Group, Inc.

APPENDIX D

SORM
State Office of Risk Management

STATE OFFICE OF RISK MANAGEMENT
House Bill No. 1, 82nd R.S.

STATE INSURABLE ASSETS STUDY
2013 Subsequent Report

January 2013

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I. Background

In 2009 the State Office of Risk Management (Office) was directed, pursuant to Senate Bill No. 1, 81st R.S., to prepare a report and offer recommendations for a potential statewide strategy to insure State assets against damage or loss and comment on the advisability of various insurance options, including self-insurance, privately placed insurance, and stop-loss insurance. That report, attached as Appendix B, was filed in January of 2011, and identified categorical strategies, utilizing reasonable extrapolations based on data collected in the current voluntary program and through consultation with practicing industry experts on various strategies, including strategies utilized by other states. The strategies identified include both financial and non-financial options, including traditional insurance, individual self-insured retention (SIR), pooling, captives, catastrophic (CAT) bonding, and set asides. Non-financial options include strengthening of procedural mechanisms and potential legislative policy.

The 2011 report identified a primary lack of centralized identification or tracking of the condition, replacement value, and geographical location of State assets, and recommended the Legislature allocate responsibility and resources to undertake a formal data collection and modeling process, including legislative mandates for agency compliance and a time frame for the completion of the data collection. Subsequent to this data collection effort, the Office proposed implementation of a hybridized model of a centralized, mandatory state property insurance program, incorporating a pooling and reserve approach, in concert with reinsurance for larger, catastrophic losses.

This 2013 report is submitted pursuant to House Bill No. 1, 82nd R.S., which retained the rider requiring submission of the instant study to the Legislature. This 2013 report adopts the 2011 findings and recommendations, provides additional detail respecting statewide programs operating in other select states, and explores additional considerations.

II. Considerations

To further explore efficacy of centralized approaches, the Office conducted direct surveys of five US states with established State Property Programs. The states of Alabama, Florida, Louisiana, North Carolina, and South Carolina were selected based on similar catastrophic (CAT) exposures or geographical similarities to Texas. Summaries of the questions and research conducted are provided in Appendix A, and have been verified and approved by the participating states.

Following these comparable state interviews and ongoing discussions with insurance industry experts handling other U.S. state property programs, the foremost task the State of Texas currently faces remains the collection of data for insurance purposes and identifying the real and historical replacement costs of state owned buildings and contents for approximately 152 state agencies. In order to collect the necessary information required to design a comprehensive program, the following major considerations have been identified, including applicable experience and approaches utilized by the survey states:

A. Data Compilation

Complete and accurate data is foundational to the design of any comprehensive asset protection strategy. The collection of state assets, especially for a state the size of Texas, is time consuming and will require specially trained engineers to accurately collect the construction, occupancy, protection and exposure (COPE) information, and to appraise historical and non-historical buildings for their accurate replacement cost value. COPE is an industry term describing the unique characteristics of a building, used by underwriters to evaluate the risk and by risk managers to assess and control loss.

To expedite data compilation, a business agreement between the state and a third party with trained engineers to collect COPE data and complete historical and non-historical appraisals may be considered. Alternatively, this responsibility may be assigned to an agency or collection of agencies, with corollary expectations for professional training and standardization, including potential centralization, and have resources required to adequately oversee the timely and accurate data collection and continued maintenance of this data.

- **Alabama:** State agencies are required to send annual updated property schedules, which include COPE information. All buildings and contents are inspected every three to four years by the State's eight loss control employees. They provide survey information and photographs of the buildings to the six underwriters who complete a Marshall & Swift building cost appraisal to calculate the replacement cost for each building. Third party vendors are utilized when historical or unusual buildings need appraising.

- **Florida:** Each state agency is required to report their COPE information and property valuation to the Division of Risk Management on an annual basis. There are concerns about the accuracy of the valuations, as some agencies hire appraisers, while others estimate their values based on prevailing property values in the area.

- **Louisiana:** The Louisiana Office of Risk Management maintains a complete inventory of state owned buildings, but they have limited COPE data. Appraisals are conducted every four years by third-party loss prevention personnel. A third-party appraisal company has been hired in the past to conduct multiple appraisals in a short period of time.

- **North Carolina:** State agencies are required to report updated COPE and total insurable values (TIV) for all state appropriated buildings annually to the North Carolina Office of Risk Management. Appraisals are not currently completed on state assets because it is not cost effective for the state.

- **South Carolina:** Property appraisals are completed by a third party firm through a five year contract agreement. The firm completes appraisals for 20% of the scheduled property locations each year so that by the end of the contract, 100% of the properties have been appraised.

B. Database Management

Once collected, the data must be continually maintained and updated to ensure accuracy and completeness. Software selected or designed for this purpose should include the capabilities to upload risk management loss control reports, provide appraisal documentation, generate invoices and coverage documents, process claims, generate boiler and machinery reports, input and pull loss data, generate frequency and severity reports, contain photographs of insured buildings and contents, and include contact information for the building manager or contents coordinator at each state agency.

The state agencies and regulating state agency should have the capability to upload responses to loss control recommendations, print certificates of coverage, file claims, obtain information about their insured locations or run relevant reports pertinent to insured building(s) and contents. It is recommended the program have the capability to plot the State assets within counties on a map of Texas so an overall picture of where state owned assets are and their total replacement dollar value can be ascertained. It would be beneficial to utilize a software program that not only plots the owned assets, but tracks CAT exposures that could potentially cause damage to state owned assets now and in future years. Early identification of potential exposures for state agencies and the implementation of policies, practices, and procedures to mitigate the size of these losses for potential CAT exposures in affected areas will decrease the bottom line costs to the state at the time of a CAT loss. Such a platform would be a long-term investment and would require the capability of being updated and enhanced as needed.

- **Alabama:** In 1990, Alabama built the State Risk Management and Insurance Software Program. The program stores property and contents data, as well as loss control reports, recommendations, underwriting information, and data for all other lines of insurance and related administrative information.

- **Florida:** The state maintains a comprehensive database of all state owned property, including unimproved land. The Division of Risk Management currently utilizes this database to store COPE information, premium calculations, and to track premium payments. In the next year, Florida will upgrade to the SOLARIS database system, which will also track property valuations and other information.

- **Louisiana:** The Office of Risk Management maintains a dedicated system that tracks TIV, replacement cost, and other information concerning each property. This program is purely a property-tracking database, and does not have other functions to process claims, issue certificates, etc.

- **North Carolina:** In 1990, North Carolina utilized a one man proprietary to build their customized, comprehensive risk management operational software system. This individual still maintains the program today. The software program holds the State's inventory, tracks losses, and handles the accounting.

- **South Carolina:** The Insurance Reserve Fund maintains a comprehensive and adaptable IT database management system that has been in existence for over twenty-five years. The system is a hybrid of internal and external design consisting of web based features for over 900 different programs. The IT database system is the utmost integral component of the IRF allowing data management and workflow capabilities for the entire state's insurance program to be administered by a relatively small division. All policies, documents, invoices, and correspondence are automatically generated by the IT management system, and information is issued to the participants via electronic transfer or paper mail.

C. Legislative Direction and Program Administration

Centralizing responsibility for the collection of data and/or the operation and maintenance of a comprehensive program will be essential to any statewide strategy. Legislation will be required to assign responsibility and authority to a designated entity or entities for the collection, administration and maintenance of any comprehensive state property and asset program. The suggested legislation should include a requirement for all state agencies to provide required data to the third party vendor or state representative/agency handling the data collection within a set time frame, as well as set forth responsibilities for the management of property and coordination of contents on an ongoing basis. Any established program should also include necessary risk management services and loss control strategies, with rulemaking and potential compliance authority.

- **Alabama:** The State Insurance Fund was established by the legislature in 1923 to insure all state owned property, K-12 systems, post-secondary education systems and state university properties against direct physical loss. Participation by state agencies is mandatory. City boards of education may elect to insure school buildings and property either in the Fund or with a commercial insurance company, whichever provides the best coverage.

- **Florida:** All state agencies are required to insure their property through the Division of Risk Management. The Division issues certificates of coverage and publishes rules to set standards for coverage.

- **Louisiana:** All state agencies currently participate in the Louisiana Office of Risk Management property insurance program as required by statute. The Office publishes rules to set standards for coverage.

- **North Carolina:** All state agencies are required to insure their property and contents for fire losses only. The division of risk management manages the collection of data, premiums and provides certificates of coverage.

- **South Carolina:** Every state agency is statutorily required to participate in the property insurance program and insure all state owned buildings and contents. The office of risk management has the authority to purchase insurance and to collect premiums to pay for insured losses. The Insurance Reserve Fund operates like an insurance company by issuing policies, collecting premiums (based on actuarially calculated rates), and paying claims from the accumulated premiums in accordance with the terms and conditions of the insurance policies it has issued.

D. Funding Structure

The hybridized model recommended in the 2011 study assumed an approach designed to ensure customization to meet the State's unique needs and exposures (see Page 10 of the 2011 study at Appendix 1). That model assumed establishment of a pooled reserve sufficient to deal with known and moderate spikes in losses from year to year, with the centralized purchase of reinsurance for large, catastrophic losses. In order to establish such a reserve, a dedicated account may be created for the payment of losses and funded through assessments or appropriation. Another option may be to evaluate the use of the existing Economic Stabilization Fund, with deposits made to the account through the same assessments or appropriations. Authority may granted by the Legislature for the appropriation and disbursement of funds in accordance with provisions of the Texas Constitution and the relevant enacting legislation. This latter approach would have the benefit of significantly protecting the State's reserve while normalizing expenditures substantially at the statewide level.

- **Alabama:** The State Insurance Fund maintains a self-insured retention of $3.5 Million per occurrence for non-CAT losses and a self-insured retention of $20 Million per occurrence for named windstorm losses. Excess coverage is obtained to provide $1 Billion of coverage for all other perils (AOP) and $200 Million for named storms. The Self Insured Fund also maintains a 3 year term CAT Bond for Alabama's coastal exposure that renews annually at a cost of approximately $860,000. The state appropriates money to cover state agencies against fire losses only. State agencies must pay for additional property coverage out of their budget. The division of risk management collects premiums and provides certificates of coverage.

- **Florida:** The State Risk Management Trust Fund maintains a self-insured retention of $2 Million for non-CAT losses and purchases excess insurance to pay for losses in excess of the SIR, with up to $200 Million for AOP coverage and $50 Million for terrorism coverage. For windstorm and flood losses, Florida maintains a $2 Million deductible per occurrence, and has a $40 Million aggregate retention. The Division purchases excess insurance to pay for additional CAT loss costs up to the $92 Million limit. The Trust Fund is funded on a cash flow basis, where each state agency is charged an assessment based on the size of their exposure and loss history.

- **Louisiana**: The Office of Risk Management maintains a SIR, and purchases excess insurance to cover losses in excess of the SIR. The amount of money available to the SIR may vary annually based on budgetary and market conditions. Louisiana's current SIR is approximately $50 Million for catastrophic claims, and $10 Million AOP. The SIR is funded on a cash flow basis, where each state agency is charged an assessment based on the size of their exposure and loss history.

- **North Carolina:** North Carolina maintains a $2.5 Million self-insured retention and purchases $750 Million reinsurance for all other perils and $150,000 Million for named storm coverage for all state agencies. North Carolina follows the principle that the retention for their property program should not exceed 10% of the self-insured fund reserves. North Carolina's self-insured fund is currently approximately $25 Million.

- **South Carolina:** The current property program (excluding terrorism) consists of four multi-stratified layers of $100 Million each. The terrorism portion is written as a single layer of $150 Million. The Insurance Reserve Fund assumes a $10 Million self-insured retention for the first event during a policy period, with a $1 Million self-insured retention for subsequent events. The Insurance Reserve Fund utilizes third party actuaries to determine rates, incurred but not reported (IBNR) reserves, adequacy of loss reserves, and adequacy of policy holder's equity in making management recommendations to the Budget and Control Board regarding the financial management of The Fund. The Insurance Reserve Fund is a revenue agency and does not receive any appropriation from general funds. The IRF is not subject to the state procurement codes and is able to obtain contracts for brokers and other insurance related services as necessary for the benefit of the program.

III. Recommendations

The primary recommendations for this report are identical to the 2011 study set forth in Appendix B. The actual mechanism(s) chosen for a statewide strategy for ensuring that State assets are adequately insured should be determined by the Legislature after considering the impact on overall state operations, the costs associated with retaining the risk versus transferring the risk through reinsurance, and should provide clear procedures for identifying when and how funding will be made available in emergencies. Based on the study identifications, a hybridized system which incorporates multiple approaches would be the most advantageous to the State.

To determine which, if any, of the identified options is most financially advantageous to the State within such a system, a comprehensive series of appraisals should be commissioned identifying all property and contents currently owned by the State, the geographic locations of the property, the replacement cost, and the COPE characteristics on each piece of property, The maximum probable and maximum possible losses should also be calculated per building and across the entire program from reported information, allowing for accurate provisioning and selection of appropriate strategy.

It is recommended the Legislature allocate responsibility and resources to undertake a data collection and modeling process, including legislative mandates for agency compliance and a time frame for the completion of the data collection. Completion of reporting, analysis and modeling should result in a formal recommendation of prioritized strategies for Legislative consideration on the best-suited model and strategies for protecting State of Texas assets. Ideally, this recommendation would involve additional review and in-depth analysis of operating programs at other state levels.

After selection and authorization of strategy, procurement, marketing and implementation should be undertaken under a designated agency authority, and require ongoing analysis and data collection to ensure the State of Texas is insuring its assets in the most cost effective way for the taxpayers.

IV. Contact

The Board of Directors and staff of the Texas State Office of Risk Management are available to respond to any inquiries and to undertake all efforts respecting the matters herein. Any inquiries may be directed to Jonathan D. Bow, Executive Director, State Office of Risk Management, P.O. Box 13777, Austin, TX 78711-3777, by telephone to (512) 936-1502, or facsimile at (512) 472-0234.

V. Acknowledgements

The Texas State Office of Risk Management is grateful to the states of Alabama, Florida, Louisiana, North Carolina, and South Carolina for their valuable time and input regarding the structure, staffing, and maintenance of their state run property insurance programs. The Office also extends its sincere thanks to Arthur J. Gallagher Risk Management Services for its continued assistance and expertise.

APPENDIX A

RESEARCH SUMMARIES

Methodology

To further explore efficacy of centralized approaches, the Office conducted direct surveys of five US states with currently-established State Property Programs. The states of Alabama, Florida, Louisiana, North Carolina, and South Carolina were selected based on similar catastrophic (CAT) exposures or geographical similarities to Texas.

Each state was surveyed on the following:

1. Whether the state maintains a complete inventory of all buildings including location; Construction, Occupancy, Protection, and Exposures (COPE); and the Total Insurable Values (TIV) for insurance purposes;
2. Whether insuring of state owned property is voluntary or mandatory;
3. How building inventory is maintained;
4. How appraisals are completed;
5. The total insurable value of state owned assets;
6. The number of buildings in the program;
7. What type of tools are used to track state assets;
8. Whether any comprehensive risk management operational software programs are in place to manage your state's risk exposure (i.e. claims, IT, insurance documents, accounting, underwriting, loss and trend analysis, and capabilities to generate reports for each department's needs);
9. If a specified software program is in place, whether the program would be recommended to other states;
10. The overall structure of the state program (i.e. traditional insurance, self-insured retention, captives, pools, etc.);
11. Any legislative rules or statutes which govern the property program;
12. Length of time the current program has been in effect;
13. Funding structure for the program;
14. How a state's initial self-insured retention and fund was established;
15. How a state's initial self-insured retention and fund is protected;
16. Whether any needed improvements have been identified;
17. How many employees are involved in daily operations of the property program;
18. The titles and number of employees which manage the property program;
19. The approximate annual cost to administer the property program;
20. The CAT exposures faced in the state;
21. The number and percentage of buildings exposed to these CATs;
22. The total insurable value and percent of TIV exposed to these CATs;
23. Whether losses have been adequately funded since the program's existence;
24. How the state funds uncovered losses.

State Programs Review

1. **Alabama Property Program**

Alabama's state agencies insure approximately 31,000 buildings and personal property through the State Finance Department, Division of Risk Management. Their risk management team consists of twenty-three in-house staff members who administer an approximate $50 Billion property program. The team consists of one risk manager, five claims handlers (who adjust all lines of insurance), eight loss control employees (who complete building inspections at a minimum of three year intervals), six underwriters (who underwrite all lines of insurance), one attorney (who conducts regular operations but works with the claims department during claims disputes), one accountant, and one administrative staff member. Alabama contracts actuarial services to a third party vendor, and also have independent adjusters. The Department of Finance, Division of Risk Management, 2010 Annual Report, indicated that the annual operating expenses for The State Insurance Fund, year ending September 30, 2010, were $29,921,253.

History and Legislative Rules Associated with the Program

Alabama's property program is titled "The State Insurance Fund" (The Fund). This program was established by the Alabama Legislature in 1923 under the Code of Alabama 1975, Section 41-15-1, for the purposes of insuring direct physical loss on building and contents in the State of Alabama. The fund requires that all state owned property be insured for no more than its replacement cost and no less than 80% of its actual cash value. The Fund insures all state owned properties, K-12 systems, post-secondary education systems and state university properties. City boards of education may elect to insure school buildings and property either in The Fund or with a commercial insurance company, whichever provides the best coverage. Of the 67 county and many additional municipal school systems, only ten municipal school systems opt not to participate in the State Insurance Fund.

Program Structure

The Alabama State Insurance Fund functions like an insurance company wherein premiums are charged based on loss exposure. Coverage documents are supplied as proof of coverage and the state entity receives a payment if a loss occurs. Private insurance industry markets are utilized to establish rates, premium discounts, and experience credit to result in equitable premiums charged to policy holders. Excess insurance and reinsurance is acquired to assure the solvency of The Fund. The schedules of buildings and contents are updated annually by the state agencies. All state owned buildings are inspected every three to four years by the loss control employees, providing survey information and photographs of the buildings to the underwriting department, who then complete a Marshall & Swift building cost appraisal value for replacement cost. If an unusual or historical building is inspected, Alabama utilizes the skills of a third party vendor to complete an appraisal. Building cost appraisals were introduced due to state owned assets being previously underinsured.

Once accurately appraised, the values for the state assets went from $8-12 Billion to approximately $50 Billion.

Alabama's State Insurance Fund has differing self-insured retentions depending on exposure, and excess coverage is obtained from both domestic and foreign insurance companies. Alabama has an all other perils self-insured retention of $3.5 Million per occurrence and a wind self-insured retention of $20 Million per occurrence. The excess insurance coverage provides $1 Billion for all perils and $200 Million of wind damage coverage for named storms. It costs approximately $22 Million annually to purchase these limits of coverage for Alabama. Each covered or participating organization has a deductible per event, with the deductible chosen by the entity and varying from $500 to $10,000. Due to the higher wind retentions set at Alabama's last renewal ($20 Million all wind), the state purchased a second event buy-down product so that in the event of a second wind event loss, the state would only be subjected to a $1 Million deductible. This second event buy down product costs approximately $2.4 Million. The Fund also maintains a three year term CAT Bond for coastal exposure that renews annually at a cost of approximately $860,000. The total costs of the insurance products purchased for property program of the Self Insured Fund for the FY2012 was approximately $24.75 Million (up from approximately $14 Million for FY2011.

The property program renews annually on April 1st. The State Insurance Fund currently has approximately $190 Million in its surplus fund, dedicated to insuring physical loss on buildings and contents for covered causes of loss predetermined by the Finance Director.

Agencies with state owned properties, K-12 systems, and state university properties receive a policy each year. The program began as a New York Fire Policy, which now has between 24-26 endorsements attached. Each time loss control personnel visit a state owned location, they bring complete data including building photographs, square footage, itemized property coverage purchased on each building, and previous loss control recommendations. On inspection, corrected loss control issues and low loss history for the year result in better experience rating toward annual premium, incentivizing agencies to better maintain state owned assets.

K-12 schools have a residual need on the property policy. The state commits to make the school whole if there is a loss. There is an optional gap policy which allows them to be insured for damages not normally included in traditional insurance. A rate is calculated based on types of existing construction to be upgraded or to meet newer code and the premium is added to their current schedule.

Exposures and Loss Information

Hurricanes and tornadoes are the greatest exposures Alabama's property program faces. Approximately 10-12% (approximately $5-6 Billion) of the state's assets are located in Tier 1 and 2 (approximately 2,500 buildings). Historically, the state has always had enough money in the fund to pay for property and content losses.

Property Related Risk Management Services

In 2004, the Boiler and Pressure Law was enacted, mandating the inspection of all boilers on a biennial basis. The State previously charged a $60 fee per boiler inspection and an additional fee for the certificate of compliance. Alabama contracted with Travelers Insurance Company to provide the service for free, thus reducing state expenditure and resource commitments. The state also offers a Boiler Operator Training Course for boiler operators and maintenance personnel at no cost to agencies participating in the State Insurance Fund. Over 5,000 boilers and pressurized machinery within state owned buildings were inspected in 2010, reducing the effects of breakdowns, property damage, and personal injury.

Risk Management Operational Software System

In 1990, Alabama designed and developed a State Risk Management and Insurance Software Program, utilizing a single programmer. The state's owned property and contents data are stored on this system along with loss control reports, recommendations, underwriting information, and data for all other lines of insurance and related administrative information. Alabama reports that continuity of such a software program must be considered when selecting a vendor or consultant to create a computer software program for a state.

2. <u>Florida Property Program</u>

Total Insurable Value: $21,749,103,926
Number of Buildings: 17,003
Annual Property Losses: $250,000 - $600,000 (in non-CAT years)
Reinsurance Premium: Approximately $9.5 Million annually
Staff Salaries: $110,000 per year

History & Legislative Rules Associated with the Program

Florida's property insurance program began in 1917 and was merged with the Division of Risk Management in 1972. Approximately ten years ago, Florida's independent casualty and property trust funds were merged into a single State Risk Management Trust Fund. At the time of Hurricane Andrew in 1992, the state had $2 Million in retention. In 2003, the retention had been increased to $8 Million, and retention is currently approximately $40 Million. Florida utilizes a broker to purchase excess insurance.

Program Structure

All state agencies are required to insure their property through the Division of Risk Management. Florida's Division of Risk Management issues certificates of coverage and publishes rules to set standards for coverage. The State Risk Management Trust Fund pays for all types of losses (i.e. property, auto, and general liability), operational costs, and the purchase of surplus insurance. The Trust Fund is funded on a cash-flow basis, wherein each state agency is charged an assessment based on the size of their exposure and loss history.

Florida maintains a self-insured retention (SIR) of $2 Million per occurrence for non-CAT losses in the State Risk Management Trust Fund. The state purchases excess insurance to pay losses in excess of the SIR, with up to $200 Million in AOP coverage and $50 Million for terrorism coverage. For flood and windstorm losses, Florida pays a $2 Million deductible per occurrence and has a $40 Million aggregate retention. Once the $2 Million deductible is paid and the $40 Million annual aggregate retention is exhausted, excess insurance pays additional loss costs up to a $92 Million limit. Because the Division of Risk Management does not have the full $42 Million in the Trust Fund to pay its share of a single catastrophic loss, it would be required to borrow money from the Budget Stabilization Fund to pay the remainder of the retention in such an event.

Per legislative requirements, Florida's Division of Risk Management provides coverage on an actual cash value basis and not on a replacement cost basis. The Legislature designed the program this way as a loss prevention incentive wherein each agency shares in a loss (enterprise level pooling). The state agency must pay a $2,500 deductible per loss, plus the difference between their ACV and the replacement cost, with a 60% maximum depreciation value. Each state agency is required to report their property information and actual cash value valuation to the Division. Florida reports concerns about the accuracy of these valuations, however; some agencies utilize professional appraisers, while others estimate their values based on prevailing property values in the area.

The Florida Division of Risk Management employs three staff and a director to oversee their property program. One staff member is an operations review specialist, another is an insurance analyst (database manager), and the third is an adjuster who is utilized when needed. Staff spends the remainder of time adjusting tort claims. Florida pays approximately $3,000 per year in retainer fees for third party adjusters that provide assistance in the event of a CAT loss.

Exposures and Loss Information

While all of Florida is considered a Tier 1 exposure for property insurance purposes, most of the state-owned property is located in the interior of the state. Florida's main catastrophic exposures are hurricanes and flooding.

3. <u>Louisiana Property Program</u>

TIV: $17 Billion (approximate)
Number of Buildings: 10,000 (approximate)
CAT Exposure: At least 40% in tier 1 (approximate)

History & Legislative Rules Associated with the Program

All state entities currently participate in the Louisiana Office of Risk Management property insurance program. The State of Louisiana established its property insurance program in the late 1970s to early 1980s. At that time, not every state agency participated, and the SIR was set up on a reserve basis. In the 1990s, it became mandatory for every state agency to participate and the SIR became funded on a cash basis, rather than an actuarial basis. Each state agency is charged an annual premium based on exposure and loss history.

Louisiana law establishes the insurance program and the authority of the Office of Risk Management, but did not specify the conditions of the property insurance program. Additional enactments established the Self Insurance Fund, and authorized the Office of Risk Management a broad base of authority to change the size of the retention from year to year based on budgetary and market conditions. The Legislature has the ability to take money from the Self Insurance Fund.

Program Structure

The Louisiana Office of Risk Management maintains a SIR, and purchases excess insurance to cover losses in excess of the SIR. The amount of money available to the SIR may vary annually based on budgetary and market conditions. The Office of Risk Management negotiates with excess insurance carriers, and will raise its retention limit if it is cost-prohibitive to maintain a low SIR. Louisiana's current SIR is approximately $50 Million for catastrophic claims (windstorm, flood, and earthquake), and $10 Million AOP.

Each state agency pays a $1,000 deductible per occurrence, regardless of cause of loss. However, on occasion, the Office of Risk Management will waive the deductible for CAT losses.

The Office of Risk Management employs four FTEs to run the property insurance program. Three of the FTEs are professional level employees who procure excess insurance, process insurance policies, maintain the statewide property inventory, and other functions. There is one administrative staff member, and approximately four third party adjusters (with more contracted when needed to process CAT losses).

Exposures and Loss Information

The Office of Risk Management has a complete inventory of state owned buildings, but has limited COPE data. Appraisals are conducted every four years by third party loss prevention personnel through a third party administrator. These loss prevention personnel use a computer program to calculate the value of buildings. A third party appraisal company has been hired in the past to conduct multiple appraisals in a short period of time. Louisiana reports it has been difficult to obtain accurate appraisals on historical buildings.

In years when there are no CAT losses, Louisiana can generally pay losses within the parameters of its program. With some CAT losses, the Office of Risk Management has had to access other funding sources to pay for losses.

The Office of Risk Management has a dedicated system that tracks TIV, replacement cost, and other information concerning each property. This program is purely a property-tracking database, and does not have other functions such as claim processing, certificate issuance, or other functionality.

4. <u>North Carolina Property Program</u>

North Carolina has a team of 11 people employed by the Department of Insurance who administer its $33.6 Billion property program. The team consists of a Director of Risk Management, a risk manager, one loss control and claims specialist, two administrative/accounting staff, and six certified building inspectors. Some of these employees have overlapping responsibilities, but all play a vital role in administering the property program. It costs an estimated $620,000 annually (excluding benefits, office expenses, and travel costs) to employ the property management team.

History and Legislative Rules Associated with the Program

The North Carolina property program was established in 1945. North Carolina has mandated that all real and personal property will be specifically insured for fire coverage. From 1945 until 1981, the state appropriated funds for the purpose of providing a reserve against losses from fire for state agencies and institutions; the State Treasury is the custodian of this fund and invests its assets. After 1981, North Carolina stopped appropriating funds to the State Property Fire Insurance Fund. Under the current arrangement, the Risk Management Division collects premiums for all insured real and personal property from each state agency to fund property losses. State agencies that receive the majority of their funding from state appropriations are not charged for fire coverage, while agencies that receive funding outside of state appropriations must pay for fire coverage

Program Structure

North Carolina maintains $2.5 Million in retention with approximately 18 reinsurers providing up to $750 Million for all perils and $150,000 Million named storm wind coverage for all state agencies. North Carolina targets property program retention at not more than 10% of the self-insured fund reserves (that reserve is currently $25 Million). This ensures that North Carolina has enough money in the fund to pay for multiple losses.

The program provides property insurance to approximately 14,000 state owned assets. The risk management department collects COPE and total insurable values for all state appropriated buildings on a database. Each state agency provides current values, add new or delete demolished buildings, and notifying the risk management department of any elections to broaden property coverage on any specific building(s) on an annual basis. State agencies and institutions of higher education are required to maintain fire coverage for state-owned buildings and contents, but may elect to purchase additional property coverage for a premium (including but not limited to riot, earthquake, volcanic eruption, civil commotion, hail, hurricane, sinkhole, wind, and others). Entities may also elect to purchase flood insurance for an additional premium, and the self-insurance fund stands in the place of the National Flood Insurance Program for those agencies that choose to purchase flood insurance. Appraisals are not currently completed on state assets because it is not currently cost effective for the state.

A self-insured fund is collected from premiums paid for by fire coverage obtained by those agencies that are not primarily funded by state appropriations and from additional property coverage purchased by all agencies and universities. The rates are calculated by the risk management department using a loss cost analysis. This self-insured fund pays for the $2.5 Million retention for losses before the reinsurance starts paying, and pays the $11-12 Million annual premium for reinsurance. The North Carolina organization handling the property program is a subsidiary of the Independent Insurance Agents of North Carolina, with the state of North Carolina as its only client. North Carolina hires an Agent of Record to access the wholesale market. The wholesale broker approaches approximately 35 to 40 reinsurers. There is currently no protection in place to stop the fund from being appropriated by the Legislature for other governmental needs.

Rather than issue insurance policies to insured agencies, North Carolina issues a certificate of coverage which lists every asset insured against fire losses, and any additional elected property insurance coverage for each structure. North Carolina notes a desire to make it compulsory for every state asset to be covered for all risk, and for all agencies to pay for all coverage, including fire.

Exposures and Loss Information

Hurricanes and tornadoes are the greatest exposures that North Carolina’s property programs faces. Approximately $2.25 Million, or 7%, TIV, of the state’s assets are located in Tier 1. The program requires each state agency to pay a $5,000 standard deductible for every loss, which is automatically deducted from the final claim payout by the risk management department. Higher deductibles may be chosen for a reduced premium. Historically, North Carolina has been able to fully fund the state’s property losses.

Risk Management Operational Software System

North Carolina utilized a single individual to build and maintain their customized, comprehensive risk management operational software system constructed in the 1990s. This software program holds the state’s inventory, tracks losses, and handles accounting. It is not solely an insurance database and does not include any underwriting information. Their consultant completed the software customization at a reasonable price and has since updated the system. North Carolina would recommend this individual to help set up any other state agency specific program, but recognizes business continuity concerns since it is just one individual. The risk management department administers the property program, excess liability, automobile, directors' and officers', student health insurance, and many more lines of insurance for the State, excepting workers' compensation.

FEMA

Per FEMA requirements, any state building damaged by a catastrophic event must purchase insurance on that building up to the value of the loss if it receives FEMA funding. FEMA has historically recognized the $2.5 Million self-insured retention as a form of insurance. Following Hurricane Irene in 2011, FEMA did not recognize the state's self-insured retention as a form of insurance and did not provide funding to restore damaged buildings. North Carolina is currently working with FEMA to resolve this issue.

5. <u>South Carolina Property Program</u>

The State of South Carolina has approximately a $35 Billion property program administered by the Insurance Reserve Fund (IRF), an office of the South Carolina Budget and Control Board. Every state agency is statutorily required to participate in the property insurance program and insure all of their buildings and contents. Counties, municipalities, and school districts have the option of purchasing through the IRF, or purchasing independently with the private sector. In addition to providing property insurance, the IRF also administers general tort liability insurance, automobile insurance, inland marine, medical professional liability and others lines of approved insurance. The FY11 Budget expenditures for the IRF total $6,661,102. The estimated employee count managing the day to day administration of the property program consists of 12 identified positions:

IRF Director (1)
Assistant Director of Underwriting (1)
Assistant Director of Claims (1)
Underwriters (3)
CPA (1, part of the Administrative team of 5)
Claims Managers, Adjusters and support staff (26)
Field Agents (2)
IT employees (11, shared)

History and Legislative Rules Associated with the Program

South Carolina established the General Sinking Fund after the Civil War to manage state owned property and to finance the reconstruction and repair of damaged state buildings. This fund was first established as a "self-funded insurance program" for South Carolina's state government. The Budget and Control Board was created by law in 1950 and consisted of different divisions with an essential role to improve efficiency and general management of state government. The Sinking Fund was merged with the

Board of Claims and State Budget Commission to create a new State Finance Committee. The Board later created additional divisions to address the rapid growth of South Carolina's state government, later shifting budget power to the state auditor. In 1978, the position of the state's Executive Director was created to serve as a point of coordination and leadership for the Board and all of state government. The Sinking Fund exists today as the Insurance Reserve Fund. The IRF functions as a governmental insurance operation, and is authorized to provide insurance to governmental entities by statute. Comprehensive statutory provisions detail the authority to purchase insurance, requirements for all state owned property and contents to be insured, and authority to hold premiums to pay for insured losses. All premiums received by the Insurance Reserve Fund are deposited with the Office of the State Treasurer where the funds are maintained as the Insurance Reserve Fund Trust Account.

Program Structure

The current limit of the property reinsurance program is $400 Million, consisting of four multi-stratified layers of $100 Million each. A separate terrorism portion is written as a single layer of $150 Million. The Insurance Reserve Fund assumes a $10 Million self-insured retention for the first event during a policy period, with a $1 Million self-insured retention for subsequent events. The policy is filed on "South Carolina Paper" using a modified version of the ISO all risks commercial property insurance policy edition 1985.

The Fund pays for direct physical loss of, or damage to, covered property on a replacement cost basis with an 80% coinsurance clause and deductible options of $1,000 to $50,000 per occurrence. Additional sublimits and coverage is available by endorsement. Each state agency maintains renewal dates based on when they entered the program.

The Insurance Reserve Fund operates like an insurance company by issuing policies, collecting premiums (based on actuarially calculated rates), and paying claims from the accumulated premiums in accordance with the terms and conditions of the insurance policies it has issued. The IRF utilizes third party actuaries to determine rates, IBNR reserves, adequacy of loss reserves, and adequacy of policy holder's equity in making management recommendations to the Budget and Control Board regarding the financial management of The Fund. The Insurance Reserve Fund is a revenue agency and does not receive any appropriation from general funds.

Property appraisals are completed by a third party firm through a five year contract agreement. The firm completes appraisals for 20% of the scheduled property locations each year so that by the end of the contract, 100% of the properties have been appraised.

The IRF offers limited risk management services. Each state agency is responsible for the development of its own risk management programs. Claims history does impact the annual premiums that each agency is responsible for; thus encouraging state agencies to develop effective risk management programs. The IRF is not subject to the state procurement codes and is able to obtain contracts for brokers and other insurance related services as necessary for the benefit of the program. Property and Terrorism Re-Insurance coverage is purchased through Broker services.

The IRF maintains a comprehensive and adaptable IT database management system that has been in existence for over twenty-five years. The system is a hybrid of internal and external design consisting of web based features for over 900 different programs. All policies documents invoices and correspondence are automatically generated by the IT management system, and issued to the participants via electronic transfer or paper mail. The IT database system is the utmost integral component of the IRF, allowing data management and workflow capabilities for the entire state's insurance program to be administered by a relatively small division.

Exposures and Loss Information

Hurricane, flood, windstorm, hail, earthquake, fire, and tornado are the primary catastrophic exposures that South Carolina faces (the entire state of South Carolina is identified as a Tier 1 catastrophe zone according to RMS 11, the most widely used wind storm modeling currently available). The property insurance program applies appropriate rates for insurance on properties located in three defined exposure code territories: beach, seacoast, and inland. The IRF has generated equity on more than one occasion, and South Carolina has never been in a position where it was unable to pay for state property losses. A five year rate comparison to ISO, IFR was able to maintain a low cost of $91 per $100,000 of value vs. ISO's $423 per $100,000 of value.

Because the Fund has successfully generated policy holder equity, it has periodically been subject to mandated provisions that have reduced net assets. In 2003-2004, the IRF was directed to waive renewal premiums for all lines of insurance. The IRF was also directed to transfer $22,937,800 of assets to the General Fund. These provisos reduced net assets by approximately $51 Million. Additionally, legislative loans have been taken out against the IRF with outlined and approved repayment terms in one session, followed by subsequent legislation dispensing with repayment to the IRF. The IRF has adjusted by granting premium holidays and continuing insurance coverage for all participants with no collection of annual premium(s) for fiscal years in which substantial equity is earned. The Insurance Reserve Fund indicates it would like to have constitutional protections for the Trust Fund to secure policy holder equity.

APPENDIX B

STATE INSURABLE ASSETS STUDY
2011 REPORT

**Content as originally filed; general formatting changes incorporated for inclusion within the 2013 report structure.*

SORM
STATE OFFICE *of* RISK MANAGEMENT

STATE OFFICE OF RISK MANAGEMENT
Senate Bill No. 1, 81st R.S.

STATE INSURABLE ASSETS STUDY

JANUARY 2011

Table of Contents

I. Background

The State Office of Risk Management (Office) is responsible for administering insurance services obtained by State agencies, including the government employees' workers' compensation insurance program and the State risk management programs.[1] Pursuant to Senate Bill No. 1, 81st R.S., as codified in the General Appropriations Act, the Office was directed to prepare a report and offer recommendations for a potential statewide strategy to insure State assets against damage or loss and comment on the advisability of various insurance options, including self-insurance, privately placed insurance, and stop-loss insurance.[2]

The Office currently administers the voluntary State of Texas Property Insurance Program, which currently insures approximately $11B in Total Insurable Values (TIV). State agencies are not generally required to insure their assets, but 27 agencies have elected to participate to insure their real property and contents, either for a business purpose or to comply with external requirements, such as property financed with public bonds or as a prerequisite to Federal Emergency Management Agency assistance. Only a minority of State property is currently covered by insurance. The Office estimates the State in total has approximately 40,000-45,000 properties with a combined TIV of $50B-$80B.

It is often assumed the State of Texas self-insures its real and personal property.[3] This long-held belief partially stems from the 1921 Senate Concurrent Resolution No. 3, 37th R.S., and partially from the existence of unappropriated general revenue and mechanisms for requesting supplemental appropriations for sustained losses.[4] The latter is not technically self-insurance, as the State has no specific funded reserve for losses to real or personal property nor has it established a process for adjusting claims and distributing payments. Most agencies are functionally uninsured, unless they have obtained specific insurance policies or established agency funding reserves.

Under the current statutory insurance program administered by the Office, each agency makes an individual decision to either insure its property, or a portion thereof, or retain any potential loss. When uninsured losses occur, the agency

[1] Texas Labor Code §412.011, et seq.
[2] GAA, pg. I-80, Rider 4
[3] For the purposes of this report, real property is defined as "land and immovable structures attached to the land," and personal property is defined as "tangible property, which is often called 'contents'." Richard V. Rupp, CPCU, Rupp's Insurance & Risk Management Glossary, 2nd Edition, 1996
[4] The 1921 resolution sets forth that it is "the policy of the state to self-insure its buildings" and recommended establishment of a fund for paying losses. No fund has been established.

must either absorb those losses within current budgets or request additional appropriations from the Legislature.

For agencies that do not purchase insurance, the Legislature has historically assisted those agencies in financing uninsured catastrophic losses. Past sessions have seen multiple agencies requesting financial assistance from the Legislature for damage sustained; most recently from natural disasters such as Tropical Storm Allison and Hurricanes Rita, Katrina, Dolly, Gustav, and Ike. Similar situations may occur from manmade events, such as the arson attack on the Governor's Mansion in June 2008.[5]

Requests for financial assistance over the last few legislative sessions have exceeded a quarter of a billion dollars. Known appropriations for general costs caused by natural disasters from Sept. 1, 2007, through June 29, 2009, as reported in HB 4586, are provided in the Appendix. These figures reflect only known payments that were to be distributed to the respective agencies at the time of the report.

[5] The building had a Builder's Risk insurance policy in place during a roof repair at the time of the fire. The Builder's Risk insurance policy provided some recovery but was well below the approximately $22M requested of the Legislature to rebuild the historically classified building to its previous state.

II. Methodology

While the State tracks some properties in a centralized manner, there is currently no single existing source that identifies or tracks the condition, replacement value, and geographical location of all State assets. The lack of complete current or verifiable information regarding full exposures prohibits accurate cost evaluations as part of this report. According to industry experts consulted during the preparation of this report, this is a common issue in state insurance plans and is a fundamental prerequisite to performing a cost analysis for all methods of protection.

The Office's study was conducted by identifying categorical strategies, utilizing reasonable extrapolations based on data collected in the current voluntary program, and consulting with practicing industry experts on various strategies, including strategies utilized by other states. The experts provided information and responded to specific inquiries on concepts and approaches. The strategies identified include both financial and non-financial options, including traditional insurance, individual self-insured retention, pooling, captives, CAT (catastrophic) bonding, and set asides. Non-financial options include strengthening of procedural mechanisms and potential legislative policy.

To compare various approaches, experts addressed the following inquiries from the Office:

- What should be the goal of a State Property Program?
- What are the recommended approaches for the State to handle the risk of its insurable assets?
- What are other states' approaches to property programs, specifically those with similar exposures and size of Texas?
- What important aspects must be, and should be, addressed prior to, during, and after instituting a statewide program?
- What additional services would the State require to implement various strategies?
- How should agencies be motivated to participate?
- What are available and/or recommended approaches to funding a statewide program?

III. Options

All of the industry experts consulted stressed the importance of developing and maintaining a comprehensive database of all of the real property and contents currently owned by the State, the geographical location of the properties, the replacement cost, and the COPE (Construction, Occupancy, Protection, and Exposure) characteristics on each piece of property before any program can or should be recommended or implemented. Complete and accurate identification of the property to be insured is a necessary prerequisite of all the approaches discussed.

The experts offered diverse options, recommended best practices, and proposed methodologies for structuring a large insurance program for State use. The following sections address the potential distinct approaches and strategies identified by the Office and by consultants responding to the Office's request for consultations. The options presented are not listed in order of benefit, preference, or advisability for adoption.

A. Financing Options

1. Traditional/Commercial Insurance

Traditional insurance is a component of most basic risk financing plans. In general, traditional insurance transfers the risk of loss from damage to property from the owner to an insurance company, which collects a premium from the owner in return for payment of covered losses.

Advantages. Traditional insurance reduces the financial uncertainty of accidental losses, as a known premium can be incorporated with attendant deductibles to limit State exposure in the event of a large loss. Transferring this risk, particularly in the event of a large (or catastrophic) loss, provides additional financial resources for the State to address other needs. Claims handling and risk control services are typically incorporated in traditional insurance options, providing for value-added services and potential loss control.

Disadvantages**.** In commercial insurance, terms and conditions of an off-the-shelf policy may be unstable, as may be premium charges in response to loss experience both at the individual agency and within the industry-covered population. Traditional insurance routes would likely represent a more expensive option for the State, based on the potential number of buildings and total insurable value of the buildings. Traditional insurance is primarily advantageous for small geographical spreads and may be inappropriate for a statewide approach. In a time of catastrophic losses, some insurance companies may opt to discontinue insurance coverage in certain counties within the State, leaving portions of the State or subsets of agencies uninsured. Commercial insurance will include the insurer's expense, profits, and risk charges in the premium paid. The insurance premium to cover an estimated 40,000 to 45,000 buildings could be a considerable increase over current premium costs, decreasing the cash flow for the State. Traditional insurance may not be a complete transfer of hazard risk, as some agencies may have exposures that an insurance company may not be willing to cover (e.g., agencies located in flood zones may be required to purchase additional flood insurance from the National Flood Insurance Program).

2. Individual Self-Insured Retention

Individual self-insured plans would require each state entity to pay for its losses out of its own budget, but without the costs associated with procuring insurance. This type of strategy requires a specific, formal system for recording losses and processing payments from a dedicated revenue source.

Self-insurance works best for high frequency and low severity claims. Unpredictable, high severity claims, such as property losses, are not ideal for this type of program as the claims fund may be inadequate to pay a large loss. Self-insurance is best suited to organizations committed to risk control, able to tolerate risk retention, and willing to provide funding and administrative resources necessary to make the program work. Self-insured programs are usually coupled with excess liability insurance to assist in covering catastrophic losses.

<u>Advantages</u>. A self-insured program would allow the State to have control over its own claims: claims adjusters could be independently selected; claims handling guidelines can be written to State specifications; and timelines for settling claims could be handled internally. There is a potentially significant cost savings if the frequency and severity of losses is minimal, avoiding recurrent premium and administrative costs associated with traditional insurance. This approach is not reliant on insurance market trends.

<u>Disadvantages</u>. Frequency and severity of losses can be unpredictable, leading to loss of cost savings compared to premium-based, risk-transfer mechanisms. Catastrophic property losses, even if infrequent, must be allocated for and dedicated funds protected in the form of minimum reserves in the event of a large loss. The financial costs of property losses, particularly from natural disasters or external intentional acts, can be extremely large and subject to events outside effective loss control mechanisms, unlike other forms of self-insurance where losses may be limited or controlled (e.g., tort liability limitations, workers'

compensation losses, etc.). Internal administrative handling of a self-insured program (recording, adjusting, scheduling, payment, and possible litigation) can require significant resources when dealing with losses. Assets and reserves must be rebuilt after payment processing, further reducing potential savings over other strategies.

3. Statewide Self-Insured Retention

This strategy is identical to the preceding section, excepting its State-level approach (i.e., the funds for paying losses are retained centrally by the Legislature or a designated agency that receives a direct appropriation). This option is most closely associated with Senate Concurrent Resolution No. 3, 37th R.S., which is attached as Appendix 2.

4. Pooling

The concept of pooling refers to the strategy of entities combining resources to finance experienced losses. Pools may be grouped by common exposure(s), business focus, geography, genesis, or any other mutuality supporting combination. Each entity contributes resources to the group as a whole, used for the equal benefit of the members.

Generally, protection against exceeding pool resources must be factored in, including consideration of reinsurance treaties purchased to ensure the pool does not become insolvent in a particularly catastrophic year, or obtaining excess insurance based on the catastrophic exposures in different demographic areas (in this configuration, the pool would fund the primary layer of coverage and excess would cover losses exceeding the primary layer).

The State of Arkansas uses an "all in or all out" pooling approach, with universities permitted exemption. The Arkansas pool uses a state's master insurance policy form, although the form may be altered to suit Arkansas' universities' specific needs. Buildings are appraised every three years to ensure they are insured to value (however, Arkansas insures approximately 3,600 structures compared to Texas' potential estimated 40,000-45,000 structures).

Pooling programs would allow the State to include or exclude agencies based on ability to meet underwriting guidelines and create layers for certain properties based on exposure to catastrophic losses. Potentially, each entity would be treated as a separate insured and have separate limits of liability for each insured building. As noted, a reinsurance treaty would be recommended to follow form to the master policy and stand behind it to ensure pool solvency. Claims handling may be outsourced or internally administered (either centrally and/or on a loss-value basis by individual entities), with authority of the pool administrator to set retention rates, designate surcharges, exclude non-maintained or non-compliant buildings, or assess penalties or modifiers for loss control failures.

Advantages. Pooling increases the predictability of each participant's losses by reducing the variability of their average loss.[6] Premium (contribution) stability in risk pooling allows for more consistency in the annual budgeting for agencies. Similar to individual self-insurance retention, pooling allows the State the option of handling claims either in-house or through a third-party administrator and adds additional consistency in the regulation of loss-control programs for participants. Pooling is a common approach to real and personal property protection in the United States, and there is an availability of third parties to assist in the administration of this strategy.

Disadvantages**.** Pooling requires large participation and diversification of the State's property to be successful and to avoid adverse selection limiting the successful spreading of risks (i.e., high and low risks, covered properties both in and out of Tier 1). Statewide participation may be required to be mandated by the Legislature to ensure pool viability. Losses may exceed pooled assets, or assets may be substantially reduced by losses or other events, leading to pool insolvency.

5. **Captives**

Captives are another form of risk financing that operates to pool the State's risks and refers to a dedicated subsidiary insurer or insurers to address the State's risk financing needs. In such a strategy, the State retains a significant share of its own losses in exchange for the benefit of having its own dedicated insurer, who collects premiums, issues policies, and handles claims. A Captive insurer usually purchases reinsurance to transfer some of the loss exposure to another insurance company.

A Captive approach may also operate to centralize the loss retentions between agencies, allowing for potentially higher loss retentions at a statewide level, and the dedicated nature of the subsidiary relationship allows the parent to design and control the claims-handling process to suit its needs.

Advantages. Generally, the administrative costs associated with procuring traditional insurance are not included in Captives. Captives typically adjust the claims, reducing internal resources and/or funds that

[6] Risk Financing, 4th Edition, Berthelsen, Elliott & Harrison, 2006, at 24.

would have been spent on a third-party administrator, and overhead or profit costs are eliminated from premiums. Direct access to the international market of reinsurers is immediately available through the Captive (where a self-administered pool would have to be certified by the Texas Department of Insurance or otherwise specifically authorized through legislation to access these markets). Captives may have increased negotiating power with commercial insurers during market downturns, particularly in a statewide program with a large TIV.

Disadvantages. Captive insurance requires a considerable capital outlay and start-up cost. Start-up and annual operating costs for a Captive are estimated to range from $35,000-$150,000 depending on the size of the insured base. Unless directly funded by the Legislature, each State agency would need to have a designated fund available for costs associated with utilizing the Captive, including adequate retention limits, administrative costs, premiums, and other charges. If the Captive is designed with inadequate resources and losses exceed the Captive's ability to pay, the loss could financially cripple the Captive and the State. Reinsurers may choose not to follow the form of a Captive, leaving gaps in coverage.

6. CAT Bonding

A CAT Bond is an insurance-linked security. The purpose of a CAT Bond is to transfer otherwise insurable large risks to potential investors. CAT Bonds were developed because of the limited availability and affordability of catastrophe reinsurance. These bonds are issued by securitization and special purpose vehicles (SPV) of large reinsurers, insurers, or large corporations. They are designed to imitate the traditional excess catastrophic insurance and reinsurance. They can be issued for any type of catastrophic insurable risk such as hurricanes, tornados, and other naturally occurring risks.

CAT Bonds are highly specialized and are not a commonly used form of protection of assets. The strategy is identified herein as an option that may warrant additional consideration should the Legislature specifically identify further study respecting non-traditional or highly specialized risk transfer mechanisms.

B. Non-Financial Options

1. Procedural Mandates

One aspect of catastrophic losses experienced by the State is the lack of standardized and recurring procedural methodologies for the reporting, oversight, financing/appropriation, and payment of losses.

Given the estimated 40,000-45,000 structures owned by the State, it should be possible, with adequate data, to project the average annual loss with a fair degree of accuracy. While the State of Texas has some concentrations of property (notably in Austin, Tier 1 coastal areas, and college campuses) the size and diversity of the State makes it unlikely that any single catastrophic event could threaten all of its assets. Put in simpler terms, while we cannot establish the probability that an individual State building will experience a loss with any degree of accuracy, given historical and current data, we should be able to project the average annual loss across all state properties.

To finance large losses that currently fall to the legislative budget process, the State could establish a reserve sufficient to deal with moderate spikes in losses from year to year and establish a formalized process for requesting necessary financing. The details of application could be established by legislation, and oversight and administration could be delegated if, and as, required.

2. Asset Restructuring

Ownership of the asset involves ownership of the risk of loss and responsibility for replacement and/or repair. Some states have utilized nominal sales of state assets and period lease-backs from investors as a method of balancing the budget.[7] While outside the scope of this study, these budget approaches raise the possibility of transferring risk from the state to the owners of leased properties, at least in situations where there would be no ownership interest retained (i.e., outright sale to a new owner with leasing rights versus a nominal sale as collateral with buy back rights). This approach represents a significant shift in the State's current risk management policy. Although this method of risk transfer has been utilized by other states, none were the size of or had the estimated TIV of the State of Texas. Asset restructuring is mentioned here in an effort to present the Legislature with as many risk management options as possible.

[7] See, http://tucsoncitizen.com/hot-off-the-press-release/2010/01/14/state-sells-buildings-for-735-million-money-to-help-balance-budget/ for a description of such an approach by the State of Arizona.

C. Hybridized System

Given that each option has both identified strengths and weaknesses, an ideal program would be specifically designed to ensure an approach customized to meet the unique needs and exposures of Texas. The development of a hybridized system is heavily dependent on accurate and current information for the selection of procedure, programs, services, and products.

One problem with the State's current decentralized and non-mandatory approach to insuring State properties is that incurred losses do not fall to agencies proportionally. While small losses may be absorbed within agencies' operational budgets, large losses can threaten an agency's continuity of service and fall disproportionately on the legislative budget process. By creating a centralized, mandatory state property insurance program, whether funded by assessments to covered agencies, legislative appropriation, or some combination thereof, it would be possible to normalize the cost of ordinary losses to individual State agency budgets at minimized additional expense. Such a program offers the additional benefit of providing timely disbursements of funds to covered entities that experience a loss to minimize disruption of agency operations. Importantly, the losses described here are not new expenditures. Because a majority of State property is currently not protected by insurance and the State currently pays the entire loss from some part of its budget, this approach is intended to improve the current process for paying losses.

A mandatory property insurance program as described would pool losses to the extent that individual agencies would minimize the budget impact of a casualty loss, but in such a system the legislative budget process retains the liability of large losses. This approach can be combined with other financing approaches as described above.

To finance large losses that currently fall to the legislative budget process, the State could establish a reserve sufficient to deal with moderate spikes in losses from year to year and even consider purchasing reinsurance for large, catastrophic losses. Determining the dollar limits that should be applied to the portion of the loss that would be retained by the State, including deductibles paid by the affected property owner, and the portion that would be commercially insured is a matter for legislative discretion and will be heavily influenced by market conditions and the availability of reinsurance.

IV. Considerations

As the State agency administering the specialized government employees' workers' compensation program and the State's risk management program, including the insurance purchasing program, the Office strongly emphasizes the following considerations as part of any evaluation of identified strategies herein.

A. Adjusting Services

Claims handling involves a team of specially trained individuals able to adjust the many varieties of property loss the State could experience. Claims handlers require specialized skills in adjusting, settling and administering claim payments, so decentralization of this function should be carefully scrutinized. Should the State undertake internal claim management as part of any insurance strategy, it is strongly recommended that any program emphasize professional training and standardization, including potential centralization, and have the resources required to adequately oversee timely and accurate claim processing.

Alternatively, as discussed above, a third-party administrator (TPA) may be used for handling the State's claims. Depending on claim frequency, a TPA may bring additional flexibility to handle spikes of activity related to catastrophic claims. Another potential advantage to this approach is additional transfer of liability for handling the claims to the external administrator. On the negative consideration, there is a financial trade-off respecting the cost of contracting with a TPA for such a program. Contract maintenance and oversight and specific fiscal controls must be put in place for such an arrangement, including consideration of long-tail claims that could potentially cross vendor and/or insurer contracts.

B. Loss Prevention/Risk Control Services

To ensure a program results in long-term savings to the State, any program must be proactive in reducing claims. Risk control services specifically related to property and historical buildings, as well as best practices for property maintenance, prevention, and control of losses will be highly important to a successful strategy. As with adjusting, the State may utilize in-house staff to provide the loss prevention and loss control services or opt for a contracted service.

V. Recommendations

The actual mechanism(s) chosen for a statewide strategy for adequately insuring State assets should be determined by the Legislature after considering the impact on overall State operations, the costs associated with retaining the risk versus transferring the risk through reinsurance, and should provide clear procedures for identifying when and how funding will be made available in emergencies. Based on the study identifications, a **hybridized system** that incorporates multiple approaches would be the most advantageous to the State.

To determine which, if any, of the identified options is most financially advantageous to the State within such a system, an appraisal must be commissioned identifying all property and contents currently owned by the State, the geographical location of the properties, the replacement cost, and the COPE characteristics on each piece of property. The maximum probable and maximum possible losses should also be calculated per building and across the entire program from reported information, allowing for accurate provisioning and selection of an appropriate strategy.

It is recommended the Legislature allocate responsibility and resources to undertake a data collection and modeling process, including legislative mandates for agency compliance and a time frame for the completion of the data collection. Completion of reporting, analysis, and modeling should result in a formal recommendation of prioritized strategies for Legislative consideration on the best-suited model and strategies for protecting State of Texas assets.

After selection and authorization of strategy, procurement, and marketing, implementation should be undertaken under designated agency authority and require ongoing analysis and data collection to ensure the State is insuring its assets in the most cost-effective way for the taxpayers.

The Board of Directors and staff of the State Office of Risk Management are available to respond to any inquiries and to undertake all efforts respecting the matters herein. Any inquiries may be directed to Jonathan D. Bow, Executive Director, State Office of Risk Management, P.O. Box 13777, Austin, TX 78711-3777, by telephone to (512) 936-1502, or facsimile at (512) 370-9025.

Appendices

APPENDICES

Appendix 1

Table 1

Appropriations for General Costs Caused by Natural Disasters
Reported in the Sept. 1, 2007, Biennial Presentation to the Legislature on June 29, 2009

State Agencies that Received Money from Legislature	General Revenue Funds	Notation Location
UT Medical Branch at Galveston	$150,000,000	H.B. No.4586 Section 55
Brazosport College	$120,111	H.B. No.4586 Section 55
Parks and Wildlife Department	$12,000,000	H.B. No.4586 Section 55
UT M.D. Anderson Cancer Center	$1,725,995	H.B. No.4586 Section 55
Alvin College	$2,358,771	H.B. No.4586 Section 55
Texas A&M Galveston	$6,200,000	H.B. No.4586 Section 55
Texas Forest Service	$385,091	H.B. No.4586 Section 55
Houston Community College	$1,507,670	H.B. No.4586 Section 55
Commission on Environmental Quality	$4,600,000	H.B. No.4586 Section 55
San Jacinto College	$3,045,820	H.B. No.4586 Section 55
Galveston College	$407,406	H.B. No.4586 Section 55
Texas Engineering Extension Service	$1,200,000	H.B. No.4586 Section 55
Adjutant General's Department	$1,244,007	H.B. No.4586 Section 55
University of Texas at Brownsville	$1,200,000	H.B. No.4586 Section 55
Lamar University	$2,803,561	H.B. No.4586 Section 55
Lamar Institute of Technology	$2,007,758	H.B. No.4586 Section 55
Lamar State College - Port Arthur	$829,530	H.B. No.4586 Section 55
Texas Southern University	$9,720,192	H.B. No.4586 Section 55
College of the Mainland	$176,236	H.B. No.4586 Section 55
University of Texas Pan American	$102,258	H.B. No.4586 Section 55
University of Texas Health Center at Tyler	$1,461,557	H.B. No.4586 Section 55
University of Texas Health Science Center at Houston	$1,000,000	H.B. No.4586 Section 55
University of Houston System Administration	$7,339,000	H.B. No.4586 Section 55
Texas State Technical College - Harlingen	$904,558	H.B. No.4586 Section 55
Lamar State College - Orange	$600,000	H.B. No.4586 Section 55
Prairie View A&M University	$488,864	H.B. No.4586 Section 55
Lee College	$137,554	H.B. No.4586 Section 55
Department of Agriculture	$20,000,000	H.B. No.4586 Section 55
Total	**$233,565,939**	

Table 2

Certain Appropriations for Disaster Relief

Reported in the Sept. 1, 2007, Biennial Presentation to the Legislature on June 29, 2009

State Agencies that Received Money from Legislature out of this fund	Appropriated Funds from the General Revenue Fund to the Trusted Program of the Office of the Governor	Notation Location
Texas Education Agency	$10,000,000	H.B. No.4586 Section 58
Texas Engineering Extension Service	For TX Task force 1 Flooding - No $ amount provided.	H.B. No.4586 Section 58
General Land Office	For repairs made to the Protective Dune System for County Road 257. No $ amount provided.	H.B. No.4586 Section 58
Total Available for Disbursement	**$62,000,000**	**HB4586 Appropriations for state agencies.doc**

Appendix 2

CONCURRENT RESOLUTIONS

PROVIDIXG THAT THE STATE SHALL CARRY ITS OWN INSURANCE ON STATE BUILDINGS AND CONTENTS

S. C. R. No. 3.]

Whereas, It is of great financial importance to the State that a fixed policy be established with reference to carrying fire insurance upon buildings and contents belonging to the State and its various institutions, and

Whereas, The insurance data and information tabulated and set out on page 261 of the First Annual Report of the State Board of Control indicate that a substantial saving can be made to the State in carrying its own insurance; therefore be it

Resolved, by the Senate of the State of Texas, the House of Representatives concurring herein, That hereafter it shall be and is the Fixed policy of this State that the State shall carry its own insurance upon State buildings a:nd contents, and that no insurance policies shall be taken out upon any of the public buildings of this State, nor upon the contents thereof, and the State Board of Control and all other Boards having charge of buildings of the State, and the contents of such buildings, are hereby instructed not to have such buildings nor property insured, notwithstanding there may be items in the appropriation bills authorizing the expenditure of money for the payment of insurance premiums.

Provided that it is declared to be the policy of the State hereafter at the end of each two years period to set aside approximately one per cent of the value of all public buildings owned by the State, as a sinking fund until ten per cent of the total value of all such buildings has been accumulated, and that this sinking fund shall be invested in school bonds in the school districts of this State.

Provided, however, that this resolution, or any part of its provisions shall not apply to or affect the University of Texas, and its branches, and that it is the fixed policy of the State that all buildings and the contents thereof belonging to the University of Texas, and its branches, shall be kept insured at all times against any loss by fire or tornadoes.

[NOTE.–The foregoing resolution was adopted by the Senate, August 24, 1921; and was adopted by the House August 24, 1921.]

VI. Acknowledgements

The State Office of Risk Management would like to thank the following entities for their assistance and expertise in gathering information about state insurance programs around the nation. The experts shared examples of various insurance options, and their experiences regarding property programs administered in other states.

American Appraisal

Arthur J. Gallagher Risk Management Services

Cedar Consulting LLC

Munich RE

North American Solutions

Texas Department of Insurance

Wells Fargo Insurance Services USA

Willis Group Holdings

York Insurance Service Group, Inc.

STATE OF TEXAS
SUMMARY OF INSURANCE

STATE-WIDE PROPERTY INSURANCE PROGRAM
May 1, 2024 – May 1, 2025

THIS DOCUMENT IS A SUMMARY OF THE INSURANCE POLICY. IT DOES NOT INCLUDE ALL TERMS, COVERAGES, EXCLUSIONS, LIMITATIONS, AND CONDITIONS OF THE ACTUAL POLICY CONTRACT.

IN CASE OF CONFLICT BETWEEN THIS DOCUMENT AND THE POLICY, THE POLICY WILL PREVAIL.

"This insurance contract is with an insurer not licensed to transact insurance in this State and is issued and delivered as a Surplus Lines coverage pursuant to the Texas insurance statutes. The State Board of Insurance does not audit the finances or review the solvency of the surplus lines insurer providing this coverage, and this insurer is not a member of the property and casualty insurance guaranty association created under Article 21.28-C, Insurance Code. Article 1.14-2, Insurance Code, requires payment of 4.85 percent tax on gross premium." (Article 1.14-2, 7 (a))

Figure: 28 TAC §1.601(a)(2)(B)

Have a complaint or need help?

If you have a problem with a claim or your premium, call your insurance company or HMO first. If you can't work out the issue, the Texas Department of Insurance may be able to help.

Even if you file a complaint with the Texas Department of Insurance, you should also file a complaint or appeal through your insurance company or HMO. If you don't, you may lose your right to appeal.

Arthur J. Gallagher (UK) Limited
To get information or file a complaint with your insurance company or HMO:
Call: Compliance Department
Toll-free: 0141-285-3539
Online: www.ajginternational.com
Email: commercialcomplaintsuk@ajg.com
Mail: Compliance Department, Arthur J. Gallagher (UK) Limited, The Walbrook Building, 25 Walbrook, London EC4N 8AW

The Texas Department of Insurance
To get help with an insurance question or file a complaint with the state:
Call with a question: 1-800-252-3439
File a complaint: www.tdi.texas.gov
Email: ConsumerProtection@tdi.texas.gov
Mail: MC 111-1A, P.O. Box 149091, Austin, TX 78714-9091

¿Tiene una queja o necesita ayuda?

Si tiene un problema con una reclamación o con su prima de seguro, llame primero a su compañía de seguros o HMO. Si no puede resolver el problema, es posible que el Departamento de Seguros de Texas (Texas Department of Insurance, por su nombre en inglés) pueda ayudar.

Aun si usted presenta una queja ante el Departamento de Seguros de Texas, también debe presentar una queja a través del proceso de quejas o de apelaciones de su compañía de seguros o HMO. Si no lo hace, podría perder su derecho para apelar.

Arthur J. Gallagher (UK) Limited
Para obtener información o para presentar una queja ante su compañía de seguros o Para o HMO:

Llame a: Compliance Department
Teléfono gratuito: 0141-285-3539
En línea: www.ajginternational.com

Correo electrónico: commercialcomplaintsuk@ajg.com
Dirección postal: Compliance Department, Arthur J. Gallagher (UK) Limited, The Walbrook Building, 25 Walbrook, London EC4N 8AW

El Departamento de Seguros de Texas

Para obtener ayuda con una pregunta relacionada con los seguros o para presentar una queja ante el estado:

Llame con sus preguntas al: 1-800-252-3439
Presente una queja en: www.tdi.texas.gov
Correo electrónico: ConsumerProtection@tdi.texas.gov
Dirección postal: MC 111-1A, P.O. Box 149091, Austin, TX 78714-9091

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TEXAS SORM: STATEWIDE PROPERTY PROGRAM

SECTION I – COVERAGES AND LIMITS OF LIABILITY

1. NAMED INSURED & NOTIFICATION ADDRESS

This policy insures **TEXAS STATE OFFICE OF RISK MANAGEMENT & AFFILIATED PARTICIPANTS IN THE STATEWIDE PROPERTY INSURANCE PROGRAM**

and any affiliated, subsidiary, or associated agency(ies), entity(ies), organization(s), enterprise(s), board(s), commission(s), authority(ies), company(ies) and/or corporation(s), or committee(s) as now exist or may hereafter be constituted or acquired including their interests as may appear in partnerships or joint ventures and any party which the Insured is responsible to insure.

It is agreed that all notices or communications concerning this policy shall be addressed to the First Named Insured at:

TEXAS STATE OFFICE OF RISK MANAGEMENT
300 W. 15th Street
6th Floor
Austin, Texas 78701

2. ADDITIONAL INTERESTS

The rights and obligations of the Named Insured are extended to:

A. Mortgagees and lien-holders to the extent of their interest in property owned by the Insured;

B. Other owners of property to the extent of their interest in property leased or rented by the Insured;

C. Entities to the extent the Insured has contracted prior to loss to include such entities as Additional Insureds.

3. POLICY PERIOD

This policy shall be effective and shall terminate at 12:01 a.m. at the location(s) of property involved on the inception and expiration dates specified below:

INCEPTION	EXPIRATION
MAY 1, 2024	**MAY 1, 2025**

Time of Attachment: It is agreed that, anything in this policy to the contrary notwithstanding, the actual effective time of attachment of this insurance on the above date shall be the same time on the above date as the actual effective time of cancellation or expiration of policy(ies) replaced or renewed by this policy.

4. LOSS PAYABLE

Loss, if any, shall be adjusted with and payable to the Named Insured or their order. If this policy insures more than one entity, the first one named in this policy will act as sole agent on behalf of the others for all the Insured's obligations and duties under this policy.

5. **TERRITORIAL LIMITS**
This policy insures loss occurring within the United States of America, its territories, possessions and Canada. As respects personal property and equipment, coverage applies worldwide excluding Afghanistan, Albania, Angola, Bosnia-Herzegovina, Burma (Myanmar), Congo (The Democratic Republic Of Congo or formally known as Zaire), Croatia, Cuba, El Salvador, Haiti, Iran, Iraq, Ivory Coast, Kosovo, Laos, Lebanon, Liberia, Libya, Macedonia, Montenegro, Nicaragua, North Korea, Pakistan, Republic of South Sudan, Serbia, Sierra Leone, Somalia, Sudan, Syria, Venezuela, Zimbabwe and any other country where coverage is prohibited per the USA State Department. Payment of loss under this policy shall only be made in full compliance with all United States of America economic or trade sanction laws or regulations, including, but not limited to, sanctions, laws and regulations administered and enforced by the U.S. Treasury Department's Office of Foreign Assets Control ("OFAC").

6. **PROGRAM LIMITS OF LIABILITY**
This Company shall not be liable for more than its proportional share of the following limits of liability for loss arising out of any one occurrence. The limits of liability stated below or elsewhere in this policy are part of and not in addition to the policy limit of liability.

A. **$500,000,000** any one occurrence for all coverage insured against under this policy except that this Company's liability shall not exceed its proportional share of any of the following specific Sublimits of Liability for any one occurrence or annual aggregate as may be noted below;

(1) Named Windstorm and Flood

(a) **$100,000,000** any one occurrence as respects the peril of **Named Windstorm** occurring in Tier 1, Tier 2 and/or Tier 3 Wind Zones, as defined in this policy. However, even if the peril of Named Windstorm is the predominant cause of loss or damage, this sublimit shall not apply to loss involving property located outside of Tier 1, Tier 2, or Tier 3 Wind Zones. This sublimit shall not apply to loss or damage by fire, explosion or leakage from fire protective equipment, even if the peril of Named Windstorm is the predominant cause of loss or damage. In such case the Limit of Liability in A. above shall apply.

(b) **$100,000,000** any one occurrence and in the AGGREGATE annually as respects the peril of **Flood**. However, even if the peril of Flood is the predominant cause of loss or damage, this sublimit shall not apply to loss or damage by fire, explosion or leakage from fire protective equipment. In such case the Limit of Liability in A. above shall apply.

(c) **$ 50,000,000** However, as respects the perils of Named Windstorm and Flood, the Company shall not be liable in any one occurrence for more than its proportional share of loss or damage caused to the **UNIVERSITY OF HOUSTON SYSTEM.** This sublimit shall apply in the AGGREGATE annually solely as respects the peril of Flood.

(2) **$100,000,000** **Earthquake** - any one occurrence and in the AGGREGATE annually. However, even if the peril of Earthquake is the predominant cause of loss or damage, this sublimit shall not apply to loss or damage by fire, explosion or leakage from fire protective equipment. In such case the Limit of Liability in A. above shall apply.

(3) **$100,000,000** any one occurrence as respects the peril of **Windstorm or Hail**

(4) **$ 50,000,000** Accounts Receivable - Per occurrence

(5) **$ 10,000,000** Animals Held for Research except as excluded herein- Per occurrence but not more than **$15,000 any one animal**

(6) **$ 10,000,000** Brand or Trademark - Per occurrence

(7) **90 days** Interruption by Civil or Military Authority - Per occurrence not to exceed **$25,000,000 / extended to 5 miles of the insured premises**

(8) **$ 25,000,000** Consequential Loss - Per occurrence

(9) **$ 10,000,000** Contingent Time Element - Per occurrence

(10)	**$ 50,000,000**	Course of Construction - Per occurrence
(11)	**$ 10,000,000**	Decontamination and Cleanup Expense - Per occurrence and in the AGGREGATE annually as a direct result of physical loss or damage insured
(12)	**Greater of $ 25,000,000 or 25% of physical damage**	Debris Removal - Per occurrence
(13)	**$ 1,000,000**	Defense Costs – Per occurrence
(14)	**$ 5,000,000**	Emergency Vacating Expense - Per occurrence and in the aggregate annually
(15)	**$ 25,000,000**	Errors or Omissions - Per occurrence
(16)	**$ 25,000,000**	Expediting Expense - Per occurrence
(17)	**$100,000,000**	Extra Expense - Per occurrence
(18)	**$ 10,000,000**	Fine Arts - Per occurrence
(19)	**$ 1,000,000**	Fire Brigade Charges and Extinguishing Expenses - Per occurrence
(20)	**$ 1,000,000**	Fungus, Mold, Wet or Dry Rot as a result of direct physical loss or damage insured - Per occurrence
(21)	**30 days**	Impounded Water - Per occurrence
(22)	**90 days**	Ingress / Egress - Per occurrence not to exceed **$25,000,000 / extended to 5 miles of the insured premises**
(23)	**$ 10,000,000**	Land Improvements
(24)	**$ 1,000,000**	Leader Property - Per occurrence
(25)	**$ 25,000,000**	Lessor's / Lessee's Leasehold Interest - Per occurrence
(26)	**$ 5,000,000**	Loss Adjustment Expenses - Per occurrence
(27)	**$ 25,000,000**	Miscellaneous Unnamed Locations - Per occurrence
(28)	**$100,000,000**	Automatic Coverage for Newly Acquired Property - Per occurrence
(29)	**$ 5,000,000**	Personal Property of Officers, Professors, Faculty and Students – Per occurrence but not more than **$10,000 per item**
(30)	**$ 1,000,000**	Personal Property outside the U.S.A. - Per occurrence
(31)	**$ 25,000,000**	Rental Value - Per occurrence
(32)	**$ 5,000,000**	Royalties - Per occurrence
(33)	**$ 25,000,000**	Service Interruption Property Damage & Time Element - Per occurrence
(34)	**$ 10,000,000**	Soft Costs - Per occurrence
(35)	**$ 25,000,000**	Transit - Per occurrence
(36)	**$ 1,000,000**	Unscheduled trees, shrubs or bush - Per occurrence, not to exceed **$10,000 any one tree, shrub, or bush**
(37)	**$ 50,000,000**	Valuable Papers and Records - Per occurrence

7. **RETENTION**

All losses, damages, or expenses arising out of any one occurrence shall be adjusted as one loss and from the amount of such adjusted loss shall be deducted:

USD **$5,000,000** per occurrence and **$5,000,000** in the aggregate annually for loss from All Perils except **Named Windstorm**

Application of Underlying Maintenance Deductibles

Only the amounts excess of the Underlying Maintenance Deductibles, as described below, shall contribute towards the erosion of the Retention. Upon exhaustion of the annual aggregate retention, the Underlying Maintenance Deductibles shall apply for remainder of the Policy Period.

8. UNDERLYING MAINTENANCE DEDUCTIBLES

In the event that a single occurrence should produce a claim under this policy, this Company will adjust such losses, damages or expenses arising out of such occurrence as a single event.

The Company will deduct the following from such loss:

A. **$250,000** for loss from All Perils per participant, per occurrence **EXCEPT;**

B. Named Windstorm

(1) As respects locations within Tier I Wind Zones the deductible for Named Windstorm shall be **3%** of the value per Unit of Insurance as reported on the latest statement of values, subject to a minimum of **$500,000** any one occurrence.

The deductible(s) shall only apply to those Units of Insurance involved in loss, damage or destruction and for which a claim is being made. However, the deductible(s) shall not apply to loss or damage by fire, explosion or leakage from fire protective equipment. In such case the deductible in A. above shall apply.

(2) With respect to all other locations, all loss, damage, and/or expense arising out of any one occurrence shall be adjusted as one loss, and from the amount of each such adjusted loss shall be deducted the sum of **$250,000** per participant, per occurrence.

C. Flood

(1) With respect to buildings wholly within Special Flood Hazard Areas (SFHA), as defined by the Federal Emergency Management Agency, the deductible shall be **3%** of the value per Unit of Insurance as reported on the latest statement of values, subject to a minimum of **$500,000** any one occurrence. This deductible shall only apply to those Units of Insurance involved in loss, damage or destruction and for which a claim is being made. However, this deductible shall not apply to loss or damage by fire, explosion or leakage from fire protective equipment. In such case the deductible in A. above shall apply.

(2) With respect to any other Flood loss or damage and/or expense arising out of any one occurrence shall be adjusted as one loss, and from the amount of each such adjusted loss shall be deducted the sum of **$250,000** per participant, per occurrence.

In the event that the Insured maintains underlying insurance through the National Flood Insurance Program, it is agreed that this policy excludes 1) the peril of Flood and 2) Flood and Storm Surge resulting from the peril of Named Windstorm to the extent of recovery under such National Flood Insurance policy(s). Should the amount of loss payable under such National Flood Insurance policy(s) exceed the applicable deductible under this policy, then no deductible shall apply hereunder. However, if the amount to be paid under such National Flood Insurance policy(s) is less than the applicable deductible under this policy, then the amount to be deducted hereunder shall not exceed the difference between the amount to be paid under the Insured's National Flood Insurance policy and the applicable deductible under this policy. Insurance maintained through the National Flood Insurance Program shall be considered Underlying Insurance.

D. Earthquake

With respect to the peril of Earthquake, all loss, damage, and/or expense arising out of any one occurrence shall be adjusted as one loss, and from the amount of each such adjusted loss shall be deducted the sum of **$250,000** per participant, per occurrence.

E. Designated Participants

With respect to the Insureds scheduled in Addendum No. 3, all loss/damage/expense arising out of any one occurrence (EXCEPT the perils of Earthquake, Flood and Named Windstorm shown above) shall be adjusted as one loss and from the amount of each such adjusted loss shall be deducted the sum of **[REFERENCE ADDENDUM No. 3]** per participant, per occurrence.

The deductible amounts specified above shall not apply to general average, contributions, and salvage charges.

For the purposes of these deductibles, the following shall be considered a separate Unit of Insurance:

a. each separate building or structure including the contents of each building or structure
b. time element arising from each affected building or structure

The minimum dollar deductible will be eroded by the total of all losses/expenses at all covered locations affected by the loss irrespective of whether the loss at any single location exceeds the percentage deductible.

SECTION II – COVERED CAUSES OF LOSS

1. PERILS INSURED

This policy insures against all risk of direct physical loss of or damage to property described herein including general average, salvage and all other charges on shipments covered hereunder, except as hereinafter excluded.

2. PERILS EXCLUDED

This policy does not insure:

A. against any fraudulent or dishonest act or acts committed by the Insured or any of the Insured's employees meaning only dishonest or fraudulent acts committed by the Insured or the Insured's employees with the manifest intent to:

(1) cause the Insured to sustain such loss; and

(2) obtain financial benefit for the Insured, Insured's employee, or for any other person or organization intended by the Insured or the employee to receive such benefit.

This exclusion does not apply to acts of damage or destruction by employees, but theft by employees is not covered.

B. against the cost of making good defective design or specifications, faulty material, faulty workmanship or inherent or latent defect unless loss or damage not otherwise excluded ensues and then this policy shall cover for such ensuing loss or damage;

C. against electrical injury or disturbance to electrical appliances, devices, or wiring caused by electrical currents artificially generated unless physical loss or damage not otherwise excluded ensues and then this policy shall cover for such ensuing loss or damage;

D. against mechanical breakdown unless physical loss or damage not otherwise excluded ensues and then this policy shall cover for such ensuing loss or damage;

E. against explosion, rupture, or bursting of steam boilers, steam pipes, steam turbines, or steam engines owned or operated by the Insured unless physical loss or damage not otherwise excluded ensues and then this policy shall cover for such ensuing loss or damage; it is agreed that loss resulting from the explosion of accumulated gases or unconsumed fuel within the firebox (or combustion chamber) of any fired vessel or within the flues or passages which conduct the gases or combustion therefrom shall be covered hereunder;

F. against errors in processing or manufacture of the Insured's product unless loss or damage not otherwise excluded ensues and then this policy shall cover for such ensuing loss or damage;

G. against wear, tear, or gradual deterioration unless loss or damage not otherwise excluded ensues and then this policy shall cover for such ensuing loss or damage;

H. against normal settling, cracking, shrinkage, bulging or expansion of pavements, foundations, walls, floors, roofs or ceilings unless loss or damage not otherwise excluded ensues and then this policy shall cover for such ensuing loss or damage;

I. against animal, insect or vermin damage unless loss or damage not otherwise excluded ensues and then this policy shall cover for such ensuing loss or damage;

J. solely as respects Animals Held for Research, against sickness, disease, injury, or any medical condition, all from natural causes; theft;

K. against delay or loss of market;

L. against loss or damage due to the discharge, dispersal, seepage, migration, release or escape of pollutants (except as provided under Decontamination and Cleanup Expense in Section IV – Additional Coverages) unless the discharge, dispersal, seepage, migration, release or escape is directly caused by physical loss or damage not otherwise excluded.

M. against accumulated effects of smog, smoke, vapor, liquid and dust;

N. against unexplained or mysterious disappearance of any property, or shortage disclosed by audit or upon taking inventory;

O. against loss or damage to personal property of others while in the custody of the Insured if such property is being transported by the Insured in or on vehicles owned, operated, leased or otherwise contracted by the Insured when the Insured is acting as a common or contract carrier;

P. against asbestos material removal unless the asbestos itself incurs direct physical loss, damage, or destruction from perils covered herein;

Q. against nuclear reaction, or nuclear radiation, or radioactive contamination, all whether controlled or uncontrolled, and whether such loss be direct or indirect, proximate or remote; except:

    (1) if fire ensues, liability is specifically assumed for direct loss by such ensuing fire but not including any loss due to nuclear reaction, nuclear radiation, or radioactive contamination;

    (2) this Company shall be liable for loss or damage caused by sudden and accidental radioactive contamination including resultant radiation damage for each occurrence from material used or stored or from processes conducted on an insured premises provided at the time of loss there is neither nuclear reactor capable of sustaining a nuclear fission in a self-supporting chain reaction nor any new or used nuclear fuel on the insured premises;

R.

    (1) against warlike action in time of peace or war, including action in hindering, combating, or defending against an actual, impending, or expected attack:

        (a) by any government or sovereign power (de jure or de facto) or by any authority maintaining or using military, naval, or air forces;

        (b) or by military, naval, or air forces;

        (c) or by an agent of any such government, power, authority, or forces;

    (2) against any weapon employing atomic fission or fusion;

    (3) against insurrection, rebellion, revolution, civil war, usurped power, or action taken by governmental authority in hindering, combating, or defending against such occurrence;

    (4) against seizure or destruction by order of public authority, except destruction by order of public authority to prevent the spread of, or to otherwise contain, control or minimize loss, damage or destruction not otherwise excluded under this policy;

    (5) against risks of contraband or illegal trade.

Exclusions B, C, D, E, F, and H do not apply to property in transit.

Exclusion C, D, E, F does not apply to alterations, additions, and property while in the course of construction, erection, installation, or assembly.

Exclusions C, D, and E do not apply to electronic data processing systems and valuable papers and records.

SECTION III – INSURED PROPERTY

1. PROPERTY INSURED

Except as hereinafter excluded, this policy covers all Real and Personal Property of every kind and description including:

A. The interest of the Insured in all Real and Personal Property, (including improvements and betterments) owned, used, leased or intended for use by the Insured, or hereafter constructed, erected, installed, or acquired including while in course of construction, erection, installation, and assembly including locations acquired or erected after the effective date of this policy. In the event of loss or damage, this Company agrees to accept and consider the Insured as sole and unconditional owner of improvements and betterments, notwithstanding any contract or leases to the contrary.

B. The interest of the Insured in the Real and Personal Property of others in the Insured's care, custody, or control.

C. Real and Personal property which the Insured is responsible for or has agreed to insure.

D. At the option of the Insured, Personal Property of the Insured's officials, employees and representatives of the Insured.

E. Contractors' and vendors' interest in property covered to the extent of the Insured's liability imposed by law or assumed by contract and entered into prior to loss. However, such interests will not extend to any time element coverage provided by this policy.

F. Mobile Equipment.

2. PROPERTY EXCLUDED

This policy does not cover loss or damage to:

A. Land; however, this exclusion shall not apply to the cost of reclaiming, restoring or repairing Land Improvements. Land Improvements are defined as any alteration to the natural condition of land by grading, landscaping, earthen dikes or dams, and additions to land such as pavements, roadways, or similar works;

B. Water, except water which is normally contained within any type of tank, piping system or other process equipment;

C. Money, securities, currency, notes, furs, jewelry, precious metals, or precious stones;

D. Growing crops, standing timber, and animals except for research;

E. Watercraft, aircraft, motor vehicles licensed for highway use when not on the Insureds' premises, but this exclusion shall not apply to contractor's equipment;

F. Underground mines or any property contained therein;

G. Transmission and distribution lines; except when located on the insured premise or within one-thousand (1000) feet thereof;

H. Offshore oil rigs, platforms and property contained therein or thereon;

I. Property sold by the Insured under conditional sale, trust agreement, installment or other deferred payment plan, or in which the Insured has retained a security interest, after delivery to customers;

SECTION IV – VALUATION

In case of loss the basis of adjustment shall be as follows:

1. REAL AND PERSONAL PROPERTY

A. Buildings, structures, furniture and fixtures, equipment, improvements and betterments, shall be valued at the replacement cost new on the same premises, as of the date of replacement. Permission is granted for the Insured to replace the damaged property with any property at the same or at another site within the Territorial Limits of this policy, but recovery is limited to what it would cost to replace on the same site.

If property damaged or destroyed is not repaired, rebuilt or replaced within a reasonable period after the loss or damage, this Company shall not be liable for more than the actual cash value at the time of loss (ascertained with proper deduction for depreciation) of the property damaged or destroyed. However, limitations imposed by federal, state or municipal building codes shall not result in actual cash valuation but in a replacement cost new valuation.

The Insured may elect not to repair or replace the insured real and/or personal property lost, damaged, or destroyed. Loss Settlement may be elected on a replacement cost basis if the proceeds of such loss settlement are expended on other, not previously budgeted, capital expenditures.

Antique, restored or historical buildings shall be valued at the lesser of the cost to repair, replace, construct, or reconstruct the property on the same site using materials of like kind and quality necessary to preserve or maintain a building's historical significance without deduction for depreciation.

B. Electronic Data Processing or control equipment and production machinery and equipment or any part thereof shall be valued at the cost to repair or replace new on the same premises as of the time of replacement except, that with respect to items for which replacement with identical property is impossible, the replacement cost shall be the cost of items similar to the destroyed property and intended to perform the same function but which may include technological advances.

C. Valuable papers and records and Data Processing Media shall be valued at the cost to reproduce the property as of the date of reproduction including the cost of gathering and/or assembling information;

"Valuable papers and records" are defined as written, printed, or otherwise inscribed documents and records, including but not limited to books, maps, films, drawings, abstracts, deeds, mortgages, micro-inscribed documents, manuscripts and media and the data recorded thereon, but not including money and/or securities.

"Media" is defined as materials upon which data is recorded including, but not limited to, papertapes, cards, electronic memory circuits, and magnetic or optical storage devices. "Data" is defined as facts, concepts, or instructions in a form usable for communications, interpretation, or processing by automatic means. It includes computer programs.

D. Fine Arts shall be valued at appraised value; or, if there is no appraisal, at the greater of the original acquisition cost or the market value at the time of loss.

E. Property of others which the Insured is required to insure to a stipulated value shall be valued at the replacement cost new as of the date of replacement, if replaced at the Insured's option; otherwise at the stipulated value.

F. Other property not otherwise provided for, at replacement cost new as of the date of replacement.

G. If the insured elects to repair or replace damaged or destroyed property, the costs and expenses of architects, surveyors, engineers and other relevant experts incurred by or on behalf of the insured in effecting such repair or replacement shall be included as part of the loss.

H. To the extent the insured provides its own general contracting, engineering, design or construction services for repair or replacement of the lost, damaged or destroyed property, the costs incurred by or on behalf of the Insured shall include:

(1) overhead charges as defined by the Insured's regular accounting practice in place at the time of loss; and

(2) payroll charges, appropriate fringe benefit costs and expenses of those employees expending time on the project, the cost of which is not included in paragraph (1); and

(3) the share of home office costs including payroll and expenses of the departments to which such employees are assigned; and

(4) the share of general and administrative costs allocated to the departments involved as prescribed in the Insured's regular accounting practice in place at the time of loss for determining its costs for providing engineering, procurement and construction management services.

2. STOCK

A. Raw Stock (materials and supplies in the state in which the Insured received them for conversion by the Insured into finished stock, including supplies consumed in such conversion or in the service rendered by the Insured) shall be valued at replacement cost at the time and place of loss.

B. Stock in process (raw stock which has undergone any aging, seasoning, or other processing by the Insured but which has not become finished stock) shall be valued at the Insured's selling price at the time and place of loss, less any manufacturing expense not incurred by the Insured and less any discounts, rebates, and unincurred expenses to which the sales price would have been subject.

C. Finished stock (stock which in the ordinary course of the Insured's business is ready for packing, shipment or sale) and merchandise shall be valued at the Insured's selling price at the time and place of loss, less all discounts, rebates, and unincurred expenses to which such sales price would have been subject.

SECTION V – TIME ELEMENT COVERAGE

This policy is extended to cover:

1. BUSINESS INTERRUPTION

A. Loss resulting from necessary interruption of business operations or services by the Insured, whether total or partial, and caused by direct loss, damage, or destruction covered herein during the term of this policy to Real and Personal Property as described in Section III.

B. If such loss occurs during the term of this policy, it shall be adjusted on the basis of ACTUAL LOSS SUSTAINED by the Insured, consisting of the net profit which is thereby prevented from being earned and of all charges and expenses only to the extent that these must necessarily continue during the interruption of business including Ordinary Payroll and only to the extent such charges and expenses would have been earned had no loss occurred.

"Ordinary payroll" is defined to be the entire payroll expense for all employees of the Insured except officers, executives, department managers, employees under contract, and other important employees as determined by the Insured.

C. In the event of loss, damage or destruction covered herein to property as described in Section III which results in an interruption of research and development activities this policy shall cover the actual loss sustained of the continuing fixed charges and expenses, including Ordinary Payroll directly attributable to such research and development activities. Such loss shall include project restoration costs to restore research and development activities to the same degree of completion as existed prior to such physical loss, damage or destruction, but for not more than 24 months from the date of such physical loss or damage.

D. However, the Company shall not be liable under this Clause 1. for any loss resulting from damage to or destruction of finished stock nor for the time required to reproduce said finished stock.

Finished stock shall mean stock manufactured by the Insured, which in the ordinary course of the Insured's business is ready for packing, shipment, or sale.

E. Resumption of Operations: If the Insured, by reasonable means within its control, could reduce the loss resulting from the interruption of business:

(1) by a complete or partial resumption of operation of the property insured, whether damaged or not; or

(2) by making use of available stock, merchandise, or other property;

such reduction shall be taken into account in arriving at the amount of loss hereunder.

F. Experience of the Business

(1) In determining the amount of net profit, charges and expenses covered hereunder for the purpose of ascertaining the amount of loss sustained, due consideration shall be given to the experience of the business before the date of damage or destruction and to the probable experience thereafter had no loss occurred to Real or Personal Property as described in Section III.

(2) With respect to alterations, additions, and property while in the course of construction, erection, installation, or assembly, due consideration shall be given to the available experience of the business after completion of the construction, erection, installation or assembly.

G. Tuition and Fees

(1) Measurement of Loss: The recoverable TUITION AND FEES loss is the Actual Loss Sustained by the Insured of the following:

a) Tuition fees which are prevented from being earned or received;

b) other operating and non-operating revenues, including but not limited to:

i. research grants, research and development;.

ii. income under research contracts all dependent on continued operations.

c) Less cost of goods, supplies or services sold or purchased which do not continue under contract.

d) Donations and Fund Raising Proceeds:

i. If a regularly scheduled fund raising drive for the sole benefit of the Insured occurs during the period of interruption of operations, the revenue produced by such drive shall be considered as follows in determining the amount of loss:

1. If the drive fails to produce an amount at least equal to the same drive in the most recent prior solicitation, the shortage, to the extent that it can be attributed to the interruption of the Insured's operations, shall be considered as loss or income.

2. If the drive produces an amount equal to the same drive in the most recent prior solicitation, then there shall be considered no loss of income from this source of revenue.

3. If the drive produces an amount larger than the same drive in the most recent prior solicitation, the excess shall not be applied to reduce the loss from the other sources of revenue.

4. If the drive is cancelled or postponed, such loss of revenue shall not be considered as loss of income.

ii. The following shall be disregarded in determining the amount of loss:

1. Donations and contributions which are a direct result of the interruption of the Insured's operations and are received by the insured during the period of interruption.

2. Proceeds from fund raising drives or solicitations which are for the sole benefit of the Insured and occur as a result of interruption of the Insured's operations.

(2) As respects TUITION AND FEES only when the period of repairing or replacing damaged building and equipment ends within 30 days immediately preceding the beginning of the first School Period specified, the Period of Recovery is extended to end on the day before the beginning of the second School Period.

"School Period" means the segment (semester, trimester, quarter, etc.) of the academic year during which an academic credit may be earned.

2. EXTRA EXPENSE

A. Extra Expense incurred resulting from loss, damage or destruction to property covered herein during the term of this policy to Real or Personal Property as described in Section III.

B. "Extra Expense" means the excess of the total cost reasonably and necessarily chargeable to the operation of the Insured's business or services over and above the total cost that would normally have been incurred to conduct the business or services had no loss, damage or destruction occurred.

3. **RENTAL VALUE**

A. Rental Value loss sustained by the Insured resulting directly from the necessary untenantability caused by loss, damage, or destruction by any of the perils covered herein during the term of this policy to Real and Personal Property insured herein, but not exceeding the reduction in rental value less charges and expenses which do not necessarily continue.

B. “Rental Value" is defined as the sum of:

(1) the total anticipated gross rental income from tenant occupancy of the described property as furnished and equipped by the Insured, and

(2) the amount of all charges which are the legal obligation of the tenant(s) and which would otherwise be obligations of the Insured, and

(3) the fair rental value of any portion of said property which is occupied by the Insured.

C. Experience of the Business:

(1) In determining the amount of rental value covered hereunder for the purposes of ascertaining the amount of loss sustained, due consideration shall be given to the rental experience before the date of damage or destruction and to the probable experience thereafter had no loss occurred to Real and Personal Property as described in Section III.

(2) With respect to alterations, additions, and property while in course of construction, erection, installation, or assembly, due consideration shall be given to the available rental experience of the business after completion of the construction, erection, installation, or assembly.

4. ROYALTIES

A. Loss of income to the Insured under royalty, licensing fees, or commission agreements between the Insured and another party which is not realizable due to loss, damage, or destruction by any of the perils covered herein during the term of this policy to property of the other party.

B. If such loss occurs during the term of this policy, it shall be adjusted on the basis of ACTUAL LOSS SUSTAINED of such income referred to in paragraph 1 above, which would have been earned had no loss occurred.

C. Resumption of Operations: The Insured shall influence, to the extent reasonably possible, the party with whom the agreement described in paragraph A above has been made to use any other machinery, supplies or locations in order to resume business so as to reduce the amount of loss hereunder, and the Insured shall cooperate with that party in every reasonable way to effect this, but not financially unless such expenditures shall be authorized and paid by this Company.

D. Experience of the Business: In determining the amount of income derived from the agreement(s) described in paragraph A above for the purpose of ascertaining the amount of loss sustained, due consideration shall be given to the amount of income derived from such agreement(s) before the date of damage of destruction and to the probable amount of income thereafter had no loss occurred to Real and Personal Property of the type insured under this policy of such other party.

5. **TIME ELEMENT EXTENSIONS**

This policy, subject to all provisions and without increasing the amount of said policy, also insures against loss resulting from damage to or destruction by the perils insured against, to:

A. Impounded Water: dams, reservoirs, or equipment connected therewith when water, used as a raw material or used for power or for other manufacturing purposes, stored behind such dams or reservoirs is released from storage and causes an interruption of business as a result of lack of water supply from such sources;

B. Contingent Time Element: property that wholly or partially prevents any direct supplier of goods and/or services to the Insured from rendering their goods and/or services, or property that wholly or partially prevents any direct receiver of goods and/or services from the Insured from accepting the Insured's goods and/or services, such supplier or receiver to be located anywhere in the world;

C. Leader Property: property not owned or operated by the Insured, located in the same vicinity as the Insured, which attracts business to the Insured. Such Leader Property must be located within one (1) mile of the insured premises.

D. Interruption by Civil or Military Authority: This policy is extended to cover the loss sustained during the period of time when access to Real or Personal Property is prohibited by order or action of civil or military authority issued as a direct result of a peril insured against at the insured premises or within five (5) miles of the insured premises.

E. Ingress/Egress: This policy is extended to cover the loss sustained during the period of time when, as a direct result of a peril insured against at the insured premises or within five (5) miles of the insured premises, access to or egress from Real or Personal Property is prohibited irrespective of whether the premises or property of the Insured shall have been damaged.

F. Emergency Vacating Expense: This policy is extended to cover the reasonable and necessary expenses incurred by the Insured when an authorized governmental agency or other similar authority orders the emergency evacuation of:

(1) Residents, tenants, patients; or

(2) Lawful occupants;

From a covered location as a direct result of immediately impending physical loss or damage insured by this policy. Reasonable and necessary expenses shall include the cost to remove, transport, board, feed and return the occupants as a result of said evacuation.

No coverage is provided if the evacuation results from:

(1) A planned evacuation drill;

(2) Evacuation of any resident, tenant, patient, or lawful occupant because of an actual or suspected medical condition(s); or

(3) A false alarm.

6. **PROVISIONS APPLICABLE TO BUSINESS INTERRUPTION, TUITION AND FEES, ROYALTIES, EXTRA EXPENSE, AND RENTAL VALUE COVERAGES**

A. Period of Recovery: The length of time for which loss may be claimed:

(1) shall not exceed such length of time as would be required with the exercise of due diligence and dispatch to rebuild, repair, or replace such part of the property as has been destroyed or damaged; and

(2) such additional length of time to restore the Insured's business to the condition that would have existed had no loss occurred, commencing with the later of the following dates:

(a) the date on which the liability of the Company for loss or damage would otherwise terminate; or

(b) the date on which repair, replacement, or rebuilding of such part of the property as has been damaged is actually completed,

but in no event for more than one year from said later commencement date;

(3) with respect to alterations, additions and property while in the course of construction, erection, installation, or assembly shall be determined as provided in (1) above, but such determined length of time shall be applied to the experience of the business after the business has reached its planned level of production or level of business operations;

(4) shall commence with the date of such loss or damage and shall not be limited by the date of expiration of this policy or cancellation date.

B. Special Exclusions: This section of the policy does not insure against any increase of loss which may be occasioned by the suspension, lapse, or cancellation of any lease, license, contract, or order; nor for any increase of loss due to interference at the Insured's premises by strikers or other persons with rebuilding, repairing, or replacing the property damaged or destroyed, or with the resumption or continuation of business, or with the reoccupancy of the premises.

C. Expense to Reduce Loss: This policy also covers such expenses as are necessarily incurred for the purpose of reducing any loss under this policy; however, such expenses may not exceed the amount by which the loss under this policy is thereby reduced.

D. In the event of a loss resulting from necessary interruption of business at a facility caused by a physical damage of the type insured against at said facility, Business Interruption, Tuition and Fees, Extra Expense, Rental Value and Royalties shall be determined solely by the operation and experience of the facility where the loss occurred.

SECTION VI – ADDITIONAL COVERAGES

1. ACCOUNTS RECEIVABLE

A. All sums due the Insured from customers, provided the Insured is unable to effect collection thereof as the direct result of loss of or damage to records of accounts receivable;

B. Interest charges on any loan to offset impaired collections pending repayment of such sums made uncollectible by such loss or damage;

C. Collection expense in excess of normal collection cost and made necessary because of such loss or damage;

D. Other expenses, when reasonably incurred by the Insured in reestablishing records of accounts receivable following such loss or damage.

For the purpose of this insurance, credit card company charge media shall be deemed to represent sums due the Insured from customers, until such charge media is delivered to the credit card company.

When there is proof that a loss of records of accounts receivable has occurred but the Insured cannot more accurately establish the total amount of accounts receivable outstanding as of the date of such loss, such amount shall be computed as follows:

(1) The monthly average of accounts receivable during the last available twelve months shall be adjusted in accordance with the percentage increase or decrease in the twelve months average of monthly gross revenues which may have occurred in the interim.

(2) The monthly amount of accounts receivable thus established shall be further adjusted in accordance with any demonstrable variance from the average for the particular month in which the loss occurred, due consideration also being given to the normal fluctuations in the amount of accounts receivable within the fiscal month involved.

There shall be deducted from the total amount of accounts receivable, however established, the amount of such accounts evidenced by records not lost or damaged, or otherwise established or collected by the Insured, and an amount to allow for probable bad debts which would normally have been uncollectible by the Insured.

2. AUTOMATIC COVERGE FOR NEWLY ACQUIRED PROPERTY

This policy is extended, subject to all its coverages and conditions, to cover newly acquired or occupied property. Coverage shall automatically commence when the Insured first acquires, leases, constructs or otherwise acquires an insurable interest in such property.

After the period of 30 days from date of acquisition for locations with values of $100,000,000 and over, 180 days from date of acquisition for locations with values of $10,000,000 and over, and 365 days from date of acquisition for locations with values under $10,000,000, if the location has not been reported to the Insurer, the maximum recoverable in the event of a covered loss will not exceed the Miscellaneous Unnamed Location sublimit described herein.

3. BRAND OR TRADEMARKS

In case of damage by a peril insured against to property bearing a brand or trademark or which in any way carries or implies the guarantee or the responsibility of the manufacturer or Insured, the salvage value of such damaged property shall be determined after removal at the Company's expense in the customary manner of all such brands or trademarks or other identifying characteristics.

4. BUILDING ORDINANCE OR LAW

In the event of loss or damage under this policy to building(s) or structure(s) that causes the enforcement of any law, ordinance, governmental directive or standard in effect at the time of loss or damage regulating the construction, repair, use or occupancy of property, this Company shall be liable for:

A. Undamaged Portion: The proportion that the value of the undamaged part of the property bore to the value of the entire facility prior to loss;

B. Demolition: The cost of demolishing the undamaged facility including the cost of clearing the site;

C. Increased Cost of Construction: Increased cost of repair or reconstruction of the damaged and undamaged property on the same or another site, limited to the cost that would have been incurred in order to comply with the minimum requirements of such law or ordinance regulating the repair or reconstruction of the damaged property on the same site. However, this Company shall not be liable for any increased cost of construction loss unless the damaged facility is actually rebuilt or replaced;

D. Increased Time Element Loss: Any increase in the Business Interruption, Tuition and Fees, Extra Expense, Rental Value or Royalties loss arising out of the additional time required to comply with said law or ordinance.

The Company shall not be liable for any cost of any demolition or increased cost of replacement, repair, debris removal, or loss of use necessitated by the enforcement of any law or ordinance regulating any form of contamination or pollution.

5. CONSEQUENTIAL LOSS

A. In the event of loss or damage not otherwise excluded to property, and such damage, without the intervention of any other independent excluded cause, results in a sequence of events which causes physical damage to insured property, then there shall be liability under the policy for the resulting loss.

B. This policy also insures against consequential loss to the property insured caused by but not limited to change of temperature or humidity or by interruption of power, heat, air conditioning, or refrigeration resulting from loss or damage not otherwise excluded.

6. DEBRIS REMOVAL

This policy covers the following expenses resulting from a covered loss:

A. the cost of removal of debris of property covered hereunder;

B. the cost of removal of debris of property not covered hereunder from the premises of the Insured;

C. cost of recycling debris of property insured hereunder including the reasonable cost of cleaning, sorting, separating, segregating and transporting such debris to recycling centers

7. DECONTAMINATION AND CLEAN UP EXPENSE

This policy insures any cost or expense of decontamination or removal or dispersal of water, soil or any similar substance on or under the premises of the Insured caused by direct physical loss, damage, or destruction covered herein in order to mitigate any circumstances pertaining to seepage, pollution and/or contamination, whether or not at the instruction of any government agency or other authority.

It is the condition precedent to recovery under this clause that the Insurer shall have paid, or agreed to pay for, loss or damage to the property insured hereunder unless such payment is precluded solely by the operation of any deductible.

It is also a condition precedent to recovery under this clause that the Insured shall give written notice to the Insurer of intent to claim for decontamination and clean up expense not later than 180 days after the date of such loss or damage.

8. **DEFENSE COSTS**
This policy, subject to all its provisions, also insures the costs and fees to defend any claim or suit against the Insured and/or its directors, officers and/or employees alleging physical loss or damage as insured against to property of others in the care, custody or control of the Insured to the extent of the Insured's liability therefore, even if such claim or suit is groundless, false or fraudulent; but the Company may without prejudice make such investigation, negotiation or settlement of any such claim or suit as it deems expedient. Coverage hereunder shall apply solely in respect of costs and fees incurred in connection with the defense of any suit(s) or part of suit(s) which make claim for the value of physical damage to property and shall in no circumstances extend to cover costs and fees incurred in connection with additional liabilities.

9. EXPEDITING EXPENSE
This policy covers the extra cost of temporary repair and/or replacement and of expediting the repair and/or replacement of damaged property insured hereunder, including, but not limited to, overtime and express freight or other rapid means of transportation.

10. FINE ARTS
Coverage is extended to insure Fine Arts being paintings, etchings, pictures, tapestries, and other bona fide works of art (such as statuary, marbles, bronzes, antique furniture, rare books, antique silver, manuscripts, porcelains, rare glass and bric-a-brac) of rarity, historical value or artistic merit.

11. FIRE BRIGADE CHARGES AND EXTINGUISHING EXPENSES
This policy covers the following expenses resulting from a covered loss:

A. fire brigade charges and other extinguishing expenses which the Insured incurs;
B. loss and disposal of fire extinguishing materials expended.

12. FUNGUS, MOLD, WET OR DRY ROT
Notwithstanding any exclusion within this policy or by endorsement to the contrary, this policy also insures physical loss, damage or destruction to insured property resulting from Fungus, Mold, wet or dry rot which is a direct result of physical loss, damage or destruction insured against under this policy that occurs during the policy period. This coverage includes the cost or expense to test for, remove and remediate:

A. any Fungus, Mold, wet or dry rot from insured property caused by covered direct physical loss, damage or destruction. The cost to tear out and replace any part of the building or other property as needed to gain access to the Fungus, Mold, wet or dry rot is also insured.

B. any and all other damage of the type not otherwise excluded by this policy resulting from Fungus, Mold, wet or dry rot.

The cost of testing performed after removal and remediation of such Fungus, Mold, wet or dry rot from insured property is also insured provided there is reason to believe that such Fungus, Mold, wet or dry rot is still present. It is agreed that the Insured shall give notice to the Company of intent to claim for the costs or expenses described above no later than 12 months after the date of direct physical loss, damage or destruction giving rise to the Fungus, Mold, wet or dry rot.

13. LESSOR'S/LESSEE'S LEASEHOLD INTEREST
A. Pro rata proportion from the date of loss to expiration date of the lease (to be paid without discount) on the Insured's interest in:

(1) the amount of bonus paid by the Insured for the acquisition of the lease not recoverable under the terms of the lease;
(2) improvements and betterments to real property which are not covered under any other section of this policy;
(3) the amount of advance rental paid by the Insured and not recoverable under the terms of the lease;

when property is rendered wholly or partially untenantable by any covered loss during the term of this policy and the lease is canceled by the party not the Named Insured by this policy in accordance with the conditions of the lease or by statutory requirements of the appropriate jurisdiction in which the damaged or destroyed property is located; and

B. “The Interest of the Insured as Lessee or Lessor” when property is rendered wholly or partially untenantable by any covered loss during the term of this policy and the lease is canceled by the party not the Named Insured under this policy in accordance with the conditions of the lease or by statutory requirements of the appropriate jurisdiction in which the damaged or destroyed property is located.

“The Interest of the Insured as Lessee or Lessor” as referred to herein shall be paid for the first three months succeeding the date of the loss and the “Net Lease Interest” shall be paid for the remaining months of the unexpired lease.

C. Definitions:

The following terms, wherever used in this section shall mean:

(1) “The Interest of the Insured as Lessee” is defined as:

(a) the excess of the rental value of similar premises over the actual rental payable by the lessee (including any maintenance or operating charges paid by the lessee) during the unexpired term of the lease; and;

(b) the rental income earned by the Insured from sublease agreements, to the extent not covered under any other section of this policy, over and above the rental expenses specified in the lease between the Insured and the lessor.

(2) “The Interest of the Insured as Lessor” is defined as the difference between the rents payable to the lessor under the terms of the lease in effect at the time of loss and the actual rent collectible by the lessor during the unexpired term of the lease provided the lease is canceled by the lessee, to the extent not covered under any other section of this policy.

(3) “Net Lease Interest” is defined as that sum, which placed at 6% interest compounded annually will be equivalent to the “The Interest of the Insured as Lessee or Lessor”.

D. This Company shall not be liable for any increase of loss which may be occasioned by the suspension, lapse or cancellation of any license or by the Named Insured exercising any option to cancel the lease. Furthermore, the Named Insured shall use due diligence including all things reasonably practicable to diminish loss under this clause.

14. MACHINERY
In case of loss or damage by a peril insured against to any part of a machine or unit consisting of two or more parts when complete for use, the liability of the Company shall be limited to the value of the part or parts lost or damaged or, at the Insured's option, to the cost and expense of replacing or duplicating the lost or damaged part or parts or of repairing the machine or unit.

15. PAIR AND SET
Except as provided under the Machinery clause, in the event of loss or damage insured against to any article or articles which are a part of a pair or set, the measure of loss or damage to such article or articles shall be, at the Insured’s option:

A. the reasonable and fair proportion of the total value of the pair or set, giving consideration to the importance of said article or articles, but in no event shall such loss or damage be construed to mean total loss of the pair or set; or

B. the full value of the pair or set provided that the Insured surrenders the remaining article or articles of the pair or set to the Company.

16. PERMISSION FOR VACANCY
The insured has permission to cease operations or remain vacant or unoccupied without consent of the Company(ies). This will not limit and/or hinder any coverage and/or loss indemnification as provided in this policy.

17. **PROTECTION AND PRESERVATION OF PROPERTY**
In case of actual or imminent physical loss or damage from a covered cause of loss insured against by this policy, the expenses incurred by the Insured in taking reasonable and necessary actions for the temporary protection and preservation of property insured hereunder shall be added to the total physical loss or damage otherwise recoverable under this policy.

18. TRANSIT

A. Property in transit within and between the Territorial Limits of this policy, including the coastal waters thereof, by any means of conveyance, from the time the property is moved for purpose of loading and continuously thereafter while awaiting and during loading and unloading and in temporary storage, including temporary storage on any conveyance intended for use for any outbound or used for inbound shipment, including during deviation and delay, until safely delivered into place of final destination.

B. This insurance is extended to cover loss or damage to property:

(1) sold and shipped by the Insured under terms of F.O.B. point of origin or other terms usually regarded as terminating the shipper's responsibility short of points of delivery;

(2) arising out of any unauthorized person(s) representing themselves to be the proper party(ies) to receive goods for shipment or to accept goods for delivery;

(3) occasioned by the acceptance by the Insured, by its agents, or by its customers of fraudulent bills of lading, shipping and delivery orders, or similar documents;

(4) at the Insured’s option, which is incoming to the Insured.

C. The Insured may waive right(s) of recovery against private, contract and common carriers and accept bills of lading or receipts from carriers, bailees, warehousemen, or processors limiting their liability, but this transit insurance shall not inure to the benefit of any carrier, bailee, warehouseman, or processor.

D. With respect to shipments made under F.O.B. or similar terms, this Company agrees to waive its rights of subrogation against consignees at the option of the Insured.

E. The Insured is not to be prejudiced by any agreements exempting lightermen from liability.

F. Seaworthiness of any vessel or watercraft is admitted between this Company and the Insured.

G. Solely as respects property in transit, this policy does not insure against:

(1) property insured under any marine import or export policy;

(2) property while waterborne, except while on the navigable inland waters within the Territorial Limits of this policy;

(3) Time Element Coverage.

19. SERVICE INTERRUPTION
This policy also insures against loss, damage or destruction at an insured location resulting from the interruption of electricity, steam, gas, water, sewer, telecommunications or any other utility or service to the insured location caused by direct physical loss, damage, or destruction covered herein at a facility (including transmission and distribution lines) of the utility or service provider which immediately prevents in whole or in part the delivery of such utility or service. A waiting period of 24 hours at each location shall apply to Service Interruption.

20. SOFT COSTS
This policy insures reasonable and necessary expenses related to the delay in completion of a construction or installation project over and above those costs which would have been incurred, including but not limited to, interest payments on financing under loan agreements and real estate taxes accruing during the period of delay.

21. VALUABLE PAPERS AND RECORDS
Coverage is extended to provide for the cost of restoring, researching, replacing or reproducing the Insured's valuable papers and records that are lost or damaged as a result of a covered cause of loss.

SECTION VII – CONDITIONS

1. **APPRAISAL**
If the Insured and this Company fail to agree on the amount of the loss, each, upon written demand of either of the Insured or of this Company made within sixty (60) days after receipt of proof of loss by the Company, shall select a competent and disinterested appraiser. The appraisers shall then select a competent and disinterested umpire. If they should fail for fifteen (15) days to agree upon such umpire, then upon the request of the Insured or of this Company, such umpire shall be selected by a judge of a court of record in the county and state in which such appraisal is pending. Then, at a reasonable time and place, the appraisers shall appraise the loss, stating separately the value at the time of loss and the amount of loss. If the appraisers fail to agree, they shall submit their differences to the umpire. An award in writing by any two shall determine the amount of loss and shall be paid by the Company within 30 days thereafter. The Insured and this Company shall each pay his or its chosen appraiser and shall bear equally the other expenses of the appraisal and of the umpire.

2. **ASSIGNED ADJUSTER CLAUSE**
ASSIGNED ADJUSTER: It is hereby agreed that the following shall be designated as the ACCOUNT CLAIMS ADJUSTER and INSURER CLAIMS LEAD for all claims reported under this policy. The Company shall agree to follow the Claims Handling Guidelines of the INSURER CLAIMS LEAD to facilitate a prompt, coordinated claims settlement response from all participating Companies.

The Company reserves the right to associate a staff adjuster with the ACCOUNT CLAIMS ADJUSTER as respects any claim or claims. Westport Insurance Corporation retains the right to terminate the below named ACCOUNT CLAIMS ADJUSTER for lack of compliance with the aforementioned Guidelines Protocol or for lack of performance at the discretion of the company. In such event, or in the event that the below named ACCOUNT CLAIMS ADJUSTER becomes unwilling or unable to perform, a replacement ACCOUNT CLAIMS ADJUSTER will be selected by the mutual agreement of the Company and Named Insured.

ACCOUNT CLAIMS ADJUSTER:
TREY JOHNSON OR IN HIS ABSENCE, ANOTHER MEMBER OF HIS TEAM AT SEDGWICK CLAIMS MANAGEMENT SERVICES, INC., ADDISON, TX

ADJUSTING FIRM:
Sedgwick Claims Management Services, Inc., 400 Belt Line Road, #250, Addison, TX 75001

INSURER CLAIMS LEAD:
SARA SPRINGMAN OR IN HER ABSENCE, ANOTHER MEMBER OF HER TEAM AT WESTPORT CLAIMS CORPORATE SOLUTIONS

3. **ASSISTANCE AND COOPERATION OF THE INSURED**
The Insured shall cooperate with this Company, and, at this Company's reasonable request and expense, shall attend hearings and trials and shall assist in effecting settlements, in securing and giving evidence, in obtaining the attendance of witnesses and in conducting suits.

4. **CANCELLATION**

A. This policy may be cancelled at any time at the request of the Insured or it may be canceled by the Company by mailing to the Insured at the Notification Address shown in this policy, written notice stating when, not less than 90 days thereafter, such cancellation shall be effective. The earned premium shall be computed on a short rate basis when cancelled by the insured, otherwise a pro-rata basis shall apply.

B. The mailing of notice as aforesaid shall be sufficient proof of notice and the effective date and hour of cancellation stated in the notice shall become the end of the policy period. Delivery of such written notice either by the Insured or by the Company shall be equivalent to mailing.

C. In the event of non-payment of premium this policy may be canceled by the Company by mailing to the Insured at the Notification Address shown in this policy stating when, not less than 10 days thereafter, such cancellation shall be effective. Reinstatement of coverage shall be effective immediately upon receipt of premium by the Company.

However, non-payment of premium by one participating agency shall not cancel the entire policy.

5. **CERTIFICATES OF INSURANCE**
Permission is granted to Arthur J. Gallagher Risk Management Services, LLC. to issue certificates or evidences of insurance under this policy. Any certificate of insurance issued in connection with this policy shall be issued solely as a matter of convenience or information for the addressee(s) or holder(s) of said certificate of insurance.

6. **CONFORMANCE**
The terms of this policy which are in conflict with the applicable statutes of the state wherein this policy is issued are hereby amended to conform to such statutes, unless the statutes narrow or limit the coverage afforded by this policy and do not bar a policy from providing broader coverage.

7. **CONTRIBUTING INSURANCE**
Contributing insurance is insurance written upon the same plan, terms, conditions and provisions as those contained in this policy. This insurance shall contribute in accordance with the conditions of this policy only with other contributing insurance as defined.

8. **CONTROL OF DAMAGED MERCHANDISE**
The Insured shall have full right to the possession of all goods involved in any loss under this policy and shall retain control of all damaged goods. The Insured, exercising a reasonable discretion, shall be the sole judge as to whether the goods involved in any loss under this policy are fit for normal intended use or consumption. No goods so deemed by the Insured to be unfit for consumption shall be sold or otherwise disposed of except by the Insured or with the Insured's consent, but the Insured shall allow this Company any salvage obtained by the Insured on any sale or other disposition of such goods.

9. **ERRORS OR OMISSIONS**
Any unintentional error or omission made by the Insured shall not void or impair the insurance hereunder provided the Insured reports such error or omission as soon as reasonably possible after discovery by the Insured’s Risk Management Department.

10. **EXCESS INSURANCE**
Excess insurance is insurance over the limit of liability set forth in this policy. The existence of such excess insurance shall not prejudice the coverage provided under this policy nor will it reduce any liability hereunder.

11. **IDENTITY OF INTERESTS**
If the Named Insured is comprised of more than one legal entity, liability shall not exceed the amount of loss had all interests comprised a single legal entity.

12. **JOINT LOSS AGREEMENT**
With respect to the coverage provided by this policy, it is agreed that:

A. If at the time of loss, there is in existence a policy(ies) issued by another property and/or boiler and machinery insurance company ies) which may cover the same property or cover the location at which the property subject to loss is situated; and

B. if there is a disagreement between the companies under this policy and such other contract either as to:

(1) whether such damage or destruction is insured against under this policy or insured against by such other property and/or boiler and machinery insurance policy(ies); or

(2) the extent of participation of this policy and of such other property and/or boiler and machinery insurance policy(ies) in a loss which is insured against, partially or wholly, by any one or all of said policies;

this Company shall, upon written request of the Insured, pay to the Insured one-half of the amount of the loss which is in disagreement, but in no event more than this Company would have paid if there had been no such other property and/or boiler and machinery insurance policy(ies) in effect, subject to the following conditions:

(a) the amount of the loss which is in disagreement, after making provisions for any undisputed claims payable under the said policies and after the amount of the loss is agreed upon by the Insured and the companies, is limited to the minimum amount remaining payable under this policy or the other property policy;

(b) the other property and/or machinery breakdown insurance company(ies) shall simultaneously pay to the Insured at least one half of said amount which is in disagreement;

(c) the payments by the companies hereunder and acceptance of the same by the Insured signify the agreement of the companies to submit to and proceed with arbitration within ninety days of such payments;

the arbitrators shall be three in number, one of whom shall be appointed by the other property and/or boiler and machinery insurance company(ies), one of whom shall be appointed by this Company, and the third of whom shall be appointed by consent of the other two; the decision by the arbitrators shall be binding on the companies and that judgment upon such award may be entered in any court of competent jurisdiction;

(d) the Insured agrees to cooperate in connection with such arbitration but not to intervene therein;

(e) the provisions shall not apply unless such other property and/or boiler and machinery policy(ies) is similarly endorsed;

(f) acceptance by the Insured of sums paid pursuant to the provisions, including an arbitration award, shall not operate to alter, waive, surrender or in any way affect the rights of the Insured against any of the Companies.

13. LOSS ADJUSTMENT EXPENSES
This policy is extended to include expenses incurred by the Insured, or by the Insured's representatives for assessing, preparing and/or certifying details of a claim resulting from a loss which would be payable under this policy. However, this Company shall not be liable under this clause for expenses incurred by the Insured in utilizing the services of a public adjuster or attorney.

14. NOTICE OF LOSS
As soon as practicable after any loss or damage occurring under this policy is known to the **TEXAS STATE OFFICE OF RISK MANAGEMENT**, the Insured shall report such loss or damage to **SEE ASSIGNED ADJUSTER CLAUSE** for transmission to the Company. Any inadvertent delay by the Insured in providing notice shall not affect the Insured's right to coverage under this policy, except if and to the extent that the Company proves that it actually and substantially was prejudiced by any unreasonable delay in notice. Notwithstanding anything to the contrary herein this Policy, all notices detailed in this provision and elsewhere in this policy are required to be given to the Company. Such notice shall only be effected upon receipt by the Company and not upon receipt by the assigned adjustor.

15. **OTHER INSURANCE**
Except for insurance described by the Contributing Insurance Clause, the Excess Insurance Clause, or the Underlying Insurance Clause, this policy shall not cover to the extent of any other collectible insurance, whether directly or indirectly covering the same property against the same causes of loss. This Company shall be liable for loss or damage only to the extent of that amount in excess of the amount recoverable from such other collectible insurance.

16. **PARTIAL PAYMENT OF LOSS**
In the event of a loss covered by this policy, it is understood and agreed that the Company will issue partial payment(s) of claim subject to the policy provisions, and shall not be less than the undisputed estimate of loss or damage between the Insured and the Company.

17. PAYMENT OF LOSS
All adjusted claims shall be due and payable no later than thirty (30) days after presentation and acceptance of proofs of loss by this Company or its appointed representative.

18. PROOF OF LOSS
The Insured, at the request of the Company, will render a signed and sworn proof of loss to the Company or its appointed representative stating: the place, time, cause of the loss, damage, or expense; the interest of the Insured and of all others; the value of the property involved in the loss; and the amount of loss, damage, or expense.

19. REINSTATEMENT
With the exception of loss caused by perils which are subject to annual aggregate limits as noted elsewhere in this policy, no loss hereunder shall reduce the amount of this policy.

20. **REPORTING OF VALUES / PREMIUM SWING CLAUSE**

It is agreed that all changes in Total Insured Values will be reported to the Company(ies) on a semi-annual basis.

It is also agreed that the premium will be subject to one adjustment annually. This adjustment will be calculated within 30 days of expiration of this contract. Premium adjustments will be made only for acquisitions/divestures that exceed **five percent (5%)** of the Total Insured Values as presented at the inception of this contract. This clause does not apply to new agencies.

21. SALVAGE AND RECOVERIES

All salvages, recoveries and payments, excluding proceeds from subrogation and underlying insurance, recovered or received prior to a loss settlement under this policy, shall reduce the loss accordingly.

If recovered or received subsequent to a loss settlement under this policy, such net amounts recovered shall be divided between the interests concerned, i.e. the Insured and any other Company(ies) participating in the payment of any loss, in the proportion of their respective interests.

22. SUBROGATION

A. Any release from liability entered into by the Insured prior to loss hereunder shall not affect this policy or the right of the Insured to recover hereunder. The right of subrogation against the Insured's subsidiary, affiliated and associated corporations or companies, the Insured's officers, directors, and employees, or any other corporations or any other corporations or companies associated with the Insured through ownership or management, and at the option of the Insured against a tenant, vendor, supplier or customer of the Insured, is waived.

B. In the event of any payment under this policy, this Company shall be subrogated to the extent of such payment to all the Insured's rights of recovery therefore. The Insured shall execute all papers required and shall do anything that may be reasonably necessary at the expense of the Company to secure such right. The Company will act in concert with all other interests concerned, i.e., the Insured and any other Company(ies) participating in the payment of any loss as primary or excess insurers, in the exercise of such rights of recovery.

If any amount is recovered as a result of such proceedings, the net amount recovered after deducting the cost of recovery shall be divided between the interests concerned in the proportion of their respective interests. If there should be no recovery, the expense of proceedings shall be borne by the insurers instituting the proceedings.

23. SUE AND LABOR

In case of actual or imminent loss or damage covered by this policy, it shall, without prejudice to this insurance, be lawful and necessary for the Insured, their factors, servants, or assigns to sue, labor and travel for, in and about the defense, the safeguard, and the recovery of property or any part of the property insured hereunder; nor, in the event of loss or damage, shall the acts of the Insured or of this Company in recovering, saving, and preserving the insured property be considered a waiver or an acceptance of abandonment. This Company shall contribute to the expenses so incurred.

24. SUIT AGAINST THE COMPANY

No suit or action on this policy for the recovery of any claim shall be sustainable in any court of law or equity unless the Insured shall have fully complied with all the requirements of this policy; however, if there is any dispute between the Insured and the Company as to whether the Insured has fully complied with all the requirements of this policy, such a dispute may be resolved in a suit or action on the policy for recovery of any claim. The Company agrees that any action or proceedings against it for recovery of any loss under this policy shall not be barred if commenced within two years and one day after the Insured provides notice to the Company in accordance with Clause 14, "Notice of Loss" above, which period shall be tolled from the date of notice until the date that the Insured receives the Company's final coverage decision (this two year and one day period is referred to as the "limitations period"). However, the limitations period shall not apply if by the laws of the State of the address of the Insured such a limitation is invalid or if the laws of the state in which any such action is brought permit a longer period of time within which to commence such a suit. Furthermore, any tolling of the limitations period shall not preclude the Insured from bringing a suit or any other proceeding regarding recovery for any loss or of any claim hereunder during the period of tolling or at any other time.

Prosecution of a suit by the Insured shall not be barred due to the failure of the Company to timely advise and notify the Insured of the expiration of any applicable dates to file and commence said suit.

It is agreed that in the event of the failure of the Company to pay any amount claimed to be due hereunder or in the event of any other dispute relating to this policy, the Company, at the request of the Insured, will submit to the jurisdiction of any court of competent jurisdiction within the United States and will comply with all of the requirements necessary to give such court jurisdiction and all matters hereunder shall be determined in accordance with the law and practice of such court, not including the court's law regarding choice of law. The Company shall not transfer, change venue, or remove, or seek to transfer, change venue, or remove any lawsuit filed by the Insured in any such court.

25. TITLES OF PARAGRAPHS

The titles of paragraphs of this form and of endorsements and supplemental contracts, if any, now or hereafter attached hereto are inserted solely for convenience of reference and shall not be deemed in any way to limit or affect the provisions to which they relate.

26. UNDERLYING INSURANCE

A. Underlying insurance is insurance on all or any part of the deductible and against all or any of the causes of loss covered by this policy including declarations of value to the carrier for hire. The existence of such underlying insurance shall not prejudice or affect any recovery otherwise payable under this policy.

B. If the limits of such underlying insurance exceed the deductible amount which would apply in the event of loss under this policy, then that portion which exceeds such a deductible amount shall be considered other insurance, as defined in the Other Insurance clause.

27. VALUES

The values and schedule of property declared to the Company at the inception of the policy are for premium purposes only and shall not limit the coverage provided by this policy.

SECTION VIII – ADDITIONAL DEFINITIONS

1. **EARTHQUAKE** is defined as a shaking or trembling of the earth that is tectonic in origin. Such definition shall include tsunami, landslide, subsidence and volcanic eruption.
2. **FLOOD** is defined as flood waters, surface water, waves, tide or tidal water, the release of water, the rising, overflowing or breaking of boundaries of natural or man-made bodies of water, or the spray from any of the foregoing, other than water driven by a Named Windstorm (Storm Surge).
3. **LOCATION(S)** wherever used herein or endorsed hereto shall mean all property within the outer property lines of land owned or occupied by the Insured as one continuous property site, or on land so occupied which would be one continuous property site except for the presence of roadways, streams or rights of way intersecting such area
4. **MISCELLANEOUS UNNAMED LOCATION(S)** means a location or structure, including property in the open, that has not been included in the Statement of Values on file with the Company(ies) and has not been reported to the Company(ies) pursuant to the reporting provisions in Section VI. 2. Automatic Coverage for Newly Acquired Property.
5. **NAMED WINDSTORM** is defined as a hurricane, typhoon, tropical cyclone, tropical storm or tropical depression which is named by National Oceanic and Atmospheric Administration's (NOAA) National Hurricane Center. For purposes of this definition Named Windstorm shall include, but is not limited to, direct physical loss, damage or destruction caused by the following, regardless of the number of coverages, locations, or perils involved:
   A. direct action of wind including ensuing Storm Surge;
   B. all resulting Flood;
   C. rain or water, whether the rain or water is driven by wind or not, that enters a building or structure insured under this policy through an opening(s) created by the direct action of such windstorm.
   D. any material, object or debris that is carried, propelled or in any manner moved by such windstorm;
   E. one or more tornadoes and/or cyclones that are a result of actions or effects of such windstorm;
6. **OCCURRENCE** is defined as any one loss, disaster, casualty, or series of losses, disasters, or casualties, arising out of one event. When the term applies to loss or losses from the perils of Named Windstorm, tornado, cyclone, windstorm, hail, earthquake, volcanic eruption, riot, riot attending a strike, civil commotion, vandalism and malicious mischief or terrorism and/or Flood, one event shall be construed to be all losses arising during a continuous period of 72 hours. When filing proof of loss, the Insured may elect the moment at which the 72 hour period shall be deemed to have commenced, which may not be earlier than the time when the first loss to covered property occurs.

   Should any aforementioned time period commence prior to expiration or cancellation date of this policy, this Company shall pay all such losses occurring during such period as if such period fell entirely within the term of this policy.

   As respects theft, the term Occurrence as referred to elsewhere within the policy means the sum total of all losses of covered property resulting from one or more concealed acts committed by one person or more than one person acting in unison to the extent such loss is not otherwise excluded under this policy.
7. **TIER I WIND ZONES** is defined as all locations situated within Tier 1 Counties as specified below:

State	County
Texas:	Aransas, Brazoria, Calhoun, Cameron, Chambers, Fort Bend, Galveston, Hardin, Harris (including entire City of Houston), Hidalgo, Jackson, Jefferson, Kenedy, Kleberg, Liberty, Matagorda, Newton, Nueces, Orange, Refugio, San Patricio, Victoria, Willacy.

8. **TIER 2 WIND ZONES** is defined as all locations situated within Tier 2 Counties as specified below:

State	County
Texas:	Bee, Brooks, Goliad, Jasper, Jim Wells, Live Oak, Montgomery, Polk, San Jacinto, Tyler, Wharton, Waller.

9. **TIER 3 WIND ZONES** is defined as all locations situated within Tier 3 Counties as specified below:

State	County
Texas:	Atascosa, Austin, Colorado, DeWitt, Duval, Grimes, Jim Hogg, Karnes, Lavaca, McMullen, Starr, Trinity, Walker.

10. **SECURITIES** is defined as all negotiable and non-negotiable instruments or contracts representing either money or other property, and includes revenue and other stamps in current use, tokens and tickets but does not include money.

11. **STORM SURGE** is defined as water driven inland from coastal waters by high winds and low atmospheric pressure. Such definition shall not be considered Flood if such term constitutes a part of the Named Windstorm definition where a separate sublimit or deductible applicable to such applies under the policy.

12. **WINDSTORM OR HAIL** means the direct action of wind including, tornado and wind driven objects or debris or the direct action of Hail, whether accompanied by wind or not. However, Windstorm or Hail does not mean:
    A. Loss or damage caused by or resulting from frost or cold weather, ice (other than Hail), snow or sleet, whether driven by wind or not;
    B. Loss or damage to the interior of any building or structure, or the property inside the building or structure, caused by rain, snow, sand or dust, whether driven by wind or not, unless the building or structure first sustains wind or Hail damage to its roof or walls through which the rain, snow, sand or dust enters; or
    C. Loss or damage caused when weight of snow, rainwater, ice or sleet is a contributing factor to the fall or Collapse of a building or structure or any part thereof, whether driven by wind or not.

State Office of Risk Management
2023

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EXHIBIT A-1
COMBINING BALANCE SHEET: All General and Consolidated Funds
August 31, 2023

	General Revenue Fund (0001) U/F (see footnote A)	Totals (Exh. I) 2023
ASSETS		
Current Assets:		
Cash and Cash Equivalents:		
Cash in State Treasury	$ 746.00	$ 746.00
Cash on Hand	14,314.68	14,314.68
Legislative Appropriations	7,812,868.08	7,812,868.08
Prepaid Items	961.07	961.07
Total Current Assets	7,828,889.83	7,828,889.83
TOTAL ASSETS	$ 7,828,889.83	$ 7,828,889.83
LIABILITIES		
Current Liabilities:		
Payables From:		
Accounts	$ 199,769.15	$ 199,769.15
Payroll	853,821.89	853,821.89
Unearned Revenue	14,314.68	14,314.68
Total Current Liabilities	1,067,905.72	1,067,905.72
TOTAL LIABILITIES	$ 1,067,905.72	$ 1,067,905.72
FUND BALANCES (DEFICITS):		
Nonspendable	$ 961.07	$ 961.07
Unassigned	6,760,023.04	6,760,023.04
TOTAL FUND BALANCES	$ 6,760,984.11	$ 6,760,984.11
TOTAL LIABILITIES AND FUND BALANCES	$ 7,828,889.83	$ 7,828,889.83

A = 0001, 0900, 0980, 1000, 1002, 8070, 9000, 9001, 9014, 9015, 9016

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EXHIBIT A-2
COMBINING STATEMENT OF REVENUES, EXPENDITURES & CHANGES IN FUND BALANCES: All General and Consolidated Funds
For the Fiscal Year Ended August 31, 2023

	General Revenue Fund (0001) U/F (see footnote A)	Totals (Exh. II) 2023
REVENUES		
Legislative Appropriations:		
Original Appropriations (GR)	$ 0.00	$ 0.00
Additional Appropriations (GR)	(31,235.40)	(31,235.40)
Licenses, Fees, and Permits (GR)	967.35	967.35
Sales of Goods and Services (GR)	780,881.11	780,881.11
Other (GR)	47,651,926.48	47,651,926.48
Total Revenues	$ 48,402,539.54	$ 48,402,539.54
EXPENDITURES		
Salaries and Wages	$ 6,901,776.35	$ 6,901,776.35
Payroll Related Costs	2,024,374.59	2,024,374.59
Professional Fees and Services	1,299,791.87	1,299,791.87
Travel	58,033.84	58,033.84
Materials and Supplies	245,358.71	245,358.71
Communication and Utilities	73,051.28	73,051.28
Repairs and Maintenance	21,896.87	21,896.87
Rentals and Leases	22,015.46	22,015.46
Printing and Reproduction	84.64	84.64
Claims and Judgments	36,545,673.47	36,545,673.47
Other Expenditures	1,207,779.33	1,207,779.33
Debt Service:		
Principal - Subscriptions	405,000.00	405,000.00
Capital Outlay	1,978,427.31	1,978,427.31
Total Expenditures	$ 50,783,263.72	$ 50,783,263.72
Excess (Deficiency) of Revenues over (under) Expenditures	$ (2,380,724.18)	$ (2,380,724.18)
OTHER FINANCING SOURCES (USES)		
Increase in Obligations - Subscriptions	$ 1,978,427.31	$ 1,978,427.31
Total Other Financing Sources (Uses)	$ 1,978,427.31	$ 1,978,427.31
NET CHANGE IN FUND BALANCES	$ (402,296.87)	$ (402,296.87)

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FUND FINANCIAL STATEMENTS - FUND BALANCES

Fund Balance - September 1, 2022	$ 7,458,113.55	$ 7,458,113.55
Restatements	(2,876.92)	(2,876.92)
Fund Balance - September 1, 2022, as	$ 7,455,236.63	$ 7,455,236.63
Appropriations Lapsed	(291,955.65)	(291,955.65)
FUND BALANCES - August 31, 2023	$ 6,760,984.11	$ 6,760,984.11

A = 0001, 0900, 0980, 1000, 1002, 8070, 9000, 9001, 9014, 9015, 9016

2022

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EXHIBIT II
COMBINED STATEMENT OF REVENUES, EXPENDITURES & CHANGES IN FUND BALANCE / STATEMENT OF ACTIVITIES - Governmental Funds
For the Fiscal Year Ended August 31, 2022

	GENERAL	GOVERNMENTAL FUNDS TOTAL
REVENUES:		
Legislative Appropriations:		
Original Appropriations Revenue (GR)	$	$
Additional Appropriations Revenue (GR)	(163,540.77)	(163,540.77)
Licenses, Fees and Permits	1,020.00	1,020.00
Sales of Goods and Services	432,642.51	432,642.51
Other Revenues	44,674,446.23	44,674,446.23
Total Revenues	$ 44,944,567.97	$ 44,944,567.97
EXPENDITURES		
Salaries and Wages	$ 7,075,424.51	$ 7,075,424.51
Payroll Related Costs	2,027,194.12	2,027,194.12
Professional Fees and Services	1,617,211.24	1,617,211.24
Travel	39,417.30	39,417.30
Materials and Supplies	160,917.26	160,917.26
Communication and Utilities	74,862.02	74,862.02
Repairs and Maintenance	47,803.83	47,803.83
Rentals and Leases	22,006.52	22,006.52
Claims and Judgments	33,664,951.35	33,664,951.35
Other Expenditures	1,359,191.02	1,359,191.02
Capital Outlay	61,815.00	61,815.00
Depreciation and Amortization Expense		
Total Expenditures/Expenses	$ 46,150,794.17	$ 46,150,794.17
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	$ (1,206,226.20)	$ (1,206,226.20)
OTHER FINANCING SOURCES (USES):		
Transfers-Out	$ 0.00	$ 0.00
Sale of Capital Assets		
Gain (Loss) on Sale of Capital Assets		
Inc (Dec) in Net Position Due to Interagency Transfer		
Total Other Financing Sources (Uses)	$ 0.00	$ 0.00
Net Change in Fund Balance/Net Position	$ (1,206,226.20)	$ (1,206,226.20)
Fund Financial Statement - Fund Balances		
Fund Balance - September 1, 2021	$ 8,664,339.75	$ 8,664,339.75
Restatements		
Fund Balance - September 1, 2021, as Restated	$ 8,664,339.75	$ 8,664,339.75
Appropriation Lapsed	$	$
FUND BALANCES - August 31, 2022	$ 7,458,113.55	$ 7,458,113.55
GOVERNMENT-WIDE STATEMENT OF NET POSITION		
Net Position/Net Change in Net Position		
Net Position, September 1, 2021		
Restatements		
Net Position, September 1, 2021, as Restated		
Net Position, August 31, 2022		

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CAPITAL ASSETS ADJUSTMENTS	LONG-TERM LIABILITIES ADJUSTMENTS	OTHER ADJUSTMENTS	STATEMENT OF ACTIVITIES
$	$	$	$ 0.00
			(163,540.77)
			1,020.00
			432,642.51
			44,674,446.23
$ 0.00	$ 0.00	$ 0.00	$ 44,944,567.97
$	$ (79,099.26)	$	$ 6,996,325.25
			2,027,194.12
			1,617,211.24
			39,417.30
			160,917.26
			74,862.02
			47,803.83
			22,006.52
	(3,165,145.97)		30,499,805.38
			1,359,191.02
(61,815.00)			0.00
64,146.24			64,146.24
$ 2,331.24	$ (3,244,245.23)	$ 0.00	$ 42,908,880.18
$ (2,331.24)	$ 3,244,245.23	$ 0.00	$ 2,035,687.79
$	$	$	$ 0.00
			0.00
			0.00
			0.00
$ 0.00	$ 0.00	$ 0.00	$ 0.00
			$ 2,035,687.79
			$ 8,664,339.75
			0.00
			$ 8,664,339.75
			$ 0.00
			$ 10,700,027.54
$ (2,331.24)	$ 3,244,245.23	$ 0.00	
$ 921,901.40	$ (67,274,663.69)	$	$ (66,352,762.29)
$ 921,901.40	$ (67,274,663.69)	$ 0.00	$ (66,352,762.29)
$ 919,570.16	$ (64,030,418.46)	$ 0.00	$ (55,652,734.75)

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2021

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EXHIBIT II
COMBINED STATEMENT OF REVENUES, EXPENDITURES & CHANGES IN FUND BALANCE / STATEMENT OF ACTIVITIES - Governmental Funds
For the Fiscal Year Ended August 31, 2021

	GENERAL	GOVERNMENTAL FUNDS TOTAL
REVENUES:		
Legislative Appropriations:		
Original Appropriations Revenue (GR)	$	$
Additional Appropriations Revenue (GR)	(39,581.07)	(39,581.07)
Licenses, Fees and Permits	1,238.40	1,238.40
Sales of Goods and Services	682,643.56	682,643.56
Other Revenues	46,068,054.51	46,068,054.51
Total Revenues	$ 46,712,355.40	$ 46,712,355.40
EXPENDITURES		
Salaries and Wages	$ 7,041,800.70	$ 7,041,800.70
Payroll Related Costs	2,138,550.01	2,138,550.01
Professional Fees and Services	1,135,761.23	1,135,761.23
Travel	21,817.79	21,817.79
Materials and Supplies	233,016.11	233,016.11
Communication and Utilities	62,007.42	62,007.42
Repairs and Maintenance	47,448.67	47,448.67
Rentals and Leases	21,693.15	21,693.15
Claims and Judgments	34,823,966.38	34,823,966.38
Other Expenditures	1,170,781.45	1,170,781.45
Capital Outlay	917,850.00	917,850.00
Depreciation and Amortization Expense		
Total Expenditures/Expenses	$ 47,614,692.91	$ 47,614,692.91
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	$ (902,337.51)	$ (902,337.51)
OTHER FINANCING SOURCES (USES):		
Transfers-Out	$ (4,500.00)	$ (4,500.00)
Sale of Capital Assets		
Gain (Loss) on Sale of Capital Assets		
Inc (Dec) in Net Position Due to Interagency Transfer		
Total Other Financing Sources (Uses)	$ (4,500.00)	$ (4,500.00)
Net Change in Fund Balance/Net Position	$ (906,837.51)	$ (906,837.51)
Fund Financial Statement - Fund Balances		
Fund Balance - September 1, 2020	$ 9,574,220.20	$ 9,574,220.20
Restatements		
Fund Balance - September 1, 2020, as Restated	$ 9,574,220.20	$ 9,574,220.20
Appropriation Lapsed	$	$
FUND BALANCES - August 31, 2021	$ 8,667,382.69	$ 8,667,382.69
GOVERNMENT-WIDE STATEMENT OF NET POSITION		
Net Position/Net Change in Net Position		
Net Position, September 1, 2020		
Restatements		
Net Position, September 1, 2020, as Restated		
Net Position, August 31, 2021		

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	CAPITAL ASSETS ADJUSTMENTS	LONG-TERM LIABILITIES ADJUSTMENTS	OTHER ADJUSTMENTS	STATEMENT OF ACTIVITIES
	$	$	$	$ 0.00
				(39,581.07)
				1,238.40
				682,643.56
				46,068,054.51
	$ 0.00	$ 0.00	$ 0.00	$ 46,712,355.40
	$	$ 76,782.54	$	$ 7,118,583.24
				2,138,550.01
				1,135,761.23
				21,817.79
				233,016.11
				62,007.42
				47,448.67
				21,693.15
		(10,223,319.75)		24,600,646.63
				1,170,781.45
	(917,850.00)			0.00
	2,746.06			2,746.06
	$ (915,103.94)	$ (10,146,537.21)	$ 0.00	$ 36,553,051.76
	$ 915,103.94	$ 10,146,537.21	$ 0.00	$ 10,159,303.64
	$	$	$	$ (4,500.00)
				0.00
				0.00
				0.00
	$ 0.00	$ 0.00	$ 0.00	$ (4,500.00)
				$ 10,154,803.64
				$ 9,574,220.20
				0.00
				$ 9,574,220.20
				$ 0.00
				$ 19,729,023.84
	$ 915,103.94	$ 10,146,537.21	$ 0.00	
	$ 6,797.46	$ (77,421,200.90)	$	$ (77,414,403.44)
	$ 6,797.46	$ (77,421,200.90)	$ 0.00	$ (77,414,403.44)
	$ 921,901.40	$ (67,274,663.69)	$ 0.00	$ (57,685,379.60)

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2020

State Office of Risk Management (479)
Unaudited

EXHIBIT II
COMBINED STATEMENT OF REVENUES, EXPENDITURES & CHANGES IN FUND BALANCE / STATEMENT OF ACTIVITIES - Governmental Funds
For the Fiscal Year Ended August 31, 2020

	GENERAL	GOVERNMENTAL FUNDS TOTAL
REVENUES:		
Legislative Appropriations:		
Original Appropriations Revenue (GR)	$	$
Additional Appropriations Revenue (GR)	6,060.24	6,060.24
Licenses, Fees and Permits	1,875.50	1,875.50
Sales of Goods and Services	813,849.60	813,849.60
Other Revenues	50,254,604.72	50,254,604.72
Total Revenues	$ 51,076,390.06	$ 51,076,390.06
EXPENDITURES		
Salaries and Wages	$ 7,470,134.19	$ 7,470,134.19
Payroll Related Costs	2,268,912.86	2,268,912.86
Professional Fees and Services	1,132,270.45	1,132,270.45
Travel	103,182.34	103,182.34
Materials and Supplies	315,809.82	315,809.82
Communication and Utilities	69,496.33	69,496.33
Repairs and Maintenance	26,703.86	26,703.86
Rentals and Leases	19,310.98	19,310.98
Claims and Judgments	31,320,402.63	31,320,402.63
Other Expenditures	907,127.98	907,127.98
Depreciation and Amortization Expense		
Total Expenditures/Expenses	$ 43,633,351.44	$ 43,633,351.44
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	$ 7,443,038.62	$ 7,443,038.62
OTHER FINANCING SOURCES (USES):		
Sale of Capital Assets	$	$
Gain (Loss) on Sale of Capital Assets		
Inc (Dec) in Net Position Due to Interagency Transfer		
Total Other Financing Sources (Uses)	$ 0.00	$ 0.00
Net Change in Fund Balance/Net Position	$ 7,443,038.62	$ 7,443,038.62
Fund Financial Statement - Fund Balances		
Fund Balance - September 1, 2019	$ 2,131,181.58	$ 2,131,181.58
Restatements		
Fund Balance - September 1, 2019, as Restated	$ 2,131,181.58	$ 2,131,181.58
Appropriation Lapsed	$	$
FUND BALANCES - August 31, 2020	$ 9,574,220.20	$ 9,574,220.20
GOVERNMENT-WIDE STATEMENT OF NET POSITION		
Net Position/Net Change in Net Position		
Net Position, September 1, 2019		
Restatements		
Net Position, September 1, 2019, as Restated		
Net Position, August 31, 2020		

State Office of Risk Management (479)
Unaudited

CAPITAL ASSETS ADJUSTMENTS	LONG-TERM LIABILITIES ADJUSTMENTS	OTHER ADJUSTMENTS	STATEMENT OF ACTIVITIES
$	$	$	$ 0.00
			6,060.24
			1,875.50
			813,849.60
			50,254,604.72
$ 0.00	$ 0.00	$ 0.00	$ 51,076,390.06
$	$ 16,300.15	$	$ 7,486,434.34
			2,268,912.86
			1,132,270.45
			103,182.34
			315,809.82
			69,496.33
			26,703.86
			19,310.98
	(3,713,302.43)		27,607,100.20
			907,127.98
5,232.77			5,232.77
$ 5,232.77	$ (3,697,002.28)	$ 0.00	$ 39,941,581.93
$ (5,232.77)	$ 3,697,002.28	$ 0.00	$ 11,134,808.13
$	$	$	$ 0.00
			0.00
			0.00
$ 0.00	$ 0.00	$ 0.00	$ 0.00
			$ 11,134,808.13
			$ 2,131,181.58
			0.00
			$ 2,131,181.58
			$ 0.00
			$ 13,265,989.71
$ (5,232.77)	$ 3,697,002.28	$ 0.00	
$ 12,030.23	$ (81,118,203.18)	$	$ (81,106,172.95)
$ 12,030.23	$ (81,118,203.18)	$ 0.00	$ (81,106,172.95)
$ 6,797.46	$ (77,421,200.90)	$ 0.00	$ (67,840,183.24)

Texas Windstorm Insurance Agency (TWIA)
2023

Annual Statement for the year 2023 of the **Texas Windstorm Insurance Association**

ASSETS

	Current Year			Prior Year
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	4 Net Admitted Assets
1. Bonds (Schedule D)				
2. Stocks (Schedule D):				
2.1 Preferred stocks				
2.2 Common stocks				
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens				
3.2 Other than first liens				
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less $ 0 encumbrances)				
4.2 Properties held for the production of income (less $ 0 encumbrances)				
4.3 Properties held for sale (less $ 0 encumbrances)				
5. Cash ($ 69,634,738, Schedule E - Part 1), cash equivalents ($ 578,185,086, Schedule E - Part 2), and short-term investments ($ 0, Schedule DA)	647,819,824		647,819,824	483,869,657
6. Contract loans (including $ 0 premium notes)				
7. Derivatives (Schedule DB)				
8. Other invested assets (Schedule BA)				
9. Receivables for securities				
10. Securities lending reinvested collateral assets (Schedule DL)				
11. Aggregate write-ins for invested assets				
12. Subtotals, cash and invested assets (Lines 1 to 11)	647,819,824		647,819,824	483,869,657
13. Title plants less $ 0 charged off (for Title insurers only)				
14. Investment income due and accrued	2,516,961		2,516,961	797,441
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection	6,255,363	473,583	5,781,780	2,879,907
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including $ 0 earned but unbilled premiums)	37,446,584		37,446,584	22,089,801
15.3 Accrued retrospective premiums ($ 0) and contracts subject to redetermination ($ 0)				
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers				
16.2 Funds held by or deposited with reinsured companies				
16.3 Other amounts receivable under reinsurance contracts				
17. Amounts receivable relating to uninsured plans				
18.1 Current federal and foreign income tax recoverable and interest thereon				
18.2 Net deferred tax asset				
19. Guaranty funds receivable or on deposit				
20. Electronic data processing equipment and software	12,006,292	12,006,292		
21. Furniture and equipment, including health care delivery assets ($ 0)				
22. Net adjustment in assets and liabilities due to foreign exchange rates				
23. Receivables from parent, subsidiaries and affiliates	1,087,719		1,087,719	1,215,014
24. Health care ($ 0) and other amounts receivable				
25. Aggregate write-ins for other-than-invested assets	5,871,695	5,871,695		387
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	713,004,438	18,351,570	694,652,868	510,852,207
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
28. Total (Lines 26 and 27)	713,004,438	18,351,570	694,652,868	510,852,207

DETAILS OF WRITE-IN LINES

DETAILS OF WRITE-IN LINES				
1101.				
1102.				
1103. NONE				
1198. Summary of remaining write-ins for Line 11 from overflow page				
1199. Totals (Lines 1101 through 1103 plus 1198) (Line 11 above)				
2501. Prepaid assets	3,554,089	3,554,089		
2502. Member Assessment Receivable	2,199,241	2,199,241		
2503. Security deposit - lease	118,220	118,220		
2598. Summary of remaining write-ins for Line 25 from overflow page	145	145		387
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	5,871,695	5,871,695		387

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Annual Statement for the year 2023 of the **Texas Windstorm Insurance Association**

LIABILITIES, SURPLUS AND OTHER FUNDS

		1 Current Year	2 Prior Year
1.	Losses (Part 2A, Line 35, Column 8)	33,667,875	39,511,834
2.	Reinsurance payable on paid losses and loss adjustment expenses (Schedule F, Part 1, Column 6)		
3.	Loss adjustment expenses (Part 2A, Line 35, Column 9)	11,116,385	18,663,506
4.	Commissions payable, contingent commissions and other similar charges	7,030,740	5,678,649
5.	Other expenses (excluding taxes, licenses and fees)	4,496,822	5,890,292
6.	Taxes, licenses and fees (excluding federal and foreign income taxes)	3,054,261	3,131,787
7.1	Current federal and foreign income taxes (including $ 0 on realized capital gains (losses))		
7.2	Net deferred tax liability		
8.	Borrowed money $ 0 and interest thereon $ 0		
9.	Unearned premiums (Part 1A, Line 38, Column 5) (after deducting unearned premiums for ceded reinsurance of $ 0 and including warranty reserves of $ 0 and accrued accident and health experience rating refunds including $ 0 for medical loss ratio rebate per the Public Health Service Act)	341,024,374	277,334,168
10.	Advance premium	8,393,089	6,731,801
11.	Dividends declared and unpaid:		
	11.1 Stockholders		
	11.2 Policyholders		
12.	Ceded reinsurance premiums payable (net of ceding commissions)	77,739,319	33,330,735
13.	Funds held by company under reinsurance treaties (Schedule F, Part 3, Column 20)		
14.	Amounts withheld or retained by company for account of others		
15.	Remittances and items not allocated	454,943	758,010
16.	Provision for reinsurance (including $ 0 certified) (Schedule F, Part 3 Column 78)		
17.	Net adjustments in assets and liabilities due to foreign exchange rates		
18.	Drafts outstanding		
19.	Payable to parent, subsidiaries and affiliates		
20.	Derivatives		
21.	Payable for securities		
22.	Payable for securities lending		
23.	Liability for amounts held under uninsured plans		
24.	Capital notes $ 0 and interest thereon $ 0		
25.	Aggregate write-ins for liabilities	161,822,000	81,178,566
26.	Total liabilities excluding protected cell liabilities (Lines 1 through 25)	648,799,808	472,209,348
27.	Protected cell liabilities		
28.	Total liabilities (Lines 26 and 27)	648,799,808	472,209,348
29.	Aggregate write-ins for special surplus funds		
30.	Common capital stock		
31.	Preferred capital stock		
32.	Aggregate write-ins for other-than-special surplus funds		
33.	Surplus notes		
34.	Gross paid in and contributed surplus		
35.	Unassigned funds (surplus)	45,853,060	38,642,859
36.	Less treasury stock, at cost:		
	36.1 0 shares common (value included in Line 30 $ 0)		
	36.2 0 shares preferred (value included in Line 31 $ 0)		
37.	Surplus as regards policyholders (Lines 29 to 35, less 36) (Page 4, Line 39)	45,853,060	38,642,859
38.	Totals (Page 2, Line 28, Col. 3)	694,652,868	510,852,207

	DETAILS OF WRITE-IN LINES		
2501.	Statutory fund payable	156,000,122	74,961,815
2502.	Lease incentive obligation	2,058,081	2,272,838
2503.	Escheat liability	1,486,667	861,286
2598.	Summary of remaining write-ins for Line 25 from overflow page	2,277,130	3,082,627
2599.	Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	161,822,000	81,178,566
2901.			
2902.			
2903.	NONE		
2998.	Summary of remaining write-ins for Line 29 from overflow page		
2999.	Totals (Lines 2901 through 2903 plus 2998) (Line 29 above)		
3201.			
3202.			
3203.	NONE		
3298.	Summary of remaining write-ins for Line 32 from overflow page		
3299.	Totals (Lines 3201 through 3203 plus 3298) (Line 32 above)		

Annual Statement for the year 2023 of the **Texas Windstorm Insurance Association**

STATEMENT OF INCOME

		1 Current Year	2 Prior Year
	UNDERWRITING INCOME		
1.	Premiums earned (Part 1, Line 35, Column 4)	371,365,699	311,395,030
	DEDUCTIONS:		
2.	Losses incurred (Part 2, Line 35, Column 7)	76,811,847	28,894,251
3.	Loss adjustment expenses incurred (Part 3, Line 25, Column 1)	14,560,741	22,353,663
4.	Other underwriting expenses incurred (Part 3, Line 25, Column 2)	140,015,383	120,049,584
5.	Aggregate write-ins for underwriting deductions	156,000,122	74,961,815
6.	Total underwriting deductions (Lines 2 through 5)	387,388,093	246,259,313
7.	Net income of protected cells		
8.	Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7)	(16,022,394)	65,135,717
	INVESTMENT INCOME		
9.	Net investment income earned (Exhibit of Net Investment Income, Line 17)	21,016,264	(3,385,898)
10.	Net realized capital gains (losses) less capital gains tax of $ 0 (Exhibit of Capital Gains (Losses))		
11.	Net investment gain (loss) (Lines 9 + 10)	21,016,264	(3,385,898)
	OTHER INCOME		
12.	Net gain or (loss) from agents' or premium balances charged off (amount recovered $ 0 amount charged off $ 0)		
13.	Finance and service charges not included in premiums		
14.	Aggregate write-ins for miscellaneous income	6,132	35,300
15.	Total other income (Lines 12 through 14)	6,132	35,300
16.	Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	5,000,002	61,785,119
17.	Dividends to policyholders		
18.	Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Line 16 minus Line 17)	5,000,002	61,785,119
19.	Federal and foreign income taxes incurred		
20.	Net income (Line 18 minus Line 19) (to Line 22)	5,000,002	61,785,119
	CAPITAL AND SURPLUS ACCOUNT		
21.	Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2)	38,642,859	(24,584,392)
22.	Net income (from Line 20)	5,000,002	61,785,119
23.	Net transfers (to) from Protected Cell accounts		
24.	Change in net unrealized capital gains or (losses) less capital gains tax of $ 0		
25.	Change in net unrealized foreign exchange capital gain (loss)		
26.	Change in net deferred income tax		
27.	Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 28, Col. 3)	791,387	(1,632,566)
28.	Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1)		
29.	Change in surplus notes		
30.	Surplus (contributed to) withdrawn from protected cells		
31.	Cumulative effect of changes in accounting principles		
32.	Capital changes:		
	32.1 Paid in		
	32.2 Transferred from surplus (Stock Dividend)		
	32.3 Transferred to surplus		
33.	Surplus adjustments:		
	33.1 Paid in		
	33.2 Transferred to capital (Stock Dividend)		
	33.3 Transferred from capital		
34.	Net remittances from or (to) Home Office		
35.	Dividends to stockholders		
36.	Change in treasury stock (Page 3, Lines 36.1 and 36.2, Column 2 minus Column 1)		
37.	Aggregate write-ins for gains and losses in surplus	1,418,812	3,074,698
38.	Change in surplus as regards policyholders for the year (Lines 22 through 37)	7,210,201	63,227,251
39.	Surplus as regards policyholders, December 31 current year (Lines 21 plus Line 38) (Page 3, Line 37)	45,853,060	38,642,859

	DETAILS OF WRITE-IN LINES		
0501.	Statutory Fund Expense	156,000,122	74,961,815
0502.			
0503.			
0598.	Summary of remaining write-ins for Line 05 from overflow page		
0599.	Totals (Lines 0501 through 0503 plus 0598) (Line 05 above)	156,000,122	74,961,815
1401.	Other Income (loss)	6,132	35,300
1402.			
1403.			
1498.	Summary of remaining write-ins for Line 14 from overflow page		
1499.	Totals (Lines 1401 through 1403 plus 1498) (Line 14 above)	6,132	35,300
3701.	Pension unassigned funds - unrecognized liability	1,418,812	3,074,698
3702.			
3703.			
3798.	Summary of remaining write-ins for Line 37 from overflow page		
3799.	Totals (Lines 3701 through 3703 plus 3798) (Line 37 above)	1,418,812	3,074,698

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2022

Annual Statement for the year 2022 of the **Texas Windstorm Insurance Association**

STATEMENT OF INCOME

	1 Current Year	2 Prior Year
UNDERWRITING INCOME		
1. Premiums earned (Part 1, Line 35, Column 4)	311,395,030	276,372,334
DEDUCTIONS:		
2. Losses incurred (Part 2, Line 35, Column 7)	28,894,251	9,578,155
3. Loss adjustment expenses incurred (Part 3, Line 25, Column 1)	22,353,663	9,470,170
4. Other underwriting expenses incurred (Part 3, Line 25, Column 2)	120,049,584	95,933,045
5. Aggregate write-ins for underwriting deductions	74,961,815	
6. Total underwriting deductions (Lines 2 through 5)	246,259,313	114,981,370
7. Net income of protected cells		
8. Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7)	65,135,717	161,390,964
INVESTMENT INCOME		
9. Net investment income earned (Exhibit of Net Investment Income, Line 17)	(3,385,898)	(18,578,434)
10. Net realized capital gains (losses) less capital gains tax of $ 0 (Exhibit of Capital Gains (Losses))		
11. Net investment gain (loss) (Lines 9 + 10)	(3,385,898)	(18,578,434)
OTHER INCOME		
12. Net gain or (loss) from agents' or premium balances charged off (amount recovered $ 0 amount charged off $ 0)		
13. Finance and service charges not included in premiums		
14. Aggregate write-ins for miscellaneous income	35,300	
15. Total other income (Lines 12 through 14)	35,300	
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	61,785,119	142,812,530
17. Dividends to policyholders		
18. Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Line 16 minus Line 17)	61,785,119	142,812,530
19. Federal and foreign income taxes incurred		
20. Net income (Line 18 minus Line 19) (to Line 22)	61,785,119	142,812,530
CAPITAL AND SURPLUS ACCOUNT		
21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2)	(24,584,392)	(160,450,907)
22. Net income (from Line 20)	61,785,119	142,812,530
23. Net transfers (to) from Protected Cell accounts		
24. Change in net unrealized capital gains or (losses) less capital gains tax of $ 0		
25. Change in net unrealized foreign exchange capital gain (loss)		
26. Change in net deferred income tax		
27. Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 28, Col. 3)	(1,632,566)	(8,983,735)
28. Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1)		
29. Change in surplus notes		
30. Surplus (contributed to) withdrawn from protected cells		
31. Cumulative effect of changes in accounting principles		
32. Capital changes:		
32.1 Paid in		
32.2 Transferred from surplus (Stock Dividend)		
32.3 Transferred to surplus		
33. Surplus adjustments:		
33.1 Paid in		
33.2 Transferred to capital (Stock Dividend)		
33.3 Transferred from capital		
34. Net remittances from or (to) Home Office		
35. Dividends to stockholders		
36. Change in treasury stock (Page 3, Lines 36.1 and 36.2, Column 2 minus Column 1)		
37. Aggregate write-ins for gains and losses in surplus	3,074,698	2,037,720
38. Change in surplus as regards policyholders for the year (Lines 22 through 37)	63,227,251	135,866,515
39. Surplus as regards policyholders, December 31 current year (Lines 21 plus Line 38) (Page 3, Line 37)	38,642,859	(24,584,392)

DETAILS OF WRITE-IN LINES		
0501. Statutory Fund Expense	74,961,815	
0502.		
0503.		
0598. Summary of remaining write-ins for Line 05 from overflow page		
0599. Totals (Lines 0501 through 0503 plus 0598) (Line 05 above)	74,961,815	
1401. Other Income (loss)	35,300	
1402.		
1403.		
1498. Summary of remaining write-ins for Line 14 from overflow page		
1499. Totals (Lines 1401 through 1403 plus 1498) (Line 14 above)	35,300	
3701. Pension unassigned funds - unrecognized liability	3,074,698	2,037,720
3702.		
3703.		

3798. Summary of remaining write-ins for Line 37 from overflow page		
3799. Totals (Lines 3701 through 3703 plus 3798) (Line 37 above)	3,074,698	2,037,720

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Annual Statement for the year 2022 of the **Texas Windstorm Insurance Association**

CASH FLOW

	1 Current Year	2 Prior Year
Cash from Operations		
1. Premiums collected net of reinsurance	366,302,134	295,475,932
2. Net investment income	(5,067,315)	(19,288,809)
3. Miscellaneous income	203,348	
4. Total (Lines 1 through 3)	361,438,167	276,187,123
5. Benefit and loss related payments	47,047,223	75,140,050
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts		
7. Commissions, expenses paid and aggregate write-ins for deductions	140,781,923	124,290,939
8. Dividends paid to policyholders		
9. Federal and foreign income taxes paid (recovered) net of $ 0 tax on capital gains (losses)		
10. Total (Lines 5 through 9)	187,829,146	199,430,989
11. Net cash from operations (Line 4 minus Line 10)	173,609,021	76,756,134
Cash from Investments		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds		
12.2 Stocks		
12.3 Mortgage loans		
12.4 Real estate		
12.5 Other invested assets		
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments		
12.7 Miscellaneous proceeds		
12.8 Total investment proceeds (Lines 12.1 to 12.7)		
13. Cost of investments acquired (long-term only):		
13.1 Bonds		
13.2 Stocks		
13.3 Mortgage loans		
13.4 Real estate		
13.5 Other invested assets		
13.6 Miscellaneous applications		
13.7 Total investments acquired (Lines 13.1 to 13.6)		
14. Net increase (decrease) in contract loans and premium notes		
15. Net cash from investments (Line 12.8 minus Line 13.7 minus Line 14)		
Cash from Financing and Miscellaneous Sources		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes		
16.2 Capital and paid in surplus, less treasury stock		
16.3 Borrowed funds	(184,301,250)	(52,270,750)
16.4 Net deposits on deposit-type contracts and other insurance liabilities		
16.5 Dividends to stockholders		
16.6 Other cash provided (applied)	734,999	(12,334,339)
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)	(183,566,251)	(64,605,089)
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS		
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)	(9,957,230)	12,151,045
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	493,826,887	481,675,842
19.2 End of year (Line 18 plus Line 19.1)	483,869,657	493,826,887

Note: Supplemental disclosures of cash flow information for non-cash transactions:

20.0001		
20.0002		
20.0003		

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2021

Annual Statement for the year 2021 of the **Texas Windstorm Insurance Association**

STATEMENT OF INCOME

	1 Current Year	2 Prior Year
UNDERWRITING INCOME		
1. Premiums earned (Part 1, Line 35, Column 4)	276,372,334	261,573,991
DEDUCTIONS:		
2. Losses incurred (Part 2, Line 35, Column 7)	9,578,155	80,911,038
3. Loss adjustment expenses incurred (Part 3, Line 25, Column 1)	9,470,170	37,558,946
4. Other underwriting expenses incurred (Part 3, Line 25, Column 2)	95,933,045	90,594,243
5. Aggregate write-ins for underwriting deductions		
6. Total underwriting deductions (Lines 2 through 5)	114,981,370	209,064,227
7. Net income of protected cells		
8. Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7)	161,390,964	52,509,764
INVESTMENT INCOME		
9. Net investment income earned (Exhibit of Net Investment Income, Line 17)	(18,578,434)	(23,692,958)
10. Net realized capital gains (losses) less capital gains tax of $ 0 (Exhibit of Capital Gains (Losses))		
11. Net investment gain (loss) (Lines 9 + 10)	(18,578,434)	(23,692,958)
OTHER INCOME		
12. Net gain or (loss) from agents' or premium balances charged off (amount recovered $ 0 amount charged off $ 0)		
13. Finance and service charges not included in premiums		
14. Aggregate write-ins for miscellaneous income		
15. Total other income (Lines 12 through 14)		
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	142,812,530	28,816,806
17. Dividends to policyholders		
18. Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Line 16 minus Line 17)	142,812,530	28,816,806
19. Federal and foreign income taxes incurred		
20. Net income (Line 18 minus Line 19) (to Line 22)	142,812,530	28,816,806
CAPITAL AND SURPLUS ACCOUNT		
21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2)	(160,450,907)	(183,791,778)
22. Net income (from Line 20)	142,812,530	28,816,806
23. Net transfers (to) from Protected Cell accounts		
24. Change in net unrealized capital gains or (losses) less capital gains tax of $ 0		
25. Change in net unrealized foreign exchange capital gain (loss)		
26. Change in net deferred income tax		
27. Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 28, Col. 3)	(8,983,735)	(4,429,747)
28. Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1)		
29. Change in surplus notes		
30. Surplus (contributed to) withdrawn from protected cells		
31. Cumulative effect of changes in accounting principles		
32. Capital changes:		
32.1 Paid in		
32.2 Transferred from surplus (Stock Dividend)		
32.3 Transferred to surplus		
33. Surplus adjustments:		
33.1 Paid in		
33.2 Transferred to capital (Stock Dividend)		
33.3 Transferred from capital		
34. Net remittances from or (to) Home Office		
35. Dividends to stockholders		
36. Change in treasury stock (Page 3, Lines 36.1 and 36.2, Column 2 minus Column 1)		
37. Aggregate write-ins for gains and losses in surplus	2,037,720	(1,046,188)
38. Change in surplus as regards policyholders for the year (Lines 22 through 37)	135,866,515	23,340,871
39. Surplus as regards policyholders, December 31 current year (Lines 21 plus Line 38) (Page 3, Line 37)	(24,584,392)	(160,450,907)

DETAILS OF WRITE-IN LINES		
0501.		
0502.		

NONE

0503. NONE		
0598. Summary of remaining write-ins for Line 05 from overflow page		
0599. Totals (Lines 0501 through 0503 plus 0598) (Line 05 above)		
1401.		
1402.		
1403. NONE		
1498. Summary of remaining write-ins for Line 14 from overflow page		
1499. Totals (Lines 1401 through 1403 plus 1498) (Line 14 above)		
3701. Pension unassigned funds - unrecognized liability	2,037,720	(1,046,188)
3702.		
3703.		
3798. Summary of remaining write-ins for Line 37 from overflow page		
3799. Totals (Lines 3701 through 3703 plus 3798) (Line 37 above)	2,037,720	(1,046,188)

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Annual Statement for the year 2021 of the **Texas Windstorm Insurance Association**

CASH FLOW

	1 Current Year	2 Prior Year
Cash from Operations		
1. Premiums collected net of reinsurance	295,475,932	265,135,781
2. Net investment income	(19,288,809)	(24,970,596)
3. Miscellaneous income		90,000,000
4. Total (Lines 1 through 3)	276,187,123	330,165,185
5. Benefit and loss related payments	75,140,050	89,539,771
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts		
7. Commissions, expenses paid and aggregate write-ins for deductions	124,290,939	174,473,340
8. Dividends paid to policyholders		
9. Federal and foreign income taxes paid (recovered) net of $ 0 tax on capital gains (losses)		
10. Total (Lines 5 through 9)	199,430,989	264,013,111
11. Net cash from operations (Line 4 minus Line 10)	76,756,134	66,152,074
Cash from Investments		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds		
12.2 Stocks		
12.3 Mortgage loans		
12.4 Real estate		
12.5 Other invested assets		
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments		
12.7 Miscellaneous proceeds		
12.8 Total investment proceeds (Lines 12.1 to 12.7)		
13. Cost of investments acquired (long-term only):		
13.1 Bonds		
13.2 Stocks		
13.3 Mortgage loans		
13.4 Real estate		
13.5 Other invested assets		
13.6 Miscellaneous applications		
13.7 Total investments acquired (Lines 13.1 to 13.6)		
14. Net increase (decrease) in contract loans and premium notes		
15. Net cash from investments (Line 12.8 minus Line 13.7 minus Line 14)		
Cash from Financing and Miscellaneous Sources		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes		
16.2 Capital and paid in surplus, less treasury stock		
16.3 Borrowed funds	(52,270,750)	(95,170,250)
16.4 Net deposits on deposit-type contracts and other insurance liabilities		
16.5 Dividends to stockholders		
16.6 Other cash provided (applied)	(12,334,339)	(3,917,104)
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)	(64,605,089)	(99,087,354)
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS		
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)	12,151,045	(32,935,280)
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	481,675,842	514,611,122
19.2 End of year (Line 18 plus Line 19.1)	493,826,887	481,675,842

Note: Supplemental disclosures of cash flow information for non-cash transactions:

20.0001		
20.0002		
20.0003		

Annual Statement for the year 2020 of the **Texas Windstorm Insurance Association**

STATEMENT OF INCOME

	1 Current Year	2 Prior Year
UNDERWRITING INCOME		
1. Premiums earned (Part 1, Line 35, Column 4)	261,573,991	287,476,738
DEDUCTIONS:		
2. Losses incurred (Part 2, Line 35, Column 7)	80,911,038	86,654,749
3. Loss adjustment expenses incurred (Part 3, Line 25, Column 1)	37,558,946	26,742,763
4. Other underwriting expenses incurred (Part 3, Line 25, Column 2)	90,594,243	92,414,790
5. Aggregate write-ins for underwriting deductions		52,641,201
6. Total underwriting deductions (Lines 2 through 5)	209,064,227	258,453,503
7. Net income of protected cells		
8. Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7)	52,509,764	29,023,235
INVESTMENT INCOME		
9. Net investment income earned (Exhibit of Net Investment Income, Line 17)	(23,692,958)	(22,117,196)
10. Net realized capital gains (losses) less capital gains tax of $ 0 (Exhibit of Capital Gains (Losses))		
11. Net investment gain (loss) (Lines 9 + 10)	(23,692,958)	(22,117,196)
OTHER INCOME		
12. Net gain or (loss) from agents' or premium balances charged off (amount recovered $ 0 amount charged off $ 0)		
13. Finance and service charges not included in premiums		
14. Aggregate write-ins for miscellaneous income		90,042,566
15. Total other income (Lines 12 through 14)		90,042,566
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	28,816,806	96,948,605
17. Dividends to policyholders		
18. Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Line 16 minus Line 17)	28,816,806	96,948,605
19. Federal and foreign income taxes incurred		
20. Net income (Line 18 minus Line 19) (to Line 22)	28,816,806	96,948,605
CAPITAL AND SURPLUS ACCOUNT		
21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2)	(183,791,778)	(277,864,197)
22. Net income (from Line 20)	28,816,806	96,948,605
23. Net transfers (to) from Protected Cell accounts		
24. Change in net unrealized capital gains or (losses) less capital gains tax of $ 0		
25. Change in net unrealized foreign exchange capital gain (loss)		
26. Change in net deferred income tax		
27. Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 28, Col. 3)	(4,429,747)	135,477
28. Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1)		
29. Change in surplus notes		
30. Surplus (contributed to) withdrawn from protected cells		
31. Cumulative effect of changes in accounting principles		
32. Capital changes:		
32.1 Paid in		
32.2 Transferred from surplus (Stock Dividend)		
32.3 Transferred to surplus		
33. Surplus adjustments:		
33.1 Paid in		
33.2 Transferred to capital (Stock Dividend)		
33.3 Transferred from capital		
34. Net remittances from or (to) Home Office		
35. Dividends to stockholders		
36. Change in treasury stock (Page 3, Lines 36.1 and 36.2, Column 2 minus Column 1)		
37. Aggregate write-ins for gains and losses in surplus	(1,046,188)	(3,011,663)
38. Change in surplus as regards policyholders for the year (Lines 22 through 37)	23,340,871	94,072,419
39. Surplus as regards policyholders, December 31 current year (Lines 21 plus Line 38) (Page 3, Line 37)	(160,450,907)	(183,791,778)

DETAILS OF WRITE-IN LINES		
0501. Statutory fund expense		52,641,201
0502.		
0503.		
0598. Summary of remaining write-ins for Line 05 from overflow page		
0599. Totals (Lines 0501 through 0503 plus 0598) (Line 05 above)		52,641,201
1401. Member Assessment Income		90,000,000
1402. Other income (loss)		42,566
1403.		
1498. Summary of remaining write-ins for Line 14 from overflow page		
1499. Totals (Lines 1401 through 1403 plus 1498) (Line 14 above)		90,042,566
3701. Pension unassigned funds - unrecognized liability	(1,046,188)	(3,011,663)
3702.		
3703.		
3798. Summary of remaining write-ins for Line 37 from overflow page		
3799. Totals (Lines 3701 through 3703 plus 3798) (Line 37 above)	(1,046,188)	(3,011,663)

Annual Statement for the year 2020 of the **Texas Windstorm Insurance Association**

CASH FLOW

	1	2
Cash from Operations	Current Year	Prior Year
1. Premiums collected net of reinsurance	265,135,781	280,264,406
2. Net investment income	(24,970,596)	(23,323,762)
3. Miscellaneous income	90,000,000	42,566
4. Total (Lines 1 through 3)	330,165,185	256,983,210
5. Benefit and loss related payments	89,539,771	111,977,298
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts		
7. Commissions, expenses paid and aggregate write-ins for deductions	174,473,340	234,448,054
8. Dividends paid to policyholders		
9. Federal and foreign income taxes paid (recovered) net of $ 0 tax on capital gains (losses)		
10. Total (Lines 5 through 9)	264,013,111	346,425,352
11. Net cash from operations (Line 4 minus Line 10)	66,152,074	(89,442,142)
Cash from Investments		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds		
12.2 Stocks		
12.3 Mortgage loans		
12.4 Real estate		
12.5 Other invested assets		
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments		
12.7 Miscellaneous proceeds		
12.8 Total investment proceeds (Lines 12.1 to 12.7)		
13. Cost of investments acquired (long-term only):		
13.1 Bonds		
13.2 Stocks		
13.3 Mortgage loans		
13.4 Real estate		
13.5 Other invested assets		
13.6 Miscellaneous applications		
13.7 Total investments acquired (Lines 13.1 to 13.6)		
14. Net increase (decrease) in contract loans and premium notes		
15. Net cash from investments (Line 12.8 minus Line 13.7 minus Line 14)		
Cash from Financing and Miscellaneous Sources		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes		
16.2 Capital and paid in surplus, less treasury stock		
16.3 Borrowed funds	(95,170,250)	(51,958,375)
16.4 Net deposits on deposit-type contracts and other insurance liabilities		
16.5 Dividends to stockholders		
16.6 Other cash provided (applied)	(3,917,104)	(115,719)
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)	(99,087,354)	(52,074,094)
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS		
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)	(32,935,280)	(141,516,236)
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	514,611,122	656,127,358
19.2 End of year (Line 18 plus Line 19.1)	481,675,842	514,611,122

Note: Supplemental disclosures of cash flow information for non-cash transactions:

20.0001		
20.0002		
20.0003		

Appendix G: Vermont

i. Vermont Department of Financial Regulation Captive Insurance Division: 2023 Aggregate Report.

State of Vermont
Department of Financial Regulation
89 Main Street
Montpelier, VT 05620-3101

For consumer assistance
[Banking] 888-568-4547
[Insurance] 800-964-1784
[Securities] 877-550-3907
www.dfr.vermont.gov

VERMONT DEPARTMENT OF FINANCIAL REGULATION
CAPTIVE INSURANCE DIVISION
2023 AGGREGATE REPORT

The report represents the captive insurance company data for all 2023 licensed captives combined. This information was compiled from the fiscal year-end 2023 annual statement financial reporting of each captive. Please note that this data does not represent audited information.

Please refer to the **INDEX** for the report content by section, which links to each corresponding page.

Note: Additional information may be available upon request, including prior aggregate reporting.

State of Vermont
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VERMONT DEPARTMENT OF FINANCIAL REGULATION
CAPTIVE INSURANCE DIVISION
2023 AGGREGATE REPORT
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Note: Page references are boxed and linked.

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VERMONT
DEPARTMENT OF FINANCIAL REGULATION

2023 AGGREGATE REPORT HIGHLIGHTS
All Captive Insurance Companies

Total Assets --	**$ 230.7**	**Billion**
Total Capital and Surplus --	**$ 80.1**	**Billion**
Total Gross Premium Written -----------------------------------	**$ 30.6**	**Billion**
Captives Licensed in 2023 --	**38**	*
**Ranked 9th in top 10 highest growth years by licenses issued.*		
Total Licensed Captives --	**659**	
Active…...	**632**	
Dormant…...	**27**	
Total Licenses issued 1981 through 2023 --------------------	**1,321**	
Cells Approved in 2023 --	**39**	
Total Cells and Separate Accounts ----------------------------	**534**	
Cells …..	**412**	
Separate Accounts…...	**122**	

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SECTION 1

ANNUAL STATEMENT TOTALS

VERMONT
DEPARTMENT OF FINANCIAL REGULATION

2023 Annual Statement Totals
All Captive Insurance Companies

Total licensed captives		659		639
Balance Sheet (in thousands)				
		2023		**2022**
Cash & Investments	$	67,996,671	$	57,687,485
Loans to Affiliates		60,725,654		57,528,964
Reinsurance Recoverable		9,949,723		9,569,689
Accounts Receivable & Other Assets		87,018,152		81,719,964
Letters of Credit		5,054,259		5,354,387
Total Assets	**$**	**230,744,459**	**$**	**211,860,488**
Unpaid Losses & Loss Adjustment Expenses	$	94,947,344	$	90,835,462
Unearned Premiums		11,868,854		11,236,570
Accounts Payable & Other Liabilities		43,856,307		42,186,666
Total Liabilities	**$**	**150,672,505**	**$**	**144,258,698**
Paid In & Contributed Capital	$	44,947,766	$	40,572,645
Surplus		35,124,188		26,759,145
Total Capital & Surplus	**$**	**80,071,954**	**$**	**67,331,790**
Total Liabilities, Capital & Surplus	**$**	**230,744,459**	**$**	**211,590,488**

Income Statement (in thousands)

		2023		**2022**
Gross Premium Written	$	30,624,169	$	42,490,802
Reinsurance Ceded		(5,611,615)		(15,406,718)
Net Premium Written	$	25,012,554	$	27,084,083
Change in Unearned Premium		(99,518)		(1,438,484)
Net Premiums Earned	$	24,913,036	$	25,645,599
Investment & Other Income		6,865,056		3,737,082
Total Revenue	**$**	**31,778,092**	**$**	**29,382,681**
Losses & Loss Adjustment Expenses Incurred	$	19,472,838	$	19,746,573
Other Underwriting Expenses		5,039,793		4,387,930
Dividends		178,580		200,059
Taxes		1,503,294		923,513
Total Expenses	**$**	**26,194,505**	**$**	**25,258,074**
Net Income/(Loss)	**$**	**5,583,587**	**$**	**4,124,606**
Deposit Premium	$	74,924	$	104,349

Ratios		
Loss Ratio	78.16%	77.00%
Combined Ratio	98.39%	94.11%
Net Premiums to Surplus Ratio	31.24%	40.22%
Net Reserves to Surplus Ratio	106.15%	120.69%
Equity Ratio	34.70%	31.78%
Change in Net Premium Written	(7.65%)	8.23%
Change in Total Capital and Surplus	18.92%	2.88%

VERMONT
DEPARTMENT OF FINANCIAL REGULATION

2023 Annual Statement Totals
By Type

	TOTAL 2023	AFFILIATED REINSURANCE COMPANY & AGENCY	ASSOCIATION	BRANCH	INDUSTRIAL INSURED	PURE	RRG	SPONSORED*	SPFI & SPONSORED SPFI*
Total licensed captives	659	6	15	4	19	425	85	64	41
Balance Sheet (in thousands)									
Cash & Investments	$ 67,996,671	$ 1,092,196	$ 690,829	$ 308,575	$ 1,321,008	$ 34,499,626	$ 11,866,418	$ 3,024,489	$ 15,193,530
Loans to Affiliates	60,725,654	167,975	47	-	1	59,886,476	26	671,130	-
Reinsurance Recoverable	9,949,723	28,346	15,692	-	196,082	4,097,760	119,129	728,018	4,764,696
Accounts Receivable & Other Assets	87,018,152	280,723	103,279	48,814	245,910	26,966,613	864,314	1,440,049	57,068,450
Letters of Credit	5,054,259	59,500	1,259	250	-	810,133	162,349	74,238	3,946,530
Total Assets	**$ 230,744,459**	**$ 1,628,740**	**$ 811,106**	**$ 357,639**	**$ 1,763,000**	**$ 126,260,608**	**$ 13,012,236**	**$ 5,937,925**	**$ 80,973,206**
Unpaid Losses & Loss Adjustment Expenses	$ 94,947,344	$ 873,663	$ 363,822	$ 241,065	$ 805,299	$ 31,408,228	$ 6,110,851	$ 2,515,912	$ 52,628,504
Unearned Premiums	11,868,854	140,659	45,876	-	84,309	10,278,390	500,536	819,085	-
Accounts Payable & Other Liabilities	43,856,307	(412,296)	61,257	24,773	207,586	19,427,928	1,313,306	1,024,448	22,209,306
Total Liabilities	**$ 150,672,505**	**$ 602,026**	**$ 470,954**	**$ 265,838**	**$ 1,097,193**	**$ 61,114,546**	**$ 7,924,693**	**$ 4,359,445**	**$ 74,837,810**
Paid In & Contributed Capital	$ 44,947,766	$ 1,352,023	$ 127,351	$ 1,424	$ 333,294	$ 30,943,239	$ 1,881,743	$ 885,167	$ 9,423,525
Surplus	35,124,188	(325,310)	212,801	90,377	332,513	34,202,823	3,205,800	693,313	(3,288,129)
Total Capital & Surplus	**$ 80,071,954**	**$ 1,026,714**	**$ 340,152**	**$ 91,801**	**$ 665,807**	**$ 65,146,062**	**$ 5,087,543**	**$ 1,578,479**	**$ 6,135,396**
Total Liabilities, Capital & Surplus	**$ 230,744,459**	**$ 1,628,740**	**$ 811,106**	**$ 357,639**	**$ 1,763,000**	**$ 126,260,608**	**$ 13,012,236**	**$ 5,937,925**	**$ 80,973,206**

Income Statement (in thousands)	TOTAL 2023	AFFILIATED REINSURANCE COMPANY & AGENCY	ASSOCIATION	BRANCH	INDUSTRIAL INSURED	PURE	RRG	SPONSORED*	SPFI & SPONSORED SPFI*
Gross Premium Written	$ 30,624,169	$ 427,305	$ 348,251	$ 115,252	$ 220,753	$ 17,322,053	$ 2,943,423	$ 3,116,105	$ 6,131,027
Reinsurance Ceded	(5,611,615)	(268,126)	(30,743)	-	(54,193)	(3,047,802)	(1,079,284)	(1,309,757)	178,290
Net Premium Written	$ 25,012,554	$ 159,178	$ 317,508	$ 115,252	$ 166,560	$ 14,274,251	$ 1,864,139	$ 1,806,348	$ 6,309,317
Change in Unearned Premium	(99,518)	208	(5,664)	-	(6,702)	117,282	(73,073)	(131,569)	-
Net Premiums Earned	$ 24,913,036	$ 159,387	$ 311,843	$ 115,252	$ 159,858	$ 14,391,533	$ 1,791,066	$ 1,674,779	$ 6,309,317
Investment & Other Income	6,865,056	71,872	39,331	9,770	91,407	5,257,108	305,014	169,399	921,154
Total Revenue	**$ 31,778,092**	**$ 231,259**	**$ 351,175**	**$ 125,022**	**$ 251,265**	**$ 19,648,641**	**$ 2,096,080**	**$ 1,844,178**	**$ 7,230,471**
Losses & Loss Adjustment Expenses Incurred	$ 19,472,838	$ 141,192	$ 368,429	$ 109,294	$ 153,808	$ 10,417,209	$ 1,434,394	$ 1,040,100	$ 5,808,411
Other Underwriting Expenses	5,039,793	75,717	42,565	14,056	39,096	2,138,840	330,652	513,692	1,885,175
Dividends	178,580	-	2,097	-	6,857	7,049	16,790	26,140	119,647
Taxes	1,503,294	461	(846)	4,953	12,186	1,307,167	42,649	43,238	93,486
Total Expenses	**$ 26,194,505**	**$ 217,370**	**$ 412,245**	**$ 128,303**	**$ 211,947**	**$ 13,870,265**	**$ 1,824,485**	**$ 1,623,171**	**$ 7,906,718**
Net Income/(Loss)	**$ 5,583,587**	**$ 13,889**	**$ (61,070)**	**$ (3,280)**	**$ 39,318**	**$ 5,778,376**	**$ 271,594**	**$ 221,008**	**$ (676,247)**

**Cells are included within their associated Sponsored captives and Sponsored SPFI captives.*

	TOTAL 2023	AFFILIATED REINSURANCE COMPANY & AGENCY	ASSOCIATION	BRANCH	INDUSTRIAL INSURED	PURE	RRG	SPONSORED*	SPFI & SPONSORED SPFI*
Deposit Premium	$ 74,924	$ -	$ -	$ -	$ -	$ 30,463	$ 23,035	$ 21,426	$ -
Ratios									
Loss Ratio	78.16%	88.58%	118.15%	94.83%	96.22%	72.38%	80.09%	62.10%	92.06%
Combined Ratio	98.39%	136.09%	131.79%	107.03%	120.67%	87.25%	98.55%	92.78%	121.94%
Net Premiums to Surplus Ratio	31.24%	15.50%	93.34%	125.55%	25.02%	21.91%	36.64%	114.44%	102.83%
Net Reserves to Surplus Ratio	106.15%	82.33%	102.35%	262.60%	91.50%	41.92%	117.77%	113.27%	780.13%
Equity Ratio	34.70%	63.04%	41.94%	25.67%	37.77%	51.60%	39.10%	26.58%	7.58%

VERMONT
DEPARTMENT OF FINANCIAL REGULATION

2023 Annual Statement Totals
By Industry

	TOTAL 2023	Healthcare	Manufacturing	Insurance	Construction	Real Estate	Professional Service	Retail	Transportation	Education	Energy	Religious Institutions
Total licensed captives	659	111	107	84	44	41	33	30	28	24	23	22
Balance Sheet (in thousands)												
Cash & Investments	$ 67,996,671	$ 14,496,527	$ 5,068,802	$ 19,436,775	$ 1,295,489	$ 704,554	$ 3,299,949	$ 2,488,763	$ 799,011	$ 2,353,568	$ 670,912	$ 1,086,183
Loans to Affiliates	60,725,654	2,260,539	33,538,320	822,423	389,311	327,896	250,269	7,855,073	479,517	-	10,780,587	1,000
Reinsurance Recoverable	9,949,723	131,854	1,003,086	5,024,141	21,410	-	682,853	1,045,613	49,386	82,928	457,455	254,653
Accounts Receivable & Other Assets	87,018,152	953,976	3,150,358	75,833,458	430,484	330,957	202,782	991,623	581,626	176,232	614,432	299,849
Letters of Credit	5,054,259	162,279	105,477	4,361,959	98,925	40,350	3,650	19,250	11,360	14,561	750	95
Total Assets	**$ 230,744,459**	**$ 18,005,175**	**$ 42,866,043**	**$ 105,478,756**	**$ 2,235,620**	**$ 1,403,757**	**$ 4,439,504**	**$ 12,400,322**	**$ 1,920,900**	**$ 2,627,289**	**$ 12,524,136**	**$ 1,641,780**
Unpaid Losses & Loss Adjustment Expenses	$ 94,947,344	$ 10,169,322	$ 7,843,897	$ 60,674,152	$ 1,013,290	$ 427,624	$ 2,042,046	$ 2,951,689	$ 1,012,980	$ 1,214,905	$ 1,254,379	$ 745,030
Unearned Premiums	11,868,854	577,617	5,919,891	596,019	258,383	220,069	97,779	2,084,347	150,527	185,584	559,937	140,574
Accounts Payable & Other Liabilities	43,856,307	1,283,760	4,551,817	33,634,730	237,059	103,831	604,734	(20,485)	170,184	208,844	347,075	235,110
Total Liabilities	**$ 150,672,505**	**$ 12,030,698**	**$ 18,315,605**	**$ 94,904,901**	**$ 1,508,733**	**$ 751,524**	**$ 2,744,559**	**$ 5,015,552**	**$ 1,333,692**	**$ 1,609,332**	**$ 2,161,391**	**$ 1,120,713**
Paid In & Contributed Capital	$ 44,947,766	$ 5,434,764	$ 11,577,012	$ 15,730,917	$ 271,562	$ 260,315	$ 174,643	$ 1,096,231	$ 414,766	$ 154,410	$ 1,714,262	$ 154,800
Surplus	35,124,188	539,712	12,973,425	(5,157,062)	455,325	391,917	1,520,302	6,288,539	172,443	863,546	8,648,482	366,267
Total Capital & Surplus	**$ 80,071,954**	**$ 5,974,476**	**$ 24,550,438**	**$ 10,573,855**	**$ 726,887**	**$ 652,232**	**$ 1,694,945**	**$ 7,384,770**	**$ 587,209**	**$ 1,017,956**	**$ 10,362,745**	**$ 521,067**
Total Liabilities, Capital & Surplus	**$ 230,744,459**	**$ 18,005,175**	**$ 42,866,043**	**$ 105,478,756**	**$ 2,235,620**	**$ 1,403,757**	**$ 4,439,504**	**$ 12,400,322**	**$ 1,920,900**	**$ 2,627,289**	**$ 12,524,136**	**$ 1,641,780**

Income Statement (in thousands)

	TOTAL 2023	Healthcare	Manufacturing	Insurance	Construction	Real Estate	Professional Service	Retail	Transportation	Education	Energy	Religious Institutions
Gross Premium Written	$ 30,624,169	$ 2,286,616	$ 4,584,116	$ 10,189,540	$ 452,657	$ 420,715	$ 815,395	$ 2,794,531	$ 711,028	$ 911,934	$ 1,382,513	$ 537,984
Reinsurance Ceded	(5,611,615)	(391,694)	(592,281)	(1,049,522)	(23,324)	(56,167)	(376,474)	(873,552)	(106,039)	(408,465)	(351,002)	(205,163)
Net Premium Written	$ 25,012,554	$ 1,894,922	$ 3,991,835	$ 9,140,018	$ 429,333	$ 364,548	$ 438,922	$ 1,920,980	$ 604,989	$ 503,469	$ 1,031,511	$ 332,821
Change in Unearned Premium	(99,518)	(71,342)	$ 939,967	$ (31,324)	(7,326)	(67,362)	(5,208)	(689,838)	11,104	(6,720)	(130,257)	(30,751)
Net Premiums Earned	$ 24,913,036	$ 1,823,579	$ 4,931,802	$ 9,108,694	$ 422,008	$ 297,186	$ 433,714	$ 1,231,142	$ 616,093	$ 496,749	$ 901,254	$ 302,070
Investment & Other Income	6,865,056	699,910	2,003,660	2,105,123	105,637	51,017	70,731	199,797	90,871	88,897	555,739	57,459
Total Revenue	**$ 31,778,092**	**$ 2,523,490**	**$ 6,935,462**	**$ 11,213,817**	**$ 527,645**	**$ 348,204**	**$ 504,445**	**$ 1,430,939**	**$ 706,964**	**$ 585,646**	**$ 1,456,993**	**$ 359,529**
Losses & Loss Adjustment Expenses Incurred	$ 19,472,838	$ 1,620,228	$ 3,111,244	$ 8,331,655	$ 340,039	$ 260,199	$ 272,429	$ 960,766	$ 401,483	$ 390,437	$ 349,321	$ 261,498
Other Underwriting Expenses	5,039,793	207,570	200,867	3,535,260	55,307	27,105	66,070	1,543	100,821	75,000	93,700	61,631
Dividends	178,580	5,482	815	145,845	10,560	-	-	396	2,500	-	-	-
Taxes	1,503,294	96,215	780,254	54,865	15,783	5,720	50,820	74,686	46,818	64	154,917	
Total Expenses	**$ 26,194,505**	**$ 1,929,495**	**$ 4,093,181**	**$ 12,067,625**	**$ 421,690**	**$ 293,025**	**$ 389,319**	**$ 1,037,391**	**$ 551,622**	**$ 465,501**	**$ 597,939**	**$ 323,129**
Net Income/(Loss)	**$ 5,583,587**	**$ 593,995**	**$ 2,842,281**	**$ -853,808**	**$ 105,955**	**$ 55,179**	**$ 115,125**	**$ 393,549**	**$ 155,342**	**$ 120,144**	**$ 859,054**	**$ 36,400**
Deposit Premium	$ 74,924	$ 37,424	$ -	$ 4,854	$ 10,853	$ 6,538	$ -	$ -	$ 1	$ 8,292	$ -	$ 955

Ratios	TOTAL 2023	Healthcare	Manufacturing	Insurance	Construction	Real Estate	Professional Service	Retail	Transportation	Education	Energy	Religious Institutions
Loss Ratio	78.16%	88.85%	63.09%	91.47%	80.58%	87.55%	62.81%	78.04%	65.17%	78.60%	38.76%	86.57%
Combined Ratio	98.31%	99.80%	68.12%	130.15%	93.46%	94.99%	77.87%	78.12%	81.83%	93.50%	47.84%	105.09%
Net Premiums to Surplus Ratio	31.24%	31.72%	16.26%	86.44%	59.06%	55.89%	25.90%	26.01%	103.03%	49.46%	9.95%	63.87%
Net Reserves to Surplus Ratio	106.15%	168.01%	27.86%	526.30%	136.46%	65.56%	80.19%	25.81%	164.10%	111.20%	7.69%	94.11%
Equity Ratio	34.70%	33.18%	57.27%	10.02%	32.51%	46.46%	38.18%	59.55%	30.57%	38.75%	82.74%	31.74%

VERMONT
DEPARTMENT OF FINANCIAL REGULATION

2023 Annual Statement Totals
By Industry

	Nonprofit or Municipality	Banking	Agriculture	Securities	Communications	Entertainment	Technology	Financing, Lending, Leasing	Other*
Total licensed captives	17	14	13	9	8	8	8	7	28
Balance Sheet (in thousands)									
Cash & Investments	$ 1,656,824	$ 5,852,613	$ 632,551	$ 1,375,095	$ 5,176,895	$ 288,281	$ 690,058	$ 163,867	$ 459,954
Loans to Affiliates	-	601,302	144,728	43,000	1,238,453	111,438	353,551	20,075	1,508,171
Reinsurance Recoverable	26,709	165	398,466	47,766	115,664	63	575,606	-	31,905
Accounts Receivable & Other Assets	317,210	454,269	794,426	54,725	741,649	557,215	224,143	123,033	185,704
Letters of Credit	-	-	-	-	2,500	-	250	5	232,850
Total Assets	**$ 2,000,743**	**$ 6,908,349**	**$ 1,970,171**	**$ 1,520,585**	**$ 7,275,162**	**$ 956,997**	**$ 1,843,608**	**$ 306,980**	**$ 2,418,584**
Unpaid Losses & Loss Adjustment Expenses	$ 845,644	$ 1,041,774	$ 954,074	$ 144,916	$ 978,236	$ 276,905	$ 940,193	$ 119,140	$ 297,147
Unearned Premiums	146,495	220,683	430,375	29,353	39,921	41,072	28,049	28,394	113,783
Accounts Payable & Other Liabilities	237,271	47,700	147,485	125,144	1,052,336	411,869	368,586	20,770	88,489
Total Liabilities	**$ 1,229,410**	**$ 1,310,157**	**$ 1,531,934**	**$ 299,413**	**$ 2,070,493**	**$ 729,845**	**$ 1,336,829**	**$ 168,304**	**$ 499,419**
Paid In & Contributed Capital	$ 134,648	$ 4,619,046	$ 367,321	$ 707,751	$ 1,173,402	$ 79,104	$ 106,010	$ 6,989	$ 769,811
Surplus	636,685	979,147	70,915	513,421	4,031,266	148,047	400,770	131,686	1,149,354
Total Capital & Surplus	**$ 771,333**	**$ 5,598,192**	**$ 438,236**	**$ 1,221,172**	**$ 5,204,669**	**$ 227,151**	**$ 506,780**	**$ 138,675**	**$ 1,919,165**
Total Liabilities, Capital & Surplus	**$ 2,000,743**	**$ 6,908,349**	**$ 1,970,171**	**$ 1,520,585**	**$ 7,275,162**	**$ 956,997**	**$ 1,843,608**	**$ 306,980**	**$ 2,418,584**

Income Statement (in thousands)

	Nonprofit or Municipality	Banking	Agriculture	Securities	Communications	Entertainment	Technology	Financing, Lending, Leasing	Other*
Gross Premium Written	$ 459,985	$ 321,969	$ 601,552	$ 154,790	$ 2,816,279	$ 164,572	$ 552,587	$ 214,182	$ 251,223
Reinsurance Ceded	(87,290)	(76,655)	(88,721)	(83,105)	(489,112)	(53,153)	(254,536)	(4,648)	(40,711)
Net Premium Written	$ 372,695	$ 245,313	$ 512,831	$ 71,685	$ 2,327,167	$ 111,418	$ 298,051	$ 209,534	$ 210,511
Change in Unearned Premium	(19,674)	3,406	(16,492)	912	44,901	1,590	(3,311)	(9,457)	(12,338)
Net Premiums Earned	$ 353,021	$ 248,720	$ 496,339	$ 72,597	$ 2,372,068	$ 113,008	$ 294,741	$ 200,077	$ 198,174
Investment & Other Income	50,442	292,664	66,313	51,945	203,995	23,659	33,254	32,014	81,928
Total Revenue	**$ 403,463**	**$ 541,383**	**$ 562,651**	**$ 124,543**	**$ 2,576,064**	**$ 136,667**	**$ 327,995**	**$ 232,091**	**$ 280,102**
Losses & Loss Adjustment Expenses Incurred	$ 308,126	$ 172,956	$ 557,354	$ 47,980	$ 1,564,288	$ 66,347	$ 191,500	$ 116,140	$ 148,846
Other Underwriting Expenses	63,613	8,319	43,827	17,218	361,237	13,526	37,997	45,186	23,996
Dividends	5,036	-	-	5,977	-	-	-	-	1,968
Taxes	1,149	60,174	(9,517)	10,349	95,096	5,531	20,607	14,804	24,961
Total Expenses	**$ 377,924**	**$ 241,448**	**$ 591,665**	**$ 81,523**	**$ 2,020,621**	**$ 85,404**	**$ 250,103**	**$ 176,129**	**$ 199,771**
Net Income/(Loss)	**$ 25,538**	**$ 299,935**	**$ -29,014**	**$ 43,019**	**$ 555,443**	**$ 51,263**	**$ 77,892**	**$ 55,961**	**$ 80,331**
Deposit Premium	$ -	$ 6,008	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Ratios									
Loss Ratio	87.28%	69.54%	112.29%	66.09%	65.95%	58.71%	64.97%	58.05%	75.11%
Combined Ratio	104.35%	72.93%	120.84%	90.11%	81.47%	70.85%	77.72%	79.61%	86.51%
Net Premiums to Surplus Ratio	48.32%	4.38%	117.02%	5.87%	44.71%	49.05%	58.81%	151.10%	10.97%
Net Reserves to Surplus Ratio	106.17%	18.61%	126.78%	7.96%	16.57%	121.88%	71.94%	85.91%	13.82%
Equity Ratio	38.55%	81.04%	22.24%	80.31%	71.54%	23.74%	27.49%	45.17%	79.35%

*OTHER includes results of industries with less than 6 captives as combined.

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SECTION 2

SUMMARIES AS OF 12/31/2023

VERMONT
DEPARTMENT OF FINANCIAL REGULATION

All Captive Insurance Companies
As of 12/31/2023
CAPTIVE INSURANCE COMPANIES - LICENSE SUMMARY

	12/31/2023	12/31/2022	2023
COMPANY STATUS: ACTIVE			
AFFILIATED REINSURANCE COMPANY	2	2	0
AGENCY	4	4	0
ASSOCIATION	15	13	2
BRANCH	2	2	0
INDUSTRIAL INSURED	19	20	(1)
PURE	405	387	18
RRG	85	87	(2)
SPECIAL PURPOSE FINANCIAL INSURER	38	37	1
SPONSORED	62	56	6
TOTAL ACTIVE	632	608	24
COMPANY STATUS: DORMANT			
AFFILIATED REINSURANCE COMPANY	0	0	0
AGENCY	0	0	0
ASSOCIATION	0	0	0
BRANCH	2	2	0
INDUSTRIAL INSURED	0	0	0
PURE	20	24	(4)
RRG	0	1	(1)
SPECIAL PURPOSE FINANCIAL INSURER	3	1	2
SPONSORED	2	3	(1)
TOTAL DORMANT	27	31	(4)
TOTAL LICENSED	**659**	**639**	**20**
COMPANY STATUS: DISSOLVED			
AFFILIATED REINSURANCE COMPANY	0	0	0
AGENCY	1	0	1
ASSOCIATION	22	22	0
BRANCH	4	4	0
INDUSTRIAL INSURED	29	28	1
PURE	469	459	10
RRG	75	75	0
SPECIAL PURPOSE FINANCIAL INSURER	30	30	0
SPONSORED	27	26	1
TOTAL DISSOLVED	657	644	13
RECEIVERSHIPS	5 *	0	5
TOTAL DISSOLVED AND RECEIVERSHIPS	662	644	18
**Represents a change in reporting from prior year only.*			
TOTAL LICENSES ISSUED INCEPTION TO DATE:	**1321**	**1283**	**38**

LICENSED IN 2023	
By Type of Captive:	
AFFILIATED REINSURANCE COMPANY	0
AGENCY	1
ASSOCIATION	2
BRANCH	0
INDUSTRIAL INSURED	0
PURE	24
RRG	2
SPECIAL PURPOSE FINANCIAL INSURER	3
SPONSORED	6
TOTAL 2023 LICENSES	**38**
By Industry:	
MANUFACTURING	7
INSURANCE	6
REAL ESTATE	6
HEALTHCARE	4
AGRICULTURE	3
EDUCATION	3
PROFESSIONAL SERVICE	2
RETAIL	2
CONSTRUCTION	1
ENERGY	1
ENTERTAINMENT	1
MEDIA	1
OTHER	1
TOTAL 2023 LICENSES	**38**

VERMONT
DEPARTMENT OF FINANCIAL REGULATION

NUMBER OF CAPTIVES BY INDUSTRY
As of 12/31/2023

	12/31/2023	12/31/2022
AGRICULTURE	13	9
BANKING	14	15
COMMUNICATIONS	8	8
CONSTRUCTION	44	46
EDUCATION	24	22
ENERGY	23	22
ENTERTAINMENT	8	8
FINANCING, LENDING, LEASING	7	7
HEALTHCARE	112	111
HOTELS	3	3
INSURANCE	83	80
MANUFACTURING	107	102
MEDIA	2	1
NONPROFIT OR MUNICIPALITY	17	17
OTHER	19	18
PROFESSIONAL SERVICE	33	31
REAL ESTATE	41	36
RELIGIOUS INSTITUTIONS	22	22
RETAIL	30	30
SECURITIES	9	9
TECHNOLOGY	8	8
TRANSPORTATION	28	30
WASTE MANAGEMENT	4	4
TOTAL LICENSED	659	639

VERMONT
DEPARTMENT OF FINANCIAL REGULATION

ACTIVE CELLS AND SEPARATE ACCOUNTS SUMMARY
AS OF 12/31/2023

	12/31/2023	12/31/2022	2023 Change
SPONSORED (including Sponsored SPFIs)	68	63	5
INCORPORATED PROTECTED CELLS (IPC)	103	86	17
PROTECTED CELLS (PC)	309	333	(24)
TOTAL CELLS	412	419	(7)
SEPARATE ACCOUNTS	122	124	(2)
TOTAL CELLS AND SEPARATE ACCOUNTS......................	**534**	**543**	**(9)**

NEW CELLS IN 2023:	
INCORPORATED PROTECTED CELLS (IPC)	23
PROTECTED CELLS (PC)	16
	39

BY INDUSTRY:	
INSURANCE	17
REAL ESTATE	11
ENERGY	3
RETAIL	2
COMMUNICATION	1
EDUCATION	1
HEALTHCARE	1
NONPROFIT OR MUNICIPALITY	1
OTHER	1
TECHNOLOGY	1
	39

VERMONT
DEPARTMENT OF FINANCIAL REGULATION

YEARLY SUMMARY

Year	# Issued	# Dissolved	Net	Total Active Captives	Total License Number	Premium Taxes Collected for Prior Year	License & Exam Fees Collected	Direct Premium Written	Assumed Premium Written	Gross Premium Written	Net Premium Written	Net Premium Earned	Net Income (Loss)	Total Capital & Surplus	Total Assets	Incurred Losses
1981	1	0	1	1	1	0	500	0	84,540	84,540	84,540	14,084	(2,221)	1,997,738	2,127,328	0
1982	3	0	3	4	4	0	1,800	153,420	3,857,981	4,011,401	3,240,476	3,247,568	422,819	3,748,285	6,617,865	2,867,003
1983	10	0	10	14	14	1,534	5,700	10,218,313	18,953,423	29,171,736	22,269,770	16,499,584	1,641,962	22,885,290	50,311,792	14,995,953
1984	9	0	9	23	23	102,183	8,400	21,079,354	22,520,783	43,600,137	33,429,631	25,674,105	(2,384,584)	32,300,980	84,168,038	32,010,174
1985	10	(1)	9	32	33	231,208	11,600	55,620,176	55,951,117	111,571,293	86,331,433	69,343,608	(14,439,279)	95,348,806	272,019,342	80,244,488
1986	36	(2)	34	66	69	596,761	27,600	143,259,899	115,358,094	258,617,993	203,516,783	162,927,544	27,613,213	164,645,529	516,500,585	131,009,631
1987	51	(5)	46	112	120	1,496,369	45,968	237,169,058	201,894,251	439,063,309	343,163,083	330,335,302	48,836,367	365,907,016	1,047,868,641	232,377,833
1988	33	(9)	24	136	153	2,460,069	82,274	374,730,370	268,423,061	643,153,431	505,336,035	459,511,126	107,890,519	921,054,378	1,916,402,447	352,431,778
1989	21	(5)	16	152	174	3,711,022	170,179	501,942,014	316,390,270	818,332,284	561,191,310	545,029,727	145,057,189	1,882,584,902	3,415,257,295	442,101,762
1990	35	(1)	34	186	209	4,693,000	161,069	804,895,349	530,763,466	1,335,658,815	971,206,124	838,277,546	362,846,616	1,853,057,955	3,857,026,433	629,540,931
1991	25	(3)	22	208	234	5,789,117	173,042	1,025,151,548	611,746,543	1,636,898,091	1,160,408,723	1,079,380,000	199,836,708	2,383,590,338	5,193,760,719	915,562,470
1992	23	(5)	18	226	257	7,215,239	146,431	1,269,947,883	558,928,018	1,828,875,901	1,254,059,096	1,199,183,778	302,681,020	2,727,470,639	5,721,938,485	919,792,077
1993	22	(5)	17	243	279	8,655,039	172,476	1,249,650,246	580,931,970	1,830,582,216	1,204,645,538	1,219,743,222	331,089,719	2,960,646,197	6,857,953,685	949,790,960
1994	32	(10)	22	265	311	8,129,693	162,667	1,729,927,122	652,629,527	2,382,556,649	1,561,361,617	1,533,027,428	414,223,629	6,207,079,008	11,992,471,783	1,176,038,824
1995	17	(11)	6	271	328	8,551,159	324,567	2,423,296,699	590,391,233	3,013,687,932	1,892,718,617	1,778,288,515	735,811,956	8,600,781,797	15,678,672,317	1,340,515,882
1996	30	(7)	23	294	358	8,548,033	580,182	2,190,285,990	696,767,180	2,887,053,170	1,850,535,652	1,904,769,103	783,536,771	12,614,851,281	21,347,088,804	1,513,650,904
1997	27	(14)	13	307	385	8,627,770	651,888	2,501,455,111	712,170,281	3,213,625,392	1,831,461,475	1,851,668,684	1,049,978,906	13,864,013,689	25,007,483,683	1,351,576,091
1998	40	(13)	27	334	425	9,356,490	640,343	2,748,914,078	810,964,455	3,559,878,533	1,864,555,427	1,815,869,340	1,519,507,007	26,935,125,836	39,232,586,811	1,139,285,100
1999	35	(12)	23	357	460	10,036,830	671,839	3,162,011,744	1,077,016,092	4,239,027,836	2,654,152,806	2,202,676,311	2,435,224,269	32,158,788,568	47,922,382,624	1,657,908,406
2000	29	(25)	4	361	489	11,005,160	753,843	3,144,165,245	1,455,978,542	4,600,143,787	2,771,780,793	2,735,053,729	2,683,925,982	35,976,327,881	53,025,310,119	2,058,014,308
2001	38	(12)	26	387	527	11,772,950	946,885	3,274,265,781	1,877,626,132	5,151,891,913	3,524,441,974	3,418,983,544	1,912,942,143	39,762,648,853	57,598,327,325	2,750,742,827
2002	70	(13)	57	444	597	12,668,920	1,051,460	5,193,090,933	2,055,189,331	7,248,280,264	4,977,577,937	4,662,560,706	2,747,170,032	48,928,611,857	70,008,165,132	3,481,195,212
2003	77	(14)	63	507	674	17,739,820	1,410,031	6,734,427,210	2,657,372,417	9,391,799,627	6,115,463,250	5,645,874,868	2,936,306,289	54,579,895,580	81,992,909,443	4,196,117,643
2004	43	(26)	17	524	717	19,898,370	1,314,565	7,934,537,094	2,983,641,173	10,918,178,267	7,848,082,715	7,840,517,812	3,855,040,513	59,863,628,206	96,060,420,408	5,886,615,292
2005	37	(19)	18	542	754	21,259,770	1,342,552	7,631,054,431	3,243,037,368	10,874,091,799	7,948,236,899	7,788,698,650	3,570,227,150	59,992,894,373	96,617,833,816	6,089,404,302
2006	37	(16)	21	563	791	22,694,926	1,599,190	7,774,487,797	3,861,977,940	11,636,465,737	8,409,791,227	8,190,579,315	3,325,386,231	64,075,241,485	103,553,406,688	6,273,791,944
2007	32	(28)	4	567	823	22,792,568	1,624,218	7,786,866,066	7,504,949,490	15,291,815,556	12,071,741,192	12,008,891,356	1,089,310,395	69,304,319,339	115,374,995,977	12,587,477,946
2008	16	(26)	(10)	557	839	24,187,834	2,029,869	8,413,179,284	7,766,372,317	16,179,551,601	12,681,721,410	12,485,713,660	(785,143,728)	70,844,861,806	126,975,430,863	13,707,981,702
2009	39	(36)	3	560	878	23,905,735	2,137,569	7,956,934,263	69,456,418,007	77,413,352,270	73,773,299,926	17,366,163,593	(397,170,933)	76,357,453,540	134,946,654,267	19,821,398,868
2010	33	(21)	12	572	911	23,544,181	2,288,973	8,756,939,265	17,155,210,804	25,912,150,069	22,002,834,511	28,019,925,719	(15,665,916)	72,754,585,521	136,410,611,883	27,174,897,202
2011	41	(23)	18	590	952	23,987,405	2,348,024	9,329,758,791	17,336,964,460	26,666,723,251	22,540,309,056	22,057,899,245	(403,397,077)	72,128,977,681	151,860,732,154	29,731,961,034
2012	32	(36)	(4)	586	984	24,216,614	2,542,167	9,724,884,368	17,800,697,572	27,525,581,940	22,022,719,334	21,860,737,819	2,873,355,239	72,230,816,590	154,490,235,352	29,336,874,629
2013	29	(27)	2	588	1013	24,844,875	2,634,360	9,198,171,037	18,384,082,039	27,582,253,076	22,059,129,510	22,031,885,740	3,548,504,592	77,359,254,588	176,420,588,702	30,921,225,296
2014	16	(17)	(1)	587	1029	24,370,532	2,371,089	9,745,035,207	15,724,993,185	25,470,028,392	20,304,499,944	19,962,276,789	806,719,371	79,198,404,950	191,396,396,789	23,259,158,910
2015	33	(24)	9	596	1062	24,388,334	2,483,916	9,152,332,742	18,497,425,614	27,649,758,356	23,241,104,255	22,823,892,018	2,508,977,892	79,550,877,819	197,726,902,161	21,259,667,601
2016	26	(29)	(3)	593	1088	23,800,809	2,741,244	12,643,767,660	20,187,465,889	32,831,233,549	26,145,354,803	22,414,805,089	2,294,885,716	77,884,543,903	202,574,001,865	20,001,125,520
2017	24	(39)	(15)	578	1112	23,828,684	2,273,308	8,856,289,819	14,802,320,941	23,658,610,760	19,846,507,229	20,858,537,769	5,436,417,716	82,166,530,239	200,109,978,575	19,073,208,589
2018	25	(23)	2	580	1137	24,039,460	2,086,090	8,787,944,683	13,841,121,402	22,629,066,085	19,968,122,622	20,571,992,078	4,022,533,473	81,084,833,579	194,568,723,056	18,528,305,485
2019	22	(17)	5	585	1159	24,953,696	1,975,609	9,569,154,492	15,854,131,453	25,423,285,945	20,509,207,646	20,425,499,264	4,420,195,890	82,582,288,266	212,724,327,706	17,961,176,235
2020	38	(34)	4	589	1197	26,247,710	1,959,089	13,387,829,306	16,629,225,755	30,017,055,062	23,322,905,462	20,984,242,699	(642,353,962)	59,887,374,508	196,729,374,495	21,121,358,997
2021	45	(14)	31	620	1242	28,266,358	2,113,550	12,956,713,713	17,019,927,419	29,976,641,132	25,023,444,648	23,778,247,019	3,080,187,381	65,449,034,801	194,005,738,985	18,510,191,076
2022	41	(22)	19	639	1283	31,366,901	2,392,972	15,625,000,444	26,865,801,086	42,490,801,530	27,084,083,229	25,645,598,959	4,124,606,319	67,331,789,119	211,590,488,087	19,746,573,291
2023	38	(18)	20	659	1321	33,303,033	2,067,616	14,631,549,990	15,992,618,660	30,624,168,650	25,012,553,773	24,913,035,937	5,583,586,932	80,071,954,205	230,744,459,418	19,472,837,828
Totals as of 12/31/2023	1321	(662)	659													
YTD as of 6/30/2024	29	(10)	19	678	1350											

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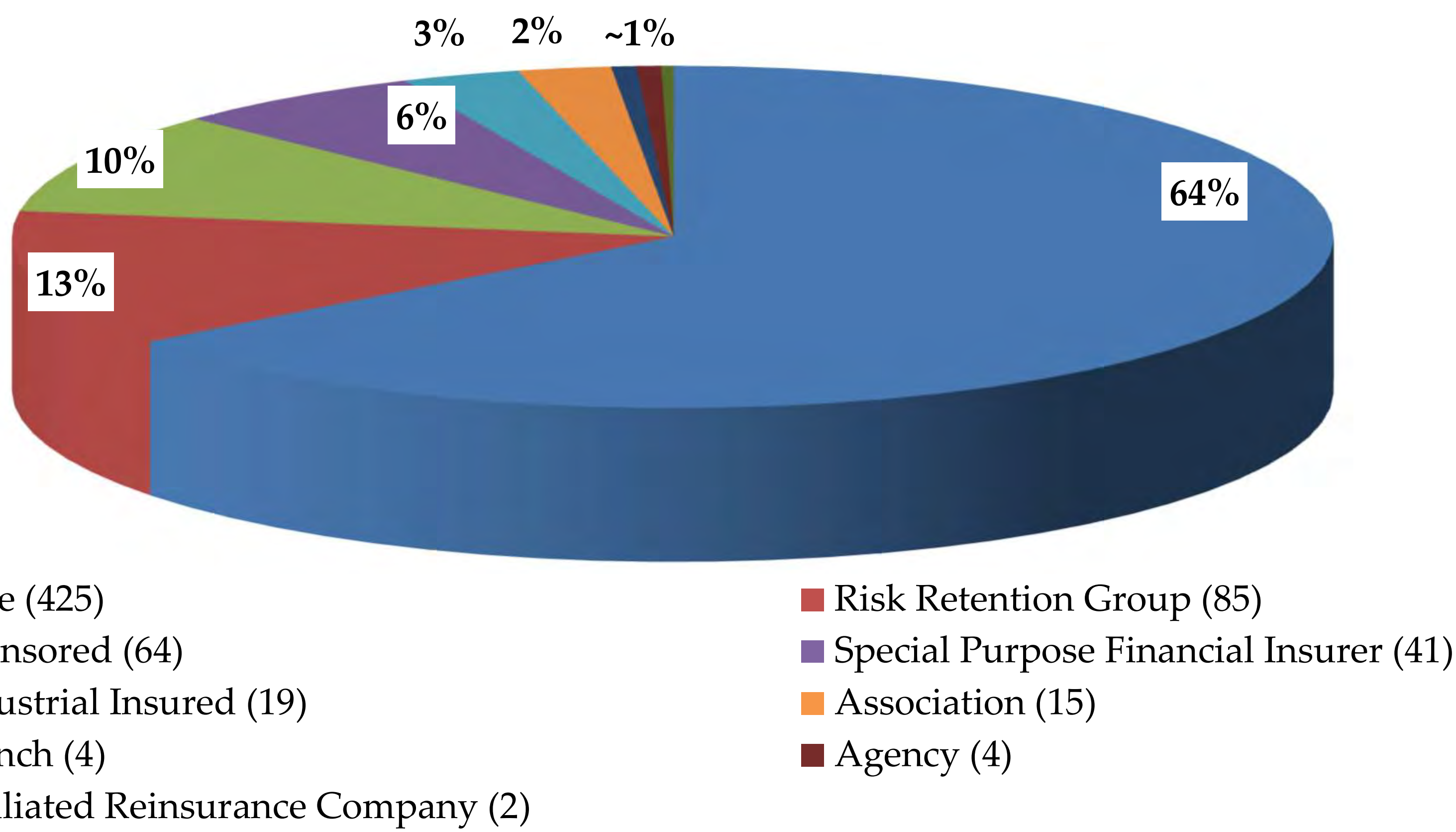
SECTION 3

CHARTS AS OF 12/31/2023

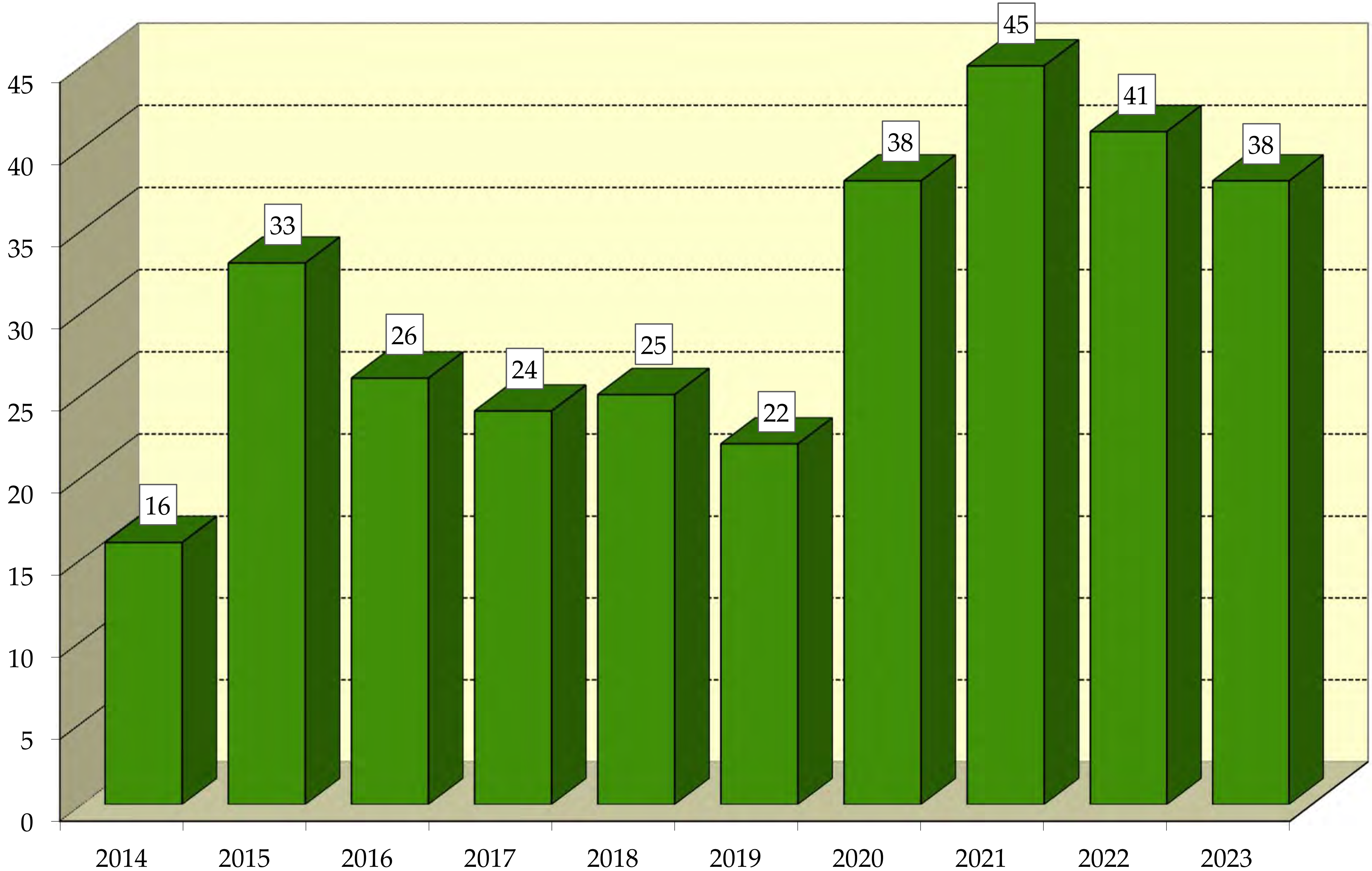
VERMONT
DEPARTMENT OF FINANCIAL REGULATION

Total Licensed Captives By Type
as of December 31, 2023

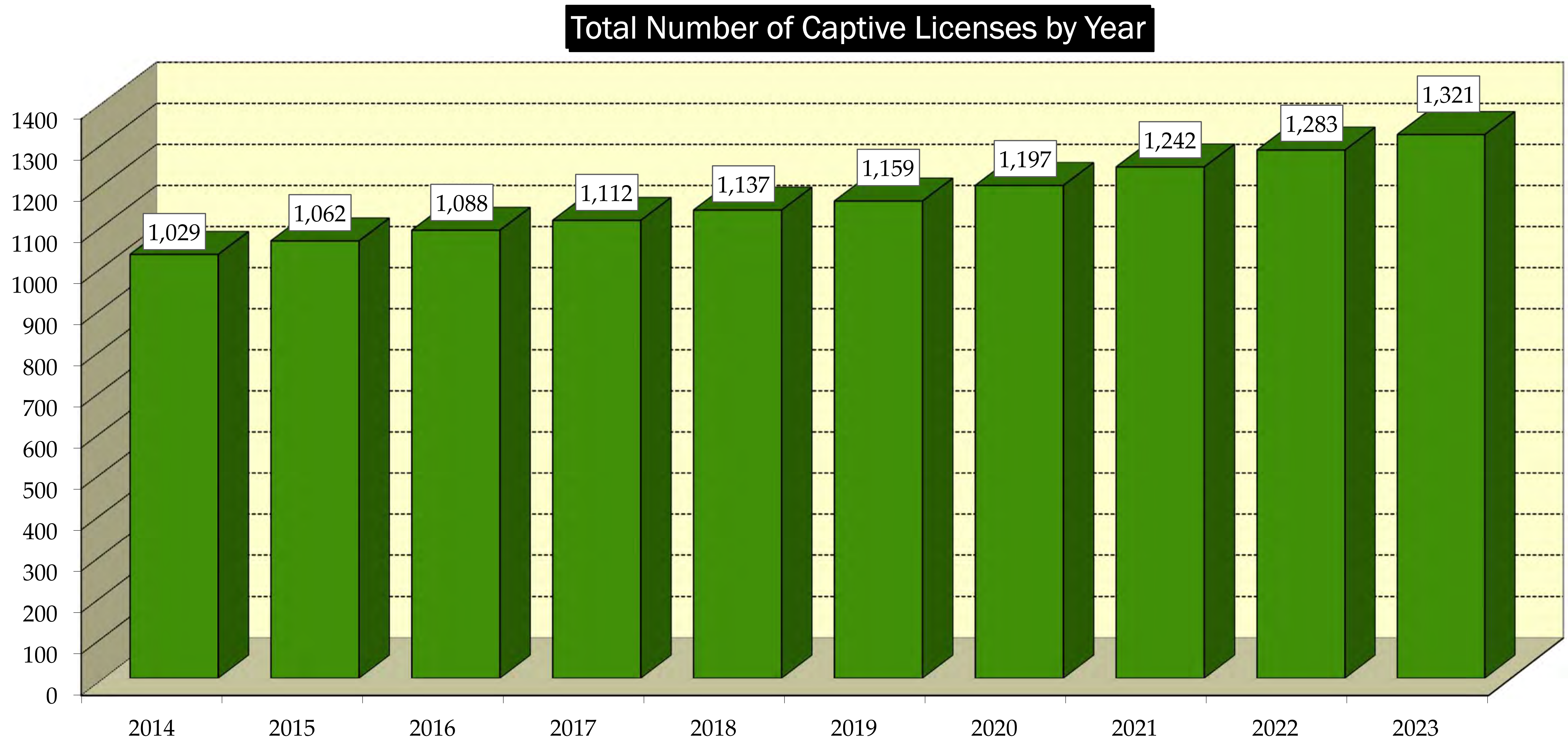


VERMONT
DEPARTMENT OF FINANCIAL REGULATION

Captives Licensed by Year

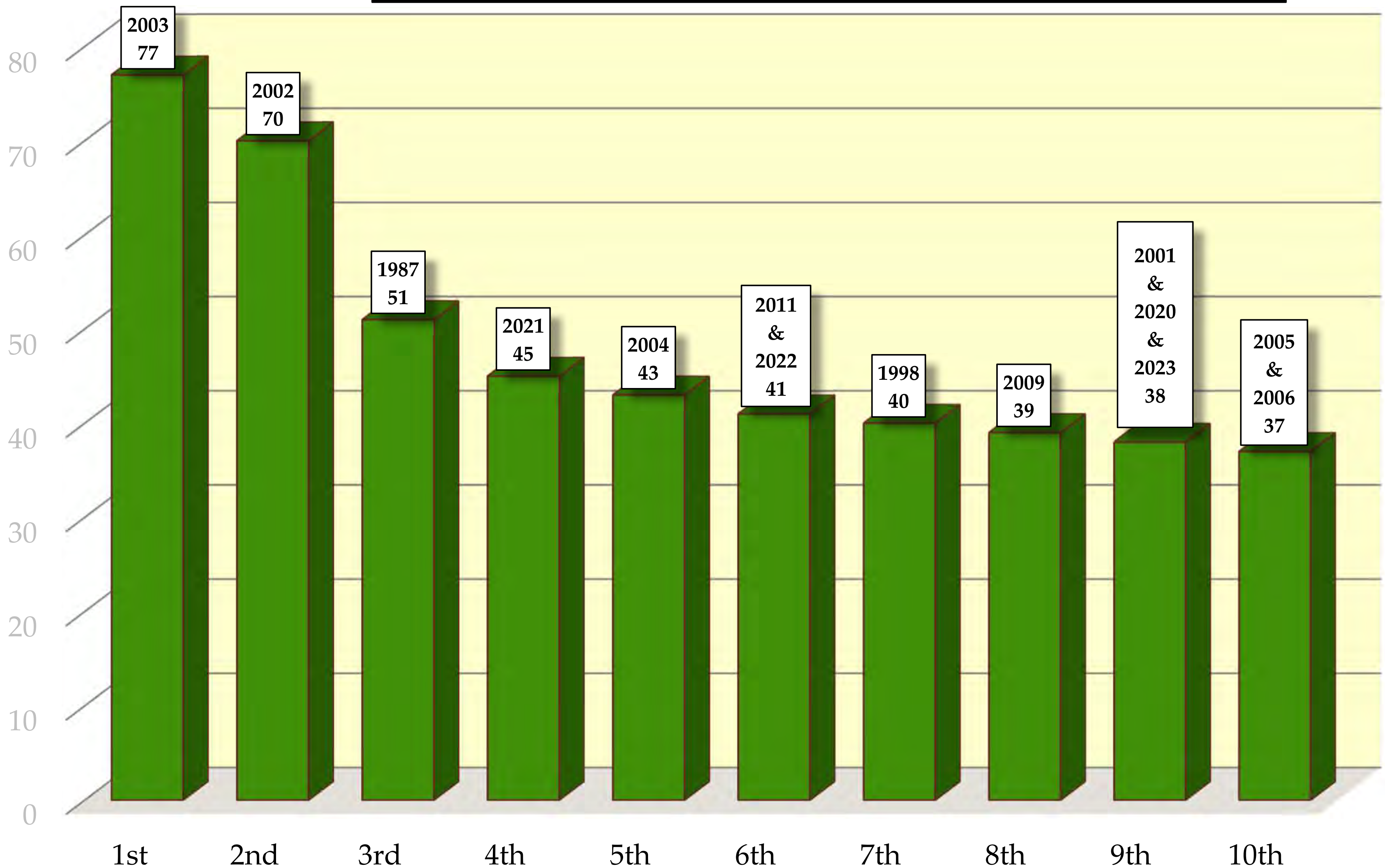


VERMONT
DEPARTMENT OF FINANCIAL REGULATION



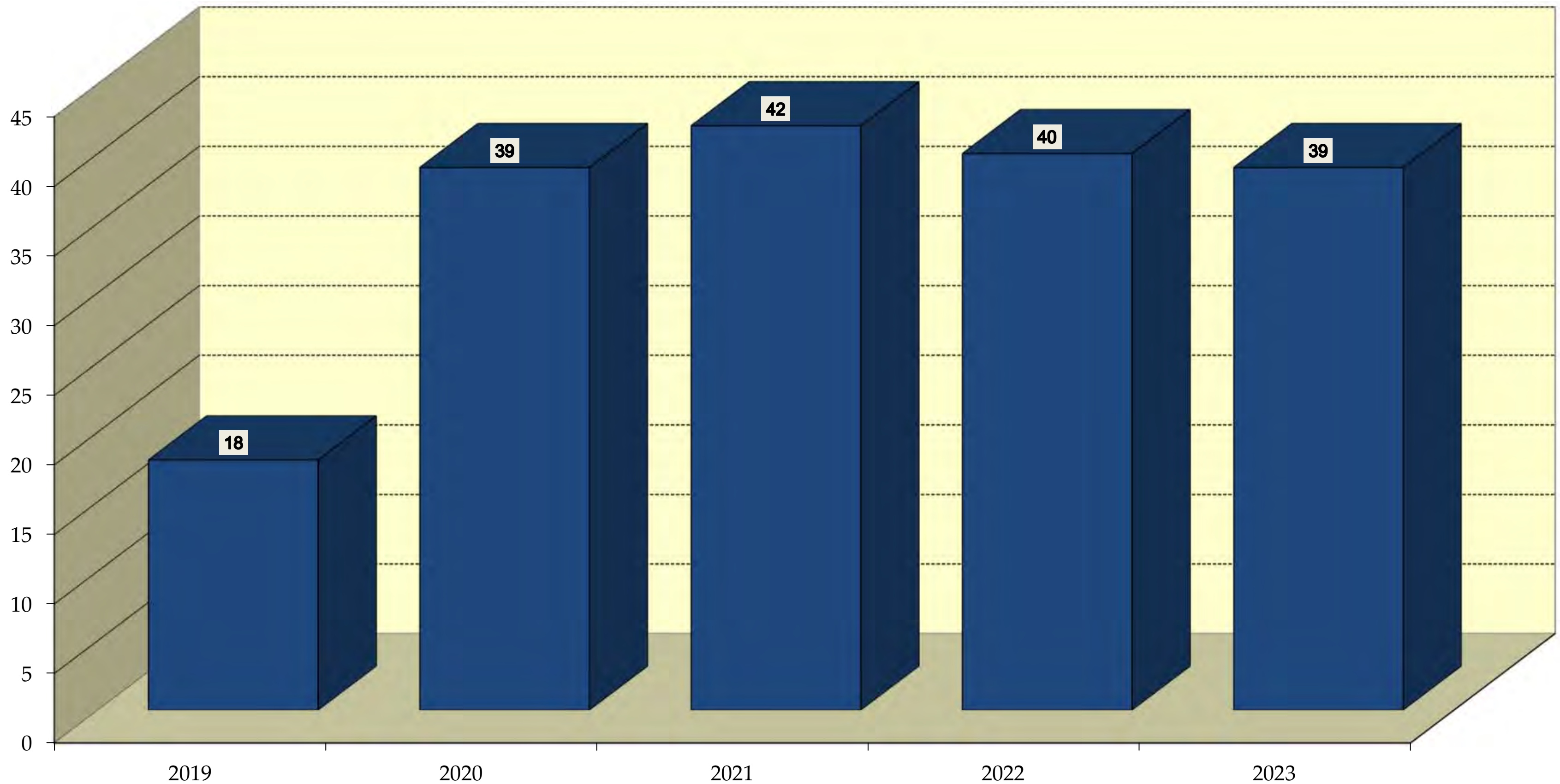
VERMONT
DEPARTMENT OF FINANCIAL REGULATION

Top Ten Highest Growth Years for Licensed Captives



VERMONT
DEPARTMENT OF FINANCIAL REGULATION

Protected Cells Approved by Year



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SECTION 4

RANGE CHARTS (2023)

SECTION 4.1: Total Assets

SECTION 4.2: Total Capital and Surplus

SECTION 4.3: Total Gross Premium Written

VERMONT
DEPARTMENT OF FINANCIAL REGULATION

2023 Total Assets Range Chart
Number of Captives per Range

RANGES	TOTAL	AFFILIATED REINSURANCE COMPANY & AGENCY	ASSOCIATION	BRANCH	INDUSTRIAL INSURED	PURE	RRG	SPONSORED*	SPFI & SPONSORED SPFI*
Less than $1 million	45	2	-	2	2	25	-	11	3
$1 million - $5 million	85	1	4	-	1	58	11	10	-
$5 - $10 million	69	-	2	-	4	52	7	4	-
$10 - $50 million	193	1	6	1	5	125	39	16	-
$50 - $100 million	71	-	2	-	3	48	8	10	-
$100 - $500 million	123	1	1	1	3	86	16	9	6
Over $500 million	73	1	-	-	1	31	4	4	32
Total Licensed Captives	659	6	15	4	19	425	85	64	41

**Cells are included within their associated Sponsored captives and Sponsored SPFI captives.*

VERMONT
DEPARTMENT OF FINANCIAL REGULATION

2023 Total Capital and Surplus Range Chart

Number of Captives per Range

RANGES	TOTAL	AFFILIATED REINSURANCE COMPANY & AGENCY	ASSOCIATION	BRANCH	INDUSTRIAL INSURED	PURE	RRG	SPONSORED*	SPFI & SPONSORED SPFI*
Less than $1 million	86	2	1	2	3	59	-	16	3
$1 million - $5 million	148	2	8	-	3	89	28	18	-
$5 - $10 million	87	-	3	-	3	61	16	3	1
$10 - $50 million	176	-	2	1	6	111	28	20	8
$50 - $100 million	67	-	-	1	2	49	4	3	8
$100 - $500 million	71	1	1	-	2	37	6	4	20
Over $500 million	24	1	-	-	-	19	3	-	1
Total Licensed Captives	659	6	15	4	19	425	85	64	41

**Cells are included within their associated Sponsored captives and Sponsored SPFI captives.*

VERMONT
DEPARTMENT OF FINANCIAL REGULATION

2023 Total Gross Premium Written Range Chart

Number of Captives per Range

RANGES	TOTAL	AFFILIATED REINSURANCE COMPANY & AGENCY	ASSOCIATION	BRANCH	INDUSTRIAL INSURED	PURE	RRG	SPONSORED*	SPFI & SPONSORED SPFI*
Less than $1 million	156	3	5	3	8	102	12	17	6
$1 million - $5 million	150	1	2	-	3	108	19	16	1
$5 - $10 million	72	1	1	-	2	54	9	5	-
$10 - $50 million	176	-	4	-	5	101	33	16	17
$50 - $100 million	49	-	2	-	1	30	7	2	7
$100 - $500 million	44	1	1	1	-	23	5	7	6
Over $500 million	12	-	-	-	-	7	-	1	4
Total Licensed Captives	659	6	15	4	19	425	85	64	41

**Cells are included within their associated Sponsored captives and Sponsored SPFI captives.*

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SECTION A

SUPPLEMENTAL REPORTING

VERMONT
DEPARTMENT OF FINANCIAL REGULATION

All Captive Insurance Companies
As of 03/31/2024
CAPTIVE INSURANCE COMPANIES - LICENSE SUMMARY

	3/31/2024	12/31/2023	2024
COMPANY STATUS: ACTIVE			
AFFILIATED REINSURANCE COMPANY	2	2	0
AGENCY	4	4	0
ASSOCIATION	15	15	0
BRANCH	2	2	0
INDUSTRIAL INSURED	19	19	0
PURE	416	405	11
RRG	83	85	(2)
SPECIAL PURPOSE FINANCIAL INSURER	37	38	(1)
SPONSORED	64	62	2
TOTAL ACTIVE	642	632	10
COMPANY STATUS: DORMANT			
AFFILIATED REINSURANCE COMPANY	0	0	0
AGENCY	0	0	0
ASSOCIATION	0	0	0
BRANCH	2	2	0
INDUSTRIAL INSURED	0	0	0
PURE	19	20	(1)
RRG	1	0	1
SPECIAL PURPOSE FINANCIAL INSURER	3	3	0
SPONSORED	2	2	0
TOTAL DORMANT	27	27	0
TOTAL LICENSED	**669**	**659**	**10**
COMPANY STATUS: DISSOLVED			
AFFILIATED REINSURANCE COMPANY	0	0	0
AGENCY	1	1	0
ASSOCIATION	22	22	0
BRANCH	4	4	0
INDUSTRIAL INSURED	29	29	0
PURE	472	469	3
RRG	76	75	1
SPECIAL PURPOSE FINANCIAL INSURER	31	30	1
SPONSORED	27	27	0
TOTAL DISSOLVED	662	657	5
RECEIVERSHIPS	5	5	0
TOTAL DISSOLVED AND RECEIVERSHIPS	667	662	5
TOTAL LICENSES ISSUED INCEPTION TO DATE:	**1336**	**1321**	**15**

LICENSED IN 2024 YEAR TO DATE (YTD)

By Type of Captive:	
AFFILIATED REINSURANCE COMPANY	0
AGENCY	0
ASSOCIATION	0
BRANCH	0
INDUSTRIAL INSURED	0
PURE	13
RRG	0
SPECIAL PURPOSE FINANCIAL INSURER	0
SPONSORED	2
TOTAL YTD 2024 LICENSES	**15**

By Industry:	
AGRICULTURE	1
COMMUNICATIONS	1
CONSTRUCTION	1
FINANCING, LENDING, LEASING	1
HEALTHCARE	2
INSURANCE	1
MANUFACTURING	1
OTHER	1
PROFESSIONAL SERVICE	2
REAL ESTATE	1
RETAIL	2
TECHNOLOGY	1
TOTAL YTD 2024 LICENSES	**15**

VERMONT
DEPARTMENT OF FINANCIAL REGULATION

All Captive Insurance Companies
As of 06/30/2024
CAPTIVE INSURANCE COMPANIES - LICENSE SUMMARY

	6/30/2024	12/31/2023	2024
COMPANY STATUS: ACTIVE			
AFFILIATED REINSURANCE COMPANY	2	2	0
AGENCY	4	4	0
ASSOCIATION	15	15	0
BRANCH	2	2	0
INDUSTRIAL INSURED	19	19	0
PURE	422	405	17
RRG	84	85	(1)
SPECIAL PURPOSE FINANCIAL INSURER	37	38	(1)
SPONSORED	67	62	5
TOTAL ACTIVE	652	632	20
COMPANY STATUS: DORMANT			
AFFILIATED REINSURANCE COMPANY	0	0	0
AGENCY	0	0	0
ASSOCIATION	0	0	0
BRANCH	2	2	0
INDUSTRIAL INSURED	0	0	0
PURE	18	20	(2)
RRG	1	0	1
SPECIAL PURPOSE FINANCIAL INSURER	3	3	0
SPONSORED	2	2	0
TOTAL DORMANT	26	27	(1)
TOTAL LICENSED	**678**	**659**	**19**
COMPANY STATUS: DISSOLVED			
AFFILIATED REINSURANCE COMPANY	0	0	0
AGENCY	1	1	0
ASSOCIATION	22	22	0
BRANCH	4	4	0
INDUSTRIAL INSURED	29	29	0
PURE	477	469	8
RRG	76	75	1
SPECIAL PURPOSE FINANCIAL INSURER	31	30	1
SPONSORED	27	27	0
TOTAL DISSOLVED	667	657	10
RECEIVERSHIPS	5	5	0
TOTAL DISSOLVED AND RECEIVERSHIPS	672	662	10
TOTAL LICENSES ISSUED INCEPTION TO DATE:	**1350**	**1321**	**29**

LICENSED IN 2024 YEAR TO DATE (YTD)	
By Type of Captive:	
AFFILIATED REINSURANCE COMPANY	0
AGENCY	0
ASSOCIATION	0
BRANCH	0
INDUSTRIAL INSURED	0
PURE	22
RRG	1
SPECIAL PURPOSE FINANCIAL INSURER	0
SPONSORED	6
TOTAL YTD 2024 LICENSES	**29**
By Industry:	
AGRICULTURE	1
COMMUNICATIONS	1
CONSTRUCTION	2
EDUCATION	2
ENERGY	2
ENTERTAINMENT	1
FINANCING, LENDING, LEASING	1
HEALTHCARE	3
INSURANCE	2
MANUFACTURING	1
OTHER	1
PROFESSIONAL SERVICE	5
REAL ESTATE	3
RELIGIOUS INSTITUTIONS	1
RETAIL	2
TECHNOLOGY	1
TOTAL YTD 2024 LICENSES	**29**