

**FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT**

**OKLAHOMA SCHOOLS RISK  
MANAGEMENT TRUST**

**JUNE 30, 2022 AND 2021**

## **C O N T E N T S**

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Shores, Tagman, Butler & Company, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
Oklahoma Schools Risk Management Trust

### Qualified Opinion

We have audited the accompanying financial statements of the Oklahoma Schools Risk Management Trust ("OSRMT" or the "Trust") which comprise the Statements of Net Position as of June 30, 2022 and 2021, and the related Statements of Revenues, Expenses and Changes in Net Position and of Cash Flows for the years then ended, and the related Notes to Financial Statements.

In our opinion, except for the possible effects of the matter discussed in the Basis for Qualified Opinion paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the net position of Oklahoma Schools Risk Management Trust as of June 30, 2022 and 2021, and the results of its operations, its changes in net position and its cash flows to the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Qualified Opinion

As more fully described in the Notes to Financial Statements, the Trust has recorded reserve contributions receivable in the accompanying Financial Statements which are under dispute with certain members. We were unable to obtain sufficient audit evidence to determine how this dispute will be resolved. It is uncertain what portion, if any, of the reserve contributions receivable that the Trust may ultimately collect.

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

## **INDEPENDENT AUDITORS' REPORT - CONTINUED**

### **Emphasis of Matter**

As discussed in the Notes to Financial Statements, the liabilities for unpaid losses and loss adjustment expenses in the accompanying financial statements are based upon evaluations by the Trust's independent actuary. Management believes that these estimates are reasonable. However, these estimates are subject to change and the changes can be material in relation to the financial statements taken as a whole. No assurance can be given that the actual losses will not be more or less than the current estimates. Our opinion is not modified with respect to this matter.

### **Going Concern**

As discussed in the Notes to Financial Statements, the Trust ceased writing contributions as of July 1, 2021 and will continue in the capacity of running off all claims incurred on or before June 30, 2021. The Trust's intent is to liquidate and dissolve. The accompanying financial statements do not include adjustments, if any, to the carrying value of assets or liabilities that may result from these decisions. Our opinion is not modified with respect to this matter.

### **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. Management is also responsible 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 Trust's ability to continue as a going concern for one year from the date the financial statements are issued.

## **INDEPENDENT AUDITORS' REPORT - CONTINUED**

### **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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

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

**INDEPENDENT AUDITORS' REPORT - CONTINUED**

**Auditors' Responsibilities for the Audit of the Financial Statements - Continued**

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Trust'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.

*Sam Taylor, Butler & Company, P.A.*

Orlando, FL  
December 2, 2022

**Oklahoma Schools Risk Management Trust**

**STATEMENTS OF NET POSITION**

**ASSETS**

	June 30,	
	<u>2022</u>	<u>2021</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 912,400	\$ 302,551
Contributions receivable	12,990	14,048
Reserve contributions receivable	811,557	2,079,755
Reinsurance recoverable on paid losses	189,650	554,667
Prepaid expenses and other current assets	17,529	6,123
<b>Total current assets</b>	<u>1,944,126</u>	<u>2,957,144</u>
<b>Total assets</b>	<u>\$ 1,944,126</u>	<u>\$ 2,957,144</u>

**LIABILITIES AND NET POSITION**

<b>CURRENT LIABILITIES</b>		
Unpaid losses and loss adjustment expenses - Gross	\$ 4,011,066	\$ 3,875,698
Reinsurance recoverable on unpaid losses	( 3,247,810)	( 2,193,098)
<b>Net</b>	<u>763,256</u>	<u>1,682,600</u>
Reinsurance payable	128,179	80,430
Contribution overpayments	4,796	22,187
Accounts payable and accrued expenses	110,850	116,254
<b>Total current liabilities</b>	<u>1,007,081</u>	<u>1,901,471</u>
<b>NONCURRENT LIABILITIES</b>		
Unpaid losses and loss adjustment expenses - Gross	176,731	662,234
<b>Net</b>	<u>176,731</u>	<u>662,234</u>
<b>Total noncurrent liabilities</b>	<u>176,731</u>	<u>662,234</u>
<b>Total liabilities</b>	1,183,812	2,563,705
<b>NET POSITION, UNRESTRICTED</b>	<u>760,314</u>	<u>393,439</u>
<b>Total liabilities and net position</b>	<u>\$ 1,944,126</u>	<u>\$ 2,957,144</u>

The accompanying notes are an integral part of these statements.

Oklahoma Schools Risk Management Trust

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	Years Ended June 30,	
	2022	2021
<b>OPERATING REVENUES</b>		
Contributions earned	\$ 265,640	\$ 11,871,108
Other operating revenues	1,850	361,728
	<u>267,490</u>	<u>12,232,836</u>
<b>OPERATING EXPENSES</b>		
Losses and loss adjustment expenses	( 458,996)	2,870,398
Reinsurance expense	134,386	5,307,392
Program administration fees	51,251	449,355
Member acquisition costs	25,457	717,019
Other expenses	149,363	92,666
	<u>( 98,539)</u>	<u>9,436,830</u>
<b>OPERATING INCOME</b>	<u>366,029</u>	<u>2,796,006</u>
<b>NON OPERATING INCOME</b>		
Net investment income	846	11,057
	<u>846</u>	<u>11,057</u>
<b>INCREASE IN NET POSITION</b>	<u>366,875</u>	<u>2,807,063</u>
Net position - beginning of year	<u>393,439</u>	( <u>2,413,624</u> )
<b>NET POSITION - END OF YEAR</b>	\$ <u>760,314</u>	\$ <u>393,439</u>

The accompanying notes are an integral part of these statements.



**Oklahoma Schools Risk Management Trust**

**STATEMENTS OF CASH FLOWS**

	<b>Years Ended June 30,</b>	
	<u><b>2022</b></u>	<u><b>2021</b></u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Contributions collected	\$ 249,307	\$ 11,593,546
Excess insurance premiums paid	( 134,386)	( 5,307,392)
Loss and loss adjustment payments	( 580,834)	( 3,356,387)
Other expenses paid	( 193,282)	( 945,014)
<b>NET CASH (USED IN) PROVIDED BY</b>		
<b>OPERATING ACTIVITIES</b>	<u>( 659,195)</u>	<u>1,984,753</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from sales and maturities of investment securities	--	212,955
Investment income collected	<u>846</u>	<u>3,128</u>
<b>NET CASH PROVIDED BY INVESTING</b>		
<b>ACTIVITIES</b>	<u>846</u>	<u>216,083</u>
 <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Member reserve contributions	<u>1,268,198</u>	( 2,070,921)
<b>NET CASH PROVIDED BY (USED IN)</b>		
<b>FINANCING ACTIVITIES</b>	<u>1,268,198</u>	( 2,070,921)
 <b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>609,849</b>	<b>129,915</b>
 Cash and cash equivalents at beginning of year	<u>302,551</u>	<u>172,636</u>
 <b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$ <u>912,400</u></b>	<b>\$ <u>302,551</u></b>

The accompanying notes are an integral part of these statements.

**Oklahoma Schools Risk Management Trust**

**STATEMENTS OF CASH FLOWS - CONTINUED**

	<b>Years Ended June 30,</b>	
	<u><b>2022</b></u>	<u><b>2021</b></u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES:</b>		
<b>Operating income</b>	\$ 366,029	\$ 2,796,006
<b>Adjustments to reconcile operating income to net cash (used in) provided by operating activities:</b>		
<b>Changes in operating assets and liabilities</b>		
<b>(Increase) decrease in assets:</b>		
<b>Contributions receivable</b>	1,058	29,803
<b>Reinsurance recoverable on paid losses</b>	365,017	( 336,076)
<b>Prepaid expenses and other current assets</b>	( 11,406)	68,255
<b>Increase (decrease) in liabilities:</b>		
<b>Unpaid losses and loss adjustment expenses</b>	( 1,404,847)	( 149,913)
<b>Reinsurance payable</b>	47,749	( 21,781)
<b>Advance contributions</b>	--	( 297,719)
<b>Contribution overpayments</b>	( 17,391)	( 9,646)
<b>Accounts payable and accrued expenses</b>	( 5,404)	( 94,176)
<b>NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES</b>	\$ ( <u>659,195</u> )	\$ <u>1,984,753</u>

The accompanying notes are an integral part of these statements.

# Oklahoma Schools Risk Management Trust

## NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

### NOTE 1 - ORGANIZATION OF TRUST

The Oklahoma Schools Risk Management Trust (“OSRMT” or the “Trust”) is a cooperative association of public school districts established on June 17, 2009. Approval was obtained from the Office of Attorney General, State of Oklahoma through the Interlocal Cooperative Agreement - Oklahoma Schools Risk Management Trust Agreement - (AG #ICA-09-003). The Trust was established as a group self-insurance program to indemnify each member for covered property/casualty losses as an alternative to insurance coverage from a commercial insurance carrier.

Members are required to make annual contributions as determined by the Board of Trustees. Such contributions are intended to cover estimated loss payments and related costs and administrative and operational expenses. Public school districts joining the Trust must remain members for a minimum of one plan period unless terminated by the Board of Trustees. Subsequent to this initial term, a member may withdraw its membership at the end of any plan period.

In the event of dissolution of OSRMT, surplus funds developed that are not needed to pay claims and other expenses of OSRMT would be distributed to members, past and current, in accordance with the by-laws as determined by the Board of Trustees.

The Trust is comprised of 75 Oklahoma public school districts as of June 30, 2022, and 75 districts as of June 30, 2021.

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies of the Oklahoma Schools Risk Management Trust (“OSRMT” or the “Trust”) consistently applied in the preparation of the financial statements follows. Other significant accounting policies are disclosed elsewhere in the financial statements and the notes thereto.

#### Basis of Accounting

The accounting and reporting policies of the Trust conform to accounting principles generally accepted in the United States of America, governmental accounting standards and prevailing practices within the insurance industry. Except as otherwise noted, the Trust carries its assets and liabilities principally on the historical cost basis and follows the accrual method of accounting.

Oklahoma Schools Risk Management Trust

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

**Cash and Cash Equivalents**

For purposes of the Statements of Cash Flows, cash and cash equivalents include only cash in checking, savings or money market accounts, and other depository instruments with maturities of three months or less at the time of acquisition.

**Contributions Receivable**

Contributions receivable are stated at net invoiced amounts. Collectibility of balances is reviewed periodically. Any amounts deemed to be uncollectible are written off at that time. Management has determined amounts are collectible and no allowance for doubtful accounts is required.

**Reserve (Capital) Contributions Receivable**

During the years ended June 30, 2022 and 2021, the Trust declared a portion of the contributions be set aside as Reserve (capital) contributions with no associated fees attached to these contributions as a strategy to eliminate the deficit. Amounts are stated at net amounts expected to be collected as estimated by management.

**Unpaid Losses and Loss Adjustment Expenses**

The liability for unpaid losses and loss adjustment expenses includes the estimated costs of investigating and settling all claims incurred as of the balance sheet date as well as an estimate for claims that occurred as of the balance sheet date but have not been reported. Such amounts are determined on the basis of an evaluation of the Trust's losses as prepared by the Trust's independent actuary.

**Contributions**

Contributions are earned on a straight-line basis over the coverage period. The portion of the contribution that will be earned in the future is deferred and reported as unearned contribution. Contributions received prior to the beginning of a coverage year are reported as advance contributions.

**Investment Earnings**

Investment earnings, including changes in fair value of investments, are recognized as non operating revenue in the Statements of Revenues, Expenses and Changes in Net Position.

Oklahoma Schools Risk Management Trust

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

**Contribution Deficiency**

Anticipated investment income is considered in determining if a contribution deficiency exists and no such deficiency exists.

**Income Tax Exemption**

The Oklahoma Schools Risk Management Trust, including The Trust, is a governmental entity and, thus, is exempt from Federal income taxes under Internal Revenue Code Section 115.

**Management 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 in the Statements of Net Position and Statements of Revenues, Expenses and Changes in Net Position, as well as the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

NOTE 3 - RESERVE (CAPITAL) CONTRIBUTIONS RECEIVABLE

During the years ended June 30, 2022 and 2021, the Trust declared a portion of the contributions be set aside as Reserve (capital) contributions with no associated fees attached to these contributions as a strategy to eliminate the deficit.

During the years ended June 30, 2022 and 2021, the Trust has billed a total of approximately \$4,100,000 of reserve (capital) contributions in two separate billings. These amounts are recorded in operating revenues in the respective years.

At June 30, 2022 and 2021, the receivable portion of the amounts billed totaled approximately \$812,000 and \$2,080,000, respectively.

Management believes the receivables are fully collectible as the members are contractually obligated to pay the amounts billed and an allowance for doubtful accounts is not required. As of the issuance date, some members are disputing the right to charge these amounts, with 26 school districts failing to pay one or both additional reserve (capital) contributions.

As a result of the dispute, it is uncertain what portion, if any, of the above remaining reserve contributions receivable will ultimately be collected. Therefore, no provision for uncollectible accounts has been recorded.

**Oklahoma Schools Risk Management Trust**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2022 and 2021**

**NOTE 4 - REINSURANCE**

The Trust has purchased reinsurance for protection against losses in excess of the applicable retention. Reinsurance contracts do not relieve the Trust from its obligations to members. Failure of reinsurers to honor their obligations could result in losses to the Trust. Accordingly, the Trust evaluates the financial condition of its reinsurers to minimize its exposure to significant losses from reinsurers' insolvency. As of June 30, 2022 and 2021, reinsurance recoverable on unpaid losses and loss adjustment expenses of approximately \$3,248,000 and \$2,193,000, respectively, were associated with multiple reinsurance carriers and deducted from reserves.

The Trust has obtained no reinsurance for the 2021/2022 program year and the following reinsurance for the 2020/2021 program year:

The Trust obtained property-specific reinsurance with limits of up to \$100,000,000 any one loss occurrence for June 30, 2021.

The Trust obtained property aggregate excess of loss reinsurance with limits up to \$1,500,000 in 2020/2021, to limit its aggregate retention under the property excess of loss coverage.

The Trust obtained general liability and automobile liability excess of loss reinsurance for limits up to \$2,000,000 on a per member district, per occurrence or claim made, per line of business basis. The coverage is subject to an annual aggregate combined single limit of \$2,000,000 per member district in respect to general liability, as per the primary plans of coverage.

The Trust obtained equipment breakdown reinsurance coverage up to \$100,000,000 in 2020/2021.

The Trust obtained school board legal liability (E&O) reinsurance coverage for limits up to \$5,000,000 in 2020/2021.

The Trust obtained cyber liability coverage up to \$1,000,000 in 2020/2021.

Oklahoma Schools Risk Management Trust

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

**NOTE 5 - UNPAID LOSSES AND LOSS ADJUSTMENT EXPENSES**

Unpaid losses and loss adjustment expenses are based upon an evaluation of the Trust's losses as prepared by the Trust's independent actuary. This evaluation of the Trust's losses is a significant estimate which is subject to change and the change can be material in relation to the financial statements taken as a whole. This estimate includes an estimated provision for incurred but not reported losses (IBNR) as well as trending of reported losses. For the years ended June 30, 2022 and 2021, the undiscounted IBNR totaled approximately \$417,000 and \$1,574,000, respectively.

The independent actuary provided a range of losses as of June 30, 2022, of approximately \$479,000 to \$633,000 (undiscounted) The losses recorded were approximately \$750,000 (undiscounted) and were approximately \$198,000 more than the actuary's point estimate and at the actuary's 80% confidence level. The independent actuary provided a range of losses as of June 30, 2021, of approximately \$1,284,000 to \$1,626,000 (undiscounted). The losses recorded were approximately \$1,790,000 (undiscounted) and were approximately \$338,000 more than the actuary's point estimate and at the actuary's 80% confidence level.

At June 30, 2022 and 2021, unpaid losses and loss adjustment expenses are shown net of reinsurance recoverables on unpaid losses and loss adjustment expenses of approximately \$3,248,000 and \$2,193,000, respectively. The losses and loss adjustment expenses are net of the effect of changes in recoveries recognized under the reinsurance contracts referred to in Note 4.

Any increase or decrease in the estimate of ultimate incurred losses and loss adjustment expenses as compared to the prior year will result in a direct increase or decrease in the current year's operating income. Increases or decreases of this nature occur as the result of claim settlements during the current year, and as additional information is received regarding individual claims, causing changes from the original estimates of the cost of these claims. Recent loss development trends are also taken into account in evaluating the overall adequacy of unpaid losses and loss adjustment expenses. In addition, there are no premium adjustments made based on loss development, as there are no retrospectively rated policies.

At June 30, 2022 and 2021, losses and loss adjustment expenses included approximately \$33,000 and \$294,000, respectively, of service fees. A portion of these fees are for loss control in addition to the claims administration fees. However, the contract does not have a breakdown of what portion are for loss control services.

**Oklahoma Schools Risk Management Trust**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2022 and 2021**

**NOTE 5 - UNPAID LOSSES AND LOSS ADJUSTMENT EXPENSES - CONTINUED**

Activity in the liability for unpaid losses and loss adjustment expenses is summarized as follows:

	<u>2022</u>	<u>2021</u>
Balance at June 30,	\$ 4,537,932	\$ 3,935,761
Less reinsurance recoverable on unpaid loss and loss adjustment expenses	<u>2,193,098</u>	<u>1,441,014</u>
Net balance at June 30,	<u>2,344,834</u>	<u>2,494,747</u>
Incurred related to:		
Current period	--	2,528,694
Prior periods	( 458,996)	<u>341,704</u>
Total incurred	<u>( 458,996)</u>	<u>2,870,398</u>
Paid related to:		
Current period	--	1,267,541
Prior periods	<u>945,851</u>	<u>1,752,770</u>
Total paid	<u>945,851</u>	<u>3,020,311</u>
Net balance at June 30,	939,987	2,344,834
Plus reinsurance recoverable on unpaid losses and loss adjustment expenses	<u>3,247,810</u>	<u>2,193,098</u>
Balance at June 30,	\$ <u>4,187,797</u>	\$ <u>4,537,932</u>

**NOTE 6 - ROYALTY AGREEMENT/RELATED PARTY TRANSACTIONS**

In prior years, the Trust had a royalty agreement with Oklahoma State School Boards Association (“OSSBA”). The agreement granted the Trust the exclusive right and license to use the OSSBA name and logo in connection with the marketing and administration of the insurance programs offered by the Trust. At June 30, 2021, this agreement has been terminated.



**Oklahoma Schools Risk Management Trust**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2022 and 2021**

**NOTE 7 - CONCENTRATIONS**

All members who participate in the Trust are public school districts and vocational technical school districts within the State of Oklahoma. Any recessionary pressures or other disturbances in this industry could have any adverse effect on the Trust's operations.

The Trust maintains cash in demand deposit accounts with federally insured banks. At times, the balances in these accounts may be in excess of federally insured limits.

**NOTE 8 - UNCERTAINTIES**

As discussed in Note 3, some members are disputing the right to be charged additional reserve capital contributions. As a result of the dispute, it is uncertain what portion, if any, of the approximately \$812,000 will ultimately be uncollected. Therefore, no provision for uncollectible accounts has been recorded.

**NOTE 9 - GOING CONCERN**

Effective July 1, 2021, the Trust ceased writing contributions. The Trust will continue in the capacity of running-off all claims incurred on or before June 30, 2021. Accordingly, the Trust, upon liquidation of all its assets and satisfaction of its outstanding liabilities, will not continue as a going concern. The accompanying financial statements do not include any adjustments that might be necessary when the Trust is no longer a going concern.

**NOTE 10 - SUBSEQUENT EVENTS**

Management considered subsequent events through December 2, 2022, the date the financial statements were available to be issued.

**SUPPLEMENTARY INFORMATION**



Shores, Tagman, Butler & Company, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION**

Board of Trustees  
Oklahoma Schools Risk Management Trust

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Historical Claims Development is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Shores, Tagman, Butler & Company, P.A.*

December 2, 2022

Oklahoma State School Boards Association Sponsored  
Oklahoma Schools Risk Management Trust

Schedule of Historical Claim Development  
June 30, 2022

	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021
(1) Contribution and investment revenue:										
Earned contributions and Investment revenue	\$ 4,099,170	\$ 6,850,616	\$ 9,471,424	\$ 12,065,650	\$ 13,326,913	\$ 13,014,751	\$ 14,653,113	\$ 11,238,248	\$ 7,657,871	\$ 11,882,167
Ceded contributions	1,740,221	3,036,243	3,890,212	5,225,151	5,725,316	5,498,984	6,476,795	5,525,807	4,721,237	5,307,392
Net Contribution and investment revenue	2,358,949	3,814,373	5,581,212	6,840,499	7,601,597	7,515,765	8,176,318	5,712,441	2,936,634	6,574,774
(2) Estimated claims and expenses - End of accident year:										
Paid and reserve, including reinsurance	1,166,706	1,298,135	3,016,754	3,330,792	4,681,107	3,443,005	3,202,461	3,832,026	1,297,085	2,234,826
ULAE (admin)	165,882	306,064	377,029	431,007	575,741	815,786	887,707	577,291	313,455	293,868
Net incurred	1,332,588	1,604,199	3,393,783	3,761,799	5,256,848	4,258,791	4,090,168	4,409,318	1,610,540	2,528,694
(3) Net paid (cumulative):										
End of accident year	1,156,733	1,219,818	2,327,484	2,381,462	3,688,856	2,712,571	2,065,843	2,037,137	1,074,567	1,267,541
One year later	1,364,207	2,030,094	3,649,622	3,341,830	5,018,740	4,200,268	3,154,660	3,730,352	1,817,630	1,828,423
Two years later	1,681,808	2,218,474	3,782,282	3,557,303	5,771,663	4,419,352	3,402,103	4,109,255	2,558,924	-
Three years later	1,706,323	2,282,423	3,970,891	3,617,507	6,347,070	4,597,269	3,400,861	4,396,295	-	-
Four years later	1,839,888	2,410,684	4,003,449	3,830,998	6,366,136	4,666,879	3,461,588	-	-	-
Five years later	1,938,003	2,411,782	4,015,556	3,973,107	6,817,034	4,669,739	-	-	-	-
Six years later	1,938,003	2,411,782	4,052,304	4,066,459	6,595,679	-	-	-	-	-
Seven years later	1,938,003	2,411,782	4,332,188	4,066,459	-	-	-	-	-	-
Eight years later	1,938,023	2,411,782	4,333,354	-	-	-	-	-	-	-
Nine years later	1,938,003	2,411,782	-	-	-	-	-	-	-	-
(4) Estimated ceded claims and expenses	710,136	6,892,734	1,220,666	1,212,353	8,759,030	5,018,617	446,270	3,807,582	3,634,954	13,759,429
(5) Estimated net incurred claims and expenses:										
End of accident year	1,332,588	1,604,199	3,393,783	3,761,799	5,256,848	4,258,791	4,090,168	4,409,318	1,610,540	2,528,694
One year later	1,715,911	2,312,479	4,225,732	4,000,944	5,715,096	4,691,136	3,840,645	4,299,333	1,913,453	2,355,446
Two years later	1,805,876	2,339,726	3,978,493	3,798,589	6,260,110	4,841,551	3,719,230	4,381,852	2,461,573	-
Three years later	1,843,688	2,379,628	4,116,752	3,936,023	6,242,334	4,839,405	3,619,834	4,635,131	-	-
Four years later	1,925,031	2,418,798	4,067,076	4,012,721	6,803,666	4,632,910	3,587,151	-	-	-
Five years later	1,938,023	2,416,540	4,058,659	4,119,865	6,792,759	4,478,875	-	-	-	-
Six years later	1,938,003	2,411,782	4,080,184	4,082,281	6,750,496	-	-	-	-	-
Seven years later	1,938,003	2,411,782	4,332,268	4,074,678	-	-	-	-	-	-
Eight years later	1,938,003	2,395,638	4,333,901	-	-	-	-	-	-	-
Nine years later	1,938,110	2,395,240	-	-	-	-	-	-	-	-
(6) Increase in estimated net incurred claims and expenses from end of accident year	605,522	791,041	940,118	312,879	1,493,648	220,084	(503,017)	225,813	851,033	(173,248)

NOTE:  
The Trust is in run-off. No activity subsequent to 2020-2021 year.

**STATEMENT OF ACTUARIAL OPINION**  
**OKLAHOMA SCHOOLS RISK MANAGEMENT TRUST**  
As of June 30, 2022

**IDENTIFICATION**

I, Natasha Dimitrienko, am a Principal for Oliver Wyman Actuarial Consulting, Inc. I am a member of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to perform the actuarial opinion contained herein. I am also a Fellow of the Casualty Actuarial Society.

**SCOPE**

Oklahoma Schools Risk Management Trust (OSRMT or the Company) is a self-insurance trust established in 2009 providing various property and casualty coverage needs of Oklahoma School Districts. Effective November 1, 2015 the State of Oklahoma requires an actuarial opinion to certify the amount and adequacy of reserves for loss and loss adjustment expenses, including amounts for Incurred But Not Reported (IBNR) claims, and the adequacy of premiums. This opinion provides an estimate of OSRMT's liability related to these exposures.

I have examined the actuarial assumptions and methods used in determining reserves listed in the table below, as shown in the Financial Statements as prepared for filing with the state regulatory officials, as of June 30, 2022.

Current Liabilities	
Unpaid losses and loss adjustment expenses	4,011,066
Reinsurance recoverable on unpaid losses	(3,247,810)
Non-current Liabilities	
Unpaid losses and loss adjustment expenses	176,731
Net unpaid losses and loss adjustment expenses	939,987

The earned member contributions (i.e. premiums) for the year ending June 30, 2022 are \$265,640 per Page 8 of the Financial Statements. OSRMT ceased writing contributions as of July 1, 2021 and will continue in the capacity of running off all claims incurred on or before June 30, 2021.

In forming my opinion of the loss and loss adjustment expense reserves, I relied upon data prepared by OSRMT and The Sandner Group, which is the OSRMT's administrators. I evaluated that data for reasonableness and consistency but did not audit the data. In other respects, my examination included the use of such actuarial assumptions and methods and such tests of the calculations as I considered necessary.

## **OPINION**

In my opinion, giving consideration to the issues herein, the amounts identified above:

- A. meet the requirements of the self-insurance laws of Oklahoma;
- B. are consistent with reserves computed in accordance with accepted loss reserving standards;  
and
- C. make reasonable provision, in the aggregate, for all unpaid loss and loss adjustment expense obligations of the Company under the terms of its policies and agreements.

## **RELEVANT COMMENTS**

### **A. Risk of Material Adverse Deviation**

I believe that there is no Risk of Material Adverse Deviation because the Company recorded unpaid liability approximately \$400,000 above the actuarial central estimate provided by Oliver Wyman. In my opinion, it is prudent to book above the actuarial central estimate in this scenario: the Company operating in run-off with no additional contributions, coupled with the large \$250,000 per occurrence retention, relative to reserves.

### **B. Other Disclosures**

There are no additional disclosures.

### **C. Reinsurance**

We assume that all reinsurance is valid and fully collectible.

### **D. IRIS Ratios**

Not applicable.

### **E. Methods and Assumptions**

There are no changes to methods or assumptions.

### **F. Additional Comments**

Unpaid loss and loss adjustment expense reserves are subject to inherent uncertainty due to the variability of fortuitous outcomes of contingent events which may affect loss and loss adjustment expense costs. In evaluating whether the reserves make a reasonable provision for unpaid losses and loss adjustment expenses, it is necessary to project future loss and loss adjustment expense emergence and payments. It is virtually certain that actual future losses and loss adjustment expenses will not develop exactly as projected and may, in fact, vary significantly from the projections. No warranty is expressed or implied that this will not occur.

I have neither examined the assets of the Company nor formed any opinion as to the value or validity of the assets. My review was limited to the items noted in the scope paragraph and did not include an analysis of any income statement or other balance sheet items. My opinion that the reserves make a reasonable provision in the aggregate for the unpaid loss and loss adjustment expense obligations of the Company presumes that these reserves are backed by valid assets and that these assets reflect suitably scheduled maturities and/or sufficient liquidity to meet cash flow requirements.

This statement of opinion is intended solely for the use of, and only to be relied upon, the Company and the State of Oklahoma.

An actuarial report and underlying work papers supporting the findings expressed in this Statement of Actuarial Opinion are being provided to the Company to be retained for a period of seven years at its administrative offices and available for regulatory examination.

Natasha Dimitrienko

Natasha Dimitrienko  
Fellow, Casualty Actuarial Society  
Member of the American Academy of Actuaries  
Oliver Wyman Actuarial Consulting, Inc.

December 23, 2022