Financial Statements

Maine Employer's Mutual Insurance Company

Financial Statements (Statutory Basis)

MEMIC Indemnity Company

Financial Statements (Statutory Basis)

MEMIC Casualty Company

Financial Statements (Statutory Basis)

MEMIC

Maine Employers' Mutual Insurance Company

Financial Statements (Statutory Basis)

December 31, 2019 and 2018

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Report of Independent Auditors

To the Board of Directors of
Maine Employers' Mutual Insurance Company

We have audited the accompanying statutory basis financial statements of Maine Employers' Mutual Insurance Company (the Company), which comprise the statutory statements of admitted assets, liabilities and capital and surplus as of December 31, 2019 and 2018, and the related statutory statements of income, changes in capital and surplus, and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with the accounting practices prescribed or permitted by the Maine Bureau of Insurance. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these statutory basis financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles
As described in Note 2 to the financial statements, the Company prepared these financial statements using accounting practices prescribed or permitted by Maine Bureau of Insurance, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the statutory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

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" paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Company as of December 31, 2019 and 2018, or the results of its operations or its cash flows for the years then ended.

Opinion on Regulatory Basis of Accounting
In our opinion, the statutory basis financial statements referred to above present fairly, in all material respects, the admitted assets, liabilities and capital and surplus of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for the years then ended, on the basis of accounting described in Note 2.

Other Matter - Report on Supplementary Information
Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Summary Investment Schedule and Supplemental Investment Risks Interrogatories of the Company as of December 31, 2019, are presented for purposes of additional analysis and are not a required part of the financial statements, but are supplementary information required by the Maine Bureau of Insurance. 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 audit 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 financial statements themselves, and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, such schedules are fairly stated, in all material respects, in relation to the statutory basis financial statements taken as a whole.

Johnson Lambert LLP

Atlanta, Georgia
March 27, 2020

Maine Employers' Mutual Insurance Company
Statements of Admitted Assets, Liabilities and Capital and Surplus
(Statutory Basis)
Years Ended December 31, 2019 and 2018

	2019	2018
Admitted Assets		
Invested assets		
Bonds, at carrying value (NAIC fair value: $479,908,165 and $443,430,034 at December 31, 2019 and 2018, respectively)	$ 459,812,350	$ 443,305,609
Common stocks, at NAIC fair value (cost: $100,070,106 and $107,634,896 at December 31, 2019 and 2018, respectively)	176,817,286	156,955,839
Common stocks of affiliates	226,801,916	201,117,942
Other invested assets	22,814,888	22,847,938
Cash, cash equivalents and short-term investments	9,390,013	9,930,328
Total cash and invested assets	895,636,453	834,157,656
Premium balances receivable	56,166,709	55,144,442
Investment income due and accrued	4,164,009	4,021,639
EDP equipment (net of accumulated depreciation of $7,708,661 and $6,395,518 in 2019 and 2018, respectively)	6,635,663	4,226,366
Reinsurance recoverable on paid loss and loss adjustment expenses	1,118,472	1,288,933
Net deferred income taxes	1,577,273	8,095,712
Due from affiliates	7,180,579	4,508,884
Total admitted assets	$ 972,479,158	$ 911,443,632
Liabilities		
Loss reserves	$ 347,833,679	$ 337,984,440
Loss adjustment expense reserves	35,772,576	33,032,666
Unearned premium reserves	77,267,335	76,099,111
Reinsurance premiums payable	1,169,988	1,159,717
Commissions payable	6,540,484	6,430,275
Advance premium	1,489,089	1,651,753
Premium taxes and assessments payable	1,423,844	1,286,536
Amounts withheld for others	1,677,737	1,491,742
Federal income taxes payable	81,256	877,841
Other liabilities	29,272,380	27,699,457
Total liabilities	502,528,368	487,713,538
Commitments and contingencies (Note 13)		
Capital and Surplus		
Capital contributions	3,180,808	3,180,808
Deferred gain	203,946	623,726
Unassigned surplus	466,566,036	419,925,560
Total capital and surplus	469,950,790	423,730,094
Total liabilities and capital and surplus	$ 972,479,158	$ 911,443,632

The accompanying notes are an integral part of these statutory basis financial statements.

Maine Employers' Mutual Insurance Company
Statements of Income
(Statutory Basis)
Years Ended December 31, 2019 and 2018

	2019	2018
Underwriting income		
Premiums earned, net	$ 162,857,359	$ 163,184,052
Loss and underwriting expenses		
Losses incurred, net	116,997,887	105,695,843
Loss adjustment expenses incurred, net	21,193,145	24,163,080
Underwriting expenses		
Commissions	12,655,017	11,890,432
Premium taxes	2,942,992	2,914,515
Guarantee fund, rating bureau and other assessments	1,456,814	1,634,668
Supervision, acquisition and collection expense	9,735,071	11,372,044
Loss control expenses	4,659,679	4,780,159
General expenses	4,176,114	3,840,966
Total underwriting expenses	35,625,687	36,432,784
Total loss and underwriting expenses	173,816,719	166,291,707
Net underwriting loss	(10,959,360)	(3,107,655)
Investment income		
Net investment income	19,435,735	19,232,556
Net realized capital gains (less capital gains tax of $2,257,724 and $2,830,202, respectively)	10,622,573	10,883,213
Total investment income	30,058,308	30,115,769
Other (expense) income		
Bad debt expense	(52,102)	(245,422)
Service fee income	173,822	176,199
Net other income (expense)	121,720	(69,223)
Income before dividends and federal income taxes	19,220,668	26,938,891
Dividends to policyholders	22,001,417	22,021,902
(Loss) income after dividends, before federal income taxes	(2,780,749)	4,916,989
Benefit from federal income taxes	(4,355,215)	(1,453,509)
Net income	$ 1,574,466	$ 6,370,498

The accompanying notes are an integral part of these statutory basis financial statements.

Maine Employers' Mutual Insurance Company
Statements of Changes in Capital and Surplus
(Statutory Basis)
Years Ended December 31, 2019 and 2018

	2019	2018
Capital and surplus at beginning of year	$ 423,730,094	$ 438,997,076
Net income	1,574,466	6,370,498
Change in net deferred income taxes	(1,090,275)	1,015,081
Change in nonadmitted assets	(1,211,788)	(2,883,226)
Change in deferred gain on capital contributions	(419,780)	(664,538)
Change in net unrealized appreciation of invested assets (net of deferred taxes of $5,428,164 and ($5,114,173) at December 31, 2019 and 2018, respectively)	47,368,073	(19,104,797)
	46,220,696	(15,266,982)
Capital and surplus at end of year	$ 469,950,790	$ 423,730,094

The accompanying notes are an integral part of these statutory basis financial statements.

Maine Employers' Mutual Insurance Company
Statements of Cash Flows
(Statutory Basis)
Years Ended December 31, 2019 and 2018

	2019	2018
Cash from operations		
Premiums collected, net	$ 162,636,264	$ 162,438,991
Investment income received, net	21,074,515	20,810,664
Other income (expense)	121,720	(69,223)
Cash provided from operations	183,832,499	183,180,432
Benefit and loss related payments	(106,978,188)	(104,442,266)
Commissions and expenses paid	(50,616,391)	(53,027,585)
Dividends paid to policyholders	(22,001,417)	(22,021,902)
Federal income taxes recovered	1,300,906	2,210,366
Cash used in operations	(178,295,090)	(177,281,387)
Net cash provided from operations	5,537,409	5,899,045
Cash from investing activities		
Proceeds from investments sold, matured or repaid		
Bonds	113,195,634	76,291,598
Common stocks	52,393,989	43,113,622
Other invested assets	3,000,000	-
Total investment proceeds	168,589,623	119,405,220
Costs of investments acquired		
Bonds	(131,635,678)	(75,622,651)
Common stocks	(34,913,578)	(35,886,868)
Other invested assets	(2,235,072)	-
Total cost of investments acquired	(168,784,328)	(111,509,519)
Net cash (used in) provided from investments	(194,705)	7,895,701
Cash from financing and miscellaneous sources		
Capital and paid in surplus	-	(9,853,588)
Other uses	(5,883,019)	(4,827,150)
Net cash used in financing and miscellaneous sources	(5,883,019)	(14,680,738)
Net decrease in cash	(540,315)	(885,992)
Cash, cash equivalents and short-term investments		
Beginning of year	9,930,328	10,816,320
End of year	$ 9,390,013	$ 9,930,328
Noncash transaction		
Contribution of bonds	$ -	$ 12,396,412

The accompanying notes are an integral part of these statutory basis financial statements.

1. Organization

Maine Employers' Mutual Insurance Company (the "Company") was established through a legislative action by the State of Maine on November 13,1992, and commenced business effective January 1, 1993. The Company was established to replace the State of Maine Workers' Compensation Residual Market Pool. The Company is a mutual insurance company and is not a state agency or instrument of the State of Maine for any purpose. The Company is the parent of the MEMIC Group which comprises the following legal entities: MEMIC Indemnity Company ("MEMIC Indemnity"), a 100% owned property and casualty insurance subsidiary domiciled in New Hampshire, MEMIC Casualty Company ("MEMIC Casualty"), a 100% owned property and casualty insurance company domiciled in New Hampshire, MEMIC Services, Inc. ("MEMIC Services"), a 100% owned non-insurance subsidiary which provides a self-insured take out financing mechanism and agency services to the MEMIC Group, and Casco View Holdings, LLC ("CVH"), a 100% owned non-insurance limited liability company formed for the management and ownership of current and future investments in real estate for the Company, who is the single member.

The Company is licensed in 18 states and writes workers' compensation insurance and employers' liability insurance incidental to and written in connection with workers' compensation coverage for employers in 15 states. The Company writes its business primarily through independent agents and brokers. Approximately 94% of premium written during 2019 and 2018 was for Maine workers' compensation and employment practices liability insurance policies.

In 1996, the Company obtained approval from the Maine Bureau of Insurance (the "Bureau") and established a wholly-owned subsidiary, MEMIC Services, which provided a self-insured take out financing mechanism and agency services during 2019 and 2018. The Company contributed $0 and $250,000 to MEMIC Services during 2019 and 2018, respectively.

In 1999, the Company obtained approval from the New Hampshire Insurance Department to form a subsidiary, MEMIC Indemnity, to write workers' compensation insurance in New Hampshire. The Company is the sole shareholder of MEMIC Indemnity. MEMIC Indemnity commenced writing business September 1, 2000, and is licensed to write workers' compensation and or employers' liability insurance in 50 states and the District of Columbia. In 2000, the Company capitalized MEMIC Indemnity with a $12,000,000 investment and supplemented its original investment by contributing an additional $105,000,000 consisting of bonds and cash, between 2001 and 2017. The Company contributed additional capital of $12,000,000 in the form of fixed income securities and cash towards its investment in MEMIC Indemnity in 2018. The $12,000,000 capital contribution, noted as a change in common stock, includes $10,377,617 non-cash contribution of bonds and $1,622,383 in cash during 2018. As a result of the contribution of fixed income securities, the Company recognized a deferred gain in surplus since the realized component of the difference between the fair value and book/adjusted carrying value as of the date of transfer cannot be recognized under SSAP No. 25 until the transferred securities mature or are sold by MEMIC Indemnity. A deferred gain of $104,066 remains in capital and surplus as of December 31, 2019. There were no contributions during 2019. To date, the Company has contributed $129,000,000 to MEMIC Indemnity.

During 2007, the Company obtained approval from the Bureau to write employment practices liability insurance ("EPLI") for State of Maine policies only. The Company commenced writing policies for this line of business in 2008.

On October 19, 2009, the Company formed Casco View Holdings LLC ("CVH"), a Maine limited liability company for the management and ownership of current and future investments in real estate. Initially, on January 4, 2010, the Company transferred its entire interest in the property located at 245-253 Commercial Street, Portland, Maine, which comprises certain income producing property along with a capital contribution of $500,000 and related tenant security deposits of $86,485 to CVH. As consideration for the said transfer of the real estate, the Company received all of the membership interests in CVH. CVH is the sole member of Casco View Holdings II LLC ("CVHII") and Casco View Holdings III LLC ("CVHIII") To date, the Company has invested $15,106,501 in CVH, CVHII and

CVHIII, net of a $3,000,000 membership distribution received from CVH in May 2019. The Company records its membership interests in CVH in other invested assets.

The Company owns 100% of the common stock of MEMIC Casualty, a property and casualty insurance company domiciled in New Hampshire. MEMIC Casualty is licensed to write workers' compensation insurance in twenty-six states. At the time of acquisition in 2011, the Company capitalized MEMIC Casualty with a $5,183,951 investment and supplemented its original investment by contributing an additional $24,000,000 consisting of non-cash contribution of bonds and cash, between 2012 and 2017. The Company contributed additional capital of $10,000,000 in the form of fixed income securities and cash towards its investment in MEMIC Casualty in 2018. The $10,000,000 capital contribution, noted as a change in common stock, includes $2,018,795 noncash contribution of bonds and $7,981,205 in cash during 2018. As a result of the contribution of the fixed income securities, the Company recognized a deferred gain in surplus since the realized component of the difference between the fair value and book/adjusted carrying value as of the date of transfer cannot be recognized under SSAP No. 25 until the transferred securities mature or are sold by MEMIC Casualty. A deferred gain of $99,880 remains in capital and surplus as of December 31, 2019. There were no contributions during 2019. To date, the Company has contributed $39,183,951 to MEMIC Casualty.

2. Summary of Significant Accounting Policies

Basis of Presentation

The financial statements of the Company are prepared in conformity with statutory accounting practices of the National Association of Insurance Commissioners ("NAIC") as prescribed or permitted by the Bureau ("statutory accounting").

The Bureau recognizes only statutory accounting practices prescribed or permitted by the State of Maine for determining and reporting the financial condition and results of operations of an insurance company and for determining its solvency under the Maine Insurance Laws. The NAIC Accounting Practices and Procedures Manual ("NAIC SAP") has been adopted as a component of prescribed or permitted practices by the State of Maine. Prescribed Maine Laws can and do deviate from NAIC SAP and, further, the Superintendent of Insurance has the right to permit other specific practices which deviate from prescribed practices.

Statutory accounting practices differ in certain respects from accounting principles generally accepted in the United States of America ("GAAP"). The effects of such differences on the accompanying financial statements, which could be significant, have not been determined. The most significant differences generally include the following:

a. Statutory accounting requires that policy acquisition costs such as commissions, premium taxes, and other items directly related to pricing or renewing business would be charged to current operations as incurred. Under GAAP, policy acquisition costs would be deferred and then amortized ratably over the periods covered by the policies;

b. The statutory provision for federal income taxes represents estimated amounts currently payable based on taxable income or loss reported in the current accounting period. Deferred income taxes are provided in accordance with SSAP 101, "*Income Taxes,* and changes in deferred income taxes are recorded through surplus. The realization of any resulting deferred tax asset ("DTA") is limited based on certain criteria in accordance with SSAP 101. The GAAP provision would include a provision for taxes currently payable, as well as deferred taxes, both of which would be recorded in the Statements of Income;

c. Under statutory accounting, certain assets designated as "nonadmitted assets" (principally premiums receivable over 90 days past due, a portion of DTAs, intercompany receivables, prepaid assets, miscellaneous receivables, non-operating system software, and office furniture and equipment) are charged directly to unassigned surplus. GAAP would require the Company to maintain a reserve for doubtful accounts based on amounts deemed to be uncollectible or to expense prepaid assets over the term of the related benefit. Non-operating system software and office furniture and equipment, ("Fixed Assets"), are capitalized and amortized or depreciated, respectively, over their estimated useful lives;

d. Statutory results of MEMIC Indemnity and MEMIC Casualty are reflected on the statutory equity method. The investment in MEMIC Services is accounted for under GAAP equity adjusted to a statutory basis which results in a net liability on the Company's Statements of Admitted Assets, Liabilities, Capital and Surplus. Adjustments include nonadmitted DTAs, receivables over 90 days past due and furniture and equipment. The results of operations of these subsidiaries are recorded directly in unassigned surplus. Under GAAP, the subsidiary would be reported in the financial statements on a consolidated basis;

e. For statutory purposes, unrealized gains and losses on investments in equity securities are generally recorded as a direct credit or charge to surplus, net of the adjustment for deferred federal income taxes. Under GAAP, unrealized gains and losses on equity securities are reported directly in net income. Prior to January 1, 2019, unrealized gains and losses on equity securities were recorded as either a separate component of accumulated other comprehensive income, net of tax (for equity securities classified as "available for sale") or as a direct charge to net income (equity securities classified as "trading" securities);

f. Under statutory accounting, investments in debt securities are generally carried at amortized cost. Under GAAP, debt securities classified as trading or available-for-sale are valued at fair value, and debt securities classified as held-to-maturity are valued at amortized cost;

g. Reinsurance balances relating to unpaid loss and loss adjustment expenses and unearned premium are presented as offsets to reserves; under GAAP, such amounts would be presented as reinsurance recoverable; moreover, under statutory accounting, a liability is established for recoverable balances from reinsurers which are not authorized and for overdue paid loss recoverables;

h. Under GAAP, the inclusion of a Statement of Comprehensive Income, detailing the income effects of unrealized gains and losses for fixed income securities, foreign exchange transactions, and pension liability adjustments is required;

i. For statutory cash flow purposes, included as cash and cash equivalents are short-term investments which mature within one year as opposed to three months; and

j. A reconciliation of cash flows to the indirect method is not provided under statutory accounting.

Management Estimates
The preparation of financial statements in conformity with statutory accounting practices requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent 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.

Cash and Invested Assets
Invested assets are valued in accordance with the statutory basis of valuation prescribed by the NAIC. Cash includes cash, cash equivalents, and money market mutual fund investments, which are short-term investments and mature within one year; the carrying value of these investments approximates fair value. The Company's cash is held at major commercial banks. At times, cash balances at financial institutions may exceed insurable amounts. The Company believes it mitigates this risk by depositing cash in or investing through major financial institutions. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Only investments with original maturities of three months or less qualify under this definition.

Investment grade non-loan-backed bonds with NAIC designation 1 or 2 are stated at amortized value using the interest method. Non-investment grade non-loan-backed bonds with NAIC designations of 3 through 6 are stated at the lower of amortized value or fair value. U.S. government agency loan-backed and structured securities are valued at amortized value. Other loan-backed and structured securities are valued at either amortized value or fair value, depending on many factors including the type of underlying collateral, whether modeled by an NAIC vendor, whether rated (by either NAIC approved rating organization or NAIC Securities Valuation Office), and relationship of amortized value to par value and amortized value to fair value. The Company utilizes the prospective adjustment methodology to value mortgage-backed bonds. Credit related declines in the fair value of loan-backed or structured securities are to be reflected as a realized loss in the income statement. Refer to Note 15 for the Company's evaluation of SSAP 43R on these financial statements.

Unaffiliated common stocks and actively traded mutual funds are generally stated at their fair value. The fair values of common stocks and actively traded mutual funds are based on quoted market prices in active markets, with the exception of the Federal Home Loan Bank ("FHLB") stock which is not exchange traded and is restricted. See Note 9. Where declines in the value of marketable securities are deemed other-than-temporary, the loss is reported as a component of net realized capital gains (losses). The net unrealized gains and losses on these marketable securities, after deductions of applicable deferred income taxes, are credited or charged directly to policyholders' surplus.

Other invested assets consists of the investment in CVH, a non-marketable equity investment in an Insurtech company, and surplus debentures. The investment in CVH is measured on the equity basis under GAAP. The non-marketable equity investment is carried at fair value based on the Company's proportionate interest in the fund's net asset value. The remaining unfunded commitment on the non-marketable equity investment in an Insurtech company was $2,764,928 as of December 31, 2019. The investment grade surplus debenture included in other invested assets with an NAIC designation of 1 is stated at amortized cost using the interest method.

The investments in the affiliates MEMIC Indemnity and MEMIC Casualty are stated at the net asset value of the affiliate determined on a statutory basis. Changes in net asset value of these affiliates are charged or credited directly to unassigned surplus.

Investment income is recorded on an accrual basis. Realized capital gains and losses are reported, net of tax, in operating results based on the specific identification of investments sold. Unrealized capital gains and losses from the valuation of investments at fair value are credited or charged directly to unassigned surplus, net of federal income taxes, unless determined to be other-than-temporary ("OTTI") and included as a component of net realized capital gains and losses. Specific impairments are determined based on a continual review of investment portfolio valuations. Bi-annually, the Company performs a by-cusip review of common stocks, bonds and other invested assets with a fair value to carrying value less than 75%, to determine if OTTI has occurred and whether an impairment should be recognized.

Premiums and Unearned Premium Reserves
Direct and assumed premiums are earned on a monthly pro rata basis over the in-force period and ceded premiums are written and earned concurrently for the workers' compensation line of business. Ceded premiums for employment practices liability insurance are earned on a monthly pro rata basis over the inforce period. Accordingly, unearned premium reserves are established for the pro rata portion of direct and assumed premiums written for workers' compensation and employment practices liability insurance direct and ceded premium which are applicable to the unexpired terms of the policies inforce, net of reinsurance. Premium adjustments resulting from retrospective rating plans and/or audits are immediately recorded as written and earned premiums once such amounts can be reasonably estimated. When the anticipated losses, loss adjustment expenses, commissions, and other acquisition and maintenance costs exceed the recorded unearned premium reserve, and any future installment premiums on existing policies, a premium deficiency reserve is recognized by recording an additional liability for the deficiency, with a corresponding charge to operations. The Company does anticipate investment

income when evaluating the need for any premium deficiency reserve. There was no premium deficiency reserve recorded for 2019 or 2018.

Equities and Deposits in Pools
The Company is required to participate in involuntary pools in several states where it writes workers' compensation business. The Company participates in underwriting results, including premiums, losses, expenses, and other operations of involuntary pools, based on the Company's proportionate share of similar business written in the state. The National Council on Compensation Insurance, ("NCCI"), services the majority of the states where the Company participates in involuntary pools. The loss reserves that are reported to NCCI by the servicing carriers are gross of loss discounting. By application of incurred loss development and tail development factors, any discount included in the case reserves reported by servicing carriers is factored out (or unwound). NCCI also provides each participating company with an estimate of its share of discounted liabilities. The discounting assumptions include a 3.5% discount rate for incurred but not reported loss and loss adjustment expense reserves utilizing the 2007 U.S. Life mortality table. Underwriting results are accounted for on a gross basis whereby the Company's portion of premiums, losses, expenses and other operations of the pool are recorded separately in the financial statements rather than netted against each other. Premiums receivable on involuntary pool business are recorded in premium balances receivable on the Statements of Admitted Assets, Liabilities and Capital and Surplus.

Loss and Loss Adjustment Expense Reserves
Losses and loss adjustment expenses are recorded as initially incurred to match such costs with premiums over the contract periods. Loss reserves are established for losses and loss adjustment expenses based upon claim evaluations and include an estimated provision for both reported and unreported claims incurred and related expenses. The assumptions used in determining loss and loss adjustment expense reserves have been developed after considering the experience of the Company, industry experience, and projections by independent actuaries. The ultimate loss and loss adjustment expense reserves may vary from the amounts reflected in the accompanying financial statements. The methods utilized in estimating and establishing the reserves are continually reviewed and updated and any adjustments are reflected in current operating results. Allowances for subrogation recoveries are included in the Company's estimate of loss reserves. See the summary of reserve development in Note 6.

High Deductibles
The Company writes a single, high deductible policy secured with a letter of credit, in the State of Maine. The Company requires this high deductible policyholder to provide an evergreen, irrevocable, clean letter of credit to secure obligations up to the estimated policyholder liabilities. This letter of credit requirement is reviewed periodically, as necessary, or annually in conjunction with the policy renewal to determine appropriate increases or decreases. The Company does not record a reserve credit for high deductible reserves outstanding or an admitted deductible recovery accrual since the amounts are immaterial to the financial statements as a whole. There are no unsecured amounts of high deductibles, no amounts overdue or in dispute. Accordingly, there are no counterparty high deductible policyholders with unsecured liabilities or no unsecured high deducible recoverables for individual obligors or that of a group under the same management or control which are greater than 1% of capital and surplus.

Nonadmitted Assets
The following nonadmitted assets were excluded from the Statements of Admitted Assets, Liabilities and Capital and Surplus as of December 31, 2019 and 2018:

	2019	2018
Premiums receivable over 90 days past due	$ 2,781,907	$ 2,558,140
Intercompany receivable	415,431	400,498
Fixed assets, net of accumulated amortization or depreciation	11,108,335	12,818,564
Prepaid assets and other miscellaneous receivables	4,485,318	1,802,001
Total nonadmitted assets	$ 18,790,991	$ 17,579,203

Depreciation and amortization expense on nonadmitted fixed assets was $1,482,802 and $1,365,285 in 2019 and 2018, respectively.

Federal Income Taxes

The Company files a consolidated tax return with MEMIC Indemnity, MEMIC Casualty, MEMIC Services, and CVH. In accordance with a tax sharing agreement, the provision for federal income taxes is recorded based upon amounts expected to be reported as if each Company filed a separate federal income tax return. Additionally, under this agreement, each Company will be reimbursed for the utilization of tax operating losses, tax credits, and capital loss carryforwards to the extent the Companies would have utilized these tax attributes on a separate return basis.

The provision for federal income taxes includes amounts currently payable or recoverable and deferred income taxes, computed under the asset/liability method, which result from temporary differences between the tax basis and book basis of assets and liabilities. SSAP No. 101, outlines the statutory accounting principles for current and deferred federal and foreign income taxes and current state income taxes. SSAP No. 101, (1) restricts the ability to use the 3 years/15 percent of surplus admission rule to those entities that meet a modified risk based capital ratio threshold; (2) outlines the recognition threshold for recording tax contingency reserves from a probable liability standard to a more-likely-than-not liability standard; (3) requires the disclosure of tax planning strategies that relate to reinsurance; and, (4) requires consideration of reversal patterns of DTAs and deferred tax liabilities ("DTLs") in determining the extent to which DTLs could offset DTAs on the federal income tax return. Uncertain tax positions, as applicable, are considered in these statutory financial statements.

Deferred federal income taxes arise from temporary differences between the valuation of assets and liabilities as determined for financial reporting purposes and federal income tax purposes. On December 22, 2017, the Tax Cuts and Jobs Act of 2017 ("the Act") was signed into law. Among other things, the Act reduced the Company's federal tax rate to a flat 21%. As a result, the Company's temporary differences are measured at an effective tax rate of 21% as of December 31, 2019 and 2018. The Company recognized an adjustment of $3,293,382 in 2018 to be decreted over a period of 8 years, to account for the tax effects of the Act related to the provisional amounts recorded on December 31, 2017 based on proposed loss discounting factors released by the IRS. Final discount rates for the 2017 and 2018 years were adjusted and released by the IRS in 2019, which resulted in a reduction to the initial adjustment for 2017 and adjustment to 2018 totaling $(615,409). The total adjustment will be decreted over a period of 7 years.

In the event of uncertain tax positions, amounts would need to be evaluated and disclosed or accrued. Liabilities would be reflected on the Statements of Admitted Assets, Liabilities and Capital and Surplus and the related interest and penalties would be included on the Statements of Income as underwriting expenses.

EDP Equipment

EDP equipment is stated at cost, net of accumulated depreciation. Depreciation is computed principally using the straight-line method based on the estimated useful lives of assets, which is generally three to five years. Depreciation expense for the years ended December 31, 2019 and 2018, was $1,291,552 and $1,091,798, respectively. Expenditures for maintenance and repairs relating to EDP equipment and certain fixed assets which are nonadmitted are charged to expense as incurred. When property is sold or retired, the cost of the property and the related accumulated depreciation are removed from the Statement of Admitted Assets, Liabilities and Capital and Surplus and any gain or loss on the transaction is reflected in current operating results on the Statements of Income.

3. Capital Contributions and Surplus Restrictions

As authorized by specific provisions of Maine state law, the Company was established as a special purpose workers' compensation insurer without any initial capital or surplus. To provide capital, the Company's policyholders were required to make capital contributions based upon a percentage of their final audited premiums for policies with effective dates prior to January 1, 1996. Capital contributions were based on the estimated annual premium were subsequently adjusted, as necessary, based upon cancellations and premium audits. In 1998, the Company received approval from the Bureau to return capital contributions to the extent authorized by the Board of Directors and the Bureau. The Company returned $0 in capital contributions in 2019 and 2018. Cumulative capital contributions remaining are $3,180,808 as of December 31, 2019 and 2018.

There are no advances to surplus not repaid or other surplus restrictions other than the capital contribution portion of surplus discussed above, dividend restrictions discussed in Note 4 and statutory deposits in Note 9.

4. Dividend Restrictions

The Company is subject to regulatory limitations with respect to statutory surplus levels and dividends. Under these regulations, annual dividends cannot exceed greater than 10% of the insurer's surplus as of the prior year-end or the net gain from operations for the 12 month period ended in the prior year. The maximum amount of dividends which can be paid by the Company to policyholders without prior approval of the Superintendent of Insurance during 2019 and 2018 was $42,373,009 and $43,899,708, respectively. Dividends to policyholders amounted to $22,001,417 and $22,021,902 in 2019 and 2018, respectively. The 100% participating mutual dividend declared during 2019 of $22,001,417, was based on policy year 2016 for eligible policyholders.

5. Income Taxes

The components of the net deferred tax asset / (liability) as of December 31 are as follows:

	December 31, 2019		
	1	2	3
	Ordinary	Capital	(Col 1+2) Total
a. Gross deferred tax assets	$ 22,506,098	$ 360,988	$ 22,867,086
b. Statutory valuation allowance adjustment	-	-	-
c. Adjusted gross deferred taxes (1a-1b)	22,506,098	360,988	22,867,086
d. Deferred tax assets nonadmitted	-	-	-
e. Subtotal net admitted deferred tax asset (1c-1d)	22,506,098	360,988	22,867,086
f. Deferred tax liabilities	4,265,937	17,023,876	21,289,813
g. Net admitted deferred tax assets/(net deferred tax liability) (1e-1f)	$ 18,240,161	$ (16,662,888)	$ 1,577,273

	December 31, 2018		
	4	5	6
	Ordinary	Capital	(Col 4+5) Total
a. Gross deferred tax assets	$ 24,051,522	$ 808,126	$ 24,859,648
b. Statutory valuation allowance adjustment	-	-	-
c. Adjusted gross deferred taxes (1a-1b)	24,051,522	808,126	24,859,648
d. Deferred tax assets nonadmitted	-	-	-
e. Subtotal net admitted deferred tax asset (1c-1d)	24,051,522	808,126	24,859,648
f. Deferred tax liabilities	5,171,677	11,592,259	16,763,936
g. Net admitted deferred tax assets/(net deferred tax liability) (1e-1f)	$ 18,879,845	$ (10,784,133)	$ 8,095,712

	Change		
	7	8	9
	(Col 1-4) Ordinary	(Col 2-5) Capital	(Col 7+8) Total
a. Gross deferred tax assets	$ (1,545,424)	$ (447,138)	$ (1,992,562)
b. Statutory valuation allowance adjustment	-	-	-
c. Adjusted gross deferred taxes (1a-1b)	(1,545,424)	(447,138)	(1,992,562)
d. Deferred tax assets nonadmitted	-	-	-
e. Subtotal net admitted deferred tax asset (1c-1d)	(1,545,424)	(447,138)	(1,992,562)
f. Deferred tax liabilities	(905,740)	5,431,617	4,525,877
g. Net admitted deferred tax assets/(net deferred tax liability) (1e-1f)	$ (639,684)	$ (5,878,755)	$ (6,518,439)

Admission Calculation Components:

	December 31, 2019		
	1	2	3
	Ordinary	Capital	(Col 1+2) Total
a. Federal income taxes paid in prior years recoverable through loss carrybacks	$ -	$ -	$ -
b. Adjusted gross deferred tax assets expected to be realized (excluding the amount of deferred tax assets from 2(a) above) after application of the threshold limitation. (The lesser of 2(b)1 and 2(b)2 below):			
1. Adjusted gross deferred tax assets expected to be realized following the balance sheet date	10,839,072	173,854	11,012,926
2. Adjusted gross deferred tax assets allowed per limitation threshold			69,260,678
c. Adjusted gross deferred tax assets (excluding the amount of deferred tax assets from 2(a) & 2(b) above) offset by gross deferred tax liabilities	11,667,026	187,134	11,854,160
d. Deferred tax assets admitted as the result of application of SSAP 101 Total 2(a)+2(b)+2(c)	$ 22,506,098	$ 360,988	$ 22,867,086

	December 31, 2018		
	4	5	6
	Ordinary	Capital	(Col 4+5) Total
a. Federal income taxes paid in prior years recoverable through loss carrybacks	$ 2,017,177	$ 67,777	$ 2,084,954
b. Adjusted gross deferred tax assets expected to be realized (excluding the amount of deferred tax assets from 2(a) above) after application of the threshold limitation. (The lesser of 2(b)1 and 2(b)2 below):			
1. Adjusted gross deferred tax assets expected to be realized following the balance sheet date	9,903,664	332,761	10,236,425
2. Adjusted gross deferred tax assets allowed per limitation threshold			61,711,202
c. Adjusted gross deferred tax assets (excluding the amount of deferred tax assets from 2(a) & 2(b) above) offset by gross deferred tax liabilities	12,130,681	407,588	12,538,269
d. Deferred tax assets admitted as the result of application of SSAP 101 Total 2(a)+2(b)+2(c)	$ 24,051,522	$ 808,126	$ 24,859,648

	Change		
	7	8	9
	(Col 1-4) Ordinary	(Col 2-5) Capital	(Col 7+8) Total
a. Federal income taxes paid in prior years recoverable through loss carrybacks	$ (2,017,177)	$ (67,777)	$ (2,084,954)
b. Adjusted gross deferred tax assets expected to be realized (excluding the amount of deferred tax assets from 2(a) above) after application of the threshold limitation. (The lesser of 2(b)1 and 2(b)2 below):			
1. Adjusted gross deferred tax assets expected to be realized following the balance sheet date	935,408	(158,907)	776,501
2. Adjusted gross deferred tax assets allowed per limitation threshold			7,549,476
c. Adjusted gross deferred tax assets (excluding the amount of deferred tax assets from 2(a) & 2(b) above) offset by gross deferred tax liabilities	(463,655)	(220,454)	(684,109)
d. Deferred tax assets admitted as the result of application of SSAP 101 Total 2(a)+2(b)+2(c)	$ (1,545,424)	$(447,138)	$ (1,992,562)

Other admissibility criteria:

	2019	2018
a. Ratio percentage used to determine recovery period and threshold limitation amount	792%	733%
b. Amount of adjusted capital and surplus used to determine recovery period and threshhold limitation in 2(b)2 above	$ 461,737,854	$ 411,408,016

Tax planning strategies were not employed by the Company during 2019 or 2018, and therefore, had no impact upon the determination of adjusted gross and net admitted deferred tax assets.

As of December 31, 2019 and 2018, the Company does not have any investment tax credits, net operating loss or capital loss carry forwards available to offset against future taxable income. The amount of federal income taxes incurred in the current year and each proceeding year available for recoupment in the event of future net losses is $0 and $1,272,428 for 2019 and 2018, respectively. There are no deposits admitted under Section 6603 of the Internal Revenue Code.

As of December 31, 2019 and 2018, the Company has no uncertain tax positions requiring disclosure in these financial statements or any tax loss contingencies for which it is reasonably possible that the total liability will significantly increase within twelve months of the reporting date. Had the Company identified such positions, these amounts would be evaluated and disclosed or accrued. Liabilities would be reflected on the Statements of Admitted Assets, Liabilities and Capital and Surplus and the related interest and penalties would be included on the Statements of Income as underwriting expenses.

Current and deferred income taxes

Current income taxes:	2019	2018	Change
a. Federal	$ (2,403,456)	$ (2,832,808)	$ 429,352
b. Provision to return	(1,935,669)	1,379,299	(3,314,968)
c. Prior year tax assessed/adjusted in current year	(16,090)	-	(16,090)
e. Subtotal	(4,355,215)	(1,453,509)	(2,901,706)
f. Federal income tax on net capital gains	2,257,724	2,830,202	(572,478)
i. Federal income taxes incurred	$ (2,097,491)	$ 1,376,693	$ (3,474,184)

Deferred Tax Assets	2019	2018	Change
a. Ordinary:			
Discounting of unpaid losses	$ 11,075,864	$ 11,285,459	$ (209,595)
Unearned premium reserves	3,307,770	3,265,536	42,234
Compensation and benefits accrual	4,176,356	4,313,651	(137,295)
Nonadmitted assets	3,946,108	3,691,633	254,475
Tax credits	-	1,495,243	(1,495,243)
Subtotal	22,506,098	24,051,522	(1,545,424)
b. Statutory valuation allowance adjustment	-	-	-
c. Nonadmitted	-	-	-
d. Admitted ordinary deferred tax assets	22,506,098	24,051,522	(1,545,424)
e. Capital:			
Investments	360,988	808,126	(447,138)
Subtotal	360,988	808,126	(447,138)
f. Statutory valuation allowance adjustment	-	-	-
g. Nonadmitted	-	-	-
h. Admitted capital deferred tax assets	360,988	808,126	(447,138)
i. Admitted deferred tax assets	$ 22,867,086	$ 24,859,648	$ (1,992,562)
Deferred Tax Liabilities			
a. Ordinary:			
Investments	$ 243,086	$ 243,793	$ (707)
Fixed assets	1,849,371	2,022,657	(173,286)
Legislative change in loss discounting	2,152,278	2,881,709	(729,431)
Additional acquisition costs	21,202	23,518	(2,316)
Subtotal	4,265,937	5,171,677	(905,740)
b. Capital:			
Investments	17,023,876	11,592,259	5,431,617
Subtotal	17,023,876	11,592,259	5,431,617
c. Deferred tax liabilities	21,289,813	16,763,936	4,525,877
Net Deferred Tax Assets/Liabilities	$ 1,577,273	$ 8,095,712	$ (6,518,439)

Change in net deferred income taxes	2019	2018	Change
a. Adjusted gross deferred tax assets	$ 22,867,086	$ 24,859,648	$ (1,992,562)
b. Total deferred tax liabilities	21,289,813	16,763,936	(4,525,877)
c. Net deferred tax assets	$ 1,577,273	$ 8,095,712	$ (6,518,439)
d. Tax effect of change in unrealized gains			$ (5,428,164)
e. Total change in net deferred income tax			(1,090,275)
			$ (6,518,439)

There were no deferred tax liabilities that were not recognized.

Among the more significant book to tax adjustments in 2019 and 2018 were the following:

	2019	2018
Provision computed at statutory rate	$ 43,855	$ 1,797,657
Change in nonadmitted assets	(254,475)	(605,478)
Prior year true-up (to current)	(1,935,669)	1,379,298
Prior year true-up (to deferred)	1,935,815	(1,332,001)
Permanent differences	(780,652)	(875,259)
Additional tax assessed on prior year amended	-	(2,605)
Prior year tax assessed/adjusted in current year	(16,090)	-
Totals	(1,007,216)	361,612
Federal income taxes incurred	(4,355,215)	(1,453,509)
Realized capital gains tax	2,257,724	2,830,202
Change in net deferred income taxes	1,090,275	(1,015,081)
Total statutory income taxes	$ (1,007,216)	$ 361,612

As of December 31, 2019, the Company had $0 in alternative minimum tax ("AMT") credits to offset against future regular tax.

The Company has a written tax sharing agreement which sets forth the manner in which the total combined federal income tax is allocated to each entity which is a party to the consolidation. Pursuant to this agreement, the Company has a right to recoup federal income taxes paid in prior years in the event of future net losses, or to recoup its net losses carried forward as an offset to future net income subject to federal income taxes.

6. Liabilities for Loss Reserves and Loss Adjustment Expense Reserves

Activity in the liabilities for loss reserves and loss adjustment expense reserves for the years ended December 31, 2019 and 2018 are as follows:

	2019	2018
Net balances at January 1,	$ 371,017,106	$ 365,190,202
Incurred related to		
Current year	139,329,135	130,322,975
Prior years	(1,138,103)	(464,052)
Total incurred	138,191,032	129,858,923
Paid related to		
Current year	39,536,688	40,336,704
Prior years	86,065,195	83,695,315
Total paid	125,601,883	124,032,019
Net balances at December 31,	$ 383,606,255	$ 371,017,106

The liabilities for loss reserves and loss adjustment expense reserves are based upon assumptions which consider the experience of the Company, industry experience, and projections by independent actuaries. The reserve process is inherently subjective, and the ultimate loss and loss adjustment expense reserves may vary from the amounts recorded in the financial statements. At the end of 2019 and 2018, the amount of reserve credit recorded for high deductibles on unpaid losses was $0 and the amounts billed and recoverable for collateralized high deductible policies were also $0. Original estimates are increased or decreased as additional information becomes known regarding individual claims. There was no impact on reserves or surplus from the development of retrospectively rated policies.

During 2019, the Company's incurred losses related to prior years decreased by $1,138,103 from favorable loss development principally in the 2010, 2011, and 2012 accident years. This favorable development is the result of ongoing analysis of recent loss development trends.

During 2018, the Company's incurred losses related to prior years decreased by $464,052 from favorable loss development principally in the 2010, 2013, and 2017 accident years. This favorable development is the result of ongoing analysis of recent loss development trends.

7. Reinsurance

In 1998, the Company obtained approval from the Bureau to assume business from other insurance carriers through a quota share reinsurance agreement for workers' compensation. This contract was terminated at the end of 2004. This business could only be assumed when the Company wrote a policy for the insured in Maine. The assumed business related to this contract occurred between the 1998 and 2004 policy years.

Loss reserves and loss adjustment expenses outstanding and incurred for reinsurance assumed under these contracts are as follows:

	2019	2018
Loss and loss adjustment expense reserves	$ 107,698	$ 234,125
Loss and loss adjustment expense incurred	(64,017)	(981,011)

As a condition of writing policies in several states, the Company is required to participate in the National Workers' Compensation Reinsurance Pool and the Massachusetts Reinsurance Pool as it relates to those states. Participation requires that the Company share in the losses and expenses of the Pool. Pool results are accounted for on a gross basis whereby the Company's portion of premium, losses, expenses and other operations of the Pool are recorded separately in the financial statements. The difference between discounted and undiscounted incurred but not reported loss and loss adjustment expense liabilities for NCCI are $51,918 and $46,743 for 2019 and 2018, respectively. All amounts are recorded as assumed business. Amounts added to premiums, reserves and expense for reinsurance assumed from pools are as follows:

	2019	2018
Premiums earned	$ 879,625	$ 969,511
Loss and loss adjustment expenses incurred	456,312	662,243
Unearned premiums	257,458	295,957
Loss and loss adjustment expense reserves	1,470,519	1,457,004
Underwriting expenses incurred	225,576	240,547

The Company reinsures portions of risks with other insurance companies through excess of loss reinsurance agreements. Such agreements serve to limit the Company's maximum loss on catastrophes and large losses. To the extent that any reinsurer might be unable to meet its obligations, the Company would be liable for such defaulted amounts. Under the Company's excess of loss agreements, the Company's net retention for losses on a per occurrence basis is $5,000,000 for 2019 and 2018. In addition, for 2019 and 2018, the Company maintains additional coverage up to $100,000,000 on a per occurrence basis.

The Company also has aggregate excess of loss coverage for policies effective 1999 to 2002 whereby the Company can recover losses exceeding 71% of direct workers' compensation premiums earned but not exceeding 86% of direct workers' compensation premiums earned.

Amounts deducted from premiums, reserves, and expenses for reinsurance ceded to other companies for excess of loss workers compensation are as follows:

	2019	2018
Premiums earned	$ 2,969,879	$ 2,965,372
Loss and loss adjustment expense reserves	6,341,712	7,823,047

The Company cedes risk to another insurance company through an 85% quota share reinsurance agreement for policy years 2011-2019, and 100% quota share reinsurance agreement for policy years 2008-2010 for its EPLI line of business. In the event this quota share reinsurance treaty is cancelled, an immaterial amount of ceding commissions would be returned. Amounts deducted from premiums, reserves and expenses for reinsurance ceded to other companies for EPLI are as follows:

	2019	2018
Premiums earned	$ 2,588,990	$ 2,503,492
Loss and loss adjustment expenses incurred	1,553,277	(2,470,683)
Unearned premiums	1,231,696	1,172,139
Loss and loss adjustment expense reserves	4,497,634	3,589,231
Ceding commissions	346,960	333,172

Of the 2019 and 2018 ceded loss and loss adjustment expense case and incurred but not reported reserves above for all lines of business, 100% of the balances are comprised of amounts with three reinsurance carriers. The Company had no unsecured reinsurance recoverables for paid and unpaid loss and loss adjustment expenses, including incurred but not reported reserves, from a reinsurer that exceeded 3% of capital and surplus as of December 31, 2019 or 2018.

The Company has no reinsurance contracts that contain the following features (a) a contract term longer than two years and that is noncancellable by the Company 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. The Company has neither 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 to policyholders or the 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 to policyholders nor has the Company ceded any risk under any reinsurance contract (or multiple contracts with the same reinsurer or its affiliates) during the period covered by the financial statements and accounted for that contract as reinsurance (either prospective or retroactive) under statutory accounting principles. Additionally, the Company has not ceded any risk under any reinsurance contract where (a) the written premiums ceded to the reinsurer represents 50% or more of the entire direct and assumed premium written by the reinsurer based on its most recently available financial statements or (b) 25% or more of the written premium ceded to the reinsurer has been retroceded back to the Company in a separate reinsurance contract. Accordingly, the Company has not included the Supplemental Schedule of Reinsurance Disclosures.

In March 2019, the Company commuted an excess of loss reinsurance contract with General Reinsurance Corporation. Proceeds from this commutation were $35,719. The outstanding reserve position on this reinsurance treaty prior to the commutation was $0, therefore the Company had a gain of $35,719 as a result of this commutation. In February 2018, the Company commuted an excess of loss reinsurance contract with General Reinsurance Corporation. Proceeds from this commutation were $1,186,255. The outstanding reserve position on this reinsurance treaty prior to the commutation was $0, therefore the Company had a gain of $1,186,255 as a result of this commutation.

8. Premiums Written and Earned

During the years ended December 31, 2019 and 2018, direct, assumed and ceded premiums were as follows:

	2019		2018	
	Written	**Earned**	**Written**	**Earned**
Direct	$ 168,802,882	$ 167,536,603	$ 167,186,999	$ 167,683,404
Assumed	841,126	879,625	940,652	969,511
Ceded	(5,618,425)	(5,558,869)	(5,508,666)	(5,468,863)
Net premiums	$ 164,025,583	$ 162,857,359	$ 162,618,985	$ 163,184,052

9. Restricted Assets

Various regulatory authorities require that securities be placed on deposit in conjunction with writing workers' compensation business. At December 31, 2019 and 2018, the Company had fixed income securities on deposit with a carrying value of $3,710,940 and $3,731,941, respectively, included in bonds on the Statements of Admitted Assets, Liabilities and Capital and Surplus.

The Company joined the FHLB on March 18, 2019. The Agreement for Advances, Collateral Pledge and Security Agreement was executed in May 2019. On May 10, 2019, the Company made its initial full stock requirement payment of $292,100 to secure Membership Class B stock, which is not eligible for redemption. This common stock, all of which is admitted, is included on the Statements of Admitted Assets, Liabilities and Capital and Surplus. The agreement between the FHLB and the Company specifies Advances and Other Credit Products will be available subject to specified collateral arrangements. The Company has no outstanding collateral pledged, activity stock, excess stock, prepayment obligations or borrowings outstanding as of the reporting date. The maximum amount the Company can borrow, absent prior approval of the Board of Directors, is 5% of net admitted assets from the most recent statutory financial statements which is $48,623,958, as of December 31, 2019.

The following table discloses quantitative information about the Company's restricted assets by category of restricted asset as of December 31, 2019:

Restricted Asset Category	Total Current Year Admitted	Total Prior Year	Increase/ (Decrease)	Admitted Restricted to Total Admitted Assets	Gross Restricted to Total Assets
On deposit with state	$ 3,710,940	$ 9,985,842	$ (6,274,902)	0.38%	0.37%
FHLB capital stock	292,100	-	292,100	0.03%	0.03%
Total restricted assets	$ 4,003,040	$ 9,985,842	$ (5,982,802)	0.41%	0.40%

10. Investments

The cost and fair value of investments in equity securities including unaffiliated common stocks and actively traded mutual funds, excluding investments in affiliates, are as follows:

			Gross Unrealized					
		Cost		Gains		Losses		Fair Value
At December 31, 2019								
Common stocks	$	100,070,106	$	78,065,933	$	(1,318,753)	$	176,817,286
At December 31, 2018								
Common stocks	$	107,634,896	$	57,484,636	$	(8,163,693)	$	156,955,839

The cost and equity value, of the investments in common stocks of affiliates, are as follows:

			Gross Unrealized					
		Cost		Gains		Losses		Equity Value
At December 31, 2019								
Common stocks of affiliates	$	168,657,479	$	58,617,966	$	(473,529)	$	226,801,916
At December 31, 2018								
Common stocks of affiliates	$	168,657,479	$	32,933,992	$	(473,529)	$	201,117,942

The Company owns 100% of the common stock of MEMIC Indemnity at a cost of $129,000,000 as of December 31, 2019 and 2018, and the Company owns 100% of the common stock of MEMIC Casualty at a cost of $39,183,951 as of December 31, 2019 and 2018.

Summary financial data for common stock of insurance affiliates, which includes MEMIC Indemnity and MEMIC Casualty, is as follows:

		2019		2018
Admitted assets	$	727,053,446	$	695,600,370
Liabilities		500,251,530		494,482,428
Capital and surplus		226,801,916		201,117,942
Statutory net income		12,430,405		8,291,143

The Company owns 100% of the common stock of MEMIC Services at a cost of $473,529. The Company contributed $0 and $250,000 during 2019 and 2018, respectively, to MEMIC Services and recorded a liability of $113,904 and $110,549 as of December 31, 2019, and 2018, respectively, for the statutory equity of remaining liabilities the Company would honor, in good faith, should MEMIC Services cease operations. Such amounts have been charged directly to unassigned surplus and are included in other liabilities on the Statement of Admitted Assets, Liabilities and Capital and Surplus.

The carrying value and fair value of bonds and surplus debentures, which are included in other invested assets with a carrying value of $498,982 and a fair value of $525,450 as of 2019 and a carrying value of $498,962 and fair value $455,316 as of 2018, are as follows:

	2019			
	Carrying Value	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**
U.S. Government & government agencies & authorities	$ 21,865,496	$ 815,908	$ -	$ 22,681,404
States, territories & possessions	52,113,594	3,495,307	(25,808)	55,583,093
Political subdivisions of states	93,581,507	5,146,113	(59,204)	98,668,416
Industrial & miscellaneous	130,250,314	8,439,888	(35,635)	138,654,567
Asset backed securities	162,500,421	2,836,912	(491,198)	164,846,135
Total bonds	$ 460,311,332	$ 20,734,128	$ (611,845)	$ 480,433,615

	2018			
	Carrying Value	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**
U.S. Government & government agencies & authorities	$ 25,425,656	$ 481,734	$ (319,905)	$ 25,587,485
States, territories & possessions	53,322,513	1,792,797	(363,396)	54,751,914
Political subdivisions of states	94,481,331	2,383,073	(520,939)	96,343,465
Industrial & miscellaneous	120,333,542	1,088,016	(1,998,451)	119,423,107
Asset backed securities	150,241,529	690,056	(3,152,206)	147,779,379
Total bonds	$ 443,804,571	$ 6,435,676	$ (6,354,897)	$ 443,885,350

Bonds with a NAIC SVO rating of three to six have been recorded at the lower of cost or fair value in accordance with statutory accounting unless they are a residential mortgage-backed security/commercial mortgage-backed security ("RMBS/CMBS") with a Securities Valuation Office rating and independently modeled. The model determines the intrinsic price of the security and the price at which the percentage difference between the carrying price and the intrinsic price equals the midpoint between the risk-based capital charges for each NAIC designation. This is the maximum price point at which a security can be carried for each NAIC designation. These prices are referred to as break points. The Company utilizes the prospective adjustment methodology to value mortgage-backed bonds.

The carrying value and fair value of bonds, including those held in short-term investments included in cash, cash equivalents, and short-term investments of $3,093,790, included in one year or less, and the surplus debenture included in other invested assets with a carrying value of $498,982 and a fair value of $525,450, included in over ten years, as of December 31, 2019, by contractual maturity are as follows:

Maturity	**Carrying Value**	**Fair Value**
One year or less	$ 12,616,328	$ 12,768,196
Over one year through five years	104,200,685	107,643,692
Over five years through ten years	58,455,988	61,632,313
Over ten years	288,132,121	301,483,204
	$ 463,405,122	$ 483,527,405

Bonds subject to early or unscheduled prepayments have been included above based upon their contractual maturity dates. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties. Asset backed securities have been categorized based on the date when the issue is expected to be paid off and the principal is projected to be paid to investors.

Proceeds from the sales of investments in debt and equity securities, excluding proceeds from equity security spinoffs, calls and mergers, and the gross realized gains and losses on those sales for the years ended December 31, 2019 and 2018, are summarized as follows:

	2019		
	Proceeds	Gross Realized	
	From Sales	Gains	Losses
Bonds	$ 62,682,678	$ 355,738	$ (333,811)
Common stocks	48,748,738	15,245,649	(2,779,780)
	$ 111,431,416	$ 15,601,387	$ (3,113,591)

	2018		
	Proceeds	Gross Realized	
	From Sales	Gains	Losses
Bonds	$ 37,147,110	$ 209,561	$ (170,008)
Common stocks	42,676,416	14,697,797	(1,344,723)
	$ 79,823,526	$ 14,907,358	$ (1,514,731)

As of December 31, 2019 and 2018, the Company owned no securities that were in an unrealized loss position that management determined were other-than-temporary and given current market conditions would not recover. The Company did not record any OTTI during 2019 or 2018.

The fair value and gross unrealized loss of investment securities and the amount of time the security has been in an unrealized loss position as of December 31, 2019 and 2018 are as follows:

	2019					
	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Bonds (NAIC 1-2)						
States, territories & possessions	$ 1,935,868	$ (25,808)	$ -	$ -	$ 1,935,868	$ (25,808)
Political subdivisions of states	4,296,910	(59,204)	-	-	4,296,910	(59,204)
Industrial & miscellaneous	5,006,393	(35,635)	-	-	5,006,393	(35,635)
Asset backed securities	12,395,989	(132,569)	32,611,668	(358,629)	45,007,657	(491,198)
Common stocks - unaffiliated	18,709,219	(389,527)	5,327,317	(929,226)	24,036,536	(1,318,753)
	$ 42,344,379	$ (642,743)	$ 37,938,985	$ (1,287,855)	$ 80,283,364	$ (1,930,598)

	2018					
	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Bonds (NAIC 1-2)						
U.S. Government & government agencies & authorities	$ 3,766,813	$ (11,166)	$ 15,756,530	$ (308,739)	$ 19,523,343	$ (319,905)
States, territories & possessions	1,009,370	(7,228)	14,795,654	(356,168)	15,805,024	(363,396)
Political subdivisions of states	2,155,670	(14,041)	22,236,231	(506,898)	24,391,901	(520,939)
Industrial & miscellaneous	38,548,556	(1,088,807)	26,403,074	(909,644)	64,951,630	(1,998,451)
Asset backed securities	29,315,550	(381,744)	77,012,778	(2,770,462)	106,328,328	(3,152,206)
Common stocks - unaffiliated	45,476,869	(6,922,350)	2,534,413	(1,241,343)	48,011,282	(8,163,693)
	$ 120,272,828	$ (8,425,336)	$ 158,738,680	$ (6,093,254)	$ 279,011,508	$ (14,518,590)

Unrealized losses on investment grade securities (NAIC 1-2) principally relate to changes in interest rates.

The major categories of net investment income for the years ended December 31, 2019 and 2018 are summarized as follows:

	2019	2018
Bonds	$ 15,627,355	$ 15,472,801
Common stocks	4,061,556	4,092,000
Cash and short-term investments	248,435	185,446
Other investment income	751,998	709,312
Total investment income	20,689,344	20,459,559
Less: Investment expenses	(1,253,609)	(1,227,003)
Net investment income	$ 19,435,735	$ 19,232,556

11. Fair Value of Financial Instruments

The fair value of an asset is the amount at which that asset could be bought or sold in a current transaction between willing parties, that is, other than in a forced or liquidation sale. The fair value of a liability is the amount at which that liability could be incurred or settled in a current transaction between willing parties, that is, other than in a forced or liquidation sale.

Valuation techniques used to derive the fair value of investment securities are based on observable or unobservable inputs. Observable inputs reflect market data obtained from independent resources such as active markets or nationally recognized pricing services. Unobservable inputs reflect comparable securities or valuations received from various broker or dealer quotes.

Items Measured and Reported at Fair Value by Levels 1, 2 and 3.

The Company has categorized its assets and liabilities that are reported on the Statements of Admitted Assets, Liabilities and Capital and Surplus at fair value into three-level fair value hierarchy as reflected in the following table. The three-level fair value hierarchy is based on the degree of subjectivity inherent in the valuation method by which fair value was determined. The three levels are defined as follows:

Level 1 - Quoted Prices in Active Markets for Identical Assets and Liabilities: This category, for items measured at fair value on a recurring basis, includes exchange-traded preferred and common stocks. The estimated fair value of the equity securities within this category are based on quoted prices in active markets and are thus classified as Level 1.

Level 2 - Significant Other Observable Inputs: This category is for items measured at fair value on a recurring basis including bonds, which are not exchange-traded and Federal Home Loan Bank common stock, which is not exchange traded. The estimated fair values of some of these items were determined by independent pricing services using observable inputs. Others were based on quotes from markets which were not considered actively traded.

Level 3 - Significant Other Unobservable Inputs: Inputs to the valuation methodology are unobservable and significant to the fair value measurement. The Company has no assets or liabilities measured at fair value in this category. Transfers to and from Level 3 would be recognized when a purchase, sale or settlement increases or decrease an asset previously valued as a Level 3 or when an investment is purchased which is carried at fair market value and does not have an observable input for valuation.

	2019			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets on Statements of Admitted Assets, Liabilities and Capital and Surplus, at fair value				
Common stocks				
Industrial & miscellaneous	$ 164,010,519	$ -	$ -	$ 164,010,519
Federal Home Loan Bank	-	292,100	-	292,100
Mutual funds	12,514,667	-	-	12,514,667
Total common stocks	176,525,186	292,100	-	176,817,286
Total assets, measured at fair value	$ 176,525,186	$ 292,100	$ -	$ 176,817,286

	2018			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets on Statements of Admitted Assets, Liabilities and Capital and Surplus, at fair value				
Bonds				
Industrial & miscellaneous	$ -	$ 828,191	$ -	$ 828,191
Total bonds	-	828,191	-	828,191
Common stocks				
Industrial & miscellaneous	145,068,807	-	-	145,068,807
Mutual funds	11,887,032	-	-	11,887,032
Total common stocks	156,955,839	-	-	156,955,839
Total assets, measured at fair value	$ 156,955,839	$ 828,191	$ -	$ 157,784,030

The table below reflects the fair values and admitted assets and liabilities that are financial instruments excluding those accounted for under the equity method (subsidiaries, joint ventures and ventures) as of December 31, 2019 and 2018. The fair values are also categorized into the three-level fair value hierarchy as described above.

	2019					
Type of Financial Instrument	**Aggregate Fair Value**	**Admitted Value**	**Level 1**	**Level 2**	**Level 3**	**Not Practicable (Carrying Value)**
Bonds, surplus debentures & short-term investments						
U.S. Government & government agencies & authorities	$ 22,681,404	$ 21,865,496	$ -	$ 22,681,404	$ -	$ -
States, territories & possessions	55,583,093	52,113,594	-	55,583,093	-	-
Political subdivisions of states	98,668,416	93,581,507	-	98,668,416	-	-
Industrial & miscellaneous	138,654,567	130,250,314	-	138,654,567	-	-
Asset backed securities	164,846,135	162,500,421	-	164,846,135	-	-
Common stocks	176,817,286	176,817,286	176,525,186	292,100	-	-
Cash & cash equivalents	9,390,013	9,390,013	9,390,013	-	-	-
Other invested assets	2,235,072	2,235,072	-	2,235,072	-	-
Total assets	$ 668,875,986	$ 648,753,703	$ 185,915,199	$ 482,960,787	$ -	$ -

	2018					
Type of Financial Instrument	**Aggregate Fair Value**	**Admitted Value**	**Level 1**	**Level 2**	**Level 3**	**Not Practicable (Carrying Value)**
Bonds, surplus debentures & short-term investments						
U.S. Government & government agencies & authorities	$ 25,587,485	$ 25,425,656	$ -	$ 25,587,485	$ -	$ -
States, territories & possessions	54,751,914	53,322,513	-	54,751,914	-	-
Political subdivisions of states	96,343,465	94,481,331	-	96,343,465	-	-
Industrial & miscellaneous	119,423,107	120,333,542	-	119,423,107	-	-
Asset backed securities	147,779,379	150,241,529	-	147,779,379	-	-
Common stocks	156,955,839	156,955,839	156,955,839	-	-	-
Cash & cash equivalents	9,930,328	9,930,328	9,930,328	-	-	-
Total assets	$ 610,771,517	$ 610,690,738	$ 166,886,167	$ 443,885,350	$ -	$ -

The Company held no structured notes as of December 31, 2019 or 2018.

12. Employee Benefit Plans

The Company has adopted a qualified defined contribution discretionary, 401(k) and profit sharing plan (the "Plan") covering substantially all full-time employees who meet the Plans' eligibility requirements. This Plan includes a discretionary component, an employer profit sharing component and an employer matching component.

If approved by the Board of Directors, this discretionary component of the Plan is determined to be 3-6% of the covered employees' annual eligible compensation. Employees become eligible to participate upon completion of three months of service and are fully vested in the Plan after three years of service. The amount expensed for the discretionary portion for the Plan was $2,018,437 and $1,767,284 in 2019 and 2018, respectively.

With respect to the tax deferred employer profit-sharing component of the Plan, each eligible participant may receive a profit-sharing contribution in an amount to be determined by the Board of Directors not to exceed 6% plus an additional allocation for employees earning more than the taxable wage base. The Company incurred $2,254,021 and $1,800,008 of expense related to the tax deferred employer profit-sharing component of the Plan in 2019 and 2018, respectively.

In 2019 and 2018, with respect to the employer matching component of the Plan, the Company will contribute an amount up to 100% of the employees' 401(k) contributions to a maximum of 5% of an employee's annual compensation. An employee's contribution may not exceed 60% of their annual salary or the maximum amount allowed as determined by the Internal Revenue Code. These Company contributions become fully vested after five years. The Company incurred $1,664,889 and $1,409,562 of expense related to the employer matching component of the Plan in 2019 and 2018, respectively.

The Company sponsors a non-qualified, deferred compensation plan (the "Compensation Plan") and trust for certain key executives providing for payments upon retirement, death or disability. The Compensation Plan permits eligible officers to defer a portion of their compensation. The Compensation Plan provides that, in the event of liquidation of the Company, all assets of the Compensation Plan will be available to meet the obligations of the Company. Included in both common stocks and other liabilities are equal amounts of $12,514,667 and $11,887,032 at December 31, 2019 and 2018, respectively, related to the Compensation Plan on the Statements of Admitted Assets, Liabilities and Capital and Surplus. In accordance with NAIC SAP, the increase or decrease in fair value of the assets of the Plan are recorded into income or expense to the Company. The Company incurred $2,517,959 and $(113,597) of expense (income) related to this Compensation Plan in 2019 and 2018, respectively.

A Long Term Incentive Plan ("LTIP") was established by the Compensation Committee of the Board of Directors (the "Committee") effective January 1, 2018, for certain members of management and highly compensated individuals (participants). Participants are granted a fixed dollar base award (the "Award") contingent upon a three year rolling calculation of the direct combined ratio on the workers' compensation line of business as determined by the external actuary for ultimate loss and loss adjustment expense, and internally prepared management reports, as agreed up on the Committee, for general expenses and unallocated loss adjustment expenses. The 2018, 2019 and 2020 Awards may range from 0% to 200%. Participants vest in each plan over three years, or a shorter period, under certain established conditions. The Company has incurred $490,904 and $1,774,333 of expense related to the LTIP in 2019 and 2018, respectively.

13. Commitments and Contingent Liabilities

The Company leases office space, various office equipment and vehicles under lease arrangements through 2024. Future minimum lease payments under operating leases at December 31, 2019 are as follows:

2020	$	1,296,464
2021		389,507
2022		137,967
2023		48,173
2024		6,464
Total future minimum lease payments	$	1,878,575

Total rent and lease expense to all related and unrelated parties was $1,920,264 and $1,874,332 for the years ended December 31, 2019 and 2018, respectively. Included in future minimum lease payments are the future rents due through 2021 from the Company to CVHII.

From time to time, the Company may purchase annuities to settle claims. Certain types of annuities provide annuitants with recourse against the Company if the insurer fails to pay under the annuities as agreed. Under these arrangements, the Company remains contingently liable to the annuitant.

The Company is involved in litigation with respect to claims arising in the ordinary course of business, which is considered in establishing loss and loss adjustment expense reserves. The Company periodically reviews its overall loss and loss adjustment expense reserve position as well as its provision for reinsurance. The Company's management believes the resolution of such litigation is not expected to have a material adverse effect on the financial position or the operating results of the Company. The Company also considers any other insurance or noninsurance related litigation which may have a material adverse effect on the financial position or operating results of the Company; there were no matters during 2019 or 2018 requiring an accrual or disclosure.

The Company is subject to guaranty funds and other assessments by states in which it has direct written premium. Guaranty fund assessments should be accrued at the time of insolvencies. Certain assessments that are unknown to the Company are accrued at the time of assessment. In the case of premium based assessments, the expense is accrued at the time the premiums are written, or, in the case of loss-based assessments, at the time the losses are incurred.

The Company has recorded income for guaranty fund and other assessments of $(644,419) and $(418,302) as of December 31, 2019 and 2018, respectively. Of these amounts, the Company has accrued a net liability as of December 31, 2019 and 2018, of $836,022 and $790,325, respectively. The incurred credits of $(644,419) and $(418,302) in 2019 and 2018, respectively, are the result of the Company receiving $2,046,027 in December 2019 and 2018, from the Maine Workers' Compensation Residual Market Pool. These amounts are a refund of surcharges collected from the Company policyholders during the period 1995 through 2001. The guaranty fund and other assessment amounts represent management's best estimate of its liability for assessments based on information received from the states in which the Company writes business and may change due to many factors, including the Company's share of the ultimate cost of current insolvencies and other factors related to the funding requirements of the various assessments. There is no related premium tax benefit asset recorded from guaranty funds on the Statements of Admitted Assets, Liabilities and Capital and Surplus or Statements of Income.

The State of Maine Workers' Compensation Board (the "Board") assesses insurance companies, associations, and self-insured employers' amounts based upon their written premium levels. As of December 31, 2019 and 2018, the assessment was 2.76% and 2.77%, respectively, of subject premium. To fund this amount, the Company is required to assess its policyholders these amounts and submit amounts collected to the Board on a quarterly basis. The balance of $1,165,408 and $1,141,810 represents amounts due to the Board as of December 31, 2019 and 2018, respectively, and is included in amounts withheld for others on the Statements of Admitted Assets, Liabilities and Capital and Surplus.

14. Related Party Transactions

The Company charged management fees and other services to MEMIC Indemnity in the normal course of business and in accordance with the terms of certain cost sharing agreements. The Company charged MEMIC Indemnity $41,081,837 and $30,034,451 for underwriting, claims, loss control, managed care, and investment management fees during 2019 and 2018, respectively. Certain other direct costs are paid by the Company and charged back to MEMIC Indemnity.

The Company is the sole member of CVH. CVH is the sole member of CVH II and CVH III. The Company records all member contributions to CVH in other invested assets. CVH paid the Company $45,000 for management services during 2019 and 2018. In addition, the Company leased office space from CVH and paid $320,574 and $315,217 for rent and parking during 2019 and 2018, respectively. The Company leased office space from CVHII and paid $1,088,800 and $1,073,670 for rent and parking during 2019 and 2018, respectively. The Company was also charged $50,160 and $48,840 for parking from CVHIII during 2019 and 2018, respectively.

The Company charged management fees and other services to MEMIC Casualty in the normal course of business and in accordance with the terms of certain cost sharing agreements. The Company charged MEMIC Casualty $5,920,756 and $3,991,661 for underwriting, claims, loss control, managed care, and investment management fees during 2019 and 2018, respectively. Certain other direct costs are paid by the Company and charged back to MEMIC Casualty.

At December 31, 2019 and 2018, the Company reported a net receivable of $7,180,579 and $4,508,884, respectively, in net admitted amounts due from affiliates. These amounts are settled periodically in accordance with the terms of certain cost sharing agreements. The amounts due from (to) affiliates as of December 31, 2019 and 2018 are as follows:

	2019	2018
MEMIC Indemnity Company	$ 7,416,879	$ 4,668,782
MEMIC Casualty Company	(261,160)	(165,412)
Casco View Holdings, LLC	24,860	5,514
Total due from affiliates	$ 7,180,579	$ 4,508,884

15. Loan-Backed Securities

The Company has elected to use the prospective method of determining prepayment assumptions. Prepayment assumptions are derived primarily from projected cash flow information obtained from recognized external sources. Where projected cash flow information is not publicly available the information is obtained from external asset managers or by internal estimates. The Company uses IDC Corporation in determining the market value of its loan-backed securities. There have been no changes from the retrospective to the prospective adjustment methodology due to negative yield on specific securities.

The Company has no loan-backed securities that have a recognized OTTI where the Company either has the intent to sell; or does not have the ability or intent to retain the investment for a period of time to recover any unadjusted amortized cost basis.

The following table summarizes unrealized losses on loan-backed securities by the length of time that the securities have continuously been in unrealized loss positions.

	2019	2018
Aggregate amount of unrealized loss		
Less than twelve months	$ 132,569	$ 381,744
Twelve months or longer	358,629	2,728,913
Total	$ 491,198	$ 3,110,657
Aggregate fair value of securities with unrealized loss		
Less than twelve months	$ 12,395,989	$ 29,315,550
Twelve months or longer	32,611,668	76,184,587
Total	$ 45,007,657	$ 105,500,137

There is no additional information necessary to describe the general categories of information that the Company considered in reaching the conclusion that the impairments are not other-than-temporary. The Company asserts that it has the intent and ability to hold these securities long enough to allow the cost basis of these securities to be recovered.

The Company has no repurchase agreements and/or securities lending transactions or low-income housing tax credits in the current year or prior year. The Company has investments in real estate through its wholly-owned subsidiary CVH in the current year. The cumulative amount of credit losses on loan-backed and structured securities still held as of December 31, 2019 and 2018, are immaterial to the Company.

16. Subsequent Events

Subsequent events have been considered through March 27, 2020, for these statutory financial statements which are available to be issued on March 27, 2020. In recent days, the COVID-19 outbreak in the United States has resulted in investment market volatility and a reduction in payroll for a number of business who voluntarily or involuntarily have closed. Given the expected decreases in payroll across many industries, the Company expects initial projections for direct written premium to be less than expected. In addition, the COVID-19 outbreak will likely result in an additional workers' compensation claims and extended benefits should pending or future legislation at a state level ultimately determine an expansion in the definition of work related injuries.

SUMMARY INVESTMENT SCHEDULE

Investment Categories	Gross Investment Holdings 1 Amount	2 Percentage of Column 1 Line 13	Admitted Assets as Reported in the Annual Statement 3 Amount	4 Securities Lending Reinvested Collateral Amount	5 Total (Col. 3 + 4) Amount	6 Percentage of Column 5 Line 13
1. Long-Term Bonds (Schedule D, Part 1):						
1.01 U.S. Governments	30,288,943	3.4	30,288,944		30,288,944	3.4
1.02 All Other Governments		0.0			0	0.0
1.03 U.S. States, Territories and Possessions, etc., Guaranteed	14,737,560	1.6	14,737,560		14,737,560	1.6
1.04 U.S. Political Subdivisions of States, Territories and Possessions, Guaranteed	17,424,595	1.9	17,424,595		17,424,595	1.9
1.05 U.S. Special Revenue and Special Assessment Obligations, etc., Non-Guaranteed	221,963,597	24.8	221,963,603		221,963,603	24.8
1.06 Industrial and Miscellaneous	175,397,655	19.6	175,397,648		175,397,648	19.6
1.07 Hybrid Securities		0.0			0	0.0
1.08 Parent, Subsidiaries and Affiliates		0.0			0	0.0
1.09 SVO Identified Funds		0.0			0	0.0
1.10 Unaffiliated Bank Loans		0.0			0	0.0
1.11 Total Long-Term Bonds	459,812,350	51.3	459,812,350	0	459,812,350	51.3
2. Preferred Stocks (Schedule D, Part 2, Section 1):						
2.01 Industrial and Misc. (Unaffiliated)		0.0			0	0.0
2.02 Parent, Subsidiaries and Affiliates		0.0			0	0.0
2.03 Total Preferred Stock	0	0.0	0	0	0	0.0
3. Common Stocks (Schedule D, Part 2, Section 2):						
3.01 Industrial and Miscellaneous Publicly Traded (Unaffiliated)	164,010,518	18.3	164,010,518		164,010,518	18.3
3.02 Industrial and Miscellaneous Other (Unaffiliated)	292,100	0.0	292,100		292,100	0.0
3.03 Parent, Subsidiaries and Affiliates Publicly Traded		0.0			0	0.0
3.04 Parent, Subsidiaries and Affiliates Other	226,801,916	25.3	226,801,916		226,801,916	25.3
3.05 Mutual Funds	12,514,668	1.4	12,514,668		12,514,668	1.4
3.06 Unit Investment Trusts		0.0			0	0.0
3.07 Closed-End Funds		0.0			0	0.0
3.08 Total Common Stocks	403,619,202	45.1	403,619,202	0	403,619,202	45.1
4. Mortgage Loans Schedule B):						
4.01 Farm Mortgages		0.0			0	0.0
4.02 Residential Mortgages		0.0			0	0.0
4.03 Commercial Mortgages		0.0			0	0.0
4.04 Mezzanine Real Estate Loans		0.0			0	0.0
4.05 Total Mortgage Loans	0	0.0	0	0	0	0.0
5. Real Estate (Schedule A):						
5.01 Properties Occupied by Company		0.0			0	0.0
5.02 Properties Held for Production of Income		0.0			0	0.0
5.03 Properties Held for Sale		0.0			0	0.0
5.04 Total Real Estate	0	0.0	0	0	0	0.0
6. Cash, Cash Equivalents, and Short-Term Investments::						
6.01 Cash (Schedule E, Part 1)	6,296,223	0.7	6,296,223		6,296,223	0.7
6.02 Cash Equivalents (Schedule E, Part 2)	3,093,790	0.3	3,093,790		3,093,790	0.3
6.03 Short-Term Investments (Schedule DA)		0.0			0	0.0
6.04 Total Cash, Cash Equivalents, and Short-Term Investments	9,390,013	1.0	9,390,013	0	9,390,013	1.0
7. Contract Loans		0.0			0	0.0
8. Derivatives (Schedule DB)		0.0			0	0.0
9. Other Invested Assets (Schedule BA)	22,814,888	2.5	22,814,888		22,814,888	2.5
10. Receivables for Securities		0.0			0	0.0
11. Securities Lending (Schedule DL, Part 1)		0.0		XXX	XXX	XXX
12. Other Invested Assets (Page 2, Line 11)		0.0			0	0.0
13. Total Invested Assets	895,636,453	100.0	895,636,453	0	895,636,453	100.0

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SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES

For the year ended December 31, 2019

(To be filed by April 1)

Of Maine Employers' Mutual Insurance Company

Address (City, State, Zip Code): Portland ME 04101

NAIC Group Code.....1332 NAIC Company Code.....11149 Employer's ID Number.....01-0476508

The Investment Risks Interrogatories are to be filed by April 1. They are also to be included with the Audited Statutory Financial Statements.

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. $......972,479,158

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

	1 Issuer	2 Description of Exposure	3 Amount	4 Percentage of Total Admitted Assets
2.01	MEMIC INDEMNITY COMPANY	Common Stock Subsidiary	$....184,235,164	18.9 %
2.02	MEMIC CASUALTY COMPANY	Common Stock Subsidiary	$......42,566,752	4.4 %
2.03	JPM	Bonds/Common Stock	$........7,515,209	0.8 %
2.04	GALXY	Long Term Bonds	$........7,000,000	0.7 %
2.05	PENNSYLVANIA ST TURNPIKE COMMI	Long Term Bonds	$........6,662,325	0.7 %
2.06	BAC	Bonds/Common Stock	$........6,529,267	0.7 %
2.07	GS	Bonds/Common Stock	$........6,066,024	0.6 %
2.08	WFC	Bonds/Common Stock	$........5,461,858	0.6 %
2.09	AAPL	Bonds/Common Stock	$........5,324,436	0.5 %
2.10	WFCM	Long Term Bonds	$........5,143,835	0.5 %

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

	Bonds	1	2
3.01	NAIC 1	$....424,944,466	43.7 %
3.02	NAIC 2	$......33,766,638	3.5 %
3.03	NAIC 3	$	0.0 %
3.04	NAIC 4	$	0.0 %
3.05	NAIC 5	$........1,101,245	0.1 %
3.06	NAIC 6	$	0.0 %
	Preferred Stocks	3	4
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? Yes [ ] No [X]

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

4.02	Total admitted assets held in foreign investments	$......31,440,654	3.2 %
4.03	Foreign-currency-denominated investments	$	0.0 %
4.04	Insurance liabilities denominated in that same foreign currency	$	0.0 %

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

		1	2
5.01	Countries designated NAIC 1	$......31,440,654	3.2 %
5.02	Countries designated NAIC 2	$	0.0 %
5.03	Countries designated NAIC 3 or below	$	0.0 %

6. Largest foreign investment exposures by country, categorized by the country's NAIC sovereign designation:

		1	2
	Countries designated NAIC 1:		
6.01	Country 1: Cayman Islands	$......18,221,556	1.9 %
6.02	Country 2: United Kingdom	$........4,037,531	0.4 %
	Countries designated NAIC 2:		
6.03	Country 1:	$	0.0 %
6.04	Country 2:	$	0.0 %
	Countries designated NAIC 3 or below:		
6.05	Country 1:	$	0.0 %
6.06	Country 2:	$	0.0 %

		1	2
7.	Aggregate unhedged foreign currency exposure	$	0.0 %

8. Aggregate unhedged foreign currency exposure categorized by NAIC sovereign designation:

		1	2
8.01	Countries designated NAIC 1	$	0.0 %
8.02	Countries designated NAIC 2	$	0.0 %
8.03	Countries designated NAIC 3 or below	$	0.0 %

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

		1	2
	Countries designated NAIC 1:		
9.01	Country 1:	$	0.0 %
9.02	Country 2:	$	0.0 %
	Countries designated NAIC 2:		
9.03	Country 1:	$	0.0 %
9.04	Country 2:	$	0.0 %
	Countries designated NAIC 3 or below:		
9.05	Country 1:	$	0.0 %
9.06	Country 2:	$	0.0 %

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

	1 Issuer	2 NAIC Designation	3	4
10.01	GALXY	1	$7,000,000	0.7 %
10.02	WINDR	1	$4,000,000	0.4 %
10.03	HSBC	1	$3,037,551	0.3 %
10.04	SHBASS	1	$2,496,621	0.3 %
10.05	BABSN	1	$2,000,000	0.2 %
10.06	AIFP	1	$1,880,759	0.2 %
10.07	DRSLF	1	$1,500,000	0.2 %
10.08	TACHEM	2	$1,499,418	0.2 %
10.09	BTNY2	1	$1,000,000	0.1 %
10.10	CEDF	1	$1,000,000	0.1 %

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 [X] No [ ]

If response to 11.01 is yes, detail is not required for the remainder of Interrogatory 11.

11.02	Total admitted assets held in Canadian Investments	$	0.0 %
11.03	Canadian currency-denominated investments	$	0.0 %
11.04	Canadian-denominated insurance liabilities	$	0.0 %
11.05	Unhedged Canadian currency exposure	$	0.0 %

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 [X] No [ ]

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

	1	2	3
12.02	Aggregate statement value of investments with contractual sales restrictions	$	0.0 %
	Largest three investments with contractual sales restrictions:		
12.03		$	0.0 %
12.04		$	0.0 %
12.05		$	0.0 %

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

13.01 Are assets held in equity interest less than 2.5% of the reporting entity's total admitted assets? Yes [ ] No [X]

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

	1 Name of Issuer	2	3
13.02	MEMIC INDEMNITY COMPANY	$184,235,164	18.9 %
13.03	MEMIC CASUALTY COMPANY	$42,566,752	4.4 %
13.04	MDY	$16,511,089	1.7 %
13.05	AAPL	$3,824,498	0.4 %
13.06	MSFT	$3,563,232	0.4 %
13.07	JPM	$2,966,990	0.3 %
13.08	JNJ	$2,929,215	0.3 %
13.09	PG	$2,636,639	0.3 %
13.10	XOM	$2,604,399	0.3 %
13.11	HD	$2,421,834	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? Yes [X] No [ ]

If response to 14.01 above is yes, responses are not required for the remainder of Interrogatory 14.

	1	2	3
14.02	Aggregate statement value of investments held in nonaffiliated, privately placed equities	$	0.0 %
	Largest three investments held in nonaffiliated, privately placed equities:		
14.03		$	0.0 %
14.04		$	0.0 %
14.05		$	0.0 %

Ten Largest Fund Managers

	1 Fund Manager	2 Total Invested	3 Diversified	4 Non-Diversified
14.06		$	$	$
14.07		$	$	$
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 [X] No [ ]

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

	1	2	3
15.02	Aggregate statement value of investments held in general partnership interests	$	0.0 %
	Largest three investments in general partnership interests:		
15.03		$	0.0 %
15.04		$	0.0 %
15.05		$	0.0 %

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 [X] No [ ]

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

	1 Type (Residential, Commercial, Agricultural)	2	3
16.02		$	0.0 %
16.03		$	0.0 %
16.04		$	0.0 %
16.05		$	0.0 %
16.06		$	0.0 %
16.07		$	0.0 %
16.08		$	0.0 %
16.09		$	0.0 %
16.10		$	0.0 %
16.11		$	0.0 %

Amount and percentage of the reporting entity's total admitted assets held in the following categories of mortgage loans:

		Loans	
16.12	Construction loans	$	0.0 %
16.13	Mortgage loans over 90 days past due	$	0.0 %
16.14	Mortgage loans in the process of foreclosure	$	0.0 %
16.15	Mortgage loans foreclosed	$	0.0 %
16.16	Restructured mortgage loans	$	0.0 %

17. Aggregate mortgage loans having the following loan-to-value ratios as determined from the most current appraisal as of the annual statement date:

Loan-to-Value	Residential		Commercial		Agricultural	
	1	2	3	4	5	6
17.01 above 95%	$	0.0 %	$	0.0 %	$	0.0 %
17.02 91% to 95%	$	0.0 %	$	0.0 %	$	0.0 %
17.03 81% to 90%	$	0.0 %	$	0.0 %	$	0.0 %
17.04 71% to 80%	$	0.0 %	$	0.0 %	$	0.0 %
17.05 below 70%	$	0.0 %	$	0.0 %	$	0.0 %

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 less than 2.5% of the reporting entity's total admitted assets? Yes [X] No [ ]

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

Largest five investments in any one parcel or group of contiguous parcels of real estate:

	Description	2	3
18.02		$	0.0 %
18.03		$	0.0 %
18.04		$	0.0 %
18.05		$	0.0 %
18.06		$	0.0 %

19. Report aggregate amounts and percentages of the reporting entity's total admitted assets held in investments held in mezzanine real estate loans.

19.01 Are assets held in investments held in mezzanine real estate loans less than 2.5% of the reporting entity's admitted assets? Yes [X] No [ ]

If response to 19.01 is yes, responses are not required for the remainder of Interrogatory 19.

1	2	3
19.02 Aggregate statement value of investments held in mezzanine real estate loans	$	0.0 %
Largest three investments held in mezzanine real estate loans:		
19.03	$	0.0 %
19.04	$	0.0 %
19.05	$	0.0 %

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

	At Year-End		At End of Each Quarter		
			1st Qtr	2nd Qtr	3rd Qtr
	1	2	3	4	5
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:

	Owned		Written	
	1	2	3	4
21.01 Hedging	$	0.0 %	$	0.0 %
21.02 Income generation	$	0.0 %	$	0.0 %
21.03 Other	$	0.0 %	$	0.0 %

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

	At Year-End		At End of Each Quarter		
			1st Qtr	2nd Qtr	3rd Qtr
	1	2	3	4	5
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:

	At Year-End		At End of Each Quarter		
			1st Qtr	2nd Qtr	3rd Qtr
	1	2	3	4	5
23.01 Hedging	$	0.0 %	$	$	$
23.02 Income generation	$	0.0 %	$	$	$
23.03 Replications	$	0.0 %	$	$	$
23.04 Other	$	0.0 %	$	$	$

MEMIC Indemnity Company

Financial Statements
(Statutory Basis)
December 31, 2019 and 2018

MEMIC Indemnity Company
Index
December 31, 2019 and 2018

Report of Independent Auditors

To the Board of Directors of
MEMIC Indemnity Company

We have audited the accompanying statutory basis financial statements of MEMIC Indemnity Company (the Company), which comprise the statutory statements of admitted assets, liabilities and capital and surplus as of December 31, 2019 and 2018, and the related statutory statements of income, changes in capital and surplus, and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting practices prescribed or permitted by the Insurance Department of the State of New Hampshire. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these statutory basis financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

As described in Note 2 to the financial statements, the Company prepared these financial statements using accounting practices prescribed or permitted by the Insurance Department of the State of New Hampshire, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the statutory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

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" paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Company as of December 31, 2019 and 2018, or the results of its operations or its cash flows for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the statutory basis financial statements referred to above present fairly, in all material respects, the admitted assets, liabilities and capital and surplus of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for the years then ended, on the basis of accounting described in Note 2.

Other Matter – Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Summary Investment Schedule and Supplemental Investment Risks Interrogatories of the Company as of December 31, 2019 and for the year then ended are presented for purposes of additional analysis and are not a required part of the financial statements, but are supplementary information required by the Insurance Department of the State of New Hampshire. 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 audit 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 financial statements themselves and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, such are fairly stated, in all material respects, in relation to the statutory basis financial statements taken as a whole.

Johnson Lambert LLP

Atlanta, Georgia
March 27, 2020

MEMIC Indemnity Company
Statements of Admitted Assets, Liabilities and Capital and Surplus (Statutory Basis)
December 31, 2019 and 2018

	2019	2018
Admitted Assets		
Invested assets		
Bonds, at carrying value (fair value: $466,940,536 and $436,991,214 at December 31, 2019 and 2018, respectively)	$ 447,122,211	$ 441,403,911
Common stocks, at fair value (cost: $64,145,733 and $58,641,411 at December 31, 2019 and 2018, respectively)	77,532,384	59,513,187
Other invested assets, at carrying value (fair value: $2,101,800 and $1,821,262 at December 31, 2019 and 2018, respectively)	1,995,927	1,995,846
Receivable for securities sold	16	60
Cash, cash equivalents and short-term investments	3,026,575	13,320,611
Total cash and invested assets	529,677,113	516,233,615
Premium balances receivable	72,373,656	74,275,927
Investment income due and accrued	3,861,390	3,858,028
EDP equipment (net of accumulated depreciation of $663,741 and $615,843 at December 31, 2019 and 2018, respectively)	145,319	137,884
Reinsurance recoverable on paid loss and loss adjustment expenses	3,072,412	698,127
Net deferred income taxes	8,390,720	9,275,957
Total admitted assets	$ 617,520,610	$ 604,479,538
Liabilities		
Loss reserves	$ 284,677,819	$ 281,624,255
Loss adjustment expense reserves	37,932,935	40,528,413
Unearned premium reserves	69,807,575	89,692,459
Advance premium	506,882	927,001
Reinsurance premiums payable	6,154,028	747,084
Other liabilities	729,750	1,048,315
Deposits held for large deductible policyholders	4,204,700	1,979,238
Premium taxes and assessments payable	7,788,738	7,697,212
Amounts withheld for others	4,101,307	3,504,523
Commissions payable	7,929,462	8,825,718
Due to parent	7,416,880	4,668,782
Federal income tax payable	2,035,370	2,990,603
Total liabilities	433,285,446	444,233,603
Commitments and contingencies (Note 13)		
Capital and surplus		
Common stock, 1,000,000 shares authorized, 100,000 shares issued and outstanding, $30 par value	3,000,000	3,000,000
Gross paid-in and contributed surplus	126,000,000	126,000,000
Unassigned surplus	55,235,164	31,245,935
Total capital and surplus	184,235,164	160,245,935
Total liabilities and capital and surplus	$ 617,520,610	$ 604,479,538

The accompanying notes are an integral part of these statutory basis financial statements.

MEMIC Indemnity Company
Statements of Income
(Statutory Basis)
Years Ended December 31, 2019 and 2018

	2019	2018
Underwriting income		
Premiums earned, net	$ 166,466,152	$ 212,947,851
Loss and underwriting expenses		
Losses incurred, net	98,306,468	131,040,944
Loss adjustment expenses incurred, net	28,668,261	32,399,194
Underwriting expense (income)		
Commissions	(879,723)	17,644,694
Premium taxes	4,764,404	4,341,250
Guarantee fund, rating bureau and other assessments	3,924,123	3,046,532
Supervision, acquisition and collection expenses	19,547,579	17,547,414
Loss control	4,972,501	6,022,666
General expenses	3,396,500	3,033,811
Total underwriting expenses	35,725,384	51,636,367
Total loss and underwriting expenses	162,700,113	215,076,505
Net underwriting income (loss)	3,766,039	(2,128,654)
Investment income		
Net investment income	16,334,306	13,768,595
Net realized capital gains (less capital gains tax of $552,255 and $1,122,798, respectively)	2,077,530	4,098,976
Total investment income	18,411,836	17,867,571
Other (expense) income		
Bad debt expense	(117,741)	(264,514)
Service fee income	50,312	48,675
Net other expense	(67,429)	(215,839)
Income before dividends and federal income taxes	22,110,446	15,523,078
Dividends to policyholders	9,681,303	5,777,542
Income after dividends, before federal income taxes	12,429,143	9,745,536
Provision for federal income taxes	1,483,115	1,867,805
Net income	$ 10,946,028	$ 7,877,731

The accompanying notes are an integral part of these statutory basis financial statements.

MEMIC Indemnity Company
Statements of Changes in Capital and Surplus
(Statutory Basis)
Years Ended December 31, 2019 and 2018

	2019	2018
Capital and surplus at beginning year	$ 160,245,935	$ 147,547,721
Net income	10,946,028	7,877,731
Change in net deferred income taxes	(379,503)	1,950,197
Change in nonadmitted assets	3,191,657	(1,121,530)
Change in net unrealized appreciation of invested assets (net of deferred taxes of $2,725,149 and ($2,103,728) as of December 31, 2019 and 2018, respectively)	10,231,047	(8,008,184)
Capital contributions	-	12,000,000
Change in capital and surplus	23,989,229	12,698,214
Capital and surplus at end of year	$ 184,235,164	$ 160,245,935

The accompanying notes are an integral part of these statutory basis financial statements.

MEMIC Indemnity Company
Statements of Cash Flows
(Statutory Basis)
Years Ended December 31, 2019 and 2018

	2019	2018
Cash from operations		
Premiums collected, net	$ 153,426,706	$ 208,039,784
Investment income received, net	18,462,351	15,594,122
Other expense	(67,429)	(215,839)
Cash provided from operations	171,821,628	223,418,067
Benefit and loss related payments	97,627,190	82,634,195
Commissions and expenses paid	65,886,974	71,381,308
Dividends paid to policyholders	9,681,303	5,777,542
Federal income taxes paid	2,990,603	1,298,254
Cash used in operations	176,186,070	161,091,299
Net cash (used in) provided from operations	(4,364,442)	62,326,768
Cash from investing activities		
Cash provided from (used in) investments		
Proceeds from bonds sold, matured or repaid	71,304,663	46,693,222
Proceeds from common stocks sold	25,079,160	30,929,522
Cost of bonds acquired	(79,083,491)	(114,791,355)
Cost of stocks acquired	(27,583,274)	(32,669,271)
Net cash used in investing activities	(10,282,942)	(69,837,882)
Cash from financing and miscellaneous sources		
Other cash		
Capital and paid in surplus	-	1,622,383
Other sources	4,353,348	2,150,558
Net cash provided from financing and miscellaneous sources	4,353,348	3,772,941
Net decrease in cash	(10,294,036)	(3,738,173)
Cash, cash equivalents and short-term investments		
Beginning of year	13,320,611	17,058,784
End of year	$ 3,026,575	$ 13,320,611
Noncash transaction		
Receipt of bonds	$ -	$ 10,377,617

The accompanying notes are an integral part of these statutory basis financial statements.

1. Organization

MEMIC Indemnity Company (the "Company"), a wholly-owned subsidiary of Maine Employers' Mutual Insurance Company ("MEMIC"), was incorporated on February 24, 2000. MEMIC has contributed $129,000,000 to capitalize and fund operations of the Company since 2000. The Company is licensed to write workers' compensation and or employers' liability insurance in 50 states and the District of Columbia with approximately 82% of premium written during 2019 in the States of Connecticut, Florida, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Vermont and Virginia. The Company writes its business primarily through independent agents and brokers in the various states.

2. Summary of Significant Accounting Policies

Basis of Presentation

The financial statements of the Company are prepared in conformity with statutory accounting practices of the National Association of Insurance Commissioners ("NAIC") as prescribed or permitted by the New Hampshire Insurance Department ("statutory accounting").

The New Hampshire Insurance Department ("Insurance Department") recognizes only statutory accounting practices prescribed or permitted by the State of New Hampshire for determining and reporting the financial condition and results of operations of an insurance company and for determining its solvency under New Hampshire Insurance Law. The NAIC Accounting Practices and Procedures Manual ("NAIC SAP") has been adopted as a component of prescribed or permitted practices by the State of New Hampshire. There are no differences between the Company's net income, capital and surplus as recognized under NAIC SAP and the practices prescribed and permitted by the State of New Hampshire.

Statutory accounting practices differ in certain respects from accounting principles generally accepted in the United States of America ("GAAP"). The effects of such differences on the accompanying financial statements, which could be significant, have not been determined. The most significant differences generally include the following:

a. Statutory accounting requires that policy acquisition costs such as commissions, premium taxes, and other items directly related to placing or renewing business would be charged to current operations as incurred. Under GAAP, policy acquisition costs would be deferred and then amortized ratably over the periods covered by the policies;

b. The statutory provision for federal income taxes represents estimated amounts currently payable based on taxable income or loss reported in the current accounting period. Deferred income taxes are provided in accordance with SSAP 101, *Income Taxes.* SSAP 101 provides new requirements for tax loss contingencies and the calculation and admissibility of deferred tax assets ("DTAs"). The realization of any resulting deferred tax asset is limited based on certain criteria in accordance with SSAP 101. The GAAP provision would include a provision for taxes currently payable, as well as deferred taxes, both of which would be recorded in the Statements of Income;

c. Under statutory accounting, certain assets designated as "nonadmitted assets" (principally premium recoveries past due greater than 90 days, a portion of DTAs, prepaid assets, non-operating system software and office furniture and equipment) are charged directly to unassigned surplus. GAAP would require the Company to maintain a reserve for doubtful accounts based on amounts deemed to be uncollectible or to expense prepaid assets over the term of the related benefit. Office furniture and equipment and non-operating system software are capitalized and depreciated over their estimated useful lives;

d. Under statutory accounting, investments in debt securities are generally carried at amortized cost. Under GAAP, debt securities classified as trading or available for sale are valued at fair value, and debt securities classified as held-to-maturity are valued at amortized cost;

e. For statutory purposes, unrealized gains and losses on investments in equity securities are generally recorded as a direct credit or charge to surplus, net of the adjustment for deferred federal income taxes. Under GAAP, unrealized gains and losses on equity securities are reported directly in net income. Prior to January 1, 2019, unrealized gains and losses on equity securities were recorded as either a separate component of accumulated other comprehensive income, net of tax (for equity securities classified as "available for sale") or as a direct charge to net income (for equity securities classified as "trading" securities);

f. Reinsurance balances relating to unpaid loss and loss adjustment expenses and unearned premium are presented as offsets to reserves; under GAAP, such amounts would be presented as reinsurance recoverable; moreover, under statutory accounting, a liability is established for recoverable balances from reinsurers which are not authorized and for overdue paid loss recoverables;

g. Under GAAP, the inclusion of a Statement of Comprehensive Income, detailing the income effects of unrealized gains and losses for fixed income securities, foreign exchange transactions, and pension liability adjustments is required;

h. For statutory cash flow purposes, included as cash and cash equivalents are short-term investments which mature within one year as opposed to three months; and

i. A reconciliation of cash flows to the indirect method is not provided under statutory accounting.

Management Estimates
The preparation of financial statements in conformity with statutory accounting practices requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent 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.

Cash and Invested Assets
Invested assets are valued in accordance with the statutory basis of valuation prescribed by the NAIC. Cash includes cash, cash equivalents, money market mutual funds and short-term investments, which are short-term investments and mature within one year; the carrying value of these investments approximates fair value. The Company's cash is held at major commercial banks. At times, cash balances at financial institutions may exceed insurable amounts. The Company believes it mitigates its risks by depositing cash in or investing through major financial institutions. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Only investments with original maturities of three months or less qualify under this definition. Included in cash and cash equivalents are policyholder deposits for high deductible policies that have opted to provide cash in lieu of a letter of credit. See discussion of high deductibles in Note 16.

Investment grade non-loan-backed bonds and surplus debentures, which are included in other invested assets, with NAIC designation 1 or 2 are stated at amortized value using the interest method. Non-investment grade non-loan-backed bonds with NAIC designations of 3 through 6 are stated at the lower of amortized value or fair value. U.S. government agency loan-backed and structured securities are valued at amortized value. Other loan-backed and structured securities are valued at either amortized value or fair value, depending on many factors including: the type of underlying collateral, whether modeled by an NAIC vendor, whether rated (by either NAIC approved rating organization or NAIC Securities Valuation Office), and relationship of amortized value to par value and amortized value to fair value.

Common stocks, which includes exchange traded and Federal Home Loan Bank ("FHLB") common stock, which is restricted and not exchange traded, are generally stated at the fair value. See Note 9. Where declines in the value of marketable securities are deemed other-than-temporary, the loss is reported as a component of net realized capital gains and losses. The net unrealized gains and losses on these marketable securities, after deductions of applicable deferred income taxes, are credited or charged directly to unassigned surplus.

Investment income is recorded on an accrual basis. Realized capital gains and losses are reported, net of tax, in operating results based on the specific identification of investments sold. Unrealized capital gains and losses from the valuation of investments at fair value are credited or charged directly to unassigned surplus, net of federal income taxes, unless determined to be other-than-temporary and included as a component of net realized capital (losses) gains. Specific impairments are determined based on a continual review of investment portfolio valuations. Bi-annually, the Company performs a by-cusip review of bonds, common stocks and other invested assets, with a fair value to carrying value less than 75%, to determine if other-than-temporary impairment ("OTTI") has occurred and whether an impairment should be recognized.

Premiums and Unearned Premium Reserves
Direct and assumed premiums are earned on a monthly pro rata basis over the inforce period and ceded premiums for excess of loss treaties are written and earned concurrently for the workers' compensation line of business. Ceded premiums for the 2019 quota share treaty are earned on a monthly pro rata basis over the inforce period. Accordingly, unearned premium reserves are established for the pro rata portion of direct premiums written for workers' compensation direct and ceded premium related to the 2019 quota share treaty which are applicable to the unexpired terms of the policies inforce, net of reinsurance. Premium adjustments resulting from retrospective rating plans and/or audits are immediately recorded as written and earned premiums once such amounts can be reasonably estimated. When the anticipated losses, loss adjustment expenses, commissions, and other acquisition and maintenance costs exceed the recorded unearned premium reserve, and any future installment premiums on existing policies, a premium deficiency reserve is recognized by recording an additional liability for the deficiency, with a corresponding charge to operations. The Company does anticipate investment income when evaluating the need for any premium deficiency reserve. There was no premium deficiency reserve recorded for 2019 or 2018.

Equities and Deposits in Pools
The Company is required to participate in involuntary pools in several states where it writes workers' compensation business. The Company participates in underwriting results, including premiums, losses, expenses, and other operations of involuntary pools, based on the Company's proportionate share of similar business written in those states. The National Council on Compensation Insurance ("NCCI") services most of the states where the Company participates in involuntary pools. The loss reserves that are reported to NCCI by the servicing carriers are gross of loss discounting. By application of incurred loss development and tail development factors, any discount included in the case reserves reported by servicing carriers is factored out (or unwound). NCCI also provides each participating company with an estimate of its share of discounted liabilities. The discounting assumptions include a 3.5% discount rate for incurred but not reported loss and loss adjustment expense reserves utilizing the 2007 U.S. Life mortality table. Underwriting results are accounted for on a gross basis whereby the Company's portion of premiums, losses, expenses, and other operations of the pool are recorded separately in the financial statements rather than netted against each other. Premiums receivable on involuntary pool business are recorded in premium balances receivable on the Statements of Admitted Assets, Liabilities and Capital and Surplus.

Loss and Loss Adjustment Expense Reserves
Loss and loss adjustment expenses are recorded as incurred to initially match such costs and premiums over the contract periods. Loss reserves are established for losses and loss adjustment expenses based upon claim evaluations and include an estimated provision for both reported and unreported claims incurred and related expenses. The assumptions used in determining loss and loss adjustment expense reserves have been developed after considering the experience of the Company, industry experience, and projections by independent actuaries. The ultimate loss and loss adjustment expense reserves may vary from the amounts reflected in the accompanying financial statements. The method utilized in estimating and establishing the reserves is continually reviewed and

updated and any adjustments are reflected in current operating results. Allowances for subrogation recoveries are included in the Company's estimate of loss reserves. See the summary of reserve development in Note 6.

Nonadmitted Assets
The following nonadmitted assets were excluded from the Statements of Admitted Assets, Liabilities and Capital and Surplus as of December 31, 2019 and 2018:

	2019	2018
Premium balances receivable over 90 days past due	$ 818,049	$ 774,391
Deferred income taxes	375,889	2,595,304
Fixed assets, net of accumulated depreciation	2,715,872	3,409,711
Other assets	(130,230)	191,831
Total nonadmitted assets	$ 3,779,580	$ 6,971,237

Depreciation expense on nonadmitted fixed assets was $694,919 and $654,000 as of December 31, 2019 and 2018, respectively.

Federal Income Taxes
The Company files a consolidated tax return with MEMIC and three affiliates, MEMIC Casualty Company ("MEMIC Casualty"), MEMIC Services, Inc. ("MEMIC Services"), and Casco View Holdings, LLC ("CVH"). In accordance with a tax sharing agreement, the provision for federal income taxes is recorded based upon amounts expected to be reported as if the Company filed a separate federal income tax return. Additionally, under this agreement, the Company will be reimbursed for the utilization of tax operating losses, tax credits, and capital loss carryforwards to the extent the Company would have utilized these tax attributes on a separate return basis.

The provision for federal income taxes includes amounts currently payable or recoverable and deferred income taxes, computed under the asset/liability method, which results from temporary differences between the tax basis and book basis of assets and liabilities. SSAP No. 101 outlines the statutory accounting principles for current and deferred federal and foreign income taxes and current state income taxes. SSAP No. 101, (1) restricts the ability to use the 3 years/15 percent of surplus admission rule to those entities that meet a new modified risk based capital ratio threshold; (2) outlines the recognition threshold for recording tax contingency reserves from a probable liability standard to a more-likely-than-not liability standard; (3) requires the disclosure of tax planning strategies that relate to reinsurance; and, (4) requires consideration of reversal patterns of DTAs and deferred tax liabilities ("DTLs") in determining the extent to which DTLs could offset DTAs on the federal income tax return. Uncertain tax positions, as applicable, are considered in these statutory financial statements.

Deferred federal income taxes arise from temporary differences between the valuation of assets and liabilities as determined for financial reporting purposes and federal income tax purposes. On December 22, 2017, the Tax Cuts and Jobs Act of 2017 (the "Act") was signed into law. Among other things, the Act reduced the Company's federal tax rate to a flat 21%. As a result, the Company's temporary differences were measured at an effective tax rate of 21% as of December 31, 2019 and 2018. The Company recognized an adjustment of $3,735,495 in 2018, to be decreted over a period of 8 years, to account for the tax effects of the Act related to the provisional amounts recorded on December 31, 2017 based on proposed loss discounting factors released by the IRS. Final discount rates for the 2017 and 2018 years were adjusted and released by the IRS in 2019, which resulted in a reduction to the initial adjustment for 2017 and adjustment to 2018 totaling $(387,981). The total adjustment will be decreted over a period of 7 years.

In the event of uncertain tax positions, amounts would need to be evaluated and disclosed or accrued. Liabilities would be reflected on the Statements of Admitted Assets, Liabilities, and Capital and Surplus and the related interest and penalties would be included on the Statements of Income as underwriting expenses.

EDP Equipment

EDP equipment is stated at cost, net of accumulated depreciation. Depreciation is computed principally by use of the straight-line method based on the estimated useful lives of assets, which is generally three to five years. Depreciation expense for the years ended December 31, 2019 and 2018, was $53,734 and $52,489, respectively. Expenditures for maintenance and repairs relating to EDP equipment and certain fixed assets which are nonadmitted are charged to expense as incurred. When property is sold or retired, the cost of the property and the related accumulated depreciation are removed from the Statements of Admitted Assets, Liabilities and Capital and Surplus and any gain or loss on the transaction is reflected on the Statements of Income.

Reclassifications

Certain prior year amounts have been reclassified to conform to current year presentation.

3. Capital and Surplus

Total contributions from MEMIC were $129,000,000 as of December 31, 2019 and 2018. MEMIC contributed capital of $0 and $12,000,000 during 2019 and 2018, respectively. The $12,000,000 contribution during 2018, noted as a change in capital and surplus, included a $10,377,617 noncash contributions of bonds and $1,622,383 in cash.

4. Dividend Restrictions

The Company may declare a stockholder dividend without the Insurance Department approval so long as such dividend is not considered extraordinary. In the case of extraordinary dividends, prior approval is required. An extraordinary dividend or distribution includes any dividend or distribution of cash or other property, whose fair market value together with that of other dividends or distributions made within the preceding twelve months, exceeds 10% of such insurer’s capital and surplus as of December 31, limited to the prior year-end’s unassigned surplus. The maximum amount of dividends which could be paid by the Company to stockholders without prior approval of the Commissioner of Insurance was $16,024,594 and $14,754,772 during 2019 and 2018, respectively. There were no stockholder dividends declared during 2019 or 2018.

5. Income Taxes

The components of the net deferred tax asset (liability) at December 31 are as follows:

	December 31, 2019		
	1 Ordinary	2 Capital	(Col 1+2) Total
a. Gross deferred tax assets	$ 14,641,212	$ 47,469	$ 14,688,681
b. Statutory valuation allowance adjustment	-	-	-
c. Adjusted gross deferred taxes (1a - 1b)	14,641,212	47,469	14,688,681
d. Deferred tax assets nonadmitted	374,675	1,214	375,889
e. Subtotal net admitted deferred tax asset (1c - 1d)	14,266,537	46,255	14,312,792
f. Deferred tax liabilities	3,110,875	2,811,197	5,922,072
g. Net admitted deferred tax assets/(net deferred tax liability) (1e - 1f)	$ 11,155,662	$ (2,764,942)	$ 8,390,720

	December 31, 2018		
	4 Ordinary	5 Capital	(Col 4+5) Total
a. Gross deferred tax assets	$ 15,758,399	$ 47,469	$ 15,805,868
b. Statutory valuation allowance adjustment	-	-	-
c. Adjusted gross deferred taxes (1a - 1b)	15,758,399	47,469	15,805,868
d. Deferred tax assets nonadmitted	2,587,510	7,794	2,595,304
e. Subtotal net admitted deferred tax asset (1c - 1d)	13,170,889	39,675	13,210,564
f. Deferred tax liabilities	3,848,559	86,048	3,934,607
g. Net admitted deferred tax assets/(net deferred tax liability) (1e - 1f)	$ 9,322,330	$ (46,373)	$ 9,275,957

	Change		
	7 (Col 1-4) Ordinary	8 (Col 2-5) Capital	9 (Col 7+8) Total
a. Gross deferred tax assets	$ (1,117,187)	$ -	$ (1,117,187)
b. Statutory valuation allowance adjustment	-	-	-
c. Adjusted gross deferred taxes (1a - 1b)	(1,117,187)	-	(1,117,187)
d. Deferred tax assets nonadmitted	(2,212,835)	(6,580)	(2,219,415)
e. Subtotal net admitted deferred tax asset (1c - 1d)	1,095,648	6,580	1,102,228
f. Deferred tax liabilities	(737,684)	2,725,149	1,987,465
g. Net admitted deferred tax assets/(net deferred tax liability) (1e - 1f)	$ 1,833,332	$ (2,718,569)	$ (885,237)

Admission calculation components:

	December 31, 2019		
	1 Ordinary	2 Capital	(Col 1+2) Total
a. Federal income taxes paid in prior years recoverable through loss carrybacks	$ 6,349,652	$ 20,587	$ 6,370,239
b. Adjusted gross deferred tax assets expected to be realized (excluding the amount of deferred tax assets from 2(a) above) after application of the threshold limitation. (The lesser of 2(b)1 and 2(b)2 below):			
1. Adjusted gross deferred tax assets expected to be realized following the balance sheet date	2,013,951	6,530	2,020,481
2. Adjusted gross deferred tax assets allowed per limitation threshold			26,354,869
c. Adjusted gross deferred tax assets (excluding the amount of deferred tax assets from 2(a) & 2(b) above) offset by gross deferred tax liabilities	5,902,934	19,138	5,922,072
d. Deferred tax assets admitted as the result of application of SSAP 101 Total 2(a)+2(b)+2(c)	$14,266,537	$ 46,255	$14,312,792

	December 31, 2018		
	4 Ordinary	5 Capital	(Col 4+5) Total
a. Federal income taxes paid in prior years recoverable through loss carrybacks	$ 5,304,853	$ 15,980	$ 5,320,833
b. Adjusted gross deferred tax assets expected to be realized (excluding the amount of deferred tax assets from 2(a) above) after application of the threshold limitation. (The lesser of 2(b)1 and 2(b)2 below):			
1. Adjusted gross deferred tax assets expected to be realized following the balance sheet date	3,943,246	11,878	3,955,124
2. Adjusted gross deferred tax assets allowed per limitation threshold			22,624,814
c. Adjusted gross deferred tax assets (excluding the amount of deferred tax assets from 2(a) & 2(b) above) offset by gross deferred tax liabilities	3,922,790	11,817	3,934,607
d. Deferred tax assets admitted as the result of application of SSAP 101 Total 2(a)+2(b)+2(c)	$13,170,889	$ 39,675	$13,210,564

	Change		
	7 (Col 1-4) Ordinary	8 (Col 2-5) Capital	9 (Col 7+8) Total
a. Federal income taxes paid in prior years recoverable through loss carrybacks	$ 1,044,799	$ 4,607	$ 1,049,406
b. Adjusted gross deferred tax assets expected to be realized (excluding the amount of deferred tax assets from 2(a) above) after application of the threshold limitation. (The lesser of 2(b)1 and 2(b)2 below):			
1. Adjusted gross deferred tax assets expected to be realized following the balance sheet date	(1,929,295)	(5,348)	(1,934,643)
2. Adjusted gross deferred tax assets allowed per limitation threshold			3,730,055
c. Adjusted gross deferred tax assets (excluding the amount of deferred tax assets from 2(a) & 2(b) above) offset by gross deferred tax liabilities	1,980,144	7,321	1,987,465
d. Deferred tax assets admitted as the result of application of SSAP 101 Total 2(a)+2(b)+2(c)	$ 1,095,648	$ 6,580	$ 1,102,228

Other admissibility criteria:

		2019	2018
a.	Ratio percentage used to determine recovery period and threshold limitation amount	719%	581%
b.	Amount of adjusted capital and surplus used to determine recovery period and threshold limitation in 2(b)2 above	$ 175,699,125	$ 150,832,094

Tax planning strategies were not employed by the Company during 2019 or 2018, and therefore, had no impact upon the determination of adjusted gross and net admitted DTAs.

As of December 31, 2019 and 2018, the Company does not have any investment tax credits, net operating loss or capital loss carryforwards available to offset against future taxable income. The amount of federal income taxes 14incurred in the current year and each proceeding year available for recoupment in the event of future net losses is $2,259,596 and $4,110,642 for 2019 and 2018, respectively. There are no deposits admitted under Section 6603 of the Internal Revenue Code.

As of December 31, 2019 and 2018, the Company does not have any uncertain tax positions requiring disclosure in these financial statements or any tax loss contingencies for which it is reasonably possible that the total liability will significantly increase within twelve months of the reporting date.

The Company has a written tax sharing agreement which sets forth the manner in which the total combined federal income tax is allocated to each entity which is a party to the consolidation. Pursuant to this agreement, the Company has a right to recoup federal income taxes paid in prior years in the event of future net losses, or to recoup its net losses carried forward as an offset to future net income subject to federal income taxes.

Current and deferred income taxes:

Current income taxes:	2019	2018	Change
a. Federal	$ 1,707,341	$ 3,212,070	$ (1,504,729)
b. Provision to return	(224,226)	(1,344,265)	1,120,039
e. Subtotal	1,483,115	1,867,805	(384,690)
f. Federal income tax on net capital gains	552,255	1,122,798	(570,543)
i. Federal income taxes incurred	$ 2,035,370	$ 2,990,603	$ (955,233)

Deferred Tax Assets	2019	2018	Change
a. Ordinary:			
Discounting of unpaid losses	$ 9,457,085	$ 9,642,080	$ (184,995)
Unearned premium reserves	2,953,207	3,806,017	(852,810)
Accrued expenses	1,516,146	1,391,356	124,790
Other (including items < 5% of total ordinary tax assets)	714,774	918,946	(204,172)
Subtotal	14,641,212	15,758,399	(1,117,187)
b. Statutory valuation allowance adjustment	-	-	-
c. Nonadmitted	374,675	2,587,510	(2,212,835)
d. Admitted ordinary deferred tax assets	14,266,537	13,170,889	1,095,648
e. Capital:			
Investments	47,469	47,469	-
Subtotal	47,469	47,469	-
f. Statutory valuation allowance adjustment	-	-	-
g. Nonadmitted	1,214	7,794	(6,580)
h. Admitted capital deferred tax assets	46,255	39,675	6,580
i. Admitted deferred tax assets	$ 14,312,792	$ 13,210,564	$ 1,102,228
Deferred Tax Liabilities			
a. Ordinary:			
Investments	$ 50,967	$ 33,511	$ 17,456
Legislative change in loss discounting	2,607,188	3,268,558	(661,370)
Fixed assets	406,275	492,469	(86,194)
Other	46,445	54,021	(7,576)
Subtotal	3,110,875	3,848,559	(737,684)
b. Capital:			
Investments	2,811,197	86,048	2,725,149
Subtotal	2,811,197	86,048	2,725,149
c. Deferred tax liabilities	5,922,072	3,934,607	1,987,465
Net Deferred Tax Assets/Liabilities	$ 8,390,720	$ 9,275,957	$ (885,237)

Change in net deferred income taxes

	2019	2018	Change
a. Adjusted gross deferred tax assets	$ 14,688,681	$ 15,805,868	$ (1,117,187)
b. Total deferred tax liabilities	5,922,072	3,934,607	1,987,465
c. Net deferred tax assets (liabilities)	$ 8,766,609	$ 11,871,261	$ (3,104,652)
d. Tax effect of change in unrealized gains (losses)			$ (2,725,149)
e. Total change in net deferred income tax			(379,503)
			$ (3,104,652)

There were no deferred tax liabilities that were not recognized.

Among the more significant book to tax adjustments in 2019 and 2018 are the following:

	2019	2018
Provision computed at statutory rate	$ 2,726,093	$ 2,282,350
Permanent differences	(487,201)	(506,690)
Prior year true up (to deferred)	196,036	722,652
Prior year true up (to current)	(224,226)	(1,344,265)
Change in nonadmitted assets	204,171	(113,641)
Totals	2,414,873	1,040,406
Federal income taxes incurred	1,483,115	1,867,805
Realized capital gains (losses) tax	552,255	1,122,798
Change in net deferred income taxes	379,503	(1,950,197)
Total statutory income taxes	$ 2,414,873	$ 1,040,406

6. Liabilities for Loss Reserves and Loss Adjustment Expense Reserves

Activity in the liabilities for loss reserves and loss adjustment expense reserves for the years ended December 31, 2019 and 2018 are summarized as follows:

	2019	2018
Net balances at January 1,	$ 322,152,668	$ 263,720,478
Incurred related to		
Current year	125,490,286	171,404,460
Prior year	1,484,443	(7,964,322)
Total incurred	126,974,729	163,440,138
Paid related to		
Current year	38,617,920	37,658,104
Prior year	87,898,723	67,349,844
Total paid	126,516,643	105,007,948
Net balances at December 31,	$ 322,610,754	$ 322,152,668

The liabilities for loss and loss adjustment expense reserves are based upon assumptions which consider the experience of the Company, industry experience, and projections by independent actuaries. However, the reserve process is inherently subjective, and the ultimate loss and loss adjustment expense reserves may vary from the amounts recorded in the financial statements. The amounts billed and recoverable for admitted collateralized high deductible policies was $1,703,321 and $977,574 as of December 31, 2019 and 2018, respectively. These amounts are included as a net recovery to paid losses in the applicable accident years and included in premium balances receivable on the Statements of Admitted Assets, Liabilities and Capital and Surplus. In addition, the Company recorded a reserve credit for high deductible reserves outstanding of $7,356,296 and $0 as of December 31, 2019 and 2018, respectively. This 2019 reserve credit is a reduction to outstanding loss and loss adjustment expenses incurred on the Statements of Income and a reduction in case loss and case loss adjustment expense reserves on the Statements of Admitted Assets and Liabilities and Capital and Surplus. See Note 16.

During 2019, the Company's incurred losses related to prior years increased by $1,484,443 as a result of unfavorable loss development principally in the 2017 and 2018 accident years, the Company considers this development, which is <1% of prior year carried reserves, negligible. This unfavorable development is the result of ongoing analysis of recent loss development trends.

During 2018, the Company's incurred losses related to prior years decreased by $7,964,322 as a result of favorable loss development principally in the 2016 and 2017 accident years. The favorable development is the result of ongoing analysis of recent loss development trends.

Original estimates are increased or decreased as additional information becomes known regarding individual claims. There was no impact on reserves or surplus as a result of development of retrospectively rated policies.

7. Reinsurance

The Company's reinsurance program was implemented in accordance with the New Hampshire Insurance Department's Consent Agreement dated March 8, 2000.

The Company assumed risks from another insurance company through a 100% quota share reinsurance agreement which was terminated effective for the 2005 policy year. The following expenses were incurred during 2019 and reserves that remain outstanding as of December 31, 2019 and 2018 are as follows:

	2019	2018
Loss and loss adjustment expenses reseves	$ 158,776	$ 201,242
Loss and loss adjustment expenses incurred	72,034	201,565

The Company cedes risk to another insurance company through a 20% quota-share reinsurance agreement for treaty year 2019. In the event this quota share reinsurance treaty is cancelled, an immaterial amount of ceding commissions would be returned, net of the related underwriting expenses. Amounts deducted from premiums, reserves, and expenses for reinsurance ceded to other companies for this quota-share treaty are as follows:

	2019	2018
Premiums earned	$ 39,425,245	$ -
Loss and loss adjustment expenses incurred	27,794,798	-
Unearned premiums	16,111,576	-
Loss and loss adjustment expense reserves	21,508,185	-
Ceding commissions	17,771,783	-
Premiums payable	6,146,568	-

As a condition of writing policies in several states, the Company is required to participate in the National Workers' Compensation Reinsurance Pool, the Massachusetts Reinsurance Pool, the Michigan Compensation Replacement Facility, the New Mexico Workers' Compensation Reinsurance Pool and the Tennessee Reinsurance Mechanism (the "Pools") as it relates to those states. Participation requires that the Company share in the losses and expenses of the Pools. Pool results are accounted for on a gross basis whereby the Company's portion of premiums, losses, expenses and other operations of the Pools are recorded separately in the financial statements. The difference between discounted and undiscounted incurred but not reported loss and loss adjustment expense liabilities from NCCI are $968,792 and $896,300 for 2019 and 2018, respectively. All amounts are recorded as assumed business. Amounts added to premiums, reserves and expenses for reinsurance assumed from pools are as follows:

	2019	2018
Premiums earned	$ 8,179,064	$ 9,897,316
Loss and loss adjustment expenses incurred	5,195,524	6,998,630
Unearned premiums	2,586,286	2,970,507
Loss and loss adjustment expense reserves	17,193,348	17,039,991
Premiums receivable	417,097	1,059,079
Underwriting expenses incurred	1,928,286	2,313,922

The Company reinsures portions of risks with other insurance companies through excess of loss reinsurance agreements. Such agreements serve to limit the Company's maximum loss on catastrophes and large losses. To the extent that the reinsurer might be unable to meet its obligations, the Company would be liable for such defaulted amounts. Under the Company's excess of loss agreements, the Company's net retention for losses on a per occurrence basis is $1,000,000 for 2019 and 2018, respectively. The Company has a 50% participation on the $1,000,000 retention on the excess of loss agreement for 2019. In addition, for 2019 and 2018, the Company maintains additional coverage up to $100,000,000 on a per occurrence basis.

Amounts deducted from premiums, reserves and expenses for reinsurance ceded and the balances payable are as follows:

	2019	2018
Premiums earned	$ 6,204,320	$ 6,609,059
Loss and loss adjustment expenses incurred	60,000	1,720,000
Loss and loss adjustment expense reserves	6,854,314	8,027,912
Premiums payable	7,460	747,084

The 2019 and 2018 ceded loss and loss adjustment expense case incurred and incurred but not reported reserves above are comprised of amounts with five and three reinsurance carriers, respectively, although the Company has contracts with other carriers. The Company had the following unsecured reinsurance recoverables from a reinsurer that exceeded 3% of capital and surplus as of December 31, 2019:

Swiss Reinsurance America Corporation	$ 34,039,000

The Company has no reinsurance contracts that contain the following features (a) a contract term longer than two years and that is noncancelable by the Company 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. The Company has neither 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 to 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 to policyholders nor has the Company ceded any risk under any reinsurance contract (or multiple contracts with the same reinsurer or its affiliates) during the period covered by the financial statements and accounted for that contract as reinsurance (either prospective or retroactive) under statutory accounting principles. Additionally, the Company has not ceded any risk under any reinsurance contract where (a) the written premiums ceded to the reinsurer represents 50% or more of the entire direct and assumed premium written by the reinsurer based on its most recently available financial statements or (b) 25% or more of the written premium ceded to the reinsurer has been retroceded back to the Company in a separate reinsurance contract. Accordingly, the Company has not included the Supplemental Schedule of Reinsurance Disclosures.

There were no commutations during 2019 or 2018 for the Company.

8. Premiums Written and Earned

For the years ended December 31, 2019 and 2018, direct, assumed and ceded premiums are as follows:

	2019		2018	
	Written	**Earned**	**Written**	**Earned**
Direct	$ 200,527,566	$ 203,916,653	$ 208,285,412	$ 209,659,594
Assumed	7,794,842	8,179,064	10,038,455	9,897,316
Ceded	(61,741,142)	(45,629,565)	(6,609,059)	(6,609,059)
Net premiums	$ 146,581,266	$ 166,466,152	$ 211,714,808	$ 212,947,851

9. Restricted Assets

Various regulatory authorities require that securities be placed on deposit in conjunction with writing workers' compensation business. At December 31, 2019 and 2018, the Company had fixed income securities on deposit with a carrying value of $9,937,248 and $9,985,842, respectively, included in bonds on the Statements of Admitted Assets, Liabilities and Capital and Surplus.

The Company joined the FHLB on March 18, 2019. The Agreement for Advances, Collateral Pledge and Security Agreement was executed in May 2019. On May 10, 2019, the Company made its initial full stock requirement payment of $249,600 to secure Membership Class B stock, which is not eligible for redemption. This common stock, all of which is admitted, is included on the Statements of Admitted Assets, Liabilities and Capital and Surplus. The agreement between the FHLB and the Company specifies Advances and Other Credit Products will be available subject to specified collateral arrangements. The Company has no outstanding collateral pledged, activity stock, excess stock, prepayment obligations or borrowings outstanding as of the reporting date. The maximum amount the Company can borrow, absent prior approval of the Board of Directors, is 5% of net admitted assets from the most recent statutory financial statements which is $30,876,031, as of December 31, 2019.

Certain high deductible policyholders have opted to provide cash in lieu of a letter of credit as collateral for future deductible obligations up to their stated policy limits on a per claim aggregate basis. Included in both cash and short-term investments and deposits held for large deductible policyholders on the Statements of Admitted Assets, Liabilities and Capital and Surplus is $4,204,700 and $1,979,238 as of 2019 and 2018, respectively, for this collateral on deposit. See Note 16.

The following table discloses quantitative information about the Company's restricted assets by category of restricted asset as of December 31, 2019:

Restricted Asset Category	Total Current Year Admitted Restricted	Total Prior Year	Increase/ (Decrease)	Admitted Restricted to Total Admitted Assets	Gross Restricted to Total Assets
On deposit with state	$ 9,937,248	$ 9,985,842	$ (48,594)	1.61%	1.60%
FHLB capital stock	249,600	-	249,600	0.04%	0.04%
Deposits held for large deductible policyholders	4,204,700	1,979,238	2,225,462	0.68%	0.68%
Total restricted assets	$ 14,391,548	$ 11,965,080	$ 2,426,468	2.33%	2.32%

10. Investments

The carrying value and fair value of bonds as well as surplus debentures, which are included in other invested assets with a carrying value of $1,995,927, and a fair value of $2,101,800, as of December 31, 2019 and a carrying value of $1,995,846, and fair value of $1,821,262, as of December 31, 2018 are as follows:

	2019			
	Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Government & government agencies & authorities	$ 15,696,588	$ 497,197	$ (8,905)	$ 16,184,880
States, territories & possessions	49,516,878	2,236,409	(1,731)	51,751,556
Political subdivisions of states	70,758,583	3,148,795	(14,154)	73,893,224
Industrial & miscellaneous	170,906,892	11,548,460	(40,264)	182,415,088
Asset backed securities	142,239,197	2,826,863	(268,472)	144,797,588
Total bonds	$ 449,118,138	$ 20,257,724	$ (333,526)	$ 469,042,336

	2018			
	Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Government & government agencies & authorities	$ 18,422,873	$ 401,487	$ (473,985)	$ 18,350,375
States, territories & possessions	47,304,733	607,389	(367,201)	47,544,921
Political subdivisions of states	72,254,946	806,216	(1,055,405)	72,005,757
Industrial & miscellaneous	173,092,965	778,639	(3,454,151)	170,417,453
Asset backed securities	132,324,240	438,286	(2,268,556)	130,493,970
Total bonds	$ 443,399,757	$ 3,032,017	$ (7,619,298)	$ 438,812,476

The cost and fair value of equity securities are as follows:

2019	**Cost**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**
Common stocks	$ 64,145,733	$ 14,299,106	$ (912,455)	$ 77,532,384
2018				
Common stocks	$ 58,641,411	$ 5,470,966	$ (4,599,190)	$ 59,513,187

Bonds with a NAIC Securities Valuation Office ("SVO") rating of three to six have been recorded at the lower of cost or fair value in accordance with statutory accounting unless they are a residential mortgage-backed security or commercial mortgage-backed security ("RMBS/CMBS") with a SVO rating and independently modeled. The model determines the intrinsic price of the security and the price at which the percentage difference between the carrying price and the intrinsic price equals the midpoint between the risk-based capital charges for each NAIC designation. This is the maximum price point at which a security can be carried for each NAIC designation. These prices are referred to as break points. The Company utilizes the prospective adjustment methodology to value mortgage-backed bonds.

The carrying value and fair value of bonds and surplus debentures, including those held in short-term investments with a carrying value of $1,743,647 and fair value of $1,743,964 as of December 31, 2019, included in one year or less, and the surplus debenture included in other invested assets with a carrying value of $1,995,927 and a fair value of $2,101,800, included in over ten years, as of December 31, 2019, by contractual maturity are as follows:

Maturity	**Carrying Value**	**Fair Value**
One year or less	$ 11,618,336	$ 11,714,178
Over one year through five years	94,452,096	97,750,454
Over five years through ten years	148,800,526	157,426,624
Over ten years	195,990,827	203,895,044
	$ 450,861,785	$ 470,786,300

Bonds subject to early or unscheduled prepayments have been included above based upon their contractual maturity dates. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties. Asset backed securities have been categorized based on the date when the issue is expected to be paid off and the principal is projected to be paid to investors.

Proceeds from sales of investments on debt and equity securities, excluding equity proceeds from spinoffs, calls and mergers, and the gross realized gains and losses on those sales for the years ended December 31, 2019 and 2018, are summarized as follows:

	2019		
	Proceeds	Gross Realized	
	From Sales	Gains	Losses
Bonds	$ 40,787,625	$ 284,371	$ (652,081)
Common stocks	23,316,181	4,285,343	(1,285,135)
	$ 64,103,806	$ 4,569,714	$ (1,937,216)

	2018		
	Proceeds	Gross Realized	
	From Sales	Gains	Losses
Bonds	$ 9,225,502	$ 183,519	$ (15,522)
Common stocks	30,929,534	6,211,458	(1,022,975)
	$ 40,155,036	$ 6,394,977	$ (1,038,497)

As of December 31, 2019, and 2018, the Company owned no securities that were in an unrealized loss position that management determined were other-than-temporary and given current market conditions would not recover. The Company did not record any OTTI during 2019 however, during 2018, the Company recorded OTTI of $124,883.

Unrealized losses on investment grade securities (NAIC 1-2) principally relate to changes in interest rates. The fair value and gross unrealized loss of investment securities and the amount of time the security has been in an unrealized loss position as of December 31, 2019 and 2018 are as follows:

	2019					
	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Bonds and surplus debentures (NAIC 1–2):						
U.S. Government & government						
agencies & authorities	$ 2,504,660	$ (8,905)	$ -	$ -	$ 2,504,660	$ (8,905)
States, territories & possessions	168,269	(1,731)	-	-	168,269	(1,731)
Political subdivisions of states	685,846	(14,154)	-	-	685,846	(14,154)
Industrial & miscellaneous	646,812	(2,180)	533,175	(38,084)	1,179,987	(40,264)
Asset backed securities	13,823,187	(129,297)	21,807,615	(139,175)	35,630,802	(268,472)
Common stocks - unaffiliated	5,360,504	(250,016)	4,645,879	(662,439)	10,006,383	(912,455)
	$ 23,189,278	$ (406,283)	$ 26,986,669	$ (839,698)	$ 50,175,947	$ (1,245,981)

	2018					
	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Bonds and surplus debentures (NAIC 1–2):						
U.S. Government & government agencies & authorities	$ 488,984	$ (12,238)	$ 10,023,127	$ (461,747)	$ 10,512,111	$ (473,985)
States, territories & possessions	3,597,365	(14,554)	12,873,159	(352,647)	16,470,524	(367,201)
Political subdivisions of states	-	-	44,793,644	(1,055,405)	44,793,644	(1,055,405)
Industrial & miscellaneous	68,623,245	(1,347,343)	54,885,960	(1,691,742)	123,509,205	(3,039,085)
Asset backed securities	16,802,006	(144,561)	73,151,543	(2,123,995)	89,953,549	(2,268,556)
Bonds (NAIC 3–6):						
Industrial & miscellaneous	-	-	1,540,178	(415,066)	1,540,178	(415,066)
Common stocks - unaffiliated	28,756,676	(4,511,794)	638,466	(87,396)	29,395,142	(4,599,190)
	$ 118,268,276	$ (6,030,490)	$ 197,906,077	$ (6,187,998)	$ 316,174,353	$ (12,218,488)

The major categories of net investment income for the years ended December 31, 2019 and 2018 are summarized as follows:

	2019	2018
Bonds	$ 14,725,808	$ 12,379,488
Common stocks	2,244,707	2,009,493
Cash, cash equivalents and short-term investments	291,958	223,327
Other investment income	1,900	94
Total investment income	17,264,373	14,612,402
Less: Investment expenses	(930,067)	(843,807)
Net investment income	$ 16,334,306	$ 13,768,595

11. Fair Value of Financial Instruments

The fair value of an asset is the amount at which that asset could be bought or sold in a current transaction between willing parties, that is, other than in a forced or liquidation sale. The fair value of a liability is the amount at which that liability could be incurred or settled in a current transaction between willing parties, that is, other than in a forced or liquidation sale.

Valuation techniques used to derive fair value of investment securities are based on observable or unobservable inputs. Observable inputs reflect market data obtained from independent resources such as active markets or nationally recognized pricing services. Unobservable inputs reflect comparable securities or valuations received from various broker or dealer quotes.

Items Measured and Reported at Fair Value by Levels 1, 2 and 3.

The Company has categorized its assets and liabilities that are reported on the Statements of Admitted Assets, Liabilities and Capital and Surplus at fair value into a three-level fair value hierarchy as reflected in the following table. The three-level fair value hierarchy is based on the degree of subjectivity inherent in the valuation method by which fair value was determined. The three levels are defined as follows:

Level 1 - Quoted Prices in Active Markets for Identical Assets and Liabilities: This category, for items measured at fair value on a recurring basis, includes exchange-traded preferred and common stocks. The estimated fair value of the equity securities within this category are based on quoted prices in active markets and are thus classified as Level 1.

Level 2 - Significant Other Observable Inputs: This category, for items measured at fair value on a recurring basis, includes bonds and FHLB common stock, which are not exchange-traded. The estimated fair values of some of these items were determined by independent pricing services using observable inputs. Others were based on quotes from markets which were not considered actively traded.

Level 3 - Significant Other Unobservable Inputs: Inputs to the valuation methodology are unobservable and significant to the fair value measurement. The Company has no assets or liabilities measured at fair value in this category. Transfers to and from Level 3 would be recognized when a purchase, sale or settlement increases or decrease an asset previously valued as a Level 3 or when an investment is purchased which is carried at fair market value and does not have an observable input for valuation.

	2019			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets on Statements of Assets, Liabilities and Capital and Surplus, at fair value:				
Common stocks				
Industrial & miscellaneous	$ 77,282,784	$ -	$ -	$ 77,282,784
Federal Home Loan Bank	-	249,600	-	249,600
Total common stocks	77,282,784	249,600	-	77,532,384
Total assets, measured at fair value	$ 77,282,784	$ 249,600	$ -	$ 77,532,384

	2018			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets on Statements of Assets, Liabilities and Capital and Surplus, at fair value:				
Bonds				
Industrial & miscellaneous	$ -	$ 1,540,178	$ -	$ 1,540,178
Other loan-backed and structured	-	931,715	-	931,715
Total bonds	-	2,471,893	-	2,471,893
Common stocks				
Industrial & miscellaneous	59,513,187	-	-	59,513,187
Total common stocks	59,513,187	-	-	59,513,187
Total assets, measured at fair value	$ 59,513,187	$ 2,471,893	$ -	$ 61,985,080

The Company has no derivative assets or liabilities or assets carried at fair value on a nonrecurring basis.

The table below reflects the fair values and admitted assets and liabilities that are financial instruments excluding those accounted for under the equity method (subsidiaries, joint ventures and ventures) as of December 31, 2019 and 2018. The fair values are also categorized into the three-level fair value hierarchy as described above.

Type of Financial Instrument	2019 Aggregate Fair Value	Admitted Value	Level 1	Level 2	Level 3	Not Practicable (Carrying Value)
Bonds and surplus debentures						
U.S. Government & government agencies & authorities	$ 16,184,880	$ 15,696,588	$ -	$ 16,184,880	$ -	$ -
States, territories & possessions	51,751,556	49,516,878	-	51,751,556	-	-
Political subdivisions of states	73,893,224	70,758,583	-	73,893,224	-	-
Industrial & miscellaneous	182,415,088	170,906,892	-	182,415,088	-	-
Asset backed securities	144,797,588	142,239,197	-	144,797,588	-	-
Common stocks	77,532,384	77,532,384	77,282,784	249,600	-	-
Cash, cash equivalents & short-term investments	3,026,575	3,026,575	2,021,878	1,004,697	-	-
Total assets	$ 549,601,295	$ 529,677,097	$ 79,304,662	$ 470,296,633	$ -	$ -

Type of Financial Instrument	2018 Aggregate Fair Value	Admitted Value	Level 1	Level 2	Level 3	Not Practicable (Carrying Value)
Bonds and surplus debentures						
U.S. Government & government agencies & authorities	$ 18,350,375	$ 18,422,873	$ -	$ 18,350,375	$ -	$ -
States, territories & possessions	47,544,921	47,304,733	-	47,544,921	-	-
Political subdivisions of states	72,005,757	72,254,946	-	72,005,757	-	-
Industrial and miscellaneous	170,417,453	173,092,965	-	170,417,453	-	-
Asset backed securities	130,493,970	132,324,240	-	130,493,970	-	-
Common stocks	59,513,187	59,513,187	59,513,187	-	-	-
Cash, cash equivalents & short-term investments	13,320,611	13,320,611	12,312,604	1,008,007	-	-
Total assets	$ 511,646,274	$ 516,233,555	$ 71,825,791	$ 439,820,483	$ -	$ -

12. Employee Benefit Plans

The Company's parent, MEMIC, has adopted a qualified defined contribution discretionary, 401(k) and profit sharing plan covering substantially all full-time employees who meet the plans' eligibility requirements. MEMIC has also adopted a non-qualified, deferred compensation plan for certain key executives and an Incentive Compensation Plan for certain members of senior management. The Company does not currently have any of its own employees. The salaries and employee benefit expenses that reside in the Company are a result of intercompany contracts for claims, underwriting, loss control, administration and management and not direct costs therefore, the Company did not incur any direct expense for any employee benefit plans during 2019 or 2018.

The Company has no obligations to former employees for benefits after their employment but before their retirement.

13. Commitment and Contingent Liabilities

The Company leases office space and various office equipment under lease arrangements through 2025. Future minimum lease payments under operating leases at December 31, 2019 are as follows:

2020	$ 1,083,505
2021	880,256
2022	818,725
2023	474,448
2024	444,772
Thereafter	19,579
Total future minimum lease payments	$ 3,721,285

Total rent and lease expense was $832,651 and $710,746 for the years ended December 31, 2019 and 2018, respectively.

The Company is involved in litigation with respect to claims arising in the ordinary course of business, which is considered in establishing loss and loss adjustment expense reserves. The Company periodically reviews its overall loss and loss adjustment expense reserve position as well as its provision for reinsurance. The Company's management believes the resolution of such litigation is not expected to have a material adverse effect on the financial position or the operating results of the Company. The Company also considers any other insurance or noninsurance related litigation which may have a material adverse effect on the financial position or operating results of the Company; there were no matters during 2019 or 2018 that required an accrual or disclosure.

The Company is subject to guaranty funds and other assessments by states in which it has written business. Guaranty fund assessments should be accrued at the time of insolvencies. Certain assessments that are unknown to the Company are accrued at the time of assessment. In the case of premium based assessments, the expense is accrued at the time the premiums are written, or, in the case of loss based assessments, at the time the losses are incurred. The Company has recorded an expense for guaranty fund and other assessments of $3,916,739 and $3,208,154 at December 31, 2019 and 2018, respectively. The Company has recorded a liability for guaranty fund and other assessments of $6,505,741 and $5,975,959 and no related premium tax benefit asset at December 31, 2019 and 2018, respectively on the Statements of Admitted Assets, Liabilities and Capital and Surplus or Statements of Income. This amount represents management's best estimate of its liability for guaranty fund and other rating and various state insurance related assessments based on information received from the state in which the Company writes business and may change due to many factors, including the Company's share of the ultimate cost of current insolvencies or market share.

14. Related Party Transactions

MEMIC charges management and other fees to the Company in the normal course of business and in accordance with the terms of certain cost sharing agreements. In 2019 and 2018, the Company was charged $41,081,837 and $30,034,451, respectively, for administrative and management services, underwriting, claims, managed care, and investment management fees, respectively. Certain other direct costs are paid by MEMIC, charged back to the Company and settled within the terms of the written cost sharing agreements.

15. Loan-Back Securities

The Company has elected to use the prospective method of determining prepayment assumptions. Prepayment assumptions are derived primarily from projected cash flow information obtained from recognized external sources. Where projected cash flow information is not publicly available the information is obtained from external asset managers or by internal estimates. There have been no changes from the retrospective to the prospective adjustment methodology due to negative yield on specific securities.

The Company has no loan-backed securities that have a recognized OTTI where the Company either has the intent to sell, or do not have the ability or intent to retain the investment for a period of time to recover any unadjusted amortized cost basis. Credit related declines in the fair value of loan-backed or structured securities would be reflected as a realized loss in the Statements of Income.

The fair value and gross unrealized losses of non-agency residential mortgage-backed securities investment securities and the amount of time the securities have been in an unrealized loss position as of December 31, 2019 and 2018 are as follows:

	2019	2018
Aggregate amount of unrealized loss		
Less than twelve months	$ 129,297	$ 116,473
Twelve months or longer	139,175	2,061,945
Total	$ 268,472	$ 2,178,418
Aggregate fair value of securities with unrealized loss		
Less than twelve months	$ 13,823,187	$ 16,180,095
Twelve months or longer	21,807,615	70,861,451
Total	$ 35,630,802	$ 87,041,546

The Company has no repurchase agreements and/or securities lending transactions, no investments in real estate or low-income housing tax credits in the current year or prior year.

16. High Deductibles

The Company writes high deductible policies in several states. The Company defines high deductible policies based on the large deductible definitions by state for aggregate financial reporting purposes as outlined in the following table:

Coverage State	High Deductible Limit Per Claim/Occurrence	or	High Deductible Aggregate per policy
Massachusetts, Oregon	$ 75,000		$ 75,000
New York	25,000		25,000
Texas	25,000		100,000
All Other States & District of Columbia	100,000		100,000

In most cases, the Company requires high deductible policyholders to provide an evergreen, irrevocable, clean letter of credit to secure obligations up to the deductible limits. In other cases, the Company will accept a cash deposit in lieu of a letter of credit which remains in the custody of the Company and is included in cash, cash equivalents and short-term investments and deposits held for large deductible policyholders on the Statements of Assets, Liabilities and Capital and Surplus. These letter of credit and cash in lieu of letter of credit requirements are reviewed periodically, as necessary, or annually in conjunction with the policy renewal to determine appropriate increases or decreases.

Premiums receivable includes amounts billed to policyholders under high deductible policies. Deductible amounts billed to policyholders reduce paid losses and loss adjustment expenses recognized by the Company. Management believes all high deductible amounts outstanding are recoverable based on the policyholders’ payment practices and collateral held in the form of cash or irrevocable letters of credit. As of December 31, 2019, and 2018, the Company recorded a net admitted deductible recovery accrual of $1,703,321 and $977,574, respectively, for amounts billed in January 2020 and 2019, respectively, under secured high deductible policies included in premium balances receivable in the accompanying Statements of Admitted Assets, Liabilities and Capital and Surplus.

The Company recorded a reserve credit for high deductible reserves outstanding of $7,356,296 and $0 as of December 31, 2019 and 2018, respectively. This 2019 reserve credit does not include the component of unsecured reserve credit liabilities that are in excess of collateral included on or off balance sheet, therefore there is no nonadmitted component of the reserve credit. The reserve credit is a reduction to outstanding loss and loss adjustment expenses on the statements of income and a reduction in case loss and case loss adjustment expense reserves on the statements of admitted assets and liabilities and capital and surplus.

Counter Party Exposure Recorded on Unpaid Claims and Billed Recoverables on Paid Claims as of December 31, 2019:

Annual Statement Line of Business	Gross (of High Deductible) Loss Reserves	Reserve Credit for High Deductibles	Billed Recoverables on Paid Claims	Total High Deductibles and Billed Recoverables
Workers' Compensation	$ 16,219,278	$ 7,356,296	$ 1,712,527	$ 9,068,823

Unsecured amounts on high deductible policies:

Total high deductibles and billed recoverables on paid claims	$ 9,068,823
Collateral on balance sheet	4,204,700
Collateral off balance sheet	11,203,000
Total unsecured deductibles and billed recoverables on paid claims	$ -
Percentage unsecured	0.00%
Amount of overdue nonadmitted (either due to aging or collateral)	$ 262,789
Total over 90 days overdue admitted	-
Total overdue	$ 262,789

There is one counterparty high deductible policyholder with unsecured reserves as of December 31, 2019. These unsecured reserves were not included in the reserve credit for high deductibles above, therefore there is no nonadmitted component or percentage noted as unsecured. Collateral on and off balance sheet, in the aggregate, remains in excess of the established reserve credit and billed recoverables on paid claims. There are no unsecured high deductible recoverables for individual obligors or that of a Group under the same management or control which are greater than 1% of Capital and Surplus.

Counterparty Ranking	Top Unsecured High Deductible Amounts
Counterparty 1	$ 253,583
Counterparty 2	9,206

17. Subsequent Events

Subsequent events have been considered through March 27, 2020, for these statutory financial statements which are available to be issued on March 27, 2020. In recent days, the COVID-19 outbreak in the United States has resulted in investment market volatility and a reduction in payroll for a number of business who voluntarily or involuntarily have closed. Given the expected decreases in payroll across many industries, the Company expects initial projections for direct written premium to be less than expected. In addition, the COVID-19 outbreak will likely result in an additional workers' compensation claims and extended benefits should pending or future legislation at a state level ultimately determine an expansion in the definition of work related injuries.

SUMMARY INVESTMENT SCHEDULE

	Gross Investment Holdings		Admitted Assets as Reported in the Annual Statement			
Investment Categories	1 Amount	2 Percentage of Column 1 Line 13	3 Amount	4 Securities Lending Reinvested Collateral Amount	5 Total (Col. 3 + 4) Amount	6 Percentage of Column 5 Line 13
1. Long-Term Bonds (Schedule D, Part 1):						
1.01 U.S. Governments	18,092,115	3.4	18,092,115		18,092,115	3.4
1.02 All Other Governments	1,616,599	0.3	1,616,599		1,616,599	0.3
1.03 U.S. States, Territories and Possessions, etc., Guaranteed	15,239,187	2.9	15,239,187		15,239,187	2.9
1.04 U.S. Political Subdivisions of States, Territories and Possessions, Guaranteed	37,028,119	7.0	37,028,119		37,028,119	7.0
1.05 U.S. Special Revenue and Special Assessment Obligations, etc., Non-Guaranteed	152,617,221	28.8	152,617,221		152,617,221	28.8
1.06 Industrial and Miscellaneous	222,528,970	42.0	222,528,970		222,528,970	42.0
1.07 Hybrid Securities		0.0			0	0.0
1.08 Parent, Subsidiaries and Affiliates		0.0			0	0.0
1.09 SVO Identified Funds		0.0			0	0.0
1.10 Unaffiliated Bank Loans		0.0			0	0.0
1.11 Total Long-Term Bonds	447,122,211	84.4	447,122,211	0	447,122,211	84.4
2. Preferred Stocks (Schedule D, Part 2, Section 1):						
2.01 Industrial and Misc. (Unaffiliated)		0.0			0	0.0
2.02 Parent, Subsidiaries and Affiliates		0.0			0	0.0
2.03 Total Preferred Stock	0	0.0	0	0	0	0.0
3. Common Stocks (Schedule D, Part 2, Section 2):						
3.01 Industrial and Miscellaneous Publicly Traded (Unaffiliated)	77,282,784	14.6	77,282,784		77,282,784	14.6
3.02 Industrial and Miscellaneous Other (Unaffiliated)	249,600	0.0	249,600		249,600	0.0
3.03 Parent, Subsidiaries and Affiliates Publicly Traded		0.0			0	0.0
3.04 Parent, Subsidiaries and Affiliates Other		0.0			0	0.0
3.05 Mutual Funds		0.0			0	0.0
3.06 Unit Investment Trusts		0.0			0	0.0
3.07 Closed-End Funds		0.0			0	0.0
3.08 Total Common Stocks	77,532,384	14.6	77,532,384	0	77,532,384	14.6
4. Mortgage Loans Schedule B):						
4.01 Farm Mortgages		0.0			0	0.0
4.02 Residential Mortgages		0.0			0	0.0
4.03 Commercial Mortgages		0.0			0	0.0
4.04 Mezzanine Real Estate Loans		0.0			0	0.0
4.05 Total Mortgage Loans	0	0.0	0	0	0	0.0
5. Real Estate (Schedule A):						
5.01 Properties Occupied by Company		0.0			0	0.0
5.02 Properties Held for Production of Income		0.0			0	0.0
5.03 Properties Held for Sale		0.0			0	0.0
5.04 Total Real Estate	0	0.0	0	0	0	0.0
6. Cash, Cash Equivalents, and Short-Term Investments::						
6.01 Cash (Schedule E, Part 1)	1,282,928	0.2	1,282,928		1,282,928	0.2
6.02 Cash Equivalents (Schedule E, Part 2)	738,950	0.1	738,950		738,950	0.1
6.03 Short-Term Investments (Schedule DA)	1,004,697	0.2	1,004,697		1,004,697	0.2
6.04 Total Cash, Cash Equivalents, and Short-Term Investments	3,026,575	0.6	3,026,575	0	3,026,575	0.6
7. Contract Loans		0.0			0	0.0
8. Derivatives (Schedule DB)		0.0			0	0.0
9. Other Invested Assets (Schedule BA)	1,995,927	0.4	1,995,927		1,995,927	0.4
10. Receivables for Securities	16	0.0	16		16	0.0
11. Securities Lending (Schedule DL, Part 1)		0.0		XXX	XXX	XXX
12. Other Invested Assets (Page 2, Line 11)		0.0			0	0.0
13. Total Invested Assets	529,677,113	100.0	529,677,113	0	529,677,113	100.0

* 1 1 0 3 0 2 0 1 9 2 8 5 0 0 1 0 0 *

SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES

For the year ended December 31, 2019

(To be filed by April 1)

Of MEMIC Indemnity Company

Address (City, State, Zip Code): Manchester NH 03101

NAIC Group Code.....1332 NAIC Company Code.....11030 Employer's ID Number.....02-0515329

The Investment Risks Interrogatories are to be filed by April 1. They are also to be included with the Audited Statutory Financial Statements.

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. $......617,520,610

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

	1 Issuer	2 Description of Exposure	3 Amount	4 Percentage of Total Admitted Assets
2.01	CLARK CNTY NV SCH DIST	Long Term Bonds	$........4,637,983	..................0.8 %
2.02	C	Long Term Bonds	$........4,478,403	..................0.7 %
2.03	CALIFORNIA ST	Long Term Bonds	$........4,276,493	..................0.7 %
2.04	JPM	Bonds/Common Stock	$........4,029,166	..................0.7 %
2.05	INTC	Bonds/Common Stock	$........3,862,916	..................0.6 %
2.06	BMO	Long Term Bonds	$........3,719,854	..................0.6 %
2.07	WASHOE CNTY NV SCH DIST	Long Term Bonds	$........3,330,014	..................0.5 %
2.08	MISSOURI ST HLTH & EDUCTNL FAC	Long Term Bonds	$........3,131,657	..................0.5 %
2.09	FLORIDA ST HURRICANE CATASTROP	Long Term Bonds	$........3,002,811	..................0.5 %
2.10	BNP	Long Term Bonds	$........2,998,602	..................0.5 %

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

	Bonds	1	2
3.01	NAIC 1	$....366,268,213	................59.3 %
3.02	NAIC 2	$......81,858,693	................13.3 %
3.03	NAIC 3	$..........................	..................0.0 %
3.04	NAIC 4	$..........................	..................0.0 %
3.05	NAIC 5	$..........................	..................0.0 %
3.06	NAIC 6	$..........................	..................0.0 %
	Preferred Stocks	3	4
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? Yes [ ] No [X]

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

4.02	Total admitted assets held in foreign investments	$......36,239,323	..................5.9 %
4.03	Foreign-currency-denominated investments	$..........................	..................0.0 %
4.04	Insurance liabilities denominated in that same foreign currency	$..........................	..................0.0 %

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

		1	2
5.01	Countries designated NAIC 1	$......36,239,323	..................5.9 %
5.02	Countries designated NAIC 2	$..........................	..................0.0 %
5.03	Countries designated NAIC 3 or below	$..........................	..................0.0 %

6. Largest foreign investment exposures by country, categorized by the country's NAIC sovereign designation:

		1	2
	Countries designated NAIC 1:		
6.01	Country 1: Cayman Islands	$......10,288,542	..................1.7 %
6.02	Country 2: United Kingdom	$........9,284,480	..................1.5 %
	Countries designated NAIC 2:		
6.03	Country 1:	$..........................	..................0.0 %
6.04	Country 2:	$..........................	..................0.0 %
	Countries designated NAIC 3 or below:		
6.05	Country 1:	$..........................	..................0.0 %
6.06	Country 2:	$..........................	..................0.0 %

		1	2
7.	Aggregate unhedged foreign currency exposure	$..........................	..................0.0 %

8. Aggregate unhedged foreign currency exposure categorized by NAIC sovereign designation:

		1	2
8.01	Countries designated NAIC 1	$	0.0 %
8.02	Countries designated NAIC 2	$	0.0 %
8.03	Countries designated NAIC 3 or below	$	0.0 %

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

		1	2
	Countries designated NAIC 1:		
9.01	Country 1:	$	0.0 %
9.02	Country 2:	$	0.0 %
	Countries designated NAIC 2:		
9.03	Country 1:	$	0.0 %
9.04	Country 2:	$	0.0 %
	Countries designated NAIC 3 or below:		
9.05	Country 1:	$	0.0 %
9.06	Country 2:	$	0.0 %

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

	1 Issuer	2 NAIC Designation	3	4
10.01	BNP	1	$2,998,602	0.5 %
10.02	APID	1	$2,000,000	0.3 %
10.03	OCTLF	1	$2,000,000	0.3 %
10.04	SUMIBK	1	$2,000,000	0.3 %
10.05	RNR	1	$1,973,882	0.3 %
10.06	AUSPAC	2	$1,900,000	0.3 %
10.07	IVZ	1	$1,635,688	0.3 %
10.08	AZN	2	$1,506,284	0.2 %
10.09	BPLN	1	$1,500,000	0.2 %
10.10	MUFG	1	$1,490,181	0.2 %

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 [X] No [ ]

If response to 11.01 is yes, detail is not required for the remainder of Interrogatory 11.

11.02	Total admitted assets held in Canadian Investments	$	0.0 %
11.03	Canadian currency-denominated investments	$	0.0 %
11.04	Canadian-denominated insurance liabilities	$	0.0 %
11.05	Unhedged Canadian currency exposure	$	0.0 %

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 [X] No [ ]

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

	1	2	3
12.02	Aggregate statement value of investments with contractual sales restrictions	$	0.0 %
	Largest three investments with contractual sales restrictions:		
12.03		$	0.0 %
12.04		$	0.0 %
12.05		$	0.0 %

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

13.01 Are assets held in equity interest less than 2.5% of the reporting entity's total admitted assets? Yes [ ] No [X]

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

	1 Name of Issuer	2	3
13.02	VFC	$1,986,622	0.3 %
13.03	BBY	$1,921,679	0.3 %
13.04	TXN	$1,883,554	0.3 %
13.05	JNJ	$1,872,533	0.3 %
13.06	CSCO	$1,868,186	0.3 %
13.07	JPM	$1,867,263	0.3 %
13.08	QCOM	$1,863,771	0.3 %
13.09	MRK	$1,841,283	0.3 %
13.10	PNC	$1,838,938	0.3 %
13.11	MMM	$1,834,062	0.3 %

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? Yes [X] No [ ]

If response to 14.01 above is yes, responses are not required for the remainder of Interrogatory 14.

	1	2	3
14.02	Aggregate statement value of investments held in nonaffiliated, privately placed equities	$	0.0 %
	Largest three investments held in nonaffiliated, privately placed equities:		
14.03		$	0.0 %
14.04		$	0.0 %
14.05		$	0.0 %

Ten Largest Fund Managers

	1 Fund Manager	2 Total Invested	3 Diversified	4 Non-Diversified
14.06		$	$	$
14.07		$	$	$
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 [X] No [ ]

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

	1	2	3
15.02	Aggregate statement value of investments held in general partnership interests	$	0.0 %
	Largest three investments in general partnership interests:		
15.03		$	0.0 %
15.04		$	0.0 %
15.05		$	0.0 %

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 [X] No [ ]

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

	1 Type (Residential, Commercial, Agricultural)	2	3
16.02		$	0.0 %
16.03		$	0.0 %
16.04		$	0.0 %
16.05		$	0.0 %
16.06		$	0.0 %
16.07		$	0.0 %
16.08		$	0.0 %
16.09		$	0.0 %
16.10		$	0.0 %
16.11		$	0.0 %

Amount and percentage of the reporting entity's total admitted assets held in the following categories of mortgage loans:

		Loans	
16.12	Construction loans	$	0.0 %
16.13	Mortgage loans over 90 days past due	$	0.0 %
16.14	Mortgage loans in the process of foreclosure	$	0.0 %
16.15	Mortgage loans foreclosed	$	0.0 %
16.16	Restructured mortgage loans	$	0.0 %

17. Aggregate mortgage loans having the following loan-to-value ratios as determined from the most current appraisal as of the annual statement date:

Loan-to-Value	Residential		Commercial		Agricultural	
	1	2	3	4	5	6
17.01 above 95%	$	0.0 %	$	0.0 %	$	0.0 %
17.02 91% to 95%	$	0.0 %	$	0.0 %	$	0.0 %
17.03 81% to 90%	$	0.0 %	$	0.0 %	$	0.0 %
17.04 71% to 80%	$	0.0 %	$	0.0 %	$	0.0 %
17.05 below 70%	$	0.0 %	$	0.0 %	$	0.0 %

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 less than 2.5% of the reporting entity's total admitted assets? Yes [X] No [ ]

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

Largest five investments in any one parcel or group of contiguous parcels of real estate:

	Description	2	3
18.02		$	0.0 %
18.03		$	0.0 %
18.04		$	0.0 %
18.05		$	0.0 %
18.06		$	0.0 %

19. Report aggregate amounts and percentages of the reporting entity's total admitted assets held in investments held in mezzanine real estate loans.

19.01 Are assets held in investments held in mezzanine real estate loans less than 2.5% of the reporting entity's admitted assets? Yes [X] No [ ]

If response to 19.01 is yes, responses are not required for the remainder of Interrogatory 19.

	1	2	3
19.02	Aggregate statement value of investments held in mezzanine real estate loans	$	0.0 %
	Largest three investments held in mezzanine real estate loans:		
19.03		$	0.0 %
19.04		$	0.0 %
19.05		$	0.0 %

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

	At Year-End		At End of Each Quarter		
			1st Qtr	2nd Qtr	3rd Qtr
	1	2	3	4	5
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:

	Owned		Written	
	1	2	3	4
21.01 Hedging	$	0.0 %	$	0.0 %
21.02 Income generation	$	0.0 %	$	0.0 %
21.03 Other	$	0.0 %	$	0.0 %

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

	At Year-End		At End of Each Quarter		
			1st Qtr	2nd Qtr	3rd Qtr
	1	2	3	4	5
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:

	At Year-End		At End of Each Quarter		
			1st Qtr	2nd Qtr	3rd Qtr
	1	2	3	4	5
23.01 Hedging	$	0.0 %	$	$	$
23.02 Income generation	$	0.0 %	$	$	$
23.03 Replications	$	0.0 %	$	$	$
23.04 Other	$	0.0 %	$	$	$

MEMIC Casualty Company

Financial Statements
(Statutory Basis)
December 31, 2019 and 2018

MEMIC Casualty Company
Index
(Statutory Basis)
December 31, 2019 and 2018

Report of Independent Auditors

To the Board of Directors of
MEMIC Casualty Company

We have audited the accompanying statutory basis financial statements of MEMIC Casualty Company (the Company), which comprise the statutory statements of admitted assets, liabilities and capital and surplus as of December 31, 2019 and 2018, and the related statutory statements of income, changes in capital and surplus, and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the accounting practices prescribed or permitted the Insurance Department of the State of New Hampshire. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these statutory basis financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

As described in Note 2 to the financial statements, the Company prepared these financial statements using accounting practices prescribed or permitted by the Insurance Department of the State of New Hampshire, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the statutory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

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" paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Company as of December 31, 2019 and 2018, or the results of its operations or its cash flows for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the statutory basis financial statements referred to above present fairly, in all material respects, the admitted assets, liabilities and capital and surplus of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for the years then ended, on the basis of accounting described in Note 2.

Other Matter – Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Summary Investment Schedule and Supplemental Investment Risks Interrogatories of the Company as of December 31, 2019 and for the year then ended are presented for purposes of additional analysis and are not a required part of the financial statements, but are supplementary information required by the Insurance Department of the State of New Hampshire. 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 audit 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 financial statements themselves and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, such schedules are fairly stated, in all material respects, in relation to the statutory basis financial statements taken as a whole.

Johnson Lambert LLP

Atlanta, Georgia
March 27, 2020

MEMIC Casualty Company
Statements of Admitted Assets, Liabilities and Capital and Surplus (Statutory Basis)
December 31, 2019 and 2018

	2019	2018
Admitted Assets		
Invested assets		
Bonds, at carrying value (fair value: $85,220,834 and $73,389,995 at December 31, 2019 and 2018, respectively)	$ 82,532,530	$ 74,217,607
Common stocks, at fair value (cost: $48,900 and $0 at December 31, 2019 and 2018, respectively)	48,900	-
Cash, cash equivalents and short-term investments	9,502,326	5,639,619
Total cash and invested assets	92,083,756	79,857,226
Premium balances receivable	14,892,285	9,504,742
Reinsurance recoverable on paid loss and loss adjustment expenses	349,755	-
Due from parent	261,160	165,412
Investment income due and accrued	553,137	523,794
Net deferred income taxes	1,381,695	1,065,373
EDP equipment (net of accumulated depreciation of $3,272 and $566 at Decemeber 31, 2019 and 2018, respectively)	11,048	4,285
Total admitted assets	$ 109,532,836	$ 91,120,832
Liabilities		
Loss reserves	$ 38,798,615	$ 29,729,725
Loss adjustment expense reserves	5,524,739	3,718,691
Unearned premium reserves	14,825,176	11,920,901
Advance premium	168,610	206,601
Reinsurance premiums payable	1,711,214	31,322
Other liabilities	207,274	140,308
Deposits held for large deductible policyholders	1,371,520	1,682,477
Premium taxes and assessments payable	867,734	512,060
Amounts withheld for others	954,345	876,132
Commissions payable	1,563,275	1,100,123
Federal income tax payable	973,582	330,485
Total liabilities	66,966,084	50,248,825
Commitments and contingencies (Note 12)		
Capital and Surplus		
Common stock, 1,000,000 shares authorized,100,000 shares issued and outstanding, par value $30	3,000,000	3,000,000
Gross paid-in and contributed surplus	36,183,951	36,183,951
Unassigned surplus	3,382,801	1,688,056
Total capital and surplus	42,566,752	40,872,007
Total liabilities and capital and surplus	$ 109,532,836	$ 91,120,832

The accompanying notes are an integral part of these statutory basis financial statements.

MEMIC Casualty Company
Statements of Income
(Statutory Basis)
Years Ended December 31, 2019 and 2018

	2019	2018
Underwriting income		
Premiums earned, net	$ 28,146,362	$ 22,467,693
Loss and underwriting expenses		
Losses incurred, net	17,009,058	13,800,836
Loss adjustment expenses incurred, net	4,649,882	3,463,364
Underwriting expenses (income)		
Commissions	(103,014)	2,181,882
Premium taxes	988,735	543,353
Guarantee fund, rating bureau and other assessments	350,623	127,185
Supervision, acquisition and collection expenses	3,566,715	2,430,720
Loss control	1,011,797	658,627
General expenses	380,570	134,400
Total underwriting expenses	6,195,426	6,076,167
Total loss and underwriting expenses	27,854,366	23,340,367
Net underwriting income (loss)	291,996	(872,674)
Investment income		
Net investment income	2,404,447	1,738,646
Net realized capital losses (less capital losses tax of ($8,134) and ($8,471), December 31, 2019 and 2018, respectively)	(30,601)	(31,868)
Total investment income	2,373,846	1,706,778
Other income (expense)		
Bad debt expense	(1,960)	(14,554)
Finance charges	7,155	5,115
Net other income (expense)	5,195	(9,439)
Income before dividends and federal income taxes	2,671,037	824,665
Dividends to policyholders	204,944	72,297
Income after dividends, before federal income taxes	2,466,093	752,368
Provision for federal income taxes	981,716	338,956
Net income	$ 1,484,377	$ 413,412

The accompanying notes are an integral part of these statutory basis financial statements.

MEMIC Casualty Company
Statements of Changes in Capital and Surplus
(Statutory Basis)
Years Ended December 31, 2019 and 2018

	2019	2018
Capital and surplus at beginning year	$ 40,872,007	$ 30,026,059
Net income	1,484,377	413,412
Change in net deferred income taxes	513,453	533,090
Change in nonadmitted assets	(303,085)	(100,554)
Capital contributions	-	10,000,000
Change in capital and surplus	1,694,745	10,845,948
Capital and surplus at end of year	$ 42,566,752	$ 40,872,007

The accompanying notes are an integral part of these statutory basis financial statements.

MEMIC Casualty Company
Statements of Cash Flows
(Statutory Basis)
Years Ended December 31, 2019 and 2018

	2019	2018
Cash from operations		
Premiums collected, net	$ 27,286,769	$ 23,255,347
Investment income received, net	2,663,007	1,930,554
Other income (expense)	5,195	(9,439)
Cash provided from operations	29,954,971	25,176,462
Benefit and loss related payments	8,289,923	5,913,113
Commissions and expenses paid	8,464,426	7,041,189
Dividends paid to policyholders	204,944	72,297
Federal income taxes paid	330,484	305,078
Cash used in operations	17,289,777	13,331,677
Net cash provided from operations	12,665,194	11,844,785
Cash from investing activities		
Cash provided by (used in) investments		
Proceeds from bonds sold, matured or repaid	22,870,125	11,396,564
Cost of bonds acquired	(31,511,685)	(29,955,263)
Cost of stocks acquired	(48,900)	-
Net cash used in investing activities	(8,690,460)	(18,558,699)
Cash from financing and miscellaneous sources		
Other cash		
Capital and paid in surplus	-	7,981,205
Other (uses) sources	(112,027)	411,523
Net cash (used) provided by financing and miscellaneous sources	(112,027)	8,392,728
Net increase in cash	3,862,707	1,678,814
Cash, cash equivalents and short-term investments		
Beginning of year	5,639,619	3,960,805
End of year	$ 9,502,326	$ 5,639,619
Noncash transaction		
Receipt of bonds	$ -	$ 2,018,795

The accompanying notes are an integral part of these statutory basis financial statements.

1. Organization

All outstanding shares of MEMIC Casualty Company (the “Company”) are owned by Maine Employers’ Mutual Insurance Company (“MEMIC”), a property and casualty insurance company domiciled in the State of Maine. The Vermont Department of Financial Regulation, acting as rehabilitator, converted the former Granite Manufacturers’ Mutual Indemnity Company (“GMMIC”), a property and casualty insurance carrier domiciled in the State of Vermont to write workers’ compensation, to a stock company and on December 12, 2011, MEMIC purchased the Company. In conjunction with the transaction, GMMIC was renamed to MEMIC Casualty Company. There are no outstanding liabilities associated with this former incorporation as of December 31, 2019 or 2018. At the date of conversion, the Company acquired the residual assets and liabilities of GMMIC. The Company changed its state of domicile from Vermont to New Hampshire effective January 1, 2015. Since 2011, MEMIC has contributed $39,183,951 to capitalize the Company. The Company is licensed to write workers’ compensation insurance in twenty-seven states and commenced writing policies in May 2012.

2. Summary of Significant Accounting Policies

Basis of Presentation

The financial statements of the Company are prepared in conformity with statutory accounting practices of the National Association of Insurance Commissioners (“NAIC”) as prescribed or permitted by the New Hampshire Insurance Department (“statutory accounting”).

The New Hampshire Insurance Department (“Insurance Department”) recognizes only statutory accounting practices prescribed or permitted by the State of New Hampshire for determining and reporting the financial condition and results of operations of an insurance company, and for determining its solvency under New Hampshire Insurance Law. The NAIC Accounting Practices and Procedures Manual (“NAIC SAP“) has been adopted as a component of prescribed or permitted practices by the State of New Hampshire. There are no differences between the Company’s net income, capital and surplus as recognized under NAIC SAP and the practices prescribed or permitted by the State of New Hampshire.

Statutory accounting practices differ in certain respects from accounting principles generally accepted in the United States of America (“GAAP”). The effects of such differences on the accompanying financial statements, which could be significant, have not been determined. The most significant differences generally include the following:

a. Statutory accounting requires that policy acquisition costs such as commissions, premium taxes and other items directly related to placing or renewing business would be charged to current operations as incurred. Under GAAP, policy acquisition costs would be deferred and then amortized ratably over the periods covered by the policies;

b. The statutory provision for federal income taxes represents estimated amounts currently payable based on taxable income or loss reported in the current accounting period. Deferred income taxes are provided in accordance with SSAP 101, *Income Taxes.* SSAP 101 provides requirements for tax loss contingencies and the calculation and admissibility of deferred tax assets (“DTAs”). The realization of any resulting deferred tax asset is limited based on certain criteria in accordance with SSAP 101. The GAAP provision would include a provision for taxes currently payable, as well as deferred taxes, both of which would be recorded in the Statements of Income;

c. Under statutory accounting, certain assets designated as “nonadmitted assets” (principally premiums past due greater than 90 days, a portion of DTAs, prepaid assets, non-operating system software and office furniture and equipment) are charged directly to unassigned surplus. GAAP would require the Company to maintain a reserve for doubtful accounts based on amounts deemed to be uncollectible or to expense prepaid assets over the term of the related benefit. Office furniture and equipment and non-operating system software are capitalized and depreciated over their estimated useful lives;

d. Under statutory accounting, investments in debt securities are generally carried at amortized cost. Under GAAP, debt securities classified as trading or available for sale are valued at fair value, and debt securities classified as held-to-maturity are valued at amortized cost;

e. For statutory purposes, unrealized gains and losses on investments in equity securities are generally recorded as a direct credit or charge to surplus, net of the adjustment for deferred federal income taxes. Under GAAP, unrealized gains and losses on equity securities are reported directly in net income. Prior to January 1, 2019, unrealized gains and losses on equity securities were recorded as either a separate component of accumulated other comprehensive income, net of tax (for equity securities classified as "available for sale") or as a direct charge to net income (for equity securities classified as "trading" securities);

f. Reinsurance balances relating to unpaid loss and loss adjustment expenses and unearned premium are presented as offsets to reserves; under GAAP, such amounts would be presented as reinsurance recoverable; moreover, under statutory accounting, a liability is established for recoverable balances from reinsurers which are not authorized and for overdue paid loss recoverables;

g. Under GAAP, the inclusion of a Statement of Comprehensive Income, detailing the income effects of unrealized gains and losses on fixed income securities, foreign exchange transactions, and pension liability adjustments is required;

h. For statutory cash flow purposes, included as cash and cash equivalents are short-term investments which mature within one year as opposed to three months; and

i. A reconciliation of cash flows to the indirect method is not provided under statutory accounting.

Management Estimates

The preparation of financial statements in conformity with statutory accounting practices requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent 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.

Cash and Invested Assets

Invested assets are valued in accordance with the statutory basis of valuation prescribed by the NAIC. Cash includes cash and cash equivalents, which are short-term investments and mature within one year; the carrying value of these investments approximates fair value. The Company's cash is held at major commercial banks. At times, cash balances at financial institutions may exceed insurable amounts. The Company believes it mitigates its risks by depositing cash in or investing through major financial institutions. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Only investments with original maturities of three months or less qualify under this definition. Included in cash and cash equivalents are policyholder deposits for high deductible policies that have opted to provide cash in lieu of a letter of credit. See discussion of high deductibles in Note 16.

Investment grade non-loan backed bonds with NAIC designation 1 or 2 are stated at amortized value using the interest method. Non-investment grade non-loan backed bonds with NAIC designations of 3 through 6 are stated at the lower of amortized value or fair value. U.S. government agency loan-backed and structured securities are valued at amortized value. Other loan-backed and structured securities are valued at either amortized value or fair value, depending on many factors including: the type of underlying collateral, whether modeled by an NAIC vendor, whether rated (by either NAIC approved rating organization or NAIC Securities Valuation Office), and relationship of amortized value to par value and amortized value to fair value.

Common stocks, which includes Federal Home Loan Bank ("FHLB") common stock, which is not exchange traded, are generally stated at the fair value. Where declines in the value of marketable securities are deemed other-than-temporary, the loss is reported as a component of net realized capital gains and losses. The net unrealized gains and losses on these marketable securities, after deductions of applicable deferred income taxes, are credited or charged directly to unassigned surplus.

Investment income is recorded on an accrual basis. Realized capital gains and losses are reported, net of tax, in operating results based on the specific identification of investments sold. Unrealized capital gains and losses from the valuation of investments at fair value are credited or charged directly to unassigned surplus, net of federal income taxes, unless determined to be other-than-temporary ("OTTI") and included as a component of net realized capital (losses) gains. Specific impairments are determined based on a continual review of investment portfolio valuations. Bi-annually, the Company performs a by-cusip review of bonds with a fair value to carrying value less than 75% to determine if OTTI has occurred and whether an impairment should be recognized.

Premiums and Unearned Premium Reserves

Direct and assumed premiums are earned on a monthly pro rata basis over the inforce period and ceded premiums are written and earned concurrently for the workers' compensation line of business. Ceded premiums for the 2019 quota share treaty are earned on a monthly pro rata basis over the in-force period. Accordingly, unearned premium reserves are established for the pro rata portion of direct and assumed premiums written for workers' compensation direct and ceded premium related to the 2019 quota share treaty which are applicable to the unexpired terms of the policies inforce, net of reinsurance. Premium adjustments resulting from retrospective rating plans and/or audits are recorded as written and earned premiums once such amounts can be reasonably estimated. When the anticipated losses, loss adjustment expenses, commissions, and other acquisition and maintenance costs exceed the recorded unearned premium reserve, and any future installment premiums on existing policies, a premium deficiency reserve is recognized by recording an additional liability for the deficiency, with a corresponding charge to operations. The Company does anticipate investment income when evaluating the need for any premium deficiency reserve. There was no premium deficiency reserve recorded for 2019 or 2018.

Equities and Deposits in Pools

The Company is required to participate in involuntary pools in the states where it writes workers' compensation business. The Company participates in underwriting results, including premiums, losses, expenses and other operations of these involuntary pools, based on the Company's proportionate share of similar business written in those states. The National Council on Compensation Insurance ("NCCI") services the involuntary pools in several states where the Company writes business. The loss reserves that are reported to NCCI by the servicing carriers are gross of loss discounting. By application of incurred loss development and tail development factors, any discount included in the case reserves reported by servicing carriers is factored out (or unwound). NCCI also provides each participating company with an estimate of its share of discounted liabilities. The discounting assumptions include a 3.5% discount rate on incurred but not reported loss and loss adjustment expense reserves based on the 2007 U.S. Life mortality table. Underwriting results are accounted for on a gross basis whereby the Company's portion of premiums, losses, expenses and other operations of the pool are recorded separately in the financial statements rather than netted against each other. Premiums receivable on involuntary pool business are recorded in premium balances receivable on the Statements of Admitted Assets, Liabilities and Capital and Surplus.

Loss and Loss Adjustment Expense Reserves

Loss and loss adjustment expenses are recorded as incurred to initially match such costs and premiums over the contract periods. Loss reserves are established for losses and loss adjustment expenses based upon claim evaluations and include an estimated provision for both reported and unreported claims incurred and related expenses. The assumptions used in determining loss and loss adjustment expense reserves have been developed after considering the experience of the Company, industry experience, and projections by independent actuaries. The ultimate loss and loss adjustment expense reserves may vary from the amounts reflected in the accompanying financial statements. The methods utilized in estimating and establishing the reserves are continually reviewed and updated and any adjustments are reflected in current operating results. Allowances for subrogation recoveries are included in the Company's estimate of loss reserves. See the summary of reserves in Note 6.

Nonadmitted Assets

The following nonadmitted assets were excluded from the Statements of Admitted Assets, Liabilities and Capital and Surplus as of December 31, 2019 and 2018:

	2019	2018
Premium balances receivable over 90 days past due	$ 56,763	$ 38,536
Deferred income taxes	415,834	218,703
Fixed assets, net of accumulated depreciation	294,713	211,535
Prepaid assets	4,500	(49)
Total nonadmitted assets	$ 771,810	$ 468,725

Depreciation expense on nonadmitted fixed assets was $73,701 and $67,714 as of December 31, 2019 and 2018, respectively.

Federal Income Taxes

The Company files a consolidated tax return with MEMIC and three affiliates, MEMIC Indemnity Company ("MEMIC Indemnity"), MEMIC Services, Inc. ("MEMIC Services") and Casco View Holdings, LLC ("CVH"). In accordance with a tax sharing agreement, the provision for federal income taxes is recorded based upon amounts expected to be reported as if the Company filed a separate federal income tax return. Additionally, under this agreement, the Company will be reimbursed for the utilization of tax operating losses, tax credits, and capital loss carryforwards, to the extent the Company would have utilized these tax attributes on a separate return basis.

The provision for federal income taxes includes amounts currently payable or recoverable and deferred income taxes, computed under the asset/liability method, which results from temporary differences between the tax basis and book basis of assets and liabilities. SSAP No. 101, outlines the statutory accounting principles for current and deferred federal and foreign income taxes and current state income taxes. SSAP No. 101, (1) restricts the ability to use the 3 years/15 percent of surplus admission rule to those entities that meet a new modified risk based capital ratio threshold; (2) outlines the recognition threshold for recording tax contingency reserves from a probable liability standard to a more-likely-than-not liability standard; (3) requires the disclosure of tax planning strategies that relate to reinsurance; and, (4) requires consideration of reversal patterns of deferred tax assets ("DTAs") and deferred tax liabilities ("DTLs") in determining the extent to which DTLs could offset DTAs on the federal income tax return. Uncertain tax positions, as applicable are considered in these statutory financial statements.

Deferred federal income taxes arise from temporary differences between the valuation of assets and liabilities as determined for financial reporting purposes and federal income tax purposes. On December 22, 2017, the Tax Cuts and Jobs Act of 2017 (the "Act") was signed into law. Among other things, the Act reduced the Company's federal tax rate to a flat 21%. As a result, the Company's temporary differences were measured at an effective tax rate of 21% as of December 31, 2018 and 2017. The Company recognized an adjustment of $305,729 in 2018, to be decreted over a period of 8 years, to account for the tax effects of the Act related to the provisional amounts recorded on December 31, 2017 based on proposed loss discounting factors released by the IRS. Final discount rates for the 2017 and 2018 years were adjusted and released by the IRS in 2019, which resulted in a reduction to the initial adjustment for 2017 and adjustment to 2018 totaling $(34,772). The total adjustment will be decreted over a period of 7 years.

In the event of uncertain tax positions, amounts would need to be evaluated and disclosed or accrued. Liabilities would be reflected on the Statements of Admitted Assets, Liabilities, and Capital and Surplus and the related interest and penalties would be included on the Statements of Income as underwriting expenses.

EDP Equipment
EDP equipment is stated at cost, net of accumulated depreciation. Depreciation is computed principally by use of the straight-line method based on the estimated useful lives of assets, which is generally three to five years. Depreciation expense for the years ended December 31, 2019 and 2018, was $3,677 and $566, respectively. Expenditures for maintenance and repairs relating to EDP equipment and certain fixed assets which are nonadmitted are charged to expense as incurred. When property is sold or retired, the cost of the property and the related accumulated depreciation are removed from the Statements of Admitted Assets, Liabilities and Capital and Surplus and any gain or loss on the transaction is reflected on the Statements of Income.

Reclassifications
Certain prior year amounts have been reclassified to conform to current year presentation.

3. Capital and Surplus

To date, total contributions from MEMIC are $39,183,951. MEMIC contributed capital of $10,000,000 in 2018. In 2018, the $10,000,000 capital contribution, noted as a change in capital and surplus, included $2,018,795 in noncash contributions of bonds and $7,981,205 in cash. There were no contributions from MEMIC during 2019.

4. Dividend Restrictions

The Company may declare a stockholder dividend without the Insurance Department’s approval so long as such dividend is not considered extraordinary. In the case of extraordinary dividends, prior approval is required. An extraordinary dividend or distribution includes any dividend or distribution of cash or other property, whose fair market value together with that of other dividends or distributions made within the preceding 12 months, exceeds 10% of such insurer’s capital and surplus as of December 31, limited to the prior year-end’s unassigned surplus. The maximum amount of dividends which could be paid by the Company to stockholders without prior approval of the Commissioner of Insurance was $4,087,201 and $3,002,606 during 2019 and 2018, respectively.

5. Income Taxes

The components of the net deferred tax asset (liability) as of December 31 were as follows:

	December 31, 2019		
	1	2	3
	Ordinary	Capital	(Col 1+2) Total
a. Gross deferred tax assets	$ 2,058,777	$ -	$ 2,058,777
b. Statutory valuation allowance adjustment	-	-	-
c. Adjusted gross deferred taxes (1a - 1b)	2,058,777	-	2,058,777
d. Deferred tax assets nonadmitted	415,834	-	415,834
e. Subtotal net admitted deferred tax asset (1c - 1d)	1,642,943	-	1,642,943
f. Deferred tax liabilities	261,248	-	261,248
g. Net admitted deferred tax assets/(net deferred tax liability) (1e - 1f)	$ 1,381,695	$ -	$ 1,381,695

	December 31, 2018		
	4	5	6
	Ordinary	Capital	(Col 4+5) Total
a. Gross deferred tax assets	$ 1,609,285	$ -	$ 1,609,285
b. Statutory valuation allowance adjustment	-	-	-
c. Adjusted gross deferred taxes (1a - 1b)	1,609,285	-	1,609,285
d. Deferred tax assets nonadmitted	218,703	-	218,703
e. Subtotal net admitted deferred tax asset (1c - 1d)	1,390,582	-	1,390,582
f. Deferred tax liabilities	325,209	-	325,209
g. Net admitted deferred tax assets/(net deferred tax liability) (1e - 1f)	$ 1,065,373	$ -	$ 1,065,373

	Change		
	7	8	9
	(Col 1-4) Ordinary	(Col 2-5) Capital	(Col 7+8) Total
a. Gross deferred tax assets	$ 449,492	$ -	$ 449,492
b. Statutory valuation allowance adjustment	-	-	-
c. Adjusted gross deferred taxes (1a - 1b)	449,492	-	449,492
d. Deferred tax assets nonadmitted	197,131	-	197,131
e. Subtotal net admitted deferred tax asset (1c - 1d)	252,361	-	252,361
f. Deferred tax liabilities	(63,961)	-	(63,961)
g. Net admitted deferred tax assets/(net deferred tax liability) (1e - 1f)	$ 316,322	$ -	$ 316,322

Admission Calculation Components:

	December 31, 2019		
	1	**2**	**(Col 1+2)**
	Ordinary	**Capital**	**Total**
a. Federal income taxes paid in prior years recoverable through loss carrybacks	$ 1,191,546	$ -	$ 1,191,546
b. Adjusted gross deferred tax assets expected to be realized (excluding the amount of deferred tax assets from 2(a) above) after application of the threshold limitation. (The lesser of 2(b)1 and 2(b)2 below):			
1. Adjusted gross deferred tax assets expected to be realized following the balance sheet date	190,149	-	190,149
2. Adjusted gross deferred tax assets allowed per limitation threshold			6,176,101
c. Adjusted gross deferred tax assets (excluding the amount of deferred tax assets from 2(a) & 2(b) above) offset by gross deferred tax liabilities	261,248	-	261,248
d. Deferred tax assets admitted as the result of application of SSAP 101 Total 2(a)+2(b)+2(c)	$ 1,642,943	$ -	$ 1,642,943

	December 31, 2018		
	4	**5**	**(Col 4+5)**
	Ordinary	**Capital**	**Total**
a. Federal income taxes paid in prior years recoverable through loss carrybacks	$ 917,950	$ -	$ 917,950
b. Adjusted gross deferred tax assets expected to be realized (excluding the amount of deferred tax assets from 2(a) above) after application of the threshold limitation. (The lesser of 2(b)1 and 2(b)2 below):			
1. Adjusted gross deferred tax assets expected to be realized following the balance sheet date	147,423	-	147,423
2. Adjusted gross deferred tax assets allowed per limitation threshold			5,970,352
c. Adjusted gross deferred tax assets (excluding the amount of deferred tax assets from 2(a) & 2(b) above) offset by gross deferred tax liabilities	325,209	-	325,209
d. Deferred tax assets admitted as the result of application of SSAP 101 Total 2(a)+2(b)+2(c)	$ 1,390,582	$ -	$ 1,390,582

	Change		
	7	**8**	**9**
	Ordinary	**Capital**	**Total**
	(Col 1-4)	**(Col 2-5)**	**(Col 7+8)**
a. Federal income taxes paid in prior years recoverable through loss carrybacks	$ 273,596	$ -	$ 273,596
b. Adjusted gross deferred tax assets expected to be realized (excluding the amount of deferred tax assets from 2(a) above) after application of the threshold limitation. (The lesser of 2(b)1 and 2(b)2 below):			
1. Adjusted gross deferred tax assets expected to be realized following the balance sheet date	42,726	-	42,726
2. Adjusted gross deferred tax assets allowed per limitation threshold			205,749
c. Adjusted gross deferred tax assets (excluding the amount of deferred tax assets from 2(a) & 2(b) above) offset by gross deferred tax liabilities	(63,961)	-	(63,961)
d. Deferred tax assets admitted as the result of application of SSAP 101 Total 2(a)+2(b)+2(c)	$ 252,361	$ -	$ 252,361

Other Admissibility Criteria:

	2019	2018
a. Ratio percentage used to determine recovery period and threshold limitation amount	1353%	1663%
b. Amount of adjusted capital and surplus used to determine recovery period and threshold limitation in 2(b)2 above	$ 41,174,009	$ 39,802,349

Tax planning strategies were not employed by the Company during 2019 or 2018, and therefore, had no impact upon the determination of adjusted gross and net admitted deferred tax assets.

As of December 31, 2019 and 2018, the Company does not have any investment tax credits, net operating loss or capital loss carryforwards available to offset against future taxable income. The amount of federal income taxes incurred in the current year and each proceeding year available for recoupment in the event of future net losses is $991,599 and $624,633 for 2019 and 2018, respectively. There are no deposits admitted under Section 6603 of the Internal Revenue Code.

As of December 31, 2019 and 2018, the Company does not have any uncertain tax positions requiring disclosure in these financial statements or any tax loss contingencies for which it is reasonably possible that the total liability will significantly increase within twelve months of the reporting date.

The Company has a tax sharing agreement which sets forth the manner in which the total combined federal income tax is allocated to each entity which is a party to the consolidation. Pursuant to this agreement, the Company has a right to recoup federal income taxes paid in prior years in the event of future net losses, or to recoup its net losses carried forward as an offset to future net income subject to federal income taxes.

Current and deferred income taxes:

Current income tax:

	2019	2018	Change
a. Federal	$ 999,733	$ 642,651	$ 357,082
b. Provision to return	(18,017)	(303,695)	285,678
d. Subtotal	981,716	338,956	642,760
e. Federal income tax on net capital losses	(8,134)	(8,471)	337
h. Federal income taxes incurred	$ 973,582	$ 330,485	$ 643,097

Deferred Tax Assets

	2019	2018	Change
a. Ordinary:			
Discounting of unpaid losses	$ 1,264,863	$ 982,816	$ 282,047
Unearned premium reserves	629,739	509,354	120,385
Accrued expenses	120,989	64,610	56,379
Other (including items < 5% of total ordinary tax assets)	43,186	52,505	(9,319)
Subtotal	2,058,777	1,609,285	449,492
b. Statutory valuation allowance adjustment	-	-	-
c. Nonadmitted	415,834	218,703	197,131
d. Admitted ordinary deferred tax assets	1,642,943	1,390,582	252,361
e. Capital:			
Investments	-	-	-
Subtotal	-	-	-
f. Statutory valuation allowance adjustment	-	-	-
g. Nonadmitted	-	-	-
h. Admitted capital deferred tax assets	-	-	-
i. Admitted deferred tax assets	1,642,943	1,390,582	252,361

Deferred Tax Liabilities

	2019	2018	Change
a. Ordinary:			
Investments	15,321	8,474	6,847
Fixed assets	39,526	45,322	(5,796)
Legislative change in loss discounting	203,218	267,513	(64,295)
Additional acquisition costs	3,183	3,900	(717)
Subtotal	261,248	325,209	(63,961)
b. Capital:			
Investments	-	-	-
Subtotal	-	-	-
c. Deferred tax liabilities	261,248	325,209	(63,961)
Net Deferred Tax Assets/Liabilities	$ 1,381,695	$ 1,065,373	$ 316,322

Change in net deferred income taxes

	2019	2018	Change
a. Adjusted gross deferred tax assets	$ 2,058,777	$ 1,609,285	$ 449,492
b. Total deferred tax liabilities	261,248	325,209	(63,961)
c. Net deferred tax assets	1,797,529	1,284,076	513,453
d. Tax effect of change in unrealized gains (losses)			-
e. Total change in net deferred income tax			513,453
			$ 513,453

There were no deferred tax liabilities that were not recognized.

Among the more significant book to tax adjustments in 2019 and 2018 were the following:

	2019	2018
Provision computed at statutory rate	$ 516,171	$ 156,218
PY true up (to deferred)	17,945	447
PY true up (to current)	(18,017)	(303,695)
Change in nonadmitted assets	9,319	6,019
Legislative change in loss discounting	161,284	181,983
Other permanent differences	(226,573)	(243,577)
Totals	460,129	(202,605)
Federal income taxes incurred	981,716	338,956
Realized capital losses tax	(8,134)	(8,471)
Change in net deferred income taxes	(513,453)	(533,090)
Total statutory income taxes	$ 460,129	$ (202,605)

6. Liabilities for Loss Reserves and Loss Adjustment Expense Reserves

Activity in the liabilities for loss reserves and loss adjustment expense reserves for the years ended December 31, 2019 and 2018 are summarized as follows:

	2019	2018
Net balances at January 1,	$ 33,448,416	$ 24,238,151
Incurred related to		
Current year	24,325,827	18,561,678
Prior year	(2,666,887)	(1,297,478)
Total incurred	21,658,940	17,264,200
Paid related to		
Current year	4,181,522	2,899,910
Prior year	6,602,480	5,154,025
Total paid	10,784,002	8,053,935
Net balances at December 31,	$ 44,323,354	$ 33,448,416

The liabilities for loss and loss adjustment expense reserves are based upon assumptions which consider the experience of the Company, industry experience, and projections by independent actuaries. However, the reserve process is inherently subjective, and the ultimate loss and loss adjustment expense reserves may vary from the amounts recorded in the financial statements. The amounts billed and recoverable for admitted collateralized high deductible policies was $97,492 and $49,514 as of December 31, 2019 and 2018, respectively. These amounts are included as a net recovery to paid losses in the applicable accident years and included in premium balances receivable on the Statements of Admitted Assets, Liabilities and Capital and Surplus. In addition, the Company recorded a reserve credit for high deductible reserves outstanding of $777,790 and $0 as of December 31, 2019 and 2018, respectively. This 2019 reserve credit is a reduction to incurred loss and loss adjustment expenses on the Statements of Income and a reduction in case loss and case loss adjustment expense reserves on the Statements of Admitted Assets and Liabilities and Capital and Surplus, see Note 16. Original estimates are increased or decreased as additional information becomes known regarding individual claims. There was no impact on reserves or surplus as a result of development of retrospectively rated policies.

During 2019, the Company's incurred losses related to prior years decreased by $2,666,887 as a result of favorable loss development principally in the 2016 and 2017 accident years. This favorable development is the result of ongoing analysis of recent loss development trends.

During 2018, the Company's incurred losses related to prior years decreased by $1,297,478 as a result of favorable loss development principally in the 2015 through 2017 accident years. This favorable development is the result of ongoing analysis of recent loss development trends.

7. Reinsurance

As a condition of writing policies in the states in which it has workers' compensation business, the Company is required to participate in the National Workers' Compensation Reinsurance Pool (the "Pool") as it relates to those states. Participation requires that the Company share in the losses and expenses of the Pool. Pool results are accounted for on a gross basis whereby the Company's portion of premiums, losses, expenses and other operations of the Pool are recorded separately in the financial statements. The difference between discounted and undiscounted incurred but not reported loss and loss adjustment expense liabilities from NCCI are $25,944 and $19,662 for 2019 and 2018, respectively. All amounts are recorded as assumed business. Amounts added to premiums, reserves and expenses for reinsurance assumed from pools are as follows:

	2019	2018
Premiums earned	$ 788,543	$ 535,774
Loss and loss adjustment expenses incurred	563,764	322,380
Unearned premiums	212,057	122,950
Loss and loss adjustment expense reserves	796,389	519,411
Premiums receivable	109,367	93,460
Underwriting expenses incurred	194,669	121,081

The Company reinsures portions of risks with other insurance companies through excess of loss reinsurance agreements. Such agreements serve to limit the Company's maximum loss on catastrophes and large losses. To the extent that the reinsurer might be unable to meet its obligations, the Company would be liable for such defaulted amounts. Under the Company's excess of loss agreements, the Company's net retention for losses on a per occurrence basis is $1,000,000 for 2019 and 2018. For 2019, on the $1,000,000 excess of $1,000,000 reinsurance agreement, the Company has a 50% participation. In addition, for 2019 and 2018, the Company maintains additional coverage up to $100,000,000 on a per occurrence basis.

Amounts deducted from premiums, reserves and expenses for reinsurance ceded were as follows:

	2019	2018
Premiums earned	$ 1,040,385	$ 752,161
Loss and loss adjustment expense reserves	852,284	868,846

The Company cedes risk to another insurance company through a 20% quota share reinsurance agreement for treaty year 2019. Should this quota share reinsurance treaty be cancelled, an immaterial amount of ceding commissions would be returned, net of the related underwriting expenses. Amounts deducted from premiums, reserves and expenses for reinsurance ceded to other companies for this quota share treaty are as follows:

	2019	2018
Premiums earned	$ 6,806,472	$ -
Loss and loss adjustment expenses incurred	4,798,563	-
Unearned premiums	3,502,468	-
Loss and loss adjustment expense reserves	4,088,252	-
Ceding commissions	3,298,861	-
Premiums payable	1,395,022	-

The 2019 and 2018, ceded loss and loss adjustment expense, case incurred and incurred but not reported reserves above are comprised of amounts with two reinsurance carriers although the Company has contracts with other carriers. There were no commutations during 2019 or 2018.

The Company had unsecured reinsurance recoverables on paid and unpaid loss and loss adjustment expenses, including incurred but not reported reserves, from a reinsurer that exceeded 3% of capital and surplus as of December 31, 2019:

Swiss Reinsurance America Corporation	$ 6,529,000

The Company has no reinsurance contracts that contain the following features (a) a contract term longer than two years and that is noncancelable by the Company 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. The Company has neither 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 to 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 to policyholders nor has the Company 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 accounted for that contract as reinsurance (either prospective or retroactive) under statutory accounting principles. Additionally, the Company has not ceded any risk under any reinsurance contract where (a) the written premiums ceded to the reinsurer represents 50% or more of the entire direct and assumed premium written by the reinsurer based on its most recently available financial statements or (b) 25% or more of the written premium ceded to the reinsurer has been retroceded back to the Company in a separate reinsurance contract. Accordingly, the Company has not included the Supplemental Schedule of Reinsurance Disclosures.

8. Premiums Written and Earned

During the years ended December 31, 2019 and 2018, direct, assumed and ceded premiums were as follows:

	2019		2018	
	Written	Earned	Written	Earned
Direct	$ 41,522,311	$ 35,204,676	$ 27,233,850	$ 22,684,080
Assumed	877,650	788,543	559,133	535,774
Ceded	(11,349,325)	(7,846,857)	(752,161)	(752,161)
Net premiums	$ 31,050,636	$ 28,146,362	$ 27,040,822	$ 22,467,693

9. Restricted Assets

Various regulatory authorities require that securities be placed on deposit in conjunction with writing workers' compensation business. At December 31, 2019 and 2018, the Company had fixed income securities on deposit with a carrying value of $3,954,190 and $3,418,945, respectively, included in bonds on the Statements of Admitted Assets, Liabilities and Capital and Surplus.

The Company joined the FHLB on March 18, 2019. The Agreement for Advances, Collateral Pledge and Security Agreement was executed in May 2019. On May 10, 2019, the Company made its initial full stock requirement payment of $48,900 to secure Membership Class B stock, which is not eligible for redemption. This common stock, all of which is admitted, is included on the Statements of Admitted Assets, Liabilities and Capital and Surplus. The agreement between the FHLB and the Company specifies Advances and Other Credit Products will be available subject to specified collateral arrangements. The Company has no outstanding collateral pledged, activity stock, excess stock, prepayment obligations or borrowings outstanding as of the reporting date. The maximum amount the Company can borrow, absent prior approval of the Board of Directors, is 5% of net admitted assets from the most recent statutory financial statements which is $5,476,642, as of December 31, 2019.

Certain high deductible policyholders have opted to provide cash in lieu of a letter of credit as collateral for future deductible obligations up to their stated policy limits on a per claim aggregate basis. Included in both cash, cash equivalents and short-term investments and deposits held for large deductible policyholders on the Statements of Admitted Assets, Liabilities and Capital and Surplus is $1,371,520 and $1,682,477 as of 2019 and 2018, respectively, for this collateral on deposit, see Note 16.

The following table disclosure quantitative information about the Company's restricted assets by category of restricted assets as of December 31, 2019:

Restricted Asset Category	Total Current Year Admitted Restricted	Total Prior Year	Increase/ (Decrease)	Admitted Restricted to Total Admitted Assets	Gross Restricted to Total Assets
On deposit with state	$ 3,954,190	$ 3,418,945	$ 535,245	3.61%	3.58%
FHLB capital stock	48,900	-	48,900	0.04%	0.04%
Deposits held for large deductible policyholders	1,371,520	1,682,477	(310,957)	1.25%	1.24%
Total restricted assets	$ 5,374,610	$ 5,101,422	$ 273,188	4.91%	4.87%

10. Investments

The cost and fair value of investments in equity securities with the FHLB are $48,900 as of December 31, 2019. The Company joined the FHLB during 2019.

The carrying value and fair value of bonds as of December 31, 2019 and 2018, are as follows:

	2019			
	Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Government & government agencies & authorities	$ 2,918,360	$ 94,161	$ (10,097)	$ 3,002,424
States, territories & possessions	9,124,249	490,137	(8,450)	9,605,936
Political subdivisions of states	9,602,407	440,309	(32,784)	10,009,932
Industrial & miscellaneous	28,618,828	1,391,544	(18,231)	29,992,141
Asset backed securities	32,268,686	417,766	(76,051)	32,610,401
Total bonds	$ 82,532,530	$ 2,833,917	$ (145,613)	$ 85,220,834

	2018			
	Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Government & government agencies & authorities	$ 3,923,248	$ 73,745	$ (125,808)	$ 3,871,185
Political subdivisions of states	16,226,215	60,314	(180,204)	16,106,325
Industrial & miscellaneous	23,275,662	30,991	(342,412)	22,964,241
Asset backed securities	30,792,482	115,607	(459,845)	30,448,244
Total bonds	$ 74,217,607	$ 280,657	$ (1,108,269)	$ 73,389,995

The carrying value and fair value of bonds, including those held in short-term investments included in one year or less of $865,937 and $867,528, as of December 31, 2019, by contractual maturity are as follows:

Maturity	Carrying Value	Fair Value
One year or less	$ 1,141,154	$ 1,142,528
Over one year through five years	22,564,860	23,193,613
Over five years through ten years	11,757,361	12,226,990
Over ten years	47,935,092	49,525,231
	$ 83,398,467	$ 86,088,362

Bonds subject to early or unscheduled prepayments have been included above based upon their contractual maturity dates. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties. Asset backed securities have been categorized based on the date when the issue is expected to be paid off and the principal is projected to be paid to investors. As of December 31, 2019 and 2018, the Company did not own any securities that were in an unrealized loss position that management determined were other-than-temporary and given current market conditions would not recover. The Company did not record any OTTI on any securities during 2019 or 2018.

The fair value and gross unrealized loss of bonds and the amount of time these bonds have been in an unrealized loss position as of December 31, 2019 and 2018, are as follows:

	2019					
	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Bonds (NAIC 1–2)						
U.S. Government & government						
agencies & authorities	$ 1,458,978	$ (9,515)	$ 425,633	$ (582)	$ 1,884,611	$ (10,097)
States, territories & possessions	741,550	(8,450)	-	-	741,550	(8,450)
Political subdivisions of states	1,000,245	(32,784)	-	-	1,000,245	(32,784)
Industrial & miscellaneous	1,508,399	(18,231)	-	-	1,508,399	(18,231)
Asset backed securities	6,583,601	(34,322)	4,537,723	(41,729)	11,121,324	(76,051)
	$ 11,292,773	$ (103,302)	$ 4,963,356	$ (42,311)	$ 16,256,129	$ (145,613)

	2018					
	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Bonds (NAIC 1–2)						
U.S. Government & government						
agencies & authorities	$ 651,633	$ (31,671)	$ 2,609,864	$ (94,137)	$ 3,261,497	$ (125,808)
Political subdivisions of states	1,829,830	(15,250)	11,791,499	(164,954)	13,621,329	(180,204)
Industrial & miscellaneous	10,079,551	(92,109)	8,690,396	(250,303)	18,769,947	(342,412)
Asset backed securities	7,308,539	(73,787)	11,890,567	(386,058)	19,199,106	(459,845)
	$ 19,869,553	$ (212,817)	$ 34,982,326	$ (895,452)	$ 54,851,879	$ (1,108,269)

Unrealized losses on investment grade securities (NAIC 1-2) principally relate to changes in interest rates.

Proceeds from sales of investments on debt securities and the gross realized gains and losses on those sales for the years ended December 31, 2019 and 2018, are summarized as follows:

	2019		
	Proceeds	Gross Realized	
	From Sales	Gains	Losses
Bonds, total	$ 10,054,295	$ 15,602	$ (48,904)

	2018		
	Proceeds	Gross Realized	
	From Sales	Gains	Losses
Bonds, total	$ 6,205,328	$ 11,693	$ (52,032)

The major categories of net investment income for the years ended December 31, 2019 and 2018 are summarized as follows:

	2019	2018
Bonds	$ 2,398,362	$ 1,805,797
Common stocks	1,128	-
Cash and short-term investments	165,536	64,770
Other investment income	143	4
Total investment income	2,565,169	1,870,571
Less: Investment expenses	(160,722)	(131,925)
Net investment income	$ 2,404,447	$ 1,738,646

The Company held no structured notes as of December 31, 2019 or 2018.

11. Fair Value of Financial Instruments

The fair value of an asset is the amount at which that asset could be bought or sold in a current transaction between willing parties, that is, other than in a forced or liquidation sale. The fair value of a liability is the amount at which that liability could be incurred or settled in a current transaction between willing parties, that is, other than in a forced or liquidation sale. Valuation techniques used to derive fair value of investment securities are based on observable or unobservable inputs. Observable inputs reflect market data obtained from independent resources such as active markets or nationally recognized pricing services. Unobservable inputs reflect comparable securities or valuations received from various broker or dealer quotes.

Items Measured and Reported at Fair Value by Levels 1, 2 and 3.

The Company has categorized its assets and liabilities that are reported on the Statements of Admitted Assets, Liabilities and Capital and Surplus at fair value into a three-level fair value hierarchy as reflected in the following table. The three-level fair value hierarchy is based on the degree of subjectivity inherent in the valuation method by which fair value was determined. The three levels are defined as follows:

Level 1 - Quoted Prices in Active Markets for Identical Assets and Liabilities: This category, for items measured at fair value on a recurring basis, includes exchange-traded preferred and common stocks. The estimated fair value of the equity securities within this category are based on quoted prices in active markets and are thus classified as Level 1.

Level 2 - Significant Other Observable Inputs: This category, for items measured at fair value on a recurring basis, includes bonds and FHLB common stock, which are not exchange-traded. The estimated fair values of some of these items were determined by independent pricing services using observable inputs. Others were based on quotes from markets which were not considered actively traded.

Level 3 - Significant Other Unobservable Inputs: Inputs to the valuation methodology are unobservable and significant to the fair value measurement. The Company has no assets or liabilities measured at fair value in this category. There are no Level 3 fair value assets which were transferred in or out during 2019. Transfers to and from Level 3 would be recognized when a purchase, sale or settlement increases or decrease an asset previously valued as a Level 3 or when an investment is purchased which is carried at fair market value and does not have an observable input for valuation.

There are no assets on the Statements of Admitted Assets, Liabilities and Capital and Surplus, carried at fair value except for cash of $9,502,326 and $5,639,619, and the FHLB stock of $48,900 and $0 as of December 31, 2019 and 2018, respectively.

The Company has no derivative assets or liabilities, or assets carried at fair value on a nonrecurring basis.

The table below reflects the fair values and admitted assets and liabilities that are financial instruments excluding those accounted for under the equity method (subsidiaries, joint ventures and ventures) as of December 31, 2019 and 2018. The fair values are also categorized into the three-level fair value hierarchy as described above.

	2019					
Type of Financial Instrument	**Aggregate Fair Value**	**Admitted Value**	**Level 1**	**Level 2**	**Level 3**	**Not Practicable (Carrying Value)**
Bonds						
U.S. Government & government agencies & authorities	$ 3,002,424	$ 2,918,360	$ -	$ 3,002,424	$ -	$ -
States, territories & possessions	9,605,936	9,124,249	-	9,605,936	-	-
Political subdivisions of states	10,009,932	9,602,407	-	10,009,932	-	-
Industrial & miscellaneous	29,992,141	28,618,828	-	29,992,141	-	-
Asset backed securities	32,610,401	32,268,686	-	32,610,401	-	-
Common stocks	48,900	48,900	-	48,900	-	-
Cash, cash equivalents & short-term investments	9,503,918	9,502,326	9,202,397	301,521	-	-
Total assets	$ 94,773,652	$ 92,083,756	$ 9,202,397	$ 85,571,255	$ -	$ -

	2018					
Type of Financial Instrument	**Aggregate Fair Value**	**Admitted Value**	**Level 1**	**Level 2**	**Level 3**	**Not Practicable (Carrying Value)**
Bonds						
U.S. Government & government agencies & authorities	$ 3,871,185	$ 3,923,248	$ -	$ 3,871,185	$ -	$ -
Political subdivisions of states	16,106,325	16,226,215	-	16,106,325	-	-
Industrial & miscellaneous	22,964,241	23,275,662	-	22,964,241	-	-
Asset backed securities	30,448,244	30,792,482	-	30,448,244	-	-
Cash, cash equivalents & short-term investments	5,639,619	5,639,619	5,639,619	-	-	-
Total assets	$ 79,029,614	$ 79,857,226	$ 5,639,619	$ 73,389,995	$ -	$ -

12. Commitment and Contingent Liabilities

The Company is involved in litigation with respect to claims arising in the ordinary course of business, which is considered in establishing loss and loss adjustment expense reserves. The Company periodically reviews its overall loss and loss adjustment expense reserve position as well as its provision for reinsurance. The Company's management believes the resolution of such litigation is not expected to have a material adverse effect on the financial position or the operating results of the Company. The Company also considers any other insurance or noninsurance related litigation which may have a material adverse effect on the financial position or operating results of the Company; there were no matters during 2019 or 2018 requiring an accrual or disclosure.

The Company is subject to guaranty funds and other assessments in several states where it has written business. Guaranty fund assessments should be accrued at the time of insolvencies. Certain assessments that are unknown to the Company are accrued at the time of assessment. In the case of premium based assessments, the expense is accrued at the time the premiums are written, or, in the case of loss-based assessments, at the time the losses are incurred.

The Company has recorded an expense for the North Carolina and Pennsylvania Guaranty Funds as well as other assessments of $480,543 and $196,405 as of December 31, 2019 and 2018, respectively. Of these amounts, the Company has accrued a net liability as of December 31, 2019 and 2018 of $563,162 and $307,665, respectively, which is included in premium taxes and other assessments on the Statements of Admitted Assets, Liabilities and Capital and Surplus. This amount represents management's best estimate of its liability for guaranty fund and other rating and various state insurance related assessments based on information received from the state in which the Company writes business and may change due to many factors, including the Company's share of the ultimate cost of current insolvencies or market share. There is no related premium tax benefit asset recorded from guaranty funds on the Statements of Admitted Assets, Liabilities and Capital and Surplus or Statements of Income.

13. Employee Benefit Plans

The Company's parent, MEMIC, has adopted a qualified defined contribution discretionary, 401(k) and profit-sharing plan covering substantially all full-time employees who meet the plans' eligibility requirements. MEMIC has also adopted a non-qualified, deferred compensation plan for certain key executives and an Incentive Compensation Plan for certain members of senior management. The Company does not currently have any of its own employees. The salaries and employee benefit expenses that reside in the Company are a result of intercompany contracts for claims, underwriting, loss control, administration and management and not direct costs therefore, the Company did not incur any direct expense for any employee benefit plans during 2019 or 2018.

The Company has no obligations to former employees for benefits after their employment but before their retirement other than for compensation related to earned vacation pay.

14. Related Party Transactions

MEMIC charges management fees and other services to the Company in the normal course of business and in accordance with the terms of certain cost sharing agreements. In 2019 and 2018, $5,920,756 and $3,991,661, respectively, in administrative and management services, underwriting, claims, managed care, and investment management fees were charged from MEMIC to the Company. Certain other direct costs are paid by MEMIC, charged back to the Company and settled within the terms of the cost sharing agreements.

15. Loan-Backed Securities

The Company has elected to use the prospective method of determining prepayment assumptions. Prepayment assumptions are derived primarily from projected cash flow information obtained from recognized external sources. Where projected cash flow information is not publicly available the information is obtained from external asset managers or by internal estimates. There have been no changes from the retrospective to the prospective adjustment methodology due to negative yield on specific securities.

The Company has no loan-backed securities that have a recognized OTTI where the Company either has the intent to sell, or does not have the ability or intent to retain the investment for a period of time to recover any unadjusted amortized cost basis. Credit related declines in the fair value of loan-backed or structured securities would be reflected as a realized loss in the Statements of Income.

The fair value and gross unrealized losses of non-agency residential mortgage-backed investment securities and the amount of time the securities have been in an unrealized loss position as of December 31, 2019 and 2018 are as follows:

	2019	2018
Aggregate amount of unrealized loss		
Less than twelve months	$ 34,322	$ 73,787
Twelve months or longer	41,729	386,058
Total	$ 76,051	$ 459,845
Aggregate fair value of securities with unrealized loss		
Less than twelve months	$ 6,583,601	$ 7,308,539
Twelve months or longer	4,537,723	11,890,567
Total	$ 11,121,324	$ 19,199,106

The Company has neither repurchase agreements and/or Securities Lending Transactions nor investments in real estate or low-income housing tax credits in the current year or prior year.

16. High Deductibles

The Company writes high deductible policies in several states. The Company defines high deductible policies based on the large deductible definitions by state for aggregate financial reporting purposes as outlined in the following table:

Coverage State	High Deductible Limit Per Claim/Occurrence	or	High Deductible Aggregate per policy
Massachusetts	$ 75,000		$ 75,000
New York	25,000		25,000
All Other States	100,000		100,000

In most cases, the Company requires high deductible policyholders to provide an evergreen, irrevocable, clean letter of credit to secure obligations up to the deductible limits. In other cases, the Company will accept a cash deposit in lieu of a letter of credit which remains in the custody of the Company and is included in cash, cash equivalents and short-term investments and deposits held for large deductible policyholders on the Statements of Assets, Liabilities and Capital and Surplus. These letters of credit and cash in lieu of letter of credit requirements are reviewed periodically, as necessary, or annually in conjunction with the policy renewal to determine appropriate increases or decreases.

Premiums receivable includes amounts billed to policyholders under high deductible policies. Deductible amounts billed to policyholders reduce paid losses and loss adjustment expenses recognized by the Company. Management believes all high deductible amounts outstanding are recoverable based on the policyholders' payment practices and collateral held in the form of cash or irrevocable letters of credit. As of December 31, 2019 and 2018, the Company recorded a net admitted deductible recovery accrual of $97,492 and $49,514, respectively, for amounts billed in January 2020 and 2019, respectively, under secured high deductible policies included in premium balances receivable in the Statements of Admitted Assets, Liabilities and Capital and Surplus.

The Company recorded a reserve credit for high deductible reserves outstanding of $777,790 and $0 as of December 31, 2019 and 2018, respectively. This 2019 reserve credit is a reduction to outstanding loss and loss adjustment expenses on the Statements of Income and a reduction in case loss and case loss adjustment expense reserves on the Statements of Admitted Assets and Liabilities and Capital and Surplus. There are no high deductible recoverable amounts overdue or nonadmitted as of December 31, 2019 and 2018.

Counter Party Exposure Recorded on Unpaid Claims and Billed Recoverables on Paid Claims as of December 31, 2019:

Annual Statement Line of Business	Gross (of High Deductible) Loss Reserves	Reserve Credit for High Deductibles	Billed Recoverables on Paid Claims	Total High Deductibles and Billed Recoverables
Workers' Compensation	$ 2,976,870	$ 777,790	$ 97,492	$ 875,282
Unsecured amounts on high deductible policies:				
Total high deductibles and billed recoverables on paid claims				$ 875,282
Collateral on balance sheet				1,371,520
Collateral off balance sheet				445,000
Total unsecured deductibles and billed recoverables on paid claims				-
Percentage unsecured				0.00%

There are no unsecured high deductible recoverables for individual obligors or that of a Group under the same management or control which are greater than 1% of Capital and Surplus as of December 31, 2019 or 2018.

17. Subsequent Events

Subsequent events have been considered through March 27, 2020, for these statutory financial statements which are available to be issued on March 27, 2020. In recent days, the COVID-19 outbreak in the United States has resulted in investment market volatility and a reduction in payroll for a number of business who voluntarily or involuntarily have closed. Given the expected decreases in payroll across many industries, the Company expects initial projections for direct written premium to be less than expected. In addition, the COVID-19 outbreak will likely result in an additional workers' compensation claims and extended benefits should pending or future legislation at a state level ultimately determine an expansion in the definition of work related injuries.

SUMMARY INVESTMENT SCHEDULE

Investment Categories	Gross Investment Holdings 1 Amount	2 Percentage of Column 1 Line 13	Admitted Assets as Reported in the Annual Statement 3 Amount	4 Securities Lending Reinvested Collateral Amount	5 Total (Col. 3 + 4) Amount	6 Percentage of Column 5 Line 13
1. Long-Term Bonds (Schedule D, Part 1):						
1.01 U.S. Governments	5,448,110	5.9	5,448,109		5,448,109	5.9
1.02 All Other Governments		0.0			0	0.0
1.03 U.S. States, Territories and Possessions, etc., Guaranteed	2,062,959	2.2	2,062,959		2,062,959	2.2
1.04 U.S. Political Subdivisions of States, Territories and Possessions, Guaranteed	2,836,790	3.1	2,836,790		2,836,790	3.1
1.05 U.S. Special Revenue and Special Assessment Obligations, etc., Non-Guaranteed	33,421,834	36.3	33,421,833		33,421,833	36.3
1.06 Industrial and Miscellaneous	38,762,837	42.1	38,762,839		38,762,839	42.1
1.07 Hybrid Securities		0.0			0	0.0
1.08 Parent, Subsidiaries and Affiliates		0.0			0	0.0
1.09 SVO Identified Funds		0.0			0	0.0
1.10 Unaffiliated Bank Loans		0.0			0	0.0
1.11 Total Long-Term Bonds	82,532,530	89.6	82,532,530	0	82,532,530	89.6
2. Preferred Stocks (Schedule D, Part 2, Section 1):						
2.01 Industrial and Misc. (Unaffiliated)		0.0			0	0.0
2.02 Parent, Subsidiaries and Affiliates		0.0			0	0.0
2.03 Total Preferred Stock	0	0.0	0	0	0	0.0
3. Common Stocks (Schedule D, Part 2, Section 2):						
3.01 Industrial and Miscellaneous Publicly Traded (Unaffiliated)		0.0			0	0.0
3.02 Industrial and Miscellaneous Other (Unaffiliated)	48,900	0.1	48,900		48,900	0.1
3.03 Parent, Subsidiaries and Affiliates Publicly Traded		0.0			0	0.0
3.04 Parent, Subsidiaries and Affiliates Other		0.0			0	0.0
3.05 Mutual Funds		0.0			0	0.0
3.06 Unit Investment Trusts		0.0			0	0.0
3.07 Closed-End Funds		0.0			0	0.0
3.08 Total Common Stocks	48,900	0.1	48,900	0	48,900	0.1
4. Mortgage Loans Schedule B):						
4.01 Farm Mortgages		0.0			0	0.0
4.02 Residential Mortgages		0.0			0	0.0
4.03 Commercial Mortgages		0.0			0	0.0
4.04 Mezzanine Real Estate Loans		0.0			0	0.0
4.05 Total Mortgage Loans	0	0.0	0	0	0	0.0
5. Real Estate (Schedule A):						
5.01 Properties Occupied by Company		0.0			0	0.0
5.02 Properties Held for Production of Income		0.0			0	0.0
5.03 Properties Held for Sale		0.0			0	0.0
5.04 Total Real Estate	0	0.0	0	0	0	0.0
6. Cash, Cash Equivalents, and Short-Term Investments::						
6.01 Cash (Schedule E, Part 1)	8,636,390	9.4	8,636,390		8,636,390	9.4
6.02 Cash Equivalents (Schedule E, Part 2)	566,006	0.6	566,006		566,006	0.6
6.03 Short-Term Investments (Schedule DA)	299,930	0.3	299,930		299,930	0.3
6.04 Total Cash, Cash Equivalents, and Short-Term Investments	9,502,326	10.3	9,502,326	0	9,502,326	10.3
7. Contract Loans		0.0			0	0.0
8. Derivatives (Schedule DB)		0.0			0	0.0
9. Other Invested Assets (Schedule BA)		0.0			0	0.0
10. Receivables for Securities		0.0			0	0.0
11. Securities Lending (Schedule DL, Part 1)		0.0		XXX	XXX	XXX
12. Other Invested Assets (Page 2, Line 11)		0.0			0	0.0
13. Total Invested Assets	92,083,756	100.0	92,083,756	0	92,083,756	100.0

SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES

For the year ended December 31, 2019

(To be filed by April 1)

Of MEMIC Casualty Company

Address (City, State, Zip Code): Manchester NH 03101

NAIC Group Code.....1332 NAIC Company Code.....14164 Employer's ID Number.....03-6009096

The Investment Risks Interrogatories are to be filed by April 1. They are also to be included with the Audited Statutory Financial Statements.

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. $......109,532,836

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

	1 Issuer	2 Description of Exposure	3 Amount	4 Percentage of Total Admitted Assets
2.01	WOART 2019	Long Term Bonds	$........1,999,911	1.8 %
2.02	GALXY 2018	Long Term Bonds	$........1,250,000	1.1 %
2.03	UBSBB 2012-C3 A4	Long Term Bonds	$........1,015,283	0.9 %
2.04	BACR	Long Term Bonds	$........1,000,588	0.9 %
2.05	JPM	Long Term Bonds	$...........860,828	0.8 %
2.06	UPS	Long Term Bonds	$...........772,987	0.7 %
2.07	UTAH ST TRANSIT AUTH SALES TAX	Long Term Bonds	$...........766,706	0.7 %
2.08	DUK	Long Term Bonds	$...........764,865	0.7 %
2.09	MS	Long Term Bonds	$...........757,798	0.7 %
2.10	MET	Long Term Bonds	$...........755,933	0.7 %

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

	Bonds	1	2
3.01	NAIC 1	$......76,768,236	70.1 %
3.02	NAIC 2	$........6,064,225	5.5 %
3.03	NAIC 3	$	0.0 %
3.04	NAIC 4	$	0.0 %
3.05	NAIC 5	$	0.0 %
3.06	NAIC 6	$	0.0 %
	Preferred Stocks	3	4
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? Yes [ ] No [X]

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

4.02	Total admitted assets held in foreign investments	$........6,079,534	5.6 %
4.03	Foreign-currency-denominated investments	$	0.0 %
4.04	Insurance liabilities denominated in that same foreign currency	$	0.0 %

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

		1	2
5.01	Countries designated NAIC 1	$........6,079,534	5.6 %
5.02	Countries designated NAIC 2	$	0.0 %
5.03	Countries designated NAIC 3 or below	$	0.0 %

6. Largest foreign investment exposures by country, categorized by the country's NAIC sovereign designation:

		1	2
	Countries designated NAIC 1:		
6.01	Country 1: Cayman Islands	$........3,250,000	3.0 %
6.02	Country 2: United Kingdom	$........1,982,073	1.8 %
	Countries designated NAIC 2:		
6.03	Country 1:	$	0.0 %
6.04	Country 2:	$	0.0 %
	Countries designated NAIC 3 or below:		
6.05	Country 1:	$	0.0 %
6.06	Country 2:	$	0.0 %

		1	2
7.	Aggregate unhedged foreign currency exposure	$	0.0 %

8. Aggregate unhedged foreign currency exposure categorized by NAIC sovereign designation:

		1	2
8.01	Countries designated NAIC 1	$	0.0 %
8.02	Countries designated NAIC 2	$	0.0 %
8.03	Countries designated NAIC 3 or below	$	0.0 %

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

		1	2
	Countries designated NAIC 1:		
9.01	Country 1:	$	0.0 %
9.02	Country 2:	$	0.0 %
	Countries designated NAIC 2:		
9.03	Country 1:	$	0.0 %
9.04	Country 2:	$	0.0 %
	Countries designated NAIC 3 or below:		
9.05	Country 1:	$	0.0 %
9.06	Country 2:	$	0.0 %

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

	1 Issuer	2 NAIC Designation	3	4
10.01	GALXY	1	$1,250,000	1.1 %
10.02	BACR	1	$1,000,588	0.9 %
10.03	CIFC	1	$750,000	0.7 %
10.04	RDSALN	1	$747,662	0.7 %
10.05	ALLEG	1	$500,000	0.5 %
10.06	DRSLF	1	$500,000	0.5 %
10.07	HSBC	1	$495,015	0.5 %
10.08	RBLN	1	$486,470	0.4 %
10.09	BTNY2	1	$250,000	0.2 %
10.10	AGN	2	$99,799	0.1 %

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 [X] No [ ]

If response to 11.01 is yes, detail is not required for the remainder of Interrogatory 11.

11.02	Total admitted assets held in Canadian Investments	$	0.0 %
11.03	Canadian currency-denominated investments	$	0.0 %
11.04	Canadian-denominated insurance liabilities	$	0.0 %
11.05	Unhedged Canadian currency exposure	$	0.0 %

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 [X] No [ ]

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

	1	2	3
12.02	Aggregate statement value of investments with contractual sales restrictions	$	0.0 %
	Largest three investments with contractual sales restrictions:		
12.03		$	0.0 %
12.04		$	0.0 %
12.05		$	0.0 %

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

13.01 Are assets held in equity interest less than 2.5% of the reporting entity's total admitted assets? Yes [X] No [ ]

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

	1 Name of Issuer	2	3
13.02		$	0.0 %
13.03		$	0.0 %
13.04		$	0.0 %
13.05		$	0.0 %
13.06		$	0.0 %
13.07		$	0.0 %
13.08		$	0.0 %
13.09		$	0.0 %
13.10		$	0.0 %
13.11		$	0.0 %

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? Yes [X] No [ ]

If response to 14.01 above is yes, responses are not required for the remainder of Interrogatory 14.

	1	2	3
14.02	Aggregate statement value of investments held in nonaffiliated, privately placed equities	$	0.0 %
	Largest three investments held in nonaffiliated, privately placed equities:		
14.03		$	0.0 %
14.04		$	0.0 %
14.05		$	0.0 %

Ten Largest Fund Managers

	1 Fund Manager	2 Total Invested	3 Diversified	4 Non-Diversified
14.06		$	$	$
14.07		$	$	$
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 [X] No [ ]

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

	1	2	3
15.02	Aggregate statement value of investments held in general partnership interests	$	0.0 %
	Largest three investments in general partnership interests:		
15.03		$	0.0 %
15.04		$	0.0 %
15.05		$	0.0 %

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 [X] No [ ]

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

	1 Type (Residential, Commercial, Agricultural)	2	3
16.02		$	0.0 %
16.03		$	0.0 %
16.04		$	0.0 %
16.05		$	0.0 %
16.06		$	0.0 %
16.07		$	0.0 %
16.08		$	0.0 %
16.09		$	0.0 %
16.10		$	0.0 %
16.11		$	0.0 %

Amount and percentage of the reporting entity's total admitted assets held in the following categories of mortgage loans:

		Loans	
16.12	Construction loans	$	0.0 %
16.13	Mortgage loans over 90 days past due	$	0.0 %
16.14	Mortgage loans in the process of foreclosure	$	0.0 %
16.15	Mortgage loans foreclosed	$	0.0 %
16.16	Restructured mortgage loans	$	0.0 %

17. Aggregate mortgage loans having the following loan-to-value ratios as determined from the most current appraisal as of the annual statement date:

	Loan-to-Value	Residential		Commercial		Agricultural	
		1	2	3	4	5	6
17.01	above 95%	$	0.0 %	$	0.0 %	$	0.0 %
17.02	91% to 95%	$	0.0 %	$	0.0 %	$	0.0 %
17.03	81% to 90%	$	0.0 %	$	0.0 %	$	0.0 %
17.04	71% to 80%	$	0.0 %	$	0.0 %	$	0.0 %
17.05	below 70%	$	0.0 %	$	0.0 %	$	0.0 %

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 less than 2.5% of the reporting entity's total admitted assets? Yes [X] No [ ]

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

Largest five investments in any one parcel or group of contiguous parcels of real estate:

	Description	2	3
18.02		$	0.0 %
18.03		$	0.0 %
18.04		$	0.0 %
18.05		$	0.0 %
18.06		$	0.0 %

19. Report aggregate amounts and percentages of the reporting entity's total admitted assets held in investments held in mezzanine real estate loans.

19.01 Are assets held in investments held in mezzanine real estate loans less than 2.5% of the reporting entity's admitted assets? Yes [X] No [ ]

If response to 19.01 is yes, responses are not required for the remainder of Interrogatory 19.

	1	2	3
19.02	Aggregate statement value of investments held in mezzanine real estate loans	$..........................	..................0.0 %
	Largest three investments held in mezzanine real estate loans:		
19.03	....	$..........................	..................0.0 %
19.04	....	$..........................	..................0.0 %
19.05	....	$..........................	..................0.0 %

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

	At Year-End		At End of Each Quarter		
			1st Qtr	2nd Qtr	3rd Qtr
	1	2	3	4	5
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:

	Owned		Written	
	1	2	3	4
21.01 Hedging........................	$..........................	..................0.0 %	$..........................	....................0.0 %
21.02 Income generation........................	$..........................	..................0.0 %	$..........................	....................0.0 %
21.03 Other........................	$..........................	..................0.0 %	$..........................	....................0.0 %

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

	At Year-End		At End of Each Quarter		
			1st Qtr	2nd Qtr	3rd Qtr
	1	2	3	4	5
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:

	At Year-End		At End of Each Quarter		
			1st Qtr	2nd Qtr	3rd Qtr
	1	2	3	4	5
23.01 Hedging........................	$..........................	..................0.0 %	$..........................	$..........................	$..........................
23.02 Income generation........................	$..........................	..................0.0 %	$..........................	$..........................	$..........................
23.03 Replications........................	$..........................	..................0.0 %	$..........................	$..........................	$..........................
23.04 Other........................	$..........................	..................0.0 %	$..........................	$..........................	$..........................