



Alaska Public Entity Insurance



Annual Report 2018

The mission of Alaska Public Entity Insurance is to provide its members with stable, affordable insurance, broad coverage, and effective risk management services to ensure that maximum funds are available for local government and educational programs.





“...While insurance prices worldwide have been climbing, APEI has managed to maintain stable rates for its members.”

Dear APEI Members,

The mission of APEI is to provide its membership with stable, affordable insurance, broad coverage, and effective risk management. June 30, 2018 ended another fiscal year of APEI meeting its mission.

Stability

APEI began as Alaska Schools Insurance Company in 1986 and reorganized as APEI in 1988. It currently insures 37 municipalities and 34 school districts. For over 30 years APEI, in one form or another, has been providing insurance for its members

Fair and Consistent Pricing

All APEI members, from large to small, receive fair and consistent pricing. The rates charged to members for APEI's insurance coverage are based on the estimated cost of providing the coverage and each members' individual loss history. Fair and consistent pricing is fundamental to an insurance pool's success and one of the core beliefs of your APEI Board of Directors.

Affordable Insurance

As a nonprofit pool funded with public money, it has always been APEI's belief that members be charged the minimum needed to provide appropriate insurance coverage. The APEI board is committed to returning excess earnings back to its members. For the fiscal year ended June 30, 2018, the board authorized the distribution of \$1.1 million in longevity credits to members and a \$1.7 million reduction to overall member premiums. For fiscal year 2017, the board authorized a dividend of \$1.0 million to members and a \$1.5 million reduction to overall member premiums. Since inception, APEI has returned over \$12 million in premium credits and dividends to members while at the same time keeping a solid Net Position for the continued financial strength of APEI.

Coverage

APEI offers the most comprehensive insurance program possible and continually focuses on improvements. APEI continues to look for ways to expand existing coverage for members at little on no cost increase.

Risk Management

APEI continues to focus on loss control and this in turn helps members reduce their insurance costs. There are various premium credit programs available to members to help reduce claims, which reduce premiums. The APEI staff and APEI partners continue to provide on-site trainings and inspections, monthly webinars, and online trainings in topics to the benefit of members. The board encourages all members to take advantage of the many training opportunities on a variety of topics which can be customized to the member.

Annually achieving APEI's mission is no accident. It is the result of good governance and a dedicated, qualified, and hardworking staff.

It has been my honor and privilege to serve as the APEI Board Chair for the last year.

Sincerely,

Mark Vink
Board Chair



Copper River School District



Lake & Peninsula School District



Lower Yukon School District

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Board of Directors

(as of June 30, 2018)

Mark Vink, Chair
Stephen Giesbrecht, Vice Chair
Terry Eubank
Troy Tankersley
Brad Thompson
Pamela Roope
Norm Wooten
Laura Hylton
Dave Herbert
Phillip Zavadil

Bering Strait School District
Petersburg Borough
City of Kenai
City of Wasilla
At Large
Wrangell Public School District
Executive Director, Association of Alaska School Boards
Lake & Peninsula School District
St. Mary's School District
City of St. Paul



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Toll free: (877) 586-2734
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Staff

Barbara Thurston
Executive Director



Carleen Mitchell
Administrative Manager



Kyle Hardin
Property/Casualty
Claims Manager



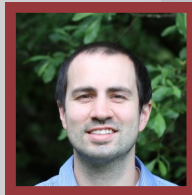
Julie McBrien
Data Analyst



Jessica Garrett
Workers' Compensation
Claims Manager



Cole Cummins
Loss Control Manager



Buffy Blais
Workers' Compensation
Claims Examiner



Chris Luck
Office Manager



APEI Members

(During 2017-18 Fiscal Year)

School Districts



Yupit School District

- Alaska Native Cultural Charter School
- Aleutian Region School District
- Anchorage STREAM Academy
- Annette Island School District
- Aquarian Charter School
- Bering Strait School District
- Chatham School District
- Chugach School District
- Copper River School District
- Cordova City School District
- Delta Greely School District
- Denali Borough School District
- Eagle Academy Charter School
- Family Partnership Charter School
- Highland Academy Charter School
- Hydaburg City School District
- Juneau Community Charter School
- Kashunamiut School District
- Klawock City School District
- Kuspuk School District
- Lake & Peninsula School District
- Lower Kuskokwim School District
- Lower Yukon School District
- Northwest Arctic Borough School District
- PAIDEIA Charter School
- Petersburg School District
- Rilke Schule German School of Arts & Sciences
- Skagway City School District
- Southwest Region School District
- St. Mary's School District
- Unalaska City School District
- Winterberry Charter School
- Wrangell Public Schools
- Yupit School District

Municipalities

- Alaska Association of Conservation Districts
- City of Aniak
- City of Bethel
- Bristol Bay Borough
- Chugiak Volunteer Fire & Rescue Company, Inc.
- City of Cordova
- Cordova Community Medical Center
- City of Craig
- City of Dillingham
- City of Edna Bay
- Girdwood Volunteer Fire & Rescue, Inc.
- City of Gustavus
- Haines Borough
- Community of Hollis
- Hooper Bay Water & Sewer Project
- City of Hooper Bay
- City of Houston
- City of Hydaburg
- City of Kenai
- City of Ketchikan
- City of Klawock
- City of Kodiak
- City of Kupreanof
- City of Mekoryuk
- Community of Naukati Bay
- City of Nondalton
- City of Palmer
- Petersburg Borough
- City & Borough of Sitka
- Municipality of Skagway
- City of Soldotna
- City of St. Paul
- City of Unalaska
- City of Wasilla
- City of Whale Pass
- City of Whittier
- City & Borough of Wrangell



City of Bethel



City & Borough of Wrangell

October 2018



"...APEI has, once again, achieved our mission of providing our members with stable, affordable insurance, broad coverage, and effective risk management services. "

As the Executive Director of APEI, I am pleased to provide this year-end report demonstrating that APEI has, once again, achieved our mission of providing our members with stable, affordable insurance, broad coverage, and effective risk management services. APEI's program combines insurance coverage tailored to the needs to public entities, full-service claims and litigation management, and loss prevention and human resources training services.

Today, the demands on Alaskan public entities are greater than ever, with shrinking financial resources combined with uncertainty about revenue funding at the state level. In these challenging economic times, public sector pooling through APEI is the right choice for members looking to stabilize costs and better serve their constituents.

For the 2017/18 policy year, APEI's membership continued to grow, reaching a new total of 71 public entity participants; divided about equally between school districts (including charter schools) and municipalities (including boroughs and other municipal organizations).

New APEI members in 2017 included the City of Dillingham and the Community of Naukati Bay; in 2018, we added the Ketchikan Gateway Borough and School District, the Mekoryuk Water and Sewer Project, and the Wrangell Medical Center. We look forward to working with them as we introduce them to the many risk management services APEI provides its members.

Member Services

More members each year take advantage of the Human Resources consulting that is provided by APEI's administrative manager, and which provide them with answers to both routine and complex questions concerning human resources issues. Our loss control manager continues to be in demand by members looking for assistance in setting up a safety program, inspecting their buildings for safety concerns, or providing their staff with OSHA or other workplace loss prevention training.

At its spring 2018 meeting, the APEI Board of Directors approved the distribution of \$2.8 million of excess capital to be shared among all members in the form of premium credits. This distribution is based on the excellent financial condition of the company as described in the exhibits contained within this annual report, and we expect to continue to be able to provide member premium credits in future years.

A handwritten signature in black ink that reads "Barbara Thurston". The signature is fluid and cursive, with the first name "Barbara" being larger and more prominent than the last name "Thurston".

Barbara Thurston
Executive Director



City of St. Paul

Aniak Volunteer Fire Department



Fire Departments in Alaska Face Unique Challenges



City of Unalaska Fire Station



City of Dillingham Fire Hall

Loss Control Safety
Inspections help
maintain
compliance with
OSHA requirements



Management's Discussion and Analysis

Year Ended June 30, 2018

The management of Alaska Public Entity Insurance (APEI or the Company) is pleased to present the following discussion and analysis that provides an overview of the financial position and activities of APEI for the fiscal year ended June 30, 2018. This discussion should be read in conjunction with the financial statements and accompanying notes, which follow this section.

APEI is a Joint Insurance Arrangement (or JIA), originally established in 1986 as a captive insurance company, and reorganized in 1998 as a JIA under Alaska Statute AS 21.76. APEI's mission is to provide its members with stable, affordable insurance, broad coverage, and effective risk management services to ensure that maximum funds are available for local government and educational programs

Fiscal Year 2018 Highlights

- As of June 30, 2018, APEI had 71 members, including 34 school districts, and 37 municipality and similar entities.
- Total assets as of June 30, 2018 were \$29.4 million, which represents an increase of \$1.1 million over the assets a year earlier.
- Total liabilities as of June 30, 2018 were \$13.2 million of which \$11.8 million represented claim liabilities. This is a decrease of \$0.6 million from the total liabilities at the start of the year.
- The total increase in APEI's net position during fiscal year 2018 was \$1.8 million, due to a combination of strong investment gains, and a decrease in claims liabilities.



City and Borough of Sitka

Management's Discussion and Analysis, Continued

Year Ended June 30, 2018

Financial Statements

This discussion and analysis is intended to serve as an introduction to the Company's financial statements: the Statement of Net Position; Statement of Revenues, Expenses and Changes in Net Position; and the Statement of Cash Flows.

- The **Statement of Net Position** presents information on all of APEI's assets and liabilities, with the difference between the two representing net position. Assets and liabilities are classified as current or noncurrent. APEI's net position is classified into two categories: Investment in Capital Assets and Unrestricted. Changes from one year to the next in total net position as presented on the Statement of Net Position are based on the activity presented on the Statement of Revenues, Expenses and Changes in Net Position.
- The **Statement of Revenues, Expenses and Changes in Net Position** presents revenues earned and expenses incurred during the year, which are classified as either "operating" or "nonoperating." All revenues and expenses are recognized as soon as the underlying event occurs, regardless of timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in the disbursement or collection of cash during future fiscal years (e.g., the expense associated with claim liabilities, which will be paid beyond the date of the financial statements).
- The **Statement of Cash Flows** presents the changes in APEI's cash and cash equivalents during the fiscal year. The statement breaks the sources and uses of APEI's cash and cash equivalents into three categories:
 - Operating activities
 - Capital and related financing activities
 - Investing activities

The **Notes to Basic Financial Statements** provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes describe the nature of APEI's operations and significant accounting policies as well as present required disclosures.

Following the basic financial statements and footnotes is **Required Supplementary Information**, which provides further detail on claims activities.

"...APEI is the right choice for members looking to stabilize costs and reduce financial risk to better serve their constituents."



City of Ketchikan

Management's Discussion and Analysis, Continued

Year Ended June 30, 2018

Financial Analysis

The following sections provide additional details on APEI's financial position and activities for fiscal years 2018, 2017, and 2016, budgetary highlights, and a look ahead at economic conditions that may affect APEI in the future.

Statement of Net Position

The following table presents APEI's assets, liabilities, and net position at the end of the current fiscal year and the two prior years.

APEI had total assets of \$29.4 million at June 30, 2018, which is 4.1% more than the total assets in each of the previous two years. This change was largely due to increases in investment returns.

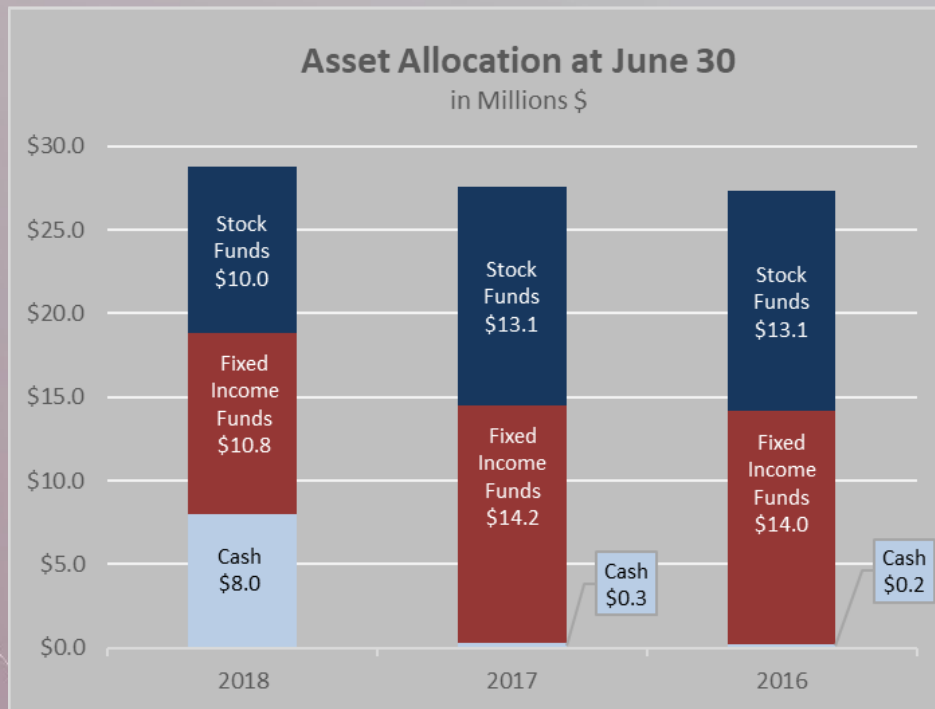
Condensed Statements of Net Position

	June 30, 2018, 2017, 2016		
	2018	2017	2016
Current Assets	\$29,164,773	27,955,790	27,967,874
Non-Current Assets	270,336	290,598	317,610
Total Assets	29,435,109	28,246,388	28,285,484
Current Liabilities	5,074,625	5,873,161	9,242,536
Non-Current Liabilities	8,126,568	7,946,562	3,688,872
Total Liabilities	13,201,193	13,819,723	12,931,408
Net Position			
Investment in capital assets, net of related debt	270,336	290,598	317,611
Unrestricted	15,963,580	14,136,067	15,036,465
Total Net Position	\$16,233,916	14,426,665	15,354,076

Management's Discussion and Analysis, Continued

Year Ended June 30, 2018

The following chart depicts the composition of APEI's cash and investments at June 30 of each of the past three years.



Nearly all of APEI's assets are maintained in an investment portfolio that consists of fixed income and equity mutual funds purchased in accordance with APEI's investment policy. The mutual funds are highly liquid and provide for access to funds needed to cover the Company's claim and operating expenditures. All investments are recorded at fair value in the financial statements.

The large amount of cash holdings as of 6/30/18 was due to the timing of APEI's annual transfer of funds to pay excess premiums due in early July and does not reflect any change in the target investment allocations.

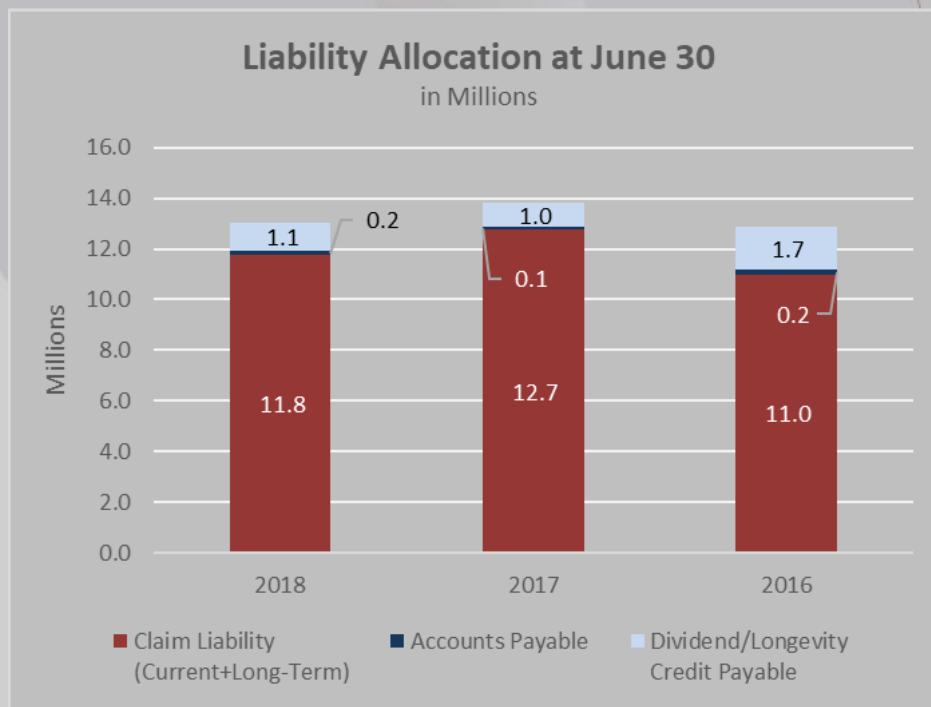


Northwest Arctic Borough School District

Management's Discussion and Analysis, Continued

Year Ended June 30, 2018

The following chart depicts the liabilities as of the end of each of the most recent three fiscal years.



APEI's total liabilities of \$13.2 million were comprised of current liabilities of \$5.1 million and noncurrent liabilities of \$8.1 million at June 30, 2018. Current liabilities were comprised primarily of reserves for claim expenses totaling \$3.6 million and member longevity credits of \$1.1 million.

The current claim liability represents anticipated payments within the next 12 months for workers' compensation, liability, and property net of any anticipated reinsurance recoveries. The noncurrent liabilities represent the remaining amounts held as reserves for claim costs which are expected to be paid after July 1, 2019.

As of June 30, 2018, APEI's total net position (also referred to as surplus) was \$16.2 million, which represents an increase of \$1.8 million over the prior year. The increase in surplus is due to a combination of the increase in assets and decrease in liabilities and reflects the Board of Directors' approved return of available surplus to the membership through dividends and premium credits.

Management's Discussion and Analysis, Continued

Year Ended June 30, 2018

The surplus levels maintained by the Company in the past three years met the benchmarks established by the Board, which were based on targets generally accepted in the pooling industry. The following are three of those Board approved benchmarks that were established to gauge surplus levels and APEI's ratios in each area.

	Target	2018	2017	2016
Surplus to Self-Insured Retention	> 10:1	17:1	14:1	15:1
Unpaid Claims to Surplus	< 1.5:1	0.7:1	0.9:1	0.7:1
Net Contribution to Surplus	< 2.0:1	0.5:1	0.6:1	0.6:1



Haines Borough

Management's Discussion and Analysis, Continued

Year Ended June 30, 2018

Statement of Revenues, Expenses, and Changes in Net Position**Condensed Statements of Revenues, Expenses and Changes in Net Position**

Years ended June 30, 2018, 2017, and 2016

	2018	2017	2016
Operating Revenues	\$15,127,120	13,796,349	13,372,465
Operating Expenses	14,849,980	16,972,873	15,225,318
Operating Income	277,140	(3,176,524)	(1,852,853)
Investment income	1,530,111	2,249,113	409,726
Change in Net Position	1,807,251	(927,411)	(1,443,127)
Net Position, Beginning of Year	14,426,665	15,354,076	16,797,203
Net Position, End of Year	\$16,233,916	14,426,665	15,354,076

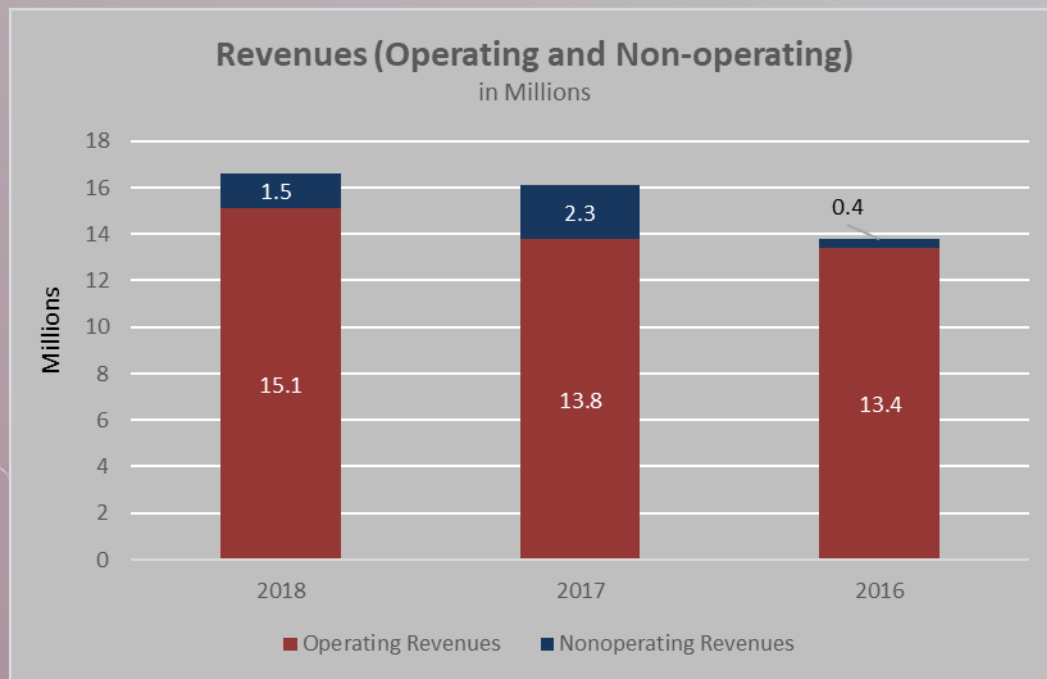


City of Kenai

Management's Discussion and Analysis, Continued

Year Ended June 30, 2018

Operating revenues consist primarily of member contributions, while non-operating revenues consist primarily of investment income. Operating revenues have increased steadily over the three-year period, while non-operating reviews fluctuate more year to year with changes in stock and bond markets.

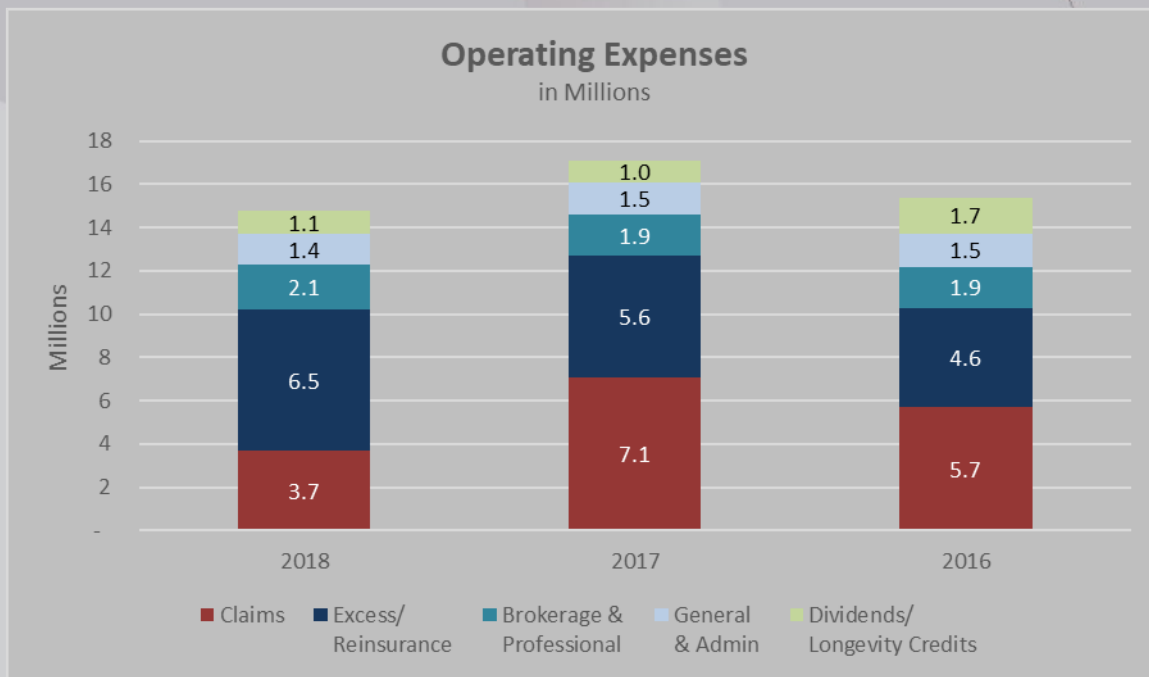


City of Craig

Management's Discussion and Analysis, Continued

Year Ended June 30, 2018

Operating expenses include claims, expenses associated with the purchase of excess and reinsurance coverage, fees for brokerage and professional services, and office administrative expenses. Operating expenses have increased steadily. Below is a table detailing Operating expenses in fiscal year ending June 30, 2018.



Each year the Company performs an actuarial estimate of the claim costs associated with the fiscal year just ended, and a re-estimation of the cost of claims incurred in all prior fiscal years. The combination of these two estimates results in the annual claims expense for the Company. Fluctuation in this amount is due both to the frequency and severity of claims in the current year, and the effect of the re-estimation of the outstanding amounts for claims occurring in a previous policy year.

At their March 2018 meeting, APEI's Board of Directors made a change in their method of returning surplus in excess of targets to members. Starting in 2018, this return surplus is allocated to members in the form of premium credits, rather than dividends as had been done in other recent years.

Management's Discussion and Analysis, Continued

Year Ended June 30, 2018

Budgetary Highlights

Each year the APEI Board of Directors approves a budget for the prospective fiscal year. Below is a summary of the June 30, 2018, fiscal year budget information with a comparison to actual results.

	Approved Budget	Actual Results	Percentage of Budget
Operating Revenues	\$15,427,106	15,127,120	98%
Investment Income	1,510,634	1,530,111	101%
Claims Expense	9,474,577	3,702,263	39%
Excess Insurance	6,736,884	6,517,229	97%
Brokerage and Professional Services	2,161,241	2,119,549	99%
General and Administrative	1,392,149	1,373,359	99%
Longevity Premium Credits	1,100,000	1,137,580	103%
Total Revenues Less Expenses	\$ (3,927,111)	\$ 1,807,251	



Petersburg Borough

Management's Discussion and Analysis, Continued

Year Ended June 30, 2018

Economic and Other Factors

Barbara Thurston was named Executive Director of APEI shortly before the beginning of the 2017/18 fiscal year after working with the company in a variety of capacities consistently since 2002. She has maintained her role as actuary for APEI while assuming leadership of the company. Barbara's actuarial reports are reviewed annually by an outside actuary. Former Executive Director and Claims Manager, Brad Thompson, joined the Board of Directors in the spring of 2018 and remains available for consultation on claims management.

In developing the budget for the fiscal year ended June 30, 2018, APEI staff and the Board of Directors considered factors that had a significant potential to adversely affect the budgeted figures, primarily the claims, investment, and insurance environments.

In the last several years, APEI has had several property and liability claims that have reached the excess layers of coverage. These claims involved fires in Bethel and Kotlik, a landslide in Sitka, and a police practices claim in Kodiak, as well as some smaller claims. The large claims resulted in an increase in the costs of our excess and reinsurance coverage for the 2017/18 and 2018/19 renewals.

Loss control continues to be an area of primary focus. APEI has begun the process of updating their website to offer more easily accessible training tools and resources for members. The new site, set to launch in 2018/19, will include a blog regarding a variety of safety and employment practices related topics updated weekly. As outreach to members has continued, more members are contacting APEI directly for assistance as they identify risks.

APEI continues to follow our board-adopted investment strategy, which established a long-term target investment return, and allocates our investments among cash, equities, and debt instruments in order to achieve that target return while minimizing the downside risk. Our returns for the 2017/18 fiscal year were strong, which is consistent with the market in general.



City of Unalaska



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Alaska Public Entity Insurance
Juneau, Alaska

Report on the Financial Statements

I have audited the accompanying financial statements of the Alaska Public Entity Insurance, Inc. (a joint insurance arrangement), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Alaska Public Entity Insurance, Inc. as of June 30, 2018, and the

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respective 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.

Other Matters

Prior Audited Financial Statements

The financial statements of Alaska Public Entity Insurance, Inc. as of and for the year ended June 30, 2017, were audited by other auditors whose report dated September 26, 2017, expressed an unmodified opinion on those statements.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 1 through 9, and the claims development information and reconciliation of claim liability by program on pages 23 and 24, respectively, be presented to supplement the basic financial statements. Such information, 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I 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.



September 24, 2018

Alaska Public Entity Insurance

Statements of Net Position

June 30, 2018 and 2017

Assets	2018	2017
Current Assets		
Cash and Cash equivalents (Note 2)	\$ 8,032,376	\$ 311,156
Investments (Note 2)	20,748,133	27,302,972
Prepaid Expenses	119,851	121,391
Premiums Receivable	10,829	16,041
Due from excess insurance carrier	256,584	204,230
Total Current Assets	\$ 29,164,773	\$ 27,955,790
Noncurrent Assets		
Capital Assets, Net of accumulated depreciation (Note 3)	270,336	290,598
Total Assets	\$ 29,435,109	\$ 28,246,388
Liabilities		
Current Liabilities		
Accounts Payable	157,268	133,253
Longevity Credits and dividends payable	1,143,877	946,238
Unearned revenue	146,270	-
Claim Liabilities – Current portion (Notes 1 and 4)	3,627,210	4,793,670
Total Current Liabilities	\$ 5,074,625	\$ 5,873,161
Noncurrent Liabilities		
Claim Liabilities – Long-term Portion (Notes 1 and 4)	8,126,568	7,946,562
Total Liabilities	\$ 13,201,193	\$ 13,819,723
Net Position		
Investment in capital assets	270,336	290,598
Unrestricted	15,936,580	14,136,067
Total Net Position	\$ 16,233,916	\$ 14,426,665

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

Alaska Public Entity Insurance

Statements of Revenues, Expenses, and changes in Net Position
Years ended in June 30, 2018 and 2017

	2018	2017
Operating Revenues		
Participant Contributions	\$ 15,127,120	\$ 13,796,349
Operating Expenses		
losses, allocated and unallocated loss adjustment expenses (notes 1 and 4)	3,702,263	7,128,537
Excess insurance premiums (note 1)	6,517,229	5,548,880
Brokerage and professional fees	2,119,549	1,868,218
General and administrative expenses	1,373,359	1,481,000
Member dividends	1,137,580	946,238
Total Operating Expenses	\$ 14,849,980	\$ 16,972,873
Operating Income (Loss)	277,140	(3,176,524)
Non-Operating Revenues		
Investment Income (note 2)	1,530,111	2,249,113
Change in Net Position	\$ 1,807,251	\$ (927,411)
Net Position, Beginning of the Year	14,426,665	15,534,076
Net Position, End of the Year	\$ 16,233,916	\$ 14,426,665

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



Municipality of Skagway

Alaska Public Entity Insurance

Statements of Cash Flows
Year ended June 30, 2018 and 2017

	2018	2017
Cash Flows from Operating Activities		
Cash received from participants	\$ 15,336,243	\$ 13,750,217
Cash paid for losses	(4,795,711)	(5,453,356)
Cash paid for excess insurance premiums	(6,530,003)	(4,996,310)
Cash paid for brokerage and professional fees	(2,136,956)	(1,868,218)
Cash paid for general and administrative expenses	(292,328)	(435,222)
Cash paid to employees	(1,005,035)	(1,138,154)
Cash paid for member dividends	(939,941)	(1,758,445)
Net Cash used for Operating Activities	\$ (363,731)	\$ (1,899,488)
Cash Flows from Investing Activities		
Purchase of investment securities	\$ (10,668,404)	\$ (9,705,929)
Proceeds from sale or maturity of investment securities	18,058,205	11,033,652
Interest collected on investments	695,150	709,646
Net Cash provided by investing activities	\$ 8,084,951	\$ 2,037,369
Net increase in Cash and Cash Equivalents	7,721,220	137,881
Cash and Cash Equivalents, Beginning of the year	311,156	173,275
Cash and Cash Equivalents, End of Year	\$ 8,032,376	\$ 311,156
Reconciliation of Operating Income (Loss) to Net Cash used for Operating Activities		
Operating Income (Loss)	\$ 277,140	\$ (3,176,524)
Items not affecting cash from operating activities:		
Depreciation	20,262	27,012
(Increase) decrease in premium receivable	62,849	(46,132)
(Increase) decrease in due from excess insurance carrier	(106,992)	(68,324)
(Increase) decrease in prepaid expenses	1,540	476,161
(Increase) decrease in other assets	-	-
Increase (decrease) in reserves for losses and loss adjustment expenses	(986,454)	1,743,507
Increase (decrease) in deferred revenue	146,270	-
Increase (decrease) in dividend payable	197,639	(812,207)
Increase (decrease) in accounts payable and accrued expenses	24,015	(42,981)
Net Cash used for Operating Activities	\$ (363,731)	\$ (1,899,488)
Supplemental disclosure of Noncash Investing Activity -		
Change in Fair Value of Investments	\$ (319,081)	\$ 1,375,360

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



City of Soldotna

Alaska Public Entity Insurance

Notes to Basic Financial Statements
Years Ended June 30, 2018 and 2017

Note 1 - Organization and Summary of Significant Accounting Policies

Organization and Business

Alaska Public Entity Insurance (Company) is a joint insurance arrangement organized in 1998 to provide insurance coverage authorized under AS 21.76 to all public entities in Alaska. The Company's predecessor, Alaska Schools Insurance Company, was formed in 1986 as a Vermont Captive

The Company's general objectives are to formulate, develop, and administer a joint insurance arrangement for participants, to facilitate the availability of adequate coverage for, without limitation, property and liability, automobile and workers' compensation, and such lines as are authorized by statute and the Board, to lower risk costs, control losses and provide risk management and claims administration services. At June 30, 2018 membership consisted of 34 Alaskan school districts and 37 municipalities. The Company's Board of Directors includes eleven elected Board members.

Description of Coverage Programs

The Company provides the following insurance coverage, deductibles and self-insured retentions (SIR):

Workers' Compensation

The Workers' Compensation program was established in 1998 to provide coverage for workers' compensation and employer's liability claims. 24 school districts and 33 municipality members participate in this program.

<i>Member Retention:</i>	\$0
<i>Self Insured Retention:</i>	\$1,000,000
<i>Excess Coverage:</i>	Statutory limits

Property

The Property program was established in 1986 to provide All Risk, Earthquake, Flood, and Equipment Breakdown coverage, currently provided to all school districts and 35 municipality members.

<i>Member Retention:</i>	\$5,000 to \$100,000
<i>APEI Self Insured Retention:</i>	\$500,000
<i>Excess Coverage:</i>	\$200,000,000 excess of \$500,000 retention (All Risk)
	\$75,000,000 excess of \$500,000 retention (Earthquake/Flood)
	\$200,000,000 excess of \$500,000 retention (Equipment Breakdown)

Alaska Public Entity Insurance

Notes to Basic Financial Statements, Continued
Years Ended June 30, 2018 and 2017

General Liability and Auto Liability Programs

The General Liability and Auto Liability programs were established in 1999. The general liability program includes employment practices wrongful acts coverage as well as public officials E&O coverage, and is provided to all school districts and 37 municipalities.

<i>Member Retention:</i>	\$0 for General Liability \$10,000 for Employment Practices, Sewer Backup, Law Enforcement, and Educators' Liability
<i>Self Insured Retention:</i>	\$500,000
<i>Excess Coverage:</i>	\$15,000,000 excess of \$500,000 retention

Other Programs

The Company also offers coverage for Auto Physical Damage, Student Accident, Marine, Aviation, Cyber Liability, and Crime with various deductibles and limits.

Basis of Accounting

The Company accounts for its activities as a special purpose government engaged in business-type activities that are reported similarly to an enterprise fund. Enterprise funds are accounted for using a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the activity of providing insurance services are included on the statements of net position.

An enterprise fund is accounted for using the accrual basis of accounting. Revenue is recognized when it is earned and expenses are recognized when they are incurred.

Net position is categorized as follows:

Unrestricted Net Position – Assets, net of related liabilities, which are not subject to externally imposed restrictions and are not considered invested in capital assets, net of related debt. Unrestricted net position may be designated for specific purposes by action of management or the Board of Directors or may otherwise be limited by contractual agreements with outside parties.

Restricted Net Position – Net position whose use is constrained externally by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Invested in Capital Assets – Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.

Alaska Public Entity Insurance

Notes to Basic Financial Statements, Continued
Years Ended June 30, 2018 and 2017

Estimates

In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amount of assets and liabilities as of the date of the statement of net position and revenue and expenses for the period. Actual results could differ from those estimates.

Operating Revenues

Operating revenues consist of participant contributions for insurance coverage. All other revenues are considered non-operating. Contributions are recognized ratably as income over the policy period. Substantially all of the Company's contracts provide coverage on a fiscal year basis beginning July 1st and ending June 30th of a given fiscal year.

Investments

Investments are reported at fair value in the financial statements. Unrealized gains and losses are reported as non-operating revenues. Fair values are obtained from independent sources for marketable debt and equity securities.

Securities transactions are recorded on the trade date that securities are purchased or sold.

Capital Assets

Capital assets are defined as land and buildings and improvements with an initial, individual cost of more than \$5,000. Expenditures for maintenance and repairs are expensed in the period during which they are incurred.

Depreciation for the office building and improvements is computed using the straight-line method with separate useful lives for each building component ranging from ten to thirty-nine years.

Longevity Credits and Dividends

Longevity credits and dividends may be declared and paid solely at the discretion of the Board, based on achieving certain surplus and performance levels established by Board policy. For the years ended June 30, 2018 and 2017, the Board declared longevity credits of \$1,100,000 and \$1,000,000, of which \$1,143,877 and \$946,238 were paid, respectively.

Compensated Absences

It is APEI's policy to permit employees to accumulate earned but unused personal leave benefits. All personal leave is accrued when incurred in the financial statements.

Income Taxes

The Company has received a favorable private letter ruling stating that its income is excludable from gross income under Section 115 of the Internal Revenue Code. Consequently, no provision for federal or state income taxes is included in the accompanying financial statements

Alaska Public Entity Insurance

Notes to Basic Financial Statements, Continued
Years Ended June 30, 2018 and 2017

Note 2 - Cash and Investments

Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with an original maturity of three months or less at the date of purchase to be cash equivalents. Cash and cash equivalents at June 30 consist of the following:

	2018	2017
Cash and Cash Equivalents	\$ 8,032,376	\$ 311,156

Investments

Investment Policy

The Board of Directors has established an objective of achieving a rate of return for each asset class as follows: (1) for the fixed income portfolio to produce a total rate of return at least commensurate with that of the Barclays Aggregate Bond Index, and (2) for the equity portfolio to produce a total rate of return at least commensurate with Standard & Poor's 500 Stock Index, and a rate of return for each other asset class commensurate with the associated benchmarks for the asset class. To achieve these targets, the Board allocates the Company's investments among asset classes. At June 30, 2018, the Company's asset allocation policy is as follows:

	Limit
Domestic Equities	24.0%
International Equities	24.0%
Domestic Fixed Income	46.0%
International Fixed Income	6.0%

The Company's investment policy further specifies acceptable investments within these asset classes.

Credit Risk

The Company requires that fixed income obligations of municipalities, corporations, supranational entities, sovereign nations (and their municipal entities), foreign corporation obligations, and U.S. asset backed and commercial backed securities be rated BBB or higher by at least one of the major rating agencies.

Alaska Public Entity Insurance

Notes to Basic Financial Statements, Continued
Years Ended June 30, 2018 and 2017

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributable to holding investments from a single issuer. The Company manages its concentration of credit risk by following its investment diversification policy, which states that, other than U.S. Treasury, Government Agency and Instrumentality Obligations, no fixed income credit exposure by market value may be in excess of 5% of the portfolio market value. The portfolio exposure to BBB rated or lower securities may not be greater than 20% of the market value of the fixed income portion of the portfolio. Up to 5% of the portfolio may be held in lower rated fixed income securities. In addition, up to 5% of the portfolio can be invested in alternative investments to gain exposure to their non-correlating characteristics relative to more traditional investments. The investment policy does not stipulate limits for exposures in the Company's equity security portfolio.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure the Company's deposits may not be insured and could be at risk of not being recovered. The Company generally attempts to limit the amount of uninsured deposit balances throughout the year and as of June 30, 2018, approximately \$7.9 million of the Company's bank balances were uninsured because they exceed limits of depository insurance provided by the Federal Deposit Insurance Corporation (FDIC). The large amount over FDIC coverage was due to a \$7.4 million payment that was made just after year-end for a reinsurance premium. The Company requires that all investment securities be held in the name of the Company.

Foreign Currency Risk

The Company may invest in financial instruments denominated in currencies other than its reporting currency through its investments in mutual funds and foreign government obligations. Consequently, the Company may be exposed to risks that the exchange rate of its currency relative to other currencies may change in a manner that has an adverse effect on the value of the portion of the Company's assets or liabilities denominated in currencies other than U.S. dollars.

Interest Rate Risk

The Company's investment policy does not address exposure to interest rate risk.



City of Kenai

Alaska Public Entity Insurance

Notes to Basic Financial Statements, Continued
Years Ended June 30, 2018 and 2017

Equity and Mutual Fund Securities

All investments in equity securities are held by the custodian bank in the name of the Company. Equity investments at June 30 are summarized as follows:

	Cost	Fair Value	Unrealized Gains/(Losses)
2018:			
Domestic mutual funds:			
Common and preferred Stock	\$ 3,998,205	4,992,180	993,975
Fixed income mutual funds	11,111,836	10,746,804	(365,032)
Non-domestic equity mutual funds	4,640,842	5,009,149	368,307
Total mutual funds	\$ 19,750,883	20,748,133	997,250
2017:			
Domestic mutual funds:			
Common and preferred stock	\$ 5,525,231	6,510,527	985,296
Fixed income mutual funds	14,362,498	14,238,261	(124,237)
Non-domestic equity mutual funds	6,098,913	6,554,184	455,271
Total mutual funds	\$ 25,986,642	27,302,972	1,316,330

APEI's investment in fixed income mutual funds is not rated. Weighted average maturity information for these funds is not available.



Skagway City School District

Alaska Public Entity Insurance

Notes to Basic Financial Statements, Continued
Years Ended June 30, 2018 and 2017

Fair Value Measurement

APEI measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- Level 1: Quoted prices for identical investments in active markets;
- Level 2: Observable inputs other than quoted market prices; and,
- Level 3: Unobservable inputs.

At June 30, APEI had the following recurring fair value measurements:

	Fair Value	Fair Value Measurements using		
		Level 1	Level 2	Level 3
2018:				
Domestic mutual funds:				
Common and preferred stock	\$ 4,992,180	\$ 4,992,180	-	-
Fixed income mutual funds	10,746,804	10,746,804	-	-
Non-domestic equity mutual funds	5,009,149	5,009,149	-	-
Total mutual funds	\$ 20,748,133	\$ 20,748,133	-	-
2017:				
Domestic mutual funds:				
Common and preferred stock	\$ 6,510,527	\$ 6,510,527	-	-
Fixed income mutual funds	14,238,261	14,238,261	-	-
Non-domestic equity mutual funds	6,554,184	6,554,184	-	-
Total mutual funds	\$ 27,302,972	\$ 27,302,972	-	-



Edna Bay

Alaska Public Entity Insurance

Notes to Basic Financial Statements, Continued
Years Ended June 30, 2018 and 2017

Note 3 - Capital Assets

Capital asset activity for the year ended June 30, 2018 and 2017 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
2018:				
Land	\$ 90,408	-	-	\$ 90,408
Depreciable capital assets:				
Buildings and improvements	359,906	-	-	359,906
Less accumulated depreciation for:				
Buildings and improvements	(159,716)	(20,262)	-	(179,978)
Land and depreciable capital assets, net \$	\$ 290,598	(20,262)	-	270,336
2017:				
Land	\$ 90,408	-	-	\$ 90,408
Depreciable capital assets:				
Buildings and improvements	359,906	-	-	359,906
Less accumulated depreciation for:				
Buildings and improvements	(132,704)	(27,012)	-	(159,716)
Land and depreciable capital assets, net \$	\$ 317,610	(27,012)	-	290,598

Alaska Public Entity Insurance

Notes to Basic Financial Statements, Continued
Years Ended June 30, 2018 and 2016

Note 4 - Claims Liabilities

The reserves for losses and loss adjustment expenses represent (a) individual case estimates for reported losses, (b) estimates for unreported losses based on past experience modified for current trends, and (c) estimates of expenses for investigating and settling claims. The reserves are based on the estimated ultimate cost of settling the claims, including the effects of inflation and other societal and economic factors. These estimates are limited to the appropriate per occurrence retention for the coverage and policy year. The process of establishing loss reserves requires the use of assumptions, primarily based upon prior loss experience, and reflects significant judgmental factors. In liability cases, significant periods of time, ranging up to several years or more, may elapse between the occurrence of an insured loss, the reporting of the loss, and the settlement of the loss. As a result, uncertainties are inherent in estimating ultimate claim costs on the basis of past experience.

Management and the Company's actuary, as certified in their report dated July 30, 2018, believe that the reserves for losses and loss adjustment expenses at June 30, 2018 are adequate to cover the ultimate net cost of losses incurred to date; however, reserves are subject to a substantial degree of potential variability and the amount ultimately paid may be more or less than such estimates. Adjustments to reserves are charged or credited to expense in the period in which they are made.

As of June 30, 2018, and 2017 the unpaid losses and loss adjustment expenses of \$11,753,778 and \$12,740,232, respectively were not discounted to net present value.

The portion of claims considered to be currently payable (in less than one year) was actuarially determined. The current portion of claims liabilities at June 30, 2018 and 2017 is \$3,627,210 and \$4,793,670, respectively. During fiscal year 2018, APEI determined that the amount of the claim liability allocated to current portion in the 2017 financial statements included fiscal year 2018 expected payments on 2018 policy year losses in the amount of \$2,788,952. The effect was to overstate the current portion of claim liabilities with a corresponding understatement of the long-term portion. There was no impact on total claim liability or net position as previously presented, and the amounts have been corrected for the balances as of June 30, 2017 reflected in these financial statements.

A summary of changes in reserves for losses and loss adjustment expenses for the years ended June 30, 2018 and 2017 follows:

	2018	2017
Unpaid loss and loss adjustment expenses at beginning of year	\$ 12,740,232	\$ 10,996,726
Incurred losses and loss adjustment expenses:		
Provision for insured events of current year	6,153,651	7,250,013
Decrease in provision for insured events of prior years	(2,461,214)	(40,037)
Provision for unallocated loss adjustment expenses	9,828	(81,438)
Total incurred losses and loss adjustment expenses	\$ 3,702,265	\$ 7,128,538
Payments:		
Loss and loss adjustment expenses for insured events of the current year	(1,141,720)	(1,906,926)
Loss and loss adjustment expenses for insured events of the prior years	(3,546,999)	(3,478,106)
Unallocated loss adjustment expenses	-	-
Total payments of losses and loss adjustment expenses	\$ (4,688,719)	\$ (5,385,032)
Unpaid loss and loss adjustment expenses at end of year	\$ 11,753,778	\$ 12,740,232

Alaska Public Entity Insurance

Notes to Basic Financial Statements, Continued
Years Ended June 30, 2018 and 2017

The components of claims liabilities as of June 30, 2018 and 2017 were as follows:

	2018	2017
Reserves for known claims	\$ 3,399,815	3,677,639
Reserve for incurred but not reported (IBNR)	7,769,518	8,558,065
Reserve for unallocated loss adjustment expense (ULAE)	584,445	504,528
Total claims payable as of end of year	\$ 11,753,778	\$ 12,740,232

Note 5 - Commitments

Employee Benefit Plan

The Company sponsors a 401(k) plan for all employees who have completed three months of service and have attained age 18. Participants may elect to contribute up to 80% of compensation up to amounts established by law (\$18,500 for 2018 and \$18,000 for 2017). The Company may elect additional contributions. Company contributions to the plan were \$111,532 and \$108,059 for the years ended June 30, 2018 and 2017, respectively.



City of Houston

ALASKA PUBLIC ENTITY INSURANCE

Claims Development Information

Required Supplementary Information – Total All Programs
Year Ended June 30, 2018

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Contributions and investment income:											
Earned	\$12,378,839	\$13,601,433	\$14,155,066	\$14,228,829	\$12,356,439	\$13,641,606	\$14,847,495	\$13,370,310	\$13,372,465	\$13,796,349	\$15,127,124
Investment income	375,788	(727,673)	1,945,151	3,054,036	706,176	765,103	2,899,807	233,192	409,726	2,249,113	1,530,111
Ceded	(3,268,971)	(3,393,843)	(4,214,342)	(4,431,916)	(4,477,200)	(4,798,682)	(4,644,735)	(4,445,545)	(4,518,450)	(5,548,879)	(6,517,234)
Net earned and investment income	9,485,656	9,479,917	11,885,875	12,850,949	8,585,415	9,608,027	13,102,567	9,157,957	9,263,741	10,496,583	10,140,001
Unallocated expenses	2,594,442	2,640,954	3,575,067	4,443,939	5,149,728	5,380,941	5,525,564	5,164,709	5,047,287	4,295,457	4,630,466
Estimated incurred claims and expenses											
End of policy year	5,212,574	5,902,782	5,951,706	7,502,346	7,734,211	7,041,063	6,507,674	6,677,299	7,409,037	7,250,013	6,153,651
Paid (cumulative) as of:											
End of policy year	1,285,598	1,460,492	1,362,180	2,355,077	2,355,319	2,200,531	1,465,807	2,059,571	2,416,090	1,906,926	1,141,720
One year later	1,935,767	3,039,062	2,280,739	4,624,046	4,258,336	2,937,920	2,862,762	3,705,867	4,231,638	3,530,815	
Two years later	2,396,767	3,277,636	2,656,583	5,713,874	5,431,799	3,132,144	3,388,262	4,569,086	5,290,056		
Three years later	2,451,051	3,548,708	2,814,045	6,016,741	5,668,325	3,496,638	3,892,555	4,808,458			
Four years later	2,585,947	3,663,019	3,023,228	6,354,407	5,649,502	3,625,555	4,203,127				
Five years later	2,669,834	3,632,694	3,048,795	6,454,298	5,653,660	3,695,932					
Six years later	2,720,064	3,659,785	3,065,623	6,478,701	5,656,045						
Seven years later	2,735,247	3,669,659	3,091,812	6,481,528							
Eight years later	2,734,629	3,675,870	3,091,813								
Nine years later	2,734,804	3,686,653									
Ten years later	2,741,452										
Reestimated ceded claims and expenses	-	-	-	-	-	-	-	-	-	-	-
Reestimated claims and expenses:											
End of policy year	5,212,574	5,902,782	5,951,706	7,502,346	7,734,211	7,041,063	6,507,674	6,677,299	7,409,037	7,250,013	6,153,651
One year later	4,085,721	5,102,692	4,223,079	7,155,149	6,863,144	4,995,198	5,279,269	6,177,576	7,261,043	6,024,782	
Two years later	3,737,190	4,159,925	3,624,546	6,988,756	6,971,834	4,294,120	4,621,951	6,272,225	6,891,135		
Three years later	3,341,573	4,069,907	3,410,319	7,135,644	6,318,229	4,447,648	4,648,470	5,403,038			
Four years later	2,872,056	3,931,127	3,550,352	6,837,990	5,792,333	4,518,235	4,759,487				
Five years later	2,848,727	3,962,261	3,340,149	6,742,548	5,772,239	4,381,383					
Six years later	2,959,603	3,809,446	3,188,670	6,649,123	5,668,445						
Seven years later	2,839,328	3,743,511	3,102,575	6,570,102							
Eight years later	2,749,770	3,682,612	3,093,008								
Nine years later	2,736,468	3,715,817									
Ten years later	2,741,452										
Increase (decrease) in estimated incurred claims and expenses											
from end of year	\$(2,471,122)	\$(2,186,965)	\$(2,858,698)	\$ (932,244)	\$(2,065,766)	\$(2,659,680)	\$(1,748,187)	\$(1,274,261)	\$ (517,902)	\$(1,225,231)	\$ -

See accompanying independent auditors' report

ALASKA PUBLIC ENTITY INSURANCE

Claims Development Information

Required Supplementary Information – Total All Programs
Year Ended June 30, 2018

Notes:

The table on the previous page illustrates the Program's earned revenues (net of reinsurance) and the investment income compared to the related costs of loss and other expenses assumed by the Program as of the end of the year.

- 1) This line shows the total of each fiscal year's gross earned premium revenue and investment revenue and the premium revenue ceded to reinsurers.
- 2) This line shows the fiscal year's other operating costs of the Company including overhead and claims expense not allocable to individual claims.
- 3) This line shows the Company's incurred claims and allocated claim adjustment expenses as originally reported at the end of the fiscal year.
- 4) This section shows the cumulative amounts paid as of the end of the year.
- 5) This line shows the latest reestimated amount of the claims assumed by reinsurers as of the end of the current year for each accident year.
- 6) This annual reestimation results from new information received on known claims, as well as emergence of new claims not previously known.
- 7) This line compares the latest reestimated incurred claims amount to the amount originally established (line 3) and shows whether this later estimate of claims cost is greater or less than originally thought

As data for individual policy years mature, the correlation between original estimates and reestimated amounts is commonly used to evaluate the accuracy of incurred claims currently recognized in less mature policy years.

ALASKA PUBLIC ENTITY INSURANCE

Required Supplementary Information – Reconciliation of Claim Liability by Program
Years Ended June 30, 2018 and 2017

	General Liability		Property		Workers' Compensation		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Unpaid loss and loss adjustment expenses at beginning of year	\$ 7,072,277	\$ 6,227,637	\$ 1,675,996	\$ 916,536	\$ 3,991,959	\$ 3,852,553	\$12,740,232	\$10,996,726
Incurred losses and loss adjustment expenses:								
Provision for insured events of current year	\$ 2,833,735	\$ 3,162,383	\$ 674,857	\$1,132,624	\$ 2,645,329	\$ 2,955,006	\$ 6,153,651	\$ 7,250,013
Provision for insured events of prior years	(764,294)	(226,023)	(800,685)	459,327	(896,235)	(273,341)	(2,461,214)	(40,037)
Provision for unallocated loss adjustment expenses	21,434	(39,778)	6,616	59,068	(18,222)	(100,728)	9,828	(81,438)
Total incurred loss and loss adjustment expenses	2,090,875	2,896,582	(119,212)	1,651,019	1,730,872	2,580,937	3,702,265	7,128,538
Payments:								
Loss and loss adjustments expenses for insured events of the current year	(283,855)	(527,707)	(4,863)	(533,781)	(853,002)	(845,438)	(1,141,720)	(1,906,926)
Loss and loss adjustments expenses for insured events of the prior year	(1,615,267)	(1,524,235)	(555,649)	(357,778)	(1,376,083)	(1,596,093)	(3,546,999)	(3,478,106)
Unallocated loss adjustment expenses	-	-	-	-	-	-	-	-
Total payments of loss and loss adjustment expenses	(1,899,122)	(2,051,942)	(560,512)	(891,559)	(2,229,085)	(2,441,531)	(4,688,719)	(5,385,032)
Unpaid loss and loss adjustment expenses at end of year	7,264,030	7,072,277	996,002	1,675,996	3,493,746	3,991,959	11,753,778	12,740,232
Reserve for known claims	1,984,228	1,556,237	488,428	670,620	927,159	1,450,782	3,399,815	3,677,639
Reserve for incurred but not reported (IBNR)	4,982,459	5,279,730	429,477	852,266	2,357,582	2,426,069	7,769,518	8,558,065
Reserve for unallocated loss adjustment expenses (ULAE)	297,343	236,310	78,097	153,110	209,005	115,108	584,445	504,528
Total claims payable as of end of year	7,264,030	7,072,277	996,002	1,675,996	3,493,746	3,991,959	11,753,778	12,740,232

See accompanying independent auditors' report



City of Palmer

I. STATEMENT OF ACTUARIAL OPINION

**LOSS RESERVE OPINION
ALASKA PUBLIC ENTITY INSURANCE (APEI)
FISCAL YEAR ENDING JUNE 30, 2018**

IDENTIFICATION

I, Mike Harrington, am associated with the firm Bickmore located at 1750 Creekside Oaks, Drive, Suite 200, Sacramento, CA 95833. I am a Fellow of the Casualty Actuarial Society (FCAS) and a Member of the American Academy of Actuaries (MAAA). I meet the American Academy of Actuaries' qualification standards for statements of public opinion on loss reserves.

I have been retained by Alaska Public Entity Insurance to express an opinion on their outstanding loss and loss adjustment expense liabilities as of June 30, 2018.

SCOPE

Alaska Public Entity Insurance (APEI) is a joint insurance association organized by statute to provide insurance coverage to Alaska municipalities and schools. Lines of coverage include automobile liability and physical damage, other liability, property, and workers' compensation. This opinion is limited to APEI's loss and loss adjustment expense liabilities of as of June 30, 2018. The following table summarizes the results of the APEI internal actuarial analysis.

Alaska Public Entity Insurance Unpaid Loss & Loss Expense Liabilities as of June 30, 2018	
Net of Deductibles and Ceded Reinsurance Undiscounted	
Auto Liability	\$ 218,703
Auto Physical Damage	30,905
Other Liability	6,677,226
Medical Payments	39,852
Property	917,904
Workers' Compensation	3,284,743
Claims Administration	584,445
Total	\$ 11,753,778

OPINION

In my opinion, the total undiscounted liability of \$11,753,778 shown in the table on the previous page meets the requirements of the insurance laws of Alaska and was computed in accordance with accepted loss reserving standards and principles. This estimate makes a reasonable provision for the net unpaid loss and loss adjustment expense obligations of APEI under the terms of its contracts and agreements, assuming all deductibles and reinsurance are collectible.

The total undiscounted liability booked by APEI as of June 30, 2018 is \$11,753,778. This matches the amount from the APEI internal actuarial analysis, and is within my range of estimates.

CONDITIONS AND LIMITATIONS

Supporting materials for the estimates in the table on the previous page can be found in the APEI internal actuarial analysis released July 30, 2018. These estimates are expected values derived based upon data valued as of June 30, 2018 and do not include any provision for the risk of adverse deviation.

It should be noted that reserve estimates at a given point in time are forecasts and are subject to some uncertainty. While the above estimates are reasonable based on losses identified in the actuarial report, subsequent events may cause these estimates to appear inadequate or excessive. No warranty is expressed or implied that this may not occur.

I am not aware of any events which have occurred since June 30, 2018 that would materially impact the results of the actuarial analysis.

This actuarial opinion is expressed with respect to loss and loss adjustment expense net of salvage, subrogation, deductibles, and ceded reinsurance. The reserve does not include any contingent liability related to uncollected reinsurance, and the potential for uncollected reinsurance was not reviewed in this analysis. Furthermore, there is no provision for unreported catastrophic losses in this opinion.

REVIEW AND VERIFICATION OF DATA AND METHODOLOGY

In forming the opinion on the loss and loss adjustment expense reserves, reliance was placed upon data and analysis prepared by the appropriate officers or employees of APEI.

The primary data utilized in the actuarial analysis include claims costs, exposures, and claims handling expenses. This data was reviewed for reasonableness and consistency. Furthermore, the actuarial methodologies used in the APEI internal actuarial analysis, as well as the various actuarial factors and quantities selected therein, were reviewed for reasonableness.

To the extent that any questions regarding the data or methodology arose, those questions were resolved through direct conversation with APEI.

USE OF OPINION

This opinion is provided for the use of APEI and their independent accountants. Any other use requires prior written permission from Bickmore.



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August 31, 2018

Date



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