

**Rural Mutual Insurance  
Company Form A –  
Nonconfidential Exhibits**

**EXHIBIT F - PART IV.B.**

**Audited Financial Statements  
December 31, 2022 and 2021**

RURAL MUTUAL INSURANCE COMPANY

STATUTORY FINANCIAL STATEMENTS

December 31, 2022 and 2021



RURAL MUTUAL INSURANCE COMPANY  
TABLE OF CONTENTS  
December 31, 2022 and 2021

---

INDEPENDENT AUDITOR'S REPORT ON THE STATUTORY FINANCIAL STATEMENTS	1
FINANCIAL STATEMENTS	
Statutory balance sheets	4
Statutory statements of income	5
Statutory statements of changes in surplus	6
Statutory statements of cash flows	7
Notes to the statutory financial statements	8
INDEPENDENT AUDITOR'S REPORT ON THE SUPPLEMENTARY INFORMATION	32
SUPPLEMENTARY INFORMATION	
Investment risks interrogatories	33
Summary investment schedule	41
Required reinsurance interrogatories	43



INDEPENDENT AUDITOR'S REPORT  
ON THE STATUTORY FINANCIAL STATEMENTS

To the Board of Directors  
Rural Mutual Insurance Company  
Madison, Wisconsin

Report on the Audit of the Statutory Financial Statements

*Opinions*

We have audited the statutory financial statements of Rural 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 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.



- 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 20, 2023

RURAL MUTUAL INSURANCE COMPANY  
STATUTORY BALANCE SHEETS  
December 31, 2022 and 2021

	2022	2021
<b>ADMITTED ASSETS</b>		
Cash and invested assets:		
Bonds	\$ 550,781,448	\$ 539,183,700
Preferred stocks	1,234,075	933,372
Common stocks, exchange-traded funds, and mutual funds	57,620,059	65,083,791
Cash, cash equivalents, and short-term investments	13,702,434	15,062,747
Other invested assets	564,430	564,430
Cash and invested assets	623,902,446	620,828,040
Investment income due and accrued	2,794,104	2,519,679
Uncollected premium	53,867,402	46,072,052
Due from reinsurers	2,863,450	1,260,739
Federal income tax recoverable	-	357,094
Net deferred tax asset	5,965,144	1,726,014
Receivable from affiliates	473,302	587,404
Data processing equipment, net	264,270	251,269
Cash surrender value of life insurance	14,830,826	15,329,274
Other assets	357,781	517,622
Total admitted assets	\$ 705,318,725	\$ 689,449,187
<b>LIABILITIES AND SURPLUS</b>		
Liabilities:		
Unpaid losses (net of reinsurance of \$35,448,155 in 2022 and \$35,098,306 in 2021)	\$ 116,218,035	\$ 118,163,703
Unpaid loss adjustment expenses (net of reinsurance of \$3,180,060 in 2022 and \$2,310,975 in 2021)	22,130,940	23,500,025
Unearned premium	98,881,871	91,611,035
Advance premium	4,264,664	5,184,754
Reinsurance payable	2,177,011	3,588,237
Reserve for agents' deferred compensation plan	8,103,087	8,768,489
Commissions payable	4,375,485	4,055,663
Dividends payable	4,032,000	3,739,000
Federal income tax payable	1,450,000	-
Liabilities for pension benefits	3,629,795	-
Other liabilities	15,010,405	14,532,103
Total liabilities	280,273,293	273,143,009
Surplus	425,045,432	416,306,178
Total liabilities and surplus	\$ 705,318,725	\$ 689,449,187

See Notes to the Statutory Financial Statements.



RURAL MUTUAL INSURANCE COMPANY  
 STATUTORY STATEMENTS OF INCOME  
 Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<b>UNDERWRITING OPERATIONS</b>		
Net premium earned:		
Gross premium earned	\$ 257,598,772	\$ 241,114,629
Reinsurance ceded	<u>(37,045,229)</u>	<u>(38,698,402)</u>
	<u>220,553,543</u>	<u>202,416,227</u>
Net losses incurred:		
Gross losses incurred	150,850,571	121,023,548
Reinsurance recoveries	<u>(15,351,920)</u>	<u>(12,391,695)</u>
	<u>135,498,651</u>	<u>108,631,853</u>
Operating expenses incurred:		
Loss adjustment expenses (LAE)	14,574,523	12,773,301
Reinsurance recoveries on LAE	<u>(1,849,546)</u>	<u>1,037,420</u>
Commissions incurred	28,403,538	25,758,096
Reinsurance ceded commissions	<u>(8,077,934)</u>	<u>(8,584,689)</u>
Other underwriting expenses	<u>33,700,519</u>	<u>32,957,283</u>
	<u>66,751,100</u>	<u>63,941,411</u>
Underwriting gain	<u>18,303,792</u>	<u>29,842,963</u>
<b>INVESTMENT AND OTHER INCOME</b>		
Investment income earned	13,449,416	12,546,358
Investment expenses	<u>(1,303,591)</u>	<u>(1,442,283)</u>
Net realized capital gains, net of tax	6,045,571	9,954,644
Other income (expense)	<u>(2,824,891)</u>	<u>788,101</u>
Investment and other income	<u>15,366,505</u>	<u>21,846,820</u>
Net income before dividends to policyholders and federal income tax expense	33,670,297	51,689,783
Dividends to policyholders	<u>6,717,264</u>	<u>6,032,764</u>
Net income before federal income tax expense	26,953,033	45,657,019
Federal income tax expense	<u>4,989,237</u>	<u>7,869,231</u>
Net income	<u>\$ 21,963,796</u>	<u>\$ 37,787,788</u>

See Notes to the Statutory Financial Statements.

RURAL MUTUAL INSURANCE COMPANY  
 STATUTORY STATEMENTS OF CHANGES IN SURPLUS  
 Years Ended December 31, 2022 and 2021

---

	<u>2022</u>	<u>2021</u>
Surplus, beginning of year	\$ 416,306,178	\$ 373,902,805
Net income	21,963,796	37,787,788
Change in net unrealized capital gain (loss), net of tax	(14,162,317)	3,019,128
Change in nonadmitted assets	1,838,276	1,520,824
Change in net deferred income tax	474,464	430,813
Change in pension and postretirement obligations	(1,377,765)	(373,180)
Change in provision for reinsurance	<u>2,800</u>	<u>18,000</u>
Net change in surplus	<u>8,739,254</u>	<u>42,403,373</u>
Surplus, end of year	<u>\$ 425,045,432</u>	<u>\$ 416,306,178</u>

---

See Notes to the Statutory Financial Statements.

RURAL MUTUAL INSURANCE COMPANY  
STATUTORY STATEMENTS OF CASH FLOWS  
Years Ended December 31, 2022 and 2021

	2022	2021
Cash from operations:		
Net premium collected	\$ 218,837,685	\$ 207,621,627
Net investment income received	13,698,574	12,910,743
Other income received (expenses paid)	(2,824,891)	788,101
Net losses paid	(139,047,030)	(90,728,331)
Net operating expenses paid	(67,302,742)	(62,618,749)
Dividends paid to policyholders	(6,424,264)	(11,237,604)
Federal income taxes paid	(4,960,715)	(11,472,260)
Net cash from operations	11,976,617	45,263,527
Cash from investments:		
Proceeds from investments sold, matured, or repaid:		
Bonds	98,936,857	145,990,828
Stocks, exchange-traded funds, and mutual funds	21,401,443	22,119,420
Net gains on short-term investments	41,362	76,530
	120,379,662	168,186,778
Cost of investments acquired:		
Bonds	(112,591,107)	(202,115,318)
Stocks, exchange-traded funds, and mutual funds	(24,163,577)	(7,134,052)
	(136,754,684)	(209,249,370)
Net cash from investments	(16,375,022)	(41,062,592)
Cash from financing and miscellaneous sources:		
Other cash provided (applied)	3,038,092	(915,999)
Net change in cash, cash equivalents, and short-term investments	(1,360,313)	3,284,936
Cash, cash equivalents, and short-term investments:		
Beginning of year	15,062,747	11,777,811
End of year	\$ 13,702,434	\$ 15,062,747

See Notes to the Statutory Financial Statements.

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

Nature of Business. Rural Mutual Insurance Company (the Company) was organized in 1934 by the members of the Wisconsin Farm Bureau Federation (WFBF) under Wisconsin Insurance Laws as a mutual insurance company. The Company is licensed to write property and liability insurance in the states of Wisconsin, Minnesota, and Illinois on terms calling for recognition of premium upon the effective date of the policy. The Company currently only writes premium in the state of Wisconsin (approximately one-third of each in farm, auto, and commercial lines), exclusively utilizing captive agents.

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 had 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 income for those securities classified as trading and as a separate component of 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 surplus. Under GAAP, the Company's equity securities would be carried at fair value with the unrealized holding gains and losses reported in income.
- Policy acquisition costs, such as salaries, commissions, 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.
- Estimated reinsurance recoverables on unpaid losses and unpaid loss adjustment expenses are netted with the respective accounts; under GAAP, these reinsurance balances would be shown on a separate gross basis.
- 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.

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

- 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 and all changes in deferred tax assets and liabilities are reported as changes in 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 surplus depending on their characteristics, and state income taxes would be included in the deferred tax calculations.
- Certain assets designated as “nonadmitted assets” (generally uncollected premium over 90 days past due, furniture and equipment, prepaid expenses, prepaid pension assets, deferred tax assets, and unsecured receivables) are charged against surplus. Under GAAP, uncollected premium and unsecured receivables would be recorded as assets less an allowance for uncollectible amounts, prepaid expenses would be recognized as assets, furniture and equipment would be recognized as assets net of accumulated depreciation, and deferred tax assets would be accounted for as noted above.
- 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.
- A provision for overdue reinsurance has been recorded in accordance with statutory requirements; under GAAP, no such provision would be recognized.
- Statutory financial statements are presented in a form using language and groupings substantially the same as the annual statement of the Company filed with the NAIC and the OCI, 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.

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

- The calculation of premiums earned but unbilled and earned but unbilled premium credits. These estimates are based on prior experience and will ultimately vary from amounts recorded.
- The assumptions regarding the other-than-temporary impairment (OTTI) analysis of the investment portfolio.
- The discount rate, investment returns, and other assumptions used to determine the benefit plan liabilities.
- The amount of deferred tax assets expected to be realized in future years.

Risk and Uncertainties. The Company's operating results and financial condition are affected by numerous factors and circumstances unique to the property/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, call, 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 cost of defending claims; (7) losses may not fully emerge for several years following the year in which the insured event occurred; and (8) difficulty estimating weather related losses for events occurring near year end.

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, certain money market funds, and highly liquid debt instruments with a remaining maturity of 1 year 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 has on deposit in financial institutions balances substantially in excess of amounts insured by the Federal Deposit Insurance Corporation (FDIC). The Company does not believe it is exposed to any significant credit risk on these accounts.

Investments. Investments are valued in accordance with the valuation methods prescribed by the NAIC. Investments in bonds, except for mandatory convertible securities, are generally carried at amortized cost using the scientific interest method; however, bonds with an NAIC designation of 3 or lower are 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. Mandatory convertible bonds are carried at the lower of amortized cost or fair value during the period prior to conversion. Prepayment assumptions are obtained from brokers or are based on internal estimates. The retrospective adjustment method is used to value all such securities.

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

Perpetual preferred stocks are generally carried at fair value, not to exceed any currently effective call price. Investments in privately placed preferred stocks are valued at cost. Investments in equity mutual funds, exchange-traded funds, and common stocks of unaffiliated companies are carried at fair value. Investments in common stocks of affiliated companies would be valued using the equity method; however, the Company nonadmits their investment in Statewide Services, Inc., a wholly-owned subsidiary, because it is not audited.

Surplus debentures are included in other invested assets and are valued at the lesser of the outstanding face value or estimated fair value.

Realized gains and losses on the sale of investments are recognized on the specific identification basis and are included in income. Unrealized gains and losses from changes in the fair value of common stocks, mutual funds, certain preferred stocks, and certain bonds are credited or charged directly to surplus.

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.

Corporate-Owned Life Insurance. The Company maintains whole life insurance policies for key employees of the Company in which the Company is the primary beneficiary. In return for allowing the Company to insure their life, the Company endorsed a policy death benefit to each employee's beneficiary. The employee is covered for their entire life; however, when the employee retires, the endorsement expires and the entire benefit would revert back to the Company.

The policy allows the Company to pay a flat premium for the first 5 years, at which point, no more premiums would be required. 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.

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

Property and Equipment. Data processing equipment and operating system software are recorded as admitted assets at cost less accumulated depreciation of \$1,576,151 and \$1,843,481 at December 31, 2022 and 2021, respectively. Furniture and equipment are considered nonadmitted assets for statutory financial statement reporting purposes. Depreciation is calculated on these assets and charged to expense. The net change in book value (cost less depreciation) is charged or credited directly to surplus.

Depreciation is calculated by applying straight-line or accelerated methods over the estimated useful lives of the respective assets. Depreciation expense was \$183,581 in 2022 and \$222,492 in 2021.

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) and an amount, based on past experience, for losses incurred but not reported (IBNR). Such liabilities are necessarily based on estimates and, while management believes that the amounts are adequate, the ultimate liabilities will 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 earnings currently. 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 are recognized as revenue on a pro rata basis over the policy term. Unearned premium represents the portion of premiums which relate to future periods and is recorded net of reinsurance of \$2,989,783 in 2022 and \$2,877,168 in 2021. An advance premium liability is established for all premiums received for coverages effective in the following fiscal year. Management also records an estimated receivable for audit premiums earned but unbilled, which is included with uncollected premium.

Reinsurance. Reinsurance premiums, commissions, loss and LAE recoveries, and receivables related to reinsured business are accounted for on bases consistent with those used in accounting for the original policies issued and the terms of the reinsurance contracts.

Income Taxes. The Company and its subsidiary file both a consolidated federal and Wisconsin state income tax return. 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 income tax rates.

Subsequent Events. Subsequent events were evaluated through March 20, 2023, which is the date the financial statements were available to be issued.



RURAL MUTUAL INSURANCE COMPANY  
NOTES TO THE STATUTORY FINANCIAL STATEMENTS  
December 31, 2022 and 2021

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
<u>2022</u>				
Bonds (at amortized cost):				
U.S. Treasury securities and obligations of U.S. government corporations	\$ 28,959,582	\$ -	\$ (2,318,080)	\$ 26,641,502
States, territories, and possessions	6,750,787	55,532	(631,469)	6,174,850
Political subdivisions	11,710,895	-	(1,360,826)	10,350,069
Special revenue	45,817,708	-	(4,902,038)	40,915,670
Corporate securities	235,750,664	1,317,937	(23,303,196)	213,765,405
Hybrid securities	1,176,877	33,373	-	1,210,250
Foreign governments	990,780	-	(163,318)	827,462
Loan-backed securities	219,624,155	49,485	(20,982,874)	198,690,766
Total bonds	<u>\$ 550,781,448</u>	<u>\$ 1,456,327</u>	<u>\$ (53,661,801)</u>	<u>\$ 498,575,974</u>
<u>2021</u>				
Bonds (at amortized cost):				
U.S. Treasury securities and obligations of U.S. government corporations	\$ 43,141,741	\$ 416,921	\$ (375,146)	\$ 43,183,516
States, territories, and possessions	7,255,671	317,141	(36,759)	7,536,053
Political subdivisions	13,700,467	727,846	(108,349)	14,319,964
Special revenue	41,714,231	1,356,685	(265,548)	42,805,368
Corporate securities	235,223,798	8,065,906	(1,668,448)	241,621,256
Hybrid securities	1,104,174	201,501	-	1,305,675
Foreign governments	989,816	752	-	990,568
Loan-backed securities	196,053,802	4,100,410	(1,850,283)	198,303,929
Total bonds	<u>\$ 539,183,700</u>	<u>\$ 15,187,162</u>	<u>\$ (4,304,533)</u>	<u>\$ 550,066,329</u>

The cumulative unrealized loss on bonds of \$53,661,801 as of December 31, 2022, consisted of \$30,719,762 of unrealized losses in a loss position for greater than 12 months and \$22,942,039 of unrealized losses in a loss position for less than 12 months. The cumulative unrealized loss on bonds of \$4,304,533 as of December 31, 2021, consisted of \$986,094 of unrealized losses in a loss position for greater than 12 months and \$3,318,439 of unrealized losses in a loss position for less than 12 months.

RURAL MUTUAL INSURANCE COMPANY  
NOTES TO THE STATUTORY FINANCIAL STATEMENTS  
December 31, 2022 and 2021

Note 2 ~ Investments (Continued)

The carrying value and fair value of bonds (including short-term bonds) at December 31, 2022, by contractual maturity, are shown below. Effective maturities differ from contractual maturities because certain borrowers have the right to call or prepay obligations.

	<u>Carrying Value</u>	<u>Fair Value</u>
Due in one year or less	\$ 61,581,684	\$ 58,398,346
Due after one year through five years	261,303,048	243,422,486
Due after five years through ten years	192,080,163	165,255,778
Due after ten years	<u>36,284,513</u>	<u>31,958,391</u>
	<u>\$ 551,249,408</u>	<u>\$ 499,035,001</u>

The Company had \$1,737,957 on deposit in Wisconsin municipal bonds with the state of Wisconsin at December 31, 2022, for the benefit of policyholders.

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

	<u>Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>
<u>2022</u>				
Preferred stock	\$ 1,305,356	\$ -	\$ (71,281)	\$ 1,234,075
Affiliated common stock (nonadmitted)	10,000	55,577	-	65,577
Unaffiliated common stocks, exchange-traded funds, and mutual funds	<u>35,546,168</u>	<u>23,381,369</u>	<u>(1,307,478)</u>	<u>57,620,059</u>
Total stocks	<u>\$ 36,861,524</u>	<u>\$ 23,436,946</u>	<u>\$ (1,378,759)</u>	<u>\$ 58,919,711</u>
<u>2021</u>				
Preferred stock	\$ 902,195	\$ 31,177	\$ -	\$ 933,372
Affiliated common stock (nonadmitted)	10,000	45,289	-	55,289
Unaffiliated common stocks, exchange-traded funds, and mutual funds	<u>25,719,144</u>	<u>39,611,513</u>	<u>(246,866)</u>	<u>65,083,791</u>
Total stocks	<u>\$ 26,631,339</u>	<u>\$ 39,687,979</u>	<u>\$ (246,866)</u>	<u>\$ 66,072,452</u>

The cumulative unrealized loss on stocks of \$1,378,759 as of December 31, 2022, consisted of \$183,615 of unrealized losses in a loss position for greater than 12 months and \$1,195,144 of unrealized losses in a loss position for less than 12 months. The cumulative unrealized loss on stocks of \$246,866 as of December 31, 2021, consisted of \$25,139 of unrealized losses in a loss position for greater than 12 months and \$221,727 of unrealized losses in a loss position for less than 12 months.

Note 2 ~ Investments (Continued)

Investment in Preferred Stock. The Company's investment in preferred stock includes a \$704,000 holding in American Agricultural Insurance Company. The shares may be redeemed by the issuer at a redemption price equal to the par value, plus any authorized but unpaid dividends on the stock in 2014 and later, and may be redeemed by the Company beginning in 2036. The issuer redeemed 122 shares with a value of \$122,000 in 2021.

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

	2022	2021
Gains on disposals	\$ 10,017,568	\$ 13,304,984
Losses on disposals	(2,193,426)	(669,404)
	7,824,142	12,635,580
Tax expense	(1,778,571)	(2,680,936)
Net realized capital gains	\$ 6,045,571	\$ 9,954,644

Declines in fair value that are determined to be OTTI are included in the statutory statement 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 financial condition of the issuer, the industry in which the issuer operates, the estimated future cash flows of loan-backed securities, and the status of the market as a whole. There were no declines deemed other than temporary for the years ended December 31, 2022 and 2021.

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 and short-term investments: Comprised of actively traded U.S. Treasury notes and highly liquid debt instruments purchased with a remaining maturity of 1 year or less. 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 exchange-traded funds: Comprised of actively traded, exchange-listed equity securities. Valuation is based on unadjusted quoted prices for identical assets in active markets that are accessible to the Company at the measurement date.

Mutual funds: Comprised of actively traded mutual funds that have daily quoted net asset values.

Note 2 ~ Investments (Continued)

Level 2 Measurements

Bonds: Comprised of government obligations, state and municipal bonds, corporate debt, and residential mortgage-backed securities. Valuation is based on inputs including quoted prices for identical or similar assets in inactive markets. The Company uses a leading, nationally recognized provider of financial market data and analytics to price the Company's bond holdings. However, because many fixed income securities do not trade on a daily basis, the provider's evaluated pricing applications apply available information through processes such as benchmark curves, benchmarking of like securities, sector groupings, and matrix pricing to prepare evaluations.

Preferred stocks: Comprised of all perpetual preferred stocks and redeemable preferred stocks. Valuation is based on the value assigned by the Securities Valuation Office of the NAIC or obtained from other independent pricing services.

Common stocks: Comprised of common stocks that are not actively traded. Valuation is based on the value assigned by the Securities Valuation Office of the NAIC or the underlying book value of the respective entity.

Level 3 Measurements

Affiliated common stock: Comprised of common stock in Statewide Services, Inc. Valuation is based on the equity method.

Financial Instruments Reported at Fair Value in the Statutory Balance Sheets

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>December 31, 2022</u>				
Cash equivalents	\$ 6,873,115	\$ -	\$ -	\$ 6,873,115
Bonds	-	5,108,090	-	5,108,090
Preferred stocks	-	1,234,075	-	1,234,075
Affiliated common stock (nonadmitted)	-	-	65,577	65,577
Common stocks, exchange-traded funds, and mutual funds	<u>50,863,959</u>	<u>6,756,100</u>	<u>-</u>	<u>57,620,059</u>
	<u>\$ 57,737,074</u>	<u>\$ 13,098,265</u>	<u>\$ 65,577</u>	<u>\$ 70,900,916</u>
<u>December 31, 2021</u>				
Cash equivalents	\$ 7,280,757	\$ -	\$ -	\$ 7,280,757
Bonds	-	2,328,114	-	2,328,114
Preferred stocks	-	933,372	-	933,372
Affiliated common stock (nonadmitted)	-	-	55,289	55,289
Common stocks, exchange-traded funds, and mutual funds	<u>58,870,503</u>	<u>6,213,288</u>	<u>-</u>	<u>65,083,791</u>
	<u>\$ 66,151,260</u>	<u>\$ 9,474,774</u>	<u>\$ 55,289</u>	<u>\$ 75,681,323</u>

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

RURAL MUTUAL INSURANCE COMPANY  
NOTES TO THE STATUTORY FINANCIAL STATEMENTS  
December 31, 2022 and 2021

Note 2 ~ Investments (Continued)

All Financial Instruments

Type of Financial Instrument	Aggregate Fair Value	Admitted Assets	Level 1	Level 2	Level 3	Fair Value Not Practicable*
<u>December 31, 2022</u>						
Short-term bonds	\$ 471,839	\$ 467,960	\$ -	\$ 471,839	\$ -	\$ -
Bonds	498,575,974	550,781,448	26,641,502	471,934,472	-	-
Preferred stocks	1,234,075	1,234,075	-	1,234,075	-	-
Affiliated common stock (nonadmitted)	65,577	-	-	-	65,577	-
Common stocks, exchange-traded funds, and mutual funds	57,620,059	57,620,059	50,863,959	6,756,100	-	-
Surplus debentures	564,430	564,430	-	-	-	564,430
Cash equivalents	6,873,115	6,873,115	6,873,115	-	-	-
	<u>\$ 565,405,069</u>	<u>\$ 617,541,087</u>	<u>\$ 84,378,576</u>	<u>\$ 480,396,486</u>	<u>\$ 65,577</u>	<u>\$ 564,430</u>
<u>December 31, 2021</u>						
Short-term bonds	\$ 1,197,340	\$ 1,084,564	\$ 1,197,340	\$ -	\$ -	\$ -
Bonds	550,066,329	539,183,700	43,183,516	506,882,813	-	-
Preferred stocks	933,372	933,372	-	933,372	-	-
Affiliated common stock (nonadmitted)	55,289	-	-	-	55,289	-
Common stocks, exchange-traded funds, and mutual funds	65,083,791	65,083,791	58,870,503	6,213,288	-	-
Surplus debentures	564,430	564,430	-	-	-	564,430
Cash equivalents	7,280,757	7,280,757	7,280,757	-	-	-
	<u>\$ 625,181,308</u>	<u>\$ 614,130,614</u>	<u>\$ 110,532,116</u>	<u>\$ 514,029,473</u>	<u>\$ 55,289</u>	<u>\$ 564,430</u>

\*It was not practicable to determine the fair value of these financial instruments because a quoted market price was not available and the cost of obtaining independent appraisals would be excessive. These financial instruments are valued at cost.

The following table summarizes the fair value of assets transferred within Level 3 for the years ended December 31:

	<u>2022</u>	<u>2021</u>
Balance, beginning of the year	\$ 55,289	\$ 51,635
Total gains included in surplus	<u>10,288</u>	<u>3,654</u>
Balance, end of year	<u>\$ 65,577</u>	<u>\$ 55,289</u>

Note 3 ~ Related-Party Transactions

The Company's subsidiary, Statewide Services, Inc., paid dividends to the Company of \$110,000 and \$90,000 in 2022 and 2021, respectively. The subsidiary also paid a management fee to the Company of \$1,376,344 and \$1,231,497 in 2022 and 2021, respectively.

The Company incurs certain operating expenses on behalf of Statewide Services, Inc., which the Company allocates at cost in proportion to the estimated benefits received. Similarly, Statewide Services, Inc. incurs certain operating expenses on behalf of the Company, which are allocated to the Company on the same basis. The Company reported \$464,753 and \$575,516 as of December 31, 2022 and 2021, respectively, as amounts due from Statewide Services, Inc.

The Company is an affiliate of the WFBF. Each director of the Company also serves as a director of the WFBF. The Company has entered into various agreements with the WFBF and its affiliates, including shared services agreements and a royalty agreement. The Company incurred net expenses of \$1,922,659 and \$1,896,569 under these agreements in 2022 and 2021, respectively.

Note 4 ~ 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):

	<u>2022</u>	<u>2021</u>
Balance at January 1	\$ 179,073	\$ 158,480
Less reinsurance recoverable	<u>(37,409)</u>	<u>(34,013)</u>
Net balance at January 1	<u>141,664</u>	<u>124,467</u>
Incurred related to:		
Current year	165,763	133,840
Prior years	<u>(17,539)</u>	<u>(11,397)</u>
Total incurred	<u>148,224</u>	<u>122,443</u>
Paid related to:		
Current year	108,146	72,721
Prior years	<u>43,393</u>	<u>32,525</u>
Total paid	<u>151,539</u>	<u>105,246</u>
Net balance at December 31	138,349	141,664
Plus reinsurance recoverable	<u>38,628</u>	<u>37,409</u>
Balance at December 31	<u>\$ 176,977</u>	<u>\$ 179,073</u>

Note 4 ~ Liabilities for Unpaid Losses and Unpaid Loss Adjustment Expenses (Continued)

The estimated cost of losses and LAE attributable to insured events of prior years decreased by approximately \$17,539,000 during 2022, and by approximately \$11,397,000 during 2021, as a result of the re-estimation of unpaid losses and LAE. Increases or decreases of this nature occur as a result of claim settlements during the current year and as additional information is received regarding individual claims, causing changes from the original estimates of the cost of these claims. Recent loss development trends are also taken into account in the evaluation of the overall adequacy of unpaid losses and LAE.

Estimates of anticipated salvage and subrogation recoveries on losses and LAE have been recorded as a reduction to the liabilities for unpaid losses and unpaid loss adjustment expenses amounting to \$7,117,000 and \$5,988,000 at December 31, 2022 and 2021, respectively.

Note 5 ~ 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 risks with other insurers or reinsurers, either on an automatic basis under general reinsurance contracts known as "treaties" or by negotiation on individual risks. Ceded reinsurance is treated as the risk and liability of the assuming companies. Such reinsurance includes excess of loss, aggregate stop loss, and catastrophe forms of reinsurance on essentially all property and casualty lines of insurance.

Reinsurance Assumed. Amounts included in the liabilities for unpaid losses and unpaid loss adjustment expenses, premium earned, losses and LAE incurred, and commissions incurred as a result of reinsurance assumed are as follows:

<u>Years</u>	<u>Unpaid Losses and LAE</u>	<u>Premium Earned</u>	<u>Losses and LAE Incurred</u>	<u>Commissions Incurred</u>
2022	\$ 9,090,575	\$ 9,903,720	\$ 4,965,679	\$ 2,273,820
2021	8,207,706	7,943,602	9,620,339	1,119,769

Unsecured Reinsurance Recoverables. At December 31, 2022, the Company had no unsecured aggregate recoverables for paid, case, and IBNR losses and LAE from individual reinsurers that exceeded 3 percent of surplus.

At December 31, 2022, the Company had received surplus aid from reinsurance of \$721,254, computed as the maximum amount of return commission which would be due to the reinsurer if all reinsurance contracts were canceled at year end.

Note 6 ~ Retirement Plans

Defined Benefit Pension Plans. The Company sponsors a noncontributory defined benefit pension plan (the Plan) that includes the following entities: the Company, the Wisconsin Farm Bureau Federation Cooperative, the Wisconsin Farm Bureau Service Board, Inc., the Wisconsin Farm Bureau Service Cooperative, and the Wisconsin Farm Bureau Foundation, Inc. The Plan covers all of its employees working 1,000 hours or more annually who were hired before January 1, 2009. The benefits are based on years of service and the employee's average annual compensation. Expenses and liabilities are allocated to each of the entities based on the amount of salary expense for employees who meet eligibility requirements. Historically, the approximate allocation is 90 percent for the Company, and 10 percent for the Wisconsin Farm Bureau entities, although the percentage can fluctuate +/- 5 percent annually, based on participant retirements. Disclosures included for this Plan represent the total amount for the Plan, and not solely the Company's portion.

A summary of assets, obligations, and assumptions are as follows at December 31, 2022 and 2021:

	2022	2021
Change in benefit obligation:		
Benefit obligation at beginning of year	\$ 80,926,168	\$ 82,924,046
Service cost	1,153,442	1,262,632
Interest cost	2,330,875	2,141,977
Actuarial loss (gain)	(19,198,415)	(2,006,639)
Benefits paid	(3,374,375)	(3,395,848)
Settlements	(11,416,318)	-
Benefit obligation at end of year	\$ 50,421,377	\$ 80,926,168
Change in plan assets:		
Fair value of plan assets at beginning of year	\$ 81,780,315	\$ 84,728,045
Actual return on plan assets	(20,198,040)	448,118
Benefits paid	(3,374,375)	(3,395,848)
Settlements	(11,416,318)	-
Fair value of plan assets at end of year	\$ 46,791,582	\$ 81,780,315
Funded status	\$ (3,629,795)	\$ 854,147
Amounts recognized in the statutory balance sheets:		
Liability for pension benefits	\$ 8,947,679	\$ 6,700,719
Prepaid benefit costs	(5,317,884)	(7,554,866)
Total liabilities (assets) recognized	\$ 3,629,795	\$ (854,147)*

\*Asset was nonadmitted



RURAL MUTUAL INSURANCE COMPANY  
NOTES TO THE STATUTORY FINANCIAL STATEMENTS  
December 31, 2022 and 2021

Note 6 ~ Retirement Plans (Continued)

	2022	2021
Accumulated benefit obligation	<u>\$ 47,198,065</u>	<u>\$ 75,848,875</u>
Components of net periodic benefit cost:		
Service cost	\$ 1,153,442	\$ 1,262,632
Interest cost	2,330,875	2,141,977
Expected return on plan assets	(2,995,147)	(2,695,619)
Amortization of unrecognized transition obligation	<u>219,988</u>	<u>219,988</u>
Preliminary net periodic benefit cost	<u>709,158</u>	<u>928,978</u>
Settlement/curtailment expense	<u>1,527,824</u>	<u>-</u>
Total net periodic benefit cost	<u>\$ 2,236,982</u>	<u>\$ 928,978</u>
Amounts in surplus recognized during the current year as components of net periodic benefit cost:		
Items not yet recognized as a component of net periodic benefit cost – prior year	\$ 6,700,719	\$ 6,679,845
Net actuarial (gain) loss	2,466,948	240,862
Net transition obligation recognized	<u>(219,988)</u>	<u>(219,988)</u>
Items not yet recognized as a component of net periodic benefit cost – current year	<u>\$ 8,947,679</u>	<u>\$ 6,700,719</u>
Amounts in surplus expected to be recognized in the next fiscal year as components of net periodic benefit cost:		
Net transition obligation	\$ 219,988	\$ 219,988
Amounts in surplus not yet recognized as components of net periodic benefit cost:		
Net actuarial loss	\$ 6,747,798	\$ 4,280,850
Net transition obligation	2,199,881	2,419,869
Weighted-average assumptions as of December 31, 2022 and 2021, for liability:		
Discount rate	5.22%	2.95%
Expected long-term rate of return on plan assets	5.75	3.75
Rate of compensation increase	4.00	3.00
Weighted-average assumptions as of January 1, 2022 and 2021, for cost:		
Discount rate	2.95%	2.64%
Expected long-term rate of return on plan assets	3.75	3.25
Rate of compensation increase	3.00	3.00

Note 6 ~ Retirement Plans (Continued)

In October 2021, the Society of Actuaries released Mortality Improvement Scale MP-2021. The Company adopted these mortality tables for calculating its defined benefit pension plan obligations for year end 2022 and 2021 financial reporting.

The investment policy and strategy of the Plan considers many factors, including (1) historical and prospective information regarding the capital markets' performance, (2) broad economic factors, (3) investment strategies available to an asset pool of our size, (4) the current regulatory environment, (5) the Plan's liabilities, and (6) the expected interaction between the investments and liabilities.

The asset allocation for the Plan's investments will be a major determinant for the performance of the Plan. The investment advisor assists the Company in developing asset allocation targets and is responsible for implementing and monitoring the asset allocation. The Company has developed a strategic allocation policy based on its current funded status and other characteristics. Based on an assessment of its long-term goals and desired risk levels, the Company has developed a glide path that adjusts the target allocation of growth assets as the Plan's funded status changes.

The Company recognizes that surplus volatility risks result from mismatches between the interest rate duration of assets and liabilities. The Company is willing to accept some measure of mismatch risk to seek improvements to the Plan's funded ratio. The Company has developed guidelines for duration positioning of the liability-hedging portfolio based on the Plan's funded ratio and on the investment advisor's assessment of market interest rates. The investment advisor will select liability-hedging investments according to market conditions, including factors such as the level of interest rates, the shape of the yield curve, level of credit spreads, and inflation sensitivity. The primary goal of the target hedge ratio policy is to reduce interest rate risk as the funded ratio improves towards 100 percent, and fixed income pricing becomes more attractive.

The Company's investment policy and guidelines permit the following investments:

- Liability matching assets – Includes high quality credit bonds with durations that approximate durations of the liability. Fixed income derivative contracts, interest rate swaps, and other derivatives may be employed to more closely match the liability but only upon approval by the Company.
- Money market – Cash equivalents are held to meet the benefit obligations of the Plan and to pay plan administration fees.
- Long-term equities – The objective is to capture the long-term growth opportunities offered by this asset class. The portfolio is well diversified by market capitalization, investment style, and geography. Investments may be either actively managed or passive. In addition, various hedging techniques may be employed to limit downside risk to portions of the exposure.
- High yield bonds – The portfolio of high yield bonds will be invested predominately in the more highly rated issues (BB and B as defined by Standard & Poor's). Additionally, the portfolio is well-diversified with issues of a single entity representing no more than 2 percent of the portfolio. This strategy is actively managed.
- Real Estate Investment Trust (REIT) – The Plan's REIT investments are well-diversified by geography and sector. REIT investments may be either passive or active.

Note 6 ~ Retirement Plans (Continued)

The overall expected long-term rate of return assets assumption utilizes a tool provided by its pension actuary. The tool uses the Plan's actual asset allocation and Hewitt Ennisknupp's Capital Market expectation to determine the Expected Nominal Return based on geometric returns and includes the impact of rebalancing and diversification of its portfolio. Assumed volatilities are formulated with reference to implied volatilities priced into option contracts of various terms, as well as with regard to historical volatility levels. Consideration is given to expected volatility trends in the future. Correlation assumptions are generally similar to actual historical results; however, adjustments are made to reflect forward-looking views, as well as current market fundamentals.

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

Money market mutual funds: Money market mutual funds are valued at daily quoted net asset values for identical assets.

Level 2 Measurements

Common/collective trust funds: The Plan holds units of various Aon Hewitt Group Trust Funds offered through a private placement. The units are valued daily using the net asset value (NAV) of each mutual fund. The NAV's, as provided by the custodian, are used as a practical expedient to estimate fair value and are based on the fair value of each fund's underlying investments.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Plan 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.

Note 6 ~ Retirement Plans (Continued)

The following table presents the balances of the Plan's assets measured at fair value on a recurring basis as of December 31, 2022 and 2021:

	Level 1	Level 2	Level 3	Total
<u>2022</u>				
Money market mutual funds	\$ 1,699,900	\$ -	\$ -	\$ 1,699,900
Common/collective trust funds	-	45,091,682	-	45,091,682
Total assets at fair value	\$ 1,699,900	\$ 45,091,682	\$ -	\$ 46,791,582
<u>2021</u>				
Money market mutual funds	\$ 948,807	\$ -	\$ -	\$ 948,807
Common/collective trust funds	-	80,831,508	-	80,831,508
Total assets at fair value	\$ 948,807	\$ 80,831,508	\$ -	\$ 81,780,315

The following estimated future benefit payments, which reflect expected future service, as appropriate, are expected to be paid in the years indicated:

<u>Expected Benefit Cash Flows</u>	
Calendar Year	Amount
2023	\$ 2,684,000
2024	2,877,000
2025	3,084,000
2026	3,243,000
2027	3,377,000
2028 – 2032	18,551,000

Eligible officers of the Company are also covered under a nonqualified noncontributory defined benefit plan. The Plan provides retirement benefits for its management employees above the benefits permitted under the Defined Benefit Pension Plan noted above for employees hired after 1997 and as a result of limitations imposed by the Internal Revenue Code. The Plan became effective January 1, 2003. The projected benefit obligation for this Plan as of December 31, 2022 and 2021, was \$4,321,379 and \$4,143,095, respectively, and is recorded as a liability on the statutory balance sheets. The accrued benefit obligation for this plan as of December 31, 2022 and 2021, was \$3,086,605 and \$2,890,070, respectively. The total net periodic benefit cost was \$738,971 and \$544,482 for the years ended December 31, 2022 and 2021, respectively. The Plan is unfunded.

Note 6 ~ Retirement Plans (Continued)

Defined Contribution Savings Plan. The Company has a qualified contributory 401(k) plan covering substantially all employees. The contribution plan is sponsored by WFBF and affiliates. Employee participation in the plan is optional; participants contribute at least 1 percent, but no more than 100 percent of base compensation, subject to the federal limits. Employer contributions are at the discretion of the employer, subject to Board approval and are accrued for in the year earned and paid in the subsequent year. For 2022, the employer contribution is a maximum of 1.5 percent of the employee's annual salary for employees hired before January 1, 2009, and 6 percent for employees hired on or after January 1, 2009. The recognized cost was \$508,483 and \$382,282 for the years ending December 31, 2022 and 2021, respectively.

Post Retirement Benefit Plans. The Company has a deferred compensation plan covering all eligible agents. The plan is nonqualified and noncontributory and includes no prior service cost. The amount of an agent's deferred compensation is based on new premium generated during the year. The net periodic benefit cost was \$648,755 and \$719,826 for the years ended December 31, 2022 and 2021, respectively. The Company records a liability equal to the present value of the future payments to agents using the Citigroup pension intermediate index fund to determine the discount rate and selected individual annuity mortality tables. The weighted-average discount rate used in estimating the accumulated postretirement benefit obligation was 4.99 percent and 2.74 percent at December 31, 2022 and 2021, respectively. The liability was \$8,103,086 and \$8,768,489 as of December 31, 2022 and 2021, respectively. The plan is unfunded.

The Company provides certain health care benefits for its retired employees that were vested by December 31, 1995. The plan is contributory, with retiree contributions that are adjustable annually based on various factors. The net periodic benefit cost was (\$2,959) and (\$3,392) for the years ended December 31, 2022 and 2021, respectively. The weighted-average discount rate used in estimating the accumulated postretirement benefit obligation was 4.95 percent and 1.89 percent at December 31, 2022 and 2021, respectively. The accumulated benefit obligation was \$45,488 and \$71,889 as of December 31, 2022 and 2021, respectively. A 1 percent increase in the health care inflation trend assumption has no effect on the claims cost as the Company currently contributes the maximum limit. The plan is unfunded.

Note 7 ~ Commitments and Contingencies

Home Office Lease. The Company has a commitment to lease home office space for a lease term beginning January 1, 2021, and ending January 1, 2031. Rent expense on leased home office space totaled \$504,455 in 2022 and \$491,273 in 2021.

Note 7 - Commitments and Contingencies (Continued)

Equipment Leases. At December 31, 2022, the Company had leases in effect with original lease terms of less than 1 year covering office equipment, computer-related equipment, and fleet automobiles. Equipment lease expense was \$686,609 in 2022 and \$583,051 in 2021.

Future minimum lease payments on all noncancelable operating leases as of December 31, 2022, are as follows:

<u>Years Ending December 31,</u>	
2023	\$ 534,473
2024	548,389
2025	551,449
2026	565,936
2027	580,987
Remaining lease term	<u>1,837,238</u>
Total	<u>\$ 4,618,472</u>

Annuity Arrangements. The Company has offset claims liabilities through various annuity arrangements. Should the insurance company providing the annuity arrangements be unable to meet these obligations, the Company may be liable for the present values of the annuities as of December 31, 2022, as follows:

<u>Company</u>	<u>Present Value</u>
Farm Bureau Life Insurance Company	\$ 1,358,574
Nationwide Life Insurance Company	495,611
Aurora National Life Assurance	134,328
Genworth Financial Insurance Company	54,650
Transamerica Occidental Life Company	<u>44,604</u>
	<u>\$ 2,087,767</u>

Other Contingencies. The Company is involved in various litigation in the normal course of business. The Company is not engaged in any such litigation that it believes would have a material adverse impact on its financial condition or results of operations.

The Company has an investment in Capital Investment Corporation I (CIC), which was formed to provide capital funding to farm bureau insurance companies in need of financial assistance. The agreement includes a commitment to purchase the preferred stock and/or debt instruments callable by CIC, up to an amount equal to 1 percent of the Company's surplus. The Company held \$564,430 of surplus notes under this agreement as of December 31, 2022 and 2021.

The Company has a \$5 million capital commitment as a limited partner in Mutual Capital Investment Fund, LLP.

Note 8 - Income Taxes

The Company is taxed as an insurance company under Section 831 of the Internal Revenue Code. Federal income tax expense differs from the amount obtained by applying the federal income tax rate of 21 percent to pretax income for the years ended December 31, 2022 and 2021, due to the following:

	2022	2021
Computed expected federal income tax expense	\$ 5,660,137	\$ 9,587,974
Increase (decrease) in taxes resulting from:		
Loss reserve discounting	(110,107)	238,443
Unearned premium adjustment	305,375	249,159
Advance premium adjustment	(38,644)	29,944
Accrued bond discount	(91,261)	(150,930)
Tax-exempt interest	(13,217)	(20,609)
Dividends received deduction	(114,742)	(132,539)
Market discount on bonds sold	135,502	121,399
Employee benefits	429,286	192,779
Officers' life insurance	419,674	(134,790)
Other - net	185,805	569,337
Current year federal income tax expense	6,767,808	10,550,167
Less capital gains tax	(1,778,571)	(2,680,936)
Federal income tax expense	\$ 4,989,237	\$ 7,869,231

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

	Ordinary	Capital	Total
<u>2022</u>			
Gross deferred tax assets	\$ 11,218,814	\$ 152,281	\$ 11,371,095
Statutory valuation allowance	-	-	-
	11,218,814	152,281	11,371,095
Deferred tax asset nonadmitted	-	-	-
	11,218,814	152,281	11,371,095
Deferred tax liabilities	(453,049)	(4,952,902)	(5,405,951)
	\$ 10,765,765	\$ (4,800,621)	\$ 5,965,144

RURAL MUTUAL INSURANCE COMPANY  
NOTES TO THE STATUTORY FINANCIAL STATEMENTS  
December 31, 2022 and 2021

Note 8 ~ Income Taxes (Continued)

	Ordinary	Capital	Total
<u>2021</u>			
Gross deferred tax assets	\$ 11,097,828	\$ 23,061	\$ 11,120,889
Statutory valuation allowance	-	-	-
	11,097,828	23,061	11,120,889
Deferred tax asset nonadmitted	-	-	-
	11,097,828	23,061	11,120,889
Deferred tax liabilities	(761,597)	(8,633,278)	(9,394,875)
	\$ 10,336,231	\$ (8,610,217)	\$ 1,726,014

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
<u>2022</u>			
11a. Ability to recover taxes paid in prior years	\$ 11,218,814	\$ 152,281	\$ 11,371,095
11b. Expected to be realized, after application of threshold limitations	-	-	-
11c. Offset of deferred tax liabilities	-	-	-
	\$ 11,218,814	\$ 152,281	\$ 11,371,095

<u>2021</u>			
11a. Ability to recover taxes paid in prior years	\$ 11,097,828	\$ 23,061	\$ 11,120,889
11b. Expected to be realized, after application of threshold limitations	-	-	-
11c. Offset of deferred tax liabilities	-	-	-
	\$ 11,097,828	\$ 23,061	\$ 11,120,889

	2022	2021
Ratio Used to Determine Recovery Period and Threshold Limitation amount under paragraph 11b	3,296%	3,225%
Amount of Adjusted Capital And Surplus Used to Determine Recovery Period and Threshold Limitation under paragraph 11b	\$ 418,816,018	\$ 414,328,895



RURAL MUTUAL INSURANCE COMPANY  
NOTES TO THE STATUTORY FINANCIAL STATEMENTS  
December 31, 2022 and 2021

Note 8 ~ Income Taxes (Continued)

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

	<u>2022</u>	<u>2021</u>	<u>Change</u>
Current income tax (benefit):			
Federal	\$ 4,989,237	\$ 7,869,231	\$ (2,879,994)
Federal income tax on net capital gains	1,778,571	2,680,936	(902,365)
Federal income taxes incurred	<u>\$ 6,767,808</u>	<u>\$ 10,550,167</u>	<u>\$ (3,782,359)</u>
Deferred tax assets:			
Unpaid loss and LAE	\$ 2,030,553	\$ 2,275,079	\$ (244,526)
Unearned premiums	4,153,039	3,847,663	305,376
Deferred compensation	1,612,037	1,775,105	(163,068)
Advance premiums	179,116	217,760	(38,644)
Guaranty fund assessment	94,290	102,270	(7,980)
Post-retirement benefits	9,552	15,097	(5,545)
Accrued vacation	90,943	93,728	(2,785)
Accrued business transfers	599,147	618,363	(19,216)
Executive deferred compensation liability	336,680	425,733	(89,053)
Pension plan liability	762,257	-	762,257
SERP pension liability	907,490	870,050	37,440
Nonadmitted assets	443,710	856,980	(413,270)
Investment unrealized losses	152,281	23,061	129,220
Total deferred tax assets	<u>11,371,095</u>	<u>11,120,889</u>	<u>250,206</u>
Nonadmitted deferred tax assets	-	-	-
Total admitted deferred tax assets	<u>11,371,095</u>	<u>11,120,889</u>	<u>250,206</u>
Deferred tax liabilities:			
Overfunded pension plan	-	(179,371)	179,371
Fixed assets	(49,790)	(44,548)	(5,242)
Investment unrealized gains	(4,644,085)	(8,279,531)	3,635,446
Investment accrued dividends	(22,417)	(19,361)	(3,056)
Investment bond market discounts	(286,400)	(334,386)	47,986
TCJA loss reserve discount adjustments	(403,259)	(537,678)	134,419
Total deferred tax liabilities	<u>(5,405,951)</u>	<u>(9,394,875)</u>	<u>3,988,924</u>
Net deferred tax assets	<u>\$ 5,965,144</u>	<u>\$ 1,726,014</u>	<u>\$ 4,239,130</u>

Note 8 ~ Income Taxes (Continued)

Federal income taxes which would be available for recoupment in the event of future tax losses are \$6,950,000 and \$10,492,866 for 2022 and 2021, respectively.

The Company's federal income tax return is consolidated with Statewide Services, Inc. The method of allocation between the companies is subject to a written agreement and is calculated on a separate company basis.

The Company also pays Wisconsin franchise taxes at a rate of 7.9 percent of Wisconsin taxable income. The Company incurred \$2,993,558 and \$4,392,661 of Wisconsin state income taxes, which were included in other underwriting expenses for the years ended December 31, 2022 and 2021, respectively.

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

Note 9 ~ Surplus

The Company is required to maintain minimum capital and 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 surplus exceeded the minimum levels required by the OCI and RBC standards.

The Company's unassigned surplus was increased (decreased) by the following cumulative amounts at December 31:

	2022	2021
Unrealized capital gains – net of taxes of \$4,491,804 and \$8,256,470 in 2022 and 2021, respectively	\$ 16,897,738	\$ 31,060,055
Nonadmitted assets	(2,760,249)	(4,598,525)
Provision for reinsurance	-	(2,800)

Note 10 ~ Debt

The Company has a \$7 million revolving line of credit with BMO Harris Bank, N.A. The line of credit was established to provide a working cash relief program and allow further invested asset management during excessive cash flows. The line of credit was renewed on July 31, 2022, and matures July 31, 2023. The interest rate on the note is subject to change from time to time based on changes in an independent index, which is the 1-month forward-looking term rate based on the secured overnight financing rate, such term rate as administered by the CME Group Benchmark Administration. The Company did not pay any interest related to borrowings on this line of credit in 2022 or 2021.

Note 11 ~ Federal Home Loan Bank (FHLB) Agreement

The Company is a member of the Federal Home Loan Bank (FHLB). The general nature of the FHLB agreement is to provide a platform which provides the Company with the ability to receive short-term advances from the FHLB as a member of the bank. The intended use of the funding is to provide emergency liquidity to the Company in the event it is needed. Any funds obtained from the FHLB for use in general operations would be accounted for consistent with *SSAP No. 15, Debt and Holding Company Obligations*, as borrowed money. Any such advances will be fully collateralized with member stock and qualified securities. The Company owned 1,928 shares of FHLB stock with a carrying value of \$192,800 as of December 31, 2022 and 2021. There was no collateral pledged. The borrowing capacity available to the Company was \$3,856,000 for the years ended December 31, 2022 and 2021. The shares in FHLB stock are recorded in common stock in the statutory balance sheets.



INDEPENDENT AUDITOR'S REPORT  
ON THE SUPPLEMENTARY INFORMATION

To the Board of Directors  
Rural Mutual Insurance Company  
Madison, 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 20, 2023

RURAL MUTUAL INSURANCE COMPANY  
INVESTMENT RISKS INTERROGATORIES  
December 31, 2022

1. Reporting entity's total admitted assets as reported on page two of the annual statement. \$ 705,318,725

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

	Issuer	Description of Exposure	Amount	Percentage of Total Admitted Assets
2.01	Federal Home Loan Mortgage Corp	CMO, MBS	\$ 49,302,183	7.0%
2.02	Federal National Mortgage Assoc	MBS	\$ 42,010,157	6.0%
2.03	American Agricultural Insurance Co	Equity, Preferred Stock	\$ 6,581,249	0.9%
2.04	State of Wisconsin	Municipal	\$ 4,990,441	0.7%
2.05	U.S. Bancorp	Bonds	\$ 4,126,800	0.6%
2.06	Wells Fargo Commercial Mortgage Trust 2013-LC12	MBS	\$ 4,050,522	0.6%
2.07	Bank of America Corp	Bonds, Equity, Preferred Stock	\$ 3,999,726	0.6%
2.08	MassMutual Global Funding II	Bonds	\$ 3,969,252	0.6%
2.09	Oregon State Dept of Admin Services	Municipal	\$ 3,810,199	0.5%
2.10	Cim Trust 2021-J1	CMO	\$ 3,541,671	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	\$ 437,747,068	62.1%	3.07 NAIC - 1	\$ _____ %
3.02 NAIC - 2	\$ 104,563,928	14.8%	3.08 NAIC - 2	\$ 1,234,075 0.2%
3.03 NAIC - 3	\$ 8,277,241	1.2%	3.09 NAIC - 3	\$ _____ %
3.04 NAIC - 4	\$ 661,172	0.1%	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

4.02 Total admitted assets held in foreign investments \$ 23,451,307 3.3%

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.)

RURAL MUTUAL INSURANCE COMPANY  
INVESTMENT RISKS INTERROGATORIES  
December 31, 2022

---

5.	Aggregate foreign investment exposure categorized by NAIC sovereign rating:		
5.01	Countries rated NAIC – 1	\$ 22,777,674	3.2%
5.02	Countries rated NAIC – 2	\$ 473,634	0.1%
5.03	Countries rated NAIC – 3 or below	\$ 200,000	0.0%
6.	Largest foreign investment exposures by country, categorized by the country's NAIC sovereign rating:		
	Countries rated NAIC – 1		
6.01	Switzerland	\$ 5,125,507	0.7%
6.02	Netherlands	\$ 4,586,976	0.7%
	Countries rated NAIC – 2		
6.03	India	\$ 473,634	0.1%
6.04		\$	%
	Countries rated NAIC – 3 or below		
6.05	Virgin Islands, British	\$ 200,000	0.0%
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		\$	%

RURAL MUTUAL INSURANCE COMPANY  
INVESTMENT RISKS INTERROGATORIES  
December 31, 2022

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

Issuer	NAIC Rating	Amount	Percent
10.01 UBS Group AG	1FE	\$ 3,509,692	0.5%
10.02 BPCE SA	2FE	\$ 3,006,119	0.4%
10.03 Siemens Financier ingsmaatschappij N.V.	1FE	\$ 1,658,144	0.2%
10.04 BNP Paribas SA	1FE	\$ 1,533,595	0.2%
10.05 ING Groep N.V.	1FE	\$ 1,504,635	0.2%
10.06 EIG Pearl Holdings S.a.r.l	1FE	\$ 1,355,939	0.2%
10.07 Lesga Financing PLC	1FE	\$ 1,118,368	0.2%
10.08 Credit Suisse Group AG	2FE	\$ 1,085,000	0.2%
10.09 Deutsche Bank AG, London Branch	1FE	\$ 1,062,834	0.2%
10.10 Enel Finance International N.V.	2FE	\$ 998,240	0.1%

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  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  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   
(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 American Agricultural Insurance Co	\$ 6,581,249	0.9%
13.03 iShares Trust – iShares Russell Mid-Cap Value ETF	\$ 2,958,579	0.4%
13.04 iShares Trust – iShares Russell Mid-Cap Growth ETF	\$ 2,814,979	0.4%
13.05 Vanguard Specialized Funds – Vanguard Real Estate ETF	\$ 1,487,857	0.2%
13.06 Microsoft Corp	\$ 1,427,409	0.2%
13.07 Apple Inc	\$ 1,278,251	0.2%
13.08 iShares Trust – iShares MSCI EAFE ETF	\$ 1,201,146	0.2%
13.09 Alphabet Inc	\$ 946,701	0.1%
13.10 iShares Trust – iShares Core S&P Small-Cap ETF	\$ 909,774	0.1%
13.11 Bank of America Corp	\$ 842,496	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  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:

	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>
	Fund Manager	Total Invested	Diversified	Non-Diversified
14.06	Goldman Sachs Trust – Goldman Sachs Financial Square Government	\$ 6,873,115	\$ _____	\$ 6,873,115
14.07	iShares Trust – iShares Russell Mid-Cap Value ETF	\$ 2,958,579	\$ 2,958,579	\$ _____



RURAL MUTUAL INSURANCE COMPANY  
INVESTMENT RISKS INTERROGATORIES  
December 31, 2022

14.08	iShares Trust – iShares Russell Mid-Cap Growth ETF	\$ 2,814,979	\$ 2,814,979	\$
14.09	Vanguard Specialized funds – Vanguard Real Estate ETF	\$ 1,487,857	\$	\$ 1,487,857
14.10	iShares Trust – iShares MSCI EAFE ETF	\$ 1,201,146	\$ 1,201,146	\$
14.11	iShares Trust – iShares Core S&P Small-Cap ETF	\$ 909,774	\$ 909,774	\$
14.12	Columbia Funds Series Trust II – Columbia Pyrford International Stock	\$ 723,186	\$ 723,186	\$
14.13	MFS Series Trust X – MFS International Intrinsic Value Fund	\$ 558,407	\$ 558,407	\$
14.14	iShares Trust – iShares S&P 500 Growth ETF	\$ 495,554	\$	\$ 495,554
14.15	T. Rowe Price International Funds, Inc. – T. Rowe Price Emerging	\$ 409,736	\$	\$ 409,736

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  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  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 \_\_\_\_\_ \$ \_\_\_\_\_ %

RURAL MUTUAL INSURANCE COMPANY  
 INVESTMENT RISKS INTERROGATORIES  
 December 31, 2022

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 in less than 2.5% of the reporting entity's total admitted assets? Yes  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	\$	%

RURAL MUTUAL INSURANCE COMPANY  
INVESTMENT RISKS INTERROGATORIES  
December 31, 2022

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  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		
			1 <sup>st</sup> Qtr	2 <sup>nd</sup> Qtr	3 <sup>rd</sup> 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		
			1 <sup>st</sup> Qtr	2 <sup>nd</sup> Qtr	3 <sup>rd</sup> Qtr
22.01 Hedging	\$ _____	% _____	\$ _____	\$ _____	\$ _____
22.02 Income generation	\$ _____	% _____	\$ _____	\$ _____	\$ _____
22.03 Replications	\$ _____	% _____	\$ _____	\$ _____	\$ _____
22.04 Other	\$ _____	% _____	\$ _____	\$ _____	\$ _____

RURAL MUTUAL INSURANCE COMPANY  
 INVESTMENT RISKS INTERROGATORIES  
 December 31, 2022

---

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		
			1 <sup>st</sup> Qtr	2 <sup>nd</sup> Qtr	3 <sup>rd</sup> Qtr
23.01 Hedging	\$ _____	% _____	\$ _____	\$ _____	\$ _____
23.02 Income generation	\$ _____	% _____	\$ _____	\$ _____	\$ _____
23.03 Replications	\$ _____	% _____	\$ _____	\$ _____	\$ _____
23.04 Other	\$ _____	% _____	\$ _____	\$ _____	\$ _____

RURAL MUTUAL INSURANCE COMPANY  
SUMMARY INVESTMENT SCHEDULE  
December 31, 2022

	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	\$ 43,142,193	6.914%	\$ 43,142,193	6.915%
1.02 All Other Governments	\$ 990,780	0.159%	\$ 990,780	0.159%
1.03 U.S. States, Territories and Possessions, etc. Guaranteed	\$ 6,750,787	1.082%	\$ 6,750,787	1.082%
1.04 U.S. Political Subdivisions of States, Territories and Possessions, Guaranteed	\$ 11,710,895	1.877%	\$ 11,710,895	1.877%
1.05 U.S. Special Revenue and Special Assessment Obligations, etc. Non-Guaranteed	\$ 137,130,048	21.977%	\$ 137,130,048	21.979%
1.06 Industrial and Miscellaneous	\$ 349,879,868	56.073%	\$ 349,879,868	56.079%
1.07 Hybrid Securities	\$ 1,176,877	0.189%	\$ 1,176,877	0.189%
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	<u>\$ 550,781,448</u>	<u>88.271%</u>	<u>\$ 550,781,448</u>	<u>88.280%</u>
2. Preferred Stocks (Schedule D, Part 2, Section 1):				
2.01 Industrial and Miscellaneous (Unaffiliated)	\$ 1,234,075	0.198%	\$ 1,234,075	0.198%
2.02 Parent, Subsidiaries and Affiliates	\$	%	\$	%
2.03 Total Preferred Stocks	<u>\$ 1,234,075</u>	<u>0.198%</u>	<u>\$ 1,234,075</u>	<u>0.198%</u>
3. Common Stocks (Schedule D, Part 2, Section 2):				
3.01 Industrial and Miscellaneous Publicly Traded (Unaffiliated)	\$ 44,722,976	7.168%	\$ 44,722,976	7.168%
3.02 Industrial and Miscellaneous Other (Unaffiliated)	\$ 8,178	0.001%	\$ 8,178	0.001%
3.03 Parent, Subsidiaries and Affiliates Publicly Traded	\$	%	\$	%
3.04 Parent, Subsidiaries and Affiliates Other	\$ 65,577	0.011%	\$	%
3.05 Mutual Funds	\$ 3,021,016	0.484%	\$ 3,021,016	0.484%
3.06 Unit Investment Trusts	\$	%	\$	%
3.07 Closed-end Funds	\$	%	\$	%
3.08 Exchange-Traded Funds	\$ 9,867,889	1.581%	\$ 9,867,889	1.582%
3.09 Total Common Stocks	<u>\$ 57,685,636</u>	<u>9.245%</u>	<u>\$ 57,620,059</u>	<u>9.235%</u>
4. Mortgage Loans (Schedule B):				
4.01 Farm Mortgages	\$	%	\$	%
4.02 Residential Mortgages	\$	%	\$	%
4.03 Commercial Mortgages	\$	%	\$	%
4.04 Mezzanine Real Estate Loans	\$	%	\$	%
4.05 Total Valuation Allowance	\$	%	\$	%
4.06 Total Mortgage Loans	<u>\$</u>	<u>%</u>	<u>\$</u>	<u>%</u>

RURAL MUTUAL INSURANCE COMPANY  
SUMMARY INVESTMENT SCHEDULE  
December 31, 2022

	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	\$	%	\$	%
5.03 Properties Held for Sale	\$	%	\$	%
5.04 Total Real Estate	<u>\$</u>	<u>%</u>	<u>\$</u>	<u>%</u>
6. Cash, Cash Equivalents and Short-Term Investments:				
6.01 Cash (Schedule E, Part 1)	\$ 6,361,359	1.019%	\$ 6,361,359	1.020%
6.02 Cash Equivalents (Schedule E, Part 2)	\$ 6,873,115	1.102%	\$ 6,873,115	1.102%
6.03 Short-Term Investments (Schedule DA)	\$ 467,960	0.075%	\$ 467,960	0.075%
6.04 Total Cash, Cash Equivalents and Short-Term Investments	<u>\$ 13,702,434</u>	<u>2.196%</u>	<u>\$ 13,702,434</u>	<u>2.197%</u>
7. Contract Loans	\$	%	\$	%
8. Derivatives (Schedule DB)	\$	%	\$	%
9. Other Invested Assets (Schedule BA)	\$ 564,430	0.090%	\$ 564,430	0.090%
10. Receivables for Securities	\$	%	\$	%
11. Securities Lending (Schedule DL, Part 1)	\$	%	\$	%
12. Other Invested Assets	\$	%	\$	%
13. Total Invested Assets	<u>\$ 623,968,023</u>	<u>100.000%</u>	<u>\$ 623,902,446</u>	<u>100.000%</u>

\*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  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

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

- 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