JohnsonLambert LLP
cpas + consultants

# Kentucky Employers' Mutual Insurance Authority dba Kentucky Employers' Mutual Insurance

## Audited Financial Statements - Statutory Basis with Supplemental Information

*Years ended December 31, 2024 and 2023*
*with Report of Independent Auditors*

# Kentucky Employers' Mutual Insurance Authority
# dba Kentucky Employers' Mutual Insurance

## Audited Financial Statements - Statutory Basis
## with Supplemental Information

Years ended December 31, 2024 and 2023

Contents

# Report of Independent Auditors

Board of Directors
Kentucky Employers' Mutual Insurance Authority
dba Kentucky Employers' Mutual Insurance
Lexington, Kentucky

***Opinion***

We have audited the accompanying statutory financial statements of Kentucky Employers' Mutual Insurance Authority dba Kentucky Employers' Mutual Insurance (the Company), which comprise the statutory statements of admitted assets, liabilities, and policyholder surplus as of December 31, 2024, and the related statutory statements of operations, changes in surplus, and cash flows for the year then ended, and the related notes to the statutory financial statements.

*Unmodified Opinion on Regulatory Basis of Accounting*

In our opinion, the accompanying statutory financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024, and the results of its operations and its cash flows for the year then ended in accordance with the basis of accounting described in Note 1.

*Adverse Opinion on U.S. Generally Accepted Accounting Principles*

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles section of our report, the statutory financial statements do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Company as of December 31, 2024, or the results of its operations or its cash flows for the year then ended.

***Basis for Opinion***

We conducted our audit 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 Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles*

As described in Note 1 to the statutory financial statements, the Company prepared these statutory financial statements using accounting practices prescribed or permitted by the Department of Insurance of the Commonwealth of Kentucky, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the statutory financial statements of the variances between these statutory accounting practices described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

***Other Matter***
The financial statements of the Company for the year ended December 31, 2023 were audited by another auditor whose report dated April 19, 2024 expressed an unmodified opinion on the financial statements on the statutory basis of accounting and an adverse opinion on the financial statements on the basis of accounting principles generally accepted in the United States of America.

***Responsibilities of Management for the Financial Statements***
Management is responsible for the preparation and fair presentation of these statutory financial statements in accordance with the accounting practices prescribed or permitted by the Department of Insurance of the Commonwealth of Kentucky. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of statutory 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 Company's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company'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 Company'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.

***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the statutory financial statements taken as a whole. The accompanying Reinsurance Summary Supplemental Filing for General Interrogatory 9, Supplemental Investment Risks Interrogatories, and Summary Investment Schedule of the Company as of December 31, 2024, are presented for purposes of additional analysis and are not a required part of the statutory financial statements but are supplementary information required by the Department of Insurance of the Commonwealth of Kentucky. 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 statutory financial statements. The information has been subjected to the auditing procedures applied in the audit of the statutory financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the statutory financial statements or to the statutory financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, such schedules are fairly stated in all material respects in relation to the statutory financial statements as a whole.

Johnson Lambert LLP

Raleigh, North Carolina
April 8, 2025

Kentucky Employers' Mutual Insurance Authority
dba Kentucky Employers' Mutual Insurance

# Statements of Admitted Assets, Liabilities and Policyholder Surplus - Statutory Basis

As of December 31, 2024 and 2023

| | 2024 | 2023 |
|---|---|---|
| **Admitted Assets** | | |
| Long-term bonds | $ 985,771,759 | $ 983,132,973 |
| Common stocks | 69,073,580 | 67,295,904 |
| Preferred stocks | 2,951,725 | 1,751,725 |
| Cash, cash equivalents, and short-term investments | 38,975,338 | 37,373,444 |
| Real estate | 4,025,000 | 4,025,000 |
| Other invested assets | 16,768,228 | 12,801,986 |
| Receivables for securities | 6,718 | 35,611 |
| Total cash and invested assets | 1,117,572,348 | 1,106,416,643 |
| Investment income due and accrued | 9,566,230 | 8,427,549 |
| Premiums in course of collection | 9,728,035 | 12,941,470 |
| Uncollected premiums and deferred premiums | 38,139,593 | 44,452,815 |
| Funds on deposit with reinsurers | 1,200,000 | 1,770,000 |
| Amounts recoverable from reinsurers | 45,960 | 15,539 |
| EDP equipment and software | 203,080 | 137,670 |
| Other assets | 17,992 | 6,157 |
| Total admitted assets | $ 1,176,473,238 | $ 1,174,167,843 |
| **Liabilities and Policyholder Surplus** | | |
| Liabilities: | | |
| Reserve for losses | $ 606,167,533 | $ 616,863,107 |
| Reserve for loss adjustment expenses | 52,374,084 | 53,093,803 |
| Commissions payable and other similar charges | 13,835,730 | 13,533,573 |
| Unearned premiums | 63,630,168 | 69,635,390 |
| Amounts withheld or retained for account of others | 11,530,965 | 13,052,398 |
| Reinsurance premiums payable | (103,790) | 808,745 |
| Funds withheld under reinsurance treaties | 2,374,986 | 2,013,337 |
| Remittances and items not allocated | 734,037 | 1,016,554 |
| Retroactive reinsurance reserves assumed | 29,362,444 | 32,096,306 |
| Funds withheld on retroactive reinsurance ceded | - | 2,087,828 |
| Payable for securities | 250,000 | - |
| Provision for reinsurance | 59,154 | 119,695 |
| Other liabilities | 6,749,199 | 6,826,855 |
| Total liabilities | 786,964,510 | 811,147,591 |
| Policyholder surplus: | | |
| Unassigned surplus | 389,508,728 | 363,020,252 |
| Total liabilities and policyholder surplus | $ 1,176,473,238 | $ 1,174,167,843 |

*See accompanying notes to statutory basis financial statements*

Kentucky Employers' Mutual Insurance Authority
dba Kentucky Employers' Mutual Insurance

## Statements of Operations - Statutory Basis

Years ended December 31, 2024 and 2023

| | 2024 | 2023 |
|---|---|---|
| **Underwriting income** | | |
| Premiums earned | $ 150,877,948 | $ 154,778,301 |
| Deductions: | | |
| Losses incurred | 61,561,832 | 80,593,445 |
| Loss adjustment expenses incurred | 27,775,002 | 29,023,216 |
| Other underwriting expenses incurred | 37,307,972 | 38,252,110 |
| Total underwriting expenses | 126,644,806 | 147,868,771 |
| Net underwriting income | 24,233,142 | 6,909,530 |
| **Investment income** | | |
| Net investment income earned | 39,418,983 | 34,736,450 |
| Net realized capital (losses) gains | (18,659,967) | 1,074,707 |
| Net investment income | 20,759,016 | 35,811,157 |
| **Other income** | | |
| Net loss from agent's or uncollected balances charged off | (1,899,267) | (1,207,046) |
| Pension and postretirement benefit expense | (3,664,629) | (5,032,298) |
| Other income | 3,234,621 | 1,322 |
| Total other loss | (2,329,275) | (6,238,022) |
| Net income before dividends to policyholders | 42,662,883 | 36,482,665 |
| Dividends to policyholders | (17,897,335) | (15,458,044) |
| Net income | $ 24,765,548 | $ 21,024,621 |

*See accompanying notes to statutory basis financial statements*

Kentucky Employers' Mutual Insurance Authority
dba Kentucky Employers' Mutual Insurance

# Statements of Changes in Policyholder Surplus - Statutory Basis

Years ended December 31, 2024 and 2023

| | Total Policyholder Surplus |
|---|---|
| Balance at January 1, 2023 | $336,891,904 |
| Net income | 21,024,621 |
| Change in unrealized capital gains and losses | 2,250,298 |
| Change in provision for reinsurance | (119,695) |
| Change in nonadmitted assets | (3,840,017) |
| Change in projected pension and postretirement benefits | 6,813,141 |
| Balance at December 31, 2023 | 363,020,252 |
| Net income | 24,765,548 |
| Change in provision for reinsurance | 60,541 |
| Change in unrealized capital gains and losses | 3,325,285 |
| Change in nonadmitted assets | (1,662,898) |
| Balance at December 31, 2024 | $389,508,728 |

*See accompanying notes to statutory basis financial statements*

Kentucky Employers' Mutual Insurance Authority
dba Kentucky Employers' Mutual Insurance

## Statements of Cash Flows - Statutory Basis

Years ended December 31, 2024 and 2023

| | 2024 | 2023 |
|---|---|---|
| **Cash from operations** | | |
| Premiums collected, net of reinsurance paid | $ 148,953,803 | $ 148,274,118 |
| Net investment income received | 40,158,839 | 35,670,202 |
| Miscellaneous (expenses) income | (2,329,275) | (6,238,021) |
| Benefit and loss related payments, net | (72,287,827) | (68,505,892) |
| Commissions and other expenses paid | (65,306,471) | (64,253,423) |
| Dividends paid to policyholders | (17,897,335) | (15,458,044) |
| Net cash from operations | 31,291,734 | 29,488,940 |
| **Cash from investments** | | |
| Proceeds from investments sold or matured | 363,284,522 | 110,927,187 |
| Cost of investments acquired | (389,502,591) | (117,963,912) |
| Net cash from investments | (26,218,069) | (7,036,725) |
| **Cash from financing and miscellaneous sources** | | |
| Other cash (applied) provided | (3,471,771) | (4,052,413) |
| Net cash from financing and miscellaneous sources | (3,471,771) | (4,052,413) |
| Net change in cash, cash equivalents and short-term investments | 1,601,894 | 18,399,802 |
| Cash, cash equivalents and short-term investments at beginning of year | 37,373,444 | 18,973,642 |
| Cash, cash equivalents and short-term investments at end of year | $ 38,975,338 | $ 37,373,444 |

*See accompanying notes to statutory basis financial statements*

## Note 1 - Organization and Significant Accounting Policies

*Organization*
Kentucky Employers' Mutual Insurance Authority dba Kentucky Employers' Mutual Insurance (KEMI or the Company) is a non-profit, independent, self-supporting de jure municipal corporation and political subdivision of the Commonwealth of Kentucky (the Commonwealth). KEMI was established by legislation of the Commonwealth enacted April 4, 1994 to serve as a competitive state fund for the purpose of providing both a market of last resort for employers in the Commonwealth and another competitive source of insurance in the voluntary market through which employers may secure and maintain their workers' compensation coverage as required by state law. KEMI began writing business effective September 1, 1995. All of KEMI's total direct gross written premiums for years ended December 31, 2024 and 2023 were for insureds in Kentucky. KEMI also offers multi-state coverage to its Kentucky based policyholders through the use of assumptive reinsurance agreements as described in Note 2.

*Basis of Reporting*
For regulatory purposes, the Company prepares its financial statements in accordance with accounting practices prescribed or permitted by the Department of Insurance of the Commonwealth of Kentucky (the Department), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America (U.S. GAAP). Prescribed statutory accounting practices include a variety of publications of the National Association of Insurance Commissioners (NAIC), as well as state laws, regulations and general administrative rules. Permitted statutory accounting practices encompass all accounting practices not so prescribed. The NAIC Accounting Practices and Procedures Manual (NAIC Statutory Accounting Practices) has been adopted as a component of prescribed or permitted practices by the Commonwealth of Kentucky. KEMI does not employ any practices not prescribed by the NAIC or the Department in the preparation of its statutory basis financial statements. There are no differences between statutory policyholders' surplus as presented in these statutory basis financial statements as of December 31, 2024 and 2023 (as prescribed or permitted by the Commonwealth of Kentucky) and NAIC Statutory Accounting Practices.

**Note 1 - Organization and Significant Accounting Policies (Continued)**

Statutory accounting practices vary in some respects from U.S. GAAP. The effects have not been determined, however, the more significant variances from GAAP that are relevant to the Company's statutory basis financial statements are as follows:

- Investments in bonds with an NAIC rating of 1 or 2 are carried at NAIC determined value or amortized cost, with all other bonds being recorded at the lower or amortized cost or fair value; common stocks and nonredeemable preferred stocks are carried at fair value; redeemable preferred stocks with an NAIC rating of 1 or 2 are carried at amortized cost, with all other redeemable preferred stocks recorded at the lower or amortized cost or fair value; bonds with a NAIC rating of 3 through 6 are assigned specific year-end values by the NAIC and are written down to Securities Valuation Office (SVO) assigned values (if less than amortized cost) by charging statutory policyholder surplus. Under U.S. GAAP, bonds are classified into three categories: held to maturity, available for sale and trading. Bonds held to maturity are stated at amortized cost; bonds available for sale are stated at fair value and the resulting unrealized gains or losses, net of applicable income taxes, are charged or credited to policyholder surplus; and bonds held for trading are reported at fair value and the resulting gains and losses are reported in earnings net of related taxes.
- For loan-backed and structured securities, if the company determines that a security is impaired and management intends to sell the security or no longer has the ability and intent to retain the investment for a period of time sufficient to recover the amortized cost, that security shall be written down to fair value. For statutory purposes, if the company subsequently changes their assertion, and now believe they do not intend to sell the security and have the ability and intent to retain the investment for a period of time sufficient to recover the amortized cost, that security will continue to be carried at the lower of cost or market with any future decreases in fair value charged through operations until the security is disposed. For U.S. GAAP purposes, once the company alters their assertion, that security's amortized cost basis will not be decreased for future reductions in fair value unless an other-than-temporary impairment is determined to have occurred.
- For U.S. GAAP purposes, other-than-temporary impairment losses related to debt securities (for non-loan-backed and structured securities) are bifurcated between credit and non-credit, whereas for statutory purposes the total other-than-temporary impairment loss is reported in earnings.
- Changes in the unrealized gains (losses) of common stock investments are recorded as a component of policyholder surplus under statutory accounting principles. Under U.S. GAAP, common stocks are carried at fair value with unrealized changes in fair value recognized in operations.

**Note 1 - Organization and Significant Accounting Policies (Continued)**

- Assets having economic value other than those that can be used to fulfill policyholder obligations are categorized as non-admitted assets and are not permitted to be included in the statutory basis financial statements of admitted assets, liabilities, and policyholder surplus, whereas, for U.S. GAAP, these assets are recognized in the balance sheet. Included with non-admitted assets are furniture, equipment and supplies, prepaid expenses, certain receivables, pension net assets overfunding, and other items that do not meet statutory criteria for admitted assets.
- Receivables over 90 days outstanding are not admitted in the statutory basis financial statements and charged to policyholder surplus, whereas, for U.S. GAAP, the company assesses the collectability of premiums receivable and any credit losses assessed is charged to the income statement.
- The statutory basis financial statements are presented net of the effects of reinsurance, whereas for U.S. GAAP, the financial statements are presented gross of the effects of reinsurance.
- Policy acquisition costs, net of ceding commission received pursuant to reinsurance agreements, are charged to operations in the year such costs are incurred, rather than being deferred and amortized over the terms of the policies as would be required under GAAP.
- Comprehensive income is not determined for statutory reporting purposes, whereas, for U.S. GAAP, such income is recognized.
- Costs incurred in connection with acquiring new insurance business, including commissions, are charged against statutory earnings as such costs are incurred, while under U.S. GAAP, such costs, to the extent recoverable, would be deferred and amortized over the effective periods covered by the related policies.
- A statutory liability is established and charged to policyholder surplus for amounts due from unauthorized reinsurers in excess of letters of credit, funds held, and premiums payable. Under U.S. GAAP, no such liability is provided.
- Cash, cash equivalents, and short-term investments in the statements of cash flows statutory basis represent cash balances and investments with initial maturities of one year or less. Under U.S. GAAP, the corresponding caption of cash and short-term investments (also referred to as cash equivalents) would include cash balances and investments with maturities, when purchased, of three months or less. Additionally, negative cash balances are recorded as a negative asset whereas under U.S. GAAP, these balances would be reclassified to a liability account.
- All leases, except leveraged leases for lessors, are treated as operating leases with rental expense being recognized on a straight-line basis over the lease term, without recognition of a right-to-use asset or lease liability as provided for under U.S. GAAP.

**Note 1 - Organization and Significant Accounting Policies (Continued)**

- The statutory basis financial statements are prepared in a form using language and groupings substantially the same as the annual statements that KEMI files with the NAIC and the state regulatory authorities, which differ from the presentation and disclosures of financial statements presented under U.S. GAAP reporting.
- The statutory statement of cash flow does not classify cash flow consistent with GAAP, and a reconciliation of net income to net cash provided by operating activities is not provided.

The effects of these differences on these statutory basis financial statements have not been determined, but are presumed to be material and pervasive.

*Risks and Uncertainties*
Certain risks and uncertainties are inherent to KEMI's day-to-day operations and to the process of preparing its statutory basis financial statements. The more significant of those risks and uncertainties are presented below and throughout the notes to the statutory basis financial statements.

*Use of Estimates*
The preparation of statutory basis financial statements requires management to make estimates and assumptions. Those estimates and assumptions affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the statutory balance sheets, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

*Reserve for Losses and LAE*
KEMI estimates unpaid losses and loss adjustment expenses (LAE) based on the accumulation of case estimates and loss reports, as well as estimates of incurred but not reported (IBNR) losses, net of applicable policy deductibles and deduction of amounts for reinsurance ceded on reported and unreported claims and incidents using certain actuarial methods. KEMI also offers its Kentucky-based policyholders multi-state coverage through the use of assumptive reinsurance agreements, under which unaffiliated cedents write certain policies for which KEMI assumes 100% of the business. Management believes that the reserve for losses and LAE represents its best estimate of the amounts necessary to cover the ultimate net cost of losses and LAE. However, considerable variability is inherent and these estimates are subject to the effects of trends in loss severity and frequency. Accordingly, the ultimate net liability could be significantly in excess of or less than the amount indicated in the statutory basis financial statements. The estimates are continually reviewed by management, and adjusted if necessary, as experience develops or new information becomes known; such adjustments are charged or credited to current operations.

**Note 1 - Organization and Significant Accounting Policies (Continued)**

In establishing the reserve for unpaid losses and LAE, several generally accepted actuarial methodologies are applied to the Company's line of business. The methodologies used in the actuarial analysis incorporates a variety of claim count, loss and LAE estimation methods. There were no significant changes to the methodologies and assumptions used in establishing the reserve for unpaid losses and LAE for 2024.

To reflect the time value of money, KEMI began discounting the indemnity portion of black lung reserves effective December 31, 2017. Both case reserves and IBNR reserves have been discounted on a tabular basis at a rate of 3.5% using the following tables: Male—2021 Social Security Administration Table Adjusted for Black Lung Mortality for Males, and Female - 2021 U.S. Lives Table for Females. Tabular discounting of indemnity reserves is a permitted practice of the NAIC and the Department, and it is a common industry practice to discount the indemnity portion of black lung claim reserves given the long-term nature of the payment pattern. KEMI does not discount indemnity claims other than black lung, nor does it discount any medical or loss expense reserves.

*Premiums*

Premiums are earned on the daily pro-rata method over the policy period and are stated after deduction for reinsurance. Unearned premiums represent the portion of initial premiums written that are applicable to the unexpired terms of policies in force. Initial premiums are recorded as premiums written on the policy effective date except for certain premiums that are recorded on an installment basis. Any subsequent additional premiums or refunds that occur as a result of policy audits are recorded as written premiums at the time the policy audits are finalized. Earned but unbilled premiums include management's estimate of future audit premiums and are included in premiums booked but deferred and not yet due.

Premiums in course of collection which are customer obligations due under normal terms requiring payment by the policy due date, and premiums booked but deferred and not yet due are valued at their carrying amount. Premiums in the course of collection are presented net of non-admitted amounts. Ten percent of earned but unbilled premium in excess of collateral held is included as a non-admitted asset. Management continually monitors the collectibility of such balances, and accounts specifically identified as uncollectible are charged to expense in the year the determination is made. Receivables over 90 days outstanding are not admitted in the statutory basis financial statements.

**Note 1 - Organization and Significant Accounting Policies (Continued)**

*Reinsurance*
Reinsurance contracts do not relieve KEMI from its obligations to insureds. Failure of reinsurers to honor their obligations could result in losses to KEMI. KEMI evaluates the financial condition of its reinsurers to minimize its exposure to significant losses from reinsurer insolvencies. Management believes that any liability arising from this contingency would not be material to KEMI's financial position.

The Company utilizes ceded reinsurance to limit its insurance risk. Reinsurance recoverable is estimated using assumptions consistent with those used to estimate the reserve for unpaid losses and LAE. In preparing financial statements, management makes estimates of amounts recoverable from reinsurers, which include consideration of amounts, if any, estimated to be uncollectible by management based on an assessment of factors including the creditworthiness of the reinsurers. Reinsurance receivable on losses and LAE paid by the Company are reported as an asset, while reinsurance recoverable on unpaid losses and LAE are reported as a reduction of the gross reserve. The Company did not record a valuation allowance for reinsurance receivable as of December 31, 2024 and 2023.

*Investments*
The Company invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, liquidity, and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities may occur in the near term and those changes could materially affect the amounts reported on the accompanying statutory balance sheets.

KEMI is exposed to risks that issuers of securities owned by KEMI will default or that interest rates will change and cause a decrease in the value of its investments. With mortgage-backed securities, KEMI is exposed to credit risk and prepayment risk. As interest rates change, the velocity at which these securities pay down the principal will change as well. Management mitigates these risks by conservatively investing in high-grade securities and by matching maturities of its investments with the anticipated payouts of its liabilities. As part of its investment strategy, KEMI holds investments in loan-backed securities and, therefore, KEMI has subprime risk exposure related to these investments. These securities subject KEMI to unrealized gains and losses due to changes in asset values; future sales could result in realized losses and a reduction of future cash flows. As of December 31, 2024, none of KEMI's loan-backed securities were considered subprime. KEMI mitigates its subprime risk by adhering to conservative investment strategies and by actively monitoring investment performance.

**Note 1 - Organization and Significant Accounting Policies (Continued)**

As most of KEMI's investments consist of securities that are traded in the public securities markets, they are subject to risk related to fluctuations in overall market performance and are potentially subject to heightened levels of market risk attributable to issuer, industry, and geographic region concentrations. KEMI's investment portfolio is regularly reviewed, and the extent of its diversification, is considered in the context of statutory requirements and other risk management and performance objectives.

The Company's investments are stated as follows, in accordance with statutory accounting practices:

- Investments, excluding residential mortgage-backed securities not guaranteed by federal or federally sponsored agencies, are stated at values prescribed by the NAIC's SVO, which generally are as follows:
  - Non loan-backed bonds rated 1 and 2 by the NAIC are stated at amortized cost using the scientific (constant yield) interest method with bonds containing call provisions being amortized to the call or maturity date, which ever results in a lower asset value. Loan-backed bonds rated 1 and 2 by the NAIC are stated at amortized cost using the scientific (constant yield) interest method including anticipated prepayments. Bonds rated 3 through 6 are carried at the lower of amortized cost or fair value with the change included within policyholder surplus.
  - Investments in residential mortgage-backed securities not guaranteed by federal or federally sponsored agencies utilize a financial model commissioned by the NAIC to determine credit ratings, and ultimately the NAIC designation/rating. This financial model requires a two-step process. KEMI first determines the initial rating designation based upon each security's amortized cost in relation to security specific prescribed valuation points. This initial rating designation determines whether the security will be stated at amortized cost or fair value, based on the same criteria noted in the preceding paragraph. (The lower the amortized cost relative to par, the higher the NAIC designation, and the more likely the security will be carried at amortized cost.) If the security is to be carried at fair value, KEMI then determines the final rating designation based upon each security's fair value in relation to the same security specific prescribed valuation points used in the first step. If the security is to be carried at amortized cost, the final designation remains the same as what was determined in the first step. The final designation is used for RBC purposes as well as for NAIC designation disclosure purposes.
  - Investments in redeemable preferred stocks with an NAIC rating designation of 1 or 2 are stated at amortized cost; all other preferred stocks are stated at the lesser of amortized cost or fair value.
  - Investments in common stocks are stated at fair value with unrealized gains and losses being reported as a separate component of unassigned policyholder surplus.

**Note 1 - Organization and Significant Accounting Policies (Continued)**

- Realized gains or losses are determined on the specific-identification method. Investment income is recognized as earned, net of related investment expenses. Bond premiums and discounts are amortized by the scientific-yield method and are charged or credited to net investment income. For mortgage-backed securities, KEMI anticipates prepayments utilizing published data in determining interest income.
- The assessment of other-than-temporary impairments is performed on a case-by-case basis. Factors considered by management in determining whether an other-than-temporary impairment exists (in other than loan-backed or structured securities) include: the financial condition, business prospects and creditworthiness of the issuer, the length of time and extent to which fair value has been less than cost for equity securities or amortized cost for fixed income securities, and KEMI's intent and ability to retain such investments until the fair value recovers. If it is determined that the decline in fair market value is other-than-temporary, the carrying amount of the investment is written down to fair value as its new basis and the amount of the write down is recorded as a realized loss.
- For loan-backed or structured securities, factors considered by management in determining whether another-than temporary impairment exists include: KEMI's stated intent to not sell, KEMI's ability to hold such investments until the fair value recovers, and the discounted cash flows of the security based on the yield at the date of acquisition. If KEMI intends to sell or if KEMI does not have the ability and intent to hold the security for a period of time sufficient to recover its amortized cost basis, an other-than-temporary impairment exists, and the security is written down to fair value with the amount of the write-down recorded as a realized loss. If KEMI does not intend to sell the security and has the ability and intent to hold the security for a period of time sufficient to recover the amortized cost basis, KEMI calculates the cash flows expected to be collected. In this calculation, KEMI compares the present value of cash flows expected to be collected, discounted at the security's effective interest rate at date of purchase, to the amortized cost basis. If the present value of cash flows is less than the amortized cost basis, a realized loss is recorded for the difference. The present value of cash flows then becomes the new cost basis.
- For fixed-rate agency mortgage-backed securities, KEMI's investment managers calculate prepayment speeds utilizing Mortgage Industry Advisory Corporation (MIAC) Mortgage Industry Medians (MIMs). MIMs are derived from a semi-monthly dealer consensus survey of long-term prepayment projections. For other mortgage-backed, loan-backed, and structured securities, KEMI's investment managers use prepayment assumptions from Moody's Analytics (Moody's). Moody's applies a flat economic credit model and utilizes a vector of multiple monthly speeds as opposed to a single speed for more robust projections. In instances where Moody's projections are not available, KEMI's investment managers use data from Reuters, which utilizes the median prepayment speed from contributors' models.

**Note 1 - Organization and Significant Accounting Policies (Continued)**

- KEMI is a member of the Federal Home Loan Bank (FHLB) of Cincinnati. Through its membership, KEMI may engage in borrowing activities with the FHLB. The strategy behind purchasing FHLB Capital stock was to gain backup liquidity and to provide an option for securing letters of credit at rates lower than those offered by other commercial lenders. Investments in FHLB common stock are carried at par value and are considered restricted investments until redeemed by FHLB. Dividends are recognized in net investment income when received. To date, KEMI has obtained no debt or letters of credit through FHLB.

*Other Invested Assets*
KEMI has ownership interest in one unaffiliated partnership, which is reported as other invested assets on the statutory balance sheets as of December 31, 2024 and 2023.

During the funding and acquisition phase, it is valued at initial cost plus subsequent capital contributions less any distributions received. Once the funding and acquisition phase is complete, the carrying value is adjusted for KEMI's proportionate share of the underlying audited GAAP equity of the investee, as described by SSAP No. 48 - Joint Ventures, Partnerships and Limited Liability Companies.

These investments shall not be categorized within the fair value hierarchy levels 1 through 3.

In order to redeem these investments prior to dissolution of the fund, KEMI would need to transfer its interests and any unfunded commitment to another party with the approval of the general partner. Under these circumstances, it is likely the investment would sell below the carrying value.

*External Factors*
KEMI is highly regulated by the state in which it is domiciled. Such regulations, among other things, limit the amount of dividends and impose restrictions on the amount and types of investments. In addition, from time to time, KEMI may be affected by changes in federal regulations such as the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act) or the Patient Protection and Affordable Care Act (PPACA). Additionally, the PPACA contained an amendment with specific language related to black lung claims (the Byrd Amendment). KEMI continues to monitor the impact of such regulations and will assess any potential impact of these changes on the accompanying statutory basis financial statements.

**Note 1 - Organization and Significant Accounting Policies (Continued)**

*Risk-based Capital*

The NAIC has developed property-casualty risk-based capital (RBC) standards that relate an insurer's reported statutory basis capital and policyholder surplus to the risks inherent in its overall operations. The RBC formula uses the statutory basis annual statement to calculate the minimum indicated capital level to protect KEMI from the various risks that it faces. The NAIC model law calls for various levels of regulatory action based on the magnitude of an indicated RBC capital deficiency, if any. KEMI continues to monitor its internal capital requirements and the NAIC's RBC requirements. KEMI has determined that its capital levels are in excess of the minimum capital requirements for all RBC action levels. Management believes that KEMI's capital levels are sufficient to support the level of risk inherent in its operations.

*Cash, Cash Equivalents, and Short-term Investments*

The Company considers all highly liquid instruments purchased with a maturity of one year or less to be cash equivalents. Cash equivalents are short-term investments that are both readily convertible to known amounts of cash and so near their maturity they present an insignificant risk of changes in value because of changes in interest rates. Amounts held in financial institutions in excess of FDIC limits totaled $37,250,023 at December 31, 2024.

*Electronic Data Processing*

Electronic data processing (EDP) equipment is stated at cost, less accumulated depreciation and, along with other furniture and equipment, is depreciated using the straight-line method over the estimated useful lives of the assets, which range from three to ten years. EDP equipment is limited to 3% of surplus, subject to certain specified adjustments. Maintenance and repair costs are charged to expense as incurred.

Depreciation expense is computed using the straight-line method over the estimated useful lives of the assets. Gains and losses on the sale of property and equipment are recorded in the year of disposition. Maintenance and repairs are expensed as incurred; replacements and betterments are capitalized.

**Note 1 - Organization and Significant Accounting Policies (Continued)**

*Pension Plan and Postretirement Plan*
Some of the Company's employees are covered under a defined benefit retirement plan (Pension plan) and post retirement medical plan sponsored by the Company. The projected benefit obligations are determined using actuarial techniques and assumptions as of the reporting date. These include assumptions regarding discount rates, expected salary increases, mortality rates, employee turnover, and other demographic factors. Projected benefit obligations represent the obligations for past service and for expected future compensation as of the measurement date. If the projected benefit obligation exceeds the fair value of plan assets, the Company recognizes a liability that equals the unfunded projected benefit obligation. If the projected benefit obligation does not exceed the the fair value of plan assets, the Company recognizes a non-admitted asset that equals the overfunded amount plus any prepaid benefit amount.

*Reclassifications*
Certain amounts from the 2023 financial statements have been reclassified to conform to the 2024 presentation. Such reclassifications had no impact on reported policyholders' surplus.

*Subsequent Events*
The Company evaluated subsequent events through April 8, 2025, the date on which these financial statements were available to be issued. There were no events during the evaluation period that required recognition or disclosure in the statutory basis financial statements.

**Note 2 - Insurance Activity**

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

| | 2024 | 2023 |
|---|---|---|
| Net reserves for losses and LAE, beginning of year | $ 669,956,910 | $ 657,404,126 |
| Provision for losses and LAE related to: | | |
| Current year | 92,703,230 | 109,816,840 |
| Prior years | (3,366,396) | (200,179) |
| Total incurred losses and LAE | 89,336,834 | 109,616,661 |
| Losses and LAE paid related to: | | |
| Current year | (41,394,593) | (40,619,501) |
| Prior years | (59,357,534) | (56,444,376) |
| Total paid losses and LAE | (100,752,127) | (97,063,877) |
| Net reserves for losses and LAE at end of year | $ 658,541,617 | $ 669,956,910 |

**Note 2 - Insurance Activity (Continued)**

Net estimates for incurred losses and LAE attributable to insured events of prior years decreased or developed favorably by $3,366,396 during 2024 and decreased or developed favorably by $200,179 during 2023, as a result of re-estimations of unpaid losses and LAE, including changes in discount rates. During 2024, the majority of the favorable development in KEMI's workers' compensation line relates to accident year 2022, developing favorably by approximately $12 million. This favorable development was partially offset by unfavorable development of approximately $10 million related to accident year 2023. During 2023, the majority of the favorable development in KEMI's workers' compensation line relates to accident years 2022 and 2021, developing favorably by a total of approximately $6 million. This favorable development was partially offset by unfavorable development of approximately $5.8 million related to accident years 2020 and 2018.

The reserve for losses and LAE as of December 31, 2024 and 2023 have been offset by reinsurance recoverables amounting to $33,414,014 and $30,838,224, respectively. Estimated subrogation recoverable on unpaid losses was approximately $600,000 and $3,000,000 as of December 31, 2024 and 2023, respectively.

Tabular discounts were $135,411,310 and $152,022,693 as of December 31, 2024 and 2023, respectively. KEMI recognized discount accretion of approximately $2,100,000 and $1,800,000 for 2024 and 2023, respectively, through direct losses incurred on the statements of operations - statutory basis.

*Reinsurance*

KEMI limits the maximum net loss that can arise from large risks or risks in concentrated areas of exposure by reinsuring (ceding) certain levels of risks with various reinsurers under excess of loss agreements. These agreements cede premium on an earned basis. Ceded reinsurance is treated as the risk and liability of the assuming companies; however, these reinsurance contracts do not relieve KEMI from its original obligations to policyholders. Failure of reinsurers to honor their obligations could result in losses to KEMI; consequently, allowances are established for amounts deemed uncollectible, if any. KEMI evaluates the financial condition of its reinsurers and monitors concentrations of credit risk arising from similar geographic regions, activities, or economic characteristics of the reinsurers to minimize its exposure to significant losses from reinsurer insolvencies.

**Note 2 - Insurance Activity (Continued)**

KEMI maintains Excess of Loss reinsurance coverage (including terrorism) with unaffiliated reinsurers for losses and loss adjustment expenses in excess of $3 million per occurrence and up to $125 million per occurrence. The Excess of Loss reinsurance agreements apply to KEMI's net retained liability, covering direct and assumed business in force as of each effective date, as well as new business and renewal business from the effective date through the end of the contract term. Unpaid losses and loss adjustment expenses as of December 31, 2024 and 2023 included estimated reinsurance recoverables under the Excess of Loss agreements of $26,103,196 and $29,904,850, respectively.

KEMI also maintains a facultative reinsurance agreement with unaffiliated reinsurers for catastrophe coverage (including terrorism) in certain geographical locations where KEMI has heavy concentrations of covered lives. This facultative contract provides 100% coverage of losses and loss adjustment expenses in excess of $125 million per occurrence up to $305 million per occurrence.

Effective November 1, 2017, KEMI entered into a quota share reinsurance treaty with Automobile Dealers Management Insurance Company (ADMIC) under which KEMI cedes to ADMIC 50% of the premiums, losses and loss adjustment expenses for a group of approximately forty to fifty car dealerships. The agreement is renewable annually, and each contract year may be commuted no sooner than five years after expiration. Ceded premiums earned under the agreement were $623,252 and $693,639 in 2024 and 2023, respectively. Unpaid losses and loss adjustment expenses as of December 31, 2024 and 2023 included estimated reinsurance recoverables of $1,028,977 and $933,374, respectively, under the agreement. The ADMIC quota share contracts are secured by funds withheld accounts and collateral deposits totaling $2,374,986 and $2,013,337 as of December 31, 2024 and 2023, respectively.

KEMI offers multi-state coverage to its policyholders through the use of assumptive reinsurance agreements, under which unaffiliated cedents write certain policies for which KEMI assumes 100% of the business. This coverage is only available to Kentucky-based businesses that have similar operations in other states. KEMI's liability for unpaid losses and loss adjustment expenses as of December 31, 2024 and 2023 includes $6,236,504 and $6,577,783 respectively, related to these agreements. The cedents require KEMI to maintain standby letters of credit totaling $16.9 million. The letters of credit are collateralized by U.S. Treasury Bonds.

KEMI had no unsecured net reinsurance recoverables outstanding for losses and loss adjustment expenses, paid and unpaid, including IBNR and unearned premium that individually exceeded 3% of policyholder surplus at December 31, 2024 and 2023.

**Note 2 - Insurance Activity (Continued)**

The effects of KEMI's assumed and ceded reinsurance transactions for the years ended December 31, 2024 and 2023 are summarized as follows:

| | 2024 | 2023 |
|---|---|---|
| Written premiums: | | |
| Direct | $ 147,011,755 | $ 161,837,132 |
| Assumed | 4,479,153 | 5,879,421 |
| Ceded | 6,919,743 | (7,358,964) |
| Net | $ 158,410,651 | $ 160,357,589 |

| | 2024 | 2023 |
|---|---|---|
| Earned premiums: | | |
| Direct | $ 152,580,716 | $ 156,323,825 |
| Assumed | 5,251,611 | 5,844,723 |
| Ceded | (6,954,379) | (7,390,247) |
| Net | $ 150,877,948 | $ 154,778,301 |

| | 2024 | 2023 |
|---|---|---|
| Unearned premiums: | | |
| Direct | $ 61,680,244 | $ 66,947,644 |
| Assumed | 2,350,303 | 3,122,761 |
| Ceded | (400,379) | (435,015) |
| Net | $ 63,630,168 | $ 69,635,390 |

| | 2024 | 2023 |
|---|---|---|
| Incurred losses and LAE: | | |
| Direct | $ 88,822,315 | $ 104,738,285 |
| Assumed | 3,985,146 | 6,053,174 |
| Ceded | (3,470,627) | (1,174,798) |
| Net | $ 89,336,834 | $ 109,616,661 |

KEMI has evaluated its assumed and ceded reinsurance arrangements and believe they appropriately transfer risk in accordance with SSAP No. 62R, Property and Casualty Reinsurance, and have therefore accounted for them as prospective reinsurance.

**Note 2 - Insurance Activity (Continued)**

At December 31, 2024 and 2023, the Company had no unsecured reinsurance balances (including ceded case and IBNR reserves, and ceded unearned premiums) with any one reinsurer in excess of 3% of surplus.

Commission activity during the years ended December 31, 2024 and 2023 is as follows:

| | 2024 | 2023 |
|---|---|---|
| Commission expense on direct premiums | $ 14,778,308 | $ 15,481,360 |
| Contingent commission expense on direct premiums | 1,719,945 | 1,915,928 |
| Commission expense on assumed premiums | 743,825 | 1,072,596 |
| Commission expense on ceded premiums | (176,585) | (198,707) |
| Contingent commission expense on ceded premiums | (6,425) | (67,914) |
| Net commissions on direct, assumed and ceded premiums | $ 17,059,068 | $ 18,203,263 |

Premium balances due consist of the following at December 31, 2024 and 2023:

| | 2024 | 2023 |
|---|---|---|
| Uncollected premiums | $ 22,639,695 | $ 21,037,358 |
| Deferred premiums | 39,652,645 | 45,678,594 |
| Non-admitted premium balances | (14,424,712) | (9,321,667) |
| Premiums in course of collection, uncollected premiums and deferred premiums | $ 47,867,628 | $ 57,394,285 |

Uncollected premium balances include amounts due from insureds for billed premiums. Deferred premiums consist of future, unbilled installments. Included in deferred premium above is $5,119,220 and $4,817,659 of earned but unbilled premium due as of December 31, 2024 and 2023 respectively.

**Note 3 - Investments**

The carrying value/cost and fair value of investments at December 31, 2024 are summarized as follows:

| December 31, 2024 | Carrying Value/Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
|---|---|---|---|---|
| U.S. government securities | $ 19,864,056 | $ 32,158 | $ (672,790) | $ 19,223,424 |
| U.S. agency residential mortgage-backed securities | 3,112,851 | 51,402 | (526) | 3,163,727 |
| U.S. special revenue bonds | 105,455,929 | 17,015 | (9,500,500) | 95,972,444 |
| Commercial mortgage-backed securities | 129,697,408 | 212,655 | (11,684,452) | 118,225,611 |
| Commercial asset-backed securities | 139,109,976 | 874,168 | (2,246,207) | 137,737,937 |
| Corporate bonds ($13,891,015 carried at fair value) | 576,392,310 | 2,092,096 | (35,317,104) | 543,167,302 |
| All other bonds | 12,139,229 | 264 | (1,059,023) | 11,080,470 |
| Total bonds | $ 985,771,759 | $ 3,279,758 | $ (60,480,602) | $ 928,570,915 |
| Common stock | $ 58,315,825 | $ 12,117,593 | $ (1,359,838) | $ 69,073,580 |
| Preferred stock | 2,951,725 | 16,326 | (40,915) | 2,927,136 |
| Total stocks | $ 61,267,550 | $ 12,133,919 | $ (1,400,753) | $ 72,000,716 |

**Note 3 - Investments (Continued)**

The carrying value/cost and fair value of investments at December 31, 2023 are summarized as follows:

| December 31, 2023 | Carrying Value/Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
|---|---|---|---|---|
| U.S government securities | $ 19,883,157 | $ 227,177 | $ (649,991) | $ 19,460,343 |
| U.S. agency residential mortgage-backed securities | 3,558,045 | 181,516 | - | 3,739,561 |
| U.S. special revenue bonds | 125,742,078 | 110,523 | (13,245,826) | 112,606,775 |
| Commercial mortgage-backed securities | 88,998,296 | - | (13,590,229) | 75,408,067 |
| Commercial asset-backed securities | 103,081,341 | 240,677 | (3,961,496) | 99,360,522 |
| Corporate bonds ($16,891,015 carried at fair value) | 624,089,226 | 3,653,927 | (47,988,653) | 579,754,500 |
| All other bonds | 17,780,830 | - | (1,912,689) | 15,868,141 |
| Total bonds | $ 983,132,973 | $ 4,413,820 | $ (81,348,884) | $ 906,197,909 |
| Common stock | $ 59,270,460 | $ 10,488,805 | $ (2,463,361) | $ 67,295,904 |
| Preferred stock | 1,751,725 | 13,858 | (44,438) | 1,721,145 |
| Total stocks | $ 61,022,185 | $ 10,502,663 | $ (2,507,799) | $ 69,017,049 |

The carrying value and estimated fair value of long-term bonds at December 31, 2024, by contractual maturity, are as follows. Actual maturities may differ from contractual maturities because certain borrowers have the right to call or prepay obligations with or without call or prepayment penalties.

| | Carrying Value | Estimated Fair Value |
|---|---|---|
| Less than one year | $ 17,408,936 | $ 17,264,852 |
| One year through five years | 274,231,607 | 262,281,072 |
| Six years through ten years | 188,735,443 | 178,927,421 |
| After ten years | 236,588,388 | 214,134,022 |
| Residential mortgage-backed securities | 49,312,987 | 47,233,764 |
| Commercial mortgage-backed securities | 80,384,421 | 70,991,847 |
| Other asset-backed securities | 139,109,977 | 137,737,937 |
| Total long-term bonds | $ 985,771,759 | $ 928,570,915 |

**Note 3 - Investments (Continued)**

The following table shows the proceeds from the sales and redemptions, and maturities and calls of debt securities, and the sales of equities, and the related gross realized gains and losses during 2024 and 2023:

| | 2024 | 2023 |
|---|---|---|
| Debt securities: | | |
| Proceeds - sales and redemptions | $ 303,567,950 | $ 82,557,164 |
| Gross realized gains | 155,440 | 5,605 |
| Gross realized losses | (25,171,350) | (480,210) |
| Proceeds - maturities and calls | 26,372,072 | - |
| Gross realized gains | 9,310 | - |
| Gross realized losses | (124,650) | - |
| Equity securities: | | |
| Proceeds - sales | 26,550,942 | 13,477,463 |
| Gross realized gains | 6,583,146 | 2,394,982 |
| Gross realized losses | (1,668,706) | (1,334,892) |

Major categories of the Company's 2024 and 2023 net investment income are summarized as follows:

| | 2024 | 2023 |
|---|---|---|
| Investment Income: | | |
| Cash and short-term investments | $ 1,479,828 | $ 660,548 |
| Bonds | 37,398,780 | 34,374,375 |
| Stocks | 2,234,281 | 2,047,275 |
| Other invested assets | 920,984 | 411,839 |
| Gross investment income | 42,033,873 | 37,494,037 |
| Investment expense | (2,319,125) | (2,084,475) |
| Interest expense | (295,765) | (673,112) |
| Net investment income | $ 39,418,983 | $ 34,736,450 |

**Note 3 - Investments (Continued)**

*Real Estate*
In September of 2016, KEMI purchased a parcel of land upon which it planned to construct a home office building. This parcel of land was reported at cost, plus capitalized legal and professional fees, of $5,020,818. In 2019, KEMI extended their current lease and terminated all plans to develop a home office building. The property was reclassified to held for sale. On January 19, 2020, a third-party certified appraiser valued the land at $4,025,000, which was lower than carrying value at that time, and the carrying value was adjusted to reflect the lower appraised value.

*Other Invested Assets*
During 2020, KEMI purchased a minority limited partnership interest in Elmtree U.S. Net Lease Fund IV-A, L.P. (the Elmtree Fund IV-A) for a total commitment of $20 million. The Fund was formed in July 2020 to invest in real estate development. During 2023, a release of funds was made consequent to consent filed to sell the ElmTree Fund IV. During 2023, KEMI consented to sell the Fund for a gain of $1,648,932 with unfunded commitment balance of $650,901 as of December 31, 2023. As of December 31, 2024 KEMI is awaiting the release of its current unfunded commitment of $650,901. KEMI's book adjusted carrying value for ElmTree IV as of December 31, 2024 is $0.

During 2023, KEMI purchased a minority limited partnership interest in Elmtree U.S. Net Lease Fund V-A, L.P. (the Elmtree Fund V-A) for a total commitment of $30 million. The Fund was formed in April 2023 to invest in real estate development. As of December 31, 2024, KEMI had made capital contributions totaling $17,398,228 leaving a remaining commitment of $12,601,772. KEMI's book adjusted carrying value for ElmTree V-A was $16,768,228 as of December 31, 2024 and $12,801,986 as of December 31, 2023. KEMI earns an annual return of 7% on this investment, which is paid quarterly and reflected in investment income.

## Note 3 - Investments (Continued)

*Other-than-temporary Impairment*
The following tables illustrate the gross unrealized losses and fair value of investments with unrealized loses that are not deemed to be other-than-temporarily impaired, aggregated by investment type and length of time that individual securities have been in a continuous unrealized loss position as of December 31, 2024 and 2023:

| | Less than 12 months | | Greater than 12 months | | Total | |
|---|---|---|---|---|---|---|
| December 31, 2024 | Fair value | Unrealized Loss | Fair value | Unrealized Loss | Fair value | Unrealized Loss |
| U.S. government | $ - | $ - | $ 13,493,250 | $ (672,790) | $ 13,493,250 | $ (672,790) |
| U.S. agency residential mortgage-backed | 31,526 | (526) | - | - | 31,526 | (526) |
| U.S. special revenue | 30,966,286 | (501,378) | 64,015,229 | (8,999,122) | 94,981,515 | (9,500,500) |
| Commercial mortgage-backed | 9,746,440 | (134,224) | 65,460,018 | (11,550,228) | 75,206,458 | (11,684,452) |
| Commercial asset-backed | 18,153,398 | (224,287) | 35,429,705 | (2,021,920) | 53,583,103 | (2,246,207) |
| Corporate bonds | 172,132,021 | (6,901,628) | 284,630,695 | (28,415,476) | 456,762,716 | (35,317,104) |
| All other bonds | 1,909,492 | (134,621) | 7,410,715 | (924,402) | 9,320,207 | (1,059,023) |
| Total bonds | 232,939,163 | (7,896,664) | 470,439,612 | (52,583,938) | 703,378,775 | (60,480,602) |
| Common stock | 10,497,573 | (1,110,681) | 3,141,665 | (249,157) | 13,639,238 | (1,359,838) |
| Preferred stock | - | - | 1,189,085 | (40,915) | 1,189,085 | (40,915) |
| Total stocks | 10,497,573 | (1,110,681) | 4,330,750 | (290,072) | 14,828,323 | (1,400,753) |
| Total | $ 243,436,736 | $ (9,007,345) | $ 474,770,362 | $ (52,874,010) | $ 718,207,098 | $ (61,881,355) |

| | Less than 12 months | | Greater than 12 months | | Total | |
|---|---|---|---|---|---|---|
| December 31, 2023 | Fair value | Unrealized Loss | Fair value | Unrealized Loss | Fair value | Unrealized Loss |
| U.S. government | $ - | $ - | $ 12,505,015 | $ (649,991) | $ 12,505,015 | $ (649,991) |
| U.S. special revenue | 2,998,085 | (107,482) | 105,284,663 | (13,138,344) | 108,282,748 | (13,245,826) |
| Mortgage-backed | 49,884 | (305) | 75,358,183 | (13,589,924) | 75,408,067 | (13,590,229) |
| Commercial asset-backed | 2,798,726 | (32,458) | 79,831,397 | (3,929,038) | 82,630,123 | (3,961,496) |
| Corporate bonds | 33,656,597 | (652,291) | 474,100,829 | (47,336,362) | 507,757,426 | (47,988,653) |
| All other bonds | 1,754,931 | (5,069) | 14,113,210 | (1,907,620) | 15,868,141 | (1,912,689) |
| | - | - | - | - | - | - |
| Total bonds | 41,258,223 | (797,605) | 761,193,297 | (80,551,279) | 802,451,520 | (81,348,884) |
| Common stock | 9,747,903 | (909,552) | 5,831,790 | (1,553,809) | 15,579,693 | (2,463,361) |
| Preferred stock | - | - | 1,185,562 | (44,438) | 1,185,562 | (44,438) |
| Total stocks | 9,747,903 | (909,552) | 7,017,352 | (1,598,247) | 16,765,255 | (2,507,799) |
| Total | $ 51,006,126 | $ (1,707,157) | $ 768,210,649 | $ (82,149,526) | $ 819,216,775 | $ (83,856,683) |

**Note 3 - Investments (Continued)**

KEMI evaluates impairment at each reporting period for each of the securities whereby the fair value of the investment is less than its amortized cost. It is expected that the securities would not be settled at a price less than the amortized cost of the investment, as KEMI has the ability and intent to hold the investment until there is not an unrealized loss on the investment. For valuing loan-backed and structured securities, KEMI's asset manager uses a proprietary model for loss assumptions and widely accepted models for prepayment assumptions with inputs from major third-party data providers. Model assumptions are specific to asset class and collateral types and are regularly evaluated and adjusted where appropriate.

KEMI evaluated the credit ratings of these holdings, noting neither a significant deterioration since purchase nor other factors which may indicate an other-than-temporary impairment, such as the length of time and extent to which fair value has been less than cost, the financial condition and near-term prospects of the issuer as well as specific events or circumstances that may influence the operations of the issuer, and KEMI's intent and ability to hold the investment for a sufficient time in order to enable recovery of cost. In 2024 and 2023, KEMI had recorded no other-than-temporary impairments.

KEMI continues to review its investment portfolio under its impairment review policy. Given the fluctuating market conditions and the significant judgment involved, there is a continuing risk that further declines in fair value may occur and additional other-than-temporary impairments may be experienced in future periods.

As of December 31, 2024 and 2023, KEMI has $24,383,091 and $18,654,703, respectively, of investments pledged as collateral related to funds withheld under reinsurance policies and line of credits.

*Fair Value Measurements*
The fair value estimates presented herein are based on pertinent information available to management as of December 31, 2024 and 2023. 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 statutory basis financial statements since that date, and current estimates of fair value may differ significantly from the amounts presented herein.

The following methods and assumptions were used to estimate the fair value of each significant class of financial instruments for which it is practical to estimate that value:

**Note 3 - Investments (Continued)**

Bonds, Loan-backed and Structured Securities, and Common Stock
Valued at fair value by reference to identical trades in active markets and by a third-party portfolio manager. Fair values are based on values published by the SVO, quoted market prices, or dealer quotes. For bonds not actively traded, fair values are estimated using values obtained from independent pricing services, or in the case of private placements, are estimated by discounting the expected future cash flows using current market rates applicable to the yield, credit, and maturity of the investment.

KEMI's financial assets carried at fair value have been classified, for disclosure purposes, based on a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The hierarchy gives the highest priority to fair values determined using unadjusted quoted prices in active markets for identical assets (Level 1) and the lowest priority to fair values determined using unobservable inputs (Level 3). An asset's classification is determined 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 (Levels 1 and 2) and unobservable (Level 3).

The levels of the fair value hierarchy are as follows:

Level 1 - Unadjusted quoted prices in active markets for identical assets that KEMI has the ability to access at the measurement date.

Level 2 - Valuations derived from inputs other than quoted market prices included within Level 1 that are observable for the asset, either directly or indirectly, such as:
- Quoted prices for similar assets in active markets.
- Quoted prices for identical or similar assets in markets that are not active.
- Inputs other than quoted prices that are observable for the asset.
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - Valuations are derived from techniques that require significant unobservable inputs. The unobservable inputs reflect KEMI's own assumptions about the assumptions that market participants would use in pricing the asset.

KEMI holds common stocks and other securities that are measured at fair value on a recurring basis. In addition, KEMI sometimes holds certain financial assets, primarily certain bonds valued at the lower of cost or fair value in accordance with NAIC reporting guidelines and assets that are impaired during the current reporting period and carried at fair value, that are considered to be measured at fair value on a recurring basis.

**Note 3 - Investments (Continued)**

The following table summarizes the fair value of all of KEMI's financial instruments whether or not they are carried at fair value on the statement of admitted assets, liabilities and policyholder surplus - statutory basis. Management has elected not to further disaggregate the investments displayed below as additional risk information is not deemed material to the statutory basis financial statements.

| | Fair Value Measurements at Reporting Date | | | |
|---|---|---|---|---|
| December 31, 2024 | Level 1 | Level 2 | Level 3 | Fair Value |
| Investments: | | | | |
| U.S. government securities | $ - | $ 19,223,424 | $ - | $ 19,223,424 |
| U.S. agency residential mortgage-backed securities | - | 3,163,727 | - | 3,163,727 |
| U.S. special revenue bonds | - | 95,972,444 | - | 95,972,444 |
| Commercial mortgage-backed securities | - | 118,225,611 | - | 118,225,611 |
| Commercial asset-backed securities | - | 137,737,937 | - | 137,737,937 |
| Corporate bonds ($13,891,015 carried at fair value) | - | 543,167,302 | - | 543,167,302 |
| All other bonds | - | 11,080,470 | - | 11,080,470 |
| Common Stock | $ 68,662,259 | $ 411,321 | $ - | $ 69,073,580 |
| Preferred Stock | 2,927,136 | - | - | 2,927,136 |
| Total assets at fair value | $ 71,589,395 | $ 928,982,236 | $ - | $ 1,000,571,631 |

**Note 3 - Investments (Continued)**

| | Fair Value Measurements at Reporting Date | | | |
|---|---|---|---|---|
| December 31, 2023 | Level 1 | Level 2 | Level 3 | Fair Value |
| Investments: | | | | |
| U.S. government securities | $ - | $ 19,460,343 | $ - | $ 19,460,343 |
| U.S. agency residential mortgage-backed securities | - | 3,739,561 | - | 3,739,561 |
| U.S. special revenue bonds | - | 112,606,775 | - | 112,606,775 |
| Commercial mortgage-backed securities | - | 75,408,067 | - | 75,408,067 |
| Commercial asset-backed securities | - | 99,360,522 | - | 99,360,522 |
| Corporate bonds ($13,891,015 carried at fair value) | - | 579,754,500 | - | 579,754,500 |
| All other bonds | - | 15,868,141 | - | 15,868,141 |
| Common stock | $ 66,856,600 | $ 439,304 | $ - | $ 67,295,904 |
| Preferred Stock | 1,721,145 | - | - | 1,721,145 |
| Total assets at fair value | $ 68,577,745 | $ 906,637,213 | $ - | $ 975,214,958 |

**Note 4 - Loss Portfolio Transfers**

*Kentucky School Boards Insurance Trust Loss Portfolio Transfer*
Effective October 31, 2014, KEMI entered into a loss portfolio transfer agreement with the Commissioner of Insurance of the Commonwealth of Kentucky, Rehabilitator of the Kentucky School Boards Insurance Trust (KSBIT) Workers' Compensation Self Insurance Fund. Pursuant to this loss portfolio transfer, approximately $35 million in workers' compensation claims liabilities for the period July 7, 1978 through June 30, 2013, were transferred to KEMI by KSBIT's Rehabilitator. In exchange for assuming responsibility for these claim liabilities and the handling thereof, KEMI received $35 million in cash and guaranteed receivables. Final installments under the guaranteed receivables program were received in 2020. As a result of efficient claims handling practices, actuarially determined claim liabilities were less than originally projected; therefore, KEMI was able to return a total of $16.3 million of transferred funds to the Rehabilitator in 2019 and 2020. As of December 31, 2024, KSBIT's cash balance was $7,891,980, reinsurance receivables on paid losses and loss adjustment expenses were $(188,890), net reported loss and loss adjustment expense reserves were $6,155,011 and net incurred but not reported loss and loss adjustment expense reserves were $1,925,859. KSBIT reserves for unpaid losses and loss adjustment expenses are not discounted.

**Note 4 - Loss Portfolio Transfers (Continued)**

The net liability for KSBIT unpaid claims and the receivable for retroactive reinsurance assumed activity for the years ended December 31, 2024 and 2023 is as follows:

| | 2024 | 2023 |
|---|---|---|
| Net liability for KSBIT unpaid claims, beginning of year | $ 8,205,795 | $ 8,718,575 |
| Losses and LAE paid | (739,534) | (888,069) |
| Reinsurance received | 425,719 | 375,289 |
| Net liability for KSBIT unpaid claims, end of year | $ 7,891,980 | $ 8,205,795 |

*Kentucky Workers' Compensation Funding Commission Loss Portfolio Transfer*
Effective July 7, 2017, KEMI entered into a loss portfolio transfer agreement with the Kentucky Workers' Compensation Funding Commission (the Funding Commission). Pursuant to this loss portfolio transfer, approximately $40 million in workers' compensation claims liabilities for claims incurred on or after December 12, 1996, which were filed on or before June 30, 2017 (known as the Kentucky Coal Workers' Pneumoconiosis Fund or KCWPF), were transferred from the Funding Commission to KEMI. In exchange for assuming responsibility for these claim liabilities and the handling thereof, KEMI received approximately $19.3 million in cash. In addition, the Funding Commission continued to impose assessments until both the Funding Commission and KEMI agreed that the liabilities were fully funded. Assessments ceased effective January 1, 2020. As of December 31, 2024, KCWPF's cash balance was $4,663,646 and net loss and loss adjustment expense reserves were $4,663,646. KCWPF reserves for unpaid losses and loss adjustment expenses are not discounted.

The net liability for KCWPF unpaid claims and the receivable for retroactive reinsurance assumed activity for the years ended December 31, 2024 and 2023 is as follows:

| | 2024 | 2023 |
|---|---|---|
| Net liability for KCWPF unpaid claims, beginning of year | $ 6,404,864 | $ 8,192,448 |
| Losses and LAE paid, net | (1,669,177) | (1,751,228) |
| Settlement distributions to KY Coal Employers Self-Insured Guarantee Fund | (72,041) | (36,356) |
| Net liability for KCWPF unpaid claims, end of year | $ 4,663,646 | $ 6,404,864 |
| Excess funds to be returned, beginning of year | $ - | $ - |
| Excess funds adjustments | 72,041 | 36,356 |
| Settlement distributions to KY Coal Employers Self-Insured Guarantee Fund | (72,041) | (36,356) |
| Excess funds to be returned, end of year | $ - | $ - |

**Note 4 - Loss Portfolio Transfers (Continued)**

*AIK Comp Loss Portfolio Transfer*
Effective July 1, 2022, KEMI entered into a loss portfolio transfer agreement with the Commissioner of Insurance of the Commonwealth of Kentucky, Rehabilitator of the AIK Comp (AIK) self insurance fund. Pursuant to this loss portfolio transfer, approximately $5.7 million of AIK workers' compensation claim liabilities incurred prior to March 1, 1997 were transferred to KEMI by the Rehabilitator. In exchange for assuming responsibility for these claim liabilities and the handling thereof, KEMI received $5.7 million in cash. As of December 31, 2024, AIK's cash balance was $4,038,960. AIK reserves for unpaid losses and loss adjustment expenses are not discounted.

The net liability for AIK unpaid claims and the receivable for retroactive reinsurance assumed activity for the years ended December 31, 2024 and 2023 is as follows:

| | 2024 | 2023 |
|---|---|---|
| Net liability for AIK unpaid claims, beginning of year | $ 4,416,227 | $ 5,255,097 |
| Losses and LAE paid, net | (334,449) | (797,560) |
| Other direct expenses paid | (42,818) | (41,310) |
| Net liability for AIK unpaid claims, end of year | $ 4,038,960 | $ 4,416,227 |

*Kentucky Coal Producers' Self-Insurance Fund Loss Portfolio Transfer*
Effective July 1, 2022, KEMI entered into a loss portfolio transfer agreement with the Commissioner of Insurance of the Commonwealth of Kentucky, Rehabilitator of the Kentucky Coal Producers' Self-Insurance Fund (KCP). Pursuant to this loss portfolio transfer, approximately $14.1 million of KCP workers' compensation claim liabilities incurred prior to November 1, 1991 were transferred to KEMI by the Rehabilitator. Any KCP claims arising under the Federal Black Lung Benefits Act are specifically excluded from this loss portfolio transfer agreement. In exchange for assuming responsibility for these claim liabilities and the handling thereof, KEMI received $14,073,195 in cash. As of December 31, 2024, KCP's cash balance was $12,767,858. KCP reserves for unpaid losses and loss adjustment expenses are not discounted.

The net liability for KCP unpaid claims and the receivable for retroactive reinsurance assumed activity for the years ended December 31, 2024 and 2023 is as follows:

| | 2024 | 2023 |
|---|---|---|
| Net liability for KCP unpaid claims, beginning of year | $ 13,069,420 | $ 13,722,780 |
| Losses and LAE paid, net | (210,339) | (604,600) |
| Other direct expenses paid | (91,223) | (48,760) |
| Net liability for KSBIT unpaid claims, end of year | $ 12,767,858 | $ 13,069,420 |

**Note 4 - Loss Portfolio Transfers (Continued)**

The net liability of all assumed loss portfolios transfers noted above as of December 31, 2024 and 2023 is $29,362,444 and $32,096,306. The net liability is shown as part of retroactive reinsurance reserves assumed on the statements of admitted assets, liabilities and policyholder surplus - statutory basis as of December 31, 2024 and 2023.

**Note 5 - Adverse Development Coverage**

Effective December 31, 2019, KEMI entered into an agreement for adverse development coverage with two unaffiliated reinsurers, Swiss Reinsurance America Corporation (67.5%) and Hannover Ruck SE (22.5%); KEMI retained 10% of this coverage. This agreement, which was commuted with an effective date of May 31, 2024, related to direct and assumed business, excluding all loss portfolio transfers, and provided KEMI with reinsurance protection against unfavorable development arising from existing and/or newly reported claims for accident years 2015 through 2019. In exchange for a total premium of $30.5 million, KEMI obtained $75 million of additional protection against unfavorable development for those accident years. Upon commutation, KEMI recouped $3.2 million of interest expense on Funds Withheld under the contract. This $3.2 million was recognized as an aggregate write-in gain on KEMI's 2024 Statement of Income.

**Note 6 - Leases**

KEMI leases space for its main office under a noncancelable operating lease which expires December 31, 2034. The agreement also includes an option to extend the lease for an additional 60 months following the expiration on December 31, 2034. KEMI also leases space for a satellite office under a noncancelable operating lease which expires May 31, 2027. Rental expense under these leases was $812,328 and $954,783 for 2024 and 2023, respectively.

The following is a summary of future minimum rental commitments for these leases:

| Years Ending | | |
|---|---|---|
| 2025 | $ | 501,096 |
| 2026 | | 502,436 |
| 2027 | | 463,125 |
| 2028 | | 434,643 |
| 2029 | | 434,643 |
| Thereafter | | 2,391,796 |
| | $ | 4,727,739 |

## Note 7 - Retirement Plans

*Defined Benefit Pension and Postretirement Benefit Plans*
Prior to July 1, 2016, all full-time KEMI employees were enrolled in a mandatory defined benefit pension plan regulated by the Kentucky Retirement Systems (KRS). KEMI voluntarily ceased participation in KRS effective June 30, 2016.

Effective July 1, 2016, KEMI established a contributory 401(a) defined benefit pension plan for which it is the plan sponsor. The plan provides pension benefits and a partial subsidy of retiree health insurance premiums for eligible KEMI employees who have chosen to participate in the plan. Benefit amounts are determined based on retirement age, salary history, participation date and years of service. Participating employees are required to contribute 6% of their salary to the defined benefit pension plan. These employer contribution rates will be evaluated as deemed necessary to ensure the financial soundness of the plan.

**Note 7 - Retirement Plans (Continued)**

As of December 31, 2024 and 2023, KEMI recorded the actuarially determined liabilities, non-admitted assets and net periodic costs for both the defined benefit pension plan and the retiree health insurance plan. A summary of assets, obligations and assumptions of these plans are as follows:

| | Pension Benefits | | Postretirement Benefits | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| Change in benefit obligation | | | | |
| Benefit obligation, beginning | $ 35,405,210 | $ 43,955,617 | $ 4,485,371 | $ 2,379,909 |
| Service cost | 1,137,418 | 783,511 | 145,538 | 109,071 |
| Interest cost | 1,643,678 | 2,098,544 | 214,026 | 118,649 |
| Contribution by plan participants | - | 386,070 | - | - |
| Actuarial (gain) loss | (3,090,672) | (1,107,802) | (148,109) | 1,928,633 |
| (Decrease) in PBO due to settlement | - | (10,235,100) | - | - |
| Benefits paid | (2,436,656) | (475,630) | (89,891) | (50,891) |
| Benefit obligation, ending | $ 32,658,978 | $ 35,405,210 | $ 4,606,935 | $ 4,485,371 |

| | Pension Benefits | | Postretirement Benefits | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| Change in plan assets | | | | |
| Fair value of plan assets, beginning | 38,740,062 | 37,142,476 | 5,098,189 | 4,768,236 |
| Actual return on plan assets | 1,114,097 | 2,672,447 | 331,545 | 380,844 |
| Reporting entity contribution | - | 7,480,000 | - | - |
| Plan participants' contributions | 317,518 | 333,756 | - | - |
| Benefits paid | (2,436,656) | (8,888,617) | (89,891) | (50,891) |
| Fair value of plan assets, ending | $ 37,735,021 | $ 38,740,062 | $ 5,339,843 | $ 5,098,189 |
| Funded status: | | | | |
| Asset (liability) for pension benefits | $ 5,076,043 | $ 3,334,852 | $ 732,908 | $ 612,818 |
| Asset (liability) recognized: | | | | |
| Assets (nonadmitted) | $ 7,000,962 | $ 10,367,322 | $ 1,237,573 | $ 1,535,842 |
| Components of net periodic benefit cost: | | | | |
| Service cost | $ 819,900 | $ 783,511 | $ 145,538 | $ 109,071 |
| Interest cost | 1,643,674 | 2,098,544 | 214,026 | 118,649 |
| Expected return on plan assets | (1,730,727) | (1,475,952) | (201,760) | (189,327) |
| Recognized gains and losses | - | 883,469 | - | (156,856) |
| Settlement cost | - | 799,208 | - | - |
| Prior service cost recognized | 2,935,272 | 2,935,272 | 140,465 | 140,465 |
| Total net periodic benefit cost | $ 3,668,119 | $ 6,024,052 | $ 298,269 | $ 22,002 |

**Note 7 - Retirement Plans (Continued)**

The change in assumptions losses for 2024 and 2023 are primarily due to adjustments to the discount rate to reflect current market conditions and the change of the mortality table. The prepaid pension and postretirement asset of $8,238,535 and $11,903,164 as of December 31, 2024 and 2023, respectively, has been nonadmitted in the statutory balance sheets.

| | Pension Benefits | | Postretirement Benefits | |
|---|---|---|---|---|
| Amounts in unassigned funds (surplus) recognized as components of net periodic benefit cost: | 2024 | 2023 | 2024 | 2023 |
| Items not yet recognized as a component of net periodic cost - prior year | $ 7,032,470 | $15,390,759 | $ 923,023 | $ (830,483) |
| Net prior service (cost) or credit recognized | (2,935,272) | (2,935,272) | (140,465) | (140,465) |
| Net loss (gain) arising during the period | (2,474,042) | (4,539,548) | (277,894) | 1,737,115 |
| Net (loss) recognized | - | (883,469) | - | 156,856 |
| | $ 1,623,156 | $ 7,032,470 | $ 504,664 | $ 923,023 |
| Amounts in unassigned funds (surplus) that have not yet been recognized as components of net periodic benefit cost | 2024 | 2023 | 2024 | 2023 |
| Net transition asset or obligation | $ - | $ - | $ - | $ - |
| Net prior service cost | 733,814 | 3,669,086 | 722,219 | 862,684 |
| Net losses (gains) | 889,342 | 3,363,384 | (217,555) | 60,339 |
| | $ 1,623,156 | $ 7,032,470 | $ 504,664 | $ 923,023 |

The components of net periodic pension costs were as follows:

| | Pension Benefits | | Postretirement Benefits | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| Net periodic pension/postretirement cost: | | | | |
| Service cost | $ 819,900 | $ 783,511 | $ 145,538 | $ 109,071 |
| Interest cost | 1,643,674 | 2,098,544 | 214,026 | 118,649 |
| Expected return on plan assets | (1,730,727) | (1,475,952) | (201,760) | (189,327) |
| (Gain)/loss | - | 883,469 | - | (156,856) |
| Amortization of prior service cost | 2,935,272 | 2,935,272 | 140,465 | 140,465 |
| Loss due to curtailment | - | 799,208 | - | - |
| Net periodic benefit cost | $ 3,668,119 | $ 6,024,052 | $ 298,269 | $ 22,002 |

**Note 7 - Retirement Plans (Continued)**

The accumulated benefit obligation for the pension plan benefits as of December 31, 2024 and 2023 was $28,402,083 and $31,031,271, respectively. The accumulated benefit obligation for the postretirement benefits as of December 31, 2024 and 2023 was $4,606,935 and $4,485,371, respectively.

The weighted-average assumptions used to determine benefit obligations and net periodic benefit costs for the years ended December 31 were as follows:

| | Pension Benefits | | Postretirement Benefits | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| Benefit obligations: | | | | |
| Discount rate | 5.50 % | 4.75 % | 5.54 % | 4.83 % |
| Rate of compensation increase | 4.50 % | 4.00 % | N/A | N/A |
| Net periodic benefit costs: | | | | |
| Discount rate | 5.50 % | 4.75 % | 5.54 % | 4.83 % |
| Expected return on plan assets | 4.50 % | 4.50 % | 8.50% pre-65 / 7.00% post-65 | 8.50% pre-65 / 7.00% post-65 |
| Rate of compensation increase | 4.00 % | 4.00 % | N/A | N/A |

The discount rate is determined each year as of the measurement date based on a review of interest rates associated with long-term high-quality corporate bonds. The discount rate is used in calculating the benefit obligation as of the measurement date and the net periodic benefit (income)/cost for the upcoming plan year.

Measurement of postretirement health care benefits requires the use of certain assumptions about future health care costs. A maximum benefit of $400 per month in subsidies for retiree health insurance premiums was assumed for 2020 and thereafter.

**Note 7 - Retirement Plans (Continued)**

For the defined benefit pension plan, retirees have the option of selecting either an annuity stream or a lump sum distribution discounted to present value at 6%. The following estimated future payments, which reflect expected future service, as appropriate, are expected to be paid in the years indicated:

| Year Ending December 31: | Pension Benefits | Postretirement Benefits |
|---|---|---|
| 2025 | $ 1,749,161 | $ 111,528 |
| 2026 | 2,560,622 | 127,242 |
| 2027 | 2,358,813 | 172,043 |
| 2028 | 2,199,452 | 199,711 |
| 2029 | 3,763,059 | 216,786 |
| Thereafter | 15,924,532 | 1,214,655 |

The discount rate utilized in valuing the defined benefit pension obligation is determined by matching the FTSE Pension Discount Curve to the expected benefit payout stream and determining a single equivalent discount rate. The impact of the assumption changes identified in the tables above during 2024 and 2023 resulted in a (decrease) and an increase in the projected benefit obligation of ($2,661,923) and $1,811,010, respectively.

Plan assets are professionally managed by a third-party investment advisor under two separate investment policies. The primary objective for both plans is to obtain favorable returns through investment in high quality income producing and long-term growth oriented investments. This is consistent with the need to preserve and increase plan assets through stability and growth in income while maintaining safety of principal, as well as the need to ensure that sufficient assets are available to fund expected benefit payments as they come due. A retirement plan investment committee monitors the plans' investment options based on the following criteria:

- Maximization of return within reasonable and prudent levels of risk
- Provision of returns comparable to returns for similar investment options
- Provision of exposure to a wide range of investment opportunities in various asset classes and vehicles
- Control of administrative and management costs
- Provision of appropriate diversification within investment vehicles

**Note 7 - Retirement Plans (Continued)**

In 2023, the Retirement Plan Committee approved the implementation of a cash flow liability hedging strategy for the Pension Plan. This strategy designates assets in the plan as part of either “Hedged” or “Growth” portfolios. The Hedged Portfolio is used to offset the plan’s expected cash flows over the next 10 years. The Growth Portfolio is used to generate long-term growth of plan assets. This strategy reduces stress on the plan during periods of large equity drawdowns since the Hedged Portfolio can be used to cover necessary cash flows and provide time for the Growth Portfolio to recover.

The Hedged Portfolio is structured to cover cash flows with very low risk for loss of principal. Investments are focused on US investment grade bonds and cash with redemption values close to the targeted future cash flows of the Plan.

The Growth Portfolio is structured on balancing the risks and rewards of each broad asset class, the defined benefit plan's neutral target investment allocation is 70% in Equities, 20% in Diversifying Strategies, and 10% in Bonds (including cash).

The Postretirement plan has a neutral target allocation of 75% in fixed income securities (including a 2% cash position), 15% in equities, and 10% in diversifying strategies. All investments must meet minimum quality, duration and diversification standards as set forth in the retirement plan investment policy statements. In addition, overall composition by asset class is subject to benchmarks and other limitations.

The Company’s pension plan asset allocation percentages, and fair value of assets at December 31, 2024 and 2023 by asset category are as follows:

| | 2024 | | 2023 | |
|---|---|---|---|---|
| | Asset Allocation | Fair Value | Asset Allocation | Fair Value |
| Asset Category | | | | |
| Equity securities | 2 % | $ 884,410 | 2 % | $ 769,338 |
| High yield and international debt securities, commodities and other | 5 % | 1,873,853 | 2 % | 884,929 |
| US debt securities and cash | 93 % | 34,976,758 | 96 % | 37,085,795 |
| Total | 100.0 % | $37,735,021 | 100.0 % | $38,740,062 |

**Note 7 - Retirement Plans (Continued)**

The Company's postretirement plan asset allocation percentages, and fair value of assets at December 31, 2024 and 2023 by asset category are as follows:

| | 2024 | | 2023 | |
|---|---|---|---|---|
| | Asset Allocation | Fair Value | Asset Allocation | Fair Value |
| Asset Category | | | | |
| Equity securities | 0 % | $ - | 17 % | $ 866,692 |
| High yield and international debt securities, commodities and other | 0 % | - | 4 % | 203,928 |
| US debt securities and cash | 100 % | 5,339,843 | 79 % | 4,027,569 |
| Total | 100.0 % | $ 5,339,843 | 100.0 % | $ 5,098,189 |

The following table shows fair value hierarchy levels for the Company's plan investments as of December 31, 2024 and 2023:

| 2024 | Level 1 | Level 2 | Level 3 | Fair Value |
|---|---|---|---|---|
| **Pension Plan Assets:** | | | | |
| Cash and cash investments | $ 3,305,607 | $ - | $ - | $ 3,305,607 |
| US treasury bonds | - | 10,166,870 | - | 10,166,870 |
| Short-term bond funds | 4,124,512 | - | - | 4,124,512 |
| Intermediate-term bond funds | 15,085,241 | - | - | 15,085,241 |
| High yield bond funds | 581,840 | - | - | 581,840 |
| Large-cap stock funds | 488,060 | - | - | 488,060 |
| Mid-cap stock Funds | 67,512 | - | - | 67,512 |
| Small-cap stock funds | 44,214 | - | - | 44,214 |
| Foreign stock funds | 264,809 | - | - | 264,809 |
| Specialty funds | 19,815 | - | - | 19,815 |
| Certificates of deposit | 2,294,528 | - | - | 2,294,528 |
| Investment real estate LP | - | - | 1,292,013 | 1,292,013 |
| Total Pension Plan Assets | $ 26,276,138 | $ 10,166,870 | $ 1,292,013 | $ 37,735,021 |
| **Postretirement Benefit Plan Assets:** | | | | |
| Cash and cash investments | $ 1,069,180 | $ - | $ - | $ 1,069,180 |
| US treasury bonds | - | 2,520,552 | - | 2,520,552 |
| Short-term bond funds | 1,750,111 | - | - | 1,750,111 |
| Total Postretirement Benefit Plan Assets | $ 2,819,291 | $ 2,520,552 | $ - | $ 5,339,843 |

**Note 7 - Retirement Plans (Continued)**

| 2023 | Level 1 | Level 2 | Level 3 | Fair Value |
|---|---|---|---|---|
| **Pension Plan Assets:** | | | | |
| Money market mutual fund | $ 1,362,519 | $ - | $ - | $ 1,362,519 |
| US treasury notes | - | 13,805,906 | - | 13,805,906 |
| Short-term bond funds | 92,260 | - | - | 92,260 |
| Intermediate-term bond funds | 19,286,636 | - | - | 19,286,636 |
| High yield bond funds | 73,873 | - | - | 73,873 |
| Large-cap stock funds | 390,536 | - | - | 390,536 |
| Mid-cap stock Funds | 59,286 | - | - | 59,286 |
| Small-cap stock funds | 40,683 | - | - | 40,683 |
| Foreign stock funds | 260,041 | - | - | 260,041 |
| Specialty funds | 18,792 | - | - | 18,792 |
| Cash sweep | 47,450 | - | - | 47,450 |
| Certificates of deposit | 2,491,024 | - | - | 2,491,024 |
| Investment real estate LP | - | - | 811,056 | 811,056 |
| Total Pension Plan Assets | $ 24,123,100 | $ 13,805,906 | $ 811,056 | $ 38,740,062 |
| **Postretirement Benefit Plan Assets:** | | | | |
| Short-term bond funds | $ 968,656 | $ - | $ - | $ 968,656 |
| Intermediate-term bond funds | 3,058,913 | - | - | 3,058,913 |
| High yield bond funds | 203,928 | - | - | 203,928 |
| Large-cap stock funds | 407,855 | - | - | 407,855 |
| Mid-cap stock Funds | 50,982 | - | - | 50,982 |
| Small-cap stock funds | 50,982 | - | - | 50,982 |
| Foreign stock funds | 254,909 | - | - | 254,909 |
| Specialty funds | 101,964 | - | - | 101,964 |
| Total Postretirement Benefit Plan Assets | $ 5,098,189 | $ - | $ - | $ 5,098,189 |

**Note 7 - Retirement Plans (Continued)**

*Defined Contribution Plans*
Effective July 1, 2016, KEMI established a 401(a) defined contribution plan for which it is the plan sponsor. Participation in the plan is not mandatory; however, employees who elect to participate are required to contribute 6% of their salary to the plan. Employees who have chosen to participate in the 401(a) defined benefit pension plan are not eligible to participate in the 401(a) defined contribution plan. KEMI provides matching funds of 6% for participants hired on or after July 1, 2016; an enhanced match and access to the retiree health insurance plan is provided for participants hired prior to July 1, 2016 who were previously members of KRS. KEMI also established a 457(b) plan effective July 1, 2016, for which it is the plan sponsor and to which employees may elect to contribute additional elective deferrals. During 2024 and 2023, KEMI contributed matching funds of $1,410,279 and $1,234,440, respectively, to the 401(a) defined contribution plan. KEMI does not contribute matching funds to the 457(b) plan. Participants are fully vested after sixty months of service.

*Self-Insured Medical Plan*
The Company has a self insured health plan (the medical plan) that covers substantially all of its employees and their dependents. The Company makes contributions to the medical plan sufficient to cover benefit payments required under the plan for all employees and partially for employee dependents. The cost of the plan charged to operations was $1,199,621 and $1,537,602 for the years ended December 31, 2024 and 2023, respectively. The Company also maintains a stop-loss treaty in order to limit the exposure related to employee claims.

**Note 8 - Federal Income Taxes**

As described in Note 1, KEMI is a political subdivision of the Commonwealth and was created by legislation to serve as the insurer of last resort as well as a competitive force to stabilize the workers' compensation market in Kentucky. The Commonwealth provided KEMI's initial funding and continues to influence KEMI through Governor appointed board members and through the role of oversight. The Internal Revenue Service has determined that KEMI is a tax-exempt entity pursuant to Internal Revenue Code section §501(c)(27) and, therefore, is not subject to federal income taxes. Accordingly, the statutory basis financial statements do not include a provision for federal income taxes.

**Note 9 - Commitments and Contingencies**

KEMI is involved in litigation and may become involved in potential litigation arising in the ordinary course of business. Additionally, KEMI may be impacted by adverse regulatory actions and adverse court decisions where insurance coverages are expanded beyond the scope originally contemplated in the policies. In the opinion of management, the effects, if any, of such litigation and published court decisions to date are not expected to be material to the statutory basis financial statements.

**Note 10 - Statutory Requirements**

Under the insurance regulations of the Commonwealth of Kentucky, the amount of dividends that KEMI may pay to its policyholders is limited to the excess of actuarially determined minimum policyholder surplus requirements. Actuarially determined minimum policyholder surplus takes into consideration the company's present liabilities as well as management's expectation of future business volumes, claims activity and investment performance. The Commonwealth of Kentucky's statutory minimum policyholder surplus requirement is $1,500,000.

The items contributing to the cumulative increase (reduction) in policyholder surplus at December 31, 2024 and 2023 were as follows:

| | 2024 | 2023 |
|---|---|---|
| Unrealized gains and losses on investments | 10,057,370 | 6,732,084 |
| Non-admitted assets | (23,577,555) | (21,914,657) |
| Provision for reinsurance | (59,154) | (119,695) |

**Note 11 - Other Underwriting Expenses**

The significant components of other underwriting expenses incurred during December 31, 2024 and 2023 were as follows:

| | 2024 | 2023 |
|---|---|---|
| Net commissions and brokerage | $ 17,059,068 | $ 18,203,263 |
| Advertising | 566,890 | 426,469 |
| Board, bureaus and associations | 230,843 | 214,804 |
| Surveys and underwriting reports | 835,794 | 800,923 |
| Audit of assureds' records | 22,948 | 50,761 |
| Salaries and related items | 11,059,742 | 11,638,876 |
| Employee relations and welfare | 1,962,573 | 2,080,018 |
| Insurance | 149,805 | 144,472 |
| Travel and travel items | 207,849 | 205,377 |
| Rent and rent items | 391,528 | 424,686 |
| Equipment | 1,618,256 | 1,472,628 |
| Depreciation of EDP equipment and software | 139,339 | 86,621 |
| Printing and stationary | 60,683 | 60,598 |
| Postage and telephone | 188,107 | 185,498 |
| Legal and auditing | 290,953 | 232,104 |
| Taxes, licenses and fees | 87,038 | 333,462 |
| Other miscellaneous expenses | 2,436,556 | 1,691,550 |
| Other underwriting expenses incurred | $ 37,307,972 | $ 38,252,110 |

**Note 12 - Non-Admitted Assets**

The significant components of non-admitted assets as of December 31, 2024 and 2023 were as follows:

| | 2024 | 2023 | Change |
|---|---|---|---|
| Premiums receivable | $ 12,911,660 | $ 8,095,888 | $ 4,815,772 |
| Deferred premiums | 1,513,052 | 1,225,779 | 287,273 |
| Investment income due and accrued | 26,862 | - | 26,862 |
| Property and equipment | 444,144 | 189,160 | 254,984 |
| Pension and postretirement benefits | 8,238,535 | 11,903,164 | (3,664,629) |
| Other non-admitted assets | 443,302 | 500,666 | (57,364) |
| Total | $ 23,577,555 | $ 21,914,657 | $ 1,662,898 |

**Note 13 - EDP Equipment, Software and Other Fixed Assets**

The major components of EDP equipment, software and other fixed assets as of December 31, 2024 and 2023 were as follows:

| | 2024 | 2023 |
|---|---|---|
| EDP equipment | $ 2,139,546 | $ 1,903,324 |
| Furniture and fixtures | 1,188,910 | 916,702 |
| Sub-total | 3,328,456 | 2,820,026 |
| Less: Accumulated depreciation | (2,681,232) | (2,493,196) |
| Less: Non-admitted items | (444,144) | (189,160) |
| EDP equipment and software, net | $ 203,080 | $ 137,670 |

Depreciation expense for the years ended December 31, 2024 and 2023 was $301,780 and $189,728, respectively.

Kentucky Employers' Mutual Insurance Authority
dba Kentucky Employers' Mutual Insurance

Reinsurance Summary Supplemental
Filing for General Interrogatory 9

December 31, 2024

As of December 31, 2024, the Company's reinsurance program does not include any contracts with risk limiting features identified in paragraphs 114 through 119 of Statement of Statutory Accounting Principle No. 62R[1], *Property and Casualty Reinsurance*.

1 0 3 2 0 2 0 2 4 2 8 5 0 0 1 0 0

# SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES

For The Year Ended December 31, 2024
(To Be Filed by April 1)

Of The KENTUCKY EMPLOYERS' MUTUAL INSURANCE AUTHORITY

ADDRESS (City, State and Zip Code) Lexington , KY 40507-1724

NAIC Group Code 0000 NAIC Company Code 10320 Federal Employer's Identification Number (FEIN) 61-1275981

The Investment Risks Interrogatories are to be filed by April 1. They are also to be included with the Audited Statutory Financial Statements.

Answer the following interrogatories by reporting the applicable U.S. dollar amounts and percentages of the reporting entity's total admitted assets held in that category of investments.

1. Reporting entity's total admitted assets as reported on Page 2 of this annual statement. $ 1,176,473,238

2. Ten largest exposures to a single issuer/borrower/investment.

| | 1<br>Issuer | 2<br>Description of Exposure | 3<br>Amount | 4<br>Percentage of Total Admitted Assets |
|---|---|---|---|---|
| 2.01 | Federal National Mortgage Association | CMO, MBS | $ 55,518,628 | 4.7 % |
| 2.02 | Federal Home Loan Mortgage Corporation | CMO, MBS | $ 31,215,434 | 2.7 % |
| 2.03 | ELMTREE FUND V G.P., L.L.C | Sch BA-Joint Venture | $ 16,768,228 | 1.4 % |
| 2.04 | The Goldman Sachs Group, Inc. | Bonds | $ 8,570,304 | 0.7 % |
| 2.05 | Comcast Corporation | Bonds, Equity | $ 7,297,499 | 0.6 % |
| 2.06 | JPMorgan Chase & Co. | Bonds, Equity | $ 6,921,595 | 0.6 % |
| 2.07 | Lyra Music Assets (Delaware) Lp | ABS | $ 6,816,379 | 0.6 % |
| 2.08 | Morgan Stanley | Bonds, Equity | $ 6,604,854 | 0.6 % |
| 2.09 | Wells Fargo & Company | Bonds | $ 6,592,545 | 0.6 % |
| 2.10 | Mondelez International, Inc. | Bonds, Equity | $ 6,400,010 | 0.5 % |

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

| | Bonds | 1 | 2 | | Preferred Stocks | 3 | 4 |
|---|---|---|---|---|---|---|---|
| 3.01 | NAIC 1 | $ 690,988,956 | 58.7 % | 3.07 | NAIC 1 | $ 2,951,725 | 0.3 % |
| 3.02 | NAIC 2 | $ 273,738,652 | 23.3 % | 3.08 | NAIC 2 | $ | % |
| 3.03 | NAIC 3 | $ 20,482,647 | 1.7 % | 3.09 | NAIC 3 | $ | % |
| 3.04 | NAIC 4 | $ 561,504 | % | 3.10 | NAIC 4 | $ | % |
| 3.05 | NAIC 5 | $ | % | 3.11 | NAIC 5 | $ | % |
| 3.06 | NAIC 6 | $ | % | 3.12 | NAIC 6 | $ | % |

4. Assets held in foreign investments:

4.01 Are assets held in foreign investments less than 2.5% of the reporting entity's total admitted assets? Yes [ ] No [ X ]

If response to 4.01 above is yes, responses are not required for interrogatories 5 - 10.

| | | | |
|---|---|---|---|
| 4.02 | Total admitted assets held in foreign investments | $ 133,961,782 | 11.4 % |
| 4.03 | Foreign-currency-denominated investments | $ | % |
| 4.04 | Insurance liabilities denominated in that same foreign currency | $ | % |

5. Aggregate foreign investment exposure categorized by NAIC sovereign designation:

| | | 1 | 2 |
|---|---|---|---|
| 5.01 | Countries designated NAIC-1 | $ 127,469,943 | 10.8 % |
| 5.02 | Countries designated NAIC-2 | $ 4,192,366 | 0.4 % |
| 5.03 | Countries designated NAIC-3 or below | $ 2,299,472 | 0.2 % |

6. Largest foreign investment exposures by country, categorized by the country's NAIC sovereign designation:

| | | 1 | 2 |
|---|---|---|---|
| | Countries designated NAIC - 1: | | |
| 6.01 | Country 1: Cayman Islands | $ 55,480,192 | 4.7 % |
| 6.02 | Country 2: United Kingdom | $ 18,849,134 | 1.6 % |
| | Countries designated NAIC - 2: | | |
| 6.03 | Country 1: Mexico | $ 2,971,629 | 0.3 % |
| 6.04 | Country 2: Aruba | $ 666,000 | 0.1 % |
| | Countries designated NAIC - 3 or below: | | |
| 6.05 | Country 1: Virgin Islands, British | $ 1,499,472 | 0.1 % |
| 6.06 | Country 2: Jamaica | $ 800,000 | 0.1 % |

| | | 1 | 2 |
|---|---|---|---|
| 7. | Aggregate unhedged foreign currency exposure | $ | % |

8. Aggregate unhedged foreign currency exposure categorized by NAIC sovereign designation:

| | | 1 | 2 |
|---|---|---|---|
| 8.01 | Countries designated NAIC-1 | $ | % |
| 8.02 | Countries designated NAIC-2 | $ | % |
| 8.03 | Countries designated NAIC-3 or below | $ | % |

9. Largest unhedged foreign currency exposures by country, categorized by the country's NAIC sovereign designation:

| | | 1 | 2 |
|---|---|---|---|
| | Countries designated NAIC - 1: | | |
| 9.01 | Country 1: | $ | % |
| 9.02 | Country 2: | $ | % |
| | Countries designated NAIC - 2: | | |
| 9.03 | Country 1: | $ | % |
| 9.04 | Country 2: | $ | % |
| | Countries designated NAIC - 3 or below: | | |
| 9.05 | Country 1: | $ | % |
| 9.06 | Country 2: | $ | % |

10. Ten largest non-sovereign (i.e. non-governmental) foreign issues:

| | 1<br>Issuer | 2<br>NAIC Designation | 3 | 4 |
|---|---|---|---|---|
| 10.01 | UBS Group AG | 1FE | $ 5,000,000 | 0.4 % |
| 10.02 | Barclays PLC | 2FE | $ 5,000,000 | 0.4 % |
| 10.03 | Horizon Aircraft Finance IV Ltd | 1FE | $ 4,937,395 | 0.4 % |
| 10.04 | BNP Paribas SA | 1FE, 2FE | $ 3,816,057 | 0.3 % |
| 10.05 | Standard Chartered PLC | 1FE | $ 3,530,000 | 0.3 % |
| 10.06 | Ares Lxv Clo Ltd. | 1FE | $ 3,497,454 | 0.3 % |
| 10.07 | Macquarie Group Limited | 1FE | $ 3,027,625 | 0.3 % |
| 10.08 | Saudi Arabian Oil Company | 1FE | $ 3,009,003 | 0.3 % |
| 10.09 | Vodafone Group Public Limited Company | 2FE | $ 2,535,186 | 0.2 % |
| 10.10 | Oaktree Clo 2022-3 Ltd. | 1FE | $ 2,500,000 | 0.2 % |

11. Amounts and percentages of the reporting entity's total admitted assets held in Canadian investments and unhedged Canadian currency exposure:

11.01 Are assets held in Canadian investments less than 2.5% of the reporting entity's total admitted assets? Yes [ X ] No [ ]

If response to 11.01 is yes, detail is not required for the remainder of interrogatory 11.

| | | 1 | 2 |
|---|---|---|---|
| 11.02 | Total admitted assets held in Canadian investments | $ | % |
| 11.03 | Canadian-currency-denominated investments | $ | % |
| 11.04 | Canadian-denominated insurance liabilities | $ | % |
| 11.05 | Unhedged Canadian currency exposure | $ | % |

12. Report aggregate amounts and percentages of the reporting entity's total admitted assets held in investments with contractual sales restrictions:

12.01 Are assets held in investments with contractual sales restrictions less than 2.5% of the reporting entity's total admitted assets? Yes [ X ] No [ ]

If response to 12.01 is yes, responses are not required for the remainder of Interrogatory 12.

| | 1 | 2 | 3 |
|---|---|---|---|
| 12.02 | Aggregate statement value of investments with contractual sales restrictions | $ | % |
| | Largest three investments with contractual sales restrictions: | | |
| 12.03 | | $ | % |
| 12.04 | | $ | % |
| 12.05 | | $ | % |

13. Amounts and percentages of admitted assets held in the ten largest equity interests:

13.01 Are assets held in equity interests less than 2.5% of the reporting entity's total admitted assets? Yes [ ] No [ X ]

If response to 13.01 above is yes, responses are not required for the remainder of Interrogatory 13.

| | 1<br>Issuer | 2 | 3 |
|---|---|---|---|
| 13.02 | ELMTREE FUND V G.P., L.L.C | $ 16,768,228 | 1.4 % |
| 13.03 | Carlyle Tactical Private Credit Fund | $ 1,751,725 | 0.1 % |
| 13.04 | Gilead Sciences, Inc. | $ 1,443,928 | 0.1 % |
| 13.05 | AbbVie Inc. | $ 1,441,680 | 0.1 % |
| 13.06 | The Coca-Cola Company | $ 1,432,852 | 0.1 % |
| 13.07 | Cisco Systems, Inc. | $ 1,421,629 | 0.1 % |
| 13.08 | BlackRock, Inc. | $ 1,417,727 | 0.1 % |
| 13.09 | JPMorgan Chase & Co. | $ 1,409,974 | 0.1 % |
| 13.10 | McDonald's Corporation | $ 1,406,256 | 0.1 % |
| 13.11 | Abbott Laboratories | $ 1,396,343 | 0.1 % |

14. Amounts and percentages of the reporting entity's total admitted assets held in nonaffiliated, privately placed equities:

14.01 Are assets held in nonaffiliated, privately placed equities less than 2.5% of the reporting entity's total admitted assets? Yes [ X ] No [ ]

If response to 14.01 above is yes, responses are not required for 14.02 through 14.05.

| | 1 | 2 | 3 |
|---|---|---|---|
| 14.02 | Aggregate statement value of investments held in nonaffiliated, privately placed equities | $ | % |
| | Largest three investments held in nonaffiliated, privately placed equities: | | |
| 14.03 | | $ | % |
| 14.04 | | $ | % |
| 14.05 | | $ | % |

Ten largest fund managers:

| | 1<br>Fund Manager | 2<br>Total Invested | 3<br>Diversified | 4<br>Nondiversified |
|---|---|---|---|---|
| 14.06 | First American Funds, Inc. - Government Obligations Fund | $ 26,092,325 | $ 26,092,325 | $ |
| 14.07 | | $ | $ | $ |
| 14.08 | | $ | $ | $ |
| 14.09 | | $ | $ | $ |
| 14.10 | | $ | $ | $ |
| 14.11 | | $ | $ | $ |
| 14.12 | | $ | $ | $ |
| 14.13 | | $ | $ | $ |
| 14.14 | | $ | $ | $ |
| 14.15 | | $ | $ | $ |

15. Amounts and percentages of the reporting entity's total admitted assets held in general partnership interests:

15.01 Are assets held in general partnership interests less than 2.5% of the reporting entity's total admitted assets? Yes [ X ] No [ ]

If response to 15.01 above is yes, responses are not required for the remainder of Interrogatory 15.

| | 1 | 2 | 3 |
|---|---|---|---|
| 15.02 | Aggregate statement value of investments held in general partnership interests | $ | % |
| | Largest three investments in general partnership interests: | | |
| 15.03 | | $ | % |
| 15.04 | | $ | % |
| 15.05 | | $ | % |

16. Amounts and percentages of the reporting entity's total admitted assets held in mortgage loans:

16.01 Are mortgage loans reported in Schedule B less than 2.5% of the reporting entity's total admitted assets? Yes [ X ] No [ ]

If response to 16.01 above is yes, responses are not required for the remainder of Interrogatory 16 and Interrogatory 17.

| | 1<br>Type (Residential, Commercial, Agricultural) | 2 | 3 |
|---|---|---|---|
| 16.02 | | $ | % |
| 16.03 | | $ | % |
| 16.04 | | $ | % |
| 16.05 | | $ | % |
| 16.06 | | $ | % |
| 16.07 | | $ | % |
| 16.08 | | $ | % |
| 16.09 | | $ | % |
| 16.10 | | $ | % |
| 16.11 | | $ | % |

Amount and percentage of the reporting entity's total admitted assets held in the following categories of mortgage loans:

| | | Loans | |
|---|---|---|---|
| 16.12 | Construction loans | $ | % |
| 16.13 | Mortgage loans over 90 days past due | $ | % |
| 16.14 | Mortgage loans in the process of foreclosure | $ | % |
| 16.15 | Mortgage loans foreclosed | $ | % |
| 16.16 | Restructured mortgage loans | $ | % |

17. Aggregate mortgage loans having the following loan-to-value ratios as determined from the most current appraisal as of the annual statement date:

| | | Residential | | Commercial | | Agricultural | |
|---|---|---|---|---|---|---|---|
| | Loan to Value | 1 | 2 | 3 | 4 | 5 | 6 |
| 17.01 | above 95% | $ | % | $ | % | $ | % |
| 17.02 | 91 to 95% | $ | % | $ | % | $ | % |
| 17.03 | 81 to 90% | $ | % | $ | % | $ | % |
| 17.04 | 71 to 80% | $ | % | $ | % | $ | % |
| 17.05 | below 70% | $ | % | $ | % | $ | % |

18. Amounts and percentages of the reporting entity's total admitted assets held in each of the five largest investments in real estate:

18.01 Are assets held in real estate reported less than 2.5% of the reporting entity's total admitted assets? Yes [ X ] No [ ]

If response to 18.01 above is yes, responses are not required for the remainder of Interrogatory 18.

Largest five investments in any one parcel or group of contiguous parcels of real estate.

| | Description<br>1 | 2 | 3 |
|---|---|---|---|
| 18.02 | | $ | % |
| 18.03 | | $ | % |
| 18.04 | | $ | % |
| 18.05 | | $ | % |
| 18.06 | | $ | % |

19. Report aggregate amounts and percentages of the reporting entity's total admitted assets held in investments held in mezzanine real estate loans:

19.01 Are assets held in investments held in mezzanine real estate loans less than 2.5% of the reporting entity's total admitted assets? Yes [ X ] No [ ]

If response to 19.01 is yes, responses are not required for the remainder of Interrogatory 19.

| | 1 | 2 | 3 |
|---|---|---|---|
| 19.02 | Aggregate statement value of investments held in mezzanine real estate loans: | $ | % |
| | Largest three investments held in mezzanine real estate loans: | | |
| 19.03 | | $ | % |
| 19.04 | | $ | % |
| 19.05 | | $ | % |

20. Amounts and percentages of the reporting entity's total admitted assets subject to the following types of agreements:

| | | At Year End | | At End of Each Quarter | | |
|---|---|---|---|---|---|---|
| | | | | 1st Quarter | 2nd Quarter | 3rd Quarter |
| | | 1 | 2 | 3 | 4 | 5 |
| 20.01 | Securities lending agreements (do not include assets held as collateral for such transactions) | $ ........................... | ........................... % | $ ........................... | $ ........................... | $ ........................... |
| 20.02 | Repurchase agreements | $ ........................... | ........................... % | $ ........................... | $ ........................... | $ ........................... |
| 20.03 | Reverse repurchase agreements | $ ........................... | ........................... % | $ ........................... | $ ........................... | $ ........................... |
| 20.04 | Dollar repurchase agreements | $ ........................... | ........................... % | $ ........................... | $ ........................... | $ ........................... |
| 20.05 | Dollar reverse repurchase agreements | $ ........................... | ........................... % | $ ........................... | $ ........................... | $ ........................... |

21. Amounts and percentages of the reporting entity's total admitted assets for warrants not attached to other financial instruments, options, caps, and floors:

| | | Owned | | Written | |
|---|---|---|---|---|---|
| | | 1 | 2 | 3 | 4 |
| 21.01 | Hedging | $ ........................... | ........................... % | $ ........................... | ........................... % |
| 21.02 | Income generation | $ ........................... | ........................... % | $ ........................... | ........................... % |
| 21.03 | Other | $ ........................... | ........................... % | $ ........................... | ........................... % |

22. Amounts and percentages of the reporting entity's total admitted assets of potential exposure for collars, swaps, and forwards:

| | | At Year End | | At End of Each Quarter | | |
|---|---|---|---|---|---|---|
| | | | | 1st Quarter | 2nd Quarter | 3rd Quarter |
| | | 1 | 2 | 3 | 4 | 5 |
| 22.01 | Hedging | $ ........................... | ........................... % | $ ........................... | $ ........................... | $ ........................... |
| 22.02 | Income generation | $ ........................... | ........................... % | $ ........................... | $ ........................... | $ ........................... |
| 22.03 | Replications | $ ........................... | ........................... % | $ ........................... | $ ........................... | $ ........................... |
| 22.04 | Other | $ ........................... | ........................... % | $ ........................... | $ ........................... | $ ........................... |

23. Amounts and percentages of the reporting entity's total admitted assets of potential exposure for futures contracts:

| | | At Year End | | At End of Each Quarter | | |
|---|---|---|---|---|---|---|
| | | | | 1st Quarter | 2nd Quarter | 3rd Quarter |
| | | 1 | 2 | 3 | 4 | 5 |
| 23.01 | Hedging | $ ........................... | ........................... % | $ ........................... | $ ........................... | $ ........................... |
| 23.02 | Income generation | $ ........................... | ........................... % | $ ........................... | $ ........................... | $ ........................... |
| 23.03 | Replications | $ ........................... | ........................... % | $ ........................... | $ ........................... | $ ........................... |
| 23.04 | Other | $ ........................... | ........................... % | $ ........................... | $ ........................... | $ ........................... |

# SUMMARY INVESTMENT SCHEDULE

| Investment Categories | Gross Investment Holdings 1 Amount | 2 Percentage of Column 1 Line 13 | Admitted Assets as Reported in the Annual Statement 3 Amount | 4 Securities Lending Reinvested Collateral Amount | 5 Total (Col. 3 + 4) Amount | 6 Percentage of Column 5 Line 13 |
|---|---|---|---|---|---|---|
| 1. Long-Term Bonds (Schedule D, Part 1): | | | | | | |
| 1.01 U.S. governments | 22,976,907 | 2.056 | 22,976,907 | | 22,976,907 | 2.056 |
| 1.02 All other governments | 2,417,718 | 0.216 | 2,417,718 | | 2,417,718 | 0.216 |
| 1.03 U.S. states, territories and possessions, etc. guaranteed | 3,581,239 | 0.320 | 3,581,239 | | 3,581,239 | 0.320 |
| 1.04 U.S. political subdivisions of states, territories, and possessions, guaranteed | 6,140,273 | 0.549 | 6,140,273 | | 6,140,273 | 0.549 |
| 1.05 U.S. special revenue and special assessment obligations, etc. non-guaranteed | 105,455,929 | 9.436 | 105,455,929 | | 105,455,929 | 9.436 |
| 1.06 Industrial and miscellaneous | 845,199,694 | 75.628 | 845,199,694 | | 845,199,694 | 75.628 |
| 1.07 Hybrid securities | | 0.000 | | | | 0.000 |
| 1.08 Parent, subsidiaries and affiliates | | 0.000 | | | | 0.000 |
| 1.09 SVO identified funds | | 0.000 | | | | 0.000 |
| 1.10 Unaffiliated bank loans | | 0.000 | | | | 0.000 |
| 1.11 Unaffiliated certificates of deposit | | 0.000 | | | | 0.000 |
| 1.12 Total long-term bonds | 985,771,759 | 88.207 | 985,771,759 | | 985,771,759 | 88.207 |
| 2. Preferred stocks (Schedule D, Part 2, Section 1): | | | | | | |
| 2.01 Industrial and miscellaneous (Unaffiliated) | 2,951,725 | 0.264 | 2,951,725 | | 2,951,725 | 0.264 |
| 2.02 Parent, subsidiaries and affiliates | | 0.000 | | | | 0.000 |
| 2.03 Total preferred stocks | 2,951,725 | 0.264 | 2,951,725 | | 2,951,725 | 0.264 |
| 3. Common stocks (Schedule D, Part 2, Section 2): | | | | | | |
| 3.01 Industrial and miscellaneous Publicly traded (Unaffiliated) | 67,719,159 | 6.059 | 68,662,259 | | 68,662,259 | 6.144 |
| 3.02 Industrial and miscellaneous Other (Unaffiliated) | 1,354,421 | 0.121 | 411,321 | | 411,321 | 0.037 |
| 3.03 Parent, subsidiaries and affiliates Publicly traded | | 0.000 | | | | 0.000 |
| 3.04 Parent, subsidiaries and affiliates Other | | 0.000 | | | | 0.000 |
| 3.05 Mutual funds | | 0.000 | | | | 0.000 |
| 3.06 Unit investment trusts | | 0.000 | | | | 0.000 |
| 3.07 Closed-end funds | | 0.000 | | | | 0.000 |
| 3.08 Exchange traded funds | | 0.000 | | | | 0.000 |
| 3.09 Total common stocks | 69,073,580 | 6.181 | 69,073,580 | | 69,073,580 | 6.181 |
| 4. Mortgage loans (Schedule B): | | | | | | |
| 4.01 Farm mortgages | | 0.000 | | | | 0.000 |
| 4.02 Residential mortgages | | 0.000 | | | | 0.000 |
| 4.03 Commercial mortgages | | 0.000 | | | | 0.000 |
| 4.04 Mezzanine real estate loans | | 0.000 | | | | 0.000 |
| 4.05 Total valuation allowance | | 0.000 | | | | 0.000 |
| 4.06 Total mortgage loans | | 0.000 | | | | 0.000 |
| 5. Real estate (Schedule A): | | | | | | |
| 5.01 Properties occupied by company | | 0.000 | | | | 0.000 |
| 5.02 Properties held for production of income | | 0.000 | | | | 0.000 |
| 5.03 Properties held for sale | 4,025,000 | 0.360 | 4,025,000 | | 4,025,000 | 0.360 |
| 5.04 Total real estate | 4,025,000 | 0.360 | 4,025,000 | | 4,025,000 | 0.360 |
| 6. Cash, cash equivalents and short-term investments: | | | | | | |
| 6.01 Cash (Schedule E, Part 1) | 12,883,013 | 1.153 | 12,883,013 | | 12,883,013 | 1.153 |
| 6.02 Cash equivalents (Schedule E, Part 2) | 26,092,325 | 2.335 | 26,092,325 | | 26,092,325 | 2.335 |
| 6.03 Short-term investments (Schedule DA) | | 0.000 | | | | 0.000 |
| 6.04 Total cash, cash equivalents and short-term investments | 38,975,338 | 3.488 | 38,975,338 | | 38,975,338 | 3.488 |
| 7. Contract loans | | 0.000 | | | | 0.000 |
| 8. Derivatives (Schedule DB) | | 0.000 | | | | 0.000 |
| 9. Other invested assets (Schedule BA) | 16,768,228 | 1.500 | 16,768,228 | | 16,768,228 | 1.500 |
| 10. Receivables for securities | 6,718 | 0.001 | 6,718 | | 6,718 | 0.001 |
| 11. Securities Lending (Schedule DL, Part 1) | | 0.000 | | XXX | XXX | XXX |
| 12. Other invested assets (Page 2, Line 11) | | 0.000 | | | | 0.000 |
| 13. Total invested assets | 1,117,572,348 | 100.000 | 1,117,572,348 | | 1,117,572,348 | 100.000 |