

The Minnesota Self- Insurers' Security Fund

Financial Statements
With Independent Auditor's Report Thereon
June 30, 2022 and 2021

Contents

Independent auditor's report	1-2
<hr/>	
Financial statements	
Statements of financial position	3
Statements of revenues and expenses and members' equity	4
Statements of cash flows	5
Notes to financial statements	6-13

Independent Auditor's Report

Board of Trustees
The Minnesota Self-Insurers' Security Fund

Opinion

We have audited the financial statements of The Minnesota Self-Insurers' Security Fund (the Fund), which comprise the statements of financial position as of June 30, 2022 and 2021, the related statements of revenues and expenses, members' 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 Fund as of June 30, 2022 and 2021, 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 Fund 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 Fund's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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.

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 Fund'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 Fund'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.

RSM US LLP

Minneapolis, Minnesota
October 5, 2022

The Minnesota Self-Insurers' Security Fund

Statements of Financial Position June 30, 2022 and 2021

	2022	2021
Assets		
Cash and cash equivalents	\$ 2,784,274	\$ 2,584,534
Investments	3,845,202	4,485,951
Reinsurance receivables	7,596,290	8,000,153
Interest receivable	15,632	282
Amounts due from members	45	-
Prepaid expenses	-	3,253
	<hr/>	<hr/>
Total assets	\$ 14,241,443	\$ 15,074,173
Liabilities and Members' Equity		
Liabilities:		
Accounts payable and accrued expenses	\$ 25,703	\$ 30,198
Deferred revenue	512,788	483,470
Amounts due to members	-	7,115
Estimated liability for incurred, incurred but unreported, and incomplete claims	10,482,352	10,858,860
Total liabilities	11,020,843	11,379,643
	<hr/>	<hr/>
Members' equity	3,220,600	3,694,530
	<hr/>	<hr/>
Total liabilities and members' equity	\$ 14,241,443	\$ 15,074,173

See notes to financial statements.

The Minnesota Self-Insurers' Security Fund

Statements of Revenues and Expenses

Years Ended June 30, 2022 and 2021

	2022	2021
Revenues:		
General membership assessment	\$ 808,336	\$ 845,801
Bankruptcy settlement	-	100,000
Investment income (loss)	(473,183)	628,219
Total revenues	335,153	1,574,020
Expenses:		
Claims incurred, net of recoveries and change in estimated liabilities	381,570	(33,750)
Claims administration fees	63,755	63,743
Professional and administrative	363,758	394,738
Total net expenses, including change in estimated liabilities	809,083	424,731
Change in members' equity	\$ (473,930)	\$ 1,149,289

Statements of Members' Equity

Years Ended June 30, 2022 and 2021

	2022	2021
Balance, beginning	\$ 3,694,530	\$ 2,545,241
Change in members' equity	(473,930)	1,149,289
Balance, ending	\$ 3,220,600	\$ 3,694,530

See notes to financial statements.

The Minnesota Self-Insurers' Security Fund

Statements of Cash Flows
Years Ended June 30, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Change in members' equity	\$ (473,930)	\$ 1,149,289
Adjustments to reconcile change in members' equity to net cash provided by operating activities:		
Net unrealized and realized gains and losses on investments and accretion of bankers' acceptances	583,791	(552,229)
Changes in assets and liabilities:		
Security deposit receivable	-	59,935
Reinsurance and other receivables	(15,350)	(37,801)
Prepaid expenses	3,253	-
Accounts payable, accrued expenses and other payables	(11,655)	(16,038)
Deferred revenue	29,318	32,658
Estimated liability for incurred, incurred but unreported, and incomplete claims	27,355	(287,946)
Net cash provided by operating activities	142,782	347,868
Cash flows from investing activities:		
Purchases of investments	(12,077,323)	(10,133,338)
Proceeds from sales and maturities of investments	12,134,281	9,635,264
Net cash provided by (used in) investing activities	56,958	(498,074)
Increase (decrease) in cash and cash equivalents	199,740	(150,206)
Cash and cash equivalents:		
Beginning	2,584,534	2,734,740
Ending	\$ 2,784,274	\$ 2,584,534

See notes to financial statements.

The Minnesota Self-Insurers' Security Fund

Notes to Financial Statements

Note 1. Nature of Operations and Significant Accounting Policies

Nature of operations: The Minnesota Self-Insurers' Security Fund (the Fund) was incorporated under the Minnesota Non-Profit Act on September 9, 1988, and certain rights and obligations were enacted by law as of September 29, 1988. A 10-member Board of Trustees governs the Fund. The purpose of the Fund is to fulfill the obligations placed upon it by Minnesota Statutes, Chapter 79A, as summarized below.

Employers who are private self-insurers of workers' compensation benefits on or after July 1, 1988, in the state of Minnesota, as identified by the Commissioner of the Minnesota Department of Commerce (the Commissioner), are required to be members of this Fund. The Commissioner makes the initial determination of which employers are qualified to be self-insured. The Commissioner also has the authority to revoke the employers' certificate to self-insure.

The Fund is liable for the administration and payment of workers' compensation benefits when a self-insured member declares bankruptcy or becomes insolvent and the Commissioner issues a certificate of default. The Fund has the right to obtain reimbursement from the bankrupt or insolvent member, is entitled to any subrogation or reinsurance that the member was entitled to, and also has the right to receive the security deposit that the member has provided to the Commissioner. Minnesota Statutes, Chapter 79A, states that the security deposit is to be equal to 110% of the member's estimated future workers' compensation liability as determined by an actuary. The security deposit may be in the form of a bond, letter of credit or cash deposit, is held and regulated by the Commissioner and is not within the control of the Fund. If the assumed liabilities of the bankrupt or insolvent member exceed these sources of revenues, the Fund may assess its members a pro rata share (subject to annual limitation) of the funding necessary to carry out the Fund's remaining claim payment obligations and to cover the reasonable costs of administering the Fund.

The Fund has a service agreement with Berkley Risk Administrators Company (Berkley) to provide accounting services and administration of claims for which the Fund is responsible. There is an administration fee charged by Berkley. This service agreement is effective through June 30, 2024. The Chair of the Fund's Board of Trustees is also an employee of Berkley.

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

Management estimates: The preparation of financial statements requires the trustees to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the estimated liability for incurred, incurred but unreported, and incomplete claims and valuation of reinsurance receivables.

Assessments: Member assessments are recognized as revenue in the period in which the assessment is made by the Fund. Assessments are based on the members' workers' compensation indemnity benefits paid during the previous calendar year. Assessments by the Fund cannot exceed 10% of the indemnity benefits paid by the members during the calendar year. An assessment of 1.75% and 2.00% was made for the years ended June 30, 2022 and 2021, respectively.

The Fund has the authority to assess employers who have terminated their self-insurance status. Departing members are assessed their proportionate share of the Fund's current liability if deemed necessary by the Fund. No terminated member assessments were made for the years ended June 30, 2022 or 2021, as the Fund had positive members' equity.

The Minnesota Self-Insurers' Security Fund

Notes to Financial Statements

Note 1. Nature of Operations and Significant Accounting Policies (Continued)

Cash and cash equivalents: For purposes of reporting the statements of cash flows, the Fund considers all savings accounts, money market mutual funds and bankers' acceptances and other highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. Bankers' acceptances recorded at fair value of \$2,415,829 and \$2,269,690 are included in cash and cash equivalents at June 30, 2022 and 2021, respectively.

The Fund maintains its cash in bank deposit, checking and money market accounts, which generally exceed federally insured limits. At June 30, 2022 and 2021, cash and cash equivalents, other than bankers' acceptances securities which are recorded at fair value, are recorded at cost, which approximates fair value because of the short-term nature of these instruments.

Investments and investment income: Investments in mutual funds and bankers' acceptances are recorded at their fair value on the statements of financial position. Unrealized gains and losses are included in investment income (loss) on the statements of revenues and expenses. Investment fees are reported within professional and administrative expenses on the statements of revenues and expenses.

Reinsurance: When the Fund becomes legally liable for the claim liabilities of a bankrupt or insolvent member, it is entitled to receive any reinsurance that the member was entitled to. Under state law, all Minnesota self-insurers are required to be members of the Minnesota Workers' Compensation Reinsurance Association (WCRA). The Fund has applied for and continues to receive recoveries from reinsurance for certain paid claims in excess of the WCRA retention limits. The Fund has also pursued subrogation from various third parties and continues to receive recoveries. The Fund receives reinsurance recoveries from Erieview Insurance Company, Ltd. (Erieview), a captive insurance company that reinsured the National Steel Corporation and its subsidiary, National Steel Pellet Company (National Steel) (see Note 3). Total reinsurance and subrogation recoveries on paid claims were approximately \$452,000 and \$565,000 in 2022 and 2021, respectively.

The Fund also estimates the future recoveries it expects to receive from the WCRA, Erieview and any other reinsurers as they relate to both claims paid and the estimated liability for incurred, incurred but unreported, and incomplete claims and records the expected recoveries as reinsurance receivable. The estimated amount recoverable from these reinsurers was approximately \$7,596,000 and \$8,000,000 at June 30, 2022 and 2021, respectively. Expected recoveries are netted against claims incurred on the statements of revenues and expenses.

Estimated liability for incurred, incurred but unreported and incomplete claims: The liabilities assumed from the bankrupt or insolvent members for incurred but not reported and incomplete claims and claim administration expenses (claims reserves) are estimated by management after consultation with an independent actuary based on loss reserves, paid claims, industry data and general conditions of the environment associated with these claims. At June 30, 2022, the independent actuary reviewed all members' reserves. At June 30, 2021, the independent actuary reviewed only National Steel claims reserves and management reviewed the remaining members' reserves for reasonableness. These liabilities are necessarily based on estimates, and the ultimate liability may be in excess of or less than the amounts stated. The variability of the liability is increased where there is a lack of historical data available and because the claims may be in connection with employers that are no longer in operation.

The unpaid claims and claim adjustment expense estimates are continually reviewed and, as adjustments to the estimated liabilities become necessary, such adjustments will be reflected in the year they are determined.

The Minnesota Self-Insurers' Security Fund

Notes to Financial Statements

Note 1. Nature of Operations and Significant Accounting Policies (Continued)

Subsequent events: All of the effects of subsequent events that provide additional evidence about conditions that existed at the financial statement date, including the estimates inherent in the process of preparing the financial statements, are recognized in the financial statements. The Fund does not recognize subsequent events that provide evidence about conditions that did not exist at the financial statement date but arose after, but before the financial statements are available to be issued. In some cases, nonrecognized subsequent events are disclosed to keep the financial statements from being misleading (see Note 7).

The Fund has considered subsequent events through October 5, 2022, the date that the financial statements were available to be issued, in preparing the financial statements and notes thereto.

Tax status: The Fund is generally exempt from federal and state taxation as a qualified tax-exempt organization under Internal Revenue Code 501(c)(6).

Note 2. Investments and Investment Income

Investment income: Investment income includes earnings on investments as well as realized and unrealized gains and losses. Investment income consists of the following for the years ended June 30:

	2022	2021
Interest, dividends and capital gain distributions	\$ 110,608	\$ 75,990
Realized gains, net	64,596	47,268
Unrealized gains (losses), net	(648,387)	504,961
Total investment income (loss)	<u>\$ (473,183)</u>	<u>\$ 628,219</u>

Assets and liabilities recorded at fair value on the statements of financial position are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Input levels, as defined by the accounting guidance for fair value measurements, are as follows:

Level 1: Inputs are unadjusted, quoted prices for identical assets or liabilities in active markets at the measurement date. Fair values of actively traded money market funds, mutual funds and equity securities are based on quoted market prices.

Level 2: Inputs are other than quoted prices included in Level 1 that are observable for the asset or liability through corroboration with market data at the measurement date.

Level 3: Inputs are unobservable and reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date.

In instances where the determination of fair value is based on inputs for different levels of the fair value hierarchy, the level of the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

The Minnesota Self-Insurers' Security Fund

Notes to Financial Statements

Note 2. Investments and Investment Income (Continued)

The following tables set forth the Fund's assets that are measured and recognized at fair value on a recurring basis as of June 30, under the appropriate level of the fair value hierarchy:

	2022			
	Fair Value	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Investments:				
Mutual funds:				
Fixed income	\$ 1,992,622	\$ 1,992,622	\$ -	\$ -
Domestic equities	1,852,580	1,852,580	-	-
Total investments	3,845,202	3,845,202	-	-
Cash equivalents:				
Bankers' acceptances	2,415,829	-	2,415,829	-
Total assets at fair value	\$ 6,261,031	\$ 3,845,202	\$ 2,415,829	\$ -
	2021			
	Fair Value	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Investments:				
Mutual funds:				
Fixed income	\$ 1,975,578	\$ 1,975,578	\$ -	\$ -
Domestic equities	2,212,946	2,212,946	-	-
International equities	37,427	37,427	-	-
Bankers' acceptances	260,000	-	260,000	-
Total investments	4,485,951	4,225,951	260,000	-
Cash equivalents:				
Bankers' acceptances	2,269,690	-	2,269,690	-
Total assets at fair value	\$ 6,755,641	\$ 4,225,951	\$ 2,529,690	\$ -

Note 3. Member Liabilities Assumed

The Fund, since its inception, has assumed the liabilities for the payment of workers' compensation benefits and the costs of settling these claims from 14 former members who have declared bankruptcy or are insolvent. No new member obligations were assumed in fiscal years 2022 or 2021. The Fund receives the proceeds of the bankrupt or insolvent members' security deposits and recognizes these deposits as revenue at the lesser of the deposit received or the Fund's estimate of the claims liability assumed (see Note 4). Amounts received in excess of the claims liability assumed are reported as deferred revenue.

The Minnesota Self-Insurers' Security Fund

Notes to Financial Statements

Note 3. Member Liabilities Assumed (Continued)

In June 2003, the Fund assumed the workers' compensation liabilities for National Steel, a former member of the Fund. Shortly after the Fund assumed these liabilities, it began pursuing reinsurance reimbursement from Erieview, a National Steel affiliated captive insurance company, on several National Steel workers' compensation claims that were ceded to Erieview over multiple years. Claims for reinsurance were made to Erieview, and payments of approximately \$75,000 and \$84,000 have been received on these claims during fiscal years 2022 and 2021, respectively.

At June 30, 2022 and 2021, the estimated gross claims liability for National Steel recorded by the Fund is approximately \$6,899,000 and \$8,243,000, respectively.

There were no settlements in fiscal year 2022. In fiscal year 2021, the Fund entered into a Bond Release Agreement related to the bankruptcy of MetroMedia and received a settlement of \$100,000. The settlement was recorded as revenue in fiscal year 2021.

Activity in the estimated liability for incurred, incurred but unreported and incomplete claims for the years ended June 30, 2022 and 2021, is summarized as follows (rounded to the nearest thousand dollars):

	2022	2021
Balance, beginning	\$ 10,859,000	\$ 12,788,000
Less reinsurance recoverable at July 1	(7,792,000)	(9,433,000)
	3,067,000	3,355,000
Change in actuarial estimates over prior-year estimates	382,000	(34,000)
Claims paid (net of reinsurance and subrogation proceeds of \$452,000 and \$565,000 in 2022 and 2021, respectively) related to member bankruptcies	(317,000)	(254,000)
	3,132,000	3,067,000
Plus reinsurance recoverable at June 30	7,350,000	7,792,000
Balance, ending	<u>\$ 10,482,000</u>	<u>\$ 10,859,000</u>

At June 30, 2022, the Fund has recorded an estimate of the liabilities it has assumed from its bankrupt or insolvent members at the undiscounted amount of approximately \$10,482,000. If the liabilities were discounted using a 2.5% rate, the liabilities would approximate \$8,838,000. Reserves for the estimated liability for incurred, incurred but unreported and incomplete claims attributable to insured events of prior years have increased and decreased by approximately \$382,000 and \$34,000 in fiscal year 2022 and 2021, respectively, as a result of reestimation of this liability. These changes are generally the result of ongoing analysis of recent loss development trends. Original estimates are adjusted as additional information becomes known regarding individual claims.

During each of the fiscal years 2009, 2015, 2018, 2019 and 2020, separate members filed for bankruptcy protection. As of the date of this report, these members have not defaulted on their workers' compensation liabilities. The Fund and the Department of Commerce are monitoring these situations, and the Fund has retained special bankruptcy counsel. No liability was recorded as of June 30, 2022, as the Minnesota Department of Commerce has not determined at this time that the Fund will be responsible for these workers' compensation claims. As of June 30, 2022, the Fund has not been notified that any of the aforementioned members have defaulted on their workers' compensation liability.

The Minnesota Self-Insurers' Security Fund

Notes to Financial Statements

Note 3. Member Liabilities Assumed (Continued)

In 2019, Kmart filed for bankruptcy as part of the Sears Holdings bankruptcy. The bankruptcy court approved a transaction where the majority of the assets of Sears Holdings was transferred to a new entity. Sears Holdings retained the liability for Kmart's workers' compensation claims during the period they were self-insured in Minnesota. As of June 30, 2022, Sears Holdings has not defaulted on payments for the Kmart workers' compensation liability under the Minnesota self-insured program. Due to data privacy concerns, the Department of Commerce has not released the amount of posted security backing Kmart's self-insured workers' compensation liability. However, the Fund has not been informed that it is responsible for any of these workers' compensation claims at this time.

In 2020, J.C. Penney filed for bankruptcy and has been adjudicated as bankrupt. J.C. Penney retains the liability for claims during the period they were self-insured in Minnesota. As of June 30, 2022, J.C. Penney has not defaulted on its workers' compensation liability under the Minnesota self-insured program. Due to data privacy concerns, the Department of Commerce has not released the amount of posted security backing J.C. Penney's self-insured workers' compensation liability. The Fund has not been informed that it is responsible for any J.C. Penney workers' compensation claims at this time.

It is possible that other members may become bankrupt or insolvent in the future. The number and amount of such future liabilities that the Fund may be required to assume, if any, cannot be estimated and, accordingly, no provision for such liabilities, if any, has been made in the financial statements.

Note 4. Security Deposits Receivable and Revenue

When the Fund assumes the workers' compensation liabilities for a bankrupt or insolvent member, it receives the posted security deposit that the Commissioner is holding. The Fund recognizes the security deposit as revenue when the Commissioner notifies the Fund that the member has defaulted on its workers' compensation claims and orders the Fund to pay the member's claims. Security deposits received in excess of the actuarially determined claims liability assumed are recorded as a liability on the statements of financial position. When excess security deposits are received, subsequent changes in the estimate of claims liability assumed may cause increases or decreases in revenue.

In connection with the RisComp Industries, Inc. (RisComp) bankruptcy that occurred in 2002, RisComp posted a surety bond of \$2,996,000. The surety company exercised its option under Minnesota Statutes to administer and pay RisComp's workers' compensation benefits. In 2002, the Fund recorded the estimated liability assumed from RisComp and recognized the full amount of the surety bond as a receivable and as revenue. As the claims and professional fees are paid, the liability and receivable are decreased. At June 30, 2022 and 2021, there is no receivable recorded as the estimated remaining claims liability, net of reinsurance recoveries is \$0. In the case that the estimated claims liability increases, approximately \$115,000 in additional security deposit would be available to pay these claims. No other security deposits receivable or revenue was recorded as of and for the years ended June 30, 2022 and 2021.

The receivable from the surety company is subject to the risk that the surety company may be unable or unwilling to pay claims in the future.

The Minnesota Self-Insurers' Security Fund

Notes to Financial Statements

Note 5. Functional Expenses

The costs of providing the various programs and activities have been summarized on a functional basis. In the analysis below, indirect costs have been allocated across all functional expense categories to reflect the full cost of those activities. Functional expenses may differ from tax functional expense reporting. Expenses related to providing these services for the years ended June 30, 2022 and 2021, are as follows:

	2022		
	Program	Management and General	Total
Expenses:			
Claims incurred, net of recoveries and change in estimated liabilities	\$ 381,570	\$ -	\$ 381,570
Claims administration fees	63,755	-	63,755
Professional and administrative	134,776	228,982	363,758
Total expenses	<u>\$ 580,101</u>	<u>\$ 228,982</u>	<u>\$ 809,083</u>

	2021		
	Program	Management and General	Total
Expenses:			
Claims incurred, net of recoveries and change in estimated liabilities	\$ (33,750)	\$ -	\$ (33,750)
Claims administration fees	63,743	-	63,743
Professional and administrative	160,460	234,278	394,738
Total expenses	<u>\$ 190,453</u>	<u>\$ 234,278</u>	<u>\$ 424,731</u>

Note 6. Liquidity and Availability of Resources

The Fund regularly monitors liquidity required to meet its operating needs and any contractual commitments, while also striving to maximize the investment of its available funds. For analyzing resources available to meet general expenditures over a 12-month period, the Fund considers all expenditures related to its ongoing program-related activities as well as the conduct of services undertaken to support those activities to be general expenditures.

In addition to financial assets available to meet general expenditures over the next 12 months, the Fund operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures. The following reflects the financial assets available to meet cash needs for general expenditures within one year of June 30:

	2022	2021
Cash and cash equivalents	\$ 2,784,274	\$ 2,584,534
Investments	3,845,202	4,485,951
Reinsurance receivables	245,997	207,709
Interest receivable	15,632	282
	<u>\$ 6,891,105</u>	<u>\$ 7,278,476</u>

The Minnesota Self-Insurers' Security Fund

Notes to Financial Statements

Note 7. Funding Policy and Subsequent Events

The Fund's primary source of revenue with which to pay liabilities that it has assumed from its bankrupt or insolvent members is the security deposit, which has been posted with the Minnesota Department of Commerce. The Fund also receives revenue from a terminating member assessment that is levied on any member when they no longer self-insure. In the event that revenue is inadequate to pay claims, the Fund may assess all members to make up the deficiency. The Fund recognizes the revenue from the bankrupt or insolvent member's security deposit when it is notified by the Commissioner and records the estimated liabilities that it has assumed from its bankrupt or insolvent members (see Note 3) when those liabilities are known. The Fund does not recognize the revenue that will be received from future members' assessments, which will be used to retire any excess liabilities, until the assessments are actually made to the members. The Fund's policy is to assess its members (within limits provided by state of Minnesota statutes) only when an amount is necessary to meet the annual cash flow requirements of the Fund if other sources of revenue are inadequate to pay claims and operating expenses for that year. A history of member assessments may be obtained on the internet at www.mnsisf.org.

In July 2022, the Fund made a 1.00% assessment to the members for approximately \$487,000.

Note 8. COVID-19 Implications

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) a global pandemic. Governmental response to the pandemic has significantly impacted economic conditions in the United States and has created significant economic uncertainties. The spread of COVID-19 has altered the behavior of businesses and people, which has adversely impacted local, regional and global economies.

The extent to which COVID-19 will continue to impact the Fund's financial performance will depend on future developments, which are uncertain and cannot be predicted. Accordingly, management cannot presently estimate the overall future operational and financial impact due to COVID-19.