SENECA, SIGEL MUTUAL INSURANCE COMPANY
Vesper, Wisconsin

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

YEARS ENDED DECEMBER 31, 2022 AND 2021

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SENECA, SIGEL MUTUAL INSURANCE COMPANY
Vesper, Wisconsin

OFFICERS AND DIRECTORS

Harvey Petersen, Jr.	President
Ron Kremer	Vice-President
Carol Tomfohrde	Secretary-Treasurer
Melissa Mattheis	Director
Paul Mueske	Director
Thomas Bauer	Director
Dale Pagels	Director
Steve Redmond	Director
Loren Scheunemann	Director

PERSONNEL

Dawn Look	General Manager
Tabitha Turner	Policy Clerk/Receptionist
Nanci Dickey	Claims Handler/Underwriter
Carolyn Crider	Part-Time Policy Clerk
Travis Shupe	Part-Time Inspector
Mattea Twinn	Part-Time Inspector

OTHER INFORMATION

Date of incorporation		April 12, 1891
Fiscal year-end		December 31
Annual meeting date		First Saturday after the First Monday in April
This year's annual meeting date		April 8, 2023
Number of policies		1,381
Gross insurance in force:	Fire	$427,176,365
	Extended coverage	$427,176,365

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CliftonLarsonAllen LLP
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Seneca, Sigel Mutual Insurance Company
Vesper, Wisconsin

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of Seneca, Sigel 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 Seneca, Sigel 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 Seneca, Sigel 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 Seneca, Sigel 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 Seneca, Sigel 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 Seneca, Sigel 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 Seneca, Sigel 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

CliftonLarsonAllen LLP

Marshfield, Wisconsin
February 14, 2023

SENECA, SIGEL 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	$ 316,142	$ 440,763
Bonds	1,317,031	483,892
Stocks and Mutual Funds	1,509,348	2,595,639
Real Estate and Land Improvements, Net of Accumulated Depreciation	21,921	20,312
Total Cash and Investments	3,164,442	3,540,606
Uncollected Premiums	170,897	160,195
Investment Income Due and Accrued	20,521	11,191
Federal Income Taxes Recoverable	9,200	-
Reinsurance Premiums Receivable	-	5,774
Reinsurance Recoverable on Paid Losses	16,239	-
Fire Dues Recoverable	1,352	-
Computer Equipment, Net of Accumulated Depreciation	4,497	3,002
Office Equipment and Software, Net of Accumulated Depreciation	895	1,308
Total Assets	3,388,043	3,722,076
Less: Nonadmitted Assets:		
Office Equipment and Software	(895)	(1,308)
Uncollected Premiums Greater than 90 Days	-	(91)
Total Admitted Assets	$ 3,387,148	$ 3,720,677

See accompanying Notes to Financial Statements.

SENECA, SIGEL MUTUAL INSURANCE COMPANY
STATEMENTS OF ADMITTED ASSETS, LIABILITIES, AND POLICYHOLDERS' SURPLUS – STATUTORY BASIS (CONTINUED)
DECEMBER 31, 2022 AND 2021

LIABILITIES AND POLICYHOLDERS' SURPLUS	2022	2021
LIABILITIES		
Unpaid Losses, Net of Reinsurance Recoverable	$ 56,197	$ 246,465
Unpaid Loss Adjustment Expenses	7,000	7,000
Accounts Payable	9,378	1,000
Commissions Payable	30,015	32,246
Property and Payroll Taxes Payable	2,569	1,613
Federal Income Taxes Payable	-	14,760
Reinsurance Premiums Payable	27,196	-
Unearned Premiums	597,462	578,742
Fire Dues Payable	-	351
Amounts Withheld on Account of Others	165	3,374
Premiums Received in Advance	7,264	6,254
Total Liabilities	737,246	891,805
POLICYHOLDERS' SURPLUS	2,649,902	2,828,872
Total Liabilities and Policyholders' Surplus	$ 3,387,148	$ 3,720,677

See accompanying Notes to Financial Statements.

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

	2022	2021
UNDERWRITING INCOME		
Net Premiums Written	$ 1,256,280	$ 1,234,808
Unearned Premium Reserve Adjustment	(18,720)	(3,231)
Reinsurance Premiums	(432,907)	(412,583)
Net Underwriting Income	804,653	818,994
LOSSES INCURRED		
Losses Incurred	368,590	488,606
Reinsurance Recovered	(203,851)	(57,263)
Net Losses Incurred	164,739	431,343
NET LOSS ADJUSTMENT EXPENSES	150,037	131,409
OTHER UNDERWRITING EXPENSES	433,520	439,721
Total Losses and Expenses Incurred	748,296	1,002,473
NET UNDERWRITING INCOME (LOSS)	56,357	(183,479)
INVESTMENT AND OTHER INCOME		
Investment Income Earned	75,996	74,016
Investment Expenses	(21,821)	(22,209)
Net Realized Capital Gain (Loss)	(12,060)	70,894
Other Income	35,307	36,874
Net Investment and Other Income	77,422	159,575
INCOME (LOSS) BEFORE INCOME TAXES	133,779	(23,904)
PROVISION FOR INCOME TAXES	13,367	22,310
NET INCOME (LOSS)	$ 120,412	$ (46,214)

See accompanying Notes to Financial Statements.

SENECA, SIGEL MUTUAL INSURANCE COMPANY
STATEMENTS OF POLICYHOLDERS' SURPLUS – STATUTORY BASIS
YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
BALANCE - BEGINNING OF YEAR	$ 2,828,872	$ 2,929,340
Net Income (Loss)	120,412	(46,214)
Net Change in Nonadmitted Assets	504	499
Unrealized Loss on Stocks and Mutual Funds	(299,886)	(54,753)
BALANCE - END OF YEAR	$ 2,649,902	$ 2,828,872

See accompanying Notes to Financial Statements.

SENECA, SIGEL 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	$ 1,246,588	$ 1,234,796
Cash Received from Reinsurance Loss Recoveries	130,712	38,763
Cash Paid for Losses	(501,958)	(261,191)
Cash Paid for Supplies, Services, and Salaries	(600,173)	(596,269)
Cash Paid for Reinsurance Premiums	(399,937)	(410,572)
Investment Income Received	72,955	81,552
Federal Income Taxes Paid	(37,327)	(1,325)
Other Income	35,303	36,874
Net Cash and Invested Cash (Used in) Provided by Operating Activities	(53,837)	122,628
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash Paid for Purchase of Stocks, Mutual Funds, and Bonds	(1,549,671)	(1,259,689)
Purchase of Computer Equipment	(3,049)	(3,157)
Proceeds from Sale/Maturity of Stocks, Mutual Funds, and Bonds	1,481,936	1,094,965
Net Cash and Invested Cash Used by Investing Activities	(70,784)	(167,881)
NET INCREASE (DECREASE) IN CASH AND INVESTED CASH	(124,621)	(45,253)
Cash and Invested Cash - Beginning of Year	440,763	486,016
CASH AND INVESTED CASH - END OF YEAR	$ 316,142	$ 440,763

See accompanying Notes to Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Seneca, Sigel Mutual Insurance Company (the Company) is a town mutual insurance company incorporated in April of 1891, 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 fifteen contiguous county area in central Wisconsin and represent a concentration risk for the effects of inclement weather conditions on its insureds. Due to the nature of the Company's business, premium is written through relatively few agents, some of which 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. Admittance testing may result in a charge to surplus for non-admitted 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 "non-admitted assets" (principally office furniture, equipment, and uncollected premiums over 90 days old) are charged against surplus. Under GAAP such assets would be recorded at their net realizable value.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Reporting (Continued)

- Cash and invested cash as used in the statements of cash flows – statutory basis 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Permitted and Prescribed Statutory Accounting Practices (Continued)

The Company received approval from the OCI to prepare its 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 liability not recorded (because Wisconsin has not adopted codification for town mutual insurance companies) in these financial statements amounted to $88,000 and $151,000 for the years ended December 31, 2022 and 2021, respectively.

Risk and Uncertainties

The Company's operating results and financial condition is 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Invested Cash

For purposes of the statement 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 fair value. 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.

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 statements of 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.

Premiums 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reinsurance

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

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 recoverable.

Real Estate 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 Land Improvements	7 to 39 Years
Computer Equipment	3 Years
Office Equipment	5 to 10 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 investment income reported for statutory reporting purposes. As a town mutual insurance company, the Company is not subject to Wisconsin income taxes.

NOTE 2 INVESTMENTS

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

	Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
2022				
Corporate Securities	$ 1,317,031	$ -	$ (55,966)	$ 1,261,065
Total	$ 1,317,031	$ -	$ (55,966)	$ 1,261,065
2021				
Corporate Securities	$ 453,717	$ 10,420	$ -	$ 464,137
Obligations of States and Political Subdivisions	30,175	356	-	30,531
Total	$ 483,892	$ 10,776	$ -	$ 494,668

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

	Carrying Value	Fair Value
Due in One Year	$ 292,114	$ 287,718
Due After One Year Through Five Years	936,242	891,876
Due After Five Years Through Ten Years	88,675	81,471
Due After Ten Years	-	-
Total	$ 1,317,031	$ 1,261,065

Proceeds from the calls and sales of investment in bonds during 2022 and 2021 were $90,399 and $491,799, respectively. Gross gains of $75 and $1,380 and gross losses of $-0- and $-0- were realized on those calls and sales of bond in 2022 and 2021, respectively.

The following information summarizes the fair value, cost, and gross unrealized gains and losses of equity investments:

	2022	2021
Cost	$ 1,089,992	$ 1,876,397
Gross Unrealized Gains	502,113	740,721
Gross Unrealized Losses	(82,757)	(21,479)
Fair Value, December 31	$ 1,509,348	$ 2,595,639

NOTE 2 INVESTMENTS (CONTINUED)

Included in the fair values at December 31, 2022 and 2021, are investments in common and preferred stock in Wisconsin Reinsurance Corporation totaling $551,878 and $689,370, respectively. The common stock of WRC was obtained through private placements, contains significant transfer restrictions, and has no public trading market.

Proceeds from the sale of equity instruments during 2022 and 2021 were $1,391,537 and $603,166 respectively. Gross gains of $66,805 and $76,060 and gross losses of $78,926 and $6,546 were realized on those sales of equity instruments in 2022 and 2021, respectively.

Investments with a decline in fair value below amortized cost, including the length of time of such decline, are shown in the following table. The Company does not consider these bonds or equity investments 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	
As of December 31, 2022	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses
Debt Securities:						
Corporate Securities	$ 1,261,065	$ 55,966	$ -	$ -	$ 1,261,065	$ 55,966
Equity Securities:						
Common/Preferred Stocks and Mutual Funds	501,766	68,628	132,366	14,129	634,132	82,757
Total Securities with Unrealized Losses	$ 1,762,831	$ 124,594	$ 132,366	$ 14,129	$ 1,895,197	$ 138,723

	Less than 12 Months		12 Months or More		Total	
As of December 31, 2021	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses
Debt Securities:						
Corporate Securities	$ -	$ -	$ -	$ -	$ -	$ -
Equity Securities:						
Common/Preferred Stocks and Mutual Funds	987,427	18,115	163,638	3,364	1,151,065	21,479
Total Securities with Unrealized Losses	$ 987,427	$ 18,115	$ 163,638	$ 3,364	$ 1,151,065	$ 21,479

NOTE 3 REAL ESTATE, OFFICE EQUIPMENT, AND COMPUTER EQUIPMENT

Real estate, office equipment, and computer equipment are recorded at cost and presented in the accompanying statements of admitted assets, liabilities, and policyholders' surplus, net of accumulated depreciation, as follows:

2022	Cost	Accumulated Depreciation	Book Value December 31
Real Estate and Land Improvements	$ 86,925	$ 65,004	$ 21,921
Office Equipment and Software	58,253	57,358	895
Computer Equipment	19,162	14,665	4,497
Total	$ 164,340	$ 137,027	$ 27,313

2021	Cost	Accumulated Depreciation	Book Value December 31
Real Estate and Land Improvements	$ 85,474	$ 65,162	$ 20,312
Office Equipment and Software	58,553	57,245	1,308
Computer Equipment	16,113	13,111	3,002
Total	$ 160,140	$ 135,518	$ 24,622

Depreciation expense was $3,011 and $4,388 for 2022 and 2021, respectively.

NOTE 4 LIABILITY FOR UNPAID LOSS AND LOSS ADJUSTING EXPENSE

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

	2022	2021
Balance - January 1	$ 286,965	$ 59,550
Less: Reinsurance Recoverable	33,500	15,000
Net Balance - January 1	253,465	44,550
Incurred Related to:		
Current Year	468,396	576,079
Prior Years	(153,754)	(13,326)
Total Incurred	314,642	562,753
Paid Related to:		
Current Year	412,199	341,114
Prior Years	92,711	12,724
Total Paid	504,910	353,838
Net Balance - December 31	63,197	253,465
Plus Reinsurance Recoverable	33,500	33,500
Balance - December 31	$ 96,697	$ 286,965

NOTE 4 LIABILITY FOR UNPAID LOSS AND LOSS ADJUSTING EXPENSE (CONTINUED)

As a result of changes in estimates of insured events in prior years, the provision of loss and loss adjusting expenses, net of reinsurance recovered of $5,376 and $-0- in 2022 and 2021, respectively, decreased by $153,754 and $13,326 in 2022 and 2021, respectively.

NOTE 5 INCOME TAXES

The Company has elected to be taxed on investment income for federal tax reporting purposes. As a town mutual insurance company, the Company is not subject to Wisconsin income taxes.

The provision for income taxes was composed of the following elements:

	2022	2021
Statutory Rates Applied to Investment Income	$ 13,400	$ 25,000
Adjustment of Prior Year Accrual	(33)	(2,690)
Total Provision for Income Taxes	$ 13,367	$ 22,310

NOTE 6 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 the 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 Guy Carpenter consisting of $-0- and $-0- deducted from unearned premiums, respectively, $90,400 and $33,500 deducted from unpaid losses, respectively, and $16,239 and $-0- from paid losses, respectively. The Company has a concentration of credit risk regarding reinsurance agreements, in that all contracts are with one reinsurance company.

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 7 CONCENTRATION OF RISK

Balances on deposit with financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to specified limits. Balances in excess of FDIC limits are uninsured. Total cash on deposit exceeds FDIC limits at certain times during the year.

NOTE 8 RETIREMENT PLAN

Payments under a simple retirement plan administered by an independent trustee are at the rate of 2% of compensation received by each participant. Payments are charged to expense on the accrual basis. Total expense for the years ended 2022 and 2021 amounts to $3,027 and $3,209, respectively.

NOTE 9 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 minimizing 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:

	December 31, 2022	Level 1	Level 2	Level 3
Admitted Assets:				
Common Stock	$ 755,857	$ 218,979	$ -	$ 536,878
Preferred Stock	371,391	356,391	-	15,000
Mutual Funds	382,100	382,100	-	-
Total	$ 1,509,348	$ 957,470	$ -	$ 551,878

	December 31, 2021	Level 1	Level 2	Level 3
Admitted Assets:				
Common Stock	$ 684,803	$ 10,433	$ -	$ 674,370
Preferred Stock	472,940	457,940	-	15,000
Mutual Funds	1,437,896	1,437,896	-	-
Total	$ 2,595,639	$ 1,906,269	$ -	$ 689,370

NOTE 9 FAIR VALUE MEASUREMENTS (CONTINUED)

Common stock, preferred stock, and mutual fund 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 and preferred stocks in Level 3 consist of the Company's investment in Wisconsin Reinsurance Corporation (WRC). The fair value is determined based on the most recent audited financial statements of WRC as described in Note 1.

There were no realized gains or losses recognized in the statement of operations – statutory basis on the WRC stock. Unrealized losses totaling ($137,492) and ($31,929) 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 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 stock relates to the unrealized losses above.

NOTE 10 SUBSEQUENT EVENTS

Management evaluated subsequent events through February 14, 2023, the date the financial statements were available to be issued. Events or transactions occurring after December 31, 2022, but prior to February 14, 2023, that provided additional evidence about conditions that existed at December 31, 2022, have been recognized in the financial statements for the year ended December 31, 2022. Events or transactions that provided evidence about conditions that did not exist at December 31, 2022, but arose before the financial statements were available to be issued have not been recognized in the financial statements for the year ended December 31, 2022.

SENECA, SIGEL MUTUAL INSURANCE COMPANY
SCHEDULES OF OPERATING EXPENSES – STATUTORY BASIS
YEARS ENDED DECEMBER 31, 2022 AND 2021
(SEE INDEPENDENT AUDITORS' REPORT)

	2022	2021
Commissions on Direct Business	$ 197,982	$ 196,460
Commissions on Reinsurance Ceded	(24,599)	(24,130)
Net Commissions Incurred	173,383	172,330
Net Loss Adjusting Expenses	48,558	25,967
Directors' Fees and Expenses	20,233	20,645
Underwriting and Inspection Fees	-	924
Salaries and Wages	181,693	178,600
Payroll Taxes	12,166	9,482
Retirement Plans	3,027	3,209
Utilities	2,110	1,726
Property Taxes	1,094	1,114
Depreciation	3,011	4,388
Insurance	13,428	13,401
Telephone	4,724	4,881
Advertising	8,284	6,486
Office Maintenance and Supplies	30,618	33,325
Computer Services	18,515	20,834
Trade Association Dues	12,675	12,187
Legal and Accounting	36,754	51,420
Investment Fees	15,056	15,180
Fire Department Dues	6,040	5,911
Seminars and Conventions	9,176	7,017
Miscellaneous	4,833	4,312
Total Operating Expenses	$ 605,378	$ 593,339
ALLOCATED IN THE STATEMENTS OF OPERATIONS TO:		
Net Loss Adjustment Expenses	$ 150,037	$ 131,409
Other Underwriting Expenses	433,520	439,721
Investment Expenses	21,821	22,209
Total	$ 605,378	$ 593,339