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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, 2023 and 2022

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KPMG LLP
Aon Center
Suite 5500
200 E. Randolph Street
Chicago, IL 60601-6436

Independent Auditors' Report

The 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, 2023 and 2022, 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, 2023 and 2022, 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, 2023 and 2022, 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, combing 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.

KPMG LLP

Chicago, Illinois
May 14, 2024

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, 2023 and 2022

(Dollars in thousands)

Admitted Assets		2023		2022
Cash and invested assets:				
Bonds	$	1,401,525	$	1,400,569
Common stock		237,452		247,530
Cash, cash equivalents, and short-term investments		75,679		117,593
Other invested assets		98,706		104,603
Receivable for securities		307		205
Cash surrender value of life insurance		26,554		24,873
Land and buildings – at cost, less accumulated depreciation of $17,443 and $16,952 in 2023 and 2022, respectively		10,330		10,620
Total cash and invested assets		1,850,553		1,905,993
Other assets:				
Premiums and other receivables		326,050		304,406
Contingent commissions receivable		2,026		2,152
Receivables from reinsurers		49,495		39,833
Receivables from subsidiaries		1,929		1,205
Federal income taxes receivable		80,615		28,589
Net deferred tax assets		8,580		43,423
Guaranty funds on deposit		1,396		899
Accrued interest and dividends		10,202		10,095
Electronic data processing equipment – at cost, less accumulated depreciation of $14,152 and $13,310 in 2023 and 2022, respectively		743		1,580
Other		43,578		38,201
Total other assets		524,614		470,383
Total admitted assets	$	2,375,167	$	2,376,376

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, 2023 and 2022
(Dollars in thousands)

Liabilities and Surplus of Policyholders		**2023**		**2022**
Liabilities:				
Reserve for losses and loss adjustment expenses	$	1,035,915	$	842,316
Reinsurance payable on paid losses and loss adjustment expenses		4,246		127
Unearned premiums		586,227		557,416
Dividends payable to policyholders		21,738		16,956
Ceded reinsurance premiums payable		82,398		78,112
Accrued expenses		61,023		64,225
Funds held under reinsurance treaties		2,285		1,822
Funds held for others		8,915		9,289
Premium deposits		8,889		6,177
Payable for securities		7		7,090
Other taxes		5,527		5,902
Liability for deferred compensation and pension		34,217		20,690
Other liabilities		1,586		2,408
Total liabilities		1,852,973		1,612,530
Surplus of policyholders:				
Common stock		15,003		19,003
Guaranty fund		1,600		1,600
Gross paid-in and contributed surplus		99,897		115,897
Unassigned surplus		405,694		627,346
Total surplus of policyholders		522,194		763,846
Total liabilities and surplus of policyholders	$	2,375,167	$	2,376,376

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, 2023 and 2022

(Dollars in thousands)

	2023	2022
Underwriting:		
Premiums earned	$ 1,095,524	$ 999,973
Losses and expenses incurred:		
Losses incurred	830,679	581,407
Loss adjustment expenses incurred	185,834	106,401
Other underwriting expenses	377,361	333,443
Total losses and expenses incurred	1,393,874	1,021,251
Net underwriting loss	(298,350)	(21,278)
Investment and other income:		
Interest	51,755	36,737
Dividends	6,305	7,172
Real estate income	4,000	4,000
Net realized (losses) on sales of investments, net of tax (benefit) of ($1,768) and ($3,840) in 2023 and 2022, respectively	(6,655)	(14,447)
Investment expenses	(5,733)	(5,555)
Other	1,411	30,118
Net investment and other income	51,083	58,025
(Loss) income before dividends to policyholders and federal income tax expense	(247,267)	36,747
Dividends to policyholders	15,909	11,858
(Loss) income before federal income tax expense	(263,176)	24,889
Federal income tax (benefit) expense	(47,668)	20,773
Net (loss) income	$ (215,508)	$ 4,116

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, 2023 and 2022

(Dollars in thousands)

	2023	2022
Common stock:		
Beginning balance	$ 19,003	$ 19,003
Common stock sold to external parties	(4,000)	—
Ending balance	15,003	19,003
Gross paid-in and contributed surplus:		
Beginning balance	115,897	115,897
Paid-in surplus through sale of a business	(16,000)	—
Ending balance	99,897	115,897
Guaranty fund	1,600	1,600
Unassigned surplus:		
Beginning balance	627,347	654,169
Net (loss) income	(215,508)	4,116
Net unrealized (losses) gains on investments, net of capital gains tax expense (benefit) of $6,812 and ($13,241) in 2023 and 2022, respectively	25,629	(51,118)
Reversal of accumulated unrealized losses through sale of business	(2,065)	—
Net deferred income taxes	7,361	10,423
Provision for reinsurance	(212)	39
Nonadmitted assets	(32,132)	(2,793)
Distributions	—	(6,200)
Change in post retirement and pensions	(4,726)	18,710
Ending balance	405,694	627,346
Total capital and surplus	$ 522,194	$ 763,846

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, 2023 and 2022

(Dollars in thousands)

	2023	2022
Cash flows from operations:		
Premiums collected – net of reinsurance	$ 1,103,159	$ 1,006,784
Loss and loss adjustment expenses paid – net of salvage and subrogation recoveries (including reinsurance)	(699,626)	(553,145)
Underwriting expenses paid	(508,708)	(434,467)
Net investment income	59,241	47,443
Other income	6,509	32,318
Dividends to policyholders	(11,126)	(12,897)
Federal income taxes (paid) received	(2,649)	10,074
Net cash (used in) provided by operations	(53,200)	96,110
Cash flows from investments:		
Proceeds from investments sold, matured, or repaid	823,801	953,779
Cost of investments acquired including purchases of real estate of $245 and $0 in 2023 and 2022, respectively, and purchases of other invested assets of $3,731 and $5,021 in 2023 and 2022, respectively	(814,111)	(992,198)
Net cash provided by (used in) investments	9,690	(38,419)
Cash flows from financing and miscellaneous sources:		
Dividend to stockholders	—	(6,200)
Capital and paid in surplus, less treasury stock	(5,170)	—
Other	6,766	(36,681)
Net cash provided by (used in) financing and miscellaneous sources	1,596	(42,881)
Net change in cash, cash equivalents, and short-term investments	(41,914)	14,810
Cash, cash equivalents, and short-term investments:		
Beginning of year	117,593	102,783
End of year	$ 75,679	$ 117,593
Non-cash transactions:		
Exchanges of bonds	$ 6,547	$ 13,326
Exchanges of stocks	—	—

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.

On October 1, 2023, Church Mutual Holding Company, Inc. sold 100% of the outstanding stock of CMSL for $32,065. There was a gain on the sale was $12,065 as well as reversal of cumulative unrealized gains of $2,065 creating a net surplus increase of $10,000 for the combined Church Mutual Group. The carrying value of CMSL was $0 and $21,776 for the years ended December 31, 2023 and 2022, respectively. Only CMSL's activities through September 30, 2023 are included in the Company's combined statutory financial statements.

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 (11.2%), California (9.7%), New York (8.7%), and Pennsylvania (8.5%) for the year ended December 31, 2023. No other jurisdiction accounted for more than 5.0% of statutory premiums earned for the years ended December 31, 2023 or 2022.

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, 2023, 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 2023 or 2022 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, expected credit losses are recorded in a separate allowance for credit loss account. Subsequent recoveries occur the allowance is then reversed through the provision for credit losses.

- 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 $76,345 and $44,241 at December 31, 2023 and 2022, 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 expected 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 and pervasive, 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, 2023 and 2022, 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, 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 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.

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 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, 2023 and 2022. 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 claim evaluations, statistical analysis, and estimates. 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 $3,664 and $6,635 for the years ended December 31, 2023 and 2022, 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, 2023 and 2022, 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, 2023 or 2022.

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, 2023 and 2022 were as follows:

2023	Carrying value	Gross unrealized gains	Gross unrealized losses	Fair value
Bonds:				
U.S. government and government agencies	$ 118,627	$ 1,410	(3,337)	$ 116,700
States and political subdivisions	99,130	1,188	(6,846)	93,472
Special revenue and special assessment obligations	494,355	2,962	(34,687)	462,630
Corporate	689,415	6,359	(35,267)	660,507
Total bonds	$ 1,401,527	$ 11,919	$ (80,137)	$ 1,333,309

2022	Carrying value	Gross unrealized gains	Gross unrealized losses	Fair value
Bonds:				
U.S. government and government agencies	$ 91,470	$ 78	$ (4,691)	$ 86,857
States and political subdivisions	108,005	467	(9,929)	98,543
Special revenue and special assessment obligations	483,062	676	(50,459)	433,279
Corporate	718,032	1,456	(60,432)	659,056
Total bonds	$ 1,400,569	$ 2,677	$ (125,511)	$ 1,277,735

The Company held no preferred stock at December 31, 2023 or 2022.

Common stocks, were carried at fair value of $237,453 at December 31, 2023 with an actual cost of $205,910, unrealized gains of $37,274 and unrealized losses of $5,732. Common stocks, were carried at fair value of $247,530 at December 31, 2022 with an actual cost of $255,456, unrealized gains of $20,566 and unrealized losses of $28,492.

Other invested assets are comprised of ownership interests in joint ventures, partnerships, and limited liability companies. Other invested assets were carried at $98,706 at December 31, 2023 with an actual cost of $64,088, unrealized gains of $35,370 and unrealized losses of $751. Other invested assets were carried at $104,603 at December 31, 2022 with an actual cost of $62,660, unrealized gains of $42,077 and unrealized losses of $134.

The Company has $20,155 and $23,774 in unfunded commitments to joint ventures, partnerships, and limited liability companies at December 31, 2023 and 2022, 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 $595,913 and $519,373 and approximately 49% and 46% classified as government agency securities as of December 31, 2023 and 2022, 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 $453,210 and $565,191 at December 31, 2023 and 2022, 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 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.

(Dollars in thousands)

The following tables summarize, for all bonds and stocks in an unrealized loss position and deemed to be temporarily impaired at December 31, 2023 and 2022, the aggregate fair value and the gross unrealized loss by length of time such securities have been in an unrealized loss position:

	2023					
	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, 2023:						
Bonds:						
U.S. government and government agencies	$ (182)	15,396	(3,155)	31,372	(3,337)	46,768
States and political subdivisions	(10)	2,047	(6,836)	64,372	(6,846)	66,419
Special revenue and special assessment obligations	(222)	20,973	(34,465)	319,052	(34,687)	340,025
Corporate	(512)	37,155	(34,755)	382,060	(35,267)	419,215
Preferred stocks	–	–	–	–	–	–
Common stocks, unaffiliated	(355)	2,356	(5,377)	81,464	(5,732)	83,820
Total temporarily impaired bonds and preferred and common stocks	$ (1,281)	$ 77,927	$ (84,588)	$ 878,320	$ (85,869)	$ 956,247

	2022					
	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, 2022:						
Bonds:						
U.S. government and government agencies	$ (1,788)	$ 63,403	$ (2,903)	$ 21,008	$ (4,691)	$ 84,411
States and political subdivisions	(3,654)	50,743	(6,275)	29,537	(9,929)	80,280
Special revenue and special assessment obligations	(23,814)	278,205	(26,645)	122,295	(50,459)	400,500
Corporate	(32,921)	397,954	(27,512)	179,300	(60,433)	577,254
Common stocks, unaffiliated	(25,239)	129,072	(3,253)	16,794	(28,492)	145,866
Total temporarily impaired bonds and preferred and common stocks	$ (87,416)	$ 919,377	$ (66,588)	$ 368,934	$ (154,004)	$ 1,288,311

At December 31, 2023, the Company had one bond with a fair value of $154 and an amortized cost of $144 that had a NAIC rating of 3 which indicated a potential adjustment from being carried at amortized cost. This bond is carried at the lower of amortized cost or fair value, resulting in an aggregate reduction to the carrying value of bonds of $10, which is reflected in surplus as an unrealized loss.

At December 31, 2022, the Company had three bonds with a fair value of $1,020 and an amortized cost of $1,317 that had a NAIC rating of 3 which indicated a potential adjustment from being carried at amortized cost. Each of these bonds is carried at the lower of amortized cost or fair value, resulting in an aggregate reduction to the carrying value of bonds of $297, which is reflected in surplus as an unrealized loss. 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 $1,522 and $720, respectively, for the year ended December 31, 2023. The Company recorded other-than-temporary impairments in common stock and other invested assets of $1,942 and $2,105, respectively, for the year ended December 31, 2022.

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, 2023 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, 2023 and 2022 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, 2023 or 2022.

(Dollars in thousands)

The table below sets forth the maturity aging schedule of bonds at December 31, 2023. 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	$ 18,485	18,357
Due after 1 year through 5 years	378,141	369,194
Due after 5 years through 10 years	263,232	248,207
Due after 10 years	145,755	139,957
Mortgage- and asset-backed securities	595,914	557,594
Total	$ 1,401,527	$ 1,333,309

Proceeds from sales of bonds during 2023 and 2022 were $698,545 and $917,809, respectively. Gross gains of $4,492 and $2,176 were realized in 2023 and 2022, respectively, relating to those sales. Gross losses of $20,669 and $25,665 were realized in 2023 and 2022, respectively, relating to those sales.

Proceeds from the sale of investments in common stocks during 2023 and 2022 totaled $77,631 and $33,236, respectively. Gross gains of $12,020 and $7,593 were realized in 2023 and 2022, respectively, relating to those sales. Gross losses of $2,614 and $2,053 were realized in 2023 and 2022, respectively, relating to those sales.

Securities with a carrying value of approximately $96,306 and $101,079 at December 31, 2023 and 2022, respectively, were on deposit with government agencies, as prescribed by law in the applicable state.

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, 2023 and 2022. 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, 2023 and 2022, 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.

(Dollars in thousands)

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.

	2023		2022	
	Statement value	Estimated fair value	Statement value	Estimated fair value
Financial instruments recorded as assets:				
Bonds	$ 1,401,526	$ 1,333,308	$ 1,400,569	$ 1,277,735
Common stock, unaffiliated	237,453	237,453	247,530	247,530
Cash, cash equivalents, and short-term investments	75,679	75,679	117,593	117,593

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, 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.

Alternative Investments are excluded since they are carried at net asset value which was $98,706 and $104,603 for the years ended December 31, 2023 and December31, 2022, respectively.

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.

(Dollars in thousands)

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, 2023 and 2022.

Assets and liabilities measured or disclosed at fair value as of December 31, 2023 and 2022 are as follows:

	December 31, 2023			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets:				
Bonds:				
U.S. government and government agencies	$ 89,248	27,448	$ —	$ 116,696
States and political subdivisions	—	93,473	—	93,473
Special revenue and special assessment obligations	—	462,631	—	462,631
Corporate	—	660,507	—	660,507
Total bonds	89,248	1,244,059	—	1,333,307
Common stocks, unaffiliated	237,453	—	—	237,453
Total bonds and stocks	$ 326,701	$ 1,244,059	$ —	$ 1,570,760

(Dollars in thousands)

	December 31, 2022			
	Level 1	Level 2	Level 3	Total
Assets:				
Bonds:				
U.S. government and government agencies	$ 75,975	$ 10,882	$ —	$ 86,857
States and political subdivisions	—	98,543	—	98,543
Special revenue and special assessment obligations	—	433,279	—	433,279
Corporate	—	659,056	—	659,056
Total bonds	75,975	1,201,760	—	1,277,735
Common stocks, unaffiliated	247,530	—	—	247,530
Total bonds and stocks	$ 323,505	$ 1,201,760	$ —	$ 1,525,265

There were no transfers into or out of Level 3 for the year ended December 31, 2023 and 2022.

(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:

		2023		2022
Balance at January 1	$	979,544	$	966,446
Less reinsurance recoverable		137,228		162,580
Net balance at January 1	$	842,316	$	803,866
Incurred related to:				
Current year	$	850,838	$	625,201
Prior years		165,676		62,607
Total incurred	$	1,016,514	$	687,808
Paid related to:				
Current year	$	393,259	$	286,198
Prior years		429,655		363,160
Total Paid	$	822,914	$	649,358
Net balance at December 31		1,035,916		842,316
Plus reinsurance recoverable		143,798		137,228
Balance at December 31	$	1,179,714	$	979,544

The estimated cost of loss and loss adjustment expenses attributable to insured events from prior years increased in 2023 and 2022 as a result of re-estimation of unpaid loss and loss adjustment expenses on both property and liability lines. The increases in unpaid loss and loss adjustment expense reserves were the result of elevated severity trends driven by the impacts of both economic and social inflation. Specific drivers of the inflation included supply chain issues caused by increased catastrophe activity, increased cost of materials and labor, increased litigation and the associated cost to defend, as well as other economic and social inflationary factors.

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.

(Dollars in thousands)

(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, 2023 and 2022, the Company had no net operating loss or tax credit carryforwards.

On October 1, 2023, Church Mutual Holding company, Inc. sold 100% of the outstanding stock of CM Select Insurance Company. Therefore, only CM Select Insurance company's income through September 30, 2023, will be included in the Company's consolidated federal return.

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:

2023	$ —
2022	21,457
2021	37,118

The Company's total current federal income tax and change in net deferred income taxes without unrealized gains for the years ended December 31, 2023 and 2022 differ from the amount obtained by applying the federal statutory income tax rate of 21% in 2023 and 2022 to income before income taxes from the combined statutory statements of operations for the following reasons:

	2023		2022	
	Tax Effect	Effective Tax Rate	Tax Effect	Effective Tax Rate
Income before taxes (excluding capital gains)	$ (256,521)		$ 39,336	
Capital gains	(8,422)		(18,287)	
Income before taxes	$ (264,943)		$ 21,049	
Income tax expense at statutory rate	$ (55,637)	21.0 %	$ 4,421	21.0 %
Increase (decrease) in tax resulting from:				
Tax-exempt interest	(757)	0.3	(920)	(4.4)
Dividends received deduction	(177)	0.1	(179)	(0.9)
Officer life insurance cash surrender	(116)	—	(206)	(1.0)
Nondeductible expenses	186	(0.1)	175	0.8
Change in non-admitted assets	679	(0.3)	(372)	(1.8)
Other items	16	—	971	4.6
Total income tax expense (benefit) expected	$ (55,806)	21.0 %	$ 3,890	18.5 %
Current income taxes incurred	$ (48,831)	18.4 %	$ 17,912	85.1 %
Prior year overaccrual	(685)	0.3	(983)	(4.7)
Other items	79	—	3	—
Change in deferred income tax (without tax on unrealized gains and losses and nonadmitted assets)	(6,369)	2.4	(13,042)	(62.0)
Total statutory income tax expense (benefit)	$ (55,806)	21.1 %	$ 3,890	18.5 %

(Dollars in thousands)

The components of the net deferred tax asset at December 31, 2023 and 2022 are as follows:

	December 31, 2023			December 31, 2022			
	Ordinary	Capital	Total	Ordinary	Capital	Total	Change
Total gross deferred tax assets	$ 61,253	$ 604	$ 61,857	$ 53,786	$ 470	$ 54,256	$ 7,601
Statutory valuation allowance	–	–	–	–	–	–	–
Adjusted gross deferred tax assets	61,253	604	61,857	53,786	470	54,256	7,601
Total gross deferred tax liabilities	(2,324)	(14,466)	(16,790)	(2,504)	(7,202)	(9,706)	(7,084)
Net deferred tax assets (liabilities)	58,929	(13,862)	45,067	51,282	(6,732)	44,550	517
Total deferred tax assets non admitted	(36,487)	–	(36,487)	(1,127)	–	(1,127)	(35,360)
Net admitted deferred tax assets (liabilities)	$ 22,442	$ (13,862)	$ 8,580	$ 50,155	$ (6,732)	$ 43,423	$ (34,843)

Change in net admitted deferred tax assets	$ (34,843)
Plus: tax effect of unrealized gains (losses)	6,812
Plus: tax effect of SSAP 92 and SSAP 102	(992)
Equals change in net admitted deferred tax assets	$ (29,023)
Less: Change in deferred tax assets nonadmitted	(35,360)
Change in net deferred income taxes	$ 6,337

The amount of admitted adjusted gross deferred tax assets allowed under each component of SSAP No. 101, *Income Taxes*, as of December 31, 2023 and 2022 is as follows:

	December 31, 2023			December 31, 2022			
Admission calculation	Ordinary	Capital	Total	Ordinary	Capital	Total	Change
Admitted carrybacks for taxes paid in prior periods	$ 10,647	$ –	$ 10,647	$ 40,340	$ 313	$ 40,653	$ (30,006)
Admitted Gross DTAs:							
Admitted adjusted DTA expected to be realized within applicable period	120	–	120	3,788	157	3,945	(3,825)
Admitted per applicable percentage of surplus and capital excluding DTAs, EDP, operating software, and positive goodwill	–	–	34,432	–	–	107,705	(73,273)
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)	120	–	120	3,788	157	3,945	(3,825)
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	13,999	604	14,603	8,531	–	8,531	6,072
Total admitted deferred tax assets	24,766	604	25,370	52,659	470	53,129	(27,759)
Total deferred tax liabilities	(2,324)	(14,466)	(16,790)	(2,504)	(7,202)	(9,706)	(7,084)
Net admitted deferred tax assets (liabilities)	$ 22,442	$ (13,862)	$ 8,580	$ 50,155	$ (6,732)	$ 43,423	$ (34,843)
Authorized control level ratio excluding DTAs			323%			542%	(219)%

(Dollars in thousands)

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 2023 and 2022 are as follows:

	2023		
	Ordinary	Capital	Total
Deferred tax assets:			
Tax basis discount on unpaid losses	$ 17,519	$ —	$ 17,519
Adjustment for unearned premiums	24,622	—	24,622
Accrued deferred compensation	7,547	—	7,547
Accrued compensation and benefits	36	—	36
Fixed assets	4,658	—	4,658
Acquired intangibles	391	—	391
Other accrued expenses	12	—	12
Nonadmitted intangible assets	210	—	210
Nonadmitted common stock/prepaids	1,359	—	1,359
Nonadmitted premiums receivable	495	—	495
Other	4,404	604	5,008
Total deferred tax assets	61,253	604	61,857
Total deferred tax assets nonadmitted	(36,487)	—	(36,487)
Total admitted deferred tax assets	24,766	604	25,370
Deferred tax liabilities:			
Tax Effect of Unrealized Capital Gains	—	13,893	13,893
Salvage & Subrogation	546	—	546
Policy Acquisition Expenses	361	—	361
Unpaid Losses Liability (TCJA)	1,095	—	1,095
Accrued Pension and Post-Retirement Benefits	198	—	198
Other	124	573	697
Total deferred tax liabilites	2,324	14,466	16,790
Net deferred tax asset admitted	$ 22,442	$ (13,862)	$ 8,580

(Dollars in thousands)

	2022		
	Ordinary	**Capital**	**Total**
Deferred tax assets:			
Tax basis discount on unpaid losses	$ 14,824	$ —	$ 14,824
Adjustment for unearned premiums	23,411	—	23,411
Accrued deferred compensation	7,119	—	7,119
Accrued compensation and benefits	482	—	482
Accrued postretirement and pension benefits	5	—	5
Accrued professional fees	6	—	6
Fixed assets	3,088	—	3,088
Acquired intangibles	573	—	573
Other accrued expenses	6	—	6
Nonadmitted intangible assets	315	—	315
Nonadmitted common stock/prepaids	1,283	—	1,283
Adjustment for advance premium	11	—	11
Nonadmitted premiums receivable	261	—	261
Other	2,402	470	2,872
Total deferred tax assets	53,786	470	54,256
Total deferred tax assets nonadmitted	(1,127)	—	(1,127)
Total admitted deferred tax assets	52,659	470	53,129
Deferred tax liabilities:			
Tax Effect of Unrealized Capital Gains	—	7,081	7,081
Salvage & Subrogation	596	—	596
Policy Acquisition Expenses	190	—	190
Unpaid Losses Liability (TCJA)	1,643	—	1,643
Other	75	121	196
Total deferred tax liabilites	2,504	7,202	9,706
Net deferred tax asset admitted	$ 50,155	$ (6,732)	$ 43,423

There are no deferred tax liabilities that are not recognized as of December 31, 2023 or 2022.

As of December 31, 2023 and 2022, 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, 2023 and 2022 are as follows:

	2023	2022
Changes in deferred tax assets from book/tax differences in:		
Tax basis discount on unpaid losses	$ 2,695	$ (388)
Adjustment for unearned premium	1,211	2,351
Accrued Deferred Compensation	428	(1,231)
Accrued Compensation and Benefits	(446)	482
Accrued Pension and Post-Retirement Benefits	(5)	(11,551)
Accrued Professional Fees	(6)	—
Fixed Assets, Including Non-Admitted Fixed Assets	1,570	1,534
Acquired Intangibles	(182)	(292)
Other Accrued Expenses	6	(34)
Nonadmitted intangible assets	(105)	(105)
Nonadmitted common stock/prepaids	76	(113)
Adjustment for Advance Premiums	(11)	—
Nonadmitted Premiums Receivable	234	95
Other	2,136	(96)
Total change in gross deferred tax assets	7,601	(9,348)
Total change in nonadmitted deferred tax assets	(35,360)	(1,027)
Total change in net admitted deferred tax assets	$ (27,759)	$ (10,375)
Deferred tax liabilities resulting from book/tax differences in:		
Deferred and uncollected premiums	(6,812)	13,515
Salvage & Subrogation	50	(596)
Policy Acquisition Expenses	(171)	(190)
Unpaid Losses Liability (TCJA)	548	548
Accrued Pension and Post-Retirement Benefits	(198)	—
Other	(501)	1,749
Total change in deferred tax (liabilities) asset	(7,084)	33,012
Total change in net deferred tax (liabilities) asset	$ (34,843)	$ 22,637

In August 2022, the Inflation Reduction Act of 2022 (“Act”) was passed by U.S. Congress and signed into law by President Biden. The Act includes a new Federal alternative minimum tax (“AMT”), effective in 2023, that is based on the adjusted financial statement income set forth on the applicable financial statement of an applicable corporation. The controlled group of corporations of which the Company is a member has determined that it likely will not be an applicable corporation in 2023. In making such determination, the group has made certain interpretations of, and assumptions regarding, the AMT provisions of the Act. The U.S. Treasury Department is expected to issue guidance throughout 2023 that may differ from the group’s interpretations and assumptions and that could alter the group’s determination.

(Dollars in thousands)

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, 2023 or 2022. The Company's tax-planning strategy does not include the use of reinsurance related tax-planning strategies.

The examinations of the Company's consolidated federal income tax returns for the years 2019 and prior are closed, and the years 2020 through 2023 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, 2023 and 2022 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, 2023 and 2022, CMICSI has reported pension balances in accordance with actuarially determined amounts.

Summarized information on the Pension Plan for the year ended December 31, 2023 and 2022 is as follows:

	Measurement date	
	December 31, 2023	**December 31, 2022**
Change in benefit obligation:		
Projected benefit obligation at beginning of year	$ 90,820	$ 112,665
Service cost	3,499	4,187
Interest cost	4,946	3,267
Actuarial loss (gain)	6,706	(17,197)
Settlements	—	(10,638)
Other benefits paid	(5,755)	(1,464)
Termination expense due to VRI	9,172	—
Projected benefit obligation at end of year	$ 109,388	$ 90,820

(Dollars in thousands)

		Measurement date December 31, 2023		December 31, 2022
Change in plan assets:				
Fair value of plan assets at beginning of year		97,812		119,183
Actual return on plan assets		8,273		(8,488)
Employer contribution		—		475
Settlements		—		(11,893)
Other benefits paid		(5,755)		(1,464)
Fair value of plan assets at end of year	$	100,330	$	97,813
Funded (unfunded) status	$	(9,058)	$	6,993
Items not yet recognized as a component of net periodic pension costs:				
Unrecognized prior service cost (vested)	$	(4,330)	$	(5,786)
Unrecognized actuarial loss		18,589		15,320
Components of net periodic benefit cost:				
Service cost	$	3,499	$	4,187
Interest cost		4,946		3,267
Expected return on plan assets		(5,232)		(6,421)
Amortization of net loss (gain) from earlier periods		396		529
Amortization of unrecognized prior service (credit) cost		(991)		(991)
Total net period benefit cost	$	2,618	$	571

The accumulated benefit obligations as of December 31, 2023 and 2022 is $108,591 and $90,141, respectively. A measurement date of December 31, 2023 was used to determine the benefit obligation and net benefit cost.

CMICSI had a liability for pension benefits of $9,058 at December 31, 2023 and a nonadmitted prepaid pension asset of $6,993 at December 31, 2022.

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:

2024	$	40,007
2025		3,601
2026		3,925
2027		4,308
2028		4,673
2029 – 2033		32,334
Total	$	88,848

CMICSI contributed to the 2023 Pension Plan year in the amount of $17,750 pursuant to board approval. This contribution amount is higher than previous years due to the impact of special termination benefits awarded to a select group of employees.

(Dollars in thousands)

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

	2023	2022
Used to determine benefit cost:		
Measurement date for the fiscal years ended	12/31/2023	12/31/2022
Discount rate	5.59%	2.97%
Rate of compensation increase	3.75	3.75
Expected long-term rate of return on plan assets	5.50	5.50
Interest crediting rates	5.41	4.00
Used to determine benefit obligation:		
Measurement date	12/31/2023	12/31/2022
Discount rate	5.30%	5.59%
Rate of compensation increase	3.75	3.75
Interest crediting rates	5.83	5.41

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, 2023 and 2022. 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, 2023			
	Level 1	Level 2	Level 3	Total
Cash equivalents	$ 2,329	$ –	$ –	$ 2,329
U.S. government securities	12,142	–	–	12,142
Corporate bonds and debentures	–	49,729	–	49,729
Foreign issued bonds and debentures	–	1,875	–	1,875
Common stocks	33,714	–	–	33,714
Mutual funds	–	–	–	–
Accrued income	541	–	–	541
Total	$ 48,726	$ 51,604	$ –	$ 100,330

(Dollars in thousands)

	December 31, 2022			
	Level 1	Level 2	Level 3	Total
Cash equivalents	$ 1,248	$ —	$ —	$ 1,248
U.S. government securities	10,829	—	—	10,829
Corporate bonds and debentures	—	50,735	—	50,735
Foreign issued bonds and debentures	—	1,827	—	1,827
Common stocks	32,618	—	—	32,618
Mutual funds	—	—	—	—
Accrued income	556	—	—	556
Total	$ 45,251	$ 52,562	$ —	$ 97,813

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.

The Company offered a voluntary retirement incentive to a group of employees in 2023 resulting in an increase in the pension plan projected benefit obligation from special termination benefits of $9,172.

In 2022 the cost of all settlements in the defined benefit plan was less than the sum of the service cost and interest cost of the plan. As a result of these settlements, the Projected Benefit Obligation was reduced by $10,638 in 2022, with a corresponding reduction in the Fair Value of Plan Assets of $11,893 in 2022, for a decrease to the Funded Status of the Plan of $1,255 in 2022. Following settlement accounting treatment, the Company also recognized a net loss of $1,766 in 2022 from previously unrecognized net loss. The net result was an additional pension expense of $3,020 in the Statutory Statement of Operations for the years ended December 31, 2022.

(b) Postretirement Benefits Other than Pensions

CMICSI sponsored a defined benefit plan that provided certain postretirement healthcare and life insurance benefits for retired employees. The Company elected to terminate the post-retirement health plan effective December 31, 2022.

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

(Dollars in thousands)

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

	2023	2022
Change in benefit obligation:		
Benefit obligation at beginning of year	$ —	$ 53,684
Service cost	—	598
Interest cost	—	752
Actuarial loss (gain)	—	(16,473)
Other events: Settlement	—	(4,965)
Curtailment	—	(22,344)
Benefits paid	—	(11,252)
Accrued postretirement cost	$ —	$ —

	2023	2022
Components of net periodic benefit cost:		
Service cost	$ —	$ 598
Interest cost	—	752
Amount of recognized prior service credit (vested)	—	(344)
Amount of recognized prior service cost (nonvested)	—	—
Amount of recognized losses	—	266
Total net periodic benefit cost	$ —	$ 1,272

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

	2023	2022
Used to determine benefit obligation and benefit cost:		
Measurement date	12/31/23	12/31/22
Discount rate benefit cost	N/A	5.15%
Discount rate benefit obligation	N/A	5.15

CMICSI had no accrued liabilities at December 31, 2023 or 2022, respectively.

CMICSI has a profit-sharing plan covering substantially all full-time employees. The Company's incurred profit-sharing expense was $356 and $2,796 as of December 31, 2023 and 2022, respectively, and profit-sharing contribution payments based on prior year accrued amounts were $2,573 and $4,991 in 2023 and 2022, 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 $5,360 and $5,064 in 2023 and 2022, respectively.

(Dollars in thousands)

(c) Deferred Compensation

CMICSI has granted various deferred compensation and supplemental retirement benefits to certain senior officers and sales representatives. The liability was approximately $34,217 and $20,690 at December 31, 2023 and 2022, respectively. The expense for these plans was $1,549 and $2,402 for the years ended December 31, 2023 and 2022, 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.

The following tables summarize amounts related to reinsurance assumed and ceded as of December 31, 2023 and 2022 for the years then ended:

Premium activity:

	2023		
	Written	Earned	Unearned
Direct	$ 1,360,549	1,333,673	$ 612,928
Assumed - unaffiliated	43,527	39,567	25,570
Ceded	(281,341)	(277,716)	(52,271)
Net	$ 1,122,735	$ 1,095,524	$ 586,227

	2022		
	Written	Earned	Unearned
Direct	$ 1,247,427	1,185,893	$ 598,538
Assumed - unaffiliated	33,069	32,499	8,171
Ceded	(224,536)	(218,419)	(49,293)
Net	$ 1,055,960	$ 999,973	$ 557,416

(Dollars in thousands)

Loss and LAE activity:

	2023		2022	
	Incurred loss and LAE	Liability for loss and LAE	Incurred loss and LAE	Liability for loss and LAE
Direct	$ 1,195,414	1,102,246	$ 784,124	909,958
Assumed - unaffiliated	38,585	77,467	26,068	69,587
Ceded	(217,486)	(143,798)	(122,384)	(137,229)
Net	$ 1,016,513	$ 1,035,915	$ 687,808	$ 842,316

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 $1,262 and $1,298 were recognized for the years ended December 31, 2023 and 2022, respectively.

CMICSI is a Standard Reinsurance Agreement holder through the Federal Crop Insurance Corporation. All of the multiple peril crop business is 100% ceded to a group of six highly rated reinsurers. The reinsurers are Starstone National Insurance Company (57%), Validus Reinsurance LTD (16%), Toa Reinsurance Company of America (12.5%), Arch Reinsurance Company (7%), American Agricultural Insurance Co (5.5%), and Catlin Re Switzerland (2%). The Company also entered into an agreement with Precision Risk Management, who serves as the Managing General Agent (MGA), for the multiple peril crop insurance for the Company.

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 2023 and 2022. The Company reduced its other underwriting expenses for expense payments associated with buy-up coverage by $0 in both 2023 and 2022.

Direct unearned premium reserve was $612,928 and net direct unearned premium reserve was $586,227 as of December 31, 2023. 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 2023 is as follows:

	Assumed reinsurance		Ceded reinsurance		Net	
	Unearned premiums	Commission equity	Unearned premiums	Commission equity	Unearned premiums	Commission equity
Nonaffiliates	$ 25,570	$ 3,440	$ 52,271	$ 7,600	$ (26,701)	$ (4,160)

(Dollars in thousands)

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 $105,184 and $74,089 for the years ended December 31, 2023 and 2022, 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 $1,436 and $1,432 for the years ended December 31, 2023 and 2022, respectively.

The following is a schedule of future minimum lease payments required under terms of the aforementioned leases as of December 31, 2023:

Fiscal year ending:		
2024	$	1,364
2025		732
2026		377
2027		185
Thereafter		808
Total minimum lease payments	$	3,466

(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 $990 and $984 as of December 31, 2023 and 2022, 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 $113 and ($1,095) for the years ended December 31, 2023 and 2022, respectively. The Company has accrued a liability for future guaranty fund assessments of $561 and $518 as of December 31, 2023 and 2022, respectively.

(10) RELATED PARTIES

In 2023, CMICSI issued no dividend to CMHC for contribution to the Church Mutual Insurance Company Foundation.

In 2022, CMICSI issued a dividend to CMHC in the amount of $700 for contribution to the Church Mutual Insurance Company Foundation. CMICSI issued dividends to CMHC totaling $5,500 to finalize the purchase of WMMS and SING.

(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) SUBSEQUENT EVENTS

Management has evaluated events subsequent to December 31, 2023 through May 14, 2024, the date these financial statements were available to be issued. Based on this evaluation, it is management's opinion that no events subsequent to December 31, 2023, have occurred that are material to the Company's financial position at that date or the results of its operations for the period then ended.

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, 2023
(Dollars in thousands)

Admitted Assets	CMICSI	CMVA	CMRI	CMIN	Eliminations	CMICSI Combined
Cash and invested assets:						
Bonds	$ 1,211,508	58,817	109,718	21,482	—	$ 1,401,525
Common stocks	211,482	—	25,970	—	—	237,452
Cash and cash equivalents	63,470	8,034	3,816	359	—	75,679
Other invested assets	98,706	—	—	—	—	98,706
Receivable for securities	307	—	—	—	—	307
Cash surrender value of life insurance	26,554	—	—	—	—	26,554
Land and buildings – net	10,330	—	—	—	—	10,330
Total cash and invested assets	1,622,357	66,851	139,504	21,841	—	1,850,553
Other assets:						
Premiums and other receivables	327,210	11,953	6,361	—	(19,474)	326,050
Contingent commissions receivable	1,916	—	110	—	—	2,026
Receivables from reinsurers	52,873	3,013	6,350	—	(12,741)	49,495
Receivables from subsidiaries	9,943	—	1,229	—	(9,243)	1,929
Federal income taxes receivable	79,382	651	686	—	(104)	80,615
Net deferred tax asset	10,275	244	—	—	(1,939)	8,580
Guaranty funds on deposit	1,396	—	—	—	—	1,396
Accrued interest and dividends	9,186	315	588	113	—	10,202
Electronic data processing equipment – net	743	—	—	—	—	743
Other	43,578	—	—	—	—	43,578
Total other assets	536,502	16,176	15,324	113	(43,501)	524,614
Total admitted assets	$ 2,158,859	83,027	154,828	21,954	(43,501)	$ 2,375,167

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, 2022

(Dollars in thousands)

Admitted Assets	CMICSI	CMSL	CMVA	CMRI	CMIN	Eliminations	CMICSI Combined
Cash and invested assets:							
Bonds	$ 1,191,227	21,248	57,747	109,442	20,905	—	$ 1,400,569
Common stocks	226,219	—	—	21,311	—	—	247,530
Cash and cash equivalents	96,102	2,108	13,148	5,823	412	—	117,593
Other invested assets	104,603	—	—	—	—	—	104,603
Receivable for securities	205	—	—	—	—	—	205
Cash surrender value of life insurance	24,873	—	—	—	—	—	24,873
Land and buildings – net	10,620	—	—	—	—	—	10,620
Total cash and invested assets	1,653,849	23,356	70,895	136,576	21,317	—	1,905,993
Other assets:							
Premiums and other receivables	310,266	3,261	11,756	6,098	—	(26,975)	304,406
Contingent commissions receivable	2,017	—	—	135	—	—	2,152
Receivables from reinsurers	47,985	305	2,841	3,053	—	(14,351)	39,833
Receivables from subsidiaries	5,441	—	—	—	—	(4,236)	1,205
Federal income taxes receivable	28,788	21	—	32	—	(252)	28,589
Net deferred tax asset	43,572	74	595	—	—	(818)	43,423
Guaranty funds on deposit	893	6	—	—	—	—	899
Accrued interest and dividends	8,994	106	286	603	106	—	10,095
Electronic data processing equipment – net	1,580	—	—	—	—	—	1,580
Other	38,174	26	—	1	—	—	38,201
Total other assets	487,710	3,799	15,478	9,922	106	(46,632)	470,383
Total admitted assets	$ 2,141,559	27,155	86,373	146,498	21,423	(46,632)	$ 2,376,376

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, 2023
(Dollars in thousands)

Liabilities and Surplus of Policyholders	CMICSI	CMVA	CMRI	CMIN	Eliminations	CMICSI Combined
Liabilities:						
Reserve for losses and loss adjustment expenses	$ 1,027,047	—	8,868	—	—	$ 1,035,915
Reinsurance payable on paid losses and loss adjustment expenses	11,985	—	2	—	(7,741)	4,246
Unearned premiums	586,227	—	—	—	—	586,227
Dividends payable to policyholders	21,738	—	—	—	—	21,738
Ceded reinsurance premiums payable	79,385	16,168	6,399	(80)	(19,474)	82,398
Accrued expenses	58,682	22	2,318	1	—	61,023
Funds held under reinsurance treaties	2,251	11	5,023	—	(5,000)	2,285
Funds held for others	8,486	307	122	—	—	8,915
Premium deposits	8,889	—	—	—	—	8,889
Payable to parent	—	9,054	—	189	(9,243)	—
Payable for securities	7	—	—	—	—	7
Federal income taxes payable	—	—	—	104	(104)	—
Net deferred tax liability	—	—	1,939	—	(1,939)	—
Other taxes	5,175	—	352	—	—	5,527
Liability for deferred compensation and pension	34,217	—	—	—	—	34,217
Other liabilities	326	72	1,188	—	—	1,586
Total liabilities	1,844,415	25,634	26,211	214	(43,501)	1,852,973
Capital and surplus:						
Common stock	5,000	3	5,000	5,000	—	15,003
Guaranty fund	1,600	—	—	—	—	1,600
Gross paid-in and contributed surplus	8,875	51,997	24,025	15,000	—	99,897
Unassigned surplus	298,969	5,393	99,592	1,740	—	405,694
Total surplus of policyholders	314,444	57,393	128,617	21,740	—	522,194
Total liabilities and surplus of policyholders	$ 2,158,859	83,027	154,828	21,954	(43,501)	$ 2,375,167

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, 2022

(Dollars in thousands)

Liabilities and Surplus of Policyholders	CMICSI	CMSL	CMVA	CMRI	CMIN	Eliminations	CMICSI Combined
Liabilities:							
Reserve for losses and loss adjustment expenses	$ 831,031	—	—	11,285	—	—	$ 842,316
Reinsurance payable on paid losses and loss adjustment expenses	4,351	—	—	127	—	(4,351)	127
Unearned premiums	557,416	—	—	—	—	—	557,416
Dividends payable to policyholders	16,956	—	—	—	—	—	16,956
Ceded reinsurance premiums payable	77,754	4,188	20,516	2,628	—	(26,974)	78,112
Accrued expenses	62,527	(179)	35	1,842	—	—	64,225
Funds held under reinsurance treaties	1,771	16	5,019	5,016	—	(10,000)	1,822
Funds held for others	8,848	5	296	140	—	—	9,289
Premium deposits	5,917	260	—	—	—	—	6,177
Payable to parent	—	870	2,793	573	—	(4,236)	—
Payable for securities	7,090	—	—	—	—	—	7,090
Federal income taxes payable	—	—	176	—	77	(253)	—
Net deferred tax liability	—	—	—	818	—	(818)	—
Other taxes	5,561	191	—	150	—	—	5,902
Liability for deferred compensation and pension	20,690	—	—	—	—	—	20,690
Other liabilities	491	27	378	1,512	—	—	2,408
Total liabilities	1,600,403	5,378	29,213	24,091	77	(46,632)	1,612,530
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	525,681	1,777	5,160	93,382	1,346	—	627,346
Total surplus of policyholders	541,156	21,777	57,160	122,407	21,346	—	763,846
Total liabilities and surplus of policyholders	$ 2,141,559	27,155	86,373	146,498	21,423	(46,632)	$ 2,376,376

See accompanying independent auditors' report.

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

Combining Schedule of Statutory Statement of Operations
Year ended December 31, 2023
(Dollars in thousands)

	CMICSI	CMSL	CMVA	CMRI	CMIN	Eliminations	CMICSI Combined
Underwriting:							
Premiums earned	$ 1,095,576	—	—	(52)	—	—	$ 1,095,524
Losses and expenses incurred:							
Losses incurred	831,466	—	—	(787)	—	—	830,679
Loss adjustment expenses incurred	184,856	—	—	978	—	—	185,834
Other underwriting expenses	377,220	—	—	141	—	—	377,361
Total losses and expenses incurred	1,393,542	—	—	332	—	—	1,393,874
Net underwriting loss	(297,966)	—	—	(384)	—	—	(298,350)
Investment and other income:							
Interest	45,558	458	1,762	3,403	574	—	51,755
Dividends	5,932	—	—	373	—	—	6,305
Real estate income	4,000	—	—	—	—	—	4,000
Net realized gain on sales of investments, net of tax	(6,351)	(1)	(53)	(233)	(17)	—	(6,655)
Investment expenses	(5,290)	(43)	(118)	(228)	(54)	—	(5,733)
Other	1,485	(16)	(25)	(33)	—	—	1,411
Net investment and other income	45,334	398	1,566	3,282	503	—	51,083
(Loss) income before dividends to policyholders and federal income tax expense	(252,632)	398	1,566	2,898	503	—	(247,267)
Dividends to policyholders	15,909	—	—	—	—	—	15,909
(Loss) income before federal income tax expense	(268,541)	398	1,566	2,898	503	—	(263,176)
Federal income tax (benefit) expense	(48,317)	41	(95)	594	109	—	(47,668)
Net (loss) income	$ (220,224)	357	1,661	2,304	394	—	$ (215,508)

See accompanying independent auditors' report.

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

Combining Schedule of Statutory Statement of Operations
Year ended December 31, 2022
(Dollars in thousands)

	CMICSI	CMSL	CMVA	CMRI	CMIN	Eliminations	CMICSI Combined
Underwriting:							
Premiums earned	$ 999,973	—	—	—	—	—	$ 999,973
Losses and expenses incurred:							
Losses incurred	584,249	—	—	(2,842)	—	—	581,407
Loss adjustment expenses incurred	107,636	—	—	(1,235)	—	—	106,401
Other underwriting expenses	333,293	—	—	150	—	—	333,443
Total losses and expenses incurred	1,025,178	—	—	(3,927)	—	—	1,021,251
Net underwriting (loss) gain	(25,205)	—	—	3,927	—	—	(21,278)
Investment and other income:							
Interest	31,860	478	1,360	2,641	398	—	36,737
Dividends	6,822	—	—	350	—	—	7,172
Real estate income	4,000	—	—	—	—	—	4,000
Net realized gain on sales of investments, net of tax	(14,408)	(9)	(3)	(21)	(6)	—	(14,447)
Investment expenses	(4,838)	(47)	(127)	(516)	(27)	—	(5,555)
Other	30,131	(1)	(12)	—	—	—	30,118
Net investment and other income	53,567	421	1,218	2,454	365	—	58,025
Income before dividends to policyholders and federal income tax expense	28,362	421	1,218	6,381	365	—	36,747
Dividends to policyholders	11,858	—	—	—	—	—	11,858
Income before federal income tax expense	16,504	421	1,218	6,381	365	—	24,889
Federal income tax expense	18,896	107	472	1,221	77	—	20,773
Net (loss) income	$ (2,392)	314	746	5,160	288	—	$ 4,116

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

Year ended December 31, 2023

(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 sold to external parties	—	(4,000)	—	—	—	—	(4,000)
Ending balance	5,000	—	3	5,000	5,000	—	15,003
Gross paid-in and contributed surplus:							
Beginning balance	8,875	16,000	51,997	24,025	15,000	—	115,897
Paid-in surplus through sale of a business	—	(16,000)	—	—	—	—	(16,000)
Ending balance	8,875	—	51,997	24,025	15,000	—	99,897
Guaranty fund	1,600	—	—	—	—	—	1,600
Unassigned surplus:							
Beginning balance	525,681	1,777	5,160	93,383	1,346	—	627,347
Net income	(220,224)	357	1,661	2,304	394	—	(215,508)
Net unrealized gains (losses) on investments, net of capital	21,948	—	—	3,681	—	—	25,629
Reversal of accumulated unrealized losses through sale of business	—	(2,065)	—	—	—	—	(2,065)
Net deferred income taxes	7,757	(42)	(211)	(143)	—	—	7,361
Provision for reinsurance	(122)	—	39	(129)	—	—	(212)
Nonadmitted assets	(31,345)	(27)	(1,256)	496	—	—	(32,132)
Change in post retirement and pensions	(4,726)	—	—	—	—	—	(4,726)
Ending balance	298,969	—	5,393	99,592	1,740	—	405,694
Total capital and surplus	$ 314,444	—	57,393	128,617	21,740	—	$ 522,194

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

Year ended December 31, 2022

(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 sold to external parties	—	—	—	—	—	—	—
Ending balance	5,000	4,000	3	5,000	5,000	—	19,003
Gross paid-in and contributed surplus:							
Beginning balance	8,875	16,000	51,997	24,025	15,000	—	115,897
Paid-in surplus through sale of a business	—	—	—	—	—	—	—
Ending balance	8,875	16,000	51,997	24,025	15,000	—	115,897
Guaranty fund	1,600	—	—	—	—	—	1,600
Unassigned surplus:							
Beginning balance	555,276	1,469	4,605	91,761	1,058	—	654,169
Net income	(2,392)	314	746	5,160	288	—	4,116
Net unrealized (losses) gains on investments, net of capital	(47,014)	—	—	(4,104)	—	—	(51,118)
Net deferred income taxes	10,028	11	305	79	—	—	10,423
Provision for reinsurance	8	(17)	11	37	—	—	39
Nonadmitted assets	(2,735)	—	(507)	449	—	—	(2,793)
Distributions	(6,200)	—	—	—	—	—	(6,200)
Change in post retirement and pensions	18,710	—	—	—	—	—	18,710
Ending balance	525,681	1,777	5,160	93,382	1,346	—	627,346
Total capital and surplus	$ 541,156	21,777	57,160	122,407	21,346	—	$ 763,846

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

Year ended December 31, 2023

(Dollars in thousands)

	CMICSI	CMSL	CMVA	CMRI	CMIN	Eliminations	CMICSI Combined
Cash flows from operations:							
Premiums collected – net of reinsurance	$ 1,109,759	692	(10,669)	3,457	(80)	—	$ 1,103,159
Loss and loss adjustment expenses paid – net of salvage and subrogation recoveries (including reinsurance)	(692,672)	(1,211)	(173)	(5,570)	—	—	(699,626)
Underwriting expenses paid	(508,824)	(1)	—	117	—	—	(508,708)
Net investment income	52,995	408	1,682	3,594	562	—	59,241
Other income (loss)	6,483	(16)	(25)	67	—	—	6,509
Dividends to policyholders	(11,126)	—	—	—	—	—	(11,126)
Federal income taxes paid	(588)	(79)	(718)	(1,186)	(78)	—	(2,649)
Net cash (used in) provided by operations	(43,973)	(207)	(9,903)	479	404	—	(53,200)
Cash flows from investments:							
Proceeds from investments sold, matured, or repaid	742,881	2,800	7,998	68,288	1,834	—	823,801
Cost of investments acquired	(732,591)	(956)	(9,214)	(68,871)	(2,479)	—	(814,111)
Net cash provided by (used in) investments	10,290	1,844	(1,216)	(583)	(645)	—	9,690
Cash flows from financing and miscellaneous sources:							
Capital and paid in surplus, less treasury stock	—	(5,170)	—	—	—	—	(5,170)
Other	1,051	1,425	6,005	(1,903)	188	—	6,766
Net cash provided by (used in) financing and miscellaneous sources	1,051	(3,745)	6,005	(1,903)	188	—	1,596
Net change in cash, cash equivalents, and short-term investments	(32,632)	(2,108)	(5,114)	(2,007)	(53)	—	(41,914)
Cash, cash equivalents, and short-term investments:							
Beginning of year	96,102	2,108	13,148	5,823	412	—	117,593
End of year	$ 63,470	—	8,034	3,816	359	—	$ 75,679
Non-cash transactions:							
Exchanges of bonds	$ 6,331	—	216	—	—	—	$ 6,547
Exchanges of stocks	—	—	—	—	—	—	—

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

Year ended December 31, 2022

(Dollars in thousands)

	CMICSI	CMSL	CMVA	CMRI	CMIN	Eliminations	CMICSI Combined
Cash flows from operations:							
Premiums collected – net of reinsurance	$ 1,004,282	850	2,186	(534)	—	—	$ 1,006,784
Loss and loss adjustment expenses paid – net of salvage and subrogation recoveries (including reinsurance)	(551,047)	(511)	(2,197)	610	—	—	(553,145)
Underwriting expenses paid	(433,486)	(4)	6	(983)	—	—	(434,467)
Net investment income	42,669	463	1,336	2,530	445	—	47,443
Other income (loss)	30,131	(1)	(12)	2,200	—	—	32,318
Dividends to policyholders	(12,897)	—	—	—	—	—	(12,897)
Federal income taxes paid	12,443	(129)	(288)	(1,875)	(77)	—	10,074
Net cash provided by operations	92,095	668	1,031	1,948	368	—	96,110
Cash flows from investments:							
Proceeds from investments sold, matured, or repaid	921,292	3,716	7,691	17,619	3,461	—	953,779
Cost of investments acquired	(952,052)	(4,209)	(9,774)	(21,556)	(4,607)	—	(992,198)
Net cash used in investments	(30,760)	(493)	(2,083)	(3,937)	(1,146)	—	(38,419)
Cash flows from financing and miscellaneous sources:							
Dividend to stockholders	(6,200)	—	—	—	—	—	(51,000)
Other	(37,545)	616	1,243	(995)	—	—	(20,797)
Net cash (used in) provided by financing and miscellaneous sources	(43,745)	616	1,243	(995)	—	—	(71,797)
Net change in cash, cash equivalents, and short-term investments	17,590	791	191	(2,984)	(778)	—	14,810
Cash, cash equivalents, and short-term investments:							
Beginning of year	78,512	1,317	12,957	8,807	1,190	—	102,783
End of year	$ 96,102	2,108	13,148	5,823	412	—	$ 117,593

	CMICSI	CMSL	CMVA	CMRI	CMIN	Eliminations	CMICSI Combined
Non-cash transactions:							
Exchanges of bonds	$ 13,326	—	—	—	—	—	$ 13,326
Exchanges of stocks	—	—	—	—	—	—	—

See accompanying independent auditors' report.

Schedule 1

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

Supplemental Investment Risks Interrogatories

December 31, 2023

(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, 2023 was $ 2,375,167

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	$	176,553	7.4
2.02	FHLMC		88,930	3.7
2.03	BLACKROCK US CORE PROPERTY FUND		41,970	1.8
2.04	VALOR EQUITY PARTNERS		35,254	1.5
2.05	BANK		25,588	1.1
2.06	WELLS FARGO		20,359	0.9
2.07	JPMORGAN CHASE & CO		15,701	0.7
2.08	BENCHMARK MORTGAGE TRUST		16,082	0.7
2.09	BANK OF AMERICA CORP		14,732	0.6
2.10	VESEY STREET FUND V		14,259	0.6

3. The Company's total admitted assets held in bonds and preferred stocks by NAIC rating at December 31, 2023 are:

	Bond and Preferred Stock NAIC rating		Amount	Percentage of total admitted assets
3.01	NAIC-1	$	1,242,836	52.3
3.02	NAIC-2		162,283	6.8
3.03	NAIC-3		144	0.0
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	$	119,849	5.0
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	$	117,661	5.0
Countries designated NAIC-2		2,189	0.1
Countries designated NAIC-3 or below		—	—

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

Largest foreign investment exposures by country, categorized by the country's NAIC sovereign designation		Amount	Percentage of total admitted assets
Countries designated NAIC 1:			
Country 1: CAYMAN ISLANDS	$	18,345	0.8
Country 2: UNITED KINGDOM		15,117	0.6
Countries designated NAIC 2:			
Country 1: ITALY	$	2,189	0.1
Country 2: —		—	—
Countries designated NAIC 3 or below:			
Country 1:	$	—	—
Country 2:		—	—

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.

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

Supplemental Investment Risks Interrogatories

December 31, 2023

(Dollars in thousands)

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

	Issuer		Amount	Percentage of total admitted assets
10.01	HSBC HOLDINGS PLC	$	6,439	0.3
10.02	CARLYLE GLOBAL MARKET		3,891	0.2
10.03	DANSKE BANK		2,570	0.1
10.04	NEUBERGER BERMAN		2,463	0.1
10.05	BANCO SANTANDER SA		2,387	0.1
10.06	MITSUBISHI UFJ FINANCIAL GROUP INC		2,261	0.1
10.07	MACQUARIE GROUP LTD		2,209	0.1
10.08	ELEMENT FLEET MANAGEMENT CORP		2,030	0.1
10.09	BENEFIT STREET PARTNERS		2,000	0.1
10.10	BSPRT 2022-FL8 ISSUER LTD 22 FL8		2,000	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.

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	$	71,654	3.0
13.03	BLACKROCK US CORE PROPERTY FUND		41,970	1.8
13.04	VANGUARD INSTITUTIONAL INDEX FD #9		38,091	1.6
13.05	IL VALOR EQUITY PARTNERS		35,254	1.5
13.06	ISHARES RUS TOP 200 ETF		33,022	1.4
13.07	ISHARES CORE S&P 500 ETF		19,867	0.8
13.08	DE BLACKROCK DIVPEP V, LLC		14,259	0.6
13.09	ISHARES CORE S&P MIDCAP ETF		3,744	0.2
13.10	ISHARES CORE S&P SMALL-CAP ETF		2,359	0.1
13.11	DE ADAMS STREET PARTNERS, LLC		2,235	0.1

14. The Company's assets held in nonaffiliated, privately placed equities are more than 2.5% of total admitted assets.
Aggregate addmitted assets held in nonaffiliated, privately placed equities: 98,706 4.2
Amounts and percentages of admitted assets held in the three largest nonaffiliated, privately placed equities:

	Issuer		Amount	Percentage of total admitted assets
14.03	VANGUARD DEVELOPED MARKETS INDEX	$	71,654	3.0
14.04	MD BLACKROCK US CORE PROPERTY FUND		41,970	1.8
14.05	VANGUARD INSTITUTIONAL INDEX FD #9		38,091	1.6

Amounts and percentages of admitted assets held in the ten largest fund managers:

	Issuer	Amount	Percentage of total admitted assets
14.06	BLACKROCK	115,221	4.9
14.07	VANGUARD	109,745	4.6

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, 2023

(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	$ 118,626	6.504	$ 118,626	6.504
All other governments	375	0.021	375	0.021
U.S. states, territories and possesions, etc. guaranteed	36,172	1.983	36,172	1.983
U.S. political subdivisions of states, territories, and possessions, guaranteed	62,584	3.431	62,584	3.431
U.S. special revenue and special assessment obligations, etc. non-guaranteed	494,355	27.103	494,355	27.103
Industrial and miscellaneous	689,414	37.797	689,414	37.797
Hybrid securities	—	—	—	—
Parent, subsidiaries and affiliates	—	—	—	—
SVO identified funds	—	—	—	—
Unaffiliated bank loans	—	—	—	—
Unaffiliated certificates of deposit	—	—	—	—
Total long-term bonds	1,401,525	76.838	1,401,525	76.838
Preferred stocks:				
Industrial and miscellaneous (Unaffiliated)	—	—	—	—
Parent, subsidiaries and affiliates	—	—	—	—
Total preferred stocks	—	—	—	—
Common stocks:				
Industrial and miscellaneous Publicly traded (Unaffiliated)	68,715	3.767	68,715	3.767
Industrial and miscellaneous Other (Unaffiliated)	—	—	—	—
Parent, subsidiaries and affiliates Publicly traded	—	—	—	—
Parent, subidiaries and affiliates Other	—	—	—	—
Mutual funds	142,767	7.827	142,767	7.827
Unit investment trusts	—	—	—	—
Closed-end funds	—	—	—	—
Exchange traded funds	25,970	1.424	25,970	1.424
Total common stocks	237,452	13.018	237,452	13.018
Mortgage loans:				
Farm mortgages	—	—	—	—
Residential mortgages	—	—	—	—
Commercial mortgages	—	—	—	—
Mezzanine real estate loans	—	—	—	—
Total valuation allowance	—	—	—	—
Total mortgage loans	—	—	—	—
Real estate:				
Properties occuped by company	10,330	0.566	10,330	0.566
Properties held for production of income	—	—	—	—
Properties held for sale	—	—	—	—
Total real estate	10,330	0.566	10,330	0.566
Cash, cash equivalents and short-term investments:				
Cash	10,589	0.581	10,589	0.581
Cash equivalents	61,352	3.364	61,352	3.364
Short-term investments	3,737	0.205	3,737	0.205
Total cash, cash equivalents and short-term investments	75,679	4.149	75,679	4.149
Contract loans	—	—	—	—
Derivatives				
Other invested assets	98,706	5.412	98,706	5.412
Receivables for securities	307	0.017	307	0.017
The Company does not have a securities lending program	—	—	—	—
Total invested assets	$ 1,823,999	100	$ 1,823,999	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, 2023

(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]

Supplemental Schedule of Reinsurance Risk Interrogatories

December 31, 2023

(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.

KPMG LLP
Aon Center
Suite 5500
200 E. Randolph Street
Chicago, IL 60601-6436

The Audit Committee of the Board of Directors
Church Mutual Insurance Company, S.I. and affiliated property and casualty companies

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements prepared in accordance with statutory accounting practices prescribed or permitted by the Office of the Commissioner of Insurance of the State of Wisconsin of Church Mutual Insurance Company, S.I. and affiliated property and casualty companies (the Companies) for the years ended December 31, 2023 and 2022, and have issued our report thereon dated May 14, 2024. In connection therewith, we advise you as follows:

a. We are independent certified public accountants with respect to the Company and conform to the standards of the accounting profession as contained in the Code of Professional Conduct and pronouncements of the American Institute of Certified Public Accountants, and the Rules of Professional Conduct of the Illinois Department of Financial and Professional Regulation.

b. The engagement partner and engagement manager, who are certified public accountants, have 18 years and 10 years, respectively, of experience in public accounting and are experienced in auditing insurance enterprises. Members of the engagement team, most of whom have had experience in auditing insurance enterprises and 44 percent of whom are certified public accountants, were assigned to perform tasks commensurate with their training and experience.

c. We understand that the Company intends to file its audited financial statements and our report thereon with the Office of the Commissioner of Insurance of the State of Wisconsin and other state insurance departments in states in which the Company is licensed, and that the insurance commissioners of those states will be relying on that information in monitoring and regulating the statutory financial condition of the Company.

   While we understand that an objective of issuing a report on the financial statements is to satisfy regulatory requirements, our audit was not planned or conducted to satisfy all objectives or responsibilities of insurance regulators. In this context, the Company and the insurance commissioners should understand that the objective of an audit of financial statements in accordance with auditing standards generally accepted in the United States of America is to form an opinion and issue a report on whether the financial statements present fairly, in all material respects, the admitted assets, liabilities, and capital and surplus, results of operations and cash flow in conformity with accounting practices prescribed or permitted by the Office of the Commissioner of Insurance of the State of Wisconsin. Consequently, under auditing standards generally accepted in the United States of America, we have the responsibility, within the inherent limitations of the auditing process, to plan and perform our audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud, and to exercise due professional care in the conduct of the audit. The concept of selective testing of the data being audited, which involves judgment both as to the number of transactions to be audited and the areas to be tested, has been generally accepted as a valid and sufficient basis for an auditor to express an opinion on financial statements. Audit procedures that are effective for detecting errors, if they exist, may be ineffective for detecting misstatements resulting from fraud. Because of the characteristics of fraud, particularly those involving concealment (including collusion, falsified documentation, and forgery), a properly planned and performed audit may not detect a material misstatement resulting from fraud. In addition, an audit does not address the possibility that material errors or misstatements caused by fraud may occur in the future. Also, our use of professional judgment and the assessment of materiality for the purpose of our audit means that matters may exist that would have been assessed differently by insurance commissioners.

It is the responsibility of the management of the Company to adopt sound accounting policies, to maintain an adequate and effective system of accounts, and to establish and maintain internal control that will, among other things, provide reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of 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 responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

The Insurance Commissioners should exercise due diligence to obtain whatever other information that may be necessary for the purpose of monitoring and regulating the statutory financial position of insurers and should not rely solely upon the independent auditors' report.

d. We will retain the workpapers (including those kept in a hard copy or electronic medium) prepared in compliance with professional standards, for seven years from the date that we grant permission to use our report in connection with the issuance of the Company's financial statements (report release date). After notification to the Company, we will make the workpapers available for review by the Office of the Commissioner of Insurance of the State of Wisconsin or its delegates (as permitted by law or regulation), at the offices of the Company, at our offices, at the Insurance Department, or at any other reasonable place designated by the Insurance Commissioner. Furthermore, in the conduct of the aforementioned periodic review by the Office of the Commissioner of Insurance of the State of Wisconsin, photocopies or electronic equivalents of pertinent audit workpapers may be made (under the control of the accountant) and such copies may be retained by the Office of the Commissioner of Insurance of the State of Wisconsin. In addition, to the extent requested, we may provide the Office of the Commissioner of Insurance of the State of Wisconsin with electronic copies of certain of our audit working papers (such as unlocked electronic copies of Excel spreadsheets) that do not contain password protection or encryption. As such, these copies of our audit working papers will be subject to potential modification by the Office of the Commissioner of Insurance of the State of Wisconsin or by others. We are not responsible for any modifications made to the copies, electronic or otherwise, after they are provided to the Office of the Commissioner of Insurance of the State of Wisconsin and we are likewise not responsible for any effect that any such modifications, whether intentional or not, might have on the process, substance, or outcome of your regulatory examination.

e. The engagement partner has served in that capacity with respect to the Company since 2022, is licensed by the Illinois Department of Financial and Professional Regulation and is a member in good standing of the American Institute of Certified Public Accountants.

f. To the best of our knowledge and belief, we are in compliance with the requirements of Section 7 of the NAIC's Annual Financial Reporting Model Regulation regarding qualifications of independent certified public accountants. We are not subject to disqualification, under Section Ins 50.08 of the Wisconsin Administrative Code.

KPMG

This letter is intended solely for the information and use of the Audit Committee of the Board of Directors and management of the Company and the Office of the Commissioner of Insurance of the State of Wisconsin and other state insurance departments in states in which the Company is licensed and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

KPMG LLP

Chicago, Illinois
May 14, 2024