

**SOUTH DAKOTA PROPERTY AND CASUALTY CAPTIVE INSURANCE
COMPANY, LLC**

AUDIT REPORT

For the Year Ended December 31, 2022



**State of South Dakota
Department of Legislative Audit**
427 South Chapelle
% 500 East Capitol
Pierre, SD 57501-5070

SOUTH DAKOTA PROPERTY AND CASUALTY CAPTIVE INSURANCE COMPANY, LLC
OFFICIALS
December 31, 2022

Board of Managers:

Board President, BOA Commissioner
Vice President, BOR Designee
Secretary/Treasurer, BFM Designee

Manager South Dakota Captive Insurance Companies:

Sara Brusseau

Director, Executive Management Finance Office:

Rachel Williams

SOUTH DAKOTA PROPERTY AND CASUALTY CAPTIVE INSURANCE COMPANY, LLC
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427 SOUTH CHAPELLE
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PIERRE, SD 57501-5070
(605) 773-3595

RUSSELL A. OLSON
AUDITOR GENERAL

**INDEPENDENT AUDITOR'S 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**

The Honorable Kristi Noem
Governor of South Dakota

and

Board of Managers
South Dakota Property and Casualty Captive Insurance Company, LLC

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 the South Dakota Property and Casualty Captive Insurance Company, a component unit of the State of South Dakota, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the South Dakota Property and Casualty Captive Insurance Company's basic financial statements, and have issued our report thereon dated May 23, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the South Dakota Property and Casualty Captive Insurance Company'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the South Dakota Property and Casualty Captive Insurance Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the South Dakota Property and Casualty Captive Insurance Company'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 have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the South Dakota Property and Casualty Captive Insurance Company'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*.

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. As required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink that reads "Russell A. Olson". The signature is written in a cursive, flowing style.

Russell A. Olson, Auditor General
Pierre, South Dakota

May 23, 2023



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RUSSELL A. OLSON
AUDITOR GENERAL

INDEPENDENT AUDITOR'S REPORT

The Honorable Kristi Noem
Governor of South Dakota

and

Board of Managers
South Dakota Property and Casualty Captive Insurance Company, LLC

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the South Dakota Property and Casualty Captive Insurance Company, a component unit of the State of South Dakota, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the South Dakota Property and Casualty Captive Insurance Company's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the South Dakota Property and Casualty Captive Insurance Company as of December 31, 2022, and the changes in financial position and its cash flows 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 (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the South Dakota Property and Casualty Captive Insurance 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 South Dakota Property and Casualty Captive Insurance Company's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require management's discussion and analysis on page 6 and the Ten-Year Claims Development Information on page 15 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 23, 2023 on our consideration of the South Dakota Property and Casualty Captive Insurance Company's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the South Dakota Property and Casualty Captive Insurance Company'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 South Dakota Property and Casualty Captive Insurance Company's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Russell A. Olson". The signature is written in a cursive, flowing style.

Russell A. Olson, Auditor General
Pierre, South Dakota

May 23, 2023

SOUTH DAKOTA PROPERTY AND CASUALTY CAPTIVE INSURANCE COMPANY, LLC MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the South Dakota Property and Casualty Captive Insurance Company, LLC (Captive) financial report presents a narrative overview and analysis of the financial activities of the Captive for the fiscal year ended December 31, 2022. This analysis should be read in conjunction with the Independent Auditor's Report, financial statements, and notes to the financial statements.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Captive's basic financial statements. The Captive's basic financial statements include: 1) Statement of Net Position, 2) Statement of Revenues, Expenses, and Changes in Net Position, 3) Statement of Cash Flows, and 4) Notes to the Financial Statements. The report also contains Required Supplementary Information in addition to the basic financial statements.

The Statement of Net Position presents information on the Captive's assets and liabilities with the difference being reported as net position. The Statement of Revenues, Expenses, and Changes in Net Position presents information showing how the Captive's net position changed during the year. The Statement of Cash Flows provides information about the Captive's cash receipts and payments during the year. The Notes to the Financial Statements are an integral part of the financial statements and provide additional information that is essential to a full understanding of the data provided in the financial statements.

Net Position

	2022	2021	Change	% Change
Assets:				
Cash and Cash Equivalents	\$ 7,203,583	\$ 7,659,513	\$ (455,930)	-6.0%
Interest & Dividends Receivable	17,000	13,589	3,411	25.1%
Prepaid Expense	75,000	75,000	-	0.0%
Receivables	685	-	685	-
Total Assets	<u>7,296,268</u>	<u>7,748,102</u>	<u>(451,834)</u>	<u>-5.8%</u>
Liabilities:				
Payables	22,438	10,728	11,710	109.2%
Reserve for Claims and Claim Adjustment Expense	1,438,772	887,112	551,660	62.2%
Noncurrent Reserve for Claims and Claim Adj. Exp.	256,907	94,244	162,663	172.6%
Total Liabilities	<u>1,718,117</u>	<u>992,084</u>	<u>726,033</u>	<u>73.2%</u>
Net Position:				
Unrestricted	5,578,151	6,756,018	(1,177,867)	-17.4%
Total Net Position	<u>\$ 5,578,151</u>	<u>\$ 6,756,018</u>	<u>\$ (1,177,867)</u>	<u>-17.4%</u>

SOUTH DAKOTA PROPERTY AND CASUALTY CAPTIVE INSURANCE COMPANY, LLC
MANAGEMENT'S DISCUSSION AND ANALYSIS

Total assets of the Captive decreased 5.8%. Most of the change in assets is in cash and cash equivalents which decreased due to higher claims and claims adjustment expense paid in 2022.

Total liabilities of the Captive increased 73.2%. The increase is in the actuarial estimated reserve for claims and claim adjustment expense account due to storms occurring in 2022. Accounts payable increased due to certain fees not being invoiced until after year end.

Changes in Net Position

	<u>2022</u>	<u>2021</u>	<u>Change</u>	<u>% Change</u>
Revenues:				
Net Earned Premiums	\$ 2,108,227	\$ 1,661,255	\$ 446,972	26.9%
Interest Income	(47,853)	(95,760)	47,907	50.0%
Total Revenues	<u>2,060,374</u>	<u>1,565,495</u>	<u>494,879</u>	<u>31.6%</u>
Expenses:				
Claims and Claim Adjustment Expense	3,132,999	796,603	2,336,396	293.3%
Management Fees	75,630	88,627	(12,997)	-14.7%
Actuarial Fees	12,800	14,000	(1,200)	-8.6%
Legal Fees	3,389	2,793	596	21.3%
Audit Fees	6,713	7,256	(543)	-7.5%
Supervision Fee	5,550	5,700	(150)	-2.6%
Investment Expense	1,160	818	342	41.8%
Total Expenses	<u>3,238,241</u>	<u>915,797</u>	<u>2,322,444</u>	<u>253.6%</u>
Change in Net Position	<u><u>\$ (1,177,867)</u></u>	<u><u>\$ 649,698</u></u>	<u><u>\$ (1,827,565)</u></u>	<u><u>-281.3%</u></u>

Total revenues increased 31.6%. Net premiums increased due to higher gross premium rates. Interest income is higher due to the estimated unrealized appreciation.

Total expenses increased 253.6%. The entire increase was in claims and claim adjustment expense. Claims paid out were significantly higher and 2022 and actuarially estimated claims and claims adjustment expenses increased due to storms occurring in 2022.

SOUTH DAKOTA PROPERTY & CASUALTY CAPTIVE INSURANCE COMPANY, LLC
STATEMENT OF NET POSITION
December 31, 2022

Assets

Current Assets

Cash and Cash Equivalents	\$ 7,203,583
Interest & Dividends Receivable	17,000
Premiums Receivable	614
Accounts Receivable	71
Prepaid Expense	75,000

Total Assets	\$ 7,296,268
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Liabilities

Current Liabilities

Accounts Payable	\$ 22,393
Premiums Payable	45
Reserve for Claims and Claim Adjustment Expense	1,438,772

Total Current Liabilities	1,461,210
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Noncurrent Liabilities

Reserve for Claims and Claim Adjustment Expense	256,907
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Total Noncurrent Liabilities	256,907
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Total Liabilities	1,718,117
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Net Position

Unrestricted	5,578,151
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Total Net Position	5,578,151
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Total Liabilities and Net Position	\$ 7,296,268
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The notes to the financial statements are an integral part of this statement.

SOUTH DAKOTA PROPERTY & CASUALTY CAPTIVE INSURANCE COMPANY, LLC
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Year Ended December 31, 2022

Operating Revenue

Gross Earned Premiums	\$ 5,765,539
Reinsurance Premiums Ceded	(3,657,312)
Net Earned Premiums	<u>2,108,227</u>

Operating Expense

Claims and Claim Adjustment Expenses	3,132,999
Management Fees	75,630
Actuarial Fees	12,800
Legal Fees	3,389
Audit Fees	6,713
Supervision Fee	5,550
Total Operating Expenses	<u>3,237,081</u>

Operating Income (Loss) **(1,128,854)**

Nonoperating Revenue (Expenses)

Interest Income	(47,853)
Investment Expense	(1,160)
Total Nonoperating Revenue (Expenses)	<u>(49,013)</u>

Change in Net Position **(1,177,867)**

Net Position at Beginning of Year	6,756,018
Net Position at End of Year	<u>\$ 5,578,151</u>

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

SOUTH DAKOTA PROPERTY & CASUALTY CAPTIVE INSURANCE COMPANY, LLC
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2022

Cash Flows from Operating Activities

Cash Receipts from Premiums	\$ 5,766,431
Cash Payments for Claims & Claim Adjustment Expense	(2,418,676)
Cash Payments for Management Fees	(64,561)
Cash Payments for Professional Services	(23,119)
Cash Payments for Supervision Fee	(5,700)
Cash Payments for Reinsurance Premiums	(3,657,881)

Net Cash Provided (Used) by Operating Activities	<u>(403,506)</u>
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Cash Flows from Investing Activities

Investment Income	(51,264)
Investment Expense	(1,160)

Net Cash Provided (Used) by Investing Activities	<u>(52,424)</u>
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**Net Increase (Decrease) in Cash and Cash Equivalents
During the Fiscal Year**

(455,930)

Cash and Cash Equivalents at Beginning of Year

7,659,513

Cash and Cash Equivalents at End of Year

\$ 7,203,583

**Reconciliation of Operating Income (Loss) to Net Cash
Provided (Used) by Operating Activities**

Operating Income (Loss)	\$ (1,128,854)
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Decrease/(Increase) in Assets

Premiums Receivable	(614)
Accounts Receivable	(71)

Increase/(Decrease) in Liabilities

Accounts Payable	11,665
Premiums Payable	45
Reserve for Claims & Claim Adjustment Expense	714,323

Net Cash Provided (Used) by Operating Activities	<u>\$ (403,506)</u>
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The notes to the financial statements are an integral part of this statement.

SOUTH DAKOTA PROPERTY AND CASUALTY CAPTIVE INSURANCE COMPANY, LLC
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 1 – Organization

The South Dakota Property and Casualty Captive Insurance Company, LLC (Captive), a nonprofit limited liability company, was established September 14, 2015. The Captive was established to provide property, including content, business income, and extra expense coverage on the State's buildings.

The Captive is governed by a three-member Board of Managers who serves as the officers of the Captive. The Captive Board of Managers holds regularly scheduled meetings in June and November each year. Special meetings of the Board may be called by the Board or by the President of the Board. Premiums for the upcoming Policy Period are adopted each year at the June meeting and adjusted, if necessary, at the November meeting. The State of South Dakota Office of Risk Management serves as the manager and performs necessary functions such as underwriting, billing and collecting premiums, investigating, and settling claims, accounting, and reporting.

The Captive is a business type component unit of the State of South Dakota. As such, the accompanying financial statements are included in the Annual Comprehensive Financial Report of the State of South Dakota.

Note 2 – Summary of Significant Accounting Policies

Fund Accounting

The Captive is accounted for as a proprietary type enterprise fund. Enterprise funds are used to account for activities that are financed and operated in a manner similar to private business enterprises.

Basis of Accounting

The accompanying financial statements were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when incurred, regardless of the timing of related cash flows.

Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Revenues and expenses not meeting this definition, such as investment earnings, are reported as nonoperating.

SOUTH DAKOTA PROPERTY AND CASUALTY CAPTIVE INSURANCE COMPANY, LLC
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 2 – Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

Cash and cash equivalents represent the Captive's participating interest in the State's internal investment pool held by the State Treasurer. The amount held in the State's internal investment pool is reported at fair value. The investment income included was the actual interest received for the period ending June 30, 2022, and estimated investment income for the period July 1 – December 31, 2022, which is based on the average daily cash balance and the projected investment earnings rate. Management of the State's internal investment pool is the statutory responsibility of the South Dakota Investment Council (SDIC). The investment policy and required risk disclosures for the State's internal investment pool are presented in the SDIC's audit report which can be obtained by contacting the Department of Legislative Audit, 427 South Chapelle, c/o 500 East Capitol, Pierre, SD 57501.

Reserve for Claims and Claim Adjustment Expenses

The Captive established the reserve for claims and claim adjustment expenses based on the estimated ultimate cost of settling the claims. This includes claims that have been reported but not settled, and claims that have been incurred but not reported. Costs of claims include losses, allocated loss adjustment expenses (ALAE), and unallocated loss adjustment expenses (ULAE). ALAE and ULAE are combined on the financial statements and required supplementary information. Estimated amounts of reinsurance recoverable on unpaid claims are deducted from the unpaid claims liability. The following represents the estimated unpaid claims and claim adjustment expenses for the years ended December 31, 2022, and 2021.

	<u>2022</u>	<u>2021</u>
Reserve for claims and claim adjustment expense at beginning of fiscal year	\$ 981,356	\$ 629,260
Incurring claims and claim adjustment expense:		
Provision for insured events of the current year	3,610,000	1,175,000
Changes in provisions for insured events of prior fiscal years	<u>(477,166)</u>	<u>(378,397)</u>
Total incurred claims and claim adjustment expenses	<u>3,132,834</u>	<u>796,603</u>
Payments:		
Claims and claim adjustment expense attributable to insured events of the current fiscal year	1,927,416	417,759
Claims and claim adjustment expense attributable to insured events of prior fiscal years	<u>491,095</u>	<u>26,748</u>
Total payments	<u>2,418,511</u>	<u>444,507</u>
Reserve for claims and claim adjustment expenses at end of fiscal year	<u>\$ 1,695,679</u>	<u>\$ 981,356</u>

SOUTH DAKOTA PROPERTY AND CASUALTY CAPTIVE INSURANCE COMPANY, LLC
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 2 – Summary of Significant Accounting Policies (Continued)

Premium Revenue

Premiums billed are recognized as revenue over the term of the insurance policies. The Captive has determined there are no unearned premiums as of December 31, 2022. The Captive does not consider anticipated investment income in determining if a premium deficiency exists.

Grant Agreement

A grant agreement for the \$4,000,000 appropriated through HB 1185 , 2015 Legislative Session, is in effect between the State of South Dakota and the Captive. The agreement states the purpose of the grant is to fund property and casualty loss coverage. If any part of the grant is used for unauthorized purposes, that portion shall be repaid to the State of South Dakota. Additionally, in the event the Captive dissolves its existence, any part of the grant remaining, less the reasonable and necessary expenses of winding up the Captive's affairs, and less any amounts required to be maintained on account of claims or potential claims or otherwise required by the South Dakota Division of Insurance or any successor regulatory entity shall be paid to the State of South Dakota. Upon a final determination by a regulatory body with jurisdiction that no further claims reserves are required to be held, any remaining balance of the grant shall be paid to the State of South Dakota.

Reinsurance Premiums

Reinsurance premiums are netted against gross premiums over the terms of the insurance policies. Prepaid reinsurance premium is established to reflect premiums paid applicable to future accounting periods.

Note 3 – Insurance Activity

Premiums written for the year ended December 31, 2022 were as follows:

Premiums written	\$ 5,765,539
Premiums ceded	<u>(3,657,312)</u>
Net premiums written	<u><u>\$ 2,108,227</u></u>

The Captive provides coverage for all agencies of the state that own buildings and property. The Captive allocates the cost of providing insurance to agencies by charging a premium based on building values. The property coverage is traditional property coverage with a \$100,000 per occurrence deductible for all hazards. The Captive has entered into an additional excess insurance policy with a commercial carrier to cover any claims exceeding \$1 million with an overall limit of \$1 billion per occurrence.

SOUTH DAKOTA PROPERTY AND CASUALTY CAPTIVE INSURANCE COMPANY, LLC
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 3 – Insurance Activity (Continued)

Deductibles and attachment points apply to losses and allocated loss adjustment expenses (ALAE). The Captive's and additional excess insurance policies are written on a calendar year basis.

The amount of losses will be projected by an actuarial firm. The premium is based on estimated losses and ALAE plus administrative costs. Billings are prepared and sent to agencies on a semi-annual basis.

Note 4 – Regulatory Requirements

The South Dakota Property and Casualty Captive Insurance Company, LLC is formed as a non-profit LLC under the laws of the State of South Dakota. As the registered agent for the Captive, the State of South Dakota Office of Risk Management is responsible for filing an annual report with the South Dakota Secretary of State. The annual report is due at the end of the month in which the company was formed. The annual report for the Captive is due each year by September 30.

The Captive is required to submit audited financial statements to the South Dakota Division of Insurance by June 30 each year. An actuarial report is required to accompany the financial statements.

Note 5 – Subsequent Events

Management has evaluated subsequent events for disclosure through the report date, which is the date the financial statements were available to be issued. Management believes there are no subsequent events having an impact on the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

SOUTH DAKOTA PROPERTY & CASUALTY CAPTIVE INSURANCE COMPANY, LLC Ten-Year Claims Development Information For the Fiscal and Policy Year Ended December 31, 2022

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
1. Required contribution and investment revenue:								
Earned	\$ 513,141	\$ 2,249,221	\$ 2,210,754	\$ 2,205,985	\$ 2,163,838	\$ 2,527,306	\$ 4,856,995	\$ 5,765,539
Ceded	(272,281)	(1,147,399)	(1,146,871)	(1,244,759)	(1,278,969)	(1,484,069)	(3,195,740)	(3,657,312)
Net earned	240,860	1,101,822	1,063,883	961,226	884,869	1,043,237	1,661,255	2,108,227
Investment revenue	(149)	46,119	50,415	75,615	291,753	210,213	(96,578)	(49,013)
2. Unallocated expenses	108,399	200,459	192,085	155,266	119,953	115,542	118,376	104,082
3. Estimated claims and expenses, end of policy year:								
Incurred	-	195,000	670,000	995,000	463,000	1,383,000	1,175,000	3,610,000
Ceded	-	-	-	-	-	-	-	-
Net incurred	-	195,000	670,000	995,000	463,000	1,383,000	1,175,000	3,610,000
4. Net Paid (cumulative) as of:								
End of policy year	-	127,557	34,564	609,705	16,285	984,059	417,759	1,927,416
One year later	-	127,557	296,211	786,687	96,145	993,602	880,581	
Two years later	-	127,557	296,211	838,608	113,349	1,060,924		
Three years later	-	127,557	296,211	838,608	74,300			
Four years later	-	127,557	296,211	838,608				
Five years later	-	127,557	296,211					
Six years later	-	127,557						
Seven years later	-							
5. Reestimated ceded claims and expenses	-	-	-	-	-	-	-	-
6. Reestimated net incurred claims and expenses:								
End of policy year	-	195,000	670,000	995,000	463,000	1,383,000	1,175,000	3,610,000
One year later	-	130,000	300,000	808,000	326,463	993,602	893,675	
Two years later	-	127,557	296,211	838,608	337,463	1,060,924		
Three years later	-	127,557	296,211	838,608	74,300			
Four years later	-	127,557	296,211	838,608				
Five years later	-	127,557	296,211					
Six years later	-	127,557						
Seven years later	-							
7. Increase (decrease) in estimated net incurred claims and expenses from end of policy year	-	(67,443)	(373,789)	(156,392)	(388,700)	(322,076)	(281,325)	-

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information will be presented for the years in which it is available.