

UNIVERSITY OF COLORADO  
INSURANCE POOL  
Boulder, Colorado

STATUTORY FINANCIAL STATEMENTS  
June 30, 2005

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**Director of Administration and Local Government Audits**

*Clifton Gunderson LLP*

**Contract Auditors**



**Members of the Legislative Audit Committee:**

This report contains the results of the statutory financial audit of the University of Colorado Insurance Pool as of June 30, 2005. The audit was conducted pursuant to Section 2-3-103, C.R.S., which authorizes the State Auditor to conduct audits of the departments, institutions and agencies of State government.

*Clifton Gunderson LLP*

Greenwood Village, Colorado  
August 29, 2005

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**UNIVERSITY OF COLORADO INSURANCE POOL  
REPORT SUMMARY  
FINANCIAL AUDIT  
FISCAL YEAR ENDED JUNE 30, 2005**

**Purpose and Scope**

The Office of the State Auditor, State of Colorado engaged Clifton Gunderson LLP to conduct the financial audit of the University of Colorado Insurance Pool (the Pool) for the fiscal year ended June 30, 2005. Clifton Gunderson LLP performed this audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

The purpose and scope of our audit was to express an opinion on the University of Colorado Insurance Pool's statutory financial statements as of the fiscal year ended June 30, 2005 in accordance with statutory accounting principles prescribed or permitted by the Division of Insurance of the Department of Regulatory Agencies of the State of Colorado.

**Audit Opinions and Reports**

We expressed an unqualified opinion on the Pool's statutory financial statements as they present fairly, the financial position, results of operations and cash flows of the Pool, in accordance with statutory accounting principles prescribed or permitted by the Division of Insurance of the Department of Regulatory Agencies of the State of Colorado.

**Summary of Key Findings and Recommendations**

There were no findings or recommendations reported for the year ended June 30, 2005.

**Required Communications**

*Auditor's Responsibility Under Generally Accepted Auditing Standards.* Our audit of the statutory financial statements of the Pool for the year ended June 30, 2005, was conducted in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement. Reasonable assurance in an audit is obtained by examining evidence supporting the amounts and disclosures in the financial statements on a test basis. An audit does not include verification of all transactions and account balances, nor does it represent a certification of the absolute accuracy of the financial statements.

In testing whether the financial statements are free of material misstatement, we focus more of our attention on items with a higher potential of material misstatement, and less on items that have a remote chance of material misstatement. For this purpose, accounting literature has defined materiality as “the magnitude of an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement”.

An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Although we may make suggestions as to the form and content of the financial statements, or even prepare them in whole or in part, the financial statements remain the representations of management. In an audit, our responsibility with respect to the financial statements is limited to forming an opinion as to whether the financial statements are a fair presentation of the Pool’s financial position, results of operations, and cash flows.

*Significant Accounting Policies.* There were no significant accounting policies or their application which were either initially selected or changed during the year.

*Management Judgments and Accounting Estimates.* The management of the Pool has made judgments with respect to the reserve for losses and loss adjustment expenses reported in the statutory financial statements. The reserve for losses and loss adjustment expenses is an estimate of the ultimate losses on reported claims and an estimate of claims incurred but not reported based on the Pool’s experience and insurance industry data. Adjustments to the probable ultimate liability for losses and loss adjustment expenses are made continually based on subsequent developments and experience. We have reviewed the information supporting management’s formulation of accounting estimates and have concluded that the estimates are reasonable in the context of the financial statements taken as a whole. Since the ultimate disposition of claims is subject to uncertainty, the actual losses may vary significantly from the estimate in the statutory financial statements.

*Significant Audit Adjustments and Uncorrected Misstatements.* There was one audit adjustment made during the completion of fieldwork as follows:

- A prior period adjustment in the amount of \$114,400 was made to record estimated reserves on a general liability claim as of June 30, 2004.

There were no uncorrected misstatements for the year ended June 30, 2005.

*Disagreements with Management.* There were no disagreements with management on accounting or financial reporting matters that would have caused us to modify our opinion on the statutory financial statements.

*Consultations With Other Accountants.* We were informed by management that they made no consultations with other accountants on the application of generally accepted accounting principles and generally accepted auditing standards.

*Major Issues Discussed With Management Prior to Retention.* There were no major issues, including the application of accounting principles and auditing standards, which were discussed with management prior to our retention as auditors.

*Difficulties Encountered in Performing the Audit.* We encountered no difficulties in dealing with management related to the performance of our audit.

**UNIVERSITY OF COLORADO INSURANCE POOL  
DESCRIPTION OF THE UNIVERSITY OF COLORADO  
INSURANCE POOL**

**Organization**

The University of Colorado Insurance Pool (the Pool) was created on July 1, 1993 as a public entity self-insurance pool, through a liquidating dividend from the University of Colorado Insurance Corporation (the Corporation). The Corporation was organized to provide several types of insurance coverage for the University of Colorado and certain of its affiliates (the University). All assets and liabilities of the Corporation were acquired and assumed by the Pool. The Pool received a certificate of authority from the Division of Insurance of the State of Colorado (the Division).

The University of Colorado Insurance Pool is reported as a blended component unit of the University of Colorado. The University of Colorado is a blended component unit of the State of Colorado.

The Pool was established to provide employers' liability, workers' compensation, property and liability insurance coverage to its members. Effective October 1, 1996, the Pool ceased the issuance of insurance policies. Since that time, the Pool has remained in operation, in a run-off mode, performing all of the functions it has historically performed with respect to insurance policies the Pool issued prior to October 1, 1996, in compliance with state law and the regulations of the Division.



## Independent Auditor's Report

Members of the Legislative Audit Committee:

We have audited the accompanying statutory statement of admitted assets, liabilities and members' surplus of the University of Colorado Insurance Pool (Pool), a blended component unit of the University of Colorado, as of June 30, 2005, and the related statutory statements of income, changes in members' surplus, and cash flows for the year then ended. These financial statements are the responsibility of the Pool's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As described in Note 1 to the statutory financial statements, the Pool prepared these financial statements using accounting practices prescribed or permitted by the Division of Insurance of the Department of Regulatory Agencies of the State of Colorado, which practices differ from accounting principles generally accepted in the United States of America. The principal difference is that investments are reported at amortized cost in the statutory financial statements and are reported at fair value in the financial statements prepared in accordance with accounting principles generally accepted in the United States of America. If the investments were accounted for in accordance with generally accepted accounting principles, investments would be reflected at fair value of \$896,140 and the net increase in members' surplus would be \$88,571 for the year ended June 30, 2005, as described in Note 1.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the statutory financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the University of Colorado Insurance Pool as of June 30, 2005, or the results of its operations or its cash flows for the year then ended.

In our opinion, the statutory financial statements referred to above present fairly, in all material respects, the admitted assets, liabilities, and members' surplus of the University of Colorado Insurance Pool as of June 30, 2005, and the results of its operations and its cash flows for the year then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 29, 2005 on our consideration of the University of Colorado Insurance Pool's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was made for the purpose of forming an opinion on the statutory financial statements taken as a whole. Appendix A - 0001 - Investments has been subjected to the auditing procedures applied in the audit of the statutory financial statements, and, in our opinion, is presented fairly, in all material aspects, in relation to the statutory financial statements taken as a whole.

*Clifton Henderson LLP*

Greenwood Village, Colorado  
August 29, 2005

## **STATUTORY FINANCIAL STATEMENTS**

**UNIVERSITY OF COLORADO INSURANCE POOL**  
**STATUTORY STATEMENT OF ADMITTED ASSETS, LIABILITIES**  
**AND MEMBERS' SURPLUS**  
**June 30, 2005**

**ADMITTED ASSETS**

Cash and cash equivalents	\$ 1,927,860
Investments at amortized cost (estimated at fair value \$896,140)	899,342
Accrued investment income	5,327
<b>TOTAL ADMITTED ASSETS</b>	<b><u><u>\$ 2,832,529</u></u></b>

**LIABILITIES AND MEMBERS' SURPLUS**

**LIABILITIES**

Reserve for losses and loss adjustment expenses	\$ 751,600
Accounts payable and accrued liabilities	13,014
Total liabilities	<u>764,614</u>

**MEMBERS' SURPLUS**

Surplus contribution certificates	4,000,000
Paid-in surplus	1,500,000
Unassigned deficit	(3,432,085)
Total members' surplus	<u>2,067,915</u>
<b>TOTAL LIABILITIES AND MEMBERS' SURPLUS</b>	<b><u><u>\$ 2,832,529</u></u></b>

These statutory financial statements should be read only in connection with  
the accompanying notes to statutory financial statements.

**UNIVERSITY OF COLORADO INSURANCE POOL**  
**STATUTORY STATEMENT OF INCOME**  
**Year Ended June 30, 2005**

<b>UNDERWRITING INCOME</b>	<u>\$ -</u>
<b>UNDERWRITING EXPENSES</b>	
Net losses and loss adjustment expense, net of recoveries of \$29,010	(64,697)
Other underwriting expenses	<u>98,750</u>
Total underwriting expenses	<u>34,053</u>
<b>UNDERWRITING (LOSS)</b>	(34,053)
<b>NET INVESTMENT INCOME</b>	58,271
<b>OTHER INCOME</b>	<u>64,715</u>
<b>NET INCOME</b>	<u><u>\$ 88,933</u></u>

These statutory financial statements should be read only in connection with  
the accompanying notes to statutory financial statements.

**UNIVERSITY OF COLORADO INSURANCE POOL  
STATUTORY STATEMENT OF MEMBERS' SURPLUS  
Year Ended June 30, 2005**

	<u>Surplus Contribution Certificates</u>	<u>Paid-in Surplus</u>	<u>Unassigned Deficit</u>	<u>Total</u>
<b>Balance - June 30, 2004, as restated</b>	\$4,000,000	\$ 1,500,000	\$(3,521,018)	\$1,978,982
Net income	-	-	88,933	88,933
<b>Balance - June 30, 2005</b>	<u>\$4,000,000</u>	<u>\$ 1,500,000</u>	<u>\$(3,432,085)</u>	<u>\$2,067,915</u>

These statutory financial statements should be read only in connection with  
the accompanying notes to statutory financial statements.

**UNIVERSITY OF COLORADO INSURANCE POOL  
STATUTORY STATEMENT OF CASH FLOWS  
Year Ended June 30, 2005**

**CASH FLOW FROM OPERATING ACTIVITIES**

Loss and loss adjustment expenses paid, net of reinsurance recoveries received	\$ (434,844)
Underwriting expenses paid	(120,966)
	(555,810)
Investment income received, net of investment expenses paid	63,348
Other income	64,715
Net cash flow provided (required) by operating activities	(427,747)

**CASH FLOW FROM INVESTING ACTIVITIES**

Investments sold or matured	1,800,000
Investments acquired	(1,200,505)
Net cash flow provided (required) by investing activities	599,495

**NET INCREASE IN CASH AND CASH EQUIVALENTS** 171,748

**CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR** 1,756,112

**CASH AND CASH EQUIVALENTS - END OF YEAR** \$ 1,927,860

These statutory financial statements should be read only in connection with  
the accompanying notes to statutory financial statements.

**UNIVERSITY OF COLORADO INSURANCE POOL**  
**NOTES TO STATUTORY FINANCIAL STATEMENTS**  
**June 30, 2005**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

The University of Colorado Insurance Pool (the Pool) was created on July 1, 1993 as a public entity self-insurance pool, through a liquidating dividend from the University of Colorado Insurance Corporation (the Corporation). The Pool received a certificate of authority from the Division of Insurance of the Department of Regulatory Agencies of the State of Colorado (the Division). The Pool is reported as a blended component unit of the University of Colorado, which is a component unit of the State of Colorado.

The Corporation was organized with the intention of qualifying as a captive insurance company under the Colorado Captive Insurance Company Act, as amended. The Corporation provided several types of insurance coverage for the University of Colorado and certain of its affiliates (the University). All of the common stock issued and outstanding was owned by the University of Colorado Board of Regents. On July 1, 1993, the Corporation capitalized the Pool through surplus contributions by using the existing surplus of the Corporation upon its dissolution in the amount of \$1,500,000. Surplus contribution certificates of \$3,200,000 and \$800,000 were issued to the University of Colorado and University Hospital, respectively. The certificates are not a legal liability of the Pool and cannot be sold, transferred, pledged, or hypothecated. Insurance coverages provided by the Pool are essentially the same as those that were provided by the Corporation.

The Pool was established to provide employers' liability, workers' compensation, property and liability insurance coverage to its members. Effective October 1, 1996, the Pool ceased the issuance of insurance policies. Since that time, the Pool has remained in operation, in a run-off mode, performing all of the functions it has historically performed with respect to insurance policies the Pool issued prior to October 1, 1996, in compliance with state law and the regulations of the Division.

**Basis of Presentation**

The accompanying statutory financial statements have been prepared in conformity with accounting practices prescribed or permitted by the Division, which vary in some respects from accounting principles generally accepted in the United States of America.

The more significant differences between prescribed accounting practices and accounting principles generally accepted in the United States of America are as follows:

- Certain assets are designated as "nonadmitted assets" and are excluded from the statement of admitted assets, liabilities and members' surplus by a charge to surplus.



**UNIVERSITY OF COLORADO INSURANCE POOL**  
**NOTES TO STATUTORY FINANCIAL STATEMENTS**  
**June 30, 2005**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

- Investments are carried at amortized cost instead of fair value.
- Subrogation recoveries are not recorded until cash is received.

The impact of the differences between accounting principles generally accepted in the United States of America (GAAP) and statutory accounting practices is as follows:

Statutory net income	\$ 88,933
Net decrease in the fair value of investments	<u>(362)</u>
GAAP increase in net assets	<u>\$ 88,571</u>
Statutory members' surplus	\$ 2,067,915
Unrealized investment (losses)	<u>(3,202)</u>
GAAP net assets	<u>\$ 2,064,713</u>

**Estimates**

The preparation of statutory financial statements in conformity with accounting practices prescribed or permitted by the Division 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 revenue and expenses during the reporting period. The reserve for losses and loss adjustment expenses represents estimates of the ultimate unpaid cost, net of reinsurance, of all losses incurred, including losses incurred but not reported. The liability is an estimate and, as such, the ultimate actual liability may vary from the recorded amount. The liabilities are reviewed periodically and adjustments to the reserve are included in operations. Actual results could differ from those estimates and such differences could be significant.

**Investments**

Investments are carried at amortized cost.

**Cash and Cash Equivalents**

For purposes of the statutory statement of cash flows, the Pool considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

**UNIVERSITY OF COLORADO INSURANCE POOL**  
**NOTES TO STATUTORY FINANCIAL STATEMENTS**  
**June 30, 2005**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Reserve for Losses and Loss Adjustment Expense**

Losses and related adjustment expenses are charged to operations as incurred. The reserves for losses and loss adjustment expenses (both allocated and unallocated) are determined based upon cash basis evaluations for claims reported and actuarial projections by the Pool's actuary in the prior fiscal year, which includes a provision for incurred but not reported losses. The projections of ultimate losses on reported claims and the estimate of claims incurred but not reported are based on the Pool's experience and insurance industry data. Losses are reported net of estimated amounts recoverable from excess insurance. Adjustments to the probable ultimate liability for losses and loss adjustment expenses are made continually based on subsequent developments and experience and are included in operations as incurred. The Pool obtained an exemption from the actuarial opinion and reporting requirements from the Division for the fiscal year ended June 30, 2005.

**Members' Surplus**

The Pool has established a plan to maintain a minimum target surplus level of \$750,000 during the claims run-off period.

The Pool's statutory minimum members' surplus requirement is \$500,000 (\$200,000 for workers' compensation, \$200,000 for casualty and \$100,000 for property). At June 30, 2005, the Pool's statutory members' surplus was \$2,067,915.

**Income Taxes**

As an organization described in Internal Revenue Code (IRC) Section 501(c)(3), the Pool is exempt from federal income tax on income related to its exempt purpose under IRC Section 501(a). The Pool had no unrelated income, therefore, no provision for income taxes is included in the financial statements.

**UNIVERSITY OF COLORADO INSURANCE POOL**  
**NOTES TO STATUTORY FINANCIAL STATEMENTS**  
**June 30, 2005**

**NOTE 2 - CASH AND INVESTMENTS**

**Cash Deposits**

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government, and entities such as the Pool, deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least equal to the aggregate uninsured deposits.

The Colorado Division of Banking and Financial Services is required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

At June 30, 2005, the Pool's cash deposits had a bank balance of \$73 which is fully insured by FDIC. The carrying balance of deposits as of June 30, 2005 was \$73.

**Investments**

The Pool follows the University of Colorado's investment policy which allows for the following investments:

- Obligations of the United States and certain U.S. Government agency securities
- U.S. Corporate or bank debt of certain entities
- Written repurchase agreements collateralized by certain authorized securities
- Certain commercial paper
- Asset-backed securities
- Mortgage-backed securities
- Guaranteed investment contracts (GICs)
- Certain money market funds

**UNIVERSITY OF COLORADO INSURANCE POOL**  
**NOTES TO STATUTORY FINANCIAL STATEMENTS**  
**June 30, 2005**

**NOTE 2 - CASH AND INVESTMENTS (CONTINUED)**

The Pool owned the following investments as of June 30, 2005:

	<u>Carrying Amount</u>	<u>Fair Value</u>
U.S. Agency securities	\$ 899,342	\$ 896,140
Blackrock Temp Fund - Money market mutual fund	<u>1,927,787</u>	<u>1,927,787</u>
	<u>\$ 2,827,129</u>	<u>\$ 2,823,927</u>

Total cash and investments as of June 30, 2005 are summarized as follows:

Cash deposits	\$ 73
Investments	<u>2,827,129</u>
	<u>\$ 2,827,202</u>

Cash deposits and investments are reflected on the June 30, 2005 statement of admitted assets, liabilities and members' surplus as follows:

Cash and cash equivalents	\$ 1,927,860
Investments	<u>899,342</u>
	<u>\$ 2,827,202</u>

An investment with an amortized cost value of \$500,245 and a fair value of \$497,500 has been placed on joint deposit with the Division of Insurance of the State of Colorado at June 30, 2005.

**UNIVERSITY OF COLORADO INSURANCE POOL  
NOTES TO STATUTORY FINANCIAL STATEMENTS  
June 30, 2005**

**NOTE 3 - RESERVE FOR LOSSES AND LOSS ADJUSTMENT EXPENSE**

The schedule below presents the changes in the Pool's reserve for losses and loss adjustment expense for the year ended June 30, 2005:

Reserve for losses and loss adjustment expense at beginning of the fiscal year - as restated	\$ 1,251,141
Incurred losses and loss adjustment expenses:	
Changes in provisions for insured events of prior fiscal years	<u>(64,697)</u>
Payments, net of recoveries:	
Losses and loss adjustment expenses attributable to insured	
Events of prior fiscal years	<u>(434,844)</u>
Reserve for losses and loss adjustment expense at end of the fiscal year	<u>\$ 751,600</u>

The provisions for losses and loss adjustment expenses pertaining to prior years decreased in 2005 due to lower than anticipated loss experience for insured events of prior fiscal years.

The estimates of the reserve for losses and loss adjustment expenses are based on the Pool's experience; however, due to the fact that the Pool is in claims run-off, the estimates are not subject to significant variability. The actual cost of settling all reported claims and the actual amount of future losses and loss adjustment expenses may vary from the estimates utilized in the preparation of the statutory financial statements.

The following is a summary of losses and loss adjustment expenses incurred by type of coverage for the year ended June 30, 2005:

Workers' compensation	\$ -
General liability	(45,484)
ULAE (unallocated loss adjustment expenses)	<u>(19,213)</u>
	<u>\$ (64,697)</u>

**UNIVERSITY OF COLORADO INSURANCE POOL**  
**NOTES TO STATUTORY FINANCIAL STATEMENTS**  
**June 30, 2005**

**NOTE 4 - EXCESS INSURANCE CONTRACTS**

The Pool has entered into insurance contracts to limit large losses for all lines of coverage. Employers' liability and workers' compensation coverage was provided up to a limit of \$10 million for each accident and each employee disease. The Pool's retention for each accident or each employee disease is as follows:

<u>Period</u>	<u>Pool's Retention</u>
July 1, 1986 - June 30, 1990	\$300,000
July 1, 1990 - September 30, 1995	\$500,000
October 1, 1995 - September 30, 1996	\$300,000

The Pool reinsures the excess over these amounts.

Property coverage was provided up to a limit of \$500 million per occurrence. For the period from July 1, 1992 through September 30, 1996, the Pool retains the first \$100,000 per occurrence less a policy holder deductible and reinsures the excess.

Liability insurance, including general liability, auto liability, errors and omissions, and school leaders' coverage, was also provided by the Pool. The coverage under this policy was limited to \$10 million per occurrence or wrongful act. The Pool retains the first \$250,000 per occurrence or wrongful act less a policyholder deductible and reinsures the excess.

Insurance contracts do not relieve the Pool from its obligations to its members, and a failure of the insurance company to honor its obligations could result in losses to the Pool. The Pool evaluates and monitors the financial condition of its insurance companies to minimize its exposure to loss from insolvency. There were no outstanding recoverable amounts under the contracts at June 30, 2005.

**NOTE 5 - POOL MANAGEMENT AND CLAIMS ADMINISTRATION**

The Pool has entered into agreements with the University of Colorado for general management, claims administration, recordkeeping, administration of reinsurance and other contracts and related matters. Fees for such services were \$71,672 for the year ended June 30, 2005.

**UNIVERSITY OF COLORADO INSURANCE POOL**  
**NOTES TO STATUTORY FINANCIAL STATEMENTS**  
**June 30, 2005**

**NOTE 6 - CONTINGENCIES**

The Pool is involved in routine legal proceedings incidental to the conduct of its business. Management believes that none of these legal proceedings will have a material adverse effect on the financial condition, operations or liquidity of the Pool.

**NOTE 7 - PRIOR PERIOD ADJUSTMENT**

A prior period adjustment was recorded to establish an estimate of losses and loss adjustment expenses on a general liability claim that had not been recorded in prior years as follows:

Beginning unassigned deficit, as previously reported	\$ (3,406,618)
Adjustment of losses and loss adjustment expenses	<u>(114,400)</u>
Beginning unassigned deficit, as restated	<u>\$ (3,521,018)</u>

This information is an integral part of the accompanying statutory financial statements.



**Independent Auditor's Report on Internal Control  
Over Financial Reporting and on Compliance and Other Matters Based on an Audit of  
Financial Statements  
Performed in Accordance with *Government Auditing Standards***

Members of the Legislative Audit Committee:

We have audited the statutory financial statements of the University of Colorado Insurance Pool as of and for the year ended June 30, 2005, and have issued our report thereon dated August 29, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the University of Colorado Insurance Pool's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether University of Colorado Insurance Pool's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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This report is intended solely for the information and use of the Legislative Audit Committee, Board of Directors, management of the Pool, and the Division of Insurance of the State of Colorado and is not intended to be and should not be used by anyone other than these specified parties.

*Clifton Henderson LLP*

Greenwood Village, Colorado  
August 29, 2005

## **SUPPLEMENTAL INFORMATION**

**UNIVERSITY OF COLORADO INSURANCE POOL**  
**Appendix A-001 - Investments**  
**June 30, 2005**

**SECTION 2. Investment Risks Interrogatories**

1.	Total Admitted Assets		\$ <u>2,832,529</u>
		<u>Amount</u>	<u>Percentage of Total Admitted Assets</u>
2.	Investment category		
a.	Investments in mutual funds	\$1,927,787	68.06%
		<u>Amount</u>	<u>Percentage of Total Admitted Assets</u>
3.	Bonds - NAIC - 1	\$ 899,342	31.75%

**NOTE:** Line items 4 through 13 and 15 through 24 contained in Appendix A-001, Section 1, are not applicable to the University of Colorado Insurance Pool.

		<u>Amount</u>	<u>Percentage of Total Admitted Assets</u>
14.	Investments in mutual funds	\$1,927,787	68.06%

**UNIVERSITY OF COLORADO INSURANCE POOL**  
**SUMMARY INVESTMENT SCHEDULE**  
**Appendix A-001 - Investments**  
**June 30, 2005**

**Section 3.**

**Summary Investment Schedule**

<b>Investment Categories</b>	<b><u>Gross Investment Holdings</u></b>		<b><u>Admitted Assets</u></b>	
Bonds				
U.S. government agency obligations	\$ 899,342	31.81%	\$ 899,342	31.81%
Equity interests				
Investments in mutual funds	1,927,787	68.19%	1,927,787	68.19%
Cash and short-term investments	73	0.00%	73	0.00%
Total invested assets	<u>\$ 2,827,202</u>	<u>100.00%</u>	<u>\$ 2,827,202</u>	<u>100.00%</u>

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