CHURCH MUTUAL INSURANCE COMPANY, S.I. AND AFFILIATED PROPERTY AND CASUALTY COMPANIES

Combined Statutory Financial Statements
and Supplemental Schedules
(With Independent Auditors’ Report Thereon)
December 31, 2021 and 2020

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

Independent Auditors' Report

Audit Committee of the Board of Directors
Church Mutual Insurance Company, S.I.:

Opinions

We have audited the combined financial statements of Church Mutual Insurance Company, S.I. and affiliated property and casualty companies (the Companies), which comprise the combined statutory statements of admitted assets, liabilities, and surplus of policyholders as of December 31, 2021 and 2020, and the related combined statutory statements of operations, surplus of policyholders, and cash flow for the years then ended, and the related notes to the combined financial statements.

Unmodified Opinion on Statutory Basis of Accounting

In our opinion, the accompanying combined financial statements present fairly, in all material respects, the admitted assets, liabilities, and surplus of the Companies as of December 31, 2021 and 2020, and the results of its operations and its cash flow for the years then ended in accordance with 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 combined financial statements do not present fairly, in accordance with U.S. generally accepted accounting principles, the financial position of the Companies as of December 31, 2021 and 2020, or the results of its operations or its cash flows 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 Auditors' Responsibilities for the Audit of the Combined Financial Statements section of our report. We are required to be independent of the Companies 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 combined financial statements, the combined financial statements are prepared by the Companies 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 U.S. generally accepted accounting principles. Accordingly, the combined financial statements are not intended to be presented in accordance with U.S. generally accepted accounting principles. The effects on the combined financial statements of the variances between the statutory accounting practices described in Note 1 and U.S. generally accepted accounting principles, although not reasonably determinable, are presumed to be material and pervasive.

Responsibilities of Management for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of the combined financial statements in accordance with 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 combined financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Combined Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 combined 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 combined 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 combined 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 Companies' 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 combined financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Companies' ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the combined financial statements as a whole. The supplementary information included in the combining schedule of statutory statement of admitted assets, liabilities, and surplus of policyholders, combining schedule of statutory statement of operations, combining schedule of statutory statement of surplus of policyholders, combining schedule of statutory statement of cash flow, supplemental investment risks interrogatories, summary investment schedule, and supplemental schedule of reinsurance risk interrogatories is presented for purposes of additional analysis and is not a required part of the combined financial statements but is supplementary information required by the Office of the Commissioner of Insurance of the State of Wisconsin. 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 combined financial statements. The information has been subjected to the auditing procedures applied in the audits of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated in all material respects in relation to the combined financial statements as a whole.

/s/ KPMG LLP

Milwaukee, Wisconsin
May 16, 2022

CHURCH MUTUAL INSURANCE COMPANY, S.I. AND AFFILIATED PROPERTY AND CASUALTY COMPANIES

Combined Statutory Statements of Admitted Assets, Liabilities, and Surplus of Policyholders

December 31, 2021 and 2020

(Dollars in thousands)

Admitted Assets		2021		2020
Cash and invested assets:				
Bonds	$	1,368,964	$	1,297,923
Preferred stock		—		21,751
Common stock		320,984		273,001
Cash, cash equivalents, and short-term investments		102,783		108,685
Other invested assets		106,680		83,479
Receivable for securities		27		158
Cash surrender value of life insurance		24,967		20,873
Land and buildings – at cost, less accumulated depreciation of $16,426 and $15,892 in 2021 and 2020, respectively		11,196		11,730
Total cash and invested assets		1,935,601		1,817,600
Other assets:				
Premiums and other receivables		258,142		265,853
Contingent commissions receivable		2,485		2,086
Receivables from reinsurers		30,088		43,684
Receivables from subsidiaries		2,422		1,294
Federal income taxes receivable		55,596		62,014
Net deferred tax asset		20,786		6,108
Guaranty funds on deposit		143		144
Accrued interest and dividends		8,323		8,810
Electronic data processing equipment – at cost, less accumulated depreciation of $12,549 and $12,907 in 2021 and 2020, respectively		1,759		1,578
Other		44,790		36,540
Total other assets		424,534		428,111
Total admitted assets	$	2,360,135	$	2,245,711

See accompanying notes to combined statutory financial statements.

CHURCH MUTUAL INSURANCE COMPANY, S.I. AND AFFILIATED PROPERTY AND CASUALTY COMPANIES

Combined Statutory Statements of Admitted Assets, Liabilities, and Surplus of Policyholders (continued)

December 31, 2021 and 2020

(Dollars in thousands)

Liabilities and Surplus of Policyholders		2021		2020
Liabilities:				
Reserve for losses and loss adjustment expenses	$	803,866	$	788,589
Reinsurance payable on paid losses and loss adjustment expenses		148		1,869
Unearned premiums		501,429		474,758
Dividends payable to policyholders		17,995		19,017
Ceded reinsurance premiums payable		75,746		55,853
Accrued expenses		62,757		52,247
Funds held under reinsurance treaties		3,764		3,114
Funds held for others		7,199		8,700
Premium deposits		8,073		6,496
Payable for securities		28		426
Other taxes		6,134		6,188
Liability for deferred compensation and pension		24,720		24,545
Liability for postretirement benefits other than pension		53,684		56,195
Other liabilities		3,923		4,528
Total liabilities		1,569,466		1,502,525
Surplus of policyholders:				
Common stock		19,003		19,003
Guaranty fund		1,600		1,600
Gross paid-in and contributed surplus		115,897		108,197
Unassigned surplus		654,169		614,386
Total surplus of policyholders		790,669		743,186
Total liabilities and surplus of policyholders	$	2,360,135	$	2,245,711

See accompanying notes to combined statutory financial statements.

CHURCH MUTUAL INSURANCE COMPANY, S.I. AND AFFILIATED PROPERTY AND CASUALTY COMPANIES

Combined Statutory Statements of Operations

Years ended December 31, 2021 and 2020

(Dollars in thousands)

	2021	2020
Underwriting:		
Premiums earned	$ 907,378	$ 847,666
Losses and expenses incurred:		
Losses incurred	475,479	476,919
Loss adjustment expenses incurred	104,518	89,897
Other underwriting expenses	314,118	306,043
Total losses and expenses incurred	894,115	872,859
Net underwriting gain (loss)	13,263	(25,193)
Investment and other income:		
Interest	29,398	32,822
Dividends	8,186	5,569
Real estate income	4,000	4,000
Net realized gain on sales of investments, net of tax expense expense of $10,729 and $10,867 in 2021 and 2020, respectively	40,362	40,886
Investment expenses	(5,653)	(4,965)
Other	(2,153)	2,321
Net investment and other income	74,140	80,633
Income before dividends to policyholders and federal income tax expense	87,403	55,440
Dividends to policyholders	11,104	16,161
Income before federal income tax expense	76,299	39,279
Federal income tax expense (benefit)	26,006	(54,915)
Net income	$ 50,293	$ 94,194

See accompanying notes to combined statutory financial statements.

CHURCH MUTUAL INSURANCE COMPANY, S.I. AND AFFILIATED PROPERTY AND CASUALTY COMPANIES

Combined Statutory Statements of Surplus of Policyholders

Years ended December 31, 2021 and 2020

(Dollars in thousands)

		2021		2020
Common stock:				
Beginning balance	$	19,003	$	—
Common stock inssuance through reorganization		—		19,003
Ending balance		19,003		19,003
Gross paid-in and contributed surplus:				
Beginning balance		108,197		—
Capital Contributions		7,700		—
Paid-in surplus through reorganization		—		108,197
Ending balance		115,897		108,197
Guaranty fund		1,600		1,600
Unassigned surplus:				
Beginning balance		614,386		568,408
Net income		50,293		94,194
Net unrealized (losses) gains on investments, net of capital gains tax expense of $6,403 and $690 in 2021 and 2020, respectively		24,090		2,597
Net deferred income taxes		20,975		(30,805)
Provision for reinsurance		313		(270)
Nonadmitted assets		(17,917)		10,548
Distributions		(51,000)		(19,511)
Change in post retirement and pensions		13,029		(10,775)
Ending balance		654,169		614,386
Total capital and surplus	$	790,669	$	743,186

See accompanying notes to combined statutory financial statements.

CHURCH MUTUAL INSURANCE COMPANY, S.I. AND AFFILIATED PROPERTY AND CASUALTY COMPANIES

Combined Statutory Statements of Cash Flow

Years ended December 31, 2021 and 2020

(Dollars in thousands)

		2021		2020
Cash flows from operations:				
Premiums collected – net of reinsurance	$	963,122	$	896,563
Loss and loss adjustment expenses paid – net of salvage and subrogation recoveries (including reinsurance)		(451,909)		(473,798)
Underwriting expenses paid		(398,732)		(376,733)
Net investment income		46,242		46,485
Other (loss) income		(2,152)		3,371
Dividends to policyholders		(12,126)		(14,468)
Federal income taxes received (paid)		(30,318)		(12,145)
Net cash provided by operations		114,127		69,275
Cash flows from investments:				
Proceeds from investments sold, matured, or repaid		1,125,589		855,876
Cost of investments acquired including purchases of real estate of $0 and $66 in 2021 and 2020, respectively, and purchases of other invested assets of $8,388 and $11,643 in 2021 and 2020, respectively		(1,173,821)		(877,025)
Net cash used in investments		(48,232)		(21,149)
Cash flows from financing and miscellaneous sources:				
Dividend to stockholders		(51,000)		—
Other		(20,797)		(18,011)
Net cash used in financing and miscellaneous sources		(71,797)		(18,011)
Net change in cash, cash equivalents, and short-term investments		(5,902)		30,115
Cash, cash equivalents, and short-term investments:				
Beginning of year		108,685		78,570
End of year	$	102,783	$	108,685
Non-cash transactions:				
Exchanges of bonds	$	1,838	$	11,589
Exchanges of stocks		448		28,068

See accompanying notes to combined statutory financial statements.

(1) NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Nature of Operations

The accompanying combined statutory financial statements include Church Mutual Insurance Company, S.I. (CMICSI) and its affiliated property and casualty insurers CM Select Insurance Company (CMSL), CM Vantage Specialty Insurance Company (CMVA), CM Regent Insurance Company (CMRI), and CM Indemnity Insurance Company (CMIN), which are collectively referred to herein as the "Company." The Company is incorporated under the laws of the State of Wisconsin, except for CMRI which is incorporated under the laws of the state of Pennsylvania. The Company's primary business is the sale of property, liability, worker's compensation and automobile insurance.

Effective January 1, 2020, Church Mutual Holding Company (CMHC) was formed through the restructuring of CMICSI pursuant to Chapter 644 of the Wisconsin Insurance Code. All membership interests and rights in the surplus of CMICSI were extinguished and the members of CMICSI became members of CMHC. As part of the restructuring CMICSI transferred 100% of its shares in CMVA, CMRI, CMSL, and CMIN to CMHC. CMICSI also transferred 100% of its shares in CMIC Specialty Services (CMSP) and 100% of its membership interests in CM Regent LLC (CMRR) to CM Companies, Inc (CMCO) and CMCO assumed all of CMICSI's rights and obligations under the operating agreement of CMRR and any related agreements and undertakings.

The Company is authorized to sell property-liability insurance in all 50 states and the District of Columbia. The top geographic jurisdictions for statutory premiums earned were Texas (11.5%), California (10.3%), Pennsylvania (9.1%), and New York (7.5%) for the year ended December 31, 2021. No other jurisdiction accounted for more than 5.0% of statutory premiums earned for the years ended December 31, 2021 or 2020.

The Company has exposure to catastrophes that are an inherent risk of the property-liability insurance business, that have contributed, and will continue to contribute, to material year-to-year fluctuations in the Company's results of operations and financial position.

Based on the Company's capital levels at December 31, 2021, management is confident in the Company's ability to continue as a going concern.

(b) Principles of Combination

The accompanying combined property and casualty statutory financial statements include the accounts of CMICSI and its property and casualty affiliates which include, after elimination of all significant intercompany balances and activity, CMSL, CMVA, CMRI, and CMIN.

In the normal course of business, the Company seeks to limit exposure to loss on any single insured and to certain aggregate loss limits. This is accomplished by ceding insurance to other insurance companies or reinsurers under quota share or excess of loss. Liabilities related to insurance contracts are reported after the effects of reinsurance. Estimated reinsurance recoverables are recognized in a manner consistent with the liabilities related to the underlying reinsured contracts. After reinsurance cessions to external parties, CMSL, CMVA, and CMIN cede the remaining insurance business to CMICSI under 100% quota share reinsurance contracts. CMRI retains risks written prior to acquisition and cedes 100% of risks written after acquisition to CMICSI under a quota share reinsurance contract.

Annual approval to file the Company's combined audited statutory financial statements, in lieu of separate audited financial statements for CMICSI and its property and casualty insurance affiliates is obtained from the Commissioners of the insurance departments of the states of domicile for these entities.

All other material intercompany accounts and transactions have been eliminated in combination.

(c) Summary of Significant Accounting Policies

The Office of the Commissioner of Insurance of the State of Wisconsin (the Commissioner of Insurance), requires insurance carriers domiciled in Wisconsin to prepare their statutory financial statements in accordance with the National Association of Insurance Commissioners' (NAIC) *Accounting Practices and Procedures Manual*, subject to certain deviations prescribed or permitted by the State of Wisconsin. The Company does not have any prescribed or permitted statutory accounting practices from Wisconsin for 2021 or 2020 that deviate from the NAIC Statutory Accounting Principles (SAP) except as disclosed above related to filing of the Company's combined audited statutory financial statements.

The accounting treatment prescribed by SAP varies in some respects from GAAP. The most significant differences between SAP and GAAP accounting are as follows:

- Investments in bonds are generally carried at amortized cost (except bonds with NAIC 3-6 ratings, which are carried at the lower of fair value or amortized cost), while under GAAP, such bonds are designated at purchase as held-to-maturity, available-for-sale, or trading. Held-to-maturity investments are reported at amortized cost. Available-for-sale investments are reported at fair value with unrealized gains and losses reported as a separate component of stockholder's equity, net of applicable deferred income taxes. Trading investments are reported at fair value with unrealized gains and losses reported in operations.
- For loan-backed and structured securities only, the determination of other-than-temporary impairment includes a review of the recovery of the carrying value of the security based on the estimated present value of the security's projected future cash flows, exclusive of the Company's intent to retain the security. If the security is considered to be other-than-temporarily impaired, a realized loss is recognized for the noninterest-related decline. For bonds, the Company considers the size and duration of the excess of carrying value over fair value and the likelihood and expected timing of a recovery in value along with the credit quality of the bond issuer. If the bond is determined to be other-than-temporarily impaired, the Company writes the carrying value down to the fair value and recognizes a realized loss. Under GAAP, other-than-temporary impairments for all debt securities where the Company does not have intent to sell, or it is more likely than not that the Company will be required to sell prior to recovery, a realized loss is recognized for the noninterest related decline while an unrealized loss is recognized for the interest related decline.

- Common stocks are stated at fair value as required by SAP and GAAP. Unrealized common stock investment gains and losses, net of deferred taxes, are credited or charged directly to unassigned policyholders' surplus. Under GAAP, unrealized common stock gains and losses are reported in net income.
- Acquisition costs, such as commissions and other costs related to successfully acquiring new business are expensed as incurred, while under GAAP, they are deferred and amortized to income as premiums are earned.
- 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. Under GAAP, the provision for deferred taxes is made within the income statement.
- Assets in the accompanying combined statutory financial statements are stated at "admitted asset values" in accordance with the rules and regulations of the Commissioner of Insurance. The Company had "nonadmitted assets" of $41,448 and $23,531 at December 31, 2021 and 2020, respectively. Under GAAP, such assets would be recognized at the lower of cost or net realizable value.
- The change in provision for reinsurance is charged or credited directly through surplus under SAP, while this provision is not prescribed for GAAP purposes, rather an allowance for amounts deemed uncollectible is established as a charge to the statement of operations.
- The combined statutory statements of admitted assets, liabilities, and surplus of policyholders under SAP are reported net of reinsurance, while under GAAP, the balance sheets report reinsurance recoverables, including amounts related to losses incurred but not reported, and prepaid reinsurance premiums as assets.
- Comprehensive income and its components are not presented for statutory financial statements and there is no statement of comprehensive income under SAP.
- Policyholder dividends are recognized and accrued for when declared. For GAAP, they are recognized over the term of the related policies, and are accrued based on estimates of ultimate payments on current policies.
- The estimated rental cost (imputed rent) of home office facilities owned is presented in the combined statutory statements of operations as investment income and underwriting expense, whereas in GAAP imputed rent is not recorded.
- Cash, cash equivalents, and short-term investments in the combined statutory statements of cash flow represent cash, cash equivalents, and short-term investment balances with initial maturities of one year or less and are prepared according to a prescribed format for statutory accounting. Under GAAP, the corresponding caption of cash and cash equivalents would include cash balances and investments with initial maturities of three months or less.

- Negative cash balances are reported as a contra-asset under SAP. Under GAAP, the negative cash balance would be reclassified as a liability.
- Realized investment gains or losses are reported net of related income taxes while under GAAP such gains or losses are reported gross of tax.
- Business purchases are recorded at cost, including direct costs of acquisition, with goodwill (including negative goodwill) recorded and amortized over no more than ten years. Under GAAP, acquired assets and liabilities are recorded at fair value, costs of acquisition are expensed as incurred, positive goodwill is not amortized but annually tested for impairment, and negative goodwill is recognized as a bargain purchase gain.

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 GAAP.

(d) Use of Estimates

The preparation of statutory financial statements in accordance with SAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the statutory financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Similar to most companies with property and casualty operations the Company uses estimates and assumptions for some assets and liabilities including loss and loss adjustment expenses (LAE), pension liabilities, other-than-temporarily impaired investments and income tax balances.

The reserves for losses and LAE, although supported by actuarial science and other supportive data, are ultimately based on management's reasoned expectations of future development.

Management utilizes external pension actuaries to assist them in developing pension liability estimates. As of December 31, 2021 and 2020, the Company has recorded balances in accordance with these actuarially determined amounts.

The Company's other-than-temporarily impaired evaluation of a particular investment includes management making assumptions and estimates about future earnings potential and operations of the issuer. Management considers such factors when evaluating whether a decline in fair value is other-than-temporary (1) the Company's ability and intent to retain the investment for a period of time sufficient to allow for an anticipated recovery in value; (2) the recoverability of principal and interest; (3) the duration and extent to which the fair value has been less than the statement value; (4) the financial condition of the issuer along with future prospects, including relevant industry conditions and trends and rating agency implications; and (5) the specific reasons that a security is in a significant unrealized loss position, including market conditions, which could affect access to liquidity.

For income tax balances, management utilizes external tax accounting experts and management's reasoned expectations of future events.

It is reasonably possible that expectations associated with the above assumptions and estimates can change. Such changes are generally recorded in the combined statutory statements of operations in the period of the change.

(e) Investments

Bonds, preferred stock, common stock, short-term investments, and other investments are stated at values as prescribed by the NAIC, as follows:

Bonds, excluding loan-backed and structured securities, are generally stated at amortized cost using the scientific interest method. Loan-backed and structured securities are generally stated at either amortized cost, including anticipated prepayments, or the lower of amortized cost or the present value of estimated future cash flows. Prepayment assumptions are obtained from external sources based on historical trends. The retrospective adjustment method is used to value all securities except for interest only securities or securities where the yield has become negative; those securities are valued using the prospective method. The fair value of bonds is determined based on values determined by an independent pricing service, which management reviews for reasonableness.

Common stocks and preferred stocks are carried at fair value from an independent pricing service, which management reviews for reasonableness. The change in the stated value is recorded as a change in net unrealized gains (losses), a component of unassigned surplus. Highest-quality or high-quality preferred stocks (NAIC designations 1 and 2), which have characteristics of equity securities, are valued at fair value. All other preferred stocks (NAIC designations 3 to 6) are reported at the lower of cost or fair value. There are no restrictions on preferred stock.

The Company's other invested assets are comprised of ownership interests in joint ventures, partnerships, and limited liability companies. If the Company does not have the power to control the direction of these interests, the Company will carry these investments based on the underlying audited GAAP equity of the investee. If the underlying GAAP equity value is unknown, these interests are nonadmitted with a book/adjusted carrying value of zero. If the Company's ownership interest is in excess of 10% (considered minority interest) it will then determine if it has the power to control the joint ventures, partnerships, and limited liability companies. Control is defined as the possession, directly or indirectly, of the power to direct or cause the direction of management and policies of the investee. It is the intention of the Company's management to not invest in or contract with joint ventures, partnerships or limited liability companies in such a manner that causes the Company to have control over the direction of these investees.

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 approximates fair value.

Fair value adjustments for securities carried at fair value are charged to unassigned surplus as unrealized gains (losses) on investments net of any related deferred tax. Realized gains and losses are determined on the specific identification method on the trade date and are presented in the combined statutory statements of operations net of federal income tax. Realized investment gains and losses also include valuation adjustments for impairment of bonds, stocks, and other invested assets with a decline in value that management considers to be other-than-temporary. In determining whether impairments are other-than-temporary, the Company considers the size and duration of the excess of carrying value over fair value for preferred and common stocks and the likelihood and expected timing of a recovery in value. For bonds, the credit quality of the issuer is also considered. When it is determined that an investment is other-than-temporarily impaired, the Company writes the carrying value down to the fair value and recognizes a realized loss. For loan-backed and structured securities, the determination of other-than-temporary impairment is measured based on an estimate of the noninterest loss, which is recognized in operations. Such impairments result in the establishment of a new cost basis for these assets for book purposes.

The Company analyzes its investment portfolio holdings for other-than-temporary impairments. For loan-backed and structured securities where the Company has not recorded other-than-temporary impairments as a realized loss, the Company has the ability and intent to hold the securities to maturity or recovery. Additionally, for loan-backed and structured securities, the Company expects to recover the carrying value of the security from the estimated present value of the security's projected future cash flows. For stocks and bonds that are not loan-backed or structured securities, management looks at a number of factors to determine if the investment is other-than-temporarily-impaired including the Company's ability and intent to retain the investment for a period of time sufficient to allow for an anticipated recovery in value; the recoverability of principal and interest; the duration and extent to which the fair value has been less than the statement value; the financial condition of the issuer along with future prospects, including relevant industry conditions and trends and rating agency implications; the specific reasons that a security is in a significant unrealized loss position, including market conditions, which could affect access to liquidity; and objective evidence that it will recover in a reasonable period of time.

Land is stated at cost, and buildings are stated at cost, less accumulated depreciation.

Life insurance contracts are policies in which the Company is both the owner and beneficiary. The contracts are carried at the cash surrender value, meaning the amount that is realizable on demand, as of December 31, 2021 and 2020. There are no contractual restrictions on the ability to surrender the policies.

Investment income consists primarily of interest and dividends. Interest is recognized on an accrual basis and dividends are recorded as earned at the ex-dividend date. Interest income on mortgage- and asset-backed securities is determined using the effective-yield method based on estimated principal repayments.

(f) Premiums and Related Commissions

Premiums are earned on a pro rata basis over the terms of the related insurance policies and reinsurance contracts. Unearned premium reserves are established to cover the unexpired portion of premiums written.

Premiums receivable that are over 90 days past due are nonadmitted with a corresponding decrease in surplus.

Expenses incurred in connection with acquiring new insurance business, including such acquisition costs as sales commissions, are charged to operations as incurred. Expenses incurred are reduced for ceding allowances received or receivable. Earned but unbilled premiums are reported as a component of earned premiums.

(g) Reserve for Losses and LAE

The reserve for unpaid losses and LAE includes an amount for reported losses, which includes an amount determined from individual case estimates and loss reports and an amount, based on past experience, for losses incurred but not reported. Such liabilities are necessarily based on assumptions and estimates and while management believes the amount is reasonable, the ultimate liability may be in excess of or less than the amount provided. The methods used in making estimates and establishing liabilities are continually reviewed. If there are any adjustments, they are reflected in the period such a change would be deemed necessary. The Company does not discount the liability for unpaid losses and LAE.

(h) Property and Equipment

Property and equipment are carried at cost, less accumulated depreciation. The Company provides for depreciation of property and equipment using straight-line and accelerated methods over the estimated useful lives of the assets. Buildings are generally depreciated over 40 years. Furniture and fixtures are generally depreciated over 5 to 10 years. The Company provides for amortization of leasehold improvements using the straight-line method over the lesser of the useful life of the asset or the remaining original lease term, excluding options or renewal periods. Leasehold improvements are generally depreciated over 3 to 20 years. Depreciation and amortization expense was approximately $7,052 and $7,108 for the years ended December 31, 2021 and 2020, respectively.

Maintenance and repairs are charged to expense as incurred.

(i) Reinsurance

Under state regulations, insurance companies are permitted to treat risks that have been reinsured with other approved insurance companies, to the extent of the reinsurance and within the limits specified, as though they were not risks for which the Company is liable. However, in the event of nonperformance by reinsurers, the Company remains primarily liable to policyholders.

The Company records a provision for reinsurance liability for non-collateralized unauthorized reinsurance recoveries and overdue reinsurance recoveries on paid losses. This is recorded as a liability and the change between years is recorded as a gain or loss directly to unassigned funds (surplus). An authorized reinsurer is licensed, accredited, or approved by the state of domicile; an unauthorized reinsurer is not licensed, accredited, or approved by the state of domicile.

In addition to the provision for reinsurance liability, the Company evaluates its reinsurance recoveries for evidence of any settlements in dispute or reinsurance that is deemed uncollectible based on the underlying circumstances of the reinsurance transaction or the financial capacity of the reinsurer. As of

December 31, 2021 and 2020, the Company did not have any reinsurance settlements that were in dispute or reinsurance recoveries that were deemed uncollectible.

(j) Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the statutory financial statement carrying amounts of existing assets and liabilities and their respective tax basis, and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The admissibility of the net deferred tax assets recorded is subject to the limitation. Changes in deferred tax assets and liabilities are recognized as a separate component of the change in policyholders' surplus. Tax planning strategies designed to recognize the benefits afforded under the tax law that (a) are prudent and feasible, (b) are taken to prevent an operating loss or tax credit carryforward from expiring unused, or (c) would result in realization of deferred tax assets, are considered in determining the statutory valuation allowance adjustment of the adjusted gross admitted deferred tax assets and the realization of deferred tax assets. 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, 2021 or 2020.

Management uses best estimates to establish reserves based on current facts and circumstances regarding tax exposure items where the ultimate deductibility is open to interpretation.

(k) Postretirement Benefits and Pensions

Pension and other postretirement benefit liabilities are recognized at the full unfunded amount determined by comparing the projected benefit obligation for pension plans and the accumulated benefit obligation for other postretirement plans to the fair value of plan assets.

(Dollars in thousands)

(2) INVESTMENTS

The Company monitors its investment exposure by investing its funds in accordance with guidelines set by the Company's Risk Management Committee. The carrying value, gross unrealized gains, gross unrealized losses, and fair value of bonds at December 31, 2021 and 2020 were as follows:

	2021			
	Carrying value	Gross unrealized gains	Gross unrealized losses	Fair value
Bonds:				
U.S. government				
and government agencies	$ 143,811	$ 1,234	$ (801)	$ 144,244
States and political subdivisions	103,837	3,769	(676)	106,930
Special revenue and special				
assessment obligations	463,231	12,596	(3,667)	472,160
Corporate	658,085	9,841	(3,800)	664,126
Total bonds	$ 1,368,964	$ 27,440	$ (8,944)	$ 1,387,460

	2020			
	Carrying value	Gross unrealized gains	Gross unrealized losses	Fair value
Bonds:				
U.S. government				
and government agencies	$ 189,078	$ 3,630	$ (1,282)	$ 191,426
States and political subdivisions	95,323	5,501	(15)	100,809
Special revenue and special				
assessment obligations	459,751	20,424	(413)	479,762
Corporate	553,771	28,394	(311)	581,854
Total bonds	$ 1,297,923	$ 57,949	$ (2,021)	$ 1,353,851

The Company held no preferred stock at December 31, 2021. Preferred stock was carried at $21,751, with a fair value of $22,826 at December 31, 2020, an actual cost of $21,391 and unrealized gains of $1,435.

Common stocks, were carried at fair value of $320,984 at December 31, 2021 with an actual cost of $264,415, unrealized gains of $58,847 and unrealized losses of $2,278. Common stocks, were carried at fair value of $273,001 at December 31, 2020 with an actual cost of $225,625, unrealized gains of $49,172 and unrealized losses of $1,796.

Other invested assets are comprised of ownership interests in joint ventures, partnerships, and limited liability companies. Other invested assets were carried at $106,680 at December 31, 2021 with an actual cost of $65,170 unrealized gains of $22,119 and unrealized losses of $460. Other invested assets were carried at fair value of $83,479 at December 31, 2020 with an actual cost of $63,628 unrealized gains of $3,751 and unrealized losses of $4,455. The Company has $7,282 and $14,001 in unfunded commitments to joint ventures, partnerships, and limited liability companies at December 31, 2021and 2020, respectively. These commitments represent agreements to provide additional capital contributions.

Included within the above tables are mortgage- and asset-backed securities with carrying values of approximately $436,246 and $340,070 and approximately 44% and 53% classified as government agency securities as of December 31, 2021 and 2020, respectively, and the remainder classified as nongovernment agency securities.

Securities with government guarantees are reflected within the U.S. government and government agencies and the special revenue and special assessment obligations above. Securities with government guarantees that are in an unrealized loss position have fair values of approximately $274,004 and $86,221 at December 31, 2021 and 2020, respectively. The remaining securities that are in an unrealized loss position are reflected in corporate bonds.

Fair values for bonds and stocks are determined using market quotations from independent pricing services. Unrealized gains and losses on investments in preferred and common stock are reported directly in unassigned surplus.

The risks inherent in reviewing the impairment of any investment include the risk that market results may differ from expectations; facts and circumstances may change in the future and differ from estimates and assumptions; or the Company may later decide to sell the security as a result of changes in circumstances.

The Company's bonds and stocks are subject to normal market fluctuations. The Company intends to hold them until they mature or recover in value. However, if the specific facts and circumstances surrounding a bond or stock or the outlook for its industry sector change, the Company may sell the bond or stock and realize a loss.

The following tables summarize, for all bonds and stocks in an unrealized loss position and deemed to be temporarily impaired at December 31, 2021 and 2020, the aggregate fair value and the gross unrealized loss by length of time such securities have been in an unrealized loss position:

(Dollars in thousands)

	2021					
	Less than 12 months		12 months or longer		Total	
	Gross unrealized losses	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses	Fair value
At December 31, 2021:						
Bonds:						
U.S. government and government agencies	$ (639)	$ 65,321	$ (162)	$ 1,541	$ (801)	$ 66,862
States and political subdivisions	(619)	37,277	(57)	1,801	(676)	39,078
Special revenue and special assessment obligations	(2,573)	145,205	(1,094)	22,859	(3,667)	168,064
Corporate	(3,680)	290,039	(120)	7,901	(3,800)	297,940
Preferred stocks	—	—	—	—	—	—
Common stocks, unaffiliated	(1,365)	12,434	(913)	19,268	(2,278)	31,702
Total temporarily impaired bonds and preferred and common stocks	$ (8,876)	$ 550,276	$ (2,346)	$ 53,370	$ (11,222)	$ 603,646

	2020					
	Less than 12 months		12 months or longer		Total	
	Gross unrealized losses	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses	Fair value
At December 31, 2020:						
Bonds:						
U.S. government and government agencies	$ (193)	$ 34,346	$ (1,089)	$ 4,635	$ (1,282)	$ 38,981
States and political subdivisions	(15)	1,858	—	—	(15)	1,858
Special revenue and special assessment obligations	(383)	43,015	(30)	2,367	(413)	45,382
Corporate	(137)	20,871	(174)	9,457	(311)	30,328
Preferred stocks	—	—	—	—	—	—
Common stocks, unaffiliated	(1,525)	28,826	(271)	3,893	(1,796)	32,719
Total temporarily impaired bonds and preferred and common stocks	$ (2,253)	$ 128,916	$ (1,564)	$ 20,352	$ (3,817)	$ 149,268

There were no bonds with a NAIC rating of 3 or lower at December 31, 2021 or 2020.

The majority of the unrealized losses in the Company's bond investments were caused by interest rate increases.

Based on the evaluation of the fundamentals of the issuers' financial condition and other objective evidence, the issuer's continued satisfaction of the securities' obligations in accordance with their contractual terms and the expectation that they will continue to do so, and the Company's ability to hold these investments until a recovery of fair value, which may be maturity, the Company recorded other-than-temporary impairments in common stock and other invested assets of $0 and $1,372, respectively, for the year ended December 31, 2021. The Company recorded other-than-temporary impairments in common stock and other invested assets of $1,124 and $1,576, respectively, for the year ended December 31, 2020.

(Dollars in thousands)

For mortgage- and asset-backed securities, management considers such factors as the Company's intent and ability to retain the security until its amortized cost is recovered and its ability to recover the entire amortized cost based on the present value of the security's cash flows, regardless of the intent and ability to retain. For specific holdings where the Company does not expect to recover the entire amortized cost, management performs cash flow analysis to determine whether other-than-temporary impairment has occurred. If the results of this cash flow modeling result in a negative yield (i.e., present value of expected future cash flows are less than amortized cost), an other-than-temporary impairment is recorded for the noninterest-related decline, which is the difference between the security's amortized cost and the present value of cash flows expected to be collected. The Company continues to receive contractual principal and interest payments on all of its mortgage- and asset-backed securities. The Company does not hold any mortgage- or asset-backed securities in its December 31, 2021 portfolio that were other-than-temporarily impaired in prior years.

The Company has reviewed all loan-backed and structured securities held as of December 31, 2021 and 2020 and believes that there are no noninterest related declines in which other-than-temporary impairment should have been recorded for the year ended December 31, 2021 or 2020.

The table below sets forth the maturity aging schedule of bonds at December 31, 2021. The actual maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Statement value	Fair value
Due in 1 year or less	$ 100,023	$ 101,007
Due after 1 year through 5 years	408,052	417,840
Due after 5 years through 10 years	331,056	337,166
Due after 10 years	93,587	96,677
Mortgage- and asset-backed securities	436,246	434,770
Total	$ 1,368,964	$ 1,387,460

Proceeds from sales of bonds during 2021 and 2020 were $928,700 and $704,458, respectively. Gross gains of $9,130 and $15,883 were realized in 2021 and 2020, respectively, relating to those sales. Gross losses of $6,508 and $3,160 were realized in 2021 and 2020, respectively, relating to those sales.

Proceeds from the sale of investments in common stocks during 2021 and 2020 totaled $168,932 and $174,327, respectively. Gross gains of $46,242 and $38,257 were realized in 2021 and 2020, respectively, relating to those sales. Gross losses of $213 and $1,080 were realized in 2021 and 2020, respectively, relating to those sales. Proceeds for the sale of investments in preferred stocks during 2021 and 2020 were $22,268 and $9,953, respectively. Gross gains of $947 and $0 were realized in 2021 and 2020, respectively, relating to those sales. Gross losses of $70 and $270 were realized in 2021 and 2020, respectively, relating to those sales.

Securities with a carrying value of approximately $98,598 and $95,506 at December 31, 2021 and 2020, respectively, were on deposit with government agencies, as prescribed by law in the applicable state.

(Dollars in thousands)

The Company does not invest directly in mortgages. Any mortgage exposure in the portfolio is through mortgage-related securities. The Company has no direct investments in subprime mortgages as of December 31, 2021 and 2020. The Company defines subprime mortgage securities as residential mortgage securities that are not guaranteed by a government agency or government-sponsored entity and which include meaningful exposure to residential mortgages with special risk factors such as lower rated borrowers, high loan-to-value ratios, or second liens. The only exposure the Company has through other mortgage-backed investments is through commercial mortgage-backed securities.

During 2020, the Company replaced an existing $20,000 line of credit with a new line of credit in the amount of $40,000. As of December 31, 2021 and 2020, there were no balances outstanding on this line of credit.

(3) FAIR VALUE MEASUREMENTS

Statutory accounting principles define the fair value of a financial instrument as the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Certain financial instruments and all nonfinancial instruments are excluded from statutory disclosure requirements.

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

- Due to the relatively short-term nature of cash, cash equivalents, and short-term investments, accrued interest and dividends, premiums and all other receivables, accrued expenses and all other payables, the carrying value is a reasonable estimate of fair value.
- Bonds and stocks are valued primarily by using quoted prices.

	2021		2020	
	Statement value	Estimated fair value	Statement value	Estimated fair value
Financial instruments recorded as assets:				
Bonds	$ 1,368,964	$ 1,387,460	$ 1,297,923	$ 1,353,851
Preferred stock	–	–	21,751	22,826
Common stock, unaffiliated	320,984	320,984	273,001	273,001
Cash, cash equivalents, and short-term investments	102,783	102,783	108,685	108,685

Included in various investment related line items in the statutory financial statements are certain financial instruments carried at fair value. Other financial instruments are periodically measured at fair value, such as when impaired or, for certain bonds and preferred stock, when carried at the lower of cost or fair value, based on the associated NAIC designation.

The fair value of an asset is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Company uses a market approach and maximizes the use of observable inputs and minimizes the use of unobservable inputs.

For disclosure purposes, based on a hierarchy defined by SSAP No. 100R, *Fair Value*, the Company categorizes its financial instruments into a hierarchy based on the priority of the inputs to the valuation technique. The fair value hierarchy gives highest priority to quotes in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure fair value fall within different levels of the hierarchy, the category level is based on the lowest priority level input that is significant to the fair value measurement of the instrument in its entirety.

The Company categorizes financial assets and liabilities as follows:

Level 1 – Management's valuations are based on unadjusted quoted prices in active markets for identical, unrestricted assets. Since valuations are based on quoted prices that are readily available in an active market, valuation of these assets does not involve any meaningful degree of judgment. An active market is defined as a market where transactions for the financial instrument occur with sufficient frequency and volume to provide pricing information on an ongoing basis. Level 1 inputs generally include common stocks and U.S. government debt securities, where management's valuations are based on quoted market prices.

Level 2 – Management's valuations are based on quoted market prices where such markets are not deemed to be sufficiently "active." In such circumstances, additional valuation metrics will be used, which involve direct or indirect observable market inputs. Level 2 inputs generally include debt securities other than debt issued by the U.S. government. Third-party dealer quotes typically constitute a significant input in management's determination of the fair value of these types of bonds. In developing such quotes, dealers will use the terms of the security and market-based inputs. Terms of the security include coupon, maturity date, and any special provision that may enable the investor to redeem the security prior to its maturity date. Market-based inputs include the level of interest rates applicable to comparable securities in the market and current credit ratings of the security.

Level 3 – Management's valuations are based on inputs that are unobservable and significant to the overall fair value measurement. Valuations under Level 3 generally involve a significant degree of judgment on the part of management. The Company does not hold Level 3 assets as of December 31, 2021 and 2020.

(Dollars in thousands)

Assets and liabilities measured or disclosed at fair value as of December 31, 2021 and 2020 are as follows:

	December 31, 2021			
	Level 1	Level 2	Level 3	Total
Assets:				
Bonds:				
U.S. government and government agencies	$ 133,304	$ 10,940	$ –	$ 144,244
States and political subdivisions	–	106,930	–	106,930
Special revenue and special assessment obligations	–	472,160	–	472,160
Corporate	–	664,126	–	664,126
Total bonds	133,304	1,254,156	–	1,387,460
Preferred stocks	–	–	–	–
Common stocks, unaffiliated	320,984	–	–	320,984
Total bonds and stocks	$ 454,288	$ 1,254,156	$ –	$ 1,708,444

	December 31, 2020			
	Level 1	Level 2	Level 3	Total
Assets:				
Bonds:				
U.S. government and government agencies	$ 179,541	$ 11,885	$ –	$ 191,426
States and political subdivisions	–	100,809	–	100,809
Special revenue and special assessment obligations	–	479,762	–	479,762
Corporate	–	581,854	–	581,854
Total bonds	179,541	1,174,310	–	1,353,851
Preferred stocks	22,826	–	–	22,826
Common stocks, unaffiliated	273,001	–	–	273,001
Total bonds and stocks	$ 475,368	$ 1,174,310	$ –	$ 1,649,678

There were no transfers into or out of Level 3 for the year ended December 31, 2021 and 2020.

(4) RESERVE FOR LOSSES AND LAE

The Company establishes a liability for losses and LAE to cover its estimated ultimate liability for property and casualty losses and LAE with respect to reported claims and claims incurred but not yet reported as of the end of each accounting period. As required by applicable accounting rules, no liabilities are established until a loss occurs, including a loss from a catastrophe. Loss and LAE liabilities are estimates of what the Company expects the ultimate settlement and administration of claims will cost based on facts and circumstances then known, predictions of future events, and estimates of future trends in claims severity and frequency, judicial theories of liability, and other factors.

(Dollars in thousands)

Activity in the liability for unpaid losses and LAE is summarized as follows:

		2021		2020
Balance at January 1	$	929,050	$	871,690
Less reinsurance recoverables		140,461		121,500
Net balance at January 1	$	788,589	$	750,190
Incurred related to:				
Current year	$	557,264	$	561,062
Prior years		22,733		5,754
Total incurred	$	579,997	$	566,816
Paid related to:				
Current year	$	247,031	$	251,409
Prior years		317,689		277,008
Total Paid	$	564,720	$	528,417
Net balance at December 31		803,866		788,589
Plus reinsurance recoverables		162,580		140,461
Balance at December 31	$	966,446	$	929,050

The estimated cost of loss and loss adjustment expenses attributable to insured events from prior years increased in 2021 and 2020 as a result of re-estimation of unpaid loss and loss adjustment expenses primarily on the commercial multiple peril lines of insurance. 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 prior year estimates of the unpaid costs of these claims. Management reviews recent loss development trends when evaluating the overall adequacy of unpaid loss and loss adjustment expenses.

(5) INCOME TAXES

The Company files a consolidated federal income tax return including the results of operations of the CMICSI, CMCO, CMSP, CMVA, CMSL, CMRR, CMRI, and CMIN. At December 31, 2021 and 2020, the Company had no net operating loss or tax credit carryforwards.

The following are income taxes incurred in the current and prior years for federal tax reporting purposes that will be available for recoupment in the event of future losses:

2021	$	37,118
2020		–
2019		4,691

The Company’s total current federal income tax and change in net deferred income taxes without unrealized gains for the years ended December 31, 2021 and 2020 differ from the amount obtained by applying the federal statutory income tax rate of 21% in 2021 and 2020 to income before income taxes from the combined statutory statements of operations for the following reasons:

(Dollars in thousands)

	2021 Tax Effect	2021 Effective Tax Rate	2020 Tax Effect	2020 Effective Tax Rate
Income before taxes (excluding capital gains)	$ 35,937		$ (1,607)	
Capital gains	51,091		51,753	
Income before taxes	$ 87,028		$ 50,146	
Income tax expense at statutory rate	$ 18,277	21.0 %	$ 10,531	21.0 %
Increase (decrease) in tax resulting from:				
Tax-exempt interest	(1,172)	(1.3)	(1,355)	(2.7)
Dividends received deduction	(294)	(0.3)	(243)	(0.5)
Nondeductible expenses	85	0.1	132	0.3
Other items	68	0.1	(254)	(0.5)
Rate differential on net operating loss carryback	–	–	(21,989)	(43.8)
Cash surrender value of life insurance increase	(155)	(0.2)	(32)	(0.1)
Total income tax expense (benefit) expected	$ 16,809	19.3 %	$ (13,210)	(26.3) %
Current income taxes incurred	$ 37,325	42.9 %	$ (58,019)	(115.7) %
Prior year overaccrual	(592)	(0.7)	13,972	27.9
Other items	2	–		
Change in deferred income tax (without tax on unrealized gains and losses and nonadmitted assets)	(19,926)	(22.9)	30,837	61.5
Total statutory income tax expense (benefit)	$ 16,809	19.3 %	$ (13,210)	(26.3) %

The components of the net deferred tax asset at December 31, 2021 and 2020 are as follows:

	December 31, 2021			December 31, 2020			
	Ordinary	Capital	Total	Ordinary	Capital	Total	Change
Total gross deferred tax assets	$ 63,407	$ 197	$ 63,604	$ 59,734	$ 651	$ 60,385	$ 3,219
Statutory valuation allowance	—	—	—	—	—	—	—
Adjusted gross deferred tax assets	63,407	197	63,604	59,734	651	60,385	3,219
Total gross deferred tax liabilities	(21,126)	(21,592)	(42,718)	(39,277)	(14,794)	(54,071)	11,353
Net deferred tax assets (liabilities)	42,281	(21,395)	20,886	20,457	(14,143)	6,314	14,572
Total deferred tax assets nonadmitted	(100)	—	(100)	(206)	—	(206)	106
Net admitted deferred tax assets (liabilities)	$ 42,181	$ (21,395)	$ 20,786	$ 20,251	$ (14,143)	$ 6,108	$ 14,678
Change in net admitted deferred tax assets							$ 14,678
Plus: tax effect of unrealized gains (losses)							6,403
Plus: tax effect of SSAP 92 and SSAP 102							2,736
Equals change in net admitted deferred tax assets							$ 23,817
Less: Change in deferred tax assets nonadmitted							106
Change in net deferred income taxes							$ 23,711

(Dollars in thousands)

The amount of admitted adjusted gross deferred tax assets allowed under each component of SSAP No. 101, *Income Taxes*, as of December 31, 2021 and 2020 is as follows:

	December 31, 2021			December 31, 2020			
Admission calculation	Ordinary	Capital	Total	Ordinary	Capital	Total	Change
Admitted carrybacks for taxes paid in prior periods	$ 35,930	$ 197	$ 36,127	$ 17,560	$ 434	$ 17,994	$ 18,133
Admitted Gross DTAs:							
Admitted adjusted DTA expected to be realized within applicable period	6,339	—	6,339	20,596	217	20,813	(14,474)
Admitted per applicable percentage of surplus and capital excluding DTAs, EDP, operating software, and positive goodwill	—	—	114,973	—	—	110,214	4,759
Admitted Gross DTAs (equal to the lesser of adjusted DTA expected in applicable period and applicable percentage of surplus and capital adjusted for DTAs, EDP, operating software, and positive goodwill)	6,339	—	6,339	20,596	217	20,813	(14,474)
Admitted adjusted DTAs that can be offset against gross DTLs considering character of DTAs and DTLs such that offsetting would be allowed under federal income tax laws	21,038	—	21,038	21,372	—	21,372	(334)
Total admitted deferred tax assets	63,307	197	63,504	59,528	651	60,179	3,325
Total deferred tax liabilities	(21,126)	(21,592)	(42,718)	(39,277)	(14,794)	(54,071)	11,353
Net admitted deferred tax assets (liabilities)	$ 42,181	$ (21,395)	$ 20,786	$ 20,251	$ (14,143)	$ 6,108	$ 14,678
Authorized control level ratio excluding DTAs			690%			679%	

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 2021 and 2020 are as follows:

(Dollars in thousands)

	2021		
	Ordinary	Capital	Total
Deferred tax assets:			
Tax basis discount on unpaid losses	$ 15,212	$ –	$ 15,212
Adjustment for unearned premiums	21,060	–	21,060
Accrued deferred compensation	8,350	–	8,350
Accrued postretirement and pension benefits	11,556	–	11,556
Nonadmitted intangibles	420	–	420
Non-admitted common stock/prepaids	1,396	–	1,396
Acquired intangibles	865	–	865
Other accrued expenses	40	–	40
Nonadmitted premiums receivable	166	–	166
Fixed assets	1,554	–	1,554
Other	2,788	197	2,985
Total deferred tax assets	63,407	197	63,604
Total deferred tax assets nonadmitted	(100)	–	(100)
Total admitted deferred tax assets	63,307	197	63,504
Deferred tax liabilities:			
Unrealized gains on stocks	–	20,596	20,596
Unpaid losses liability	2,191	–	2,191
Fixed assets adjustment	17,986		17,986
Other	949	996	1,945
Total deferred tax liabilities	21,126	21,592	42,718
Net deferred tax asset admitted	$ 42,181	$ (21,395)	$ 20,786

(Dollars in thousands)

	2020		
	Ordinary	Capital	Total
Deferred tax assets:			
Tax basis discount on unpaid losses	$ 14,990	$	$ 14,990
Adjustment for unearned premiums	19,940		19,940
Accrued deferred compensation	7,327		7,327
Accrued postretirement and pension benefits	11,953		11,953
Alternative minimum tax credits	303		303
Nonadmitted intangibles	17		17
Non-admitted common stock/prepaids	250		250
Acquired intangibles	1,140		1,140
Other tax credit carryforwards	25		25
Securities impairment	145		145
Fixed assets	969		969
Other	2,675	651	3,326
Total deferred tax assets	59,734	651	60,385
Total deferred tax assets nonadmitted	(206)	–	(206)
Total admitted deferred tax assets	59,528	651	60,179
Deferred tax liabilities:			
Unrealized gains on stocks	–	14,193	14,193
Unpaid losses liability	2,739	–	2,739
Fixed assets adjustment	35,972	–	35,972
Other	566	601	1,167
Total deferred tax liabilities	39,277	14,794	54,071
Net deferred tax asset admitted	$ 20,251	$ (14,143)	$ 6,108

There are no deferred tax liabilities that are not recognized as of December 31, 2021 or 2020.

As of December 31, 2021 and 2020, no statutory valuation allowance has been reported against the Company's deferred tax assets.

(Dollars in thousands)

The changes in the main components of deferred tax assets and deferred tax liabilities for the years ended December 31, 2021 and 2020 are as follows:

		2021		2020
Changes in deferred tax assets from book/tax differences in:				
Net loss reserve discounting for tax	$	222	$	428
Adjustment for unearned premiums		1,120		2,328
Accrued deferred compensation		1,023		2,417
Accrued pension and postretirement benefits		(397)		3,203
Accrued compensated absences		(303)		188
Nonadmitted intangibles		403		(42)
Non-admitted common stock/prepaids		1,146		(2,966)
Acquired intangibles		(275)		(26)
Other accrued expenses		15		25
Nonadmitted premiums receivable		21		77
Fixed assets		585		227
Other		(341)		(856)
Total change in gross deferred tax assets		3,219		5,003
Total change in nonadmitted deferred tax assets		106		(73)
Total change in net admitted deferred tax assets	$	3,325	$	4,930
Deferred tax liabilities resulting from book/tax differences in:				
Unrealized gains on stocks		(6,403)		(690)
Unpaid losses liability		548		547
Fixed assets adjustment		17,986		(35,972)
Other		(778)		(383)
Total change in deferred tax asset (liabilities)		11,353		(36,498)
Total change in net deferred tax asset (liabilities)	$	14,678	$	(31,568)

The change in net deferred income taxes comprises the following for the year ended December 31, 2021:

		2021		2020		Change
Total deferred tax assets	$	63,604	$	60,385	$	3,219
Total deferred tax liabilities		42,718		54,071		(11,353)
Net deferred tax asset	$	20,886	$	6,314		14,572
Tax effect of unrealized gains						6,403
Tax effect of SSAP 92 and SSAP 102						2,736
Change in net deferred income taxes					$	23,711

The Company has determined that there is no impact from tax-planning strategy on the adjusted gross and net admitted deferred tax assets as of December 31, 2021 or 2020. The Company's tax-planning strategy does not include the use of reinsurance related tax-planning strategies.

(Dollars in thousands)

The examinations of the Company's consolidated federal income tax returns for the years 2017 and prior are closed, and the years 2018 through 2021 remain open under the IRS statute of limitations.

(6) EMPLOYEE BENEFIT PLANS

(a) Pension Plan

CMICSI sponsors a noncontributory defined benefit pension plan (Pension Plan), which covers substantially all employees.

The cash balance account at the end of any plan year is equal to the beginning cash balance account plus any interest credit, contribution credit, and transition credit for the plan year. The normal cost for the year ended December 31, 2021 and 2020 and applicable amortization of prior service costs have been funded in accordance with the provisions of the Employee Retirement Income Security Act of 1974 (ERISA). As of December 31, 2021 and 2020, CMICSI has reported pension balances in accordance with actuarially determined amounts.

Summarized information on the Pension Plan for the year ended December 31, 2021 and 2020 is as follows:

	Measurement date	
	December 31, 2021	December 31, 2020
Change in benefit obligation:		
Projected benefit obligation at beginning of year	$ 117,441	$ 104,122
Service cost	4,707	3,515
Interest cost	3,036	3,732
Actuarial loss (gain)	(3,325)	14,225
Other benefits paid	(9,194)	(8,153)
Projected benefit obligation at end of year	$ 112,665	$ 117,441

(Dollars in thousands)

	Measurement date December 31, 2021	Measurement date December 31, 2020
Change in plan assets:		
Fair value of plan assets at beginning of year	116,661	117,443
Actual return on plan assets	10,768	6,429
Employer contribution	948	942
Other benefits paid	(9,194)	(8,153)
Fair value of plan assets at end of year	$ 119,183	$ 116,661
Funded (unfunded) status	$ 6,518	$ (780)
Components of net periodic benefit cost:		
Service cost	$ 4,707	$ 3,515
Interest cost	3,036	3,732
Expected return on plan assets	(6,288)	(6,905)
Amortization of net loss (gain) from earlier periods	1,164	240
Amortization of unrecognized prior service (credit) cost	(991)	(991)
Total net period benefit cost	$ 1,628	$ (409)

The accumulated benefit obligations as of December 31, 2021 and 2020 is $110,110 and $115,313, respectively. A measurement date of December 31, 2021 was used to determine the benefit obligation and net benefit cost.

CMICSI had a nonadmitted prepaid pension asset of $6,518 at December 31, 2021 and a liability for pension benefits of $780 at December 31, 2020.

The following table summarizes benefits expected to be paid in each of the next five years and, in the aggregate, for the five fiscal years thereafter:

2022	$ 6,258
2023	6,570
2024	7,071
2025	7,522
2026	8,250
2026 – 2031	44,222
Total	$ 79,893

CMICSI expects to make contributions to the 2022 Pension Plan year in the amount of $1,000 pursuant to board approval. This contribution amount is in line with contributions of previous years.

(Dollars in thousands)

The following weighted average assumptions were used in determining the costs and liabilities associated with the Pension Plan:

	2021	2020
Used to determine benefit cost:		
Measurement date	12/31/2021	12/31/2020
Discount rate	2.61%	3.64%
Rate of compensation increase	3.75	3.75
Expected long-term rate of return on plan assets	5.50	6.00
Interest crediting rates	4.00	4.00
Used to determine benefit obligation:		
Measurement date	12/31/2021	12/31/2020
Discount rate	2.97%	2.61%
Rate of compensation increase	3.75	3.75
Interest crediting rates	4.00	4.00

CMICSI's investment objectives are designed to (1) provide a long-term investment return greater than the actuarial assumption; (2) maximize investment returns commensurate with appropriate levels of risk; and (3) invest funds in a manner consistent with ERISA's fiduciary standards. Assets are allocated to provide adequate liquidity for plan disbursements and managed such that all retirement benefits payments are met as they become due. CMICSI's guidance to its manager permits equity exposure up to 40.0% of the portfolio depending on market conditions.

The tables below present the fair value hierarchy for the balances of the assets of the Pension Plan measured at fair value on a recurring basis and other balances as of December 31, 2021 and 2020. Fair value of Level 1 assets is based on unadjusted quoted prices for identical assets in active markets that are accessible to the Company. Fair value of Level 2 assets is based on quoted prices other than those included within Level 1 that are observable for the asset, either directly or indirectly. Fair value of Level 3 assets is estimated by CMICSI using one or more significant unobservable inputs.

	December 31, 2021			
	Level 1	Level 2	Level 3	Total
Cash equivalents	$ 1,238	$ –	$ –	$ 1,238
U.S. government securities	10,242	–	–	10,242
Corporate bonds and debentures	–	61,527	–	61,527
Foreign issued bonds and debentures	–	2,078	–	2,078
Common stocks	42,490	–	–	42,490
Mutual funds	1,028	–	–	1,028
Accrued income	580	–	–	580
Total	$ 55,578	$ 63,605	$ –	$ 119,183

(Dollars in thousands)

	December 31, 2020			
	Level 1	Level 2	Level 3	Total
Cash equivalents	$ 5,589	$ –	$ –	$ 5,589
U.S. government securities	8,295	–	–	8,295
Corporate bonds and debentures	–	58,422	–	58,422
Foreign issued bonds and debentures	–	1,105	–	1,105
Common stocks	41,792	–	–	41,792
Mutual funds	913	–	–	913
Accrued income	545	–	–	545
Total	$ 57,134	$ 59,527	$ –	$ 116,661

The expected long-term rate of return on the Pension Plan's assets is reviewed at least annually, taking into account the asset allocation, historical and future returns on the types of assets in the plan, and the current economic environment. CMICSI strives to keep asset allocation consistent over time and within a relatively narrow band of asset class ranges regardless of short-term market moves. Based on these factors, CMICSI expects the plan assets will earn an average 5.50% per year in the future. This return assumption is based on its expectations for expected returns in the equity and bond markets over a longer-term expectation horizon.

(b) Postretirement Benefits Other than Pensions

CMICSI sponsors a defined benefit plan that provides certain postretirement healthcare and life insurance benefits for retired employees. Substantially all employees may become eligible for these benefits if they reach age 60 and have 20 years of service with CMICSI. New employees hired after January 1, 2010 remain eligible for the plan; however, they are required to pay 100% of the premium. The plan is contributory, with retiree contributions adjusted annually, and contains other cost-sharing features such as deductibles and coinsurance.

The postretirement benefit plan is unfunded and as such, there are no assets associated with the plan.

The following tables present the Plan's funded status reconciled with amounts recognized in the Company's surplus of policyholders at December 31:

	2021	2020
Change in benefit obligation:		
Benefit obligation at beginning of year	$ 56,195	$ 54,989
Service cost	2,086	3,501
Interest cost	1,390	2,042
Actuarial loss (gain)	(4,881)	18,458
Other events: Settlement	–	0
Amendment: Post-65 retiree	–	(21,624)
Benefits paid	(1,106)	(1,171)
Accrued postretirement cost	$ 53,684	$ 56,195

(Dollars in thousands)

	2021	2020
Fair value of plan assets	$ –	$ –
Benefit obligation at end of year	53,684	56,195
Unfunded status	$ (53,684)	$ (56,195)

	2021	2020
Items not yet recognized as a component of net periodic postretirement costs:		
Unrecognized prior service (credit) (vested)	$ (12,440)	$ (13,472)
Unrecognized prior service cost (nonvested)	–	–
Unrecognized actuarial loss (gain)	22,626	28,708

	2021	2020
Components of net periodic benefit cost:		
Service cost	$ 2,086	$ 3,501
Interest cost	1,390	2,042
Amount of recognized prior service credit (vested)	(1,032)	(320)
Amount of recognized prior service cost (nonvested)	–	1,263
Amount of recognized losses	1,201	568
Total net periodic benefit cost	$ 3,645	$ 7,054

The following assumptions were used in determining the costs and liabilities associated with the postretirement benefit plan:

	2021	2020
Used to determine benefit obligation and benefit cost:		
Measurement date	12/31/21	12/31/20
Discount rate benefit cost	2.59%	3.35%
Discount rate benefit obligation	2.86	2.59

CMICSI has accrued a liability of $53,684 and $56,195 at December 31, 2021 and 2020, respectively.

For measurement of the benefit obligation, the following medical trend rates were assumed for the annual increase in the per capita cost of covered healthcare benefits:

	Medical Pre-65	Medical Post-65
2021 first year medical trend rate	5.80%	4.80%
2022 first year medical trend rate	5.40	4.80
Ultimate medical trend rate	3.70	3.70

CMICSI has a profit-sharing plan covering substantially all full-time employees. The Company's incurred profit-sharing expense was $4,651 and $2,509 as of December 31, 2021 and 2020, respectively, and profit-sharing contribution payments based on prior year accrued amounts were $2,562 and $2,248 in 2021 and 2020, respectively.

CMICSI sponsors a defined contribution plan. The plan includes an IRS qualified 401(k) plan, which provides for a Company matching contribution of 100% of the first 3% and 50% of the next 2% contributed or deferred annually by each eligible participant, to a maximum matched contribution of 4% of the participant's earnings. In addition, the Company will contribute 2% to each eligible participant regardless of their participation. CMICSI's matching contribution for the plan was $4,859 and $4,185 in 2021 and 2020, respectively.

(c) Deferred Compensation

CMICSI has granted various deferred compensation and supplemental retirement benefits to certain senior officers and sales representatives. The liability at December 31, 2021 and 2020 was approximately $24,720 and $24,545, respectively. The expense for these plans was $1,790 and $2,642 for the years ended December 31, 2021 and 2020, respectively.

(7) REINSURANCE ACTIVITY

The Company limits the maximum net loss, which 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 or under general reinsurance contracts known as "treaties" or by negotiation on substantial facultative risks. Ceded reinsurance is treated as the risk and liability of the assuming companies.

CMICSI is an assuming member of the Mutual Re (MRB), an unincorporated joint reinsurance association made up of five member companies. Excluding any business ceded by the Company to MRB, all member companies participate equally (at 20%) in the association's underwriting results. Any business ceded by the Company to MRB is assumed equally (at 25%) by the other four member companies.

(Dollars in thousands)

The following tables summarize amounts related to reinsurance assumed and ceded as of December 31, 2021 and 2020 for the years then ended:

Premium activity:

	2021		
	Written	Earned	Unearned
Direct	$ 1,116,368	$ 1,093,172	$ 537,004
Assumed - unaffiliated	31,125	29,582	7,601
Ceded	(213,444)	(215,376)	(43,176)
Net	$ 934,049	$ 907,378	$ 501,429

	2020		
	Written	Earned	Unearned
Direct	$ 1,065,304	$ 985,564	$ 513,808
Assumed - unaffiliated	24,388	23,966	6,058
Ceded	(184,904)	(161,864)	(45,108)
Net	$ 904,788	$ 847,666	$ 474,758

Loss and LAE activity:

	2021		2020	
	Incurred loss and LAE	Liability for loss and LAE	Incurred loss and LAE	Liability for loss and LAE
Direct	$ 792,526	$ 902,745	$ 717,965	$ 866,346
Assumed - unaffiliated	17,556	63,701	20,149	62,704
Ceded	(230,085)	(162,580)	(171,298)	(140,461)
Net	$ 579,997	$ 803,866	$ 566,816	$ 788,589

Estimated amounts recoverable from reinsurers are deducted from the liability for losses and LAE.

The Company receives contingent commissions from reinsurance contracts. Contingent commissions of approximately $1,468 and $3,982 were recognized for the years ended December 31, 2021 and 2020, respectively.

CMICSI is a Standard Reinsurance Agreement holder through the Federal Crop Insurance Corporation. All of the multiple peril crop business will be 100% ceded to a group of six highly rated reinsurers. The reinsurers are Validus Reinsurance LTD (50%), Starstone National Insurance Company (20%), Toa Reinsurance Company of America (12.5%), Arch Reinsurance Company (7%), American Agricultural Insurance Co (5.5%), and Catlin Re Switzerland (5%). The Company also entered into an agreement with Precision Risk Management, who will serve as the Managing General Agent (MGA), for the multiple peril crop insurance for the Company effective with the 2020 crop season.

(Dollars in thousands)

The Company elected to compute unearned premium reserve associated with the Multiple Peril Crop Insurance Program on a daily pro rata method using a calendar period approach, as the Company did not believe it could demonstrate that the period of risk differs significantly from the contract period.

The Company reduced its loss expenses for expense payments associated with catastrophe coverage by $0 in both 2021 and 2020. The Company reduced its other underwriting expenses for expense payments associated with buy-up coverage by $0 in both 2021 and 2020.

Direct unearned premium reserve as of December 31, 2021 was $537. The maximum amount of unearned premiums and returned commissions that would have been due reinsurers if they or the Company or a receiver canceled all insurance assumed as of the end of 2021 is as follows:

	Assumed reinsurance		Ceded reinsurance		Net	
	Unearned premiums	Commission equity	Unearned premiums	Commission equity	Unearned premiums	Commission equity
Nonaffiliates	$ 7,601	$ 1,180	$ 43,175	$ 6,361	$ (35,574)	$ (5,181)

Unsecured aggregate recoverables from reinsurers for losses and LAE paid, losses and LAE unpaid, and unearned premium in excess of 3.0% of the Company's total surplus were $34,127 and $17,085 for the years ended December 31, 2021 and 2020, respectively.

(8) LEASES

The Company leases certain facilities and equipment under operating leases having terms of more than one year.

Total lease expense under the operating leases was approximately $1,710 and $1,251 for the years ended December 31, 2021 and 2020, respectively.

The following is a schedule of future minimum lease payments required under terms of the aforementioned leases as of December 31, 2021:

Fiscal year ending:	
2022	$ 885
2023	701
2024	713
2025	732
Thereafter	1,370
Total minimum lease payments	$ 4,401

(9) CONTINGENCIES

In the ordinary course of business, the Company is involved in certain claim and nonclaim-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.

In conjunction with structured claims settlements, the Company has purchased various annuities for which claimants are payees but for which the Company is contingently liable. The aggregate present value of such annuities was $987 and $983 as of December 31, 2021 and 2020, respectively.

As a condition of doing business, all states and jurisdictions have adopted laws requiring membership in the insurance guaranty funds. Member companies are subject to assessments each year based on premiums written in the state. The Company has estimated its costs related to past insolvencies and has recorded a charge to operations of $303 and $9 for the years ended December 31, 2021 and 2020, respectively. The Company has accrued a liability for future guaranty fund assessments of $1,625 and $1,627 as of December 31, 2021 and 2020, respectively.

The June 1, 2016, purchase agreement for CMRI contains a contingent earn-out provision providing for up to $15,000 payment over a five-year period, ending December 31, 2020, to the Pennsylvania School Boards Administration. The contingent earn-out amounts shall be evaluated for each earn-out period (12-month period) separately for each contingent factor (retention, loss reserve development, and combined ratio). These contingent payments are not automatic, and certain financial outcomes in retention, reserve development, and combined ratio must be achieved before the payment is due. At the time the earn-out amounts became probable and reasonably estimable, the earn-out amount was recorded as an additional cost of the acquired company, and goodwill was adjusted accordingly. At December 31, 2020, the Company determined that the earn-out provision of $3,000 had been achieved and a payable for this amount was established with a corresponding increase in the cost of the acquired company.

(10) RELATED PARTIES

In 2021, the following related party transactions occurred. CMICSI issued a dividend to CMHC in the amount of $50,000 for the acquisitions of SING and WMMS. CMICSI issued a dividend to CMHC in the amount of $1,000 for contribution to the Church Mutual Insurance Company Foundation. CMRR made a cash distribution to CMHC of $7,700 which was then redistributed to CMICSI to allow better investment through its already well-established investment program.

(11) RISK-BASED CAPITAL

The Company is regulated by the state in which it is domiciled, as well as by states in which it does business. Such regulations, among other things, limit the amount of dividends, impose restrictions on the amount and types of investments the Company may hold, and regulate rates insurers may charge for various products.

The NAIC has developed Property-Casualty Risk-Based Capital (RBC) standards that relate an insurer's reported statutory capital and surplus to the risks inherent in its overall operations. The RBC formula uses the statutory annual statement to calculate the minimum indicated capital level to support asset risk (investment and credit) and underwriting risk (loss reserves, premiums written, and unearned premium). The NAIC model law calls for various levels of regulatory action based on the magnitude of an indicated RBC deficiency, if any. The Company has determined that its capital levels are in excess of the minimum capital requirements for all RBC action levels.

Dividends paid to the Company from its insurance subsidiaries, may be limited by regulatory requirements.

(12) OTHER ITEMS

Due to the COVID-19 pandemic, the Company has adjusted certain aspects of its operations to protect its employees and customers while still meeting customers' needs for services. The Company will continue to monitor the situation closely and will implement further measures if necessary. 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 operations and financial statements at this time.

The Company issued a policyholder dividend in response to the COVID-19 pandemic in the amount of $0 and $1,660 in 2021 and 2020, respectively.

(13) SUBSEQUENT EVENTS

The Company evaluated subsequent events through May 16, 2022, the date the accompanying combined statutory financial statements were available to be issued.

No other subsequent events were identified.

CHURCH MUTUAL INSURANCE COMPANY, S.I. AND AFFILIATED PROPERTY AND CASUALTY COMPANIES

Combining Schedule of Statutory Statement of Admitted Assets, Liabilities, and Surplus of Policyholders

December 31, 2021

(Dollars in thousands)

Admitted Assets	CMICSI	CMSL	CMVA	CMRI	CMIN	Eliminations	CMICSI Combined
Cash and invested assets:							
Bonds	$ 1,166,828	20,807	55,792	105,686	19,851	—	$ 1,368,964
Preferred stocks	—	—	—	—	—	—	—
Common stocks	294,825	—	—	26,159	—	—	320,984
Cash and cash equivalents	78,512	1,317	12,957	8,807	1,190	—	102,783
Other invested assets	106,680	—	—	—	—	—	106,680
Receivable for securities	27	—	—	—	—	—	27
Cash surrender value of life insurance	24,967	—	—	—	—	—	24,967
Land and buildings – net	11,196	—	—	—	—	—	11,196
Total cash and invested assets	1,683,035	22,124	68,749	140,652	21,041	—	1,935,601
Other assets:							
Premiums and other receivables	260,389	1,583	10,058	5,977	—	(19,865)	258,142
Contingent commissions receivable	2,375	—	—	110	—	—	2,485
Receivables from reinsurers	36,490	(206)	644	6,988	—	(13,828)	30,088
Receivables from subsidiaries	6,092	—	—	—	—	(3,670)	2,422
Federal income taxes receivable	56,296	—	8	—	—	(708)	55,596
Net deferred tax asset	22,017	63	347	—	—	(1,641)	20,786
Guaranty funds on deposit	143	—	—	—	—	—	143
Accrued interest and dividends	7,369	96	258	506	94	—	8,323
Electronic data processing equipment – net	1,759	—	—	—	—	—	1,759
Other	44,782	—	1	7	—	—	44,790
Total other assets	437,712	1,536	11,316	13,588	94	(39,712)	424,534
Total admitted assets	$ 2,120,747	23,660	80,065	154,240	21,135	(39,712)	$ 2,360,135

See accompanying independent auditors' report.

CHURCH MUTUAL INSURANCE COMPANY, S.I. AND AFFILIATED PROPERTY AND CASUALTY COMPANIES

Combining Schedule of Statutory Statement of Admitted Assets, Liabilities, and Surplus of Policyholders

December 31, 2020

(Dollars in thousands)

Admitted Assets	CMICSI	CMSL	CMVA	CMRI	CMIN	Eliminations	CMICSI Combined
Cash and invested assets:							
Bonds	$ 1,091,384	20,268	55,070	111,361	19,840	—	$ 1,297,923
Preferred stocks	21,751	—	—	—	—	—	21,751
Common stocks	252,741	—	—	20,260	—	—	273,001
Cash and cash equivalents	94,933	460	5,961	6,402	929	—	108,685
Other invested assets	83,479	—	—	—	—	—	83,479
Receivable for securities	158	—	—	—	—	—	158
Cash surrender value of life insurance	20,873	—	—	—	—	—	20,873
Land and buildings – net	11,730	—	—	—	—	—	11,730
Total cash and invested assets	1,577,049	20,728	61,031	138,023	20,769	—	1,817,600
Other assets:							
Premiums and other receivables	265,560	658	9,804	5,184	—	(15,353)	265,853
Contingent commissions receivable	2,086	—	—	—	—	—	2,086
Receivables from reinsurers	48,230	237	2,088	7,814	—	(14,685)	43,684
Receivables from subsidiaries	1,218	—	918	—	—	(842)	1,294
Federal income taxes receivable	64,518	16	—	—	—	(2,520)	62,014
Net deferred tax asset	6,595	26	237	—	—	(750)	6,108
Guaranty funds on deposit	144	—	—	—	—	—	144
Accrued interest and dividends	7,772	91	259	595	93	—	8,810
Electronic data processing equipment – net	1,578	—	—	—	—	—	1,578
Other	36,391	—	148	1	—	—	36,540
Total other assets	434,092	1,028	13,454	13,594	93	(34,150)	428,111
Total admitted assets	$ 2,011,141	21,756	74,485	151,617	20,862	(34,150)	$ 2,245,711

See accompanying independent auditors' report.

CHURCH MUTUAL INSURANCE COMPANY, S.I. AND AFFILIATED PROPERTY AND CASUALTY COMPANIES
Combining Schedule of Statutory Statement of Admitted Assets, Liabilities, and Surplus of Policyholders (continued)
December 31, 2021
(Dollars in thousands)

Liabilities and Surplus of Policyholders	CMICSI	CMSL	CMVA	CMRI	CMIN	Eliminations	CMICSI Combined
Liabilities:							
Reserve for losses and loss adjustment expenses	$ 786,474	—	—	17,392	—	—	$ 803,866
Reinsurance payable on paid losses and loss adjustment expenses	3,828	—	—	148	—	(3,828)	148
Unearned premiums	501,429	—	—	—	—	—	501,429
Dividends payable to policyholders	17,995	—	—	—	—	—	17,995
Ceded reinsurance premiums payable	74,582	1,847	16,189	2,993	—	(19,865)	75,746
Accrued expenses	60,968	(90)	28	1,851	—	—	62,757
Funds held under reinsurance treaties	3,721	16	5,012	5,015	—	(10,000)	3,764
Funds held for others	6,879	1	95	224	—	—	7,199
Premium deposits	7,999	74	—	—	—	—	8,073
Payable to parent	—	229	2,082	1,359	—	(3,670)	—
Payable for securities	28	—	—	—	—	—	28
Federal income taxes payable	—	3	—	628	77	(708)	—
Net deferred tax liability	—	—	—	1,641	—	(1,641)	—
Other taxes	5,871	102	—	161	—	—	6,134
Liability for deferred compensation and pension	24,720	—	—	—	—	—	24,720
Liability for postretirement benefits other than pension	53,684	—	—	—	—	—	53,684
Other liabilities	1,817	9	54	2,043	—	—	3,923
Total liabilities	1,549,995	2,191	23,460	33,455	77	(39,712)	1,569,466
Capital and surplus:							
Common stock	5,000	4,000	3	5,000	5,000	—	19,003
Guaranty fund	1,600	—	—	—	—	—	1,600
Gross paid-in and contributed surplus	8,875	16,000	51,997	24,025	15,000	—	115,897
Unassigned surplus	555,277	1,469	4,605	91,760	1,058	—	654,169
Total surplus of policyholders	570,752	21,469	56,605	120,785	21,058	—	790,669
Total liabilities and surplus of policyholders	$ 2,120,747	23,660	80,065	154,240	21,135	(39,712)	$ 2,360,135

See accompanying independent auditors' report.

CHURCH MUTUAL INSURANCE COMPANY, S.I. AND AFFILIATED PROPERTY AND CASUALTY COMPANIES

Combining Schedule of Statutory Statement of Admitted Assets, Liabilities, and Surplus of Policyholders (continued)

December 31, 2020

(Dollars in thousands)

Liabilities and Surplus of Policyholders	CMICSI	CMSL	CMVA	CMRI	CMIN	Eliminations	CMICSI Combined
Liabilities:							
Reserve for losses and loss adjustment expenses	$ 763,448	—	—	25,141	—	—	$ 788,589
Reinsurance payable on paid losses and loss adjustment expenses	6,685	—	—	(131)	—	(4,685)	1,869
Unearned premiums	474,758	—	—	—	—	—	474,758
Dividends payable to policyholders	19,017	—	—	—	—	—	19,017
Ceded reinsurance premiums payable	54,450	15	13,583	3,158	—	(15,353)	55,853
Accrued expenses	50,476	(39)	16	1,794	—	—	52,247
Funds held under reinsurance treaties	3,113	—	5,001	5,000	—	(10,000)	3,114
Funds held for others	8,312	—	—	388	—	—	8,700
Premium deposits	6,468	28	—	—	—	—	6,496
Payable to parent	—	537	—	305	—	(842)	—
Payable for securities	426	—	—	—	—	—	426
Federal income taxes payable	—	—	117	2,311	92	(2,520)	—
Net deferred tax liability	—	—	—	750	—	(750)	—
Other taxes	5,918	45	—	225	—	—	6,188
Liability for deferred compensation and pension	24,545	—	—	—	—	—	24,545
Liability for postretirement benefits other than pension	56,195	—	—	—	—	—	56,195
Other liabilities	4,351	—	138	39	—	—	4,528
Total liabilities	1,478,162	586	18,855	38,980	92	(34,150)	1,502,525
Capital and surplus:							
Common stock	5,000	4,000	3	5,000	5,000	—	19,003
Guaranty fund	1,600	—	—	—	—	—	1,600
Gross paid-in and contributed surplus	1,175	16,000	51,997	24,025	15,000	—	108,197
Unassigned surplus	525,204	1,170	3,630	83,612	770	—	614,386
Total surplus of policyholders	532,979	21,170	55,630	112,637	20,770	—	743,186
Total liabilities and surplus of policyholders	$ 2,011,141	21,756	74,485	151,617	20,862	(34,150)	$ 2,245,711

See accompanying independent auditors' report.

CHURCH MUTUAL INSURANCE COMPANY, S.I. AND AFFILIATED PROPERTY AND CASUALTY COMPANIES

Combining Schedule of Statutory Statement of Operations

December 31, 2021

(Dollars in thousands)

	CMICSI	CMSL	CMVA	CMRI	CMIN	Eliminations	CMICSI Combined
Underwriting:							
Premiums earned	$ 907,379	—	—	(1)	—	—	$ 907,378
Losses and expenses incurred:							
Losses incurred	480,141	—	—	(4,662)	—	—	475,479
Loss adjustment expenses incurred	104,541	—	—	(23)	—	—	104,518
Other underwriting expenses	313,968	—	—	150	—	—	314,118
Total losses and expenses incurred	898,650	—	—	(4,535)	—	—	894,115
Net underwriting gain	8,729	—	—	4,534	—	—	13,263
Investment and other income:							
Interest	24,916	434	1,217	2,453	378	—	29,398
Dividends	7,867	—	—	319	—	—	8,186
Real estate income	4,000	—	—	—	—	—	4,000
Net realized gain on sales of investments, net of tax	40,285	10	27	29	11	—	40,362
Investment expenses	(4,929)	(50)	(124)	(523)	(27)	—	(5,653)
Other	(2,137)	—	(14)	(2)	—	—	(2,153)
Net investment and other income	70,002	394	1,106	2,276	362	—	74,140
Income before dividends to policyholders and federal income tax expense	78,731	394	1,106	6,810	362	—	87,403
Dividends to policyholders	11,104	—	—	—	—	—	11,104
Income before federal income tax expense	67,627	394	1,106	6,810	362	—	76,299
Federal income tax (benefit) expense	24,352	122	218	1,240	74	—	26,006
Net income	$ 43,275	272	888	5,570	288	—	$ 50,293

See accompanying independent auditors' report.

CHURCH MUTUAL INSURANCE COMPANY, S.I. AND AFFILIATED PROPERTY AND CASUALTY COMPANIES

Combining Schedule of Statutory Statement of Operations
December 31, 2020
(Dollars in thousands)

	CMICSI	CMSL	CMVA	CMRI	CMIN	Eliminations	CMICSI Combined
Underwriting:							
Premiums earned	$ 847,671	—	—	(5)	—	—	$ 847,666
Losses and expenses incurred:							
Losses incurred	485,673	—	—	(8,754)	—	—	476,919
Loss adjustment expenses incurred	93,691	—	—	(3,794)	—	—	89,897
Other underwriting expenses	305,832	—	—	211	—	—	306,043
Total losses and expenses incurred	885,196	—	—	(12,337)	—	—	872,859
Net underwriting gain	(37,525)	—	—	12,332	—	—	(25,193)
Investment and other income:							
Interest	27,591	489	1,411	2,893	438	—	32,822
Dividends	5,266	—	—	303	—	—	5,569
Real estate income	4,000	—	—	—	—	—	4,000
Net realized gain on sales of investments, net of tax	40,577	23	119	148	19	—	40,886
Investment expenses	(4,224)	(38)	(118)	(559)	(26)	—	(4,965)
Other	2,334	—	(1)	(12)	—	—	2,321
Net investment and other income	75,544	474	1,411	2,773	431	—	80,633
Income before dividends to policyholders and federal income tax expense	38,019	474	1,411	15,105	431	—	55,440
Dividends to policyholders	16,161	—	—	—	—	—	16,161
Income before federal income tax expense	21,858	474	1,411	15,105	431	—	39,279
Federal income tax (benefit) expense	(58,326)	105	473	2,746	87	—	(54,915)
Net income	$ 80,184	369	938	12,359	344	—	$ 94,194

See accompanying independent auditors' report.

CHURCH MUTUAL INSURANCE COMPANY, S.I. AND AFFILIATED PROPERTY AND CASUALTY COMPANIES

Combining Schedule of Statutory Statement of Surplus of Policyholders

December 31, 2021

(Dollars in thousands)

	CMICSI	CMSL	CMVA	CMRI	CMIN	Eliminations	CMICSI Combined
Common stock:							
Beginning balance	$ 5,000	4,000	3	5,000	5,000	—	$ 19,003
Common stock issuance through reorganization	—	—	—	—	—	—	—
Ending balance	5,000	4,000	3	5,000	5,000	—	19,003
Gross paid-in and contributed surplus:							
Beginning balance	1,175	16,000	51,997	24,025	15,000	—	108,197
Paid-in surplus through reorganization	7,700	—	—	—	—	—	7,700
Ending balance	8,875	16,000	51,997	24,025	15,000	—	115,897
Guaranty fund	1,600	—	—	—	—	—	1,600
Unassigned surplus:							
Beginning balance	525,204	1,170	3,630	83,612	770	—	614,386
Net income	43,275	272	888	5,570	288	—	50,293
Net unrealized (losses) gains on investments, net of capital	19,864	—	—	4,226	—	—	24,090
Net deferred income taxes	20,702	37	4	232	—	—	20,975
Provision for reinsurance	249	(8)	78	(6)	—	—	313
Nonadmitted assets	(16,046)	(2)	5	(1,874)	—	—	(17,917)
Distributions	(51,000)	—	—	—	—	—	(51,000)
Change in post retirement and pensions	13,029	—	—	—	—	—	13,029
Ending balance	555,277	1,469	4,605	91,760	1,058	—	654,169
Total capital and surplus	$ 570,752	21,469	56,605	120,785	21,058	—	$ 790,669

See accompanying independent auditors' report.

CHURCH MUTUAL INSURANCE COMPANY, S.I. AND AFFILIATED PROPERTY AND CASUALTY COMPANIES

Combining Schedule of Statutory Statement of Surplus of Policyholders

December 31, 2020

(Dollars in thousands)

	CMICSI	CMSL	CMVA	CMRI	CMIN	Eliminations	CMICSI Combined
Common stock:							
Beginning balance	$ —	4,000	3	5,000	2,600	(11,603)	$ —
Common stock issuance through reorganization	5,000	—	—	—	2,400	11,603	19,003
Ending balance	5,000	4,000	3	5,000	5,000	—	19,003
Gross paid-in and contributed surplus:							
Beginning balance	—	16,000	51,997	24,025	17,400	(109,422)	—
Paid-in surplus through reorganization	1,175	—	—	—	(2,400)	109,422	108,197
Ending balance	1,175	16,000	51,997	24,025	15,000	—	108,197
Guaranty fund	1,600	—	—	—	—	—	1,600
Unassigned surplus:							
Beginning balance	677,829	776	2,968	69,529	426	(183,120)	568,408
Net income	80,184	369	938	12,359	344	—	94,194
Net unrealized (losses) gains on investments, net of capital	520	—	—	2,077	—	—	2,597
Net deferred income taxes	(30,720)	5	275	(365)	—	—	(30,805)
Provision for reinsurance	(256)	—	(89)	75	—	—	(270)
Nonadmitted assets	11,053	20	(462)	(63)	—	—	10,548
Distributions	(202,631)	—	—	—	—	183,120	(19,511)
Change in post retirement and pensions	(10,775)	—	—	—	—	—	(10,775)
Ending balance	525,204	1,170	3,630	83,612	770	—	614,386
Total capital and surplus	$ 532,979	21,170	55,630	112,637	20,770	—	$ 743,186

See accompanying independent auditors' report.

CHURCH MUTUAL INSURANCE COMPANY, S.I. AND AFFILIATED PROPERTY AND CASUALTY COMPANIES

Combining Schedule of Statutory Statement of Cash Flow

December 31, 2021

(Dollars in thousands)

	CMICSI	CMSL	CMVA	CMRI	CMIN	Eliminations	CMICSI Combined
Cash flows from operations:							
Premiums collected – net of reinsurance	$ 960,837	966	2,262	(943)	—	—	$ 963,122
Loss and loss adjustment expenses paid – net of salvage and subrogation recoveries (including reinsurance)	(452,519)	444	1,444	(1,278)	—	—	(451,909)
Underwriting expenses paid	(398,066)	6	11	(683)	—	—	(398,732)
Net investment income	41,260	454	1,325	2,734	469	—	46,242
Other income (loss)	(2,136)	—	(14)	(2)	—	—	(2,152)
Dividends to policyholders	(12,126)	—	—	—	—	—	(12,126)
Federal income taxes paid	(26,839)	(106)	(350)	(2,931)	(92)	—	(30,318)
Net cash provided by (used in) operations	110,411	1,764	4,678	(3,103)	377	—	114,127
Cash flows from investments:							
Proceeds from investments sold, matured, or repaid	1,070,807	4,299	14,215	29,620	6,648	—	1,125,589
Cost of investments acquired	(1,122,190)	(4,893)	(15,122)	(24,852)	(6,764)	—	(1,173,821)
Net cash used in investments	(51,383)	(594)	(907)	4,768	(116)	—	(48,232)
Cash flows from financing and miscellaneous sources:							
Dividend to stockholders	(51,000)	—	—	—	—	—	(51,000)
Other	(24,449)	(313)	3,225	740	—	—	(20,797)
Net cash provided by (used in) financing and miscellaneous sources	(75,449)	(313)	3,225	740	—	—	(71,797)
Net change in cash, cash equivalents, and short-term investments	(16,421)	857	6,996	2,405	261	—	(5,902)
Cash, cash equivalents, and short-term investments:							
Beginning of year	94,933	460	5,961	6,402	929	—	108,685
End of year	$ 78,512	1,317	12,957	8,807	1,190	—	$ 102,783
Non-cash transactions:							
Exchanges of bonds	$ 1,838	—	—	—	—	—	$ 1,838
Exchanges of stocks	448	—	—	—	—	—	448

See accompanying independent auditors' report.

CHURCH MUTUAL INSURANCE COMPANY, S.I. AND AFFILIATED PROPERTY AND CASUALTY COMPANIES

Combining Schedule of Statutory Statement of Cash Flow

December 31, 2020

(Dollars in thousands)

		CMICSI	CMSL	CMVA	CMRI	CMIN	Eliminations		CMICSI Combined
Cash flows from operations:									
Premiums collected – net of reinsurance	$	889,641	(84)	5,988	1,018	—	—	$	896,563
Loss and loss adjustment expenses paid – net of salvage and subrogation recoveries (including reinsurance)		(467,903)	(273)	493	(6,115)	—	—		(473,798)
Underwriting expenses paid		(375,632)	5	11	(1,117)	—	—		(376,733)
Net investment income		40,793	500	1,461	3,221	510	—		46,485
Other income (loss)		2,334	—	(1)	1,038	—	—		3,371
Dividends to policyholders		(14,468)	—	—	—	—	—		(14,468)
Federal income taxes paid		(9,857)	(90)	(420)	(1,685)	(93)	—		(12,145)
Net cash provided by (used in) operations		64,908	58	7,532	(3,640)	417	—		69,275
Cash flows from investments:									
Proceeds from investments sold, matured, or repaid		803,386	5,528	10,454	33,028	3,480	—		855,876
Cost of investments acquired		(833,746)	(6,461)	(11,790)	(21,538)	(3,490)	—		(877,025)
Net cash used in investments		(30,360)	(933)	(1,336)	11,490	(10)	—		(21,149)
Cash flows from financing and miscellaneous sources:									
Other		(9,540)	142	(4,121)	(4,471)	(21)	—		(18,011)
Net cash provided by (used in) financing and miscellaneous sources		(9,540)	142	(4,121)	(4,471)	(21)	—		(18,011)
Net change in cash, cash equivalents, and short-term investments		25,008	(733)	2,075	3,379	386	—		30,115
Cash, cash equivalents, and short-term investments:									
Beginning of year		69,925	1,193	3,886	3,023	543	—		78,570
End of year	$	94,933	460	5,961	6,402	929	—	$	108,685
Non-cash transactions:									
Exchanges of bonds	$	5,087	2,823	3,679	—	—	—	$	11,589
Exchanges of stocks		28,068	—	—	—	—	—		28,068

See accompanying independent auditors' report.

CHURCH MUTUAL INSURANCE COMPANY, S.I. AND AFFILIATED PROPERTY AND CASUALTY COMPANIES

Supplemental Investment Risks Interrogatories
December 31, 2021
(Dollars in thousands)

1. The Company's total admitted assets as reported on page two of the Company's Annual Statement for the year ended December 31, 2021 was $ 2,360,135

2. Ten largest exposures to a single issuer/borrower/investment (excluding U.S. government securities):

	Issuer		Amount	Percentage of total admitted assets
2.01	FNMA	$	124,052	5.3
2.02	FHLMC		49,556	2.1
2.03	BLACKROCK US CORE PROPERTY FUND		46,854	2.0
2.04	VALOR EQUITY PARTNERS IV & V LP		32,882	1.4
2.05	VESEY STREET FUND V LP		21,070	0.9
2.06	BANK		21,010	0.9
2.07	BANK OF AMERICA CORP		19,222	0.8
2.08	BENCHMARK MORTGAGE TRUST		17,940	0.8
2.09	IGI HOLDINGS LTD		17,789	0.8
2.10	WELLS FARGO COMM MORTGAGE		11,660	0.5

3. The Company's total admitted assets held in bonds and preferred stocks by NAIC rating at December 31, 2021 are:

	Bond and Preferred Stock NAIC rating		Amount	Percentage of total admitted assets
3.01	NAIC-1	$	1,278,851	54.2
3.02	NAIC-2		103,932	4.4
3.03	NAIC-3		—	—
3.04	NAIC-4		—	—
3.05	NAIC-5		—	—
3.06	NAIC-6		—	—
3.07	P/RP-1		—	—
3.08	P/RP-2		—	—
3.09	P/RP-3		—	—
3.10	P/RP-4		—	—
3.11	P/RP-5		—	—
3.12	P/RP-6		—	—

4. The Company's total admitted assets in foreign investments are more than 2.5% of total admitted assets.

Total admitted assets held in foreign investments	$	114,151	4.8
Foreign-currency-denominated investments		—	—
Insurance liabilities denominated in that same foreign currency		—	—

5. The Company's total admitted assets in foreign investment exposure by NAIC sovereign designation are:

Foreign Investments by NAIC Sovereign Designation		Amount	Percentage of total admitted assets
Countries designated NAIC-1	$	111,843	4.7
Countries designated NAIC-2		965	0.0
Countries designated NAIC-3 or below		1,343	0.1

6. The Company's total admitted assets in the largest foreign investment exposures by country, categorized by country's NAIC sovereign designation are:

Foreign Investments in Countries Designated NAIC-1		Amount	Percentage of total admitted assets
Country 1: BERMUDA	$	22,688	1.0
Country 2: UNITED KINGDOM		19,751	0.8

7. The Company does not have an aggregate unhedged foreign currency exposure.

8. The Company does not have an aggregate unhedged foreign currency exposure.

9. The Company does not have an aggregate unhedged foreign currency exposure.

10. Ten largest nonsovereign (i.e., nongovernmental) foreign issues:

	Issuer		Amount	Percentage of total admitted assets
10.01	IGI HOLDINGS LTD	$	17,789	0.8
10.02	HSBC HOLDINGS PLC		5,977	0.3
10.03	SUMITOMO MITSUI FINL GRP		3,506	0.1
10.04	TOTALENERGIES CAP INTL		3,384	0.1
10.05	LLOYDS BANKING GROUP PLC		3,343	0.1
10.06	MITSUBISHI UFJ FIN GRP		2,880	0.1
10.07	BNP PARIBAS		2,757	0.1
10.08	DEUTSCHE BANK NY		2,665	0.1
10.09	COOPERATIEVE RABOBANK UA		2,654	0.1
10.10	DANSKE BANK A/S		2,630	0.1

11. The Company's assets in Canadian investments are less than 2.5% of total admitted assets.

12. The Company's assets held in investments with contractual sales restrictions are less than 2.5% of total admitted assets.

CHURCH MUTUAL INSURANCE COMPANY, S.I. AND AFFILIATED PROPERTY AND CASUALTY COMPANIES

Supplemental Investment Risks Interrogatories

December 31, 2021

(Dollars in thousands)

13 The Company's assets held in equity investments are more than 2.5% of total admitted assets.
Amounts and percentages of admitted assets held in the ten largest equity interests:

	Issuer		Amount	Percentage of total admitted assets
13.02	VANGUARD DEVELOPED MARKETS INDEX	$	71,827	3.0
13.03	VANGUARD INSTITUTIONAL INDEX		65,821	2.8
13.04	ISHARES RUS TOP 200 ETF		53,211	2.3
13.05	BLACKROCK US CORE PROPERTY FUND		46,854	2.0
13.06	VALOR EQUITY PARTNERS IV & V LP		32,882	1.4
13.07	VESEY STREET FUND V LP		21,070	0.9
13.08	ISHARES CORE S&P 500 ETF		19,840	0.8
13.09	IGI HOLDINGS LTD		17,789	0.8
13.10	CARBON CAPITAL VI LP		4,773	0.2
13.11	ISHARES CORE S&P MID-CAP ETF		3,824	0.2

14. The Company's assets held in nonaffiliated, privately placed equities are less than 2.5% of total admitted assets.

15. The Company's assets held in general partnership interests are less than 2.5% of total admitted assets.

16. Mortgage loans reported in Schedule B are less than 2.5% of total admitted assets.
17. Due to the percentage of assets being less than 2.5% of total admitted assets, Question 17 is omitted.

18. The Company's assets held in real estate reported are less than 2.5% of total admitted assets.

19. The Company does not have any investments in mezzanine real estate loans

20. The Company does not have any securities agreements or repurchase agreements.

21. The Company does not have any warrants attached to financial instruments, options, caps, or floors.

22. The Company does not have potential exposure for collars, swaps, or forwards.

23. The Company does not have any potential exposure for futures contracts.

See accompanying independent auditors' report.

Schedule 2

CHURCH MUTUAL INSURANCE COMPANY, S.I. AND AFFILIATED PROPERTY AND CASUALTY COMPANIES

Summary Investment Schedule

December 31, 2021

(Dollars in thousands)

Investment categories	Gross investment holdings 1 Amount	Gross investment holdings 2 Percentage	Admitted assets as reported in the annual statement 3 Amount	Admitted assets as reported in the annual statement 4 Percentage
Long-Term Bonds				
U.S. governments	$ 143,811	7.527	$ 143,811	7.527
All other governments	629	0.033	629	0.033
U.S. states, territories and possesions, etc. guaranteed	34,288	1.795	34,288	1.795
U.S. political subdivisions of states, territories, and possessions, guaranteed	68,920	3.607	68,920	3.607
U.S. special revenue and special assessment obligations, etc. non-guaranteed	463,231	24.245	463,231	24.245
Industrial and miscellaneous	658,085	34.443	658,085	34.443
Hybrid securities	—	—	—	—
Parent, subsidiaries and affiliates	—	—	—	—
SVO identified funds	—	—	—	—
Unaffiliated bank loans	—	—	—	—
Total long-term bonds	1,368,964	71.650	1,368,964	71.650
Preferred stocks:				
Industrial and miscellaneous (Unaffiliated)	—	—	—	—
Parent, subsidiaries and affiliates	—	—	—	—
Total preferred stocks	—	—	—	—
Common stocks:				
Industrial and miscellaneous Publicly traded (Unaffiliated)	103,965	5.441	103,965	5.441
Industrial and miscellaneous Other (Unaffiliated)	—	—	—	—
Parent, subsidiaries and affiliates Publicly traded	—	—	—	—
Parent, subidiaries and affiliates Other	—	—	—	—
Mutual funds	217,019	11.359	217,019	11.359
Unit investment trusts	—	—	—	—
Closed-end funds	—	—	—	—
Total common stocks	320,984	16.800	320,984	16.800
Mortgage loans:				
Farm mortgages	—	—	—	—
Residential mortgages	—	—	—	—
Commercial mortgages	—	—	—	—
Mezzanine real estate loans	—	—	—	—
Total mortgage loans	—	—	—	—
Real estate:				
Properties occuped by company	11,196	0.586	11,196	0.586
Properties held for production of income	—	—	—	—
Properties held for sale	—	—	—	—
Total real estate	11,196	0.586	11,196	0.586
Cash, cash equivalents and short-term investments:				
Cash	40,113	2.100	40,113	2.100
Cash equivalents	57,850	3.028	57,850	3.028
Short-term investments	4,820	0.252	4,820	0.252
Total cash, cash equivalents and short-term investments	102,783	5.380	102,783	5.380
Contract loans	—	—	—	—
Derivatives				
Other invested assets	106,680	5.583	106,680	5.583
Receivables for securities	27	0.001	27	0.001
The Company does not have a securities lending program	—	—	—	—
Total invested assets	$ 1,910,634	100	$ 1,910,634	100

See accompanying independent auditors' report.

CHURCH MUTUAL INSURANCE COMPANY, S.I. AND AFFILIATED PROPERTY AND CASUALTY COMPANIES

Supplemental Schedule of Reinsurance Risk Interrogatories

December 31, 2021

(Dollars in thousands)

(1) REINSURANCE INTERROGATORIES

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 [X]
2.	If yes, indicate the number of reinsurance contracts containing such provisions.	0
3.	If yes, does the amount of reinsurance credit taken reflect the reduction in quota share coverage caused by any applicable limiting provision(s)?	Yes [ ] No [ ]
4.	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 [X]

CHURCH MUTUAL INSURANCE COMPANY, S.I. AND AFFILIATED PROPERTY AND CASUALTY COMPANIES

Supplemental Schedule of Reinsurance Risk Interrogatories

December 31, 2021

(Dollars in thousands)

5. 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), 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. Yes [ ] No [X]

6. If yes to 4 or 5, please provide the following information:

   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 4 or 5; and

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

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

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

   b) Accounted for that contract as reinsurance under GAAP and as a deposit under SAP? Yes [ ] No [X]

8. If yes to 7, explain why the contract(s) is treated differently for GAAP and SAP. N/A

See accompanying independent auditors' report.