Rural Mutual Insurance Company Form A – Nonconfidential Exhibits

EXHIBIT H - PART IV

Annual Statements of the Domestic Insurer for Five Fiscal Year ended December 31, 2022

BADGER MUTUAL INSURANCE COMPANY

STATUTORY FINANCIAL STATEMENTS

December 31, 2022 and 2021

STROHM BALLWEG

Independent Auditor's Report
on the Statutory Financial Statements

To the Board of Directors
Badger Mutual Insurance Company
Milwaukee, Wisconsin

Report on the Audit of the Statutory Financial Statements

We have audited the statutory financial statements of Badger Mutual Insurance Company (the Company), which are comprised of the statutory balance sheets as of December 31, 2022 and 2021, and the related statutory statements of income, changes in policyholders' surplus, and cash flows for the years 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, 2022 and 2021, and the results of its operations and its cash flows for the years then ended, in accordance with the accounting practices prescribed or permitted by the Office of the Commissioner of Insurance of the State of Wisconsin 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, 2022 and 2021, or the results of its operations or its cash flows thereof for the years then ended.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Statutory 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

As described in Note 1 to the statutory financial statements, the statutory financial statements are prepared using accounting practices prescribed or permitted by the Office of the Commissioner of Insurance of the State of Wisconsin, 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 have not been determined but are presumed to be material and pervasive.

Responsibilities of Management for the Statutory 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 Office of the Commissioner of Insurance of the State of Wisconsin. 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 statutory 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 statutory financial statements are issued.

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

Our objectives are to obtain reasonable assurance about whether the statutory 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 statutory 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 statutory 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 statutory financial statements.

STROHM BALLWEG

- 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 statutory 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.

Strohm Ballweg, LLP

Madison, Wisconsin
March 25, 2023

	2022	2021
ADMITTED ASSETS		
Cash and invested assets:		
Bonds	$ 150,847,258	$ 159,968,705
Mutual funds	10,471,639	13,889,901
Preferred stocks	534,108	494,648
Other invested assets	3,746,868	4,097,462
Mortgage loans	3,197,609	-
Real estate, held for the production of income, net of accumulated depreciation	3,528,980	3,696,249
Cash, cash equivalents, and short-term investments	(2,198,368)	5,624,247
Receivable for securities	68,790	103,401
Total cash and invested assets	170,196,884	187,874,613
Uncollected premiums	24,285,334	21,273,965
Amounts recoverable from reinsurers	1,889,558	3,102,951
Electronic data processing equipment and software, net of accumulated depreciation	115,076	211,953
Net deferred tax asset	7,256,221	3,332,773
Investment income due and accrued	753,472	983,189
Federal income tax recoverable	2,921,868	69,068
Company-owned life insurance	5,957,101	7,129,982
State income tax recoverable	540,064	-
Other assets	17,069	23,803
Total admitted assets	$ 213,932,647	$ 224,002,297
LIABILITIES AND POLICYHOLDERS' SURPLUS		
Liabilities:		
Unpaid losses, net of reinsurance	$ 62,119,005	$ 50,482,842
Unpaid loss adjustment expenses, net of reinsurance	9,870,785	11,009,375
Unearned premiums, net of reinsurance	67,021,344	58,523,543
Advance premiums	2,460,422	2,079,704
Ceded reinsurance premiums payable	2,002,018	752,095
Commissions payable	3,805,553	4,358,313
Accounts payable and accrued expenses	1,752,895	2,606,431
Taxes, licenses, and fees payable	734,393	612,890
Accrued pension liability	2,476,697	5,652,839
Other liabilities	1,347,679	994,345
Total liabilities	153,590,791	137,072,377
Policyholders' surplus:		
Unassigned surplus	60,341,856	86,929,920
Total policyholders' surplus	60,341,856	86,929,920
Total liabilities and policyholders' surplus	$ 213,932,647	$ 224,002,297

See Notes to the Statutory Financial Statements.

	2022	2021
UNDERWRITING OPERATIONS		
Net premiums earned:		
Gross premiums earned	$ 146,492,633	$ 133,169,196
Reinsurance ceded	(29,259,696)	(26,217,793)
	117,232,937	106,951,403
Net losses incurred:		
Gross losses incurred	149,283,175	89,066,207
Reinsurance recoveries	(43,055,726)	(21,793,313)
	106,227,449	67,272,894
Operating expenses incurred:		
Gross loss adjustment expenses	13,242,214	8,828,864
Reinsurance recoveries on loss adjustment expenses	(1,776,208)	(993,755)
Gross underwriting expenses	40,022,229	38,578,139
Reinsurance commission income	(5,659,385)	(6,340,928)
	45,828,850	40,072,320
Net underwriting loss	(34,823,362)	(393,811)
INVESTMENT AND OTHER INCOME		
Investment income earned	4,103,330	4,082,922
Investment expenses	(1,230,860)	(1,674,621)
Net realized capital gains	174,465	1,937,623
Other income (expense)	(635,083)	394,446
Investment and other income	2,411,852	4,740,370
Net income (loss) before dividends to policyholders and federal income taxes	(32,411,510)	4,346,559
Dividends to policyholders	162,952	130,924
Net income (loss) before federal income taxes	(32,574,462)	4,215,635
Federal income tax expense (benefit)	(2,629,097)	210,023
Net income (loss)	$ (29,945,365)	$ 4,005,612

See Notes to the Statutory Financial Statements.

	2022	2021
Policyholders' surplus, beginning of year	$ 86,929,920	$ 79,141,857
Net income (loss)	(29,945,365)	4,005,612
Change in net unrealized capital gains (losses), net of tax	(4,582,118)	1,283,729
Change in nonadmitted assets	(264,246)	808,622
Change in deferred taxes	4,718,692	(90,737)
Change in provision for reinsurance	308,831	(308,831)
Change in pension obligations	3,176,142	2,089,668
Net change in policyholders' surplus	(26,588,064)	7,788,063
Policyholders' surplus, end of year	$ 60,341,856	$ 86,929,920

	2022	2021
Cash from operations:		
Net premiums collected	$ 124,328,757	$ 113,238,062
Net investment income received	3,435,461	2,876,059
Net losses paid	(93,377,890)	(65,046,342)
Net operating expenses paid	(48,102,880)	(42,354,432)
Other income received	26,465	141,014
Federal income taxes paid	(270,080)	-
Dividends paid to policyholders	(158,426)	(126,060)
Net cash from operations	(14,118,593)	8,728,301
Cash from investments:		
Proceeds from investments sold, matured, or repaid:		
Bonds	30,714,465	64,143,508
Stocks and mutual funds	1,429,455	4,637,509
Mortgage loans	12,591	-
Net gains on cash, cash equivalents, and short-term investments	-	31,313
Miscellaneous proceeds	34,611	397,427
	32,191,122	69,209,757
Cost of investments acquired:		
Bonds	(23,180,758)	(73,555,022)
Stocks and mutual funds	(216,083)	(146,637)
Mortgage loans	(3,210,200)	-
Other invested assets	-	(4,000,000)
Miscellaneous applications	-	(117,932)
	(26,607,041)	(77,819,591)
Net cash from investments	5,584,081	(8,609,834)
Cash from financing and miscellaneous sources:		
Other cash provided (applied)	711,897	(623,942)
Net cash from financing and miscellaneous sources	711,897	(623,942)
Net change in cash, cash equivalents, and short-term investments	(7,822,615)	(505,475)
Cash, cash equivalents, and short-term investments:		
Beginning of year	5,624,247	6,129,722
End of year	$ (2,198,368)	$ 5,624,247

Note 1 ~ Nature of Business and Summary of Significant Accounting Policies

Nature of Business. Badger Mutual Insurance Company (the Company) is domiciled in Wisconsin and is licensed as a Property and Casualty insurance company. The Company insures Property and Casualty risks in Wisconsin, Illinois, Michigan, Minnesota, Iowa, Arizona, Idaho, Utah, Nevada, and Wyoming and engages principally in the writing of homeowners insurance, commercial insurance, automobile insurance, and other Property and Casualty insurance, through independent agents. Approximately 42 percent of the Company's premiums for 2022 were written in Wisconsin. As of the date of these financial statements, the Company is no longer writing any new business in Idaho, Utah, and Wyoming, and intends to non-renew all existing policies in these states by April 2024.

A summary of the Company's significant accounting policies follows.

Basis of Presentation. The accompanying financial statements have been prepared in conformity with accounting practices prescribed or permitted by the Office of the Commissioner of Insurance of the State of Wisconsin (the OCI). Prescribed statutory accounting practices include the National Association of Insurance Commissioners' (NAIC) *Accounting Practices and Procedures Manual*, which was adopted by the state of Wisconsin, as well as state insurance laws, regulations, and general administrative rules. Permitted statutory accounting practices encompass all accounting practices not so prescribed. The Company has no such specifically permitted practices.

Statutory accounting practices vary in some respects from U.S. generally accepted accounting principles (GAAP). Such significant differences include the following:

- Investments in debt securities are generally carried at amortized cost. Under GAAP, the Company's debt securities would be classified as held-to-maturity, trading, or available-for-sale. For GAAP, debt securities classified as held-to-maturity would be carried at cost or amortized cost, and debt securities classified as trading or available-for-sale would be carried at fair value with the unrealized holding gains and losses reported in net income for those securities classified as trading and as a separate component of policyholders' surplus for those securities classified as available-for-sale.
- Investments in equity securities are generally carried at fair value with unrealized holding gains and losses reported as a direct charge or credit to policyholders' surplus. Under GAAP, the Company's equity securities would be carried at fair value with the unrealized holding gains and losses reported in net income.
- Policy acquisition costs, such as commissions, salaries, and other items, are charged to current operations as incurred; under GAAP, these acquisition costs would be deferred and recognized as an expense over the periods covered by the policies.
- Deferred income taxes are provided for differences between the financial statement and the tax bases of assets and liabilities and are reduced by a valuation allowance when it is more likely than not that some portion or all of the deferred tax assets will not be realized. Additionally, under statutory accounting practices, limitations are placed on the admissibility of deferred tax assets, all changes in deferred tax assets and liabilities are reported as changes in policyholders' surplus, and state income taxes are not included in deferred tax calculations; under GAAP, there is no admissibility concept, changes in deferred tax assets and liabilities would be reported through operations and/or policyholders' surplus depending on their characteristics, and state income taxes would be included in the deferred tax calculations.

Note 1 ~ Nature of Business and Summary of Significant Accounting Policies (Continued)

- Certain assets designated as "nonadmitted assets" (primarily nonoperating system software, office furniture and equipment, prepaid pension expenses, and certain deferred tax assets) are charged against policyholders' surplus; under GAAP, nonoperating system software and office furniture and equipment would be recognized as assets net of accumulated depreciation and amortization, prepaid pension expenses would be recognized as assets, and deferred taxes would be accounted for as noted previously.
- A provision for reinsurance has been provided for both unsecured unearned premiums and unpaid losses ceded to reinsurers who are not authorized by license to assume such business. Changes to those amounts are credited or charged directly to policyholders' surplus. Under GAAP, an allowance for amounts deemed uncollectible would be established through a charge to net income.
- All leases are accounted for as operating leases and are expensed as incurred. Under GAAP, leases would be classified separately as either finance or operating leases and recorded on the balance sheet as right-of-use assets and lease liabilities. For finance leases, the lessee would recognize amortization of the right-of-use asset and interest expense on the lease liability in separate line items on the statement of income. For operating leases, the lessee would recognize a single lease cost, which is generally amortized on a straight-line basis over the remaining lease term.
- Policyholder dividends are accrued when declared; under GAAP, dividends would be recognized over the premium paying period.
- Commissions on reinsurance ceded are credited to income at the time the premium is ceded; under GAAP, commissions on ceded premium would be deferred and recognized as income over the periods covered by the policies.
- Assets related to reinsurance ceded transactions are netted with the respective liability accounts; under GAAP, reinsurance balances would be shown on a separate gross basis.
- Statutory financial statements are prepared in a form using language and groupings substantially the same as the annual statement of the Company filed with the NAIC and state regulatory authorities, which differ from the presentation and disclosure of financial statements presented under GAAP.

The effects of these variances from GAAP on the accompanying statutory financial statements have not been determined.

Accounting Estimates. The preparation of statutory financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. Estimates that are particularly susceptible to significant change in the near-term relate to:

- The liabilities for unpaid losses and unpaid loss adjustment expenses. In estimating these liabilities, management uses the methodology discussed in the unpaid losses and unpaid loss adjustment expenses paragraph of this note. While management and the independent actuary believe the liabilities as established make a reasonable provision for all unpaid loss and loss adjustment expense obligations, the independent actuary has indicated that there is an inherent uncertainty that could result in a material adverse deviation from the liabilities recorded.

Note 1 ~ Nature of Business and Summary of Significant Accounting Policies (Continued)

- The assumptions regarding the other-than-temporary impairment (OTTI) analysis of the investment portfolio.
- The amount of deferred tax assets expected to be realized in future years.
- The discount rate, investment returns, and other assumptions used to determine the pension and deferred compensation liability.

Risk and Uncertainties. The Company's operating results and financial condition are affected by numerous factors and circumstances unique to the Property and Casualty insurance industry, some of which it can neither predict nor control. Among them are (1) statutorily imposed regulatory capital requirements can limit an insurer's ability to underwrite new business or retain otherwise desirable risks; (2) an insurer's ability to enter into suitable reinsurance agreements is subject to prevailing conditions in reinsurance markets; (3) competitive pressure on pricing, while cyclical, may be intense; (4) fluctuations in interest rates affect the value and income yield of an insurer's investment portfolio in the short-term, and often affect default and prepayment rates over time; (5) inflationary pressures affect the magnitude of losses and loss adjustment expenses; (6) emerging legal precedents and trends may have a significant specific impact on settlement amounts and costs of defending claims; (7) losses may not fully emerge for several years following the year in which an insured event occurred; and (8) difficulty estimating weather related losses for events occurring near year end. The current general economic environment increase the degree of uncertainty inherent in such estimates and assumptions.

Cash, Cash Equivalents, and Short-Term Investments. For purposes of reporting cash flows, the Company follows statutory accounting practices and considers cash in checking accounts, money market funds, and investments with original maturities of 12 months or less to be cash, cash equivalents, and short-term investments. Cash, cash equivalents, and short-term investments are carried at cost, which approximates fair value. The Company typically has on deposit in a financial institution balances in excess of amounts insured by the Federal Deposit Insurance Corporation. The Company does not believe it is exposed to any significant credit risk on the amounts above the insured limit.

Investments. Investments are valued in accordance with the valuation methods prescribed by the NAIC. Investments in bonds are generally carried at amortized cost using the scientific interest method; however, bonds with an NAIC designation of 3 or lower would be carried at the lower of amortized cost or fair value. Loan-backed (single class and multi-class mortgage-backed/asset-backed) securities are generally valued at amortized cost using the scientific interest method, including anticipated prepayments at the time of purchase; however, loan-backed securities with an initial NAIC designation of 3 or lower are carried at the lower of amortized cost or fair value. The retrospective adjustment method is used to value those securities. The Company uses a proprietary model for loss assumptions and widely accepted models for prepayment assumptions.

Investments in mutual funds are carried at fair value. Perpetual preferred stocks are generally carried at fair value, not to exceed any currently effective call price. Redeemable preferred stocks are generally carried at amortized cost; however, redeemable preferred stocks with an NAIC designation of 3 or lower are carried at the lower of cost, amortized cost, or fair value.

Note 1 ~ Nature of Business and Summary of Significant Accounting Policies (Continued)

Investments in other invested assets consist of a limited partnership that is recorded based on the Company's proportional share of the investment's GAAP equity value from the most recent statement available. The limited partnership's focus is the investment in a high yield bond fund. This fund is well diversified with short duration, below investment grade floating rate syndicated loans and notes that the investment manager, Muzinich, believes have attractive risk/reward characteristics and which are issued by U.S. and foreign corporations. The objective of the fund is to provide a high level of income with a focus on principal preservation and reduced exposure to changes in interest rates.

Mortgage loans are carried at unpaid balances, which approximate fair value.

Real estate is recorded as an admitted asset at cost less accumulated depreciation and consists of an apartment building, two condominium units, and a multi-family rental dwelling. Real estate is evaluated for impairment and when deemed necessary, the carrying value would be written down to the property's approximate fair market value based on a recent real estate appraisal. Cost and accumulated depreciation as of December 31, 2022 and 2021, were as follows:

	Cost	Accumulated Depreciation	Net
2022			
Real estate, held for the production of income	$ 7,189,708	$ (3,660,728)	$ 3,528,980
2021			
Real estate, held for the production of income	$ 7,189,707	$ (3,493,459)	$ 3,696,249

Realized gains and losses on the sale of investments are recognized on a specific identification basis and are included in income. Unrealized gains and losses from changes in the fair value of stocks and mutual funds are credited or charged directly to policyholders' surplus net of deferred income taxes.

Declines in fair value that are determined to be OTTI are included in the statutory statements of income as realized capital losses. The Company determines a decline to be other than temporary by reviewing and evaluating relevant objective and subjective factors for each security, including the extent of the depressed value, the length of time the value has been depressed, the Company's intent and ability to hold the security, a security's current performance, the current and projected financial condition of the issuer, the issuer's projected ability to service and repay its debt obligations, the industry in which the issuer operates, the estimated future cash flows of loan-backed securities, the appraised values and cash flows related to real estate investments, and the status of the investment markets as a whole. There were $0 and $259,146 of declines deemed other than temporary for the years ended December 31, 2022 and 2021, respectively.

Company-Owned Life Insurance. The Company maintains whole life insurance policies for key current and former employees of the Company in which the Company is the primary beneficiary. The Company reported as an admitted asset the amount that could be realized on the life insurance policies as of the date to which premiums have been paid, which is equal to the cash surrender value of the policies at December 31, 2022 and 2021. The change in carrying value is recorded as a component of other income.

Note 1 ~ Nature of Business and Summary of Significant Accounting Policies (Continued)

Mortgage Loans. Mortgage loans are carried at their aggregate unpaid principal balance, net of any valuation allowances. The Company targets an initial loan to collateral value ratio of no more than 80 percent. An allowance is provided when a mortgage loan becomes impaired, which occurs when it becomes probable the Company will be unable to collect the total amounts due, including principal and interest, according to contractual terms, and when the aggregated unpaid principal balance of the mortgage loan exceeds the fair value of the mortgage loan collateral. A valuation allowance was not required at December 31, 2022. The minimum and maximum lending rates during 2022 were 4.40 percent and 5.04 percent, respectively. The minimum and maximum percentages of any one loan to appraised value at December 31, 2022, were 32.33 percent and 49.76 percent, respectively.

Fair Value Measurements. Financial instruments are categorized in a fair value hierarchy based on the reliability of inputs to the valuation techniques, as follows:

- Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets in active markets that the Company has the ability to access.

- Level 2 – Inputs to the valuation methodology include quoted prices for similar assets in active markets; quoted prices for identical or similar assets in inactive markets; inputs other than quoted prices that are observable; or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

- Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The Company believes its valuation methods are appropriate and consistent with other market participants. The use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Property and Equipment. Electronic data processing equipment and operating system software are recorded as admitted assets at cost less accumulated depreciation and amortization of $1,096,032 and $941,054 as of December 31, 2022 and 2021, respectively.

Furniture, equipment, and nonoperating system software are considered nonadmitted assets for statutory financial statement reporting purposes. Depreciation and amortization are calculated on these assets and charged to expense. The total accumulated depreciation on nonadmitted assets was $925,872 and $763,033 as of December 31, 2022 and 2021, respectively. The net change in book value (cost less depreciation) is charged or credited directly to policyholders' surplus.

Depreciation is calculated by applying straight-line or accelerated methods over the estimated useful lives of the respective assets. Total depreciation expense was $485,084 in 2022 and $555,613 in 2021.

Note 1 ~ Nature of Business and Summary of Significant Accounting Policies (Continued)

Unpaid Losses and Unpaid Loss Adjustment Expenses. The liabilities for unpaid losses and unpaid loss adjustment expenses include amounts determined from individual reported losses (case reserves), an amount, based on past experience, for losses incurred but not reported (IBNR), and amounts considered necessary to maintain reserve adequacy. Such liabilities are necessarily based on estimates and, while management believes that the amounts are adequate, the ultimate liabilities may differ from the amounts provided. The methods for making such estimates and for establishing the resulting liabilities are continually reviewed, and any adjustments are reflected in current operations. The liabilities for unpaid losses and unpaid loss adjustment expenses are reported net of the effects of reinsurance and estimated salvage and subrogation receivable.

Recognition of Premium. Premiums from policies written are recognized on a pro rata basis over the respective terms of the policies. Unearned premiums represent the portion of premiums written which relate to future periods. An advance premium liability is established for all premiums received on policies effective in the following fiscal year. An estimated receivable for audit premiums earned but unbilled is recorded with uncollected premiums.

Premium Deficiency Reserve. When anticipated losses and loss adjustment expenses exceed the Company's recorded unearned premium reserve and any future installment premiums on existing policies, a premium deficiency reserve is established. No premium deficiency was identified in 2022 or 2021; and therefore, no deficiency reserve was established.

Reinsurance. Reinsurance premiums, commissions, and loss and loss adjusting expense recoveries are accounted for on a basis consistent with those used in accounting for the original policies issued and the terms of the reinsurance contracts. Commissions on reinsurance ceded are credited to income at the time the premium is ceded. The Company does not enter into finite reinsurance contracts; all reinsurance contracts involve a significant transfer of risk.

Income Taxes. The Company files a federal income tax return, as well as state income tax returns in Wisconsin and Illinois. The Company records deferred income taxes on temporary differences between the financial reporting basis and the tax basis of the Company's assets and liabilities based upon enacted federal tax rates. In accordance with statutory accounting requirements, no deferred taxes are provided for state income taxes.

Subsequent Events. Subsequent events were evaluated through March 25, 2023, which is the date the financial statements were available to be issued.

Note 2 ~ Investments

The carrying value and fair value of investments in bonds at December 31, 2022 and 2021, were as follows:

	Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
2022				
Bonds:				
U.S. government	$ 6,098,730	$ -	$ (1,345,097)	$ 4,753,633
All other governments	460,713	-	(73,976)	386,737
States, territories, and possessions	1,502,355	-	(164,094)	1,338,261
State and political subdivisions	4,659,881	-	(443,837)	4,216,044
Hybrid securities	382,496	-	(18,496)	364,000
Special revenue and special assessment obligations	12,136,680	-	(1,545,575)	10,591,105
Industrial and miscellaneous	69,130,473	433,962	(7,128,279)	62,436,156
Loan-backed securities	56,475,930	24,935	(7,673,203)	48,827,662
Total bonds	$ 150,847,258	$ 458,897	$ (18,392,557)	$ 132,913,598
2021				
Bonds:				
U.S. government	$ 9,173,594	$ 97,962	$ (256,808)	$ 9,014,748
All other governments	460,264	-	(190)	460,074
Government agency	14,865,640	237,324	(59,853)	15,043,111
State and political subdivisions	6,187,193	261,177	(11,415)	6,436,955
Hybrid securities	379,265	8,735	-	388,000
Industrial and miscellaneous	65,755,361	2,476,433	(721,062)	67,510,732
Loan-backed securities	63,147,388	898,626	(821,829)	63,224,185
Total bonds	$ 159,968,705	$ 3,980,257	$ (1,871,157)	$ 162,077,805

The cumulative unrealized loss on bonds of $18,392,557 as of December 31, 2022, consisted of $10,526,468 of unrealized losses in a loss position for greater than 12 months and $7,866,089 of unrealized losses in a loss position for less than 12 months.

The cumulative unrealized loss on bonds of $1,871,157 as of December 31, 2021, consisted of $498,613 of unrealized losses in a loss position for greater than 12 months and $1,372,544 of unrealized losses in a loss position for less than 12 months.

Note 2 ~ Investments (Continued)

The carrying value and fair value of bonds (including short-term investments) are categorized by the effective maturity date below. Effective maturities differ from contractual maturities because certain borrowers have the right to call or prepay obligations.

	Carrying Value	Fair Value
Due in one year or less	$ 15,886,997	$ 15,252,925
Due after one year through five years	68,539,992	63,344,252
Due after five years through ten years	51,892,949	43,667,927
Due after ten years	14,753,405	10,886,062
	$ 151,073,343	$ 133,151,166

At December 31, 2022 and 2021, bonds with an admitted asset value of $2,659,426 and $2,650,400, respectively, were on deposit with various states. These deposits were made to meet legal requirements and are not necessarily available for the protection of all policyholders.

The cost and fair value of investments in stocks and mutual funds at December 31, 2022 and 2021, were as follows:

	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
2022				
Redeemable preferred stock (amortized cost)	$ 472,860	$ -	$ (18,757)	$ 454,103
Perpetual preferred stock	56,047	5,201	-	61,248
Mutual funds	8,484,810	2,606,615	(619,786)	10,471,639
Total stocks and mutual funds	$ 9,013,717	$ 2,611,816	$ (638,543)	$ 10,986,990
2021				
Redeemable preferred stock (amortized cost)	$ 472,860	$ 50,104	$ -	$ 522,964
Perpetual preferred stock	20,762	1,026	-	21,788
Mutual funds	9,080,913	4,808,988	-	13,889,901
Total stocks and mutual funds	$ 9,574,535	$ 4,860,118	$ -	$ 14,434,653

The cumulative unrealized loss on stocks and mutual funds of $638,543 as of December 31, 2022, consisted of $0 of unrealized losses in a loss position for greater than 12 months and $638,543 of unrealized losses in a loss position for less than 12 months. The Company had no cumulative unrealized losses on stocks and mutual funds as of December 31, 2021.

Note 2 ~ Investments (Continued)

Gains and Losses on Investments. The components of net realized investment gains (losses) were as follows:

	2022	2021
Gains on disposals	$ 1,368,104	$ 3,085,023
Losses on disposals	(1,147,262)	(373,189)
Net gains on disposals of securities	220,842	2,711,834
OTTI write-downs	-	(259,147)
Total capital gains	220,842	2,452,687
Federal income tax expense	(46,377)	(515,064)
Net realized capital gains	$ 174,465	$ 1,937,623

Summary of Significant Valuation Techniques for Financial Instruments. The following valuation techniques and inputs were used to estimate the fair value of each class of significant financial instruments:

Level 1 Measurements

Bonds: Comprised of actively traded U.S. Treasury notes. Valuation is based on unadjusted quoted prices for identical assets in active markets that are accessible to the Company at the measurement date.

Common stocks and mutual funds: Comprised of actively traded common stocks, as well as exchange-listed mutual funds and exchange-traded funds that have daily quoted net asset values.

Level 2 Measurements

Bonds: Comprised of U.S. government, foreign, state and municipal, corporate securities, and residential and commercial mortgage-backed securities. Valuation is based on inputs including quoted prices for identical or similar assets in inactive markets and is obtained from the Company's investment manager.

Preferred stocks: Comprised of perpetual preferred stock and redeemable preferred stocks. Valuation is provided by a leading, nationally recognized provider of financial market data and analytics to price the Company's preferred stock holdings.

Level 3 Measurements

Other invested assets: Comprised of an investment in a limited partnership, where fair values are based on statement values obtained from the fund administrator or are estimated directly from the partnership management company.

Note 2 ~ Investments (Continued)

Financial Instruments Reported at Fair Value in the Statutory Balance Sheets

	Level 1	Level 2	Level 3	Total
December 31, 2022				
Cash equivalents	$ 327,602	$ -	$ -	$ 327,602
Bonds	-	3,820,609	-	3,820,609
Mutual funds	10,471,639	-	-	10,471,639
Perpetual preferred stocks	-	61,248	-	61,248
Other invested assets	-	-	3,746,868	3,746,868
	$ 10,799,241	$ 3,881,857	$ 3,746,868	$ 18,427,966
December 31, 2021				
Cash equivalents	$ 1,946,257	$ -	$ -	$ 1,946,257
Bonds	-	1,376,458	-	1,376,458
Mutual funds	13,889,901	-	-	13,889,901
Perpetual preferred stocks	-	21,788	-	21,788
Other invested assets	-	-	4,097,462	4,097,462
	$ 15,836,158	$ 1,398,246	$ 4,097,462	$ 21,331,866

All Financial Instruments

Type of Financial Instrument	Aggregate Fair Value	Admitted Assets	Level 1	Level 2	Level 3	Fair Value Not Practicable*
December 31, 2022						
Cash equivalents	$ 327,602	$ 327,602	$ 327,602	$ -	$ -	$ -
Bonds	132,913,598	150,847,258	4,753,633	128,159,965	-	-
Mutual funds	10,471,639	10,471,639	10,471,639	-	-	-
Preferred stocks	515,351	534,108	-	515,351	-	-
Other invested assets	3,746,868	3,746,868	-	-	3,746,868	-
Mortgage loans	3,197,609	3,197,609	-	-	-	3,197,609
December 31, 2021						
Cash equivalents	$ 1,946,257	$ 1,946,257	$ 1,946,257	$ -	$ -	$ -
Bonds	162,077,805	159,968,705	9,014,746	153,063,059	-	-
Mutual funds	13,889,901	13,889,901	13,889,901	-	-	-
Preferred stocks	544,752	494,648	-	544,752	-	-
Other invested assets	4,097,462	4,097,462	-	-	4,097,462	-

*It was not practicable to determine fair value of these mortgage loans because a quoted market price was not available and is not used in determining statement value.

The Company did not have any liabilities measured at fair value at December 31, 2022 and 2021.

Note 3 ~ Liabilities for Unpaid Losses and Unpaid Loss Adjustment Expenses

Activity in the liabilities for unpaid losses and unpaid loss adjustment expenses for the years ended December 31, 2022 and 2021, is summarized as follows (000's omitted):

	2022	2021
Balance, beginning of year	$ 77,738	$ 74,494
Less reinsurance recoverable	16,246	13,423
Net balance at January 1	61,492	61,071
Incurred related to:		
Current year	119,126	83,796
Prior years	(1,433)	(8,688)
Total incurred	117,693	75,108
Paid related to:		
Current year	78,588	52,911
Prior years	28,607	21,776
Total paid	107,195	74,687
Net balance at December 31	71,990	61,492
Plus reinsurance recoverable	23,187	16,246
Balance, end of year	$ 95,177	$ 77,738

In accordance with accounting practices related to estimates, changes in prior years' liabilities for unpaid losses and loss adjustment expenses are recorded in current year operations. As a result of changes in estimates of insured events in prior years, net loss and loss adjustment expenses incurred were decreased by approximately $1,433,000 and $8,688,000 in 2022 and 2021, respectively, due to changes in anticipated losses and related expenses.

Estimates of anticipated salvage and subrogation recoveries on losses and loss adjustment expenses have been recorded as a reduction to unpaid loss and loss adjustment expense amounting to $4,414,000 and $4,433,000 at December 31, 2022 and 2021, respectively.

Note 4 ~ Reinsurance

Reinsurance Ceded. The Company limits the maximum net loss that can arise from large risks or risks in concentrated areas of exposure by reinsuring (ceding) certain levels of risk with other insurers or reinsurers, generally on an automatic basis under general reinsurance contracts known as "treaties." Ceded reinsurance is treated as if the risk and liability was that of the assuming companies. Such reinsurance includes quota share, excess of loss, and catastrophe forms of reinsurance. Amounts deducted as of December 31, 2022 and 2021, from certain liabilities for these reinsurance agreements, were as follows:

	2022	2021
Unpaid losses	$ 23,187,497	$ 16,246,095
Unearned premiums	843,587	2,553,631

In 2022 and 2021, the Company's retention on its Property and Casualty risks was $350,000 per risk or occurrence. The Company maintains various excess of loss reinsurance agreements to protect against losses above its retention on each risk insured. In addition, the catastrophic reinsurance provided property coverages up to a limit of $50 million per loss event in 2022 and $45 million per loss event in 2021.

The Company entered into a quota share reinsurance contract whereby a percentage (5 percent for 2022 and 15 percent for 2021) of all property risks are ceded to the reinsurer, with the exception of auto collision coverage risks.

The Company received surplus aid from reinsurance of $245,576 as of December 31, 2022, computed as the maximum amount of return commission that would be due to reinsurers if all ceded reinsurance contracts were canceled at year end.

The Company monitors the financial condition of its reinsurers in order to minimize its exposure to loss from reinsurance insolvencies. All of the Company's reinsurers are rated A- or better by A.M. Best Company. Reinsurance contracts do not release the Company from its obligations to its insureds, and nonperformance by counterparties to these reinsurance agreements could expose the Company to loss.

Unsecured Reinsurance Recoverable. At December 31, 2022, the Company had unsecured aggregate amounts recoverable for losses, both paid and unpaid, including IBNR and loss adjustment expenses, and unearned premiums with individual reinsurers, authorized and unauthorized, that exceeded 3 percent of policyholders' surplus, as follows:

Reinsurer	Amount
Hannover Re	$ 3,130,123
Renaissance Reinsurance U.S. Inc.	2,177,000
Regional Treaty Service Facility	3,282,000
Swiss Re American Corp	4,649,244
Transatlantic Reinsurance Company	2,335,670

Note 5 ~ Income Taxes

The Company is taxed as an insurance company under Section 831 of the Internal Revenue Code. Federal income tax expense (benefit) differs from the amount obtained by applying the federal income tax rate of 21 percent to pretax income, due to the following:

	2022	2021
Computed expected federal income tax expense (benefit)	$ (6,840,637)	$ 993,447
Increase (decrease) in federal income tax expense resulting from permanent differences:		
Dividends received deduction	(20,649)	(62,584)
Company-owned life insurance	246,305	(124,645)
Other – net	102,194	(2,883)
Increase (decrease) in federal income tax expense resulting from temporary differences:		
Discounting of unpaid losses and loss adjustment expenses	162,130	46,046
Unearned and advance premium adjustments	381,833	381,595
Employee benefits	(78,543)	(58,573)
Other – net	17,553	(501,737)
OTTI	-	54,421
NOL carryforward	3,447,094	-
Federal income tax expense (benefit)	(2,582,720)	725,087
Less tax subtracted from realized capital gains	(46,377)	(515,064)
Federal income tax expense (benefit) per Statutory Statements of Income	$ (2,629,097)	$ 210,023

Note 5 ~ Income Taxes (Continued)

The components of the net deferred tax asset (liability) at December 31, 2022 and 2021, were as follows:

	Ordinary	Capital	Total
2022			
Gross deferred tax assets	$ 8,052,787	$ -	$ 8,052,787
Statutory valuation allowance	-	-	-
	8,052,787	-	8,052,787
Deferred tax asset nonadmitted	(261,093)	-	(261,093)
	7,791,694	-	7,791,694
Deferred tax liabilities	(204,508)	(330,965)	(535,473)
	$ 7,587,186	$ (330,965)	$ 7,256,221
2021			
Gross deferred tax assets	$ 4,693,792	$ -	$ 4,693,792
Statutory valuation allowance	-	-	-
	4,693,792	-	4,693,792
Deferred tax asset nonadmitted	-	-	-
	4,693,792	-	4,693,792
Deferred tax liabilities	(361,592)	(999,427)	(1,361,019)
	$ 4,332,200	$ (999,427)	$ 3,332,773

The net admitted deferred tax asset was determined using the guidance related to admissibility provided in the following paragraphs of NAIC *Statement of Statutory Accounting Principles No. 101 (SSAP 101)*:

	Ordinary	Capital	Total
2022			
11a. Ability to recover taxes paid in prior years	$ -	$ -	$ -
11b. Expected to be realized, after application of threshold limitations	7,256,221	-	7,256,221
11c. Offset of deferred tax liabilities	535,473	-	535,473
	$ 7,791,694	$ -	$ 7,791,694
2021			
11a. Ability to recover taxes paid in prior years	$ 2,582,720	$ -	$ 2,582,720
11b. Expected to be realized, after application of threshold limitations	750,053	-	750,053
11c. Offset of deferred tax liabilities	1,361,019	-	1,361,019
	$ 4,693,792	$ -	$ 4,693,792

Note 5 ~ Income Taxes (Continued)

	2022	2021
Ratio Used to Determine Recovery Period and Threshold Limitation amount under paragraph 11b	712%	882%
Amount of Adjusted Policyholders' Surplus Used To Determine Recovery Period and Threshold Limitation under paragraph 11b	$ 67,598,077	$ 83,597,148

The major components of current income taxes incurred and net deferred tax assets as of December 31, 2022 and 2021, were as follows:

	2022	2021	Change
Current income tax (benefit):			
Federal and foreign	$ (2,629,097)	$ 210,023	$ (2,839,120)
Federal income tax on net capital gains	46,377	515,064	(468,687)
Federal income tax expense (benefit)	$ (2,582,720)	$ 725,087	$ (3,307,807)
Deferred tax assets:			
Unpaid loss and loss adjustment expense	$ 830,660	$ 736,702	$ 93,958
Unearned premiums	2,922,870	2,457,989	464,881
Pension accrual	478,106	1,142,996	(664,890)
NOL carryforward	3,447,094	-	3,447,094
Other	374,057	356,105	17,952
Total deferred tax assets	8,052,787	4,693,792	3,358,995
Nonadmitted deferred tax assets	(261,093)	-	(261,093)
Total admitted deferred tax assets	7,791,694	4,693,792	3,097,902
Deferred tax liabilities:			
Investments	(412,463)	(1,156,002)	743,539
Other	(123,010)	(205,017)	82,007
Total deferred tax liabilities	(535,473)	(1,361,019)	825,546
Net deferred tax assets	$ 7,256,221	$ 3,332,773	$ 3,923,448

The change in net deferred tax assets was recorded directly to policyholders' surplus and impacted the following components listed on the Statutory Statements of Changes in Policyholders' Surplus:

	2022	2021
Change in net unrealized capital gains (losses), net of tax	$ (795,244)	$ (341,244)
Change in net deferred income tax	4,979,785	(90,737)
Change in nonadmitted deferred tax assets	(261,093)	455,971
Change in net deferred tax assets	$ 3,923,448	$ 23,990

Note 5 ~ Income Taxes (Continued)

Federal income taxes which would be available for recoupment in the event of future tax losses are $0 for both 2022 and 2021.

The Company also pays Wisconsin franchise taxes at a rate of 7.9 percent of Wisconsin taxable income. The Company incurred approximately $0 and $215,000 of Wisconsin state income taxes for the years ended December 31, 2022 and 2021, respectively. Illinois state income taxes were $0 and $79,000 for the years ended December 31, 2022 and 2021, respectively.

As of December 31, 2022, the Company had approximately $16,400,000 of net operating loss carryforwards.

As of December 31, 2022, the Company had not identified any material liabilities or loss contingencies arising from uncertain tax positions.

Note 6 ~ Employee Benefit Plans

The Company has a funded noncontributory defined benefit pension plan that covers substantially all of its full-time employees who were hired before January 1, 2014. Effective December 31, 2013, the Company froze this plan. The plan provides defined benefits based on years of service and age requirements. The Company uses a December 31 measurement date for its plan.

The following tables provide reconciliations of the changes in the benefit obligation, fair value of plan assets, and funded status of the defined benefit pension plan at December 31:

	2022	2021
Change in benefit obligation:		
Benefit obligation at beginning of year	$ 19,005,075	$ 20,356,422
Interest cost	523,242	499,854
Actuarial (gain) loss	(4,286,343)	(798,574)
Benefits paid	(1,040,152)	(1,052,627)
Benefit obligation at end of year	$ 14,201,822	$ 19,005,075
Change in plan assets:		
Fair value of plan assets at beginning of year	$ 13,352,236	$ 12,613,915
Actual return on assets	(1,396,959)	950,948
Employer contributions	810,000	840,000
Benefits paid	(1,040,152)	(1,052,627)
Fair value of plan assets at end of year	$ 11,725,125	$ 13,352,236
Amounts recognized in the statutory balance sheets:		
Accrued benefit costs	$ -	$ -
Liability for pension benefits	2,476,697	5,652,839
Total liabilities recognized	$ 2,476,697	$ 5,652,839

Note 6 ~ Employee Benefit Plans (Continued)

The components of net periodic pension costs (income) were as follows:

	2022	2021
Interest cost	$ 523,242	$ 499,854
Expected return on plan assets	(653,590)	(625,648)
Recognition of net loss	552,542	692,659
Net periodic pension cost	$ 422,194	$ 566,865

The assumptions used in the measurement of the Company's benefit obligation and net periodic pension cost were as follows:

	2022	2021
Weighted-average assumptions used to determine net periodic pension cost for the years ended Dec 31:		
Discount rate	2.83%	2.52%
Expected long-term return on plan assets	5.00	5.00
Rate of compensation increase	0.00	0.00
Weighted-average assumptions used to determine benefit obligation for the years ended Dec 31:		
Discount rate	5.02%	2.83%
Rate of compensation increase	0.00	0.00

The expected long-term rate of return on plan assets is determined on the basis of future expected returns on the assets over a long period of time. This determination is influenced by the asset allocation as described below, as well as the investment policy.

The Company's pension plan asset allocations at December 31, by asset category, were as follows:

	2022	2021
Equity securities	59.0%	60.0%
Debt securities	40.0	39.0
Other (cash equivalents)	1.0	1.0
Total plan assets	100.0%	100.0%

Note 6 ~ Employee Benefit Plans (Continued)

Pension plan assets are invested primarily in professionally managed, publicly traded equity and bond mutual funds and unit investment trusts offered by Charles Schwab. The investment objective of the plan is to maximize the long-term rate of return, consistent with prudent investment management and in accordance with ERISA requirements. Investments are made for the sole interests of the beneficiaries of the plan. The Company targets approximately 70 percent of plan assets to be invested in equity securities. The fair value of plan assets is based on quoted fund values.

Summary of Significant Valuation Techniques for Defined Benefit Pension Plan Assets. The following valuation techniques and inputs were used to estimate the fair value of each class of significant financial instruments:

Level 1 Measurements

Mutual funds and exchange-traded funds: Comprised of actively traded debt and equity mutual funds that have daily quoted net asset values and exchange-traded funds, which are valued based on quoted prices for identical assets in active markets that are available to the Company.

Money market: Comprised of an investment in Schwab Advisor Cash Reserve Premier. Valuation is based on unadjusted quoted prices for identical assets in active markets that are accessible to the Company at the measurement date.

	Level 1	Level 2	Level 3	Total
2022				
Mutual funds and exchange-traded funds	$ 11,624,250	$ -	$ -	$ 11,624,250
Money market	100,875	-	-	100,875
Total assets at fair value	$ 11,725,125	$ -	$ -	$ 11,725,125
2021				
Mutual funds and exchange-traded funds	$ 13,206,929	$ -	$ -	$ 13,206,929
Money market	145,307	-	-	145,307
Total assets at fair value	$ 13,352,236	$ -	$ -	$ 13,352,236

The following benefit payments are expected to be paid:

2023	$ 1,041,594
2024	1,021,700
2025	1,004,938
2026	983,742
2027	944,605
2028-2032	4,909,402

Note 6 ~ Employee Benefit Plans (Continued)

The Company also has a defined contribution plan under the provisions of Section 401(k) of the Internal Revenue Code. The Company elected to match 25 percent and 50 percent of employee contributions limited to a 10 percent contribution for 2022 and 2021, respectively. Matching contributions of $182,516 were accrued as of December 31, 2022. Matching contributions of $376,129 were accrued as of December 31, 2021.

As of December 31, 2022 and 2021, the Company had accrued $102,983 and $108,491, respectively, for deferred compensation benefits to be paid to the beneficiary of a former President who passed away in 1993.

Supplemental Employee Retirement Plan. The Company has a non-qualified, defined contribution deferred compensation arrangement with certain employees that provides for post-retirement benefits, contingent on various conditions. The Company accrues the present value of the expected benefit payments over the period from the date of each agreement to the expected retirement date. The plan is unfunded. The projected benefit obligation was $906,786 as of December 31, 2022, and $737,741 as of December 31, 2021, and is included in accounts payable and accrued expenses on the statutory balance sheets. The periodic pension cost, totaling $520,491 and $681,577 as of December 31, 2022 and 2021, respectively, was charged to net income as underwriting expense.

Note 7 ~ Policyholders' Surplus

The Company is required to maintain minimum surplus established by the OCI. The Company is also subject to Risk-Based Capital (RBC) requirements promulgated by the NAIC and adopted by the OCI. The RBC standards establish uniform minimum capital requirements for insurance companies. The RBC formula applies various weighting factors to financial balances or various levels of activities based on the perceived degree of risk. At December 31, 2022, the Company's policyholders' surplus exceeded the minimum levels required by the OCI and RBC standards.

Policyholders' surplus was increased (reduced) by the following cumulative amounts at December 31:

	2022	2021
Net unrealized capital gains, not including related deferred taxes	$ 1,069,759	$ 4,856,636
Nonadmitted assets	(4,633,322)	(4,369,076)

Note 8 ~ Leases

The Company entered into a lease for office space under a noncancelable operating lease agreement that began in 2020 and expires in 2036. Rental expense for 2022 and 2021 was $683,829 and $660,135, respectively.

At December 31, 2022, the future minimum aggregate rental commitments were as follows:

2023	$	564,631
2024		582,057
2025		600,050
2026		615,450
2027		630,200
2028-2036		5,836,611

STROHM BALLWEG

Independent Auditor's Report on the Supplementary Information

To the Board of Directors
Badger Mutual Insurance Company
Milwaukee, Wisconsin

Our audit was conducted for the purpose of forming an opinion on the statutory financial statements taken as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the statutory financial statements. The supplementary information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. This information is presented in a format consistent with the Annual Statement filed by the Company with the OCI. Such 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the statutory financial statements as a whole.

Strohm Ballweg, LLP

Madison, Wisconsin
March 25, 2023

1. Reporting entity's total admitted assets as reported on page two of the annual statement. $ 213,932,647

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

	Issuer	Description of Exposure	Amount	Percentage of Total Admitted Assets
2.01	Freddie Mac	CMO, MBS	$ 9,676,053	4.5%
2.02	Federal National Mortgage Association	CMO, MBS	$ 7,646,994	3.6%
2.03	State of Wisconsin	Municipal	$ 1,755,714	0.8%
2.04	National Rural Utilities Cooperative Finance Corporation	Bonds	$ 1,408,173	0.7%
2.05	Utah Transit Authority	Municipal	$ 1,265,000	0.6%
2.06	Regional Transportation District	Municipal	$ 1,244,952	0.6%
2.07	MassMutual Global Funding II	Bonds	$ 1,138,387	0.5%
2.08	City of Suffolk, Virginia	Municipal	$ 1,135,000	0.5%
2.09	Bank of America Corporation	Bonds	$ 1,105,502	0.5%
2.10	Oracle Corporation	Bonds	$ 1,050,928	0.5%

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

Bonds			Preferred Stocks		
3.01 NAIC – 1	$ 115,891,088	54.2%	3.07 NAIC – 1	$	%
3.02 NAIC – 2	$ 28,718,579	13.4%	3.08 NAIC – 2	$ 472,860	0.2%
3.03 NAIC – 3	$ 3,775,688	1.8%	3.09 NAIC – 3	$	%
3.04 NAIC – 4	$ 2,404,729	1.1%	3.10 NAIC – 4	$	%
3.05 NAIC – 5	$ 283,259	0.1%	3.11 NAIC – 5	$ 61,248	0.1%
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]

4.02	Total admitted assets held in foreign investments	$ 10,382,807	4.9%
4.03	Foreign-currency-denominated investments	$	%
4.04	Insurance liabilities denominated in that same foreign currency	$	%

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

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

5.01	Countries rated NAIC – 1	$ 9,982,807	4.7%
5.02	Countries rated NAIC – 2	$	%
5.03	Countries rated NAIC – 3 or below	$ 400,000	0.2%

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

Countries rated NAIC – 1		
6.01 Cayman Islands	$ 1,751,021	0.8%
6.02 United Kingdom	$ 1,557,814	0.6%
Countries rated NAIC – 2		
6.03	$	%
6.04	$	%
Countries rated NAIC – 3 or below		
6.05 Virgin Islands, British	$ 400,000	0.2%
6.06	$	%

7. Aggregate unhedged foreign currency exposure $ %

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

8.01	Countries rated NAIC – 1	$	%
8.02	Countries rated NAIC – 2	$	%
8.03	Countries rated NAIC – 3 or below	$	%

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

Countries rated NAIC – 1		
9.01	$	%
9.02	$	%
Countries rated NAIC – 2		
9.03	$	%
9.04	$	%
Countries rated NAIC – 3 or below		
9.05	$	%
9.06	$	%

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

Issuer	NAIC Rating	Amount	Percent
10.01 CIFC Funding 2019-1 Ltd	1FE	$ 1,002,054	0.5%
10.02 Lsega Financing PLC	1FE	$ 848,774	0.4%
10.03 CBAM 2017-1, Ltd.	1FE	$ 748,967	0.4%
10.04 BNP Paribas SA	1FE	$ 649,831	0.3%
10.05 Credit Suisse Group AG	2FE	$ 499,845	0.2%
10.06 BPCE SA	2FE	$ 499,657	0.2%
10.07 Deutsche Bank AG, London Branch	1FE	$ 479,894	0.2%
10.08 Thrust Engine Leasing 2021 DAC	1FE	$ 473,333	0.2%
10.09 QatarEnergy	1FE	$ 460,713	0.2%
10.10 Qiagen N.V.	4Z	$ 454,641	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.)

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 restriction:

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.)

12.02 Aggregate statement value of investments with contractual sales restrictions	$	%
Largest 3 investments with contractual sales restrictions:		
12.03	$	%
12.04	$	%
12.05	$	%

13. Amounts and percentages of admitted assets held in the largest 10 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.)

Assets held in equity interests:

13.02	Vanguard Index Funds – Vanguard Total Stock Market ETF	$ 4,555,484	2.1%
13.03	Professionally Managed Portfolios – Muzinich Income Floating Rate Fund	$ 3,746,868	1.8%
13.04	Professionally Managed Portfolios – Muzinich U.S. High Yield Corporate Bond Fund	$ 3,173,306	1.5%
13.05	Vanguard Whitehall Funds – Vanguard High Dividend Yield ETF	$ 1,532,370	0.7%
13.06	Vanguard Tax-Managed Funds – Vanguard FTSE Developed Markets ETF	$ 699,178	0.3%
13.07	Vanguard International Equity Index Funds – Vanguard FTSE Emerging Markets ETF	$ 511,301	0.2%
13.08	Amg Capital Trust II	$ 472,860	0.2%
13.09	Garrett Motion Inc.	$ 61,248	0.0%
13.10		$	%
13.11		$	%

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.)

14.02 Aggregate statement value of investments held in nonaffiliated, privately placed equities $ %

Largest 3 investments held in nonaffiliated, privately placed equities:

14.03		$	%
14.04		$	%
14.05		$	%

Ten Largest Fund Managers:

	1 Fund Manager	2 Total Invested	3 Diversified	4 Non-Diversified
14.06	Vanguard Index Funds – Vanguard Total Stock Market ETF	$ 4,555,484	$ 4,555,484	$
14.07	Professionally Managed Portfolios – Muzinich Income Floating Rate Fund	$ 3,746,868	$ 3,746,868	$
14.08	Professionally Managed Portfolios – Muzinich U.S. High Yield Corporate Bond Fund	$ 3,173,306	$ 3,173,306	$
14.09	Vanguard Whitehall Funds – Vanguard High Dividend Yield ETF	$ 1,532,370	$ 1,532,370	$
14.10	Vanguard Tax-Managed Funds – Vanguard FTSE Developed Markets ETF	$ 699,178	$ 699,178	$
14.11	Vanguard International Equity Index Funds – Vanguard FTSE Emerging Markets ETF	$ 511,301	$ 511,301	$
14.12	First American Funds, Inc. – Treasury Obligations Fund	$ 327,602	$ 327,602	$
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.)

15.02 Aggregate statement value of investments held in general partnership interests $ ____ ____%

Largest 3 investments held in general partnership interests:

15.03		$	%
15.04		$	%
15.05		$	%

16. Amounts and percentages of the reporting entity's total admitted assets held in the largest 10 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 Interrogatories 16 and 17.)

Total admitted assets held in Mortgage Loans:

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:

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:

Loan-to-Value	Residential		Commercial		Agricultural	
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.)

Assets held in the 5 Largest Real Estate Holdings:

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 above is yes, responses are not required for the remainder of Interrogatory 19.)

19.02 Aggregate statement value of investments held in mezzanine 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 Qtr	2nd Qtr	3rd Qtr
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	
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 Qtr	2nd Qtr	3rd Qtr
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 Qtr	2nd Qtr	3rd Qtr
23.01 Hedging	$	%	$	$	$
23.02 Income generation	$	%	$	$	$
23.03 Replications	$	%	$	$	$
23.04 Other	$	%	$	$	$

	Gross Investment Holdings		Admitted Assets as Reported In the Annual Statement*	
	Amount	Percentage	Amount	Percentage
1. Long-Term Bonds (Schedule D, Part 1):				
1.01 U.S. Governments	$ 8,783,115	5.16%	$ 8,783,115	5.16%
1.02 All Other Governments	$ 460,713	0.27%	$ 460,713	0.27%
1.03 U.S. States, Territories and Possessions, etc. Guaranteed	$ 1,502,355	0.88%	$ 1,502,355	0.88%
1.04 U.S. Political Subdivisions of States, Territories and Possessions, Guaranteed	$ 4,659,882	2.74%	$ 4,659,882	2.74%
1.05 U.S. Special Revenue and Special Assessment Obligations, etc. Non-Guaranteed	$ 29,959,727	17.60%	$ 29,959,727	17.60%
1.06 Industrial and Miscellaneous	$ 105,098,970	61.79%	$ 105,098,970	61.79%
1.07 Hybrid Securities	$ 382,496	0.22%	$ 382,496	0.22%
1.08 Parent, Subsidiaries and Affiliates	$	%	$	%
1.09 SVO-Identified Funds	$	%	$	%
1.10 Bank Loans	$	%	$	%
1.11 Unaffiliated Certificates of Deposit	$	%	$	%
1.12 Total Long-Term Bonds	$ 150,847,258	88.66%	$ 150,847,258	88.66%
2. Preferred Stocks (Schedule D, Part 2, Section 1):				
2.01 Industrial and Miscellaneous (Unaffiliated)	$ 534,108	0.31%	$ 534,108	0.31%
2.02 Parent, Subsidiaries and Affiliates	$	%	$	%
2.03 Total Preferred Stocks	$ 534,108	0.31%	$ 534,108	0.31%
3. Common Stocks (Schedule D, Part 2, Section 2):				
3.01 Industrial and Miscellaneous Publicly Traded (Unaffiliated)	$	%	$	%
3.02 Industrial and Miscellaneous Other (Unaffiliated)	$	%	$	%
3.03 Parent, Subsidiaries and Affiliates Publicly Traded	$	%	$	%
3.04 Parent, Subsidiaries and Affiliates Other	$	%	$	%
3.05 Mutual Funds	$ 10,471,639	6.15%	$ 10,471,639	6.15%
3.06 Unit Investment Trusts	$	%	$	%
3.07 Closed-end Funds	$	%	$	%
3.08 Exchange-Traded Funds	$	%	$	%
3.09 Total Common Stocks	$ 10,471,639	6.15%	$ 10,471,639	6.15%
4. Mortgage Loans (Schedule B):				
4.01 Farm Mortgages	$	%	$	%
4.02 Residential Mortgages	$	%	$	%
4.03 Commercial Mortgages	$ 3,197,609	1.89%	$ 3,197,609	1.89%
4.04 Mezzanine Real Estate Loans	$	%	$	%
4.05 Total Valuation Allowance	$	%	$	%
4.06 Total Mortgage Loans	$ 3,197,609	1.89%	$ 3,197,609	1.89%

	Gross Investment Holdings		Admitted Assets as Reported In the Annual Statement*	
	Amount	Percentage	Amount	Percentage
5. Real Estate (Schedule A):				
5.01 Properties Occupied by Company	$	%	$	%
5.02 Properties Held for Production of Income	$ 3,528,980	2.07%	$ 3,528,980	2.07%
5.03 Properties Held for Sale	$	%	$	%
5.04 Total Real Estate	$ 3,528,980	2.07%	$ 3,528,980	2.07%
6. Cash, Cash Equivalents and Short-Term Investments:				
6.01 Cash (Schedule E, Part 1)	$ (2,752,055)	(1.62%)	$ (2,752,055)	(1.62%)
6.02 Cash Equivalents (Schedule E, Part 2)	$ 327,602	0.19%	$ 327,602	0.19%
6.03 Short-Term Investments (Schedule DA)	$ 226,085	0.14%	$ 226,085	0.14%
6.04 Total Cash, Cash Equivalents and Short-Term Investments	$ (2,198,368)	(1.29%)	$ (2,198,368)	(1.29%)
7. Contract Loans	$	%	$	%
8. Derivatives (Schedule DB)	$	%	$	%
9. Other Invested Assets (Schedule BA)	$ 3,746,868	2.21%	$ 3,746,868	2.21%
10. Receivables for Securities	$ 68,790	0.00%	$ 68,790	0.00%
11. Securities Lending (Schedule DL, Part 1)	$	%	$	%
12. Other Invested Assets	$	%	$	%
13. Total Invested Assets	$ 170,196,884	100.00%	$ 170,196,884	100.00%

*The Company has no admitted assets in securities lending reinvested collateral.

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

Yes [X] No [ ]

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

a. A contract term longer than two years and the contract is noncancellable by the reporting entity during the contract term;

b. A limited or conditional cancellation provision under which cancellation triggers an obligation by the reporting entity, or an affiliate of the reporting entity, to enter into a new reinsurance contract with the reinsurer, or an affiliate of the reinsurer;

c. Aggregate stop loss reinsurance coverage;

d. A unilateral right by either party (or both parties) to commute the reinsurance contract, whether conditional or not, except for such provisions which are only triggered by a decline in the credit status of the other party;

e. A provision permitting reporting losses, or payment of losses, less frequently than on a quarterly basis (unless there is no activity during the period); or

f. Payment schedule, accumulating retentions from multiple years or any features inherently designed to delay timing of the reimbursement to the ceding entity.

Yes [ ] No [X]

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

a. The written premium ceded to the reinsurer by the reporting entity or its affiliates represents fifty percent (50%) or more of the entire direct and assumed premium written by the reinsurer based on its most recently available financial statement; or

b. Twenty-five percent (25%) or more of the written premium ceded to the reinsurer has been retroceded back to the reporting entity or its affiliates in a separate reinsurance contract.

Yes [ ] No [X]

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

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

b. Accounted for that contract as reinsurance under GAAP and as a deposit under SAP.

Yes [ ] No [X]