

McGladrey & Pullen

Certified Public Accountants

South Dakota Public Assurance Alliance

Financial Report

12.31.2006

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Independent Auditor's Report

To the Board of Directors
South Dakota Public Assurance Alliance
Pierre, South Dakota

We have audited the accompanying statements of net assets of the South Dakota Public Assurance Alliance (Pool) as of December 31, 2006 and 2005, and the related statements of revenues and expenses, changes in net assets, and cash flows for the years then ended, which collectively comprise the Pool's basic financial statements. These financial statements are the responsibility of the Pool's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the South Dakota Public Assurance Alliance as of December 31, 2006 and 2005, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Schedules of Claims Development Information on pages 16 and 17 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it. The Pool has not presented a management's discussion and analysis that accounting principles generally accepted in the United States of America require to supplement, although not to be a part of, the basic financial statements.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Pool's basic financial statements. The combining schedules listed in the table of contents as other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

McGladrey & Pullen, LLP

Sioux Falls, South Dakota
May 25, 2007

South Dakota Public Assurance Alliance

Statements of Net Assets
December 31, 2006 and 2005

Assets	2006	2005
Current Assets		
Cash and cash equivalents	\$ 749,233	\$ 1,191,434
Receivables:		
Contributions	326,640	96,162
Investment income	183,435	136,540
Reinsurance recoverable on paid losses	10,834	-
Prepaid expenses	118,834	88,992
Investments (Note 2):		
Certificates of deposit	445,336	871,819
Debt securities	1,430,377	1,410,934
Total current assets	3,264,689	3,795,881
Noncurrent Assets		
Investments (Note 2):		
Certificates of deposit	2,956,383	1,396,530
Debt securities	14,187,255	12,605,226
Contributed surplus and member equity in NLC Mutual Insurance Company (Note 5)	526,331	395,985
	17,669,969	14,397,741
	\$ 20,934,658	\$ 18,193,622
Liabilities and Net Assets		
Current Liabilities		
Losses and loss adjustment expense reserves (Note 3)	\$ 2,331,162	\$ 4,046,892
Accounts payable and accrued expenses	196,291	22,597
Unearned premiums	2,955,174	2,748,886
Total current liabilities	5,482,627	6,818,375
Noncurrent Liabilities		
Losses and loss adjustment expense reserves (Note 3)	11,244,152	8,531,561
Unearned premiums, capitalization contributions	299,536	344,980
	11,543,688	8,876,541
Total liabilities	17,026,315	15,694,916
Net Assets - Unrestricted	3,908,343	2,498,706
	\$ 20,934,658	\$ 18,193,622

See Notes to Financial Statements.

South Dakota Public Assurance Alliance

Statements of Revenues, Expenses and Changes in Net Assets
Years Ended December 31, 2006 and 2005

	2006	2005
Operating revenues:		
Contributions:		
Operating, net of renewal, loss control and loss ratio credits of \$372,331 and \$554,927 in 2006 and 2005, respectively	\$ 7,907,052	\$ 7,619,791
Reinsurance premiums ceded (Note 5)	(1,230,543)	(1,409,241)
Net operating revenues	6,676,509	6,210,550
Operating expenses:		
Losses and loss adjustment expenses incurred (Notes 3 and 4)	4,785,909	3,966,033
General and administrative expenses:		
Marketing and administrator's fees (Note 4)	1,483,885	1,394,546
Other (Note 4)	253,600	238,885
Total general and administrative expenses	1,737,485	1,633,431
Total operating expenses	6,523,394	5,599,464
Operating income	153,115	611,086
Nonoperating revenues (expenses):		
Net investment income	817,662	700,955
Net increase (decrease) in fair value of investments	32,423	(342,036)
Earned member equity, NLC Mutual Insurance Company, net of penalties (Note 5)	88,962	(43,919)
Total nonoperating revenues	939,047	315,000
Income before capitalization contributions and distributions	1,092,162	926,086
Capitalization contributions	317,475	300,211
Capitalization distributions	-	(17,095)
Change in net assets	1,409,637	1,209,202
Net assets:		
Beginning of year	2,498,706	1,289,504
End of year	\$ 3,908,343	\$ 2,498,706

See Notes to Financial Statements.

South Dakota Public Assurance Alliance

Statements of Cash Flows

Years Ended December 31, 2006 and 2005

	2006	2005
Cash Flows From Operating Activities		
Operating contributions received	\$ 7,882,862	\$ 7,815,568
Reinsurance premiums paid	(1,230,543)	(1,440,046)
Losses and loss adjustment expenses paid	(3,799,882)	(4,027,741)
General and administrative expenses paid	(1,593,633)	(1,548,486)
Net cash provided by operating activities	1,258,804	799,295
Cash Flows From Noncapital Financing Activities		
Cumulative reserve contributions received	272,030	336,902
Cumulative reserve contributions paid	-	(17,095)
Net cash provided by noncapital financing activities	272,030	319,807
Cash Flows From Investing Activities		
Debt securities:		
Purchases	(6,376,076)	(4,624,525)
Maturities and calls	3,524,551	2,350,363
Repayments on mortgage-backed securities	1,258,274	650,315
Proceeds from maturities of certificates of deposit	781,453	699,000
Purchases of certificates of deposit	(1,890,621)	(1,045,784)
Investment income received, net of investment expenses	770,767	686,572
Capital contributions to NLC Mutual Insurance Company	(41,383)	(272,882)
Net cash used in investing activities	(1,973,035)	(1,556,941)
Net decrease in cash and cash equivalents	(442,201)	(437,839)
Cash and Cash Equivalents		
Beginning of year	1,191,434	1,629,273
End of year	\$ 749,233	\$ 1,191,434
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 153,115	\$ 611,086
(Increase) decrease in assets:		
Contributions receivable	(230,478)	387,289
Deductibles recoverable	-	51,108
Reinsurance recoverable on paid losses	(10,834)	197,895
Prepaid expenses	(29,842)	167,012
Increase (decrease) in liabilities:		
Losses and loss adjustment expense reserves	996,861	(259,603)
Accounts payable and accrued expenses	173,694	(163,980)
Unearned premiums	206,288	(191,512)
Net cash provided by operating activities	\$ 1,258,804	\$ 799,295
Supplemental Disclosure of Noncash Investing and Financing Activity		
Net increase (decrease) in the fair value of investments	\$ 32,423	\$ (342,036)
Earned member equity, NLC Mutual Insurance Company	88,962	(43,919)

See Notes to Financial Statements.

South Dakota Public Assurance Alliance

Notes to Financial Statements

Note 1. Nature of Business and Significant Accounting Policies

Nature of business: The South Dakota Public Assurance Alliance (Pool) is a local government risk-sharing pool whose 353 members are various governmental entities throughout South Dakota. The Pool was formed in December 1986 for the primary purpose of managing and funding third-party claims against its members. An Intergovernmental Contract governs the operations of the Pool. The administration of the Intergovernmental Contract and management of the Pool are performed by a Board of Directors of not more than 9 members.

The Board of Directors has designated an "Operating Fund" and a "Cumulative Reserve Fund", the sum of these amounts comprise Net Assets – Unrestricted in the Pool's statements of net assets. Amounts in the Operating Fund are adjusted by changes in net assets resulting from other than capitalization contributions, which are net of distributions of capitalization contributions. As of December 31, 2006 and 2005, the Operating Fund had a deficiency of \$(6,364,994) and \$(7,513,342), respectively, and the Cumulative Reserve Fund had a balance of \$10,273,337 and \$10,012,048, respectively. In the event that the Operating Fund is exhausted during any Pool fiscal year, any funds required to fulfill the purpose of the Operating Fund will be allocated from the Cumulative Reserve Fund. The sum so allocated constitutes a deficiency in the Cumulative Reserve Fund. This deficiency in the Cumulative Reserve Fund will be allocated to the members at the time withdrawn, on a pro rata basis determined by the Board of Directors. This deficit in the Cumulative Reserve Fund will be made up in subsequent years with any excess of income over expenses in the Operating Fund being transferred to the Cumulative Reserve Fund.

Members with casualty risk coverage provided by the Pool, agree to make annual operating contributions to the Pool, a portion of which are deemed "capitalization contributions" and are made in six annual installments according to the following schedule:

	<u>Percent of "basis rate"</u>
Initial contribution	100%
First anniversary	75
Second anniversary	50
Third anniversary	30
Fourth anniversary	25
Fifth anniversary	20

Subsequent to the fifth anniversary, additional capitalization contributions are required only if the Pool's Board of Directors determine that such contributions are necessary to maintain the Cumulative Reserve Fund at a level equal to 300% of the total current basis rates of all members or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool. Capitalization contributions do not apply to members with property risk coverage.

"Basis rate" is that amount annually promulgated by the administrator of the Pool which is deemed necessary to provide the scope of coverage afforded to a member for the period of one year corresponding to the risk sharing certificate effective date, with due consideration to the member's individual characteristics.

South Dakota Public Assurance Alliance

Notes to Financial Statements

Note 1. Nature of Business and Significant Accounting Policies (continued)

Nature of business (continued): Members agree to continue membership for a period of not less than one full year. At the conclusion of such period, or anniversary thereof, a member who has given sixty days prior written notice to the Pool may withdraw. Within 120 days following withdrawal, or as soon thereafter as the next annual budget is completed, the Pool will refund to the withdrawing member that percentage of those capitalization contributions made to the Pool under casualty risk coverage, according to the following schedule:

End of member's first full year	50%
End of member's second full year	60%
End of member's third full year	70%
End of member's fourth full year	80%
End of member's fifth full year	90%
End of member's sixth full year and thereafter	100%

The Pool will deduct from such refund, the member's contribution, which the withdrawing member would have made for the one-year period following withdrawal together with the withdrawing member's proportionate share (determined in accordance with the Intergovernmental Contract) of any deficiency in the Cumulative Reserve Fund.

A member cannot obtain property risk coverage without having casualty risk coverage and a member's election to cease participation in the Pool for property risk coverage does not constitute a withdrawal under any other terms and conditions of the Intergovernmental Contract. Property risk coverage applies only to losses or claims, which occur prior to the termination date. All rights for reimbursement or any right to claim against the Pool terminate for property risk losses, which occur after the termination date.

Effective on the date of withdrawal, payments for all known and unknown casualty risk coverage claims and claims expense thereafter become the sole responsibility of the withdrawing member without regard to whether a claim occurred or was reported prior to the withdrawal of the member's participation in the Pool.

Effective on the date of withdrawal, payments for all property risk claims and claims expense which occurred thereafter, become the sole responsibility of the withdrawing member. The Pool will cover any property claim reported in a timely manner not to exceed sixty days after its occurrence, if the claim occurred during the period the risk sharing certificate was in effect and if coverage was otherwise available under the risk sharing certificate.

The Pool may, by a two-thirds (2/3) majority of the Board of Directors and by providing a member sixty days prior written notice, cancel that member's participation in the Pool and terminate its Intergovernmental Contract effective at the end of any risk sharing certificate year. Thereafter, it is the responsibility of the Pool to defend, settle and pay claims within the scope and limits set forth in the cancelled member's risk sharing certificate in effect on the date of the occurrence out of which such claim arose. This provision applies solely to claims, which occurred during a member's participation and evidenced by the member's risk sharing certificate. The cancelled member has the right, prior to the actual date of cancellation, to withdraw from the Pool by giving notice of such withdrawal. Electing to withdraw, the member shall be subject to the withdrawal provisions of the Intergovernmental Contract. Failing to elect to give notice of withdrawal, the cancelled member forfeits all rights to refund of those capitalization contributions made to the Pool by said cancelled member.

South Dakota Public Assurance Alliance

Notes to Financial Statements

Note 1. Nature of Business and Significant Accounting Policies (continued)

Nature of business (continued): Any member failing to make payments when due as required by the Intergovernmental Contract, will be terminated from the Pool effective on the date the payment was due and upon that effective date of termination all coverages and benefits thereunder cease. All known and unknown claims and claims expenses thereafter become the sole responsibility of the terminated member without regard to whether a claim occurred or was reported prior to the termination of the member's participation in the Pool. The terminated member also forfeits all rights to any return of contributions including its vested interest in the Cumulative Reserve Fund. The Pool will apply any or all of the terminated member's forfeited funds to the Operating Fund. If the member subsequently submits its payment, the administrator may, in its discretion, reinstate such membership.

In the event that a claim or a series of claims exceeds the amount of risk sharing protection provided by the member's risk sharing certificate, or in the event that a claim or a series of claims should exhaust the Operating Fund, the Cumulative Reserve Fund and any reinsurance, then payment of valid claims are the sole and separate obligation of the individual member or members against whom the claim was made and perfected by litigation or settlement.

The Pool will terminate at such time as two-thirds (2/3) of the members vote for such termination. After a vote to terminate, the Board of Directors will commence with the orderly liquidation of the Pool's business and will complete the same as promptly as possible. During such period of liquidation the Pool will continue to pay claims and losses incurred within the scope of coverage and pursuant to the risk sharing certificate until all funds of the Pool are exhausted. After payment of all claims and losses, any remaining funds held by the Pool will be paid to all members of the Pool at the time of the vote of termination, on a pro rata basis determined by the Board of Directors.

To the extent of the existence of funds in the Operating Fund and Cumulative Reserve Fund, no member shall be responsible for any claim, claims, judgment or judgments against any other member or members. If upon termination of the Pool the remaining assets of the Pool are insufficient to satisfy indebtedness of the Pool (excluding claims or judgments against the members), such deficiency will be made up by assessments against members of the Pool on a pro rata basis determined by the Board of Directors.

The Pool is exposed to various risks of loss related to torts and errors and omissions. The Pool has purchased commercial insurance to mitigate its risks.

A summary of the Pool's significant accounting policies follows:

Basis of presentation: The financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting. The Pool prepares its financial statements primarily following the guidance of Governmental Accounting Standards Board (GASB) Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues" (as amended by subsequent GASB statements) along with other applicable standards issued by the GASB as well as applicable standards issued by the Financial Accounting Standards Board (FASB), except those that conflict with or contradict GASB pronouncements. GASB Statement No. 10 establishes accounting and financial reporting standards for risk financing and insurance-related activities of public entity risk pools.

South Dakota Public Assurance Alliance

Notes to Financial Statements

Note 1. Nature of Business and Significant Accounting Policies (continued)

Basis of presentation (continued): The Pool operates as a single proprietary fund, more specifically as an enterprise fund. The Pool distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the Pool's principal ongoing operations. Nonoperating revenues and expenses result primarily from investment activities.

Use of estimates: The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near-term relate to the estimated liability for losses and loss adjustment expense reserves.

Cash and cash equivalents: For purposes of reporting the statements of cash flows, the Pool includes as cash equivalents all cash accounts and money market mutual funds which are not subject to withdrawal restrictions or penalties. Certificates of deposit are considered investments as all have been purchased with maturities in excess of ninety days.

Investments: Investment securities are accounted for under the provisions of GASB Statement No. 31. Under GASB No. 31, the Pool is required to report investments (other than certificates of deposit) at fair value in the statement of net assets with changes in the fair value of investments reported as investment income. Certificates of deposit are stated at cost.

Dividend and interest income are recognized when earned.

The calculation of realized gains and losses is independent of the calculation of the net increase (decrease) in the fair value of investments. Realized gains and losses on investments that had been held in more than one year and sold in the current year may have been recognized as an increase or decrease in the fair value of investments reported in the prior year.

The Pool's Board of Directors has authorized investments in certificates of deposit, United States Treasury and government agency issues, mortgage-backed securities and mutual funds, among other investments.

Member equity in NLC Mutual Insurance Company: The Pool records its share of net increases (decreases) in net assets - unrestricted as income (loss) in the Pool's statement of revenues and expenses and adds (deducts) such amounts to (from) the investment account.

Reinsurance: In the normal course of business, the Pool seeks to reduce the loss that may arise from events that cause unfavorable underwriting results, by reinsuring certain levels of risk in various areas of exposure with other insurance enterprises or reinsurers.

Amounts recoverable from reinsurers under excess loss coverages are estimated in a manner consistent with the development of the estimated liability for losses and loss adjustment expense reserves.

South Dakota Public Assurance Alliance

Notes to Financial Statements

Note 1. Nature of Business and Significant Accounting Policies (continued)

Losses and loss adjustment expense reserves: The Pool establishes loss reserves based upon estimates of the ultimate cost of losses, including future loss adjustment expenses related to claims that have been reported but not settled and of claims that have been incurred but not reported. The length of time for which such costs must be estimated varies depending on the type of coverage involved.

The estimated liability for losses and loss adjustment expenses is based upon data developed by the Pool's administrator. Industry experience and statistics were used to develop the estimated liability. The claims history of the Pool was also considered.

As adjustments to this estimated liability become necessary, such adjustments are reflected in current operations. Management of the Pool believes the estimated liability for losses and loss adjustment expense reserves is sufficient to cover the ultimate net cost of incurred claims, but such reserves are necessarily based on estimates and the ultimate liability may be greater or less than the amounts estimated. An independent actuary assisted management with the establishment of estimated claims liabilities at December 31, 2006 and 2005.

Capitalization contributions and unearned premiums: Casualty capitalization contributions are accounted for under the provisions of GASB Interpretation No. 4, "Accounting and Financial Reporting for Capitalization Contributions to Public Entity Risk Pools" (Interpretation No. 4). Under Interpretation No. 4, capitalization contributions to pools to which risk is transferred must be accounted for as revenue by initially recording such contributions as unearned premiums, then amortizing them into revenue over an appropriate period not to exceed 10 years. Unearned premiums resulting from the application of Interpretation No. 4 are being amortized pro rata over a six-year period, the period over which capitalization contributions are allocated.

Operating contributions and unearned premiums: Members are billed annually in advance for operating contributions. Income from such contributions is recorded as earned during the coverage period. Contributions received in advance for coverage in the following year are recorded as unearned premiums. Revenue is reduced by reinsurance premiums ceded to the reinsurance companies.

Income taxes: The Pool has received a private letter ruling from the Internal Revenue Service, dated December 7, 1987, to the effect that the Pool's income is excludable from gross income under Section 115 of the Internal Revenue Code and is thus exempt from federal income taxes. Management believes that the Pool continues to operate in a manner whereby it continues to be tax exempt.

Premium deficiency: A premium deficiency exists when the sum of expected claims costs (including an estimated liability for unreported claims) and all expected claims adjustment expenses, expected dividends, and policy acquisition costs exceed related unearned premiums. The Pool anticipates investment income in determining if a premium deficiency exists. No premium deficiency existed as of December 31, 2006 and 2005.

Reclassifications: Certain reclassifications have been made to prior year amounts to conform to the current year presentation. Such reclassifications had no impact on the change in net assets.

South Dakota Public Assurance Alliance

Notes to Financial Statements

Note 2. Deposits and Investments

The Pool's cash and cash equivalents are comprised of a money market account and a checking account. Custodial credit risk is the risk that in the event of a bank failure, the Pool's deposits may not be returned to it. The Pool does not have a deposit policy for custodial credit risk. As of December 31, 2006 and 2005, \$743,631 and \$1,181,906 was exposed to custodial credit risk as uninsured and uncollateralized, respectively,

As of December 31, 2006, the Pool had the following investments:

Investment Type	Fair Value/ Carrying Value	Effective Duration (In Years)
U.S. treasury issues	\$ 635,869	0.02
U.S. government corporations and agencies	8,138,609	3.13
Mortgage-backed securities	6,843,154	4.21
Certificates of deposit	3,401,719	2.89
Total	<u>\$ 19,019,351</u>	<u>3.37</u>

As of December 31, 2005, the Pool had the following investments:

Investment Type	Fair Value/ Carrying Value	Effective Duration (In Years)
U.S. treasury issues	\$ 633,320	1.00
U.S. government corporations and agencies	8,768,407	3.11
Mortgage-backed securities	4,614,433	4.31
Certificates of deposit	2,268,349	1.92
Total	<u>\$ 16,284,509</u>	<u>3.20</u>

During 2006 and 2005, the Pool realized a net gain of \$53,393 and a net loss of \$7,066, respectively, from the sale of investments. The net increase in the fair value of investments during 2006 was \$32,423 and the net decrease in the fair value of investments during 2005 was \$342,036. These amounts take into account all changes in fair value (including purchases and sales) that occurred during the year. The net unrealized gain on investments held at December 31, 2006 and 2005 was \$293,975 and \$252,754, respectively.

Interest rate risk: The Pool's investment policy provides for the avoidance of undue concentration in the maturity of bonds in the portfolio and the effective duration of the portfolio is limited to no longer than 4 years. The investment policy also provides that at least \$300,000 or more of investments should mature within 20 days or less.

South Dakota Public Assurance Alliance

Notes to Financial Statements

Note 2. Deposits and Investments (continued)

Credit risk: The Pool's investment policy provides that all investments shall be federally insured, protected against loss as provided in SDCL 4-6A-9 as "public deposits" in qualified public depositories, or meet the requirements of SDCL 4-5-6, which allows investments in (a) securities of the United States and securities guaranteed by the United States government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a) above; or in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) above and repurchase agreements described in (b) above. The Pool has no investment policy that would further limit its investment choices other than as described in its investment footnote disclosures. The credit rating for U.S. government corporations and agencies and mortgage-backed securities is AAA, as of December 31, 2006 and 2005.

Concentration of credit risk: The Pool's investment policy provides that securities issued directly by or indirectly guaranteed by the United States Government (including, but not limited to U.S. treasury securities and securities issued by or guaranteed by the Government National Mortgage Association) may be owned without limit. The aggregate market value of all unsecured obligations issued by or guaranteed by government sponsored enterprises which are not direct or indirect obligations of the U.S. Treasury (including, but not limited to Fannie Mae, Freddie Mac, and the Federal Home Loan Bank) are limited to 60% of the market value of the portfolio. This limitation does not apply to collateralized obligations guaranteed by these government sponsored enterprises (including, but not limited to mortgage-backed pass-through securities). The aggregate market value of all certificates of deposit owned in the portfolio cannot exceed 75% of the market value of the portfolio. The use of leverage and direct investment in derivative securities is prohibited.

South Dakota Public Assurance Alliance

Notes to Financial Statements

Note 3. Liability for Losses and Loss Adjustment Expense Reserves

The Pool establishes liabilities for both reported and unreported covered events, which includes estimates of both future payments of claims and related claims adjustment expenses. The following is a summary of the changes in those aggregate liabilities for the years ended December 31, 2006 and 2005.

	2006	2005
Unpaid losses and loss adjustment expense reserves at beginning of year	\$ 12,578,453	\$ 12,838,056
Less reinsurance recoverable at beginning of year	-	(197,895)
Net unpaid losses and loss adjustment expenses at beginning of year	<u>12,578,453</u>	<u>12,640,161</u>
Net incurred losses and loss adjustment expenses:		
Current year provision	5,354,623	5,928,740
Increase (decrease) in prior years' provisions	(568,714)	(1,962,707)
Net provision	<u>4,785,909</u>	<u>3,966,033</u>
Net losses and loss adjustment expense payments attributable to:		
Current year	(1,562,007)	(1,566,716)
Prior years	(2,237,875)	(2,461,025)
Net payments	<u>(3,799,882)</u>	<u>(4,027,741)</u>
Net unpaid losses and loss adjustment expenses at end of year	13,564,480	12,578,453
Plus reinsurance recoverable at end of year	10,834	-
Unpaid losses and loss adjustment expense reserves at end of year	<u>\$ 13,575,314</u>	<u>\$ 12,578,453</u>

The 2006 and 2005 decreases in prior years' provisions of incurred losses and loss adjustment expenses resulted from positive loss development experience.

South Dakota Public Assurance Alliance

Notes to Financial Statements

Note 4. Agreements

Hagan Benefits, Inc. (HBI) performs the program administration, marketing, underwriting, billing and collection services for the Pool. Total fees incurred under the HBI agreements were \$1,483,885 and \$1,394,546 in 2006 and 2005, respectively, and are included in general and administrative expenses on the statements of revenues and expenses.

The administration agreement with HBI provides for fees for 2005 of \$140,000, with a 10% increase annually thereafter through the term of the agreement, which expires December 31, 2009. The marketing agreement with HBI provides for fees of 15.6% of member contributions. The marketing agreement expires December 31, 2009.

The Pool has agreements with Claims Associates, Inc. (CAI) to provide administrative, investigative, and adjustment services for claims incurred. The agreements provide for a flat fee for claims administration services with varying fees for claims adjustment expenses incurred. The agreements expire December 31, 2009. Total fees incurred under these agreements in 2006 and 2005 were \$949,329 and \$836,319, respectively, and are included in losses and loss adjustment expenses on the statements of revenues and expenses.

The Pool has an agreement with Safety Benefits, Inc. to provide a loss control program for members. The agreement states that Safety Benefits, Inc. be compensated based on a flat fee. The agreement expires December 31, 2009. Fees incurred in 2006 and 2005 were \$265,504 and \$262,209, respectively, and are included in losses and loss adjustment expenses on the statements of revenues and expenses.

The Pool maintains agency accounts with the First National Bank of Sioux Falls (FNB) under a custodial agreement. Fees incurred to FNB in 2006 and 2005 were \$49,527 and \$43,671, respectively, and are netted against investment income on the statements of revenues and expenses.

The South Dakota Municipal League (SDML) is the sponsoring organization of the Pool. SDML provides information and support services to the Pool. Fees incurred to SDML in 2006 and 2005 were \$68,224 and \$64,826, respectively, and are included in general and administrative expenses on the statements of revenues and expenses.

Note 5. Reinsurance

The Pool has a casualty reinsurance agreement with NLC Mutual Insurance Company (NLC Mutual). NLC Mutual is a mutual captive insurance company. NLC Mutual provides workers' compensation, general liability, and property reinsurance to state municipal league sponsored pools. The Pool retains casualty risks up to \$250,000 per claim and claims exceeding \$250,000 are reinsured in an amount not to exceed \$4,750,000 of loss per occurrence.

The Pool also retains property reinsurance. During 2005, the property reinsurance was obtained from NLC Mutual and the Pool retained risk up to \$100,000 per claim in an amount not to exceed \$900,000 per claim for all claims other than crime or employee dishonesty, which are reinsured in an amount not to exceed \$230,000. Effective January 1, 2006, property reinsurance was obtained from another carrier. The Pool retains property risks up to \$250,000 per claim and claims exceeding \$250,000 are reinsured in an amount not to exceed \$500,000,000 per occurrence.

During 2007, the Pool obtained casualty reinsurance from another carrier in which individual claims are indemnified for amounts in excess of \$500,000 with a limit of \$6,000,000 per occurrence. The Pool also obtained property reinsurance from another carrier in which individual claims are indemnified for amounts in excess of \$250,000 with a limit of \$250,000,000 per occurrence.

The by-laws of NLC Mutual provide that each member of NLC Mutual, upon withdrawal, is to receive a share of NLC Mutual's net worth. Such distributions by NLC Mutual cannot be made without the prior approval of the Vermont Department of Banking, Insurance, Securities and Health Care Administration. Effective December 31, 2006, the Pool withdrew from the property and casualty coverages of NLC Mutual. The Pool made capital contributions to NLC Mutual related to the casualty line of \$41,383 and \$144,999 in 2006 and 2005, respectively, and contributions to NLC Mutual related to the property line of \$0 and \$127,883 in 2006 and 2005, respectively. NLC Mutual has been returning profits back to its members each year from underwriting and investment activities.

The Pool's share of NLC Mutual's net worth is comprised of contributed surplus and retained surplus. In accordance with NLC Mutual's by-laws, contributed surplus including interest earned thereon, will be returned to the Pool approximately 4 years after withdrawal notice is submitted to NLC Mutual. Retained surplus will be returned to the Pool no later than 10 years for the casualty line and no later than 6 years for the property line after withdrawal notice is submitted to NLC Mutual, however, the Pool may elect to receive such retained surplus prior to 10 and 6 years, respectively, with such amounts reduced on a percentage basis depending on when the amounts are requested by the Pool (35% and 80% of such amounts would be received for casualty and property, respectively, if requested 2 years after the computation date, with such percentage increasing over the period to 100% after 10 and 6 years, respectively). It is the Pool's intention to request that its retained surplus under the property and casualty lines be returned to the Pool no later than two years after the withdrawal date, and accordingly, \$84,833 of early withdrawal penalty in 2006 is included in earned member equity of NLC Mutual in the statement of revenues and expenses.

Contributed surplus and retained surplus are subject to adjustment for the period between the Pool's date of notice of withdrawal and the actual payment date of such amounts, to include adjustments applicable to the related accounts during such period in accordance with NLC Mutual's by-laws. As of December 31, 2006, the Pool's share of NLC Mutual's net worth was \$262,694 for the casualty line, of which \$226,278 related to contributed surplus and \$36,416 related to retained surplus. As of December 31, 2006, the Pool's share of NLC Mutual's net worth was \$263,637 for the property line, of which \$194,823 related to contributed surplus and \$68,814 related to retained surplus.

The Pool would be liable for any obligations that the reinsurance companies are unable to meet under the reinsurance agreements. Reinsurance amounts of \$3,217,502 and \$559,184 were deducted from the estimated liability for losses and loss adjustment expense reserves in 2006 and 2005, respectively. During 2006 and 2005, the Pool received \$719,569 and \$362,367 of recoveries from the reinsurance companies under contract.

South Dakota Public Assurance Alliance

Notes to Financial Statements

Note 6. Member Contributions

Renewal credits were \$147,149 and \$476,995 under the casualty line and \$23,017 and \$77,932 under the property line during the years ended December 31, 2006 and 2005, respectively. Loss control credits were \$116,702 and \$0 under the casualty line and \$17,972 and \$0 under the property line during the years ended December 31, 2006 and 2005, respectively. Loss ratio credits were \$57,602 and \$0 under the casualty line and \$9,889 and \$0 under the property line during the years ended December 31, 2006 and 2005, respectively. Renewal, loss control and loss ratio credits are reported as a reduction of member contributions earned in the year in which the member renews.

Note 7. New Governmental Accounting Standards

The GASB has issued the following Statements:

Statement No. 43 - "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans". This Statement establishes uniform financial reporting standards for other postemployment benefit plans (OPEB plans) and supersedes existing guidance.

Statement No. 45 - "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pension", establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and if applicable, required supplementary information.

Statement No. 43 will become effective for the year ending December 31, 2007. Statement No. 45 will become effective no later than the year ending December 31, 2009. Management has not yet completed its assessment of these Statements, however, these Statements are not expected to have a material effect on the overall financial statement presentation of the Pool.

South Dakota Public Assurance Alliance

Required Supplementary Information - Schedule of Claims Development Information (Casualty) - Unaudited
For the Ten Years Ended December 31, 2006

	*1997	*1998	*1999	*2000	*2001	*2002	*2003	2004	2005	2006
Net earned member contributions and investment income:										
Earned	\$ 8,261,221	\$ 6,202,816	\$ 6,146,717	\$ 5,294,578	\$ 5,877,161	\$ 5,117,873	\$ 7,085,676	\$ 4,647,134	\$ 5,566,726	\$ 5,598,882
Ceded	928,775	491,904	527,771	439,011	478,288	605,861	882,528	610,059	637,369	732,588
Net earned	7,332,446	5,710,912	5,618,946	4,855,567	5,398,873	4,512,012	6,203,148	4,037,075	4,929,357	4,866,294
Unallocated expenses	1,330,747	1,193,278	1,213,829	1,508,810	1,676,017	1,375,632	1,463,841	1,342,455	1,068,062	1,165,105
Estimated claims and expenses, end of policy year:										
Incurred	5,936,864	4,061,716	3,983,173	2,800,028	3,225,428	2,933,838	4,890,788	4,821,603	4,835,473	4,323,271
Ceded	775,288	384,294	343,961	265,691	344,124	456,183	722,756	-	-	-
Net incurred	5,161,576	3,677,422	3,639,212	2,534,337	2,881,304	2,477,655	4,168,032	4,821,603	4,835,473	4,323,271
Net paid (cumulative) as of:										
End of policy year	535,168	342,800	517,566	325,428	520,345	458,055	617,802	874,169	861,770	823,766
One year later	1,090,548	677,472	834,311	660,531	948,277	1,010,479	1,175,258	1,523,325	1,449,117	
Two years later	1,455,268	1,276,008	1,208,626	792,480	1,652,279	1,669,320	1,593,084	1,911,996		
Three years later	1,618,087	1,444,709	2,019,738	1,101,185	1,933,209	2,479,592	1,913,479			
Four years later	1,678,248	1,779,424	2,428,582	1,185,566	2,020,956	2,669,911				
Five years later	1,711,133	1,894,981	2,514,858	1,295,934	2,046,821					
Six years later	1,744,043	1,969,439	2,562,548	1,435,822						
Seven years later	1,784,221	1,952,202	2,624,892							
Eight years later	1,781,711	2,086,971								
Nine years later	1,866,262									
Reestimated ceded claims and expenses	215,858	329,203	392,675	217,722	184,776	335,894	334,611	180,737	1,530,000	-
Reestimated net incurred claims and expenses:										
End of policy year	5,161,576	3,677,422	3,639,212	2,534,337	2,881,304	2,477,655	4,168,032	4,821,603	4,835,473	4,323,271
One year later	3,747,217	2,670,972	3,172,004	2,281,228	2,708,859	3,029,003	3,624,157	4,110,676	4,318,049	
Two years later	2,432,967	2,322,589	2,703,223	1,734,768	2,497,852	4,001,195	2,659,094	4,044,965		
Three years later	2,059,795	2,392,433	2,868,655	1,667,816	2,528,159	4,062,162	2,493,561			
Four years later	1,893,410	2,118,513	2,886,501	1,650,581	2,189,273	4,342,696				
Five years later	1,806,855	2,172,933	3,842,157	1,671,114	2,165,723					
Six years later	1,904,505	2,185,083	3,792,579	1,462,017						
Seven years later	1,949,640	2,177,909	3,836,053							
Eight years later	1,945,700	2,159,977								
Nine years later	2,029,797									
Increase (decrease) in estimated net incurred claims and expenses from end of policy year	\$ (3,131,779)	\$ (1,517,445)	\$ 196,841	\$ (1,072,320)	\$ (715,581)	\$ 1,865,041	\$ (1,674,471)	\$ (776,638)	\$ (517,424)	\$ -

* Amounts related to 2003 and prior years were derived from amounts presented in audited financial statements from the Pool's previous auditors, and such information has not been modified in this table.

South Dakota Public Assurance Alliance

Required Supplementary Information - Schedule of Claims Development Information (Property) - Unaudited
December 31, 2006

	*1999	*2000	*2001	*2002	*2003	2004	2005	2006
Net earned member contributions and investment income:								
Earned	\$ 553,629	\$ 847,812	\$ 1,152,068	\$ 5,422,862	\$ 1,336,102	\$ 2,811,931	\$ 2,754,020	\$ 3,125,832
Ceded	47,945	93,624	50,232	4,016,000	980	731,758	771,872	497,955
Net earned	505,684	754,188	1,101,836	1,406,862	1,335,122	2,080,173	1,982,148	2,627,877
Unallocated expenses	279,699	376,120	410,052	647,198	811,557	887,489	565,369	572,380
Estimated claims and expenses, end of policy year:								
Incurred	270,708	469,392	718,209	4,766,502	513,742	1,072,448	1,455,634	1,750,821
Ceded	47,945	93,624	50,232	4,016,000	980	129,164	362,367	719,569
Net	222,763	375,768	667,977	750,502	512,762	943,284	1,093,267	1,031,252
Net paid (cumulative) as of:								
End of policy year	201,346	247,588	399,772	766,912	391,142	561,722	704,946	738,241
One year later	251,874	297,662	538,043	936,288	500,070	777,522	1,103,923	
Two years later	256,160	305,731	697,971	903,386	499,760	781,245		
Three years later	256,241	493,588	698,921	753,350	500,248			
Four years later	317,271	493,588	700,932	753,350				
Five years later	315,926	493,588	700,932					
Six years later	312,284	493,588						
Seven years later	312,284							
Reestimated ceded claims and expenses	73,449	30,882	25,030	3,033,462	7,536	15,268	147,736	1,705,929
Reestimated net incurred claims and expenses:								
End of policy year	222,763	375,768	667,977	750,502	512,762	943,284	1,093,267	1,031,252
One year later	267,119	348,033	553,811	2,289,767	555,461	803,280	1,150,800	
Two years later	256,791	305,815	710,620	912,756	513,159	800,174		
Three years later	256,615	493,588	713,117	753,722	500,248			
Four years later	317,416	493,588	700,932	753,349				
Five years later	315,931	493,588	700,932					
Six years later	312,284	493,588						
Seven years later	312,284							
Increase (decrease) in estimated net incurred claims and expenses from end of policy year	\$ 89,521	\$ 117,820	\$ 32,955	\$ 2,847	\$ (12,514)	\$ (143,110)	\$ 57,533	\$ -

* Amounts related to 2003 and prior years were derived from amounts presented in audited financial statements from the Pool's previous auditors, and such information has not been modified in this table.

South Dakota Public Assurance Alliance

Combining Schedules of Net Assets
December 31, 2006 and 2005

Assets	2006			2005		
	Casualty	Property	Total	Casualty	Property	Total
Current Assets						
Cash and cash equivalents	\$ 500,190	\$ 249,043	\$ 749,233	\$ 1,191,434	\$ -	\$ 1,191,434
Receivables:						
Contributions	268,190	58,450	326,640	72,470	23,692	96,162
Investment income	121,982	61,453	183,435	136,540	-	136,540
Reinsurance recoverable on paid losses	-	10,834	10,834	-	-	-
Interdivisional accounts receivable	-	-	-	-	2,027,499	- *
Prepaid expenses	77,425	41,409	118,834	55,862	33,130	88,992
Investments:						
Certificates of deposit	296,187	149,149	445,336	871,819	-	871,819
Debt securities	951,773	478,604	1,430,377	1,410,934	-	1,410,934
Total current assets	2,215,747	1,048,942	3,264,689	3,739,059	2,084,321	3,795,881
Noncurrent Assets						
Investments:						
Certificates of deposit	1,966,250	990,133	2,956,383	1,396,530	-	1,396,530
Debt securities	13,010,879	1,176,376	14,187,255	12,605,226	-	12,605,226
Contributed surplus and member equity in NLC Mutual Insurance Company	262,694	263,637	526,331	120,236	275,749	395,985
	15,239,823	2,430,146	17,669,969	14,121,992	275,749	14,397,741
	\$ 17,455,570	\$ 3,479,088	\$ 20,934,658	\$ 17,861,051	\$ 2,360,070	\$ 18,193,622
Liabilities and Net Assets						
Current Liabilities						
Losses and loss adjustment expense reserves	\$ 2,102,528	\$ 228,634	\$ 2,331,162	\$ 3,726,568	\$ 320,324	\$ 4,046,892
Accounts payable and accrued expenses	43,635	152,656	196,291	15,415	7,182	22,597
Unearned premiums	1,853,602	1,101,572	2,955,174	1,710,837	1,038,049	2,748,886
Interdivisional accounts payable	-	-	-	2,027,499	-	- *
Total current liabilities	3,999,765	1,482,862	5,482,627	7,480,319	1,365,555	6,818,375
Noncurrent Liabilities						
Losses and loss adjustment expense reserves	11,119,681	124,471	11,244,152	8,440,580	90,981	8,531,561
Unearned premiums, capitalization contributions	299,536	-	299,536	344,980	-	344,980
	11,419,217	124,471	11,543,688	8,785,560	90,981	8,876,541
Total liabilities	15,418,982	1,607,333	17,026,315	16,265,879	1,456,536	15,694,916
Net Assets - Unrestricted	2,036,588	1,871,755	3,908,343	1,595,172	903,534	2,498,706
	\$ 17,455,570	\$ 3,479,088	\$ 20,934,658	\$ 17,861,051	\$ 2,360,070	\$ 18,193,622

* Eliminated during combination

South Dakota Public Assurance Alliance

Combining Schedules of Revenues, Expenses and Changes in Net Assets
Years Ended December 31, 2006 and 2005

	2006			2005		
	Casualty	Property	Total	Casualty	Property	Total
Operating revenues:						
Contributions:						
Operating, net of credits	\$ 5,074,722	\$ 2,832,330	\$ 7,907,052	\$ 4,879,649	\$ 2,740,142	\$ 7,619,791
Reinsurance premiums ceded	(732,588)	(497,955)	(1,230,543)	(637,369)	(771,872)	(1,409,241)
Net operating revenues	4,342,134	2,334,375	6,676,509	4,242,280	1,968,270	6,210,550
Operating expenses:						
Losses and loss adjustment expenses incurred	3,713,514	1,072,395	4,785,909	3,034,467	931,566	3,966,033
General and administrative expenses:						
Marketing and administrator's fees	982,930	500,955	1,483,885	905,535	489,011	1,394,546
Other	182,175	71,425	253,600	162,527	76,358	238,885
Total general and administrative expenses	1,165,105	572,380	1,737,485	1,068,062	565,369	1,633,431
Total operating expenses	4,878,619	1,644,775	6,523,394	4,102,529	1,496,935	5,599,464
Operating income (loss)	(536,485)	689,600	153,115	139,751	471,335	611,086
Nonoperating revenues (expenses):						
Net investment income	524,160	293,502	817,662	687,077	13,878	700,955
Net increase (decrease) in fair value of investments	35,192	(2,769)	32,423	(342,036)	-	(342,036)
Earned member equity, NLC Mutual Insurance Company, net	101,074	(12,112)	88,962	(72,131)	28,212	(43,919)
Total nonoperating revenues	660,426	278,621	939,047	272,910	42,090	315,000
Income before capitalization contributions and distributions	123,941	968,221	1,092,162	412,661	513,425	926,086
Capitalization contributions	317,475	-	317,475	300,211	-	300,211
Capitalization distributions	-	-	-	(17,095)	-	(17,095)
Change in net assets	441,416	968,221	1,409,637	695,777	513,425	1,209,202
Net assets:						
Beginning of year	1,595,172	903,534	2,498,706	899,395	390,109	1,289,504
End of year	\$ 2,036,588	\$ 1,871,755	\$ 3,908,343	\$ 1,595,172	\$ 903,534	\$ 2,498,706

South Dakota Public Assurance Alliance

Combining Schedules of Cash Flows
Years Ended December 31, 2006 and 2005

	2006			2005		
	Casualty	Property	Total	Casualty	Property	Total
Cash Flows From Operating Activities						
Operating contributions received	\$ 5,021,767	\$ 2,861,095	\$ 7,882,862	\$ 5,041,705	\$ 2,773,863	\$ 7,815,568
Reinsurance premiums paid	(732,588)	(497,955)	(1,230,543)	(637,369)	(802,677)	(1,440,046)
Losses and loss adjustment expenses paid	(2,658,453)	(1,141,429)	(3,799,882)	(3,214,947)	(812,794)	(4,027,741)
General and administrative expenses paid	(1,158,448)	(435,185)	(1,593,633)	(964,089)	(584,397)	(1,548,486)
Net cash provided by operating activities	472,278	786,526	1,258,804	225,300	573,995	799,295
Cash Flows From Noncapital Financing Activities						
Cumulative Reserve Fund contributions received	272,030	-	272,030	336,902	-	336,902
Cumulative reserve contributions paid	-	-	-	(17,095)	-	(17,095)
Net cash provided by noncapital financing activities	272,030	-	272,030	319,807	-	319,807
Cash Flows From Investing Activities						
Debt securities:						
Purchases	(4,393,969)	(1,982,107)	(6,376,076)	(4,624,525)	-	(4,624,525)
Maturities and calls	2,361,448	1,163,103	3,524,551	2,350,363	-	2,350,363
Repayments on mortgage-backed securities	843,044	415,230	1,258,274	650,315	-	650,315
Proceeds from maturities of certificates of deposit	523,574	257,879	781,453	699,000	-	699,000
Purchases of certificates of deposit	(1,266,984)	(623,637)	(1,890,621)	(1,045,784)	-	(1,045,784)
Interdivisional amounts	-	-	-	2,027,499	(2,027,499)	-
Investment income received, net of investment expenses	538,718	232,049	770,767	672,694	13,878	686,572
Capital contributions to NLC Mutual Insurance Company	(41,383)	-	(41,383)	(144,999)	(127,883)	(272,882)
Net cash provided by (used in) investing activities	(1,435,552)	(537,483)	(1,973,035)	584,563	(2,141,504)	(1,556,941)
Net increase (decrease) in cash and cash equivalents	(691,244)	249,043	(442,201)	1,129,670	(1,567,509)	(437,839)
Cash and Cash Equivalents						
Beginning of year	1,191,434	-	1,191,434	61,764	1,567,509	1,629,273
End of year	\$ 500,190	\$ 249,043	\$ 749,233	\$ 1,191,434	\$ -	\$ 1,191,434
Reconciliation of operating income (loss) to net cash provided by operating activities:						
Operating income (loss)	\$ (536,485)	\$ 689,600	\$ 153,115	\$ 139,751	\$ 471,335	\$ 611,086
(Increase) decrease in assets:						
Contributions receivable	(195,720)	(34,758)	(230,478)	276,123	111,166	387,289
Deductibles recoverable	-	-	-	51,108	-	51,108
Reinsurance recoverable on paid losses	-	(10,834)	(10,834)	-	197,895	197,895
Prepaid expenses	(21,563)	(8,279)	(29,842)	155,879	11,133	167,012
Increase (decrease) in liabilities:						
Losses and loss adjustment expense reserves	1,055,061	(58,200)	996,861	(180,480)	(79,123)	(259,603)
Accounts payable and accrued expenses	28,220	145,474	173,694	(103,014)	(60,966)	(163,980)
Unearned premiums	142,765	63,523	206,288	(114,067)	(77,445)	(191,512)
Net cash provided by operating activities	\$ 472,278	\$ 786,526	\$ 1,258,804	\$ 225,300	\$ 573,995	\$ 799,295
Supplemental Disclosure of Noncash Investing and Financing Activity						
Net increase (decrease) in the fair value of investments	\$ 35,192	\$ (2,769)	\$ 32,423	\$ (342,036)	\$ -	\$ (342,036)
Earned member equity, NLC Mutual Insurance Company	101,074	(12,112)	88,962	(72,131)	28,212	(43,919)

South Dakota Public Assurance Alliance

Combining Schedules of the Liability for Losses and Loss Adjustment Expense Reserves
Years Ended December 31, 2006 and 2005

	2006			2005		
	Casualty	Property	Total	Casualty	Property	Total
Unpaid losses and loss adjustment expense reserves at beginning of year	\$ 12,167,148	\$ 411,305	\$ 12,578,453	\$ 12,347,628	\$ 490,428	\$ 12,838,056
Less reinsurance recoverable at beginning of year	-	-	-	-	(197,895)	(197,895)
Net unpaid losses and loss adjustment expenses at beginning of year	12,167,148	411,305	12,578,453	12,347,628	292,533	12,640,161
Net incurred losses and loss adjustment expenses:						
Current year provision	4,323,371	1,031,252	5,354,623	4,835,473	1,093,267	5,928,740
Increase (decrease) in prior years' provisions	(609,857)	41,143	(568,714)	(1,801,006)	(161,701)	(1,962,707)
Net provision	3,713,514	1,072,395	4,785,909	3,034,467	931,566	3,966,033
Net losses and loss adjustment expense payments attributable to:						
Current year	(823,766)	(738,241)	(1,562,007)	(861,770)	(704,946)	(1,566,716)
Prior years	(1,834,687)	(403,188)	(2,237,875)	(2,353,177)	(107,848)	(2,461,025)
Net payments	(2,658,453)	(1,141,429)	(3,799,882)	(3,214,947)	(812,794)	(4,027,741)
Net unpaid losses and loss adjustment expenses at end of year	13,222,209	342,271	13,564,480	12,167,148	411,305	12,578,453
Plus reinsurance recoverable at end of year	-	10,834	10,834	-	-	-
Unpaid losses and loss adjustment expense reserves at end of year	\$ 13,222,209	\$ 353,105	\$ 13,575,314	\$ 12,167,148	\$ 411,305	\$ 12,578,453