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Maine Employers' Mutual Insurance Company

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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, 2018 and 2017, 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 opinions.

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, 2018 and 2017, 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, 2018 and 2017, 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, 2018, 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 22, 2019

Maine Employers' Mutual Insurance Company
Statements of Admitted Assets, Liabilities and Capital and Surplus (Statutory Basis)
Years Ended December 31, 2018 and 2017

		2018		2017
Admitted Assets				
Invested assets				
Bonds, at carrying value (NAIC fair value: $443,430,034 and $470,714,279 at December 31, 2018 and 2017, respectively)	$	443,305,609	$	458,355,659
Common stocks, at NAIC fair value (cost: $107,634,896 and $99,329,418 at December 31, 2018 and 2017, respectively)		156,955,839		176,185,548
Common stocks of affiliates		201,117,942		177,573,781
Other invested assets		22,847,938		22,034,840
Cash, cash equivalents and short-term investments		9,930,328		10,816,320
Total cash and invested assets		834,157,656		844,966,148
Premium balances receivable		55,144,442		55,807,643
Investment income due and accrued		4,021,639		4,043,817
EDP equipment (net of accumulated depreciation of $6,395,518 and $5,293,801 in 2018 and 2017, respectively)		4,226,366		4,127,197
Reinsurance recoverable on paid loss and loss adjustment expenses		1,288,933		708,418
Federal income tax recoverable		-		2,709,218
Net deferred income taxes		8,095,712		1,966,458
Due from affiliates		4,508,884		2,388,149
Total admitted assets	$	911,443,632	$	916,717,048
Liabilities				
Loss reserves	$	337,984,440	$	336,150,349
Loss adjustment expense reserves		33,032,666		29,039,853
Unearned premium reserves		76,099,111		76,664,178
Reinsurance premiums payable		1,159,717		1,098,797
Commissions payable		6,430,275		5,928,027
Advance premium		1,651,753		2,233,363
Premium taxes and assessments payable		1,286,536		1,519,854
Amounts withheld for others		1,491,742		1,541,880
Federal income taxes payable		877,841		-
Other liabilities		27,699,457		23,543,671
Total liabilities		487,713,538		477,719,972
Commitments and contingencies (Note 13)				
Capital and Surplus				
Capital contributions		3,180,808		3,180,808
Deferred gain		623,726		1,288,264
Unassigned surplus		419,925,560		434,528,004
Total capital and surplus		423,730,094		438,997,076
Total liabilities and capital and surplus	$	911,443,632	$	916,717,048

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, 2018 and 2017

	2018	2017
Underwriting income		
Premiums earned, net	$ 163,184,052	$ 159,046,541
Loss and underwriting expenses		
Losses incurred, net	105,695,843	108,377,318
Loss adjustment expenses incurred, net	24,163,080	16,073,788
Underwriting expenses		
Commissions	11,890,432	11,394,030
Premium taxes	2,914,515	2,906,098
Guarantee fund, rating bureau and other assessments	1,634,668	1,018,816
Supervision, acquisition and collection expense	11,372,044	10,503,969
Loss control expenses	4,780,159	4,297,117
General expenses	3,840,966	1,974,205
Total underwriting expenses	36,432,784	32,094,235
Total loss and underwriting expenses	166,291,707	156,545,341
Net underwriting (loss) income	(3,107,655)	2,501,200
Investment income		
Net investment income	19,232,556	18,810,642
Net realized capital gains (less capital gains tax of $2,830,202 and $2,328,739, respectively)	10,883,213	4,772,480
Total investment income	30,115,769	23,583,122
Other (expense) income		
Bad debt expense	(245,422)	(266,400)
Service fee income	176,199	177,472
Net other expense	(69,223)	(88,928)
Income before dividends and federal income taxes	26,938,891	25,995,394
Dividends to policyholders	22,021,902	21,000,000
Income after dividends, before federal income taxes	4,916,989	4,995,394
Benefit from federal income taxes	(1,453,509)	(4,236,064)
Net income	$ 6,370,498	$ 9,231,458

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, 2018 and 2017

	2018	2017
Capital and surplus at beginning of year	$ 438,997,076	$ 415,015,069
Net income	6,370,498	9,231,458
Change in net deferred income taxes	1,015,081	(773,297)
Change in nonadmitted assets	(2,883,226)	1,406,470
Change in deferred gain on capital contributions	(664,538)	350,544
Change in net unrealized appreciation of invested assets (net of deferred taxes of ($5,114,173) and $6,219,920 at December 31, 2018 and 2017, respectively)	(19,104,797)	13,766,832
	(15,266,982)	23,982,007
Capital and surplus at end of year	$ 423,730,094	$ 438,997,076

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, 2018 and 2017

	2018	2017
Cash from operations		
Premiums collected, net	$ 162,438,991	$ 157,713,769
Investment income received, net	20,810,664	20,726,860
Other expense	(69,223)	(88,928)
Cash provided from operations	183,180,432	178,351,701
Benefit and loss related payments	(104,442,266)	(97,458,418)
Commissions and expenses paid	(53,027,585)	(50,782,690)
Dividends paid to policyholders	(22,021,902)	(21,000,000)
Federal income taxes recovered	2,210,366	2,396,456
Cash used in operations	(177,281,387)	(166,844,652)
Net cash provided from operations	5,899,045	11,507,049
Cash from investing activities		
Proceeds from investments sold, matured or repaid		
Bonds	76,291,598	69,475,230
Common stocks	43,113,622	24,055,566
Total investment proceeds	119,405,220	93,530,796
Costs of investments acquired		
Bonds	(75,622,651)	(79,576,543)
Common stocks	(35,886,868)	(23,712,387)
Other invested assets	-	(1,145,946)
Total cost of investments acquired	(111,509,519)	(104,434,876)
Net cash provided from (used in) investments	7,895,701	(10,904,080)
Cash from financing and miscellaneous sources		
Capital and paid in surplus	(9,853,588)	(1,647,011)
Other (uses) sources	(4,827,150)	2,755,418
Net cash (used in) provided from financing and miscellaneous sources	(14,680,738)	1,108,407
Net (decrease) increase in cash	(885,992)	1,711,376
Cash, cash equivalents and short-term investments		
Beginning of year	10,816,320	9,104,944
End of year	$ 9,930,328	$ 10,816,320
Noncash transaction		
Contribution of bonds	$ 12,396,412	$ 22,352,989

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 provided 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 seventeen states and writes workers' compensation insurance and employers' liability insurance incidental to and written in connection with workers' compensation coverage for employers in fourteen states. The Company writes its business primarily through independent agents and brokers. Approximately 94% of premium written during 2018 and 2017, 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 during 2018 and agency services during 2018 and 2017. The Company contributed $250,000 to MEMIC Services during 2018.

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 for 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 with approximately 89% of premium written in the States of Connecticut, Florida, Massachusetts, Maryland, New Hampshire, New Jersey, New York, Pennsylvania, Vermont, and Virginia. 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 $433,059 remains as a deferred gain in capital and surplus as of December 31, 2018. 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 real estate, the Company received all of the membership interests in CVH. To date, the Company has invested $18,106,501 in CVH, CVHII and CVHIII. The Company records its membership interests in CVH, CHVII and CVHIII 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 changed its state of domicile from Vermont to New Hampshire effective January 1, 2015. The Vermont Department of Financial Regulation, acting as rehabilitator, converted the former Granite Manufacturers' Mutual Indemnity Company ("GMMIC") to a stock company and on December 12, 2011, the Company purchased GMMIC. 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, 2018 or 2017. MEMIC Casualty is licensed to write workers' compensation insurance in nineteen states and commenced writing policies in May 2012. 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 non-cash 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 $190,667 remains as a deferred gain in capital and surplus as of December 31, 2018. 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, A Replacement of SSAP No 10R and SSAP No. 10"* ("SSAP 101") 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. 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;

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, 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 and money market mutual fund investments, which are short-term investments and mature within one year; the carrying value of these investments approximate 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. 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 nonmarketable alternative equity investment and surplus debentures. The investment in CVH is measured on the equity basis under GAAP. The nonmarketable alternative equity investment consists of venture capital funds carried at fair value based on the Company's proportionate interest in the fund's net asset value. On October 18, 2017, the Company received Notice of Appointment of Receiver for this fund. The current carrying value of this asset is $0 as of December 31, 2018 and 2017. The investment grade surplus debenture included in other invested assets with an NAIC designation of 1 is stated at amortized value using the interest method.

The investment 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 in-force 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 in force, 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 2018 or 2017.

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 so as 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 deductible limits. 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, 2018 and 2017:

	2018	2017
Premiums receivable over 90 days past due	$ 2,558,140	$ 2,232,023
Intercompany receivable	400,498	392,390
Fixed assets, net of accumulated amortization or depreciation	12,818,564	11,125,552
Prepaid assets and other miscellaneous receivables	1,802,001	946,012
Total nonadmitted assets	$ 17,579,203	$ 14,695,977

Depreciation and amortization expense on nonadmitted fixed assets was $1,365,285 and $1,078,094 in 2018 and 2017, 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 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 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, "Income Taxes, A Replacement of SSAP No. 10R and SSAP No. 10" 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. The Company files a consolidated federal income tax return and therefore the disclosures required under SSAP No. 101 for uncertain tax positions 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, 2018 and 2017. The Company previously applied the guidance of the SEC Staff Accounting Bulletin 118 when accounting for the tax effects of the Act in the 2017 financial statements. The Company has now completed its accounting for all of the tax effects of the Act and recognized additional tax of $3,293,382 in 2018 related to the provisional amounts recorded on December 31, 2017; this tax will be realized over a period of 8 years as per statute.

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, 2018 and 2017 was $1,092,504 and $545,617, 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.

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

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 Insurance Department to return capital contributions to the extent authorized by the Board of Directors and the Bureau. The Company returned $0 in capital contributions in 2018 and 2017. Cumulative capital contributions remaining are $3,180,808 as of December 31, 2018 and 2017.

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 twelve-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 2018 and 2017 was $43,899,708 and $41,501,507, respectively. Dividends to policyholders amounted to $22,021,902 and $21,000,000 in 2018 and 2017, respectively. The 100% participating mutual dividend declared during 2018, of $22,000,000, was based on policy year 2015 for eligible policyholders.

5. Income Taxes

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

	December 31, 2018		
	1	2	3
			(Col 1+2)
	Ordinary	Capital	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

	December 31, 2017		
	4	5	6
			(Col 4+5)
	Ordinary	Capital	Total
a. Gross deferred tax assets	$ 20,260,025	$ 873,198	$ 21,133,223
b. Statutory valuation allowance adjustment	-	-	-
c. Adjusted gross deferred taxes (1a-1b)	20,260,025	873,198	21,133,223
d. Deferred tax assets nonadmitted	-	-	-
e. Subtotal net admitted deferred tax asset (1c-1d)	20,260,025	873,198	21,133,223
f. Deferred tax liabilities	2,519,205	16,647,560	19,166,765
g. Net admitted deferred tax assets/(net deferred tax liability) (1e-1f)	$ 17,740,820	$ (15,774,362)	$ 1,966,458

	Change		
	7	8	9
	(Col 1-4)	(Col 2-5)	(Col 7+8)
	Ordinary	Capital	Total
a. Gross deferred tax assets	$ 3,791,497	$ (65,072)	$ 3,726,425
b. Statutory valuation allowance adjustment	-	-	-
c. Adjusted gross deferred taxes (1a-1b)	3,791,497	(65,072)	3,726,425
d. Deferred tax assets nonadmitted	-	-	-
e. Subtotal net admitted deferred tax asset (1c-1d)	3,791,497	(65,072)	3,726,425
f. Deferred tax liabilities	2,652,472	(5,055,301)	(2,402,829)
g. Net admitted deferred tax assets/(net deferred tax liability) (1e-1f)	$ 1,139,025	$ 4,990,229	$ 6,129,254

Admission Calculation Components:

	December 31, 2018		
	1	2	3
	Ordinary	Capital	(Col 1+2) 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):	9,903,664	332,761	10,236,425
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

	December 31, 2017		
	4	5	6
	Ordinary	Capital	(Col 4+5) Total
a. Federal income taxes paid in prior years recoverable through loss carrybacks	$ 949,817	$ 40,937	$ 990,754
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):	8,028,533	346,026	8,374,559
1. Adjusted gross deferred tax assets expected to be realized following the balance sheet date	8,028,533	346,026	8,374,559
2. Adjusted gross deferred tax assets allowed per limitation threshold	-	-	64,935,516
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	11,281,675	486,235	11,767,910
d. Deferred tax assets admitted as the result of application of SSAP 101 Total 2(a)+2(b)+2(c)	$ 20,260,025	$ 873,198	$ 21,133,223

	Change		
	Ordinary	Capital	Total
a. Federal income taxes paid in prior years recoverable through loss carrybacks	$ 1,067,360	$ 26,840	$ 1,094,200
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):	1,875,131	(13,265)	1,861,866
1. Adjusted gross deferred tax assets expected to be realized following the balance sheet date	1,875,131	(13,265)	1,861,866
2. Adjusted gross deferred tax assets allowed per limitation threshold	-	-	(3,224,314)
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	849,006	(78,647)	770,359
d. Deferred tax assets admitted as the result of application of SSAP 101 Total 2(a)+2(b)+2(c)	$ 3,791,497	$ (65,072)	$ 3,726,425

Other admissibility criteria:

		2018		2017
a. Ratio percentage used to determine recovery period and threshold limitation amount		733%		800%
b. Amount of adjusted capital and surplus used to determine recovery period and threshhold limitation in 2(b)2 above	$	411,408,016	$	432,903,421

Tax planning strategies were not employed by the Company during 2018 or 2017, and therefore, had no impact upon the determination of adjusted gross and net admitted deferred tax assets.

As of December 31, 2018, and 2017, 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 $1,427,163 and $0 for 2018 and 2017, respectively. There are no deposits admitted under Section 6603 of the Internal Revenue Code.

As of December 31, 2018, and 2017, 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:		2018		2017		Change
a. Federal	$	(2,832,808)	$	(3,332,448)	$	499,640
b. Provision to return		1,379,299		(15,355)		1,394,654
c. Prior year tax assessed/adjusted in current year		-		(888,261)		888,261
e. Subtotal		(1,453,509)		(4,236,064)		2,782,555
f. Federal income tax on net capital gains		2,830,202		2,328,739		501,463
i. Federal income taxes incurred	$	1,376,693	$	(1,907,325)	$	3,284,018

Deferred Tax Assets

		2018		2017		Change
a. Ordinary:						
Discounting of unpaid losses	$	11,285,459	$	8,038,662	$	3,246,797
Unearned premium reserves		3,265,536		3,313,697		(48,161)
Compensation and benefits accrual		4,313,651		3,342,820		970,831
Nonadmitted assets		3,691,633		3,086,155		605,478
Tax credits		1,495,243		2,478,691		(983,448)
Subtotal		24,051,522		20,260,025		3,791,497
b. Statutory valuation allowance adjustment		-		-		-
c. Nonadmitted		-		-		-
d. Admitted ordinary deferred tax assets (2a99-2b-2c)		24,051,522		20,260,025		3,791,497
e. Capital:						
Investments		808,126		873,198		(65,072)
Subtotal		808,126		873,198		(65,072)
f. Statutory valuation allowance adjustment		-		-		-
g. Nonadmitted		-		-		-
h. Admitted capital deferred tax assets (2e99-2f-2g)		808,126		873,198		(65,072)
i. Admitted deferred tax assets (2d+2h)	$	24,859,648	$	21,133,223	$	3,726,425

Deferred Tax Liabilities

		2018		2017		Change
a. Ordinary:						
Investments	$	243,793	$	201,510	$	42,283
Fixed assets		2,022,657		2,285,896		(263,239)
Legislative change in loss discounting		2,881,709		-		2,881,709
Additional acquisition costs		23,518		31,799		(8,281)
Subtotal		5,171,677		2,519,205		2,652,472
b. Capital:						
Investments		11,592,259		16,647,560		(5,055,301)
Subtotal		11,592,259		16,647,560		(5,055,301)
c. Deferred tax liabilities (3a99+3b99)		16,763,936		19,166,765		(2,402,829)
Net Deferred Tax Assets/Liabilities (2i-3c)	$	8,095,712	$	1,966,458	$	6,129,254

Change in net deferred income taxes

		2018		2017		Change
a. Adjusted gross deferred tax assets	$	24,859,648	$	21,133,223	$	3,726,425
b. Total deferred tax liabilities		16,763,936		19,166,765		2,402,829
c. Net deferred tax assets	$	8,095,712	$	1,966,458	$	6,129,254
d. Tax effect of change in unrealized gains					$	5,114,173
e. Total change in net deferred income tax						1,015,081
					$	6,129,254

There were no deferred tax liabilities that were not recognized.

Among the more significant book to tax adjustments in 2018 and 2017 were the following:

	2018	2017
Provision computed at statutory rate	$ 1,797,657	$ 2,700,340
Change in nonadmitted assets	(605,478)	(609,407)
Prior year true-up (to current)	1,379,298	(15,355)
Prior year true-up (to deferred)	(1,332,001)	(10,187)
Legislative rate change	-	(317,097)
Permanent differences	(875,259)	(1,994,061)
Additional tax assessed on prior year amended	(2,605)	-
Prior year tax assessed/adjusted in current year	-	(888,261)
Totals	$ 361,612	$ (1,134,028)
Federal income taxes incurred	$ (1,453,509)	$ (4,236,064)
Realized capital gains (losses) tax	2,830,202	2,328,739
Change in net deferred income taxes	(1,015,081)	773,297
Total statutory income taxes	$ 361,612	$ (1,134,028)

As of December 31, 2018, the Company had $1,397,377 in alternative minimum tax ("AMT") credits to offset against future regular tax. The Company has elected to recognize its AMT credit as a DTA as detailed below:

			2018
1		Gross AMT Credit Recognized as:	
	a.	Current year recoverable	$ -
	b.	Deferred tax asset	$ 1,397,377
2		Beginning Balance of AMT credit carryforward	2,478,691
3		Amounts recovered	(1,208,565)
4		Adjustments	127,251
5		Ending Balance of AMT credit carryforward	1,397,377
6		Reduction or sequestration	-
7		Nonadmitted by reporting entity	-
8		Reporting entity ending balance	$ 1,397,377

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.

The Company's 2014 consolidated federal income tax return was under examination by the Internal Revenue Service during 2017; the exam has concluded, and the Company confirmed its agreement with the proposed adjustments. Final notification of closing was received in March 2018, and there were no material changes to any estimates or amounts included in these financial statements.

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, 2018 and 2017 were as follows:

	2018	2017
Net balances at January 1,	$ 365,190,202	$ 356,653,405
Incurred related to		
Current year	130,322,975	131,363,469
Prior years	(464,052)	(6,912,363)
Total incurred	129,858,923	124,451,106
Paid related to		
Current year	40,336,704	38,716,279
Prior years	83,695,315	77,198,030
Total paid	124,032,019	115,914,309
Net balances at December 31,	$ 371,017,106	$ 365,190,202

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. 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 2018 and 2017, 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 was 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 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.

During 2017, the Company's incurred losses related to prior years decreased by $6,912,363 from favorable loss development principally in the 2009, 2011, 2013, and 2016 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:

	2018	2017
Loss and loss adjustment expense reserves	$ 234,125	$ 1,272,664
Loss and loss adjustment expense incurred	(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 $46,743 and $40,287 for 2018 and 2017, respectively. All amounts are recorded as assumed business. Amounts added to premiums, reserves and expense for reinsurance assumed from pools are as follows:

	2018	2017
Premiums earned	$ 969,511	$ 1,019,352
Loss and loss adjustment expenses incurred	662,243	607,830
Unearned premiums	295,957	324,816
Loss and loss adjustment expense reserves	1,457,004	1,319,447
Underwriting expenses incurred	240,547	251,851

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 2018 and 2017. In addition, for 2018 and 2017, 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 were as follows:

	2018	2017
Premiums earned	$ 2,965,372	$ 2,991,976
Loss and loss adjustment expense reserves	7,823,047	10,911,174

The Company cedes risk to another insurance company through an 85% quota share reinsurance agreement for policy years 2011-2018, 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 were as follows:

	2018	2017
Premiums earned	$ 2,503,492	$ 2,384,371
Loss and loss adjustment expenses incurred	(2,470,683)	1,669,060
Unearned premiums	1,172,139	1,132,337
Loss and loss adjustment expense reserves	3,589,231	6,999,702
Ceding commissions	333,172	323,025

Of the 2018 and 2017 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 at December 31, 2018 or 2017.

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 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.

In February 2017, the Company commuted an excess of loss reinsurance contract with General Reinsurance Corp. Proceeds from this commutation were $3,859. The outstanding reserve position on this reinsurance treaty prior to commutation was $0, therefore the Company had a gain of $3,859 as a result of this commutation.

8. Premiums Written and Earned

During the years ended December 31, 2018 and 2017, direct, assumed and ceded premiums were as follows:

	2018		2017	
	Written	**Earned**	**Written**	**Earned**
Direct	$ 167,186,999	$ 167,683,404	$ 165,946,601	$ 163,403,536
Assumed	940,652	969,511	1,048,069	1,019,352
Ceded	(5,508,666)	(5,468,863)	(5,457,813)	(5,376,347)
Net premiums	$ 162,618,985	$ 163,184,052	$ 161,536,857	$ 159,046,541

9. Statutory Deposits

Various regulatory authorities require that securities be placed on deposit. As of December 31, 2018 and 2017, the Company had fixed income securities on deposit with a carrying value of $3,731,431 and $3,674,354, respectively, included in bonds on the Statements of Admitted Assets, Liabilities and Capital and Surplus. The amounts on deposit with the states, all of which are admitted, represent <1% of total assets or total admitted assets at the end of 2018 and 2017.

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:

	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
At December 31, 2018				
Common stocks	$ 107,634,896	$ 57,484,636	$ (8,163,693)	$ 156,955,839
At December 31, 2017				
Common stocks	$ 99,329,418	$ 78,227,550	$ (1,371,420)	$ 176,185,548

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

	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Equity Value
At December 31, 2018				
Common stocks of affiliates	$ 168,657,479	$ 32,933,992	$ (473,529)	$ 201,117,942
At December 31, 2017				
Common stocks of affiliates	$ 146,407,480	$ 31,389,830	$ (223,529)	$ 177,573,781

The Company owns 100% of the common stock of MEMIC Services at a cost of $473,529. The Company contributed $250,000 during 2018 to MEMIC Services and recorded a liability of $110,549 and $303,632 as of December 31, 2018 and 2017, 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 Company owns 100% of the common stock of MEMIC Indemnity at a cost of $129,000,000 and $117,000,000 as of December 31, 2018 and 2017, respectively, and the Company owns 100% of the common stock of MEMIC Casualty at a cost of $39,183,951 and $29,183,951 as of December 31, 2018 and 2017, respectively.

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

	2018	2017
Admitted assets	$ 695,600,370	$ 593,400,016
Liabilities	494,482,428	415,826,235
Capital and surplus	201,117,942	177,573,781
Statutory net income	8,291,143	1,916,580

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 $498,962 and a fair value of $455,316 as of 2018 and a carrying value and fair value as of $498,941 and $507,038 as of 2017, are as follows:

	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

	2017			
	Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Government & government agencies & authorities	$ 23,434,712	$ 547,947	$ (131,299)	$ 23,851,360
States, territories & possessions	63,628,787	3,104,628	(167,123)	66,566,292
Political subdivisions of states	114,281,739	4,798,440	(275,714)	118,804,465
Industrial & miscellaneous	116,035,232	4,687,197	(219,398)	120,503,031
Asset backed securities	141,474,130	1,371,208	(1,349,169)	141,496,169
Total bonds	$ 458,854,600	$ 14,509,420	$ (2,142,703)	$ 471,221,317

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") security 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 Company currently holds one security with a NAIC SVO rating of three to six as of December 31, 2018.

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 $1,602,312 and $1,643,863, respectively, included in one year or less, and the surplus debenture included in other invested assets with a carrying value of $498,962 and a fair value of $455,316, included in over ten years, as of December 31, 2018, by contractual maturity are as follows:

Maturity	Carrying Value	Fair Value
One year or less	$ 12,300,116	$ 12,440,330
Over one year through five years	123,955,651	124,226,784
Over five years through ten years	66,377,191	66,318,203
Over ten years	242,773,925	242,543,896
	$ 445,406,883	$ 445,529,213

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, 2018 and 2017, are summarized as follows:

	2018		
	Proceeds From Sales	Gross Realized Gains	Gross Realized 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)

	2017		
	Proceeds From Sales	Gross Realized Gains	Gross Realized Losses
Bonds	$ 16,535,772	$ 309,658	$ (299)
Common stocks	22,687,354	7,011,680	(773,275)
	$ 39,223,126	$ 7,321,338	$ (773,574)

As of December 31, 2018, and 2017, 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 2018 or 2017.

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, 2018 and 2017 are as follows:

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	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)

	2017					
	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	$ 15,202,828	$ (131,299)	$ -	$ -	$ 15,202,828	$ (131,299)
States, territories & possessions	4,831,182	(40,740)	7,294,283	(126,383)	12,125,465	(167,123)
Political subdivisions of states	6,968,368	(48,364)	9,828,185	(227,350)	16,796,553	(275,714)
Industrial & miscellaneous	12,064,570	(123,115)	5,902,137	(96,283)	17,966,707	(219,398)
Asset backed securities	23,452,221	(94,724)	69,473,467	(1,254,445)	92,925,688	(1,349,169)
Common stocks - unaffiliated	6,712,440	(657,878)	2,993,957	(713,542)	9,706,397	(1,371,420)
	$ 69,231,609	$ (1,096,120)	$ 95,492,029	$ (2,418,003)	$ 164,723,638	$ (3,514,123)

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, 2018 and 2017 are summarized as follows:

	2018	2017
Bonds	$ 15,472,801	$ 16,017,712
Common stocks	4,092,000	3,593,295
Cash and short-term investments	185,446	60,294
Other investment income	709,312	459,231
Total investment income	20,459,559	20,130,532
Less: Investment expenses	(1,227,003)	(1,319,890)
Net investment income	$ 19,232,556	$ 18,810,642

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 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 includes bonds, 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.

	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

	2017			
	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	$ 164,066,610	$ -	$ -	$ 164,066,610
Mutual funds	12,118,938	-	-	12,118,938
Total common stocks	176,185,548	-	-	176,185,548
Total assets, measured at fair value	$ 176,185,548	$ -	$ -	$ 176,185,548

At the end of each reporting period, the Company evaluates whether any event has occurred, or circumstances have changed that would cause an instrument to be transferred between Levels 1 and 2. This policy also applies to transfers into or out of Level 3. The Company has no derivative assets or liabilities or assets carried at fair value on a nonrecurring basis. There are no Level 3 fair value assets which were transferred in or out during 2018 or 2017.

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, 2018 and 2017. The fair values are also categorized into the three-level fair value hierarchy as described above.

	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	$ -	$ -

	2017					
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	$ 23,851,360	$ 23,434,712	$ -	$ 23,851,360	$ -	$ -
States, territories & possessions	66,566,292	63,628,787	-	66,566,292	-	-
Political subdivisions of states	118,804,465	114,281,739	-	118,804,465	-	-
Industrial & miscellaneous	120,503,031	116,035,232	-	120,503,031	-	-
Asset backed securities	141,496,169	141,474,130	-	141,496,169	-	-
Common stocks	176,185,548	176,185,548	176,185,548	-	-	-
Cash & cash equivalents	10,816,320	10,816,320	10,566,834	249,486	-	-
Total assets	$ 658,223,185	$ 645,856,468	$ 186,752,382	$ 471,470,803	$ -	$ -

The Company held no structured notes as of December 31, 2018 or 2017.

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 $1,767,284 and $1,565,326 in 2018 and 2017, 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 $1,800,008 and $1,782,228 of expense related to the tax deferred employer profit-sharing component of the Plan in 2018 and 2017, respectively.

In 2018 and 2017, 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 $1,409,562 and $1,259,025 of expense related to the employer matching component of the Plan in 2018 and 2017, 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 $11,887,032 and $12,118,938 at December 31, 2018 and 2017, respectively, related to the Compensation Plan. 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 $(113,597) and $2,328,731 of (income) expense related to this Compensation Plan in 2018 and 2017, respectively.

A Long Term Incentive Plan ("LTIP") was established by the Compensation Committee of the Board of Directors (the "Committee") effective January 1, 2007, for certain members of management and highly compensated individuals (participants). Participants are granted a fixed dollar base award (the "Award") contingent upon the anticipated growth of imputed surplus. The final earned amount of the Award is based on the actual growth levels of imputed surplus and is calculated upon imputed surplus as compared to Target, Threshold and Maximum Growth levels for an applicable performance period, generally three years. The actual earned amount of the 2016 Award can range from 0% to 150% of the fixed dollar base Award based upon growth of imputed surplus. The 2017 and 2018 awards are calculated using a direct combined ratio and actual earned amounts can 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 $1,774,333 and $1,456,323 of expense related to the LTIP in 2018 and 2017, respectively.

13. Commitments and Contingent Liabilities

The Company leases office space, various office equipment and vehicles under lease arrangements through 2021. Future minimum lease payments under operating leases at December 31, 2018 are as follows:

2019	$	1,385,524
2020		1,153,546
2021		1,011,266
2022		22,625
2023		-
Total future minimum lease payments	$	3,572,961

Total rent and lease expense to all related and unrelated parties was $1,874,332 and $1,592,289 for the years ended December 31, 2018 and 2017, respectively. Included in future minimum lease payments are the future rents due through 2021 from the Company to CVH and 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 2018 or 2017 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 $(418,302) and $(2,311,759) at December 31, 2018 and 2017, respectively. Of these amounts, the Company has accrued a net liability at December 31, 2018 and 2017, of 790,325 and $734,179, respectively. The incurred credits of $(418,302) and

$(2,748,040) in 2018 and 2017, respectively, are the result of the company receiving $2,046,027 in December 2018 and $3,069,041 in September 2017, 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. At December 31, 2018 and 2017, the assessment was 2.77% and 2.57%, respectively, of written 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 $1,141,810 and $1,131,042 represents amounts due to the Board as of December 31, 2018 and 2017, 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 owns 100% of the common stock of its insurance services subsidiary, MEMIC Services. The Company paid the affiliate, MEMIC Services, $0 and $7,586 during 2018 and 2017, respectively, for agency services provided to the Company.

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 $30,034,451 and $29,201,770 for underwriting, claims, loss control, managed care and investment management fees and was charged $0 and $586,286 for other claims services that were provided from MEMIC Indemnity during 2018 and 2017, 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 2018 and 2017. In addition, the Company leased office space from CVH and paid $315,217 and $216,540 for rent and parking during 2018 and 2017, respectively. The Company leased office space from CVHII and paid $1,073,670 and $1,061,020 for rent and parking during 2018 and 2017, respectively. The Company was also charged $48,840 and $46,920 for parking from CVHIII during 2018 and 2017, 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 $3,991,661 and $2,584,887 for underwriting, claims, loss control, managed care and investment management fees during 2018 and 2017, respectively. Certain other direct costs are paid by the Company and charged back to MEMIC Casualty.

At December 31, 2018 and 2017, the Company reported a net receivable of $4,508,884 and $2,388,149, 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, 2018 and 2017 are as follows:

	2018	2017
MEMIC Indemnity Company	$ 4,668,782	$ 2,624,323
MEMIC Casualty Company	(165,412)	(130,906)
Casco View Holdings, LLC	5,514	(105,268)
Total due from affiliates	$ 4,508,884	$ 2,388,149

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.

	2018	2017
Aggregate amount of unrealized loss		
Less than twelve months	$ 381,744	$ 88,012
Twelve months or longer	2,728,913	1,254,445
Total	$ 3,110,657	$ 1,342,457
Aggregate fair value of securities with unrealized loss		
Less than twelve months	$ 29,315,550	$ 21,462,422
Twelve months or longer	76,184,587	69,473,467
Total	$ 105,500,137	$ 90,935,889

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, 2018 and 2017, are immaterial to the Company.

16. Subsequent Events

Subsequent events have been considered through March 22, 2019, for these statutory financial statements which are available to be issued on March 22, 2019.

SUMMARY INVESTMENT SCHEDULE

	Gross Investment Holdings		Admitted Assets as Reported in the Annual Statement			
	1	2	3	4	5	6
Investment Categories	Amount	Percentage	Amount	Securities Lending Reinvested Collateral Amount	Total (Col. 3 + 4) Amount	Percentage
1. Bonds:						
1.1 U.S. treasury securities	23,414,313	2.8	23,414,313		23,414,313	2.8
1.2 U.S. government agency obligations (excluding mortgage-backed securities):						
1.21 Issued by U.S. government agencies		0.0			0	0.0
1.22 Issued by U.S. government sponsored agencies		0.0			0	0.0
1.3 Non-U.S. government (including Canada, excluding mortgage-backed securities)		0.0			0	0.0
1.4 Securities issued by states, territories and possessions and political subdivisions in the U.S.:						
1.41 States, territories and possessions general obligations	12,391,993	1.5	12,391,993		12,391,993	1.5
1.42 Political subdivisions of states, territories and possessions and political subdivisions general obligations	17,966,648	2.2	17,966,648		17,966,648	2.2
1.43 Revenue and assessment obligations	119,456,545	14.3	119,456,545		119,456,545	14.3
1.44 Industrial development and similar obligations		0.0			0	0.0
1.5 Mortgage-backed securities (includes residential and commercial MBS):						
1.51 Pass-through securities:						
1.511 Issued or guaranteed by GNMA	12,982,202	1.6	12,982,202		12,982,202	1.6
1.512 Issued or guaranteed by FNMA and FHLMC	87,247,841	10.5	87,247,841		87,247,841	10.5
1.513 All other		0.0			0	0.0
1.52 CMOs and REMICs:						
1.521 Issued or guaranteed by GNMA, FNMA, FHLMC or VA	12,216,631	1.5	12,216,631		12,216,631	1.5
1.522 Issued by non-U.S. Government issuers and collateralized by mortgage-based securities issued or guaranteed by agencies shown in Line 1.521		0.0			0	0.0
1.523 All other	9,175,217	1.1	9,175,217		9,175,217	1.1
2. Other debt and other fixed income securities (excluding short-term):						
2.1 Unaffiliated domestic securities (includes credit tenant loans and hybrid securities)	118,809,714	14.2	118,809,714		118,809,714	14.2
2.2 Unaffiliated non-U.S. securities (including Canada)	29,644,505	3.6	29,644,505		29,644,505	3.6
2.3 Affiliated securities		0.0			0	0.0
3. Equity interests:						
3.1 Investments in mutual funds		0.0			0	0.0
3.2 Preferred stocks:						
3.21 Affiliated		0.0			0	0.0
3.22 Unaffiliated		0.0			0	0.0
3.3 Publicly traded equity securities (excluding preferred stocks):						
3.31 Affiliated	201,117,942	24.1	201,117,942		201,117,942	24.1
3.32 Unaffiliated	156,955,839	18.8	156,955,839		156,955,839	18.8
3.4 Other equity securities:						
3.41 Affiliated		0.0			0	0.0
3.42 Unaffiliated		0.0			0	0.0
3.5 Other equity interests including tangible personal property under lease:						
3.51 Affiliated		0.0			0	0.0
3.52 Unaffiliated		0.0			0	0.0
4. Mortgage loans:						
4.1 Construction and land development		0.0			0	0.0
4.2 Agricultural		0.0			0	0.0
4.3 Single family residential properties		0.0			0	0.0
4.4 Multifamily residential properties		0.0			0	0.0
4.5 Commercial loans		0.0			0	0.0
4.6 Mezzanine real estate loans		0.0			0	0.0
5. Real estate investments:						
5.1 Property occupied by company		0.0			0	0.0
5.2 Property held for production of income (including $..........0 of property acquired in satisfaction of debt)		0.0			0	0.0
5.3 Property held for sale (including $.........0 property acquired in satisfaction of debt)		0.0			0	0.0
6. Contract loans		0.0			0	0.0
7. Derivatives		0.0			0	0.0
8. Receivables for securities		0.0			0	0.0
9. Securities lending (Line 10, Asset Page reinvested collateral)		0.0		XXX	XXX	XXX
10. Cash, cash equivalents and short-term investments	9,930,328	1.2	9,930,328		9,930,328	1.2
11. Other invested assets	22,847,938	2.7	22,847,938		22,847,938	2.7
12. Total invested assets	834,157,656	100.0	834,157,656	0	834,157,656	100.0

SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES

For the year ended December 31, 2018

(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. $......911,443,632

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	$....160,245,935	17.6 %
2.02	MEMIC CASUALTY COMPANY	Common Stock Subsidiary	$......40,872,007	4.5 %
2.03	JPMORGAN CHASE & CO	Bonds/Common Stock	$........5,270,912	0.6 %
2.04	DALLAS-FORT WORTH TX INTERNATI...	Long Term Bonds	$........5,050,940	0.6 %
2.05	CITIGROUP INC	Bonds/Common Stock	$........4,907,325	0.5 %
2.06	BANK OF AMERICA CORP	Bonds/Common Stock	$........4,710,474	0.5 %
2.07	GOLDMAN SACHS GROUP INC	Bonds/Common Stock	$........4,481,756	0.5 %
2.08	PENNSYLVANIA ST TURNPIKE COMMI..	Long Term Bonds	$........4,392,279	0.5 %
2.09	WELLS FARGO & COMPANY	Bonds/Common Stock	$........4,184,051	0.5 %
2.10	MET TRANSPRTN AUTH NY REVENUE..	Long Term Bonds	$........4,107,602	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	$....402,632,709	44.2 %
3.02	NAIC 2	$......40,626,675	4.5 %
3.03	NAIC 3	$	0.0 %
3.04	NAIC 4	$	0.0 %
3.05	NAIC 5	$............46,224	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	$......29,750,056	3.3 %
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	$......29,750,056	3.3 %
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	$......16,500,000	1.8 %
6.02	Country 2: United Kingdom	$........4,615,093	0.5 %
	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	GALXY 2018-27A A	1	$4,000,000	0.4 %
10.02	WINDR 2014-1A ARR	1	$4,000,000	0.4 %
10.03	HSBC HOLDINGS PLC	1	$3,060,026	0.3 %
10.04	GALXY 2018-28A A1	1	$3,000,000	0.3 %
10.05	SVENSKA HANDELSBANKEN AB	1	$2,494,664	0.3 %
10.06	BABSN 2018-3A A1	1	$2,000,000	0.2 %
10.07	GE CAPITAL INTL FUNDING	2	$1,625,317	0.2 %
10.08	DRSLF 2018-64A A	1	$1,500,000	0.2 %
10.09	SHIRE ACQ INV IRELAND DA	2	$1,499,092	0.2 %
10.10	BTNY2 2018-1A A1	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	$160,245,935	17.6 %
13.03	MEMIC CASUALTY COMPANY	$40,872,007	4.5 %
13.04	SPDR S&P MIDCAP 400 ETF TRST	$15,915,902	1.7 %
13.05	ISHARES MSCI EAFE ETF	$2,609,832	0.3 %
13.06	MICROSOFT CORP	$2,437,071	0.3 %
13.07	JOHNSON & JOHNSON	$2,314,383	0.3 %
13.08	APPLE INC	$2,275,084	0.2 %
13.09	JPMORGAN CHASE & CO	$2,260,098	0.2 %
13.10	PFIZER INC	$2,121,827	0.2 %
13.11	PROCTER & GAMBLE CO/THE	$2,106,623	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 %

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, 2018 and 2017

MEMIC Indemnity Company
Index
December 31, 2018 and 2017

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, 2018 and 2017, 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 opinions.

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, 2018 and 2017, 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, 2018 and 2017, 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, 2018 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 22, 2019

MEMIC Indemnity Company
Statements of Admitted Assets, Liabilities and Capital and Surplus
(Statutory Basis)
December 31, 2018 and 2017

	2018	2017
Admitted Assets		
Invested assets		
Bonds, at carrying value (fair value: $436,991,214 and $369,815,631 at December 31, 2018 and 2017, respectively)	$ 441,403,911	$ 365,817,971
Common stocks, at fair value (cost: $58,641,411 and $51,713,191 at December 31, 2018 and 2017, respectively)	59,513,187	62,295,119
Other invested assets, at carrying value (fair value: $1,821,262 and $2,028,124 at December 31, 2018 and 2017, respectively)	1,995,846	1,995,764
Cash, cash equivalents and short-term investments	13,320,611	17,058,784
Total cash and invested assets	516,233,555	447,167,638
Premium balances receivable	74,275,927	71,722,047
Receivable for securities sold	60	85
Investment income due and accrued	3,858,028	3,122,372
EDP equipment (net of accumulated depreciation of $615,843 and $571,824 at December 31, 2018 and 2017, respectively)	137,884	146,566
Reinsurance recoverable on paid loss and loss adjustment expenses	698,127	494,510
Net deferred income taxes	9,275,957	5,971,251
Total admitted assets	$ 604,479,538	$ 528,624,469
Liabilities		
Loss reserves	$ 281,624,255	$ 233,013,890
Loss adjustment expense reserves	40,528,413	30,706,588
Unearned premium reserves	89,692,459	90,925,502
Advance premium	927,001	511,943
Reinsurance premiums payable	747,084	1,955,713
Other liabilities	3,027,553	1,218,989
Premium taxes and assessments payable	7,697,212	7,695,479
Amounts withheld for others	3,504,523	3,362,366
Commissions payable	8,825,718	7,763,702
Due to parent	4,668,782	2,624,322
Federal income tax payable	2,990,603	1,298,254
Total liabilities	444,233,603	381,076,748
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	114,000,000
Unassigned surplus	31,245,935	30,547,721
Total capital and surplus	160,245,935	147,547,721
Total liabilities and capital and surplus	$ 604,479,538	$ 528,624,469

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, 2018 and 2017

	2018	2017
Underwriting income		
Premiums earned, net	$ 212,947,851	$ 182,380,321
Loss and underwriting expenses		
Losses incurred, net	131,040,944	116,725,386
Loss adjustment expenses incurred, net	32,399,194	24,436,708
Underwriting expenses		
Commissions	17,644,694	16,042,717
Premium taxes	4,341,250	4,400,009
Guarantee fund, rating bureau and other assessments	3,046,532	2,065,505
Supervision, acquisition and collection expenses	17,547,414	17,394,426
Loss control	6,022,666	4,928,664
General expenses	3,033,811	2,563,213
Total underwriting expenses	51,636,367	47,394,534
Total loss and underwriting expenses	215,076,505	188,556,628
Net underwriting loss	(2,128,654)	(6,176,307)
Investment income		
Net investment income	13,768,595	10,958,250
Net realized capital gains (less capital gains tax of $1,122,798 and $1,133,759, respectively)	4,098,976	2,200,825
Total investment income	17,867,571	13,159,075
Other (expense) income		
Bad debt expense	(264,514)	(973,476)
Service fee income	48,675	49,447
Net other expense	(215,839)	(924,029)
Income before dividends and federal income taxes	15,523,078	6,058,739
Dividends to policyholders	5,777,542	4,114,711
Income after dividends, before federal income taxes	9,745,536	1,944,028
Provision for federal income taxes	1,867,805	109,973
Net income	$ 7,877,731	$ 1,834,055

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, 2018 and 2017

	2018	2017
Capital and surplus at beginning year	$ 147,547,721	$ 133,598,441
Net income	7,877,731	1,834,055
Change in net deferred income taxes	1,950,197	(2,837,265)
Change in nonadmitted assets	(1,121,530)	(1,733,958)
Change in net unrealized appreciation of invested assets (net of deferred taxes of ($2,103,728) and $1,892,712 as of December 31, 2018 and 2017, respectively)	(8,008,184)	3,686,448
Capital contributions	12,000,000	13,000,000
Change in capital and surplus	12,698,214	13,949,280
Capital and surplus at end of year	$ 160,245,935	$ 147,547,721

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, 2018 and 2017

	2018	2017
Cash from operations		
Premiums collected, net	$ 208,039,784	$ 183,610,270
Investment income received, net	15,594,122	12,945,879
Other expense	(215,839)	(924,029)
Cash provided from operations	223,418,067	195,632,120
Benefit and loss related payments	82,634,195	73,789,472
Commissions and expenses paid	71,381,308	66,782,128
Dividends paid to policyholders	5,777,542	4,114,711
Federal income taxes paid	1,298,254	1,923,937
Cash used in operations	161,091,299	146,610,248
Net cash provided from operations	62,326,768	49,021,872
Cash from investing activities		
Cash provided from (used in) investments		
Proceeds from bonds sold, matured or repaid	46,693,222	34,109,640
Proceeds from common stocks sold	30,929,522	19,172,244
Cost of bonds acquired	(114,791,355)	(75,462,231)
Cost of stocks acquired	(32,669,271)	(20,907,992)
Cost of other invested assests	-	(1,995,740)
Net cash used in investing activities	(69,837,882)	(45,084,079)
Cash from financing and miscellaneous sources		
Other cash		
Capital and paid in surplus	1,622,383	90,924
Other sources (uses)	2,150,558	(2,026,463)
Net cash provided from (used in) financing and miscellaneous sources	3,772,941	(1,935,539)
Net (decrease) increase in cash	(3,738,173)	2,002,254
Cash, cash equivalents and short-term investments		
Beginning of year	17,058,784	15,056,530
End of year	$ 13,320,611	$ 17,058,784
Noncash transaction		
Receipt of bonds	$ 10,377,617	$ 12,909,076

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 85% of premium written during 2018, 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, A Replacement of SSAP 10R and SSAP 10, effective January 1, 2012.* 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 and deductible 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. 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;

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

g. 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

h. 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 the summary of collateral on deposit in Note 13 and 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 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 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, net of amounts ceded to other insurance companies, are earned on a monthly pro rata basis over the in-force period. Ceded premiums are written and earned concurrently. Accordingly, unearned premium reserves are established for the pro rata portion of direct and assumed premiums written which are applicable to the unexpired terms of the policies in-force, 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 anticipates investment income when evaluating the need for any premium deficiency reserve. There was no premium deficiency reserve recorded for 2018 or 2017.

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 2007 U.S. 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 so as 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, 2018 and 2017:

	2018	2017
Premium balances receivable over 90 days past due	$ 774,391	$ 446,820
Deductible recoverable over 90 days past due	-	168,837
Deferred income taxes	2,595,304	1,846,085
Fixed assets, net of accumulated depreciation	3,409,711	3,264,086
Other assets	191,831	123,879
Total nonadmitted assets	$ 6,971,237	$ 5,849,707

Depreciation expense on nonadmitted fixed assets was $654,000 and $324,029 in 2018 and 2017, 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, "Income Taxes, A Replacement of SSAP No. 10R and SSAP No. 10" 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. The Company files a consolidated federal income tax return and therefore the disclosures required under SSAP No. 101 for uncertain tax positions 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, 2018 and 2017. The Company previously applied the guidance of the SEC Staff Accounting Bulletin 118 when accounting for the tax effects of the Act in the 2017 financial statements. The Company has now completed its accounting for all of the tax effects of the Act and recognized additional tax of $3,735,495 in 2018 related to the provisional amounts recorded on December 31, 2017; this tax will be realized over a period of 8 years as per statute.

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, 2018 and 2017, was $52,489 and $40,584, 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 and $117,000,000 as of December 31, 2018 and 2017, respectively. MEMIC contributed capital of $12,000,000 and $13,000,000 during 2018 and 2017, respectively. The $12,000,000 during 2018, noted as a change in capital and surplus, included $10,377,617 non-cash contributions of bonds and $1,622,383 in cash. The $13,000,000 during 2017, noted as change in capital and surplus included $12,909,076 non-cash contribution of bonds and $90,924 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 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 $14,754,772 and $13,359,844 during 2018 and 2017, respectively. There were no stockholder dividends declared during 2018 or 2017. Policyholder dividends declared and paid during 2018 and 2017 were $5,777,542 and $4,114,711, respectively, of which $0 remains unpaid as of 2018 and 2017.

5. Income Taxes

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

	December 31, 2018		
	1 Ordinary	2 Capital	(Col 1+2) 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

	December 31, 2017		
	4 Ordinary	5 Capital	(Col 4+5) Total
a. Gross deferred tax assets	$ 10,653,973	$ 21,244	$ 10,675,217
b. Statutory valuation allowance adjustment	-	-	-
c. Adjusted gross deferred taxes (1a - 1b)	10,653,973	21,244	10,675,217
d. Deferred tax assets nonadmitted	1,842,411	3,674	1,846,085
e. Subtotal net admitted deferred tax asset (1c - 1d)	8,811,562	17,570	8,829,132
f. Deferred tax liabilities	668,105	2,189,776	2,857,881
g. Net admitted deferred tax assets/(net deferred tax liability) (1e - 1f)	$ 8,143,457	$ (2,172,206)	$ 5,971,251

	Change		
	7 (Col 1-4) Ordinary	8 (Col 2-5) Capital	9 (Col 7+8) Total
a. Gross deferred tax assets	$ 5,104,426	$ 26,225	$ 5,130,651
b. Statutory valuation allowance adjustment	-	-	-
c. Adjusted gross deferred taxes (1a - 1b)	5,104,426	26,225	5,130,651
d. Deferred tax assets nonadmitted	745,099	4,120	749,219
e. Subtotal net admitted deferred tax asset (1c - 1d)	4,359,327	22,105	4,381,432
f. Deferred tax liabilities	3,180,454	(2,103,728)	1,076,726
g. Net admitted deferred tax assets/(net deferred tax liability) (1e - 1f)	$ 1,178,873	$ 2,125,833	$ 3,304,706

Admission calculation components:

	December 31, 2018		
	1 Ordinary	2 Capital	(Col 1+2) 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):	3,943,246	11,878	3,955,124
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

	December 31, 2017		
	4 Ordinary	5 Capital	(Col 4+5) Total
a. Federal income taxes paid in prior years recoverable through loss carrybacks	$ 2,873,911	$ 5,731	$ 2,879,642
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):	3,085,457	6,152	3,091,609
1. Adjusted gross deferred tax assets expected to be realized following the balance sheet date	3,085,457	6,152	3,091,609
2. Adjusted gross deferred tax assets allowed per limitation threshold	-	-	21,214,485
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	2,852,194	5,687	2,857,881
d. Deferred tax assets admitted as the result of application of SSAP 101 Total 2(a)+2(b)+2(c)	$ 8,811,562	$ 17,570	$ 8,829,132

	Change		
	Ordinary	Capital	Total
a. Federal income taxes paid in prior years recoverable through loss carrybacks	$ 2,430,942	$ 10,249	$ 2,441,191
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):	857,789	5,726	863,515
1. Adjusted gross deferred tax assets expected to be realized following the balance sheet date	857,789	5,726	863,515
2. Adjusted gross deferred tax assets allowed per limitation threshold	-	-	1,410,329
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	1,070,596	6,130	1,076,726
d. Deferred tax assets admitted as the result of application of SSAP 101 Total 2(a)+2(b)+2(c)	$ 4,359,327	$ 22,105	$ 4,381,432

Other admissibility criteria:

	2018	2017
a. Ratio percentage used to determine recovery period and threshold limitation amount	581%	601%
b. Amount of adjusted capital and surplus used to determine recovery period and threshold limitation in 2(b)2 above	$ 150,832,094	$141,429,904

Tax planning strategies were not employed by the Company during 2018 or 2017, and therefore, had no impact upon the determination of adjusted gross and net admitted deferred tax assets.

As of December 31, 2018 and 2017, 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 $4,334,868 and $985,965 for 2018 and 2017, respectively. There are no deposits admitted under Section 6603 of the Internal Revenue Code.

As of December 31, 2018 and 2017, 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.

The Company's 2014 consolidated federal income tax return was under examination by the Internal Revenue Service during 2017; the exam has concluded, and the Company has confirmed its agreement with the proposed adjustments. Final notification of closing was received in March 2018, and there were no material changes to any estimates or amounts included in these financial statements.

Current and deferred income taxes:

Current income taxes:	2018	2017	Change
a. Federal	$ 3,212,070	$ 210,506	$ 3,001,564
b. Provision to return	(1,344,265)	(46,011)	(1,298,254)
c. Prior year tax assessed/adjusted in current year	-	(54,522)	54,522
e. Subtotal	1,867,805	109,973	1,757,832
f. Federal income tax on net capital gains	1,122,798	1,133,759	(10,961)
i. Federal income taxes incurred	$ 2,990,603	$ 1,243,732	$ 1,746,871

Deferred Tax Assets

	2018	2017	Change
a. Ordinary:			
Discounting of unpaid losses	$ 9,642,080	$ 4,803,907	$ 4,838,173
Unearned premium reserves	3,806,017	3,840,373	(34,356)
Accrued expenses	1,391,356	1,204,388	186,968
Other (including items < 5% of total ordinary tax assets)	918,946	805,305	113,641
Subtotal	15,758,399	10,653,973	5,104,426
b. Statutory valuation allowance adjustment	-	-	-
c. Nonadmitted	2,587,510	1,842,411	745,099
d. Admitted ordinary deferred tax assets	13,170,889	8,811,562	4,359,327
e. Capital:			
Investments	47,469	21,244	26,225
Subtotal	47,469	21,244	26,225
f. Statutory valuation allowance adjustment	-	-	-
g. Nonadmitted	7,794	3,674	4,120
h. Admitted capital deferred tax assets (2e99-2f-2g)	39,675	17,570	22,105
i. Admitted deferred tax assets (2d+2h)	$ 13,210,564	$ 8,829,132	$ 4,381,432

Deferred Tax Liabilities

	2018	2017	Change
a. Ordinary:			
Investments	$ 33,511	$ 24,510	$ 9,001
Legislative change in loss discounting	3,268,558	-	3,268,558
Fixed assets	492,469	613,978	(121,509)
Other	54,021	29,617	24,404
Subtotal	3,848,559	668,105	3,180,454
b. Capital:			
Investments	86,048	2,189,776	(2,103,728)
Subtotal	86,048	2,189,776	(2,103,728)
c. Deferred tax liabilities (3a99+3b99)	3,934,607	2,857,881	1,076,726
Net Deferred Tax Assets/Liabilities (2i-3c)	$ 9,275,957	$ 5,971,251	$ 3,304,706

Change in net deferred income taxes

	2018	2017	Change
a. Adjusted gross deferred tax assets	$ 15,805,868	$ 10,675,217	$ 5,130,651
b. Total deferred tax liabilities	3,934,607	2,857,881	1,076,726
c. Net deferred tax assets (liabilities)	$ 11,871,261	$ 7,817,336	$ 4,053,925
d. Tax effect of change in unrealized gains (losses)			$ 2,103,728
e. Total change in net deferred income tax			1,950,197
			$ 4,053,925

There were no deferred tax liabilities that were not recognized.

Among the more significant book to tax adjustments in 2018 and 2017 were the following:

	2018	**2017**
Provision computed at statutory rate	$ 2,282,350	$ 1,046,447
Permanent differences	(506,690)	(884,241)
Prior year true up (to deferred)	722,652	(41,968)
Prior year true up (to current)	(1,344,265)	(46,011)
Legislative rate change	-	4,839,303
Prior year tax assessed/adjusted in current year	-	(54,522)
Change in nonadmitted assets	(113,641)	(778,011)
Totals	$ 1,040,406	$ 4,080,997
Federal income taxes incurred	$ 1,867,805	$ 109,973
Realized capital gains (losses) tax	1,122,798	1,133,759
Change in net deferred income taxes	(1,950,197)	2,837,265
Total statutory income taxes	$ 1,040,406	$ 4,080,997

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, 2018 and 2017 are summarized as follows:

	2018	**2017**
Net balances at January 1,	$ 263,720,478	$ 216,374,864
Incurred related to		
Current year	171,404,460	144,680,315
Prior year	(7,964,322)	(3,518,221)
Total incurred	$ 163,440,138	$ 141,162,094
Paid related to		
Current year	$ 37,658,104	$ 33,600,864
Prior year	67,349,844	60,215,616
Total paid	105,007,948	93,816,480
Net balances at December 31,	$ 322,152,668	$ 263,720,478

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 $977,574 and $1,826,141 as of December 31, 2018 and 2017, 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. See Note 16.

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.

During 2017, the Company's incurred losses related to prior years decreased by $3,518,221 as a result of favorable loss development principally in the 2013, 2015 and 2016 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. There were no loss reserve and loss adjustment expense incurred on this business during 2017, however, the following expenses were incurred during 2018 and reserves that remain outstanding as of December 31, 2018 and 2017:

	2018	2017
Loss and loss adjustment expenses reseves	$ 201,242	$ 115,117
Loss and loss adjustment expenses incurred	201,565	-

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 $896,300 and $205,919 for 2018 and 2017, respectively. All amounts are recorded as assumed business. Amounts added to premiums, reserves and expenses for reinsurance assumed from pools are as follows:

	2018	2017
Premiums earned	$ 9,897,316	$ 9,027,133
Loss and loss adjustment expenses incurred	6,797,066	5,483,859
Unearned premiums	2,970,507	2,829,368
Loss and loss adjustment expense reserves	17,039,991	15,263,572
Premiums receivable	1,059,079	1,051,328
Underwriting expenses incurred	2,313,922	2,041,086

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 and $500,000 for 2018 and 2017, respectively. In addition, for 2018 and 2017, 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:

	2018	2017
Premiums earned	$ 6,609,059	$ 11,367,453
Loss and loss adjustment expenses incurred	1,720,000	3,594,632
Loss and loss adjustment expense reserves	8,027,912	9,084,634
Premiums payable	747,084	1,955,713

The 2018 and 2017 ceded loss and loss adjustment expense case incurred and incurred but not reported reserves above are comprised of amounts with three reinsurance carriers although the Company has contracts with other carriers.

The Company had no unsecured reinsurance recoverables from a reinsurer that exceeded 3% of capital and surplus at December 31, 2018 or 2017.

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 2018 or 2017.

8. Premiums Written and Earned

During the years ended December 31, 2018 and 2017, direct, assumed and ceded premiums were as follows:

	2018		2017	
	Written	**Earned**	**Written**	**Earned**
Direct	$ 208,285,412	$ 209,659,594	$ 197,932,102	$ 184,720,641
Assumed	10,038,455	9,897,316	9,327,307	9,027,133
Ceded	(6,609,059)	(6,609,059)	(11,367,453)	(11,367,453)
Net premiums	$ 211,714,808	$ 212,947,851	$ 195,891,956	$ 182,380,321

9. Statutory Deposits

Various regulatory authorities require that securities be placed on deposit. At December 31, 2018 and 2017, the Company had fixed income securities on deposit with a carrying value of $9,985,842 and $10,026,131, respectively, included in bonds on the Statements of Admitted Assets, Liabilities and Capital and Surplus. The amounts on deposit with the states, all of which are admitted, represent 1.63**%** and 1.65% of total assets and total admitted assets, respectively, at the end of 2018.

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 $1,995,846, and a fair value of $1,821,262, as of December 31, 2018 and a carrying value and fair value of $1,995,764, and $2,028,124, as of 2017 are as follows:

	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

	2017			
	Carrying Value	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**
U.S. Government & government agencies & authorities	$ 17,838,600	$ 671,649	$ (370,085)	$ 18,140,164
States, territories & possessions	45,714,423	892,431	(185,157)	46,421,697
Political subdivisions of states	80,224,245	1,172,302	(442,663)	80,953,884
Industrial & miscellaneous	123,063,617	2,857,607	(304,516)	125,616,708
Asset backed securities	100,972,850	556,678	(818,226)	100,711,302
Total bonds	$ 367,813,735	$ 6,150,667	$ (2,120,647)	$ 371,843,755

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

2018	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Common stocks	$ 58,641,411	$ 5,470,966	$ (4,599,190)	$ 59,513,187

2017	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Common stocks	$ 51,713,191	$ 11,150,448	$ (568,520)	$ 62,295,119

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 or commercial mortgage-backed security (“RMBS/CMBS”) security 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 Company currently holds two securities with a NAIC SVO rating of three to six at a market value of $1,640,178 as of December 31, 2018.

The carrying value and fair value of bonds and surplus debentures, including those held in short-term investments of $2,766,878 and $2,766,459, respectively, included in one year or less, and the surplus debenture included in other invested assets with a carrying value of $1,995,846 and a fair value of $1,821,262, included in over ten years, as of December 31, 2018, by contractual maturity are as follows:

Maturity	Carrying Value	Fair Value
One year or less	$ 18,325,705	$ 18,315,015
Over one year through five years	92,897,065	93,013,858
Over five years through ten years	151,914,662	149,843,615
Over ten years	183,029,203	180,406,447
	$ 446,166,635	$ 441,578,935

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, 2018 and 2017, are summarized as follows:

	2018		
	Proceeds From Sales	Gross Realized Gains	Gross Realized 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)

	2017		
	Proceeds From Sales	Gross Realized Gains	Gross Realized Losses
Common stocks	$ 18,208,962	$ 4,016,452	$ (681,521)

As of December 31, 2018, and 2017, 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. During 2018, the Company recorded OTTI of $124,883. The Company did not record any OTTI during 2017.

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, 2018 and 2017 are as follows:

	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)

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	2017					
	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	$ 4,469,791	$ (65,169)	$ 6,744,367	$ (304,916)	$ 11,214,158	$ (370,085)
States, territories & possessions	5,636,325	(37,534)	7,799,361	(147,623)	13,435,686	(185,157)
Political subdivisions of states	16,339,112	(94,358)	19,116,034	(348,305)	35,455,146	(442,663)
Industrial & miscellaneous	26,454,420	(141,786)	4,028,946	(8,304)	30,483,366	(150,090)
Asset backed securities	34,595,245	(184,788)	32,823,743	(633,438)	67,418,988	(818,226)
Bonds (NAIC 3–6):						
Industrial & miscellaneous	-	-	852,500	(154,426)	852,500	(154,426)
Common stocks - unaffiliated	4,532,091	(320,433)	1,638,568	(248,087)	6,170,659	(568,520)
	$ 92,026,984	$ (844,068)	$ 73,003,519	$ (1,845,099)	$ 165,030,503	$ (2,689,167)

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

The Company held the following structured notes as of December 31, 2018 and 2017:

	2018			
Cusip	**Actual Cost**	**Fair Value**	**Statement Value**	**Mortgage Ref Security (YES/NO)**
59156RBF4	$ 1,567,389	$ 1,523,622	$ 1,557,657	NO
912810PV4	100,529	128,210	120,969	NO
Total	$ 1,667,918	$ 1,651,832	$ 1,678,626	

	2017			
Cusip	**Actual Cost**	**Fair Value**	**Statement Value**	**Mortgage Ref Security (YES/NO)**
59156RBF4	$ 1,567,389	$ 1,569,045	$ 1,559,459	NO
912810FS2	430,883	558,949	512,254	NO
912810PV4	100,529	132,295	118,034	NO
Total	$ 2,098,801	$ 2,260,289	$ 2,189,747	

The major categories of net investment income for the years ended December 31, 2018 and 2017 are summarized as follows:

	2018	2017
Bonds	$ 12,379,488	$ 9,993,737
Common stocks	2,009,493	1,668,342
Cash, cash equivalents and short-term investments	223,327	80,648
Other investment income	94	94
Total investment income	14,612,402	11,742,821
Less: Investment expenses	(843,807)	(784,571)
Net investment income	$ 13,768,595	$ 10,958,250

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, 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.

	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

	2017			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets on Statements of Assets, Liabilities and Capital and Surplus, at fair value:				
Bonds				
Industrial & miscellaneous	$ -	$ 2,249,163	$ -	$ 2,249,163
Total bonds	-	2,249,163	-	2,249,163
Common stocks				
Industrial & miscellaneous	62,295,119	-	-	62,295,119
Total common stocks	62,295,119	-	-	62,295,119
Total assets, measured at fair value	$ 62,295,119	$ 2,249,163	$ -	$ 64,544,282

At the end of each reporting period, the Company evaluates whether or not any event has occurred or circumstances have changed that would cause an instrument to be transferred between Levels 1 and 2. There are no Level 3 fair value assets which were transferred in or out during 2018 or 2017.

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, 2018 and 2017. The fair values are also categorized into the three-level fair value hierarchy as described above.

	2018					
Type of Financial Instrument	**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 & 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	$ -	$ -

	2017					
Type of Financial Instrument	**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	$ 18,140,164	$ 17,838,600	$ -	$ 18,140,164	$ -	$ -
States, territories & possessions	46,421,697	45,714,423	-	46,421,697	-	-
Political subdivisions of states	80,953,884	80,224,245	-	80,953,884	-	-
Industrial and miscellaneous	125,616,708	123,063,617	-	125,616,708	-	-
Asset backed securities	100,711,302	100,972,850	-	100,711,302	-	-
Common stocks	62,295,119	62,295,119	62,295,119	-	-	-
Cash, cash equivalents & short-term investments	17,058,784	17,058,784	13,664,242	3,394,542	-	-
Total assets	$ 451,197,658	$ 447,167,638	$ 75,959,361	$ 375,238,297	$ -	$ -

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 2018 or 2017.

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, 2018 are as follows:

2019	$ 999,500
2020	1,066,987
2021	863,738
2022	802,897
2023	472,349
Thereafter	266,670
Total future minimum lease payments	$ 4,472,141

Total rent and lease expense was $710,746 and $673,011 for the years ended December 31, 2018 and 2017, 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 2018 or 2017 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 $3,208,154 and $2,462,146 at December 31, 2018 and 2017, respectively. The Company has recorded a liability for guaranty fund and other assessments of $5,975,959 and $5,306,685 and no related premium tax benefit asset at December 31, 2018 and 2017, respectively. 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.

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 basis or in the aggregate. Included in both cash and short-term investments and other liabilities on the Statements of Admitted Assets, Liabilities and Capital and Surplus is $1,979,239 and $624,178 as of 2018 and 2017, respectively, for this collateral on deposit, which represents <1% of total assets and total admitted assets in 2018 and 2017. See Note 16.

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 2018 and 2017, the Company was charged $30,034,451 and $29,201,770, respectively, for administrative and management services, underwriting, claims and investment management fees, and received $0 and $586,286 for those services that were provided to MEMIC by the Company for claim services in 2018 and 2017, 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.

The Company forwarded charges from the parent company, MEMIC, for underwriting and claims services to MEMIC Casualty in the normal course of business. During 2018 and 2017, $0 and $1,170,687, respectively, in charges were forwarded from the Company to MEMIC Casualty.

MEMIC Services charged agency service fees to the Company in the normal course of business in accordance with certain cost sharing agreements during 2017 only. The charge for these services during 2017 was $2,007.

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 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, 2018 and 2017 are as follows:

	2018	2017
Aggregate amount of unrealized loss		
Less than twelve months	$ 116,473	$ 184,788
Twelve months or longer	2,061,945	633,438
Total	$ 2,178,418	$ 818,226
Aggregate fair value of securities with unrealized loss		
Less than twelve months	$ 16,180,095	$ 34,595,245
Twelve months or longer	70,861,451	32,823,743
Total	$ 87,041,546	$ 67,418,988

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, short-term investments and accrued liabilities 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. The Company does not record a reserve credit for high deductible reserves outstanding. Given the uncertainty and time of the payment of outstanding reserves, the Company does not believe a reserve credit for high deductibles is necessary and therefore, no such recovery accrual has been recorded for high deductible policy reserves

As of December 31, 2018, and 2017, the Company recorded a net admitted deductible recovery accrual of $977,574 and $826,141, respectively, for amounts billed in January 2019 and 2018, respectively, under secured high deductible policies included in premium balances receivable in the accompanying Statements of Admitted Assets, Liabilities and Capital and Surplus.

Counter Party Exposure Recorded on Unpaid Claims and Billed Recoverables on Paid Claims:

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	$ 14,602,089	$ -	$ 1,004,241	$ 1,004,241

Total high deductibles and billed recoverables on paid claims	$ 1,004,241
Collateral on balance sheet	1,979,239
Collateral off balance sheet	10,714,000
Total unsecured deductibles and billed recoverables on paid claims	26,668
Percentage unsecured	2.66%

Amount of overdue nonadmitted (either due to aging or collateral)	$ 26,668
Total over 90 days overdue admitted	-
Total overdue	$ 26,668

There are two counterparty high deductible policyholders with unsecured liabilities:

Counterparty Ranking	Top Two Unsecured High Deductible Amounts
Counterparty 1	$ 26,347
Counterparty 2	321

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.

17. Subsequent Events

Subsequent events have been considered through March 22, 2019, for these statutory financial statements which are available to be issued on March 22, 2019.

SUMMARY INVESTMENT SCHEDULE

Investment Categories	Gross Investment Holdings 1 Amount	2 Percentage	Admitted Assets as Reported in the Annual Statement 3 Amount	4 Securities Lending Reinvested Collateral Amount	5 Total (Col. 3 + 4) Amount	6 Percentage
1. Bonds:						
1.1 U.S. treasury securities	18,422,873	3.6	18,422,873		18,422,873	3.6
1.2 U.S. government agency obligations (excluding mortgage-backed securities):						
1.21 Issued by U.S. government agencies		0.0			0	0.0
1.22 Issued by U.S. government sponsored agencies		0.0			0	0.0
1.3 Non-U.S. government (including Canada, excluding mortgage-backed securities)	1,615,221	0.3	1,615,221		1,615,221	0.3
1.4 Securities issued by states, territories and possessions and political subdivisions in the U.S.:						
1.41 States, territories and possessions general obligations	15,495,844	3.0	15,495,844		15,495,844	3.0
1.42 Political subdivisions of states, territories and possessions and political subdivisions general obligations	37,242,563	7.2	37,242,563		37,242,563	7.2
1.43 Revenue and assessment obligations	66,821,271	12.9	66,821,271		66,821,271	12.9
1.44 Industrial development and similar obligations		0.0			0	0.0
1.5 Mortgage-backed securities (includes residential and commercial MBS):						
1.51 Pass-through securities:						
1.511 Issued or guaranteed by GNMA	2,013,759	0.4	2,013,759		2,013,759	0.4
1.512 Issued or guaranteed by FNMA and FHLMC	86,263,916	16.7	86,263,916		86,263,916	16.7
1.513 All other		0.0			0	0.0
1.52 CMOs and REMICs:						
1.521 Issued or guaranteed by GNMA, FNMA, FHLMC or VA	3,838,747	0.7	3,838,747		3,838,747	0.7
1.522 Issued by non-U.S. Government issuers and collateralized by mortgage-based securities issued or guaranteed by agencies shown in Line 1.521		0.0			0	0.0
1.523 All other	14,237,287	2.8	14,237,287		14,237,287	2.8
2. Other debt and other fixed income securities (excluding short-term):						
2.1 Unaffiliated domestic securities (includes credit tenant loans and hybrid securities)	162,032,144	31.4	162,032,144		162,032,144	31.4
2.2 Unaffiliated non-U.S. securities (including Canada)	33,420,286	6.5	33,420,286		33,420,286	6.5
2.3 Affiliated securities		0.0			0	0.0
3. Equity interests:						
3.1 Investments in mutual funds		0.0			0	0.0
3.2 Preferred stocks:						
3.21 Affiliated		0.0			0	0.0
3.22 Unaffiliated		0.0			0	0.0
3.3 Publicly traded equity securities (excluding preferred stocks):						
3.31 Affiliated		0.0			0	0.0
3.32 Unaffiliated	59,513,187	11.5	59,513,187		59,513,187	11.5
3.4 Other equity securities:						
3.41 Affiliated		0.0			0	0.0
3.42 Unaffiliated		0.0			0	0.0
3.5 Other equity interests including tangible personal property under lease:						
3.51 Affiliated		0.0			0	0.0
3.52 Unaffiliated		0.0			0	0.0
4. Mortgage loans:						
4.1 Construction and land development		0.0			0	0.0
4.2 Agricultural		0.0			0	0.0
4.3 Single family residential properties		0.0			0	0.0
4.4 Multifamily residential properties		0.0			0	0.0
4.5 Commercial loans		0.0			0	0.0
4.6 Mezzanine real estate loans		0.0			0	0.0
5. Real estate investments:						
5.1 Property occupied by company		0.0			0	0.0
5.2 Property held for production of income (including $..........0 of property acquired in satisfaction of debt)		0.0			0	0.0
5.3 Property held for sale (including $.........0 property acquired in satisfaction of debt)		0.0			0	0.0
6. Contract loans		0.0			0	0.0
7. Derivatives		0.0			0	0.0
8. Receivables for securities	60	0.0	60		60	0.0
9. Securities lending (Line 10, Asset Page reinvested collateral)		0.0		XXX	XXX	XXX
10. Cash, cash equivalents and short-term investments	13,320,611	2.6	13,320,611		13,320,611	2.6
11. Other invested assets	1,995,846	0.4	1,995,846		1,995,846	0.4
12. Total invested assets	516,233,615	100.0	516,233,615	0	516,233,615	100.0

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SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES

For the year ended December 31, 2018

(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. $......604,479,538

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	$........4,714,489	..................0.8 %
2.02	CITIGROUP INC.	Long Term Bonds	$........3,999,226	..................0.7 %
2.03	JPMORGAN CHASE & CO	Bonds/Common Stock	$........3,412,665	..................0.6 %
2.04	INTEL CORP	Bonds/Common Stock	$........3,400,586	..................0.6 %
2.05	WASHOE CNTY NV SCH DIST	Long Term Bonds	$........3,391,120	..................0.6 %
2.06	FLORIDA ST HURRICANE CATASTROP.	Long Term Bonds	$........3,008,326	..................0.5 %
2.07	CHEVRON CORP	Long Term Bonds	$........2,936,995	..................0.5 %
2.08	PENNSYLVANIA ST TURNPIKE COMMI..	Long Term Bonds	$........2,890,899	..................0.5 %
2.09	MCDONALDS CORP	Bonds/Common Stock	$........2,839,219	..................0.5 %
2.10	BLACKROCK INC	Bonds/Common Stock	$........2,834,411	..................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	$....365,633,194	................60.5 %
3.02	NAIC 2	$......74,807,918	................12.4 %
3.03	NAIC 3	$...........875,178	..................0.1 %
3.04	NAIC 4	$...........665,000	..................0.1 %
3.05	NAIC 5	$...........431,049	..................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	$......30,103,326	..................5.0 %
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	$......30,103,326	..................5.0 %
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: United Kingdom	$......10,701,105	..................1.8 %
6.02	Country 2: Cayman Islands	$........6,000,000	..................1.0 %
	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	BP CAPITAL MARKETS PLC	1	$2,500,369	0.4 %
10.02	OCTLF 2014-1A ARR	1	$2,000,000	0.3 %
10.03	APID 2015-20A A1RA	1	$2,000,000	0.3 %
10.04	SUMITOMO MITSUI FINL GRP	1	$2,000,000	0.3 %
10.05	INVESCO FINANCE PLC	1	$1,639,496	0.3 %
10.06	ASTRAZENECA PLC	2	$1,507,239	0.2 %
10.07	WESTPAC BANKING CORP	1	$1,499,981	0.2 %
10.08	MITSUBISHI UFJ FIN GRP	1	$1,489,185	0.2 %
10.09	ALLERGAN FUNDING SCS	2	$1,234,690	0.2 %
10.10	VODAFONE GROUP PLC	2	$1,146,457	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 [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 %

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, 2018 and 2017

MEMIC Casualty Company
Index
(Statutory Basis)
December 31, 2018 and 2017

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, 2018 and 2017, 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 opinions.

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, 2018 and 2017, 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, 2018 and 2017, 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, 2018 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 22, 2019

MEMIC Casualty Company
Statements of Admitted Assets, Liabilities and Capital and Surplus
(Statutory Basis)
December 31, 2018 and 2017

	2018	2017
Admitted Assets		
Invested assets		
Bonds, at carrying value (fair value: $73,389,995 and $53,684,516 at December 31, 2018 and 2017, respectively)	$ 74,217,607	$ 53,523,420
Cash, cash equivalents and short-term investments	5,639,619	3,960,805
Total cash and invested assets	79,857,226	57,484,225
Premium balances receivable	9,504,742	5,626,258
Receivable for securities sold	-	500,000
Due from parent	165,412	130,906
Investment income due and accrued	523,794	372,656
Net deferred income taxes	1,065,373	661,501
EDP equipment (net of accumulated depreciation of $566 and $0 in 2018 and 2017	4,285	-
Total admitted assets	$ 91,120,832	$ 64,775,546
Liabilities		
Loss reserves	$ 29,729,725	$ 21,842,002
Loss adjustment expense reserves	3,718,691	2,396,149
Unearned premium reserves	11,920,901	7,347,772
Advance premium	206,601	103,591
Reinsurance premiums payable	31,322	2,786
Other liabilities	1,822,785	1,399,267
Premium taxes and assessments payable	512,060	308,140
Amounts withheld for others	876,132	493,017
Commissions payable	1,100,123	551,685
Federal income tax payable	330,485	305,078
Total liabilities	50,248,825	34,749,487
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	26,183,951
Unassigned surplus	1,688,056	842,108
Total capital and surplus	40,872,007	30,026,059
Total liabilities and capital and surplus	$ 91,120,832	$ 64,775,546

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, 2018 and 2017

	2018	2017
Underwriting income		
Premiums earned, net	$ 22,467,693	$ 16,130,505
Loss and underwriting expenses		
Losses incurred, net	13,800,836	10,500,153
Loss adjustment expenses incurred, net	3,463,364	1,849,382
Underwriting expenses		
Commissions	2,181,882	1,239,948
Premium taxes	543,353	383,829
Guarantee fund, rating bureau and other assessments	127,185	42,351
Supervision, acquisition and collection expenses	2,430,720	2,058,379
Loss control	658,627	451,313
General expenses	134,400	116,252
Total underwriting expenses	6,076,167	4,292,072
Total loss and underwriting expenses	23,340,367	16,641,607
Net underwriting loss	(872,674)	(511,102)
Investment income		
Net investment income	1,738,646	995,228
Net realized capital losses less capital gains tax of ($8,471) and ($5,459), respectively	(31,868)	(10,596)
Total investment income	1,706,778	984,632
Other (expense) income		
Bad debt expense	(14,554)	(35,432)
Finance charges	5,115	3,600
Net other expense	(9,439)	(31,832)
Income before dividends and federal income taxes	824,665	441,698
Dividends to policyholders	72,297	48,636
Income after dividends, before federal income taxes	752,368	393,062
Provision for federal income taxes	338,956	310,537
Net income	$ 413,412	$ 82,525

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, 2018 and 2017

	2018	2017
Capital and surplus at beginning year	$ 30,026,059	$ 20,092,602
Net income	413,412	82,525
Change in net deferred income taxes	533,090	(271,597)
Change in net unrealized depreciation of invested assets (net of deferred taxes of ($0) and ($11,806) as of December 31, 2018 and 2017, respectively)	-	22,917
Change in nonadmitted assets	(100,554)	99,612
Capital contributions	10,000,000	10,000,000
Change in capital and surplus	10,845,948	9,933,457
Capital and surplus at end of year	$ 40,872,007	$ 30,026,059

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, 2018 and 2017

	2018	2017
Cash from operations		
Premiums collected, net	$ 23,255,347	$ 16,610,193
Investment income received, net	1,930,554	998,142
Other expense	(9,439)	(31,832)
Cash provided by operations	25,176,462	17,576,503
Benefit and loss related payments	5,913,113	4,338,288
Commissions and expenses paid	7,041,189	5,964,762
Dividends paid to policyholders	72,297	48,636
Federal income taxes paid	305,078	454,653
Cash used in operations	13,331,677	10,806,339
Net cash provided by operations	11,844,785	6,770,164
Cash from investing activities		
Cash provided by (used in) investments		
Proceeds from bonds sold, matured or repaid	11,396,564	7,006,822
Cost of bonds acquired	(29,955,263)	(17,596,577)
Net cash used in investing activities	(18,558,699)	(10,589,755)
Cash from financing and miscellaneous sources		
Other cash		
Capital and paid in surplus	7,981,205	556,087
Other sources	411,523	431,145
Net cash provided by financing and miscellaneous sources	8,392,728	987,232
Net increase (decrease) in cash	1,678,814	(2,832,359)
Cash, cash equivalents and short-term investments		
Beginning of year	3,960,805	6,793,164
End of year	$ 5,639,619	$ 3,960,805
Noncash transaction		
Receipt of bonds	$ 2,018,795	$ 9,443,913

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, 2018 or 2017. At the date of conversion, the Company acquired the residual assets and liabilities of GMMIC. MEMIC has contributed $39,183,951 to capitalize and fund operations of the Company since 2011. The Company is licensed to write workers' compensation insurance in nineteen 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, A Replacement of SSAP 10R and SSAP 10, effective January 1, 2012.* 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 and deductible 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. 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;

f. Under GAAP, the inclusion of a Statements of Comprehensive Income, detailing the income effects of unrealized gains and losses, foreign exchange transactions, and pension liability adjustments is required;

g. 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

h. 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 the summary of collateral on deposit in Note 12 and discussion of high deductibles in Note 15.

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.

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, net of amounts ceded to other insurance companies, are earned on a monthly pro rata basis over the in-force period. Ceded premiums are written and earned concurrently. Accordingly, unearned premium reserves are established for the pro rata portion of direct and assumed premiums written which are applicable to the unexpired terms of the policies in-force, 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 2018 or 2017.

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, 2018 and 2017:

	2018	2017
Premium balances receivable over 90 days past due	$ 38,536	$ -
Deferred income taxes	218,703	89,485
Fixed assets, net of accumulated depreciation	211,535	278,686
Prepaid assets	(49)	-
Total nonadmitted assets	$ 468,725	$ 368,171

Depreciation expense on nonadmitted fixed assets was $67,714 and $33,377 in 2018 and 2017, 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, "Income Taxes, A Replacement of SSAP No. 10R and SSAP No. 10" 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. The Company files a consolidated federal income tax return and therefore the disclosures required under SSAP No. 101 for uncertain tax positions 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, 2018 and 2017. The Company previously applied the guidance of the SEC Staff Accounting Bulletin 118 when accounting for the tax effects of the Act in the 2017 financial statements. The Company has now completed its accounting for all of the tax effects of the Act and recognized additional tax of $305,729 in 2018 related to the provisional amounts recorded on December 31, 2017; this tax will be realized over a period of 8 years as per statute.

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.

3. Capital and Surplus

Total contributions from MEMIC were $39,183,951 and $29,183,951 as of December 31, 2018 and 2017, respectively. MEMIC contributed capital of $10,000,000 in 2018 and 2017. In 2018, the $10,000,000 capital contribution, noted as a change in capital and surplus, included $2,018,795 in non-cash contributions of bonds and $7,981,205 in cash. In 2017, the $10,000,000 capital contribution, noted as a change in capital and surplus, included $9,443,913 in non-cash contribution of bonds and $556,087 in cash.

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 $3,002,606 and $2,009,260 during 2018 and 2017, respectively. Policyholder dividends declared and paid during 2018 and 2017 were $72,297 and $48,636, respectively.

5. Income Taxes

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

	December 31, 2018		
	1	2	3
			(Col 1+2)
	Ordinary	Capital	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

	December 31, 2017		
	4	5	6
			(Col 4+5)
	Ordinary	Capital	Total
a. Gross deferred tax assets	$ 815,392	$ -	$ 815,392
b. Statutory valuation allowance adjustment	-	-	-
c. Adjusted gross deferred taxes (1a - 1b)	815,392	-	815,392
d. Deferred tax assets nonadmitted	89,485	-	89,485
e. Subtotal net admitted deferred tax asset (1c - 1d)	725,907	-	725,907
f. Deferred tax liabilities	64,406	-	64,406
g. Net admitted deferred tax assets/(net deferred tax liability) (1e - 1f)	$ 661,501	$ -	$ 661,501

	Change		
	7	8	9
	(Col 1-4)	(Col 2-5)	(Col 7+8)
	Ordinary	Capital	Total
a. Gross deferred tax assets	$ 793,893	$ -	$ 793,893
b. Statutory valuation allowance adjustment	-	-	-
c. Adjusted gross deferred taxes (1a - 1b)	793,893	-	793,893
d. Deferred tax assets nonadmitted	129,218	-	129,218
e. Subtotal net admitted deferred tax asset (1c - 1d)	664,675	-	664,675
f. Deferred tax liabilities	260,803	-	260,803
g. Net admitted deferred tax assets/(net deferred tax liability) (1e - 1f)	$ 403,872	$ -	$ 403,872

Admission Calculation Components:

	December 31, 2018		
	1	2	(Col 1+2)
	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

	December 31, 2017		
	4	5	(Col 4+5)
	Ordinary	Capital	Total
a. Federal income taxes paid in prior years recoverable through loss carrybacks	$ 661,501	$ -	$ 661,501
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. Adjusted gross deferred tax assets allowed per limitation threshold	-	-	4,404,684
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	64,406	-	64,406
d. Deferred tax assets admitted as the result of application of SSAP 101 Total 2(a)+2(b)+2(c)	$ 725,907	$ -	$ 725,907

	Change		
	Ordinary	Capital	Total
a. Federal income taxes paid in prior years recoverable through loss carrybacks	$ 256,449	$ -	$ 256,449
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	-	-	1,565,668
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	260,803	-	260,803
d. Deferred tax assets admitted as the result of application of SSAP 101 Total 2(a)+2(b)+2(c)	$ 664,675	$ -	$ 664,675

Other Admissibility Criteria:

	2018	2017
a. Ratio percentage used to determine recovery period and threshold limitation amount	1663%	1544%
b. Amount of adjusted capital and surplus used to determine recovery period and threshold limitation in 2(b)2 above	$ 39,802,349	$ 29,364,558

Tax planning strategies were not employed by the Company during 2018 or 2017, and therefore, had no impact upon the determination of adjusted gross and net admitted deferred tax assets.

As of December 31, 2018 and 2017, 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 $634,179 and $331,511 for 2018 and 2017, respectively. There are no deposits admitted under Section 6603 of the Internal Revenue Code.

As of December 31, 2018 and 2017, 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.

The Company's 2014 consolidated federal income tax return was under examination by the Internal Revenue Service during 2017; the exam has concluded, and the Company has confirmed its agreement with the proposed adjustments. The Company received the final notification of closing in March 2018. The adjustments proposed and accepted by the Company did not result in any material change to the estimates or amounts included in these financial statements.

Current and deferred income taxes:

Current income tax:

	2018	2017	Change
a. Federal	$ 642,651	$ 309,154	$ 333,497
b. Provision to return	(303,695)	1,383	(305,078)
d. Subtotal	338,956	310,537	28,419
e. Federal income tax on net capital gains	(8,471)	(5,459)	(3,012)
h. Federal income taxes incurred	$ 330,485	$ 305,078	$ 25,407

Deferred Tax Assets

	2018	2017	Change
a. Ordinary			
Discounting of unpaid losses	$ 982,816	$ 399,739	$ 583,077
Unearned premium reserves	509,354	312,957	196,397
Accrued expenses	64,610	44,172	20,438
Other (including items < 5% of total ordinary tax assets)	52,505	58,524	(6,019)
Subtotal	1,609,285	815,392	793,893
b. Statutory valuation allowance adjustment	-	-	-
c. Nonadmitted	218,703	89,485	129,218
d. Admitted ordinary deferred tax assets (2a99-2b-2c)	1,390,582	725,907	664,675
e. Capital:			
Investments	-	-	-
Subtotal	-	-	-
f. Statutory valuation allowance adjustment	-	-	-
g. Nonadmitted	-	-	-
h. Admitted capital deferred tax assets (2e99-2f-2g)	-	-	-
i. Admitted deferred tax assets (2d+2h)	$ 1,390,582	$ 725,907	$ 664,675

Deferred Tax Liabilities

	2018	2017	Change
a. Ordinary:			
Investments	$ 8,474	$ 4,010	$ 4,464
Fixed assets	45,322	58,440	(13,118)
Legislative change in loss discounting	267,513	-	267,513
Additional acquisition costs	3,900	1,956	1,944
Subtotal	325,209	64,406	260,803
b. Capital:			
Investments	-	-	-
Subtotal	-	-	-
c. Deferred tax liabilities (3a99+3b99)	325,209	64,406	260,803
Net Deferred Tax Assets/Liabilities (2i-3c)	$ 1,065,373	$ 661,501	$ 403,872

Change in net deferred income taxes

	2018	2017	Change
a. Adjusted gross deferred tax assets	$ 1,609,285	$ 815,392	$ 793,893
b. Total deferred tax liabilities	325,209	64,406	260,803
c. Net deferred tax assets	$ 1,284,076	$ 750,986	$ 533,090
d. Tax effect of change in unrealized gains (losses)			$ -
e. Total change in net deferred income tax			533,090
			$ 533,090

There were no deferred tax liabilities that were not recognized.

Among the more significant book to tax adjustments in 2018 and 2017 were the following:

	2018	2017
Provision computed at statutory rate	$ 156,218	$ 131,785
PY true up (to deferred)	447	(584)
PY true up (to current)	(303,695)	1,383
Change in nonadmitted assets	6,019	(20,805)
Legislative change in loss discounting	181,983	-
Other permanent differences	(243,577)	-
Legislative rate change	-	464,896
Totals	$ (202,605)	$ 576,675
Federal income taxes incurred	$ 338,956	$ 310,537
Realized capital gains (losses) tax	(8,471)	(5,459)
Change in net deferred income taxes	(533,090)	271,597
Total statutory income taxes	$ (202,605)	$ 576,675

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, 2018 and 2017 are summarized as follows:

	2018	2017
Net balances at January 1,	$ 24,238,151	$ 17,884,549
Incurred related to		
Current year	18,561,678	13,486,245
Prior year	(1,297,478)	(1,136,710)
Total incurred	$ 17,264,200	$ 12,349,535
Paid related to		
Current year	$ 2,899,910	$ 2,021,338
Prior year	5,154,025	3,974,595
Total paid	8,053,935	5,995,933
Net balances at December 31,	$ 33,448,416	$ 24,238,151

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. At the end of 2018, the amount of reserve credit recorded for high deductibles on unpaid losses was $0. The amounts billed and recoverable for collateralized high deductible policies was $49,514 and $71,500 for the years ended 2018 and 2017, 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 Statement of Admitted Assets, Liabilities and Capital and Surplus. See Note 15.

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.

During 2017, the Company's incurred losses related to prior years decreased by $1,136,710 as a result of favorable loss development principally in the 2015 and 2016 accident years. This 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

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 $19,662 and $16,217 for 2018 and 2017, respectively. All amounts are recorded as assumed business. Amounts added to premiums, reserves and expenses for reinsurance assumed from pools are as follows:

	2018	2017
Premiums earned	$ 535,774	$ 344,588
Loss and loss adjustment expenses incurred	322,380	222,216
Unearned premiums	122,950	99,590
Loss and loss adjustment expense reserves	519,411	396,575
Premiums receivable	93,460	66,395
Underwriting expenses incurred	121,081	69,460

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 and $500,000 for 2018 and 2017, respectively. In addition, for 2018 and 2017, 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:

	2018	2017
Premiums earned	$ 752,161	$ 1,064,285
Loss and loss adjustment expenses incurred	-	339,269
Loss and loss adjustment expense reserves	868,846	868,845

The 2018 and 2017, ceded loss and loss adjustment expense, case incurred and incurred but not reported reserves above are comprised of amounts with one reinsurance carrier although the Company has contracts with other carriers.

The Company had no unsecured reinsurance recoverables from a reinsurer that exceeded 3% of capital and surplus at December 31, 2018 or 2017.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.

There were no commutations during 2018 or 2017.

8. Premiums Written and Earned

During the years ended December 31, 2018 and 2017, direct, assumed and ceded premiums were as follows:

	2018		2017	
	Written	**Earned**	**Written**	**Earned**
Direct	$ 27,233,850	$ 22,684,080	$ 17,920,599	$ 16,850,202
Assumed	559,133	535,774	345,191	344,588
Ceded	(752,161)	(752,161)	(1,064,285)	(1,064,285)
Net premiums	$ 27,040,822	$ 22,467,693	$ 17,201,505	$ 16,130,505

9. Statutory Deposits

Various regulatory authorities require that securities be placed on deposit. As of December 31, 2018 and 2017, the Company had fixed income securities on deposit with a carrying value of $3,418,945 and $2,081,721, respectively, included in bonds on the Statements of Admitted Assets, Liabilities and Capital and Surplus. The amounts on deposit with the states, all of which are admitted, represent 3.73% and 3.75% of total assets and total admitted assets, respectively, at the end of 2018.

10. Investments

The carrying value and fair values of bonds as of December 31, 2018 and 2017 are as follows:

	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

	2017			
	Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Government & government agencies & authorities	$ 3,429,741	$ 93,508	$ (95,294)	$ 3,427,955
Political subdivisions of states	17,637,504	210,847	(25,430)	17,822,921
Industrial & miscellaneous	14,317,650	189,325	(44,351)	14,462,624
Asset backed securities	18,138,525	25,509	(193,018)	17,971,016
Total bonds	$ 53,523,420	$ 519,189	$ (358,093)	$ 53,684,516

The carrying value and fair value of bonds, including those held in short-term investments of $842,482, as of December 31, 2018, by contractual maturity are as follows:

Maturity	Carrying Value	Fair Value
One year or less	$ 2,901,925	$ 2,895,165
Over one year through five years	19,286,500	19,157,059
Over five years through ten years	12,256,694	12,025,067
Over ten years	40,614,970	40,155,186
	$ 75,060,089	$ 74,232,477

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, 2018 and 2017, 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 2018 or 2017.

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, 2018 and 2017, are as follows:

	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)

	2017					
	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	$ 930,941	$ (12,147)	$ 1,863,420	$ (83,147)	$ 2,794,361	$ (95,294)
Industrial & miscellaneous	3,126,076	(25,430)	-	-	3,126,076	(25,430)
Asset backed securities	3,352,158	(16,827)	671,829	(27,524)	4,023,987	(44,351)
Bonds (NAIC 3–6)	8,497,303	(43,361)	6,133,435	(149,657)	14,630,738	(193,018)
	$ 15,906,478	$ (97,765)	$ 8,668,684	$ (260,328)	$ 24,575,162	$ (358,093)

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, 2018 and 2017, are summarized as follows:

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

	2017		
	Proceeds From Sales	Gross Realized Gains	Gross Realized Losses
Bonds	$ 3,751,857	$ 65,844	$ (81,823)
Total	$ 3,751,857	$ 65,844	$ (81,823)

The major categories of net investment income for the years ended December 31, 2018 and 2017 are summarized as follows:

	2018	2017
Bonds	$ 1,805,797	$ 1,047,781
Cash and short-term investments	64,770	32,301
Other investment income	4	2
Total investment income	1,870,571	1,080,084
Less: Investment expenses	(131,925)	(84,856)
Net investment income	$ 1,738,646	$ 995,228

The Company held no structured notes as of December 31, 2018 or 2017.

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 is for items measured at fair value on a recurring basis includes bonds, 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 2018. 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 with the exception of cash, cash equivalents and short-term investments of $5,639,619 and $3,960,805, as of December 31, 2018 or 2017, respectively.

At the end of each reporting period, the Company evaluates whether or not any event has occurred or circumstances have changed that would cause an instrument to be transferred between Levels 1, 2 or 3. Transfers to and from Level 2 or 3 would be recognized when a purchase, sale or settlement increases or decreases an asset previously valued as a Level 1 or 2 or when an investment is purchased which is carried at fair market value and does not have an observable input for valuation. There were no Level 2 or 3 assets carried at fair value during 2018 or 2017. 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, 2018 and 2017. The fair values are also categorized into the three-level fair value hierarchy as described above.

	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	$ -	$ -

	2017					
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	$ 3,427,955	$ 3,429,741	$ -	$ 3,427,955	$ -	$ -
Political subdivisions of states	17,822,921	17,637,504	-	17,822,921	-	-
Industrial & miscellaneous	14,462,624	14,317,650	-	14,462,624	-	-
Asset backed securities	17,971,016	18,138,525	-	17,971,016	-	-
Cash, cash equivalents & short-term investments	3,960,805	3,960,805	3,960,805	-	-	-
Total assets	$ 57,645,321	$ 57,484,225	$ 3,960,805	$ 53,684,516	$ -	$ -

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 2018 or 2017 requiring an accrual or disclosure.

The Company is subject to guaranty funds and other assessments in New Hampshire, Pennsylvania and Vermont 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 Florida, Maryland, Massachusetts, New Hampshire, North Carolina, New York and Pennsylvania assessments of $196,405 and $103,455 as of December 31, 2018 and 2017, respectively. Of these amounts, the Company has accrued a net liability as of December 31, 2018 and 2017 of $307,665 and $210,343, 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.

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 basis or in the aggregate. Included in both cash and short-term investments and other liabilities on the Statements of Admitted Assets, Liabilities and Capital and Surplus is $1,682,477 and $1,325,000 as of 2018 and 2017, for this collateral on deposit, which represents 1.85% and 1.84% of total assets and total admitted assets, respectively, in 2018. See Note 15.

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 2018 or 2017. 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.

13. 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 2018 and 2017, $3,991,661 and $3,755,574, 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 written cost sharing agreements.

MEMIC Services charged agency service fees to the Company in the normal course of business in accordance with certain cost sharing agreements. The charge for these services during 2018 and 2017, was $0 and $641, respectively.

14. 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 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, 2018 and 2017 are as follows:

	2018	2017
Aggregate amount of unrealized loss		
Less than twelve months	$ 73,787	$ 36,170
Twelve months or longer	386,058	137,877
Total	$ 459,845	$ 174,047
Aggregate fair value of securities with unrealized loss		
Less than twelve months	$ 7,308,539	$ 7,503,184
Twelve months or longer	11,890,567	5,646,992
Total	$ 19,199,106	$ 13,150,176

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.

15. 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 accrued liabilities 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. The Company does not record a reserve credit for high deductible reserves outstanding. Given the uncertainty and time of the payment of outstanding reserves, the Company does not believe a reserve credit for high deductibles is necessary and therefore, no such recovery accrual has been recorded for high deductible policy reserves.

As of December 31, 2018 and 2017, the Company recorded a net, admitted deductible recovery accrual of $49,514 and $71,500, respectively, for amounts billed in January 2019 and 2018, respectively, under secured high deductible policies.

Reserve Credit Recorded on Unpaid Claims and Amount Billed and Recoverable on Paid Claims for High Deductibles:

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	$ 2,097,989	$ -	$ 49,514	$ 49,514

Unsecured amounts on high deductible policies:

Total high deductibles and billed recoverables on paid claims	$ 49,514
Collateral on balance sheet	1,682,477
Collateral off balance sheet	445,000
Total unsecured deductibles and billed recoverables on paid claims	-
Percentage unsecured	0.00%
High deductible recoverable amounts on paid claims	49,514
Amount of overdue nonadmitted (either due to aging or collateral)	-
Total over 90 days overdue admitted	-
Total overdue	-

There are no counterparty high deductible policyholders with unsecured liabilities. 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.

16. Subsequent Events

Subsequent events have been considered through March 22, 2019, for these statutory financial statements which are available to be issued on March 22, 2019.

SUMMARY INVESTMENT SCHEDULE

Investment Categories	Gross Investment Holdings 1 Amount	2 Percentage	Admitted Assets as Reported in the Annual Statement 3 Amount	4 Securities Lending Reinvested Collateral Amount	5 Total (Col. 3 + 4) Amount	6 Percentage
1. Bonds:						
1.1 U.S. treasury securities	3,424,501	4.3	3,424,501		3,424,501	4.3
1.2 U.S. government agency obligations (excluding mortgage-backed securities):						
1.21 Issued by U.S. government agencies		0.0			0	0.0
1.22 Issued by U.S. government sponsored agencies		0.0			0	0.0
1.3 Non-U.S. government (including Canada, excluding mortgage-backed securities)		0.0			0	0.0
1.4 Securities issued by states, territories and possessions and political subdivisions in the U.S.:						
1.41 States, territories and possessions general obligations	1,112,867	1.4	1,112,867		1,112,867	1.4
1.42 Political subdivisions of states, territories and possessions and political subdivisions general obligations	2,462,164	3.1	2,462,164		2,462,164	3.1
1.43 Revenue and assessment obligations	13,149,928	16.5	13,149,928		13,149,928	16.5
1.44 Industrial development and similar obligations		0.0			0	0.0
1.5 Mortgage-backed securities (includes residential and commercial MBS):						
1.51 Pass-through securities:						
1.511 Issued or guaranteed by GNMA	2,682,130	3.4	2,682,130		2,682,130	3.4
1.512 Issued or guaranteed by FNMA and FHLMC	16,139,449	20.2	16,139,449		16,139,449	20.2
1.513 All other		0.0			0	0.0
1.52 CMOs and REMICs:						
1.521 Issued or guaranteed by GNMA, FNMA, FHLMC or VA	503,008	0.6	503,008		503,008	0.6
1.522 Issued by non-U.S. Government issuers and collateralized by mortgage-based securities issued or guaranteed by agencies shown in Line 1.521		0.0			0	0.0
1.523 All other	1,659,552	2.1	1,659,552		1,659,552	2.1
2. Other debt and other fixed income securities (excluding short-term):						
2.1 Unaffiliated domestic securities (includes credit tenant loans and hybrid securities)	27,111,064	33.9	27,111,064		27,111,064	33.9
2.2 Unaffiliated non-U.S. securities (including Canada)	5,972,944	7.5	5,972,944		5,972,944	7.5
2.3 Affiliated securities		0.0			0	0.0
3. Equity interests:						
3.1 Investments in mutual funds		0.0			0	0.0
3.2 Preferred stocks:						
3.21 Affiliated		0.0			0	0.0
3.22 Unaffiliated		0.0			0	0.0
3.3 Publicly traded equity securities (excluding preferred stocks):						
3.31 Affiliated		0.0			0	0.0
3.32 Unaffiliated		0.0			0	0.0
3.4 Other equity securities:						
3.41 Affiliated		0.0			0	0.0
3.42 Unaffiliated		0.0			0	0.0
3.5 Other equity interests including tangible personal property under lease:						
3.51 Affiliated		0.0			0	0.0
3.52 Unaffiliated		0.0			0	0.0
4. Mortgage loans:						
4.1 Construction and land development		0.0			0	0.0
4.2 Agricultural		0.0			0	0.0
4.3 Single family residential properties		0.0			0	0.0
4.4 Multifamily residential properties		0.0			0	0.0
4.5 Commercial loans		0.0			0	0.0
4.6 Mezzanine real estate loans		0.0			0	0.0
5. Real estate investments:						
5.1 Property occupied by company		0.0			0	0.0
5.2 Property held for production of income (including $..........0 of property acquired in satisfaction of debt)		0.0			0	0.0
5.3 Property held for sale (including $.........0 property acquired in satisfaction of debt)		0.0			0	0.0
6. Contract loans		0.0			0	0.0
7. Derivatives		0.0			0	0.0
8. Receivables for securities		0.0			0	0.0
9. Securities lending (Line 10, Asset Page reinvested collateral)		0.0		XXX	XXX	XXX
10. Cash, cash equivalents and short-term investments	5,639,619	7.1	5,639,619		5,639,619	7.1
11. Other invested assets		0.0			0	0.0
12. Total invested assets	79,857,226	100.0	79,857,226	0	79,857,226	100.0

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SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES

For the year ended December 31, 2018

(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. $........91,120,832

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	ALLYA 2018-2 A3	Long Term Bonds	$........1,499,810	..................1.6 %
2.02	UBSBB 2012-C3 A4	Long Term Bonds	$........1,021,612	..................1.1 %
2.03	JOHN DEERE CAPITAL CORP	Long Term Bonds	$........1,001,236	..................1.1 %
2.04	BARCLAYS BANK PLC	Long Term Bonds	$........1,000,710	..................1.1 %
2.05	DCENT 2017-A1 A1	Long Term Bonds	$...........907,305	..................1.0 %
2.06	JPMORGAN CHASE & CO	Long Term Bonds	$...........865,845	..................1.0 %
2.07	UTAH ST TRANSIT AUTH SALES TAX	Long Term Bonds	$...........768,361	..................0.8 %
2.08	CIFC 2018-2A A1	Long Term Bonds	$...........750,000	..................0.8 %
2.09	GALXY 2018-28A A1	Long Term Bonds	$...........750,000	..................0.8 %
2.10	NESTLE HOLDINGS INC	Long Term Bonds	$...........749,872	..................0.8 %

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	$......68,456,590	................75.1 %
3.02	NAIC 2	$........5,761,017	..................6.3 %
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	$........5,972,944	..................6.6 %
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	$........5,972,944	..................6.6 %
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	$........3,249,834	..................3.6 %
6.02	Country 2: United Kingdom	$........2,125,383	..................2.3 %
	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	BARCLAYS BANK PLC	1	$1,000,710	1.1 %
10.02	CIFC 2018-2A A1	1	$750,000	0.8 %
10.03	GALXY 2018-28A A1	1	$750,000	0.8 %
10.04	DRSLF 2018-64A A	1	$500,000	0.5 %
10.05	GALXY 2018-27A A	1	$500,000	0.5 %
10.06	ALLEG 2017-2A A	1	$499,834	0.5 %
10.07	SHELL INTERNATIONAL FIN	1	$497,961	0.5 %
10.08	HSBC HOLDINGS PLC	1	$493,669	0.5 %
10.09	RECKITT BENCKISER TSY	1	$481,338	0.5 %
10.10	BTNY2 2018-1A A1	1	$250,000	0.3 %

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 %

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 1	2	Commercial 3	4	Agricultural 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 %	$	$	$