# Sentry Mutual Holding Company
# and subsidiaries and affiliates

Consolidated statutory financial statements
and supplemental schedules

December 31, 2022 and 2021
(with independent auditors' report thereon)

**Sentry Mutual Holding Company**
**and subsidiaries and affiliates**

## Table of contents


| | Page |
|---|---|
| Independent auditors' report | 1 |
| Consolidated statutory balance sheets | 4 |
| Consolidated statutory statements of operations and changes in policyholders' surplus | 6 |
| Consolidated statutory statements of cash flow | 7 |
| Notes to consolidated statutory financial statements | 8 |
| **Consolidating schedules** | |
| Consolidating schedule | 55 |
| Property and casualty consolidating schedule | 60 |
| **Supplemental schedules** | |
| Schedule 1: Supplemental summary investment schedule | 65 |
| Schedule 2: Supplemental investment risks interrogatories schedule | 66 |
| Schedule 3: Supplemental schedule of reinsurance disclosures | 70 |

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

# Independent Auditors' Report

The Board of Directors
Sentry Mutual Holding Company and subsidiaries and affiliates:

*Opinions*

We have audited the consolidated financial statements of Sentry Mutual Holding Company and subsidiaries and affiliates (collectively, the Company), which comprise the consolidated statutory balance sheets as of December 31, 2022 and 2021, and the related consolidated statutory statements of operations and changes in policyholders' surplus, and cash flow for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the admitted assets, liabilities, and surplus of the Company as of December 31, 2022 and 2021, 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.

*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 Consolidated Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

*Emphasis of Matter - Basis of Accounting*

We draw attention to Notes 1 and 2 of the consolidated financial statements, which describe the basis of accounting. As described in Note 1 to the consolidated financial statements, the consoldiated financial statements are prepared by the Company in accordance with the statutory 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, to meet the requirements of Wisconsin State Statutes. As a result, the consolidated financial statements may not be suitable for another purpose. Our opinions are not modified with respect to this matter.

*Responsibilities of Management for the Consolidated Financial Statements*

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

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

KPMG LLP, a Delaware limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.

*Auditors' Responsibilities for the Audit of the Consolidated Financial Statements*

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

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

*Supplementary Information*

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information included in the consolidating schedule, property and casualty consolidating schedule, supplemental summary investment schedule, supplemental investment risks interrogatories schedule, and supplemental schedule of reinsurance disclosures is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

*Restriction on Use*

Our report is intended solely for the information and use of the Board of Directors and management of the Company and the Office of the Commissioner of Insurance of the State of Wisconsin and is not intended to be and should not be used by anyone other than these specified parties.

/s/ KPMG LLP

Milwaukee, Wisconsin
March 1, 2023

**SENTRY MUTUAL HOLDING COMPANY AND SUBSIDIARIES AND AFFILIATES**

**Consolidated Statutory Balance Sheets**

| December 31 | 2022 | 2021 |
|---|---|---|
| (Millions) | | |
| **Assets** | | |
| Cash and investments: | | |
| Bonds | $ 11,789.8 | $ 11,400.7 |
| Common stocks | 1,577.6 | 1,922.1 |
| Company occupied properties | 146.6 | 149.9 |
| Policy loans | 8.9 | 9.2 |
| Cash, cash equivalents, and short-term investments | 66.4 | 102.4 |
| Partnerships | 1,623.8 | 1,724.8 |
| Other | 104.9 | 49.7 |
| Total cash and investments | 15,318.0 | 15,358.8 |
| Receivables | | |
| Insurance premiums and reinsurance | 1,229.7 | 1,084.8 |
| Interest and dividends | 111.9 | 101.9 |
| Federal income tax recoverable | 2.5 | — |
| Other | 4.1 | 3.3 |
| EDP equipment and operating software | 6.2 | 5.0 |
| Other assets | 244.4 | 128.6 |
| Net deferred tax asset | 27.1 | — |
| Separate account assets | 5,977.4 | 7,248.7 |
| Total assets | $ 22,921.3 | $ 23,931.1 |

(continued)

**SENTRY MUTUAL HOLDING COMPANY AND SUBSIDIARIES AND AFFILIATES**

**Consolidated Statutory Balance Sheets**

| December 31 | 2022 | 2021 |
|---|---|---|
| (Millions) | | |
| **Liabilities** | | |
| Property and casualty losses and loss expenses | $ 4,360.5 | $ 4,103.6 |
| Life and other future policy benefits | 2,333.3 | 2,402.8 |
| Accident and health unpaid claims and claim expenses | 64.9 | 66.7 |
| Unearned premiums | 1,566.6 | 1,389.7 |
| Other policyholder funds | 12.6 | 13.3 |
| Accounts payable and accrued expenses | 989.9 | 977.5 |
| Federal income tax payable | — | 37.6 |
| Net deferred tax liability | — | 90.2 |
| Other liabilities | 70.7 | 42.5 |
| Separate account liabilities | 5,976.3 | 7,247.5 |
| Total liabilities | 15,374.8 | 16,371.4 |
| **Policyholders' surplus** | | |
| Unassigned surplus | 7,546.5 | 7,559.7 |
| Total policyholders' surplus | 7,546.5 | 7,559.7 |
| Total liabilities and policyholders' surplus | $ 22,921.3 | $ 23,931.1 |

See accompanying notes to consolidated statutory financial statements.

**SENTRY MUTUAL HOLDING COMPANY AND SUBSIDIARIES AND AFFILIATES**

**Consolidated Statutory Statements of Operations and Changes in Policyholders' Surplus**

| Years ended December 31 | 2022 | 2021 |
|---|---|---|
| (Millions) | | |
| **Revenues** | | |
| Premiums earned | $ 3,899.9 | $ 3,538.3 |
| Net investment income | 620.7 | 684.0 |
| Total revenues | 4,520.6 | 4,222.3 |
| **Expenses** | | |
| Insurance claims and policyholders' benefits | 3,138.8 | 2,828.0 |
| Operating expenses | 894.1 | 811.4 |
| Total expenses | 4,032.9 | 3,639.4 |
| Income before net realized gains (losses) | 487.7 | 582.9 |
| Net realized gains (losses), net of tax | (118.6) | 242.0 |
| Income from operations before income tax | 369.1 | 824.9 |
| Income tax expense | 78.5 | 106.1 |
| Net income | 290.6 | 718.8 |
| **Policyholders' surplus** | | |
| Policyholders' surplus, January 1 | 7,559.7 | 6,540.3 |
| Net income | 290.6 | 718.8 |
| Change in net unrealized capital gains and losses | (379.4) | 287.6 |
| Change in nonadmitted assets | 16.0 | (89.4) |
| Change in deferred income tax | 16.7 | (2.0) |
| Post-retirement benefit plans and other surplus changes | 42.9 | 104.4 |
| Change in policyholders' surplus | (13.2) | 1,019.4 |
| Total policyholders' surplus, December 31 | $ 7,546.5 | $ 7,559.7 |

See accompanying notes to consolidated statutory financial statements.

**SENTRY MUTUAL HOLDING COMPANY AND SUBSIDIARIES AND AFFILIATES**

**Consolidated Statutory Statements of Cash Flow**

| Years ended December 31 | 2022 | 2021 |
|---|---|---|
| (Millions) | | |
| **Operating activities** | | |
| Net premiums received | $ 3,975.1 | $ 3,639.7 |
| Net investment income received | 640.6 | 713.9 |
| Claims and policy benefits paid | (2,708.9) | (2,425.4) |
| Operating expenses paid | (1,147.2) | (1,021.5) |
| Income tax paid | (110.6) | (181.5) |
| Net cash provided by operating activities | 649.0 | 725.2 |
| **Investing activities** | | |
| Proceeds from investments sold, matured, or repaid: | | |
| Bonds | 2,186.8 | 1,319.4 |
| Stocks | 1,059.1 | 2,186.6 |
| Partnerships | 145.9 | 197.6 |
| Cost of investments acquired: | | |
| Bonds | (2,630.1) | (2,140.8) |
| Stocks | (1,100.4) | (2,013.9) |
| Partnerships | (243.9) | (252.3) |
| Other | (68.6) | (18.0) |
| Net cash utilized in investing activities | (651.2) | (721.4) |
| Net cash utilized in financing activities | (33.8) | (70.9) |
| Change in cash, cash equivalents, and short-term investments | (36.0) | (67.1) |
| Balance January 1 | 102.4 | 169.5 |
| Balance December 31 | $ 66.4 | $ 102.4 |
| **Non-cash transactions** | | |
| Exchanges of bonds | $ 60.0 | $ 93.9 |
| Exchanges of stocks | $ 13.1 | $ 14.4 |
| Exchanges of partnerships | $ 4.4 | $ 2.4 |
| Assets contributed to subsidiary | $ — | $ 12.2 |

See accompanying notes to consolidated statutory financial statements.

## Note 1 Principles of consolidation and basis of presentation

**Principles of consolidation**
The consolidated statutory financial statements of Sentry Mutual Holding Company (SMHC) include the accounts of Sentry Holdings, Inc. (SHI), Sentry Insurance Company (SIC) and its wholly owned insurance subsidiaries including Sentry Lloyds of Texas (SLOT); Middlesex Insurance Company (MDX), which owns Patriot General Insurance Company (PG); Dairyland Insurance Company (DIC); Dairyland National Insurance Company (DNIC); Sentry Casualty Company (SCC); Sentry Select Insurance Company (SSIC); Viking Insurance Company of Wisconsin (VICW), which owns Peak Property and Casualty Insurance Corporation (Peak); Point Insurance Company (PIC); Point Specialty Insurance Company (PSIC) formerly known as Dairyland American Insurance Company; Point Excess and Surplus Insurance Company (PESIC), Parker Centennial Assurance Company (PCAC); and Sentry Life Insurance Company (SLIC), which owns Sentry Life Insurance Company of New York (SLONY). SIC shares common management with Dairyland County Mutual Insurance Company of Texas (DCM) and Florists' Mutual Insurance Company (FMIC), which owns Florists' Insurance Company (FIC). These entities are collectively referred to as the "Company." Additionally, FMIC and FIC are collectively referred to as "Florists."

Effective January 1, 2021 (the effective date), SIC reorganized its corporate structure (the reorganization). As part of the reorganization, SIC created SMHC, which owns 100% of SHI, an intermediate holding company created on the effective date. SHI owns 100% of SIC, the stock insurer into which Sentry Insurance a Mutual Company was converted. The reorganization did not have a material impact to the Company's consolidated financial statements.

The property and casualty companies, which include SIC, SLOT, MDX, PG, DIC, DNIC, SCC, SSIC, VICW, Peak, PIC, PSIC, PESIC, DCM, FMIC, and FIC write consumer and business insurance through various distribution channels primarily throughout the United States. SLIC, SLONY, and PCAC write life and health insurance, with such business consisting primarily of individual life insurance, individual annuities, and group annuities (401(k) and retirement products).

SIC is the lead company in a reinsurance pooling agreement with certain of its property and casualty insurance subsidiaries and affiliates. Under this agreement, the participating property and casualty subsidiaries and affiliates cede all their net underwriting business to SIC and then assume a percentage of the total net pool from SIC. Activity and balances under this agreement are eliminated in consolidation.

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

**Basis of presentation**
The Company prepares its financial statements on a statutory basis of accounting in accordance with the National Association of Insurance Commissioners (NAIC) *Accounting Practices and Procedures Manual (AP&P Manual)*, as agreed to by the the Office of the Commissioner of Insurance of the State of Wisconsin. Prescribed statutory accounting practices are those practices that are incorporated directly or by reference in state laws, regulations, and general administrative rules applicable to all insurance enterprises domiciled in a particular state.

The Commissioners of the states in which SMHC and its subsidiaries and affiliates are domiciled have the right to permit other specific practices that may deviate from prescribed practices. The Company does not have any prescribed or permitted practices as of December 31, 2022 and 2021.

**Use of estimates**
The preparation of financial statements in accordance with statutory accounting practices 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 consolidated statutory financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

The most significant estimates include those used in determining the liability for property and casualty losses and loss expenses, other-than-temporary impairment losses on invested assets, pensions and other post-employment benefits, and accruals related to federal income taxes. Although variability is inherent in these estimates, the recorded amounts reflect management's best estimates based on facts and circumstances.

The Company, like many other insurers, is subject to a number of risks, many of which are outside of management's control. Management strives, however, to manage those risks while optimizing results. While not all inclusive, below is a list and discussion of the more significant business risks that the Company is subject to in its everyday operations:

## Note 1 Principles of consolidation and basis of presentation (continued)

**Market risk:** The risk that the Company is exposed to fluctuations in the fair market value of investment securities. The Company attempts to mitigate the portion of this risk caused by fluctuations in the prevailing level of interest rates via asset-liability management strategies that align estimated fixed income investment duration with that of the corresponding insurance liabilities. The Company also employs active management and diversification strategies to further mitigate market risk due to rating downgrades, asset class fluctuations, and economic uncertainties.

**Significant business concentrations risk:** The risk that the Company has a material concentration of risk in a single unaffiliated entity, group, or geographic location. The Company believes it does not have a concentration of financial instruments in a single investee, industry, or geographic location. Also, the Company does not have a concentration of business transactions with a particular customer, lender, distribution source, market, or geographic area in which business is conducted that makes the Company overly vulnerable to a single event that could cause a severe impact on the Company's financial position.

## Note 2 Summary of significant statutory accounting policies

**Investments**
Investment securities are valued in accordance with the NAIC as follows: Bonds are generally stated at amortized cost using the interest method, except bonds that are defined by the NAIC as NAIC 3-6 for property and casualty companies and NAIC 6 for life and health companies, which are stated at the lower of amortized cost or fair value. The book value of loan-backed and structured securities are adjusted based on the change of prepay speed expectation on a quarterly basis.

Common stocks are stated at fair value as required by NAIC. Unrealized common stock investment gains and losses, net of deferred taxes, are credited or charged directly to unassigned policyholders' surplus.

As allowed by the NAIC, cash pools that hold cash, cash equivalents, and short-term investments are allowed to be reported as cash equivalents when domiciliary regulator approval is received and all of the following criteria are met: investments held by the pool are limited to non-affiliated investments, members may withdraw contributions at any time, ownership interests are proportional to cash contributed, all interests in the pool are of the same class, with equivalent rights, preference, and privileges, the liability of the participants' debts and obligations in the pool are limited to the participant's contributions, and no participant shall be obligated to contribute money for any reason other than to participate in the pool's investments. The Sentry Liquid Asset Partnership (SLAP) meets this criteria and is reported as a cash equivalent.

Partnerships include private equity, hedge funds, emerging markets, and real estate investments that take the form of limited partnerships or limited liability companies. Partnerships are carried at the Company's audited equity in the value of the underlying net assets of the investment determined in accordance with NAIC guidance. Distributions received from these investments from earnings are recorded as net investment income and undistributed earnings or losses, net of deferred taxes are recorded as unrealized capital gains or losses and credited or charged directly to unassigned policyholders' surplus.

Company-occupied properties and other real estate investments held for the production of income are stated at cost less accumulated depreciation, net of encumbrances. Real estate held for sale is carried at the lower of depreciated cost or fair value. Policy loans are carried at the aggregate of unpaid principal balances plus the accrued interest and are not in excess of the cash surrender value of the related policies. Cash equivalents are carried at fair value. Short-term investments (primarily treasury bills and commercial paper with maturities less than one year) are carried at amortized cost, which approximates fair value.

As prescribed by the NAIC, an Asset Valuation Reserve (AVR) is maintained for life insurance company investments. The AVR mitigates fluctuations in the values of invested assets including bonds, common stocks, and other invested assets. Changes in the AVR are included in policyholders' surplus.

Realized capital gains and losses on life insurance company bonds attributable to interest rate changes are deferred in the Interest Maintenance Reserve (IMR) net of tax. The IMR adjusts the impact of realized gains and losses on policyholders' surplus by deferring realized gains and losses and amortizing them into investment income over the approximate remaining lives of the investments sold.

Realized gains and losses are determined on the specific-identification method and are presented in the accompanying consolidated statutory statements of operations net of federal income tax, after adjustments for the IMR. Realized investment gains and losses also include valuation adjustments for impairment of bonds, common stocks, Company-occupied properties and other real estate investments, and partnerships 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 in a reasonable period of time of the excess of carrying value over fair value for common stocks and partnerships and the likelihood and expected timing of a recovery in value. For bonds, the credit quality of the issuer is also considered. For Company-occupied properties and other real estate investments, the excess of carrying value over an independent third-party assessment of fair value is considered. When it is determined that an investment is other-than-temporarily-impaired (OTTI), 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 OTTI is measured based on an estimate of the noninterest loss based on the present value of future cash flows, which is recognized in operations. Such impairments result in the establishment of a new cost basis for these assets for book purposes.

## Note 2 Summary of significant statutory accounting policies (continued)

Investment income is recorded when earned. Income on loan-backed and structured securities is recognized using an effective yield based on anticipated prepayments and the estimated economic life of the securities. When actual prepayments differ significantly from anticipated prepayments, the effective yield is recalculated to reflect actual payments to date and anticipated future payments. The net investment income earned on the securities is adjusted to the amount that would have existed had the new effective yield been applied since the acquisition of the securities.

Goodwill is calculated as the excess of the aggregate purchase price over the statutory capital and surplus of acquired subsidiaries. Goodwill, in aggregate, is limited to 10 percent of the acquiring entity's capital stock and surplus as shown in its most recently filed statement adjusted to exclude any net positive goodwill, EDP equipment, and net deferred tax assets. The remainder is reflected as a nonadmitted asset through a charge to surplus. Goodwill is amortized on a straight-line basis over ten years with a corresponding charge to surplus.

**Separate accounts**
The life insurance subsidiaries issue group annuity contracts that include the option of placing deposits received in connection with these contracts in separate accounts. Life insurance subsidiaries have also issued variable annuity contracts and variable universal life contracts that required deposits to be placed in separate accounts. Sales of both products had ceased by the end of 2004. A separate account is an accounting entity segregated as a discrete operation within an insurance company. Separate account assets, consisting primarily of mutual funds, are reported at fair value and include the Company's interest in the separate accounts (seed money). Liabilities relating to contract holders are generally recorded at amounts equal to assets, but a contra-liability is recorded to adjust separate account liabilities to amounts computed using applicable statutory reserving tables. Separate account premium deposits, benefit expenses, and contract fee income for investment management and policy administration are reflected by the Company in the accompanying consolidated statutory statements of operations. Investment income and realized and unrealized capital gains and losses of the separate account assets accrue directly to contract holders and, therefore, are not included in the Company's consolidated statutory statements of operations. The Company's seed money investment, including appreciation or depreciation, is reflected in policyholders' surplus through recognition of surplus in the separate accounts.

**Nonadmitted assets**
For statutory accounting purposes, certain assets designated as "nonadmitted" (principally deferred income tax assets, prepaid pension deposits, prepaid expenses, certain receivables, and depreciated cost of application software, aircraft, and office furniture and equipment) have been excluded from the consolidated statutory balance sheets and charged to policyholders' surplus. Nonadmitted assets were $286.5 million and $302.5 million at December 31, 2022 and 2021, respectively.

**Company-occupied properties**
Buildings are depreciated on a straight-line basis over estimated useful lives ranging from 20 to 50 years. Leasehold improvements are depreciated on a straight-line basis over the remaining term of the lease or estimated useful life, whichever is shorter.

**EDP equipment and software**
Electronic data processing equipment and capitalized software are depreciated on a straight-line basis over three to five years, depending on the class of property.

**Property and casualty losses and loss expenses**
The liabilities for losses are based upon management's best estimates of losses reported and losses incurred but not reported (IBNR), relating to direct and assumed premiums written; losses assumed from joint underwriting associations and assigned risk pools; and losses, net of salvage and subrogation, ceded to reinsurers. The liabilities for loss expenses are established by estimating future expenses to be incurred in the settlement of claims provided for in the liabilities for losses. Estimates of losses and loss expenses, net of salvage and subrogation, are continually reviewed. Changes to the estimates are reported without discounting in the current accounting periods. In establishing the liabilities for unpaid claims and claim adjustment expenses for asbestos-related illnesses and toxic waste cleanup, management considers facts currently known and the current state of the law and coverage litigation. Liabilities are recognized for known claims when sufficient information has been developed to indicate the involvement of a specific insurance policy, and management can reasonably estimate the Company's liability. In addition, liabilities have been established to cover additional exposures on both known and unasserted claims. These liabilities for losses and loss expenses are intended to represent the Company's ultimate liability for these items. Estimation of ultimate liabilities for these claims is usually difficult due to outstanding

## Note 2 Summary of significant statutory accounting policies (continued)

issues such as the verification of coverage, definition of an occurrence, determination of ultimate damages, and allocation of such damages to financially responsible parties. Therefore, any estimation of these liabilities is subject to significantly greater than normal variation and uncertainty.

**Policy benefits**
Liabilities for traditional life and limited-payment life contracts are computed using methods, mortality and morbidity tables, and interest rates that conform to the valuation laws of the states of Wisconsin and New York. The liabilities are primarily calculated on a modified reserve basis. The effect of using a modified reserve basis partially offsets the effect of immediately expensing acquisition costs by providing a policy benefit reserve increase in the first policy year that is less than the reserve increase in renewal years. Future policy benefits for life policies and contracts were primarily determined using the Commissioner's Reserve Valuation Method (CRVM) with interest rates ranging from zero to 6.00 percent. Additional statutory premium deficiency reserves are established when the valuation of net premium exceeds the gross premium.

Future policy benefits for annuity contracts, primarily for individual and group deferred annuities, were primarily determined using the Commissioner's Annuity Reserve Valuation Method (CARVM) with interest rates ranging from 1.00 percent to 11.25 percent. Reserves are established using the larger of the benefit amount calculated using CARVM or the cash surrender value.

Future accident and health group reserves consist predominantly of long-term disability reserves representing the present value of amounts not yet due calculated using standard disability tables and various interest rates.

Reserves for universal life-type, annuity, and deposit-type contracts are based on the contract account balance if future benefit payments in excess of the account balance are not guaranteed, or on the present value of future payments when such payments are guaranteed.

**Revenue recognition**
Property and casualty premiums written are recognized as earned ratably over the respective terms of the policy. Unearned premiums represent the portion of the premiums written that relate to the unexpired policy period, net of deductions for premiums ceded to reinsurers. All property and casualty written premium is recognized on the effective date of the policy. Certain commercial property and casualty policies are retrospectively rated; premiums under such policies are based upon the insureds' loss experience and are accrued as written premium. Premiums for annuity contracts are recognized when received. Premiums for traditional life insurance policies and limited payment contracts are recognized as income on the policy anniversary date. Amounts collected on policies that do not subject the Company to any risks arising from policyholder mortality or morbidity (deposit-type contracts), such as supplementary contracts without life contingencies, are recorded as increases to policyholder account balances. Revenues for these policies consist of net investment income and policy charges.

If unearned premiums and any future installment premiums on existing property and casualty and accident and health policies are determined to be insufficient to cover anticipated losses, loss adjustment expenses, and maintenance costs, a premium deficiency reserve is established. The Company anticipates investment income as a factor in the premium deficiency calculation.

Policy fees (fees tied to the issuance of coverage) and refundable installment fees are also recognized as written premium. Refundable policy fees are recognized as earned ratably over the respective terms of the policy. Non-refundable policy fees are recognized as earned immediately.

**Acquisition costs**
Costs directly related to the acquisition of insurance premiums, such as commissions and premium tax, are charged to operations as incurred.

**Policy dividends**
Provisions for dividends payable to policyholders are made when declared.

**Pension plans and other postretirement benefits**
SIC has defined benefit pension plans, which cover eligible employees. SIC also provides certain healthcare, dental, and life insurance benefits to retired employees and their dependents. Effective January 1, 2010 employees hired

## Note 2 Summary of significant statutory accounting policies (continued)

January 1, 2010 and after are not eligible to participate in either the defined pension plans or the postretirement healthcare and dental benefit plans.

The Company is required to recognize the funded status of the plans on its consolidated statutory balance sheets. When there is an excess of fair value of plan assets over benefit obligations, an asset is recorded and subsequently nonadmitted through a charge to surplus. When benefit obligations exceed the fair value of plan assets, a liability is recorded on the Company's consolidated statutory balance sheets. Actuarial gains and losses that arise in future periods and are not recognized as net periodic benefit cost in those periods will be recognized as increases or decreases to unassigned surplus, net of tax, as they arise. Any amounts recorded in unassigned surplus are subsequently recognized as net periodic benefit cost. Actuarial gains and losses recognized in unassigned surplus are adjusted as they are subsequently recognized as a component of net periodic benefit cost.

**Reinsurance**
Reinsurance premiums, commission expense reimbursements, and reserves related to reinsured business ceded are accounted for on a basis consistent with that used in accounting for the original policies issued and the terms of the reinsurance contracts. Premiums and losses ceded have been reported as reductions of premiums earned and insurance claims in the accompanying consolidated statements of operations.

Reinsurance premiums, commissions, and reserves related to reinsured business assumed are accounted for on a basis consistent with that used if the policies had been directly issued.

**Federal income tax**
SMHC files a consolidated federal income tax return with its subsidiaries. The method of allocation between the companies is subject to a written income tax allocation agreement, approved by the board of directors. Allocation is based upon separate return calculations with current credit for net losses. Federal income tax is based on taxable income currently payable.

FMIC files a consolidated federal income tax return with its subsidiaries. The method of allocation between the companies is subject to a written income tax allocation agreement, approved by the board of directors. Allocation is based upon separate return calculations with current credit for net losses. Federal income tax is based on taxable income currently payable.

In accordance with guidance specified in the NAIC's *AP&P Manual*, the Company utilizes a balance sheet approach of accounting for federal income taxes. Under this method, deferred tax assets, net of any nonadmitted portion and statutory valuation allowance, and deferred tax 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 bases. Deferred tax assets and liabilities are measured using the enacted tax rates on which those temporary differences are expected to be recovered or settled. The change in deferred taxes is charged or credited directly to surplus. The admissibility of net deferred tax assets recorded is subject to various limitations set forth in the NAIC's *AP&P Manual*.

**New accounting pronouncements**
Statement of Statutory Accounting Principles (SSAP) No. 5R, *Conceptual Framework – Updates,* became effective August 10, 2022. The updates summarize the two new Financial Accounting Standards Board chapters of its conceptual framework and reviews their potential impact on statutory accounting. These updates did not have a financial statement impact.

SSAP No. 43R, *Loan-Backed and Structured Securities,* was revised effective April 4, 2022. The revisions reflect updated guidance adopted by the Valuation of Securities Task Force to the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* for residential and commercial mortgage-backed securities. This guidance did not have a financial statement impact.

SSAP No. 43R, *Loan-Backed and Structured Securities,* was revised effective May 24, 2022, adopting INT 22-01 to clarify that investments in the Freddie Mac "When Issued K-Deal" Program are in scope of SSAP No. 43R from the date of initial acquisition. This adoption has no financial statement impact as the Company does not hold these types of investments.

## Note 2 Summary of significant statutory accounting policies (continued)

SSAP No. 48, *Joint Ventures, Partnerships and Limited Liability Companies,* was revised effective August 10, 2022, clarifying that the audit of an entity utilizing the U.S. tax basis equity valuation exception shall occur at the investee level. These revisions did not have a financial statement impact.

## Note 3 Investments

**Bonds**
The carrying value, gross unrealized gains and losses, and estimated fair value of bonds as of December 31, 2022 and 2021 are as follows:

| December 31, 2022 (Millions) | Carrying value | Gross unrealized gains | Gross unrealized losses | Estimated fair value |
|---|---|---|---|---|
| U.S. government and government agencies | $ 1,279.8 | $ 0.9 | $ 122.9 | $ 1,157.8 |
| All other governments | 47.1 | - | 2.7 | 44.4 |
| States, territories, and possessions | 34.9 | 0.1 | 5.1 | 29.9 |
| Political subdivisions of states, territories, and possessions | 375.3 | 3.2 | 30.3 | 348.2 |
| Special revenue and special assessment | 2,809.8 | 15.1 | 274.1 | 2,550.8 |
| Industrial and miscellaneous | 7,242.9 | 54.3 | 574.3 | 6,722.9 |
| Total | $ 11,789.8 | $ 73.6 | $ 1,009.4 | $ 10,854.0 |

| December 31, 2021 (Millions) | Carrying value | Gross unrealized gains | Gross unrealized losses | Estimated fair value |
|---|---|---|---|---|
| U.S. government and government agencies | $ 1,374.2 | $ 60.3 | $ 5.6 | $ 1,428.9 |
| All other governments | 47.7 | 0.7 | 0.3 | 48.1 |
| States, territories, and possessions | 53.9 | 3.7 | - | 57.6 |
| Political subdivisions of states, territories, and possessions | 493.4 | 33.4 | 2.4 | 524.4 |
| Special revenue and special assessment | 2,688.9 | 161.5 | 7.8 | 2,842.6 |
| Industrial and miscellaneous | 6,742.6 | 550.2 | 17.2 | 7,275.6 |
| Total | $ 11,400.7 | $ 809.8 | $ 33.3 | $ 12,177.2 |

Included within the above table are $1,557.9 million and $1,656.9 million of loan-backed and structured securities as of December 31, 2022 and 2021, respectively. Of this total, $277.5 million at December 31, 2022 and $305.7 million at December 31, 2021 were issued through or guaranteed by various U.S. government agencies. There was $1,060.6 million and $947.1 million with government guarantees reflected within the U.S. government and government agencies line above at December 31, 2022 and 2021, respectively. The remainder of the securities are reflected in the industrial and miscellaneous lines.

The carrying value and estimated fair value of bonds, cash equivalents, and short-term investments as of December 31, 2022, by contractual maturity, are shown below. Actual maturities may differ from contractual maturities because certain issuers have the right to call or prepay obligations with or without call or prepayment penalties. As most loan-backed and structured securities provide for periodic payments throughout their lives, they are listed separately.

## Note 3 Investments (continued)

| December 31, 2022 | Carrying value | Estimated fair value |
|---|---|---|
| (Millions) | | |
| Due in one year or less | $ 752.3 | $ 749.0 |
| Due after one year through five years | 2,914.7 | 2,808.7 |
| Due after five years through ten years | 3,903.6 | 3,515.0 |
| Due after ten years | 2,884.3 | 2,570.3 |
| Subtotal | 10,454.9 | 9,643.0 |
| Loan-backed and structured securities | 1,557.9 | 1,434.0 |
| Total | $ 12,012.8 | $ 11,077.0 |

The Company occasionally sells, redeems, or otherwise disposes of securities as a result of a callable or tender offer feature (including make-whole call provisions). These liquidations may provide for a prepayment penalty or acceleration fee, which is reported as investment income when received. During 2022 and 2021, respectively, there were disposals of securities called or tendered reflecting 204 and 252 unique CUSIP numbers (the CUSIP number is assigned by the Committee on Uniform Securities Identification Procedures to uniquely identify the company or issuer and the type of security). The aggregate amount of investment income generated from prepayment penalties and/or acceleration fees was $4.2 million and $16.9 million for the years ended December 31, 2022 and 2021, respectively.

As of December 31, 2022, the Company held five securities that were self-assigned a 5GI designation, indicating the securities meet the qualifications of a 5GI designation, but have not been certified by the Securities Valuations Office (SVO). Total book adjusted carrying value of the five securities was $8.3 million and total fair value was $9.0 million as of December 31, 2022. The Company held six 5GI securities with a total book adjusted carrying value of $9.9 million and a total fair value of $11.2 million as of December 31, 2021.

There are no securities purchased prior to January 1, 1994, where historical cash flows are not available. Prepayment assumptions for single-class and multi-class mortgage and asset-backed securities were obtained from data pricing services. The Company uses data pricing services, broker quotes, and the Capital Markets & Investment Analysis Office of the NAIC to determine fair value. The Company has no negative yield situations requiring a change from the retrospective to prospective methodology.

Gross gains and losses realized from the disposition of bonds, which are reflected in the accompanying consolidated statutory financial statements, are as follows:

| Years ended December 31 | 2022 | 2021 |
|---|---|---|
| (Millions) | | |
| Bond sales: | | |
| Proceeds | $ 913.8 | $ 195.6 |
| Gross gains | 4.5 | 1.3 |
| Gross losses | 8.2 | 1.1 |
| Other bond dispositions: | | |
| Proceeds | $ 1,333.0 | $ 1,217.7 |
| Gross gains | 4.1 | 9.6 |
| Gross losses | 9.9 | 5.5 |

## Note 3 Investments (continued)

**Common Stocks**
The cost of common stocks, which includes unmanaged index exchange traded funds, was $1,074.0 million and $1,102.7 million as of December 31, 2022 and 2021, respectively. On or before December 31, 2022, the Company sold $55.1 million of common stock investments and reacquired them within 30 days at a cost of $57.4 million.

**Cash Equivalents**
The Company's interest in SLAP was $163.8 million and $194.2 million at December 31, 2022 and 2021, respectively. In both years the entire investment was made up of cash equivalents.

**Partnerships**
Partnerships include investments in limited partnerships and limited liability companies at a cost of $1,059.2 million and $1,057.2 million as of December 31, 2022 and 2021, respectively.

Partnerships are carried at the Company's equity in value of the audited underlying net assets of the investment determined in accordance with NAIC guidance. These investments generally reflect a reporting lag of 120 days or less, dependent upon the receipt of the reporting entity's financial information.

The carrying values of partnerships are as follows:

| December 31, 2022 | Carrying Value | Unfunded commitments | Redemption frequency (if currently eligible) | Redemption notice period |
|---|---|---|---|---|
| (Millions) | | | | |
| Private equity (a) | $ 1,129.7 | $ 397.4 | - | - |
| Hedge fund (b) | 106.4 | - | Annually | 30–95 days |
| Real estate (c) | 387.7 | 227.4 | - | - |
| Total | $ 1,623.8 | $ 624.8 | | |

| December 31, 2021 | Carrying Value | Unfunded commitments | Redemption frequency (if currently eligible) | Redemption notice period |
|---|---|---|---|---|
| (Millions) | | | | |
| Private equity (a) | $ 1,237.4 | $ 455.7 | - | - |
| Hedge fund (b) | 132.1 | - | Annually | 30–90 days |
| Real estate (c) | 355.3 | 281.6 | - | - |
| Total | $ 1,724.8 | $ 737.3 | | |

(a) This category includes investments in private equity partnerships that invest primarily in venture companies, growth equity, leveraged buyouts, mezzanine debt, distressed turnaround situations, and fund of private equity funds. These investments are usually not redeemable. Instead, the nature of the investments in this category is that distributions are received through the liquidation of the underlying assets held by the partnerships. The life of these partnerships typically ranges from 10 to 15 years.

(b) This category includes investments in hedge funds that invest in long and short common stocks, corporate bonds, government bonds, treasuries, commodities, currencies, derivatives, and privately owned assets. Hedge fund managers have the ability to shift investments from value to growth strategies, from small to large capitalization common stocks, and from a net long position to a net short position.

## Note 3 Investments (continued)

(c) This category includes investments in real estate and real asset partnerships. Investments have primarily been in U.S. commercial real estate. These investments are usually not redeemable. Distributions from each fund will be received as the underlying assets are liquidated. The life of these partnerships typically ranges from 8 to 12 years.

**Unrealized gains and losses**
Gross unrealized gains and losses related to investments in bonds, common stocks, partnerships, and other invested assets are as follows:

| | 2022 | | 2021 | |
|---|---|---|---|---|
| Years ended December 31 | Balance sheet | Surplus change | Balance sheet | Surplus change |
| (Millions) | | | | |
| Gross unrealized gains | **$ 1,106.1** | **$ (460.4)** | $ 1,566.5 | $ 363.7 |
| Gross unrealized losses | **(34.1)** | **(19.0)** | (15.1) | 1.1 |
| Net investment unrealized gains (losses) | **$ 1,072.0** | **(479.4)** | $ 1,551.4 | 364.8 |
| Deferred tax benefit (expense) | | **100.7** | | (76.5) |
| Goodwill amortization | | **(0.7)** | | (0.7) |
| Change in net unrealized capital gains and losses | | **$ (379.4)** | | $ 287.6 |

**Investment income**
Sources of net investment income for 2022 and 2021 are as follows:

| Years ended December 31 | 2022 | 2021 |
|---|---|---|
| (Millions) | | |
| Interest: | | |
| Bonds | **$ 414.8** | $ 401.9 |
| Cash, cash equivalents, and short-term investments | **2.3** | 0.3 |
| Other interest | **0.7** | 0.8 |
| Dividends: | | |
| Common stocks | **28.2** | 26.3 |
| Real estate | **29.1** | 25.2 |
| Contract loans | **0.6** | 0.7 |
| Partnerships | **192.4** | 273.2 |
| Amortization of IMR | **1.3** | 1.3 |
| Gross investment income | **669.4** | 729.7 |
| Investment expense | **(40.8)** | (37.1) |
| Interest expense | **(1.0)** | (1.2) |
| Depreciation on real estate | **(6.9)** | (7.4) |
| Net investment income | **$ 620.7** | $ 684.0 |

## Note 3 Investments (continued)

As of December 31, 2022 and 2021, investments carried at $460.9 million and $433.9 million, respectively, were on deposit with various governmental agencies as required by law. This represents 2.0 percent and 1.8 percent of the Company's total admitted assets as of December 31, 2022 and 2021, respectively. The Company's cash and invested assets include $378.7 million in collateral received from insureds to secure estimated future obligations to the Company. This represents 1.7 percent of the Company's total admitted assets as of December 31, 2022. The Company has recorded an equivalent liability within accounts payable and accrued expenses to recognize the future obligation to return collateral, which represents 2.5 percent of total liabilities as of December 31, 2022.

Realized investment gains and losses for the years ended December 31, 2022 and 2021, were as follows:

| Years ended December 31 | 2022 | | | 2021 | | |
|---|---|---|---|---|---|---|
| (Millions) | Realized gains | Realized losses | Net realized gains (losses) | Realized gains | Realized losses | Net realized gains (losses) |
| Bonds | $ 8.6 | $ 27.6 | $ (19.0) | $ 10.9 | $ 7.2 | $ 3.7 |
| Common stock | 95.7 | 148.7 | (53.0) | 381.4 | 46.7 | 334.7 |
| Real estate | - | 11.5 | (11.5) | - | - | - |
| Partnerships | - | 42.3 | (42.3) | - | 28.2 | (28.2) |
| Other | - | 0.2 | (0.2) | - | 0.3 | (0.3) |
| | $ 104.3 | $ 230.3 | (126.0) | $ 392.3 | $ 82.4 | 309.9 |
| IMR losses | | | (0.5) | | | 0.7 |
| Add: Taxes on realized gains and losses | | | 7.9 | | | (68.6) |
| Net realized gains (losses), net of tax | | | $ (118.6) | | | $ 242.0 |

The Company realized net losses of $135.0 million and $20.7 million in 2022 and 2021, respectively, related to other-than-temporary impairments of bonds, common stocks, partnerships, and income producing real estate, and a net loss of $0.8 million and $1.7 million in 2022 and 2021, respectively, on called or tendered securities.

The Company realized losses of $0.2M in 2022 and no net losses in 2021 related to other-than-temporary impairments of loan-backed securities.

## Note 3 Investments (continued)

**Impairment analysis**
The following tables show the fair value and unrealized losses for bonds and common stocks, as of December 31, 2022 and 2021, respectively. The data is aggregated by investment category and length of time that individual securities have been in a continuous position where cost or amortized cost exceeds fair value.

| | Less than 12 months | | 12 months or more | | Total | |
|---|---|---|---|---|---|---|
| December 31, 2022 | Fair value | Unrealized losses | Fair value | Unrealized losses | Fair value | Unrealized losses |
| (Millions) | | | | | | |
| U.S. government and government agencies | $ 853.9 | $ 75.0 | $ 237.7 | $ 47.9 | $ 1,091.6 | $ 122.9 |
| All other governments | 33.9 | 1.2 | 10.5 | 1.5 | 44.4 | 2.7 |
| States, territories, and possessions | 28.7 | 5.1 | - | - | 28.7 | 5.1 |
| Political subdivisions of states, territories, and possessions | 130.0 | 11.4 | 91.6 | 18.9 | 221.6 | 30.3 |
| Special revenue and special assessment | 1,762.1 | 194.4 | 370.7 | 79.7 | 2,132.8 | 274.1 |
| Industrial and miscellaneous | 4,494.7 | 386.5 | 994.2 | 187.8 | 5,488.9 | 574.3 |
| Subtotal, bonds | 7,303.3 | 673.6 | 1,704.7 | 335.8 | 9,008.0 | 1,009.4 |
| Common stocks | 125.1 | 9.5 | - | - | 125.1 | 9.5 |
| Total | $ 7,428.4 | $ 683.1 | $ 1,704.7 | $ 335.9 | $ 9,133.1 | $ 1,018.9 |

| | Less than 12 months | | 12 months or more | | Total | |
|---|---|---|---|---|---|---|
| December 31, 2021 | Fair value | Unrealized losses | Fair value | Unrealized losses | Fair value | Unrealized losses |
| (Millions) | | | | | | |
| U.S. government and government agencies | $ 322.0 | $ 5.6 | $ - | $ - | $ 322.0 | $ 5.6 |
| All other governments | 6.6 | 0.2 | 3.9 | 0.1 | 10.5 | 0.3 |
| Political subdivisions of states, territories, and possessions | 110.9 | 2.4 | 1.3 | - | 112.2 | 2.4 |
| Special revenue and special assessment | 431.9 | 7.6 | 20.7 | 0.2 | 452.6 | 7.8 |
| Industrial and miscellaneous | 853.0 | 15.4 | 33.6 | 1.8 | 886.6 | 17.2 |
| Subtotal, bonds | 1,724.4 | 31.2 | 59.5 | 2.1 | 1,783.9 | 33.3 |
| Common stocks | 85.8 | 6.4 | - | - | 85.8 | 6.4 |
| Total | $ 1,810.2 | $ 37.6 | $ 59.5 | $ 2.1 | $ 1,869.7 | $ 39.7 |

## Note 3 Investments (continued)

The following tables show the fair value and unrealized losses for loan-backed securities, as of December 31, 2022 and 2021, respectively. The data is aggregated by investment category and length of time that individual securities have been in a continuous position where cost or amortized cost exceeds fair value.

| | Less than 12 months | | 12 months or more | | Total | |
|---|---|---|---|---|---|---|
| December 31, 2022 | Fair value | Unrealized losses | Fair value | Unrealized losses | Fair value | Unrealized losses |
| (Millions) | | | | | | |
| U.S. government and government agencies - MBS/ABS (a) | $ 755.0 | $ 65.6 | $ 164.6 | $ 39.8 | $ 919.6 | $ 105.4 |
| Special revenue - MBS/ABS | 106.6 | 10.0 | 18.8 | 2.6 | 125.4 | 12.6 |
| Industrial and miscellaneous - MBS/ABS | 173.5 | 6.8 | 35.5 | 4.3 | 209.0 | 11.1 |
| Total | $ 1,035.1 | $ 82.4 | $ 218.9 | $ 46.7 | $ 1,254.0 | $ 129.1 |

| | Less than 12 months | | 12 months or more | | Total | |
|---|---|---|---|---|---|---|
| December 31, 2021 | Fair value | Unrealized losses | Fair value | Unrealized losses | Fair value | Unrealized losses |
| (Millions) | | | | | | |
| U.S. government and government agencies - MBS/ABS (a) | $ 214.8 | $ 3.9 | $ - | $ - | $ 214.8 | $ 3.9 |
| Special revenue - MBS/ABS | 19.3 | 0.2 | 7.3 | - | 26.6 | 0.2 |
| Industrial and miscellaneous - MBS/ABS | 48.1 | 0.7 | 1.3 | - | 49.4 | 0.7 |
| Total | $ 282.2 | $ 4.8 | $ 8.6 | $ - | $ 290.8 | $ 4.8 |

(a) Mortgage-backed securities (MBS) and asset-backed securities (ABS).

The majority of the unrealized losses of the Company's investments were caused by bonds being purchased in a lower interest rate environment relative to the interest rate environment at December 31, 2022. Because the Company has the ability and intent to hold these investments until maturity, the Company does not consider investments with such losses to be other-than-temporarily impaired at December 31, 2022. There were no loan-backed securities held at December 31, 2022 or 2021, which were previously other-than-temporarily impaired.

The Company's evaluation of other-than-temporary impairment of a particular security includes management making assumptions and estimates about the 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 cost for equity securities or amortized cost for bonds; (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.

Total unrealized losses on securities that were in a continuous unrealized loss position for twelve months or more are comprised of 605 bonds and no common stocks and 21 bonds and no common stocks at December 31, 2022 and 2021, respectively. Total unrealized losses on securities that were in a continuous unrealized loss position for twelve months or fewer are comprised of 2,098 bonds and 86 common stocks and 610 bonds and 75 common stocks at December 31, 2022 and 2021, respectively.

The Company does not have a material concentration of subprime investments.

## Note 3 Investments (continued)

**Company-occupied properties**
The following table summarizes Company-occupied properties used primarily in insurance operations:

| December 31 | 2022 | 2021 |
|---|---|---|
| (Millions) | | |
| Buildings | $ 261.2 | $ 258.1 |
| Land and improvements | 14.9 | 14.9 |
| Total cost | 276.1 | 273.0 |
| Accumulated depreciation | (129.5) | (123.1) |
| Carrying value | $ 146.6 | $ 149.9 |

Depreciation expense for Company-occupied properties was $6.4 million and $7.3 million in 2022 and 2021, respectively.

Net investment income includes rental income of $29.1 million and $25.2 million in 2022 and 2021, respectively, for occupancy by the Company of its own buildings. A similar charge is included in operating expenses for both years.

**Company-owned life insurance**
The Company is the owner and beneficiary of life insurance policies included in other assets at their cash surrender values pursuant to SSAP No. 21, *Other Admitted Assets*. At December 31, 2022, the cash surrender value in an investment vehicle is $33.3 million and is allocated into the following categories: 94% equity, 6% fixed income, and 0% cash and short-term investments.

## Note 4 Disclosures about fair value of financial instruments

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 fair value disclosure requirements. Therefore, the aggregate fair value amounts presented below do not represent the underlying fair value of the Company.

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

For cash, cash equivalents, and short-term investments, insurance premiums and reinsurance receivables, interest and dividends receivables, and accounts payable and accrued expenses, the carrying amount approximates fair value due to their short-term nature. Policy loans are an integral part of the underlying life insurance contracts and have no stated maturity dates; therefore, no reasonable estimate of fair value can be made. Interest rates range from 5 to 8 percent.

For bonds, the estimated fair value is generally based on quotes provided by data pricing services, brokers, and the Capital Markets and Investment Analysis Office of the NAIC. The fair values of common stocks are based on quotes provided by data pricing services and market values from the Capital Markets and Investment Analysis Office of the NAIC. The fair value of assets held in separate accounts and the related liabilities are based on underlying market prices.

The estimated fair values of the Company's financial instruments are as follows:

| December 31 | 2022 | | 2021 | |
|---|---|---|---|---|
| (Millions) | Carrying value | Estimated fair value | Carrying value | Estimated fair value |
| Financial assets: | | | | |
| Bonds | **$ 11,789.8** | **$ 10.854.0** | $ 11,400.7 | $ 12,177.2 |
| Common stocks | **1,577.6** | **1,577.6** | 1,922.0 | 1,922.0 |
| Cash equivalents and short-term investments | **223.0** | **223.0** | 244.0 | 244.0 |
| Assets held in separate accounts | **5,977.4** | **5,977.4** | 7,248.7 | 7,248.7 |
| Liabilities: | | | | |
| Liabilities held in separate accounts | **5,976.3** | **5,976.3** | 7,247.5 | 7,247.5 |

Included in various investment-related line items in the consolidated 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.

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.

When quoted prices in active markets are not available, the Company uses the income approach to estimate the fair value of its financial instruments. The income approach involves using discounted cash flow and other standard valuation methodologies. The inputs in applying these market standard valuation methodologies include, but are not limited to, interest rates, benchmark yields, bid/ask spreads, dealer quotes, liquidity, term to maturity, estimated future cash flows, credit risk and default projections, collateral performance, deal and tranche attributes, and general market data.

For disclosure purposes, based on a hierarchy defined by SSAP No. 100, *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

## Note 4 Disclosures about fair value of financial instruments (continued)

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. Transfers between levels are recognized at the end of the reporting period for which an underlying assumption significant to the fair value is determined.

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 financial assets and liabilities generally include common stocks and U.S. government debt securities, where management's valuations are based on quoted market prices.

Level 2 - Management's valuations are based on quoted market prices where such markets are not deemed to be sufficiently active. In such circumstances, additional valuations metrics will be used, which involve direct or indirect observable market inputs. Level 2 financial assets and liabilities generally include debt securities other than debt issued by the U.S. government. Independent pricing services 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. A small segment of Level 2 securities is priced internally using matrix pricing, broker quotes, and benchmark and spread analysis.

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 following table presents the fair value hierarchy levels for the Company's assets and liabilities:

| December 31, 2022 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| (Millions) | | | | |
| Financial assets: | | | | |
| Bonds | $ 111.6 | $ 10,742.4 | $ - | $ 10,854.0 |
| Common stocks | 1,572.9 | 4.7 | - | 1,577.6 |
| Cash equivalents and short-term investments | 223.0 | - | - | 223.0 |
| Assets held in separate accounts | - | 5,977.4 | - | 5,977.4 |
| Total financial assets | $ 1,907.5 | $ 16,724.5 | $ - | $ 18,632.0 |
| Liabilities: | | | | |
| Liabilities held in separate accounts | $ - | $ 5,976.3 | $ - | $ 5,976.3 |

## Note 4 Disclosures about fair value of financial instruments (continued)

| December 31, 2021 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| (Millions) | | | | |
| Financial assets: | | | | |
| Bonds | $ 231.6 | $ 11,945.6 | $ - | $ 12,177.2 |
| Common stocks | 1,917.5 | 4.5 | - | 1,922.0 |
| Cash equivalents and short-term investments | 244.0 | - | - | 244.0 |
| Assets held in separate accounts | - | 7,248.7 | - | 7,248.7 |
| Total financial assets | $ 2,393.1 | $ 19,198.8 | $ - | $ 21,591.9 |
| Liabilities: | | | | |
| Liabilities held in separate accounts | $ - | $ 7,247.5 | $ - | $ 7,247.5 |

The Company had no changes in fair value of assets utilizing Level 3 inputs for the years ended December 31, 2022 and 2021.

## Note 5 EDP Equipment and software, furniture and equipment, and leases and leasehold improvements

Depreciation expense for EDP equipment and operating software was $3.4 million and $4.1 million in 2022 and 2021, respectively. There was no depreciation expense for nonoperating system software in 2022 or 2021. The gross cost for EDP equipment and operating software was $118.1 million and $115.1 million as of December 31, 2022 and 2021, respectively. Related accumulated depreciation was $111.9 million and $110.1 million as of December 31, 2022 and 2021, respectively.

Depreciation expense for furniture and equipment was $5.8 million and $5.1 million in 2022 and 2021, respectively. Amortization expense for leasehold improvements was $0.3 million in 2022 and $0.3 million in 2021. The net admitted assets for furniture and equipment and leases and leasehold improvements were zero at December 31, 2022 and 2021.

The Company leases office equipment, vehicles, and office space under various lease agreements that expire through August 2029. External rental expenses in 2022 and 2021 were $12.2 million and $12.0 million, respectively.

At December 31, 2022, the minimum aggregate rental commitments for noncancelable office space leases totaled $19.0 million through 2029. Minimum aggregate rental commitments for noncancelable office space leases for the next succeeding five years are as follows:

| Years ended December 31 | Rental commitment |
|---|---|
| (Millions) | |
| 2023 | $ 5.4 |
| 2024 | 3.7 |
| 2025 | 3.0 |
| 2026 | 2.7 |
| 2027 | 2.4 |
| Thereafter | 1.8 |

The Company has 20 major leased office locations. These leases can be renewed for between five-year and ten-year increments. The lease agreements have immaterial escalation clauses. The Company has no lease commitments for vacated properties. The Company is not involved in any material sales-leaseback transactions and leasing is not a significant part of the Company's business activities.

## Note 6 Reserves for losses and loss adjustment expenses

**Property and casualty and accident and health reserves**
Activity in the liability for losses and loss expenses relating to property and casualty and accident and health reserves is as follows:

| Years ended December 31 | 2022 | 2021 |
|---|---|---|
| (Millions) | | |
| Reserves for losses and loss expenses at beginning of year | $ 4,786.3 | $ 4,569.4 |
| Less reinsurance recoverable on unpaid losses | 616.0 | 664.4 |
| Net reserves for losses and loss expenses at beginning of year | 4,170.3 | 3,905.0 |
| Provision for losses and loss expenses for claims incurred: | | |
| Current year | 2,394.1 | 2,153.1 |
| Prior years | (151.5) | (217.6) |
| Total incurred losses and loss expenses | 2,242.6 | 1,935.5 |
| Payments for losses and loss expenses on claims incurred: | | |
| Current year | 962.8 | 829.7 |
| Prior years | 1,024.7 | 840.5 |
| Total paid losses and loss expenses | 1,987.5 | 1,670.2 |
| Net reserves for losses and loss expenses at end of year | 4,425.4 | 4,170.3 |
| Plus reinsurance recoverable on unpaid losses | 587.2 | 616.0 |
| Reserves for losses and loss expenses at end of year | $ 5,012.6 | $ 4,786.3 |

Favorable development on prior year incurred losses and loss expenses reflects ongoing analysis of recent loss trends and reevaluation based on information known for individual claims. This favorable development was driven by lower-than-anticipated losses across multiple lines of business with the primary drivers being workers' compensation, and special property. To the extent this favorable development is attributable to loss sensitive contracts, premiums were adjusted accordingly.

Loss reserves reported in the above table are presented net of anticipated salvage and subrogation recoveries totaling $90.8 million and $79.7 million as of December 31, 2022 and 2021, respectively.

**High deductible policies**
Loss reserves reported in the above table are also presented net of reserve credits. These reserve credits relate to deductibles receivable from policyholders on certain policies considered "high deductible" policies. Unlike traditional insurance policies, the Company generally pays losses under the deductible limit on high deductible policies and then collects these amounts from the policyholder. For purposes of this disclosure, high deductible policies are defined as policies with a deductible of $100 thousand or higher. All deductibles receivable from a policyholder with at least one high deductible policy are included in this disclosure. Balances for high deductible policies are as follows:

| December 31, 2022 | Gross (of high deductible) loss reserves | Reserve credit for high deductibles | Billed recoverables on paid claims | Total high deductibles and billed recoverables |
|---|---|---|---|---|
| (Millions) | | | | |
| Workers' compensation | $ 1,893.4 | $ 667.4 | $ 30.7 | $ 698.1 |
| All other lines | 266.4 | 75.9 | 5.3 | 81.2 |

## Note 6 Reserves for losses and loss adjustment expenses (continued)

| December 31, 2021 | Gross (of high deductible) loss reserves | Reserve credit for high deductibles | Billed recoverables on paid claims | Total high deductibles and billed recoverables |
|---|---|---|---|---|
| (Millions) | | | | |
| Workers' compensation | $ 1,820.2 | $ 637.5 | $ 22.8 | $ 660.3 |
| All other lines | 274.7 | 66.1 | 4.1 | 70.2 |

To minimize credit risk, the Company continually monitors the condition of these receivables, and in certain situations requires collateral in the form of letters of credit, cash deposits, trusts, or bonds. Collateral in the form of cash deposits is reflected on the consolidated statutory balance sheets within cash and investments with an equivalent liability recorded while all other collateral is excluded. The Company held collateral on these policies in the amounts of $570.8 million and $558.1 million as of December 31, 2022 and 2021, respectively; $222.6 million and $215.4 million was in the form of cash deposits, while $348.2 million and $342.7 million was in the form of letters of credit, trusts, or bonds. Total unsecured amounts of $208.4 million and $172.4 million represented 26.8 percent and 23.6 percent of the total high deductible amounts related to unpaid claims and recoverables on paid claims as of December 31, 2022 and 2021, respectively.

Of the billed and recoverable amounts on paid claims under these policies, $3.3 million and $3.9 million were over 90 days past due as of December 31, 2022 and 2021, respectively. Overdue deductible recoverables in excess of collateral specifically held and identifiable on a per-policy basis is reported as a non-admitted asset; as of December 31, 2022 and 2021, there were no amounts nonadmitted due to either aging or collateral.

The deductible amounts for the highest ten unsecured high deductible policies at December 31, 2022 and 2021, are listed below. Each individual counterparty may not be consistent between years.

| As of December 31 | 2022 | 2021 |
|---|---|---|
| (Millions) | | |
| Counterparty 1 | $ 15.6 | $ 10.6 |
| Counterparty 2 | 7.6 | 8.4 |
| Counterparty 3 | 6.3 | 7.4 |
| Counterparty 4 | 6.2 | 5.6 |
| Counterparty 5 | 5.3 | 4.9 |
| Counterparty 6 | 5.3 | 4.8 |
| Counterparty 7 | 4.8 | 4.1 |
| Counterparty 8 | 4.7 | 3.7 |
| Counterparty 9 | 4.1 | 3.6 |
| Counterparty 10 | 4.0 | 3.1 |

## Note 6 Reserves for losses and loss adjustment expenses (continued)

**Asbestos and environmental claims**
The Company has certain exposures for asbestos and environmental claims arising from the sale of product and general liability insurance and reinsurance. The Company estimates the full impact of the asbestos and environmental exposure by establishing full case reserves on all known losses and computing incurred but not reported losses based on previous experience. Activity related to these reserves is as follows:

**Asbestos losses: direct**

| Years ended December 31 | 2022 | 2021 |
|---|---|---|
| (Millions) | | |
| Reserves for asbestos claims at beginning of year | $ 126.0 | $ 133.8 |
| Incurred losses and loss expenses | 4.4 | (1.0) |
| Paid losses and loss expenses | (7.5) | (6.8) |
| Reserves for asbestos claims at end of year | $ 122.9 | $ 126.0 |

**Asbestos losses: assumed reinsurance**

| Years ended December 31 | 2022 | 2021 |
|---|---|---|
| (Millions) | | |
| Reserves for asbestos claims at beginning of year | $ 47.3 | $ 48.0 |
| Incurred losses and loss expenses | (0.4) | 1.8 |
| Paid losses and loss expenses | (2.0) | (2.5) |
| Reserves for asbestos claims at end of year | $ 44.9 | $ 47.3 |

**Asbestos losses: net of reinsurance**

| Years ended December 31 | 2022 | 2021 |
|---|---|---|
| (Millions) | | |
| Reserves for asbestos claims at beginning of year | $ 153.2 | $ 144.7 |
| Incurred losses and loss expenses | 4.6 | 16.9 |
| Paid losses and loss expenses | (8.8) | (8.4) |
| Reserves for asbestos claims at end of year | $ 149.0 | $ 153.2 |

## Note 6 Reserves for losses and loss adjustment expenses (continued)

**Environmental losses: direct**

| Years ended December 31 | 2022 | 2021 |
|---|---|---|
| (Millions) | | |
| Reserves for environmental claims at beginning of year | $ 86.2 | $ 72.3 |
| Incurred losses and loss expenses | 0.2 | 26.1 |
| Paid losses and loss expenses | (5.9) | (12.2) |
| Reserves for environmental claims at end of year | $ 80.5 | $ 86.2 |

**Environmental losses: assumed reinsurance**

| Years ended December 31 | 2022 | 2021 |
|---|---|---|
| (Millions) | | |
| Reserves for environmental claims at beginning of year | $ 4.6 | $ 6.1 |
| Incurred losses and loss expenses | - | - |
| Paid losses and loss expenses | (0.5) | (1.5) |
| Reserves for environmental claims at end of year | $ 4.1 | $ 4.6 |

**Environmental losses: net of reinsurance**

| Years ended December 31 | 2022 | 2021 |
|---|---|---|
| (Millions) | | |
| Reserves for environmental claims at beginning of year | $ 71.8 | $ 74.8 |
| Incurred losses and loss expenses | 3.2 | 7.4 |
| Paid losses and loss expenses | (7.4) | (10.4) |
| Reserves for environmental claims at end of year | $ 67.6 | $ 71.8 |

## Note 7 Life and other future policy benefits

Future policy benefits for life and annuities at December 31, 2022 and 2021, are as follows:

| December 31 | 2022 | 2021 |
|---|---|---|
| (Millions) | | |
| Life | | |
| Life insurance | **$ 213.6** | $ 214.0 |
| Accidental death and disability benefits | **4.6** | 4.8 |
| Miscellaneous reserves | **12.0** | 12.2 |
| Future policy benefits – life | **230.2** | 231.0 |
| Annuities | | |
| Aggregate reserves for annuity contracts | **2,018.5** | 2,087.0 |
| Structured settlements | **79.4** | 79.1 |
| Liabilities for premium and other deposit funds | **2.2** | 2.4 |
| Future policy benefits – annuities | **2,100.1** | 2,168.5 |
| Total future policy benefits – life and annuities | **2,330.3** | 2,399.5 |
| Policy and contract claims – life and annuities | **3.0** | 3.3 |
| Total life and other future policy benefits | **$ 2,333.3** | $ 2,402.8 |

## Note 7 Life and other future policy benefits (continued)

The withdrawal characteristics of all annuity reserves and deposit liabilities at December 31, 2022 and 2021, are as follows:

| Individual annuities<br>December 31, 2022 | General account | Separate account nonguaranteed | Total | % of total |
|---|---|---|---|---|
| (Millions) | | | | |
| Subject to discretionary withdrawal: | | | | |
| With market value adjustment | $ - | $ - | $ - | - |
| At book value, less current surrender charge of 5% or more | 0.7 | - | 0.7 | 0.8% |
| At fair value | - | 22.8 | 22.8 | 25.1% |
| Total with adjustment or at market value | 0.7 | 22.8 | 23.5 | 25.9% |
| At book value without adjustment (minimal or no charge or adjustment) | 62.5 | - | 62.5 | 68.9% |
| Total subject to discretionary withdrawal | 63.2 | 22.8 | 86.0 | 94.8% |
| Not subject to discretionary withdrawal | 4.7 | - | 4.7 | 5.2% |
| Total (gross) | 67.9 | 22.8 | 90.7 | 100.0% |
| Reinsurance ceded | - | - | - | |
| Total (net) | $ 67.9 | $ 22.8 | $ 90.7 | |
| Amount above with a surrender charge of 5% or more that will have minimal or no charge or adjustment for the first time within the following year | $ - | $ - | $ - | |

| December 31, 2021 | General account | Separate account nonguaranteed | Total | % of total |
|---|---|---|---|---|
| (Millions) | | | | |
| Subject to discretionary withdrawal: | | | | |
| With market value adjustment | $ - | $ - | $ - | - |
| At book value, less current surrender charge of 5% or more | 0.1 | - | 0.1 | 0.1% |
| At fair value | - | 30.5 | 30.5 | 31.7% |
| Total with adjustment or at market value | 0.1 | 30.5 | 30.6 | 31.8% |
| At book value without adjustment (minimal or no charge or adjustment) | 60.0 | - | 60.0 | 62.4% |
| Total subject to discretionary withdrawal | 60.1 | 30.5 | 90.6 | 94.2% |
| Not subject to discretionary withdrawal | 5.6 | - | 5.6 | 5.8% |
| Total (gross) | 65.7 | 30.5 | 96.2 | 100.0% |
| Reinsurance ceded | - | - | - | |
| Total (net) | $ 65.7 | $ 30.5 | $ 96.2 | |
| Amount above with a surrender charge of 5% or more that will have minimal or no charge or adjustment for the first time within the following year | $ - | $ - | $ - | |

## Note 7 Life and other future policy benefits (continued)

| Group Annuities<br>December 31, 2022 | General account | Separate account nonguaranteed | Total | % of total |
|---|---|---|---|---|
| (Millions) | | | | |
| Subject to discretionary withdrawal: | | | | |
| With market value adjustment | $ 1,935.6 | $ - | $ 1,935.6 | 24.3% |
| At book value, less current surrender charge of 5% or more | - | - | - | - |
| At fair value | - | 5,943.9 | 5,943.9 | 74.5% |
| Total with adjustment or at market value | 1,935.6 | 5,943.9 | 7,879.5 | 98.8% |
| At book value without adjustment (minimal or no charge or adjustment) | 5.5 | - | 5.5 | 0.1% |
| Total subject to discretionary withdrawal | 1,941.1 | 5,943.9 | 7,885.0 | 98.9% |
| Not subject to discretionary withdrawal | 89.0 | - | 89.0 | 1.1% |
| Total (gross) | 2,030.1 | 5,943.9 | 7,974.0 | 100.0% |
| Reinsurance ceded | - | - | - | |
| Total (net) | $ 2,030.1 | $ 5,943.9 | $ 7,974.0 | |
| Amount above with a surrender charge of 5% or more that will have minimal or no charge or adjustment for the first time within the following year | $ - | $ - | $ - | |

| December 31, 2021 | General account | Separate account nonguaranteed | Total | % of total |
|---|---|---|---|---|
| (Millions) | | | | |
| Subject to discretionary withdrawal: | | | | |
| With market value adjustment | $ 2,007.4 | $ - | $ 2,007.4 | 21.6% |
| At book value, less current surrender charge of 5% or more | - | - | - | - |
| At fair value | - | 7,205.3 | 7,205.3 | 77.4% |
| Total with adjustment or at market value | 2,007.4 | 7,205.3 | 9,212.7 | 99.0% |
| At book value without adjustment (minimal or no charge or adjustment) | 5.8 | - | 5.8 | 0.1% |
| Total subject to discretionary withdrawal | 2,013.2 | 7,205.3 | 9,218.5 | 99.1% |
| Not subject to discretionary withdrawal | 87.2 | - | 87.2 | 0.9% |
| Total (gross) | 2,100.4 | 7,205.3 | 9,305.7 | 100.0% |
| Reinsurance ceded | - | - | - | |
| Total (net) | $ 2,100.4 | $ 7,205.3 | $ 9,305.7 | |
| Amount above with a surrender charge of 5% or more that will have minimal or no charge or adjustment for the first time within the following year | $ - | $ - | $ - | |

## Note 7 Life and other future policy benefits (continued)

| Deposit-type contracts (no life contingencies)<br>December 31, 2022 | General account | Separate account nonguaranteed | Total | % of total |
|---|---|---|---|---|
| (Millions) | | | | |
| Subject to discretionary withdrawal: | | | | |
| With market value adjustment | $ - | $ - | $ - | - |
| At book value, less current surrender charge of 5% or more | - | - | - | - |
| At fair value | - | - | - | - |
| Total with adjustment or at market value | - | - | - | - |
| At book value without adjustment (minimal or no charge or adjustment) | - | - | - | - |
| Total subject to discretionary withdrawal | - | - | - | - |
| Not subject to discretionary withdrawal | 2.2 | - | 2.2 | 100.0% |
| Total (gross) | 2.2 | - | 2.2 | 100.0% |
| Reinsurance ceded | - | - | - | |
| Total (net) | $ 2.2 | $ - | $ 2.2 | |
| Amount above with a surrender charge of 5% or more that will have minimal or no charge or adjustment for the first time within the following year | $ - | $ - | $ - | |

| December 31, 2021 | General account | Separate account nonguaranteed | Total | % of total |
|---|---|---|---|---|
| (Millions) | | | | |
| Subject to discretionary withdrawal: | | | | |
| With market value adjustment | $ - | $ - | $ - | - |
| At book value, less current surrender charge of 5% or more | - | - | - | - |
| At fair value | - | - | - | - |
| Total with adjustment or at market value | - | - | - | - |
| At book value without adjustment (minimal or no charge or adjustment) | - | - | - | - |
| Total subject to discretionary withdrawal | - | - | - | - |
| Not subject to discretionary withdrawal | 2.4 | - | 2.4 | 100.0% |
| Total (gross) | 2.4 | - | 2.4 | 100.0% |
| Reinsurance ceded | - | - | - | |
| Total (net) | $ 2.4 | $ - | $ 2.4 | |
| Amount above with a surrender charge of 5% or more that will have minimal or no charge or adjustment for the first time within the following year | $ - | $ - | $ - | |

## Note 7 Life and other future policy benefits (continued)

The withdrawal characteristics of life actuarial reserves at December 31, 2022 and 2021 are as follows:

| December 31, 2022 | General account | | | Separate account - nonguaranteed | | |
|---|---|---|---|---|---|---|
| (Millions) | Account value | Cash value | Reserve | Account value | Cash value | Reserve |
| Subject to discretionary withdrawal, surrender values, or policy loans | | | | | | |
| Term Policies with cash value | $ 1.2 | $ 1.2 | $ 1.5 | $ - | $ - | $ - |
| Universal life | 69.6 | 71.0 | 72.6 | - | - | - |
| Other permanent cash value life insurance | 91.6 | 91.6 | 115.1 | - | - | - |
| Variable universal life | - | - | - | 6.7 | 6.7 | 6.4 |
| Not subject to discretionary withdrawal or no cash values | | | | | | |
| Term polices with cash value | XXX | XXX | 52.0 | XXX | XXX | - |
| Accidental death benefits | XXX | XXX | - | XXX | XXX | - |
| Disability – active lives | XXX | XXX | 0.2 | XXX | XXX | - |
| Disability – disabled lives | XXX | XXX | 4.7 | XXX | XXX | - |
| Miscellaneous reserves | XXX | XXX | 24.0 | XXX | XXX | - |
| Total (gross) | 162.4 | 163.8 | 270.1 | 6.7 | 6.7 | 6.4 |
| Reinsurance ceded | - | - | 39.9 | - | - | - |
| Total (net) | $ 162.4 | $ 163.8 | $ 230.2 | $ 6.7 | $ 6.7 | $ 6.4 |

| December 31, 2021 | General account | | | Separate account - nonguaranteed | | |
|---|---|---|---|---|---|---|
| (Millions) | Account value | Cash value | Reserve | Account Value | Cash value | Reserve |
| Subject to discretionary withdrawal, surrender values, or policy loans | | | | | | |
| Term Policies with cash value | $ 1.0 | $ 1.1 | $ 1.5 | $ - | $ - | $ - |
| Universal life | 73.2 | 74.6 | 76.1 | - | - | - |
| Other permanent cash value life insurance | 89.0 | 89.1 | 111.7 | - | - | - |
| Variable universal life | - | - | - | 8.4 | 8.4 | 8.2 |
| Not subject to discretionary withdrawal or no cash values | | | | | | |
| Term polices with cash value | XXX | XXX | 51.3 | XXX | XXX | - |
| Accidental death benefits | XXX | XXX | - | XXX | XXX | - |
| Disability – active lives | XXX | XXX | 0.2 | XXX | XXX | - |
| Disability – disabled lives | XXX | XXX | 4.9 | XXX | XXX | - |
| Miscellaneous reserves | XXX | XXX | 24.2 | XXX | XXX | - |
| Total (gross) | 163.2 | 164.8 | 269.9 | 8.4 | 8.4 | 8.2 |
| Reinsurance ceded | - | - | 37.9 | - | - | - |
| Total (net) | $ 163.2 | $ 164.8 | $ 232.0 | $ 8.4 | $ 8.4 | $ 8.2 |

## Note 7 Life and other future policy benefits (continued)

The below table reconciles the withdrawal characteristics of all life, annuity reserves, and deposit liabilities to specific Life Annual Statement schedules as of December 31, 2022.

| (Millions)<br>Life & accident & health annual statement | Balance sheet caption | Life | Annuities | Total |
|---|---|---|---|---|
| Exhibit 5, life insurance, total (net) | Life and other future policy benefits | $ 213.6 | $ - | $ 213.6 |
| Exhibit 5, disability – active lives, total (net) | Life and other future policy benefits | 0.2 | - | 0.2 |
| Exhibit 5, disability – disabled lives, total (net) | Life and other future policy benefits | 4.4 | - | 4.4 |
| Exhibit 5, miscellaneous reserves, total (net) | Life and other future policy benefits | 12.0 | 4.1 | 16.1 |
| Exhibit 5, annuities, total (net) | Life and other future policy benefits | - | 2,093.8 | 2,093.8 |
| Exhibit 5, supplementary contracts with life contingencies, total (net) | Life and other future policy benefits | - | - | - |
| Exhibit 7, deposit-type contracts, line 14, column 1 | Life and other future policy benefits | - | 2.2 | 2.2 |
| Exhibit 8, contract claims, line 4.4, columns 3 and 7 | Life and other future policy benefits | 3.0 | - | 3.0 |
| Subtotal | | 233.2 | 2,100.1 | 2,333.3 |
| Separate accounts annual statement | Balance sheet caption | | | |
| Exhibit 3, line 0199999, column 2 | Separate account liabilities | 6.4 | - | 6.4 |
| Exhibit 3, line 0299999, column 2 | Separate account liabilities | - | 5,966.8 | 5,966.8 |
| Subtotal | | 6.4 | 5,966.8 | 5,973.2 |
| | | | | |
| Combined total | | $ 239.6 | $ 8,066.9 | $ 8,306.5 |

## Note 8 Separate accounts

The life insurance subsidiaries utilize separate accounts to record and account for assets and liabilities for employee benefit plans, variable annuities, and variable universal life product lines.

All separate account assets are considered legally insulated from the general account except for the Company's interest in the separate accounts (seed money). The legal insulation of the separate account assets prevents such assets from being generally available to satisfy claims resulting from the general accounts. All separate account assets are registered with the U.S. Securities and Exchange Commission (SEC). As of December 31, 2022 and 2021, the life companies' separate account statements included legally insulated assets of $6.0 billion and $7.2 billion, respectively.

Activity and liabilities (primarily reserves) in the life insurance subsidiaries' separate accounts are as follows:

| Years ended December 31 | 2022 | 2021 |
|---|---|---|
| (Millions) | | |
| Premiums, considerations, or deposits | $ 2,456.5 | $ 2,307.6 |
| Liabilities: | | |
| Reserves carried at fair value | $ 5,973.2 | $ 7,244.0 |
| Non-policy liabilities | 3.1 | 3.5 |
| Total liabilities | $ 5,976.3 | $ 7,247.5 |
| Liabilities by withdrawal characteristics: | | |
| Subject to discretionary withdrawal: | | |
| With market value adjustment | $ - | $ - |
| At book value without market value adjustment and with current surrender charge of 5% or more | - | - |
| At fair value | 5,973.2 | 7,244.0 |
| At book value without market value adjustment and with current surrender charge less than 5% | - | - |
| Total reserves subject to discretionary withdrawal | 5,973.2 | 7,244.0 |
| Non-policy liabilities | 3.1 | 3.5 |
| Total liabilities | $ 5,976.3 | $ 7,247.5 |
| Reserves for asset default risk in lieu of AVR | $ - | $ - |

Insurance claims and policyholders' benefits as reported on the consolidated statements of operations include amounts transferred to (from) separate accounts. These transfers reported in the life companies' separate accounts statements are as follows:

| Years ended December 31 | 2022 | 2021 |
|---|---|---|
| (Millions) | | |
| Transfers to separate accounts | $ 2,456.5 | $ 2,307.6 |
| Transfers from separate accounts | (2,397.9) | (2,239.9) |
| Net transfers as reported in the separate accounts statements | 58.6 | 67.7 |
| Other | - | - |
| Net transfers as reported in the statements of operations | $ 58.6 | $ 67.7 |

## Note 9 Reinsurance

The Company cedes insurance to other insurers under various contracts, which cover individual risks or entire classes of business. There are no significant concentrations with any one reinsurer. Although the ceding of insurance does not discharge the Company from its primary liability to policyholders in the event any reinsurer might be unable to meet the obligations assumed under the reinsurance agreements, it is the practice of insurers to reduce their balances for amounts ceded. Amounts deducted in the accompanying consolidated statutory financial statements for reinsurance ceded to other insurers, excluding reinsurance recoverables under the retroactive reinsurance agreement (see below) are as follows:

| Years ended December 31 | 2022 | 2021 |
|---|---|---|
| (Millions) | | |
| Insurance premiums and deposits ceded | **$ 185.0** | $ 188.0 |
| Insurance benefits ceded | **113.4** | 113.5 |

| December 31 | 2022 | 2021 |
|---|---|---|
| (Millions) | | |
| Liabilities for losses and loss expenses ceded | **$ 627.1** | $ 655.0 |
| Unearned premiums ceded | **50.7** | 48.2 |

Effective October 15, 2021, the Company entered into a 100% quota share agreement with Accredited Surety and Casualty Company, Inc. covering assumed reinsurance written from 1950 through 1995. This transaction is accounted for as retroactive reinsurance, which requires that expected recoveries under the contract be recorded as a contra-liability rather than as a reduction of gross loss reserves. There was no net gain or loss recorded on this contract in 2021. The expected recovery related to the retroactive reinsurance agreement and recorded in the accompanying consolidated statutory financial statements was $51.8 million and $54.7 millions, as of December 31, 2022 and 2021, respectively.

The Company is not currently participating in voluntary assumed reinsurance programs, but assumed case reserves remain outstanding. Business is also assumed from mandatory pools, primarily the National Council of Compensation Insurance (NCCI) workers' compensation pool.

The Company did not include the supplemental reinsurance disclosures required by paragraphs 78 through 84 of SSAP No. 61R, *Life Deposit-Type and Accident and Health Reinsurance*, as it does not have any reinsurance contracts which limit the reinsurer's assumption of significant risks.

## Note 10 Benefit plans

**Qualified pension plan**
SIC sponsors a qualified noncontributory defined benefit pension plan (the Plan) covering all employees hired before January 1, 2010. SIC made accrual entries based on actuarially determined amounts.

The following provides a reconciliation of benefit obligations, plan assets, and funded status related to the Plan.

| December 31 | 2022 | 2021 |
|---|---|---|
| (Millions) | | |
| Benefit obligation at beginning of year | $ 1,725.7 | $ 1,796.6 |
| Service cost | 21.9 | 25.3 |
| Interest cost | 46.6 | 41.6 |
| Actuarial gain | (413.8) | (61.6) |
| Benefits paid | (78.4) | (76.2) |
| Benefit obligation at end of year | $ 1,302.0 | $ 1,725.7 |

| December 31 | 2022 | 2021 |
|---|---|---|
| (Millions) | | |
| Fair value of assets at beginning of year | $ 1,810.7 | $ 1,786.5 |
| Actual investment (loss) return on assets | (383.5) | 100.4 |
| Benefits paid | (78.4) | (76.2) |
| Fair value of assets at end of year | $ 1,348.8 | $ 1,810.7 |

The excess of plan assets over benefit obligations was $46.8 million as of December 31, 2022. The excess of plan assets over benefit obligations was $85.0 million as of December 31, 2021.

The following provides a reconciliation of total net periodic pension cost related to the Plan.

| Years ended December 31 | 2022 | 2021 |
|---|---|---|
| (Millions) | | |
| Service cost | $ 21.9 | $ 25.3 |
| Interest cost | 46.6 | 41.6 |
| Actual investment loss (return) on assets | 383.5 | (100.4) |
| Difference between expected and actual return on assets | (445.4) | 30.6 |
| Total net periodic pension cost | $ 6.6 | $ (2.9) |

The accumulated benefit obligation for all participants was $1,254.5 million and $1,645.9 million as of December 31, 2022 and 2021, respectively.

## Note 10 Benefit plans (continued)

The following table provides a reconciliation of amounts in unassigned surplus that have not been recognized as components of net periodic pension cost:

| December 31 (Millions) | 2022 | 2021 |
|---|---|---|
| Items not yet recognized as a component of net periodic pension cost at beginning of year | **$ 78.3** | $ 170.6 |
| Net loss (gain) arising during the period | **31.7** | (92.3) |
| Items not yet recognized as a component of net periodic pension cost at end of year | **$ 110.0** | $ 78.3 |

At December 31, 2022, there was $110.0 million of net recognized losses in unassigned surplus that have not yet been recognized as components of net periodic pension cost. The net loss arising during 2022 resulted from a loss on plan assets and a mortality assumption change to incorporate a white-collar adjustment, which was partially offset by an increase in the discount rate. The net gain arising during 2021 resulted primarily from an increase in discount rate and asset gains.

The table below presents the fair value hierarchy for the balances of the assets of the Plan measured at fair value. Fair value of Level 1 assets is based on unadjusted quoted prices for identical assets in active markets that are accessible to SIC. 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 SIC using one or more significant unobservable inputs.

| December 31, 2022 (Millions) | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Pooled separate accounts | **$ -** | **$ 1,343.6** | **$ -** | **$ 1,343.6** |
| Deposit fund | **-** | **5.2** | **-** | **5.2** |
| Total investments at fair value | **$ -** | **$ 1,348.8** | **$ -** | **$ 1,348.8** |

| December 31, 2021 (Millions) | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Pooled separate accounts | $ - | $ 1,738.4 | $ - | $ 1,738.4 |
| Deposit fund | - | 72.3 | - | 72.3 |
| Total investments at fair value | $ - | $ 1,810.7 | $ - | $ 1,810.7 |

The Plan assets are invested primarily in common stocks and corporate debt through a group annuity contract with SLIC that allows SIC contributions to be allocated to the pooled separate accounts or the Deposit Fund at the discretion of SIC. SIC's allocation of investments is as follows:

| | 2022 | 2021 | Target allocation |
|---|---|---|---|
| Debt securities | **83%** | 79% | 55-90% |
| Equity securities | **17%** | 21% | 10-45% |
| Total | **100%** | 100% | |

The investment objectives are designed to (1) provide a long-term investment return that meets 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

## Note 10 Benefit plans (continued)

disbursements and managed such that all retirement benefit payments are met as they become due. The group annuity contract is valued at fair value at December 31, 2022 and 2021, as follows:

The pooled separate accounts represent ownership of units of participation (Units), rather than ownership of specific assets. The value of the pooled separate accounts is determined by aggregating the value of all the Units held by the Plan. The value of a Unit is the total value of the pooled separate accounts investments plus other assets less liabilities divided by the number of Units outstanding. The underlying investments in the pooled separate accounts are valued at fair value, which is generally determined by the quoted market prices of the underlying investments.

The Deposit Fund represents contributions made under the contract, plus contractually established interest, less funds used to pay benefits and administrative expenses of the Plan.

## Note 10 Benefit plans (continued)

The assumptions used in the calculations for SIC's pension plans are as follows:

| Weighted average assumptions used to determine net periodic pension cost: | 2022 | 2021 |
|---|---|---|
| Measurement date | December 31 | December 31 |
| Discount rate | 2.77% | 2.37% |
| Long-term rate of return on plan assets | 3.50% | 4.00% |
| Rate of compensation increase | 2-17% | 2-17% |
| Interest crediting rates | - | - |

| Weighted average assumptions used to determine benefit obligations: | 2022 | 2021 |
|---|---|---|
| Measurement date | December 31 | December 31 |
| Discount rate | 5.22 % | 2.77% |
| Rate of compensation increase | 2-17% | 2-17% |
| Interest crediting rates | - | - |

SIC utilized the Mercer Yield Curve to discount anticipated cash flows, which reflects the yields at each duration of a portfolio of high-quality, fixed income debt securities that would produce cash flows sufficient in timing and amount to pay projected future benefits. The exhibits are based on a 5.22% discount rate for the Qualified Plan. These rates reflect the plan's specific cash flow and the December 31, 2022 Mercer Yield Curve. The previous year's results reflected a 2.77% discount rate for the Qualified Plan based on the December 31, 2021 Mercer Yield Curve. The Qualified Plan had a liability decrease of $466.0 million due to this change in discount rate.

In selecting the expected long-term rate of return on assets, SIC considered the average rate of earnings expected on the classes of funds invested or to be invested to provide for the benefits of these plans. This included considering the targeted asset allocation for the year and the expected returns likely to be earned over the next 20 years.

Benefit payments, which reflect future service, are expected to be paid in the following fiscal years:

| December 31 (Millions) | Estimated future pension benefits |
|---|---|
| 2023 | $ 81.0 |
| 2024 | 82.3 |
| 2025 | 83.2 |
| 2026 | 83.9 |
| 2027 | 84.4 |
| Years 2028–2032 | 427.3 |

**Nonqualified pension plans**
SIC sponsors nonqualified pension plans. The benefit obligation at December 31, 2022 and 2021, was $72.0 million and $87.8 million, respectively. The net periodic pension cost was $5.3 million and $6.3 million in 2022 and 2021, respectively. These plans are not funded.

## Note 10 Benefit plans (continued)

**Postretirement benefits other than pensions**
In addition to pension benefits, SIC provides certain healthcare, dental and vision insurance benefits (post-retirement benefits) for retired employees. SIC employees hired before January 1, 2010, who are age 55 plus having 10 or more years of service, or at least age 65, may become eligible for these benefits. The measurement date for plan obligations is December 31, 2022 and 2021. This plan is not funded.

Life insurance benefits may be eligible for employees who retired prior to January 1, 2013. The life insurance benefit amount is the greater of $3,000 or 10 percent of final benefits earnings base. Employees that retired after January 1, 2013 are not eligible for life insurance benefits.

A summary of obligations, assets and funded status as of December 31, 2022 and 2021, and components of net periodic post-retirement benefit cost for the years ended December 31, 2022 and 2021, are shown net of the subsidy effect provided for in the Medicare Prescription Drug, Improvement, and Modernization Act of 2003.

The changes in the post-retirement benefit obligation are as follows:

| December 31 | 2022 | 2021 |
|---|---|---|
| (Millions) | | |
| Benefit obligation at beginning of year | $ 260.3 | $ 284.8 |
| Service cost | 3.7 | 4.3 |
| Interest cost | 6.9 | 6.3 |
| Actuarial gain | (66.1) | (22.7) |
| Benefits paid | (11.6) | (12.4) |
| Benefit obligation at end of year | $ 193.2 | $ 260.3 |

The components of net periodic postretirement benefit cost are as follows:

| Years ended December 31 | 2022 | 2021 |
|---|---|---|
| (Millions) | | |
| Service cost | $ 3.7 | $ 4.3 |
| Interest cost | 6.9 | 6.3 |
| Amortization of actuarial (gain) loss | (1.6) | - |
| Net periodic postretirement benefit cost prior to amortization of nonvested prior service cost | 9.0 | 10.6 |
| Total net periodic postretirement benefit cost | $ 9.0 | $ 10.6 |

## Note 10 Benefit plans (continued)

The components of the unfunded postretirement benefit obligation recorded in the consolidated statutory financial statements are as follows:

| December 31 (Millions) | 2022 | 2021 |
|---|---|---|
| Retirees | $ 117.3 | $ 142.5 |
| Eligible active participants | 35.4 | 53.9 |
| Not yet eligible participants | 40.5 | 63.9 |
| Recorded unfunded postretirement benefit obligation | $ 193.2 | $ 260.3 |

The assumptions used in the calculation for postretirement benefits other than pension are as follows:

| **Weighted average assumptions used to determine net periodic benefit cost:** | 2022 | 2021 |
|---|---|---|
| Measurement date | December 31 | December 31 |
| Discount rate | 2.73% | 2.27% |
| Current healthcare cost trend rate | 7.30% | 7.20% |
| Healthcare cost trend rate graded to | 5.5% | 5.40% |
| Period healthcare cost trend rate is graded (years) | 10 | 10 |

| **Weighted average assumptions used to determine benefit obligations:** | 2022 | 2021 |
|---|---|---|
| Measurement date | December 31 | December 31 |
| Discount rate | 5.28% | 2.73% |
| Current healthcare cost trend rate | 8.00% | 7.30% |
| Healthcare cost trend rate graded to | 5.50% | 5.40% |
| Period healthcare cost trend rate is graded (years) | 10 | 10 |

SIC utilized the Mercer Yield Curve to discount anticipated cash flows, which reflects the yields at each duration of a portfolio of high-quality, fixed income debt securities that would produce cash flows sufficient in timing and amount to pay projected future benefits. The exhibits are based on a 5.28% discount rate. These rates reflect the plan's specific cash flow and the December 31, 2022 Mercer Yield Curve. The previous year's results reflected a 2.73% discount rate for the plan based on the December 31, 2021 Mercer Yield Curve. The OPEB Plan had a liability decrease of $61.6 million due to the change in discount rate.

## Note 10 Benefit plans (continued)

Benefit payments, which reflect future service, are expected to be paid in the following fiscal years:

| December 31 | Gross estimated future benefits | Medicare D subsidy | Net estimated future benefits |
|---|---|---|---|
| (Millions) | | | |
| 2023 | $ 14.9 | $ - | $ 14.9 |
| 2024 | 15.0 | - | 15.0 |
| 2025 | 15.1 | - | 15.1 |
| 2026 | 14.9 | - | 14.9 |
| 2027 | 14.8 | - | 14.8 |
| Years 2028–2032 | $ 66.1 | - | $ 66.1 |

Effective January 1, 2014, participating Medicare-eligible retirees and spouses have the option of either participating in the Sentry Group Plan that is eligible for the Retiree Drug Subsidy or receiving monthly subsidies to purchase individual Medicare coverage through an exchange. Beginning January 1, 2015, participating Medicare-eligible retirees and spouses were provided more choices to select an individual Medicare coverage through any carrier of their choice or through an established connector. Additionally, Sentry retirees that retired prior to the year 2000 have the option to continue to participate, along with their spouse, in the Sentry Group Plan. It is the Company's intent to transition retirees to the individual marketplace.

The following provides a reconciliation of amounts in unassigned surplus that have not been recognized as components of net periodic postretirement benefit cost as of December 31, 2022:

| December 31 | 2022 | 2021 |
|---|---|---|
| (Millions) | | |
| Items not yet recognized as a component of net periodic postretirement benefit cost at beginning of year | **$ (39.5)** | $ (16.8) |
| Net gain arising during the period | **(66.1)** | (22.7) |
| Net gain recognized during period | **1.6** | - |
| Items not yet recognized as a component of net periodic postretirement benefit cost at end of year | **$ (104.0)** | $ (39.5) |

At December 31, 2022, there were $104.0 million of net recognized gains in unassigned surplus that have not yet been recognized as components of net periodic post-retirement benefit cost. The gain arising during 2022 resulted from using updated census data and discount rate increases. The gain arising during 2021 resulted from using updated census data and discount rate increases.

**Qualified 401(k) plan**
SIC participates in a qualified 401(k) plan. Employees who meet certain eligibility requirements may elect to participate in the 401(k) plan and defer up to 75 percent of their income on a combined pretax, Roth, and after-tax basis subject to certain Internal Revenue Service (IRS) limitations. Based on eligibility, SIC matches 25 to 100 percent of employee contributions up to the first 8 percent of base salary and eligible bonuses deposited by the employee. SIC may also make additional annual discretionary matching contributions based on operating profit. SIC's total contributions to the 401(k) plan were $28.9 million and $27.1 million for 2022 and 2021, respectively. The 401(k) plan offers a guaranteed insurance contract written by SLIC as an investment option.

## Note 11 Income tax

The provision for current federal income tax incurred as reported in the consolidated statutory financial statements is as follows:

| Years ended December 31 | 2022 | 2021 |
|---|---|---|
| (Millions) | | |
| Federal income tax expense on operations | $ 78.5 | $ 106.1 |
| Federal income tax on net capital gains and losses | (7.9) | 68.6 |
| Current federal income tax expense incurred | $ 70.6 | $ 174.7 |

Current federal income tax expense incurred is based upon a consolidated income tax provision for SMHC and its subsidiaries, FMIC and its subsidiaries, and Dairyland County Mutual. The provision for current federal income tax is different from that which would be obtained by applying the statutory federal income tax rate to pretax book income, which includes operations and realized gains and losses. The significant items causing this difference are as follows:

| Year ended December 31 | 2022 | Effective rate |
|---|---|---|
| (Millions) | | |
| Current federal income tax expense computed at statutory rate | $ 77.4 | 21.0 % |
| Nontaxable interest and dividends | (13.7) | (3.7) % |
| Nondeductible expenses | 1.1 | 0.3% |
| Credits for holding certain tax credit bonds | (4.6) | (1.2) % |
| Prior year adjustment | (1.3) | (0.4) % |
| Reversal of Tax Contingency | (24.6) | (6.7) % |
| Other | (1.0) | (0.3) % |
| Total income tax expense | $ 33.3 | 9.0 % |

Reconciliation of total income tax expense:

| Year ended December 31 | 2022 | Effective rate |
|---|---|---|
| (Millions) | | |
| Current federal income tax expense incurred | $ 70.6 | 19.1 % |
| Change in net deferred income tax | (37.3) | (10.1) % |
| Total income tax expense | $ 33.3 | 9.0 % |

| Year ended December 31 | 2021 | Effective rate |
|---|---|---|
| (Millions) | | |
| Current federal income tax expense computed at statutory rate | $ 190.3 | 21.0 % |
| Nontaxable interest and dividends | (13.7) | (1.5) % |
| Credits for holding certain tax credit bonds | (4.6) | (0.5) % |
| Prior year adjustment | (0.7) | (0.1) % |
| Nondeductible expenses | 0.7 | 0.1 % |
| Other | (1.9) | (0.2) % |
| Total income tax expense | $ 170.1 | 18.8 % |

## Note 11 Income tax (continued)

Reconciliation of total income tax expense:

| Year ended December 31 | | 2021 | Effective rate |
|---|---|---|---|
| (Millions) | | | |
| Current federal income tax expense incurred | $ | 174.7 | 19.3 % |
| Change in net deferred income tax | | (4.6) | (0.5) % |
| Total income tax expense | $ | 170.1 | 18.8 % |

The Company records federal deferred income tax assets and liabilities which reflect the financial statement impact of cumulative temporary differences between the tax and financial statement basis of assets and liabilities.

## Note 11 Income tax (continued)

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities are as follows:

| December 31 (Millions) | 2022 | 2021 | Change |
|---|---|---|---|
| **Deferred tax assets** | | | |
| Ordinary deferred tax assets | | | |
| Unpaid losses and LAE | $ 86.3 | $ 84.4 | 1.9 |
| Pension and postretirement benefits | 19.9 | 37.5 | (17.6) |
| Unearned premiums | 66.0 | 58.6 | 7.4 |
| Net operating loss carryforward | 6.4 | 6.9 | (0.5) |
| Other nonadmitted assets | 31.2 | $ 28.8 | 2.4 |
| Other | 63.9 | 56.1 | 7.8 |
| Total ordinary deferred tax assets | 273.7 | 272.3 | 1.4 |
| Statutory valuation allowance | (4.4) | (4.3) | (0.1) |
| Nonadmitted ordinary deferred tax assets | (15.0) | (14.1) | (0.9) |
| Admitted ordinary deferred tax assets | 254.3 | 253.9 | 0.4 |
| Capital deferred tax assets | | | |
| Investments | 84.0 | 38.7 | 45.3 |
| Other | 10.9 | 8.4 | 2.5 |
| Total capital deferred tax assets | 94.9 | 47.1 | 47.8 |
| Statutory valuation allowance | (2.4) | - | (2.4) |
| Nonadmitted capital deferred tax assets | (0.1) | (0.3) | 0.2 |
| Admitted capital deferred tax assets | 92.4 | 46.8 | 45.6 |
| Total admitted deferred tax assets | 346.7 | 300.7 | 46.0 |
| **Deferred tax liabilities** | | | |
| Ordinary deferred tax liabilities | | | |
| Investments | 112.7 | 120.4 | (7.7) |
| Tax reform reserve revaluation | 6.3 | 8.5 | (2.2) |
| Fixed assets | 33.1 | 29.9 | 3.2 |
| Other | 6.4 | 1.5 | 4.9 |
| Total ordinary deferred tax liabilities | 158.5 | 160.3 | (1.8) |
| Capital deferred tax liabilities | | | |
| Investments | 159.8 | 229.3 | (69.5) |
| Other | 1.3 | 1.3 | - |
| Total capital deferred tax liabilities | 161.1 | 230.6 | (69.5) |
| Total deferred tax liabilities | 319.6 | 390.9 | (71.3) |
| Net admitted deferred tax assets (liabilities) | $ 27.1 | $ (90.2) | $ 117.3 |

## Note 11 Income tax (continued)

Statutory accounting requires the reduction of deferred tax assets by a statutory valuation allowance if, based on the weight of available evidence, it is more likely than not that some portion or all of the gross deferred tax assets will not be realized. Management assesses the available positive and negative evidence to estimate whether sufficient future taxable income will be generated to permit use of the existing deferred tax assets. For SMHC and its subsidiaries, management's assessment is that it is more likely than not that gross deferred tax assets will be realized. FMIC and its subsidiaries have recorded a valuation allowance for 2022 and 2021 of $4.4 million and $4.3 million, respectively, to recognize only the portion of the deferred tax asset that in management's opinion is more likely than not to be realized. The amount of the deferred tax asset considered realizable, however, could be adjusted if estimates of future taxable income are reduced or increased.

The net deferred tax assets and deferred tax liabilities are comprised of the following components:

| December 31 | 2022 | | | 2021 | | | Change | | |
|---|---|---|---|---|---|---|---|---|---|
| (Millions) | Ordinary | Capital | Total | Ordinary | Capital | Total | Ordinary | Capital | Total |
| Total gross deferred tax assets | $ 273.7 | $ 94.9 | $ 368.6 | $ 272.3 | $ 47.1 | $ 319.4 | $ 1.4 | $ 47.8 | $ 49.2 |
| Statutory valuation allowance adjustment | (4.4) | (2.4) | (6.8) | (4.3) | - | (4.3) | (0.1) | (2.4) | (2.5) |
| Adjusted gross deferred tax assets | 269.3 | 92.5 | 361.8 | 268.0 | 47.1 | 315.1 | 1.3 | 45.4 | 46.7 |
| Deferred tax assets nonadmitted | (15.0) | (0.1) | (15.1) | (14.1) | (0.3) | (14.4) | (0.9) | 0.2 | (0.7) |
| Subtotal: net admitted deferred tax asset | 254.3 | 92.4 | 346.7 | 253.9 | 46.8 | 300.7 | 0.4 | 45.6 | 46.0 |
| Deferred tax liabilities | 158.5 | 161.1 | 319.6 | 160.3 | 230.6 | 390.9 | (1.8) | (69.5) | (71.3) |
| Net admitted deferred tax assets (net deferred tax liability) | $ 95.8 | $ (68.7) | $ 27.1 | $ 93.6 | $ (183.8) | $ (90.2) | $ 2.2 | $ 115.1 | $ 117.3 |

## Note 11 Income tax (continued)

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

| December 31 | 2022 | | | 2021 | | | Change | | |
|---|---|---|---|---|---|---|---|---|---|
| (Millions) | Ordinary | Capital | Total | Ordinary | Capital | Total | Ordinary | Capital | Total |
| Federal income taxes paid in prior years recoverable through loss carrybacks | $ 143.8 | $ 67.3 | $ 211.1 | $ 158.4 | $ 25.8 | $ 184.2 | $ (14.6) | $ 41.5 | $ 26.9 |
| Adjusted gross deferred tax assets expected to be realized (excluding federal income taxes recoverable above) following the balance sheet date | 29.6 | (11.8) | (17.8) | 9.9 | 3.2 | 13.1 | - | (15.0) | (15.0) |
| Adjusted gross deferred tax assets allowed per limitation threshold | XXX | XXX | 1,376.6 | XXX | XXX | 1,364.0 | XXX | XXX | 12.6 |
| Adjusted gross deferred tax assets offset by gross deferred tax liabilities | 80.9 | 36.9 | 1117.8 | 85.6 | 17.8 | 103.4 | 15. | 19.1 | 34.1 |
| Deferred tax assets admitted as a result of application of SSAP No. 101 | $ 254.3 | $ 92.4 | $ 346.7 | $ 253.9 | $ 46.8 | $ 300.7 | $ 0.4 | $ 45.6 | $ 46.0 |

| | 2022 | 2021 |
|---|---|---|
| Ratio percentage used to determine recovery period and threshold limitation | 1,285% | 1,228% |
| Amount of adjusted capital and surplus used to determine recovery period and limitation threshold above (millions) | $ 7,450 | $ 7,485 |

The limitation threshold, ratio percentage, and adjusted capital and surplus are based on SIC results only. The ratio limit for FMIC is 737% and 725% for 2022 and 2021, respectively. The ratio limit for Dairyland County Mutual is 9,103% and 8,294% for 2022 and 2021, respectively.

The Company has determined that the impact of tax planning strategies on the adjusted gross and net admitted deferred tax assets is as follows:

| | 2022 | | | 2021 | | | Change | | |
|---|---|---|---|---|---|---|---|---|---|
| December 31 | Ordinary | Capital | Total | Ordinary | Capital | Total | Ordinary | Capital | Total |
| Adjusted gross deferred tax assets (percent of total adjusted gross deferred tax assets) | 1% | 30% | 7% | 1% | 21% | 4% | - % | 9% | 3% |
| Net admitted adjusted gross deferred tax assets (percent of total net admitted adjusted gross deferred tax assets) | 1% | 30% | 8% | 1% | 21% | 4% | - % | 9% | 4% |

## Note 11 Income tax (continued)

The Company's tax planning strategies do not include the use of reinsurance.

The change in net deferred income tax is comprised of the following:

| December 31 | 2022 | 2021 | Change |
|---|---|---|---|
| (Millions) | | | |
| Gross deferred tax assets | **$ 361.8** | $ 315.1 | $ 46.7 |
| Gross deferred tax liabilities | **(319.6)** | (390.9) | 71.3 |
| Net deferred tax asset | **$ 42.2** | $ (75.8) | 118.0 |
| Tax effect of surplus items: | | | |
| Unrealized gains and losses | | | (101.3) |
| Change in deferred income tax | | | 16.7 |
| Pension and post-retirement benefits | | | 18.7 |
| Nonadmitted assets | | | (1.8) |
| Other | | | 3.7 |
| Change in net deferred income tax | | | $ 37.3 |

The amount of federal income taxes incurred that are available for recoupment, by tax character, in the event of future net losses are:

| (Millions) | 2022 | 2021 | 2020 |
|---|---|---|---|
| Capital | **$ 31.7** | $ 57.6 | $ 22.2 |
| Ordinary | **58.6** | 132.4 | 45.0 |
| Total | **$ 90.3** | $ 190.0 | $ 67.2 |

As of December 31, 2022, SIC and its subsidiaries have no net operating loss carryforwards, no capital loss carryforwards, and no alternative minimum tax credit carryforwards. As of December 31, 2022, Florists had $30.5 million in net operating loss carryforwards that expire 2031 through 2036. SIC and its subsidiaries incurred federal income tax of $90.3 million and $190.0 million for the tax years of 2022 and 2021, respectively. Under Federal Internal Revenue Code, ordinary losses can be carried back two years for non-life companies while capital losses for both non-life and life companies can be carried back three years.

The Inflation Reduction Act, which created a new corporate alternative minimum tax (CAMT) effective for calendar year taxpayers January 1, 2023, was enacted on August 16, 2022. Based upon projected adjusted financial statement income for 2023, the reporting entity has determined that average adjusted financial statement income is below the thresholds for the 2023 tax year such that it does not expect to be required to perform the CAMT calculations, nor be liable for any CAMT.

Additionally, the Company did not have any protective tax deposits under Section 6603 of the Internal Revenue Service Code for years ended December 31, 2022 or 2021. The Company does not have any tax loss contingencies for which it is reasonably possible that the total liability will significantly increase.

The Company is not under current examination with the Internal Revenue Service. The statute of limitations for tax years from 2019 and forward remain open. In the opinion of management, settlement of tax assessments related to open years is not expected to have a material adverse impact on the Company's policyholders' surplus.

## Note 11 Income tax (continued)

The following entities participate in SMHC's consolidated federal income tax return allocation agreement and the filing of a consolidated federal income tax return:

Dairyland Insurance Company
Dairyland National Insurance Company
Middlesex Insurance Company
Parker Centennial Assurance Company
Patriot General Insurance Company
Peak Property and Casualty Insurance Corporation
Point Excess and Surplus Insurance Company
Point Specialty Insurance Company
Point Insurance Company
Productivity Advantage, Inc.
Sentry Aviation Services, Inc.
Sentry Casualty Company
Sentry Equity Services, Inc.
Sentry Holdings, Inc.
Sentry Insurance Company
Sentry Insurance Holding Company, Inc.
Sentry Life Insurance Company
Sentry Life Insurance Company of New York
Sentry Mutual Holding Company
Sentry Select Insurance Company
Viking Insurance Company of Wisconsin
WAULECO, Inc.

Florists' Insurance Company and Florists' Insurance Service, Inc. participate in FMIC's consolidated federal income tax return allocation agreement and the filing of a consolidated federal income tax return.

The method of allocation between SMHC and its subsidiaries and FMIC and its subsidiaries is subject to written agreements, approved separately by SMHC's and FMIC's board of directors. Allocation under both agreements is based on separate return calculations with current credit for net losses. Intercompany tax balances between SMHC and its subsidiaries and FMIC and its subsidiaries are settled quarterly. Under both agreements, a final settlement is made within 90 days after filing the federal income tax return.

## Note 12 Commitments, contingencies, related-party transactions, and subsequent events

SIC and its property and casualty insurance subsidiaries and affiliates have purchased structured settlement annuities from nonaffiliated insurance companies in settlement of claims liabilities. The claimant is the payee under these annuities, but SIC and its subsidiaries and affiliates are contingently liable if the nonaffiliated insurance companies cannot meet their obligations under the annuities. The estimated contingent liability was less than $25 million as of December 31, 2022 and 2021.

As disclosed in Note 3, the Company had $624.8 million and $737.3 million of partnership commitments as of December 31, 2022 and 2021, respectively.

In the normal course of business, there are various legal actions and proceedings pending against the Company. In the opinion of management, the ultimate resolution of these matters will not have a material adverse impact on the Company's consolidated statutory financial statements.

Premiums receivable, totaling $126.9 million and $128.1 million as of December 31, 2022 and 2021, respectively, were accrued as written under certain commercial property and casualty retrospectively rated policies. To minimize credit risk, the Company continually monitors the financial condition of these commercial risks and in certain circumstances requires collateral in the form of letters of credit, cash deposits, trusts, or bonds. Approximately 100 percent of the receivable balances in 2022 and 2021 were collateralized by letters of credit, cash deposits, trusts, or bonds. Net written premiums for these contracts were $91.2 million and $71.5 million for the years ended December 31, 2022 and 2021, respectively. These represent 2.8 percent and 2.5 percent of total net written premiums in 2022 and 2021, respectively.

Allowances for uncollectable premium balances totaled $49.2 million and $44.9 million as of December 31, 2022 and 2021, respectively. Premiums receivable on other than retrospectively rated policies totaled $1,073.6 million and $926.1 million as of December 31, 2022 and 2021, respectively. Of those amounts, $3.1 million and $3.4 million were nonadmitted as of December 31, 2022 and 2021, respectively.

State guaranty funds can assess the Company for losses of insolvent or rehabilitated companies. Mandatory assessments may be partially recovered through a reduction in future premium tax or through policyholder surcharges in some states. The Company is also subject to mandatory assessments for second injury funds in those states where workers' compensation business is written. The Company records a liability that estimates the ultimate loss from these assessments.

Dividends paid to SIC and FMIC from their insurance subsidiaries, respectively, may be limited by regulatory requirements. SIC paid $61.9 million and $40.0 million of ordinary dividends to SHI throughout the year ended December 31, 2022 and December 31, 2021.

On December 15, 2017, FMIC paid cash of $4.0 million to Federal Home Loan Bank of Chicago (FHLB) to retire the note payable issued in 2015 and notified the FHLB of its intent to withdraw membership. Per FHLB policy, FMIC's membership can first be terminated five years after notification is received. FMIC holds $22 thousand of FHLB Class B capital stock, of which none is available for redemption as of December 31, 2022. FMIC held $22 thousand of FHLB Class B capital stock as of December 31, 2021; none was redeemed during 2022. FMIC's membership stock will be returned by the FHLB upon termination.

The Company and its subsidiaries and affiliates are parties to an administrative services agreement. The agreement specifies goods and services, including management services, that SIC may provide to its subsidiaries and affiliates.

Management of the Company has determined that there is no justification for substantial doubt regarding the Company's ability to continue as a going concern.

The Company evaluated subsequent events through March 1, 2023, the date the accompanying consolidated statutory financial statements were available to be issued.

## Note 13 Reconciliation of property and casualty combined annual statement to accompanying consolidated statutory financial statements

The following is a reconciliation of the combined annual statement of Sentry Insurance Company and its affiliated property and casualty Insurers (Combined P&C) to the consolidated statutory financial statements incorporated herein (consolidated):

| At and for the year ended December 31, 2022 | Combined P&C | Life and Health | Eliminations and Other | Insurance Report | Mutual Holding Company | Eliminations and Other | Consolidated |
|---|---|---|---|---|---|---|---|
| Total assets (billions) | $ 14.4 | $ 8.8 | $ (0.3) | $ 22.9 | $ 15.0 | $ (15.0) | $ 22.9 |
| Surplus (billions) | 7.5 | 0.4 | (0.4) | 7.5 | 15.0 | (15.0) | 7.5 |
| Total revenues (billions) | 3.5 | 1.1 | (0.1) | 4.5 | 0.1 | (0.1) | 4.5 |
| Net income (millions) | 303.3 | 41.8 | (11.5) | 333.6 | 64.1 | (107.1) | 290.6 |

| At and for the year ended December 31, 2021 | Combined P&C | Life and Health | Eliminations and Other | Insurance Report | Mutual Holding Company | Eliminations and Other | Consolidated |
|---|---|---|---|---|---|---|---|
| Total assets (billions) | $ 14.2 | $ 10.1 | $ (0.4) | $ 23.9 | $ 15.0 | $ (15.0) | $ 23.9 |
| Surplus (billions) | 7.5 | 0.4 | (0.4) | 7.5 | 15.0 | (14.9) | 7.6 |
| Total revenues (billions) | 3.2 | 1.1 | (0.1) | 4.2 | 0.1 | (0.1) | 4.2 |
| Net income (millions) | 711.3 | 40.1 | (11.5) | 739.9 | 46.5 | (67.6) | 718.8 |

Life and health includes the balances of SLIC, SLONY, and PCAC. At the insurance report level, eliminations and other primarily relates to the elimination of SIC's ownership of the life and health companies and intercompany dividends. Mutual holding company includes the balances of SMHC and SHI. At the Consolidated report level, eliminations and other primarily relates to the elimination of SMHC's ownership in SHI and SHI's ownership in SIC and intercompany dividends.

SENTRY MUTUAL HOLDING COMPANY AND SUBSIDIARIES AND AFFILIATES

Consolidating Schedule
Assets
Year Ended December 31, 2022
(Millions)

| Assets | Property & Casualty | Life & Health | Mutual Holding Company | Total | Reclassification and Elimination Entries Debits | | Reclassification and Elimination Entries Credits | | Consolidated |
|---|---|---|---|---|---|---|---|---|---|
| Cash and investments | | | | | | | | | |
| Bonds | $ 9,054.9 | 2,726.4 | 8.5 | 11,789.8 | - | | - | | $ 11,789.8 |
| Common stocks | 1,983.5 | - | 14,927.5 | 16,911.0 | - | | 15,333.4 | [a],[d] | 1,577.6 |
| Company occupied properties | 143.4 | - | 3.2 | 146.6 | - | | - | | 146.6 |
| Policy loans | - | 8.9 | - | 8.9 | - | | - | | 8.9 |
| Cash, cash equivalents, and short-term investments | 23.4 | 27.9 | 15.1 | 66.4 | - | | - | | 66.4 |
| Partnerships | 1,623.8 | - | - | 1,623.8 | - | | - | | 1,623.8 |
| Other | 88.9 | - | 16.0 | 104.9 | - | | - | | 104.9 |
| Total cash and investments | 12,917.9 | 2,763.2 | 14,970.3 | 30,651.4 | - | | 15,333.4 | | 15,318.0 |
| | | | | | - | | - | | |
| Receivables | | | | | - | | - | | |
| Insurance premiums and reinsurance | 1,221.5 | 8.2 | - | 1,229.7 | - | | - | | 1,229.7 |
| Interest and dividends | 75.5 | 36.3 | 0.1 | 111.9 | - | | - | | 111.9 |
| Federal income tax recoverable | 15.8 | - | - | 15.8 | 2.5 | [e] | 15.8 | [b] | 2.5 |
| Due from affiliates | 26.5 | - | - | 26.5 | - | | 26.5 | [c] | - |
| Other | 1.7 | 2.4 | - | 4.1 | - | | - | | 4.1 |
| EDP equipment and operating software | 6.2 | - | - | 6.2 | - | | - | | 6.2 |
| Other assets | 135.0 | - | - | 135.0 | 109.4 | [d] | - | | 244.4 |
| Net deferred tax asset | 24.1 | 5.1 | (2.1) | 27.1 | - | | - | | 27.1 |
| Separate account assets | - | 5,977.4 | - | 5,977.4 | - | | - | | 5,977.4 |
| | | | | | - | | - | | |
| | | | | | - | | - | | |
| Total assets | $ 14,424.2 | 8,792.6 | 14,968.3 | 38,185.1 | 111.9 | | 15,375.7 | | $ 22,921.3 |

Reclassifications and Eliminations:
[a] Elimination of investment in subsidiaries and affiliates.
[b] Reclassification of federal income tax recoverable/payable.
[c] Elimination of intercompany receivables and payables.
[d] Reclassification of goodwill.
[e] Reclassification of net deferred tax asset/liability.

All amounts have been rounded to the nearest hundred thousand in preparing this schedule. Certain totals and/or combined numbers may be slightly off due to rounding.

(continued)

SENTRY MUTUAL HOLDING COMPANY AND SUBSIDIARIES AND AFFILIATES

Consolidating Schedule
Liabilities and Policyholders' Surplus
Year Ended December 31, 2022
(Millions)

| Liabilities | Property & Casualty | Life & Health | Mutual Holding Company | Total | Reclassification and Elimination Entries Debits | | Reclassification and Elimination Entries Credits | | Consolidated |
|---|---|---|---|---|---|---|---|---|---|
| Property and casualty losses and loss expenses | $ 4,422.3 | - | - | 4,422.3 | 61.8 | [d] | - | | $ 4,360.5 |
| Life and other future policy benefits | - | 2,333.3 | - | 2,333.3 | - | | - | | 2,333.3 |
| Accident and health unpaid claims and claim expenses | - | 3.2 | - | 3.2 | - | | 61.7 | [d] | 64.9 |
| Unearned premiums | 1,566.6 | - | - | 1,566.6 | - | | - | | 1,566.6 |
| Other policyholder funds | 11.9 | 0.7 | - | 12.6 | - | | - | | 12.6 |
| Accounts payable and accrued expenses | 974.2 | 12.6 | 3.1 | 989.9 | - | | - | | 989.9 |
| Federal income tax payable | 7.9 | 9.9 | (4.5) | 13.3 | 15.8 | [b] | 2.5 | [e] | - |
| Other liabilities | (54.3) | 25.4 | - | (28.9) | - | | 99.6 | [d] | 70.7 |
| Due to affiliates | 0.2 | 21.9 | - | 22.1 | 22.1 | [c] | - | | - |
| Separate account liabilities | - | 5,976.3 | - | 5,976.3 | - | | - | | 5,976.3 |
| Total liabilities | 6,928.8 | 8,383.3 | (1.4) | 15,310.7 | 99.7 | | 163.8 | | 15,374.8 |
| Policyholders' Surplus | | | | | | | | | |
| Common stock | 10.0 | 5.7 | - | 15.7 | 15.7 | [a] | - | | - |
| Paid in and contributed surplus | 24.3 | 82.5 | 32.5 | 139.3 | 139.3 | [a] | - | | - |
| Unassigned surplus | 7,461.1 | 321.1 | 14,937.2 | 22,719.4 | 15,172.9 | [a] | - | | 7,546.5 |
| Total policyholders' surplus | 7,495.4 | 409.3 | 14,969.7 | 22,874.4 | 15,327.9 | | - | | 7,546.5 |
| Total liabilities and policyholders' surplus | $ 14,424.2 | 8,792.6 | 14,968.3 | 38,185.1 | 15,427.6 | | 163.8 | | $ 22,921.3 |

Reclassifications and Eliminations:
[a] Elimination of investment in subsidiaries and affiliates.
[b] Reclassification of federal income tax recoverable/payable.
[c] Elimination of intercompany receivables and payables.
[d] Reporting reclassification entries.
[e] Reclassification of deferred tax asset/liability.

All amounts have been rounded to the nearest hundred thousand in preparing this schedule. Certain totals and/or combined numbers may be slightly off due to rounding.

(continued)

SENTRY MUTUAL HOLDING COMPANY AND SUBSIDIARIES AND AFFILIATES

Consolidating Schedule
Statement of Operations
Year Ended December 31, 2022
(Millions)

| | Property & Casualty | Life & Health | Mutual Holding Company | Total | Reclassification and Elimination Entries Debits | | Reclassification and Elimination Entries Credits | | Consolidated |
|---|---|---|---|---|---|---|---|---|---|
| Revenues | | | | | | | | | |
| Premiums earned | $ 3,046.1 | 930.5 | - | 3,976.6 | 76.7 | [a] | - | | $ 3,899.9 |
| Net investment income | 496.5 | 135.6 | 107.1 | 739.2 | 118.5 | [b] | - | | 620.7 |
| Total revenues | 3,542.6 | 1,066.1 | 107.1 | 4,715.8 | 195.2 | | - | | 4,520.6 |
| Expenses | | | | | | | | | |
| Insurance claims and policyholders' benefits | 2,250.5 | 964.9 | - | 3,215.4 | - | | 76.6 | [a] | 3,138.8 |
| Operating expenses | 813.5 | 58.9 | 21.7 | 894.1 | - | | - | | 894.1 |
| Total expenses | 3,064.0 | 1,023.8 | 21.7 | 4,109.5 | - | | 76.6 | | 4,032.9 |
| Income before net realized gains (losses) | 478.6 | 42.3 | 85.4 | 606.3 | 195.2 | | 76.6 | | 487.7 |
| Net realized gains (losses), net of tax | (90.4) | (0.5) | (27.7) | (118.6) | - | | - | | (118.6) |
| Income from operations before income tax | 388.2 | 41.8 | 57.7 | 487.7 | 195.2 | | 76.6 | | 369.1 |
| Income tax expense | 84.9 | - | (6.4) | 78.5 | - | | - | | 78.5 |
| Net income | $ 303.3 | 41.8 | 64.1 | 409.2 | 195.2 | | 76.6 | | $ 290.6 |

Reclassifications and Eliminations:
[a] Reporting reclassification entries.
[b] Elimination of intercompany dividends.
All amounts have been rounded to the nearest hundred thousand in preparing this schedule. Certain totals and/or combined numbers may be slightly off due to rounding.

(continued)

SENTRY MUTUAL HOLDING COMPANY AND SUBSIDIARIES AND AFFILIATES

Consolidating Schedule
Changes in Policyholders' Surplus
Year Ended December 31, 2022
(Millions)

| | Property & Casualty | Life & Health | Mutual Holding Company | Total | Reclassification and Elimination Entries Debits | | Reclassification and Elimination Entries Credits | | Consolidated |
|---|---|---|---|---|---|---|---|---|---|
| Capital stock | $ 10.0 | 5.7 | - | 15.7 | 15.7 | [a] | - | | $ - |
| Paid in capital | | | | - | | | | | - |
| Paid in and contributed surplus, January 1 | 19.6 | 82.5 | 17.0 | 119.1 | 119.1 | [a] | - | | - |
| Change in paid in capital | 4.7 | - | 15.6 | 20.3 | 20.3 | [a] | - | | - |
| Paid in and contributed surplus, December 31 | 24.3 | 82.5 | 32.6 | 139.4 | 139.4 | | - | | - |
| Unassigned surplus | | | | | | | | | |
| Unassigned surplus, January 1 | 7,482.3 | 294.8 | 14,983.0 | 22,760.1 | 15,200.4 | [a] | - | | $ 7,559.7 |
| Net income | 303.3 | 41.8 | 64.1 | 409.2 | 195.2 | [c] | 76.6 | [c] | 290.6 |
| Change in net unrealized capital gains and losses | (353.6) | - | (62.3) | (415.9) | 26.4 | [c] | 62.9 | [c] | (379.4) |
| Change in nonadmitted assets | 25.3 | (0.3) | - | 25.0 | 9.0 | [c] | - | | 16.0 |
| Change in deferred income tax | 19.4 | (0.3) | (2.4) | 16.7 | - | | - | | 16.7 |
| Dividends to stockholders | (61.9) | (11.4) | (45.3) | (118.6) | - | | 118.6 | [b] | - |
| Postretirement benefit plans and other surplus changes | 46.3 | (3.5) | - | 42.8 | (0.1) | [c] | - | | 42.9 |
| Change in unassigned surplus | (21.2) | 26.3 | (45.9) | (40.8) | 230.5 | | 258.1 | | (13.2) |
| Unassigned surplus, December 31 | 7,461.1 | 321.1 | 14,937.1 | 22,719.3 | 15,430.9 | | 258.1 | | 7,546.5 |
| Total policyholders' surplus, December 31 | $ 7,495.4 | 409.3 | 14,969.7 | 22,874.4 | 15,586.0 | | 258.1 | | $ 7,546.5 |

Reclassifications and Eliminations:
[a] Elimination of investment in subsidiaries and affiliates.
[b] Elimination of intercompany dividends.
[c] Reporting reclassification entries.

All amounts have been rounded to the nearest hundred thousand in preparing this schedule. Certain totals and/or combined numbers may be slightly off due to rounding.

(continued)

SENTRY MUTUAL HOLDING COMPANY AND SUBSIDIARIES AND AFFILIATES

Consolidating Schedule
Statement of Cash Flow
Year Ended December 31, 2022
(Millions)

| | Property & Casualty | Life & Health | Mutual Holding Company | Total | Reclassification and Elimination Entries Debits | | Reclassification and Elimination Entries Credits | | Consolidated |
|---|---|---|---|---|---|---|---|---|---|
| Operating activities | | | | | | | | | |
| Net premiums received | $ 3,079.2 | 895.9 | - | 3,975.1 | - | | - | | $ 3,975.1 |
| Net investment income received | 497.5 | 141.4 | 107.6 | 746.5 | - | | 105.9 | [a] | 640.6 |
| Claims and policy benefits paid | (1,673.6) | (1,035.3) | - | (2,708.9) | - | | - | | (2,708.9) |
| Operating expenses paid | (1,101.1) | (24.6) | (21.5) | (1,147.2) | - | | - | | (1,147.2) |
| Income taxes paid | (113.1) | (8.8) | 11.3 | (110.6) | - | | - | | (110.6) |
| Net cash provided (utilized) by operating activities | 688.9 | (31.4) | 97.4 | 754.9 | - | | 105.9 | | 649.0 |
| Investing activities | | | | | | | | | |
| Proceeds from investments sold, matured, or repaid: | | | | | | | | | |
| Bonds | 1,931.4 | 255.3 | 0.1 | 2,186.8 | - | | - | | 2,186.8 |
| Stocks | 1,054.4 | - | 4.7 | 1,059.1 | - | | - | | 1,059.1 |
| Partnerships | 145.9 | - | - | 145.9 | - | | - | | 145.9 |
| Other | - | 0.3 | - | 0.3 | 8.2 | [c] | 8.5 | [c] | - |
| Cost of investments acquired: | | | | | | | | | |
| Bonds | (2,408.2) | (222.1) | 0.2 | (2,630.1) | - | | - | | (2,630.1) |
| Stocks | (1,070.9) | - | (29.5) | (1,100.4) | 15.6 | [c] | 15.6 | [c] | (1,100.4) |
| Partnerships | (228.3) | - | (31.2) | (259.5) | 15.6 | [c] | - | | (243.9) |
| Other | (60.7) | - | (8.2) | (68.9) | 8.5 | [c] | 8.2 | [c] | (68.6) |
| Net cash provided (utilized) in investing activities | (636.4) | 33.5 | (63.9) | (666.8) | 47.9 | | 32.3 | | (651.2) |
| Financing activities | | | | | | | | | |
| Dividends to stockholders | (57.1) | - | - | (57.1) | 57.1 | [a] | - | | - |
| Other cash provided (applied) | (31.5) | (5.5) | (30.0) | (67.0) | 48.8 | [a] | 15.6 | [c] | (33.8) |
| Net cash provided (utilized) in financing activities | (88.6) | (5.5) | (30.0) | (124.1) | 105.9 | | 15.6 | | (33.8) |
| Change in cash, cash equivalents, and short-term investments | (36.1) | (3.4) | 3.5 | (36.0) | 153.8 | | 153.8 | | (36.0) |
| Balance January 1 | 59.5 | 31.3 | 11.6 | 102.4 | - | | - | | 102.4 |
| Balance December 31 | $ 23.4 | 27.9 | 15.1 | 66.4 | 153.8 | | 153.8 | | $ 66.4 |

Reclassifications and Eliminations:
[a] Elimination of intercompany dividends.
[b] Elimination of investment in subsidiaries and affiliates.
[c] Reporting reclassification entries.
All amounts have been rounded to the nearest hundred thousand in preparing this schedule. Certain totals and/or combined numbers may be slightly off due to rounding.

See independent auditors' report on supplementary information.

SENTRY MUTUAL HOLDING COMPANY AND SUBSIDIARIES AND AFFILIATES

Property and Casualty Consolidating Schedule
Assets
Year Ended December 31, 2022
(Millions)

| Assets | Sentry Insurance Company | Dairyland Insurance Company | Dairyland County Mutual Insurance Company of Texas | Dairyland National Insurance Company | Florists' Mutual Insurance Company | Florists' Insurance Company | Middlesex Insurance Company | Patriot General Insurance Company | Point Insurance Company | Point Specialty Insurance Company | Sentry Lloyds of Texas | Sentry Select Insurance Company | Sentry Casualty Company | Viking Insurance Company of Wisconsin | Peak Property and Casualty Insurance Corporation | Point Excess and Specialty Insurance Corporation | Total | Reclassification and Elimination Entries Debits | Reclassification and Elimination Entries Credits | | Consolidated Property and Casualty |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Cash and investments | | | | | | | | | | | | | | | | | | | | | |
| Bonds | $ 5,319.4 | 1,299.3 | 12.6 | 14.9 | 114.6 | 4.9 | 705.2 | 25.0 | 5.4 | 9.1 | 7.4 | 759.3 | 346.0 | 373.9 | 57.9 | - | 9,054.9 | - | - | | $ 9,054.9 |
| Common stocks | 3,325.2 | - | - | - | 5.3 | - | 25.2 | - | - | - | - | - | - | 61.4 | - | - | 3,417.1 | - | 1,433.6 | [a] | 1,983.5 |
| Company occupied properties | 135.0 | - | - | - | 4.8 | - | - | - | - | - | - | - | - | 3.6 | - | - | 143.4 | - | - | | 143.4 |
| Cash, cash equivalents, and short-term investments | (66.1) | 10.5 | 0.3 | 0.5 | 1.4 | 0.5 | 4.5 | - | 0.2 | 0.5 | 0.5 | 5.2 | 3.9 | 5.8 | 5.7 | 50.0 | 23.4 | - | - | | 23.4 |
| Partnerships | 1,622.4 | 29.0 | - | - | - | - | 20.7 | - | - | - | - | 4.0 | - | - | - | - | 1,676.1 | - | 52.3 | [b],[c] | 1,623.8 |
| Other | 38.6 | 25.0 | - | - | 2.3 | - | - | - | - | - | - | 12.0 | 3.0 | 8.0 | - | - | 88.9 | - | - | | 88.9 |
| Total cash and investments | 10,374.5 | 1,363.8 | 12.9 | 15.4 | 128.4 | 5.4 | 755.6 | 25.0 | 5.6 | 9.6 | 7.9 | 780.5 | 352.9 | 452.7 | 63.6 | 50.0 | 14,403.8 | - | 1,485.9 | | 12,917.9 |
| Receivables | | | | | | | | | | | | | | | | | | | | | |
| Insurance premiums and reinsurance | 873.8 | 253.5 | 7.7 | 0.3 | 19.7 | 0.1 | 153.8 | 0.5 | - | - | - | 196.4 | 42.5 | 95.4 | - | - | 1,643.7 | - | 422.2 | [d] | 1,221.5 |
| Interest and dividends | 45.8 | 10.3 | 0.1 | 0.1 | 0.9 | - | 5.6 | 0.3 | - | 0.1 | - | 5.9 | 2.8 | 3.1 | 0.5 | - | 75.5 | - | - | | 75.5 |
| Federal income tax recoverable | 15.8 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 15.8 | - | - | | 15.8 |
| Due from affiliates | 30.6 | - | - | - | 0.5 | 0.2 | 7.5 | 0.9 | - | - | 0.3 | - | 1.3 | 2.7 | 0.3 | - | 44.3 | - | 17.8 | [e] | 26.5 |
| Other | 0.9 | 0.3 | - | - | - | - | 0.2 | - | - | - | - | 0.2 | - | 0.1 | - | - | 1.7 | - | - | | 1.7 |
| EDP equipment and operating software | 6.2 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 6.2 | - | - | | 6.2 |
| Other assets | 76.9 | 21.9 | - | - | 1.4 | - | 12.7 | - | - | - | - | 12.6 | 3.2 | 6.3 | - | - | 135.0 | - | - | | 135.0 |
| Net deferred tax asset | - | 24.3 | - | - | 2.5 | - | 12.0 | - | - | - | - | 13.1 | 3.2 | 11.6 | - | - | 66.7 | - | 42.6 | [f] | 24.1 |
| Total assets | $ 11,424.5 | 1,674.1 | 20.7 | 15.8 | 153.4 | 5.7 | 947.4 | 26.7 | 5.6 | 9.7 | 8.2 | 1,008.7 | 405.9 | 571.9 | 64.4 | 50.0 | 16,392.7 | - | 1,968.5 | | $ 14,424.2 |

Reclassifications and Eliminations:
[a] Elimination of investment in subsidiaries.
[b] Elimination of intercompany surplus notes.
[c] Elimination of intercompany loan.
[d] Elimination of intercompany reinsurance balances.
[e] Elimination of intercompany receivables and payables.
[f] Reclassification of net deferred tax recoverable/payable

All amounts have been rounded to the nearest hundred thousand in preparing this schedule. Certain totals and/or combined numbers may be slightly off due to rounding.

(continued)

SENTRY MUTUAL HOLDING COMPANY AND SUBSIDIARIES AND AFFILIATES

Property and Casualty Consolidating Schedule
Liabilities and Policyholders' Surplus
Year Ended December 31, 2022
(Millions)

| Liabilities | Sentry Insurance Company | Dairyland Insurance Company | Dairyland County Mutual Insurance Company of Texas | Dairyland National Insurance Company | Florists' Mutual Insurance Company | Florists' Insurance Company | Middlesex Insurance Company | Patriot General Insurance Company | Point Insurance Company | Dairyland American Insurance Company | Sentry Lloyds of Texas | Sentry Select Insurance Company | Sentry Casualty Company | Viking Insurance Company of Wisconsin | Peak Property and Casualty Insurance Corporation | Point Excess and Specialty Insurance Corporation | Total | Reclassification and Elimination Entries Debits | | Reclassification and Elimination Entries Credits | | Consolidated Property and Casualty |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Property and casualty losses and loss expenses | $ 2,513.1 | 803.8 | - | - | 45.9 | - | 459.3 | - | - | - | - | 459.3 | 114.8 | 229.7 | - | - | 4,625.9 | 203.6 | [d] | - | | $ 4,422.3 |
| Unearned premiums | 846.0 | 274.1 | - | - | 15.7 | - | 156.7 | - | - | - | - | 156.6 | 39.2 | 78.3 | - | - | 1,566.6 | - | | - | | 1,566.6 |
| Other policyholder funds | 6.5 | 2.0 | - | - | 0.1 | - | 1.2 | - | - | - | - | 1.2 | 0.3 | 0.6 | - | - | 11.9 | - | | - | | 11.9 |
| Accounts payable and accrued expenses | 526.1 | 92.2 | - | - | 5.5 | - | 55.6 | - | - | 0.2 | - | 97.9 | 168.3 | 26.5 | 1.9 | - | 974.2 | - | | - | | 974.2 |
| Federal income tax payable | 4.8 | 2.0 | - | - | - | 0.1 | 0.2 | - | - | - | - | 0.4 | 0.2 | 0.2 | - | - | 7.9 | - | | - | | 7.9 |
| Net deferred tax liability | 42.3 | - | - | - | - | - | - | 0.2 | - | - | - | - | - | - | 0.1 | - | 42.6 | 42.6 | [f] | - | | - |
| Other liabilities | 16.6 | 9.7 | 7.9 | 0.2 | 51.7 | 0.3 | 24.0 | 1.3 | - | - | 0.3 | 58.5 | 9.0 | 29.4 | 1.0 | - | 209.9 | 264.2 | [c],[d] | - | | (54.3) |
| Due to affiliates | 13.9 | 3.2 | 0.2 | 0.1 | - | - | - | - | - | - | - | 0.7 | - | - | - | - | 18.1 | 17.9 | [e] | - | | 0.2 |
| Total liabilities | 3,969.3 | 1,187.0 | 8.1 | 0.3 | 118.9 | 0.4 | 697.0 | 1.5 | - | 0.2 | 0.3 | 774.6 | 331.8 | 364.7 | 3.0 | - | 7,457.1 | 528.3 | | - | | 6,928.8 |
| Policyholders' Surplus | | | | | | | | | | | | | | | | | | | | | | |
| Common stock | 10.0 | 4.0 | - | 3.0 | - | 1.5 | 4.2 | 4.0 | 2.5 | 3.0 | - | 5.0 | 4.7 | 3.0 | 3.5 | 3.0 | 51.4 | 41.4 | [a] | - | | 10.0 |
| Paid in and contributed surplus | 24.2 | 12.5 | - | 12.0 | - | 2.0 | 12.0 | 4.5 | 2.4 | 9.6 | 0.2 | 26.9 | 31.4 | 179.3 | 33.4 | 47.0 | 397.4 | 373.1 | [a] | - | | 24.3 |
| Guaranty funds | - | - | - | - | - | - | - | - | - | - | 1.9 | - | - | - | - | - | 1.9 | 1.9 | [a] | - | | - |
| Surplus notes | - | - | - | - | 7.0 | - | - | - | - | - | - | - | - | - | - | - | 7.0 | 7.0 | [b] | - | | - |
| Unassigned surplus | 7,421.0 | 470.6 | 12.6 | 0.5 | 27.5 | 1.8 | 234.2 | 16.7 | 0.7 | (3.1) | 5.8 | 202.2 | 38.0 | 24.9 | 24.5 | - | 8,477.9 | 1,017.1 | [a] | - | | 7,461.1 |
| Total policyholders' surplus | 7,455.2 | 487.1 | 12.6 | 15.5 | 34.5 | 5.3 | 250.4 | 25.2 | 5.6 | 9.5 | 7.9 | 234.1 | 74.1 | 207.2 | 61.4 | 50.0 | 8,935.6 | 1,440.5 | | - | | 7,495.4 |
| Total liabilities and policyholders' surplus | $ 11,424.5 | 1,674.1 | 20.7 | 15.8 | 153.4 | 5.7 | 947.4 | 26.7 | 5.6 | 9.7 | 8.2 | 1,008.7 | 405.9 | 571.9 | 64.4 | 50.0 | 16,392.7 | 1,968.8 | | - | | $ 14,424.2 |

Reclassifications and Eliminations:
[a] Elimination of investment in subsidiaries.
[b] Elimination of intercompany surplus notes.
[c] Elimination of intercompany loan.
[d] Elimination of intercompany reinsurance balances.
[e] Elimination of intercompany receivables and payables.
[f] Reclassification of net deferred tax recoverable/payable

All amounts have been rounded to the nearest hundred thousand in preparing this schedule. Certain totals and/or combined numbers may be slightly off due to rounding.

(continued)

SENTRY MUTUAL HOLDING COMPANY AND SUBSIDIARIES AND AFFILIATES

Property and Casualty Consolidating Schedule
Statement of Operations
Year Ended December 31, 2022
(Millions)

| | Sentry Insurance Company | Dairyland Insurance Company | Dairyland County Mutual Insurance Company of Texas | Dairyland National Insurance Company | Florists' Mutual Insurance Company | Florists' Insurance Company | Middlesex Insurance Company | Patriot General Insurance Company | Point Insurance Company | Dairyland American Insurance Company | Sentry Lloyds of Texas | Sentry Select Insurance Company | Sentry Casualty Company | Viking Insurance Company of Wisconsin | Peak Property and Casualty Insurance Corporation | Point Excess and Specialty Insurance Corporation | Total | Reclassification and Elimination Entries | | Consolidated Property and Casualty |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | | | | | | | | | Debits | Credits | |
| Revenues | | | | | | | | | | | | | | | | | | | | |
| Premiums earned | $ 1,644.9 | 533.1 | - | - | 30.5 | - | 304.5 | - | - | - | - | 304.6 | 76.2 | 152.3 | - | - | 3,046.1 | - | - | $ 3,046.1 |
| Net investment income | 482.0 | 43.5 | 0.4 | 0.3 | 1.7 | 0.1 | 23.0 | 0.7 | 0.1 | 0.2 | 0.1 | 23.9 | 9.8 | 11.9 | 1.6 | - | 599.3 | 102.8 [a] | - | 496.5 |
| Total revenues | 2,126.9 | 576.6 | 0.4 | 0.3 | 32.2 | 0.1 | 327.5 | 0.7 | 0.1 | 0.2 | 0.1 | 328.5 | 86.0 | 164.2 | 1.6 | - | 3,645.4 | 102.8 | - | 3,542.6 |
| Expenses | | | | | | | | | | | | | | | | | | | | |
| Insurance claims and policyholders' benefits | 1,215.2 | 393.9 | - | - | 22.6 | - | 225.0 | - | - | - | - | 225.0 | 56.3 | 112.5 | - | - | 2,250.5 | - | - | 2,250.5 |
| Operating expenses | 439.1 | 142.3 | 0.3 | - | 8.1 | - | 81.3 | - | - | - | - | 81.3 | 20.4 | 40.7 | - | - | 813.5 | - | - | 813.5 |
| Total expenses | 1,654.3 | 536.2 | 0.3 | - | 30.7 | - | 306.3 | - | - | - | - | 306.3 | 76.7 | 153.2 | - | - | 3,064.0 | - | - | 3,064.0 |
| Income before net realized gains (losses) | 472.6 | 40.4 | 0.1 | 0.3 | 1.5 | 0.1 | 21.2 | 0.7 | 0.1 | 0.2 | 0.1 | 22.2 | 9.3 | 11.0 | 1.6 | - | 581.4 | 102.8 | - | 478.6 |
| Net realized gains (losses), net of tax | (97.1) | 4.2 | (0.1) | - | - | - | (1.4) | - | - | - | - | (1.0) | - | (0.4) | - | - | (95.8) | - | 5.4 [b] | (90.4) |
| Income from operations before income tax | 375.5 | 44.6 | - | 0.3 | 1.5 | 0.1 | 19.8 | 0.7 | 0.1 | 0.2 | 0.1 | 21.2 | 9.3 | 10.6 | 1.6 | - | 485.6 | 102.8 | 5.4 | 388.2 |
| Income tax expense | 60.7 | 9.9 | - | 0.1 | (0.1) | - | 4.9 | 0.1 | - | - | - | 4.8 | 1.9 | 2.4 | 0.2 | - | 84.9 | - | - | 84.9 |
| Net income | $ 314.8 | 34.7 | - | 0.2 | 1.6 | 0.1 | 14.9 | 0.6 | 0.1 | 0.2 | 0.1 | 16.4 | 7.4 | 8.2 | 1.4 | - | 400.7 | 102.8 | 5.4 | $ 303.3 |

Reclassifications and Eliminations:
[a] Elimination of intercompany dividends.
[b] Elimination of intercompany gains (losses).

All amounts have been rounded to the nearest hundred thousand in preparing this schedule. Certain totals and/or combined numbers may be slightly off due to rounding.

(continued)

SENTRY MUTUAL HOLDING COMPANY AND SUBSIDIARIES AND AFFILIATES

Property and Casualty Consolidating Schedule
Changes in Policyholders' Surplus
Year Ended December 31, 2022
(Millions)

| | Sentry Insurance Company | Dairyland Insurance Company | Dairyland County Mutual Insurance Company of Texas | Dairyland National Insurance Company | Florists' Mutual Insurance Company | Florists' Insurance Company | Middlesex Insurance Company | Patriot General Insurance Company | Point Insurance Company | Dairyland American Insurance Company | Sentry Lloyds of Texas | Sentry Select Insurance Company | Sentry Casualty Company | Viking Insurance Company of Wisconsin | Peak Property and Casualty Insurance Corporation | Point Excess and Specialty Insurance Corporation | Total | Reclassification and Elimination Entries Debits | Reclassification and Elimination Entries Credits | Consolidated Property and Casualty |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Capital Stock | $ 10.0 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 10.0 | - | - | $ 10.0 |
| Paid in capital | | | | | | | | | | | | | | | | | | | | |
| Paid in and contributed surplus, January 1 | 19.6 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 19.6 | - | - | 19.6 |
| Change in paid in capital | 4.7 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 4.7 | - | - | 4.7 |
| Paid in and contributed surplus, December 31 | 24.3 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 24.3 | - | - | 24.3 |
| Unassigned surplus: | | | | | | | | | | | | | | | | | | | | |
| Unassigned surplus, January 1 | 7,444.3 | 512.0 | 12.6 | 15.3 | 32.5 | 5.2 | 256.5 | 25.2 | 5.5 | 9.3 | 7.8 | 231.8 | 73.6 | 207.5 | 60.0 | - | 8,899.1 | 1,416.8 [a] | - | 7,482.3 |
| Net income | 314.8 | 34.7 | - | 0.2 | 1.6 | 0.1 | 14.9 | 0.6 | 0.1 | 0.2 | 0.1 | 16.4 | 7.4 | 8.2 | 1.4 | - | 400.7 | 97.4 [a] | | 303.3 |
| Change in net unrealized capital gains and losses | (363.1) | (12.4) | - | - | 0.1 | - | (1.4) | - | - | - | - | (0.1) | - | 1.2 | - | - | (375.7) | - | 22.1 [a] | (353.6) |
| Change in nonadmitted assets | 25.7 | - | - | - | 0.7 | - | (1.1) | - | - | - | - | - | 0.1 | (0.2) | - | - | 25.2 | - | 0.1 [a] | 25.3 |
| Change in deferred income tax | 14.8 | 2.8 | - | - | (0.4) | - | 1.5 | - | - | - | - | 1.0 | 0.3 | 0.5 | - | - | 20.5 | 1.1 [a] | - | 19.4 |
| Dividends to stockholders | (61.9) | (50.0) | - | - | - | - | (20.0) | (0.6) | - | - | - | (15.0) | (7.3) | (10.0) | - | - | (164.8) | - | 102.9 [b] | (61.9) |
| Post-retirement benefit plans and other surplus changes | 46.3 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 46.3 | - | - | 46.3 |
| Change in unassigned surplus | (18.7) | (24.9) | - | 0.2 | 2.0 | 0.1 | (6.1) | - | 0.1 | 0.2 | 0.1 | 2.3 | 0.5 | (0.3) | 1.4 | 50.0 | 6.9 | 148.5 | 125.1 | (21.2) |
| Unassigned surplus, December 31 | 7,425.6 | 487.1 | 12.6 | 15.5 | 34.5 | 5.3 | 250.4 | 25.2 | 5.6 | 9.5 | 7.9 | 234.1 | 74.1 | 207.2 | 61.4 | 50.0 | 8,906.0 | 1,565.3 | 125.1 | 7,461.1 |
| Total policyholders' surplus, December 31 | $ 7,455.2 | 487.1 | 12.6 | 15.5 | 34.5 | 5.3 | 250.4 | 25.2 | 5.6 | 9.5 | 7.9 | 234.1 | 74.1 | 207.2 | 61.4 | 50.0 | 8,935.6 | 1,565.3 | 125.1 | $ 7,495.4 |

Reclassifications and Eliminations:
[a] Elimination of investment in subsidiaries.
[b] Elimination of intercompany dividends.

All amounts have been rounded to the nearest hundred thousand in preparing this schedule. Certain totals and/or combined numbers may be slightly off due to rounding.

(continued)

SENTRY MUTUAL HOLDING COMPANY AND SUBSIDIARIES AND AFFILIATES

Property and Casualty Consolidating Schedule
Statement of Cash Flow
Year Ended December 31, 2022
(Millions)

| | Sentry Insurance Company | Dairyland Insurance Company | Dairyland County Mutual Insurance Company of Texas | Dairyland National Insurance Company | Florists' Mutual Insurance Company | Florists' Insurance Company | Middlesex Insurance Company | Patriot General Insurance Company | Point Insurance Company | Dairyland American Insurance Company | Sentry Lloyds of Texas | Sentry Select Insurance Company | Sentry Casualty Company | Viking Insurance Company of Wisconsin | Peak Property and Casualty Insurance Corporation | Point Excess and Specialty Insurance Corporation | Total | Reclassification and Elimination Entries Debits | Reclassification and Elimination Entries Credits | Consolidated Property and Casualty |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Operating activities | | | | | | | | | | | | | | | | | | | | |
| Net premiums received | $ 1,657.9 | 539.9 | 1.1 | - | 29.8 | 0.1 | 313.5 | 0.8 | - | 0.1 | 0.1 | 312.1 | 79.8 | 146.8 | (2.8) | - | 3,079.2 | - | - | $ 3,079.2 |
| Net investment income received | 458.1 | 43.9 | 0.4 | 0.3 | 1.9 | 0.1 | 23.8 | 0.8 | 0.1 | 0.3 | 0.1 | 25.1 | 10.9 | 12.7 | 2.0 | - | 580.5 | - | 83.0 [a] | 497.5 |
| Claims and policy benefits paid | (911.4) | (292.7) | (1.3) | (0.2) | (16.4) | - | (163.5) | 0.2 | - | - | - | (174.6) | (42.9) | (75.9) | 5.1 | - | (1,673.6) | - | - | (1,673.6) |
| Operating expenses paid | (579.0) | (198.5) | (0.4) | - | (11.3) | - | (113.4) | - | - | - | - | (113.4) | (28.4) | (56.7) | - | - | (1,101.1) | - | - | (1,101.1) |
| Income taxes paid | (90.1) | (9.5) | - | - | - | - | (4.4) | (0.1) | - | - | - | (4.7) | (1.9) | (2.2) | (0.2) | - | (113.1) | - | - | (113.1) |
| Net cash provided (utilized) by operating activities | 535.5 | 83.1 | (0.2) | 0.1 | 4.0 | 0.2 | 56.0 | 1.7 | 0.1 | 0.4 | 0.2 | 44.5 | 17.5 | 24.7 | 4.1 | - | 771.9 | - | 83.0 | 688.9 |
| Investing activities | | | | | | | | | | | | | | | | | | | | |
| Proceeds from investments sold, matured, or repaid: | | | | | | | | | | | | | | | | | | | | |
| Bonds | 1,201.3 | 306.4 | 4.1 | 1.3 | 19.8 | 1.2 | 118.8 | 6.2 | - | 0.5 | 1.0 | 120.8 | 45.8 | 88.8 | 15.4 | - | 1,931.4 | - | - | 1,931.4 |
| Stocks | 1,042.9 | 11.5 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 1,054.4 | - | - | 1,054.4 |
| Partnerships | 143.2 | 1.7 | - | - | - | - | 0.5 | - | - | - | - | 0.5 | - | - | - | - | 145.9 | - | - | 145.9 |
| Other | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Cost of investments acquired: | | | | | | | | | | | | | | | | | | | | |
| Bonds | (1,549.2) | (335.8) | (4.7) | (1.9) | (25.1) | (1.2) | (154.3) | (6.7) | - | (0.5) | (1.3) | (160.1) | (58.4) | (93.8) | (15.2) | - | (2,408.2) | - | - | (2,408.2) |
| Stocks | (1,120.9) | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | (1,120.9) | 50.0 [b] | - | (1,070.9) |
| Partnerships | (227.3) | (0.4) | - | - | - | - | (0.3) | - | - | - | - | (0.3) | - | - | - | - | (228.3) | - | - | (228.3) |
| Other | (12.7) | (25.0) | - | - | - | - | - | - | - | - | - | (12.0) | (3.0) | (8.0) | - | - | (60.7) | - | - | (60.7) |
| Net cash provided (utilized) by investing activities | (522.7) | (41.6) | (0.6) | (0.6) | (5.3) | 0.0 | (35.3) | (0.5) | - | - | (0.3) | (51.1) | (15.6) | (13.0) | 0.2 | - | (686.4) | 50.0 | - | (636.4) |
| Financing activities | | | | | | | | | | | | | | | | | | | | |
| Dividends to stockholders | (57.1) | (44.9) | - | - | - | - | (12.0) | (0.6) | - | - | - | (9.9) | (5.8) | (10.0) | - | - | (140.3) | 83.2 [a] | - | (57.1) |
| Other cash provided (applied) | (40.0) | 2.9 | 0.4 | 0.1 | 0.9 | (0.1) | (7.3) | (1.0) | - | (0.1) | - | 11.6 | 2.7 | (0.1) | (1.3) | 50.0 | 18.7 | - | (49.9) [b] | (31.5) |
| Net cash provided (utilized) in financing activities | (97.1) | (42.0) | 0.4 | 0.1 | 0.9 | (0.1) | (19.3) | (1.6) | - | (0.1) | - | 1.7 | (3.1) | (10.1) | (1.3) | 50.0 | (121.6) | 83.2 | (49.9) | (88.6) |
| Change in cash, cash equivalents, and short-term investments | (84.3) | (0.5) | (0.4) | (0.4) | (0.4) | 0.1 | 1.4 | (0.4) | 0.1 | 0.3 | (0.1) | (4.9) | (1.2) | 1.6 | 3.0 | 50.0 | (36.1) | - | - | (36.1) |
| Balance January 1 | 18.2 | 11.0 | 0.7 | 0.9 | 1.8 | 0.4 | 3.1 | 0.4 | 0.1 | 0.2 | 0.6 | 10.1 | 5.1 | 4.2 | 2.7 | - | 59.5 | - | - | 59.5 |
| Balance December 31 | $ (66.1) | 10.5 | 0.3 | 0.5 | 1.4 | 0.5 | 4.5 | 0.0 | 0.2 | 0.5 | 0.5 | 5.2 | 3.9 | 5.8 | 5.7 | 50.0 | 23.4 | - | - | $ 23.4 |

Reclassifications and Eliminations:
[a] Elimination of intercompany dividends.

**Sentry Mutual Holding Company and Subsidiaries and Affiliates**
**Supplemental Summary Investment Schedule**
**December 31, 2022**

| Investment Categories | Gross Investment Holdings | | Admitted Assets as Reported in the Annual Statement | | | |
|---|---|---|---|---|---|---|
| | Amount | Percentage | Amount | Securities Lending Reinvested Collateral Amount | Total Amount | Percentage |
| 1. Bonds (Schedule D, Part 1) | | | | | | |
| 1.1 U.S. Governments | $ 1,279,755,054 | 8.355% | $ 1,279,755,054 | $ - | $ 1,279,755,054 | 8.355% |
| 1.2 All Other Government | 47,127,310 | 0.308% | 47,127,310 | - | 47,127,310 | 0.308% |
| 1.3 U.S. States, Territories and Possessions, etc., Guaranteed | 34,884,239 | 0.228% | 34,884,239 | - | 34,884,239 | 0.228% |
| 1.4 U.S. Political Subdivisions of States, Territories and Possessions, Guaranteed | 375,276,547 | 2.450% | 375,276,547 | - | 375,276,547 | 2.450% |
| 1.5 U.S. Special Revenue & Special Assessment Obligations, etc., Non-Guaranteed | 2,809,814,680 | 18.343% | 2,809,814,680 | - | 2,809,814,680 | 18.343% |
| 1.6 Industrial and Miscellaneous | 6,909,720,774 | 45.109% | 6,909,720,774 | - | 6,909,720,774 | 45.109% |
| 1.7 Hybrid Securities | - | - | - | - | - | - |
| 1.8 Parent, Subsidiaries and Affiliates | - | - | - | - | - | - |
| 1.9 SVO Identified Funds | - | - | - | - | - | - |
| 1.10 Bank Loans | 333,188,265 | 2.175% | 333,188,265 | - | 333,188,265 | 2.175% |
| 1.11 Total Long-Term Bonds | 11,789,766,869 | 76.967% | 11,789,766,869 | - | 11,789,766,869 | 76.967% |
| 2. Preferred Stock (Schedule D, part 2, Section 1) | | | | | | |
| 2.1 Industrial and Miscellaneous (Unaffiliated) | - | | - | - | - | - |
| 2.2 Parent Subsidiaries and Affiliates | - | - | - | - | - | - |
| 3. Common Stocks (Schedule D, Part 2, Section 2) | | | | | | |
| 3.1 Industrial and Miscellaneous (Unaffiliated) Publicly Traded | 1,573,640,990 | 10.273% | 1,573,640,990 | - | 1,573,640,990 | 10.273% |
| 3.2 Industrial and Miscellaneous (Unaffiliated) Other | 3,931,182 | 0.026% | 3,931,182 | - | 3,931,182 | 0.026% |
| 3.3 Parent, Subsidiaries and Affiliates Publicly Traded | - | - | - | - | - | - |
| 3.4 Parent, Subsidiaries and Affiliates Other | - | - | - | - | - | - |
| 3.5 Mutual Funds | - | - | - | - | - | - |
| 3.6 Total Common Stocks | 1,577,572,172 | 10.299% | 1,577,572,172 | - | 1,577,572,172 | 10.299% |
| 4. Mortgage Loans (Schedule B) | | | | | | |
| 4.1 Farm Mortgages | - | - | - | - | - | - |
| 4.2 Residential Mortgages | - | - | - | - | - | - |
| 4.3 Commercial Loans | - | - | - | - | - | - |
| 4.4 Mezzanine Real Estate Loans | - | - | - | - | - | - |
| 4.5 Total Valuation Allowance | - | - | - | - | - | - |
| 4.6 Total Mortgages | - | - | - | - | - | - |
| 5. Real Estate Investments (Schedule A) | | | | | | |
| 5.1 Property occupied by company | 146,593,982 | 0.957% | 146,593,982 | - | 146,593,982 | 0.957% |
| 5.2 Property held for production of income | 2,299,336 | 0.015% | 2,299,336 | - | 2,299,336 | 0.015% |
| 5.3 Property held for sale | - | - | - | - | - | - |
| 6. Cash, Cash Equivalents and Short-Term Investments | | | | | | |
| 6.1 Cash (Schedule E, Part 1) | (156,613,319) | -1.022% | (156,613,319) | - | (156,613,319) | -1.022% |
| 6.2 Cash Equivalents (Schedule E, Part 2) | 221,254,238 | 1.444% | 221,254,238 | - | 221,254,238 | 1.444% |
| 6.3 Short-Term Investments (Schedule DA) | 1,741,232 | 0.011% | 1,741,232 | - | 1,741,232 | 0.011% |
| 6.4 Total Cash, Cash Equivalents and Short-Term Investments | 66,382,151 | 0.433% | 66,382,151 | - | 66,382,151 | 0.433% |
| 7. Contract Loans | 8,857,345 | 0.058% | 8,857,345 | - | 8,857,345 | 0.058% |
| 8. Derivatives (Schedule DB) | - | - | - | - | - | - |
| 9. Other Invested Assets (Schedule BA) | 1,623,757,088 | 10.600% | 1,623,757,088 | - | 1,623,757,088 | 10.600% |
| 10. Receivables for Securities | 102,748,248 | 0.671% | 102,748,248 | - | 102,748,248 | 0.671% |
| 11. Securities Lending (Schedule DL, Part 1) | - | - | - | - | - | - |
| 12. Aggregate Write-Ins for Invested Assets | - | - | - | - | - | - |
| 13. Total invested assets | $ 15,317,977,191 | 100.000% | $ 15,317,977,191 | $ - | $ 15,317,977,191 | 100.000% |

## Sentry Mutual Holding Company and Subsidiaries and Affiliates
## Supplemental Investment Risks Interrogatories Schedule
## December 31, 2022

Answer the following interrogatories by reporting the applicable U.S. dollar amounts and percentages of the reporting entity's total admitted assets held in that category of investments.

1. Reporting entity's total admitted assets as reported on Page 2 of this annual statement. $ 16,943,846,208

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

| | Issuer | Description of Exposure | | Amount | Percentage of Total Admitted Assets |
|---|---|---|---|---|---|
| 2.01 | APPLE INC | Equity-Publicly Traded and Other Debt/Unaffiliated | $ | 106,166,869 | 0.6% |
| 2.02 | MICROSOFT CORP | Equity-Publicly Traded and Other Debt/Unaffiliated | $ | 98,397,256 | 0.6% |
| 2.03 | DUKE ENERGY | Other Debt/Unaffiliated | $ | 69,315,014 | 0.4% |
| 2.04 | CROSSLINK VENTURES VII LP | Other Invested Assets | $ | 68,627,817 | 0.4% |
| 2.05 | OHIO EDISON CO | Other Debt/Unaffiliated | $ | 66,963,364 | 0.4% |
| 2.06 | AMAZON.COM INC | Equity-Publicly Traded and Other Debt/Unaffiliated | $ | 65,622,133 | 0.4% |
| 2.07 | COMMONWEALTH EDISON CO | Other Debt/Unaffiliated | $ | 63,302,339 | 0.4% |
| 2.08 | POLAR TANKERS INC | Equity-Publicly Traded and Other Debt/Unaffiliated | $ | 62,041,828 | 0.4% |
| 2.09 | NIAGARA MOHAWK | Other Debt/Unaffiliated | $ | 60,694,755 | 0.4% |
| 2.10 | SOUTH CAROLINA ELEC & GAS | Equity-Publicly Traded and Other Debt/Unaffiliated | $ | 60,421,852 | 0.4% |

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

| | | | | |
|---|---|---|---|---|
| | Bonds | | | |
| 3.01 | NAIC-1 | $ | 9,086,229,227 | 53.6% |
| 3.02 | NAIC-2 | $ | 2,305,822,068 | 13.6% |
| 3.03 | NAIC-3 | $ | 178,297,793 | 1.1% |
| 3.04 | NAIC-4 | $ | 199,162,895 | 1.2% |
| 3.05 | NAIC-5 | $ | 20,614,433 | 0.1% |
| 3.06 | NAIC-6 | $ | 1,381,684 | 0.0% |
| | Preferred Stocks | | | |
| 3.07 | P/RP-1 | $ | - | 0.0% |
| 3.08 | P/RP-2 | $ | - | 0.0% |
| 3.09 | P/RP-3 | $ | - | 0.0% |
| 3.10 | P/RP-4 | $ | - | 0.0% |
| 3.11 | P/RP-5 | $ | - | 0.0% |
| 3.12 | P/RP-6 | $ | - | 0.0% |

4. Assets held in foreign investments:

| | | | | |
|---|---|---|---|---|
| 4.01 | Are assets held in foreign investments less than 2.5% of the reporting entity's total admitted assets? | | | No |
| 4.02 | Total admitted assets held in foreign investments | $ | 579,194,245 | 3.42% |
| 4.03 | Foreign-currency-denominated investments | $ | 22,300,605 | 0.13% |
| 4.04 | Insurance liabilities denominated in that same foreign currency | $ | - | 0.00% |

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

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

| | | | | |
|---|---|---|---|---|
| 5.01 | Countries Rated NAIC-1 | $ | 575,583,129 | 3.40% |
| 5.02 | Countries Rated NAIC-2 | $ | 3,611,116 | 0.02% |
| 5.03 | Countries Rated NAIC-3 or below | $ | - | 0.00% |

(continued)

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

| | | | | |
|---|---|---|---|---|
| | Countries rated NAIC-1 | | | |
| 6.01 | UNITED KINGDOM | $ | 132,192,089 | 0.78% |
| 6.02 | NETHERLANDS | $ | 109,858,958 | 0.65% |
| | Countries rated NAIC-2 | | | |
| 6.03 | CURACAO | $ | 3,611,116 | 0.02% |
| 6.04 | BERMUDA | $ | 2,695,553 | 0.02% |
| | Countries rated NAIC-3 or lower | | | |
| 6.05 | | $ | - | 0.00% |
| 6.06 | | $ | - | 0.00% |

7. Aggregate unhedged foreign currency exposure: $22,300,605

8. Aggregate unhedged foreign currency exposure categorized by the country's NAIC sovereign rating:

| | | | |
|---|---|---|---|
| Countries Rated NAIC-1 | $ | 22,300,605 | 0.13% |
| Countries rated NAIC-2 | $ | - | 0.00% |
| Countries rated NAIC-3 | $ | - | 0.00% |

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

| | | | | |
|---|---|---|---|---|
| Countries rated NAIC 1 | | | | |
| UNITED KINGDOM | $ | 17,509,330 | | 0.10% |
| SWITZERLAND | $ | 4,791,275 | | 0.03% |
| Countries rated NAIC 2 | | | | |
| | $ | - | | 0 |
| | $ | - | $ - | |
| Countries rated NAIC 3 | | | | |
| | $ | - | | 0 |
| | $ | - | $ - | |

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

| | Issuer | NAIC Rating | | |
|---|---|---|---|---|
| 10.01 | EQUINOR | 1 | $ 46,454,259 | 0.00% |
| 10.02 | SIEMENS | 1 | $ 39,293,791 | 0.00% |
| 10.03 | TOTAL CAPITAL INTERNATIONAL | 1 | $ 35,009,483 | 0.00% |
| 10.04 | RECKITT BENCKISER | 1 | $ 33,053,813 | 0.00% |
| 10.05 | ASTRAZENECA | 1 | $ 32,004,576 | 0.00% |
| 10.06 | AIR LIQUIDE | 1 | $ 24,287,338 | 0.00% |
| 10.07 | SHELL INTERNATIONAL | 1 | $ 20,230,261 | 0.00% |
| 10.08 | HBK MERGER STRATEGIES FUND | 1 | $ 16,994,155 | 0.00% |
| 10.09 | VITERRA FINANCE BV | 1 | $ 15,260,949 | 0.00% |
| 10.10 | TAKEDA PHARMACEUTICAL | 1 | $ 14,244,053 | 0.00% |

11. Amounts and percentages of the reporting entity's total admitted assets held in Canadian investments and unhedged Canadian currency exposure.

| | | | | |
|---|---|---|---|---|
| 11.01 | Are assets held in Canadian investments less than 2.5% of the reporting entity's total admitted assets? | | | Yes |
| | If response to 11.01 is yes, detail not required for the remainder of Interrogatory 11. | | | |
| 11.02 | Total admitted assets held in Canadian Investments | | $ 277,362,163.60 | 1.64% |
| 11.03 | Canadian-currency-denominated investments | | $ 61,617,769.13 | |
| 11.04 | Canadian-denominated insurance liabilities | | | |
| 11.05 | Unhedged Canadian currency exposure | | | |

12. Report aggregate amounts and percentages of the reporting entity's total admitted assets held in investments with contractual sales restrictions.

| | | |
|---|---|---|
| 12.01 | Are assets held in investments with contractual sales restrictions less than 2.5% of the reporting entity's total admitted assets? | Yes |

If response to 12.01 is yes, responses are not required for the remainder of Interrogatory 12.

(continued)

13. Amounts and percentages of admitted assets held in the largest 10 equity interests:

| | | | |
|---|---|---|---|
| 13.01 | Are assets held in equity interest less than 2.5% of the reporting entity's total admitted assets? | 3,201,256,472.06 | No |

If response to 13.01 above is yes, responses are not required for the remainder of Interrogatory 13.

| | Name of Issuer | | | |
|---|---|---|---|---|
| 13.02 | APPLE INC | $ | 92,717,398 | 0.5% |
| 13.03 | MICROSOFT CORP | $ | 85,291,503 | 0.5% |
| 13.04 | CROSSLINK VENTURES VII LP | $ | 68,627,817 | 0.4% |
| 13.05 | ALPHABET INC | $ | 48,876,972 | 0.3% |
| 13.06 | ADVENT INTERNATIONAL GPE IX LP | $ | 37,820,765 | 0.2% |
| 13.07 | AMAZON.COM INC | $ | 34,555,248 | 0.2% |
| 13.08 | TA XIII-A LP | $ | 28,453,352 | 0.2% |
| 13.09 | ADVENT INTERNATIONAL GPE VIII | $ | 28,291,353 | 0.2% |
| 13.10 | GOLDPOINT SELECT MANAGER IV LP | $ | 27,519,737 | 0.2% |
| 13.11 | BERKSHIRE HATHAWAY INC-CL B | $ | 27,396,650 | 0.2% |

14. Amounts and percentages of the reporting entity's total admitted assets held in nonaffiliated, privately placed equities:

| | | | |
|---|---|---|---|
| 14.01 | Are assets held in nonaffiliated, privately placed equities less than 2.5% of the reporting entity's total admitted assets? | | No |
| 14.02 | Aggregate statement value of investments held in nonaffiliated, privately placed equities | $ 1,129,679,145 | 6.7% |

Largest three investments held in nonaffiliated, privately placed equities

| | | | |
|---|---|---|---|
| 14.03 | CROSSLINK VENTURES VII LP | $ 68,627,817 | 0.4% |
| 14.04 | ADVENT INTERNATIONAL GPE IX LP | $ 37,820,765 | 0.2% |
| 14.05 | TA XIII-A LP | $ 28,453,352 | 0.2% |

Ten Largest Fund Managers

| | Fund Manager | Total Invested | | Diversified | Nondiversified |
|---|---|---|---|---|---|
| 14.06 | Wells Fargo | $ | 19,064,234.00 | $ 19,064,234.00 | |
| 14.07 | Vanguard | $ | 5,355,468.36 | $ 5,355,468.36 | |
| 14.08 | | | | | |
| 14.09 | | | | | |
| 14.10 | | | | | |
| 14.11 | | | | | |
| 14.12 | | | | | |
| 14.13 | | | | | |
| 14.14 | | | | | |
| 14.15 | | | | | |

15. Amounts and percentages of the reporting entity's total admitted assets held in general partnership interests:

| | | |
|---|---|---|
| 15.01 | Are assets held in general partnership interests less than 2.5% of the reporting entity's total admitted assets? | Yes |

If response to 15.01 is yes, responses are not required for the remainder of Interrogatory 15.

16. Amounts and percentages of the reporting entity's total admitted assets held in mortgage loans:

| | | |
|---|---|---|
| 16.01 | Are mortgage loans reported in Schedule B less than 2.5% of the reporting entity's total admitted assets? | Yes |

If response to 16.01 above is yes, responses are not required for the remainder of Interrogatory 16 and Interrogatory 17.

17. Aggregate mortgage loans having the following loan-to-value ratios as determined from the most current appraisal as of the annual statement date: None

18. Amounts and percentages of the reporting entity's total admitted assets held in each of the five largest investments in real estate:

| | | |
|---|---|---|
| 18.01 | Are assets held in real estate reported in less than 2.5% of the reporting entity's total admitted assets? | Yes |

If response to 18.01 above is yes, responses are not required for the remainder of Interrogatory 18.

19. Report the amounts and percentages of potential exposure for Mezzanine re less than 2.5% NA

(continued)

20. Amounts and percentages of the reporting entity's total admitted assets subject to the following types of agreements:

| | | | | |
|---|---|---|---|---|
| 20.01 | Securities lending agreements (do not include assets held as collateral for such transactions) | $ | - | 0.0% |
| 20.02 | Repurchase agreements | $ | - | 0.0% |
| 20.03 | Reverse repurchase agreements | $ | - | 0.0% |
| 20.04 | Dollar repurchase agreements | $ | - | 0.0% |
| 20.05 | Dollar reverse repurchase agreements | $ | - | 0.0% |

21. Amounts and percentages of the reporting entity's total admitted assets for warrants not attached to other financial instruments, options, caps, and floors:

| | | | | |
|---|---|---|---|---|
| 21.01 | Hedging | $ | - | 0.0% |
| 21.02 | Income generation | $ | - | 0.0% |
| 21.03 | Other | $ | - | 0.0% |

22. Amounts and percentages of the reporting entity's total admitted assets of potential exposure for collars, swaps, and forwards:

| | | | | |
|---|---|---|---|---|
| 22.01 | Hedging | $ | - | 0.0% |
| 22.02 | Income generation | $ | - | 0.0% |
| 22.03 | Replications | $ | - | 0.0% |
| 22.04 | Other | $ | - | 0.0% |

23. Amounts and percentages of the reporting entity's total admitted assets of potential exposure for futures contracts:

| | | | | |
|---|---|---|---|---|
| 23.01 | Hedging | $ | - | 0.0% |
| 23.02 | Income generation | $ | - | 0.0% |
| 23.03 | Replications | $ | - | 0.0% |
| 23.04 | Other | $ | - | 0.0% |

See independent auditors' report on supplementary information.

(continued)

**Sentry Mutual Holding Company and Subsidiaries**
**Supplemental Schedule of Reinsurance Disclosures**
**December 31, 2022**

| | | |
|---|---|---|
| 1 | Has this reporting entity reinsured any risk with any other entity under a quota share reinsurance contract that includes a provision that would limit the reinsurer's losses below the stated quota share percentage (e.g. a deductible, a loss ratio corridor, a loss ratio cap, an aggregate limit or any similar provisions)? | Yes |
| 2 | If yes to item 1 above, indicate the number of reinsurance contracts containing such provisions: | 5 |
| 3 | If yes to item 1 above, does the amount of reinsurance credit taken reflect the reduction in quota share coverage caused by any applicable limiting provision(s)? | Yes |
| 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: | No |
| | a. A contract term longer than two years and the contract is noncancellable by the reporting entity during the contract term; | |
| | b. A limited or conditional cancellation provision under which cancellation triggers an obligation by the reporting entity, or an affiliate of the reporting entity, to enter into a new reinsurance contract with the reinsurer, or an affiliate of the reinsurer; | |
| | c. Aggregate stop loss reinsurance coverage; | |
| | d. A unilateral right by either party (or both parties) to commute the reinsurance contract, whether conditional or not, except for such provisions which are only triggered by a decline in the credit status of the other party; | |
| | e. A provision permitting reporting 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. | |
| 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), for which, during the period covered by the statement, it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; excluding cessions to approved pooling arrangements or to captive insurance companies that are directly or indirectly controlling, controlled by, or under common control with (i) one or more unaffiliated policyholders of the reporting entity, or (ii) an association of which one or more unaffiliated policyholders of the reporting entity is a member where: | No |
| | a. The written premium ceded to the reinsurer by the reporting entity or its affiliates represents fifty percent (50%) or more of the entire direct and assumed premium written by the reinsurer based on its most recently available financial statement; or | |
| | b. Twenty-five percent (25%) or more of the written premium ceded to the reinsurer has been retroceded back to the reporting entity or its affiliates in a separate reinsurance contract. | |
| 6 | If yes to items 4 or 5 above, please provide the following information for each reinsurance contract: | N/A |
| | a. A summary of the reinsurance contract terms and indicate whether it applies to the contracts meeting items 4 or 5; | |
| | b. A brief discussion of management's principal objectives in entering into the reinsurance contract including the economic purpose to be achieved; and | |
| | c. The aggregate financial statement impact gross of all such ceded reinsurance contracts on the balance sheet and statement of income. | |
| 7 | Except for transactions meeting the requirements of paragraph 32 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: | No |
| | 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? | |
| 8 | If yes to item 7 above, explain why the contract(s) is (are) treated differently for GAAP and SAP. | N/A |