

California Insurance Pool Authority

Newport Beach, California

Financial Statements and Independent Auditors' Report

*For the Year Ended June 30, 2023
(with comparative totals for the Year Ended June 30, 2022)*



California Insurance Pool Authority
Board of Directors
June 30, 2023

BOARD OF DIRECTORS

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Mark Aalders	City of Yorba Linda	Member

ADMINISTRATION

Janet Kiser	Kiser & Company	General Manager
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California Insurance Pool Authority

For the Year Ended June 30, 2023
(With Comparative Totals for the Year Ended June 30, 2022)

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
of California Insurance Pool Authority
Newport Beach, California

www.pungroup.cpa



Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the California Insurance Pool Authority ("CIPA"), which comprise the statement of net position as of June 30, 2023 and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise CIPA's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of CIPA as of June 30, 2023, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of CIPA 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 CIPA's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our 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 auditing standards generally accepted in the United States of America and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise CIPA's basic financial statements. The combining statement of net position and combining statement of revenues, expenses, and changes in net position are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statement of net position and combining statement of revenues, expenses, and changes in net position are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises reconciliation of claims liabilities by type of coverage, and claims development information but does not include the basic financial statements and our auditors' report thereon. Our opinion on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Prior-Year Summarized Comparative Information

The financial statements of CIPA as of and for the year ended June 30, 2022 were audited by other auditors, whose report, dated October 19, 2022 expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented with the basic financial statements herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 2, 2023, on our consideration of CIPA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of CIPA's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Authority's internal control over financial reporting and compliance.



Santa Ana, California
October 2, 2023

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California Insurance Pool Authority
Management's Discussion and Analysis
June 30, 2023

Description of the Basic Financial Statements

CIPA's financial statements are prepared in conformity with generally accepted accounting principles and necessarily include amounts based upon reliable estimates and judgments. A Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position are maintained along with the Notes to Financial Statements to clarify unique accounting policies. Separate enterprise funds are operated for the Liability and Workers' Compensation Programs. The assets, liabilities, revenues, and expenses are reported on a full accrual basis.

Statement of Net Position

The Statement of Net Position provides information on all CIPA program assets and liabilities, with the difference reported as Net Position as summarized below:

	2023	2022	Change	% Change
Total Assets	\$ 57,656,703	\$ 51,503,974	\$ 6,152,729	11.9%
Total Liabilities	\$ 42,218,097	\$ 38,246,062	\$ 3,972,035	10.4%
Net Position	\$ 15,438,606	\$ 13,257,912	\$ 2,180,694	16.4%

Total Assets

Total assets increased primarily due to net cash provided by operating activities in the amount of \$5,537,206 and interest income of \$754,886. Current and noncurrent assets increased 12.0% and 11.9% respectively.

Total Liabilities

Noncurrent Liability unpaid claims increased \$3,774,395 (29.9%) driven by adverse claims development and Workers' Compensation increased \$171,599 (0.8%). In total, noncurrent unpaid claims increased \$3,945,994 (10.3%) with no change in current unpaid claims.

Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position presents information showing total revenues versus total expenses and the resulting effect on Net Position as summarized below:

<u>Operating Revenues/Expenses</u>	2023	2022	Change	% Change
Total Operating Revenues	\$ 9,782,993	\$ 8,826,274	\$ 956,719	10.8%
Total Operating Expenses	\$ 8,234,567	\$ 6,186,580	\$ 2,047,987	33.1%
Operating Income (Loss)	\$ 1,548,426	\$ 2,639,694	\$ (1,091,268)	-41.3%
<u>Nonoperating Revenues</u>				
Investment Income	\$ 632,268	\$ (1,952,858)	\$ 2,585,126	132.4%
Changes in Net Position	\$ 2,180,694	\$ 686,836	\$ 1,493,858	217.5%

California Insurance Pool Authority
Management's Discussion and Analysis (Continued)
June 30, 2023

Operating Revenues

Contributions increased \$3,037,802 (17.2%) with net contributions to the pool increasing \$956,719 (10.8%). Excess insurance and joint purchase insurance premiums, which are pass-through items collected from members and remitted to insurance carriers, increased \$2,081,088 (23.6%). The joint purchase insurance programs include property, earthquake, flood, cyber, pollution and crime coverages. Rising insurance company loss ratios and the limited number of carriers willing to write insurance, particularly for the public sector in California, has created a hard insurance market with increasing premiums and reductions in coverage.

<u>Operating Revenue</u>	2023	2022	Change	% Change
Contributions	\$ 20,680,165	\$ 17,642,358	\$ 3,037,807	17.2%
Excess Insurance	\$ (6,988,215)	\$ (5,770,972)	\$ (1,217,243)	-21.1%
Joint Purchase Insurance	\$ (3,908,957)	\$ (3,045,112)	\$ (863,845)	-28.4%
Total Operating Revenues	\$ 9,782,993	\$ 8,826,274	\$ 956,719	10.8%

Operating Expenses

Operating expenses increased \$2,047,987 primarily attributed to this year's \$2,099,551 combined provision for loss reserves increase compared to the prior year.

Claims paid decreased \$122,907 (3.3%) and administration fees increased \$71,343 (11.4%) primarily due to an adjustment in the risk management fee.

Nonoperating Revenues

Nonoperating revenues increased to \$632,268 compared to a negative \$1,952,858 in the prior year due to a reduction in the market value adjustment of a negative \$170,215 compared to a negative \$2,200,926 in the prior year. The total current market value adjustment is \$2,371,142.

Interest earnings net of fees were higher at \$754,885 compared to \$696,564 in the prior year due to net contributions collected during year and increasing interest rates.

Cash & Cash Equivalents, and Investments

Cash and cash equivalents decreased primarily due to transfer of \$1,500,000 from LAIF to short term investments in April 2023. Due to low interest rates in noncurrent investments, funds have remained in short term investments versus noncurrent investments.

	2023	2022	Change	% Change
Cash & Cash Equivalents	\$ 5,538,747	\$ 6,718,040	\$ (1,179,293)	-17.6%
Short Term Investments	\$ 7,616,656	\$ 5,006,376	\$ 2,610,280	52.1%
Noncurrent Investments	\$ 44,453,875	\$ 39,749,104	\$ 4,704,771	11.8%
Total	\$ 57,609,278	\$ 51,473,520	\$ 6,135,758	11.9%
<u>Less Cash & Equiv</u>	\$ 52,070,531	\$ 44,755,480	\$ 7,315,051	16.3%

The one-year rate of return on investments was 0.75% compared to a negative 3.99% in the prior year. The one-year LAIF rate of return increased from 0.35% to 2.22%.

California Insurance Pool Authority
Management's Discussion and Analysis (Continued)
June 30, 2023

Liability Program

The liability program's net position decreased by \$10,657 compared to the prior year:

	2023	2022	Change	% Change
Total Assets	\$ 29,194,023	\$ 25,432,014	\$ 3,762,009	14.8%
Total Liabilities	\$ 21,272,345	\$ 17,499,679	\$ 3,772,666	21.6%
Net Position	\$ 7,921,678	\$ 7,932,335	\$ (10,657)	-0.1%

Changes in the net position are shown below:

	2023	2022	Change	% Change
Operating Revenues	\$ 6,712,132	\$ 6,085,450	\$ 626,682	10.3%
Operating Expenses	\$ 6,989,956	\$ 3,575,259	\$ 3,414,697	95.5%
Operating Income (Loss)	\$ (277,824)	\$ 2,510,191	\$ (2,788,015)	-111.1%
<u>Nonoperating Revenues</u>				
Investment Income	\$ 267,167	\$ (889,621)	\$ 1,156,788	130.0%
Change in Net Position	\$ (10,657)	\$ 1,620,570	\$ (1,631,227)	-100.7%

Operating revenues to the pool were \$6,712,132 which was an increase in \$626,682 (10.3%) compared to the prior year. This increase was due to the actuary's calculation of the pool premium taking into consideration increased exposure and loss experience.

Operating expenses were \$6,989,956, with \$3,774,395 of this amount due to the actuary's projected increase in the provision for loss reserves. Claim payments were \$2,835,452, a slight decrease of \$19,635 compared to the prior year.

Investment income was \$267,167, an increase of \$1,156,788 over the prior year. This differential is largely due to the negative \$937,974 market value adjustment in the prior year compared to this year's adjustment of \$162,664. Interest earnings net of fees increased to 395,776 (24.3%) from \$318,301 in the prior year.

Workers' Compensation Program

The workers' compensation program's net position increased \$2,191,351 (41.1%) compared to the prior year:

	2023	2022	Change	% Change
Total Assets	\$ 28,462,680	\$ 26,071,960	\$ 2,390,720	9.2%
Total Liabilities	\$ 20,945,752	\$ 20,746,383	\$ 199,369	1.0%
Net Position	\$ 7,516,928	\$ 5,325,577	\$ 2,191,351	41.1%

California Insurance Pool Authority
Management's Discussion and Analysis (Continued)
June 30, 2023

Changes in the net position are shown below:

	2023	2022	Change	% Change
Operating Revenues	\$ 3,070,861	\$ 2,740,824	\$ 330,037	12.0%
Operating Expenses	\$ 1,244,611	\$ 2,611,321	\$ (1,366,710)	-52.3%
Operating Income (Loss)	\$ 1,826,250	\$ 129,503	\$ 1,696,747	1310.2%
<u>Nonoperating Revenues</u>				
Investment Income	\$ 365,101	\$ (1,063,237)	\$ 1,428,338	134.3%
Change in Net Position	\$ 2,191,351	\$ (933,734)	\$ 3,125,085	334.7%

Operating revenues to the workers' compensation pooled program were \$3,070,861 which was an increase of \$330,037 (12%) compared to the prior year. This increase represents the actuary's calculation of the pool premium taking into consideration increased exposure and loss experience.

Operating expenses were \$1,244,611, compared to \$2,611,321 in the prior year, a reduction of 52.3%. The prior year's higher operating expenses were due to an increase in the actuary's provision for loss reserves. The outstanding claims liability in the prior year increased \$1,472,762 compared to this year's increase of only \$171,599. Claim payments were \$758,271, \$103,272 less than the prior year.

Investment income was \$365,101, an increase of \$1,428,338 over the prior year. This differential is largely due to the negative \$1,174,164 market value adjustment in the prior year compared to this year's adjustment of \$7,551. Interest earnings decreased slightly from \$378,263 to \$372,305 (5.1%) compared to the prior year.

Contacting CIPA's Financial Management

This financial report is designed to provide a general overview and accountability of finances for all those with an interest in CIPA's finances. If you have any questions about this report or need additional information, contact management at 366 San Miguel Drive, Suite 312, Newport Beach, California 92660.

BASIC FINANCIAL STATEMENTS

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California Insurance Pool Authority
Statement of Net Position
June 30, 2023
(With Comparative Totals as of June 30, 2022)

	<u>2023</u>	<u>2022</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 5,538,747	\$ 6,718,040
Receivables:		
Member assessments	-	16,745
Interest	47,425	13,709
Short-term investments	7,616,656	5,039,275
Total current assets	<u>13,202,828</u>	<u>11,787,769</u>
Noncurrent Assets:		
Investments	44,453,875	39,716,205
Total noncurrent assets	<u>44,453,875</u>	<u>39,716,205</u>
Total assets	<u>57,656,703</u>	<u>51,503,974</u>
LIABILITIES		
Current Liabilities:		
Accounts payable	4,920	6,512
Due to members	72,671	45,038
Unpaid claims and claim adjustment liability - current portion	5,922,330	5,922,330
Total current liabilities	<u>5,999,921</u>	<u>5,973,880</u>
Noncurrent Liabilities:		
Unpaid claims and claim adjustment liability - noncurrent portion	36,218,176	32,272,182
Total noncurrent liabilities	<u>36,218,176</u>	<u>32,272,182</u>
Total liabilities	<u>42,218,097</u>	<u>38,246,062</u>
NET POSITION		
Unrestricted	15,438,606	13,257,912
Total net position	<u>\$ 15,438,606</u>	<u>\$ 13,257,912</u>

California Insurance Pool Authority
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2023
(With Comparative Totals for the Year Ended June 30, 2022)

	<u>2023</u>	<u>2022</u>
OPERATING REVENUES		
Contributions	\$ 20,680,165	\$ 17,642,358
Excess insurance	(6,988,215)	(5,770,972)
Joint purchase insurance	(3,908,957)	(3,045,112)
Total operating revenues	<u>9,782,993</u>	<u>8,826,274</u>
OPERATING EXPENSES		
Claims paid	3,593,723	3,716,630
Provision for loss reserves	3,945,994	1,846,443
Administrative expenses:		
Litigation management	55,414	31,854
Risk management services	499,448	419,030
Other administrative expenses	139,988	172,623
Total administrative expenses	<u>694,850</u>	<u>623,507</u>
Total operating expenses	<u>8,234,567</u>	<u>6,186,580</u>
Operating income	1,548,426	2,639,694
NONOPERATING REVENUES (EXPENSES)		
Investment earnings (losses)	632,268	(1,952,858)
Total nonoperating revenues (expenses)	<u>632,268</u>	<u>(1,952,858)</u>
CHANGES IN NET POSITION	2,180,694	686,836
NET POSITION		
Beginning of year	<u>13,257,912</u>	<u>12,571,076</u>
End of year	<u>\$ 15,438,606</u>	<u>\$ 13,257,912</u>

California Insurance Pool Authority
Statement of Cash Flows
For the Year Ended June 30, 2023
(With Comparative Totals for the Year Ended June 30, 2022)

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from members	\$ 20,696,910	\$ 17,650,387
Cash paid for claims and settlements	(3,593,723)	(3,716,630)
Cash paid for insurance	(10,897,172)	(8,816,084)
Cash paid to suppliers for goods and services	(668,809)	(620,956)
Net cash provided by operating activities	5,537,206	4,496,717
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investment securities	(20,007,674)	(10,027,710)
Proceeds from maturities and sales of investment securities	12,536,289	7,242,846
Interest income	754,886	696,564
Net cash used in investing activities	(6,716,499)	(2,088,300)
Net (decrease) increase in cash and cash equivalents	(1,179,293)	2,408,417
CASH AND CASH EQUIVALENTS		
Beginning of year	6,718,040	4,309,623
End of year	\$ 5,538,747	\$ 6,718,040
Reconciliation of Operating Income to Net Cash Flows from Operating Activities		
Operating income	\$ 1,548,426	\$ 2,639,694
Adjustments to reconcile operating income to net cash provided by operating activities:		
Changes in assets and liabilities:		
Decrease in member assessments	16,745	84,088
Increase (Decrease) in accounts payable	(1,592)	2,551
Increase (Decrease) in due to members	27,633	(76,059)
Increase in unpaid claims and claims adjustments liabilities	3,945,994	1,846,443
Total adjustments	3,988,780	1,857,023
Net cash provided by operating activities	\$ 5,537,206	\$ 4,496,717

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NOTES TO THE FINANCIAL STATEMENTS

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California Insurance Pool Authority
Notes to the Financial Statements
For the Year Ended June 30, 2023
(With Comparative Totals for the Year Ended June 30, 2022)

Note 1 – Summary of Significant Accounting Policies

The financial statements of the California Insurance Pool Authority (“CIPA”) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as promulgated by the Governmental Accounting Standards Board (GASB). The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

A. Reporting Entity

CIPA was established in 1978, under a Joint Powers Agreement pursuant to the provisions of Chapter 5 (beginning with Section 6500) of Division 7 of Title I of the State of California Government Code, for the purpose of reducing insurance costs through the joint purchase of liability insurance. In 1986, the liability program shifted to a “pooling” format. CIPA has group purchased excess workers’ compensation insurance since 1986. In response to adverse market conditions, CIPA established a workers’ compensation pool beginning June 1, 2002.

Since CIPA’s inception, group purchase options have been broadened to include Property, Earthquake, Boiler & Machinery, Pollution and Cyber Liability, and Faithful Performance Bond. These fully insured policies are offered through joint purchase programs. Premium savings result from the group purchase of these policies and provide a well-rounded program to meet the insurance needs of Member Cities.

The Liability self-insured retention (SIR) for each Member City ranges between \$150,000 to \$1,000,000. Higher SIR’s are available and new members are offered SIR’s no lower than \$300,000. CIPA pools liability between the Members’ SIR’s and \$3,000,000, except for the City of Whittier with a pool retention of \$5,000,000. With the addition of commercial reinsurance and excess insurance, total limits of \$43,000,000 per occurrence and in the aggregate are afforded to each Member.

The current Workers’ Compensation SIR for each Member City ranges between \$300,000 and \$500,000. CIPA group purchased excess workers’ compensation coverage with a limit of \$50,000,000 above CIPA’s pooled retention prior to July 1, 2018. Statutory limits have been group purchased since July 1, 2018.

The thirteen Members of CIPA operate within the guidelines of the Joint Powers Agreement which is approved by each Member’s elected officials. The financial and operating responsibilities are shared by all Members through a system of Member committees, management and consultants.

As of June 30, 2023, membership in CIPA was as follows:

City of Arcadia	City of La Habra
City of Brea	City of Montclair
City of Buena Park	City of Orange
City of Carlsbad	City of Tustin
City of Cypress	City of Whittier
City of Irvine	City of Yorba Linda
City of Laguna Beach	

Admission

A new Member may be accepted upon application to CIPA and upon acceptance by the Board by two-thirds vote, and subject to acceptance by the prospective member of the financial arrangements, fund contributions and such other conditions as may be specified by the Board, consistent with the Joint Powers Agreement.

California Insurance Pool Authority
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2023
(With Comparative Totals for the Year Ended June 30, 2022)

Note 1 – Summary of Significant Accounting Policies (Continued)

A. Reporting Entity (Continued)

Withdrawal/Termination

Members may withdraw from CIPA upon advance written notice in accordance with the Joint Powers Agreement. The effect of withdrawal (or termination), for the pooling programs, does not terminate the responsibility of the member to continue paying its share of assessments or other financial obligations incurred by reason of its previous participation.

The agreement contains provisions that require any member to remain in the program for a minimum period of two years. Thereafter the member agency may withdraw by giving written notice to the Board or its designee, on or before the next succeeding March 1, of the intent to withdraw as of 12:01 a.m. on the next July 1.

Component Unit

CIPA has considered all potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth by accounting principles generally accepted in the United States of America. The criteria include, but are not limited to, whether the entity exercises fiscal accountability (which includes whether CIPA's governing body is substantially the same as a component unit's governing body, or if there is a financial benefit or burden relationship between CIPA and the component unit). CIPA has determined that no other outside entity meets the above criteria, and therefore, no agency has been included as a component unit in these financial statements.

B. Financial Statements

The financial statements (i.e., the statement of net position, statement of revenues, expenses, and changes in net position, and statement of cash flows) report information on all the activities (operations of its administration, officers, executive committee and board of directors) of CIPA. This includes financial activity relating to all of the membership years. The statement of revenues, expenses, and changes in net position demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment.

C. Measurement Focus and Basis of Accounting

CIPA is accounted for as an enterprise fund and its financial statements are prepared using the “*economic resources*” measurement focus and the accrual basis of accounting. Revenues from member contributions and interest from investments are recognized when earned. Expenses for vendor services are recognized when the services are provided. Expenses related to joint purchase premiums are recognized during the applicable policy period. Assessments and dividends are recognized during the fiscal year as calculated by the actuary. Claim reimbursements are recognized during the fiscal year in which they are incurred.

CIPA distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with CIPA's principal ongoing operations. The principal operating revenues of CIPAs are members contributions and assessments associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Operating expenses of CIPA include the administrative expenses and other professional services. The intent of the Board is that the costs of providing services on a continuing basis be financed through member contributions and assessments. Nonoperating revenues, such as investment earnings, result from non-exchange transactions or ancillary activities.

California Insurance Pool Authority
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2023
(With Comparative Totals for the Year Ended June 30, 2022)

Note 1 – Summary of Significant Accounting Policies (Continued)

D. Use of Restricted/Unrestricted Assets

When both restricted and unrestricted resources are available for use, it is CIPA's policy to use restricted resources first, then unrestricted resources as they are needed.

E. Cash, Cash Equivalents and Investments

For purposes of the statement of cash flows, cash and cash equivalents include cash in bank, investments in Local Agency Investment Fund, and all highly liquid debt instruments purchased with original maturity of three months or less.

Risk Disclosures – Certain disclosures requirements, if applicable for deposit and investment risk, are specified for the following areas:

- Interest Rate Risk
- Credit Risk
 - Overall
 - Custodial Credit Risk
 - Concentration of Credit Risk

Investment Valuation – GASB Statement No. 72, *Fair Value Measurement and Application*, defines fair value, establishes a framework for measuring fair value and establishes disclosures about fair value measurement. Investments, unless otherwise specified, recorded at fair value in the statement of net position, are categorized based upon the level of judgement associated with the inputs used to measure their fair value. Levels of inputs are as follows:

- **Level 1** – Inputs are unadjusted, quoted prices for identical assets and liabilities in active markets at the measurement date.
- **Level 2** – Inputs, other than quoted prices included in Level 1, that are observable for the assets or liability through corroboration with market data at the measurement date.
- **Level 3** – Unobservable inputs that reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date.

CIPA reported an unrealized loss in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, during the year ended June 30, 2023 in the amount of \$170,215. The unrealized loss is reported with other investment earnings as part of nonoperating revenues (losses).

F. Receivables and Allowance for Doubtful Accounts

Receivables generally includes investment earnings on deposits and member assessments. CIPA has not experienced any significant bad debt losses and management has analyzed these accounts and believes all amounts are fully collectible. Accordingly, no provision has been made for doubtful accounts.

California Insurance Pool Authority
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2023
(With Comparative Totals for the Year Ended June 30, 2022)

Note 1 – Summary of Significant Accounting Policies (Continued)

G. Unpaid Claims and Claim Adjustment Liabilities

CIPA establishes claim liabilities based on estimates of the ultimate cost of claims (including future allocated claim adjustment expense) that have been reported but not settled. The estimated amount of aggregate excess insurance recoverable on unpaid claims is deducted from the liability for unpaid claims. Because actual claims costs depend on such complex factors as inflation, changes in doctrines of legal liability and damage awards, the process used in computing claims liabilities does not necessarily result in an exact amount, particularly for coverages such as general liability.

Claims liabilities are recomputed periodically at an expected confidence level using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claims frequency, and other economic and social factors. A provision for inflation in the calculation of estimated future claims costs is implicit in the calculation because reliance is placed both on actual historical data that reflect past inflation and on other factors that are considered to be appropriate modifiers of past experience. Adjustments to claims liabilities are charged or credited to expense in the periods in which they become known.

H. Unallocated Loss Adjustment Expenses

Unallocated loss adjustment expenses (ULAE) are the indirect expenses to settle claims. These expenses are primarily administration and claims handling expenses.

Accounting standards require that ULAE be included in financial statements. CIPA has recorded \$150,000 for ULAE as of June 30, 2023.

I. Contribution Income

Member contributions are collected in advance and recognized as revenues in the period for which insurance protection is provided. If CIPA's Board of Directors determines that the insurance funds for a program, including anticipated investment income, are insufficient to pay losses, the JPA may impose a supplemental assessment on all participating members. Supplemental assessments are recognized as income in the period assessed, however, the assessments are paid to CIPA over a ten-year period or more if approved by the Board.

On February 18, 2021, the CIPA Board of Directors approved increasing the liability program funding from a 75% confidence level to 80% beginning with fiscal year 2021-22 premiums and removed the assessment receivable. On January 26, 2022, the CIPA Board of Directors approved increasing the Workers Compensation program funding from a 75% confidence level to 80% beginning with fiscal year 2022-23 premiums and removed the assessment receivable.

J. Income Taxes

CIPA's income is exempt from federal and state income taxes under Internal Revenue Code Section 115 and the corresponding section of the *California Revenue and Taxation Code*.

K. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

California Insurance Pool Authority
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2023
(With Comparative Totals for the Year Ended June 30, 2022)

Note 1 – Summary of Significant Accounting Policies (Continued)

L. Comparative Data

Selected information from the prior fiscal year has been included in the accompanying financial statements in order to provide an understanding of changes in CIPA's financial position and operations. This information has been included for comparison purposes only and does not represent a complete presentation in accordance GAAP. Accordingly, such information should be read in conjunction with CIPA's financial statements for the year ended June 30, 2022, from which this selected financial data was derive.

Note 2 – Cash and Investments

Cash and investments consisted of the following at June 30, 2023 and 2022:

	2023	2022
Balance per bank	\$ 1,381,415	\$ 75,631
Less: Outstanding checks	(1,364,127)	(295,970)
Balance per books	17,288	(220,339)
Cash on hand	1,000	1,000
Cash on hand and in bank	18,288	(219,339)
Pooled Funds:		
Local Agency Investment Fund	4,833,423	6,807,700
Money market funds	687,036	129,679
Total cash and cash equivalents	5,538,747	6,718,040
Investments	52,070,531	44,755,480
Total cash and investments	\$ 57,609,278	\$ 51,473,520

A. Cash and Cash Equivalents

Cash in Bank

As of June 30, 2023, the carrying amount of demand deposits was \$17,288 and the bank balance was \$1,381,415, of which the total amount was collateralized or insured with securities held by the pledging financial institutions in CIPA's name as discussed below.

Custodial Credit Risk for Deposit

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposit made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits.

California Insurance Pool Authority
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2023
(With Comparative Totals for the Year Ended June 30, 2022)

Note 2 – Cash and Investments (Continued)

A. Cash and Cash Equivalents (Continued)

Local Agency Investment Fund

CIPA is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by *California Code Section 16429* under the oversight of the Treasurer of the State of California. CIPA's investments with LAIF at June 30, 2023, include a portion of the pool funds invested in Structured Notes and Asset-Backed Securities. These investments include the following:

Structured Notes – are debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or have embedded forwards or options.

Asset-Backed Securities – the bulk of which are mortgage-backed securities, entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (such as Collateralized Mortgage Obligations) or credit card receivables.

As of June 30, 2023, the Authority had \$4,833,423 invested in LAIF, which had invested 2.78% of the pool investment funds in Structured Notes and Asset-Backed Securities. LAIF determines fair value on its investment portfolio based on market quotations for those securities where market value is not readily available. CIPA values its investments in LAIF as of June 30, 2023, by multiplying its account balance with LAIF times a fair value factor determined by LAIF. This fair value factor was determined by dividing all LAIF participants' total aggregate amortized cost by total aggregate fair value. At June 30, 2023, the fair value of CIPA's position in the pool is the same as the value of the pool shares. The credit quality rating of LAIF is not rated by a nationally recognized statistical rating organization. LAIF is administered by the State Treasurer and audited annually by the Pooled Money Investment Board and the State Controller's Office. Copies of this audit may be obtained from the State Treasurer's Office: 915 Capitol Mall, Sacramento, California 95814.

B. Investments

Authorized Deposits/Investments

Under provisions of CIPA's Investment Policy, and in accordance with Section 53600 of the California Government Code, CIPA may invest in the following types of investments:

Authorized Investment Type	Maximum Maturity	Maximum % of Portfolio	Maximum Investment in Any One Issuer
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	30%
Municipal Securities	5 years	None	5%
Banker's Acceptances	180 days	25%	5%
Commercial Paper	270 days	25%	5%
Certificates of Deposit - Negotiable	5 years	30%	5%
Certificates of Deposit - Non-negotiable	5 years	30%	5%
Corporate Notes	5 years	30%	5%
Mortgage Obligations/Asset Backed Securities	5 years	20%	5%
Money Market Mutual Funds	None	20%	10%
Local Agency Investment Fund None None	None	None*	None
Supranationals	5 years	30%	10%

*LAIF has a \$75 million maximum investment limit per account

California Insurance Pool Authority
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2023
(With Comparative Totals for the Year Ended June 30, 2022)

Note 2 – Cash and Investments (Continued)

B. Investments (Continued)

Custodial Credit Risk for Investments

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. CIPA's investment policy contains policy requirements that would limit the exposure to custodial credit risk for investments. Securities purchased from brokers/dealers shall be held in third party safekeeping by the trust department of CIPA's bank or other trustee. Securities are to be held in the name of CIPA and are to be purchased on a delivery vs. payment (DVP) basis only. Investments with various federal agencies, mortgage obligations, asset backed securities, corporate notes, and supranationals with a fair value of \$52,070,531 at June 30, 2023, are held by CIPA's custodian bank.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that CIPA manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

As of June 30, 2023, CIPA had the following investments:

Investment Type	Fair Value	12 Months or Less	13 - 24 Months	25-60 Months
U.S. Treasury Obligations	\$ 18,392,035	\$ 2,296,692	\$ 6,300,806	\$ 9,794,537
U.S. Agency Securities	11,529,389	2,992,602	4,577,994	3,958,793
Mortgage Obligations/Asset Backed Securities	4,175,358	1,214	947,590	3,226,554
Corporate Notes	16,728,127	2,208,529	4,495,184	10,024,414
Municipal Securities	216,394	-	216,394	-
Supranationals	1,029,228	117,619	306,199	605,410
Total	\$ 52,070,531	\$ 7,616,656	\$ 16,844,167	\$ 27,609,708

CIPA's investments are presented in the Statement of Net Position at June 30, 2023 and 2022 as follows:

	2023	2022
Short-term investments	\$ 7,616,656	\$ 5,039,275
Investments	44,453,875	39,716,205
Total investments	\$ 52,070,531	\$ 44,755,480

California Insurance Pool Authority
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2023
(With Comparative Totals for the Year Ended June 30, 2022)

Note 2 – Cash and Investments (Continued)

B. Investments (Continued)

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code and CIPA's investment policy, and the actual rating as of year-end for each investment type as rated by Moody's.

Investment Type	Fair Value	S&P / Moody's Legal Rating	Exempt from Disclosures	Ratings as of June 30, 2023				
				Aaa	Aa1-Aa3	A1	A2	A3
U.S. Treasury Obligations	\$ 18,392,035	N/A	\$ 18,392,035	\$ -	\$ -	\$ -	\$ -	\$ -
U.S. Agency Securities	11,529,389	N/A	-	11,529,389	-	-	-	-
Mortgage Obligations/Asset Backed Securities	4,175,358	AA/Aa2	-	4,175,358	-	-	-	-
Corporate Notes	16,728,127	A/A2	-	3,904,906	1,843,760	5,786,096	3,345,056	1,848,309
Municipal Securities	216,394	A/A2	-	-	216,394	-	-	-
Suprationals	1,029,228	AA/Aa2	-	1,029,228	-	-	-	-
Total	<u>\$ 52,070,531</u>		<u>\$ 18,392,035</u>	<u>\$ 20,638,881</u>	<u>\$ 2,060,154</u>	<u>\$ 5,786,096</u>	<u>\$ 3,345,056</u>	<u>\$ 1,848,309</u>

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. The investment policy of CIPA contains limitations on the amounts that can be invested in any one issuer. Investments in any one issuer that represent 5 percent or more of total CIPA investments are as follows:

Issuer	Investment Type	Fair Value
Federal National Mortgage Association	U.S. Agency Securities	\$ 2,826,234
Federal Home Loan Mortgage Corporation	U.S. Agency Securities/Mortgage Obligations	5,350,168
Federal Home Loan Banks	U.S. Agency Securities	3,656,189

Fair Value Measurements

Fair value measurements are categorized based on valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs, including matrix pricing models; Level 3 inputs are significant unobservable inputs.

Investment fair value measurements as of June 30, 2023 are as follows:

Investment Type	Fair Value	Level 1	Level 2	Level 3
U.S. Treasury Obligations	\$ 18,392,035	\$ -	\$ 18,392,035	\$ -
U.S. Agency Securities	11,529,389	-	11,529,389	-
Mortgage Obligations/Asset Backed Securities	4,175,358	-	4,175,358	-
Corporate Notes	16,728,127	-	16,728,127	-
Municipal Securities	216,394	-	216,394	-
Suprationals	1,029,228	-	1,029,228	-
Total	<u>\$ 52,070,531</u>	<u>\$ -</u>	<u>\$ 52,070,531</u>	<u>\$ -</u>

Investments are measured at fair value on a recurring basis. Recurring fair value measurements are those that the GASB Statements require or permit in the statement of net position at the end of each reporting period.

California Insurance Pool Authority
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2023
(With Comparative Totals for the Year Ended June 30, 2022)

Note 3 – Reconciliation of Claims Liability

As discussed in Note 1, CIPA establishes a liability for both reported and unreported insured events, which includes estimates of future payments of losses and related legal expenses. The following represents changes in those aggregate liabilities for CIPA during the fiscal year ended June 30:

	2023	2022
Beginning balance	\$ 38,194,512	\$ 36,348,069
Incurred claims and claim adjustment expenses:		
Provision for insured events of the current fiscal year	6,963,429	6,384,891
Increase/(decrease) in provision for insured events of prior fiscal years	598,576	(821,818)
Total incurred claims and claim adjustment expenses	7,562,005	5,563,073
Payments		
Claims and claim adjustment expenses attributable to insured events of prior fiscal years	3,616,011	3,716,630
Ending balance	\$ 42,140,506	\$ 38,194,512

Changes in claims development of \$598,576 for the year ended June 30, 2023 was primarily attributable to ongoing analysis of additional information that became available regarding the ultimate losses incurred for previous years.

The components of the unpaid claims and claim adjustment expenses as of June 30, 2023 and 2022, were as follows:

	2023	2022
Total	\$ 42,140,506	\$ 38,194,512
Unpaid claims and claim adjustment liability - current portion	(5,922,330)	(5,922,330)
Unpaid claims and claim adjustment liability, noncurrent	\$ 36,218,176	\$ 32,272,182

At June 30, 2023, estimated unpaid claims of \$42,140,506 are reflected at their net present values of \$41,990,506, plus ULAE of \$150,000. At June 30, 2023, unpaid claims are discounted at three percent.

Note 4 – Commitments and Contingencies

A. Litigation

CIPA is involved in various litigation from time to time arising from the normal course of business. In the opinion of management and legal counsel, CIPA is not involved in any litigation that is expected to have a material adverse effect on the overall financial position of CIPA at June 30, 2023.

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SUPPLEMENTARY INFORMATION

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California Insurance Pool Authority
Combining Statement of Net Position
June 30, 2023

	Liability	Workers' Compensation	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 3,777,773	\$ 1,760,974	\$ 5,538,747
Receivables:			
Interest	34,230	13,195	47,425
Short-term investments	3,712,774	3,903,882	7,616,656
Total current assets	7,524,777	5,678,051	13,202,828
Noncurrent Assets:			
Investments	21,669,246	22,784,629	44,453,875
Total noncurrent assets	21,669,246	22,784,629	44,453,875
Total assets	29,194,023	28,462,680	57,656,703
LIABILITIES			
Current Liabilities:			
Accounts payable	3,320	1,600	4,920
Due to members	-	72,671	72,671
Unpaid claims and claim adjustment liability - current portion	4,854,369	1,067,961	5,922,330
Total current liabilities	4,857,689	1,142,232	5,999,921
Noncurrent Liabilities:			
Unpaid claims and claim adjustment liability - noncurrent portion	16,414,656	19,803,520	36,218,176
Total noncurrent liabilities	16,414,656	19,803,520	36,218,176
Total liabilities	21,272,345	20,945,752	42,218,097
NET POSITION			
Unrestricted	7,921,678	7,516,928	15,438,606
Total net position	\$ 7,921,678	\$ 7,516,928	\$ 15,438,606

California Insurance Pool Authority
Combining Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2023

	Liability	Workers' Compensation	Total
OPERATING REVENUES			
Contributions	\$ 16,860,609	\$ 3,819,556	\$ 20,680,165
Excess insurance	(6,239,520)	(748,695)	(6,988,215)
Joint purchase insurance	(3,908,957)	-	(3,908,957)
Total operating revenues	6,712,132	3,070,861	9,782,993
OPERATING EXPENSES			
Claims paid	2,835,452	758,271	3,593,723
Provision for loss reserves	3,774,395	171,599	3,945,994
Litigation management	55,414	-	55,414
Risk management services	249,724	249,724	499,448
Administrative expenses	74,971	65,017	139,988
Total operating expenses	6,989,956	1,244,611	8,234,567
Operating income (loss)	(277,824)	1,826,250	1,548,426
NONOPERATING REVENUES			
Investment earnings	267,167	365,101	632,268
Total nonoperating revenues	267,167	365,101	632,268
CHANGES IN NET POSITION	(10,657)	2,191,351	2,180,694
NET POSITION			
Beginning of year	7,932,335	5,325,577	13,257,912
End of year	<u>\$ 7,921,678</u>	<u>\$ 7,516,928</u>	<u>\$ 15,438,606</u>

OTHER INFORMATION
(Unaudited)

California Insurance Pool Authority
Reconciliation of Claims Liabilities by Type of Coverage
For the Year Ended June 30, 2023
(With Comparative Totals for the Year Ended June 30, 2022)

	Liability	
	2023	2022
Unpaid claims and claim adjustment liability:		
Beginning balance	\$ 17,494,630	\$ 17,120,949
Incurred claims and claim adjustment expenses:		
Provision for insured events of the current fiscal year	4,820,084	4,281,427
Increase (decrease) in provision for insured events of prior fiscal years	1,788,912	(1,052,659)
Total incurred claims and claim adjustment expenses	6,608,996	3,228,768
Payment:		
Claims and claim adjustment expenses attributable to insured events of prior fiscal years	2,834,601	2,855,087
Ending balance	\$ 21,269,025	\$ 17,494,630

California Insurance Pool Authority
Reconciliation of Claims Liabilities by Type of Coverage (Continued)
For the Year Ended June 30, 2023
(With Comparative Totals for the Year Ended June 30, 2022)

	Workers' Compensation	
	2023	2022
Unpaid claims and claim adjustment liability:		
Beginning balance	\$ 20,699,882	\$ 19,227,120
Incurred claims and claim adjustment expenses:		
Provision for insured events of the current fiscal year	2,143,345	2,103,464
Increase (decrease) in provision for insured events of prior fiscal years	(1,190,336)	230,841
Total incurred claims and claim adjustment expenses	953,009	2,334,305
Payment:		
Claims and claim adjustment expenses attributable to insured events of prior fiscal years	781,410	861,543
Ending balance	\$ 20,871,481	\$ 20,699,882

California Insurance Pool Authority
Reconciliation of Claims Liabilities by Type of Coverage (Continued)
For the Year Ended June 30, 2023
(With Comparative Totals for the Year Ended June 30, 2022)

	Total	
	2023	2022
Unpaid claims and claim adjustment liability:		
Beginning balance	\$ 38,194,512	\$ 36,348,069
Incurred claims and claim adjustment expenses:		
Provision for insured events of the current fiscal year	6,963,429	6,384,891
Increase (decrease) in provision for insured events of prior fiscal years	598,576	(821,818)
Total incurred claims and claim adjustment expenses	7,562,005	5,563,073
Payment:		
Claims and claim adjustment expenses attributable to insured events of prior fiscal years	3,616,011	3,716,630
Ending balance	\$ 42,140,506	\$ 38,194,512

California Insurance Pool Authority
Ten-Year Claims Development Information - Liability and Workers' Compensation Programs
For the Year Ended June 30, 2023

The following table illustrates how CIPA's earned revenue (net of excess insurance) and investment income compare to related costs of loss (net of loss assumed by excess insurance) and other expenses assumed by CIPA as of the end of each of the past years. The rows of the table are defined as follows: (1) This line shows the total of each fiscal year's gross earned contribution revenue and investment revenue, contribution revenue ceded to excess insurance, and net earned contribution revenue and reported investment revenue. (2) This line shows each fiscal year's other operating costs of CIPA including overhead and claims expense not allocable to individual claims. (3) This line shows CIPA's gross incurred claims and allocated claim adjustment expenses, claims assumed by excess insurance, and net incurred claims and allocated adjustment expenses (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (called policy year). (4) This section of rows shows the cumulative net amounts paid as of the end of successive years for each policy year. (5) This line shows the latest re-estimated amount of claims assumed by excess insurance as of the end of the current year for each accident year. (6) This section of rows shows how each policy year's net incurred claims increased or decreased as of the end of successive years. (This annual reestimation results from new information received on known claims, reevaluation of existing information on known claims, and emergence of new claims not previously known). (7) This line compares the latest reestimated net incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of net claims cost is greater or less than originally thought. As data for individual policy years mature, the correlation between original estimates and re-estimated amounts commonly is used to evaluate the accuracy of net incurred claims currently recognized in less mature policy years. The columns of the table show data for successive policy years.

California Insurance Pool Authority
Ten-Year Claims Development Information - Liability Program
For the Year Ended June 30, 2023

	2014	2015	2016	2017	2018
(1) Required Contribution and Investment Revenues:					
Earned	\$ 5,934,271	\$ 5,505,079	\$ 6,628,269	\$ 6,810,107	\$ 7,310,953
Dividends	(482,930)	(482,930)	(275,395)	-	-
Ceded	(3,281,099)	(3,301,185)	(3,298,158)	(2,955,692)	(3,044,735)
Net earned	<u>2,170,242</u>	<u>1,720,964</u>	<u>3,054,716</u>	<u>3,854,415</u>	<u>4,266,218</u>
(2) Unallocated expenses	<u>195,955</u>	<u>225,700</u>	<u>213,627</u>	<u>266,327</u>	<u>307,722</u>
(3) Estimated Claims and Expenses, End of Policy Year					
Incurred	<u>2,039,108</u>	<u>2,124,337</u>	<u>2,586,954</u>	<u>4,158,066</u>	<u>3,302,893</u>
Net Incurred	<u>2,039,108</u>	<u>2,124,337</u>	<u>2,586,954</u>	<u>4,158,066</u>	<u>3,302,893</u>
(4) Net Paid (cumulative as of):					
June 30, 2014	-	-	-	-	-
June 30, 2015	-	-	-	-	-
June 30, 2016	-	47,177	-	-	-
June 30, 2017	452,431	3,250,000	-	-	-
June 30, 2018	452,431	3,750,000	-	-	-
June 30, 2019	452,431	3,750,000	-	2,604,977	-
June 30, 2020	452,431	3,750,000	-	5,205,859	-
June 30, 2021	452,431	3,750,000	-	7,707,546	49,250
June 30, 2022	452,431	3,750,000	-	9,108,226	261,763
June 30, 2023	-	-	-	-	-
(5) Re-Estimated Ceded Claims and Expenses	-	-	-	-	-
(6) Re-Estimated Net Incurred Claims and Expenses:					
June 30, 2014	2,039,108	-	-	-	-
June 30, 2015	2,277,242	2,124,337	-	-	-
June 30, 2016	1,503,056	2,505,722	2,586,954	-	-
June 30, 2017	1,309,302	5,057,264	2,688,943	4,158,066	-
June 30, 2018	1,077,445	5,126,370	2,390,792	4,119,308	3,302,893
June 30, 2019	945,198	5,061,649	-	6,365,351	3,643,811
June 30, 2020	888,269	3,750,000	500,077	9,190,300	3,477,090
June 30, 2021	812,084	3,750,000	362,394	8,234,468	2,313,076
June 30, 2022	452,431	3,750,000	-	9,207,927	336,460
June 30, 2023	452,431	3,750,000	-	9,133,388	874,417
(7) (Increase) Decrease in Estimated Incurred Claims and Expenses from the End of the Policy Year	<u>\$ 1,586,677</u>	<u>\$ (1,625,663)</u>	<u>\$ 2,586,954</u>	<u>\$ (4,975,322)</u>	<u>\$ 2,428,476</u>

California Insurance Pool Authority
Ten-Year Claims Development Information - Liability Program (Continued)
For the Year Ended June 30, 2023

	2019	2020	2021	2022	2023
(1) Required Contribution and Investment Revenues:					
Earned	\$ 7,727,141	\$ 10,141,769	\$ 10,422,640	\$ 13,355,553	\$ 17,127,776
Dividends	-	-	-	-	-
Ceded	(3,092,119)	(3,942,984)	(665,925)	(8,159,724)	(10,148,477)
Net earned	<u>4,635,022</u>	<u>6,198,785</u>	<u>9,756,715</u>	<u>5,195,829</u>	<u>6,979,299</u>
(2) Unallocated expenses	<u>310,161</u>	<u>323,561</u>	<u>271,744</u>	<u>346,491</u>	<u>380,109</u>
(3) Estimated Claims and Expenses, End of Policy Year					
Incurred	<u>3,683,231</u>	<u>4,828,464</u>	<u>4,759,095</u>	<u>4,281,427</u>	<u>4,820,084</u>
Net Incurred	<u>3,683,231</u>	<u>4,828,464</u>	<u>4,759,095</u>	<u>4,281,427</u>	<u>4,820,084</u>
(4) Net Paid (cumulative as of):					
June 30, 2014	-	-	-	-	-
June 30, 2015	-	-	-	-	-
June 30, 2016	-	-	-	-	-
June 30, 2017	-	-	-	-	-
June 30, 2018	-	-	-	-	-
June 30, 2019	-	-	-	-	-
June 30, 2020	30,012	-	-	-	-
June 30, 2021	30,012	840,901	-	-	-
June 30, 2022	30,012	3,484,774	-	-	-
June 30, 2023	-	-	-	-	-
(5) Re-Estimated Ceded Claims and Expenses	-	-	-	-	-
(6) Re-Estimated Net Incurred Claims and Expenses:					
June 30, 2014	-	-	-	-	-
June 30, 2015	-	-	-	-	-
June 30, 2016	-	-	-	-	-
June 30, 2017	-	-	-	-	-
June 30, 2018	-	-	-	-	-
June 30, 2019	3,683,231	-	-	-	-
June 30, 2020	3,633,483	4,828,464	-	-	-
June 30, 2021	1,995,179	38,583,813	4,759,095	-	-
June 30, 2022	1,794,691	10,772,080	4,727,703	4,281,427	-
June 30, 2023	2,924,395	10,952,403	4,706,978	4,157,784	5,250,679
(7) (Increase) Decrease in Estimated Incurred Claims and Expenses from the End of the Policy Year	<u>\$ 758,836</u>	<u>\$ (6,123,939)</u>	<u>\$ 52,117</u>	<u>\$ 123,643</u>	<u>\$ (430,595)</u>

California Insurance Pool Authority
Ten-Year Claims Development Information - Workers' Compensation Program
For the Year Ended June 30, 2023

	2014	2015	2016	2017	2018
(1) Required Contribution and Investment Revenues:					
Earned	\$ 2,057,613	\$ 3,801,453	\$ 1,693,311	\$ 1,783,285	\$ 2,685,536
Ceded	(406,157)	(458,363)	(293,113)	(313,282)	(322,683)
Net earned	<u>1,651,456</u>	<u>3,343,090</u>	<u>1,400,198</u>	<u>1,470,003</u>	<u>2,362,853</u>
(2) Unallocated expenses	<u>139,883</u>	<u>151,775</u>	<u>153,008</u>	<u>153,663</u>	<u>160,337</u>
(3) Estimated Claims and Expenses, End of Policy Year					
Incurred	<u>1,367,907</u>	<u>1,630,425</u>	<u>1,982,104</u>	<u>2,052,233</u>	<u>2,597,318</u>
Net Incurred	<u>1,367,907</u>	<u>1,630,425</u>	<u>1,982,104</u>	<u>2,052,233</u>	<u>2,597,318</u>
(4) Net Paid (cumulative as of):					
June 30, 2014	-	-	-	-	-
June 30, 2015	-	-	-	-	-
June 30, 2016	-	258,457	-	-	-
June 30, 2017	-	263,728	-	-	-
June 30, 2018	-	276,162	-	-	-
June 30, 2019	-	298,871	-	52,081	-
June 30, 2020	-	367,431	101,724	206,789	328,055
June 30, 2021	-	420,395	271,049	370,849	401,723
June 30, 2022	8,959	475,348	437,763	476,397	463,123
June 30, 2023	-	-	-	-	-
(5) Re-Estimated Ceded Claims and Expenses	-	-	-	-	-
(6) Re-Estimated Net Incurred Claims and Expenses:					
June 30, 2014	1,367,907	-	-	-	-
June 30, 2015	921,243	1,630,425	-	-	-
June 30, 2016	919,974	1,219,075	1,982,104	-	-
June 30, 2017	810,166	1,268,907	1,874,410	2,052,233	-
June 30, 2018	698,104	1,293,547	1,509,091	2,019,011	2,597,318
June 30, 2019	425,113	1,463,683	1,440,734	2,088,997	2,684,790
June 30, 2020	548,806	1,461,840	1,441,984	2,066,160	2,583,095
June 30, 2021	642,669	1,801,886	2,291,435	2,546,413	2,611,176
June 30, 2022	609,868	1,874,525	2,546,033	3,096,307	2,561,920
June 30, 2023	675,140	2,651,287	2,537,289	3,360,815	1,995,628
(7) (Increase) Decrease in Estimated Incurred Claims and Expenses from the End of the Policy Year	<u>\$ 692,767</u>	<u>\$ (1,020,862)</u>	<u>\$ (555,185)</u>	<u>\$ (1,308,582)</u>	<u>\$ 601,690</u>

California Insurance Pool Authority
Ten-Year Claims Development Information - Workers' Compensation Program (Continued)
For the Year Ended June 30, 2023

	2019	2020	2021	2022	2023
(1) Required Contribution and Investment Revenues:					
Earned	\$ 4,007,264	\$ 3,957,182	\$ 2,960,642	\$ 2,333,947	\$ 4,184,657
Ceded	(529,004)	(534,163)	(534,458)	(656,360)	(748,695)
Net earned	<u>3,478,260</u>	<u>3,423,019</u>	<u>2,426,184</u>	<u>1,677,587</u>	<u>3,435,962</u>
(2) Unallocated expenses	<u>226,043</u>	<u>223,353</u>	<u>233,327</u>	<u>277,016</u>	<u>314,741</u>
(3) Estimated Claims and Expenses, End of Policy Year					
Incurred	<u>2,079,481</u>	<u>2,002,932</u>	<u>2,481,571</u>	<u>2,103,464</u>	<u>2,143,345</u>
Net Incurred	<u>2,079,481</u>	<u>2,002,932</u>	<u>2,481,571</u>	<u>2,103,464</u>	<u>2,143,345</u>
(4) Net Paid (cumulative as of):					
June 30, 2014	-	-	-	-	-
June 30, 2015	-	-	-	-	-
June 30, 2016	-	-	-	-	-
June 30, 2017	-	-	-	-	-
June 30, 2018	-	-	-	-	-
June 30, 2019	-	-	-	-	-
June 30, 2020	-	-	-	-	-
June 30, 2021	-	-	-	-	-
June 30, 2022	-	-	-	-	-
June 30, 2023	-	-	-	-	-
(5) Re-Estimated Ceded Claims and Expenses	-	-	-	-	-
(6) Re-Estimated Net Incurred Claims and Expenses:					
June 30, 2014	-	-	-	-	-
June 30, 2015	-	-	-	-	-
June 30, 2016	-	-	-	-	-
June 30, 2017	-	-	-	-	-
June 30, 2018	-	-	-	-	-
June 30, 2019	2,079,481	-	-	-	-
June 30, 2020	2,070,942	2,002,932	-	-	-
June 30, 2021	2,111,157	1,980,129	2,481,571	-	-
June 30, 2022	1,838,246	1,842,798	2,370,099	2,103,464	-
June 30, 2023	1,489,419	1,459,585	1,937,195	2,140,252	2,378,852
(7) (Increase) Decrease in Estimated Incurred Claims and Expenses from the End of the Policy Year	<u>\$ 590,062</u>	<u>\$ 543,347</u>	<u>\$ 544,376</u>	<u>\$ (36,788)</u>	<u>\$ (235,507)</u>

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Independent Auditors' Report

To the Board of Directors
of California Insurance Pool Authority
Newport Beach, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of California Insurance Pool Authority ("CIPA"), which comprise of the statement of net position as of June 30, 2023, and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise CIPA's basic financial statements, and have issued our report thereon dated October 2, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered CIPA's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of CIPA's internal control. Accordingly, we do not express an opinion on the effectiveness of CIPA's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether CIAP's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

To the Board of Directors
of the California Insurance Pool Authority
Newport Beach, California
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Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "The PwC Group, LLP". The signature is written in a cursive, flowing style.

Santa Ana, California
October 2, 2023