

**UNIVERSITY OF FLORIDA SELF-INSURANCE
PROGRAM AND HEALTHCARE
EDUCATION INSURANCE COMPANY**

COMBINING FINANCIAL STATEMENTS

JUNE 30, 2022

**UNIVERSITY OF FLORIDA SELF-INSURANCE PROGRAM AND
HEALTHCARE EDUCATION INSURANCE COMPANY
TABLE OF CONTENTS
JUNE 30, 2022**

	<u>Page(s)</u>
Independent Auditors' Report	1 – 3
Management's Discussion and Analysis	4 – 8
Combining Financial Statements	
Combining Statements of Net Position	9
Combining Statements of Revenues, Expenses, and Changes in Net Position	10
Combining Statements of Cash Flows	11
Notes to Combining Financial Statements	12 – 20
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	21 – 22

INDEPENDENT AUDITORS' REPORT

To the Governing Council and Board of Directors, respectively,
of the University of Florida Self-Insurance Program and the University of Florida
Healthcare Education Insurance Company:

Report on the Financial Statements

Opinion

We have audited the accompanying combining financial statements of the University of Florida Self-Insurance Program (the "Program") and the University of Florida Healthcare Education Insurance Company ("HEIC"), operating units of the Florida Board of Governors, as of and for the years ended June 30, 2022 and 2021, and the related notes to the combining financial statements, which collectively comprise the Program's and the HEIC's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Program and HEIC as of June 30, 2022, and the changes in its financial position and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. 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 Program and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. 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

The Program's and HEIC's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; 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 Program's and HEIC's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' 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 Program'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 Program's ability to continue as a going concern for a reasonable period of time.

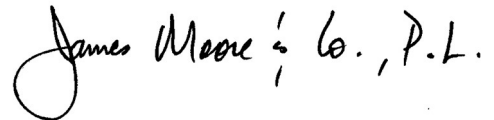
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 29, 2022 on our consideration of the Program's and HEIC'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Program's and HEIC's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "James Moore & Co., P.L." The signature is written in a cursive style with a large initial 'J'.

Gainesville, Florida
August 29, 2022

**UNIVERSITY OF FLORIDA SELF-INSURANCE PROGRAM AND
HEALTHCARE EDUCATION INSURANCE COMPANY
MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2022**

This discussion provides an assessment by management of the current financial position and results of operations for University of Florida Self-Insurance Program (“the Program”) and University of Florida Healthcare Education Insurance Company (“HEIC”). Management encourages readers to consider the information presented here in conjunction with additional information included in the accompanying financial statements and notes to the financial statements.

Overview of Financial Statements

This discussion and analysis is intended to serve as an introduction to the Program’s basic financial statements, which consists of the statements of net position, statements of revenues, expenses, and changes in net position, and the statements of cash flows. This report also contains other supplementary information in addition to the basic financial statements.

The *statements of net position* present information on all of the Program and HEIC’s assets and liabilities, with the difference between the two reported as the total net position. Increases or decreases in the reported net position may serve as a useful indicator of the Program and HEIC’s financial position.

The *statements of revenues, expenses, and changes in net position* present information showing how the Program and HEIC’s revenues and expenses affected the total net position during the current year. All revenue and expenses are recorded as soon as they have been incurred, regardless of the timing of related cash flows.

The *statements of cash flows* present information regarding the cash receipts and payments that occurred throughout the year. The statements show the cash effects of operating and investing transactions during a given period.

Summary of Net Position for the Self-Insurance Program

	2022	2021	2021-2022		2020	2020-2021	
			Increase (decrease)	Percent change		Increase (decrease)	Percent change
Assets							
Cash and cash equivalents	\$ 4,024,394	\$ 4,593,634	\$ (569,240)	(12.39)%	\$ 3,780,311	\$ 813,323	21.51%
Investments, at fair value	232,393,804	257,308,654	(24,914,850)	(9.68)%	228,406,263	28,902,391	12.65%
Premiums and other receivables	220,759	13,460	207,299	1,540.11%	1,295,680	(1,282,220)	(98.96)%
Prepays and other assets	404,343	336,683	67,660	20.10%	303,077	33,606	11.09%
Total Assets	\$ 237,043,300	\$ 262,252,431	\$ (25,209,131)	(9.61)%	\$ 233,785,331	\$ 28,467,100	12.18%
Liabilities							
Unpaid losses and loss adjustment expenses	\$ 32,867,101	\$ 32,086,608	\$ 780,493	2.43%	\$ 30,524,602	\$ 1,562,006	5.12%
Accounts payable and other liabilities	1,413,314	1,396,953	16,361	1.17%	512,838	884,115	172.40%
Investments due to HEIC	58,570,249	64,826,169	(6,255,920)	(9.65)%	59,043,066	5,783,103	9.79%
Total Liabilities	\$ 92,850,664	\$ 98,309,730	(5,459,066)	(5.55)%	90,080,506	8,229,224	9.14%
Net position	144,192,636	163,942,701	(19,750,065)	(12.05)%	143,704,825	20,237,876	14.08%
Total Liabilities and Net Position	\$237,043,300	\$ 262,252,431	\$ (25,209,131)	(9.61)%	\$ 233,785,331	\$ 28,467,100	12.18%

**UNIVERSITY OF FLORIDA SELF-INSURANCE PROGRAM AND
HEALTHCARE EDUCATION INSURANCE COMPANY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022
(Continued)**

Assets

Cash and cash equivalents decreased \$569,240 during this period due to negative cash flow related to the decrease in premium revenue.

Investments decreased \$24,914,850 during this period. The decrease in investments is attributed to the overall poor performance of the markets related to the Federal Reserve's decision to increase interest rates. Despite a large decrease in investments during the 2008 recession, the since inception average rate of return for the investment portfolio is 5.85%.

Premiums and other receivables increased \$207,299 during this period. This increase is the result of one of the participant's misplacing their third premium installment invoice and not paying this installment prior to June 30th. The participant's outstanding premiums were paid and deposited in July 2022.

Liabilities

Unpaid losses and loss adjustment expenses increased \$780,493 during this period due to an additional accident year being included in the Incurred But Not Reported Contingent Liabilities.

Investments due to HEIC decreased \$6,255,920 during this period. The decrease in investments is attributed to the overall poor performance of the markets related in part to the Federal Reserve's decision to increase interest rates.

Summary of Net Position for the Healthcare Education Insurance Company

	2022	2021	2021-2022		2020	2020-2021	
			Increase (decrease)	Percent change		Increase (decrease)	Percent change
Assets							
Cash and cash equivalents	\$ 3,988,045	\$ 3,527,916	\$ 460,129	13.04%	\$ 2,227,840	\$ 1,300,076	58.36%
Prepays and other assets	47,061	38,001	9,060	23.84%	37,072	929	2.51%
Investments due from Program	58,570,249	64,826,169	(6,255,920)	(9.65)%	59,043,066	5,783,103	9.79%
Total Assets	\$ 62,605,355	\$ 68,392,086	\$ (5,786,731)	(8.46)%	\$ 61,307,978	\$ 7,084,108	11.55%
Liabilities							
Unpaid losses and loss adjustment expenses	\$ 5,977,829	\$ 7,476,231	\$ (1,498,402)	(20.04)%	\$ 8,294,372	\$ (818,141)	(9.86)%
Reinsurance premiums payable	826,500	-	826,500	100.00%	-	-	0.00%
Accounts payable and accrued expenses	40,296	66,682	(26,386)	(39.57)%	14,879	51,803	348.16%
Total Liabilities	6,844,625	7,542,913	(698,288)	(9.26)%	8,309,251	(766,338)	(9.22)%
Net position	55,760,730	60,849,173	(5,088,443)	(8.36)%	52,998,727	7,850,446	14.81%
Total Liabilities and Net Position	\$ 62,605,355	\$ 68,392,086	\$ (5,786,731)	(8.46)%	\$ 61,307,978	\$ 7,084,108	11.55%

Assets

Cash and cash equivalents increased \$460,129 during this period due to positive cash flow from operations and the absence of cash transfers to the investment account during this fiscal year to maintain an acceptable cash balance.

Investments due from Program decreased \$6,255,920 during this period. The decrease in investments is attributed to the overall poor performance of the markets related in part to the Federal Reserve's decision to increase interest rates.

**UNIVERSITY OF FLORIDA SELF-INSURANCE PROGRAM AND
HEALTHCARE EDUCATION INSURANCE COMPANY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022
(Continued)**

Liabilities

Unpaid losses and loss adjustment expenses decreased \$1,498,402 during this period. The decrease is the direct result of favorable development in all active loss periods, particularly in relation to the UFH CFH tail coverage included effective January 1, 2020.

Reinsurance premiums payable increased \$826,500 during this period to reflect on paper the extremely remote possibility of an increased premium if large losses are incurred. The reinsurance premium payable is the liability the Company would pay if paid losses exceeded \$5 million, and the Company was required to pay a portion of the maximum premium. The reinsurance premiums payable are based on an exceptionally conservative estimate. Currently no claims have large enough reserves to impact reinsurance maximum premiums.

Combined Summary of Net Position

			<u>2021-2022</u>				<u>2020-2021</u>	
	<u>2022</u>	<u>2021</u>	<u>Increase (decrease)</u>	<u>Percent change</u>	<u>2020</u>	<u>Increase (decrease)</u>	<u>Percent change</u>	
Assets								
Cash and cash equivalents	\$ 8,012,439	\$ 8,121,550	\$ (109,111)	(1.34)%	\$ 6,008,151	\$ 2,113,399	35.18%	
Investments, at fair value	232,393,804	257,308,654	(24,914,850)	(9.68)%	228,406,263	28,902,391	12.65%	
Premiums and other receivables	220,759	13,460	207,299	1,540.11%	1,295,680	(1,282,220)	(98.96)%	
Prepays and other assets	451,404	374,684	76,720	20.48%	340,149	34,535	10.15%	
Investments due from Program	58,570,249	64,826,169	(6,255,920)	(9.65)%	59,043,066	5,783,103	9.79%	
Total Assets	\$ 299,648,655	\$ 330,644,517	\$ (30,995,862)	(9.37)%	\$ 295,093,309	\$ 35,551,208	12.05%	
Liabilities								
Unpaid losses and loss adjustment expenses	\$ 38,844,930	\$ 39,562,839	\$ (717,909)	(1.81)%	\$ 38,818,974	\$ 743,865	1.92%	
Reinsurance premiums payable	826,500	-	826,500	100.00%	-	-	0.00%	
Accounts payable and other liabilities	1,453,610	1,463,635	(10,025)	(0.68)%	527,717	935,918	177.35%	
Investments due to HEIC	58,570,249	64,826,169	(6,255,920)	(9.65)%	59,043,066	5,783,103	9.79%	
Total Liabilities	99,695,289	105,852,643	(6,157,354)	(5.82)%	98,389,757	7,462,886	7.59%	
Net position	199,953,366	224,791,874	(24,838,508)	(11.05)%	196,703,522	28,088,322	14.28%	
Total Liabilities and Net Position	\$ 299,648,655	\$ 330,644,517	\$ (30,995,862)	(9.37)%	\$ 295,093,309	\$ 35,551,208	12.05%	

**UNIVERSITY OF FLORIDA SELF-INSURANCE PROGRAM AND
HEALTHCARE EDUCATION INSURANCE COMPANY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022
(Continued)**

Summary of Revenues, Expenses, and Changes in Net Position for the Self-Insurance Program

	2021-2022				2020-2021		
	2022	2021	Increase (decrease)	Percent change	2020	Increase (decrease)	Percent change
Operating Revenues							
Earned premiums, net	\$ 7,009,906	\$ 8,110,699	\$ (1,100,793)	(13.57)%	\$ 10,307,917	\$ (2,197,218)	(21.32)%
Investment income	(18,611,135)	23,144,574	(41,755,709)	(180.41)%	8,642,641	14,501,933	167.80%
Other income	1,112,416	1,030,052	82,364	8.00%	1,034,475	(4,423)	(0.43)%
Total operating revenues	<u>(10,488,813)</u>	<u>32,285,325</u>	<u>(42,774,138)</u>	<u>(132.49)%</u>	<u>19,985,033</u>	<u>12,300,292</u>	<u>61.55%</u>
Operating Expenses							
Losses and loss adjustment expenses, net	4,421,566	7,579,797	(3,158,231)	(41.67)%	6,211,666	1,368,131	22.03%
General and administrative expenses	4,839,686	4,467,652	372,034	8.33%	4,074,814	392,838	9.64%
Total operating expenses	<u>9,261,252</u>	<u>12,047,449</u>	<u>(2,786,197)</u>	<u>(23.13)%</u>	<u>10,286,480</u>	<u>1,760,969</u>	<u>17.12%</u>
Increase (decrease) in net position	(19,750,065)	20,237,876	(39,987,941)	(197.59)%	9,698,553	10,539,323	108.67%
Net position, beginning of year	163,942,701	143,704,825	20,237,876	14.08%	134,006,272	9,698,553	7.24%
Net position, end of year	<u>\$ 144,192,636</u>	<u>\$ 163,942,701</u>	<u>\$ (19,750,065)</u>	<u>(12.05)%</u>	<u>\$ 143,704,825</u>	<u>\$ 20,237,876</u>	<u>14.08%</u>

Total operating revenues decreased \$42,774,138 during this period. This is primarily due to the overall poor performance of investments related in part to the Federal Reserve's decision to increase interest rates for the first time since 2018.

Total operating expenses decreased \$2,786,197 during this period largely due to close oversight by management in the timing of indemnity payments in the current year to decline from the prior year.

Summary of Revenues, Expenses, and Changes in Net Position for the Healthcare Education Insurance Company

	2021-2022				2020-2021		
	2022	2021	Increase (decrease)	Percent change	2020	Increase (decrease)	Percent change
Operating Revenues							
Earned premiums, net	\$ 1,496,080	\$ 2,235,642	\$ (739,562)	(33.08)%	\$ 1,048,851	\$ 1,186,791	113.15%
Investment income (loss)	(6,244,958)	5,788,730	(12,033,688)	(207.88)%	3,149,507	2,639,223	83.80%
Total operating revenues	<u>(4,748,878)</u>	<u>8,024,372</u>	<u>(12,773,250)</u>	<u>(159.18)%</u>	<u>4,198,358</u>	<u>3,826,014</u>	<u>91.13%</u>
Operating Expenses							
Losses and loss adjustment expenses	(594,993)	(665,014)	70,021	10.53%	6,854,998	(7,520,012)	(109.70)%
General and administrative expenses	934,558	838,940	95,618	11.40%	816,970	21,970	2.69%
Total operating expenses	<u>339,565</u>	<u>173,926</u>	<u>165,639</u>	<u>95.24%</u>	<u>7,671,968</u>	<u>(7,498,042)</u>	<u>(97.73)%</u>
Increase (decrease) in net position	(5,088,443)	7,850,446	(12,938,889)	(164.82)%	(3,473,610)	11,324,056	326.00%
Net position, beginning of year	60,849,173	52,998,727	7,850,446	14.81%	56,472,337	(3,473,610)	(6.15)%
Net position, end of year	<u>\$ 55,760,730</u>	<u>\$ 60,849,173</u>	<u>\$ (5,088,443)</u>	<u>(8.36)%</u>	<u>\$ 52,998,727</u>	<u>\$ 7,850,446</u>	<u>14.81%</u>

**UNIVERSITY OF FLORIDA SELF-INSURANCE PROGRAM AND
HEALTHCARE EDUCATION INSURANCE COMPANY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022
(Continued)**

Total operating revenues decreased \$12,773,250 during this period. This is primarily due to the overall poor performance of investments related in large part to the Federal Reserve's decision to increase interest rates for the first time since 2018.

Total HEIC operating expenses increased \$165,639 during this period due to indemnity payments to resolve matters requiring settlement during the current year.

Combined Summary of Revenues, Expenses, and Changes in Net Position

	2022	2021	2021-2022		2020	2020-2021	
			Increase (decrease)	Percent change		Increase (decrease)	Percent change
Operating Revenue							
Earned premiums, net	\$ 8,505,986	\$ 10,346,341	\$ (1,840,355)	(17.79)%	\$ 11,356,768	\$ (1,010,427)	(8.90)%
Investment income (loss)	(24,856,093)	28,933,304	(53,789,397)	(185.91)%	11,792,148	17,141,156	145.36%
Other income	1,112,416	1,030,052	82,364	8.00%	1,034,475	(4,423)	(0.43)%
Total operating revenues	<u>(15,237,691)</u>	<u>40,309,697</u>	<u>(55,547,388)</u>	<u>(137.80)%</u>	<u>24,183,391</u>	<u>16,126,306</u>	<u>66.68%</u>
Operating Expenses							
Losses and loss adjustment expenses	3,826,573	6,914,783	(3,088,210)	(44.66)%	13,066,664	(6,151,881)	(47.08)%
General and administrative expenses	5,774,244	5,306,592	467,652	8.81%	4,891,784	414,808	8.48%
Total operating expenses	<u>9,600,817</u>	<u>12,221,375</u>	<u>(2,620,558)</u>	<u>(21.44)%</u>	<u>17,958,448</u>	<u>(5,737,073)</u>	<u>(31.95)%</u>
Increase (decrease) in net assets	(24,838,508)	28,088,322	(52,926,830)	(188.43)%	6,224,943	21,863,379	351.22%
Net assets, beginning of year	224,791,874	196,703,552	28,088,322	14.35%	190,478,609	6,224,943	3.27%
Net assets, end of year	<u>\$199,953,366</u>	<u>\$ 224,791,874</u>	<u>\$ (24,838,508)</u>	<u>(11.05)%</u>	<u>\$ 196,703,552</u>	<u>\$28,088,322</u>	<u>14.28%</u>

Next Year

Operating expenses should remain closely related to the Company and Program's size, volume of activity, and other adjustments consistent with the rate of future growth. The employee salary and fringe related expenses otherwise remain consistent with the previous year.

Contacting Management

This financial narrative is designed to provide the reader with a general overview of the University of Florida Self-Insurance Program and Healthcare Education Insurance Company's finances. If you have questions about this report or need additional information, please contact:

UF Healthcare Education Insurance Company
UF Self-Insurance Program
PO Box 112735
Gainesville, FL 32611
(352) 273-7006

**UNIVERSITY OF FLORIDA SELF-INSURANCE PROGRAM
AND HEALTHCARE EDUCATION INSURANCE COMPANY
COMBINING STATEMENTS OF NET POSITION
JUNE 30, 2022**

	University of Florida Healthcare Education Insurance Company	University of Florida Self- Insurance Program	Combined
Assets			
Cash and cash equivalents	\$ 3,988,045	\$ 4,024,394	\$ 8,012,439
Investments	-	232,393,804	232,393,804
Premiums and other receivables	-	220,759	220,759
Prepaids and other assets	47,061	404,343	451,404
Investments due from Program	58,570,249	-	58,570,249
Total assets	<u>62,605,355</u>	<u>237,043,300</u>	<u>299,648,655</u>
Liabilities			
Unpaid losses and loss adjustment expenses, net	5,977,829	32,867,101	38,844,930
Reinsurance premiums payable	826,500	-	826,500
Accounts payable and other liabilities	40,296	1,413,314	1,453,610
Investments due to HEIC	-	58,570,249	58,570,249
Total liabilities	<u>6,844,625</u>	<u>92,850,664</u>	<u>99,695,289</u>
Net position			
Net position - unrestricted	<u>\$ 55,760,730</u>	<u>\$ 144,192,636</u>	<u>\$ 199,953,366</u>

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

**UNIVERSITY OF FLORIDA SELF-INSURANCE PROGRAM
AND HEALTHCARE EDUCATION INSURANCE COMPANY
COMBINING STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2022**

	University of Florida Healthcare Education Insurance Company	University of Florida Self- Insurance Program	Combined
Operating revenues			
Earned premiums, net	\$ 1,496,080	\$ 7,009,906	\$ 8,505,986
Investment income (loss)	(6,244,958)	(18,611,135)	(24,856,093)
Other income	-	1,112,416	1,112,416
Total operating revenues (losses)	<u>(4,748,878)</u>	<u>(10,488,813)</u>	<u>(15,237,691)</u>
Operating expenses			
Losses and loss adjustment expenses	(594,993)	4,421,566	3,826,573
General and administrative expenses	934,558	4,839,686	5,774,244
Total operating expenses	<u>339,565</u>	<u>9,261,252</u>	<u>9,600,817</u>
Change in net position	<u>(5,088,443)</u>	<u>(19,750,065)</u>	<u>(24,838,508)</u>
Net position, beginning of year, as restated	60,849,173	163,942,701	224,791,874
Net position, end of year	<u>\$ 55,760,730</u>	<u>\$ 144,192,636</u>	<u>\$ 199,953,366</u>

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

**UNIVERSITY OF FLORIDA SELF-INSURANCE PROGRAM
AND HEALTHCARE EDUCATION INSURANCE COMPANY
COMBINING STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2022**

	University of Florida Healthcare Education Insurance Company	University of Florida Self-Insurance Program	Combined
Cash flows from operating activities			
Revenue collected:			
Earned premiums	\$ 1,496,080	\$ 6,802,607	\$ 8,298,687
Investment income	1,902	3,806,503	3,808,405
Other income	-	1,112,416	1,112,416
Payments for expenses:			
Losses and loss adjustment expenses	(903,409)	(3,641,073)	(4,544,482)
General and administrative expenses	(134,444)	(4,890,985)	(5,025,429)
Net cash provided by operating activities	<u>460,129</u>	<u>3,189,468</u>	<u>3,649,597</u>
Cash flows from investing activities			
Purchases of investments	-	(4,482,974)	(4,482,974)
Proceeds from sales of investments	-	56,954	56,954
Proceeds from maturities of investments	-	667,312	667,312
Net cash used in investing activities	<u>-</u>	<u>(3,758,708)</u>	<u>(3,758,708)</u>
Net increase (decrease) in cash and cash equivalents	460,129	(569,240)	(109,111)
Cash and cash equivalents, beginning of year	3,527,916	4,593,634	8,121,550
Cash and cash equivalents, end of year	<u>\$ 3,988,045</u>	<u>\$ 4,024,394</u>	<u>\$ 8,012,439</u>
Reconciliation of decrease in net position to net cash provided by operating activities:			
Decrease in net position	\$ (5,088,443)	\$ (19,750,065)	\$ (24,838,508)
Adjustments to reconcile decrease in net position to net cash provided by operating activities:			
Net realized gains on sales of investments	-	(713,645)	(713,645)
Net decrease in unrealized gains of investments	-	29,387,203	29,387,203
Changes in assets and liabilities:			
Premiums and other receivables	-	(207,299)	(207,299)
Prepays and other assets	(9,060)	(67,660)	(76,720)
Due to/from HEIC and Program	6,255,920	(6,255,920)	-
Unpaid losses and loss adjustment expenses	(1,498,402)	780,493	(717,909)
Accounts payable and accrued expenses	(26,386)	16,361	(10,025)
Reinsurance premiums payable	826,500	-	826,500
Total adjustments	<u>5,548,572</u>	<u>22,939,533</u>	<u>28,488,105</u>
Net cash provided by operating activities	<u>\$ 460,129</u>	<u>\$ 3,189,468</u>	<u>\$ 3,649,597</u>

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

**UNIVERSITY OF FLORIDA SELF-INSURANCE PROGRAM AND
HEALTHCARE EDUCATION INSURANCE COMPANY
NOTES TO THE COMBINING FINANCIAL STATEMENTS
JUNE 30, 2022**

(1) **Organization and Significant Accounting Policies:**

The following is a summary of the more significant accounting policies of the University of Florida Self-Insurance Program (the “Program”) and Healthcare Education Insurance Company (“HEIC”) which affect significant elements of the accompanying financial statements:

(a) **Organization**—The Florida Board of Regents, succeeded by the Florida Board of Governors (the “Board”), pursuant to Section 1004.24 (originally Section 240.213) of the Florida Statutes, created the University of Florida (“UF” or the “University”) J. Hillis Miller Health Center/Self-Insurance Program (“Gainesville”) and the UF J. Hillis Miller Health Center/Jacksonville Self-Insurance Program (“Jacksonville”), collectively the UF Self-Insurance Program. Effective July 1, 2006, the Board revised Regulation 6C-10.001(1) to combine the Gainesville and Jacksonville Programs (the “Program”). The Program’s purpose is to provide comprehensive general liability and professional liability (malpractice) coverage for UF and affiliated teaching hospitals that are providing education in health care or veterinary services.

The Program’s Council administers the Program as authorized by Florida Statutes on behalf of the Board. The Program is a distinctly presented component unit (for accounting purposes only) of UF. The net position of the program can only be used to pay claims and administrative expenses of the Program, based upon Florida Statute 1004.24(3).

Prior to October 1, 2011, the Program provided the Board and the Trustees with protection of \$100,000 per claim and \$200,000 for all claims arising from a single occurrence; \$100,000 per claim and \$200,000 for all claims arising from the acts and omissions of students of the colleges protected by the Program engaged in assigned activities at affiliated hospitals or other healthcare affiliates, and this student professional liability coverage may be increased subject to a \$1,000,000 limit per occurrence if higher limits of liability are required by an affiliated hospital or healthcare affiliate; \$2,000,000 per occurrence in the event that the personal immunity to tort claims as described in Section 768.28(9), Florida Statutes, is inapplicable as to an employee or agent of Trustees while such employee or agent functions within the course and scope of his or her employment or agency; and \$500,000 for employees who act as a Good Samaritan or are engaged in approved Community Service. The Program also provides \$2,000,000 per occurrence to protected entities not subject to the immunities of s. 768.28, Florida Statutes. However, effective July 1, 2011, the Program had no non-immune protected entities, for as of that date, Shands Teaching Hospital and Clinics, Inc., and Shands Jacksonville Medical Center, Inc., were statutorily recognized as entitled to sovereign immunity. In response to the Florida Legislature increasing the limits of liability contained in s. 768.28, Florida Statutes, effective October 1, 2011, the limits of protection for sovereign immune entities rose to \$200,000 per claim and \$300,000 for all claims arising from a single occurrence. In the event the Florida Legislature approves a claims bill payable by a protected entity, the Program provides coverage of \$1,000,000, inclusive of any payments made pursuant to the waiver of immunity limits (i.e. \$200,000/\$300,000). Under this claims-incurred policy written directly with the Program participants, protection is provided against claims that arise from incidents occurring during the term of the policies irrespective of the time the claim is asserted.

In 1994, the then Board of Regents promulgated Rule 6C-10.001(4) of the Florida Administrative Code (now Board of Governors Regulation 10.001(2)), which authorized the formation of the Healthcare Education Insurance Company (“HEIC”). HEIC is wholly owned by the Board and is

**UNIVERSITY OF FLORIDA SELF-INSURANCE PROGRAM AND
HEALTHCARE EDUCATION INSURANCE COMPANY
NOTES TO THE COMBINING FINANCIAL STATEMENTS
JUNE 30, 2022**

(1) **Organization and Significant Accounting Policies:** (Continued)

domiciled in Vermont. HEIC writes coverage for the participants in the Program for loss exposure above the Program's retention. HEIC obtains excess loss reinsurance coverage (claims-made basis) from commercial insurance carriers (Note 4) for certain layers of exposure. Pursuant to HEIC's corporate bylaws, there is a prohibition on the payment of dividends.

(b) **Basis of reporting**—The financial statements of the Program and HEIC are presented combined because the Program, as an operating unit of the Board, combines investments from both the Program and from HEIC to achieve the highest maximum return. Because the Program maintains financial records separately for each of the Program and HEIC, it is important to distinguish and separately report investment ownership while still reporting the combined investments, as all funds are the property of the Board.

The Program and HEIC distinguish operating revenues and expenses from non-operating items. Operating revenues are those revenues that are generated from the primary operations of the Program and HEIC, including investment income. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the Program and HEIC. All other expenses are reported as non-operating expenses. For the year ended June 30, 2022, all revenues and expenses of the Program and HEIC were considered to be operating revenues and operating expenses.

The Program and HEIC follow GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, which establishes financial reporting standards for state and local governments, including states, cities, towns, villages, and special-purpose governments such as school districts and public utilities and GASB Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*, an amendment of GASB Statement No. 34 for public colleges and universities to allow the use of the guidance for special-purpose governments engaged only in business-type activities, engaged only in government activities, or engaged in both governmental and business-type activities in their separately issued reports.

The Program and HEIC are not regulated by the Florida Office of Insurance Regulation and, accordingly, do not report on the basis of statutory accounting practices. HEIC is domiciled in the State of Vermont and is regulated by and files an annual report with the State of Vermont Department of Financial Regulation.

(c) **Cash and cash equivalents**—For purposes of reporting cash flows, cash and cash equivalents include cash, money market funds, and deposits with original maturity dates of 90 days or less when purchased.

(d) **Investments**—Investment transactions are accounted for on a trade date basis. The cost of investments sold is determined by specific identification. The Program does not have any derivative investments.

The Program's and HEIC's governing bodies have adopted an investment policy that identifies various authorized investment instruments, issuer diversification, and liquidity parameters. The Program and HEIC may be invested with no limitation in any security described in either

**UNIVERSITY OF FLORIDA SELF-INSURANCE PROGRAM AND
HEALTHCARE EDUCATION INSURANCE COMPANY
NOTES TO THE COMBINING FINANCIAL STATEMENTS
JUNE 30, 2022**

(1) **Organization and Significant Accounting Policies:** (Continued)

Section 17.57(2) or Section 215.47(1), Florida Statutes. Subject to the investment percentage limitations described therein, the Program may be invested in the securities described in Section 215.47(2), (3), (4), (5), and (6), Florida Statutes. All holdings of investment must be of sufficient size in issues actively traded to ensure marketability and liquidity to facilitate transactions at minimum cost and to permit accurate market valuations.

(e) **Certificate of deposit**—Certificates of deposit are held for investment with original maturities greater than three months and remaining maturities less than one year.

(f) **Investments due to HEIC or due from Program**—The Program Council and the HEIC Board of Directors have approved a program whereby HEIC may contribute cash to the Program in exchange for a participation in the investment return of the investment portfolio held by the Program. HEIC's participation percentage can fluctuate when either HEIC or the Program contributes to, or withdraws from, the Program's investment portfolio. HEIC's share of realized gains and losses, interest income, and fluctuations in unrealized gains and losses are calculated monthly and are recorded as increases in or decreases to the related investments due to (from) accounts on the combining balance sheet and are reflected in investment income, net on the combining statement of revenues, expenses and changes in net position.

(g) **Premiums and other receivables**—Premiums written directly, net of premiums ceded pursuant to reinsurance agreements, are earned ratably over the terms of the underlying policies. All renewal policies are written for a one-year term and expire on June 30 of each year.

Premiums receivable includes premiums due from the participants and premiums recoverable from reinsurers for swing rated contracts.

(h) **Reinsurance**—Reinsurance recoverable on unpaid losses represents amounts owed to HEIC from its reinsurers for incurred but unpaid losses, and is reported as a reduction of unpaid losses and loss adjustment expenses. HEIC insures the participants in the program and is reinsured by other insurance companies. Amounts recoverable from reinsurers pursuant to reinsurance agreements have been estimated using actuarial assumptions consistent with those used in establishing the liability for losses and loss adjustment expenses ("LAE"), as described below.

Management believes the reinsurance recoverable as recorded represents its best estimate of such amount; however, as changes in the estimated ultimate liability for losses and LAE are determined, the estimated ultimate amount recoverable from reinsurers may also change. Accordingly, the ultimate recoverable could be significantly in excess of or less than the amount indicated in the financial statements. As adjustments to these estimates become necessary, such adjustments are reflected in current operations.

Management evaluates the financial condition of its reinsurers and monitors concentrations of credit risk to minimize its exposure to significant losses from reinsurer insolvencies. Reinsurance contracts do not relieve HEIC from its obligations to policyholders. The Program and HEIC remain obligated for amounts ceded in the event that the reinsurers do not meet their obligations.

**UNIVERSITY OF FLORIDA SELF-INSURANCE PROGRAM AND
HEALTHCARE EDUCATION INSURANCE COMPANY
NOTES TO THE COMBINING FINANCIAL STATEMENTS
JUNE 30, 2022**

(1) **Organization and Significant Accounting Policies:** (Continued)

Reinsurance premiums payable are amounts accrued arising from adjustable premium provisions related to the \$10 million excess \$5 million reinsurance contracts. The accrual is based on incurred losses ceded to reinsurers participating in the \$10 million excess \$5 million contracts.

(i) **Reserves for losses and loss adjustment expenses**—The reserves for unpaid losses and LAE include case basis estimates of reported losses, plus supplemental amounts for incurred but not reported losses ("IBNR") calculated based upon loss projections utilizing certain actuarial assumptions and studies of the Program's and HEIC's historical loss experience and industry statistics. Management believes that its aggregate liability for unpaid losses and LAE at year-end represents its best estimate of the amount necessary to cover the ultimate cost of claims based upon an actuarial analysis prepared by a consulting actuary. Considerable uncertainty and variability are inherent in such estimates, and accordingly, the subsequent development of these reserves may not conform to the assumptions inherent in the determination. In addition, both general and medical professional liability are long-tail lines of insurance subject to considerable loss variability attributable to social, economic and legal considerations that are not directly quantifiable. Accordingly, the ultimate liability could be significantly in excess of or less than the amount indicated in the financial statements. As adjustments to these estimates become necessary, such adjustments are reflected in current operations.

(j) **Income taxes**—The Program and HEIC are operating units of the Board of Governors, the State University System of Florida. Accordingly, they are exempt from Federal income taxes. Any taxable income is aggregated at the University level and taxes paid, if any, are paid by the University.

(k) **Use of estimates**—The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period, accordingly, results could differ from those estimates.

(l) **Common stock**—HEIC has common stock, par value \$100,000 per share; one share authorized, issued and outstanding. The common stock is included in net position on the combining statements of net position.

(m) **Significant concentrations**—Information related to significant concentrations of revenues and credit risk for financial instruments owned by the Program and HEIC, except as otherwise disclosed, is as follows:

(i) **Cash and cash equivalents**—The Program and HEIC have demand deposits held at financial institutions which are secured up to FDIC limits. Amounts over FDIC limits are secured by collateral held by the financial institution that is pledged to the State of Florida Public Deposits Trust Fund. These deposits amounted to \$8,102,681 as of June 30, 2022.

(ii) **Premiums and other receivables**—The Program and HEIC have premiums and other receivables of \$220,759 at June 30, 2022. The Program and HEIC have no policy requiring collateral or other security to support these amounts. However, management does not believe the Program and HEIC are exposed to any significant credit risk.

**UNIVERSITY OF FLORIDA SELF-INSURANCE PROGRAM AND
HEALTHCARE EDUCATION INSURANCE COMPANY
NOTES TO THE COMBINING FINANCIAL STATEMENTS
JUNE 30, 2016**

(2) **Investments:**

The Program's investments are recorded at fair value and consist entirely of investments in mutual funds at June 30, 2022.

Equity mutual fund investments consist only of shares owned in Blackrock U.S. Equity Market Fund. Bond mutual fund investments consist of shares owned in Putnam Intermediate U.S. Investment Grade Fund, LLC, Western Asset Intermediate Bond Index Fund, Western Asset Total Return Unconstrained Bond Index Fund and PIMCO Moderate Duration Fund.

The Program categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Entity has the following recurring fair value measurements as of June 30, 2022:

- Mutual funds – Valued at the daily closing price as reported by the fund. Mutual funds that are registered with the Securities and Exchange Commission are considered Level 1 in the fair value hierarchy. Unregistered mutual funds are considered Level 2 in the fair value hierarchy.

The following table summarizes the assets and liabilities of the Program for which fair values are determined on a recurring basis as of June 30, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments				
Equity mutual funds				
Domestic equity funds	\$ 25,145,931	\$ 45,108,236	\$ -	\$ 70,254,167
Bond mutual funds				
Intermediate term bond funds	<u>115,564,338</u>	<u>46,575,299</u>	<u>-</u>	<u>162,139,637</u>
Total investments at fair value	<u>\$ 140,710,269</u>	<u>\$ 91,683,535</u>	<u>\$ -</u>	<u>\$ 232,393,804</u>

The following risks apply to the Program's and HEIC's investments:

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Program's investments in bond mutual funds are subject to interest rate risk. The effective average duration of the Program's investments in bond mutual funds as of June 30, 2022 range from 2.99 and 5.57 years.

**UNIVERSITY OF FLORIDA SELF-INSURANCE PROGRAM AND
HEALTHCARE EDUCATION INSURANCE COMPANY
NOTES TO THE COMBINING FINANCIAL STATEMENTS
JUNE 30, 2022**

(2) **Investments:** (Continued)

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Obligations of the United States government or obligations explicitly guaranteed by the United States government are not considered to have credit risk (by the GASB) and do not require disclosure of credit quality. At June 30, 2022, the Program held bond mutual funds which have underlying investments with quality ratings by nationally recognized rating agencies as shown below.

	<u>Fair Value</u>	<u>AAA/Aaa</u>	<u>AA/Aa</u>	<u>A/Ba</u>	<u>Less Than A/Ba or Not Rated</u>
Bond mutual funds	\$ 162,139,637	\$ 54,725,905	\$ 54,895,475	\$ 17,811,411	\$ 34,706,846

Custodial Credit Risk

Custodial credit risk is the risk that in the event of the failure of the counterparty to a transaction, the Program will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Exposure to custodial credit risk relates to investment securities that are held by someone other than the Program and are not registered in the Program's name. The Program has not identified any investments falling into this category as of June 30, 2022.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the Program's investments in a single issuer. The Program places no limit on the amount it may invest in any one issuer. Investments that consist of more than 5% of the Program's investments at June 30, 2022 are shown below.

	<u>Fair Value</u>	<u>Percent of Program's Total Investments</u>
Putnam Intermediate U.S. Investment Grade Fund, LLC	\$ 46,575,298	20%
PIMCO Moderate Duration Fund	46,675,513	20
Western Asset Intermediate Bond Index	45,405,773	20
Western Asset Total Return Uncons	23,483,052	10
Blackrock U.S. Equity Market Fund	45,108,237	19
Ishares Edge Msci Min Vol	25,145,931	11
	<u>\$ 232,393,804</u>	<u>100%</u>

The Program's formal investment policy in place does not specifically address any of the types of risks identified above.

**UNIVERSITY OF FLORIDA SELF-INSURANCE PROGRAM AND
HEALTHCARE EDUCATION INSURANCE COMPANY
NOTES TO THE COMBINING FINANCIAL STATEMENTS
JUNE 30, 2022**

(3) **Insurance Activity:**

Premium activity for the year ended June 30, 2022 is summarized as follows:

Program	Direct and Assumed	Ceded	Net
Premiums written	\$ 7,605,804	\$ 595,898	\$ 7,009,906
Premiums earned	<u>\$ 7,605,804</u>	<u>\$ 595,898</u>	<u>\$ 7,009,906</u>
HEIC			
Premiums written	\$ 4,283,725	\$ 2,787,645	\$ 1,496,080
Premiums earned	<u>\$ 4,283,725</u>	<u>\$ 2,787,645</u>	<u>\$ 1,496,080</u>

The following table provides a reconciliation of the beginning and ending reserve balances for losses and LAE:

	Program	HEIC	Combined
Gross balances at July 1, 2021	\$ 32,086,608	\$ 10,646,245	\$ 42,732,853
Less: Reinsurance recoverable on unpaid losses	-	3,170,014	3,170,014
Net balances at July 1	<u>32,086,608</u>	<u>7,476,231</u>	<u>39,562,839</u>
Incurred related to:			
Current year	10,900,000	580,000	11,480,000
Prior years	(6,478,434)	(1,174,993)	(7,653,427)
Total incurred losses and LAE	<u>4,421,566</u>	<u>(594,993)</u>	<u>3,826,573</u>
Paid related to:			
Current year	358,827	-	358,827
Prior years	3,282,246	903,409	4,185,655
Total paid losses and LAE	<u>3,641,073</u>	<u>903,409</u>	<u>4,544,482</u>
Net balances at June 30	32,867,101	5,977,829	38,844,930
Plus: Reinsurance recoverable on unpaid losses	-	3,314,996	3,314,996
Gross balances at June 30, 2022	<u>\$ 32,867,101</u>	<u>\$ 9,292,825</u>	<u>\$ 42,159,926</u>

The estimate of the liability for losses and loss adjustment expenses by loss year is subject to change until all claims for each loss year are closed. As a result of changes in estimates and insured events in prior years, the net loss and loss adjustment expenses incurred on prior years for the Program and HEIC decreased due to refinements to prior years' ultimate loss projections.

**UNIVERSITY OF FLORIDA SELF-INSURANCE PROGRAM AND
HEALTHCARE EDUCATION INSURANCE COMPANY
NOTES TO THE COMBINING FINANCIAL STATEMENTS
JUNE 30, 2022**

(3) **Insurance Activity:** (Continued)

The components of the liability for gross losses and LAE are as follows at June 30, 2022:

	<u>Program</u>	<u>HEIC</u>	<u>Combined</u>
Case-basis reserves	\$ 9,555,563	\$ 542,103	\$ 10,097,666
Supplemental reserves	23,311,538	8,750,722	32,062,260
Total	<u>\$ 32,867,101</u>	<u>\$ 9,292,825</u>	<u>\$ 42,159,926</u>

Losses and a pro-rata share of allocated LAE on such losses are reinsured under a primary excess of loss reinsurance contract. The insurance coverage provided to the participants of the Program is subject to certain retention levels by the Program which are summarized in Note 1. In excess of these limits, HEIC provides excess of loss coverage directly to the participants in the Program.

(4) **Reinsurance:**

The insurance coverage provided to the participants in the Program is subject to certain retention levels by the Program which are \$1,000,000 each loss if covered under Chapter 768.28 of the Florida Statutes (“immune” participants, including the Board and the Trustees) or \$2,000,000 each loss if not covered under Chapter 768.28 of Florida Statutes (“non-immune” participants, including non-university employees or agents).

The Florida Legislature has deemed both Shands Teaching Hospital and Clinics, Inc., and Shands Jacksonville Medical Center, Inc., to be instrumentalities of the State of Florida and effective July 1, 2011; both entities are subject to sovereign immunity as described in Section 768.28, of the Florida Statutes.

In excess of these limits, HEIC provides excess loss coverage directly to the participants in the Program. The HEIC retained layer provides loss coverage for medical professional liability, patient general liability and managed care errors and omissions liability for the period July 1, 2020 through June 30, 2021 and July 1, 2021 through June 30, 2022 on an occurrence basis. The HEIC retained layer provides \$4,000,000 for each loss for immune participants and \$3,000,000 for each loss for non-immune participants. Effective July 1, 2020, the HEIC retained layer provides \$2,000,000 for each loss made after January 1, 2020 against Central Florida Health, Inc. and its subsidiary corporations and limited liability companies with an occurrence date prior to January 1, 2020. HEIC cedes amounts above its retention up to \$100,000,000.

HEIC also provides access to reinsurance coverage to the Florida State University College of Medicine Self-Insurance Program (“FSUSIP”), the Florida International University College of Medicine Self-Insurance Program (“FIUSIP”), the Florida Atlantic University College of Medicine Self-Insurance Program (“FAUSIP”) and the University of Central Florida College of Medicine Self-Insurance Program (“UCFSIP”) for medical professional liability, patient general liability and managed care errors and omissions liability in excess of the retained \$1,000,000 per occurrence for the period from July 1, 2021

**UNIVERSITY OF FLORIDA SELF-INSURANCE PROGRAM AND
HEALTHCARE EDUCATION INSURANCE COMPANY
NOTES TO THE COMBINING FINANCIAL STATEMENTS
JUNE 30, 2022**

(4) **Reinsurance:** (Continued)

through June 30, 2022 on a claims-made basis as follows: \$5,000,000 each loss and in the aggregate separately for the FSUSIP, the FIUSIP, the FAUSIP and the UCFSIP; \$15,000,000 in the aggregate for the FSUSIP, the FIUSIP, the FAUSIP and the UCFSIP combined.

By action of HEIC's Board of Directors at its September 20, 2011 meeting, liabilities that are retained by HEIC will, effective July 1, 2011, be underwritten on a claims-incurred basis. Coverage that is reinsured will continue to be underwritten on a claims-made basis.

In preparing financial statements, management makes estimates of amounts receivable from reinsurers expected to be uncollectible based on an assessment of factors including the creditworthiness of the reinsurers. Management evaluated the creditworthiness of its reinsurers and determined that no specific valuation allowance was required at the balance sheet date. At June 30, 2022, management did not believe there was a material risk of loss in its reinsurance program.

(5) **Related Party Transactions:**

The Program and HEIC provide insurance coverage to related parties, including Shands Jacksonville, Shands Gainesville, the UF College of Medicine, and UF Health Central Florida. Total primary premiums, cyber and the Neurological Injury Compensation Association fees from these entities with respect to this coverage for Program for the year ended June 30, 2022 were approximately \$1,231,341, \$2,177,389, \$3,073,668 and \$588,688, respectively. Total retained premiums, brokerage fees, excess premiums and premium taxes received from these entities with respect to this coverage for HEIC for the year ended June 30, 2022 were \$976,458, \$1,241,391, \$1,384,731 and \$321,113, respectively.

UF serves as the pay agent for staff who are paid from HEIC. On a regular basis HEIC transfers monies to UF to cover staff salaries and benefits. At June 30, 2022, UF holds a balance from HEIC of \$548,218 to cover future costs of salaries and benefits incurred. This amount is included in cash and cash equivalents in the combining balance sheet. HEIC also pays UF a fair market fee for serving as their payroll administrator, as authorized by Fl. Statute 1004.04 and FBOG Regulation 10.001. Total salaries and benefits paid, which are included in operating expenses in the combining statement of revenues, expenses and changes in net position, totaled \$4,489,502 for the year ended June 30, 2022.

The total fees charged by the Program to FSUSIP, UCFSIP, FIUSIP, and FAUSIP, collectively, were \$1,101,696 for the year ended June 30, 2022 for administrative services, and is recorded in other income in the combining statements of revenues, expenses, and changes in net position.

**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***

To the Governing Council and Board of Directors, respectively,
of the University of Florida Self-Insurance Program and the University of Florida
Health Education Insurance Company:

We have audited, in accordance with auditing standards generally accepted in the United States of American and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the University of Florida Self-Insurance Program (the “Program”, an operating unit of the Florida Board of Governors) and the University of Florida Health Education Insurance Company (HEIC) as of June 30, 2022, and the related notes to the financial statements, which collectively comprise the Program’s and HEIC’s basic financial statements, and have issued our report thereon dated August 29, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Program’s and HEIC’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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 Program’s and HEIC’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Program’s and HEIC’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 a 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

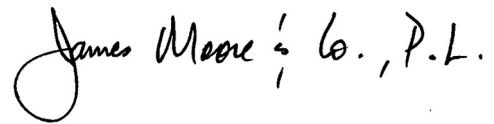
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Program's and HEIC'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*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

James Moore & Co., P.L.

Gainesville, Florida
August 29, 2022