

**THE KENTUCKY ASSOCIATION OF COUNTIES -
WORKERS COMPENSATION FUND**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

Years Ended June 30, 2011 and 2010

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
The Kentucky Association of Counties - Workers Compensation Fund
Frankfort, Kentucky

We have audited the accompanying balance sheets of The Kentucky Association of Counties-Workers Compensation Fund as of June 30, 2011 and 2010, and the related statements of revenues, expenses and changes in members' equity and cash flows for the years then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Kentucky Association of Counties - Workers Compensation Fund as of June 30, 2011 and 2010 and changes in members' equity and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Deming, Malone, Livesay & Ostroff

Louisville, Kentucky
October 19, 2011

**THE KENTUCKY ASSOCIATION OF COUNTIES -
WORKERS COMPENSATION FUND**

BALANCE SHEETS
June 30, 2011 and 2010

ASSETS	<u>2011</u>	<u>2010</u>
Cash and cash equivalents	\$ 5,050,907	\$ 4,217,405
Investments	56,606,445	54,448,539
Investment - County Reinsurance, Limited	242,211	226,530
Member premiums receivable, less allowance for doubtful accounts of \$50,000 in 2011 and 2010	21,520,215	20,835,519
Accrued interest receivable	205,651	305,702
Other	<u>255,559</u>	<u>192,394</u>
Total assets	<u>\$ 83,880,988</u>	<u>\$ 80,226,089</u>
LIABILITIES AND MEMBERS' EQUITY		
Estimated liability for future claims, net of estimated recoveries:		
Reported claims	\$ 24,844,000	\$ 22,650,000
Claims incurred but not reported	<u>19,520,000</u>	<u>17,790,000</u>
	44,364,000	40,440,000
Unallocated loss adjustment expenses	77,000	75,000
Return premiums due to members	736,988	1,001,358
Deferred member premiums	20,054,035	19,396,938
Deferred special fund tax	1,304,172	1,261,662
Accounts payable	<u>204,927</u>	<u>198,955</u>
Total liabilities	66,741,122	62,373,913
MEMBERS' EQUITY	<u>17,139,866</u>	<u>17,852,176</u>
Total liabilities and members' equity	<u>\$ 83,880,988</u>	<u>\$ 80,226,089</u>

See Notes to Financial Statements.

**THE KENTUCKY ASSOCIATION OF COUNTIES -
WORKERS COMPENSATION FUND**

**STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN MEMBERS' EQUITY**

Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
REVENUES		
Member premiums	\$ 20,277,039	\$ 20,549,063
Special fund tax	1,304,136	1,342,485
Investment income	1,748,409	1,576,057
Realized and unrealized gain on investments	<u>1,616,174</u>	<u>860,162</u>
Total revenues	<u>24,945,758</u>	<u>24,327,767</u>
EXPENSES		
Claims expense, net of recoveries	19,015,880	17,295,784
Special fund tax	1,304,913	1,328,566
Reinsurance premiums	1,211,321	1,219,894
Administration and marketing	3,056,662	3,163,562
Professional fees	114,855	100,443
Management expense	<u>954,437</u>	<u>861,357</u>
Total expenses	<u>25,658,068</u>	<u>23,969,606</u>
Excess of (expenses) revenues	(712,310)	358,161
Members' equity, beginning of year	<u>17,852,176</u>	<u>17,494,015</u>
Members' equity, end of year	<u>\$ 17,139,866</u>	<u>\$ 17,852,176</u>

See Notes to Financial Statements.

**THE KENTUCKY ASSOCIATION OF COUNTIES -
WORKERS COMPENSATION FUND**

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Cash received from member premiums	\$ 21,331,716	\$ 21,927,474
Reinsurance and other recoveries collected	426,990	253,937
Cash paid to suppliers	(6,697,381)	(6,716,975)
Claims paid	(15,518,870)	(14,409,721)
Investment income received	<u>1,848,460</u>	<u>1,460,228</u>
Net cash provided by operating activities	<u>1,390,915</u>	<u>2,514,943</u>
Cash flows from investing activities:		
Purchase of investments	(23,853,481)	(28,764,529)
Proceeds from sale and maturities of investments	<u>23,296,068</u>	<u>14,272,945</u>
Net cash used in investing activities	<u>(557,413)</u>	<u>(14,491,584)</u>
Net increase (decrease) in cash and cash equivalents	833,502	(11,976,641)
Cash and cash equivalents at beginning of year	<u>4,217,405</u>	<u>16,194,046</u>
Cash and cash equivalents at end of year	<u><u>\$ 5,050,907</u></u>	<u><u>\$ 4,217,405</u></u>

See Notes to Financial Statements.

	<u>2011</u>	<u>2010</u>
RECONCILIATION OF EXCESS OF (EXPENSES)		
REVENUES TO NET CASH PROVIDED BY		
OPERATING ACTIVITIES		
Excess of (expenses) revenues	\$ (712,310)	\$ 358,161
Adjustments to reconcile excess of (expenses) revenues to net cash provided by operating activities:		
Realized and unrealized gain on investments	(1,616,174)	(860,162)
Changes in assets and liabilities:		
Decrease (increase) in:		
Member premiums receivable	(684,696)	531,118
Accrued interest receivable	100,051	(115,829)
Other	(63,165)	(39,295)
Increase (decrease) in:		
Estimated liability for future claims	3,924,000	3,140,000
Unallocated loss adjustment expense	2,000	5,000
Return premiums due to members	(264,370)	202,098
Deferred revenue	699,607	(697,290)
Accounts payable	<u>5,972</u>	<u>(8,858)</u>
Total adjustments	<u>2,103,225</u>	<u>2,156,782</u>
Net cash provided by operating activities	<u>\$ 1,390,915</u>	<u>\$ 2,514,943</u>

**THE KENTUCKY ASSOCIATION OF COUNTIES -
WORKERS COMPENSATION FUND**

NOTES TO FINANCIAL STATEMENTS

Note 1. Description of the Fund and Summary of Significant Accounting Policies

Nature of business:

The Kentucky Association of Counties - Workers Compensation Fund (Fund) was formed pursuant to Kentucky Revised Statutes 342.350(4) to develop, implement and administer a program of workers' compensation group self-insurance for the counties and political subdivisions of the Commonwealth of Kentucky who are members of The Kentucky Association of Counties (KACo). The Fund operates solely for the mutual and exclusive benefit of its members as a non-profit entity. The Fund's participants consisted of 112 counties and 504 political subdivisions for 2011.

Summary of significant accounting policies:

This summary of significant accounting policies of the Fund is presented to assist in understanding the Fund's financial statements. The financial statements are representations of the Fund's management who is responsible for the integrity and objectivity of the financial statements. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Method of accounting:

The financial statements of the Fund have been prepared on the accrual basis of accounting.

Cash and cash equivalents:

For purposes of the statement of cash flows, the Fund considers only cash and investments with an original maturity date of three months or less to be cash and cash equivalents.

Investments:

The Fund records all investments at fair market value. Fair value is established based upon readily determinable market quotations for equity and debt securities.

NOTES TO FINANCIAL STATEMENTS

The Fund has significant investments in mutual funds, common stocks, government securities, and corporate bonds held by Central Bank and Trust Company and FSC Securities Corporation. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Because of the level of risk associated with certain investment securities, it is at least reasonably possible that changes in values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the balance sheet.

Revenue and expense recognition:

Revenue derived from members' premiums is recognized over the period to which the premiums relate. Deferred revenue represents members' premiums billed but not yet earned. The Fund has the right to assess additional premiums at any time to cover the excess of claims incurred over previous premium assessments.

Fund expenses for reinsurance premiums, management and marketing fees and royalties are expensed ratably over the period of coverage.

Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent 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 those estimates.

The most significant estimate included in the financial statements is the estimated liability for future claims (see Note 5).

Reinsurance:

The Fund uses reinsurance agreements to reduce its exposure to specific losses in excess of \$850,000 per occurrence. Reinsurance permits recovery of a portion of losses from reinsurers, although it does not discharge the primary liability of the Fund as direct insurer of the risks reinsured. The Fund does not report reinsured risks as liabilities unless it is probable that those risks will not be covered by the reinsurer.

NOTES TO FINANCIAL STATEMENTS

Allowance for uncollectible accounts:

As of June 30, 2011 and 2010, substantially all of the member premiums receivable consist of advance billings on the next year's premiums, which is also included in deferred revenue, and additional year-end payroll audit receivables. All member premiums receivable are reviewed by management and evaluated for collectability.

Management considers all amounts fully collectible and maintains an allowance for doubtful accounts of \$50,000 for any potential bad debts or subsequent premium adjustments.

Income taxes:

The Fund is exempt from income taxes as provided under Section 115 of the Internal Revenue Code. However, income from certain activities not directly related to the Fund's tax-exempt purpose may be subject to taxation as unrelated business income.

The Fund follows the guidance for the financial statement recognition, measurement and disclosure of uncertain tax positions in an organization's financial statements. Income tax positions must meet a more-likely-than-not recognition threshold to be recognized. The following of this guidance did not have an effect on the Fund's financial position and results of operations.

As of June 30, 2011 and 2010, the Fund did not have any accrued interest or penalties related to income tax liabilities, and no interest or penalties have been charged to operations for the years then ended. Tax years still open under federal and state statute of limitations remain subject to review and change.

Legal, regulatory and geographic risk:

Legal and regulatory risk is the risk that changes in the legal or regulatory environment in which an insurer operates will occur and create additional losses or expenses not anticipated by the insurer in pricing its products. That is, regulatory initiatives designed to reduce insurer profits or new legal theories may create costs for the insurer beyond those currently recorded in the financial statements. The Fund is exposed to this risk by writing all of its business in Kentucky, thus increasing its exposure to a single jurisdiction. This risk is reduced by underwriting and loss adjusting practices that identify and minimize the adverse impact of this risk.

NOTES TO FINANCIAL STATEMENTS

Geographic risk is the risk that catastrophic losses will occur in one concentrated area where the Fund does business. The Fund mitigates this risk by adhering to specified underwriting practices and by obtaining adequate reinsurance coverage.

Subsequent events:

Subsequent events have been evaluated through October 19, 2011, which is the date the financial statements were available to be issued.

Note 2. Investments

Investments are carried at fair market value as determined based on quoted prices in active markets. Investments held in a trust fund at Central Bank & Trust Company and FSC Securities Corporation at June 30, 2011 consisted of the following:

	2011		Fair Market
	Face Value	Cost	Value
Mortgage-backed securities:			
Federal National Mortgage Association	\$13,550,000	\$13,547,075	\$13,536,214
Federal Home Loan Banks	10,014,286	10,042,225	10,150,173
Federal Farm Credit Banks	<u>5,500,000</u>	<u>5,500,000</u>	<u>5,568,850</u>
	<u>29,064,286</u>	<u>29,089,300</u>	<u>29,255,237</u>
Corporate bonds	<u>6,200,000</u>	<u>6,294,498</u>	<u>6,617,560</u>
Common stocks		<u>7,756,148</u>	<u>8,459,067</u>
Mutual funds		<u>11,425,079</u>	<u>11,632,625</u>
Municipal bonds		<u>363,686</u>	<u>388,695</u>
Other investments		<u>257,322</u>	<u>253,261</u>
Total investments		<u>\$55,186,033</u>	<u>\$56,606,445</u>

NOTES TO FINANCIAL STATEMENTS

Investments held in a trust fund at Central Bank & Trust Company and FSC Securities Corporation at June 30, 2010 consisted of the following:

	2010		Fair Market Value
	Face Value	Cost	
Mortgage-backed securities:			
Federal Home Loan Banks	\$12,700,000	\$12,697,219	\$12,822,569
Federal National Mortgage Association	10,450,000	10,487,819	10,669,986
Federal Farm Credit Banks	1,000,000	1,000,000	1,006,560
Federal Home Loan Mortgage Corp.	<u>3,400,000</u>	<u>3,400,000</u>	<u>3,450,506</u>
	<u>27,550,000</u>	<u>27,585,038</u>	<u>27,949,621</u>
Corporate bonds	<u>6,750,000</u>	<u>6,862,703</u>	<u>7,145,748</u>
Common stocks		<u>7,946,209</u>	<u>6,671,741</u>
Mutual funds		<u>11,643,067</u>	<u>11,963,804</u>
Municipal bonds		<u>363,686</u>	<u>380,232</u>
Other investments		<u>405,325</u>	<u>337,393</u>
Total investments		<u>\$54,806,028</u>	<u>\$54,448,539</u>

Maturity dates of investments at fair market value are as follows at June 30, 2011:

Due within one year	\$ 526,070
Due after one year through five years	17,911,321
Due after five years through ten years	17,124,101
Due after ten years	700,000
Mutual funds	11,632,625
Common stocks	8,459,067
Other investments	<u>253,261</u>
	<u>\$56,606,445</u>

NOTES TO FINANCIAL STATEMENTS

The Fund is an equity member of County Reinsurance, Limited (CRL), which is the Fund's reinsurance provider. The Fund's equity in CRL is based on capital contributions to CRL plus an allocation of CRL's earnings. Upon the termination of the Fund's membership in CRL, the Fund can request a repayment of its original capital contributions plus a portion of CRL's earnings during its membership, which is granted at the discretion of CRL's Board of Directors. The investment in CRL is recorded at cost equal to the Fund's capital contributions to date of \$242,211. The Fund's 3.72% share of CRL's total members' equity is approximately \$582,400 as of December 31, 2010.

Note 3. Fair Value Measurements

Accounting principles generally accepted in the United States of America establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The three levels of the fair value hierarchy are described as follows:

- Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Fund has the ability to access.
- Level 2 – Inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active or inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in methodologies used at June 30, 2011.

Common stock, corporate bonds, municipal bonds, exchange traded funds, mortgage-backed securities and mutual funds – valued at the unadjusted quoted market price as of the financial statement date.

Corporate bonds – valued at the quoted market prices for similar assets.

NOTES TO FINANCIAL STATEMENTS

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Fund believes their valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth, by level, within the fair value hierarchy, the Fund's assets at fair value as of June 30, 2011 and 2010:

	June 30, 2011		
	Level 1	Level 2	Total
Mortgage-backed securities	\$29,255,237		\$29,255,237
Mutual funds:			
Bond fund	11,355,762		11,355,762
Small cap fund	276,863		276,863
Corporate bonds	5,917,560	\$700,000	6,617,560
Common stocks:			
Basic materials	1,437,432		1,437,432
Consumer goods	800,501		800,501
Financial	1,124,150		1,124,150
Healthcare	660,047		660,047
Industrial goods	1,024,590		1,024,590
Services	1,002,753		1,002,753
Technology	2,100,194		2,100,194
Utilities	309,400		309,400
Municipal bonds	388,695		388,695
Exchange traded fund	253,261		253,261
 Total assets at fair value	 \$55,906,445	 \$700,000	 \$56,606,445

NOTES TO FINANCIAL STATEMENTS

	June 30, 2010		
	Level 1	Level 2	Total
Mortgage-backed securities	\$27,949,621		\$27,949,621
Mutual funds:			
Bond fund	11,504,706		11,504,706
Precious metals fund	252,252		252,252
Small cap fund	206,846		206,846
Corporate bonds	7,145,748		7,145,748
Common stocks:			
Basic materials	1,130,472		1,130,472
Consumer goods	702,927		702,927
Financial	886,015		886,015
Healthcare	480,713		480,713
Industrial goods	688,899		688,899
Other	43,260		43,260
Services	725,998		725,998
Technology	1,753,118		1,753,118
Utilities	260,339		260,339
Municipal bonds	380,232		380,232
Exchange traded fund	337,393		337,393
 Total assets at fair value	 \$54,448,539	 \$	 \$54,448,539

Note 4. Other Assets

Other assets consist of the following:

	2011	2010
Prepaid building maintenance	\$ 4,500	\$ 7,500
Prepaid administrative fees	251,059	182,009
Prepaid special fund tax	_____	2,885
	\$255,559	\$192,394

NOTES TO FINANCIAL STATEMENTS

Note 5. Estimated Unpaid Claims Liabilities

Under Kentucky Law, the Fund is required to pay all valid claims against its members.

The estimated liability for future claims, net of estimated recoveries for reinsurance, deductibles and subrogation was determined by Fund management as a result of consultation with the Fund's actuaries, Oliver Wyman Actuarial Consulting, Inc. and By The Numbers Actuarial Consulting, Inc. for the years ended June 30, 2011 and 2010.

The actuaries provide a range of the estimated liability for unpaid claims. Management selects an amount in that range which they believe represents a reasonable estimate of the ultimate liability. This estimate is based upon various factors such as loss control efforts, claim trends and historical claims information. To the extent that claims information varies from management's estimates, the statement of revenues, expenses and changes in members' equity reflect adjustments in the year they occur.

For the years ended June 30, 2011 and 2010, the liability selected by management was the mid-range or "best estimate" as determined by the actuaries and was discounted at 5.0%, based upon an estimate of the Fund's yield on its investments and expected claims payment patterns as developed by the actuaries. The loss payment pattern used could vary significantly from actual which would have a direct effect on the liability for estimated claims. The liability, without consideration for the time value of money, for 2011 and 2010 was approximately \$55,600,000 and \$50,500,000, respectively.

The Fund establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represents changes in those aggregate liabilities, net of recoveries, for the years ended June 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Unpaid claims and claim adjustment expenses at beginning of year	\$ 40,440,000	\$ 37,300,000
Incurred claims and claim adjustment expenses:		
Provision for insured events of current year and increases in provision for insured events of prior years, net of recoveries	19,015,880	17,295,784
Payments:		
Claim and claim adjustment expenses paid attributable to insured events of current and prior years, net of recoveries collected	<u>(15,091,880)</u>	<u>(14,155,784)</u>
Unpaid claims and claim adjustment expenses at end of year	<u>\$ 44,364,000</u>	<u>\$ 40,440,000</u>

NOTES TO FINANCIAL STATEMENTS

Note 6. Unallocated Loss Adjustment Expenses

An estimated liability for future expenses of handling prior year claims has been determined by management and the Fund's actuaries, as of June 30, 2011 and 2010, and recorded as unallocated loss adjustment expenses.

Note 7. Related Party Transactions

The Fund is under a Program Administration Agreement with KACo in which the Fund reimburses KACo for certain management and administrative expenses. Total fees for the years ended June 30, 2011 and 2010 were \$1,071,246 and \$1,187,741, respectively. As of June 30, 2011 and 2010, the Fund had prepaid administrative fees of \$251,059 and \$182,009, respectively.

The Fund is under a Program Administration Agreement with KACo in which the Fund pays KACo for certain management services. The fee is based on 3% of earned premiums collected. For the years ended June 30, 2011 and 2010, the agreement included a base management fee of \$348,450 and \$256,200, respectively, in addition to the 3% of earned premiums collected. Total fees for the years ended June 30, 2011 and 2010 were \$953,437 and \$860,357, respectively. As of June 30, 2011 and 2010, the Fund had a payable to KACo of \$24,787 and \$2,358, respectively.

The Fund has a licensing agreement with KACo that requires the Fund to pay a royalty to KACo in return for the use of KACo's name and logo. For the years ended June 30, 2011 and 2010 the royalty was a fixed amount of \$1,000.

KACo established the Kentucky Association of Counties Program Guaranty Fund. The purpose of the Guaranty Fund is to make available, on an as needed basis, financial support to the various programs sponsored by and operating under service agreements with KACo, which includes the Fund. The Guaranty Fund receives contributions from KACo and certain of its programs. The Fund made no contributions to the Guaranty Fund for each of the years ended June 30, 2011 and 2010.

KACo established the KACo Finance Corporation. The purpose of the Finance Corporation is to create a statewide bond pool system to allow counties and eligible subdivisions to issue bonds carrying an AA rating. As of June 30, 2011, the Fund purchased a \$700,000 bond in the KACo Finance Corporation, which is held in trust with Central Bank & Trust Company.

NOTES TO FINANCIAL STATEMENTS

Note 8. Compensating Cash and Investment Balances

Commonwealth of Kentucky, Department of Insurance, requires the Fund to maintain compensating cash and investment balances of at least ten (10) percent of outstanding future claims reserves as of the beginning of the policy year. The compensating balance for the years ended June 30, 2011 and 2010 of \$4,400,000 and \$4,000,000, respectively, was held by Central Bank and Trust Company.

Note 9. Concentration of Credit Risk

The Fund maintains its cash accounts at a bank in Kentucky. Accounts at the bank are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At June 30, 2011, the uninsured cash balances totaled approximately \$4,200,000.

Note 10. Subsequent Event

In October 2011, the Board of Trustees of the Fund declared a \$2,000,000 distribution for the policy year ended June 30, 2006, payable to its eligible members pursuant to the Fund's by-laws and all other applicable provisions, to be paid during 2012.



INDEPENDENT AUDITORS' REPORT ON THE
SUPPLEMENTARY INFORMATION

To the Board of Trustees
The Kentucky Association of Counties - Workers Compensation Fund
Frankfort, Kentucky

The claims development information on page 17 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

Deming, Malone, Livesay & Ostroff

Louisville, Kentucky
October 19, 2011

**KENTUCKY ASSOCIATION OF COUNTIES -
WORKERS COMPENSATION FUND
CLAIMS DEVELOPMENT INFORMATION**
Fiscal and Policy Year Ended (In Thousands of Dollars)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
1. Premiums and investment revenue:										
Earned	\$ 9,363	\$ 11,910	\$ 16,443	\$ 19,616	\$ 20,481	\$ 21,367	\$ 21,332	\$ 21,422	\$ 22,985	\$ 23,641
Ceded	98	891	617	1,193	1,055	1,002	813	1,134	1,220	1,211
Net earned	9,265	11,019	15,826	18,423	19,426	20,365	20,519	20,288	21,765	22,430
2. Unallocated expenses	1,785	2,098	2,442	2,620	3,112	3,350	3,159	3,624	4,125	4,126
3. Estimated losses and expenses, end of policy year:										
Incurred	11,179	11,765	13,710	13,850	10,837	10,974	11,144	7,118	9,784	9,857
Ceded	(266)	-	-	-	-	-	-	-	-	-
Net incurred	10,913	11,765	13,710	13,850	10,837	10,974	11,144	7,118	9,784	9,857
4. Net paid (cumulative) as of:										
End of policy year	2,558	2,892	2,903	2,891	3,581	3,499	3,200	3,082	4,501	3,896
One year later	5,066	5,415	6,778	6,554	6,877	5,903	6,479	6,092	9,093	
Two years later	6,512	7,707	9,300	8,817	7,818	7,316	8,565	7,707		
Three years later	7,518	9,677	10,419	9,865	8,707	8,566	9,960			
Four years later	8,110	10,331	11,240	10,736	8,959	9,302				
Five years later	8,269	10,724	11,789	11,154	9,369					
Six years later	8,569	11,416	12,322	11,696						
Seven years later	8,781	11,733	12,679							
Eight years later	8,975	11,943								
Nine years later	9,112									
* 5. Reestimated ceded losses and expenses	266	-	-	-	-	-	-	-	-	-
** 6. Reestimated net incurred losses and expenses:										
End of policy year	10,913	11,765	13,710	13,850	10,837	10,974	11,144	7,118	9,784	9,857
One year later	10,276	13,270	15,400	11,170	11,247	10,768	11,512	9,013	14,845	
Two years later	10,880	13,290	12,998	12,334	10,907	10,468	12,977	10,213		
Three years later	10,760	11,910	13,258	12,660	10,803	11,123	13,621			
Four years later	9,637	12,338	13,581	13,508	10,623	10,890				
Five years later	9,755	12,562	13,897	13,629	10,588					
Six years later	9,739	12,575	14,349	13,857						
Seven years later	9,472	12,915	14,407							
Eight years later	9,621	12,940								
Nine years later	9,619									
7. Increase (decrease) in estimated net incurred losses and expenses from end of accident year	(1,294)	1,175	697	7	(249)	(83)	2,477	3,095	5,061	-

* Includes paid loss and ALAE plus nominal case reserves excess of retention (does not include a provision for IBNR).

** Includes loss and ALAE reserves discounted at 5.0%.