

**SRP CAPTIVE RISK SOLUTIONS, LIMITED**  
**MEETING NOTICE AND AGENDA**

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**BOARD OF DIRECTORS MEETING**  
**Monday, September 8, 2025, No Sooner Than Noon**

**SRP Administration Building**  
**1500 N. Mill Avenue, Tempe, AZ 85288**

Directors: David Rousseau, President; Chris Dobson, Vice President;  
Mario Herrera, Paul Rovey, and Jack White Jr.

Call to Order  
Roll Call

1. **CONSENT AGENDA:** The following agenda item(s) will be considered as a group by the Board of Directors and will be enacted with one motion. There will be no separate discussion of these item(s) unless a Board Member requests, in which event the agenda item(s) will be removed from the Consent Agenda and considered as a separate item..... PRESIDENT DAVID ROUSSEAU

- Request for approval of the minutes for the meeting of January 6, 2025.

2. Review and Request for Approval of Audited Financials..... TEMPE ROBINS,  
STRATEGIC RISK SOLUTIONS

3. Financial Results and Management Report ..... TEMPE ROBINS,  
STRATEGIC RISK SOLUTIONS

Informational presentation by Strategic Risk Solutions (SRS), the management company for SRP Captive Risk Solutions, Ltd. (SRPCRS), regarding a review of the SRPCRS financial results and a management report including an update on Arizona Department of Insurance and Financial Institutions regulatory compliance.

4. Review of Interim Financial Statements ..... JEREMY FRY

5. Excess Liability Policy for SRP ..... KATIE CORMIER

Request for approval to renew the \$2,000,000 excess liability policy for SRP (which is the layer above the SRP \$1,000,000 self-insured amount) through SRP Captive Risk Solutions, Ltd., effective October 15, 2025, at a cost not to exceed the budgeted increase.

6. Liability Terrorism Wrap Reinsurance Program ..... KATIE CORMIER

Request for approval to renew the Liability Terrorism Wrap Reinsurance from Lloyd's of London and to renew the Liability Terrorism coverage offered to SRP for the corporate liability program, both effective October 15, 2025.

7. Unmanned Aircraft Systems Physical Damage Insurance ..... KATIE CORMIER

Request for approval to renew the physical damage insurance policy covering all SRP owned Unmanned Aircraft Systems (UAS)/drones, effective October 15, 2025.

8. Adjourn..... PRESIDENT DAVID ROUSSEAU

The Board may vote during the meeting to go into Executive Session, pursuant to A.R.S. §38-431.03(A)(3), for the purpose of discussion or consultation for legal advice with legal counsel to the Board on any of the matters listed on the agenda.

Visitors: The public has the option to attend in-person or observe via Zoom and may receive teleconference information by contacting the Corporate Secretary's Office at (602) 236-4398. If attending in-person, all property in your possession, including purses, briefcases, packages, or containers, will be subject to inspection.



**NOTICE WILL BE SENT REGARDING THE NEXT  
SRP CAPTIVE RISK SOLUTIONS, LIMITED BOARD MEETING**

09/02/2025



MINUTES  
BOARD OF DIRECTORS  
SRP CAPTIVE RISK SOLUTIONS, LIMITED

**DRAFT**

January 6, 2025

A meeting of the Board of Directors of the SRP Captive Risk Solutions, Limited (the Captive), an Arizona corporation, convened at 12:19 p.m. on Monday, January 6, 2025, from the Hoopes Board Conference Room at the SRP Administration Building, 1500 North Mill Avenue, Tempe, Arizona. This meeting was conducted in-person and via teleconference in compliance with open meeting law guidelines. The Salt River Project Agricultural Improvement and Power District (District) and Salt River Valley Water Users' Association (the Association) are collectively known as SRP.

Directors of the Captive present at roll call were David Rousseau, President of the Captive and SRP; Christopher J. Dobson, Vice President of the Captive and SRP; and Mario J. Herrera, Paul E. Rovey, and John M. White Jr. of SRP.

Also present were Council Member T. Suzanne Naylor of SRP; John M. Felty, Secretary of the Captive and Corporate Secretary of SRP; Irene R. Avalos, Melissa J. Burger, Katie I. Cormier, Andrew C. Davis, Brian J. Koch, Ken J. Lee, Brenna Lentsch, Sara C. McCoy, Sue Ann Perkinson, Marcia J. Philpott, Jim M. Pratt, and Jeff A. Wright of SRP; Tempe Robins of Strategic Risk Solutions, Inc. (SRS) of the State of Arizona; and Steve Neil, a member of the public.

In compliance with A.R.S. §38-431.02, Andrew Davis of the SRP Corporate Secretary's Office had posted a notice and agenda of the meeting of the Board of Directors of the Captive at the SRP Administration Building, 1500 North Mill Avenue, Tempe, Arizona, at 9:00 a.m. on Friday, January 3, 2025.

President and Director D. Rousseau served as Chairman and called the meeting to order at 12:19 p.m. He acknowledged the existence of a quorum of the Board of Directors of the Captive.

Consent Agenda

President and Director D. Rousseau requested a motion for approval of the Consent Agenda, in its entirety.

On a motion duly made by Director M.J. Herrera and seconded by Director J.M. White Jr., the Board of Directors of the Captive unanimously approved and adopted the following item on the Consent Agenda:

- Approval of the minutes for the meeting of August 8, 2024, as presented

Secretary J.M. Felty polled the Directors on Director M.J. Herrera's motion to approve the Consent Agenda, in its entirety. The vote was recorded as follows:

YES:	Directors David Rousseau, President; Christopher J. Dobson, Vice President; and Mario J. Herrera, Paul E. Rovey, and John M. White Jr.	(5)
NO:	None	(0)
ABSTAINED:	None	(0)
ABSENT:	None	(0)

Approval for Renewal of Property Terrorism Risk Insurance Coverage through the Captive

Using a PowerPoint presentation, Katie I. Cormier, SRP Senior Insurance Risk Analyst, stated that the purpose of the presentation was to request approval to authorize the Captive to renew Terrorism Risk Insurance for SRP.

K.I. Cormier reviewed the current specifications of the Terrorism Risk Insurance Program Reauthorization Act of 2019 as follows: trigger, co-share, program cap, deductible, and certification. They provided an overview of the existing program and the proposed program, with the proposed program term starting June 15, 2025 and ending June 15, 2026. K.I. Cormier concluded by recommending that the Captive renew Terrorism Risk Insurance for SRP at a cost not to exceed a 5% increase over the expiring annual premium and reinsure through Lloyds of London at a cost not to exceed a 15% increase over expiring annual premium.

On a motion duly made by Director M.J. Herrera, seconded by Director J.M. White Jr. and carried, the Board granted approval.

Secretary J.M. Felty polled the Directors on Director M.J. Herrera's motion for approval. The vote was recorded as follows:

YES:	Directors David Rousseau, President; Christopher J. Dobson, Vice President; and Mario J. Herrera, Paul E. Rovey, and John M. White Jr.	(5)
NO:	None	(0)
ABSTAINED:	None	(0)
ABSENT:	None	(0)

Copies of the PowerPoint slides used in this presentation are on file in the SRP Corporate Secretary's Office and, by reference, made a part of these minutes.

Approval for the Renewal of Medical Stop Loss (MSL)  
Coverage through the Captive

Using a PowerPoint presentation K.I. Cormier stated that the purpose of the presentation was to request approval for the renewal of MSL coverage for SRP through the Captive and procurement of reinsurance coverage.

K.I. Cormier reviewed the reasons and benefits that the Captive provides to SRP's MSL coverage. They provided an overview of the 2019, 2020, 2021, 2022, and 2023 MSL financials and claim history. They detailed the current MSL coverage structure, as follows:

- SRP retains first \$500,000 for each insured life
- SRP Captive retains next \$750,000 for each insured life
- Reinsurance reimburses the Captive for all losses in excess of its retention

Continuing, K.I. Cormier reviewed the MSL financials for 2024 and reviewed the proposed 2025 renewal and estimated totals. They concluded by requesting authorization to (a) renew MSL insurance for SRP at a cost not to exceed a 25% increase over the expiring annual premium, and (b) reinsure through QBE Insurance Corporation at a cost not to exceed a 30% increase over expiring annual premium.

On a motion duly made by Director J.M. White Jr., seconded by Director P.E. Rovey and carried, the Board granted approval.

Secretary J.M. Felty polled the Directors on Director J.M. White Jr.'s motion for approval. The vote was recorded as follows:

YES:	Directors David Rousseau, President; Christopher J. Dobson, Vice President; and Mario J. Herrera, Paul E. Rovey, and John M. White Jr.	(5)
NO:	None	(0)
ABSTAINED:	None	(0)
ABSENT:	None	(0)

Copies of the PowerPoint slides used in this presentation are on file in the SRP Corporate Secretary's Office and, by reference, made a part of these minutes.

Approval of Third-Party Vendors for Audit and Actuary  
Services for the Fiscal Year 2025 (FY25) Annual Audit

Using a PowerPoint presentation, K.I. Cormier stated that the purpose of the presentation was to request approval of the utilization of recommended third-party vendors for the Captive for the FY25 annual audit and actuary services.

K.I. Cormier reported that the audit will be performed by Crowe, LLP for a fee of \$23,625 and that the actuary services will be performed by Walter Haner & Associates, Inc. for a fee of \$5,000. They concluded by requesting approval of third-party vendors for audit and actuary services for the Captive for the fiscal year ending April 30, 2025 at the indicated fees.

On a motion duly made by Director M.J. Herrera, seconded by Director J.M. White Jr. and carried, the Board granted approval.

Secretary J.M. Felty polled the Directors on Director M.J. Herrera's motion for approval. The vote was recorded as follows:

YES:	Directors David Rousseau, President; Christopher J. Dobson, Vice President; and Mario J. Herrera, Paul E. Rovey, and John M. White Jr.	(5)
NO:	None	(0)
ABSTAINED:	None	(0)
ABSENT:	None	(0)

Copies of the PowerPoint slides used in this presentation are on file in the SRP Corporate Secretary's Office and, by reference, made a part of these minutes.

#### Approval of Operating Budget for FY26

Using a PowerPoint presentation, Sue Ann Perkinson, SRP Controller and Senior Director of Corporate Accounting Services, reviewed the key elements of the proposed Operating Budget for FY26, including the estimated income and expenses for projected FY25 and proposed FY26. They concluded by recommending that the Board approve the proposed Operating Budget for FY26, as presented.

On a motion duly made by Director M.J. Herrera, seconded by Director J.M. White Jr. and carried, the Board granted approval.

Secretary J.M. Felty polled the Directors on Director M.J. Herrera's motion for approval. The vote was recorded as follows:

YES:	Directors David Rousseau, President; Christopher J. Dobson, Vice President; and Mario J. Herrera, Paul E. Rovey, and John M. White Jr.	(5)
NO:	None	(0)
ABSTAINED:	None	(0)
ABSENT:	None	(0)

Copies of the PowerPoint slides used in this presentation are on file in the SRP Corporate Secretary's Office and, by reference, made a part of these minutes.

### Review of Interim Financial Statements

Using a PowerPoint presentation, S.A. Perkinson reviewed the interim financial statements of the Captive for the six-month period ended October 31, 2024 compared to the same period a year prior.

Copies of the PowerPoint slides used in this presentation are on file in the SRP Corporate Secretary's Office and, by reference, made a part of these minutes.

### Report on Appointment of Directors for FY26

Using a PowerPoint presentation, President and Director D. Rousseau stated that Arizona law permits the shareholders of a corporation to act by written consent in lieu of a meeting. The Bylaws of the Captive (Article II, Section 2.3) state that SRP, as the sole shareholder of the Captive, would take action during the month of January of each calendar year to appoint Directors of the Captive for the ensuing year. The Bylaws also state that SRP may designate one or more authorized representatives to act on behalf of SRP in its capacity as the sole shareholder. In February 2004, the SRP Board authorized the President of SRP to vote SRP's shares of stock in the Captive with enumerated exceptions for significant actions.

President and Director D. Rousseau stated that, in accordance with these provisions, they had taken action by written consent to appoint the following slate of Directors of the Captive for FY26:

- Christopher J. Dobson
- Mario J. Herrera
- David Rousseau
- Paul E. Rovey
- John M. White Jr.

Copies of the PowerPoint slides used in this presentation and the written consent are on file in the SRP Corporate Secretary's Office and, by reference, made a part of these minutes.

### Appointment of Officers for FY26

Using a PowerPoint presentation, President and Director D. Rousseau reminded the Members that the Bylaws of the Captive (Article IV, Section 4.2) provide that the Board of Directors at each annual meeting in January would appoint the officers of the Captive to serve for the ensuing fiscal year. They stated that the incumbent members are David Rousseau, President; Christopher J. Dobson, Vice President; Brian J. Koch, Treasurer; Jason I. Riggs, Assistant Treasurer; John M. Felty, Secretary; and Lora F. Hobaica, Assistant Secretary.



President and Director D. Rousseau recommended that the Board appoint the officers to serve in the following capacities in fiscal year ending April 2026: David Rousseau, President; Christopher J. Dobson, Vice President; Jon W. Hubbard, Treasurer; Jason I. Riggs, Assistant Treasurer; John M. Felty, Secretary; and Lora F. Hobaica, Assistant Secretary.

On a motion duly made by Director J.M. White Jr., seconded by Director M.J. Herrera and carried, the Board adopted the following resolution:

### **RESOLUTION**

RESOLVED, that the following persons are hereby appointed as officers of SRP Captive Risk Solutions, Limited, to serve in their respective capacities in Fiscal Year 2026:

President	David Rousseau
Vice President	Christopher J. Dobson
Treasurer	Jon W. Hubbard
Assistant Treasurer	Jason I. Riggs
Secretary	John M. Felty
Assistant Secretary	Lora F. Hobaica

RESOLVED FURTHER, that the officers of SRP Captive Risk Solutions, Limited, are hereby authorized, empowered and directed to execute such documents, instruments and other writings, and to do all such things on behalf of and in the name of SRP Captive Risk Solutions, Limited, as may be deemed appropriate, required or necessary to perform the duties incidental to their respective offices.

Secretary J.M. Felty polled the Directors on Director J.M. White Jr.'s motion for approval. The vote was recorded as follows:

YES:	Directors David Rousseau, President; Christopher J. Dobson, Vice President; and Mario J. Herrera, Paul E. Rovey, and John M. White Jr.	(5)
NO:	None	(0)
ABSTAINED:	None	(0)
ABSENT:	None	(0)

Copies of the PowerPoint slides used in this presentation are on file in the SRP Corporate Secretary's Office and, by reference, made a part of these minutes.

### Report on Conflict of Interest Statements

Secretary J.M. Felty stated that, in accordance with the requirements of the Captive Insurance Division of the State of Arizona, all officers and directors of a captive

insurance company must complete a Conflict of Interest Statement form at its annual meeting in January of each year. They said that the form states, among other things, that the individuals have no conflict of interest with their responsibilities as officers or directors of the Captive. Secretary J.M. Felty concluded by stating that all of the officers and directors of the Captive had completed and signed their Conflict of Interest Statement forms.

Copies of the Conflict of Interest Statement forms signed by the officers and directors are on file in the SRP Corporate Secretary's Office and, by reference, made a part of these minutes.

There being no further business to come before the Board, the meeting adjourned at 12:36 p.m.

John M. Felty  
Secretary



# **SRP CAPTIVE RISK SOLUTIONS, Ltd. APPROVAL OF AUDITED FINACIALS**

Tempe Robins, Strategic Risk Solutions | September 8, 2025

# APPROVAL OF AUDITED FINANCIALS

Communication to the Board of Directors – June 19, 2025

- UNQUALIFIED AUDIT OPINION
  - Reasonable assurance that financials are free of material misstatements
  - Considers internal control structure
  - Communicating significant matters relating to the audit
- AUDIT FINDINGS
  - No disagreements with management or difficulties encountered during audit
  - No deficiencies or weaknesses in internal control
  - No identified corrected or uncorrected misstatements
  - No fraud or illegal acts to report
  - No audit findings or issues

# APPROVAL OF AUDITED FINANCIALS

	Year Ended 4/30/25	Year Ended 4/30/24	% Change over prior year
Total Assets	\$19,062,039	\$17,594,969	+8.34%
Total Liabilities	\$7,187,758	\$6,775,048	+6.09%
<b>Equity</b>	<b>\$11,874,281</b>	<b>\$10,819,921</b>	<b>9.74%</b>
	Year Ended 4/30/25	Year Ended 4/30/24	% Change over prior year
Income	\$3,256,587	\$2,772,360	+17.47%
Expenses	(\$2,719,416)	(\$2,453,215)	+10.85%
Investment Income	\$627,794	\$617,062	+1.74%
<b>Income before tax</b>	<b>\$1,164,965</b>	<b>\$936,207</b>	<b>24.43%</b>
Income Taxes	(\$110,605)	(\$86,300)	+28.16%
<b>Net Income (Loss)</b>	<b>\$1,054,360</b>	<b>\$849,907</b>	<b>24.06%</b>

# APPROVAL OF AUDITED FINANCIALS

Request for Approval:

In accordance with the terms presented, request that the Board accept the Audited Financial Statements for the fiscal year ending April 30, 2025, as issued by Crowe LLP.

**thank you!**





To the Board of Directors of  
SRP Captive Risk Solutions, Limited

In planning and performing our audit of the financial statements of SRP Captive Risk Solutions, Limited ("Company") as of and for the year ended April 30, 2025, in accordance with auditing standards generally accepted in the United States of America, we considered the Company's internal control over financial reporting ("internal control") as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

This communication is intended solely for the information and use of management, the Board of Directors, others within the organization, and the Arizona Department of Insurance and Financial Institutions and is not intended to be and should not be used by anyone other than these specified parties.

CROWE LLP  
Crowe LLP

Boston, Massachusetts  
June 19, 2025

To the Board of Directors of  
SRP Captive Risk Solutions, Limited

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements SRP Captive Risk Solutions, Limited (the Company) for the years ended April 30, 2025 and 2024, and have issued our report thereon dated June 19, 2025. In connection therewith, we advise you as follows:

- a. We are independent certified public accountants with respect to the Company and conform to the standards of the accounting profession as contained in the Code of Professional Conduct and pronouncements of the American Institute of Certified Public Accountants and the Rules of Professional Conduct of the Massachusetts State Board of Public Accountancy.
- b. The engagement partner, who is a certified public accountant, has 16 years of experience in public accounting and is experienced in auditing insurance entities. Members of the engagement team, all of whom have had experience in auditing insurance entities and 50% of whom are certified public accountants, were assigned to perform tasks commensurate with their training and experience.
- c. We understand that the Company intends to file its audited financial statements and our report thereon with the Arizona Department of Insurance and Financial Institutions (the Department) in which the Company is licensed and that the Insurance Commissioner will be relying on that information in monitoring and regulating the financial condition of the Company.

While we understand that an objective of issuing a report on the financial statements is to satisfy regulatory requirements, our audit was not planned to satisfy all objectives or responsibilities of the insurance regulators. In this context, the Company and insurance commissioners should understand that the objective of an audit of the financial statements in accordance with auditing standards generally accepted in the United States of America is to form an opinion and issue a report on whether the financial statements present fairly in all material respects, the financial position, results of operations, and cash flows in conformity with accounting principles generally accepted in the United States of America. Consequently, under auditing standards generally accepted in the United States of America, we have the responsibility, within the inherent limitations of the auditing process, to plan and perform our audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud, and to exercise due professional care in the conduct of the audit. The concept of selective testing of the data being audited, which involves judgment both as to the number of transactions to be audited and the areas to be tested, has been generally accepted as a valid and sufficient basis for an auditor to express an opinion on financial statements. Audit procedures that are effective for detecting errors, if they exist, may be ineffective for detecting misstatements resulting from fraud. Because of the characteristics of fraud, a properly planned and performed audit may not detect a material misstatement resulting from fraud. In addition, an audit does not address the possibility that material misstatements caused by error or fraud may occur in the future. Also, our use of professional judgment and the assessment of materiality for the purpose of our audit means that matters may exist that would have been assessed differently by the insurance commissioners.

It is the responsibility of the management of the Company to adopt sound accounting policies, to maintain an adequate and effective system of accounts, and to establish and maintain an internal control structure that will, among other things, provide reasonable but not absolute assurance that assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America.

The Insurance Commissioner should exercise due diligence to obtain whatever other information that may be necessary for the purpose of monitoring and regulating the financial position of insurers and should not rely solely upon the independent auditor's report.

- d. We will retain the working papers prepared in the conduct of our audit until the Department has filed a Report on Examination covering 2025, but no longer than seven years. After notification to the Company, we will make the working papers available for review by the Department at the offices of the insurer, at our offices, at the Insurance Department or at any other reasonable place designated by the Insurance Commissioner. Furthermore, in the conduct of the aforementioned periodic review by the Department, photocopies of pertinent audit working papers may be made (under the control of the accountant) and such copies may be retained by the Department. In addition, to the extent requested, we may provide the Department with copies of certain of our audit working papers (such as unlocked electronic copies of Excel spreadsheets that do not contain password protection or encryption). As such, these audit working papers will be subject to potential modification by the Department or by others. We are not responsible for any modifications made to the copies, electronic or otherwise, after they are provided to the Department and we are likewise not responsible for any effect that any such modifications, whether intentional or not, might have on the process, substance or outcome of your regulatory examination.
- e. The engagement partner has served in that capacity with respect to the Company since 2023, is licensed by the Massachusetts State Board of Accountancy with CPA mobility allowing for the signing of our opinion in the State of Arizona, and is a member in good standing of the American Institute of Certified Public Accountants.
- f. To the best of our knowledge and belief, we are in compliance with the requirements of the rules and regulations of the Department regarding qualifications of independent certified public accountants.

The letter is intended solely for the information and use of the Board of Directors, management, and the Department and is not intended to be and should not be used by anyone other than these specified parties.

CROWE LLP  
Crowe LLP

Boston, Massachusetts  
June 19, 2025

**SRP CAPTIVE RISK SOLUTIONS, LIMITED**

**FINANCIAL STATEMENTS**

April 30, 2025 and 2024

SRP CAPTIVE RISK SOLUTIONS, LIMITED

FINANCIAL STATEMENTS

April 30, 2025 and 2024

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Stockholder of  
SRP Captive Risk Solutions, Limited

### ***Opinion***

We have audited the financial statements of SRP Captive Risk Solutions, Limited (the "Company"), which comprise the balance sheets as of April 30, 2025 and 2024, and the related statements of operations, changes in stockholder's equity, and cash flows for the years then ended and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of April 30, 2025 and 2024, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

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

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year from the date the financial statements are available to be issued.

### ***Auditor's Responsibility for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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(Continued)

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

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

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the incurred and paid claims development tables, by accident year for the years ended April 30, 2016 to April 30, 2024, as well as the average annual percentage payout for claims duration as of April 30, 2025, shown in Note 5, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*CROWE LLP*  
Crowe LLP

Boston, Massachusetts  
June 19, 2025



SRP CAPTIVE RISK SOLUTIONS, LIMITED  
BALANCE SHEETS  
April 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 6,007,966	\$ 5,392,480
Investments, held to maturity, at amortized cost	6,893,491	8,875,877
Premiums receivable	2,763,184	2,133,410
Deferred reinsurance	809,548	612,942
Reinsurance recoverable on unpaid losses	470,090	383,336
Reinsurance recoverable on paid losses	2,029,531	74,887
Accrued interest	77,301	111,426
Prepaid expenses and other assets	<u>10,928</u>	<u>10,611</u>
 Total assets	 <u>\$ 19,062,039</u>	 <u>\$ 17,594,969</u>
 <b>LIABILITIES AND STOCKHOLDER'S EQUITY</b>		
Liabilities:		
Unpaid losses and loss adjustment expenses	\$ 4,354,923	\$ 4,499,067
Unearned premiums	2,818,546	2,248,381
Federal income taxes payable	905	300
Accrued expenses	<u>13,384</u>	<u>27,300</u>
Total liabilities	7,187,758	6,775,048
 Stockholder's equity:		
Common stock, \$1 par, 100,000 shares authorized, issued and outstanding	100,000	100,000
Additional paid-in capital	3,973,265	3,973,265
Retained earnings	<u>7,801,016</u>	<u>6,746,656</u>
Total stockholder's equity	<u>11,874,281</u>	<u>10,819,921</u>
 Total liabilities and stockholder's equity	 <u>\$ 19,062,039</u>	 <u>\$ 17,594,969</u>

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

SRP CAPTIVE RISK SOLUTIONS, LIMITED  
STATEMENTS OF OPERATIONS  
Years Ended April 30, 2025 and 2024

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	<u>2025</u>	<u>2024</u>
<b>Revenues:</b>		
Net earned premiums	\$ 3,256,587	\$ 2,772,360
Net investment income	<u>627,794</u>	<u>617,062</u>
Total revenues	3,884,381	3,389,422
<b>Losses and expenses:</b>		
Incurred losses and loss adjustment expenses	2,617,665	2,355,225
General and administrative expenses	<u>101,751</u>	<u>97,990</u>
Total losses and expenses	<u>2,719,416</u>	<u>2,453,215</u>
<b>Income before federal income taxes</b>	1,164,965	936,207
Federal income tax expense	<u>110,605</u>	<u>86,300</u>
<b>Net income</b>	<u><u>\$ 1,054,360</u></u>	<u><u>\$ 849,907</u></u>

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

SRP CAPTIVE RISK SOLUTIONS, LIMITED  
STATEMENTS OF CHANGES IN STOCKHOLDER'S EQUITY  
Years Ended April 30, 2025 and 2024

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	<u>Common Stock</u>		<u>Additional</u>	<u>Retained</u>	
	<u>Shares</u>	<u>Amount</u>	<u>Paid-in Capital</u>	<u>Earnings</u>	<u>Total</u>
Balance as of May 1, 2023	100,000	\$ 100,000	\$ 3,973,265	\$ 5,896,749	\$ 9,970,014
Net income	<u>-</u>	<u>-</u>	<u>-</u>	<u>849,907</u>	<u>849,907</u>
Balance as of April 30, 2024	100,000	100,000	3,973,265	6,746,656	10,819,921
Net income	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,054,360</u>	<u>1,054,360</u>
Balance as of April 30, 2025	<u>100,000</u>	<u>\$ 100,000</u>	<u>\$ 3,973,265</u>	<u>\$ 7,801,016</u>	<u>\$ 11,874,281</u>

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

SRP CAPTIVE RISK SOLUTIONS, LIMITED  
STATEMENTS OF CASH FLOWS  
Years Ended April 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
<b>Cash flows from operating activities:</b>		
Net income	\$ 1,054,360	\$ 849,907
Adjustments to reconcile net income to net cash and cash equivalents (used in) provided by operating activities:		
Accretion of discounts on investments	(39,988)	(88,539)
Net changes in assets and liabilities:		
Premiums receivable	(629,774)	(311,283)
Deferred reinsurance	(196,606)	(16,408)
Reinsurance recoverable on unpaid losses	(86,754)	(23,756)
Reinsurance recoverable on paid losses	(1,954,644)	676,170
Accrued interest	34,125	(90,772)
Prepaid expenses and other assets	(317)	(311)
Unpaid losses and loss adjustment expenses	(144,144)	171,839
Unearned premiums	570,165	287,707
Federal income taxes payable	605	300
Losses payable	-	(395)
Accrued expenses	(13,916)	-
Net cash (used in) provided by operating activities	<u>(1,406,888)</u>	<u>1,454,459</u>
<b>Cash flows from investing activities:</b>		
Purchases of investments	(2,902,626)	(6,441,975)
Maturities of investments	4,925,000	3,750,000
Net cash provided by (used in) investing activities	<u>2,022,374</u>	<u>(2,691,975)</u>
<b>Net change in cash and cash equivalents</b>	615,486	(1,237,516)
Cash and cash equivalents, beginning of year	<u>5,392,480</u>	<u>6,629,996</u>
<b>Cash and cash equivalents, end of year</b>	<u><u>\$ 6,007,966</u></u>	<u><u>\$ 5,392,480</u></u>
<b>Supplemental disclosures of cash flow information</b>		
Cash paid for income taxes	<u><u>\$ 110,000</u></u>	<u><u>\$ 86,000</u></u>

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

SRP CAPTIVE RISK SOLUTIONS, LIMITED  
NOTES TO THE FINANCIAL STATEMENTS  
April 30, 2025 and 2024

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**NOTE 1 - GENERAL**

Reporting Entity: SRP Captive Risk Solutions, Limited (the “Company”), a wholly owned subsidiary of Salt River Project Agricultural Improvement and Power District (“SRP” or the “Parent”), was incorporated and commenced operations on January 1, 2004. SRP provides electricity to more than 1 million retail customers in the Phoenix area. It operates or participates in twelve major power plants and numerous generating stations, including nuclear and hydroelectric sources. The Company is a single parent captive insurance company licensed by the Arizona Department of Insurance and Financial Institutions (the “Department”). The Company currently provides excess general and auto liability coverage, unmanned aircraft, medical stop loss, terrorism property and terrorism general liability coverage to SRP and its affiliates.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Presentation: The Company’s financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”), as promulgated by the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”).

Cash and Cash Equivalents: Cash and cash equivalents are comprised of interest and non-interest bearing cash accounts and money market funds. The Company classifies certain securities with original maturity dates of three months or less from the date of purchase as cash equivalents. The Federal Deposit Insurance Corporation (“FDIC”) insures cash balances up to \$250,000 per depositor, per bank. It is the Company’s policy to monitor the financial strength of the bank that holds its deposits on an ongoing basis. During the normal course of business, the Company maintains cash balances in excess of the FDIC insurance limit.

As of April 30, 2025 and 2024, the Company held \$4,847,420 and \$4,371,597, respectively, in money market funds.

Investments: The Company accounts for its investments in accordance with FASB ASC 320, “*Investments - Debt Securities*” (“FASB ASC 320”). Management determines the appropriate classification of its investments in debt securities at the time of purchase and re-evaluates such determination at each balance sheet date.

As of April 30, 2025 and 2024, all of the Company’s investments are classified as held to maturity, as the Company has the positive intent and ability to hold these securities to maturity. Held to maturity securities are carried at amortized cost.

The amortized cost of debt securities is adjusted using the effective interest rate method for amortization of premiums and accretion of discounts. Such amortization and accretion are included in net investment income in the statements of operations. Interest income is recorded on an accrual basis.

Allowance for Credit Losses – Held-to-Maturity Securities: Management measures expected credit losses on held-to-maturity debt securities on a collective basis by major security type. The estimate of credit losses considers historical credit loss information that is adjusted for current conditions and reasonable and supportable forecasts. Management classifies the held-to-maturity portfolio into the following major security types: U.S. government and agency securities, municipal bonds, corporate bonds, and certificates of deposit.

There was no allowance for credit losses recorded as of April 30, 2025 and 2024.

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(Continued)

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Fair Value Measurements: Fair value is the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market of the asset or liability in an orderly transaction between market participants on the measurement date. There are three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated market data.

Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability.

The Company has recorded its investments at amortized cost and has disclosed fair value information in Note 4.

Premiums Receivable: The Company held premium receivable as of April 30, 2025 and 2024 and have not recorded an allowance for credit losses as all amounts are deemed to be fully collectible.

Unpaid Losses and Loss Adjustment Expenses ("LAE"): The liability for unpaid losses and LAE and the related reinsurance recoverables includes estimates for reported losses, plus supplemental amounts for projected incurred but not reported ("IBNR") losses, calculated based upon actuarial loss projections using historical loss experience and industry data. In establishing this liability and the related reinsurance recoverables, the Company utilizes the findings of an actuary. Management believes that its aggregate liability for unpaid losses and LAE and related reinsurance recoverables at year-end represents its best estimate, based upon the available data, of the amount necessary to cover the ultimate cost of losses; however, because of the limited population of insured risks and the limited historical experience, actual loss experience may not conform to the assumptions used in determining the estimated amounts for such liability and asset at the balance sheet dates.

Accordingly, the ultimate liability and asset could vary significantly from the amount indicated in these financial statements. As adjustments to these estimates become necessary, such adjustments will be reflected in current operations.

Recognition of Premium Revenues: Premiums written are earned pro-ratably over the terms of the policies to which they relate. Premiums written relating to the unexpired portion of policies in force at the balance sheet dates are recorded as unearned premiums.

Premium Deficiency: The Company recognizes premium deficiencies when there is a probable loss on an insurance contract. Premium deficiencies are recognized if the sum of expected losses and LAE, expected policyholder dividends and maintenance costs exceed unearned premiums and anticipated investment income. No premium deficiencies have been recognized in 2025 and 2024.

Federal Income Taxes: The Company accounts for income taxes in accordance with FASB ASC 740, "Income Taxes" ("FASB ASC 740"). FASB ASC 740 is an asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the tax and financial reporting basis of certain assets and liabilities.

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(Continued)

SRP CAPTIVE RISK SOLUTIONS, LIMITED  
NOTES TO THE FINANCIAL STATEMENTS  
April 30, 2025 and 2024

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

FASB ASC 740 provides a framework for how companies should recognize, measure, present and disclose uncertain tax positions in their financial statements. Under FASB ASC 740, the Company may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement.

The Company did not have any unrecognized tax benefits as of and for the years ended April 30, 2025 and 2024. The Company does not believe it is reasonably possible that its unrecognized tax benefits would materially change in the next twelve months. The Company's policy is to include interest and penalties related to unrecognized tax benefits as a component of its provision for income taxes. As of April 30, 2025, the Company recorded a penalty associated with unrecognized tax benefits of \$79. As of April 30, 2024, the Company did not record any interest or penalties associated with unrecognized tax benefits. All tax years from 2021 and forward are open and subject to examination.

The Company does not qualify as an insurance company for federal income tax purposes. As a result, the Company accounts for premium payments as deposit arrangements for federal income tax purposes. The Company, as a captive insurance company for state purposes, pays an annual insurance renewal fee, but does not pay state income tax or premium tax, as neither are required by Arizona captive laws regardless of Federal tax treatment.

Reinsurance: In the normal course of business, the Company seeks to reduce its loss exposure by reinsuring certain levels of risk with reinsurers. Reinsurance is accounted for in accordance with FASB ASC 944, "*Financial Services - Insurance*" ("FASB ASC 944"). Ceded premium is expensed over the period that coverage is provided. Deferred reinsurance premiums are calculated on a daily pro-rata basis for the unexpired terms of the policies in force. Amounts recoverable from reinsurers are estimated in a manner consistent with the reinsurance policy. As these estimates change, the adjustment is recorded in the current period.

Use of Estimates: The preparation of financial statements in conformity with GAAP 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 reported period. Actual results could differ from those estimates.

Subsequent Events: Management has performed an analysis of the activities and transactions subsequent to April 30, 2025 and determined there is no need for any adjustments to and disclosure within the financial statements for the year ended April 30, 2025. Management has performed their analysis through June 19, 2025, which is the date these financial statements were available to be issued.

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(Continued)

SRP CAPTIVE RISK SOLUTIONS, LIMITED  
NOTES TO THE FINANCIAL STATEMENTS  
April 30, 2025 and 2024

**NOTE 3 - INVESTMENTS**

The amortized cost and fair value of the held to maturity securities as of April 30, 2025 and 2024, are as follows. No allowance for credit losses has been recorded.

<u>2025</u>	<u>Amortized Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>
U.S. government and government agency securities	\$ 2,004,729	\$ 14,125	\$ -	\$ 2,018,854
Municipal bonds	1,902,582	8,872	-	1,911,454
Corporate bonds	1,986,180	7,184	-	1,993,364
Certificates of deposit	<u>1,000,000</u>	<u>2,093</u>	<u>(295)</u>	<u>1,001,798</u>
Total debt securities	<u>\$ 6,893,491</u>	<u>\$ 32,274</u>	<u>\$ (295)</u>	<u>\$ 6,925,470</u>

<u>2024</u>	<u>Amortized Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>
U.S. government and government agency securities	\$ 4,509,417	\$ 535	\$ (21,780)	\$ 4,488,172
Municipal bonds	1,913,467	-	(4,755)	1,908,712
Corporate bonds	1,952,993	-	(8,296)	1,944,697
Certificates of deposit	<u>500,000</u>	<u>44</u>	<u>(369)</u>	<u>499,675</u>
Total debt securities	<u>\$ 8,875,877</u>	<u>\$ 579</u>	<u>\$ (35,200)</u>	<u>\$ 8,841,256</u>

The amortized cost and fair value of held to maturity securities as of April 30, 2025, by contractual maturity, are as follows:

	<u>Amortized Cost</u>	<u>Fair Value</u>
Due to mature:		
One year or less	\$ 2,236,180	\$ 2,244,036
One year through five years	<u>4,657,311</u>	<u>4,681,434</u>
Total	<u>\$ 6,893,491</u>	<u>\$ 6,925,470</u>

As of April 30, 2025, the Company held one debt security in an unrealized loss position that has been in an unrealized loss position for less than twelve months. As of April 30, 2024, the Company held four debt securities in an unrealized loss position. Three of these had been in an unrealized loss position for less than twelve months, and one had been in an unrealized loss position for twelve months or greater.

(Continued)



SRP CAPTIVE RISK SOLUTIONS, LIMITED  
NOTES TO THE FINANCIAL STATEMENTS  
April 30, 2025 and 2024

**NOTE 3 - INVESTMENTS** (Continued)

The Company monitors the credit quality of held-to-maturity securities through the use of published credit ratings. The following table summarizes the credit rating by security type as of December 31, 2024.

	US Government and government agency <u>bonds</u>	<u>Municipal bonds</u>	<u>Corporate bonds</u>	Certificates of <u>deposit</u>
AAA/AA/A	\$ 2,004,729	\$ 1,902,582	\$ -	\$ 500,000
BBB/BB/B	<u>-</u>	<u>-</u>	<u>1,986,180</u>	<u>500,000</u>
Total	<u>\$ 2,004,729</u>	<u>\$ 1,902,582</u>	<u>\$ 1,986,180</u>	<u>\$ 1,000,000</u>

The certificates of deposit are fully insured by the FDIC.

**NOTE 4 - FAIR VALUE**

Generally, the Company determines the estimated fair value of its held to maturity portfolio using the market approach. For level 2 investments, for which prices are determined by management after considering prices received from third party pricing services, inputs include the following:

*U.S. government and government agency securities* - Valued based on United States Treasury feeds and yield to maturity. In addition, certain securities are valued using vendor trading platform data.

*Municipal bonds* - Valued based on benchmark yields, yield to worst or market convention, and adjustments for material event notices. In addition to the standard inputs described above, certain bonds are valued using vendor trading platform data.

*Corporate bonds* - Primary inputs include the defined sector, benchmark yields, yield to maturity and adjustments related to corporate actions.

*Certificates of deposit* - Valued based on benchmark yields, yield to maturity, broker quotes and adjustments related to corporate actions.

All investments held as of April 30, 2025 and 2024 were classified as Level 2 investments.

**NOTE 5 - INSURANCE ACTIVITY**

The Company provides general and auto excess liability insurance on a claims-made basis to SRP and its affiliates. Coverage is provided with a per occurrence limit of \$2,000,000 excess of a \$1,000,000 self-insured retention with a retroactive date of October 15, 2009, and a per occurrence limit of \$1,000,000 excess of a \$1,000,000 self-insured retention for claims occurring between October 15, 2000 and October 14, 2009. These policies have no annual aggregate limit. Defense costs erode the policy limits.

(Continued)

**NOTE 5 - INSURANCE ACTIVITY** (Continued)

Effective January 1, 2015, the Company provides medical stop loss coverage to the Parent. After a \$500,000 deductible per covered person, the policy has no per occurrence, annual aggregate or lifetime aggregate limits. The Company has obtained reinsurance for medical stop loss coverage with no annual or lifetime aggregate limits. Effective January 1, 2020, reinsurance obtained is in excess of \$1,250,000 per covered person. Losses for medical stop loss submitted to the Company at year-end but not paid prior to year-end are recorded as losses payable on the balance sheets.

Effective October 15, 2020, the Company provides drone physical damage coverage for unmanned aircraft systems and ancillary equipment to the Parent. Limits provided are the insured values of aircraft and the insured values of ancillary equipment, which total \$188,085 and \$187,161 as of April 30, 2025 and 2024, respectively.

The Company also provides occurrence basis coverage for bodily injury for acts of terrorism, to SRP and affiliates. Effective October 15, 2017, per occurrence and aggregate limits are \$135,000,000, excess of a \$250,000 deductible, for certified and non-certified acts of terrorism.

The Company provides property terrorism coverage to SRP and its affiliates. Effective June 15, 2016, policy limits provided are \$650,000,000 per occurrence and in the aggregate, excess of a \$1,000,000 self-insured retention. These policies cover certified terrorism losses as defined under the Terrorism Risk Insurance Act of 2002 ("TRIA") and subsequent extensions of TRIA. TRIA provides for a system of shared public and private compensation for insured losses resulting from acts of terrorism. TRIA protection is only triggered if there is a certified act of terrorism and losses reach an industry insured loss trigger of \$200 million.

The coverage provided by the Company is eligible under TRIA for 80% coinsurance protection provided by the U.S. Treasury subject to a deductible equal to 20% of the Company's prior year direct earned premiums with an industry insured loss trigger of \$200 million. The Company retains both the deductible and its remaining 20% share of certified terrorism losses.

For the remaining losses that the Company is responsible for under TRIA, the Company procured property reinsurance coverage with a panel of reinsurers (the "Reinsurers"). Effective January 1, 2020, coverage provided is \$130,000,000 per claim and in the aggregate. An additional \$200,000,000 of reinsurance coverage is also provided under this reinsurance agreement for any excess losses not covered under TRIA.

In addition, the Company procured bodily injury reinsurance coverage to fully cede the losses insured under the direct occurrence basis coverage for bodily injury for acts of terrorism. Effective October 15, 2020, coverage provided is \$135,000,000 per claim and in the annual aggregate, excess of a \$250,000 deductible.

Reinsurance contracts do not relieve the Company from its obligations to policyholders. Additionally, failure of the Reinsurer to honor its obligation could result in significant losses to the Company. The Company continually evaluates the Reinsurer's financial condition. There can be no assurance that reinsurance will continue to be available to the Company to the same extent, and at the same cost, as it has in the past.

The Reinsurers are rated A or better by A.M. Best as of April 30, 2025 and 2024. The Company may choose in the future to re-evaluate the use of reinsurance to increase or decrease the amounts of risk it cedes to reinsurers.

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(Continued)

SRP CAPTIVE RISK SOLUTIONS, LIMITED  
NOTES TO THE FINANCIAL STATEMENTS  
April 30, 2025 and 2024

**NOTE 5 - INSURANCE ACTIVITY** (Continued)

Premiums written and ceded for the years ended April 30, 2025 and 2024, are summarized as follows:

	Premiums Written		Premiums Earned	
	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>
Direct premiums	\$ 4,951,015	\$ 4,059,977	\$ 4,380,849	\$ 3,772,271
Ceded premiums	<u>(1,320,868)</u>	<u>(1,016,319)</u>	<u>(1,124,262)</u>	<u>(999,911)</u>
Total	<u>\$ 3,630,147</u>	<u>\$ 3,043,658</u>	<u>\$ 3,256,587</u>	<u>\$ 2,772,360</u>

Activity in the liability for unpaid losses and LAE, is summarized as follows, for the years ended April 30, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Balance, beginning of year	\$ 4,499,067	\$ 4,327,228
Less: reinsurance recoverable	<u>(383,336)</u>	<u>(359,580)</u>
	4,115,731	3,967,648
Incurred related to:		
Current year	3,487,264	2,679,147
Prior years	<u>(869,599)</u>	<u>(323,922)</u>
Total incurred	2,617,665	2,355,225
Paid related to:		
Current year	(2,230,636)	(1,177,583)
Prior years	<u>(617,927)</u>	<u>(1,029,559)</u>
Total paid	<u>(2,848,563)</u>	<u>(2,207,142)</u>
Net balance at the end of the year	3,884,833	4,115,731
Add: reinsurance recoverable	<u>470,090</u>	<u>383,336</u>
Balance, end of year	<u>\$ 4,354,923</u>	<u>\$ 4,499,067</u>

In 2025 incurred losses and LAE for prior years decreased by \$869,599 due to favorable development on the Company's medical stop loss and general liability programs on all accident years. In 2024, incurred losses and LAE for prior years decreased by \$323,922 due primarily to favorable development on the Company's general liability program in all accident years prior to 2024.

Incurred losses are reported net of the effect of reinsurance of \$2,041,397 and \$98,643 in 2025 and 2024, respectively. During 2025 and 2024, the Company had \$1,954,643 and \$74,887, respectively, in recoveries from reinsurers.

(Continued)

**NOTE 5 - INSURANCE ACTIVITY** (Continued)

The following tables present the Company's incurred and paid claims development by accident year. The nine accident years prior to 2025 for incurred and paid losses and the annual average percentage payout of incurred losses represent required supplementary information and are unaudited. The liability for unpaid losses and LAE is the amount estimated for claims that have been reported but not settled and IBNR claims. The IBNR liability is calculated by utilizing various actuarial techniques. These include the Bornhuetter Ferguson approach, the loss development approach and the fixed loss approach. The time value of money is not taken into account for the purposes of calculating the liability for unpaid claims.

Cumulative claim frequency information is calculated on a per claim basis. Management determines loss frequency based at the loss occurrence level for claims which reach the Company's retention. The Company counts an insurance claim when either an indemnity or allocated adjustment expense amount has been paid, or at any period end, the Company recorded a case reserve. The expected development on reported claims is based on new information that becomes available through investigation.

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(Continued)

SRP CAPTIVE RISK SOLUTIONS, LIMITED  
NOTES TO THE FINANCIAL STATEMENTS  
April 30, 2025 and 2024

**NOTE 5 - INSURANCE ACTIVITY (Continued)**

**General Liability**

Incurred Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance											As of April 30, 2025	
Accident											Total of Incurred-but- Not-Reported Liabilities Plus	Cumulative Number of Reported Claims
	For the Years Ended April 30,										Expected	
	(Unaudited)										Development	
											on Reported	
Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Claims	Claims
2016	\$ 177,231	\$ 462,516	\$ 421,270	\$ 375,667	\$ 259,417	\$ 232,250	\$ 208,083	\$ 187,917	\$ 171,292	\$ 156,208	\$ 156,208	-
2017		163,692	462,413	424,000	301,000	266,583	237,875	213,708	192,458	175,375	175,375	-
2018			152,000	444,623	352,792	308,375	272,500	243,792	218,167	197,458	197,458	-
2019				155,077	408,333	359,333	314,458	278,042	248,333	223,167	223,167	-
2020					450,917	411,542	362,542	317,208	280,333	250,625	250,625	-
2021						463,917	423,458	373,375	326,417	288,458	288,458	-
2022							462,000	421,792	371,417	324,625	324,625	-
2023								452,833	413,542	364,083	364,083	-
2024									453,333	413,542	413,542	-
2025										453,333	453,333	-
									Total	\$ 2,846,875		

The Company has not made payments on general liability claims in the previous ten years. The Company has \$205,625 in outstanding liabilities prior to 2016, net of reinsurance. As of April 30, 2025, the Company has \$3,052,500 in outstanding liabilities related to general liability coverage, net of reinsurance.

(Continued)

SRP CAPTIVE RISK SOLUTIONS, LIMITED  
NOTES TO THE FINANCIAL STATEMENTS  
April 30, 2025 and 2024

**NOTE 5 - INSURANCE ACTIVITY (Continued)**

**Medical Stop Loss**

Incurred Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance											As of April 30, 2025		
Accident Year	For the Years Ended April 30, (Unaudited)										Total of Incurred-but- Not-Reported Liabilities Plus Expected Development on Reported Claims	Cumulative Number of Reported Claims	
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025			
2016	\$1,340,839	\$ 1,378,369	\$ 1,356,051	\$ 1,355,789	\$ 1,355,789	\$ 1,355,789	\$ 1,355,789	\$ 1,355,789	\$ 1,355,789	\$ 1,355,789	\$	-	2
2017		1,370,651	1,212,103	1,211,577	1,211,577	1,211,577	1,211,577	1,211,577	1,211,577	1,211,577		-	4
2018			1,600,000	1,094,096	1,084,538	1,084,538	1,084,538	1,084,538	1,084,538	1,084,538		-	5
2019				475,136	1,062,650	1,085,661	1,085,661	1,085,661	1,085,661	1,085,661		-	7
2020					2,320,482	2,712,127	2,700,940	2,700,940	2,700,940	2,700,940		-	10
2021						2,529,245	2,535,213	2,524,623	2,524,623	2,524,623		-	9
2022							2,416,410	1,688,817	1,812,795	1,812,795		-	8
2023								1,147,806	1,108,036	1,017,240		-	6
2024									2,225,814	1,865,345		29,039	8
2025										3,033,930		803,294	6
									Total	\$17,692,438			

(Continued)

SRP CAPTIVE RISK SOLUTIONS, LIMITED  
NOTES TO THE FINANCIAL STATEMENTS  
April 30, 2025 and 2024

**NOTE 5 - INSURANCE ACTIVITY (Continued)**

**Medical Stop Loss**

Cumulative Paid Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance										
For the Years Ended April 30,										
(Unaudited)										
Accident Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
2016	\$1,000,000	\$1,346,711	\$1,356,051	\$1,355,789	\$1,355,789	\$1,355,789	\$1,355,789	\$ 1,355,789	\$ 1,355,789	\$ 1,355,789
2017		1,307,334	1,212,103	1,211,577	1,211,577	1,211,577	1,211,577	1,211,577	1,211,577	1,211,577
2018			1,000,000	1,081,882	1,084,538	1,084,538	1,084,538	1,084,538	1,084,538	1,084,538
2019				163,764	1,050,136	1,085,661	1,085,661	1,085,661	1,085,661	1,085,661
2020					1,831,215	2,696,939	2,700,940	2,700,940	2,700,940	2,700,940
2021						2,190,563	2,518,504	2,524,623	2,524,623	2,524,623
2022							1,565,934	1,667,440	1,812,795	1,812,795
2023								178,535	1,058,037	1,017,240
2024									1,177,583	1,836,307
2025										2,230,636
									Total	\$ 16,860,105
									Liabilities for unpaid losses and loss adjustment expenses, net of reinsurance	\$ 832,333

(Continued)

SRP CAPTIVE RISK SOLUTIONS, LIMITED  
NOTES TO THE FINANCIAL STATEMENTS  
April 30, 2025 and 2024

**NOTE 5 - INSURANCE ACTIVITY** (Continued)

The reconciliation of the net incurred and paid claims development tables to the liability for unpaid losses and loss adjustment expenses in the balance sheet as of April 30, 2025 is as follows:

Net outstanding liabilities	
General liability	\$ 3,052,500
Medical stop loss	<u>832,333</u>
Liabilities for unpaid claims and claim adjustment expenses, net of reinsurance	<u>3,884,833</u>
Reinsurance recoverable on unpaid claims	
Medical stop loss	<u>470,090</u>
Total gross liability for unpaid claims and claim adjustment expense	<u><u>\$ 4,354,923</u></u>

The following is supplementary information about average historical claims duration as of April 30, 2025 and is unaudited:

Average Annual Percentage Payout of Incurred Claims by Age, Net of Reinsurance

Years	<u>1st Year</u>	<u>2nd Year</u>	<u>3rd Year</u>	<u>4th Year</u>	<u>5th Year</u>	<u>6th Year</u>	<u>7th Year</u>	<u>8th Year</u>	<u>9th Year</u>	<u>10th Year</u>
General Liability	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Medical Stop Loss	71.5%	28.9%	-0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

**NOTE 6 - CAPITAL AND SURPLUS**

The Company is required to maintain statutory capital and surplus requirements of an amount established and deemed appropriate by the Department. If not met, the Department has the authority to suspend or revoke the license of the Company to do business in the State of Arizona. The Department accepts capital determined in accordance with GAAP to meet the statutory capital and surplus requirements. The Company has been informed by the Department that its required statutory capital and surplus is \$700,000. The Company is in compliance with statutory capital and surplus requirements. All dividends must be approved by the Department before amounts are paid. There were no dividends declared or paid during 2025 and 2024.

For the years ended April 30, 2025 and 2024, there were no differences between the amounts reported in the accompanying financial statements and the Annual Statement filed with the Department.

(Continued)



SRP CAPTIVE RISK SOLUTIONS, LIMITED  
NOTES TO THE FINANCIAL STATEMENTS  
April 30, 2025 and 2024

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**NOTE 7 - FEDERAL INCOME TAXES**

The provision for the years ended April 30, 2025 and 2024 for income taxes differs from the amount of income tax expense determined by applying the statutory U.S. federal income tax rate to pre-tax net income, as follows.

	<u>2025</u>		<u>2024</u>	
	<u>Amount</u>	<u>Tax Rate</u>	<u>Amount</u>	<u>Tax Rate</u>
Income tax - statutory rate	\$ 244,643	21.0%	\$ 196,603	21.0%
Permanent differences:				
Net earned premiums	(683,883)	-58.70%	(582,196)	(62.2)%
Incurred losses	549,710	47.2%	494,597	52.8%
Change in valuation allowance	-	0.0%	(23,432)	(2.5)%
Other	135	0.0%	728	0.1%
Total	<u>\$ 110,605</u>	<u>9.5%</u>	<u>\$ 86,300</u>	<u>9.2%</u>

**NOTE 8 - SERVICE AGREEMENT**

The Company has an agreement with Strategic Risk Solutions (West) Inc. ("SRS"), whereby SRS provides accounting, administrative and regulatory services.

To the Board of Directors of  
SRP Captive Risk Solutions, Limited

Professional standards require that we communicate certain matters to keep you adequately informed about matters related to the financial statement audit that are, in our professional judgment, significant and relevant to your responsibilities in overseeing the financial reporting process. We communicate such matters in this report.

## AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA

Our responsibility is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. The audit of the financial statements does not relieve you of your responsibilities and does not relieve management of their responsibilities. Refer to our engagement letter with SRP Captive Risk Solutions, Limited (the Company) for further information on the responsibilities of management and of Crowe LLP.

## COMMUNICATIONS REGARDING OUR INDEPENDENCE FROM THE COMPANY

Auditing standards generally accepted in the United States of America require independence for all audits, and we confirm that we are independent auditors with respect to the Company under the independence requirements established by the American Institute of Certified Public Accountants.

Additionally, we wish to communicate that we have no relationships with the Company that, in our professional judgment, may reasonably be thought to bear on our independence and that we gave significant consideration to in reaching the conclusion that our independence has not been impaired.

Relationship	Safeguards
<b>Non-Audit Services:</b> We were engaged to perform the following non-audit services during your last fiscal year: <ul style="list-style-type: none"><li>Assistance with preparation of your financial statements</li></ul>	We believe your management is capable of evaluating and taking responsibility for their management decisions regarding our services, and we did not assume the role of an employee or of management of the Company in performing and reporting on our services.

## PLANNED SCOPE AND TIMING OF THE AUDIT

We are to communicate an overview of the planned scope and timing of the audit. Accordingly, the following matters regarding the planned scope and timing of the audit were considered during planning:

- How we proposed to address the significant risks of material misstatement, whether due to fraud or error.
- Our approach to internal control relevant to the audit.

- The concept of materiality in planning and executing the audit, focusing on the factors considered rather than on specific thresholds or amounts.
- The nature and extent of specialized skills or knowledge needed to plan and evaluate the results of the audit, including the use of an auditor's expert.
- Where the Company has an internal audit function, the extent to which the auditor will use the work of internal audit, and how the external and internal auditors can best work together.
- Your views and knowledge of matters you consider warrant our attention during the audit, as well as your views on:
  - The allocation of responsibilities between you and management.
  - The Company's objectives and strategies, and the related business risks that may result in material misstatements.
  - Significant communications between the Company and regulators.
  - Other matters you believe are relevant to the audit of the financial statements.

## **SIGNIFICANT ACCOUNTING POLICIES AND MANAGEMENT JUDGMENTS AND ACCOUNTING ESTIMATES**

Critical Accounting Policies and Estimates: We are required to discuss with you our judgment about the Company's critical accounting policies and estimates. Critical accounting policies and estimates are those that are both most important to the portrayal of the Company's financial condition and results of operation and require management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. We consider the following accounting policies and estimates to be critical, as defined above.

- The liability for unpaid losses and loss adjustment expense and related reinsurance recoverable.

Significant Accounting Policies: The Board of Directors should be informed of the initial selection of and changes in significant accounting policies or their application. Also, the Board of Directors should be aware of methods used to account for significant unusual transactions and the effect of significant accounting policies in controversial or emerging areas where there is a lack of authoritative consensus. We believe management has the primary responsibility to inform the Board of Directors about such matters. There were no such accounting changes or significant policies requiring communication.

Management Judgments and Accounting Estimates: Further, accounting estimates are an integral part of the financial statements prepared by management and are based upon management's current judgments. These judgments are based upon knowledge and experience about past and current events and assumptions about future events. Certain estimates are particularly sensitive because of their significance and because of the possibility that future events affecting them may differ markedly from management's current judgments and may be subject to significant change in the near term.

The following describes the significant accounting estimates reflected in the Company's year-end financial statements, the process used by management in formulating these particularly sensitive accounting estimates and the primary basis for our conclusions regarding the reasonableness of those estimates.

Significant Accounting Estimate	Process Used by Management	Basis for Our Conclusions
Liability for Unpaid Losses and Loss Adjustment Expenses and Related Reinsurance Recoverable	<p>The liability for unpaid losses and loss adjustment expenses and the related reinsurance recoverable includes estimates for reported losses, plus supplemental amounts for projected incurred but not reported losses, calculated based upon actuarial loss projections using historical loss experience and industry data. In establishing this liability and the related reinsurance recoverable, the Company utilizes the findings of an actuary.</p> <p>Management believes that its aggregate liability for unpaid losses and loss adjustment expenses and related reinsurance recoverable at year-end represents its best estimate, based upon the available data, of the amount necessary to cover the ultimate cost of losses; however, because of the limited population of insured risks and the limited historical experience, actual loss experience may not conform to the assumptions used in determining the estimated amounts for such liability and asset at the balance sheet dates. Accordingly, the ultimate liability and asset could vary significantly from the amount indicated in these financial statements. As adjustments to these estimates become necessary, such adjustments will be reflected in current operations.</p>	<p>We evaluated the key factors and assumptions used to develop the liability for unpaid losses and loss adjustment expenses and related reinsurance recoverable in determining that it is reasonable in relation to the financial statements taken as a whole.</p>
Uncertain Income Tax Positions	<p>Management evaluates all tax positions taken and planned for each applicable tax jurisdiction. A tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit is recorded.</p>	<p>We reviewed the reasonableness of the assumptions, including the likelihood of the Company's tax positions being sustained.</p>

## AUDITOR'S JUDGMENTS ABOUT QUALITATIVE ASPECTS OF SIGNIFICANT ACCOUNTING PRACTICES

We are to discuss with you our comments about the following matters related to the Company's accounting policies and financial statement disclosures. Accordingly, these matters will be discussed with you to the extent there were issued in these areas; no items noted for discussion.

- The appropriateness of the accounting policies to the particular circumstances of the Company, considering the need to balance the cost of providing information with the likely benefit to users of the Company's financial statements.
- The overall neutrality, consistency, and clarity of the disclosures in the financial statements.
- The effect of the timing of transactions in relation to the period in which they are recorded.
- The potential effect on the financial statements of significant risks and exposures, and uncertainties that are disclosed in the financial statements.
- The extent to which the financial statements are affected by unusual transactions including nonrecurring amounts recognized during the period, and the extent to which such transactions are separately disclosed in the financial statements.
- The issues involved, and related judgments made, in formulating particularly sensitive financial statement disclosures.
- The factors affecting asset and liability carrying values, including the Company's basis for determining useful lives assigned to tangible and intangible assets.
- The selective correction of misstatements, for example, correcting misstatements with the effect of increasing reported earnings, but not those that have the effect of decreasing reported earnings.

## CORRECTED AND UNCORRECTED MISSTATEMENTS

Corrected Misstatements: We are to inform you of material corrected misstatements that were brought to the attention of management as a result of our audit procedures.

There were no such misstatements.

Uncorrected Misstatements: We are to inform you of uncorrected misstatements that were aggregated by us during the current engagement and pertaining to the latest and prior period(s) presented that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole. Uncorrected misstatements or matters underlying the uncorrected misstatements could potentially cause future-period financial statements to be materially misstated, even if it was concluded that the uncorrected misstatements are immaterial to the financial statements under audit. For your consideration, we have distinguished misstatements between known misstatements and likely misstatements.

There were no such misstatements.

## OTHER COMMUNICATIONS

Communication Item	Results
<p><b>Other Information Included in an Annual Report</b></p> <p>Information may be prepared by management that accompanies or includes the financial statements. To assist your consideration of this information, you should know that we are required by audit standards to read such information and consider whether a material inconsistency exists between the other information and the financial statements. We are also to remain alert for indications that:</p> <ul style="list-style-type: none"> <li>• Material inconsistency exists between the other information and the auditor's knowledge obtained in the audit; or</li> <li>• A material misstatement of fact exists, or the other information is otherwise misleading.</li> </ul> <p>If we identify a material inconsistency between the other information and the financial statements, we are to seek a resolution of the matter.</p>	<p>We understand that management has not prepared other information to accompany the audited financial statements.</p>
<p><b>Significant Difficulties Encountered During the Audit</b></p> <p>We are to inform you of any significant difficulties encountered in dealing with management related to the performance of the audit.</p>	<p>There were no significant difficulties encountered in dealing with management related to the performance of the audit.</p>
<p><b>Disagreements with Management</b></p> <p>We are to discuss with you any disagreements with management, whether or not satisfactorily resolved, about matters that individually or in the aggregate could be significant to the Company's financial statements or the auditor's report.</p>	<p>During our audit, there were no such disagreements with management.</p>
<p><b>Difficulties or Contentious Matters</b></p> <p>We are required to discuss with the Those Charged with Governance any difficulties or contentious matters for which we consulted outside of the engagement team.</p>	<p>During the audit, there were no such issues for which we consulted outside the engagement team.</p>
<p><b>Circumstances that Affect the Form and Content of the Auditor's Report</b></p> <p>We are to discuss with you any circumstances that affect the form and content of the auditor's report, if any.</p>	<p>There are no such circumstances that affect the form and content of the auditor's report.</p>
<p><b>Consultations with Other Accountants</b></p> <p>If management consulted with other accountants about auditing and accounting matters, we are to inform you of such consultation, if we are aware of it, and provide our views on the significant matters that were the subject of such consultation.</p>	<p>We are not aware of any instances where management consulted with other accountants about auditing or accounting matters since no other accountants contacted us, which they are required to do by Statement on Auditing Standards No. 50, before they provide written or oral advice.</p>

Communication Item	Results
<b>Representations the Auditor Is Requesting from Management</b>  We are to provide you with a copy of management's requested written representations to us.	We direct your attention to a copy of the letter of management's representation to us provided separately.
<b>Significant Issues Discussed, or Subject to Correspondence, With Management</b>  We are to communicate to you any significant issues that were discussed or were the subject of correspondence with management.	There were no such significant issues discussed, or subject to correspondence, with management.
<b>Significant Related Party Findings or Issues</b>  We are to communicate to you significant findings or issues arising during the audit in connection with the Company's related parties.	There were no such findings or issues that are, in our judgment, significant and relevant to you regarding your oversight of the financial reporting process.
<b>Other Findings or Issues We Find Relevant or Significant</b>  We are to communicate to you other findings or issues, if any, arising during the audit that are, in our professional judgment, significant and relevant to you regarding your oversight of the financial reporting process.	There were no such other findings or issues that are, in our judgment, significant and relevant to you regarding your oversight of the financial reporting process.

We are pleased to serve your Company as its independent auditors and look forward to our continued relationship. We provide the above information to assist you in performing your oversight responsibilities and would be pleased to discuss this letter or any matters further, should you desire. This letter is intended solely for the information and use of Board of Directors and, if appropriate, management, and is not intended to be and should not be used by anyone other than these specified parties.

CROWE LLP  
Crowe LLP

Boston, Massachusetts  
June 19, 2025





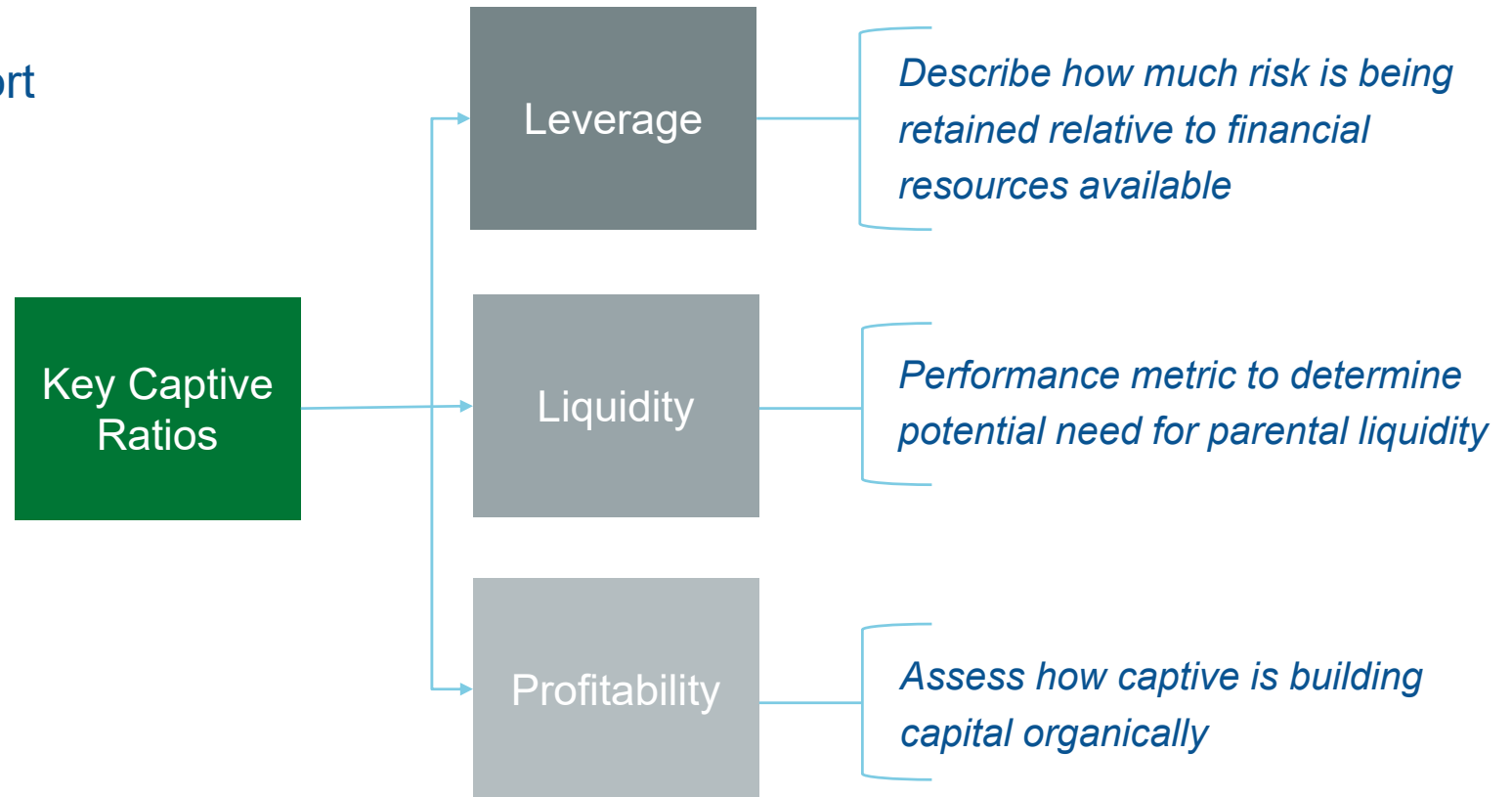
# **SRP CAPTIVE RISK SOLUTIONS, Ltd.**

## **AUDITED FINANCIALS AND MANAGEMENT REPORT**

Tempe Robins, Strategic Risk Solutions | September 8, 2025

# SRPCRS CAPTIVE RATIO REPORT

## Captive Ratio Report



# SRPCRS LEVERAGE RATIOS

LEVERAGE RATIOS	Status	FY2023	FY2024	FY2025
Net Written Premium: Net Equity (GAC Standard: 3:1 to 5:1, <b>SRP Target: &lt;1:1</b> )	On Target	0.260	0.281	0.306
Gross Reserves: Net Equity (GAC Standard: 3:1 to 5:1, <b>SRP Target: &lt;1:1</b> )	On Target	0.434	0.416	0.367
Net Risk per occurrence: Net Equity (GAC Standard: <50%, <b>SRP Target: &lt;50%</b> )	On Target	20.06%	18.48%	16.84%

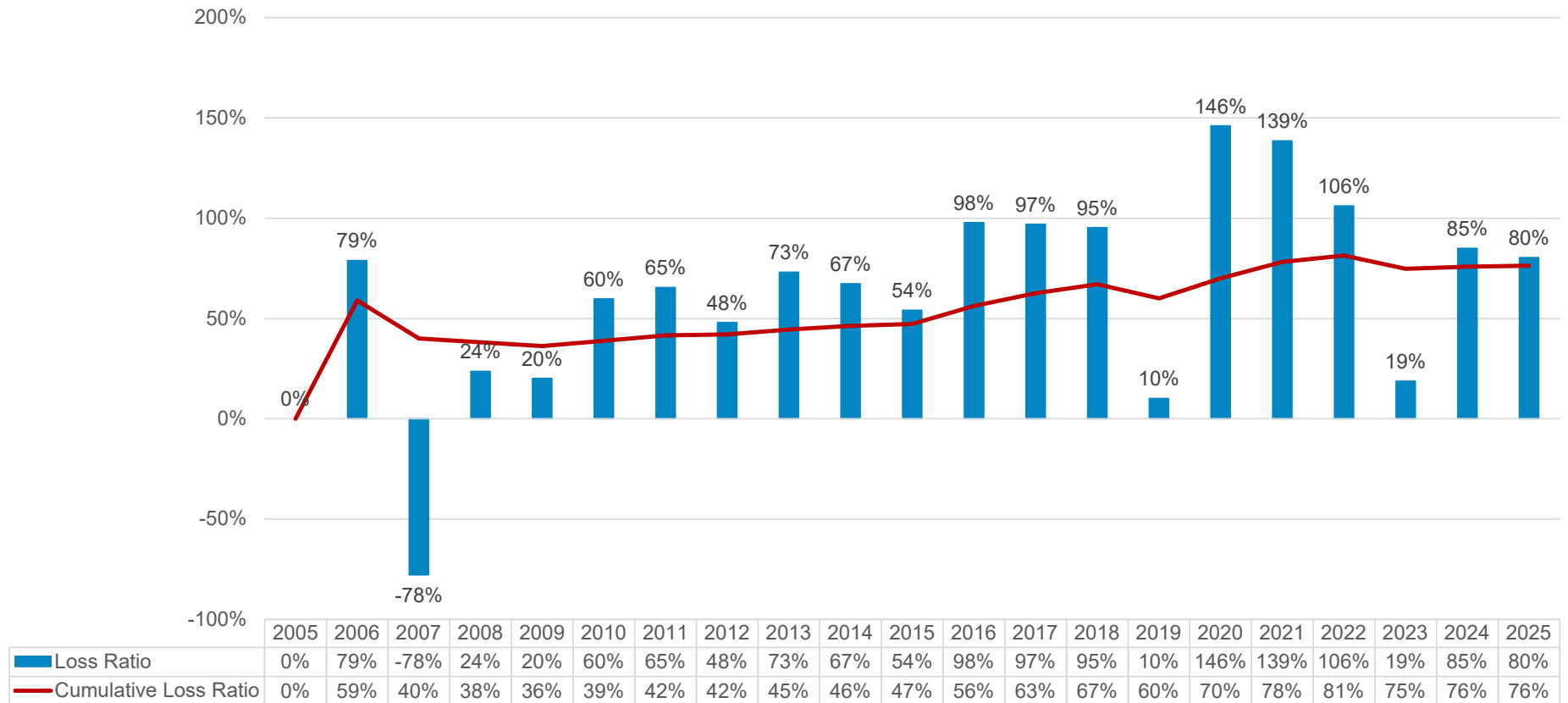
# SRPCRS PROFITABILITY RATIOS

PROFITABILITY RATIOS	Current Status	FY2023	FY2024	FY2025
<b>a) Loss Ratio</b>				
Incurred Loss: Net Earned Premium	On Target	18.75%	84.95%	80.38%
(GAC Standard: 45%<95%, <b>SRP Target: &lt;90%</b> )				
<b>b) Expense Ratio</b>				
Captive Expense: Net Earned Premium	On Target	3.90%	3.53%	3.12%
(GAC Standard: <25%, <b>SRP Target: &lt;10%</b> )				
<b>c) Combined Ratio (A+B)</b>				
Loss Ratio + Expense Ratio	On Target	22.65%	88.49%	83.51%
(GAC Standard: <100%, <b>SRP Target: &lt;100%</b> )				
<b>d) Investment Income Ratio</b>				
Net Investment Income: Net Earned Premium	On Target	8.33%	22.26%	19.28%
(GAC Standard: 3%<8%, <b>SRP Target: &gt;5%</b> )				
<b>e) Overall Operating Ratio (C-D)</b>				
Combined Ratio – Investment Income Ratio	On Target	14.32%	66.23%	64.23%
(GAC Standard: <100%, <b>SRP Target: &lt;100%</b> )				

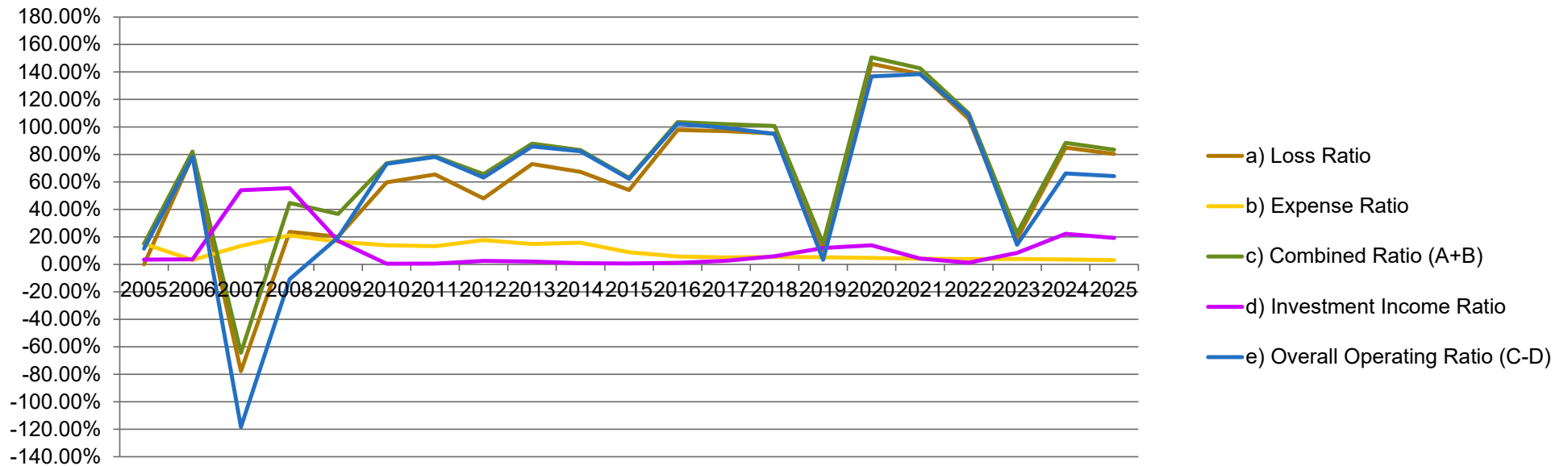
# SRPCRS LIQUIDITY RATIOS

LIQUIDITY RATIOS	Status	FY2023	FY2024	FY2025
Assets: Liability	On Target	257.86%	259.70%	265.20%
(GAC Standard: >125%, <b>SRP Target: &gt;125%</b> )				
Gross Reserves: Liquid Assets	On Target	65.27%	83.43%	72.49%
(GAC Standard: <300%, <b>SRP Target: &lt;150%</b> )				

# SRPCRS HISTORICAL LOSS RATIO GRAPH



# SRPCRS PROFITABILITY RATIOS GRAPH



# SRPCRS UNDERWRITING & OPERATING RESULTS

CUMULATIVE UNDERWRITING & OPERATING RESULTS	2005 – 2025
Direct Premium Earned	\$ 37,511,047
Reinsurance Premium	\$ (8,273,833)
Net Premiums Earned	\$ 29,237,215
Losses Paid and Reserved	\$ 22,322,076
Investment Income	\$ 2,903,726
3 Year Average Operating Expenses	\$ 98,386



# SRPCRS FINANCIAL RESULTS & FINDINGS

- SRPCRS is financially sound compared to both captive industry ratio standards and SRP targets.
- SRPCRS' capital position is strong relative to risk being underwritten.
- Profitability ratios for 2025 are all currently on target. At 4/30/25, gross paid losses on the 2023 policy totaled \$1,718,870. The company had a receivable of \$74,887 from the reinsurers, bringing net claims to \$1,643,983. There were 9 active claims on the 2024 policy with paid losses of \$2,220,954 and no claims hitting the reinsurance layer. There was one active claim on the 2025 policy with paid losses of \$2,704,643. Losses receivable from reinsurers for the 2025 policy total \$1,954,643.
- There is inherent uncertainty in actuarial estimates for the MSL claims. The 2025 fiscal year benefited from a decrease in IBNR on the 2024 policy yet saw an increase on the 2025 policy.
- Investment income ratios slightly decreased in 2025 due to lower interest rates available in the market for these types of investments. Investment income helps support the underwriting result and funds operating expenses.

# SRPCRS REGULATORY COMPLIANCE REPORT

Compliance Item	Due Date	Status
<b>Arizona Annual Filing</b> <ul style="list-style-type: none"> <li>Property and Casualty Annual Report &amp; Actuarial Opinion</li> <li>Management's Discussion and Analysis</li> <li>Annual License Fee \$5,500</li> </ul>	July 31	In compliance
<b>Audited Financial Statements</b> <ul style="list-style-type: none"> <li>Auditor Qualification Letter</li> <li>Auditor Report on Internal Controls</li> </ul>	October 31	In compliance
<b>Corporate Documentation</b> <ul style="list-style-type: none"> <li>Annual Conflict of Interest Statements, Biographical Affidavits</li> <li>Annual Board of Directors Meeting</li> <li>Changes in Directors/Officers reported to AZDIFI</li> </ul>	Annually, and as changes are made	In compliance
<b>Underwriting Activities</b> <ul style="list-style-type: none"> <li>Changes in business plan require approval by AZDIFI</li> </ul>	As required	In compliance
<b>Minimum Capital &amp; Surplus Requirement</b> <ul style="list-style-type: none"> <li>Unimpaired capital/surplus of \$700,000</li> </ul>	Ongoing	In compliance

**thank you!**



# **SRP CAPTIVE RISK SOLUTIONS, Ltd.**

## **INTERIM FINANCIAL STATEMENTS**

Jeremy Fry, Financial Reporting | September 8, 2025

# INTERIM FINANCIAL RESULTS

	Period Ended 07/31/2025	Year Ended 04/30/2025	Three Month Change
Total Assets	\$20,594,021	\$19,062,039	\$1,531,982
Total Liabilities	8,967,416	7,187,758	1,779,658
<b>Equity</b>	<b>\$11,626,605</b>	<b>\$11,874,281</b>	<b>(\$247,676)</b>
	Three Months Ended 07/31/2025	Three Months Ended 07/31/2024	Year over Year Change
Income	\$903,927	\$757,933	\$145,994
Expenses	(1,267,586)	(856,412)	(411,174)
Investment Income	140,186	157,071	(16,884)
<b>Income (Loss) before tax</b>	<b>(223,473)</b>	<b>58,592</b>	<b>(282,065)</b>
Income Taxes	(24,203)	(27,930)	3,727
<b>Net Income (Loss)</b>	<b>(\$247,676)</b>	<b>\$30,662</b>	<b>(\$278,338)</b>

# INTERIM FINANCIAL RESULTS

	Actual 07/31/2025	Budget 07/31/2025	Variance
Premiums Earned	\$903,927	\$897,614	\$6,313
Income from Investments	140,186	136,875	3,311
<b>Total Income</b>	<b>1,044,113</b>	<b>1,034,489</b>	<b>9,624</b>
License Fee	5,500	5,500	0
Directors & Meeting Expense	0	0	0
Management Fee	16,391	16,391	0
Audit Fee	6,083	6,266	183
Actuarial Fee	1,200	1,200	0
Conferences & Memberships	0	2,575	2,575
Paid Losses & Reserves	1,238,412	563,004	(675,408)
<b>Total Expenses</b>	<b>1,267,586</b>	<b>594,936</b>	<b>(627,650)</b>
<b>Income (Loss) before tax</b>	<b>(223,473)</b>	<b>439,553</b>	<b>(663,026)</b>
Income Taxes	24,203	22,675	(1,528)
<b>Net Income (Loss)</b>	<b>(\$247,676)</b>	<b>\$416,878</b>	<b>(\$664,554)</b>

**thank you!**





# **SRP CAPTIVE RISK SOLUTIONS, Ltd. RENEWAL OF EXCESS LIABILITY POLICY FOR SRP**

**Katie Cormier, Insurance Program Manager | September 8, 2025**

# SRP CAPTIVE RISK SOLUTIONS, LIMITED

## CUSTOMIZED COST-EFFECTIVE RISK MITIGATION

- SRPCRS protects against market uncertainty
  - Increased control of SRP insurance program
  - Less dependence on market products and prices
- SRPCRS benefits:
  - Minimal risk of market variability or unavailability
  - Flexible coverage design
  - Cost-effective budget certainty
  - Cost savings to SRP: Premium paid by SRP to SRPCRS instead of market carrier
- Risks of SRPCRS:
  - SRP's funding capital at risk
  - Limited types of coverage
  - Unanticipated losses

# EXCESS LIABILITY POLICY COVERAGE

- Coverage for third-party bodily injury, property damage, and wildfire exposure
- Benefits:
  - Keeps premiums within an SRP entity
  - Provides flexibility to maintain limits while optimizing costs
- SRPCRS provides coverage to SRP
- Limit of Insurance = \$2,000,000
- Self-insured Retention = \$1,000,000

# EXCESS LIABILITY POLICY RENEWAL PROPOSAL

Coverage	Existing Policy	Expected Renewal
Policy Period	10/15/2024 –10/15/2025	10/15/2025 – 10/15/2026
Limit of Insurance	\$ 2,000,000	\$ 2,000,000
Self-Insured Retention	\$ 1,000,000	\$ 1,000,000
Premium for SRP	\$ 500,000	\$ 500,000 *

\* Based on 0% budget increase

# EXCESS LIABILITY POLICY RENEWAL

Request for Approval:

In accordance with the terms presented, request that the Board  
authorize SRP Captive Risk Solutions to renew the  
excess liability policy provided to SRP  
effective October 15, 2025.

**thank you!**





# **SRP CAPTIVE RISK SOLUTIONS, Ltd. RENEWAL OF LIABILITY TERRORISM INSURANCE**

**Katie Cormier, Insurance Program Manager | September 8, 2025**

# LIABILITY TERRORISM INSURANCE RENEWAL

- Coverage for Acts of Terrorism
- Benefits:
  - Provides enhanced coverage not available through commercial carriers through reinsurance
  - Keeps premiums within an SRP entity
- Enactment of the Terrorism Risk and Insurance Act (TRIA) of 2002 required carriers to provide coverage
- SRPCRS provides coverage to SRP
- Reinsurance TRIA Liability Terrorism option procured through Lloyds of London

# LIABILITY TERRORISM INSURANCE RENEWAL

## COVERAGE

SRPCRS \$135M Reinsurance through Lloyds of London
SRP \$250,000

Coverage	Existing Program 10/15/2024 –10/15/2025	Expected Renewal 10/15/2025 – 10/15/2026
Reinsurance Premium	\$ 72,500	\$ 100,050*
Premium for SRP	\$ 100,000	\$ 125,000**

\* Based on maximum 38% market increase

\*\* Based on maximum 25% budget increase

# LIABILITY TERRORISM INSURANCE RENEWAL

Request for Approval:

In accordance with the terms presented, request that the Board authorize SRP Captive Risk Solutions to renew the liability terrorism reinsurance through Lloyds of London and the liability terrorism insurance provided to SRP effective October 15, 2025.

**thank you!**



# **SRP CAPTIVE RISK SOLUTIONS, Ltd. RENEWAL OF UAS PHYSICAL DAMAGE INSURANCE**

**Katie Cormier, Insurance Program Manager | September 8, 2025**

# SRP UAS PHYSICAL DAMAGE INSURANCE COVERAGE

- Coverage for property damage to SRP-owned Unmanned Aircraft Systems (UAS) (drones)
- Benefits:
  - Keeps premiums within an SRP entity
  - Provides flexibility to maintain limits while optimizing costs
- SRP owns 9 UAS/drones including ancillary equipment such as batteries, cameras, and mounting brackets
  - Operated through SRP's Flight Services
- SRPCRS provides coverage to SRP
- Liability coverage remains with a commercial insurance company



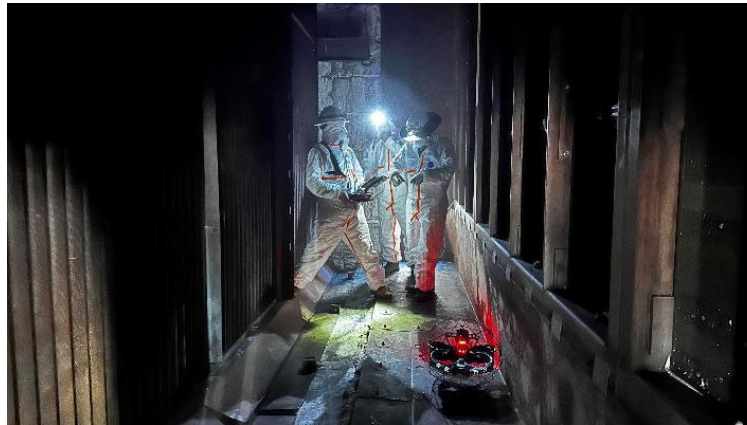
# SRP UAS/DRONE OPERATIONS

- Inspections
- Videography
- Still Photography/Hyperlapse
- Survey
- Mapping
- External Load
- Testing and Training



# SRP BUSINESS UNITS USING UAS/DRONE SERVICES

- Creative Services
- Distribution Maintenance
- Fuels
- Generation
- GIS/Cartography
- Legal/Claims
- Substation Engineering
- Survey
- Transmission
- Vegetation Management
- Water Resources
- Water and Forest Sustainability Fuels
- Mechanical Construction & Maintenance (MCM)



# SRP UAS/DRONE TYPES

- DJI Mavic 2 – Inspection, Survey, Mapping



- DJI M300 – Inspection, Survey, Mapping, LiDAR



- DJI M350 – Inspection, Survey, Mapping, LiDAR



- DJI M600 – Configured with Cargo Hook



# SRP UAS/DRONE TYPES

- DJI Mavic 3 – Mapping and Cinematography



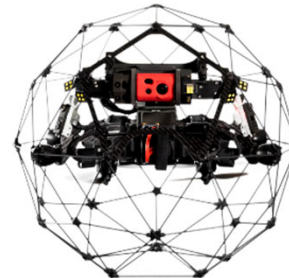
- DJI Inspire 3 –Cinematography



- DJI Avata 2 – Confined Space Inspections (2 total)



- Flyability Elios 2 – Confined Space Inspections



# UAS PHYSICAL DAMAGE INSURANCE RENEWAL

Coverage	Existing Program 10/15/2024 – 10/15/2025	Expected Renewal 10/15/2025 – 10/15/2026
Deductible	\$0	\$0
Total Insured Value	\$188,085 (8 UAS/drone + equipment)	\$233,485 (estimate) (9 UAS/drone + equipment)*
Premium paid by SRP to SRPCRS	\$18,468	Up to \$25,000**
Losses (SRP Claims)	\$0	\$0
SRPCRS Income (Loss)	\$18,468	\$25,000 (estimate)

\*Coverage for up to 9 drones

\*\*Based on estimated 5% market increase

# UAS PHYSICAL DAMAGE INSURANCE RENEWAL

Request for Approval:

In accordance with the terms presented, request that the Board authorize SRP Captive Risk Solutions to renew the UAS Physical Damage Insurance provided to SRP effective October 15, 2025.

**thank you!**

