

HELENVILLE MUTUAL INSURANCE COMPANY

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED DECEMBER 31, 2022 AND 2021



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HELENVILLE MUTUAL INSURANCE COMPANY
Helenville, Wisconsin

OFFICERS AND DIRECTORS

Earl Reu	President
James Mode	Vice-President
Vic Imrie	Secretary/Treasurer
Gerald Berg	Director
Tamre Rotar	Director
Tim Wiedenfeld	Director
Pamela Severson	Director

PERSONNEL

John Schrader	Office Manager
Michaeleen Hinca	Bookkeeper
Tammy Gunderson	Office Clerk

OTHER INFORMATION

Date of Incorporation	1876
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**HELENVILLE MUTUAL INSURANCE COMPANY
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YEARS DECEMBER 31, 2022 AND 2021**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Helenville Mutual Insurance Company
Helenville, Wisconsin

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of Helenville Mutual Insurance Company (a Wisconsin corporation), which comprise the statements of admitted assets, liabilities, and policyholders' surplus – statutory basis as of December 31, 2022 and 2021, and the related statements of operations – statutory basis, policyholders' surplus – statutory basis, and cash flows – statutory basis for the years then ended, and the related notes to the financial statements.

Unmodified Opinion on Statutory Basis of Accounting Principles

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the admitted assets, liabilities, and policyholders' surplus of Helenville Mutual Insurance Company as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended, in accordance with the financial reporting provisions prescribed or permitted by the Wisconsin Office of the Commissioner of Insurance as described in Note 1.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* section of our report, the financial statements referred to in the first paragraph do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Helenville Mutual Insurance Company as of December 31, 2022 and 2021, or the results of its operations or its cash flows for the years then ended.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of Helenville Mutual Insurance 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 unmodified audit opinion on the statutory basis of accounting and our adverse opinion on U.S. generally accepted accounting principles.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1, the financial statements are prepared by Helenville Mutual Insurance Company on the basis of the financial reporting provisions prescribed or permitted by the Wisconsin Office of the Commissioner of Insurance, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with the requirements of the Wisconsin Office of the Commissioner of Insurance. The effects on the financial statements of the variances between the statutory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the financial reporting provisions prescribed or permitted by the Wisconsin Office of the Commissioner of Insurance, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 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 Helenville Mutual Insurance 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 financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Helenville Mutual Insurance 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 statutory basis financial statements as a whole. The accompanying supplementary statutory basis information is presented for purposes of additional analysis and is not a required part of the statutory basis financial statements. 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 statutory basis financial statements. The information has been subjected to the auditing procedures applied in the audits of the statutory basis financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the statutory basis financial statements or to the statutory basis 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 statutory basis financial statements as a whole.



CliftonLarsonAllen LLP

Middleton, Wisconsin
February 8, 2023

**HELENVILLE MUTUAL INSURANCE COMPANY
STATEMENTS OF ADMITTED ASSETS, LIABILITIES, AND
POLICYHOLDERS' SURPLUS – STATUTORY BASIS
DECEMBER 31, 2022 AND 2021**

	2022	2021
ADMITTED ASSETS		
Cash and Invested Cash	\$ 514,605	\$ 326,864
Bonds	628,163	736,365
Stocks and Mutual Funds	88,645	269,138
Real Estate	36,219	40,481
Total Cash and Investments	1,267,632	1,372,848
Premiums Receivable	160,861	167,899
Investment Income Due or Accrued	5,680	6,510
Reinsurance Recoverable on Paid Losses	194,921	105,901
Fire Dues Recoverable	412	334
Electronic Data Processing Equipment	1,048	1,408
Reinsurance Commission Receivable	8,256	9,444
Total Assets	1,638,810	1,664,344
Less: Nonadmitted Assets		
Uncollected Premiums Greater than 90 Days	(20)	(502)
Total Admitted Assets	\$ 1,638,790	\$ 1,663,842
LIABILITIES AND POLICYHOLDERS' SURPLUS		
LIABILITIES		
Net Unpaid Losses	\$ -	\$ 6,500
Unpaid Loss Adjustment Expenses	-	-
Accounts Payable	2,387	2,009
Commissions Payable	118,925	50,711
Property and Payroll Taxes Payable	3,098	3,135
Unearned Premiums	635,879	634,815
Premiums Received in Advance	54,313	38,476
Reinsurance Premiums Payable	66,826	58,644
Total Liabilities	881,428	794,290
POLICYHOLDERS' SURPLUS	757,362	869,552
Total Liabilities and Policyholders' Surplus	\$ 1,638,790	\$ 1,663,842

See accompanying Notes to Financial Statements.

HELENVILLE MUTUAL INSURANCE COMPANY
STATEMENTS OF OPERATIONS – STATUTORY BASIS
YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
UNDERWRITING INCOME		
Premiums Written	\$ 1,528,387	\$ 1,527,011
Net Unearned Premium Change	(1,064)	(4,579)
Reinsurance Ceded	(594,686)	(573,584)
Net Premiums Earned	932,637	948,848
 LOSSES INCURRED		
Losses Incurred	2,995,273	1,029,394
Reinsurance Recovered	(2,340,936)	(371,809)
Net Losses Incurred	654,337	657,585
 NET LOSS ADJUSTMENT EXPENSES	157,492	143,485
 OTHER UNDERWRITING EXPENSES	358,621	398,867
Total Losses and Expenses Incurred	1,170,450	1,199,937
 NET UNDERWRITING LOSS	(237,813)	(251,089)
 INVESTMENT AND OTHER INCOME		
Investment Income Earned	25,779	27,181
Investment Expenses	(18,312)	(19,095)
Net Realized Capital Gain (Loss)	(1,032)	234,403
Other Income	122,512	121,494
Net Investment and Other Income	128,947	363,983
 NET INCOME (LOSS)	\$ (108,866)	\$ 112,894

STATEMENTS OF POLICYHOLDERS' SURPLUS – STATUTORY BASIS
YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
BALANCE - BEGINNING OF YEAR	\$ 869,552	\$ 956,922
Net Income (Loss)	(108,866)	112,894
Net Change in Nonadmitted Assets	482	2,503
Unrealized Loss on Bonds	(2,316)	-
Net Change in Unrealized Gain on Stocks and Mutual Funds	(1,490)	(202,767)
 BALANCE - END OF YEAR	\$ 757,362	\$ 869,552

See accompanying Notes to Financial Statements.

**HELENVILLE MUTUAL INSURANCE COMPANY
STATEMENTS OF CASH FLOWS – STATUTORY BASIS
YEARS ENDED DECEMBER 31, 2022 AND 2021**

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Premiums	\$ 1,551,262	\$ 1,517,921
Cash Received from Reinsurance Loss Recoveries	1,301,132	297,831
Cash Paid for Losses	(2,086,066)	(1,042,920)
Cash Paid for Supplies and Services	(425,061)	(594,855)
Reinsurance Premiums Paid	(586,504)	(554,118)
Investment Income Received	26,609	28,890
Other Income	122,512	121,494
Net Cash and Invested Cash Used by Operating Activities	(96,116)	(225,757)
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash Paid for Purchase of Stocks, Mutual Funds, and Bonds	-	(419,611)
Purchase of Fixed Assets	-	(4,758)
Proceeds from Sale/Maturity of Stocks, Mutual Funds, and Bonds	283,857	643,069
Net Cash and Invested Cash Provided by Investing Activities	283,857	218,700
NET INCREASE (DECREASE) IN CASH AND INVESTED CASH	187,741	(7,057)
Cash and Invested Cash - Beginning of Year	326,864	333,921
CASH AND INVESTED CASH - END OF YEAR	\$ 514,605	\$ 326,864

See accompanying Notes to Financial Statements.

HELENVILLE MUTUAL INSURANCE COMPANY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Helenville Mutual Insurance Company (the Company) is a policyholder-owned town mutual insurance company incorporated in the state of Wisconsin, under Chapter 612 of the Wisconsin Insurance Laws, as a property and casualty insurance company. All policies written by the Company, which are assessable, are for risks located in a six contiguous county area in south central Wisconsin and represent a concentration of risk for the effects of inclement weather conditions on its insureds. Due to the nature of the Company's business, premiums are written through relatively few agents, some of whom may account for a significant portion of the annual premium volume.

The major accounting policies that affect the significant elements of the Company's financial statements are summarized below:

Basis of Reporting

The financial statements of the Company are prepared on the basis of accounting practices prescribed or permitted by the Wisconsin Office of the Commissioner of Insurance (OCI). Prescribed statutory accounting practices include the accounting policies found in the National Association of Insurance Commissioners (NAIC) *Accounting Practices and Procedures Manual* (SAP), which was adopted by the state of Wisconsin, as well as state insurance laws, regulations, and general administrative rules.

SAP differs in some respects from accounting principles generally accepted in the United States of America (GAAP) followed by other types of entities in determining financial position, results of operations, and cash flows. The effects of such variance on the accompanying statutory basis financial statements have not been determined but are presumed to be material. The most significant variances are as follows:

- Policy acquisition costs, such as commissions and other items, are charged to operations when the policy is written. Commissions on reinsurance are credited to income in the year the premium is ceded. Under GAAP, commission expense is deferred and recognized as an expense over the periods covered by the policies, and commissions on reinsurance are deferred and recognized as income over the periods covered by the policies.
- Changes in deferred income taxes are recorded directly to surplus as opposed to being an item of income tax benefit or expense for GAAP financial reporting purposes. Admittance testing may result in a charge to surplus for nonadmitted portions of deferred tax assets. Under GAAP, all deferred income taxes are recognized for all temporary differences between book and tax income and carryforwards, subject to impairment testing.
- Certain assets designated as "nonadmitted assets" (principally uncollected premiums over 90 days past due and office furniture and equipment) are charged against surplus. Under GAAP, premium receivables are recorded at their net realizable value and office furniture and equipment is recognized as an asset net of accumulated depreciation.

HELENVILLE MUTUAL INSURANCE COMPANY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Reporting (Continued)

- Cash and invested cash as used in the statement of cash flows include instruments with initial maturities in excess of 90 days. Under GAAP, only those items with maturities of 90 days or less are considered invested cash.
- Investments in debt securities are generally carried at amortized cost. Under GAAP, the Company's debt securities would be classified as held-to-maturity, trading, or available-for-sale. For GAAP, securities classified as held-to-maturity are carried at cost or amortized cost and securities classified as trading or available-for-sale are carried at fair value with the unrealized holding gains and losses reported in income for those securities classified as trading and as a separate component of surplus, shown net of related deferred taxes, for those securities classified as available-for-sale.
- Investments in equity securities are generally recorded at fair value with unrealized gains and losses reflected as a direct charge or credit to surplus. Under GAAP, the unrealized gains and losses are reflected as a component of investment income.
- Assets and liabilities related to ceded reinsurance transactions are netted with the respective accounts. Under GAAP, reinsurance balances are shown on a separate gross basis.
- All leases are considered to be operating leases with rental expense charged to income on a straight-line basis. Under GAAP, a lease liability and corresponding Right-of-Use asset are recognized for all contracts that include a lease. For operating leases, expense is recognized on a straight-line basis and capital leases include straight-line expense for the leased asset as well as an interest charge for the financing component of the lease.
- Comprehensive income is not reflected in accordance with the requirements of GAAP. GAAP would require that accumulated comprehensive income be considered a separate component of surplus.
- Statutory financial statements are prepared in a form and using language and groupings substantially the same as the annual statements of the Company filed with the state regulatory authorities, which differ from the presentation and disclosure of financial statements presented under GAAP.

Permitted and Prescribed Statutory Accounting Practices

The Company, domiciled in the state of Wisconsin, prepares its statutory financial statements in accordance with accounting practices prescribed or permitted by the OCI. Prescribed statutory accounting practices include a variety of publications of the NAIC, as well as state laws, regulations, and general administrative rules. Permitted statutory accounting practices encompass all accounting practices that are not prescribed.

**HELENVILLE MUTUAL INSURANCE COMPANY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Permitted and Prescribed Statutory Accounting Practices (Continued)

The Company received approval from the OCI to prepare their statutory financial statements using the following permitted statutory accounting practices, which differ from prescribed statutory accounting practices as follows:

Town mutual insurance companies that hold Wisconsin Reinsurance Corporation (WRC) common and/or preferred stock shall value this investment based on the most recent WRC audited financial statements. Accordingly, the valuation included in the Company's December 31, 2022 and 2021, financial statements are based upon WRC's financial statements as of December 31, 2021 and 2020, respectively.

Although the state of Wisconsin has adopted the NAIC's statutory accounting practices, they have not been adopted with respect to town mutual insurance companies that file the town mutual annual statement. Under NAIC statutory accounting practices, deferred income tax assets and liabilities are required to be calculated and recorded as a liability or admitted asset. The amount of the required deferred tax asset not recorded (because Wisconsin has not adopted codification for town mutual insurance companies) in these financial statements amounted to \$24,000 at both December 31, 2022 and 2021.

Risk and Uncertainties

The Company's operating results and financial conditions are affected by numerous factors and circumstances unique to the property/casualty insurance industry, some of which it can neither predict nor control. Among them are (1) statutorily imposed regulatory capital requirements can limit an insurer's ability to underwrite new business or retain otherwise desirable risks; (2) an insurer's ability to enter into suitable reinsurance agreements is subject to prevailing conditions in reinsurance markets; (3) competitive pressure on pricing, while generally cyclical, is often intense; (4) fluctuations in interest rates affect the value and income yield of an insurer's investment portfolio in the short-term, and often affect default and prepayment rates over time; (5) inflationary pressures affect the magnitude of losses and loss adjustment expenses; (6) emerging legal precedents and trends may have a significant specific impact on settlement amounts and cost of defending claims; and (7) losses may not fully develop for several years following the year in which the insured event occurred.

Use of Estimates in Preparing Financial Statements

The preparation of financial statements in conformity with accounting procedures prescribed or permitted by the OCI and the NAIC's *Accounting Practices and Procedures Manual*, 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Management's estimates and assumptions include, but are not limited to, estimates of unpaid losses and unpaid loss adjustment expenses. In estimating these liabilities, management uses the methodology discussed in the unpaid losses and loss adjustment expenses paragraph of this note. Because of inherent uncertainties in estimating these liabilities, it is at least reasonably possible that the estimates used will change within the near term.

HELENVILLE MUTUAL INSURANCE COMPANY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Invested Cash

For purposes of the statements of cash flows – statutory basis, the Company considers cash on hand, cash in checking, as well as any cash invested at interest, to be cash and invested cash.

Investments

Bonds are valued at amortized cost, unless the bond is less than BBB- rated, in which case it is valued at the lower of amortized cost or market. Stocks and mutual funds, except as noted in permitted statutory accounting practices above, are valued at their current fair value, based on quoted market prices at the close of business at December 31. Unrealized gains or losses on stocks and bonds (that are less than BBB- rated) are charged or credited to policyholders' surplus. At December 31, 2022, the Company had one bond with a rating less than BBB-; the unrealized loss on this bond of \$2,316 has been reflected as a change in surplus.

Realized investment gains or losses on the sale of investments are determined on the specific identification basis and are recorded directly in the statements of operations – statutory basis. Security transactions are recorded on the trade date.

Investment securities are exposed to various risks related to interest rate fluctuations, financial market variability, and credit risks of investment security issuers. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, changes in risks in the near term could affect the amounts reported in the statements of admitted assets, liabilities, and policyholders' surplus – statutory basis, statements of operations – statutory basis, and policyholders' surplus – statutory basis.

Investments are quantitatively and qualitatively reviewed for impairment. In evaluating whether a decline in value is other than temporary, management considers several factors including, but not limited to: the Company's ability and intent to hold the security for a sufficient amount of time for it to recover, the extent and duration of the decline in value, relevant industry conditions and trends, and the financial condition and future business prospects of the issuer. If the decline is judged to be other than temporary, the cost basis of the individual security is written down to fair value as a new cost basis and the amount of the impairment is charged to operations as a realized loss. There was no impairment loss recognized in 2022 or 2021.

Premium Revenues

Property and liability premiums are generally recognized as revenue on a pro rata basis over the policy term. Unearned premiums represent the portion of premiums written that relate to the unexpired terms of policies in force. An advance premium liability is established for all premiums received for policies effective in the following fiscal year.

Reinsurance

The Company limits the maximum net loss that can arise from large risks or risks in concentrated areas of exposure by reinsuring with another company.

HELENVILLE MUTUAL INSURANCE COMPANY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reinsurance (Continued)

Reinsurance premiums, commissions, expense reimbursements, and losses related to reinsured business are accounted for on a basis consistent with those used in accounting for the original policies issued and the terms of the reinsurance contracts. Premiums ceded to the reinsurer have been reported as a reduction of premium income. Recoveries on losses are reported as a reduction of losses incurred. Amounts applicable to reinsurance ceded for unearned premium reserves and loss and loss adjustment expense reserves are reported as reductions of these items. Commissions related to ceded premiums are netted with direct commission expense, which is included in other underwriting expenses.

Unpaid Losses and Loss Adjustment Expenses

The liability for unpaid losses and loss adjustment expenses includes an amount determined on the basis of individual claims and an amount, based on past experience, for losses incurred but not reported. Such liabilities are necessarily based on estimates and, while management believes that the amount is adequate, it is reasonably possible that a change in estimate will occur in the near term and the ultimate liability may be in excess of, or less than amounts provided. The methods for making such estimates and for establishing the resulting liability are continually reviewed and updated based upon current circumstances and any adjustments resulting there from are reflected in earnings currently. Unpaid losses and loss adjustment expenses are stated net of reinsurance recoverables.

Real Estate, Furniture and Fixtures, and Equipment

Depreciation is computed on each individual asset using the straight-line method at rates considered adequate to amortize the cost of the asset over the following estimated useful lives:

Real Estate and Home Office Building	5 to 30 Years
Furniture and Fixtures	5 to 7 Years
Electronic Data Processing Equipment	3 Years

Impairment of Long-Lived Assets

The Company evaluates long-lived assets for impairment whenever events or changes in circumstances indicate that it is probable that an asset has been impaired and the amount of loss can be reasonably estimated.

Income Taxes

The federal income tax provision is based on income reported for statutory reporting purposes as adjusted for certain temporary and permanent taxable income differences. As a town mutual insurance company, the Company is not subject to Wisconsin income taxes.

Subsequent Events

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through February 8, 2023, the date the financial statements were available to be issued.

HELENVILLE MUTUAL INSURANCE COMPANY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 2 INVESTMENTS

The carrying value and fair value of investments in bonds for 2022 and 2021 are as follows:

<u>2022</u>	<u>Carrying Value</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>
Obligations of States and Political Subdivisions	\$ 125,000	\$ 127	\$ (250)	\$ 124,877
Corporate Securities	503,163	-	(57,892)	445,271
Total	<u>\$ 628,163</u>	<u>\$ 127</u>	<u>\$ (58,142)</u>	<u>\$ 570,148</u>
<u>2021</u>				
Obligations of States and Political Subdivisions	\$ 155,000	\$ 8,276	\$ -	\$ 163,276
Corporate Securities	581,365	5,775	(7,405)	579,735
Total	<u>\$ 736,365</u>	<u>\$ 14,051</u>	<u>\$ (7,405)</u>	<u>\$ 743,011</u>

The carrying value and fair value of bonds at December 31, 2022, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or repay obligations with or without call or prepayment penalties.

	<u>Carrying Value</u>	<u>Fair Value</u>
Due Within One Year	\$ 60,941	\$ 59,640
Due After One Year Through Five Years	487,222	430,727
Due After Five Years Through Ten Years	80,000	79,781
Due After Ten Years	-	-
Total	<u>\$ 628,163</u>	<u>\$ 570,148</u>

Proceeds from the calls, sales, and maturities of investments in bonds were \$105,906 and \$202,925 in 2022 and 2021, respectively. Realized gains on bond redemptions were \$20 and \$883 for 2022 and 2021, respectively.

The following information summarizes the fair value, cost, and gross unrealized gains and losses of stock and mutual funds' investments:

	<u>2022</u>	<u>2021</u>
Cost	\$ 76,476	\$ 255,479
Gross Unrealized Gains	12,169	13,659
Gross Unrealized Losses	-	-
Total	<u>\$ 88,645</u>	<u>\$ 269,138</u>

Included in the fair values at December 31, 2022 and 2021 are investments in common and preferred stock of Wisconsin Reinsurance Corporation totaling \$39,719 and \$42,208, respectively. These investments are not readily marketable, but they would be available in the event of liquidation of the Company.

HELENVILLE MUTUAL INSURANCE COMPANY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 2 INVESTMENTS (CONTINUED)

Proceeds from the sale of investments in stocks and mutual funds were \$177,951 and \$440,144 in 2022 and 2021, respectively. Realized gains (losses) on sales of stocks and mutual funds were (\$1,052) and \$233,520 for 2022 and 2021, respectively.

Investments with a decline in fair value below amortized cost as of December 31, 2022 and 2021, including the length of time of such decline, are shown in the following tables. The Company does not consider securities to be other-than-temporarily impaired because management believes the Company carries high-quality securities and any fluctuations in fair value are due to changes in interest rates and the Company has the intent to hold such securities until maturity.

	Less Than 12 Months		12 Months or More		Total	
	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses
As of December 31, 2022:						
Debt Securities:						
Corporate Securities	\$ 161,358	\$ 7,991	\$ 271,238	\$ 49,901	\$ 432,596	\$ 57,892
Obligations of State and Political Subdivisions	39,750	250	-	-	39,750	250
Total Securities with Unrealized Losses	<u>\$ 201,108</u>	<u>\$ 8,241</u>	<u>\$ 271,238</u>	<u>\$ 49,901</u>	<u>\$ 472,346</u>	<u>\$ 58,142</u>
As of December 31, 2021:						
Debt Securities:						
Corporate Securities	\$ 313,736	\$ 7,405	\$ -	\$ -	\$ 313,736	\$ 7,405
Total Securities with Unrealized Losses	<u>\$ 313,736</u>	<u>\$ 7,405</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 313,736</u>	<u>\$ 7,405</u>

NOTE 3 REAL ESTATE, FURNITURE AND FIXTURES, AND ELECTRONIC DATA PROCESSING EQUIPMENT

Real estate and furniture and fixtures are recorded at cost and presented in the accompanying statements, net of accumulated depreciation, as follows:

	Cost	Accumulated Depreciation	Undepreciated Cost December 31
<u>2022</u>			
Real Estate, Land, and Office	\$ 95,036	\$ 58,817	\$ 36,219
Furniture and Fixtures	9,754	9,754	-
Electronic Data Processing Equipment	11,614	10,566	1,048
<u>2021</u>			
Real Estate, Land, and Office	\$ 95,036	\$ 54,555	\$ 40,481
Furniture and Fixtures	9,754	9,754	-
Electronic Data Processing Equipment	11,614	10,206	1,408

Depreciation expense was \$4,622 and \$5,722 for 2022 and 2021, respectively.

HELENVILLE MUTUAL INSURANCE COMPANY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 4 INCOME TAXES

The federal income tax provision was composed of the following elements:

	2022	2021
Statutory Rates Applied to Net Income (Loss) Before Income Tax	\$ (23,000)	\$ 24,000
Book/Tax Reconciling Items	(1,000)	(2,000)
Net Operating Loss Carryforward	24,000	(22,000)
Federal Income Tax Provision	\$ -	\$ -

The Company has approximately \$798,000 of net operating loss carryforwards available to offset income in future years. The majority of the carryforwards expire through the year 2037, with the exception of the 2018 and 2022 net operating loss carryforwards which have no expiration date under the current tax law.

NOTE 5 CONTINGENCIES

The Company is a member of a policyholder protection fund administered by the Policyholders' Mutual Insurance Company. This solvency fund is in place to protect policyholders in the event a town mutual may not have enough assets to pay all claims upon liquidation. The Company is contingently liable for an assessment of up to 2% of the Company's prior years' gross premium written.

A contingent liability exists with respect to reinsurance ceded, which would become a liability of the Company in the event that any reinsurer might be unable to meet the obligations of the reinsurance agreement. At December 31, 2022 and 2021, the Company had unsecured reinsurance recoverable from Wisconsin Reinsurance Corporation consisting of \$1,091,413 and \$176,181 deducted from unpaid losses and loss adjusting expenses; \$110,056 and \$102,707 deducted from unearned premiums; and \$194,921 and \$105,901 deducted from paid losses and loss adjusting expenses, respectively.

In the normal course of its business, the Company is involved in litigation from time to time with claimants, beneficiaries, and others. In the opinion of management, the ultimate liability for such additional litigation, if any, would not have a material adverse financial effect upon the Company.

NOTE 6 LIABILITY FOR UNPAID LOSS AND LOSS ADJUSTMENT EXPENSE

The liability for unpaid losses and loss adjustment expenses is an estimate of the ultimate remaining cost to settle and close all reported and incurred but not reported claims. If the estimated liability is subsequently determined to have been overstated or understated, the effect of such development is recorded in the year the change is determined.

HELENVILLE MUTUAL INSURANCE COMPANY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 6 LIABILITY FOR UNPAID LOSS AND LOSS ADJUSTMENT EXPENSE (CONTINUED)

Activity in the liability for unpaid losses and loss adjustment expenses is summarized as follows:

	<u>2022</u>	<u>2021</u>
Balance, January 1	\$ 182,681	\$ 172,925
Less: Reinsurance Recoverable	<u>(176,181)</u>	<u>(104,886)</u>
Net Balance - January 1	6,500	68,039
Incurred Related to:		
Current Year	809,126	803,438
Prior Years	<u>2,703</u>	<u>(2,368)</u>
Total Incurred	811,829	801,070
Paid Related to:		
Current Year	809,126	804,118
Prior Years	<u>9,203</u>	<u>58,491</u>
Total Paid	<u>818,329</u>	<u>862,609</u>
Net Balance - December 31	-	6,500
Plus Reinsurance Recoverable	<u>1,091,413</u>	<u>176,181</u>
Balance - December 31	<u>\$ 1,091,413</u>	<u>\$ 182,681</u>

As a result of changes in estimates of insured events in prior years, the provision for loss and loss adjustment expenses (net of reinsurance recovered (incurred) of \$264,008 and (\$48,327) in 2022 and 2021, respectively) increased (decreased) by \$2,703 and (\$2,368) in 2022 and 2021, respectively.

NOTE 7 LINE OF CREDIT

The Company has a \$75,000 line of credit with Premier Bank. There were no amounts outstanding under this line as of December 31, 2022 and 2021. The line of credit is secured by certificates of deposit and matures in March 2024. The interest rate at December 31, 2022 was 8.5%; no interest was paid in fiscal 2022 or 2021.

HELENVILLE MUTUAL INSURANCE COMPANY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 8 FAIR VALUE MEASUREMENTS

Statements of Statutory Accounting Principles establish a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. The Statements of Statutory Accounting Principles define levels within the hierarchy based on the reliability of inputs as follows:

Level 1 – Unadjusted quoted prices for identical assets and liabilities in active markets;

Level 2 – Quoted prices for similar assets and liabilities in active markets (other than those included in Level 1) which are observable for the asset or liability, either directly or indirectly; and

Level 3 – Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

The following table sets forth admitted assets measured and reported at fair value in the statement of admitted assets, liabilities, and policyholders' surplus and the respective levels to which the fair value measurements are classified within the fair value hierarchy as of December 31, 2022 and 2021:

	December 31, 2022			
	Total	Level 1	Level 2	Level 3
Admitted Assets:				
Common Stocks and				
Mutual Funds	\$ 58,645	\$ 37,494	\$ -	\$ 21,151
Preferred Stock	30,000	-	-	30,000
Total	<u>\$ 88,645</u>	<u>\$ 37,494</u>	<u>\$ -</u>	<u>\$ 51,151</u>
	December 31, 2021			
	Total	Level 1	Level 2	Level 3
Admitted Assets:				
Common Stocks and				
Mutual Funds	\$ 239,138	\$ 216,497	\$ -	\$ 22,641
Preferred Stock	30,000	-	-	30,000
Total	<u>\$ 269,138</u>	<u>\$ 216,497</u>	<u>\$ -</u>	<u>\$ 52,641</u>

Common stock, mutual funds, and preferred stock securities listed on a national market or exchange are valued at the last sales price, or if there is no sale and the market is still considered active, at the last transaction price before year-end. Such securities are classified within Level 1 of the valuation hierarchy.

Common stock and preferred stock securities in Level 3 consist of the Company's investment in WRC and NAMIC Insurance Company (NAMICO). The fair value is determined based on the most recent audited financial statements of WRC and NAMICO as described in Note 1.

HELENVILLE MUTUAL INSURANCE COMPANY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 8 FAIR VALUE MEASUREMENTS (CONTINUED)

There were no realized gains or losses recognized in the statements of operations – statutory basis on the WRC or NAMICO stock for the years ended December 31, 2022 and 2021. Unrealized losses recognized on WRC stock totaling \$2,489 and \$578 for the years ended December 31, 2022 and 2021, respectively, are included as an element of the adjustment to surplus. Unrealized gains recognized on NAMICO stock totaling \$999 and \$991 for the years ended December 31, 2022 and 2021, respectively, are included as an element of the adjustment to surplus.

There were no acquisitions or sales of the WRC or NAMICO stock during the years ended December 31, 2022 and 2021. There were also no transfers in and/or out of Level 3 for the years ended December 31, 2022 and 2021. The only change to the value of the WRC and NAMICO stock related to the unrealized gains (losses) above.

HELENVILLE MUTUAL INSURANCE COMPANY
SCHEDULES OF OPERATIONS
YEARS ENDED DECEMBER 31, 2022 AND 2021
(SEE INDEPENDENT AUDITORS' REPORT)

	<u>2022</u>	<u>2021</u>
UNDERWRITING		
Premiums Written	\$ 1,528,387	\$ 1,527,011
Net Unearned Premium increase	(1,064)	(4,579)
Reinsurance Ceded	<u>(594,686)</u>	<u>(573,584)</u>
Net Premiums Earned	932,637	948,848
Losses Incurred	2,995,273	1,029,394
Reinsurance Recovered	<u>(2,340,936)</u>	<u>(371,809)</u>
Net Losses Incurred	<u>654,337</u>	<u>657,585</u>
Net Commissions on Direct Business	135,976	170,075
OTHER OPERATING EXPENSES		
Net Loss Adjustment Expenses	43,401	25,974
Directors' Fees and Expenses	17,089	18,096
Salaries and Wages	188,107	188,813
Employee Benefits	3,377	2,880
Payroll Taxes	14,620	12,652
Utilities	3,503	2,397
Property Taxes	2,763	2,578
Depreciation	4,622	5,722
Insurance	2,447	2,513
Telephone	2,139	2,514
Advertising	7,002	7,451
Printing and Stationery	4,200	3,655
Office Maintenance and Supplies	28,680	24,220
Computer Services	17,371	17,162
Trade Association Dues	13,641	14,137
Legal and Accounting	30,091	35,230
Investment Fees	2,014	2,305
Fire Department Dues	12,988	12,866
Seminars and Conventions	1,305	1,485
Miscellaneous	(911)	8,722
Expenses Allocated to Investment Income	<u>(18,312)</u>	<u>(19,095)</u>
Total Other Operating Expenses	<u>380,137</u>	<u>372,277</u>
Total Losses and Expenses Incurred	<u>1,170,450</u>	<u>1,199,937</u>
Net Underwriting Loss	(237,813)	(251,089)
INVESTMENT AND OTHER INCOME		
Investment Income Earned	25,779	27,181
Allocated Investment Expenses	(18,312)	(19,095)
Realized Gain (Loss) on Sale of Investment	(1,032)	234,403
Other Income	<u>122,512</u>	<u>121,494</u>
Net Investment and Other Income	<u>128,947</u>	<u>363,983</u>
NET INCOME (LOSS)	<u>\$ (108,866)</u>	<u>\$ 112,894</u>



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