Pennsylvania Professional Liability Joint Underwriting Association

Statutory Financial Statements and Supplementary Information
December 31, 2021 and 2020

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Pennsylvania Professional Liability Joint Underwriting Association

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December 31, 2021 and 2020

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Independent Auditors' Report

To the Board of Directors of
Pennsylvania Professional Liability Joint Underwriting Association

Opinion

We have audited the statutory financial statements of Pennsylvania Professional Liability Joint Underwriting Association (the "Association"), which comprise the statutory statements of admitted assets, liabilities, and surplus as of December 31, 2021 and 2020, and the related statutory statements of income and changes in capital and surplus and cash flows for the years then ended, and the related notes to the statutory financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the admitted assets, liabilities, and surplus of the Association as of December 31, 2021 and 2020, and the results of its operations for the years then ended, in accordance with accounting practices prescribed or permitted by the Insurance Department of the Commonwealth of Pennsylvania as described in Note 2.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Association and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis of Accounting

We draw attention to Note 2 of the financial statements, which describes the basis of accounting and the purpose for which the financial statements are prepared. The financial statements are prepared in accordance with accounting practices prescribed or permitted by the Insurance Department of the Commonwealth of Pennsylvania, which is a basis of accounting other than accounting principles generally accepted in the United States of America. As a result, the financial statements may not be suitable for another purpose. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting practices prescribed or permitted by the Insurance Department of the Commonwealth of Pennsylvania, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association’s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association’s ability to continue as a going concern for a reasonable period of time.

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

Report on Supplementary Information
Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Investment Risks Interrogatories, Summary Investment Schedule, and Reinsurance Interrogatories is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Restriction on Use
Our report is intended solely for the information and use of the Board of Directors and management of the Association and the Insurance Department of the Commonwealth of Pennsylvania and is not intended to be and should not be used by anyone other than these specified parties.

Mazars USA LLP

May 5, 2022

Pennsylvania Professional Liability Joint Underwriting Association

Statutory Statements of Admitted Assets, Liabilities, and Surplus
December 31, 2021 and 2020

	2021	2020
Admitted Assets		
Bonds	$ 340,741,790	$ 319,542,668
Preferred stocks	-	658,525
Common stock	6,951	1,972
Cash and cash equivalents	9,816,344	10,147,302
Other invested assets	1,231,945	1,231,999
Total cash and invested assets	351,797,030	331,582,466
Premiums receivable	192,654	8,830,334
Accrued investment income	1,930,840	2,078,383
Other assets	16	59
Total admitted assets	$ 353,920,540	$ 342,491,242
Liabilities and Surplus		
Liabilities		
Unpaid losses	$ 18,096,477	$ 10,024,609
Unpaid loss adjustment expenses	6,417,825	4,101,869
Unearned premiums	2,629,980	11,906,410
Advanced premiums	471,694	518,452
Accrued taxes, licenses and fees and other expenses	320,141	655,526
Amounts withheld for the account of others	46,106	13,155
Total liabilities	27,982,223	27,220,021
Surplus		
Unappropriated	322,938,317	312,271,221
Appropriated	3,000,000	3,000,000
Total surplus	325,938,317	315,271,221
Total liabilities and surplus	$ 353,920,540	$ 342,491,242

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

Pennsylvania Professional Liability Joint Underwriting Association

Statutory Statements of Income and Changes in Surplus
Years Ended December 31, 2021 and 2020

	2021	2020
Premiums earned	$ 13,065,298	$ 4,418,358
Expenses:		
Losses incurred	9,446,868	1,848,196
Loss adjustment expenses incurred	3,717,287	855,764
Underwriting expenses	1,542,345	1,288,211
Total expenses	14,706,500	3,992,171
Underwriting (loss) gain	(1,641,202)	426,187
Net investment income	8,443,196	8,587,804
Net realized gain on investments	4,561,915	7,273,987
Service fees	17,495	236,911
Net income	11,381,404	16,524,889
Surplus, beginning of year	315,271,221	298,276,878
Unrealized (loss) gain on investments	(298,565)	170,155
(Increase) decrease in nonadmitted assets	(415,743)	299,299
Surplus, end of year	$ 325,938,317	$ 315,271,221

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

Pennsylvania Professional Liability Joint Underwriting Association

Statutory Statements of Cash Flows
Years Ended December 31, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Premiums collected	$ 12,379,790	$ 6,221,613
Benefit and loss related payments	8,071,868	(201,804)
Commissions, expenses paid and aggregate write-in for deductions	(3,069,232)	(2,187,860)
Service fees collected	17,495	236,911
Investment income proceeds, net of investment expenses	9,484,593	9,501,011
Net cash from operating activities	26,884,514	13,569,871
Cash flows from investing activities:		
Proceeds from bonds sold, matured or repaid	119,188,316	106,052,517
Proceeds from stocks sold	769,144	-
Cost of bonds acquired	(137,171,474)	(116,228,087)
Cost of stocks acquired	-	(550,051)
Cost of other invested assets acquired	-	(228,595)
Miscellaneous proceeds	37,942	208,978
Net cash from investing activities	(17,176,072)	(10,745,238)
Cash flows from financing and miscellaneous sources:		
Other cash provided	(10,039,400)	(1,449,698)
Net cash from financing and miscellaneous activities	(10,039,400)	(1,449,698)
Net (decrease) increase in cash and cash equivalents	(330,958)	1,374,935
Cash and cash equivalents, beginning of year	10,147,302	8,772,367
Cash and cash equivalents, end of year	$ 9,816,344	$ 10,147,302

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

1. Business and Organization

The Pennsylvania Professional Liability Joint Underwriting Association (the "Association") is a non-profit, unincorporated association established pursuant to Subsection C of the Medical Care Availability and Reduction of Error Act (the "Act") to offer medical professional liability insurance covering the provision of health care services in the Commonwealth of Pennsylvania in accordance with Section 732 of the Act. Primary coverage is made available by the Association to those individuals and entities that qualify for such coverage from the Association under Section 732 of the Act.

The Insurance Commissioner of Pennsylvania (the "Commissioner") approved the Association's Plan of Operations on December 30, 1975. This plan was amended and restated. The Association is exempt from federal income taxes under Section 501(c)(6) of the Internal Revenue Code.

2. Summary of Significant Accounting Policies

Basis of Presentation

The Association prepares its statutory financial statements in conformity with accounting practices prescribed or permitted by the Insurance Department of the Commonwealth of Pennsylvania (the "Department"). Effective January 1, 2001, the Commonwealth of Pennsylvania required that insurance companies domiciled in the Commonwealth of Pennsylvania prepare their financial statements in accordance with the National Association of Insurance Commissioners ("NAIC") Accounting Practices and Procedures Manual, subject to any deviations prescribed or permitted by the Commissioner. Practices under the NAIC Manual vary from accounting principles generally accepted in the United States of America ("GAAP") and these differences include:

- Policy acquisition costs, such as commissions, premium taxes, and other costs incurred in connection with acquiring new and renewal business are expensed in the year incurred, rather than being deferred and amortized over the related policy term;

- Certain assets designated as non-admitted assets (principally prepaid expenses) are excluded from the statutory statements of admitted assets, liabilities, and surplus by a direct charge to unassigned surplus;

- Investments in bonds, which the Association holds as available for sale, if qualified for such treatment, are carried at amortized cost rather than at fair value as would be required under GAAP;

- Investments in common stock and preferred stock of unaffiliated entities are carried at values prescribed by the NAIC, primarily quota market prices. Changes in unrealized appreciation or depreciation of common stock or preferred stock are credited or charged directly to unassigned surplus.

- Bonds identified as other-than-temporarily impaired are marked to market with the impairment charge recorded in earnings, whereas under GAAP, only the credit related component of the identified bonds impairment is recorded through earnings;

- Certain reclassifications would be required with respect to the statutory statements of admitted assets, liabilities, and surplus, and the statutory statements of cash flows to conform to GAAP.

Use of Estimates

The preparation of financial statements in conformity with the accounting practices prescribed or permitted by the Department requires management to make certain estimates and assumptions that affect the reported amounts of admitted assets, liabilities, revenues, expenses and disclosures during the reporting period. Actual results could differ from these estimates.

Investments
Bonds are carried at values prescribed by the NAIC, primarily book-adjusted carrying value. Bonds are amortized using the scientific method. Redeemable preferred stocks that have characteristics of debt securities and are rated as high quality or better by the NAIC are reported at costs or amortized cost. All other redeemable preferred stocks are reported at the lower of cost, amortized cost, or fair value. Nonredeemable preferred stocks are reported at lower of cost or fair value. Common stocks are carried at values prescribed by the NAIC, primarily quoted market prices. Investments with maturity dates of one year or less at acquisition are considered short-term investments. Realized investment gains and losses, computed using the specific cost method, are included in the determination of income. Changes in unrealized appreciation or depreciation on common stocks, if any, are credited or charged directly to surplus. In accordance with the Practices and Procedures Manual of the NAIC Investment Analysis Office, bonds which are below medium grade (a designation of 3, 4, 5, or 6) are stated at the lower of amortized cost or fair value. The Association periodically evaluates its investments for other-than-temporary impairment. At the time an investment is determined to be other-than-temporarily impaired, the Association records a realized loss in the statutory statements of operations. Any subsequent increase in the investment's market value would be reported as an unrealized gain.

Loan backed securities are stated and adjusted using the retrospective method. Prepayment assumptions are obtained from Bloomberg market data and the Association's investment manager's internal estimates.

Cash and Cash Equivalents
Cash and cash equivalents include investments in highly liquid debt instruments with an original maturity of three months or less and are carried at cost, which approximates fair value.

Premiums Receivable
Premiums receivable consist of premium balances due from the insured. Any receivable amounts older than 90 days outstanding are treated as nonadmitted assets. Receivable balances in excess of 90 days outstanding were $0 at December 31, 2021. The Association routinely assesses the collectability of its receivables.

Unearned Premiums
Unearned premiums represent the pro rata portion of premiums written which are applicable to the unexpired terms of the policies in force as of the reporting date.

Advanced Premiums
Advanced premiums represent monies collected by the Association for premiums which are applicable to policies that have an inception date subsequent to the reporting period date.

Premium Deficiency
A premium deficiency is generally established if the sum of expected loss and loss adjustment expenses and maintenance costs exceed the related unearned premium or advanced premiums. The Association includes anticipated future net investment income in the analysis of the necessity of such deficiency reserve, as management believes that the inclusion of anticipated future net investment income into the analysis more accurately represents the true ultimate underwriting gain or loss on the policies underwritten. Accordingly, the Association did not recognize a premium deficiency as of December 31, 2021 and 2020, respectively.

Unpaid Losses and Loss Adjustment Expenses
The reserve for loss and loss adjustment expenses, which include estimates for losses incurred but not reported are determined using actuarial methods with calculations based on current claim evaluations, historical experience of the Association, and to a lesser extent, historical experience of other medical malpractice insurers in Pennsylvania.

Management continually reviews and updates its methods of making loss and loss adjustment expense reserve estimates and believes that such reserves at December 31, 2021 and 2020 are the Association's best estimate to cover the ultimate cost of claims and settlement costs. However, such liability is based on estimates of future rates of inflation and other factors; accordingly, there is no absolute assurance that the ultimate liability may not exceed such estimates. The methods of making such estimates and establishing the resulting liabilities are continually reviewed and updated and any resulting adjustments are reflected in operations in the current period.

Policy Limits
The Association's maximum liability for a single claim on each policy is as follows:

January 1, 2001 to present	$500,000
January 1, 1999 to December 31, 2000	400,000
January 1, 1997 to December 31, 1998	300,000
January 1, 1984 to December 31, 1996	200,000
January 1, 1983 to December 31, 1983	150,000
Prior to January 1, 1983	100,000

Subject to statutory provisions, claim amounts in excess of the above policy limits are the liability of the Medical Professional Liability Catastrophe Loss Fund ("MCARE") to a maximum of the following limits:

January 1, 2005 to present	$500,000
January 1, 2001 to December 31, 2004	700,000
January 1, 2000 to December 31, 2000	800,000
January 1, 1997 to December 31, 1999	900,000
Prior to January 1, 1997	1,000,000

MCARE was created by an act of the Pennsylvania General Assembly (P.L. 154, Act No. 13) (the "MCARE Act") on March 20, 2002. Its purpose is to provide and administer sources of funds to pay judgments, awards, or settlements in medical malpractice claims against participating healthcare providers, whose primary limits of coverage provided by its primary professional liability insurance policies are less than the final judgments, awards, or settlements. The MCARE Act imposes mandatory assessments on health care providers as defined in the MCARE Act. These assessments are required to be billed, collected, and remitted to MCARE by the medical malpractice insurer that directly wrote the coverage. As such, amounts determined to be owed to MCARE, billed, and collected but not yet paid to MCARE by the Association are shown as amounts withheld for the account of others in the accompanying statutory financial statements.

Subsequent Events
The Association has evaluated known recognized and non-recognized subsequent events through May 5, 2022, which is the date these financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.

3. Investments

The NAIC carrying value for bonds or cost for preferred stocks and estimated fair value of investments at December 31, are as follows:

	2021			
	NAIC Carrying Value or Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Bonds:				
U.S. government	$ 30,635,126	$ 1,496,396	$ (418,655)	$ 31,712,867
State, territories, possessions and political subdivisions	11,315,287	1,465,703	(26,865)	12,754,125
Special revenue and special assessments	20,361,494	1,507,750	(22,801)	21,846,443
Industrial and miscellaneous	151,966,872	8,503,424	(899,935)	159,570,361
Hybrid securities	1,374,044	42,338	-	1,416,382
Mortgage/asset-backed	125,088,967	2,753,814	(916,847)	126,925,934
Total bonds	340,741,790	15,769,425	(2,285,103)	354,226,112
Common stocks	1,034	5,917	-	6,951
Total investments	$ 340,742,824	$ 15,775,342	$ (2,285,103)	$ 354,233,063

	2020			
	NAIC Carrying Value or Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Bonds:				
U.S. government	$ 28,820,530	$ 2,294,827	$ (198,076)	$ 30,917,281
State, territories, possessions and political subdivisions	13,431,896	2,415,296	-	15,847,192
Special revenue and special assessments	21,800,667	2,226,233	-	24,026,900
Industrial and miscellaneous	146,297,017	14,981,019	(52,718)	161,225,318
Hybrid securities	1,153,486	1,831	(87,602)	1,067,715
Mortgage/asset-backed	108,039,072	5,768,916	(79,397)	113,728,591
Total bonds	319,542,668	27,688,122	(417,793)	346,812,997
Preferred stocks	550,051	108,474	-	658,525
Common stocks	1,034	1,099	(161)	1,972
Total investments	$ 320,093,753	$ 27,797,695	$ (417,954)	$ 347,473,494

The NAIC carrying value and fair value of bonds are shown by contractual maturity as of December 31, 2021. Expected maturities could differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	NAIC Carrying Value	Fair Value
Due to mature:		
One year or less	$ 5,122,358	$ 5,339,436
Over one year through five years	52,575,197	56,174,979
Over five years through ten years	90,363,021	93,478,396
Over ten years	67,592,247	72,307,367
Mortgage/asset-backed	125,088,967	126,925,934
Total bonds	$ 340,741,790	$ 354,226,112

Proceeds from the sale of bonds during the years ended December 31, 2021 and 2020, were $119,188,316 and $106,052,517, respectively. Gross realized gains on investments were $5,632,070 and $7,503,117 for the years ended December 31, 2021 and 2020, respectively. Gross realized losses on investments were $1,070,155 and $229,130 for the years ended December 31, 2021 and 2020, respectively.

As of December 31, 2021 and 2020, the Association's investments with unrealized losses by length of time they have been in an unrealized loss position are as follows:

	2021					
	12 Months or Less		Greater than 12 Months		Total	
	Fair Value	Gross Unrealized Loss	Fair Value	Gross Unrealized Loss	Fair Value	Gross Unrealized Loss
Bonds:						
U.S. government	$ 5,457,422	$ (59,646)	$ 4,527,266	$ (359,009)	$ 9,984,688	$ (418,655)
State, territories, possessions and political subdivisions	3,209,731	(26,865)	-	-	3,209,731	(26,865)
Special revenue and special assessments	2,952,030	(22,801)	-	-	2,952,030	(22,801)
Mortgage/asset-backed	58,046,478	(868,284)	1,547,744	(48,563)	59,594,222	(916,847)
Industrial and					-	
miscellaneous	39,157,332	(860,957)	711,023	(38,978)	39,868,355	(899,935)
Hybrid securities	-	-	-	-	-	-
Total bonds	108,822,993	(1,838,553)	6,786,033	(446,550)	115,609,026	(2,285,103)
Common stocks	-	-	-	-	-	-
Total investments	$ 108,822,993	$ (1,838,553)	$ 6,786,033	$ (446,550)	$ 115,609,026	$ (2,285,103)

	2020											
	12 Months or less				Greater than 12 Months				Total			
	Fair Value		Gross Unrealized Loss		Fair Value		Gross Unrealized Loss		Fair Value		Gross Unrealized Loss	
Bonds:												
U.S. government	$	13,197,109	$	(198,076)	$	-	$	-	$	13,197,109	$	(198,076)
State, territories, possessions and political subdivisions		-		-		-		-		-		-
Special revenue and special assessments		-		-		-		-		-		-
Industrial and miscellaneous		5,052,412		(66,044)		1,798,094		(13,353)		6,850,506 -		(79,397)
Mortgage/asset-backed		2,875,828		(32,597)		928,625		(20,121)		3,804,453		(52,718)
Hybrid securities		-		-		595,840		(87,602)		595,840		(87,602)
Total bonds		21,125,349		(296,717)		3,322,559		(121,076)		24,447,908		(417,793)
Common stocks		-		-		873		(161)		873		(161)
Total investments	$	21,125,349	$	(296,717)	$	3,323,432	$	(121,237)	$	24,448,781	$	(417,954)

At December 31, 2021 and 2020, 106 securities and 28 securities, respectively, are in an unrealized loss position. The Association considers both quantitative and qualitative factors when evaluating individual securities for other-than-temporary impairment, including but not limited to the amount and length of time a security is in an unrealized loss position, general credit quality of the issuer including third party credit ratings, and any adverse changes in estimated cash flows. Based on the above factors and because the Association has the intent and ability to hold these investments until a market price recovery, which may be maturity, the Association does not consider these investments to be other-than-temporarily impaired at December 31, 2021.

Components of investment income earned for the years ended December 31, are as follows:

	2021		2020	
Bonds	$	8,793,929	$	9,390,729
Preferred stock		6,625		13,250
Other invested assets		58,071		54,505
Total investment income		8,858,625		9,458,484
Less: investment expenses		(415,429)		(870,680)
Net investment income	$	8,443,196	$	8,587,804

4. Fair Value Measurements

The Association maximizes the use of observable inputs in its valuation techniques and applies unobservable inputs only to the extent that observable inputs are unavailable.

The Association must establish the appropriate input level in the fair value hierarchy for each fair value measurement. The hierarchy gives the highest priority to unadjusted quoted market prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). An asset's or liability's classification within the fair value hierarchy is based on the lowest level of significant input to its valuation. The Association recognizes transfers between levels at the beginning of the reporting period.

Level 1 – Valuations based on unadjusted quoted prices in active markets for identical assets that the Association's pricing sources have the ability to access. Since the valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these securities does not entail a significant amount or degree of judgment.

Level 2 – Valuations based upon quoted prices for similar assets in active markets, quoted prices for identical or similar assets in inactive markets, or valuations based on models where the significant inputs are observable (e.g., interest rates, yield curves, prepayment speeds, default rates, loss severities) or can be corroborated by observable market data. The Association utilized the market approach for the bonds measured at fair value as of December 31, 2021 and 2020.

Level 3 – Valuations that are derived from techniques in which one or more of the significant inputs are unobservable, including broker quotes, which are non-binding.

The Association's investments are comprised of a variety of different securities, which are classified into levels based on the valuation technique and inputs used in their valuation. The valuation of cash equivalents, common stocks and U.S. Treasury securities are generally based on Level 1 inputs, which use unadjusted quoted market prices in active markets. The valuation of the Association's U.S. Government and Agency securities, state and political subdivision securities, corporate debt, non-agency mortgage, asset-backed securities, preferred stocks and other invested assets generally incorporate significant Level 2 inputs using the market and income approach techniques. The Association may assign a lower level to inputs typically considered to be Level 2 based on its assessment of liquidity and relative level of uncertainty surrounding inputs. At December 31, 2021 and 2020, the Association did not have any investments classified within Level 3. The Association did not have any liabilities measured at fair value as of December 31, 2021 and 2020.

The following table presents the carrying amounts and fair value of the Association's financial instruments as of December 31, 2021 and 2020:

	2021				
	Fair Value	Admitted Assets	Level 1	Level 2	Level 3
Assets:					
Bonds	$ 354,226,112	$ 340,741,790	$ 31,712,867	$ 322,513,245	$ -
Preferred stocks	-	-	-	-	-
Common stocks	6,951	6,951	6,951	-	-
Cash and cash equivalents	9,816,344	9,816,344	9,816,344	-	-
Other invested asset	1,478,755	1,231,945	-	1,478,755	-

	2020				
	Fair Value	Admitted Assets	Level 1	Level 2	Level 3
Assets:					
Bonds	$ 346,812,997	$ 319,542,668	$ 30,917,281	$ 315,895,716	$ -
Preferred stocks	658,525	658,525	-	658,525	-
Common stocks	1,972	1,972	1,972	-	-
Cash and cash equivalents	10,147,302	10,147,302	10,147,302	-	-
Other invested asset	1,414,172	1,231,999	-	1,414,172	-

The methods and assumptions used in estimating the fair values of financial instruments are as follows:

The fair values of bonds, preferred stocks and other invested assets are based on fair values that reflect the price at which a security would sell in an arm's length transaction between a willing buyer and seller.

As such, sources of valuation include third party pricing sources and exchanges.

The carrying value of all other financial instruments approximates fair value.

5. Unpaid Losses and Loss Adjustment Expenses

Activity in the reserve for unpaid losses and loss adjustment expenses is summarized as follows:

	2021	2020
Balance at January 1	$ 14,126,478	$ 14,331,297
Incurred related to:		
Current year	15,833,922	5,230,520
Prior years	(2,669,767)	(2,526,560)
Total net incurred	13,164,155	2,703,960
Paid related to:		
Current year	(619,562)	(185,324)
Prior years	(2,156,769)	(2,723,455)
Total net paid	(2,776,331)	(2,908,779)
Balance at December 31	$ 24,514,302	$ 14,126,478

As a result of changes in estimates of insured events of prior years, the Association decreased losses and loss adjustment expenses incurred by $2,669,767 and $2,526,560 in 2021 and 2020, respectively, due to a combination of lower than expected claim frequency, several favorable indemnity loss settlements, and lower than expected changes in indemnity loss case reserves on open claims.

6. Leases

Effective October 1, 2016, the Association entered into a lease agreement with Sentry KPG III, L.P, through September 30, 2022. The lease agreement is subject to a renewal option at market rates prevailing at the time of renewal. At December 31, 2021, future minimum rental payments under this non-cancelable lease are as follows:

Period ending September 30, 2022	$ 73,984

Rent expense was $73,456 and $75,878 for 2021 and 2020, respectively.

7. Retirement Plan

The Association sponsors a defined contribution retirement plan (“Retirement Plan”) designed to provide benefits upon retirement, disability, death, or termination of employment.

The Retirement Plan requires the Association to contribute 3% of the respective participant’s compensation under the safe harbor provision. An employee receives the Safe Harbor Non-Elective Contribution beginning on the first day of the month following the 90th day after the employee begins working for the Association.

The employee becomes eligible to participate in the Association’s Profit Sharing Contributions after completing one year of service or one thousand hours of service prior to the date of the annual eligibility computation. Participants are fully vested after completing three years of service with the Association or upon attaining age 65, death or disability. The Association contributed $64,838 and $56,527 to the Retirement Plan during the year ended December 31, 2021 and 2020, respectively. As of December 31, 2021 and 2020, there was $46,918 and $44,889 payable to the retirement plan, respectively.

8. Surplus

Under the Act, in any calendar year in which the Association experiences a deficit, the Association is required to file the deficit with the Commissioner for approval. The Act defined a deficit as the amount, if any, of the net loss which exceeds the sum of earned premiums and investment income.

In such event, and with the Commissioner's approval of the deficit, the Association is authorized to borrow funds sufficient to satisfy the deficit. Additionally, the Association will file a rate filing with the Department in order to generate sufficient income for the Association to avoid a deficit during the following 12 month period and to repay any principal and interest on any money borrowed. The Association did not incur a deficit for the years ended December 31, 2021 and 2020.

9. Appropriated Surplus

The Association has voluntarily appropriated $3 million of surplus as of December 31, 2021 and 2020, for contingencies related to the indemnification of the Association and its officers and directors from any liability from claims against them which may arise in the future.

10. Commitment and Contingencies

The Association is involved in legal proceedings which arise in the ordinary course of business. In the opinion of management, the ultimate liability with respect to these legal proceedings will not have a material effect on the results of operations or financial position of the Association.

On October 30, 2017, the Commonwealth of Pennsylvania signed into law Act No. 2017-44, which required the Association to transfer $200,000,000 of its surplus to Pennsylvania's General Fund, or face the legislature's attempt to dissolve the Association. The Court granted the Association's request for a permanent injunction barring enforcement of Act 44 on May 18, 2018, on the theory that Association's assets are its private property protected by the Takings Clause of the Fifth Amendment to the United States Constitution. On June 22, 2018, the Commonwealth of Pennsylvania signed into law Act No. 2018-41, which would transform the Association into a government entity housed within the Pennsylvania Insurance Department and transfer all of the Association's assets, including all of its surplus, to the Insurance Department. The court granted Association's request for a permanent injunction barring enforcement of Act 41 on December 18, 2018. The Governor and the General Assembly have appealed both decisions to the United States Court of Appeals for the Third Circuit. The two appeals are consolidated, and the court's decision is pending the outcome of litigation of Act 15. In June 28, 2019, Commonwealth of Pennsylvania signed into law Act 15 which subjects the Association to portions of the budget process, including the requirement that the Association be funded by a legislative appropriation, and subjected Association to various statutes that are applicable only to government agencies.

In 2020, the court granted the Association and the Commonwealth of Pennsylvania's motions for summary judgment related to Act 15, striking down provisions that subjected the Association to portions of the budget process but leaving other provisions in place. The Commonwealth of Pennsylvania appealed the grant of summary judgment in favor of the Association, and the Association cross-appealed the grant of summary judgment in favor of the Commonwealth of Pennsylvania. Briefing on the appeals was completed in July 2021. The court has not yet indicated whether it will hear argument on the appeals or decide them without arguments on the briefs. Based in part upon the opinion of legal counsel, the ultimate outcome of this matter is not presently determinable. As of December 31, 2021 and 2020, there is no payable for the transfer of surplus and no amounts have been transferred to the Commonwealth of Pennsylvania as of May 5, 2022.

Investment Risk Interrogatories
December 31, 2021

Provided below are management's responses to the Investment Risk Interrogatories and Summary Investment Schedule required by NAIC SAP. Questions/Categories not applicable to the Association have not been included below.

1. Reporting entity's total admitted assets as of December 31, 2021 were: $ 353,920,540

2. The Association's ten largest exposures to a single issuer/borrower/investment, excluding. U.S. government, U.S. government agency securities, and U.S government money market funds, are as follows:

	Issuer	Description of Exposure	Amount	Percentage of Total Admitted Assets
1	Hertz Vehicle Financing III LLC	ABS	$ 2,459,600	0.69%
2	Federal National Mortgage Association	MBS	2,302,474	0.65%
3	Federal National Mortgage Association	MBS	2,302,096	0.65%
4	Federal Home Loan Mortgage Corporation	CMO	2,279,529	0.64%
5	Federal Home Loan Mortgage Corporation	MBS	2,242,400	0.63%
6	Government National Mortgage Association	CMO	2,171,686	0.61%
7	Bayview MSR Opportunity Master Fund Trust	CMO	2,171,112	0.61%
8	Indiana Bond Bank	MUNI	2,100,000	0.59%
9	NFL TRUST	CORP	2,000,000	0.57%
10	PG&E Recovery Funding LLC	CORP	1,999,980	0.57%

3. Amounts and percentages of the reporting entity's total admitted assets held in bonds and preferred stocks by NAIC rating.

Rating	Amount	Percentage of Total Admitted Assets
Bonds:		
NAIC-1	$ 253,028,240	71.49%
NAIC-2	77,640,969	21.94%
NAIC-3	8,315,501	2.35%
NAIC-4	1,757,080	0.50%
NAIC-5	-	0.00%
NAIC-6	-	0.00%
Preferred Stocks:		
P/RP-1	$ -	0.00%
P/RP-2	-	0.00%
P/RP-3	-	0.00%
P/RP-4	-	0.00%
P/RP-5	-	0.00%
P/RP-6	-	0.00%

Pennsylvania Professional Liability Joint Underwriting Association

Summary Investment Schedule
December 31, 2021

	Gross Investment Holdings		Admitted Asset	
Investment Categories	Amount	Percentage	Value	Percentage
U.S. Treasury securities	$ 30,635,126	8.71%	$ 30,635,126	8.71%
U.S. government agency obligations:				
Issued by U.S. government				
sponsored agencies	-	0.00%	-	0.00%
Securities issued by states, territories,				
and possessions and political				
subdivisions of the U.S.:				
States, territories and possessions	1,070,000	0.30%	1,070,000	0.30%
Political subdivisions of states,				
territories and possessions	10,245,287	2.91%	10,245,287	2.91%
Revenue and assessment obligations	20,361,494	5.79%	20,361,494	5.79%
Industrial development and similar obligations		0.00%	-	0.00%
Hybrid securities	1,374,044	0.39%	1,374,044	0.39%
Mortgage-backed securities:				
Pass-through securities:				
Guaranteed by GNMA	-	0.00%	-	0.00%
Issued or guaranteed by				
FNMA and FHLMC	-	0.00%	-	0.00%
All other MBS	-	0.00%	-	0.00%
CMOs and REMICs:				
Issued or guaranteed by GNMA,				
FNMA, FHLMC or VA	40,461,686	11.50%	40,461,686	11.50%
All other	84,627,281	24.06%	84,627,281	24.06%
Other debt and other fixed income				
securities (excluding short-term):				
Unaffiliated domestic securities	151,966,872	43.20%	151,966,872	43.20%
Unaffiliated Non-U.S. securities	-	0.00%	-	0.00%
Preferred stocks	-	0.00%	-	0.00%
Publicly traded equity securities				
(excluding preferred stocks):	6,951	0.00%	6,951	0.00%
Receivables for securities	-	0.00%	-	0.00%
Cash and cash equivalents	9,816,344	2.79%	9,816,344	2.79%
Other Invested assets	1,231,945	0.35%	1,231,945	0.35%
	$ 351,797,030	100.00%	$ 351,797,030	100.00%

Reinsurance Interrogatories
December 31, 2021

Provided below are management's responses to certain reinsurance interrogatories required by NAIC Statutory Accounting Principles:

Has the reporting entity reinsured any risk with any other entity under a quota share reinsurance contract that includes a provision that would limit the reinsurer's losses below the stated quota share percentage (e.g., a deductible, a loss ratio corridor, a loss cap, an aggregate limit or any similar provisions)?

Yes ( ) No (X)

Has the reporting entity ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates) for which during the period covered by the statement: (i) it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; (ii) it accounted for that contract as reinsurance and not as a deposit; and (iii) the contract(s) contain one or more of the following features or other features that would have similar results:

(a) A contract term longer than two years and the contract is noncancellable by the reporting entity during the contract term;
(b) A limited or conditional cancellation provision under which cancellation triggers an obligation by the reporting entity, or an affiliate of the reporting entity, to enter into a new reinsurance contract with the reinsurer, or an affiliate of the reinsurer;
(c) Aggregate stop loss reinsurance coverage;
(d) A unilateral right by either (or both parties) to commute the reinsurance contract, whether conditional or not, except for such provisions which are only triggered by a decline in the credit status of the other party;
(e) A provision permitting reporting of losses, or payment of losses, less frequently than on a quarterly basis (unless there is no activity during the period); or
(f) Payment schedule, accumulating retentions from multiple years or any features inherently designed to delay timing of the reimbursement to the ceding entity.

Yes ( ) No (X)

Has the reporting entity during the period covered by the statement ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates) for which during the period covered by the statement it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; excluding cessions to approved pooling arrangements or to captive insurance companies that are directly or indirectly controlling, controlled by, or under common control with (i) one or more unaffiliated policyholders of the reporting entity, or (ii) an association of which one or more unaffiliated policyholders of the reporting entity is a member, where:

(a) The written premium ceded to the reinsurer by the reporting entity or its affiliates represents fifty percent (50%) or more of the entire direct and assumed premium written by the reinsurer based on its most recently available financial statement; or
(b) Twenty–five percent (25%) or more of the written premium ceded to the reinsurer has been retroceded back to the reporting entity or its affiliates in a separate reinsurance contract.

Yes ( ) No (X)

Except for transactions meeting the requirements of paragraph 31 of SSAP No. 62R—Property and Casualty Reinsurance, disclose if the reporting entity ceded any risk under any reinsurance contract (or multiple contracts with the same reinsurer or its affiliates) during the period covered by the financial statement, and either:

(a) Accounted for that contract as reinsurance (either prospective or retroactive) under statutory accounting principles ("SAP") and as a deposit under generally accepted accounting principles ("GAAP"); or
(b) Accounted for that contract as reinsurance under GAAP and as a deposit under SAP?

Yes ( ) No (X)

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