

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

COMBINING FINANCIAL STATEMENTS
June 30, 2025 and 2024

UNIVERSITY OF FLORIDA SELF-INSURANCE PROGRAM AND
HEALTHCARE EDUCATION INSURANCE COMPANY
COMBINING FINANCIAL STATEMENTS
June 30, 2025 and 2024

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INDEPENDENT AUDITOR'S 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
Gainesville, Florida

Report on the Audit of the Combining Financial Statements***Opinion***

We have audited the combining financial statements of the University of Florida Self-Insurance Program (the "Program") and the University of Florida Healthcare Education Insurance Company (the "HEIC"), operating units of the Florida Board of Governors, as of and for the years ended June 30, 2025 and 2024, and the related notes to the combining financial statements, which collectively comprise the Program and the HEIC's basic combining financial statements as listed in the table of contents.

In our opinion, the accompanying combining financial statements referred to above present fairly, in all material respects, the respective financial position of the Program and the HEIC as of June 30, 2025 and 2024, and the respective changes in financial position and, where applicable, cash flows thereof 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) and the standards applicable to financial audits contained in *Government Auditing Standards (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 Combining Financial Statements section of our report. We are required to be independent of the Program and the HEIC, 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 Combining Financial Statements

Management is responsible for the preparation and fair presentation of the combining 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 combining financial statements that are free from material misstatement, whether due to fraud or error.

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In preparing the combining 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 the HEIC's ability to continue as a going concern for twelve months beyond the combining financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Combining Financial Statements

Our objectives are to obtain reasonable assurance about whether the combining 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 and *Government Auditing Standards* 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 combining financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, 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 and the HEIC'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 and the HEIC'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 10 be presented to supplement the basic combining financial statements. Such information, although not a part of the basic combining 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 combining 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 combining financial statements, and other knowledge we obtained during our audit of the basic combining 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.

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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 29, 2025 on our consideration of the Program's and the 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 solely 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 effectiveness of the Program and the HEIC's 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 and the HEIC's internal control over financial reporting and compliance.


Crowe LLP

Fort Lauderdale, Florida
August 29, 2025

UNIVERSITY OF FLORIDA SELF-INSURANCE PROGRAM AND
HEALTHCARE EDUCATION INSURANCE COMPANY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2025 and 2024

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 Healthcare Education Insurance Company (the "HEIC"). Management encourages readers to consider the information presented here in conjunction with additional information included in the accompanying combining financial statements and notes to the combining financial statements.

Overview of the Combining Financial Statements

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

The *combining 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 *combining statements of revenues, expenses, and changes in net position* present information showing how the Program and the 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 *combining 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, investing, and financing transactions during a given period.

Summary of Net Position for the Self-Insurance Program

	2025	2024	2024-2025		2023	2023-2024	
			Increase (decrease)	Percent change		Increase (decrease)	Percent change
Assets							
Cash and cash equivalents	\$ 6,102,587	\$ 4,549,296	\$ 1,553,291	34.14 %	\$ 5,536,325	\$ (987,029)	(17.83) %
Investments, at fair value	287,901,227	262,921,699	24,979,528	9.50 %	239,618,500	23,303,199	9.73 %
Premiums and other receivables	287,900	60,581	227,319	375.23 %	587,189	(526,608)	(89.68) %
Right-of-use asset	1,447,077	1,513,827	(66,750)	(4.41) %	1,538,834	(25,007)	(1.63) %
Prepays and other assets	233,566	224,081	9,485	4.23 %	201,199	22,882	11.37 %
Total assets	<u>\$ 295,972,357</u>	<u>\$ 269,269,484</u>	<u>\$ 26,702,873</u>	<u>9.92 %</u>	<u>\$ 247,482,047</u>	<u>\$ 21,787,437</u>	<u>8.80 %</u>
Liabilities							
Unpaid losses and loss adjustment expenses	\$ 35,828,611	\$ 34,861,392	\$ 967,219	2.77 %	\$ 34,052,276	\$ 809,116	2.38 %
Accounts payable and other liabilities	562,226	904,246	(342,020)	(37.82) %	1,540,383	(636,137)	(41.30) %
Lease liability	1,428,666	1,495,499	(66,833)	(4.47) %	1,520,927	(25,428)	(1.67) %
Investments due to HEIC	72,722,722	66,296,103	6,426,619	9.69 %	60,390,409	5,905,694	9.78 %
Total liabilities	<u>110,542,225</u>	<u>103,557,240</u>	<u>6,984,985</u>	<u>6.75 %</u>	<u>97,503,995</u>	<u>6,053,245</u>	<u>6.21 %</u>
Net position	<u>185,430,132</u>	<u>165,712,244</u>	<u>19,717,888</u>	<u>11.90 %</u>	<u>149,978,052</u>	<u>15,734,192</u>	<u>10.49 %</u>
Total liabilities and net position	<u>\$ 295,972,357</u>	<u>\$ 269,269,484</u>	<u>\$ 26,702,873</u>	<u>9.92 %</u>	<u>\$ 247,482,047</u>	<u>\$ 21,787,437</u>	<u>8.80 %</u>

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UNIVERSITY OF FLORIDA SELF-INSURANCE PROGRAM AND
HEALTHCARE EDUCATION INSURANCE COMPANY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2025 and 2024

Assets

Cash and cash equivalents increased \$1,553,291 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 cash balance sufficient to pay claims and expenses.

Investments increased \$24,979,528 during this period. The increase in investments is attributed to the overall solid performance of the investment portfolio and the strong rebound for stocks in June 2025 as well as the positive returns from the bond markets.

Premiums and other receivables increased \$227,319 during this period. This increase is the result of one of the participant's not submitting a final premium payment prior to June 30th.

Liabilities

Unpaid losses and loss adjustment expenses increased \$967,219 during this period. Despite overall favorable development on reported losses for most open accident periods, the increase is attributed to the reserves established for future costs.

Accounts payable decreased \$342,020 during this period. This decrease is attributed to the timing of a settlement agreement in the prior year.

Investments due to the HEIC increased \$6,426,619 during this period. The increase in investments is attributed to the overall solid performance of the investment portfolio, the strong rebound for stocks in June 2025, and the positive returns for the bond market.

Summary of Net Position for the Healthcare Education Insurance Company

	2024-2025					2023-2024		
	2025	2024	Increase (decrease)	Percent change		2023	Increase (decrease)	Percent change
Assets								
Cash and cash equivalents	\$ 13,327,017	\$ 12,787,630	\$ 539,387	4.22	%	\$ 5,096,118	\$ 7,691,512	150.93
Premiums and other receivables	42,665	3,501	39,164	1,118.65	%	211,869	(208,368)	(98.35)
Prepays and other assets	924,904	1,678,462	(753,558)	(44.90)	%	52,793	1,625,669	3,079.33
Investments due from Program	72,722,722	66,296,103	6,426,619	9.69	%	60,390,409	5,905,694	9.78
Total assets	<u>\$ 87,017,308</u>	<u>\$ 80,765,696</u>	<u>\$ 6,251,612</u>	<u>7.74</u>	%	<u>\$ 65,751,189</u>	<u>\$ 15,014,507</u>	<u>22.84</u>
Liabilities								
Unpaid losses and loss adjustment expenses	\$ 10,020,198	\$ 13,550,859	\$ (3,530,661)	(26.05)	%	\$ 6,128,037	\$ 7,422,822	121.13
Reinsurance premiums payable	1,148,000	747,000	401,000	53.68	%	1,022,500	(275,500)	(26.94)
Accounts payable and accrued expenses	1,422,539	1,984,536	(561,997)	(28.32)	%	57,394	1,927,142	3,357.74
Total liabilities	<u>12,590,737</u>	<u>16,282,395</u>	<u>(3,691,658)</u>	<u>(22.67)</u>	%	<u>7,207,931</u>	<u>9,074,464</u>	<u>125.90</u>
Net position	<u>74,426,571</u>	<u>64,483,301</u>	<u>9,943,270</u>	<u>15.42</u>	%	<u>58,543,258</u>	<u>5,940,043</u>	<u>10.15</u>
Total liabilities and net position	<u>\$ 87,017,308</u>	<u>\$ 80,765,696</u>	<u>\$ 6,251,612</u>	<u>7.74</u>	%	<u>\$ 65,751,189</u>	<u>\$ 15,014,507</u>	<u>22.84</u>

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UNIVERSITY OF FLORIDA SELF-INSURANCE PROGRAM AND
HEALTHCARE EDUCATION INSURANCE COMPANY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2025 and 2024

Assets

Cash and cash equivalents increased \$539,387 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 cash balance sufficient to pay claims and expenses.

Prepays and other assets decreased \$753,558 during this period. The decrease in prepaids and other assets is attributed to an additional year of the Extended Reported Period policy for the University of Florida Health Flager Hospital ("Flagler" or "Flagler Health" or "UF Health St. Johns") being amortized for the current fiscal year.

Investments due from Program increased \$6,426,619 during this period. The increase in investments is attributed to the overall solid performance of the investment portfolio, the strong rebound for stocks in June 2025 and the positive returns from the bond markets.

Liabilities

Unpaid losses and loss adjustment expenses decreased \$3,530,661 during this period. The decrease is driven by favorable development in all active periods, particularly on the Flagler and Central Florida Health ("CFH") tail coverage.

Reinsurance premiums payable increased \$401,000 during this period. The reinsurance premium payable is the liability the Company would pay if paid losses exceeded \$5 million, and the Company were required to pay a portion of the maximum loss premium that applies to the first layer of insurance. The reinsurance premiums payable is based on an exceptionally conservative estimate. Currently no claims have large enough reserves to impact reinsurance maximum premiums, but this increase is attributed to another year of reinsurance coverage being included in the reinsurance premiums payable calculation and the deposit earned credit premium for policy period 22/23 through 24/25 not being received as of the close of the fiscal year.

Accounts payable and accrued expenses decreased \$561,997 during this period. This decrease is attributed to the timing of a settlement agreement.

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UNIVERSITY OF FLORIDA SELF-INSURANCE PROGRAM AND
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Combined Summary of Net Position

	2024-2025				2023-2024			
	<u>2025</u>	<u>2024</u>	<u>Increase (decrease)</u>	<u>Percent change</u>	<u>2023</u>	<u>Increase (decrease)</u>	<u>Percent change</u>	
Assets								
Cash and cash equivalents	\$ 19,429,604	\$ 17,336,926	\$ 2,092,678	12.07 %	\$ 10,632,443	\$ 6,704,483	63.06 %	
Investments, at fair value	287,901,227	262,921,699	24,979,528	9.50 %	239,618,500	23,303,199	9.73 %	
Premiums and other receivables	330,565	64,082	266,483	415.85 %	799,058	(734,976)	(91.98) %	
Right-of-use asset	1,447,077	1,513,827	(66,750)	(4.41) %	1,538,834	(25,007)	(1.63) %	
Prepays and other assets	1,158,470	1,902,543	(744,073)	(39.11) %	253,992	1,648,551	649.06 %	
Investments due from Program	72,722,722	66,296,103	6,426,619	9.69 %	60,390,409	5,905,694	9.78 %	
Total assets	<u>\$ 382,989,665</u>	<u>\$ 350,035,180</u>	<u>\$ 32,954,485</u>	<u>9.41 %</u>	<u>\$ 313,233,236</u>	<u>\$ 36,801,944</u>	<u>11.75 %</u>	
Liabilities								
Unpaid losses and loss adjustment expenses	\$ 45,848,809	\$ 48,412,251	\$ (2,563,442)	(5.30) %	\$ 40,180,313	\$ 8,231,938	20.49 %	
Reinsurance premiums payable	1,148,000	747,000	401,000	53.68 %	1,022,500	(275,500)	(26.94) %	
Accounts payable and other liabilities	1,984,765	2,888,782	(904,017)	(31.29) %	1,597,777	1,291,005	80.80 %	
Lease liability	1,428,666	1,495,499	(66,833)	(4.47) %	1,520,927	(25,428)	(1.67) %	
Investments due to HEIC	72,722,722	66,296,103	6,426,619	9.69 %	60,390,409	5,905,694	9.78 %	
Total liabilities	<u>123,132,962</u>	<u>119,839,635</u>	<u>3,293,327</u>	<u>2.75 %</u>	<u>104,711,926</u>	<u>15,127,709</u>	<u>14.45 %</u>	
Net position	<u>259,856,703</u>	<u>230,195,545</u>	<u>29,661,158</u>	<u>12.89 %</u>	<u>208,521,310</u>	<u>21,674,235</u>	<u>10.39 %</u>	
Total liabilities and net position	<u>\$ 382,989,665</u>	<u>\$ 350,035,180</u>	<u>\$ 32,954,485</u>	<u>9.41 %</u>	<u>\$ 313,233,236</u>	<u>\$ 36,801,944</u>	<u>11.75 %</u>	

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UNIVERSITY OF FLORIDA SELF-INSURANCE PROGRAM AND
HEALTHCARE EDUCATION INSURANCE COMPANY
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Summary of Revenues, Expenses, and Changes in Net Position for the Self-Insurance Program

	<u>2025</u>	<u>2024</u>	<u>2024-2025</u>		<u>2023</u>	<u>2023-2024</u>	
			<u>Increase (decrease)</u>	<u>Percent change</u>		<u>Increase (decrease)</u>	<u>Percent change</u>
Operating revenues							
Earned premiums, net	\$ 7,661,517	\$ 8,291,805	\$ (630,288)	(7.60) %	\$ 7,809,824	\$ 481,981	6.17 %
Investment income, net	19,434,864	17,664,656	1,770,208	10.02 %	8,389,554	9,275,102	110.56 %
Other income	1,394,958	1,166,653	228,305	19.57 %	1,152,630	14,023	1.22 %
Total operating revenues	<u>28,491,339</u>	<u>27,123,114</u>	<u>1,368,225</u>	<u>5.04 %</u>	<u>17,352,008</u>	<u>9,771,106</u>	<u>56.31 %</u>
Operating expenses							
Losses and loss adjustment expenses, net	3,310,290	6,267,257	(2,956,967)	(47.18) %	6,080,891	186,366	3.06 %
General and administrative expenses	5,463,161	5,121,665	341,496	6.67 %	5,485,701	(364,036)	(6.64) %
Total operating expenses	<u>8,773,451</u>	<u>11,388,922</u>	<u>(2,615,471)</u>	<u>(22.97) %</u>	<u>11,566,592</u>	<u>(177,670)</u>	<u>(1.54) %</u>
Increase in net position	19,717,888	15,734,192	3,983,696	25.32 %	5,785,416	9,948,776	171.96 %
Net position, beginning of year	<u>165,712,244</u>	<u>149,978,052</u>	<u>15,734,192</u>	<u>10.49 %</u>	<u>144,192,636</u>	<u>5,785,416</u>	<u>4.01 %</u>
Net position, end of year	<u>\$ 185,430,132</u>	<u>\$ 165,712,244</u>	<u>\$ 19,717,888</u>	<u>11.90 %</u>	<u>\$ 149,978,052</u>	<u>\$ 15,734,192</u>	<u>10.49 %</u>

Total operating revenues increased \$1,368,225 during this period. The increase is attributed to investment income from solid performance of the investment portfolio, the strong rebound for stocks in June 2025, and the positive returns for bond markets.

Total operating expenses decreased \$2,615,471 during this period. The decrease is largely due to the timing of claim activity and settlements in the current fiscal year as compared to the previous fiscal year along with favorable reserve development.

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UNIVERSITY OF FLORIDA SELF-INSURANCE PROGRAM AND
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Summary of Revenues, Expenses, and Changes in Net Position for the Healthcare Education Insurance Company

	2025	2024	2024-2025		2023	2023-2024	
			Increase (decrease)	Percent change		Increase (decrease)	Percent change
Operating revenues							
Earned premiums, net	\$ 1,358,918	\$ 9,015,129	\$ (7,656,211)	(84.93) %	\$ 2,195,103	\$ 6,820,026	310.69 %
Investment income, net	6,438,364	5,841,584	596,780	10.22 %	1,906,153	3,935,431	206.46 %
Total operating revenues	<u>7,797,282</u>	<u>14,856,713</u>	<u>(7,059,431)</u>	<u>(47.52) %</u>	<u>4,101,256</u>	<u>10,755,457</u>	<u>262.25 %</u>
Operating expenses							
Losses and loss adjustment expenses, net	(3,019,450)	8,015,217	(11,034,667)	(137.67) %	399,999	7,615,218	1,903.81 %
General and administrative expenses	873,462	901,453	(27,991)	(3.11) %	918,729	(17,276)	(1.88) %
Total operating expenses	<u>(2,145,988)</u>	<u>8,916,670</u>	<u>(11,062,658)</u>	<u>(124.07) %</u>	<u>1,318,728</u>	<u>7,597,942</u>	<u>576.16 %</u>
Increase in net position	9,943,270	5,940,043	4,003,227	67.39 %	2,782,528	3,157,515	113.48 %
Net position, beginning of year	64,483,301	58,543,258	5,940,043	10.15 %	55,760,730	2,782,528	4.99 %
Net position, end of year	<u>\$ 74,426,571</u>	<u>\$ 64,483,301</u>	<u>\$ 9,943,270</u>	<u>15.42 %</u>	<u>\$ 58,543,258</u>	<u>\$ 5,940,043</u>	<u>10.15 %</u>

Total operating revenues decreased \$7,059,431 during this period. The decrease is attributed to the one time acquisition of Flagler Health in the prior year.

Total operating expenses decreased \$11,062,658 during this period. Overall, there was a significant decrease in expenses to resolve matters, most notably driven by favorable development in all active periods especially for the Flagler and CFH tail coverage exposures which were one time increases in the prior year due to the assumption of their losses.

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

	2025	2024	2023-2024		2023	2022-2023	
			Increase (decrease)	Percent change		Increase (decrease)	Percent change
Operating revenues							
Earned premiums, net	\$ 9,020,435	\$ 17,306,934	\$ (8,286,499)	(47.88) %	\$ 10,004,927	\$ 7,302,007	72.98 %
Investment income, net	25,873,228	23,506,240	2,366,988	10.07 %	10,295,707	13,210,533	128.31 %
Other income	1,394,958	1,166,653	228,305	19.57 %	1,152,630	14,023	1.22 %
Total operating revenues	<u>36,288,621</u>	<u>41,979,827</u>	<u>(5,691,206)</u>	<u>(13.56) %</u>	<u>21,453,264</u>	<u>20,526,563</u>	<u>95.68 %</u>
Operating expenses							
Losses and loss adjustment expenses, net	290,840	14,282,474	(13,991,634)	(97.96) %	6,480,890	7,801,584	120.38 %
General and administrative expenses	6,336,623	6,023,118	313,505	5.21 %	6,404,430	(381,312)	(5.95) %
Total operating expenses	<u>6,627,463</u>	<u>20,305,592</u>	<u>(13,678,129)</u>	<u>(67.36) %</u>	<u>12,885,320</u>	<u>7,420,272</u>	<u>57.59 %</u>
Increase in net assets	29,661,158	21,674,235	7,986,923	36.85 %	8,567,944	13,106,291	152.97 %
Net assets, beginning of year	230,195,545	208,521,310	21,674,235	10.39 %	199,953,366	8,567,944	4.28 %
Net assets, end of year	<u>\$ 259,856,703</u>	<u>\$ 230,195,545</u>	<u>\$ 29,661,158</u>	<u>12.89 %</u>	<u>\$ 208,521,310</u>	<u>\$ 21,674,235</u>	<u>10.39 %</u>

(Continued)

UNIVERSITY OF FLORIDA SELF-INSURANCE PROGRAM AND
HEALTHCARE EDUCATION INSURANCE COMPANY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2025 and 2024

Next Year

Operating expenses should remain closely related to the HEIC 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, 2025

	University of Florida Healthcare Education Insurance <u>Company</u>	University of Florida Self- Insurance <u>Program</u>	<u>Combined</u>
Assets			
Cash and cash equivalents	\$ 13,327,017	\$ 6,102,587	\$ 19,429,604
Investments	-	287,901,227	287,901,227
Premiums and other receivables	42,665	287,900	330,565
Right-of-use asset	-	1,447,077	1,447,077
Prepays and other assets	924,904	233,566	1,158,470
Investments due from Program	<u>72,722,722</u>	<u>-</u>	<u>72,722,722</u>
Total assets	<u>87,017,308</u>	<u>295,972,357</u>	<u>382,989,665</u>
Liabilities			
Unpaid losses and loss adjustment expenses, net	10,020,198	35,828,611	45,848,809
Reinsurance premiums payable	1,148,000	-	1,148,000
Accounts payable and other liabilities	1,422,539	562,226	1,984,765
Lease liability	-	1,428,666	1,428,666
Investments due to HEIC	<u>-</u>	<u>72,722,722</u>	<u>72,722,722</u>
Total liabilities	<u>12,590,737</u>	<u>110,542,225</u>	<u>123,132,962</u>
Net position			
Net position - unrestricted	<u>\$ 74,426,571</u>	<u>\$ 185,430,132</u>	<u>\$ 259,856,703</u>

See accompanying notes to the combining financial statements.

UNIVERSITY OF FLORIDA SELF-INSURANCE PROGRAM AND
HEALTHCARE EDUCATION INSURANCE COMPANY
COMBINING STATEMENTS OF NET POSITION
June 30, 2024

	University of Florida Healthcare Education Insurance <u>Company</u>	University of Florida Self- Insurance <u>Program</u>	<u>Combined</u>
Assets			
Cash and cash equivalents	\$ 12,787,630	\$ 4,549,296	\$ 17,336,926
Investments	-	262,921,699	262,921,699
Premiums and other receivables	3,501	60,581	64,082
Right-of-use asset	-	1,513,827	1,513,827
Prepays and other assets	1,678,462	224,081	1,902,543
Investments due from Program	66,296,103	-	66,296,103
Total assets	<u>80,765,696</u>	<u>269,269,484</u>	<u>350,035,180</u>
Liabilities			
Unpaid losses and loss adjustment expenses, net	13,550,859	34,861,392	48,412,251
Reinsurance premiums payable	747,000	-	747,000
Accounts payable and other liabilities	1,984,536	904,246	2,888,782
Lease liability	-	1,495,499	1,495,499
Investments due to HEIC	-	66,296,103	66,296,103
Total liabilities	<u>16,282,395</u>	<u>103,557,240</u>	<u>119,839,635</u>
Net position			
Net position - unrestricted	<u>\$ 64,483,301</u>	<u>\$ 165,712,244</u>	<u>\$ 230,195,545</u>

See accompanying notes to the combining financial 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, 2025

	University of Florida Healthcare Education Insurance <u>Company</u>	University of Florida Self- Insurance <u>Program</u>	<u>Combined</u>
Operating revenues			
Earned premiums, net	\$ 1,358,918	\$ 7,661,517	\$ 9,020,435
Investment income, net	6,438,364	19,434,864	25,873,228
Other income	-	1,394,958	1,394,958
Total operating revenues	<u>7,797,282</u>	<u>28,491,339</u>	<u>36,288,621</u>
Operating expenses			
Losses and loss adjustment expenses, net	(3,019,450)	3,310,290	290,840
General and administrative expenses	<u>873,462</u>	<u>5,463,161</u>	<u>6,336,623</u>
Total operating expenses	<u>(2,145,988)</u>	<u>8,773,451</u>	<u>6,627,463</u>
Change in net position	9,943,270	19,717,888	29,661,158
Net position, beginning of year	<u>64,483,301</u>	<u>165,712,244</u>	<u>230,195,545</u>
Net position, end of year	<u><u>\$ 74,426,571</u></u>	<u><u>\$ 185,430,132</u></u>	<u><u>\$ 259,856,703</u></u>

See accompanying notes to the combining financial 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, 2024

	University of Florida Healthcare Education Insurance Company	University of Florida Self- Insurance Program	Combined
Operating revenues			
Earned premiums, net	\$ 9,015,129	\$ 8,291,805	\$ 17,306,934
Investment income, net	5,841,584	17,664,656	23,506,240
Other income	-	1,166,653	1,166,653
Total operating revenues	<u>14,856,713</u>	<u>27,123,114</u>	<u>41,979,827</u>
Operating expenses			
Losses and loss adjustment expenses, net	8,015,217	6,267,257	14,282,474
General and administrative expenses	901,453	5,121,665	6,023,118
Total operating expenses	<u>8,916,670</u>	<u>11,388,922</u>	<u>20,305,592</u>
Change in net position	5,940,043	15,734,192	21,674,235
Net position, beginning of year	<u>58,543,258</u>	<u>149,978,052</u>	<u>208,521,310</u>
Net position, end of year	<u>\$ 64,483,301</u>	<u>\$ 165,712,244</u>	<u>\$ 230,195,545</u>

See accompanying notes to the combining financial statements.

UNIVERSITY OF FLORIDA SELF-INSURANCE PROGRAM AND
HEALTHCARE EDUCATION INSURANCE COMPANY
COMBINING STATEMENTS OF CASH FLOWS
For the year ended June 30, 2025

	University of Florida Healthcare Education Insurance Company	University of Florida Self- Insurance Program	Combined
Cash flows from operating activities			
Revenue collected:			
Earned premiums	\$ 1,319,754	\$ 7,434,198	\$ 8,753,952
Investment income	765,303	7,129,682	7,894,985
Other income	-	1,394,958	1,394,958
Payments for expenses:			
Losses and loss adjustment expenses	(511,211)	(2,343,071)	(2,854,282)
General and administrative expenses	(1,034,459)	(5,814,666)	(6,849,125)
Net cash provided by operating activities	<u>539,387</u>	<u>7,801,101</u>	<u>8,340,488</u>
Cash flows from investing activities			
Purchases of investments	-	(110,137,499)	(110,137,499)
Proceeds from sales of investments	-	103,889,689	103,889,689
Net cash used in investing activities	<u>-</u>	<u>(6,247,810)</u>	<u>(6,247,810)</u>
Net increase in cash and cash equivalents	539,387	1,553,291	2,092,678
Cash and cash equivalents, beginning of year	<u>12,787,630</u>	<u>4,549,296</u>	<u>17,336,926</u>
Cash and cash equivalents, end of year	<u>\$ 13,327,017</u>	<u>\$ 6,102,587</u>	<u>\$ 19,429,604</u>
Reconciliation of increase in net position to net cash provided by operating activities:			
Increase in net position	\$ 9,943,270	\$ 19,717,888	\$ 29,661,158
Adjustments to reconcile increase in net position to net cash provided by operating activities:			
Net realized gains on sales of investments	-	(3,411,674)	(3,411,674)
Net increase in unrealized gains of investments	-	(15,320,044)	(15,320,044)
Changes in assets and liabilities:			
Premiums and other receivables	(39,164)	(227,319)	(266,483)
Prepays and other assets	753,558	(9,485)	744,073
ROU asset	-	66,750	66,750
Lease liability	-	(66,833)	(66,833)
Due to/from HEIC and Program	(6,426,619)	6,426,619	-
Unpaid losses and loss adjustment expenses	(3,530,661)	967,219	(2,563,442)
Accounts payable and accrued expenses	(561,997)	(342,020)	(904,017)
Reinsurance premiums payable	401,000	-	401,000
Total adjustments	<u>(9,403,883)</u>	<u>(11,916,787)</u>	<u>(21,320,670)</u>
Net cash provided by operating activities	<u>\$ 539,387</u>	<u>\$ 7,801,101</u>	<u>\$ 8,340,488</u>
Supplemental schedule of noncash investing and financing activities:			
Lease obligations arising from right-of-use assets from leases:	<u>\$ -</u>	<u>\$ 18,411</u>	<u>\$ 18,411</u>

See accompanying notes to the combining financial statements.

UNIVERSITY OF FLORIDA SELF-INSURANCE PROGRAM AND
HEALTHCARE EDUCATION INSURANCE COMPANY
COMBINING STATEMENTS OF CASH FLOWS
For the year ended June 30, 2024

	University of Florida Healthcare Education Insurance Company	University of Florida Self- Insurance Program	Combined
Cash flows from operating activities			
Revenue collected:			
Earned premiums	\$ 9,145,910	\$ 8,632,228	\$ 17,778,138
Investment income	(1,612,192)	6,635,411	5,023,219
Other income	-	1,166,653	1,166,653
Payments for expenses:			
Losses and loss adjustment expenses	(592,395)	(5,458,141)	(6,050,536)
General and administrative expenses	750,189	(5,781,463)	(5,031,274)
Net cash provided by operating activities	7,691,512	5,194,688	12,886,200
Cash flows from investing activities			
Purchases of investments	-	(6,190,918)	(6,190,918)
Proceeds from maturities of investments	-	9,201	9,201
Net cash used in investing activities	-	(6,181,717)	(6,181,717)
Net increase (decrease) in cash and cash equivalents	7,691,512	(987,029)	6,704,483
Cash and cash equivalents, beginning of year	5,096,118	5,536,325	10,632,443
Cash and cash equivalents, end of year	<u>\$ 12,787,630</u>	<u>\$ 4,549,296</u>	<u>\$ 17,336,926</u>
Reconciliation of increase in net position to net cash provided by operating activities:			
Increase in net position	\$ 5,940,043	\$ 15,734,192	\$ 21,674,235
Adjustments to reconcile increase in net position to net cash provided by operating activities:			
Net realized gains on sales of investments	-	(44,810)	(44,810)
Net increase in unrealized gains of investments	-	(17,076,672)	(17,076,672)
Changes in assets and liabilities:			
Premiums and other receivables	208,368	526,608	734,976
Prepays and other assets	(1,625,669)	(22,882)	(1,648,551)
ROU asset	-	25,007	25,007
Lease liability	-	(25,428)	(25,428)
Due to/from HEIC and Program	(5,905,694)	5,905,694	-
Unpaid losses and loss adjustment expenses	7,422,822	809,116	8,231,938
Accounts payable and accrued expenses	1,927,142	(636,137)	1,291,005
Reinsurance premiums payable	(275,500)	-	(275,500)
Total adjustments	1,751,469	(10,539,504)	(8,788,035)
Net cash provided by operating activities	<u>\$ 7,691,512</u>	<u>\$ 5,194,688</u>	<u>\$ 12,886,200</u>
Supplemental schedule of noncash investing and financing activities:			
Lease obligations arising from right-of-use assets from leases:	<u>\$ -</u>	<u>\$ 18,224</u>	<u>\$ 18,224</u>

See accompanying notes to the combining financial statements.

UNIVERSITY OF FLORIDA SELF-INSURANCE PROGRAM AND
HEALTHCARE EDUCATION INSURANCE COMPANY
NOTES TO COMBINING FINANCIAL STATEMENTS
June 30, 2025 and 2024

NOTE 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 (the "HEIC") which affect significant elements of the accompanying combining financial statements:

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

(Continued)

UNIVERSITY OF FLORIDA SELF-INSURANCE PROGRAM AND
HEALTHCARE EDUCATION INSURANCE COMPANY
NOTES TO COMBINING FINANCIAL STATEMENTS
June 30, 2025 and 2024

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Reporting: The combining financial statements of the Program and the HEIC are presented combined because the Program, as an operating unit of the Board, combines investments from both the Program and from the HEIC to achieve the highest maximum return. Because the Program maintains financial records separately for each of the Program and the 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 the 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 the 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 the HEIC. All other expenses are reported as non-operating expenses. For the years ended June 30, 2025 and 2024, all revenues and expenses of the Program and the HEIC were considered to be operating revenues and operating expenses.

The Program and the 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 the HEIC are not regulated by the Florida Office of Insurance Regulation and, accordingly, do not report on the basis of statutory accounting practices. The 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.

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.

The Program and the 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 \$14,326,190 and \$12,799,357 as of June 30, 2025 and 2024, respectively. Management does not believe that the Program and the HEIC are exposed to any significant credit risk related to cash and cash equivalents.

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

(Continued)

UNIVERSITY OF FLORIDA SELF-INSURANCE PROGRAM AND
HEALTHCARE EDUCATION INSURANCE COMPANY
NOTES TO COMBINING FINANCIAL STATEMENTS
June 30, 2025 and 2024

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Certificate of Deposit: Certificates of deposit are held for investment with original maturities greater than three months and remaining maturities less than one year.

Investments Due to the HEIC or Due From Program: The Program's Council and the HEIC's Board of Directors have approved a reciprocal program whereby the HEIC and the Program participate in the investment returns of a combined investment portfolio. The HEIC's participation percentage fluctuates when either the HEIC or the Program contributes to, or withdraws from, the investment portfolio. The 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.

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. The Program and the HEIC have premiums and other receivables of \$330,565 and \$64,082 at June 30, 2025 and 2024, respectively. Premium receivables are due from related entities, the HEIC considers the premium receivable to be fully collectable and has not recorded an allowance for doubtful accounts against the premium receivable balances. The Program and the HEIC have no policy requiring any collateral or other security to support these amounts due. However, management does not believe that the Program and the HEIC are exposed to any significant credit risk related to premiums receivable.

Reinsurance: Reinsurance recoverable on unpaid losses represents amounts owed to the HEIC from its reinsurers for incurred but unpaid losses, and is reported as a reduction of unpaid losses and loss adjustment expenses. The 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 combining financial statements. As adjustments to these estimates become necessary, such adjustments are reflected in current operations. Management presents unpaid losses and loss adjustments net of the reinsurance recoverable.

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 the HEIC from its obligations to policyholders. The Program and the HEIC remain obligated for amounts ceded in the event that the reinsurers do not meet their obligations.

Reinsurance premiums payable are amounts accrued arising from adjustable premium provisions.

(Continued)

UNIVERSITY OF FLORIDA SELF-INSURANCE PROGRAM AND
HEALTHCARE EDUCATION INSURANCE COMPANY
NOTES TO COMBINING FINANCIAL STATEMENTS
June 30, 2025 and 2024

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 the 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 combining financial statements. As adjustments to these estimates become necessary, such adjustments are reflected in current operations.

Income Taxes: The Program and the 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.

Use of Estimates: The preparation of combining 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 combining financial statements and the reported amounts of revenues and expenses during the reporting period, accordingly, results could differ from those estimates.

Other Income: Other income consists of the fees for various administrative services performed related to other state of Florida self insurance programs. Fees are earned as services are provided. No amounts are due to or from those other self insurance programs and all fees are fully earned as of June 30, 2025 and 2024.

Subsequent Events: Events and transactions subsequent to the combined statement of financial condition have been evaluated by management for the purpose of recognition or disclosure in these combining financial statements through August 29, 2025, the date that these combining financial statements were available to be issued.

NOTE 2 - INVESTMENTS

The Program and the HEIC's investments are recorded at fair value and consist entirely of investments in mutual funds at June 30, 2025 and 2024.

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 and the HEIC categorize their 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.

(Continued)

UNIVERSITY OF FLORIDA SELF-INSURANCE PROGRAM AND
HEALTHCARE EDUCATION INSURANCE COMPANY
NOTES TO COMBINING FINANCIAL STATEMENTS
June 30, 2025 and 2024

NOTE 2 – INVESTMENTS (Continued)

The Entity has the following recurring fair value measurements as of June 30, 2025 and 2024:

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 and the HEIC for which fair values are determined on a recurring basis as of June 30, 2025 and 2024:

	June 30, 2025			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments				
Equity mutual funds				
Domestic equity funds	\$ 26,177,621	\$ 63,087,746	\$ -	\$ 89,265,367
Bond mutual funds				
Intermediate term bond funds	99,724,543	98,911,317	-	198,635,860
Total investments at fair value	<u>\$ 125,902,164</u>	<u>\$ 161,999,063</u>	<u>\$ -</u>	<u>\$ 287,901,227</u>
	June 30, 2024			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments				
Equity mutual funds				
Domestic equity funds	\$ 27,403,956	\$ 66,033,113	\$ -	\$ 93,437,069
Bond mutual funds				
Intermediate term bond funds	120,748,812	48,735,818	-	169,484,630
Total investments at fair value	<u>\$ 148,152,768</u>	<u>\$ 114,768,931</u>	<u>\$ -</u>	<u>\$ 262,921,699</u>

The following risks apply to the Program's and the 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 and the HEIC's investments in bond mutual funds are subject to interest rate risk. The effective average duration of the Program and the HEIC's investments in bond mutual funds as of June 30, 2025 range from 3.93 and 4.76 years.

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.

(Continued)

UNIVERSITY OF FLORIDA SELF-INSURANCE PROGRAM AND
HEALTHCARE EDUCATION INSURANCE COMPANY
NOTES TO COMBINING FINANCIAL STATEMENTS
June 30, 2025 and 2024

NOTE 2 – INVESTMENTS (Continued)

At June 30, 2025, the Program and the HEIC held bond mutual funds which have underlying investments with an average quality rating of AA- or better by nationally recognized rating agencies. These are all considered investment grade quality, however, the actual bond mutual funds are not explicitly rated.

Custodial Credit Risk: Custodial credit risk is the risk that in the event of the failure of the counterparty to a transaction, the Program and the HEIC will not be able to recover the value of their 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 the HEIC and are not registered in the Program or the HEIC's name. The Program and the HEIC have not identified any investments falling into this category as of June 30, 2025.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of the Program and the HEIC's investments in a single issuer. The Program and the HEIC place no limit on the amount it may invest in any one issuer. Investments concentration of the Program's investments at June 30, 2025 are shown below.

	<u>Fair Value</u>	<u>Percent of Program's Total Investments</u>
Putnam Intermediate U.S. Investment Grade Fund, LLC	\$ 98,911,317	34 %
Pimco Moderate Duration Fund	99,724,543	35
Blackrock U.S. Equity Market Fund	63,087,746	22
Ishares Edge Msci Min Vol	26,177,621	9
	<u>\$ 287,901,227</u>	<u>100 %</u>

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

(Continued)

UNIVERSITY OF FLORIDA SELF-INSURANCE PROGRAM AND
HEALTHCARE EDUCATION INSURANCE COMPANY
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NOTE 3 - INSURANCE ACTIVITY

Effective September 1, 2023, Shands Teaching Hospital and Clinics (STHC) acquired Flagler Health, and HEIC assumed, both known and unknown, the self-insured layer of professional liability losses not subject to immunity caps incurred by Flagler Health prior to September 1, 2023 for occurrence limits of \$3,000,000. Premiums received and losses transferred equaled \$7,081,649. For losses excess the self-insured retention, HEIC reimbursed the cost of the commercial ERP policy purchased by Flagler pre-acquisition for excess losses with MagMutual and Coverys Specialty for \$10,000,000 in excess of \$3,000,000 and \$20,000,000 in excess of \$10,000,000 per occurrence, respectively, for a 3-year extended reporting period. The premiums on these coverages equaled \$2,250,184.

In addition to the above transaction, the HEIC assumed on behalf of STHC certain known previously self-insured professional liability losses not subject to immunity caps but only for the self-insured retention layer of exposure incurred by Central Florida Health prior to January 1, 2020. Any losses above self-insured retention have commercial excess coverage. As part of this agreement, the HEIC received \$2,000,000 for the administration and payment of these claims. As of June 30, 2025 and 2024, \$1,318,412 and \$1,333,940 is recorded in accounts payable, respectively.

Premium activity for the years ended June 30, 2025 and 2024 is summarized as follows:

<u>2025</u>	Direct and <u>Assumed</u>	<u>Ceded</u>	<u>Net</u>
Program			
Premiums written	\$ 7,995,267	\$ 333,750	\$ 7,661,517
Premiums earned	<u>\$ 7,995,267</u>	<u>\$ 333,750</u>	<u>\$ 7,661,517</u>
HEIC			
Premiums written	\$ 4,576,075	\$ 3,217,157	\$ 1,358,918
Premiums earned	<u>\$ 4,576,075</u>	<u>\$ 3,217,157</u>	<u>\$ 1,358,918</u>
<u>2024</u>	Direct and <u>Assumed</u>	<u>Ceded</u>	<u>Net</u>
Program			
Premiums written	\$ 8,619,055	\$ 327,250	\$ 8,291,805
Premiums earned	<u>\$ 8,619,055</u>	<u>\$ 327,250</u>	<u>\$ 8,291,805</u>
HEIC			
Premiums written	\$ 11,405,659	\$ 2,390,530	\$ 9,015,129
Premiums earned	<u>\$ 11,405,659</u>	<u>\$ 2,390,530</u>	<u>\$ 9,015,129</u>

(Continued)

UNIVERSITY OF FLORIDA SELF-INSURANCE PROGRAM AND
HEALTHCARE EDUCATION INSURANCE COMPANY
NOTES TO COMBINING FINANCIAL STATEMENTS
June 30, 2025 and 2024

NOTE 3 - INSURANCE ACTIVITY (Continued)

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

	<u>Program</u>	<u>HEIC</u>	<u>Combined</u>
Gross balance at July 1, 2023	\$ 34,052,276	\$ 9,928,037	\$ 43,980,313
Less: reinsurance recoverable on unpaid losses	-	3,800,000	3,800,000
Net balances at July 1	34,052,276	6,128,037	40,180,313
Incurred related to:			
Current year	11,700,000	8,864,423	20,564,423
STHC/Flagler Health transaction	-	(89,206)	(89,206)
Prior years	(5,432,743)	(760,000)	(6,192,743)
Total incurred losses and LAE	6,267,257	8,015,217	14,282,474
Paid related to:			
Current year	439,630	496,422	936,052
STHC/Flagler Health transaction	-	(666,060)	(666,060)
Prior years	5,018,511	762,033	5,780,544
Total paid losses and LAE	5,458,141	592,395	6,050,536
Net balances at June 30	34,861,392	13,550,859	48,412,251
Plus: reinsurance recoverable on unpaid losses	-	3,660,438	3,660,438
Gross balance at June 30, 2024	34,861,392	17,211,297	52,072,689
Less: reinsurance recoverable on unpaid losses	-	3,660,438	3,660,438
Net balances at July 1	34,861,392	13,550,859	48,412,251
Incurred related to:			
Current year	12,696,491	765,000	13,461,491
Prior years	(9,386,201)	(3,784,450)	(13,170,651)
Total incurred losses and LAE	3,310,290	(3,019,450)	290,840
Paid related to:			
Current year	45,264	-	45,264
STHC/Flagler Health transaction	-	(15,527)	(15,527)
Prior years	2,297,807	526,738	2,824,545
Total paid losses and LAE	2,343,071	511,211	2,854,282
Net balances at June 30	35,828,611	10,020,198	45,848,809
Plus: reinsurance recoverable on unpaid losses	-	3,910,004	3,910,004
Gross balance at June 30, 2025	<u>\$ 35,828,611</u>	<u>\$ 13,930,202</u>	<u>\$ 49,758,813</u>

(Continued)

UNIVERSITY OF FLORIDA SELF-INSURANCE PROGRAM AND
HEALTHCARE EDUCATION INSURANCE COMPANY
NOTES TO COMBINING FINANCIAL STATEMENTS
June 30, 2025 and 2024

NOTE 3 - INSURANCE ACTIVITY (Continued)

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 the HEIC decreased due to refinements to prior years' ultimate loss projections.

The components of the liability for gross losses and LAE are as follows at June 30, 2025 and 2024:

<u>2025</u>	<u>Program</u>	<u>Gross HEIC</u>	<u>Combined</u>
Case-basis reserves	\$ 15,407,941	\$ 1,421,569	\$ 16,829,510
Supplemental reserves	<u>20,420,670</u>	<u>12,508,633</u>	<u>32,929,303</u>
Total	<u>\$ 35,828,611</u>	<u>\$ 13,930,202</u>	<u>\$ 49,758,813</u>
 <u>2024</u>	 <u>Program</u>	 <u>Gross HEIC</u>	 <u>Combined</u>
Case-basis reserves	\$ 11,389,390	\$ 2,359,310	\$ 13,748,700
Supplemental reserves	<u>23,472,002</u>	<u>14,851,987</u>	<u>38,323,989</u>
Total	<u>\$ 34,861,392</u>	<u>\$ 17,211,297</u>	<u>\$ 52,072,689</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, the HEIC provides excess of loss coverage directly to the participants in the Program. The HEIC recorded \$3,910,004 and \$3,660,438 of reinsurance recoverable for the years ended June 30, 2025 and 2024, respectively.

NOTE 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 codified 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. As of July 11, 2011, both entities claimed sovereign immunity as described in Section 768.28, and other Florida Statutes.

In excess of these limits, the 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.

(Continued)

UNIVERSITY OF FLORIDA SELF-INSURANCE PROGRAM AND
HEALTHCARE EDUCATION INSURANCE COMPANY
NOTES TO COMBINING FINANCIAL STATEMENTS
June 30, 2025 and 2024

NOTE 4 - REINSURANCE (Continued)

The 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 on a claims-made basis. For the year ending June 30, 2025, an annual one-time \$300,000 retention excess \$1,000,000 is applicable for FSUSIP, FIUSIP, and FAUSIP, and an annual one-time \$600,000 retention, excess \$1,000,000 is applicable for UCFSIP. For the year ending June 30, 2024, a one-time \$300,000 retention excess \$1,000,000 is applicable.

By action of the HEIC's Board of Directors at its September 20, 2011 meeting, liabilities that are retained by the 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 the combining 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, 2025, management did not believe there was a material risk of loss in its reinsurance program.

NOTE 5 - RELATED PARTY TRANSACTIONS

The Program and the HEIC provide insurance coverage to related parties, including Shands Jacksonville, Shands Gainesville, the UF College of Medicine, UF Health St. Johns, and UF Health Central Florida. Total primary premiums, and the Neurological Injury Compensation Association fees from these entities with respect to this coverage for Program for the year ended June 30, 2025 were approximately \$1,166,221, \$2,176,920, \$2,979,623, \$280,839, and \$858,779, respectively. 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, 2024 were approximately \$1,415,668, \$2,708,865, \$3,104,909, \$319,025, and \$798,886, respectively. Total retained premiums, brokerage fees, excess premiums and premium taxes received from these entities with respect to this coverage for the HEIC for the year ended June 30, 2025 were \$1,004,641, \$1,012,946, \$1,456,406, \$138,022, and \$425,073, respectively. Total retained premiums, brokerage fees, excess premiums and premium taxes received from these entities with respect to this coverage for the HEIC for the year ended June 30, 2024 were \$1,008,655, \$1,248,663, \$1,400,229, \$4,964,122, and \$2,382,185, respectively.

UF serves as the pay agent for staff who are paid from HEIC. On a regular basis the HEIC transfers monies to UF to cover staff salaries and benefits. At June 30, 2025 and 2024, UF holds a balance from the HEIC of \$614,346 and \$1,372,907, respectively, to cover future costs of salaries and benefits incurred. This amount is included in cash and cash equivalents in the combining balance sheet. The HEIC also pays UF a fair market fee for serving as their payroll administrator, as authorized by Fl. Statute 1004.24 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 \$4,958,561 and \$4,711,439 for the years ended June 30, 2025 and 2024, respectively.

(Continued)

UNIVERSITY OF FLORIDA SELF-INSURANCE PROGRAM AND
HEALTHCARE EDUCATION INSURANCE COMPANY
NOTES TO COMBINING FINANCIAL STATEMENTS
June 30, 2025 and 2024

NOTE 5 - RELATED PARTY TRANSACTIONS (Continued)

The total fees charged by the HEIC/Program to FSUSIP, UCFSIP, FIUSIP, and FAUSIP, collectively, were \$1,394,104 and \$1,159,037 for the years ended June 30, 2025 and 2024, respectively, for administrative services, and is recorded in other income in the combining statements of revenues, expenses, and changes in net position.

NOTE 6 - LEASES

Operating Leases: The Program leases certain equipment and facilities under operating lease agreements that expire at various dates. Leases with an initial term of 12 months or less are not recorded on the balance sheets. The Program recognizes lease expense on these leases on a straight-line basis over the lease term. Rent and equipment expense was \$216,271 and \$215,264 for the years ended June 30, 2025 and 2024, and is included in general and administrative expenses in the combining statements of revenues, expenses, and changes in net position.

The Program classifies the two leases in place as of June 30, 2025 and 2024 as operating leases. The Program recognized a right of use (ROU) asset totaling \$1,447,077 and \$1,513,827 and corresponding lease liability totaling \$1,428,666 and \$1,495,499 on the combined statement of net position. The lease liability for all leases shows the discounted remaining payments through the lives of the operating leases. The ROU asset is calculated by taking the remaining discounted lease payments, decreasing the asset for any lease incentive and deferred rent, and adding back any prepaid rent and initial direct costs. All lease assets and liabilities recorded have been classified as current based on the required allocation method.

Remaining estimated payments under lease agreements are as follows:

2026	\$	217,069
2027		218,102
2028		219,166
2029		207,471
2030		232,632
Thereafter		567,458
Total lease payments		1,661,898
Less: amount representing interest		(233,232)
Present value of lease liabilities	\$	<u>1,428,666</u>

A summary of remaining lease terms and discount rates at June 30, 2025 is as follows:

Average remaining lease term (years)	5.73
Risk free rate	5.46%

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*

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

We have audited, in accordance with the 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 combining financial statements of the University of Florida Self-Insurance Program (the "Program") and the Florida Board of Governors owned captive, the University of Florida Health Education Insurance Company (the "HEIC"), as of and for the year ended June 30, 2025, and the related notes to the combining financial statements, which collectively comprise the Program and the HEIC's basic combining financial statements, and have issued our report thereon dated August 29, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the combining financial statements, we considered the Program's and the HEIC's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the combining financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Program and the HEIC's internal control. Accordingly, we do not express an opinion on the effectiveness of the Program and the 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 combining 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses or significant deficiencies. However, material weaknesses or significant deficiencies may exist that have not been identified.

(Continued)

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Program and the HEIC's combining financial statements are free from material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the combining financial statements. 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 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.


Crowe LLP

Fort Lauderdale, Florida
August 29, 2025