CM Regent Insurance Company

Statutory Financial Statements and
Supplementary Information

December 31, 2019 and 2018

CM Regent Insurance Company

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December 31, 2019 and 2018

KPMG LLP
Suite 1050
833 East Michigan Street
Milwaukee, WI 53202-5337

Independent Auditors' Report

The Board of Directors
CM Regent Insurance Company:

We have audited the accompanying financial statements of CM Regent Insurance Company, which comprise the statutory statements of admitted assets, liabilities, and capital and surplus as of December 31, 2019 and 2018, and the related statutory statements of operations, changes in capital and surplus, and cash flow for the years then ended, and the related notes to the statutory financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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 2 to the financial statements, the financial statements are prepared by CM Regent Insurance Company using statutory accounting practices prescribed or permitted by the Pennsylvania Insurance Department, which is a basis of accounting other than U.S. generally accepted accounting principles. Accordingly, the financial statements are not intended to be presented in accordance with U.S. generally accepted accounting principles.

The effects on the financial statements of the variances between the statutory accounting practices described in note 2 and U.S. generally accepted accounting principles, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the variances between statutory accounting practices and U.S. generally accepted accounting principles discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statements referred to above do not present fairly, in accordance with U.S. generally accepted accounting principles, the financial position of CM Regent Insurance Company as of December 31, 2019 and 2018, or the results of its operations or its cash flows for the years then ended.

Opinion on Statutory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the admitted assets, liabilities, and surplus of CM Regent Insurance Company as of December 31, 2019 and 2018, and the results of its operations and its cash flow for the years then ended, in accordance with statutory accounting practices prescribed or permitted by the Pennsylvania Insurance Department described in note 2.

Other Matter

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

KPMG LLP

Milwaukee, Wisconsin
May 18, 2020

CM Regent Insurance Company

Statutory Statements of Admitted Assets, Liabilities and Capital and Surplus
(Dollars in Thousands, Except Share Amounts)
December 31, 2019 and 2018

	2019	2018
Admitted Assets		
Bonds	$ 123,167	$ 120,556
Common stocks	17,631	18,051
Cash, cash equivalents, and short term investments	3,024	7,208
Investment income due and accrued	705	734
Premiums receivable, net	3,596	2,764
Deferred premiums receivable	3,221	2,387
Amounts recoverable from reinsurers	2,832	3,107
Funds held by reinsured companies	3,500	4,200
Net deferred tax asset	167	550
Other assets	1	125
Total admitted assets	$ 157,844	$ 159,682
Liabilities and Capital and Surplus		
Liabilities		
Reserves for losses and loss adjustment expenses, net	$ 41,663	$ 55,648
Reinsurance payable on paid losses and loss adjustment expenses	518	922
Accrued other expenses	1,409	287
Taxes, licenses and fees	969	968
Current federal and foreign income taxes	1,211	3,109
Ceded reinsurance premiums payable, net	3,768	5,185
Funds held by company under reinsurance treaties	5,000	5,000
Amounts withheld for account of others	518	497
Provision for reinsurance	114	42
Payables to parent and affiliate	4,120	2,142
Total liabilities	59,290	73,800
Capital and Surplus		
Common stock (10,000 shares authorized, 5,000 shares issued and outstanding, no par value)	5,000	5,000
Paid-in and contributed surplus	24,025	24,025
Unassigned surplus	69,529	56,857
Total capital and surplus	98,554	85,882
Total liabilities and capital and surplus	$ 157,844	$ 159,682

See accompanying notes to statutory financial statements

CM Regent Insurance Company

Statutory Statements of Operations
(Dollars in Thousands)
Years Ended December 31, 2019 and 2018

	2019	2018
Net Premiums Earned	$ (1)	$ (74)
Losses and Expenses Incurred		
Losses and loss adjustment expenses incurred, net	(6,604)	(5,059)
Underwritng expenses	311	459
Total losses and expenses incurred	(6,293)	(4,600)
Net underwriting gain	6,292	4,526
Net Investment Income	3,248	3,260
Net realized capital gains from investments, net of tax expense of $94 and $88 in 2019 and 2018, respectively	354	329
Net investment income and realized gains, net	3,602	3,589
Other Income (Loss), Net	(1)	42
Net income before taxes	9,893	8,157
Federal Income Tax Expense	685	1,141
Net income	$ 9,208	$ 7,016

See accompanying notes to statutory financial statements

CM Regent Insurance Company

Statutory Statements of Changes in Capital and Surplus
(Dollars in thousands)
Years ended December 31, 2019 and 2018

	Common Stock	Paid-In and Contributed Surplus	Unassigned Surplus	Total
January 1, 2018	$ 2,150	$ 26,875	$ 52,388	$ 81,413
Net income	-	-	7,016	7,016
Change in net unrealized capital gains (losses), net of capital gains expenses (benefit) of $(449)	-	-	(1,689)	(1,689)
Change in net deferred income taxes	-	-	(526)	(526)
Change in non-admitted assets	-	-	(290)	(290)
Change in provision for reinsurance	-	-	(42)	(42)
Capital transferred from surplus	2,850	-	-	2,850
Surplus transferrred to capital	-	(2,850)	-	(2,850)
Total capital and surplus – end of year	$ 5,000	$ 24,025	$ 56,857	$ 85,882
Year ended December 31, 2019				
Net income	$ -	$ -	$ 9,208	$ 9,208
Change in net unrealized capital gains (losses), net of capital gains expenses (benefit) of $806	-	-	3,032	3,032
Change in net deferred income taxes	-	-	(306)	(306)
Change in nonadmitted assets	-	-	810	810
Change in provision for reinsurance	-	-	(72)	(72)
Total capital and surplus – end of year	$ 5,000	$ 24,025	$ 69,529	$ 98,554

See accompanying notes to statutory financial statements

CM Regent Insurance Company

Statutory Statements of Cash Flow
(Dollars in Thousands)
Years Ended December 31, 2019 and 2018

	2019	2018
Cash Flow from Operating Activities		
Premiums collected, net	$ (3,084)	$ (18,314)
Investment income, net	3,655	3,683
Miscellaneous income, net	700	42
Losses and loss related payments	(4,642)	(13,558)
Commissions and underwriting expenses paid	(1,630)	(4,141)
Federal income taxes (paid) received	(2,677)	1,634
Net cash used in operating activities	(7,678)	(30,654)
Cash Flow from Investing Activities		
Proceeds from bonds sold, matured and repaid	23,415	15,412
Proceeds from common stocks sold	6,289	5,015
Cost of bonds acquired	(26,385)	(5,438)
Cost of common stocks acquired	(1,568)	-
Net losses on short-term investments	-	(17)
Net cash provided by investing activities	1,751	14,972
Cash Flow from Financing Activities and Miscellaneous Sources		
Other cash applied	1,743	(234)
Net cash (used in) provided by financing activities and miscellaneous sources	1,743	(234)
Net decrease in cash, cash equivalents, and short-term investments	(4,184)	(15,916)
Cash, cash equivalents, and short-term investments, January 1	7,208	23,124
Cash, cash equivalents, and short-term investments, December 31	$ 3,024	$ 7,208

See accompanying notes to statutory financial statements

1. Description of Business

CM Regent Insurance Company ("the Company") is a wholly owned subsidiary of Church Mutual Insurance Company ("CMIC" or "Parent"), a mutual property and casualty insurance company domiciled in the state of Wisconsin.

The Company's primary business is the sale of workers' compensation, property and casualty, and general liability coverage to public school entities. Since July 1, 2012, the Company had been writing all business through the use of fronting carriers and had assumed a portion of each risk from the first dollar. Beginning with policies effective July 1, 2017, the Company resumed writing the workers' compensation and school leaders' legal liability business on a direct basis. Beginning with policies effective July 1, 2018, the Company began writing the remaining lines of business on a direct basis.

On October 1, 2016, the Company entered into a 100% quota-share reinsurance agreement with its parent company, Church Mutual Insurance Company. The agreement covers policies issued, renewed, or assumed by the Company on or after the inception date of the agreement and includes all premiums, losses and related expenses, with the exception of investment expenses. This agreement has a significant impact on the Company's results of operations and the composition of several balance sheet accounts.

The Company also participates in an expense sharing agreement with CMIC and its subsidiaries. The Company is a subsidiary corporation in the consolidated federal income tax return of CMIC and subsidiaries.

Based on the Company's capital levels at December 31, 2019, management is confident in the Company's ability to continue as a going concern.

2. Summary of Significant Accounting Policies

Basis of Preparation

The accompanying statutory financial statements have been prepared on the basis of accounting practices prescribed or permitted by the Pennsylvania Insurance Department (the Insurance Department), which vary from accounting principles generally accepted in the United States of America ("U.S. GAAP"). The Commonwealth of Pennsylvania requires insurance companies to prepare their statutory financial statements in accordance with the National Association of Insurance Commissioners' ("NAIC") Statements of Statutory Accounting Procedures ("SAP"), subject to any departures prescribed or permitted by the Insurance Department. There were no such differences between SAP and accounting practices prescribed or permitted by the Insurance Department that affect the statutory financial statements of the Company as of or for the years ended December 31, 2019 or 2018.

Management has made a number of estimates and assumptions related to the reporting of admitted assets, liabilities, revenues, and expenses, to prepare these statutory financial statements in conformity with accounting practices prescribed by the Insurance Department. Such estimates and assumptions are subject to revision in the future as more information becomes known, and changes in assumptions and estimates could impact the amounts reported and disclosed in the accompanying statutory financial statements. Significant estimates made by the Company include, but are not limited to, reserves for losses and loss adjustment expenses, net, recognition of other-than-temporary impairments on bonds, and income tax balances.

The more significant accounting policies are described below:

Premiums

Premiums are earned over the terms of the related insurance policies and reinsurance contracts. Unearned premium reserves are established to cover the unexpired portion of premiums written. Such reserves are computed by pro-rata methods for direct and ceded business.

Acquisition Costs

Expenses incurred in connection with acquiring new insurance business, including sales and ceding commission expenses and premium taxes, are charged to operations as incurred. Expenses incurred are reduced for ceding commissions received or receivable.

Investments

Bonds are valued in accordance with valuations prescribed by the NAIC Securities Valuation Office ("NAIC SVO"). Generally, bonds are carried at cost, and adjusted when appropriate for amortization of premium or accretion of discount, computed using the scientific interest method. Common stocks are carried at values prescribed by the NAIC SVO, generally at fair value. Premiums and discounts for mortgage-backed bonds are amortized using anticipated prepayments, with significant changes in estimated prepayments accounted for under the prospective method. Realized investment gains and losses are reported in the statutory statements of operations based upon the specific cost of securities sold on the trade date.

Management periodically evaluates the Company's investments for other-than-temporary impairment. For all securities, other than loan-backed securities, the factors considered in determining whether declines in fair value are other-than-temporary include the significance of the decline, the time duration of the decline, current economic conditions, and the Company's ability and intent to hold the security until such time that the fair value may recover. At the time a security is determined to be other-than-temporarily impaired, the Company records a realized loss in the statutory statements of operations, and a new cost basis is established.

For loan-backed securities in an unrealized loss position, the Company estimates future cash flows along with the security's effective interest rate (book yield) immediately prior to the recognition of an other-than-temporary impairment charge as the discount rate to determine a present value of expected cash flows in accordance with Statements of Statutory Accounting Principles ("SSAP") No. 43R - Revised - *Loan-backed and Structured Securities*. If this present value is less than the amortized cost of the security, the security is written down to this present value amount and the Company records a realized loss in the statutory statements of operations. Using the effective interest rate method, the Company prospectively accretes the undiscounted estimate of principal to be recovered over the remaining life.

Management does not believe that any of the Company's investments are other-than-temporarily impaired at December 31, 2019 or 2018.

Cash Equivalents and Short-Term Investments

Cash equivalents and short-term investments include all investments whose maturities, at the time of acquisition, are one year or less and are stated at amortized cost, which approximate fair value. Cash equivalents include securities which, when purchased, have an original maturity of three months and less. Short-term investments include securities which, when purchased, have an original maturity in excess of three months.

The value of cash equivalents and short-term investments held by the Company at December 31, 2019 and 2018 was $3,832 and $7,507.

Funds Held by Reinsured Companies

Funds held by reinsured companies consists of deposits, which are amounts with fronting insurers (ceding reinsurers) as security for certain insurance related funds held on behalf of the fronting reinsurer as security for routine processing transactions by the Company for the fronting insurers. The Company admitted $3,500 and $4,200 of such deposits on the statutory statements of admitted assets, liabilities, and capital and surplus at December 31, 2019 and 2018, respectively.

Reserves for Losses and Loss Adjustment Expenses

Reserves for losses and loss adjustment expenses ("LAE") include outstanding losses, and a provision for losses incurred but not reported ("IBNR"), which is based on estimates of the ultimate liability for losses. The Company's reserves for LAE include, in addition to reserves for defense and cost containment expenses, an estimated liability for claims handling fees paid to third party administrators for the handling of future claims. Management continually reviews its methods for making such estimates and for establishing the liability for losses and LAE. Actual losses may vary significantly from such estimates, and any such variances will be recorded in the periods in which they become known. Inherent in the estimates of ultimate losses are expected trends in claim severity and frequency and other factors, which could vary significantly as claims are settled.

Premium Deficiency Reserves

The Company does not anticipate investment income in determining any premium deficiency reserve. The Company did not record any premium deficiency reserves as of December 31, 2019 or 2018.

Nonadmitted Assets

Nonadmitted assets, principally prepaid expenses, uncollected premium balances due over 90 days, and deferred tax assets are excluded through a direct charge to unassigned surplus.

Reinsurance

In the ordinary course of business, the Company assumes and cedes risk from or to other insurance companies. The Company cedes risk in order to limit the maximum net loss and limit the accumulation of numerous smaller losses from a catastrophic event. The Company remains primarily liable to its clients in the event its reinsurers are unable to meet their financial obligations.

Reinsurance premiums and claims are accounted for on a basis consistent with those used in accounting for the original policies issued and the terms of the reinsurance contracts. Premiums ceded to other companies are reported as a reduction of premium income. Amounts applicable to reinsurance ceded for reserves for losses and loss adjustment expenses are reported as reductions of these items.

Federal Income Taxes

Prior to the Company's acquisition by CMIC, the Company had received a private letter ruling from the Internal Revenue Service indicating income of the Company was not taxable under Section 115(1) of the Internal Revenue Code. Accordingly, the Company had not recorded provisions for current or deferred income taxes in its statutory financial statements through date of acquisition, June 1, 2016.

Effective with the June 1, 2016 acquisition by CMIC, the Company became subject to federal income tax. Provisions for current or deferred income taxes for the years ending December 31, 2019 and 2018 are recorded in the accompanying statutory financial statements.

The Company's federal income tax return for 2019 is consolidated with the following entities:

Church Mutual Insurance Company, parent company
CMIC Specialty Services, Inc., a wholly owned subsidiary of Church Mutual Insurance Company
CM l Vantage Specialty Insurance Company, a wholly owned subsidiary of Church Mutual Insurance Company
CM Select Insurance Company, a wholly owned subsidiary of Church Mutual Insurance Company
CM Indemnity Insurance Company, a wholly owned subsidiary of Church Mutual Insurance Company
CM Regent, LLC, a wholly owned subsidiary of Church Mutual Insurance Company

The Company is a subsidiary company in the consolidated federal income tax return of Church Mutual Insurance Company and subsidiaries. The allocation of income tax between Church Mutual Insurance Company and its subsidiaries is subject to a tax sharing agreement and is based upon separate return calculations.

Concentrations of Credit Risk

Financial instruments which potentially subject the Company to concentration of credit risk include cash and cash equivalents, short-term investments, bonds, and common stocks. The Company places its cash investments with creditworthy financial institutions. The Company holds bonds and notes issued by the U.S. government and financially sound corporations and commercial mortgage-backed bonds. By policy, these investments are kept within limits designated to prevent risks caused by concentrations. Consequently, the Company does not believe it has significant concentrations of credit risk as it relates to its financial instruments. The Federal Deposit Insurance Commission insures amounts on deposit with any one financial institution to $250. The Company generally has balances on deposit in excess of this amount.

The Company is exposed to concentrations of credit risk with respect to amounts due from reinsurers. Management monitors the financial condition of these reinsurers and believes it has taken the necessary steps to mitigate the Company's exposure.

Differences from U.S. GAAP

Certain of the prescribed or permitted insurance accounting practices followed by the Company differ from U.S. GAAP. Under U.S. GAAP:

- Commissions and other acquisition costs directly related to successful origination and underwriting of new and renewal business would be deferred and charged against operations on the same basis that related new and renewal premiums are recognized as revenues.

- Certain assets designated as "nonadmitted", principally prepaid expenses, premium receivable balances due over 90 days, and nonadmitted deferred tax assets would be recorded on the balance sheet.

- Reserves for losses and loss adjustment expenses, unearned premiums and balances recoverable from reinsurers would be reported gross of ceded reinsurance on the balance sheet.

- Bonds classified as available for sale would be carried at fair value, rather than at admitted value prescribed by the NAIC SVO.

- Common stocks would be carried at fair value for U.S. GAAP and the unrealized common stock investment gains and losses would be reported in net income. Unrealized common stock investment gains and losses under SAP are reported net of deferred tax directly to surplus.

- A provision would be made for deferred taxes on temporary differences between the financial reporting and tax basis of assets and liabilities. SAP requires an amount to be recorded for deferred taxes; however, there are limitations as to the amount of deferred tax assets that may be reported as “admitted assets”, and the change in deferred taxes is recorded directly to surplus for SAP.
- Realized investment gains or losses would be reported gross of related income taxes, while under SAP such gains or losses are reported net of tax.
- The statement of cash flow would be presented in a different format than is required by NAIC SAP.
- Comprehensive income would be presented in the accompanying statutory financial statements.

The aggregate effect of the foregoing differences has not been determined, although such effects are presumed to be material, as would be expected when comparing SAP to U.S. GAAP.

(Dollars in Thousands)

3. Investments

The amortized cost and estimated fair values of investments in bonds and common stocks are as follows:

	2019				
	Book Value	**Amortized Cost**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**
Bonds:					
U.S. Treasury securities and obligations of U.S. government agencies	$ 19,990	$ 19,990	$ 246	$ (8)	$ 20,228
Special revenue and special assessment obligations	7,351	7,351	130	(11)	7,470
Corporate securities, including non-governmental foreign securities	40,408	40,408	1,055	(1)	41,462
Securities of foreign governments	758	758	4	-	762
Mortgage-backed and other asset-backed securities	54,660	54,660	767	(58)	55,369
Total bonds	123,167	123,167	2,202	(78)	125,291
Common Stocks, Unaffiliated	17,631	14,626	3,005	-	17,631
Total common stocks	17,631	14,626	3,005	-	17,631
Total bonds and common stocks	$ 140,798	$ 137,793	$ 5,207	$ (78)	$ 142,922

(Dollars in Thousands)

	2018				
	Book Value	**Amortized Cost**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**
Bonds:					
U.S. Treasury securities and obligations of U.S. government agencies	$ 20,870	$ 20,870	$ -	$ (361)	$ 20,509
Special revenue and special assessment obligations	6,693	6,693	2	(42)	6,653
Corporate securities, including non-governmental foreign securities	45,509	45,509	67	(1,090)	44,486
Securities of foreign governments	2,020	2,020	-	(42)	1,978
Mortgage-backed and other asset-backed securities	45,464	45,464	107	(1,046)	44,525
Total bonds	120,556	120,556	176	(2,581)	118,151
Common Stocks,					
Unaffiliated	18,051	18,884	-	(833)	18,051
Total common stocks	18,051	18,884	-	(833)	18,051
Total bonds and common stocks	$ 138,607	$ 139,440	$ 176	$ (3,414)	$ 136,202

The amortized cost and estimated fair value of bonds at December 31, 2019, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Amortized Cost	**Fair Value**
Due in one year or less	$ 6,003	$ 6,023
Due after one year through five years	42,360	43,047
Due after five years through ten years	18,644	19,316
Due after ten years through fifteen years	1,500	1,536
Asset-backed securities	4,036	4,042
Mortgage-backed securities	50,624	51,327
	$ 123,167	$ 125,291

(Dollars in Thousands)

Proceeds from sales of investments in bonds during 2019 and 2018 were $12,290 and $6,429, respectively. Gross realized gains of $22 and $13 and gross realized losses of $15 and $55 were recognized on those sales during 2019 and 2018, respectively.

The Company had on deposit, as required by various Insurance Departments, bonds with an amortized cost of $4,566 and $2,509 and admitted value of $4,566 and $2,505 at December 31, 2019 and 2018, respectively.

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

	2019	2018
Investment income:		
Interest and dividends on bonds and common stocks	$ 3,705	$ 3,714
Interest on cash, cash equivalents, and short-term investments	98	160
Investment income	3,803	3,874
Investment expenses	(555)	(614)
Net investment income earned	$ 3,248	$ 3,260

At December 31, 2019 and 2018, the Company's bond portfolio had gross unrealized losses of $78 and $2,581, respectively. For securities that were in an unrealized loss position as of December 31, the length of time that such securities were in an unrealized loss position and their year-end fair value are as follows:

	2019					
	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Treasury securities and obligations of U.S. government agencies	$ 1,836	$ (5)	$ 756	$ (3)	$ 2,592	$ (8)
Special revenue and special assessment obligations	989	(11)	-	-	989	(11)
Corporate securities, including non-governmental foreign securities	-	-	748	(1)	748	(1)
Securities of foreign governments	-	-	-	-	-	-
Mortgage-backed and other asset-backed securities	5,765	(15)	6,950	(43)	12,715	(58)
	$ 8,590	$ (31)	$ 8,454	$ (47)	$ 17,044	$ (78)

(Dollars in Thousands)

	2018					
	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Treasury securities and obligations of U.S. government agencies	$ 643	$ (9)	$ 19,866	$ (352)	$ 20,509	$ (361)
Special revenue and special assessment obligations	3,047	(8)	2,657	(34)	5,704	(42)
Corporate securities, including non-governmental foreign securities	4,910	(148)	33,944	(942)	38,854	(1,090)
Securities of foreign governments	-	-	1,978	(42)	1,978	(42)
Mortgage-backed and other asset-backed securities	2,464	(20)	38,735	(1,026)	41,199	(1,046)
	$ 11,064	$ (185)	$ 97,180	$ (2,396)	$ 108,244	$ (2,581)

At December 31, 2019, there were 11 and 16 bonds with unrealized losses less than twelve months and greater than twelve months, respectively. At December 31, 2018, there were 55 and 93 bonds with unrealized losses less than twelve months and greater than twelve months, respectively. The largest unrealized loss as a percentage of amortized cost for any one security was 2.8% and 7.5% as of December 31, 2019 and 2018, respectively.

Management has evaluated the unrealized losses on the bonds and determined that they are primarily attributable to fluctuation in interest rates and general market conditions, and not attributable to specific issuer credit risk factors. For non-loan-backed securities bonds, losses in the estimated fair value are viewed as temporary if the bond can be held to maturity and it is reasonable to assume that the issuer can service the debt, as to both principal and interest. Management believes that the current carrying value of the bond portfolio will be realized as management has the ability and intent to hold the investment to maturity or market recovery. As a result, no other-than-temporary impairment charges on non-loan-backed bonds were recorded for the years ended December 31, 2019 and 2018.

Management evaluates unrealized losses on loan-backed securities for potential other-than-temporary impairments. The Company has the ability and intent to hold the securities to maturity or recovery and expects to recover the carrying value of the security from the estimated present value of the security's projected future cash flows. For the years ended December 31, 2019 and 2018, no other-than-temporary charges on loan-backed securities were recorded.

4. Fair Value of Financial Instruments

The fair value of an asset is the amount at which that asset could be bought or sold in a current transaction between willing parties, that is, other than in a forced or liquidation sale. The fair value of a liability is the amount at which that liability could be incurred or settled in a current transaction between willing parties, that is, other than in a forced or liquidation sale.

Due to the relatively short-term nature of cash, cash equivalents, and short-term investments, investment income due and accrued, premiums and all other receivables, accrued expenses and all other payables, the carrying value is a reasonable estimate of fair value.

Management uses its best judgment in estimating the fair value of the Company's financial instruments; however, there are inherent weaknesses in any estimation technique. Therefore, for substantially all financial instruments, the fair value estimates herein are not necessarily indicative of the amounts the Company could have realized in a sales transaction on the dates indicated. The estimated fair value amounts have been measured as of their respective year-ends and have not been re-evaluated or updated for purposes of these statutory financial statements subsequent to those respective dates. As such, the estimated fair values of these financial instruments subsequent to the respective reporting dates may be different than the amounts reported at each year-end.

As described in Note 2, the Company carries its investments in bonds and common stocks at values prescribed by the SVO, which is generally amortized cost for bonds and fair value for common stocks. The Company determines the fair value of its bonds and common stocks in accordance with the NAIC SVO Purposes and Procedures manual. For bonds and common stocks held by the Company meeting the NAIC SVO requirements for filing exempt, the fair values of such securities are determined through the utilization of an external pricing service, which develops fair values using various pricing models that vary by asset class, incorporates reported trades when available, and other inputs such as benchmark yields, issuer spreads, trades, bids and other reference data including market research publications.

The Company groups its financial assets and financial liabilities in three levels, based on the markets in which the assets and liabilities are traded, and the reliability of the assumptions used to determine fair value.

Level 1 - Inputs are unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 - Quoted prices in markets that are not active, or inputs that are observable either directly or indirectly, for substantially the full term of the asset or liability.

Level 3 - Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e. supported with little or no market activity).

An asset's or liability's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

(Dollars in Thousands)

The following table summarizes fair value measurements and admitted values for all financial instruments by level within the hierarchy at December 31, 2019 and 2018.

	2019				
	Fair Value	**Admitted Value**	**Level 1**	**Level 2**	**Level 3**
Bonds:					
U.S. Treasuries and obligations of U.S. Government agencies	$ 20,228	$ 19,990	$ 20,228	$ -	$ -
Special revenue and special assessment obligations	7,470	7,351	-	7,470	-
Corporate securities - including non-governmental foreign securities	41,462	40,408	-	41,462	-
Securities of foreign governments	762	758	-	762	-
Mortgage-based and other asset-based securities	55,369	54,660	-	55,369	-
Total bonds	125,291	123,167	20,228	105,063	-
Common Stock, Unaffiliated	17,631	17,631	17,631	-	-
Total common stock	17,631	17,631	17,631	-	-
Cash and short-term investments	3,024	3,024	1,022	2,002	-
Total cash and short-term investments	3,024	3,024	1,022	2,002	-
Total bonds, common stock, cash and short-term investments	$ 145,946	$ 143,822	$ 38,881	$ 107,065	$ -

(Dollars in Thousands)

	2018				
	Fair Value	**Admitted Value**	**Level 1**	**Level 2**	**Level 3**
Bonds:					
U.S. Treasuries and obligations of U.S. Government agencies	$ 20,509	$ 20,870	$ -	$ 20,509	$ -
Special revenue and special assessment obligations	6,653	6,693	-	6,653	-
Corporate securities - including non-governmental foreign securities	49,438	50,520	-	49,438	-
Securities of foreign governments	1,978	2,020	-	1,978	-
Mortgage-based and other asset-based securities	39,573	40,453	-	39,573	-
Total bonds	118,151	120,556	-	118,151	-
Common Stock, Unaffiliated	18,051	18,051	18,051	-	-
Total common stock	18,051	18,051	18,051	-	-
Cash and short-term investments	7,208	7,208	1,508	5,700	-
Total cash and short-term investments	7,208	7,208	1,508	5,700	-
Total bonds, common stock, cash and short-term investments	$ 143,410	$ 145,815	$ 19,559	$ 123,851	$ -

(Dollars in Thousands)

5. Income Taxes

The Company files a consolidated federal income tax return including Church Mutual Insurance Company and its other subsidiaries. At December 31, 2019 and 2018, the Company had no net operating loss or tax credit carryforwards.

The following represents income tax expense in the current and prior years that is available for recoupment in the event of future net losses:

2017	$	-
2018	$	-
2019	$	1,726

The Company's total current federal income tax and change in net deferred income taxes without unrealized gains or losses for the years ended December 31, 2019 and 2018 differ from the amount obtained by applying the federal statutory income tax rate of 21% to income before income taxes from the statutory statements of operations for the following reasons:

	2019	2018
Income before taxes (excluding capital gains)	$ 9,539	$ 7,828
Capital gains	448	417
Income before taxes	$ 9,987	$ 8,245
Income tax expense at statutory rate	$ 2,097	$ 1,723
Increase (decrease) in tax resulting from:		
Dividends received deduction	(24)	(26)
Non-deductible expenses	19	-
Change in non admitted assets	17	(21)
Impact of rate change due to tax reform	-	(1,037)
Uncertain tax position	(1,036)	1,036
Other	12	81
Total income tax expense (benefit)	$ 1,085	$ 1,756
Current income taxes incurred	$ 1,692	$ 2,617
Tax on capital gains/(losses)	94	88
Prior year overaccrual/(underaccrual)	29	(2,511)
Uncertain tax position	(1,036)	1,036
Change in deferred income tax (without tax on unrealized gains and losses and nonadmitted assets)	306	526
Total statutory income tax expense (benefit)	$ 1,085	$ 1,756

(Dollars in Thousands)

The components of the net deferred tax asset at December 31, 2019 and 2018 are as follows:

	December 31, 2019			December 31, 2018			
	Ordinary	Capital	Total	Ordinary	Capital	Total	Change
Gross deferred tax assets	$ 798	$ -	$ 798	$ 1,104	$ 175	$ 1,279	$ (481)
Statutory valuation allowance	-	-	-	-	-	-	-
Adjusted gross deferred tax assets	798	-	798	1,104	175	1,279	(481)
Deferred tax assets nonadmitted	-	-	-	(729)	-	(729)	729
Subtotal net admitted deferred tax asset	$ 798	$ -	$ 798	$ 375	$ 175	$ 550	$ 248
Deferred tax liabilities	-	(631)	(631)	-	-	-	(631)
Net admitted deferred tax assets (liabilities)	$ 798	$ (631)	$ 167	$ 375	$ 175	$ 550	$ (383)

Change in net admitted deferred tax assets	$ (383)
Plus: tax effect of unrealized gains (losses)	806
Equals change in net admitted deferred tax assets	$ 423
Less: Change in deferred tax assets nonadmitted	(729)
Change in net deferred income taxes	$ (306)

The amount of admitted adjusted gross deferred tax assets allowed under each component of SSAP No. 101, *Income Taxes*, as of December 31, 2019 and 2018 is as follows:

	December 31, 2019			December 31, 2018			
Admission calculation	Ordinary	Capital	Total	Ordinary	Capital	Total	Change
Federal income taxes paid in prior years recoverable through loss carrybacks	$ 315	$ -	$ 315	$ -	$ -	$ -	$ 315
Adjusted gross deferred tax assets expected to be realized after application of the threshold limitation	112	-	112	375	175	550	$ (438)
Adjusted gross deferred tax assets offset by gross deferred tax liabilities	371	(631)	(260)	-	-	-	$ (260)
Deferred tax assets admitted as the result of application of SSAP No. 101	$ 798	$ (631)	$ 167	$ 375	$ 175	$ 550	$ (383)
Authorized control level ratio excluding DTAs			2503%			1845%	

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 2019 and 2018 are as follows:

(Dollars in Thousands)

	December 31, 2019			December 31, 2018			
	Ordinary	Capital	Total	Ordinary	Capital	Total	Change
Deferred tax assets:							
Discounting of unpaid losses	$ 761	$ -	$ 761	$ 1,016	$ -	$ 1,016	$ (255)
Other	37	-	37	88	175	263	(226)
Total deferred tax assets	$ 798	$ -	$ 798	$ 1,104	$ 175	$ 1,279	$ (481)
Nonadmitted	-	-	-	(729)	-	(729)	729
Admitted ordinary deferred tax assets	$ 798	$ -	$ 798	$ 375	$ 175	$ 550	$ 248
Deferred tax liabilities:							
Tax effect of unrealized capital gains	-	(631)	(631)	-	-	-	(631)
Total deferred tax liabilities	-	(631)	(631)	-	-	-	(631)
Net deferred tax asset admitted	$ 798	$ (631)	$ 167	$ 375	$ 175	$ 550	$ (383)

There are no deferred tax liabilities that are not recognized as of December 31, 2019 or 2018.

As of December 31, 2019, no statutory valuation allowance has been reported against the Company's deferred tax assets.

In 2019, the Company released a liability that had been recorded in 2018, in accordance with SSAP No. 5R *Liabilities, Contingencies and Impairments of Assets Revised*, for the net benefit of the filing position taken on its 2017 Federal Tax Return. The liability was released in 2019 based on facts and circumstances that became available in 2019. The Company has recorded a liability for the net benefit of $0 and $1,036, for 2019 and 2018, respectively; the 2018 liability was fully reversed in 2019.

(Dollars in Thousands)

The changes in the main components of deferred tax assets and deferred tax liabilities at December 31, 2019 and 2018 are as follows:

	2019	2018
Deferred tax assets from book/tax differences in:		
Net loss reserve discounting for tax	$ (255)	$ (537)
Adjustment for unearned premiums	-	-
Unrealized capital losses on stocks		175
Other	(51)	11
Total gross deferred tax assets	(306)	(351)
Total nonadmitted deferred tax assets	729	(192)
Total net admitted deferred tax assets	$ 423	$ (543)
Deferred tax liabilities resulting from book/tax differences in:		
Tax effect of unrealized capital gains	(806)	274
Total deferred tax liabilities	(806)	274
Total net deferred tax assets	$ (383)	$ (269)

The change in net deferred income taxes is comprised of the following at December 31, 2019:

	2019	2018	Change
Total deferred tax assets	$ 798	$ 550	$ 248
Total deferred tax liabilities	(631)	-	(631)
Net deferred tax asset	$ 167	$ 550	(383)
Change in nonadmitted deferred tax assets			(729)
Tax effect of unrealized gains (losses)			806
Change in net deferred income taxes			$ (306)

The Internal Revenue Services ("IRS") requires insurance companies to discount loss reserves using either company-specific payments patters, or industry average tables published by the IRS, for tax years beginning before December 31, 2017. The Company had previously elected to follow its company-specific payment pattern. The Tax Cuts and Jobs Act ("TCJA") changed the discount rate and payment patterns utilized to discount certain lines of business when computing the allowable tax reserve deduction. The IRS issued Revenue Procedure 2019-06, which provided taxpayers with the updated discount factors for use in these computations. As a result of this additional guidance, the Company recorded an increase to its gross deferred tax asset for loss reserve discounting of $238 and an increase to its gross deferred tax liability for transition liability of $238 during 2018. The recorded adjustment had no impact on the Company's effective tax rate. As of December 31, 2018, accounting for the TCHA was complete and remains complete as of December 31, 2019.

(Dollars in Thousands)

The Company has determined that there is no impact from tax-planning strategies on the adjusted gross and net admitted deferred tax assets as of December 31, 2019. The Company's tax-planning strategies do not include the use of reinsurance related tax-planning strategies.

The examinations of the Company's consolidated federal income tax returns for the years 2016 through 2019 remain open under the IRS statute of limitations.

6. Reinsurance

The effects of reinsurance on premiums written, premiums earned, losses and LAE and unearned premiums for the years ended December 31, 2019 and 2018 are as follows:

	2019	2018
Written premiums:		
Direct	$ 63,894	$ 58,672
Assumed	(1)	81
Ceded	(63,894)	(58,827)
Net	$ (1)	$ (74)
Earned premiums:		
Direct	$ 61,343	$ 39,667
Assumed	10	9,701
Ceded	(61,354)	(49,442)
Net	$ (1)	$ (74)
Losses and LAE incurred:		
Direct	$ 48,296	$ 28,731
Assumed	(2,208)	5,987
Ceded	(52,692)	(39,777)
Net	$ (6,604)	$ (5,059)
Reserves for losses and LAE:		
Direct	$ 58,300	$ 35,483
Assumed	43,534	54,093
Ceded	(60,171)	(33,928)
Net	$ 41,663	$ 55,648

(Dollars in Thousands)

	2019	2018
Unearned premiums:		
Direct	$ 32,153	$ 29,601
Assumed	-	11
Ceded	(32,153)	(29,612)
Net	$ -	$ -

The maximum amount of return commission, which would have been due to or from reinsurers if they or the Company had canceled all of the Company's reinsurance, as of December 31, 2019 with the return of the unearned premiums, is as follows at December 31, 2019:

Assumed		Ceded		Net	
Unearned Premiums	Commission Equity	Unearned Premiums	Commission Equity	Unearned Premiums	Commission Equity
$ -	$ -	$ 32,153	$ 10,913	$ (32,153)	$ (10,913)

On October 1, 2016, the Company entered into a 100% quota-share reinsurance agreement with its parent company, Church Mutual Insurance Company. The agreement covers policies issued, renewed, or assumed by the Company on or after the inception date of the agreement, and includes all premiums, losses and related expenses, with the exception of investment expenses. This agreement has a significant impact on the Company's results of operations and the composition of several balance sheet accounts.

At December 31, 2019, management estimates the Company's unsecured aggregate amounts recoverable for losses and loss adjustment expenses paid and unpaid and unearned premium, which exceed 3% of capital and surplus, to be as follows:

Reinsurer	AM Best Rating	NAIC Company Code	Amount
Church Mutual Insurance Company	A	18767	$ 80,538
National Union Fire Ins Co of Pittsburgh	A	19445	10,598

Management monitors the financial condition of these reinsurers and believes they have adequate procedures to both monitor and mitigate the Company's exposure to credit risk from reinsurance ceded.

7. Capital and Surplus

The Company is authorized to issue ten thousand shares of no par common stock. There were five thousand shares issued and outstanding as of December 31, 2019 and 2018, all of which are held by CMIC. During calendar year 2018, the stated value of the Company's common stock increased $2,850 through a transfer of funds from Gross Paid-In and Contributed Surplus.

(Dollars in Thousands)

Property/casualty insurance companies are subject to certain Risk Based Capital ("RBC") requirements as specified by the NAIC. Under these requirements, the amount of capital and surplus maintained by a property/casualty insurance company is determined based on a dynamic formula measuring various risk factors. At December 31, 2019 and 2018, the Company's capital and surplus exceeded the RBC requirements.

The maximum amount of dividends that can be paid by an insurance company domiciled in the Commonwealth of Pennsylvania to its shareholder without prior approval of the Insurance Commissioner is subject to restrictions relating to unassigned surplus and net income. The maximum ordinary dividend that may be paid in 2020 without prior approval is $8,588. All dividends paid in the prior 12 months, on a rolling 12 month basis, are aggregated to determine whether a dividend exceeds the ordinary dividend threshold thus requiring prior approval.

No dividends were declared or paid in 2019 and 2018.

8. Reserves for Losses and LAE

Activity in the reserves for losses and LAE, net, is summarized as follows:

	2019	2018
Balance as of January 1, net	$ 55,648	$ 77,023
Incurred losses and LAE related to:		
Current year	-	-
Prior years	(6,604)	(5,059)
Total incurred	(6,604)	(5,059)
Paid losses and LAE related to:		
Current year	-	-
Prior years	7,381	16,316
Total paid	7,381	16,316
Balance as of December 31, net	$ 41,663	$ 55,648

Incurred losses and LAE attributable to prior years decreased by $6,604 during 2019 and $5,059 during 2018 as a result of re-estimation of unpaid losses and loss adjustment expenses. The favorable prior-year development in 2019 was driven primarily by the worker's compensation line of business with contributions by commercial multiple peril and other liability. For 2018, the favorable prior-year development was driven by the worker's compensation line of business.

(Dollars in Thousands)

9. Related Party Transactions

The Company is party to a Service Agreement, effective June 1, 2016, between Church Mutual Insurance Company (Parent) and its subsidiaries. Under the agreement, the Company pays an administrative fee to CM Regent, LLC ("CMR") a non-insurance company owned by Church Mutual Insurance Company. The services that CMR provides on behalf of the Company include but are not limited to administrative and clerical, legal, corporate and tax accounting, financial reporting and record keeping, information technology services, marketing, underwriting, policy administration, premium collection, actuarial services, claims and loss control administration, and human resources. For the years ended December 31, 2019 and 2018, the administrative fees recognized by the Company through the agreement were $10,832 and $10,577 respectively. Administrative fees are included in loss adjustment and underwriting expenses on the statutory statements of operations.

The Company is party to a Tax Sharing Agreement between CMIC (Parent) and its subsidiaries. The agreement is effective June 1, 2016. Under the agreement, the Company shall pay to the Parent the amount of any Federal income tax that the Company would be obligated to pay if the Company were to file a separate return. The amount of federal income tax paid to the Parent as of December 31, 2019 totaled $2,677 and is included in federal income tax expense in the statutory statements of operations. The $2,677 figure for 2019 included a $2,102 adjustment for years 2018 and 2017. The amount of federal income tax paid to the Parent and included in federal income tax expense for the year ended December 31, 2018 was ($1,634).

The following table represents a summary of the amounts comprising the payable to parent and affiliate as reported in the statutory statements of admitted assets, liabilities, and capital and surplus at December 31:

	2019	2018
Administrative fees	$ 812	$ 1,428
Allocated expenses	53	148
Ceded commission	(68)	(48)
Claims paid	(5)	94
Reinsurance recovered losses	(354)	(375)
Reinsurance treaty premium	1,441	559
Income taxes	2,245	338
Subrogation recoveries	(4)	(2)
Payables to parent and affiliate	$ 4,120	$ 2,142

10. Commitments and Contingencies

In the ordinary course of business, the Company is involved in certain claim and non-claim related litigation some of which involves or may involve substantial amounts. In the opinion of management, the ultimate liability, if any, will not have a material effect on the statutory financial condition of the Company.

The Company has provided irrevocable letters of credit to other insurance companies under the terms of various reinsurance agreements. As of December 31, 2019, the letters of credit issued and outstanding total $52,284 and at December 31, 2018 the letters of credit issued and outstanding totaled $56,584. The letters of credit are collateralized by the invested assets of the Company. As of December 31, 2019, and 2018, there have been no draws on any of the letters of credit.

The Company is subject to assessments from guaranty fund associations, as well as other assessments from states in which the Company is licensed. The Company received an assessment from the Pennsylvania Property & Casualty Guaranty Association ("PPCIGA") during 2019 which was paid and expensed in 2019. The Company does not believe that any other assessments are probable; therefore, no additional liabilities were recorded at either December 31, 2019 or 2018 for such assessments.

11. Subsequent Events

Management has evaluated subsequent events through May 18, 2020, which is the date the statutory financial statements were available to be issued.

Effective January 1, 2020, the parent company, Church Mutual Insurance Company, restructured into a mutual holding company structure pursuant to Chapter 644 of the Wisconsin Insurance Code.

The following will occur as a result of the restructuring:

1. Church Mutual Insurance Company will become a Wisconsin stock insurance company.

2. All membership interests and rights in the surplus of Church Mutual Insurance Company will be extinguished and the members of Church Mutual Insurance Company will become members of Church Mutual Holding Company, Inc., with membership interests and rights in surplus of Church Mutual Holding Company, Inc. as provided pursuant to the Wisconsin Insurance Code and the articles of incorporation and bylaws of Church Mutual Holding Company, Inc.

3. Church Mutual Holding Company, Inc. will be issued 100% of the initial voting stock of converted Church Mutual Insurance Company and will be capitalized by Church Mutual Insurance company at $2,000.

4. Church Mutual Insurance Company will transfer 100% of its' shares in CM Regent Insurance Company to Church Mutual Holding Company, Inc.

Due to the COVID-19 pandemic, equity and financial markets have experienced significant volatility and interest rates have continued to decline. In light of the uncertainty as to the length or severity of this pandemic, the Company cannot reasonably estimate the full impact of the pandemic on its financial statements at this time. The potential for return of premium in 2020 could be material.

On March 27, 2020, H.R. 748, the Coronavirus Aid, Relief, and Economic Security Act, “the CARES ACT”, was signed into legislation which includes tax provisions relevant to businesses that during 2020 could impact taxes related to 2018 and 2019. The Company is required to recognize the effect on the financial statements in the period the law was enacted, which is 2020. At this time, for 2018 and 2019, the Company does not expect the impact of the CARES ACT on the Company’s financial position or results of operations to be material.

CM Regent Insurance Company

Schedule 1 Summary Investment Schedule
(Dollars in Thousands)
December 31, 2019

Investment Categories	Gross Investment Holdings Amount	Gross Investment Holdings Percentage	Admitted Assets as Reported in the Annual Statement Amount	Admitted Assets as Reported in the Annual Statement Percentage
Long-Term Bonds				
U.S. governments	$ 20,938	14.558 %	$ 20,938	14.558 %
All other governments	758	0.527	758	0.527
U.S. states, territories, and possessions etc. guaranteed	2,162	1.503	2,162	1.503
Political subdivisions of states, territories, and possessions,		0.000	-	0.000
guaranteed	1,504	1.046	1,504	1.046
U.S. special revenue and special assessment obligations, etc. non-		0.000	-	0.000
guaranteed	47,054	32.717	47,054	32.717
Industrial and miscellaneous	50,751	35.287	50,751	35.287
Hybrid securities	-	0.000	-	0.000
Parent, subsidiaries, and affiliates	-	0.000	-	0.000
SVO identified funds	-	0.000	-	0.000
Unaffiliated Bank loans	-	0.000	-	0.000
Total long-term bonds	123,167	85.638	123,167	85.638
Preferred stocks				
Industrial and miscellaneous (Unaffiliated)	-	0.000	-	0.000
Parent, subsidiaries, and affiliates	-	0.000	-	0.000
Total preferred stocks	-	0.000	-	0.000
Common stocks				
Industrial and miscellaneous Publicly traded (Unaffiliated)	-	0.000	-	0.000
Industrial and miscellaneous Other (Unaffiliated)	-	0.000	-	0.000
Parent, subsidiaries, and affiliates Publicly traded	-	0.000	-	0.000
Parent, subsidiaries, and affiliates Other	-	0.000	-	0.000
Mutual funds	17,631	12.259	17,631	12.259
Unit investment trusts	-	0.000	-	0.000
Closed-end funds	-	0.000	-	0.000
Total common stocks	17,631	12.259	17,631	12.259
Mortgage loans				
Farm mortgages	-	0.000	-	0.000
Residential mortgages	-	0.000	-	0.000
Commercial mortgages	-	0.000	-	0.000
Mezzanine real estate loans	-	0.000	-	0.000
Total mortgage loans	-	0.000	-	0.000
Real estate				
Properties occupied by company	-	0.000	-	0.000
Properties held for production income	-	0.000	-	0.000
Properties held for sale	-	0.000	-	0.000
Total real estate	-	0.000	-	0.000
Cash, cash equivalents, and short-term investments				
Cash	(808)	-0.562	(808)	-0.562
Cash equivalents	3,832	2.664	3,832	2.664
Short-term investments	-	0.000	-	0.000
Total cash, cash equivalents, and short-term investments	3,024	2.103	3,024	2.103
Contract loans	-	0.000	-	0.000
Derivatives	-	0.000	-	0.000
Other invested assets (Schedule BA)	-	0.000	-	0.000
Receivables for securities	-	0.000	-	0.000
Securities Lending	-	0.000	-	0.000
Other invested assets	-	0.000	-	0.000
Total invested assets	$ 143,822	100.000 %	$ 143,822	100.000 %

See accompanying independent auditors' report

CM Regent Insurance Company

Schedule 2 Supplemental Investment Risks Interrogatories
(Dollars in Thousands)
December 31, 2019

1. The Company's total admitted assets as of December 31, 2019 are $157,844.

2. The Company's ten largest exposures to a single issuer, excluding U.S. government securities, U.S. government agency securities, and U.S. government money market funds, based upon statement value, listed by investment category are as follows:

Investment Category	Issuer Description	Statement Value	Percentage of Total Admitted Assets
Bond	FNMA Pool	$ 29,756	18.852 %
Bond	FHLMIC Gold Pool	10,168	6.442
Bond	FHLMIC Pool	2,676	1.696
Bond	Bank of America Merrill Lynch	2,574	1.631
Bond	Morgan Stanley	1,670	1.058
Bond	JP Morgan Chase & Co	1,499	0.950
Bond	Apple Inc	1,250	0.792
Bond	Bank of America Corp	1,164	0.737
Bond	City of Houston TX	1,034	0.655
Bond	Microsoft Corp	1,027	0.650

3. The Company's amounts and percentages of total admitted assets held in bonds (including bonds classified as short-term investments) and preferred stocks by NAIC rating category are as follows.

Bonds	Amount	Percentage of Total Admitted Assets	Preferred Stocks	Amount	Percentage of Total Admitted Assets
NAIC-1	$ 122,226	77.434 %	P/RP-1	$ -	- %
NAIC-2	941	0.596	P/RP-2	-	-
NAIC-3	-	-	P/RP-3	-	-
NAIC-4	-	-	P/RP-4	-	-
NAIC-5	-	-	P/RP-5	-	-
NAIC-6	-	-	P/RP-6	-	-

4.01 Assets held in foreign investments were less than 2.5% of the Company's total admitted assets; therefore details are not required for interrogatories 5-10.

4.02 Total admitted assets held in foreign investments: $3,421.

4.03 Foreign-currency-dominated investments: $-0-.

4.04 Insurance liabilities denominated in that same foreign currency: $-0-.

(Dollars in Thousands)

11. Assets held in Canadian investments are less than 2.5% of the Company's total admitted assets; therefore, detail is not required for this interrogatory.

12. Assets held in investments with contractual sales restrictions are less than 2.5% of the Company's total admitted assets; therefore, detail is not required for this interrogatory.

13. The Company has equity interests that are greater than 2.5% of the Company's total admitted assets. The three equity holdings are as follows:

Issuer	Statement Value	Percentage of Total Admitted Assets
IShares Core S&P 500 ETF	$ 13,445	8.518 %
IShares Core S&P Mid Cap ETF	2,780	1.761
IShares Core S&P Small Cap ETF	1,406	0.890

14. Assets held in nonaffiliated, privately placed equities are less than 2.5% of the Company's total admitted assets; therefore, detail is not required for this interrogatory.

15. Assets held in general partnership interests are less than 2.5% of the Company's total admitted assets; therefore, detail is not required for this interrogatory.

16. Mortgage loans reported in Schedule B are less than 2.5% of the Company's total admitted assets; therefore, detail is not required for interrogatories 16 and 17.

18. Assets held in each of the five largest one parcels or group of contiguous parcels of real estate are less than 2.5% of the Company's total admitted assets; therefore, detail is not required for this interrogatory.

19. Investments in mezzanine real estate loans are less than 2.5% of the Company's total admitted assets, therefore, detail is not required for this interrogatory.

20. The amounts and percentages of the Company's total admitted assets subject to the following types of agreements are as follows: N/A

	At Year End		At End of Each Quarter 2019		
	Amount	**Percentage**	**1st**	**2nd**	**3rd**
Securities lending (do not include assets held as collateral for such transactions)	$ -	- %	$ -	$ -	$ -
Repurchase agreements	-	-	-	-	-
Reverse repurchase agreements	-	-	-	-	-
Dollar repurchase agreements	-	-	-	-	-
Dollar reverse repurchase agreements	-	-	-	-	-

21. The amounts and percentages of the Company's total admitted assets for warrants not attached to other financial instruments, options, caps, and floors are as follows: N/A

	Owned		Written	
	Amount	**Percentage**	**Amount**	**Percentage**
Hedging	$ -	- %	$ -	- %
Income generation	-	-	-	-
Other	-	-	-	-

22. The amounts and percentages of the Company's total admitted assets of potential exposure for collars, swaps and forwards are as follows: N/A

	At Year End		At End of Each Quarter 2019		
	Amount	**Percentage**	**1st**	**2nd**	**3rd**
Hedging	$ -	- %	$ -	$ -	$ -
Income generation	-	-	-	-	-
Replications	-	-	-	-	-
Other	-	-	-	-	-

23. The amounts and percentages of the Company's total admitted assets of potential exposure for futures contracts are as follows: N/A

	At Year End		At End of Each Quarter 2019		
	Amount	**Percentage**	**1st**	**2nd**	**3rd**
Hedging	$ -	- %	$ -	$ -	$ -
Income generation	-	-	-	-	-
Replications	-	-	-	-	-
Other	-	-	-	-	-

1.1 Has the reporting entity reinsured any risk with any other entity under a quota share reinsurance contract that includes a provision that would limit the reinsurer's losses below the stated quota share percentage (e.g., a deductible, a loss ratio corridor, a loss cap, an aggregate limit or any similar provisions)? Yes ☐ No ☒

1.2 If yes, indicate the number of reinsurance contracts containing such provisions. N/A

1.3 If yes, does the amount of reinsurance credit taken reflect the reduction in quota share coverage caused by any applicable limiting provision(s)? N/A

2.1 Has this reporting entity reinsured any risk with any other entity and agreed to release such entity from liability, in whole or in part, from any loss that may occur on the risk, or portion thereof, reinsured? Yes ☐ No ☒

2.2 If yes, give full information. N/A

3.1 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) An unconditional or unilateral right by either party to commute the reinsurance contract except for such provisions which are only triggered by a decline in the credit status of the other party;

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

(f) Payment schedule, accumulating retentions from multiple years, or any features inherently designed to delay timing of the reimbursement to the ceding entity. Yes ☐ No ☒

3.2 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, a positive or negative underwriting result of 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 agreements 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. Yes ☐ No ☒

3.3 If yes to 9.1 or 9.2, please provide the following information in the Reinsurance Summary Supplemental Filing for General Interrogatory 9:

(a) The aggregate financial statement impact gross of all such ceded reinsurance contracts on the balance sheet and statement of income;

(b) A summary of the reinsurance contract terms and indicate whether it applies to the contracts meeting the criteria in 9.1 or 9.2; and

(c) A brief discussion of management’s principal objectives in entering into the reinsurance contract including the economic purpose to be achieved.

3.4 Except for transactions meeting the requirements of paragraph 30 of SSAP No. 62, 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 ☒

3.5 If yes to 9.4, explain in the Reinsurance Summary Supplemental Filing for General Interrogatory 9 (Section D) why the contract(s) is treated differently for GAAP and SAP.

3.6 The reporting entity is exempt from the Reinsurance Attestation Supplement under one of the following criteria:

(a) The entity does not utilize reinsurance; or Yes ☐ No ☒

(b) The entity only engages in a 100% quota share contract with an affiliate and the affiliated or lead company has filed an attestation supplement, or Yes ☐ No ☒

(c) The entity has no external cessions and only participates in an intercompany pool and the affiliated or lead company has filed an attestation supplement. Yes ☐ No ☒