



KANSAS EASTERN REGION INSURANCE TRUST

ANNUAL **COMPREHENSIVE**
FINANCIAL REPORT

FOR THE YEARS ENDED
DECEMBER 31, 2021
AND DECEMBER 31, 2020

600 BROADWAY • SUITE 200 • KANSAS CITY, MISSOURI • 64105



KANSAS EASTERN REGION INSURANCE TRUST

*Preventing Loss & Promoting Safety
For Cities and Counties in Eastern Kansas*

ANNUAL COMPREHENSIVE FINANCIAL REPORT FOR THE YEARS ENDED DECEMBER 31, 2021 AND DECEMBER 31, 2020

Chair and Officers of Kansas Eastern Region Insurance Trust

Michelle Wapp

Chair

Nic Sanders

1st Vice-Chair

Jamie Chism

2nd Vice Chair

Prepared by:

Mid-America Regional Council

Department of Finance & Administration

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Kansas Eastern Region Insurance Trust

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INTRODUCTORY SECTION



KANSAS EASTERN REGION INSURANCE TRUST

Preventing Loss & Promoting Safety

May 11, 2022

The Board of Trustees and Members
Kansas Eastern Region Insurance Trust:

We are pleased to submit the annual comprehensive financial report of Kansas Eastern Region Insurance Trust (KERIT) for the fiscal years ended December 31, 2021 and 2020. The 2021 Annual Comprehensive Financial Report reflects the 35th year of operations of KERIT. The report is submitted to the Board of Trustees in compliance with Article VI, Section 7 of the Bylaws.

Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with KERIT. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position, results of operations and cash flows of KERIT. All disclosures necessary to enable the reader to gain an understanding of KERIT's financial activities have been included.

The KERIT Board of Trustees is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of KERIT are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits requires estimates and judgments by management.

The financial statements have been subjected to an independent audit by the accounting firm of BKD, LLP. The auditors have issued an unmodified ("clean") opinion of KERIT's financial statements for the year ended December 31, 2021. The report of independent auditors on the basic financial statements is located at the front of the financial section of this report.

In addition, Pinnacle Actuarial Resources, Inc. provided actuary services to determine the level of claim reserves for KERIT as of December 31, 2021. Such reserves include amounts for the incurred but not reported losses and loss development for all claims. These estimates were provided for each claim year.

Readers are encouraged to review management's discussion and analysis (MD&A) beginning on page 15, which provides a narrative introduction, overview and financial analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

THE REPORTING ENTITY AND ITS SERVICES

Kansas Eastern Region Insurance Trust (KERIT) was formed on November 1, 1986 as a self-insurance program to cover workers' compensation claims for its members. Members of KERIT, located primarily in eastern Kansas, include cities and counties. KERIT is a not-for-profit corporation and was formed as a group-funded workers' compensation pool under Section 44-581 et. seq. of the Kansas Statutes Annotated. Effective November 1, 1993, KERIT began operating under Section 12-2616 et. seq. of the Kansas Statutes Annotated, which governs municipal group-funded pools. Special state legislation was passed in April 1993 to allow KERIT to transfer from Section 44-581 et. seq. to Section 12-2616 et. seq. regulation without having to dissolve the corporation and form a new one.

KERIT's general objectives are to provide a self-insured program for local governments; to improve the loss prevention program to reduce claims and accidents; to reduce costs through sound and equitable claim management practices; and to provide excess insurance at a discount based on volume and lower risk exposure.

By creating KERIT, the members have more control and direction of the loss control program and claims management. The members feel strongly that a high-quality loss control program is essential to controlling losses and have developed a program specifically tailored to their needs. Focusing attention on claims management and settlement provides members greater control on the expenditure of their contribution dollars.

Not only is KERIT concerned about the expenditure of its contribution dollars, but it is also concerned with the indirect costs of workers' compensation claims. These indirect costs include vacant job positions, possible overtime pay, increased administrative costs, etc. Strong emphasis is placed in the loss control program on preventing accidents.

Membership

The membership of KERIT includes fifteen cities, two counties and one park and recreation district. When KERIT first began providing workers' compensation coverage on November 1, 1986, there were six cities and one county.

Cities, counties, and other entities joining KERIT must remain members a minimum of three years. The Board of Trustees may grant approval to cities and counties applying for membership in KERIT under such terms and conditions as the Board may, from time to time, determine.

Trust underwriting and rate-setting policies have been established after consultation with the service agent, Thomas McGee Group, and in accordance with state workers' compensation laws

and the Kansas Insurance Department regulations. KERIT members are subject to additional contribution assessments in the event of deficiencies and may receive a refund of contributions for those claim years when revenues exceed expenses. The Board of Trustees must specifically authorize a refund of contributions.

Loss Control Program

The success of any self-funded insurance trust depends largely on the commitment made by its members to minimize their losses and have a robust safety program. To assist members in fulfilling this goal, KERIT has developed a loss control incentive program called the PLUS (Preventing Loss Utilizing Safety) Program to provide guidance and assistance in the design, implementation and measurement of loss control efforts made by each member. Major emphasis is given to upper and middle management's commitment to the PLUS Program. All KERIT members sitting on the Board are required to attend an orientation outlining the components of the PLUS program which encourage safety activities and promotion of safety awareness.

Essential components of the PLUS Program include wellness programs, claims reporting, return-to-work programs, training opportunities, facility safety surveys, seasonal employment safety training, safety committees, near miss reporting, a resource library and assistance with planning and goal setting for each individual member. Since the key to long-term safety success relates directly to improved safety behaviors, the PLUS Program promotes safe behavior in both field activities and facility activities. Roundtables are held within specialized disciplines, such as fire and police, allowing opportunities for member representatives to share and problem solve safety issues common to their operations.

Service Providers

KERIT contracts with service providers to provide claims administration, underwriting, loss control and accounting services. Thomas McGee Group provides a coordinated underwriting, loss control, marketing and claims program. Beginning in 2019, Thomas McGee Group serves as pool administrator to provide support services (i.e. meeting agendas, minutes, membership list, etc.). Mid-America Regional Council provides accounting services.

ECONOMIC CONDITION AND OUTLOOK

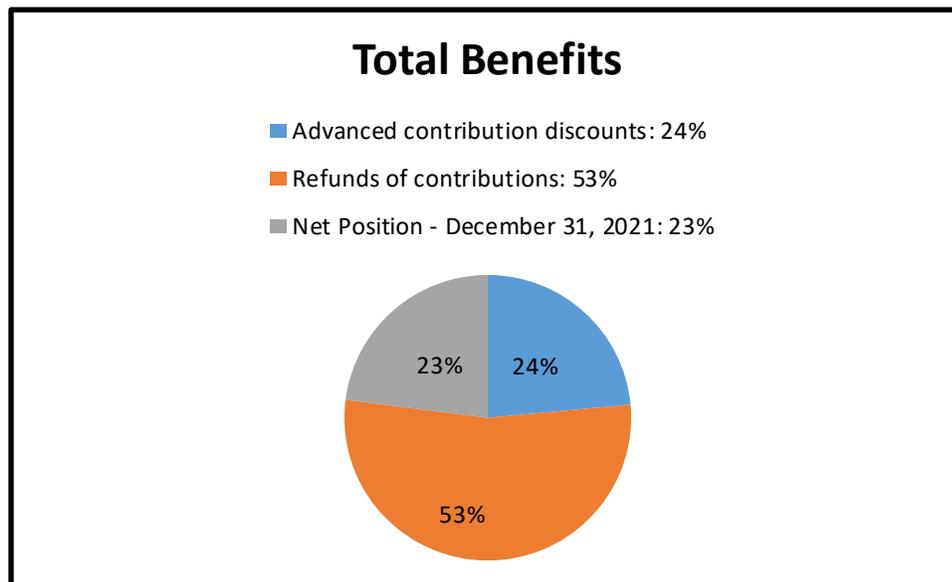
KERIT operates in the eastern portion of the state of Kansas, expanding west from the state line approximately 225 miles. Growth of KERIT is very controlled, with each applicant under consideration closely reviewed for past loss history and current loss control practices.

While KERIT must calculate contributions according to state workers' compensation laws and the Kansas Insurance Department regulations, KERIT has the flexibility to grant contribution discounts and to assess additional contributions when necessary. In addition, KERIT is able to provide loss control services that greatly exceed that provided by traditional carriers and tailor the services to the needs of KERIT and its members. The members are better able to control

and respond to changes in the environment in which they operate by pooling workers' compensation coverage.

KERIT has completed its thirty-fifth year of pooling workers' compensation coverage. Over that time, the members have accumulated \$30.5 million in benefits as shown on the following table.

Calculated contributions (net of excess insurance premium)	\$ 87,343,876
Supplemental contribution assessments	1,381,225
Investment income	<u>6,933,836</u>
Total revenues	<u>95,658,937</u>
Net incurred losses	50,777,652
Administrative expenses	10,840,455
Insurance taxes	<u>3,533,662</u>
Total expenses	<u>65,151,769</u>
Net	<u>\$ 30,507,168</u>
Advanced contribution discounts	\$ 7,179,106
Refunds of contributions	16,313,675
Net Position - December 31, 2021	<u>7,014,387</u>
Total benefits	<u>\$ 30,507,168</u>



The calculated contributions of the members since inception have been reduced by the advance contribution discounts totaling \$7,179,106. The members were able to retain these funds and use them for other governmental services. In addition, the members have received refunds of contributions totaling \$16,313,675 for older claim years that are closed or have few open claims. The balance of the benefits from pooling, \$7,014,387, remains in net position of KERIT and will be available as refunds of contributions in the future when additional claim years are closed or near closed and the Board of Trustees declares a refund of contributions for those claim years. These remaining funds are invested to garner the maximum benefit for the members. The progressive growth of net position over the last thirty-five years reflects the economic stability and strength of KERIT and its ability to react to the environment in which it operates.

RELEVANT FINANCIAL POLICIES

The KERIT Board of Trustees evaluates its financial capacity to pay claims on a short-term and long-term basis when it sets contribution rates and approves the budget for the following claim year. The Trustees always budget a surplus of revenues over expenses for the upcoming claim year. Because the net position balance is currently more than adequate, for the 2022 claim year the Trustees were able to keep the members’ contributions as low as possible to cover projected expenses with a projected surplus of \$171,559.

In addition, the Trustees approved a policy in November 2014 which provides guidance on the minimum net position KERIT should maintain to ensure sufficient liquidity to meet KERIT’s obligations in the event of any unforeseen, significant, adverse developments in losses. This policy also designates a maximum net position. When the maximum is reached or exceeded then the Board should consider distributions of contributions (or dividends). This policy is evaluated for compliance at least two times each year, when considering potential dividend distributions and at claim year renewal.

As of December 31, 2021, the adjusted fund balance (calculated below) is above the maximum target. Dividend distributions will be considered in the coming months that could impact the adjusted fund balance.

Net Position - December 31, 2021	\$	7,014,387
Unallocated/Accrued Premium Assessments		(402,120)
Fund Balance for Current Claim Year		-
Fund Balance for Immediate Prior Claim Year		<u>(620,476)</u>
Adjusted Fund Balance	\$	<u><u>5,991,790</u></u>

Adjusted Fund Balance	Minimum Fund Balance	Maximum Fund Balance
<u>\$ 5,991,790</u>	<u>\$ 4,400,000</u>	<u>\$ 5,616,958</u>

MAJOR INITIATIVES

KERIT's vision statement is:

KERIT is a premier member-driven organization that is fiscally sound and known for best practices in worker's compensation. Its members are knowledgeable, fully engaged, and accountable.

2021 was a continuation of the unprecedented 2020 due to the Covid pandemic. The Board of Trustees continued to hold its meetings virtually except for the annual December 2021 meeting which was held in person. In 2022, the Board of Trustees will meet in person and offer a virtual option for members.

The membership adopted many of the values articulated in the vision statement and remained fully engaged in the changes needed for the safety of the employees of KERIT members with excellent results. The culture of KERIT remains strong with the continuing emphasis to adapting to the changes needed now and in the future.

Loss Control Efforts

Due to safety concerns from the pandemic, the Loss Control Committee adjusted its activities with Loss Control assistance changing to virtual safety meetings. In September, weekly safety meetings began on various topics applicable to the membership.

The KERIT Loss Control Committee continues to annually review the PLUS (Preventing Loss Utilizing Safety) Program. The KERIT Trustees promote the PLUS Program to measure the efficiency and effectiveness of an organization's safety program and to assist members in ensuring that critical areas related to safety get the attention they deserve. The PLUS Program is a tool which will serve as a guide, allowing members to monitor performance in each component of the loss control program on an ongoing basis. The PLUS Program supports the idea that what gets measured gets done.

KERIT is proud that all KERIT entities earned at least nine out of ten possible PLUS Program points for the 2021 program year, resulting in a discount of 4 to 5 percent for the 2022 contributions. Additionally, the Trustees continued a program to pay the fees for all members for MSDSONline. This internet-based service provides users with information on hazardous materials and can simplify the work to comply with material safety data sheets (SDS) legal requirements.

In 2021, the Trustees continued the annual appreciation award program which provides \$650 for each member. These funds are available to enhance their loss control efforts by providing funds for equipment, supplies, training, incentives, etc. as each member deems appropriate. Many of the members used this program for COVID related safety items.

The 2022 PLUS Program includes various components which each member will work to satisfy during the year. The components for 2022 include:

1. Timely Reporting of Claims/Claims Management/Return to Work Program
2. Department Specific Training & High Hazard Training
3. Development of Task Specific Standard Operating Procedures and Job Hazard Analysis
4. Physical Fitness/Assessment for Public Safety Personnel
5. Facility Inspections
6. Safety Committee and Near Miss Report

7. Accident Investigation
8. Safety Training/Orientation/Defensive Drive Training for ALL drivers
9. Other

For the Future

KERIT's history and efforts over the past 35 years have resulted in tremendous value to its membership. This value has not just been the reduced costs of premiums or dividends returned, but more importantly are the prevention of claims that never happened. These efforts will continue with measured performance, sustained retention and responsible growth in the future which will allow KERIT to remain a financially solid organization delivering high-quality service to its members and providing workers' compensation insurance effectively and efficiently. The Trustees will continue to look for opportunities to control and reduce costs and improve the benefits of membership in KERIT.

GFOA Financial Reporting Program

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to KERIT for its annual comprehensive financial report for the fiscal year ended December 31, 2020. This was the thirtieth consecutive year that KERIT has achieved this prestigious award.

In order to be awarded a Certificate of Achievement, KERIT published an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgments

The preparation of this report could not have been accomplished without the cooperation and dedicated services of Mid-America Regional Council (MARC), Thomas McGee Group and BKD, LLP. We would like to express sincere appreciation to all those who assisted and contributed to its preparation, especially Joanne Bussinger and Ginny Williams of MARC, and Jeff Cox and Melissa Herron of Thomas McGee Group. Appreciation is also extended to the KERIT officers and Board of Trustees for their interest and support in planning and conducting the financial operations of KERIT in a responsible and progressive manner.

Respectfully submitted,

Michelle Wapp
Chair

Kansas Eastern Region Insurance Trust
Certificate of Achievement for
Excellence in Financial Reporting



Government Finance Officers Association

Certificate of
Achievement for
Excellence in
Financial
Reporting

Presented to

Kansas Eastern Region Insurance Trust
Missouri

For its Annual Comprehensive
Financial Report

For the Fiscal Year Ended

December 31, 2020

Christopher P. Morrill

Executive Director/CEO

Kansas Eastern Region Insurance Trust
Organizational Structure
December 31, 2021

Chair and Officers of Kansas Eastern Region Insurance Trust (KERIT)

Michelle Wapp	Chair
Nic Sanders	1 st Vice-Chair
Jamie Chism	2 nd Vice Chair

Members of KERIT

Cities		Counties
Chanute	Leawood	Atchison County
Coffeyville	McPherson	Leavenworth County*
Derby	Merriam*	Other
Fairway	Mission	Johnson Co Park & Recreation District
Gardner*	Ottawa	
Junction City	Shawnee*	
Lansing*	Winfield	
Leavenworth		

*Charter members

Principal Offices

600 Broadway, Suite 200
 Kansas City, Missouri 64105
 (816) 474-4240

Financial Management

Mid-America Regional Council
 600 Broadway, Suite 200
 Kansas City, Missouri 64105
 (816) 474-4240

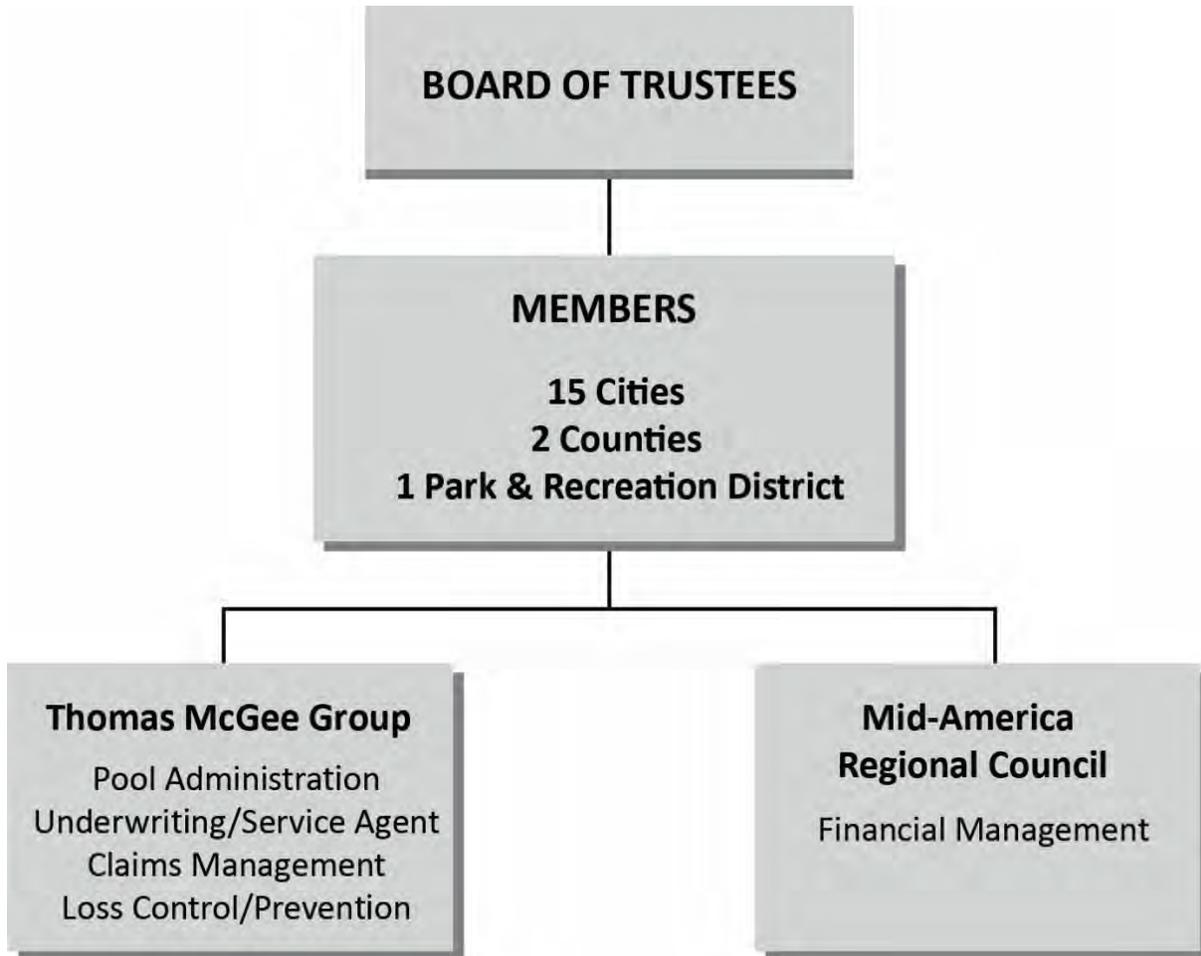
Pool Administration, Underwriting, Claims Management and Loss Control/Prevention

Thomas McGee Group
 120 West Street, Suite 1000
 Kansas City, Missouri 64105
 (816) 842-4800

Independent Certified Public Accountants

BKD, LLP
 1201 Walnut Street, Suite 1700
 Kansas City, Missouri 64106
 (816) 221-6300

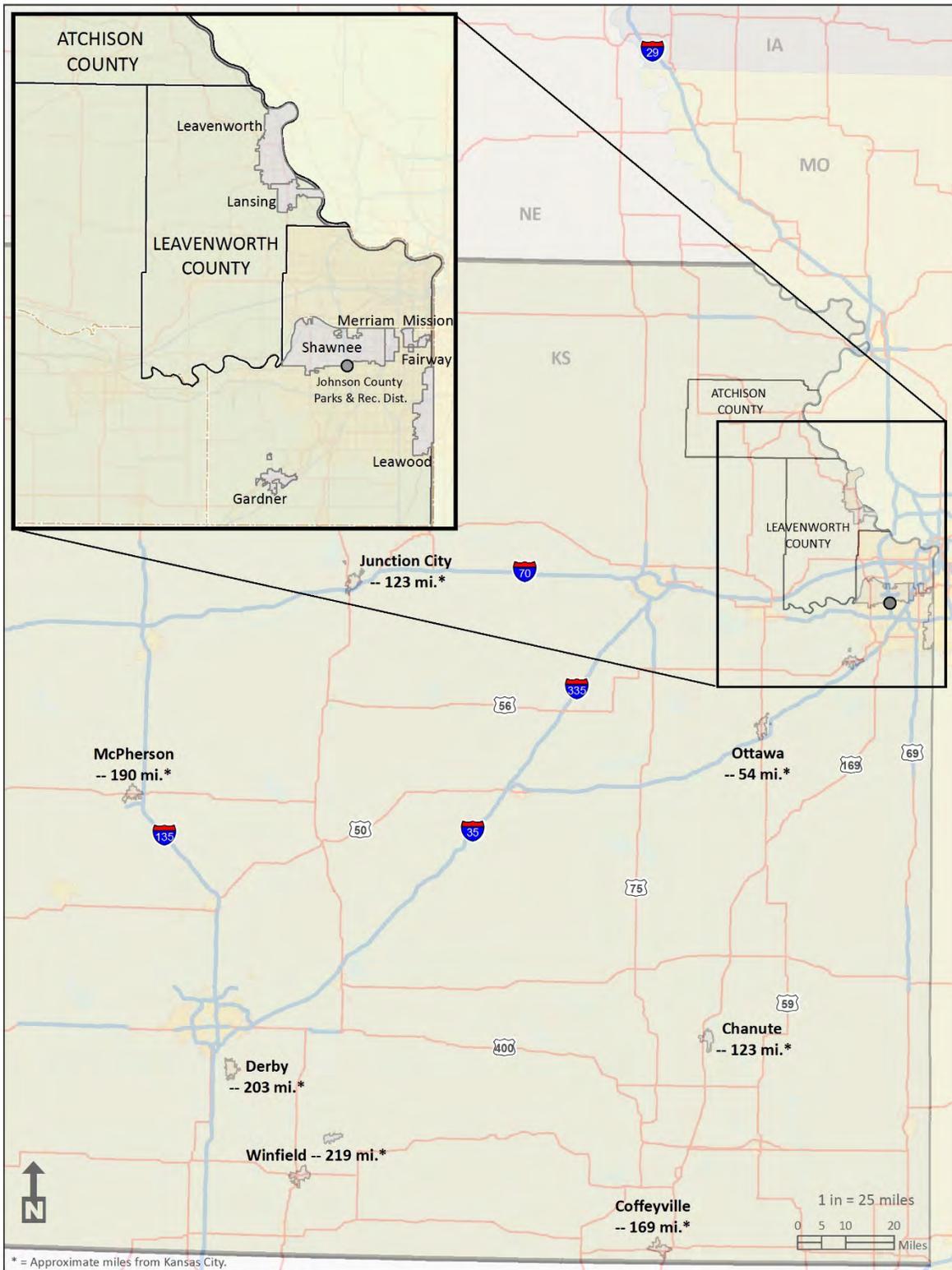
Kansas Eastern Region Insurance Trust
Organizational Chart
December 31, 2021



Kansas Eastern Region Insurance Trust
Board of Trustees
December 31, 2021

MEMBER	TRUSTEE / ALTERNATE TRUSTEE
Atchison County	Michelle Phillips / Jodi Moore
Chanute	Cory Kepley / Traci Endicott
Coffeyville	Allison Pryor / Angela Cook
Derby	Jenny Turner / Mandy Greenfield
Fairway	Nathan Nogelmeier / Kim Young
Gardner	Alan Abramovitz / Amy Craft
Johnson Co Park & Recreation Dist.	LaNesha Washington / Noelle Lewis
Junction City	Vacant / Lindsay Miller
Lansing	Sarah Bodensteiner / Tim Vandall
Leavenworth	Lona Lanter / Michelle Meinert
Leavenworth County	Fran Kepler / Mark Loughry
Leawood	Nic Sanders / Whitney Moore
McPherson	Thomas Brown / Robin Elsasser
Merriam	Stephanie Thompson / Jennifer Jones-Lacy
Mission	Brian Scott / Laura Smith
Ottawa	Michelle Wapp / Adam Weingartner
Shawnee	Liz Barnard / Sean Rocco
Winfield	James Chism / Brenda Peters

Kansas Eastern Region Insurance Trust
Map of Area Served by KERIT
December 31, 2021





FINANCIAL SECTION

Independent Auditor's Report

Board of Trustees
Kansas Eastern Region Insurance Trust
Kansas City, Missouri

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of Kansas Eastern Region Insurance Trust (KERIT), as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise KERIT's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of Kansas Eastern Region Insurance Trust, as of December 31, 2021 and 2020, and the respective changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of KERIT 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 opinions.

Responsibilities of Management for the Financial Statements

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 KERIT's ability to continue as a going concern for one year beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. 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 KERIT'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 KERIT'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 audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and loss development schedules as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the 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 Information

Management is responsible for the other information included in the annual comprehensive financial report. The other information comprises the introductory and statistical sections but does not include the financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

BKD, LLP

Kansas City, Missouri
May 11, 2022

KERIT

Management's Discussion and Analysis

This section of the annual financial report of KERIT presents a discussion and analysis of the financial performance for the years ended December 31, 2021 and December 31, 2020, with select comparative information for the year ended December 31, 2019. Please read it in conjunction with the basic financial statements, which follow this section. The financial section of this report also contains other supplementary information in addition to the basic financial statements.

Overview of the Financial Statements

KERIT's basic financial statements are prepared on the basis of accounting principles generally accepted in the United States of America for governmental entities and insurance enterprises where applicable. The primary purpose of KERIT is to cover workers' compensation claims for its governmental members. KERIT operates in a manner similar to an insurance company and uses a proprietary fund, more specifically an enterprise fund, to account for its activities.

Financial Statements. The basic financial statements are presented on the accrual basis of accounting. The three basic financial statements presented within the financial statements are as follows:

Statement of Net Position – This statement presents information reflecting KERIT's assets, liabilities and net position. Net position represents the amount of total assets less total liabilities. The statement of net position is categorized as to current and long-term assets and liabilities. For purposes of the basic financial statements, current assets and liabilities are those assets and liabilities with immediate liquidity or which are collectible or becoming due within twelve months of the statement date.

Statement of Revenues, Expenses and Changes in Net Position – This statement reflects KERIT's operating revenues and expenses, as well as non-operating revenues and expenses, during the fiscal year. The major source of operating revenues is contribution income, with the major type of expense being workers' compensation claims. The change in net position for an enterprise fund is similar to net profit or loss for an insurance company.

Statement of Cash Flows – The statement of cash flows is presented on the direct method of reporting, which reflects cash flows from operating and investing activities. Cash collections and payments are reflected in this statement to arrive at the net increase or decrease in cash for the fiscal year.

Notes to basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

Other information. In addition to the financial statements and accompanying notes, this report also presents certain required supplementary information concerning loss development.

The statistical section includes a variety of schedules reporting financial activity by claim year and fiscal year, selected loss information and member demographic information.

KERIT

Management's Discussion and Analysis

Financial Highlights

Basic Financial Statements. The following table summarizes the financial position for KERIT as of December 31, 2021, 2020 and 2019.

	December 31, 2021	December 31, 2020	Increase (Decrease) from December 31, 2020	Percent Increase (Decrease) from December 31, 2020	December 31, 2019	Increase (Decrease) from December 31, 2019	Percent Increase (Decrease) from December 31, 2019
Cash and investments	\$ 11,220,063	\$ 11,324,618	\$ (104,555)	(1) %	\$ 10,627,285	\$ 697,333	7 %
Excess insurance recoverable on paid claims	14,169	829	13,340	1,609	10,658	(9,829)	(92)
Other receivables	168,602	174,526	(5,924)	(3)	114,748	59,778	52
Total current assets	11,402,834	11,499,973	(97,139)	(1)	10,752,691	747,282	7
Unbilled supplemental assessments	402,120	471,733	(69,613)	(15)	564,395	(92,662)	(16)
Total assets	\$ 11,804,954	\$ 11,971,706	\$ (166,752)	(1)	\$ 11,317,086	\$ 654,620	6
Claim reserves-current portion	\$ 1,072,000	\$ 985,000	\$ 87,000	9	\$ 1,214,000	\$ (229,000)	(19)
Other current liabilities	229,113	194,034	35,079	18	197,371	(3,337)	(2)
Unearned contributions	478,184	641,459	(163,275)	(25)	427,739	213,720	50
Total current liabilities	1,779,297	1,820,493	(41,196)	(2)	1,839,110	(18,617)	(1)
Accrued tax liability- non-current portion	159,516	172,075	(12,559)	(7)	134,756	37,319	28
Excess assessment liability	36,374	36,409	(35)	-	35,296	1,113	3
Claim reserves-non-current portion	2,815,380	2,973,803	(158,423)	(5)	2,831,546	142,257	5
Total long-term liabilities	3,011,270	3,182,287	(171,017)	(5)	3,001,598	180,689	6
Total liabilities	4,790,567	5,002,780	(212,213)	(4)	4,840,708	162,072	3
Net Position:							
Restricted	620,476	499,244	121,232	-	-	499,244	-
Unrestricted	6,393,911	6,469,682	(75,771)	-	6,476,378	(6,696)	-
Total net position	7,014,387	6,968,926	45,461	1	6,476,378	492,548	8
Total liabilities and net position	\$ 11,804,954	\$ 11,971,706	\$ (166,752)	(1)	\$ 11,317,086	\$ 654,620	6

Cash decreased \$407,194 and investments increased \$302,639, respectively from fiscal year 2020 to fiscal year 2021 for a net decrease of \$104,555. Cash increased \$1,448,926 and investments decreased \$751,593, respectively from fiscal year 2019 to fiscal year 2020 for a net increase of \$697,333.

KERIT Management's Discussion and Analysis

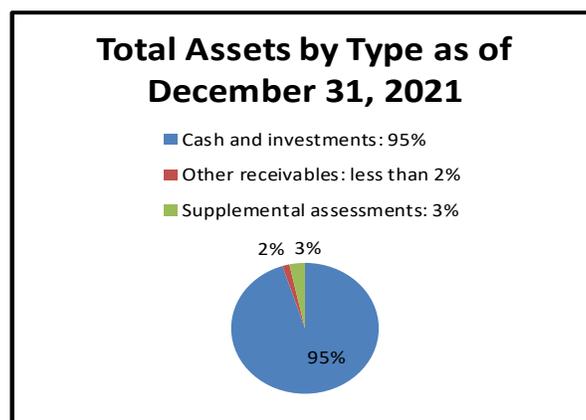
Unbilled supplemental assessments represent those amounts due from members for claim years that have expenses that exceed revenues. The unbilled supplemental assessments as of December 31, 2021, 2020 and 2019 are shown below:

	December 31, 2021	December 31, 2020	Increase (Decrease) from December 31, 2020	Percent Incr. (decr.) from December 31, 2020	December 31, 2019	Increase (Decrease) from December 31, 2019	Percent Incr. (decr.) from December 31, 2019
1996 claim year	\$ 2,183	\$ 2,188	\$ (5)	- %	\$ 2,167	\$ 21	- %
2010 claim year	89,323	163,145	(73,822)	(45)	33,194	129,951	391
2018 claim year	192,342	306,400	(114,058)	(37)	359,541	(53,141)	(15)
2019 claim year	-	-	-	N/A	169,493	(169,493)	(100)
2021 claim year	118,272	-	118,272	N/A	-	-	-
	<u>\$ 402,120</u>	<u>\$ 471,733</u>	<u>\$ (69,613)</u>	(15)	<u>\$ 564,395</u>	<u>\$ (92,662)</u>	(16)

In fiscal year 2020, the accrual for unbilled supplemental assessment for claim years 1996 and 2010 increased by \$21 and \$129,951, respectively; and for claim years 2018 and 2019 decreased by \$53,141 and \$169,493, respectively.

In fiscal year 2021, the accrual for unbilled supplemental assessment for claim years 1996, 2010 and 2018 decreased by \$5, \$73,822 and \$114,058 and for claim year 2021 increased by \$118,272. These claim year assessments will change either positively or negatively as claims develop in future years and will also be reduced by future investment income allocated to the claim years.

Total assets decreased \$166,752 from \$11,971,706 as of December 31, 2020, to \$11,804,954 as of December 31, 2021.



Total assets increased \$654,620 from \$11,317,086 as of December 31, 2019 to \$11,971,706 as of December 31, 2020.

KERIT

Management's Discussion and Analysis

The combined current and non-current portions of claim reserves decreased \$71,423 in fiscal year 2021 and decreased \$86,743 in fiscal year 2020 due to timing of claim payments and favorable loss development. Note 1B discusses the significant accounting policies regarding management's estimates for claim reserves. Note 3 provides a reconciliation of claims reserves from the beginning of the fiscal year to the end of the fiscal year.

Unearned contributions decreased by \$163,275 as of December 31, 2021 and increased by \$213,720 as of December 31, 2020. The factors that contribute to this are the amounts members pay during the current fiscal year for the following year's premiums and the amount that premiums were reduced and owed to the members as a result of the annual year-end payroll audit.

	December 31, 2021	December 31, 2020	Increase (Decrease) from December 31, 2020	Percent Incr. (decr.) from December 31, 2020	December 31, 2019	Increase (Decrease) from December 31, 2019	Percent Incr. (decr.) from December 31, 2019
Advanced premiums paid	\$ 326,391	\$ 380,910	\$ (54,519)	(14) %	\$ 188,527	\$ 192,383	102 %
Payroll audit refund	<u>151,793</u>	<u>260,549</u>	<u>(108,756)</u>	(42)	<u>239,212</u>	<u>21,337</u>	9
	<u>\$ 478,184</u>	<u>\$ 641,459</u>	<u>\$ (163,275)</u>	(25)	<u>\$ 427,739</u>	<u>\$ 213,720</u>	50

Other current liabilities increased by \$35,709 as of December 31, 2021, primarily due to an increase in accounts payable. The total for other current liabilities decreased by \$3,337 as of December 31, 2020, primarily due to a decrease in accounts payable and accrued tax liability.

In fiscal year 2021, KERIT's net position increased by \$45,461 compared to fiscal year 2020, when net position increased by \$492,548. The increases in 2021 and 2020 were influenced mostly by the changes in premiums, claims reserves and refunds of contributions shown below. Refunds of contributions (dividends) reward the members for controlling losses (workers' compensation claims) in prior years and reduce net position when the refunds are approved by the Board of Trustees.

	December 31, 2021	December 31, 2020	Increase (Decrease) from December 31, 2020	Percent Incr. (decr.) from December 31, 2020	December 31, 2019	Increase (Decrease) from December 31, 2019	Percent Incr. (decr.) from December 31, 2019
Increase (decrease) in net position	\$ 45,461	\$ 492,548	\$ (447,087)	(91) %	\$ 67,185	\$ 425,363	633 %
Incurred losses and recoveries	1,749,213	1,467,277	281,936	19	2,589,193	(1,121,916)	(43)
Insurance taxes paid	28,352	130,890	(102,538)	(78)	51,737	79,153	153
Refunds of contributions	514,045	437,448	76,597	18	442,088	(4,640)	(1)

KERIT Management's Discussion and Analysis

The following table summarizes KERIT's revenues and expenses for the years ended December 31, 2021, 2020 and 2019.

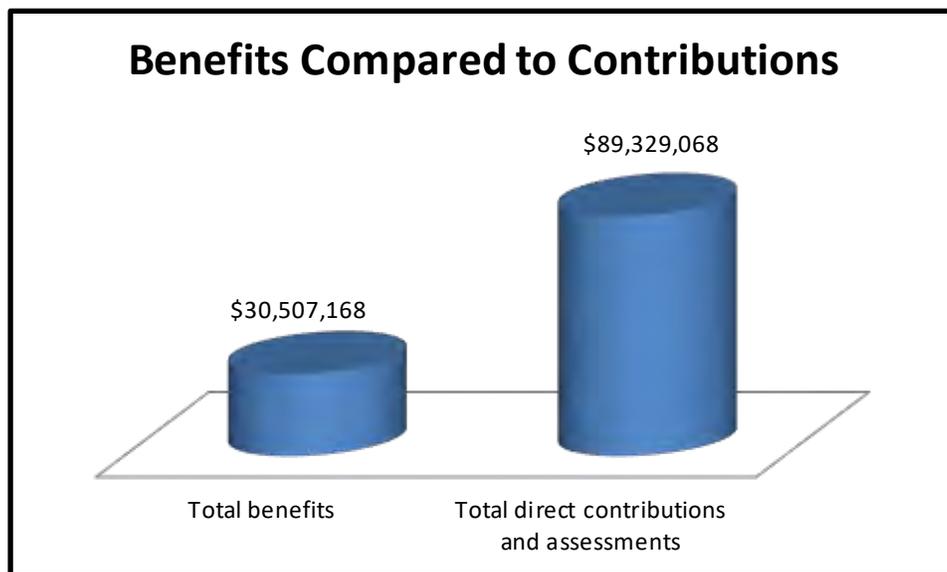
	Fiscal Year 2021	Fiscal Year 2020	Increase (Decrease) From Fiscal Year 2020	Percent Increase (Decrease) From Fiscal Year 2020	Fiscal Year 2019	Increase (Decrease) From Fiscal Year 2019	Percent Increase (Decrease) From Fiscal Year 2019
Operating revenues:							
Contributions earned (net of excess insurance premiums)	\$ 2,840,399	\$ 2,794,646	\$ 45,753	2 %	\$ 2,794,315	\$ 331	0 %
Supplemental contribution assessments	<u>(50,160)</u>	<u>(85,934)</u>	<u>35,774</u>	42	<u>375,475</u>	<u>(461,409)</u>	(123)
Total operating revenues	2,790,239	2,708,712	81,527	3	3,169,790	(461,078)	(15)
Non-operating revenues:							
Net investment income	<u>(23,253)</u>	<u>212,083</u>	<u>(235,336)</u>	(111)	<u>397,298</u>	<u>(185,215)</u>	(47)
Total revenues	<u>2,766,986</u>	<u>2,920,795</u>	<u>(153,809)</u>	(5)	<u>3,567,088</u>	<u>(646,293)</u>	(18)
Operating expenses:							
Incurred losses and recoveries	1,749,213	1,467,277	281,936	19	2,589,193	(1,121,916)	(43)
Administrative expenses	309,722	276,976	32,746	12	303,594	(26,618)	(9)
Loss control	120,193	115,656	4,537	4	113,291	2,365	2
Insurance taxes	28,352	130,890	(102,538)	(78)	51,737	79,153	153
Refunds of contributions	<u>514,045</u>	<u>437,448</u>	<u>76,597</u>	18	<u>442,088</u>	<u>(4,640)</u>	(1)
Total operating expenses	<u>2,721,525</u>	<u>2,428,247</u>	<u>293,278</u>	12	<u>3,499,903</u>	<u>(1,071,656)</u>	(31)
Increase (decrease) in net position	45,461	492,548	(447,087)	(91)	67,185	425,363	633
Net position, beginning of year	<u>6,968,926</u>	<u>6,476,378</u>	<u>492,548</u>	8	<u>6,409,193</u>	<u>67,185</u>	1
Net position, end of year	<u>\$ 7,014,387</u>	<u>\$ 6,968,926</u>	<u>\$ 45,461</u>	1	<u>\$ 6,476,378</u>	<u>\$ 492,548</u>	8

The success of KERIT can also be measured by the amount of contribution savings from advanced contribution discounts that KERIT is able to award its members at the beginning of each claim year. In addition, the net position represents future refunds of contributions to the members. The discounts and refunds of contributions are benefits that members seldom see in the traditional insurance market.

These benefits are compared to the total of contributions billed and collected by KERIT and any supplemental contribution assessments accrued to cover deficiencies in a claim year. Even though, as of December 31, 2021, KERIT has recorded supplemental contribution assessments of \$1,381,225 to cover deficiencies in nine claim years, the members have earned benefits of \$30,507,168 or 34 percent of their contribution investment.

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Management's Discussion and Analysis

	Since Inception
Cumulative refunds of contributions since inception	\$16,313,675
Net position- December 31, 2021	7,014,387
Advanced contribution discounts	<u>7,179,106</u>
Total benefits	<u>\$30,507,168</u>
Direct contributions earned	\$87,947,843
Supplemental contribution assessments	<u>1,381,225</u>
Total direct contributions and assessments	<u>\$89,329,068</u>
Percent of benefits of total direct contributions and assessments	34%



Contributions earned increased by \$45,753 from fiscal year 2020 to fiscal year 2021 and by \$331 from fiscal year 2019 to fiscal year 2020. The calculation of contributions includes the members' actual payrolls, claim experience modifiers, and trust discounts (see comparison between fiscal years 2021, 2020 and 2019 on the following table). These factors vary from member to member and work independently of each other. As an example, a member's contribution may decrease even though its payroll increased because the experience modifier decreased more significantly than the increase in payroll. The net effect of the increases and decreases of these factors among all of the members resulted in the net changes in the contributions noted above.

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Management's Discussion and Analysis

	Claim Year 2021	Claim Year 2020	Increase (Decrease) From Claim Year 2020	Percent Increase (Decrease) From Claim Year 2020	Claim Year 2019	Increase (Decrease) From Claim Year 2019	Percent Increase (Decrease) From Claim Year 2019
Member payrolls	<u>\$190,902,637</u>	<u>\$183,365,717</u>	<u>\$ 7,536,920</u>	4 %	<u>\$178,790,829</u>	<u>\$ 4,574,888</u>	3 %
Average member experience modifier	<u>96%</u>	<u>94%</u>	<u>2%</u>	2	<u>92%</u>	<u>2%</u>	2
Trust discounts:							
Contribution discount	\$ 453,709	\$ 437,122	\$ 16,587	4	\$ 437,521	\$ (399)	-
Experience modification discount	99,587	46,585	53,002	114	50,126	(3,541)	(7)
PLUS Program discount	162,771	161,064	1,707	1	158,088	2,976	2
Total trust discounts:	<u>\$ 716,067</u>	<u>\$ 644,771</u>	<u>\$ 71,296</u>	11	<u>\$ 645,735</u>	<u>\$ (964)</u>	-
Average loss cost rate	<u>1.68%</u>	<u>1.72%</u>	<u>-0.04%</u>	(3)	<u>1.78%</u>	<u>-0.06%</u>	(3)

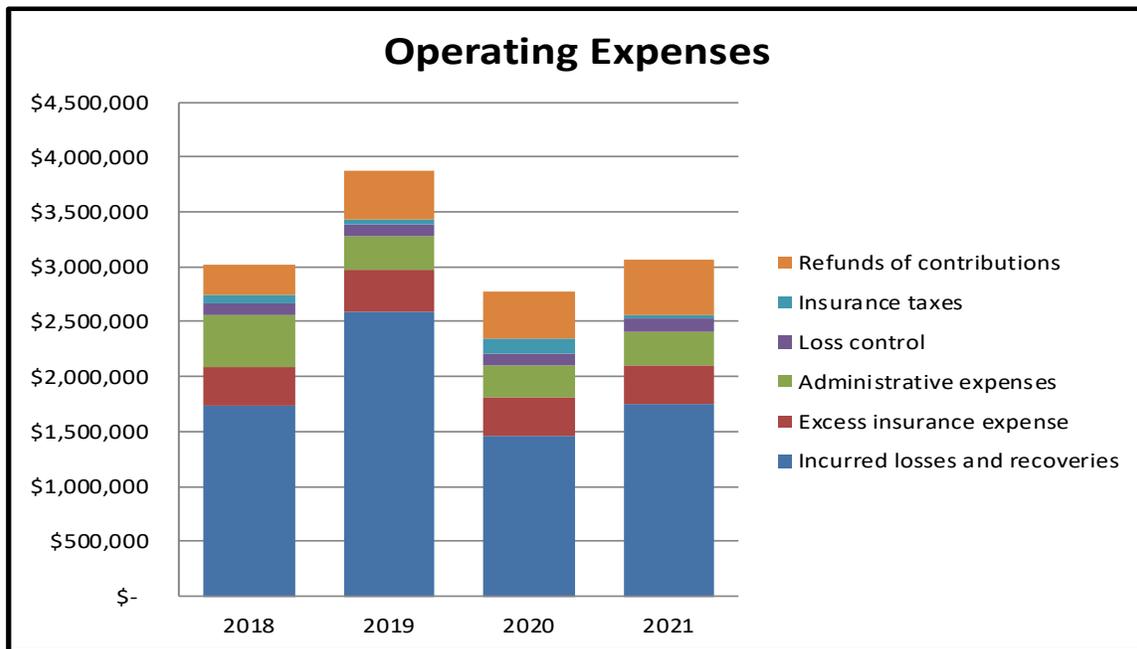
Trust members are subject to supplemental contribution assessments in the event of deficiency in a claim year. Several claim years have resulted in deficiencies. Each fiscal year, the amount of investment income earned and changes in the estimated total incurred losses and recoveries affect the cumulative surplus or deficiency in each of the claim years. Due to two unusually large losses in claim year 2010, an assessment was necessary to cover the total operating expenses. In fiscal years 2021 and 2020, KERIT decreased the accrued supplemental contribution assessments by \$50,160 and \$85,934 respectively and increased \$375,475 in fiscal year 2019.

There was a decrease of \$235,336 in net investment income from fiscal year 2020 to fiscal year 2021 and a decrease of \$185,215 from fiscal year 2019 to fiscal year 2020, due to a changing financial market and portfolio mix.

KERIT

Management's Discussion and Analysis

A comparison of operating expense by fiscal year is shown below:



Incurred losses and recoveries increased \$281,936 in fiscal year 2021 and decreased \$1,121,916 in fiscal year 2020 as follows:

	Fiscal Year 2021	Fiscal Year 2020	Increase (Decrease) From Fiscal Year 2020	Percent Increase (Decrease) From Fiscal Year 2020	Fiscal Year 2019	Increase (Decrease) From Fiscal Year 2019	Percent Increase (Decrease) From Fiscal Year 2019
Paid claims	\$ 1,819,806	\$ 1,544,192	\$ 275,614	18 %	\$ 2,020,756	\$ (476,564)	(24) %
Change in:							
Claims reserves	7,418	(209,247)	216,665	(104)	353,627	(562,874)	(159)
Incurred but not reported claims and loss development reserve	38,443	97,515	(59,072)	(61)	210,681	(113,166)	(54)
Excess insurance recoveries and other recoveries	<u>(116,454)</u>	<u>34,817</u>	<u>(151,271)</u>	434	<u>4,129</u>	<u>30,688</u>	(743)
Total incurred losses and recoveries	<u>\$ 1,749,213</u>	<u>\$ 1,467,277</u>	<u>\$ 281,936</u>	19	<u>\$ 2,589,193</u>	<u>\$ (1,121,916)</u>	(43)

Paid claims represent the actual payments for workers' compensation benefits during the fiscal year. Change in claim reserves represents the change between fiscal years in the estimated future payments on open known claims. Incurred but not reported claims and loss development reserves is an estimate provided annually by an actuary. Losses are reduced by recoveries and subrogations from third parties. Excess insurance recoveries represent the portion of claims over the specific excess insurance retention amounts that will be reimbursed to KERIT by the excess insurance carrier.

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Management's Discussion and Analysis

The above four components of total incurred losses and recoveries fluctuate with the number and type of claims filed, prior injuries and the ability to expedite settlement of the claims among other factors.

Each year, KERIT has an actuary estimate: 1) total incurred losses and recoveries, and 2) incurred but not reported claims and loss development reserves. The net re-estimated incurred losses and recoveries for open claim years are shown on the following table:

Claim Year Ended	Number of Claims	Number of Open Claims	Net Reestimated Incurred Losses and Recoveries		Increase/ (Decrease)
			December 31, 2021	December 31, 2020	
1996	752	1	\$ 1,259,258	\$ 1,259,258	\$ -
2001	447	1	1,789,207	1,789,207	-
2003	361	1	1,194,017	1,194,017	-
2004	362	3	1,389,839	1,389,839	-
2005	373	3	1,450,602	1,450,602	-
2006	384	4	1,279,704	1,279,704	-
2007	471	5	1,743,888	1,646,359	97,529
2008	492	7	1,650,388	1,650,810	(422)
2009	442	3	1,077,719	1,078,143	(424)
2010	447	6	2,254,629	2,302,569	(47,940)
2011	445	1	778,609	778,858	(249)
2012	438	1	626,941	629,033	(2,092)
2013	470	4	1,630,769	1,633,391	(2,622)
2014	412	3	1,594,162	1,602,584	(8,422)
2015	425	3	2,214,994	2,223,309	(8,315)
2016	482	-	1,331,663	1,333,960	(2,297)
2017	419	1	1,243,926	1,319,508	(75,582)
2018	509	4	2,362,704	2,459,512	(96,808)
2019	487	10	1,988,805	2,223,433	(234,628)
2020	612	7	1,687,559	1,906,727	(219,168)
2021	491	91	2,350,654	-	2,350,654
		<u>159</u>	<u>\$ 32,900,037</u>	<u>\$ 31,150,823</u>	<u>\$ 1,749,214</u>

The initial loss estimate for claim year 2021 is \$2,350,654 as compared to the claim year 2020 original estimate of \$1,906,727.

KERIT Management's Discussion and Analysis

The number and loss estimates of claims over \$50,000 for claim years 2015 through 2021 changed as follows:

	Fiscal Year 2021	Fiscal Year 2020	Increase/ (Decrease) From Fiscal Year 2020	Percent Increase/ (Decrease) From Fiscal Year 2020
<u>Claim year 2015</u>				
Number of claims over \$50,000	<u>3</u>	<u>3</u>	<u>-</u>	<u>0%</u>
Estimated losses for claims over \$50,000	<u>\$ 556,968</u>	<u>\$ 555,947</u>	<u>\$ 1,021</u>	<u>0.1</u>
<u>Claim year 2017</u>				
Number of claims over \$50,000	<u>1</u>	<u>3</u>	<u>(2)</u>	<u>(67)</u>
Estimated losses for claims over \$50,000	<u>\$ 70,030</u>	<u>\$ 226,995</u>	<u>\$ (156,965)</u>	<u>(69)</u>
<u>Claim year 2018</u>				
Number of claims over \$50,000	<u>4</u>	<u>10</u>	<u>(6)</u>	<u>(60)</u>
Estimated losses for claims over \$50,000	<u>\$ 435,316</u>	<u>\$ 1,076,427</u>	<u>\$ (641,111)</u>	<u>(60)</u>
<u>Claim year 2019</u>				
Number of claims over \$50,000	<u>5</u>	<u>10</u>	<u>(5)</u>	<u>(50)</u>
Estimated losses for claims over \$50,000	<u>\$ 710,349</u>	<u>\$ 1,143,653</u>	<u>\$ (433,304)</u>	<u>(38)</u>
<u>Claim year 2020</u>				
Number of claims over \$50,000	<u>3</u>	<u>5</u>	<u>(2)</u>	<u>(40)</u>
Estimated losses for claims over \$50,000	<u>\$ 619,480</u>	<u>\$ 711,085</u>	<u>\$ (91,605)</u>	<u>(13)</u>
<u>Claim year 2021</u>				
Number of claims over \$50,000	<u>12</u>	<u>0</u>	<u>12</u>	<u>N/A</u>
Estimated losses for claims over \$50,000	<u>\$ 883,327</u>	<u>\$ -</u>	<u>\$ 883,327</u>	<u>N/A</u>

Additional information on the development of losses can be found in the Required Supplementary Information section.

Tax liability decreased \$6,772 in 2021, compared to an increase of \$39,655 in 2020 and a decrease of \$16,721 in 2019. Each year the state of Kansas assesses different taxes on KERIT. One tax is for the second injury fund and another tax is an assessment on paid losses; both taxes impose a liability for future tax payments based upon current claim reserves. In addition, the state assesses a contribution

KERIT Management's Discussion and Analysis

tax based upon the prior year's contributions. Finally, there is a nominal annual workers' compensation pools assessment fee. This fee was not assessed in 2021 and 2020.

KERIT has been a part of the fee sweep small action lawsuit against the State of Kansas. The basis of the case stems from the State of Kansas' fee fund sweeps (including the state's workers' compensation fee fund) by the legislature in 2009 in order to balance the budget. Subsequently, the State of Kansas agreed to reimburse these fees. KERIT recorded an accounts receivable for \$9,084 for the 2010 claim year in 2017; and \$9,801 and \$25,441 for claim years 2009 and 2011, respectively, in 2021. The State of Kansas refunded the 2nd injury assessment swept fees of \$44,326 in 2021.

Each year, when the tax payments are made, the tax rate is applied to net paid claims or contributions from the prior year, as applicable, and the rates may vary from one year to the next. The following table provides key information to show the changes in the accrued tax liability and the other taxes and fees paid during the year:

	FY 2021	FY 2020	FY 2019
Tax base	\$ 5,707,186	\$ 5,502,165	\$ 6,055,644
Estimated tax rate	3.500%	3.750%	2.750%
2nd injury fund and paid loss assessment fees	199,752	206,332	166,531
Contribution tax	23,458	23,650	23,796
Accrued tax liability	<u>\$ 223,210</u>	<u>\$ 229,982</u>	<u>\$ 190,327</u>
Change in accrued tax liability from prior year	\$ (6,772)	\$ 39,655	\$ (16,721)
2nd injury fund refund for 2009 and 2011	(35,242)	-	-
Paid losses assessment fees	36,706	49,455	43,494
2nd injury fund assessment fee	10,011	17,984	-
Contribution tax	23,650	23,796	24,964
Total insurance taxes	<u>\$ 28,353</u>	<u>\$ 130,890</u>	<u>\$ 51,737</u>

Premium Assessments and Refund of Contributions

KERIT has been established as an assessable pool. Accounting records are maintained on a claim year basis. The Trustees have the authority to assess members for any deficiencies of revenues under expenses for any single claim year. Likewise, to the extent that revenues exceed expenses in a given claim year after all or nearly all related claims have been settled, and there are no other designations on this portion of net position, members participating in such claim years will be entitled to receive a

KERIT Management's Discussion and Analysis

refund of contributions should it be authorized by the Board of Trustees. Due to the maturity and financial position of KERIT, the Trustees have distributed refunds of contributions to members as shown on the following chart. It is these distributions that distinguish KERIT from the traditional insurance environment and reward the members for good loss experience and management of KERIT's activities. KERIT has now distributed a total of \$16,313,675 for refunds of contributions as shown by fiscal year and by claim year on the following table:

Fiscal year ended	Refunds of Contributions	Claim year ended	Refunds of Contributions
1993	\$ 292,995	1987	\$ 295,463
1994	2,466	1988	129,897
1996	513,359	1990	499,335
1997	760,276	1991	287,638
1998	1,033,478	1992	699,157
1999	577,136	1993	1,355,137
2000	1,132,894	1994	339,345
2001	1,382,598	1995	130,952
2006	861,976	1996	2,009,219
2008	2,093,383	1997	1,735,008
2009	1,471,333	1998	410,265
2010	500,078	1999	631,827
2011	504,008	2002	396,244
2012	411,341	2003	680,908
2013	520,577	2004	910,522
2014	784,756	2005	1,147,881
2015	792,248	2006	972,414
2016	650,119	2007	668,982
2017	357,756	2008	298,324
2018	277,317	2009	559,510
2019	442,088	2011	544,725
2020	437,448	2012	783,538
2021	514,045	2013	322,042
		2014	155,414
Total	<u>\$ 16,313,675</u>	2015	15,143
		2016	180,424
		2017	<u>154,361</u>
		Total	<u>\$ 16,313,675</u>

KERIT

Management's Discussion and Analysis

As of December 31, 2021, 2020 and 2019, KERIT had claim years with deficiencies because expenses exceeded revenues. The status of contribution assessments is shown below. The 2001 claim year experienced positive loss development and additional investment income. As a result, KERIT has collected \$36,373 more than the assessment needed to cover deficiencies. The excess is recorded as a supplemental assessment refund liability to the members.

	December 31, 2021	December 31, 2020	Increase/ (Decrease) From Fiscal Year 2020	Percent Increase/ (Decrease) From Fiscal Year 2020	December 31, 2019	Increase/ (Decrease) From Fiscal Year 2019	Percent Increase/ (Decrease) From Fiscal Year 2019
Collected:							
Claim year 1989 deficiency	\$ 108,330	\$ 108,330	\$ -	- %	\$ 108,330	\$ -	- %
Claim year 1990 deficiency	550	550	-	-	\$ 550	-	-
Claim year 1995 deficiency	157,687	157,687	-	-	\$ 157,687	-	-
Claim year 2000 deficiency	294,967	294,967	-	-	\$ 294,967	-	-
Claim year 2001 deficiency	135,460	135,460	-	-	\$ 135,460	-	-
Claim year 2010 deficiency	318,483	299,066	19,417	6	\$ 291,225	7,841	3
Accrued and Unbilled:							
Claim year 2001 refund liability	(36,373)	(36,409)	36	-	\$ (35,296)	(1,113)	3
Claim year 1996 deficiency	2,183	2,188	(5)	-	\$ 2,167	21	1
Claim year 2010 deficiency	89,323	163,145	(73,822)	(45)	\$ 33,194	129,951	391
Claim year 2018 deficiency	192,342	306,400	(114,058)	(37)	\$ 359,541	-	-
Claim year 2019 deficiency	-	-	-	-	\$ 169,493	-	-
Claim year 2021 deficiency	118,272	-	118,272	-	\$ -	-	-
	<u>\$ 1,381,225</u>	<u>\$ 1,431,385</u>	<u>\$ (50,160)</u>	(4)	<u>\$ 1,517,318</u>	<u>\$ 136,700</u>	9

Requests for Information

This financial report is designed to provide a general overview of KERIT's finances for all those with an interest in KERIT. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Mid-America Regional Council, 600 Broadway, Suite 200, Kansas City, Missouri 64105-1659.



BASIC FINANCIAL STATEMENTS

The basic financial statements are those financial statements which comprise the minimum presentation of KERIT's financial position, results of operations and cash flows in conformity with accounting principles generally accepted in the United States of America.

Kansas Eastern Region Insurance Trust
Statements of Net Position
December 31, 2021 and 2020

	2021	2020
Assets		
Current assets:		
Cash and cash equivalents	\$ 3,573,438	\$ 3,980,632
Investments	7,646,625	7,343,986
Accrued interest	21,786	25,384
Contributions due from members	133,287	125,388
Accounts receivable	-	9,084
Prepaid insurance and other expenses	13,529	14,670
Reinsurance recoverable on paid claims	14,169	829
Total unrestricted current assets	<u>11,402,834</u>	<u>11,499,973</u>
Long-term assets:		
Unbilled supplemental assessments	<u>402,120</u>	<u>471,733</u>
Total long-term assets	<u>402,120</u>	<u>471,733</u>
Total assets	<u><u>\$11,804,954</u></u>	<u><u>\$11,971,706</u></u>
Liabilities and Net Position		
Liabilities:		
Current liabilities:		
Claim reserves	\$ 1,072,000	\$ 985,000
Reserve for unallocated loss adjustment expenses	121,861	118,745
Accounts payable	43,559	17,382
Accrued tax liability	63,693	57,907
Unearned contributions	478,184	641,459
Total current liabilities	<u>1,779,297</u>	<u>1,820,493</u>
Long-term liabilities:		
Claim reserves, net of current portion	2,815,380	2,973,803
Supplemental assessment refund liability	36,374	36,409
Accrued tax liability	159,516	172,075
Total long-term liabilities	<u>3,011,270</u>	<u>3,182,287</u>
Total liabilities	<u>4,790,567</u>	<u>5,002,780</u>
Net Position:		
Restricted expendable		
Claim years 2020 and 2021	620,476	499,244
Unrestricted	<u>6,393,911</u>	<u>6,469,682</u>
Total net position	<u>7,014,387</u>	<u>6,968,926</u>
Total liabilities and net position	<u><u>\$11,804,954</u></u>	<u><u>\$11,971,706</u></u>

See Notes to Financial Statements

Kansas Eastern Region Insurance Trust
Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended December 31, 2021 and 2020

	2021	2020
Operating revenues:		
Contributions earned (net of excess insurance expense)	\$ 2,840,399	\$ 2,794,646
Change in unbilled supplemental contribution assessments	<u>(50,160)</u>	<u>(85,934)</u>
Total operating revenues	<u>2,790,239</u>	<u>2,708,712</u>
Operating expenses:		
Losses and loss adjustment expenses:		
Paid	1,819,806	1,544,192
Change in reserves	(70,593)	(76,915)
Administrative expenses	309,722	276,976
Loss prevention	120,193	115,656
Insurance taxes	28,352	130,890
Refunds of contributions	<u>514,045</u>	<u>437,448</u>
Total operating expenses	<u>2,721,525</u>	<u>2,428,247</u>
Operating gain (loss)	<u>68,714</u>	<u>280,465</u>
Non-operating revenues:		
Interest income	142,720	176,582
Net increase (decrease) in fair value of investments	<u>(165,973)</u>	<u>35,501</u>
Total non-operating revenues	<u>(23,253)</u>	<u>212,083</u>
Increase in net position	45,461	492,548
Net position, beginning of year	<u>6,968,926</u>	<u>6,476,378</u>
Net position, end of year	<u><u>\$ 7,014,387</u></u>	<u><u>\$ 6,968,926</u></u>

See Notes to Financial Statements

Kansas Eastern Region Insurance Trust
Statements of Cash Flows
For the Years Ended December 31, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Contributions collected	\$ 3,020,210	\$ 3,302,325
Losses and loss adjustment expenses paid	(1,895,502)	(1,579,009)
Recoveries collected, including excess insurance	75,696	34,817
Insurance premiums paid	(368,794)	(372,822)
Contribution taxes paid	(35,124)	(91,235)
Claims administration fees paid	(105,105)	(113,340)
Loss prevention paid	(122,142)	(114,567)
General and administrative expenses paid	(159,510)	(152,083)
Contribution assessments collected	19,417	7,841
Refunds of contributions paid	(514,045)	(437,448)
Net cash provided by (used in) investing activities		
Net cash provided by (used in) operating activities	<u>(84,899)</u>	<u>484,479</u>
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	2,799,288	5,670,920
Purchase of investments	(3,267,901)	(4,883,827)
Interest received	146,318	177,354
	<u>(322,295)</u>	<u>964,447</u>
Net change in cash and cash equivalents	(407,194)	1,448,926
Cash and cash equivalents, beginning of year	<u>3,980,632</u>	<u>2,531,706</u>
Cash and cash equivalents, end of year	<u>\$ 3,573,438</u>	<u>\$ 3,980,632</u>
Reconciliation of operating income to net cash provided by (used in) operating activities:		
Operating gain (loss)	<u>\$ 68,714</u>	<u>\$ 280,465</u>
Adjustments to reconcile operating income to net cash used in operating activities:		
(Increase) decrease in reinsurance recoverable on paid claims	(13,340)	9,829
(Increase) decrease in prepaid expenses and other assets	1,141	(3,540)
(Increase) decrease in accounts receivables	9,084	-
(Increase) decrease in contributions due from members	(7,898)	(57,010)
(Increase) decrease in unbilled supplemental contribution assessments	69,613	92,662
Increase (decrease) in change in claim reserves	(71,423)	(86,743)
Increase (decrease) in reserve for unallocated loss adjustment expense	3,116	5,827
Increase (decrease) in accounts payable	26,177	(11,500)
Increase (decrease) in accrued tax liability	(6,773)	39,655
Increase (decrease) in unearned contributions	(163,275)	213,720
Increase (decrease) in excess assessment liability	(35)	1,114
Total adjustments	<u>(153,613)</u>	<u>204,014</u>
Net cash provided by (used in) operating activities	<u>\$ (84,899)</u>	<u>\$ 484,479</u>
Supplemental schedule of noncash investing activities:		
Change in fair value of investments	<u>\$ (165,973)</u>	<u>\$ 35,501</u>

See Notes to Financial Statements

Kansas Eastern Region Insurance Trust

Notes to Basic Financial Statements

For the Years Ended December 31, 2021 and 2020

1. Reporting Entity and Significant Accounting Policies

A. The Reporting Entity

The Kansas Eastern Region Insurance Trust (KERIT) was formed on November 1, 1986 as a self-insurance program to cover workers' compensation claims for its members. Members of KERIT, located primarily in eastern Kansas, include fifteen cities, two counties and one park and recreation district. KERIT's general objectives are to provide a self-insured program for local governments; to improve the loss prevention program to reduce claims and accidents; to reduce costs through sound and equitable claim management practices; and to provide excess insurance at a discount based on volume and lower risk exposure.

Cities and other entities joining KERIT must remain members a minimum of three years; a member may withdraw from KERIT after that time by giving written notice at least ninety days prior to January 1. The Board of Trustees may grant approval to cities, counties and other entities applying for membership in KERIT under such terms and conditions as the Board may, from time to time, determine.

KERIT's underwriting and rate-setting policies have been established after consultation with the service agent, Thomas McGee Group, and in accordance with state workers' compensation laws and the Kansas Insurance Department regulations. KERIT members are subject to additional contribution assessments in the event of deficiencies and may receive a refund of contributions from those claim years when revenues exceed expenses. The Board of Trustees must specifically authorize refunds of contributions.

KERIT has contracted with Thomas McGee Group to provide a coordinated underwriting, administration and marketing program, claims management and payment services and a loss control/prevention program. KERIT also contracts with Mid-America Regional Council for accounting services. KERIT has no employees.

KERIT's financial statements include the accounts of all KERIT functions and activities. The criteria used to determine whether component units (separate governmental units, agencies, or nonprofit corporations associated with KERIT) should be included in the financial statements of KERIT include appointment of a voting majority, imposition of will, imposition of financial benefit to or burden on KERIT and fiscal dependency. KERIT has determined that no other outside entity meets the above criteria.

Kansas Eastern Region Insurance Trust
Notes to Basic Financial Statements
For the Years Ended December 31, 2021 and 2020

B. Significant Accounting Policies

The accounting policies of KERIT conform to accounting principles generally accepted in the United States of America as applicable to governmental and insurance enterprises. The following is a summary of the more significant policies:

Basis of Presentation – Fund Accounting

KERIT operates as a single proprietary fund; more specifically, as an enterprise fund. A proprietary fund is used to account for activities similar to those found in the private sector, where determination of net income is necessary or useful to sound financial administration. An enterprise fund is used because the services provided by KERIT's activities are provided to outside parties, the local governmental members of KERIT.

The accounts of KERIT are organized on the basis of claim years, each of which is accounted for separately because the composition of membership may change from year to year.

Basis of Accounting

Basis of accounting refers to the period in which revenue and expenditures are recognized in the accounts and reported in the financial statements, and relates to the timing of the measurement made, regardless of the measurement focus applied.

As a proprietary fund, KERIT employs the accrual basis of accounting wherein revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

KERIT follows the cost of services or "economic resources" measurement focus under which all assets and all liabilities associated with the activity of providing insurance services are included within the fund.

Assets, Liabilities and Net Position

Cash and Cash Equivalents – The Trust considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2021 and 2020, cash and cash equivalents consisted of deposit accounts.

Investments and Investment Income – Investments in debt securities are carried at fair value. Fair value is determined using quoted market prices received from nationally recognized pricing services.

Investment income consists of interest and dividend income and the net change for the year in the fair value of investments carried at fair value.

Kansas Eastern Region Insurance Trust
Notes to Basic Financial Statements
For the Years Ended December 31, 2021 and 2020

Excess Insurance Recoverables – KERIT uses excess insurance agreements to reduce its exposure to large losses. Excess insurance permits recovery of a portion of losses from the excess insurers, although it does not discharge the primary liability of KERIT as direct insurer of the risks and KERIT thus remains contingently liable for amounts which excess carriers might be unable to pay. As of December 31, 2021 and December 31, 2020, the excess reinsurance recoverable based on paid claims was \$14,169 and \$829, respectively. The excess insurance recoverables on unpaid claims are netted with claim reserves. See Claim Reserves section below for further discussion.

Premium Deficiency Reserves – Premium deficiency reserves are required for the amount of the anticipated losses, loss adjustment expenses, acquisition costs and maintenance costs that have not previously been expensed and are in excess of the recorded unearned premium reserve on existing policies and anticipated investment income. No premium deficiency reserve was recorded at December 31, 2021 and 2020.

Claim Reserves – KERIT establishes claim liabilities based on estimates of the ultimate cost of: 1) claims (including future claim adjustment expenses) that have been reported but not settled, and 2) claims that have been incurred but not reported. Because actual claims costs depend on such complex factors as inflation, changes in doctrines of legal liability and damage awards, the process used in estimating claim liabilities does not necessarily result in an exact amount.

Claim liabilities are estimated periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claim frequency, and other economic and social factors. A provision for inflation in the calculation of estimated future claims costs is implicit in the calculations because reliance is placed both on actual historical data that reflect past inflation and on other factors that are considered to be appropriate modifiers of past experience. Claim liabilities are not discounted to their estimated present values.

Adjustments to claim liabilities are charged or credited to expense in the fiscal year for which they are incurred. The claim reserves have been reduced by \$1,466,359 and \$1,349,076 as of December 31, 2021 and December 31, 2020, respectively, for the excess insurance recoverable for unpaid claims in the 2001, 2005, 2008 and 2010 claim years, as shown:

Kansas Eastern Region Insurance Trust
Notes to Basic Financial Statements
For the Years Ended December 31, 2021 and 2020

	December 31, 2021	December 31, 2020
Specific excess insurance recoverable on unpaid claims:		
Claim year 2001	\$ 445,300	\$ 445,300
Claim year 2005	569,952	620,121
Claim year 2008	222,864	54,214
Claim year 2010	<u>228,244</u>	<u>229,441</u>
 Total excess insurance receivables	 <u>\$ 1,466,359</u>	 <u>\$ 1,349,076</u>

The excess insurance agreement for claim year 2001 is with Swiss Re, which is rated A+ Superior by A.M. Best Company. The excess insurance agreement for claim years 2005, 2008 and 2010 is with Safety National Casualty Corporation, which is rated A+ Superior by A.M. Best Company.

Unbilled Supplemental Assessment – KERIT is an assessable fund in which the members participating in a given claim year will be assessed additional contributions if expenses exceed revenues for such claim year. As of December 31, 2021 and December 31, 2020, the unbilled supplemental assessment receivable was \$402,120 and \$471,733, respectively.

Unallocated Loss Adjustment Expenses – This reserve recognizes the future cost of claims administration for all open and incurred but not reported claims.

Unearned Contributions – Contributions are billed and collected in advance and recognized as revenue over the period for which insurance protection is provided. The contributions are calculated using estimates of each member’s payroll. After the end of the claim year, the contributions are recalculated using actual payroll information, resulting in either additional contributions due to KERIT or a liability for excess (unearned) contributions received.

Net Position – The restricted expendable net position is equal to the ending net positions for both the current claim year and the prior claim year to comply with the statutory restriction that does not allow refunds of contributions from these two claim years. KERIT first applies restricted net position when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Operating Revenues and Expenses

Operating revenues and operating expenses include only those revenues and expenses directly associated with the provision of workers’ compensation coverage to the members. Operating revenues include contribution income, net of excess

Kansas Eastern Region Insurance Trust
Notes to Basic Financial Statements
For the Years Ended December 31, 2021 and 2020

insurance expense, and supplemental contribution assessments that are due from members for workers' compensation coverage.

Operating expenses include losses and loss adjustment expenses (claims) incurred under the workers' compensation coverage provided to the members. Also included are administrative expenses, loss prevention and insurance taxes. Administrative expenses include: the claims administration fees for processing and paying claims submitted by the members; other insurance premiums; and general and administrative expenses.

Contributions – Contributions are billed in advance and recognized as revenue over the period for which insurance protection is provided. Contributions are calculated using underwriting criteria for workers' compensation coverage.

Incurred Losses and Recoveries – Incurred losses and recoveries represent the expense of providing workers' compensation benefits as mandated by state workers' compensation laws and the Kansas Department of Insurance regulations. The incurred losses and recoveries include:

- Paid claims
- Claim reserves
- Incurred but not reported claims and loss development reserves
- Excess insurance recoveries and other recoveries

Refunds of Contributions – Refunds of contributions are distributions of excess net position to the members. To the extent that revenues exceed expenses in a given claim year after all or nearly all related claims have been settled and the Board of Trustees authorizes a full or partial distribution of the surplus for the claim year, members participating in such claim year will be entitled to receive a refund of contributions.

Non-operating Revenues and Expenses

Non-operating revenues and expenses include investment income and increase (decrease) in fair value of investments.

Statement of Cash Flows – For purposes of the statement of cash flows, cash and cash equivalents consisted of cash, cash equivalents and, investments with maturities of three months or less at the time of purchase. There were no noncash capital or financing activities during the fiscal years ending 2021 and 2020.

Federal and State Income Taxes – In the opinion of legal counsel, KERIT is not subject to income taxes under Section 115 of the Internal Revenue Code.

Kansas Eastern Region Insurance Trust
Notes to Basic Financial Statements
For the Years Ended December 31, 2021 and 2020

Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles 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 dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Risks and Uncertainties – Investment securities are exposed to various risks, such as interest rate, market and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least possible that changes in risks in the near term would materially affect the amounts reported in the statement of net position and the statement of revenues, expenses and changes in net position.

Significant Accounting Pronouncements – Management has reviewed upcoming and pending accounting pronouncements and has determined that they are not applicable to KERIT.

2. Self-Insured Retention and Excess Insurance

KERIT uses excess insurance agreements to reduce its exposure to large workers' compensation losses. Excess insurance permits recovery of a portion of losses from the excess insurers, although it does not discharge the primary liability of KERIT as direct insurer of the risks.

KERIT retains responsibility for the payment of claims within specified self-insured retention limits prior to the application of coverage provided by its excess insurance. Beginning with claim year 2010, KERIT purchased only specific insurance coverage. The following chart reflects the self-insured retention amounts and the excess insurance limits:

Kansas Eastern Region Insurance Trust
Notes to Basic Financial Statements
For the Years Ended December 31, 2021 and 2020

	2012	2013	Claim Year 2014	2015	2016
Self-insured retention:					
Specific excess insurance	\$ 450,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000
Aggregate excess insurance	-	-	-	-	-
Limits:					
Specific excess insurance	Statutory	Statutory	Statutory	Statutory	Statutory
Aggregate excess insurance	-	-	-	-	-
Loss fund revenues (Note 1)	1,876,274	2,154,858	2,037,184	2,237,836	2,215,312
Estimated incurred claims and expenses	626,941	1,630,770	1,594,162	2,214,994	1,331,663
	2017	2018	2019	2020	2021
Self-insured retention:					
Specific excess insurance	\$ 500,000	\$ 550,000	\$ 550,000	\$ 550,000	550,000
Aggregate excess insurance	-	-	-	-	-
Limits:					
Specific excess insurance	Statutory	Statutory	Statutory	Statutory	Statutory
Aggregate excess insurance	-	-	-	-	-
Loss fund revenues (Note 1)	2,099,331	2,385,028	2,221,311	2,201,931	2,233,969
Estimated incurred claims and expenses	1,243,927	2,362,704	1,988,802	1,687,563	2,350,655

Note 1: For each claim year, KERIT allocates 70 percent of the premiums to a loss fund and the remaining 30 percent to an administrative fund. The loss fund revenues shown above include 70 percent of premiums and any supplemental premium assessments to cover deficiencies.

The members would be assessed if in any claim year losses are greater than the total of the aggregate retention amount and the excess insurance limit.

The amounts of excess insurance recoveries paid and accrued as compared with the premiums paid for the last ten claim years are shown below:

	Claim Year				
	2012	2013	2014	2015	2016
Excess insurance premiums paid	<u>\$ 218,059</u>	<u>\$ 256,121</u>	<u>\$ 308,507</u>	<u>\$ 339,108</u>	<u>\$ 354,472</u>
Excess insurance recoveries:					
Paid to KERIT	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued	-	-	-	-	-
Total recoveries	<u>\$ -</u>				
	2017	2018	2019	2020	2021
Excess insurance premiums paid	<u>\$ 367,046</u>	<u>\$ 361,604</u>	<u>\$ 378,986</u>	<u>\$ 350,969</u>	<u>\$ 350,985</u>
Excess insurance recoveries:					
Paid to KERIT	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued	-	-	-	-	-
Total recoveries	<u>\$ -</u>				

Kansas Eastern Region Insurance Trust
Notes to Basic Financial Statements
For the Years Ended December 31, 2021 and 2020

3. Reconciliation of Claim Reserves

Claim reserves are based upon estimates of the ultimate cost of claims that have been reported but not settled, and of claims that have been incurred but not reported. The changes in claim reserves from the beginning of the year are as follows:

	2021	2020
Claim reserves at beginning of year, net of recoveries	<u>\$ 3,958,803</u>	<u>\$ 4,045,546</u>
Incurred claims and claim adjustment expenses:		
Provision for insured events of the current year	2,350,654	1,906,728
Increase (decrease) in provision for insured events of prior years (Note 1)	<u>(601,441)</u>	<u>(439,451)</u>
Total incurred claims and claim adjustment expense:	<u>1,749,213</u>	<u>1,467,277</u>
Payments:		
Claims and claim adjustment expenses attributable to insured events of the current year	747,732	559,500
Claims and claim adjustment expenses attributable to insured events of prior years	<u>1,072,704</u>	<u>994,520</u>
Total payments, net of recoveries	<u>1,820,436</u>	<u>1,554,020</u>
Claim reserves at end of year, net of recoveries	<u><u>\$ 3,887,580</u></u>	<u><u>\$ 3,958,803</u></u>
Current portion of claim reserves	\$ 1,072,000	\$ 985,000
Long-term portion of claim reserves	<u>2,815,380</u>	<u>2,973,802</u>
Claim reserves at end of year, net of recoveries	<u><u>\$ 3,887,380</u></u>	<u><u>\$ 3,958,802</u></u>

Note 1: As a result of changes in estimates for insured events of prior years, the provision for unpaid claims and claim adjustment expenses decreased by \$601,441 and \$439,451 in 2021 and 2020, respectively.

4. Cash and Investments

KERIT's trust agreement and bylaws contain no provision regarding deposits or the type of investments that may be purchased. KERIT does not have a formal policy regarding collateralization of deposits. The state of Kansas restricts the types of investments that KERIT may purchase. Permitted investments include government and corporate obligations, stocks, real estate and a variety of other securities and debt instruments, although many of the options are available only if a number of specified criteria are satisfied.

KERIT maintains various deposit accounts to handle the cash receipts, disbursements and idle cash balance. Uninsured balances of approximately \$3.4 million as of December 31, 2021 and \$3.3 million as of December 31, 2020 are collateralized with securities held by the pledging financial institution's trust department.

Kansas Eastern Region Insurance Trust
Notes to Basic Financial Statements
For the Years Ended December 31, 2021 and 2020

The fair value of investments by contractual maturity as of December 31, 2021 and December 31, 2020 is shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Estimated Fair Value December 31, 2021	Estimated Fair Value December 31, 2020
Less than one year	\$ 490,000	\$ 1,160,318
One to five years	3,091,170	2,696,296
Five to ten years	2,487,896	796,137
Beyond 10 years	1,577,558	2,691,235
	<u> </u>	<u> </u>
Total investments	<u>\$ 7,646,625</u>	<u>\$ 7,343,986</u>

The fair value of investments by type as of December 31, 2021 and 2020 is shown below:

	Estimated Fair Value December 31, 2021	Estimated Fair Value December 31, 2020
Federal Home Loan Bank	\$ 3,232,048	\$ 906,214
Federal Farm Credit Bank	1,011,720	1,064,150
Federal National Mortgage Association	1,520,111	2,420,303
Federal Home Loan Mortgage Corporation	402,746	970,780
U.S. Treasury Note	-	252,539
Certificates of Deposit	1,480,000	1,730,000
	<u> </u>	<u> </u>
Total investments	<u>\$ 7,646,625</u>	<u>\$ 7,343,986</u>

Interest Rate Risk

KERIT does not have a formal policy relating to interest rate risk. Investment maturities are limited as follows:

Maturity	Maximum/Minimum Investment
Within five years	30 % minimum
Five to ten years	70 maximum
Beyond ten years	10 maximum

Custodial Credit Risk

KERIT's investments are subject to custodial credit risk because none are collateralized by the financial institution acting as custodian. KERIT does not have a formal policy regarding custodial credit risk for investments.

Kansas Eastern Region Insurance Trust

Notes to Basic Financial Statements

For the Years Ended December 31, 2021 and 2020

Credit Risk

KERIT's Board-approved investment policy allows investments in the following:

1. U.S. Treasury securities (bills, notes or bonds) or securities guaranteed by the U.S. Government;
2. Securities issued by agencies of the U.S. Government (including mortgage-backed securities) but not necessarily guaranteed by the U.S. Government;
3. Federally insured certificates of deposit in banks; or
4. Agency-issued pass-through mortgage-backed securities with stated maturities of up to 30 years.

KERIT's investments consist solely of securities issued by agencies of the U.S. Government. The U.S. Government agency bonds held as of December 31, 2021 and December 31, 2020 are implicitly guaranteed by the U.S. Government and are rated Aaa by Moody's and AAA by S&P.

5. Fair Value Measurements

The framework for measuring fair value establishes a fair value hierarchy that prioritizes the inputs used in valuation techniques to measure fair value. An asset's or liability's classification is based on the lowest level input that is significant to its measurement. For example, a Level 3 fair value measurement may include inputs that are both observable (Level 1 and 2) and unobservable (Level 3). The levels of the fair value hierarchy are as follows:

- Level 1 - Unadjusted quoted prices for identical assets or liabilities in active markets that KERIT has the ability to access at the measurement date.
- Level 2 - Valuations derived from techniques that utilize observable inputs, other than quoted prices included in Level 1, which are observable for the asset or liability either directly or indirectly, such as:
- (a) Quoted prices for similar assets or liabilities in active markets.
 - (b) Quoted prices for identical or similar assets or liabilities in markets that are not active.
 - (c) Inputs other than quoted prices that are observable.
 - (d) Inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 - Valuations derived from techniques in which the significant inputs are unobservable. Level 3 fair values reflect KERIT's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk).

Kansas Eastern Region Insurance Trust
Notes to Basic Financial Statements
For the Years Ended December 31, 2021 and 2020

KERIT has analyzed the valuation techniques and related inputs, evaluated its assets and liabilities reported at fair value, and determined an appropriate fair value hierarchy level based upon trading activity and the observability of market inputs.

The following table presents the carrying value and estimated fair value of KERIT's significant financial instruments at December 31, 2021 and 2020:

	2021			
	Total			
	Fair Value	Level 1	Level 2	Level 3
U.S. government agencies	\$ 6,166,625	-	\$ 6,166,625	-
	<u>\$ 6,166,625</u>	<u>\$ -</u>	<u>\$ 6,166,625</u>	<u>\$ -</u>
	2020			
	Total			
	Fair Value	Level 1	Level 2	Level 3
U.S. Treasury Note	\$ 252,539	-	\$ 252,539	-
U.S. government agencies	5,361,447	-	5,361,447	-
	<u>\$ 5,613,986</u>	<u>\$ -</u>	<u>\$ 5,613,986</u>	<u>\$ -</u>

The fair values of U.S. Treasury Notes and U.S. government agencies are based on prices from a third-party pricing service based on market observable information such as market quotes for similar assets, as well as normal market pricing considerations such as duration, interest rates, and prepayment assumptions. There were no transfers between fair value levels during the years ended December 31, 2021 and 2020.

The fair value estimates presented herein are based on pertinent information available to management as of December 31, 2021 and 2020. Although management is not aware of any factors that would significantly affect the estimated fair value amounts, such amounts have not been comprehensively revalued for purposes of these financial statements since that date, and current estimates of fair value may differ significantly from the amounts presented herein.

6. Service Agency Agreement

KERIT has entered into separate agreements with two companies whereby KERIT is to receive administrative, accounting, loss control and claims management services for the workers' compensation program for service fees. For fiscal years 2021 and 2020, these fees totaled \$337,586 and \$304,516, respectively.

Kansas Eastern Region Insurance Trust
Notes to Basic Financial Statements
For the Years Ended December 31, 2021 and 2020

7. Contingencies

In 2004, KERIT entered into a structured settlement with Medicare to cover future medical costs for a claimant. As part of the settlement, KERIT purchased an annuity to cover costs up to \$77,047. The present value of the annuity is \$28,954 and \$39,188 at December 31, 2021 and 2020, respectively. Should the life insurer fail to perform under the terms of the annuity, KERIT would then be liable to make payments up to the covered medical costs. As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which may negatively affect the financial position, results of operations and cash flows of KERIT. These include declines in the fair value of investments held by the company as well as contributions earned from workers compensation premiums. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

8. Risk Management

KERIT is exposed to various risks of loss related to torts, trustee automobile travel and errors and omissions. KERIT does not own property nor have employees. KERIT has purchased commercial errors and omissions, fidelity bond and automobile coverages. There have been no claims on any of the purchased coverages since inception.

9. Subsequent Events

Subsequent events have been evaluated through May 11, 2022, which is the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

Kansas Eastern Region Insurance Trust

Ten-Year Loss Development Information

For the Ten-Year Period Ended December 31, 2021

The following table illustrates how KERIT's earned revenue (net of excess insurance) and investment income compare to related costs of loss (net of loss assumed by excess insurance carriers and other expenses assumed by KERIT) as of the end of each of the previous ten years. The rows of the table are defined as follows:

1. Contributions and Investment Income
This line shows the total of each claim year's gross earned contributions, supplemental contribution assessments and earned investment revenue, amounts of ceded excess insurance premiums, and net earned contributions (net of excess insurance) and investment income.
2. Unallocated Expenses
This line shows each claim year's other operating costs of the program including administrative expenses, taxes, loss control and loss adjustment expenses not allocable to individual claims.
3. Estimated Incurred Claims and Expenses
This line shows KERIT's gross incurred losses and allocated loss adjustment expense, losses assumed by excess insurance carriers, and net incurred losses and loss adjustment expenses (both paid and accrued) as originally reported at the end of the year in which the event that triggered coverage occurred (called claim year).
4. Net Paid (Cumulative)
This section of ten rows shows the cumulative net amounts paid as of the end of successive years for each claim year.
5. Reestimated Ceded Claims and Expenses
This line shows the latest reestimated amount of losses assumed by excess insurance carriers for each claim year.
6. Reestimated Incurred Claims and Expenses
This section of ten rows shows how each claim year's net incurred losses increased or decreased as of the end of successive years. (This annual re-estimation results from new information received on known losses, reevaluation of existing information on known losses, and emergence of new losses not previously known.)
7. Increase (Decrease) in Estimated Net Incurred Claims and Expenses from End of Policy Year
This line compares the latest reestimated net incurred losses amount to the amount originally established (line 3) and shows whether this latest estimate is greater or less than originally thought. As data for individual claim years matures, the correlation between original estimates and reestimated amounts is commonly used to evaluate the accuracy of net incurred losses currently recognized in less mature accident years.
8. Number of Claims Reported
This line shows the total number of claims reported including lost time claims, medical only claims, fatalities and incidents that had no incurred costs.
9. Open Claims
This line shows the number of reported claims that have a liability for future claim payments.

The columns of the table show data for successive claim years.

Kansas Eastern Region Insurance Trust
Ten-Year Loss Development Information
For the Ten-Year Period Ended December 31, 2021

	2012	2013	2014	2015	2016
1. Contributions income:					
Earned	\$ 2,680,392	\$ 3,078,368	\$ 2,910,263	\$ 3,196,908	\$ 3,164,731
Ceded - excess insurance premiums	(218,059)	(256,121)	(308,507)	(339,108)	(354,472)
Net earned	<u>\$ 2,462,333</u>	<u>\$ 2,822,247</u>	<u>\$ 2,601,756</u>	<u>\$ 2,857,800</u>	<u>\$ 2,810,259</u>
2. Unallocated expenses	<u>\$ 323,731</u>	<u>\$ 415,342</u>	<u>\$ 410,284</u>	<u>\$ 490,927</u>	<u>\$ 479,777</u>
3. Estimated incurred claims and expenses at end of policy year as originally reported:					
Incurred	\$ 1,173,000	\$ 2,211,000	\$ 1,923,000	\$ 2,390,000	\$ 1,812,472
Ceded - excess insurance recoveries	-	-	-	-	-
Net incurred	<u>\$ 1,173,000</u>	<u>\$ 2,211,000</u>	<u>\$ 1,923,000</u>	<u>\$ 2,390,000</u>	<u>\$ 1,812,472</u>
4. Net paid (cumulative) as of:					
December 31, 2012	\$ 352,983				
December 31, 2013	547,172	\$ 539,040			
December 31, 2014	552,741	1,080,661	\$ 626,638		
December 31, 2015	561,253	1,341,779	1,170,780	\$ 748,910	
December 31, 2016	571,188	1,456,640	1,373,167	1,448,175	\$ 588,662
December 31, 2017	610,185	1,514,060	1,478,774	1,728,411	1,068,600
December 31, 2018	610,185	1,514,541	1,568,549	1,868,390	1,127,167
December 31, 2019	636,076	1,521,997	1,577,634	1,940,517	1,326,479
December 31, 2020	636,076	1,522,806	1,577,634	2,057,641	1,326,479
December 31, 2021	636,076	1,522,837	1,577,634	2,060,411	1,326,515
5. Re-estimated ceded claims and expenses - Excess insurance recoveries					
December 31, 2021	\$ -	\$ -	\$ -	\$ -	\$ -
6. Re-estimated incurred claims and expenses:					
December 31, 2012	\$ 1,173,000				
December 31, 2013	763,000	\$ 2,211,000			
December 31, 2014	627,000	1,791,000	\$ 1,923,000		
December 31, 2015	632,000	1,713,000	1,808,000	\$ 2,390,000	
December 31, 2016	660,485	1,652,332	1,830,475	2,529,228	\$ 1,812,472
December 31, 2017	627,646	1,647,541	1,599,707	2,395,141	1,669,028
December 31, 2018	633,310	1,640,975	1,598,295	2,395,684	1,474,870
December 31, 2019	630,428	1,636,695	1,599,700	2,411,409	1,357,374
December 31, 2020	629,033	1,633,391	1,602,584	2,223,309	1,333,960
December 31, 2021	626,941	1,630,769	1,594,162	2,214,994	1,331,663
7. Increase (decrease) in estimated net incurred claims and expenses from end of policy year	\$ (546,059)	\$ (580,231)	\$ (328,838)	\$ (175,006)	\$ (480,809)
8. Number of claims reported as of:					
December 31, 2021	438	470	412	425	482
9. Open claims as of December 31, 2021	1	4	3	3	-

Kansas Eastern Region Insurance Trust
Ten-Year Loss Development Information, Continued
For the Ten-Year Period Ended December 31, 2021

	2017	2018	2019	2020	2021
1. Contributions income:					
Earned	\$ 2,999,044	\$ 3,100,782	\$ 3,173,301	\$ 3,145,615	\$ 3,191,384
Ceded - excess insurance premiums	<u>(367,046)</u>	<u>(361,604)</u>	<u>(378,986)</u>	<u>(350,969)</u>	<u>(350,985)</u>
Net earned	<u>\$ 2,631,998</u>	<u>\$ 2,739,178</u>	<u>\$ 2,794,315</u>	<u>\$ 2,794,646</u>	<u>\$ 2,840,399</u>
2. Unallocated expenses	<u>\$ 493,832</u>	<u>\$ 668,770</u>	<u>\$ 506,830</u>	<u>\$ 489,546</u>	<u>\$ 582,807</u>
3. Estimated incurred claims and expenses at end of policy year as originally reported:					
Incurred	\$ 1,736,745	\$ 2,207,227	\$ 2,487,818	\$ 1,906,728	\$ 2,350,654
Ceded - excess insurance recoveries	-	-	-	-	-
Net incurred	<u>\$ 1,736,745</u>	<u>\$ 2,207,227</u>	<u>\$ 2,487,818</u>	<u>\$ 1,906,728</u>	<u>\$ 2,350,654</u>
4. Net paid (cumulative) as of:					
December 31, 2012					
December 31, 2013					
December 31, 2014					
December 31, 2015					
December 31, 2016					
December 31, 2017	\$ 472,830				
December 31, 2018	914,029	\$ 844,674			
December 31, 2019	1,100,689	\$ 1,567,120	\$ 806,391		
December 31, 2020	1,133,954	\$ 1,931,225	\$ 1,242,653	\$ 562,532	
December 31, 2021	1,177,364	\$ 2,175,657	\$ 1,488,559	\$ 867,593	\$ 747,732
5. Re-estimated ceded claims and expenses - Excess insurance recoveries					
December 31, 2021	\$ -	\$ -	\$ -	\$ -	\$ -
6. Re-estimated incurred claims and expenses:					
December 31, 2012					
December 31, 2013					
December 31, 2014					
December 31, 2015					
December 31, 2016					
December 31, 2017	\$ 1,736,745				
December 31, 2018	1,444,388	\$ 2,207,227			
December 31, 2019	1,355,154	2,504,802	\$ 2,487,818		
December 31, 2020	1,319,508	2,459,512	2,223,433	\$ 1,906,728	
December 31, 2021	1,243,926	2,362,704	1,988,805	\$ 1,687,559	\$ 2,350,654
7. Increase (decrease) in estimated net incurred claims and expenses from end of policy year	\$ (492,819)	\$ 155,477	\$ (499,013)	\$ (219,169)	N/A
8. Number of claims reported as of:					
December 31, 2021	419	509	487	612	491
9. Open claims as of December 31, 2021	1	4	10	7	91



STATISTICAL SECTION

Index and Explanations of Schedules and Tables Included in the Statistical Section

The goal of the statistical section is to provide the reader with additional information regarding KERIT’s economic condition. This information is helpful to understand and assess how KERIT’s financial position has changed over time. In addition, the information provides a context for understanding how KERIT operates. Exposure information is also provided and reflects the size and diversification of the members.

The schedules and tables are listed below with a brief explanation of the purpose.

	Pages
Net Position Information by Claim Year	48
<p style="margin-left: 40px;">This schedule summarizes the results of each claim year. It includes any additional supplemental contribution assessments and refunds of contributions distributed to the members. The total number of claims and the number of open claims as of December 31, 2021 are also included.</p>	
Net Position Information by Fiscal Year.....	49
<p style="margin-left: 40px;">This schedule summarizes: 1) the changes to net position and 2) net position by component for the past ten fiscal years. It includes information on unrestricted funds.</p>	
Comparative Schedule of Revenues and Expenses - Claim Year Basis, for the Claim Years Ended December 31, 2012 through December 31, 2021	50-51
<p style="margin-left: 40px;">These schedules provide detailed information on the operating revenues and expenses for each of the last ten claim years.</p>	
Comparative Chart of Operating Revenues and Expenses by Claim Year for the Claim Years Ended December 31, 2012 through December 31, 2021.....	52
<p style="margin-left: 40px;">This chart displays a visual comparison of the operating revenues to operating expenses by claim year.</p>	
Comparative Schedule of Revenues, Expenses and Changes in Net Position, for the Fiscal Years Ended December 31, 2012 through December 31, 2021	53-54
<p style="margin-left: 40px;">These schedules provide detailed information on the operating revenues and expenses for each of the last ten fiscal years. In addition, the net position balance at the end of each fiscal year is included.</p>	
Selected Contribution Data	55
<p style="margin-left: 40px;">This table includes the number of cities, counties and other entities in KERIT, the combined annual payrolls, contributions, contribution discounts, supplemental contribution assessments and refunds of contributions for each of the last ten years.</p>	
Selected Loss Data	56
<p style="margin-left: 40px;">This table summarizes key loss data for the last ten years and identifies positive and negative loss trends.</p>	
Comparative Chart of Components of Losses by Claim Year for the Claim Years Ended December 31, 2012 through December 31, 2021	57
<p style="margin-left: 40px;">This chart displays a visual comparison of the four components of losses by claim year.</p>	
Demographic Information on Members	58
<p style="margin-left: 40px;">This table lists the key exposure values for each member as of December 31, 2021 and reflects the diversification of the members by size. The total payroll amounts used for premium calculations are compared to the amounts nine years prior.</p>	
Principle Employers	59
<p style="margin-left: 40px;">This table lists the ten largest employers in KERIT’s membership as of December 31, 2021 and nine years prior.</p>	
Selected Payroll Data	60
<p style="margin-left: 40px;">This table provides the payroll amounts by job classification for the last ten years. This payroll information was used to calculate member contributions.</p>	

Kansas Eastern Region Insurance Trust
Net Position Information by Claim Year
December 31, 2021

Claim Year Ended	Cumulative Surplus/ (Deficit)	Supplemental Assessment Collected/ Accrued Note 1	Supplemental Assessment Refund Liability Note 2	Refunds of Contributions	Net Position at December 31, 2021	Net Position at December 31, 2020	Increase/ (Decrease)	Number of Open Claims	Total Number of Claims
October 31, 1987-1997	\$ 7,212,400	\$ 268,750	\$ -	\$ (7,481,150)	\$ -	\$ -	\$ -	1	6,871
December 31, 1998	410,265	-	-	(410,265)	-	-	-	-	447
December 31, 1999	631,827	-	-	(631,827)	-	-	-	-	406
December 31, 2000	(294,968)	294,968	-	-	-	-	-	-	451
December 31, 2001	(99,004)	135,460	(36,373)	-	83	-	83	1	447
December 31, 2002	396,245	-	-	(396,244)	-	13	(13)	-	415
December 31, 2003	788,463	-	-	(680,908)	107,555	122,151	(14,596)	1	361
December 31, 2004	1,071,215	-	-	(910,522)	160,693	182,472	(21,779)	3	362
December 31, 2005	1,304,873	-	-	(1,147,881)	156,992	178,307	(21,315)	3	373
December 31, 2006	1,382,704	-	-	(972,414)	410,290	465,961	(55,671)	4	384
December 31, 2007	714,702	-	-	(668,982)	45,720	152,903	(107,183)	5	471
December 31, 2008	409,037	-	-	(298,324)	110,713	121,925	(11,212)	7	492
December 31, 2009	918,581	-	-	(559,510)	359,071	398,281	(39,210)	3	442
December 31, 2010	(407,806)	407,806	-	-	-	-	-	6	447
December 31, 2011	1,163,039	-	-	(544,725)	618,314	655,269	(36,955)	1	445
December 31, 2012	1,656,428	-	-	(783,538)	872,890	910,496	(37,606)	1	438
December 31, 2013	879,035	-	-	(322,042)	556,993	595,603	(38,610)	4	470
December 31, 2014	706,883	-	-	(155,414)	551,469	583,354	(31,885)	3	413
December 31, 2015	225,237	-	-	(15,143)	210,094	215,171	(5,077)	3	425
December 31, 2016	1,087,508	-	-	(180,424)	907,084	972,253	(65,169)	-	482
December 31, 2017	1,087,284	-	-	(154,361)	932,923	915,523	17,400	1	419
December 31, 2018	(192,342)	192,342	-	-	-	-	-	4	510
December 31, 2019	393,026	-	-	-	393,026	130,920	262,106	10	485
December 31, 2020	620,476	-	-	-	620,476	368,324	252,152	7	604
December 31, 2021	(118,272)	118,272	-	-	-	-	-	91	491
	<u>\$ 21,946,836</u>	<u>\$ 1,417,598</u>	<u>\$ (36,373)</u>	<u>\$ (16,313,675)</u>	<u>\$ 7,014,387</u>	<u>\$ 6,968,926</u>	<u>\$ 45,461</u>	<u>159</u>	<u>17,551</u>

Note 1: Supplemental assessments collected/accrued includes assessments that have been accrued and/or billed and collected for a claim year that had an operating deficit.

Note 2: Supplemental assessment refund liability includes assessments that have been collected when there was a deficiency. Due to positive loss development and additional investment income, the previous supplemental assessment has been reduced and the excess will be refunded at a future date when all claims are closed.

Kansas Eastern Region Insurance Trust
Net Position Information by Fiscal Year
For the Fiscal Years Ended December 31, 2012 through December 31, 2021

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Changes in net position										
Operating revenues	\$ 2,502,737	\$ 2,781,811	\$ 2,683,185	\$ 2,829,662	\$ 2,977,449	\$ 2,474,632	\$ 2,836,906	\$ 3,169,790	\$ 2,708,712	\$ 2,790,239
Operating expenses	(1,800,476)	(2,518,445)	(2,886,626)	(3,440,374)	(3,243,350)	(2,174,294)	(2,662,263)	(3,499,903)	(2,428,244)	(2,721,525)
Non-operating revenues (losses)	115,098	(81,684)	226,938	164,510	89,836	123,727	140,107	397,298	212,083	(23,253)
Increase (decrease) in net position	<u>\$ 817,359</u>	<u>\$ 181,682</u>	<u>\$ 23,497</u>	<u>\$ (446,202)</u>	<u>\$ (176,065)</u>	<u>\$ 424,065</u>	<u>\$ 314,750</u>	<u>\$ 67,185</u>	<u>\$ 492,551</u>	<u>\$ 45,461</u>
Net position:										
Restricted	\$ 1,408,875	\$ 1,490,212	\$ 846,681	\$ 413,518	\$ 474,275	\$ 1,099,002	\$ 790,678	\$ -	\$ 499,244	\$ 620,476
Unrestricted	<u>4,678,591</u>	<u>4,778,936</u>	<u>5,445,964</u>	<u>5,432,925</u>	<u>5,196,103</u>	<u>4,995,441</u>	<u>5,618,515</u>	<u>6,476,378</u>	<u>6,469,682</u>	<u>6,393,911</u>
Total net position	<u>\$ 6,087,466</u>	<u>\$ 6,269,148</u>	<u>\$ 6,292,645</u>	<u>\$ 5,846,443</u>	<u>\$ 5,670,378</u>	<u>\$ 6,094,443</u>	<u>\$ 6,409,193</u>	<u>\$ 6,476,378</u>	<u>\$ 6,968,926</u>	<u>\$ 7,014,387</u>

Kansas Eastern Region Insurance Trust
Comparative Schedule of Revenues and Expenses - Claim Year Basis
For the Claim Years Ended December 31, 2012 through December 31, 2021

	2012	2013	2014	2015	2016
Operating revenues:					
Contributions earned, net of excess insurance premiums	\$ 2,462,333	\$ 2,822,247	\$ 2,601,756	\$ 2,857,800	\$ 2,810,259
Supplemental contribution assessments	-	-	-	-	-
Total operating revenues	<u>2,462,333</u>	<u>2,822,247</u>	<u>2,601,756</u>	<u>2,857,800</u>	<u>2,810,259</u>
Operating expenses:					
Incurring losses and recoveries:					
Claims paid	636,076	1,522,837	1,577,634	2,060,411	1,326,515
Subrogation/recoveries	(25,891)	(4,600)	(9,085)	(774)	(42,504)
Excess insurance recoveries	-	-	-	-	-
Reserves	16,756	112,532	25,613	155,357	47,652
Total incurred losses and recoveries	<u>626,941</u>	<u>1,630,769</u>	<u>1,594,162</u>	<u>2,214,994</u>	<u>1,331,663</u>
Administrative expenses	220,275	233,858	240,170	299,647	314,640
Loss control	84,873	89,373	96,656	99,525	100,930
Insurance taxes	18,583	92,111	73,458	91,755	64,206
Refunds of contributions	783,538	322,042	155,414	15,143	180,424
Total operating expenses	<u>1,734,210</u>	<u>2,368,153</u>	<u>2,159,860</u>	<u>2,721,064</u>	<u>1,991,864</u>
Operating income (loss)	728,123	454,094	441,896	136,736	818,395
Non-operating income					
Investment income (Note 1)	<u>144,767</u>	<u>102,899</u>	<u>109,573</u>	<u>73,359</u>	<u>88,689</u>
Increase/(decrease) in net position	<u>\$ 872,890</u>	<u>\$ 556,993</u>	<u>\$ 551,469</u>	<u>\$ 210,095</u>	<u>\$ 907,084</u>
Net position					
Restricted	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	<u>872,890</u>	<u>556,993</u>	<u>551,469</u>	<u>210,095</u>	<u>907,084</u>
Total net position	<u>\$ 872,890</u>	<u>\$ 556,993</u>	<u>\$ 551,469</u>	<u>\$ 210,095</u>	<u>\$ 907,084</u>
Number of open claims at December 31, 2021	1	4	3	3	-

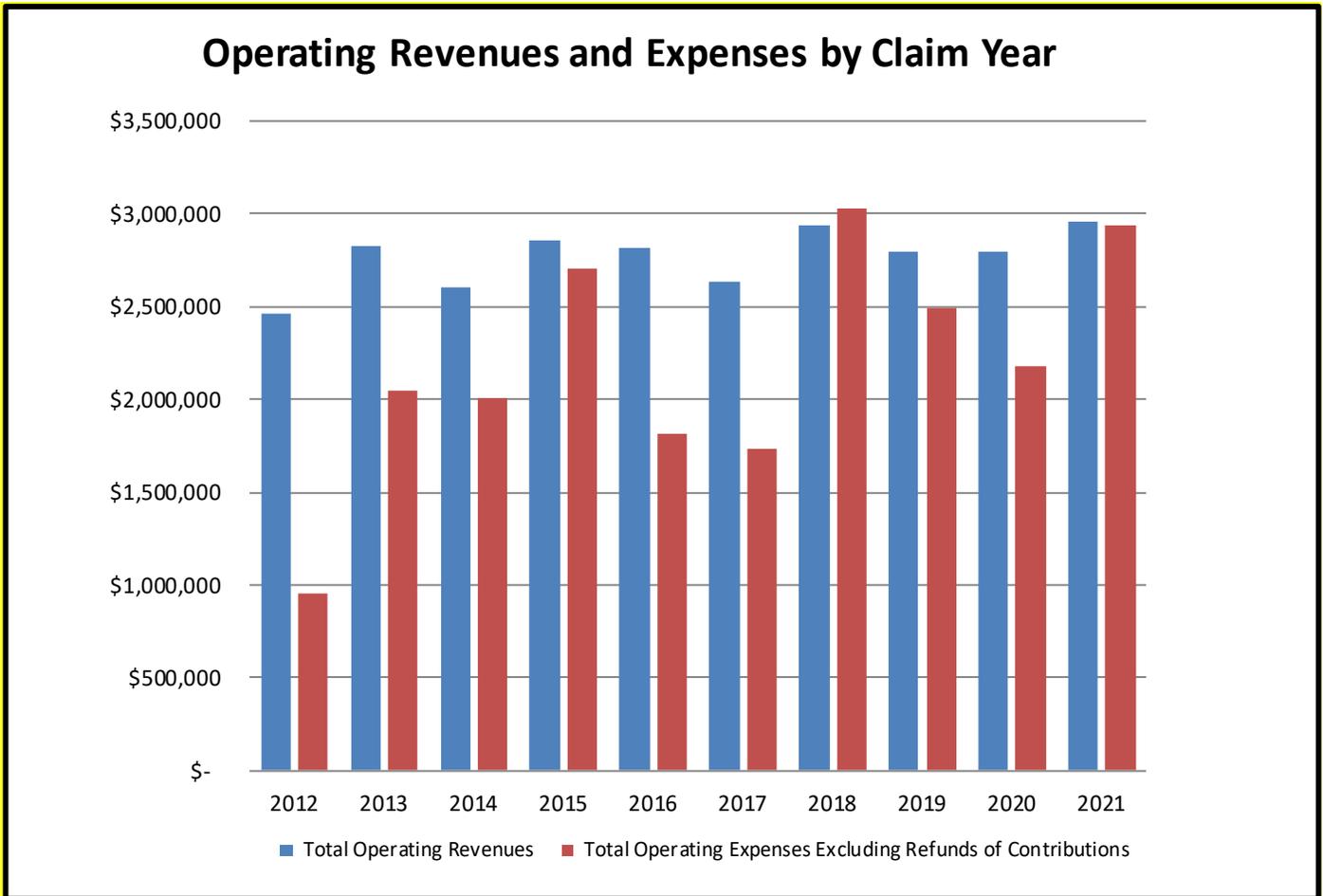
Note 1: The net increase (decrease) in fair value of investments is included in investment income.

Kansas Eastern Region Insurance Trust
Comparative Schedule of Revenues and Expenses - Claim Year Basis, Continued
For the Claim Years Ended December 31, 2012 through December 31, 2021

	2017	2018	2019	2020	2021
Operating revenues:					
Contributions earned, net of excess insurance premiums	\$ 2,631,998	\$ 2,739,178	\$ 2,794,315	\$ 2,794,646	\$ 2,840,399
Supplemental contribution assessments	-	192,342	-	-	118,272
Total operating revenues	<u>2,631,998</u>	<u>2,931,520</u>	<u>2,794,315</u>	<u>2,794,646</u>	<u>2,958,671</u>
Operating expenses:					
Incurring losses and recoveries:					
Claims paid	1,177,364	2,175,657	1,488,559	967,593.26	747,732
Subrogation/recoveries	(12,226)	(7,778)	(4,390)	(3,275)	-
Excess insurance recoveries	-	-	-	-	-
Reserves	78,788	194,825	504,636	723,240	1,602,922
Total incurred losses and recoveries	<u>1,243,926</u>	<u>2,362,704</u>	<u>1,988,805</u>	<u>1,687,559</u>	<u>2,350,654</u>
Administrative expenses	318,709	469,951	303,510	293,831	356,881
Loss control	114,170	101,696	113,291	115,656	120,193
Insurance taxes	60,953	97,123	90,029	80,059	105,733
Refunds of contributions	154,361	-	-	-	-
Total operating expenses	<u>1,892,120</u>	<u>3,031,474</u>	<u>2,495,635</u>	<u>2,177,104</u>	<u>2,933,461</u>
Operating income (loss)	739,878	(99,954)	298,680	617,542	25,210
Non-operating income					
Investment income (Note 1)	<u>193,045</u>	<u>99,954</u>	<u>94,347</u>	<u>2,935</u>	<u>(25,210)</u>
Increase in net position	<u>\$ 932,923</u>	<u>-</u>	<u>\$ 393,026</u>	<u>\$ 620,476</u>	<u>\$ -</u>
Net position					
Restricted	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	<u>932,923</u>	<u>-</u>	<u>393,026</u>	<u>620,476</u>	<u>-</u>
Total net position	<u>\$ 932,923</u>	<u>\$ -</u>	<u>\$ 393,026</u>	<u>\$ 620,476</u>	<u>\$ -</u>
Number of open claims at December 31, 2021	1	4	10	7	91

Note 1: The net increase (decrease) in fair value of investments is included in investment income.

Kansas Eastern Region Insurance Trust
Comparative Chart of Operating Revenues and Expenses by Claim Year
For the Claim Years Ended December 31, 2012 through December 31, 2021



Kansas Eastern Region Insurance Trust
Comparative Schedule of Revenues, Expenses and Changes in Net Position
For the Fiscal Years Ended December 31, 2012 through December 31, 2021

	Fiscal Year				
	2012	2013	2014	2015	2016
Operating revenues:					
Contributions earned	\$ 2,463,260	\$ 2,821,320	\$ 2,601,756	\$ 2,857,800	\$ 2,810,259
Supplemental contribution assessments	39,477	(39,509)	81,429	(28,138)	167,190
Total operating revenues	<u>2,502,737</u>	<u>2,781,811</u>	<u>2,683,185</u>	<u>2,829,662</u>	<u>2,977,449</u>
Operating expenses:					
Incurred losses and recoveries:					
Claims paid	1,120,149	1,396,983	1,584,072	1,886,440	1,766,871
Subrogation/recoveries	(2,926)	(1,772)	(26,335)	-	(774)
Change in excess insurance recoveries	-	(656,000)	-	7,500	(5,000)
Changes in reserves	(42,418)	872,926	27,891	299,647	303,110
Total incurred losses and recoveries	<u>1,074,805</u>	<u>1,612,137</u>	<u>1,585,628</u>	<u>2,193,587</u>	<u>2,064,207</u>
Administrative expenses	216,358	242,898	240,685	303,869	348,347
Loss control	84,873	89,373	96,656	99,525	100,930
Insurance taxes	13,098	53,460	178,901	51,145	79,747
Refunds of contributions	411,341	520,577	784,756	792,248	650,119
Total operating expenses	<u>1,800,475</u>	<u>2,518,445</u>	<u>2,886,626</u>	<u>3,440,374</u>	<u>3,243,350</u>
Operating income (loss)	702,262	263,366	(203,441)	(610,712)	(265,901)
Non-operating income					
Investment income (Note 1)	<u>115,097</u>	<u>(81,684)</u>	<u>226,938</u>	<u>164,510</u>	<u>89,836</u>
Increase (decrease) in net position	817,359	181,682	23,497	(446,202)	(176,065)
Beginning net position	<u>5,270,107</u>	<u>6,087,466</u>	<u>6,269,148</u>	<u>6,292,645</u>	<u>5,846,443</u>
Ending net position	<u>\$ 6,087,466</u>	<u>\$ 6,269,148</u>	<u>\$ 6,292,645</u>	<u>\$ 5,846,443</u>	<u>\$ 5,670,378</u>

Note 1: The net increase (decrease) in fair value of investments is included in investment income.

Kansas Eastern Region Insurance Trust

Comparative Schedule of Revenues, Expenses and Changes in Net Position, Continued

For the Fiscal Years Ended December 31, 2012 through December 31, 2021

	Fiscal Year				
	2017	2018	2019	2020	2021
Operating revenues:					
Contributions earned	\$ 2,631,998	\$ 2,739,178	\$ 2,794,315	\$ 2,794,646	\$ 2,840,399
Supplemental contribution assessments	(157,366)	97,728	375,475	(85,934)	(50,160)
Total operating revenues	<u>2,474,632</u>	<u>2,836,906</u>	<u>3,169,790</u>	<u>2,708,712</u>	<u>2,790,239</u>
Operating expenses:					
Incurred losses and recoveries:					
Claims paid	1,582,027	1,807,829	2,041,211	1,588,527	1,898,336
Subrogation/recoveries	(10,681)	(43,487)	(12,652)	(9,518)	(2,834)
Change in excess insurance recoveries	(909,654)	(326)	(7,803)	(34,817)	(75,696)
Changes in reserves	675,574	(30,907)	568,437	(76,915)	(70,593)
Total incurred losses and recoveries	<u>1,337,266</u>	<u>1,733,109</u>	<u>2,589,193</u>	<u>1,467,277</u>	<u>1,749,213</u>
Administrative expenses	310,688	468,816	303,594	276,976	309,722
Loss control	114,170	101,696	113,291	115,656	120,193
Insurance taxes	54,414	81,325	51,737	130,890	28,352
Refunds of contributions	357,756	277,317	442,088	437,448	514,045
Total operating expenses	<u>2,174,294</u>	<u>2,662,263</u>	<u>3,499,903</u>	<u>2,428,247</u>	<u>2,721,525</u>
Operating income (loss)	300,338	174,643	(330,113)	280,465	68,714
Non-operating income (loss)					
Investment income (loss) (Note 1)	123,727	140,107	397,298	212,083	(23,253)
Increase (decrease) in net position	424,065	314,750	67,185	492,548	45,461
Beginning net position	5,670,378	6,094,443	6,409,193	6,476,378	6,968,926
Ending net position	<u>\$ 6,094,443</u>	<u>\$ 6,409,193</u>	<u>\$ 6,476,378</u>	<u>\$ 6,968,926</u>	<u>\$ 7,014,387</u>

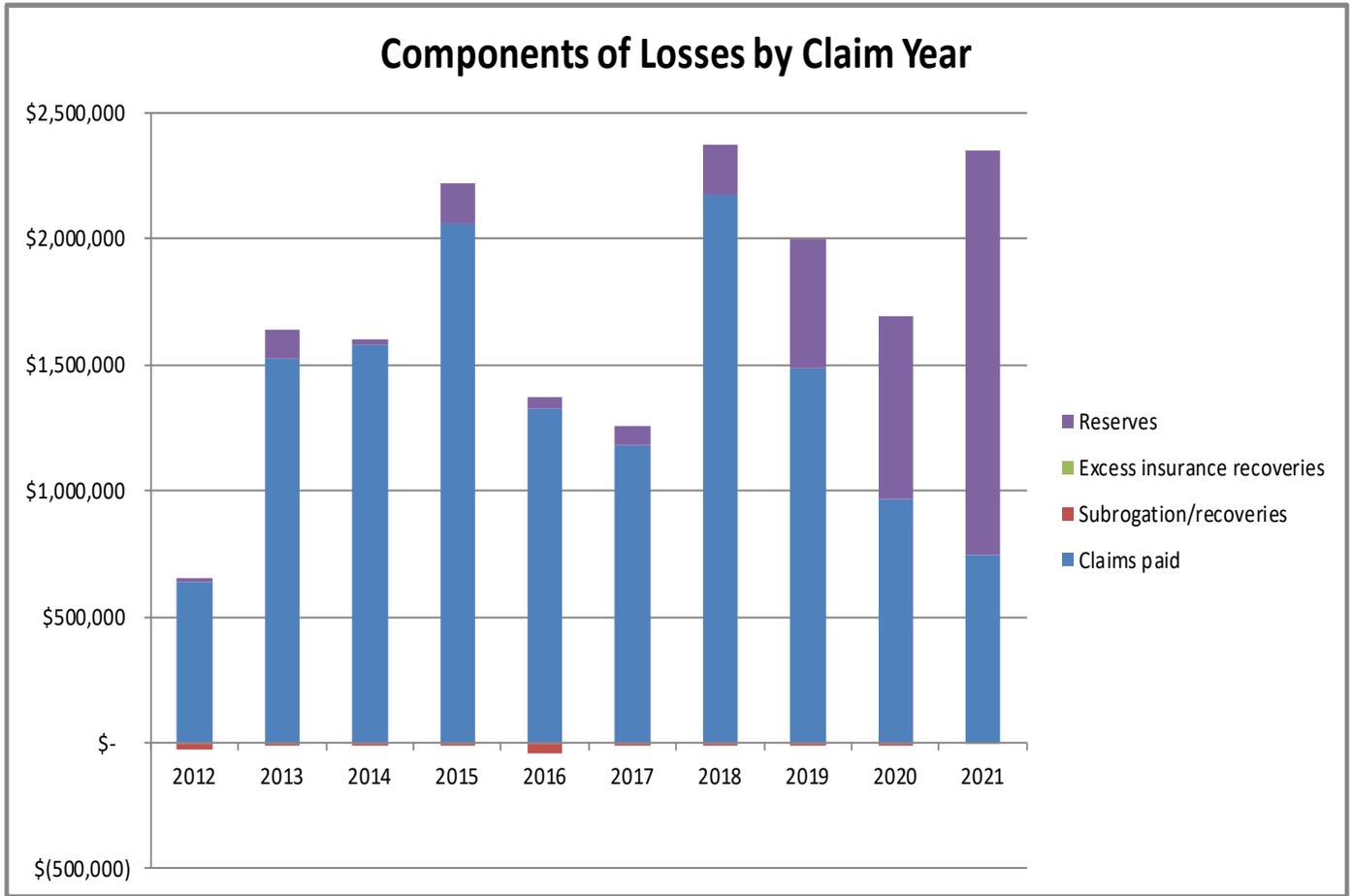
Kansas Eastern Region Insurance Trust
Selected Loss Data
For the Ten-Year Period Ended December 31, 2021

	Since Inception	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Number of members:											
Cities		14	15	14	15	15	15	15	15	15	15
Counties		2	2	2	2	2	2	2	2	2	2
Other		-	-	1	1	1	1	1	1	1	1
Total		<u>16</u>	<u>17</u>	<u>17</u>	<u>18</u>	<u>18</u>	<u>18</u>	<u>18</u>	<u>18</u>	<u>18</u>	<u>18</u>
Total annual payrolls		<u>\$ 120 million</u>	<u>\$ 135 million</u>	<u>\$ 141 million</u>	<u>\$ 151 million</u>	<u>\$ 157 million</u>	<u>\$ 162 million</u>	<u>\$ 171 million</u>	<u>\$ 179 million</u>	<u>\$183 million</u>	<u>\$191 million</u>
Contributions:											
Total contributions calculated	\$ 95,126,949	\$ 2,925,732	\$ 3,359,685	\$ 3,197,778	\$ 3,486,015	\$ 3,386,553	\$ 3,197,858	\$ 3,313,691	\$ 3,381,516	\$ 3,353,264	\$ 3,453,744
Advanced contribution discounts	<u>(7,179,106)</u>	<u>(245,339)</u>	<u>(281,318)</u>	<u>(287,515)</u>	<u>(289,107)</u>	<u>(221,822)</u>	<u>(198,814)</u>	<u>(212,909)</u>	<u>(208,215)</u>	<u>(207,649)</u>	<u>(262,360)</u>
Net contribution billed	<u>\$ 87,947,843</u>	<u>\$ 2,680,393</u>	<u>\$ 3,078,367</u>	<u>\$ 2,910,263</u>	<u>\$ 3,196,908</u>	<u>\$ 3,164,731</u>	<u>\$ 2,999,044</u>	<u>\$ 3,100,782</u>	<u>\$ 3,173,301</u>	<u>\$ 3,145,615</u>	<u>\$ 3,191,384</u>
Percent of discount	<u>7.5%</u>	<u>8.4%</u>	<u>8.4%</u>	<u>9.0%</u>	<u>8.3%</u>	<u>6.6%</u>	<u>6.2%</u>	<u>6.4%</u>	<u>6.2%</u>	<u>6.2%</u>	<u>7.6%</u>
Supplemental contribution assessments:											
Billed and collected	\$ 1,015,478	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Supplemental assessment refund liability	<u>(36,373)</u>	-	-	-	-	-	-	-	-	-	-
Unbilled	<u>402,120</u>	-	-	-	-	-	-	<u>192,342</u>	-	-	<u>118,272</u>
Total	<u>\$ 1,381,225</u>	<u>\$ -</u>	<u>\$ 192,342</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 118,272</u>					
Refunds of contributions:											
Distributed	<u>\$ 16,313,675</u>	<u>\$ 783,538</u>	<u>\$ 322,042</u>	<u>\$ 155,414</u>	<u>\$ 15,143</u>	<u>\$ 180,424</u>	<u>\$ 154,361</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Kansas Eastern Region Insurance Trust
Selected Loss Data
For the Ten-Year Period Ended December 31, 2021

	Since Inception	Claim Year									
		2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Number of lost time claims		16	37	27	15	10	22	32	25	17	33
Number of medical only claims		250	266	242	294	308	251	320	276	371	209
Number of fatality claims		-	-	-	-	-	-	-	-	-	-
Number of incidents only claims		152	166	136	114	159	146	144	184	216	249
Total number of claims	17,559	438	470	412	425	482	419	509	487	612	491
Open claims as of December 31, 2021	159	1	4	3	3	-	1	4	10	7	91
Total losses (paid and estimated)	\$ 56,339,031	\$ 652,832	\$ 1,635,369	\$ 1,603,247	\$ 2,215,768	\$ 1,374,167	\$ 1,256,152	\$ 2,370,482	\$ 1,993,195	\$ 1,690,833	\$ 2,350,654
Recoveries/Subrogations	(804,944)	(25,891)	(4,600)	(9,085)	(774)	(42,504)	(12,226)	(7,778)	(4,390)	(3,275)	-
2nd injury fund refunds	(1,526,269)	-	-	-	-	-	-	-	-	-	-
Excess insurance recoveries	(3,230,167)	-	-	-	-	-	-	-	-	-	-
Net losses	\$ 50,777,651	\$ 626,941	\$ 1,630,769	\$ 1,594,162	\$ 2,214,994	\$ 1,331,663	\$ 1,243,926	\$ 2,362,704	\$ 1,988,805	\$ 1,687,559	\$ 2,350,654
Average cost per claim, total losses	\$ 3,209	\$ 1,490	\$ 3,480	\$ 3,891	\$ 5,214	\$ 2,851	\$ 2,998	\$ 4,657	\$ 4,093	\$ 2,763	\$ 4,787
Average cost per claim, net losses	\$ 2,892	\$ 1,431	\$ 3,470	\$ 3,869	\$ 5,212	\$ 2,763	\$ 2,969	\$ 4,642	\$ 4,084	\$ 2,757	\$ 4,787

Kansas Eastern Region Insurance Trust
Comparative Chart of Components of Losses by Claim Year
For the Claim Years Ended December 31, 2012 through December 31, 2021



Kansas Eastern Region Insurance Trust
Demographic Information on Members
December 31, 2021

	Member Since	2020 Population Note A	2010 Population Note A	2000 Population Note A	Number of Full-Time Equivalent Employees (at December 31, 2021)	Total Payroll for Claim Year 2021	Percent of Total 2021	Total Payroll for Claim Year 2012 (For Comparison Only)	Percent of Total 2012
Cities									
Chanute	May 11, 1990	8,991	9,119	9,411	288	\$ 8,957,322	4.69 %	\$ 6,376,248	5.69 %
Coffeyville	January 1, 2013	9,169	10,295	N/A	245	7,300,970	3.82	N/A	N/A
Derby	January 15, 2015	25,145	22,158	17,807	306	9,748,970	5.11	N/A	N/A
Fairway	November 1, 1988	3,963	3,882	3,952	24	1,579,732	0.83	1,227,322	1.09
Gardner	November 1, 1986	22,370	19,123	9,396	154	9,132,214	4.78	5,613,243	5.01
Junction City	April 15, 1990	21,862	23,353	18,886	332	10,466,681	5.48	7,430,187	6.63
Lansing	November 1, 1986	11,954	11,265	9,199	92	3,348,119	1.75	2,587,488	2.31
Leavenworth	January 1, 1991	35,934	35,251	35,420	379	11,059,618	5.79	10,523,616	9.38
Leawood	November 1, 1986	34,669	31,867	27,656	412	18,667,497	9.78	14,199,296	12.66
McPherson	July 1, 2012	13,013	13,155	N/A	271	12,462,330	6.53	4,729,457	4.22
Merriam	January 1, 1988	11,128	11,003	11,008	165	5,648,794	2.96	5,773,369	5.15
Mission	January 1, 2009	9,873	9,323	N/A	141	4,618,108	2.42	4,312,264	3.85
Ottawa	December 1, 1989	12,334	12,649	11,921	181	7,916,248	4.15	6,802,795	6.07
Shawnee	November 1, 1986	66,298	62,209	47,996	433	23,851,000	12.51	18,130,401	16.16
Winfield	September 24, 2011	11,807	12,301	N/A	313	10,452,167	5.50	7,877,274	7.02
Counties									
Atchison County	November 1, 1988	16,015	16,924	16,774	312	6,223,722	3.26	4,289,208	3.83
Leavenworth County	November 1, 1986	82,246	76,227	68,691	530	17,781,006	9.31	12,261,243	10.93
Other									
Johnson Co. Park & Rec.	January 1, 2014	607,720	544,179	N/A	1,577	21,688,139	11.36	N/A	N/A
Total					<u>6,155</u>	<u>\$190,902,637</u>	<u>100.00 %</u>	<u>\$112,133,411</u>	<u>100.00 %</u>

Note A: Source of population data:
U.S. Bureau of the Census, 2000 Decennial Census,
U.S. Bureau of the Census, 2010 P.L. 94-171 Redistricting Data, and 2010 Demographic Profile
U.S. Census Bureau, Annual Population Estimates Program, July 1, 2020

Kansas Eastern Region Insurance Trust
Principle Employers
Current Year and Ten Years Ago

KERIT Member:	Employer		2021			2012		
			Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
City of Leavenworth	Ft. Leavenworth	2021	9,552	1	N/A	5,601	2	N/A
Johnson County Parks & Rec. Dist.	T-Mobile/Sprint	2021	6,000	2	N/A	8,000	1	N/A
Johnson County Parks & Rec. Dist.	Olathe United School District	2021	5,100	3	N/A	4,286	3	N/A
Johnson County Parks & Rec. Dist.	Garmin International Inc.	2021	4,616	4	N/A	3,000	7	N/A
Johnson County Parks & Rec. Dist.	Shawnee Mission School District	2021	4,300	5	N/A	3,781	5	N/A
Johnson County Parks & Rec. Dist.	Johnson County Government	2021	4,100	6	N/A	4,013	4	N/A
Johnson County Parks & Rec. Dist.	Blue Valley School District	2021	3,300	7	N/A	3,257	6	N/A
Johnson County Parks & Rec. Dist.	Black and Veatch	2021	3,100	8	N/A	2,381	9	N/A
Johnson County Parks & Rec. Dist.	Walmart	2021	3,000	9	N/A	N/A	N/A	N/A
Johnson County Parks & Rec. Dist.	United Health Group	2021	2,800	10	N/A	N/A	N/A	N/A
Total 1 - 10 ranking			45,868			34,319		
Total people employed in KERIT membership					N/A			

Note: The Kansas Eastern Region Insurance Trust includes 15 cities, 2 counties and one park and recreation district located in the State of Kansas (refer to map on page 13). The total employment figure for all 18 members is not readily available due to overlapping city and county boundaries. Therefore, the percentage of the total employment for all KERIT members cannot be calculated.

Over time, it may be possible to obtain more employment data from the KERIT member cities and counties to calculate the percentage of total employment.

N/A Not Applicable or Not Available

Kansas Eastern Region Insurance Trust
Selected Payroll Data
For the Ten-Year Period Ended December 31, 2021

Job Code	Job Classification	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
8810	Clerical	\$ 27,671,413	\$ 30,346,631	\$ 31,613,548	\$ 36,148,211	\$ 38,099,082	37,530,951	40,125,896	42,946,594	45,516,800	43,704,449
7720	Police Officers & Drivers	29,290,627	31,851,611	31,580,455	34,323,980	35,655,620	37,364,361	38,474,962	39,507,448	39,633,237	42,271,646
7710/7711	Fire Fighters & Drivers	16,194,811	17,166,671	16,550,096	17,247,654	17,508,354	18,812,230	19,220,517	19,840,003	24,242,387	22,020,251
5506	Streets and Road	7,778,178	8,717,567	8,369,824	8,939,239	9,199,217	9,432,005	9,920,806	10,824,587	10,185,399	13,321,280
9102	Parks, NOC	5,052,392	5,433,894	7,248,133	8,160,374	8,594,815	8,789,063	9,760,937	10,157,434	10,459,001	11,892,134
7539	Electric Light & Power	6,273,304	9,629,025	9,454,619	9,543,929	10,010,092	9,623,178	10,491,596	11,195,384	10,932,471	11,050,479
9410	Municipal County, NOC	7,163,966	7,210,050	7,024,974	7,284,091	7,359,187	7,453,565	8,226,073	8,349,565	8,141,865	7,386,122
8869	Child Care	-	-	2,876,383	2,890,142	2,734,712	2,997,990	3,392,266	4,458,883	4,655,585	5,349,869
7520	Waterworks Operation	2,850,984	3,741,838	3,406,308	3,918,978	3,857,641	4,061,339	4,264,785	4,487,019	4,328,260	4,548,230
8820	Attorney-All	2,239,292	2,388,444	2,152,941	2,211,834	2,345,556	2,652,039	2,796,485	2,516,820	2,406,193	4,183,302
7370/7705	Ambulance Service	1,382,192	1,717,010	1,841,764	1,753,332	2,106,345	2,899,395	3,275,530	3,204,082	3,310,631	3,648,977
9063	Health Institution	1,027,725	1,042,078	3,577,561	3,256,829	3,282,789	3,437,840	3,337,252	3,638,017	2,917,287	3,507,535
9015	Buildings, NOC (Public Swimming Pool)	2,964,589	3,144,051	3,039,261	3,150,970	3,274,675	3,148,033	3,697,100	3,427,305	2,229,715	3,405,027
7580	Sewage	2,005,297	2,512,109	2,230,788	2,702,786	2,695,219	2,734,346	2,906,115	3,221,897	3,409,174	3,013,382
9060	Country Club & Clerical	599,859	746,724	1,498,709	1,530,113	1,611,154	1,636,058	1,653,833	1,735,958	1,859,165	2,080,124
8824/8829	Nursing Home	1,332,057	1,447,311	1,488,815	1,514,514	1,560,464	1,681,108	1,617,072	1,684,249	1,689,146	1,404,675
8831	Dog Catcher (Animal Control)	684,567	701,983	685,097	737,790	700,298	792,914	766,129	863,595	903,804	1,110,789
9403	Garbage, Refuse Collection & Drivers	802,126	906,626	948,668	883,283	919,019	936,583	952,477	1,041,375	1,022,089	1,085,384
8380	Auto Service & Repair	1,002,556	1,138,841	997,658	1,110,431	983,145	880,522	818,073	926,163	908,429	1,080,354
7502	Gas Companies	803,251	823,270	823,826	849,992	877,032	937,215	798,287	840,970	771,598	954,576
8832	Health Dept: Clinic & Clerical	360,672	410,042	425,319	452,787	435,317	635,178	692,429	536,800	630,605	928,303
7380	Bus Drivers	292,676	290,981	301,497	358,068	438,038	402,145	397,978	486,338	449,817	504,515
9220	Cemetery	319,262	396,058	396,674	418,736	443,933	509,557	553,429	517,627	508,912	484,271
7590	Garbage Works (Sanitation Recycling)	315,089	327,294	362,491	436,166	418,869	467,776	530,221	453,264	447,621	421,557
9033	Public Housing	158,947	159,004	163,791	168,633	173,732	188,357	200,111	189,647	235,112	237,102
6319	Water Main Construction	431,579	462,390	146,643	-	194,592	222,642	231,264	142,348	225,156	208,461
8742	Sales, Outside (Social Workers)	352,477	462,425	524,341	398,028	425,897	182,574	130,598	624,054	584,582	200,185
6217	Grading of Land	127,398	127,549	51,104	140,511	122,664	159,539	153,531	159,968	161,456	182,927
8227	Mechanics	-	-	-	-	-	103,616	103,103	121,016	151,861	153,422
5191	Office Appliance	17,980	66,263	67,827	115,864	115,378	118,843	123,130	120,543	131,673	150,528
9156	Theater - Entertainers, Musicians	-	-	-	-	-	-	-	141,308	46,163	139,910
9083	Restaurant, Fast Food	67,149	73,480	84,657	63,262	232,196	108,988	83,325	93,164	16,092	83,724
9154	Theater, NOC	21,705	61,197	217,037	207,936	169,567	151,053	168,699	77,812	79,359	71,763
7605	Alarm Installation	-	31,252	33,047	44,417	54,835	59,542	59,288	57,650	58,159	52,155
7423/7403	Aircraft Operations	95,775	129,005	-	-	10,968	39,039	53,373	59,723	63,968	41,942
9402	Street Cleaning	268,073	306,062	247,388	269,652	154,572	168,871	131,356	53,228	22,850	23,288
9093	Bowling Lane	34,468	89,811	107,751	111,133	128,561	98,549	88,303	82,991	28,320	-
9101	Public Library & Museum/College	21,804	30,557	7,694	8,011	8,267	9,158	8,836	6,000	1,775	-
8601	Architect or Engineer-Consulting	-	114,941	92,289	65,392	65,869	46,166	-	-	-	-
9016	Recreational Facilities	114,631	193,541	3,311	43,624	37,293	-	-	-	-	-
9178	Athletic Sports or Park	22,322	25,231	39,262	18,208	-	34,988	50,373	-	-	-
3574	Computing/Recording/Office Mach.NOC	63,476	88,222	94,445	-	-	-	-	-	-	-
5645	Carpentry	88,274	16,818	-	-	-	-	-	-	-	-
8835	Home, Public & Traveling Healthcare	-	-	-	-	-	308,957	354,468	-	-	-
	Total	\$ 120,292,943	\$ 134,527,857	\$ 140,775,996	\$ 151,478,900	\$ 157,004,964	\$ 161,816,273	\$ 170,610,006	\$ 178,790,829	\$ 183,365,717	\$ 190,902,637

Note: KERIT uses various rates by job classification to calculate contributions. Contributions are further adjusted for stock (volume), experience modifier and PLUS program discounts, which vary by member.

\$120 million \$134 million \$141 million \$151 million \$157 million \$162 million \$171 million \$179 million \$184 million \$191 million

