



2025 ANNUAL REPORT

BEYOND LIMITS

FINANCIAL STATEMENTS

(Statutory Basis)

December 31, 2025 and 2024

**MAINE EMPLOYERS'
MUTUAL INSURANCE
COMPANY**

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Maine Employers' Mutual Insurance Company

**Financial Statements (Statutory Basis)
December 31, 2025 and 2024**

Maine Employers' Mutual Insurance Company

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Report of Independent Auditors

Board of Directors
Maine Employers' Mutual Insurance Company

Opinions

We have audited the statutory 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, 2025 and 2024, and the related statutory statements of income and changes in capital and surplus, and cash flows for the years then ended, and the related notes to the financial statements.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the accompanying financial statements present fairly, in all material respects, the admitted assets, liabilities and capital and surplus of the Company as of December 31, 2025 and 2024, and the results of its operations and its cash flows for the years then ended, in accordance with the basis of accounting described in Note 2.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles section of our report, the financial statements 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, 2025 and 2024, or the results of its operations or its cash flows for the years then ended.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 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 these statutory accounting practices described in Note 2 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audit was 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, 2025, 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 financial statements as a whole.

A handwritten signature in black ink that reads "Johnson Lambert LLP". The signature is written in a cursive, flowing style.

Jacksonville, Florida
March 24, 2026

Maine Employers' Mutual Insurance Company
Statements of Admitted Assets, Liabilities and Capital and Surplus
(Statutory Basis)
Years Ended December 31, 2025 and 2024

| | <u>2025</u> | <u>2024</u> |
|---|-------------------------|-------------------------|
| Admitted Assets | | |
| Invested assets | | |
| Bonds, at carrying value (NAIC fair value: \$539,895,355 and \$634,089,205 at December 31, 2025 and 2024, respectively) | \$ 567,109,048 | \$ 690,311,219 |
| Common stocks, at NAIC fair value (cost: \$64,317,817 and \$75,825,656 at December 31, 2025 and 2024, respectively) | 81,934,245 | 114,363,676 |
| Common stocks of affiliates | 261,824,131 | 251,617,745 |
| Other invested assets | 32,031,994 | 28,905,319 |
| Cash, cash equivalents and short-term investments | <u>236,430,392</u> | <u>19,179,945</u> |
| Total cash and invested assets | 1,179,329,810 | 1,104,377,904 |
| Premium balances receivable | 70,087,548 | 69,035,505 |
| Investment income due and accrued | 4,803,727 | 5,606,059 |
| EDP equipment (net of accumulated depreciation of \$13,631,812 and \$12,261,138 in 2025 and 2024, respectively) | 4,037,074 | 3,505,054 |
| Reinsurance recoverable on paid loss and loss adjustment expenses | 348,945 | 145,751 |
| Federal income tax recoverable | 7,624,595 | - |
| Net deferred tax asset | 12,120,865 | 17,578,815 |
| Due from affiliates | <u>6,426,689</u> | <u>4,837,740</u> |
| Total admitted assets | <u>\$ 1,284,779,253</u> | <u>\$ 1,205,086,828</u> |
| Liabilities | | |
| Loss reserves | \$ 377,443,083 | \$ 381,738,471 |
| Loss adjustment expense reserves | 57,174,444 | 59,852,145 |
| Unearned premium reserves | 86,092,988 | 88,111,823 |
| Reinsurance premiums payable | 1,022,794 | 1,234,545 |
| Commissions payable | 10,973,496 | 11,402,583 |
| Advance premium | 2,315,416 | 1,583,292 |
| Premium taxes and assessments payable | 932,063 | 1,055,436 |
| Amounts withheld for others | 1,551,151 | 1,160,313 |
| Federal income taxes payable | - | 2,129,261 |
| Other liabilities | <u>29,449,456</u> | <u>36,220,904</u> |
| Total liabilities | <u>566,954,891</u> | <u>584,488,773</u> |
| Commitments and contingent liabilities (Note 13) | | |
| Capital and Surplus | | |
| Surplus notes | 100,000,000 | 30,000,000 |
| Deferred (loss) gain | (3,163) | 5,052 |
| Unassigned surplus | <u>617,827,525</u> | <u>590,593,003</u> |
| Total capital and surplus | <u>717,824,362</u> | <u>620,598,055</u> |
| Total liabilities and capital and surplus | <u>\$ 1,284,779,253</u> | <u>\$ 1,205,086,828</u> |

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, 2025 and 2024

| | <u>2025</u> | <u>2024</u> |
|---|----------------------|----------------------|
| Underwriting income | | |
| Premiums earned, net | \$ 184,304,343 | \$ 193,526,458 |
| Loss and underwriting expenses | | |
| Losses incurred, net | 99,468,770 | 102,529,939 |
| Loss adjustment expenses incurred, net | 17,868,880 | 26,056,243 |
| Underwriting expenses | | |
| Commissions | 16,738,480 | 18,759,927 |
| Premium taxes | 3,404,715 | 3,586,288 |
| Guarantee fund, rating bureau and other assessments | 1,189,367 | 794,497 |
| Supervision, acquisition and collection expenses | 26,257,615 | 21,646,768 |
| Loss control expenses | 5,040,136 | 4,878,756 |
| General expenses | 4,242,164 | 5,757,147 |
| Total underwriting expenses | <u>56,872,477</u> | <u>55,423,383</u> |
| Total loss and underwriting expenses | <u>174,210,127</u> | <u>184,009,565</u> |
| Net underwriting income | <u>10,094,216</u> | <u>9,516,893</u> |
| Investment income | | |
| Net investment income | 30,036,169 | 26,258,165 |
| Net realized capital gains (less capital gains tax of \$6,422,778 and \$3,304,110, during December 31, 2025 and 2024, respectively) | 17,836,299 | 12,429,745 |
| Total investment income | <u>47,872,468</u> | <u>38,687,910</u> |
| Other (expense) income | | |
| Bad debt expense | (630,790) | (744,146) |
| Service fee income | 140,795 | 147,457 |
| Net other expense | <u>(489,995)</u> | <u>(596,689)</u> |
| Income before dividends and federal income taxes | 57,476,689 | 47,608,114 |
| Dividends to policyholders | 19,000,000 | 18,699,511 |
| Income after dividends, before federal income taxes | 38,476,689 | 28,908,603 |
| Provision for federal income taxes | (7,615,171) | 4,305,804 |
| Net income | <u>\$ 46,091,860</u> | <u>\$ 24,602,799</u> |

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, 2025 and 2024

| | <u>2025</u> | <u>2024</u> |
|--|-----------------------|-----------------------|
| Capital and surplus at beginning of year | \$ 620,598,055 | \$ 585,591,882 |
| Net income | 46,091,860 | 24,602,799 |
| Issuance of surplus notes | 70,000,000 | - |
| Change in net deferred income taxes | (9,868,632) | 4,277,948 |
| Change in nonadmitted assets | (3,611,809) | (12,922,638) |
| Change in deferred gain on capital contributions | (8,215) | 9,391 |
| Change in net unrealized appreciation of invested assets (net of deferred taxes of \$3,913,919 and \$360,754 as of December 31, 2025 and 2024, respectively) | <u>(5,376,897)</u> | <u>19,038,673</u> |
| | <u>97,226,307</u> | <u>35,006,173</u> |
| Capital and surplus at end of year | <u>\$ 717,824,362</u> | <u>\$ 620,598,055</u> |

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, 2025 and 2024

| | <u>2025</u> | <u>2024</u> |
|---|-----------------------|----------------------|
| Cash from operations | | |
| Premiums collected, net | \$ 181,465,717 | \$ 191,542,812 |
| Investment income received, net | 31,105,937 | 25,914,602 |
| Other expense | (489,996) | (596,689) |
| Cash provided from operations | <u>212,081,658</u> | <u>216,860,725</u> |
| Benefit and loss related payments | (103,967,351) | (103,817,194) |
| Commissions and expenses paid | (71,100,396) | (67,161,357) |
| Dividends paid to policyholders | (19,000,000) | (18,699,511) |
| Federal income taxes paid | (8,561,463) | (4,822,150) |
| Cash used in operations | <u>(202,629,210)</u> | <u>(194,500,212)</u> |
| Net cash provided from operations | <u>9,452,448</u> | <u>22,360,513</u> |
| Cash from investing activities | | |
| Proceeds from investments sold, matured or repaid | | |
| Bonds | 237,034,111 | 75,145,723 |
| Common stocks | 64,853,475 | 63,170,784 |
| Total investment proceeds | <u>301,887,586</u> | <u>138,316,507</u> |
| Costs of investments acquired | | |
| Bonds | (124,331,635) | (144,516,954) |
| Common stocks | (33,807,105) | (32,423,238) |
| Other invested assets | (400,267) | (2,856,220) |
| Total cost of investments acquired | <u>(158,539,007)</u> | <u>(179,796,412)</u> |
| Net cash provided from (used in) investments | <u>143,348,579</u> | <u>(41,479,905)</u> |
| Cash from financing and miscellaneous sources | | |
| Proceeds from surplus notes | 70,000,000 | - |
| Other cash applied | (5,550,580) | (4,216,798) |
| Net cash provided from (used in) financing and miscellaneous sources | <u>64,449,420</u> | <u>(4,216,798)</u> |
| Net increase (decrease) in cash | 217,250,447 | (23,336,190) |
| Cash, cash equivalents and short-term investments | | |
| Beginning of year | 19,179,945 | 42,516,135 |
| End of year | <u>\$ 236,430,392</u> | <u>\$ 19,179,945</u> |

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

Maine Employers' Mutual Insurance Company

Notes to Financial Statements

(Statutory Basis)

December 31, 2025 and 2024

1. Organization

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

The Company is licensed in 26 states to write workers' compensation insurance and employers' liability insurance incidental to and written in connection with workers' compensation coverage. The Company writes its business primarily through independent agents and brokers. Approximately 94% of premium written during both 2025 and 2024 was for Maine workers' compensation and employment practices liability insurance policies.

In 1999, the Company obtained approval from the New Hampshire Insurance Department to form a subsidiary, MEMIC Indemnity, to write workers' compensation insurance in New Hampshire. The Company is the sole shareholder of MEMIC Indemnity. MEMIC Indemnity commenced writing business September 1, 2000 and is licensed to write workers' compensation and or employers' liability insurance in 50 states and the District of Columbia. Since 2000, the Company has contributed \$129,000,000 of bonds and cash to MEMIC Indemnity. As a result of the contribution of fixed income securities in prior years, 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 in accordance with Statement of Statutory Accounting Principles ("SSAP") No. 25, *"Affiliates and Other Related Parties"*, until the transferred securities mature or are sold by MEMIC Indemnity. There were no contributions to MEMIC Indemnity during 2025 or 2024.

During 2007, the Company obtained approval from the Maine Bureau of Insurance ("MBOI") 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 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 included certain income producing property along with a capital contribution of \$500,000 to CVH. As consideration for the said transfer of the real estate, the Company received all the membership interests in CVH. CVH is the sole member of Casco View Holdings II LLC ("CVHII") and Casco View Holdings III LLC ("CVHIII"). During 2025 and 2024, CVH issued the Company dividends of \$5,000,000 and \$2,700,000, respectively. To date, the Company has invested \$4,406,503 in CVH, CVHII and CVHIII, net of member distributions. The Company records its membership interests in CVH in other invested assets in the accompanying Statements of Admitted Assets, Liabilities and Capital and Surplus.

The Company owns 100% of the common stock of MEMIC Casualty, a property and casualty insurance company domiciled in New Hampshire. MEMIC Casualty is licensed to write workers' compensation insurance in 45 states and the District of Columbia. There were no contributions to MEMIC Casualty during 2025 or 2024. Since 2011, the Company has contributed \$49,183,951 of bonds and cash to MEMIC Casualty. As a result of the contribution of fixed income securities in prior years, 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 in accordance with SSAP No. 25 until the transferred securities mature or are sold by MEMIC Casualty.

Maine Employers' Mutual Insurance Company

Notes to Financial Statements

(Statutory Basis)

December 31, 2025 and 2024

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 MBOI ("statutory accounting").

The MBOI 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. 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 Maine.

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 No. 101, "Income Taxes", and changes in deferred income taxes are recorded through surplus. The realization of any resulting deferred tax asset ("DTA") is limited based on certain criteria in accordance with SSAP No. 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 using GAAP equity adjusted to a statutory basis which results in a net liability on the Company's Statements of Admitted Assets, Liabilities and 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 subsidiaries would be reported in the financial statements on a consolidated basis;
- e. For statutory purposes, unrealized gains and losses on investments in equity securities are generally recorded as a direct credit or charge to surplus, net of the adjustment for deferred federal income taxes. Under GAAP, unrealized gains and losses on equity securities are reported directly in net income;

Maine Employers' Mutual Insurance Company
Notes to Financial Statements
(Statutory Basis)
December 31, 2025 and 2024

- f. Under statutory accounting, investments in debt securities are generally carried at amortized cost. Under GAAP, debt securities classified as trading or available-for-sale are valued at fair value, and debt securities classified as held-to-maturity are valued at amortized cost. The impairment/credit loss model is different for statutory and GAAP purposes;
- g. Reinsurance balances relating to unpaid loss and loss adjustment expenses and unearned premium are presented as offsets to reserves; under GAAP, such amounts would be presented as reinsurance recoverable; moreover, under statutory accounting, a liability is established for recoverable balances from reinsurers which are not authorized and for overdue paid loss recoverables;
- h. For statutory purposes, costs related to operating leases are expensed as incurred. Under GAAP, the Company would record a right-of-use asset for the right to use an underlying asset for the lease term and a lease liability, on a discounted basis for the obligation to make lease payments. Lease costs are expensed on a straight-line basis for the term of the lease;
- i. Approved surplus notes are considered part of capital and surplus instead of being accounted for as debt, as would be required under GAAP. In addition, interest on surplus notes is only accrued upon the receipt of regulatory approval to pay the interest;
- j. Under GAAP, the inclusion of a Statement of Comprehensive Income, detailing the income effects of unrealized gains and losses for debt securities classified as available-for-sale is required;
- k. For statutory cash flow purposes, short-term investments, investments with remaining maturities greater than three months but under one year from purchase, are added to GAAP cash and cash equivalents; and
- l. A reconciliation of cash flows to the GAAP indirect method is not allowed under statutory accounting.

Adoption of Accounting Principle

The Company adopted the NAIC Principles-Based Bond Definition ("PBBD") guidance, which revises SSAP No. 26 – Bonds, SSAP No. 43 – Asset-Backed Securities, and SSAP No. 21 – Other Admitted Assets, on January 1, 2025. The guidance replaces the prior classification rules for bonds with a principles-based approach. The guidance requires the Company to use a principles-based approach to classify debt securities as either issuer credit obligations, asset-backed securities, or other invested assets, based on their characteristics. The Company updated investment disclosures to comply with the guidance. The Company adopted the guidance using the prospective approach. There was no impact to the Company from adopting the guidance as of January 1, 2025.

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 short-term investments, which are fixed income securities that mature within one year of purchase; the carrying value of cash and cash equivalents approximates fair value while short-term investments are carried at amortized cost. The Company's cash is held at major commercial banks. At times, cash balances at financial institutions may exceed federally 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

Maine Employers' Mutual Insurance Company

Notes to Financial Statements

(Statutory Basis)

December 31, 2025 and 2024

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-asset-backed bonds with NAIC designation 1 or 2 are stated at amortized cost using the interest method. Non-investment grade non-asset-backed bonds with NAIC designations of 3 through 6 are stated at the lower of amortized cost or fair value. U.S. government agency asset-backed and structured securities are valued at amortized cost. Other asset-backed and structured securities are valued at either amortized cost 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 cost to par value and amortized cost to fair value. The Company utilizes the prospective adjustment methodology to value mortgage-backed bonds. Credit related declines in the fair value of asset-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 No. 43 on these financial statements.

Investments in asset-backed securities ("ABS") include mortgage-backed securities ("MBS"), collateralized loan obligations ("CLO"), collateralized bond obligations ("CBO"), collateralized debt obligations ("CDO"), lease-backed securities, and other financial ABS.

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

Other invested assets consists of the investment in CVH, non-marketable equity investments in two Insurtech companies, a land investment LLC and surplus debentures of unaffiliated insurance companies. The investment in CVH is carried based on its GAAP equity. The non-marketable equity investments are carried at fair value based on the Company's proportionate interest in the fund's net asset value. The remaining unfunded commitment on the non-marketable equity investments in two Insurtech companies was \$857,873 as of December 31, 2025. The remaining unfunded commitment in the land investment LLC was \$0 as of December 31, 2025. The investment grade surplus debenture included in other invested assets with an NAIC designation of 1 is stated at amortized cost using the interest method.

The investments in the affiliates MEMIC Indemnity and MEMIC Casualty are stated at audited statutory surplus. 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 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, by lot review of common stocks, bonds 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 OTTI should be recognized.

Premiums and Unearned Premium Reserves

Direct and assumed premiums are earned on a monthly pro rata basis. Beginning in May 2025, the Company began earning policies on a daily pro rata basis over the inforce period. The difference between the monthly and daily pro rata methodologies is not considered to be significant. Ceded premiums are written and earned concurrently for the workers' compensation line of business. Ceded premiums for employment practices liability insurance are earned on

Maine Employers' Mutual Insurance Company

Notes to Financial Statements

(Statutory Basis)

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a monthly pro rata basis over the inforce period. Accordingly, unearned premium reserves are established for the pro rata portion of direct and assumed premiums written for workers' compensation and employment practices liability insurance direct and ceded premium which are applicable to the unexpired terms of the policies inforce, net of reinsurance. Premium adjustments resulting from retrospective rating plans and/or audits are immediately recorded as written and earned premiums once such amounts can be reasonably estimated. When the anticipated losses, loss adjustment expenses, commissions and other acquisition and maintenance costs exceed the recorded unearned premium reserve, and any future installment premiums on existing policies, a premium deficiency reserve is recognized by recording an additional liability for the deficiency, with a corresponding charge to operations. The Company anticipates investment income when evaluating the need for any premium deficiency reserve. There was no premium deficiency reserve recorded for 2025 or 2024.

Involuntary Pooling Arrangements

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

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

High Deductibles

The Company writes two high deductible policies, each secured with a letter of credit in the State of Maine. The Company requires the high deductible policyholders to provide an evergreen, irrevocable, clean letter of credit to secure obligations up to the estimated policyholder liabilities. This letter of credit requirement is reviewed periodically, as necessary, or annually in conjunction with the policy renewal to determine appropriate increases or decreases. The Company does not record a reserve credit for high deductible reserves outstanding or an admitted deductible recovery accrual since the amounts are immaterial to the financial statements as a whole. There are no unsecured amounts of high deductibles, no amounts overdue or in dispute. Accordingly, there are no counterparty high deductible policyholders with unsecured liabilities or no unsecured high 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.

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Nonadmitted Assets

The following nonadmitted assets were excluded from the Statements of Admitted Assets, Liabilities and Capital and Surplus as of December 31, 2025 and 2024:

| | <u>2025</u> | <u>2024</u> |
|---|----------------------|----------------------|
| Premiums receivable over 90 days past due | \$ 3,914,280 | \$ 3,626,159 |
| Deferred tax asset | 2,450,278 | 2,947,041 |
| Intercompany receivable | 215,806 | 213,837 |
| Fixed assets, net of accumulated amortization or depreciation | 17,669,581 | 12,762,672 |
| Prepaid assets and other miscellaneous receivables | <u>6,527,585</u> | <u>7,616,012</u> |
| Total nonadmitted assets | <u>\$ 30,777,530</u> | <u>\$ 27,165,721</u> |

Depreciation and amortization expense on nonadmitted fixed assets was \$3,402,115 and \$2,082,343 in 2025 and 2024, respectively.

Federal Income Taxes

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

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

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 general 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 years. Depreciation expense for the years ended December 31, 2025 and 2024, was \$870,217 and \$735,676, 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.

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Reclassifications

Certain balances in the 2024 financial statements have been reclassified to conform to the 2025 presentation. These reclassifications had no effect on net income, total admitted assets, or total capital and surplus as previously reported.

3. Capital and Surplus

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 and were subsequently adjusted, as necessary, based upon cancellations and premium audits. In 1998, the Company received approval from the MBOI to return capital contributions to the extent authorized by the Board of Directors and the MBOI.

There are no advances to surplus not repaid or other surplus restrictions other than the dividend restrictions discussed in Note 4 and statutory deposits in Note 9.

On October 15, 2023, the Company issued surplus notes of \$30,000,000 (the "Notes") to two unaffiliated entities. The Company received the proceeds in cash. The Notes bear an annual interest rate of 8.875% and mature on October 16, 2043. Each payment of interest and principal to the holders of the Notes must be pre-approved by the Superintendent of the MBOI. There have been no unapproved requests to date. During both 2025 and 2024, the Company recognized approved interest of \$2,662,500 related to the Notes. Total life-to-date interest expense recognized as of December 31, 2025 is \$5,761,354. In the event of liquidation, holders of policy claims, prior claims and indebtedness would be afforded greater priority than interest and principal due to holders of the Notes.

On December 4, 2025, the Company issued surplus notes (the "2025 Notes") totaling \$70,000,000 to nine unaffiliated entities. The Company received the proceeds in cash. The 2025 Notes bear an annual interest rate of 9.0% and mature on December 3, 2045. Each payment of interest and principal to the holders of the 2025 Notes must be pre-approved by the Superintendent of the MBOI. The first interest payment is due March 16, 2026. In the event of liquidation, holders of policy claims, prior claims and indebtedness would be afforded greater priority than interest and principal due to holders of the 2025 Notes.

4. Dividend Restrictions

The Company is subject to regulatory limitations with respect to statutory surplus levels and dividends. Under these regulations, annual dividends cannot exceed greater than 10% of the insurer's surplus as of the prior year-end or the net gain from operations for the 12-month period ended in the prior year. The maximum amount of dividends which can be paid by the Company to policyholders without prior approval of the Superintendent of Insurance during 2025 and 2024 was \$62,059,806 and \$58,559,188, respectively. For the years ended 2025 and 2024, dividends to policyholders were \$19,000,000 and \$18,699,511, respectively. The 100% participating mutual dividend declared during 2025 of \$19,000,000, was based on policy year 2022 for eligible policyholders.

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5. Income Taxes

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

| | December 31, 2025 | | |
|--|--------------------------|------------------|------------------|
| | 1 | 2 | 3 |
| | | | (Col 1+2) |
| | Ordinary | Capital | Total |
| a. Gross deferred tax assets | \$ 24,958,958 | \$ - | \$ 24,958,958 |
| b. Statutory valuation allowance adjustment | - | - | - |
| c. Adjusted gross deferred taxes (1a-1b) | 24,958,958 | - | 24,958,958 |
| d. Deferred tax assets nonadmitted | 2,450,278 | - | 2,450,278 |
| e. Subtotal net admitted deferred tax asset (1c-1d) | 22,508,680 | - | 22,508,680 |
| f. Deferred tax liabilities | 4,964,098 | 5,423,717 | 10,387,815 |
| g. Net admitted deferred tax assets/(net deferred tax liability) (1e-1f) | \$ 17,544,582 | \$ (5,423,717) | \$ 12,120,865 |
| | | | |
| | December 31, 2024 | | |
| | 4 | 5 | 6 |
| | | | (Col 4+5) |
| | Ordinary | Capital | Total |
| a. Gross deferred tax assets | \$ 31,490,845 | \$ 246,615 | \$ 31,737,460 |
| b. Statutory valuation allowance adjustment | - | - | - |
| c. Adjusted gross deferred taxes (1a-1b) | 31,490,845 | 246,615 | 31,737,460 |
| d. Deferred tax assets nonadmitted | 2,947,041 | - | 2,947,041 |
| e. Subtotal net admitted deferred tax asset (1c-1d) | 28,543,804 | 246,615 | 28,790,419 |
| f. Deferred tax liabilities | 1,873,968 | 9,337,636 | 11,211,604 |
| g. Net admitted deferred tax assets/(net deferred tax liability) (1e-1f) | \$ 26,669,836 | \$ (9,091,021) | \$ 17,578,815 |
| | | | |
| | Change | | |
| | 7 | 8 | 9 |
| | (Col 1-4) | (Col 2-5) | (Col 7+8) |
| | Ordinary | Capital | Total |
| a. Gross deferred tax assets | \$ (6,531,887) | \$ (246,615) | \$ (6,778,502) |
| b. Statutory valuation allowance adjustment | - | - | - |
| c. Adjusted gross deferred taxes (1a-1b) | (6,531,887) | (246,615) | (6,778,502) |
| d. Deferred tax assets nonadmitted | (496,763) | - | (496,763) |
| e. Subtotal net admitted deferred tax asset (1c-1d) | (6,035,124) | (246,615) | (6,281,739) |
| f. Deferred tax liabilities | 3,090,130 | (3,913,919) | (823,789) |
| g. Net admitted deferred tax assets/(net deferred tax liability) (1e-1f) | \$ (9,125,254) | \$ 3,667,304 | \$ (5,457,950) |

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Admission Calculation Components:

| | December 31, 2025 | | |
|---|-------------------------------|------------------------------|----------------------------|
| | 1 | 2 | 3 |
| | Ordinary | Capital | (Col 1+2) Total |
| a. Federal income taxes paid in prior years recoverable through loss carrybacks | \$ 7,935,055 | \$ - | \$ 7,935,055 |
| 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 | 4,185,810 | - | 4,185,810 |
| 2. Adjusted gross deferred tax assets allowed per limitation threshold | | | 105,249,963 |
| 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 | 10,387,815 | - | 10,387,815 |
| d. Deferred tax assets admitted as the result of application of SSAP 101 Total 2(a)+2(b)+2(c) | <u>\$ 22,508,680</u> | <u>\$ -</u> | <u>\$ 22,508,680</u> |
| | December 31, 2024 | | |
| | 4 | 5 | 6 |
| | Ordinary | Capital | (Col 4+5) Total |
| a. Federal income taxes paid in prior years recoverable through loss carrybacks | \$ 13,793,517 | \$ 119,174 | \$ 13,912,691 |
| b. Adjusted gross deferred tax assets expected to be realized (excluding the amount of deferred tax assets from 2(a) above) after application of the threshold limitation. (The lesser of 2(b)1 and 2(b)2 below): | | | |
| 1. Adjusted gross deferred tax assets expected to be realized following the balance sheet date | 3,634,720 | 31,404 | 3,666,124 |
| 2. Adjusted gross deferred tax assets allowed per limitation threshold | | | 89,927,128 |
| 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 | 11,115,567 | 96,037 | 11,211,604 |
| d. Deferred tax assets admitted as the result of application of SSAP 101 Total 2(a)+2(b)+2(c) | <u>\$ 28,543,804</u> | <u>\$ 246,615</u> | <u>\$ 28,790,419</u> |
| | Change | | |
| | 7 | 8 | 9 |
| | (Col 1-4) Ordinary | (Col 2-5) Capital | (Col 7+8) Total |
| a. Federal income taxes paid in prior years recoverable through loss carrybacks | \$ (5,858,462) | \$ (119,174) | \$ (5,977,636) |
| 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 | 551,090 | (31,404) | 519,686 |
| 2. Adjusted gross deferred tax assets allowed per limitation threshold | | | 15,322,835 |
| 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 | (727,752) | (96,037) | (823,789) |
| d. Deferred tax assets admitted as the result of application of SSAP 101 Total 2(a)+2(b)+2(c) | <u>\$ (6,035,124)</u> | <u>\$ (246,615)</u> | <u>\$ (6,281,739)</u> |

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Other admissibility criteria:

| | <u>2025</u> | <u>2024</u> |
|---|----------------|----------------|
| a. Ratio percentage used to determine recovery period and threshold limitation amount | 1007% | 785% |
| b. Amount of adjusted capital and surplus used to determine recovery period and threshold limitation in 2(b)2 above | \$ 701,666,423 | \$ 599,514,186 |

Tax planning strategies were not employed by the Company during 2025 or 2024, and therefore, had no impact upon the determination of adjusted gross and net admitted deferred tax assets.

As of December 31, 2025 and 2024, the Company does not have any investment tax credits, net operating loss or capital loss carry forwards available to offset against future taxable income. The amount of federal income taxes incurred in the current year and each proceeding year available for recoupment in the event of future net losses is \$0 and \$7,935,055 for 2025 and 2024, respectively. There are no deposits admitted under Section 6603 of the Internal Revenue Code.

As of December 31, 2025 and 2024, 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.

The Inflation Reduction Act was enacted on August 16, 2022, and includes a corporate alternative minimum tax (the "CAMT"). The Company has determined that it does not expect to be liable for the CAMT in 2025.

Current and deferred income taxes

| Current income taxes: | <u>2025</u> | <u>2024</u> | <u>Change</u> |
|---|-----------------------|---------------------|-----------------------|
| Federal | \$ (6,698,629) | \$ 4,965,703 | \$(11,664,332) |
| Provision to return | (916,542) | (659,899) | (256,643) |
| Subtotal | (7,615,171) | 4,305,804 | (11,920,975) |
| Federal income tax on net capital gains | 6,422,778 | 3,304,110 | 3,118,668 |
| Federal income taxes incurred | <u>\$ (1,192,393)</u> | <u>\$ 7,609,914</u> | <u>\$ (8,802,307)</u> |

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| | 2025 | 2024 | Change |
|--|----------------------|----------------------|-----------------------|
| Deferred Tax Assets | | | |
| a. Ordinary: | | | |
| Discounting of unpaid losses | \$ 11,928,292 | \$ 12,119,672 | \$ (191,380) |
| Unearned premium reserves | 3,713,153 | 3,767,195 | (54,042) |
| Compensation and benefits accrual | 3,368,796 | 4,524,317 | (1,155,521) |
| Nonadmitted assets | 5,948,717 | 5,085,918 | 862,799 |
| Sec174 R&D Capitalization, net of amortization | - | 5,993,743 | (5,993,743) |
| Subtotal | 24,958,958 | 31,490,845 | (6,531,887) |
| b. Statutory valuation allowance adjustment | - | - | - |
| c. Nonadmitted | 2,450,278 | 2,947,041 | (496,763) |
| d. Admitted ordinary deferred tax assets | 22,508,680 | 28,543,804 | (6,035,124) |
| e. Capital: | | | |
| Investments | - | 246,615 | (246,615) |
| Subtotal | - | 246,615 | (246,615) |
| f. Statutory valuation allowance adjustment | - | - | - |
| g. Nonadmitted | - | - | - |
| h. Admitted capital deferred tax assets | - | 246,615 | (246,615) |
| i. Admitted deferred tax assets | <u>\$ 22,508,680</u> | <u>\$ 28,790,419</u> | <u>\$ (6,281,739)</u> |
| Deferred Tax Liabilities | | | |
| a. Ordinary: | | | |
| Investments | \$ 418,072 | \$ 430,406 | \$ (12,334) |
| Fixed assets | 4,114,548 | 1,075,965 | 3,038,583 |
| Legislative change in loss discounting | - | 345,054 | (345,054) |
| Deferred revenue | 398,512 | - | 398,512 |
| Additional acquisition costs | 32,966 | 22,543 | 10,423 |
| Subtotal | 4,964,098 | 1,873,968 | 3,090,130 |
| b. Capital: | | | |
| Investments | 5,423,717 | 9,337,636 | (3,913,919) |
| Subtotal | 5,423,717 | 9,337,636 | (3,913,919) |
| c. Deferred tax liabilities | 10,387,815 | 11,211,604 | (823,789) |
| Net Deferred Tax Assets/Liabilities | <u>\$ 12,120,865</u> | <u>\$ 17,578,815</u> | <u>\$ (5,457,950)</u> |
| Change in net deferred income taxes | 2025 | 2024 | Change |
| a. Adjusted gross deferred tax assets | \$ 24,958,958 | \$ 31,737,460 | \$ (6,778,502) |
| b. Total deferred tax liabilities | 10,387,815 | 11,211,604 | 823,789 |
| c. Net deferred tax assets | <u>\$ 14,571,143</u> | <u>\$ 20,525,856</u> | <u>\$ (5,954,713)</u> |
| d. Tax effect of change in unrealized gains | | | \$ 3,913,919 |
| e. Total change in net deferred income tax | | | <u>(9,868,632)</u> |
| | | | <u>\$ (5,954,713)</u> |

There were no deferred tax liabilities that were not recognized.

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Among the more significant book to tax adjustments in 2025 and 2024 were the following:

| | <u>2025</u> | <u>2024</u> |
|--------------------------------------|---------------------|---------------------|
| Provision computed at statutory rate | \$ 10,962,092 | \$ 6,844,012 |
| Change in nonadmitted assets | (862,800) | (2,128,687) |
| Prior year true-up (to current) | (916,542) | (659,899) |
| Prior year true-up (to deferred) | (90,583) | (209,184) |
| Permanent differences | (415,928) | (514,276) |
| Totals | <u>8,676,239</u> | <u>3,331,966</u> |
| Federal income taxes incurred | (7,615,171) | 4,305,804 |
| Realized capital gains tax | 6,422,778 | 3,304,110 |
| Change in net deferred income taxes | 9,868,632 | (4,277,948) |
| Total statutory income taxes | <u>\$ 8,676,239</u> | <u>\$ 3,331,966</u> |

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, 2025 and 2024, are as follows:

| | <u>2025</u> | <u>2024</u> |
|-------------------------------------|-----------------------|-----------------------|
| Net balances at January 1, | \$ 441,590,616 | \$ 435,049,404 |
| Incurred related to | | |
| Current year | 142,927,880 | 147,046,067 |
| Prior years | (25,590,230) | (18,459,885) |
| Total incurred | <u>117,337,650</u> | <u>128,586,182</u> |
| Paid related to | | |
| Current year | 42,287,928 | 37,935,240 |
| Prior years | 82,022,811 | 84,109,730 |
| Total paid | <u>124,310,739</u> | <u>122,044,970</u> |
| Net balances at December 31, | \$ 434,617,527 | \$ 441,590,616 |

The liabilities for loss reserves and loss adjustment expense reserves are based upon assumptions which consider the experience of the Company, industry experience and projections by independent actuaries. The reserve process is inherently subjective, and the ultimate loss and loss adjustment expense reserves may vary from the amounts recorded in the financial statements. As of December 31, 2025 and 2024, there was no reserve credit recorded for high deductibles on unpaid losses and there was no billed and recoverable amount for collateralized high deductible policies. 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 2025, the Company's incurred losses related to prior years decreased by \$25,590,230 from favorable loss development across several accident years primarily 2017-2020, 2022 and 2024. This favorable development is the result of ongoing analysis of recent loss development trends.

During 2024, the Company's incurred losses related to prior years decreased by \$18,459,885 from favorable loss development across several accident years, primarily the 2019, 2020 and 2022. This favorable development is the result of ongoing analysis of recent loss development trends.

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7. Reinsurance

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 ("the Pools"). 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 premium, 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 for NCCI are \$88,421 and \$109,435 for 2025 and 2024, respectively. All amounts are recorded as assumed business. Amounts recorded to premiums, reserves and expense for reinsurance assumed from pools are as follows:

| | <u>2025</u> | <u>2024</u> |
|--|-------------|-------------|
| Premiums earned | \$ 788,250 | \$ 701,248 |
| Loss and loss adjustment expenses incurred | 665,448 | 693,438 |
| Unearned premiums | 271,502 | 222,064 |
| Loss and loss adjustment expense reserves | 1,755,675 | 1,772,194 |
| Underwriting expenses incurred | 209,673 | 180,136 |

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 both 2025 and 2024. In addition, for 2025 and 2024, the Company maintains additional coverage up to \$100,000,000 on a per occurrence basis.

In February 2025, the Company commuted two excess of loss reinsurance contracts for treaty year 2017 with General Reinsurance Corporation. Proceeds recorded by the Company on these commutations were \$0 and resulted in no recorded gain or loss.

In February 2024, the Company commuted an excess of loss reinsurance contract for treaty year 2016 with General Reinsurance Corporation. Proceeds recorded by the Company on this commutation were \$0 and resulted in no recorded gain or loss.

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

| | <u>2025</u> | <u>2024</u> |
|--|--------------|--------------|
| Premiums earned | \$ 3,785,023 | \$ 3,759,856 |
| Loss and loss adjustment expenses incurred | (3,874) | 66,145 |
| Loss and loss adjustment expense reserves | 785,061 | 1,165,456 |

The Company cedes risk to a reinsurance company through an 85% quota share reinsurance agreement for policy years starting in 2011 for its EPLI line of business. In the event this quota share reinsurance treaty is cancelled, an

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immaterial amount of ceding commissions would be returned. Amounts deducted from premiums, reserves and expenses for reinsurance ceded to other companies for EPLI are as follows:

| | <u>2025</u> | <u>2024</u> |
|--|--------------|--------------|
| Premiums earned | \$ 2,845,484 | \$ 3,008,060 |
| Loss and loss adjustment expenses incurred | (301,769) | 1,353,623 |
| Unearned premiums | 1,275,150 | 1,297,396 |
| Loss and loss adjustment expense reserves | 3,233,324 | 4,243,797 |
| Ceding commissions | 2,347,469 | 1,712,378 |

Of the 2025 and 2024 ceded loss and loss adjustment expense reserves above for all lines of business, 100% of the balances are comprised of amounts with three reinsurance carriers. The Company had no unsecured reinsurance recoverables for paid and unpaid loss and loss adjustment expenses, including incurred but not reported reserves, from a reinsurer that exceeded 3% of capital and surplus as of December 31, 2025 or 2024.

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.

8. Premiums Written and Earned

During the years ended December 31, 2025 and 2024, direct, assumed and ceded premiums were as follows:

| | <u>2025</u> | | <u>2024</u> | |
|--------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | <u>Written</u> | <u>Earned</u> | <u>Written</u> | <u>Earned</u> |
| Direct | \$ 188,056,100 | \$ 190,146,600 | \$ 199,907,218 | \$ 199,593,126 |
| Assumed | 837,689 | 788,250 | 692,629 | 701,248 |
| Ceded | <u>(6,608,281)</u> | <u>(6,630,507)</u> | <u>(6,781,868)</u> | <u>(6,767,916)</u> |
| Net premiums | <u>\$ 182,285,508</u> | <u>\$ 184,304,343</u> | <u>\$ 193,817,979</u> | <u>\$ 193,526,458</u> |

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9. Restricted Assets

Various regulatory authorities require that securities be placed on deposit in conjunction with writing workers' compensation business. As of December 31, 2025 and 2024, the Company had fixed income securities on deposit with a carrying value of \$5,125,448 and \$4,589,512, respectively, included in bonds on the Statements of Admitted Assets, Liabilities and Capital and Surplus.

The Company is a member of the FHLB. The Company has Membership Class B stock, which is not eligible for redemption. An annual recalculation of the Company's FHLB stock requirement is performed each year. The April 2025 and April 2024 recalculations of the Company's required membership stock necessitated additional stock purchases of \$0 and \$114,700, respectively. FHLB's March 2025 recalculation of membership stock retained the value of required membership stock at \$659,900. The Company now holds \$602,600 in Class B membership stock and \$57,300 in excess stock. This common stock, all of which is admitted, is included in the Statements of Admitted Assets, Liabilities and Capital and Surplus. The agreement between the FHLB and the Company specifies Advances and Other Credit Products will be available subject to specified collateral arrangements. The Company has no activity stock, prepayment obligations or borrowings outstanding as of the reporting date. The maximum amount the Company can borrow, absent prior approval of the Company's Board of Directors, is 5% of net admitted assets from the most recent statutory financial statements, which is \$64,238,963, as of December 31, 2025.

The following table discloses quantitative information about the Company's restricted assets by category of restricted asset as of December 31, 2025:

| Restricted Asset Category | Total Current | | Increase/ (Decrease) | Admitted | Gross |
|-------------------------------|-----------------------------|---------------------|-------------------------|--------------------------|--------------|
| | Year Admitted Restricted | Total Prior Year | | Total Admitted Assets |  | Restricted to Total Assets |
| On deposit with states | \$ 5,125,448 | \$ 4,589,512 | \$ 535,936 | 0.40% | 0.39% |
| Pledged as collateral to FHLB | 8,480,170 | 9,337,019 | (856,849) | 0.66% | 0.64% |
| FHLB capital stock | 659,900 | 659,900 | - | 0.05% | 0.05% |
| Total restricted assets | <u>\$ 14,265,518</u> | <u>\$14,586,431</u> | <u>\$ (320,913)</u> | <u>1.11%</u> | <u>1.08%</u> |

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 | | Fair Value |
|-----------------------------|---------------|------------------|----------------|----------------|
| | | Gains | Losses | |
| At December 31, 2025 | | | | |
| Common stocks | \$ 64,317,817 | \$ 19,985,275 | \$ (2,368,847) | \$ 81,934,245 |
| At December 31, 2024 | | | | |
| Common stocks | \$ 75,825,656 | \$ 40,850,581 | \$ (2,312,561) | \$ 114,363,676 |

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

| | Cost | Gross Unrealized | | Carrying Value |
|-----------------------------|----------------|------------------|--------------|----------------|
| | | Gains | Losses | |
| At December 31, 2025 | | | | |
| Common stocks of affiliates | \$ 178,657,480 | \$ 83,640,180 | \$ (473,529) | \$ 261,824,131 |
| At December 31, 2024 | | | | |
| Common stocks of affiliates | \$ 178,657,480 | \$ 73,433,794 | \$ (473,529) | \$ 251,617,745 |

The Company owns 100% of the common stock of MEMIC Indemnity at a cost of \$129,000,000 as of December 31, 2025 and 2024, and the Company owns 100% of the common stock of MEMIC Casualty at a cost of \$49,183,951 as of December 31, 2025 and 2024.

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

| | 2025 | 2024 |
|----------------------|----------------|----------------|
| Admitted assets | \$ 866,793,701 | \$ 832,729,382 |
| Liabilities | 604,969,570 | 581,111,637 |
| Capital and surplus | 261,824,131 | 251,617,745 |
| Statutory net income | 14,441,485 | 20,784,434 |

The Company owns 100% of the common stock of MEMIC Services, an unaudited subsidiary, at a cost of \$473,529. The Company made no contributions during 2025 and 2024 to MEMIC Services and recorded a liability of \$165,675 and \$160,414 as of December 31, 2025 and 2024, respectively, for the statutory equity of remaining liabilities the Company would honor, per a parental guaranty, should MEMIC Services cease operations. Such amounts have been recorded to unassigned surplus and are included in other liabilities on the Statement of Admitted Assets, Liabilities and Capital and Surplus.

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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 securities.

The carrying value and fair value of bonds, by contractual maturity as of December 31, 2025, are as follows:

| Maturity | Carrying Value | Fair Value |
|---|---------------------------|-----------------------|
| One year or less | \$ 3,807,497 | \$ 3,791,883 |
| Over one year through five years | 74,307,828 | 73,434,584 |
| Over five years through ten years | 83,670,648 | 81,424,396 |
| Over ten years through fifteen years | 66,908,117 | 63,420,469 |
| Over fifteen years through twenty years | 65,937,357 | 59,495,946 |
| Over twenty years | <u>272,477,601</u> | <u>258,328,077</u> |
| | <u>\$ 567,109,048</u> | <u>\$ 539,895,355</u> |

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, 2025 and 2024, are summarized as follows:

| | 2025 | | |
|---------------|--------------------------------|-----------------------|------------------------|
| | Proceeds From Sales | Gross Realized | |
| | | Gains | Losses |
| Bonds | \$ 181,403,812 | \$ 663,058 | \$ (10,912,701) |
| Common stocks | <u>70,482,570</u> | <u>36,799,142</u> | <u>(2,301,496)</u> |
| | <u>\$ 251,886,382</u> | <u>\$ 37,462,200</u> | <u>\$ (13,214,197)</u> |
| | 2024 | | |
| | Proceeds From Sales | Gross Realized | |
| | | Gains | Losses |
| Bonds | \$ 30,795,281 | \$ 16,082 | \$ (2,121,241) |
| Common stocks | <u>63,170,784</u> | <u>21,114,005</u> | <u>(3,142,942)</u> |
| | <u>\$ 93,966,065</u> | <u>\$ 21,130,087</u> | <u>\$ (5,264,183)</u> |

As of December 31, 2025 and 2024, 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 recorded no OTTI during 2025 or 2024.

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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, 2025 and 2024, are as follows:

| | 2025 | | | | | |
|------------------------------|-----------------------|-----------------------|----------------------|-----------------------|----------------------|-----------------------|
| | Less than 12 Months | | 12 Months or More | | Total | |
| | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses |
| Bonds | | | | | | |
| Issuer credit obligations | 39,157,573 | (632,771) | 139,496,109 | (20,865,129) | 178,653,682 | (21,497,900) |
| Asset-backed securities | 34,830,746 | (578,561) | 93,666,681 | (10,455,248) | 128,497,427 | (11,033,809) |
| Common stocks - unaffiliated | 15,677,119 | (1,447,337) | 4,646,700 | (921,510) | 20,323,819 | (2,368,847) |
| | <u>\$ 89,665,438</u> | <u>\$ (2,658,669)</u> | <u>\$237,809,490</u> | <u>\$(32,241,887)</u> | <u>\$327,474,928</u> | <u>\$(34,900,556)</u> |
| | 2024 | | | | | |
| | Less Than 12 Months | | 12 Months or More | | Total | |
| | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses |
| Bonds | \$ 172,221,386 | \$ (3,287,088) | \$356,198,068 | \$(54,839,080) | \$528,419,454 | \$(58,126,168) |
| Common stocks - unaffiliated | 15,977,870 | (1,458,707) | 2,612,622 | (853,854) | 18,590,492 | (2,312,561) |
| | <u>\$ 188,199,256</u> | <u>\$ (4,745,795)</u> | <u>\$358,810,690</u> | <u>\$(55,692,934)</u> | <u>\$547,009,946</u> | <u>\$(60,438,729)</u> |

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, 2025 and 2024 are summarized as follows:

| | 2025 | 2024 |
|---|----------------------|----------------------|
| Bonds | \$ 27,480,190 | \$ 23,812,609 |
| Common stocks | 2,733,091 | 3,378,989 |
| Cash, cash equivalents and short-term investments | 783,476 | 660,979 |
| Other investment income | 5,027,491 | 2,709,883 |
| Total investment income | 36,024,248 | 30,562,460 |
| Less: Investment expenses | | |
| Interest on surplus notes | (2,662,500) | (2,662,500) |
| Other investment expenses | (3,325,579) | (1,641,795) |
| Total investment expenses | (5,988,079) | (4,304,295) |
| Net investment income | <u>\$ 30,036,169</u> | <u>\$ 26,258,165</u> |

Interest income due and accrued was \$4,803,727 and was \$5,606,059 as of December 31, 2025 and 2024, respectively, and is included in investment income due and accrued on the Statements of Admitted Assets, Liabilities and Capital and Surplus. No amounts were nonadmitted.

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

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

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

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

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

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

Level 3 - Significant Other Unobservable Inputs: Inputs to the valuation methodology are unobservable and significant to the fair value measurement. The Company has no assets or liabilities measured at fair value in this category. Transfers to and from Level 3 would be recognized when a purchase, sale or settlement increases or decreases 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.

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| | 2025 | | | |
|---|----------------|----------------|----------------|----------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Assets on Statements of Admitted Assets, Liabilities and Capital and Surplus, at fair value | | | | |
| Bonds | | | | |
| Issuer credit obligations | \$ - | \$ 1,759,589 | \$ - | \$ 1,759,589 |
| Asset-backed | - | 1,358 | - | 1,358 |
| Total bonds | - | 1,760,947 | - | 1,760,947 |
| Common stocks | | | | |
| Industrial & miscellaneous | 73,988,449 | - | - | 73,988,449 |
| Federal Home Loan Bank | - | 659,900 | - | 659,900 |
| Mutual funds | 7,285,896 | - | - | 7,285,896 |
| Total common stocks | 81,274,345 | 659,900 | - | 81,934,245 |
| Total assets, measured at fair value | \$ 81,274,345 | \$ 2,420,847 | \$ - | \$ 83,695,192 |
| | | | | |
| | 2024 | | | |
| | Level 1 | Level 2 | Level 3 | Total |
| Assets on Statements of Admitted Assets, Liabilities and Capital and Surplus, at fair value | | | | |
| Bonds | | | | |
| Asset-backed | \$ - | \$ 2,624,477 | \$ - | \$ 2,624,477 |
| Total bonds | - | 2,624,477 | - | 2,624,477 |
| Common stocks | | | | |
| Industrial & miscellaneous | 100,955,109 | - | - | 100,955,109 |
| Federal Home Loan Bank | - | 659,900 | - | 659,900 |
| Mutual funds | 12,748,667 | - | - | 12,748,667 |
| Total common stocks | 113,703,776 | 659,900 | - | 114,363,676 |
| Total assets, measured at fair value | \$ 113,703,776 | \$ 3,284,377 | \$ - | \$ 116,988,153 |

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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, 2025 and 2024. The fair values are also categorized into the three-level fair value hierarchy as described above.

| Type of Financial Instrument | 2025 | | | | | |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-------------|----------------------------------|
| | Aggregate Fair Value | Admitted Value | Level 1 | Level 2 | Level 3 | Not Practicable (Carrying Value) |
| Bonds | | | | | | |
| Issuer credit obligations | \$ 278,563,812 | \$ 297,089,191 | \$ - | \$ 278,563,812 | \$ - | \$ - |
| Asset-backed securities | 261,331,543 | 270,019,857 | - | 261,331,543 | - | - |
| Common stocks | 81,934,245 | 81,934,245 | 81,274,345 | 659,900 | - | - |
| Cash, cash equivalents & short-term investments | 236,430,392 | 236,430,392 | 236,430,392 | - | - | - |
| Other invested assets | 389,094 | 499,120 | - | 389,094 | - | - |
| Total assets | <u>\$ 858,649,086</u> | <u>\$ 885,972,805</u> | <u>\$ 317,704,737</u> | <u>\$ 540,944,349</u> | <u>\$ -</u> | <u>\$ -</u> |

| Type of Financial Instrument | 2024 | | | | | |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-------------|----------------------------------|
| | Aggregate Fair Value | Admitted Value | Level 1 | Level 2 | Level 3 | Not Practicable (Carrying Value) |
| Bonds | \$ 634,089,205 | \$ 690,311,219 | \$ - | \$ 634,089,205 | \$ - | \$ - |
| Common stocks | 114,363,676 | 114,363,676 | 113,703,776 | 659,900 | - | - |
| Cash, cash equivalents & short-term investments | 19,179,945 | 19,179,945 | 19,155,465 | 24,480 | - | - |
| Other invested assets | 375,539 | 499,095 | - | 375,539 | - | - |
| Total assets | <u>\$ 768,008,365</u> | <u>\$ 824,353,935</u> | <u>\$ 132,859,241</u> | <u>\$ 635,149,124</u> | <u>\$ -</u> | <u>\$ -</u> |

The Company held no structured notes as of December 31, 2025 or 2024.

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 in the Statements of Income for the discretionary portion for the Plan was \$2,795,126 and \$2,308,195 in 2025 and 2024, 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 \$3,306,819 and

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\$3,210,640 of expense, included in its Statements of Income, related to the tax deferred employer profit-sharing component of the Plan in 2025 and 2024, respectively.

In 2025 and 2024, 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 \$2,588,210 and \$2,367,528 expense, included in its Statements of Income, related to the employer matching component of the Plan in 2025 and 2024, 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 \$7,285,896 and \$12,748,667 at December 31, 2025 and 2024, respectively, related to the Compensation Plan on the Statements of Admitted Assets, Liabilities and Capital and Surplus. In accordance with NAIC SAP, the increase or decrease in fair value of the assets of the Plan are recorded into income or expense to the Company. Related to this Compensation Plan, the Company incurred expense of \$2,428,605 and \$2,569,744 during 2025 and 2024, respectively, included in the Statements of Income.

A Long Term Incentive Plan ("LTIP") was established by the Compensation Committee of the Board of Directors (the "Committee") effective January 1, 2018, for certain members of management and highly compensated individuals ("Participants"). Participants are granted a fixed-dollar base award (the "Award") contingent upon a three year rolling calculation of the direct combined ratio on the workers' compensation line of business as determined by the external actuary for ultimate loss and loss adjustment expense, and internally prepared management reports, as agreed upon by the Committee, for general expenses and unallocated loss adjustment expenses. The 2023, 2024 and 2025 Awards may range from 0% to 200% of the base award. Participants vest in each plan over three years, or a shorter period, under certain established conditions. The Company incurred LTIP expense of \$1,605,091 and \$1,516,456 during 2025 and 2024, respectively, included in the Statements of Income.

13. Commitments and Contingent Liabilities

The Company leases office space, various office equipment and vehicles under lease arrangements through 2029. Future minimum lease payments under operating leases at December 31, 2025, are as follows:

| | | |
|-------------------------------------|----|-----------|
| 2026 | \$ | 900,881 |
| 2027 | | 75,238 |
| 2028 | | 41,403 |
| 2029 | | 1,464 |
| Thereafter | | - |
| Total future minimum lease payments | \$ | 1,018,986 |

Total rent and lease expense to all related and unrelated parties was \$1,012,498 and \$1,554,177 for the years ended December 31, 2025 and 2024, respectively. Included in future minimum lease payments are the future rents due through 2026 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.

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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 2025 or 2024 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 expense, included in its Statements of Income, for guaranty fund and other assessments of \$570,843 and \$385,980 as of December 31, 2025 and 2024, respectively. Of these amounts, the Company has accrued a net liability as of December 31, 2025 and 2024, of \$445,234 and \$523,179, respectively. The guaranty fund and other assessment amounts represent management's best estimate of its liability for assessments based on information received from the states in which the Company writes business and may change due to many factors, including the Company's share of the ultimate cost of current insolvencies and other factors related to the funding requirements of the various assessments. There is no related premium tax benefit asset recorded from guaranty funds on the Statements of Admitted Assets, Liabilities and Capital and Surplus or Statements of Income.

The State of Maine Workers' Compensation Board (the "Board") assesses insurance companies, associations and self-insured employers' amounts based upon their written premium levels. As of December 31, 2025 and 2024, the assessment was 2.75% and 2.41%, respectively, of subject premium. To fund this amount, the Company is required to assess its policyholders these amounts and submit amounts collected to the Board on a quarterly basis. The balance of \$1,297,940 and \$922,857 represents amounts due to the Board as of December 31, 2025 and 2024, respectively, and is included in amounts withheld for others on the Statements of Admitted Assets, Liabilities and Capital and Surplus.

14. Related Party Transactions

The Company charged management fees and other services to MEMIC Indemnity in the normal course of business and in accordance with the terms of certain cost sharing agreements. The Company charged MEMIC Indemnity \$37,633,001 and \$35,706,939 for underwriting, claims, loss control, managed care and investment management fees during 2025 and 2024, 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 both 2025 and 2024. In addition, the Company leased office space from CVH and paid \$44,160 and \$149,332 for rent and parking during 2025 and 2024, respectively. The Company leased office space from CVHII and paid \$1,023,780 and \$1,221,760 for rent and parking during 2025 and 2024, respectively. The Company was also charged \$64,800 for parking from CVHIII during both 2025 and 2024. During 2025 and 2024, CVH issued the Company dividends of \$5,000,000 and \$2,700,000 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 \$11,125,281 and \$10,454,842 for underwriting, claims, loss control, managed care and investment management fees during 2025 and 2024, respectively. Certain other direct costs are paid by the Company and charged back to MEMIC Casualty.

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December 31, 2025 and 2024

The Company charged \$6,000 to MEMIC Services for accounting and management services during both 2025 and 2024. MEMIC Services charged the Company \$7,247 and \$7,616 during 2025 and 2024, respectively, for agency services. Amounts due from MEMIC Services of \$215,806 and \$213,837 as of December 31, 2025 and 2024, respectively, are nonadmitted.

The net admitted amounts due from affiliates as of December 31, 2025 and 2024 are as follows:

| | 2025 | 2024 |
|---------------------------|---------------------|---------------------|
| MEMIC Indemnity Company | \$ 4,960,661 | \$ 3,287,087 |
| MEMIC Casualty Company | 1,456,807 | 1,542,478 |
| Casco View Holdings, LLC | 9,221 | 8,175 |
| Total due from affiliates | <u>\$ 6,426,689</u> | <u>\$ 4,837,740</u> |

These amounts are settled periodically in accordance with the terms of certain cost sharing agreements.

15. Asset-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 fair value of its asset-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 asset-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.

See Note 10 for fair value and unrealized loss position of asset-backed securities.

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 asset-backed securities still held as of December 31, 2025 and 2024, are immaterial to the Company.

16. Subsequent Events

Subsequent events have been considered through March 24, 2026, for these statutory financial statements which are available to be issued on March 24, 2026. On January 7, 2026, the Company executed a Stock Purchase Agreement to acquire 100% equity interest in Risk Administration Services, LLC ("RAS"), who owns 51% of First Dakota Indemnity Company ("First Dakota") and serves as the attorney-in-fact for Dakota Truck Underwriters ("Dakota Truck"). The acquisition, which will be accounted for using the statutory purchase method, included a total cost of \$216,575,000, resulting in total goodwill of \$184,700,000, of which \$53,700,000 is admitted. Effective January 1, 2026, MEMIC Casualty, MEMIC Indemnity, First Dakota, and Dakota Truck will participate in a pooling arrangement, and in a separate agreement, MEMIC Casualty and MEMIC Indemnity will provide quota share reinsurance to First Dakota and Dakota Truck.

ANNUAL STATEMENT FOR THE YEAR 2025 OF THE Maine Employers' Mutual Insurance Company

SUMMARY INVESTMENT SCHEDULE

| Investment Categories | Gross Investment Holdings | | Admitted Assets as Reported in the Annual Statement | | | |
|--|---------------------------|-------------------------------------|---|--|-----------------------------------|-------------------------------------|
| | 1 Amount | 2 Percentage of Column 1 Line 14 | 3 Amount | 4 Securities Lending Reinvested Collateral Amount | 5 Total (Col. 3 + 4) Amount | 6 Percentage of Column 5 Line 14 |
| 1. Issuer credit obligations (Schedule D, Part 1, Section 1): | | | | | | |
| 1.01 U.S. government obligations..... | 8,853,156 | 0.751 | 8,853,156 | 0 | 8,853,156 | 0.751 |
| 1.02 Other U.S. government obligations | 0 | 0.000 | 0 | 0 | 0 | 0.000 |
| 1.03 Non-U.S. sovereign jurisdiction securities..... | 0 | 0.000 | 0 | 0 | 0 | 0.000 |
| 1.04 Municipal bonds – general obligations (direct & guaranteed) | 34,944,706 | 2.963 | 34,944,705 | 0 | 34,944,705 | 2.963 |
| 1.05 Municipal bonds – special revenue..... | 74,200,766 | 6.292 | 74,200,765 | 0 | 74,200,765 | 6.292 |
| 1.06 Project finance bonds issued by operating entities | 0 | 0.000 | 0 | 0 | 0 | 0.000 |
| 1.07 Corporate bonds | 171,695,550 | 14.559 | 171,695,546 | 0 | 171,695,546 | 14.559 |
| 1.08 Mandatory convertible bonds | 0 | 0.000 | 0 | 0 | 0 | 0.000 |
| 1.09 Single entity backed obligations | 915,585 | 0.078 | 915,585 | 0 | 915,585 | 0.078 |
| 1.10 SVO-Identified bond exchange traded funds – fair value | 0 | 0.000 | 0 | 0 | 0 | 0.000 |
| 1.11 SVO-Identified bond exchange traded funds – systematic value | 0 | 0.000 | 0 | 0 | 0 | 0.000 |
| 1.12 Bonds issued by funds representing operating entities..... | 6,479,436 | 0.549 | 6,479,434 | 0 | 6,479,434 | 0.549 |
| 1.13 Bank loans - issued..... | 0 | 0.000 | 0 | 0 | 0 | 0.000 |
| 1.14 Bank loans - acquired..... | 0 | 0.000 | 0 | 0 | 0 | 0.000 |
| 1.15 Mortgages loans that qualify as SVO-Identified credit tenant loans..... | 0 | 0.000 | 0 | 0 | 0 | 0.000 |
| 1.16 Certificates of deposit..... | 0 | 0.000 | 0 | 0 | 0 | 0.000 |
| 1.17 Other issuer credit obligations..... | 0 | 0.000 | 0 | 0 | 0 | 0.000 |
| 1.18 Total issuer credit obligations..... | 297,089,199 | 25.191 | 297,089,191 | 0 | 297,089,191 | 25.191 |
| 2. Asset-backed securities (Schedule D, Part 1, Section 2): | | | | | | |
| 2.01 Financial asset-backed securities – self-liquidating | 257,362,737 | 21.823 | 257,362,740 | 0 | 257,362,740 | 21.823 |
| 2.02 Financial asset-backed securities – not self-liquidating | 0 | 0.000 | 0 | 0 | 0 | 0.000 |
| 2.03 Non-financial asset-backed securities | 12,657,112 | 1.073 | 12,657,117 | 0 | 12,657,117 | 1.073 |
| 2.04 Total asset-backed securities..... | 270,019,849 | 22.896 | 270,019,857 | 0 | 270,019,857 | 22.896 |
| 3. Preferred stocks (Schedule D, Part 2, Section 1): | | | | | | |
| 3.01 Industrial and miscellaneous (unaffiliated)..... | 0 | 0.000 | 0 | 0 | 0 | 0.000 |
| 3.02 Parent, subsidiaries and affiliates..... | 0 | 0.000 | 0 | 0 | 0 | 0.000 |
| 3.03 Total preferred stocks..... | 0 | 0.000 | 0 | 0 | 0 | 0.000 |
| 4. Common stocks (Schedule D, Part 2, Section 2): | | | | | | |
| 4.01 Industrial and miscellaneous - publicly traded (unaffiliated) | 73,988,449 | 6.274 | 73,988,450 | 0 | 73,988,450 | 6.274 |
| 4.02 Industrial and miscellaneous - other (unaffiliated) | 659,900 | 0.056 | 659,900 | 0 | 659,900 | 0.056 |
| 4.03 Parent, subsidiaries and affiliates - publicly traded | 0 | 0.000 | 0 | 0 | 0 | 0.000 |
| 4.04 Parent, subsidiaries and affiliates - other | 261,824,131 | 22.201 | 261,824,131 | 0 | 261,824,131 | 22.201 |
| 4.05 Mutual funds | 7,285,896 | 0.618 | 7,285,895 | 0 | 7,285,895 | 0.618 |
| 4.06 Unit investment trusts | 0 | 0.000 | 0 | 0 | 0 | 0.000 |
| 4.07 Closed-end funds | 0 | 0.000 | 0 | 0 | 0 | 0.000 |
| 4.08 Exchange traded funds | 0 | 0.000 | 0 | 0 | 0 | 0.000 |
| 4.09 Total common stocks | 343,758,376 | 29.149 | 343,758,376 | 0 | 343,758,376 | 29.149 |
| 5. Mortgage loans (Schedule B): | | | | | | |
| 5.01 Farm mortgages | 0 | 0.000 | 0 | 0 | 0 | 0.000 |
| 5.02 Residential mortgages | 0 | 0.000 | 0 | 0 | 0 | 0.000 |
| 5.03 Commercial mortgages | 0 | 0.000 | 0 | 0 | 0 | 0.000 |
| 5.04 Mezzanine real estate loans | 0 | 0.000 | 0 | 0 | 0 | 0.000 |
| 5.05 Total valuation allowance | 0 | 0.000 | 0 | 0 | 0 | 0.000 |
| 5.06 Total mortgage loans | 0 | 0.000 | 0 | 0 | 0 | 0.000 |
| 6. Real estate (Schedule A): | | | | | | |
| 6.01 Properties occupied by company | 0 | 0.000 | 0 | 0 | 0 | 0.000 |
| 6.02 Properties held for production of income | 0 | 0.000 | 0 | 0 | 0 | 0.000 |
| 6.03 Properties held for sale | 0 | 0.000 | 0 | 0 | 0 | 0.000 |
| 6.04 Total real estate | 0 | 0.000 | 0 | 0 | 0 | 0.000 |
| 7. Cash, cash equivalents and short-term investments: | | | | | | |
| 7.01 Cash (Schedule E, Part 1) | 231,761,790 | 19.652 | 231,761,790 | 0 | 231,761,790 | 19.652 |
| 7.02 Cash equivalents (Schedule E, Part 2) | 4,668,602 | 0.396 | 4,668,602 | 0 | 4,668,602 | 0.396 |
| 7.03 Short-term investments (Schedule DA) | 0 | 0.000 | 0 | 0 | 0 | 0.000 |
| 7.04 Total cash, cash equivalents and short-term investments | 236,430,392 | 20.048 | 236,430,392 | 0 | 236,430,392 | 20.048 |
| 8. Contract loans | 0 | 0.000 | 0 | 0 | 0 | 0.000 |
| 9. Derivatives (Schedule DB) | 0 | 0.000 | 0 | 0 | 0 | 0.000 |
| 10. Other invested assets (Schedule BA) | 32,031,994 | 2.716 | 32,031,994 | 0 | 32,031,994 | 2.716 |
| 11. Receivables for securities | 0 | 0.000 | 0 | 0 | 0 | 0.000 |
| 12. Securities Lending (Schedule DL, Part 1)..... | 0 | 0.000 | 0 | XXX | XXX | XXX |
| 13. Other invested assets (Page 2, Line 11) | 0 | 0.000 | 0 | 0 | 0 | 0.000 |
| 14. Total invested assets | 1,179,329,810 | 100.000 | 1,179,329,810 | 0 | 1,179,329,810 | 100.000 |



SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES

For The Year Ended December 31, 2025
(To Be Filed by April 1)

Of The Maine Employers' Mutual Insurance Company.....
 ADDRESS (City, State and Zip Code) Portland , ME 04101
 NAIC Group Code 1332 NAIC Company Code 11149 Federal Employer's Identification Number (FEIN) 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.\$ 1,284,779,253

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

| | 1 | 2 | 3 | 4 |
|------|--------------------------------------|-------------------------------------|---------------------|-------------------------------------|
| | Issuer | Description of Exposure | Amount | Percentage of Total Admitted Assets |
| 2.01 | MEMIC INDEMNITY COMPANY | Common Stock Subsidiary | \$202,259,817 |15.7 % |
| 2.02 | MEMIC CASUALTY COMPANY | Common Stock Subsidiary | \$59,564,314 |4.6 % |
| 2.03 | Gs Mortgage-Backed Securities | Asset Backed Securities | \$7,864,883 |0.6 % |
| 2.04 | Wells Fargo Commercial Mortgag | Asset Backed Securities | \$6,066,000 |0.5 % |
| 2.05 | The Commonwealth Of Massachuse | Bond | \$5,669,409 |0.4 % |
| 2.06 | J.P. Morgan Mortgage Trust 202 | Asset Backed Securities | \$5,648,219 |0.4 % |
| 2.07 | Chicago O'hare Airport | Bond | \$4,698,127 |0.4 % |
| 2.08 | KEY BANK | Bank Account | \$4,668,602 |0.4 % |
| 2.09 | Unitedhealth Group Incorporate | Long- Term Bonds/Common Stock | \$4,588,894 |0.4 % |
| 2.10 | Citigroup Inc. | Long- Term Bonds/Common Stock | \$4,473,550 |0.3 % |

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

| | Bonds | | Preferred Stocks | |
|------|----------------------------------|-------------|------------------|-----------------------------|
| | 1 | 2 | 3 | 4 |
| 3.01 | NAIC 1 \$491,161,080 |38.2 % | 3.07 | NAIC 1 \$ 0.0 % |
| 3.02 | NAIC 2 \$69,853,003 |5.4 % | 3.08 | NAIC 2 \$ 0.0 % |
| 3.03 | NAIC 3 \$5,172,603 |0.4 % | 3.09 | NAIC 3 \$ 0.0 % |
| 3.04 | NAIC 4 \$921,003 |0.1 % | 3.10 | NAIC 4 \$ 0.0 % |
| 3.05 | NAIC 5 \$1,358 |0.0 % | 3.11 | NAIC 5 \$ 0.0 % |
| 3.06 | NAIC 6 \$0 |0.0 % | 3.12 | NAIC 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 [X] No []
 If response to 4.01 above is yes, responses are not required for interrogatories 5 - 10.

4.02 Total admitted assets held in foreign investments..... \$ 31,280,778 2.4 %

4.03 Foreign-currency-denominated investments \$ 0.0 %

4.04 Insurance liabilities denominated in that same foreign currency \$ 0.0 %

SUPPLEMENT FOR THE YEAR 2025 OF THE Maine Employers' Mutual Insurance Company

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

| | <u>1</u> | <u>2</u> | |
|---|----------|----------|-------|
| 5.01 Countries designated NAIC-1 | \$ | | 0.0 % |
| 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:

| | <u>1</u> | <u>2</u> | |
|---|----------|----------|-------|
| Countries designated NAIC - 1: | | | |
| 6.01 Country 1: | \$ | | 0.0 % |
| 6.02 Country 2: | \$ | | 0.0 % |
| 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 % |

| | <u>1</u> | <u>2</u> | |
|---|----------|----------|-------|
| 7. Aggregate unhedged foreign currency exposure | \$ | | 0.0 % |

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

| | <u>1</u> | <u>2</u> | |
|---|----------|----------|-------|
| 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:

| | <u>1</u> | <u>2</u> | |
|---|----------|----------|-------|
| 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:

| | <u>1</u> | <u>2</u> | <u>3</u> | <u>4</u> | |
|-------------|----------|------------------|----------|----------|-------|
| | Issuer | NAIC Designation | | | |
| 10.01 | | | \$ | | 0.0 % |
| 10.02 | | | \$ | | 0.0 % |
| 10.03 | | | \$ | | 0.0 % |
| 10.04 | | | \$ | | 0.0 % |
| 10.05 | | | \$ | | 0.0 % |
| 10.06 | | | \$ | | 0.0 % |
| 10.07 | | | \$ | | 0.0 % |
| 10.08 | | | \$ | | 0.0 % |
| 10.09 | | | \$ | | 0.0 % |
| 10.10 | | | \$ | | 0.0 % |

SUPPLEMENT FOR THE YEAR 2025 OF THE Maine Employers' Mutual Insurance Company

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.

| | 1 | 2 | |
|--|----------|-------|-------|
| 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 interests 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 | 2 | 3 | |
|--|----------|-------------|-------|--------|
| | Issuer | | | |
| 13.02 MEMIC INDEMNITY COMPANY | \$ | 202,259,817 | ..... | 15.7 % |
| 13.03 MEMIC CASUALTY COMPANY | \$ | 59,564,314 | ..... | 4.6 % |
| 13.04 Jpmorgan Chase & Co. | \$ | 1,353,002 | ..... | 0.1 % |
| 13.05 Merck & Co., Inc. | \$ | 1,289,751 | ..... | 0.1 % |
| 13.06 Abbvie Inc. | \$ | 1,268,120 | ..... | 0.1 % |
| 13.07 Exxon Mobil Corporation | \$ | 1,260,682 | ..... | 0.1 % |
| 13.08 The Procter & Gamble Company | \$ | 1,258,692 | ..... | 0.1 % |
| 13.09 Rtx Corporation | \$ | 1,255,740 | ..... | 0.1 % |
| 13.10 Bristol-Myers Squibb Company | \$ | 1,252,379 | ..... | 0.1 % |
| 13.11 Johnson & Johnson | \$ | 1,239,424 | ..... | 0.1 % |

SUPPLEMENT FOR THE YEAR 2025 OF THE Maine Employers' Mutual Insurance Company

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 14.02 through 14.05.

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

Ten largest fund managers:

| | 1 | 2 | 3 | 4 |
|-------------|--------------|----------------|-------------|----------------|
| | Fund Manager | Total Invested | Diversified | Nondiversified |
| 14.06 | | \$ 0 | \$ | \$ |
| 14.07 | | \$ 0 | \$ | \$ |
| 14.08 | | \$ 0 | \$ | \$ |
| 14.09 | | \$ 0 | \$ | \$ |
| 14.10 | | \$ 0 | \$ | \$ |
| 14.11 | | \$ 0 | \$ | \$ |
| 14.12 | | \$ 0 | \$ | \$ |
| 14.13 | | \$ 0 | \$ | \$ |
| 14.14 | | \$ 0 | \$ | \$ |
| 14.15 | | \$ 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 % |

SUPPLEMENT FOR THE YEAR 2025 OF THE Maine Employers' Mutual Insurance Company

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 | 2 | 3 |
|-------|--|----------|-------------|
| | Type (Residential, Commercial, Agricultural) | | |
| 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 |
|-------|-------------|----------|-------------|
| | 1 | | |
| 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 total 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 % |
| 19.03 | Largest three investments held in mezzanine real estate loans: | \$ | 0.0 % |
| 19.04 | ..... | \$ ..... | ..... 0.0 % |
| 19.05 | ..... | \$ ..... | ..... 0.0 % |

SUPPLEMENT FOR THE YEAR 2025 OF THE Maine Employers' Mutual Insurance Company

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

| | At Year End | | 1st Quarter 3 | At End of Each Quarter | |
|---|-------------|-------|------------------|------------------------|------------------|
| | 1 | 2 | | 2nd Quarter 4 | 3rd Quarter 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 | | 3 | Written | |
|-------------------------------|----------|-------|----------|---------|----------|
| | 1 | 2 | | 4 | 5 |
| 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 | | 1st Quarter 3 | At End of Each Quarter | |
|-------------------------------|-------------|-------|------------------|------------------------|------------------|
| | 1 | 2 | | 2nd Quarter 4 | 3rd Quarter 5 |
| 22.01 Hedging | \$ 0 | 0.0 % | \$ 0 | \$ 0 | \$ |
| 22.02 Income generation | \$ 0 | 0.0 % | \$ 0 | \$ 0 | \$ |
| 22.03 Replications | \$ 0 | 0.0 % | \$ 0 | \$ 0 | \$ |
| 22.04 Other | \$ 0 | 0.0 % | \$ 0 | \$ 0 | \$ |

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

| | At Year End | | 1st Quarter 3 | At End of Each Quarter | |
|-------------------------------|-------------|-------|------------------|------------------------|------------------|
| | 1 | 2 | | 2nd Quarter 4 | 3rd Quarter 5 |
| 23.01 Hedging | \$ 0 | 0.0 % | \$ 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, 2025 and 2024

MEMIC Indemnity Company

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December 31, 2025 and 2024

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Report of Independent Auditors

Board of Directors
MEMIC Indemnity Company

Opinions

We have audited the statutory 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, 2025 and 2024, and the related statutory statements of income and changes in capital and surplus, and cash flows for the years then ended, and the related notes to the financial statements.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the accompanying financial statements present fairly, in all material respects, the admitted assets, liabilities and capital and surplus of the Company as of December 31, 2025 and 2024, and the results of its operations and its cash flows for the years then ended, in accordance with the basis of accounting described in Note 2.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles section of our report, the financial statements 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, 2025 and 2024, or the results of its operations or its cash flows for the years then ended.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 New Hampshire Insurance Department, 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 these statutory accounting practices described in Note 2 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the accounting practices prescribed or permitted by the New Hampshire Insurance Department. 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.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audit was 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, 2025, are presented for purposes of additional analysis and are not a required part of the financial statements but are supplementary information required by the New Hampshire Insurance Department. 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 financial statements as a whole.

A handwritten signature in black ink that reads "Johnson Lambert LLP". The signature is written in a cursive, flowing style.

Jacksonville, Florida
March 24, 2026

MEMIC Indemnity Company
Statements of Admitted Assets, Liabilities and Capital and Surplus
(Statutory Basis)
December 31, 2025 and 2024

| | <u>2025</u> | <u>2024</u> |
|--|-----------------------|-----------------------|
| Admitted Assets | | |
| Invested assets | | |
| Bonds, at carrying value (fair value: \$508,407,553 and \$478,407,087 at December 31, 2025 and 2024, respectively) | \$ 535,262,883 | \$ 519,619,386 |
| Common stocks, at fair value (cost: \$37,981,795 and \$34,827,622 at December 31, 2025 and 2024, respectively) | 43,880,136 | 39,666,167 |
| Other invested assets, at carrying value (fair value: \$5,283,272 and \$5,055,019 at December 31, 2025 and 2024, respectively) | 5,723,377 | 5,549,243 |
| Cash, cash equivalents and short-term investments | <u>6,190,975</u> | <u>6,355,212</u> |
| Total cash and invested assets | 591,057,371 | 571,190,008 |
| Premium balances receivable | 63,395,346 | 58,949,355 |
| Investment income due and accrued | 4,585,481 | 4,423,310 |
| Receivable for securities sold | 115,013 | - |
| Reinsurance recoverable on paid loss and loss adjustment expenses | 696,276 | 305,505 |
| Net deferred tax asset | <u>9,389,480</u> | <u>9,156,437</u> |
| Total admitted assets | <u>\$ 669,238,967</u> | <u>\$ 644,024,615</u> |
| Liabilities | | |
| Loss reserves | \$ 264,027,068 | \$ 267,131,403 |
| Loss adjustment expense reserves | 59,851,085 | 55,944,427 |
| Unearned premium reserves | 79,665,745 | 74,842,090 |
| Advance premium | 1,112,270 | 745,122 |
| Reinsurance premiums payable | 304,667 | 174,150 |
| Funds held by company under reinsurance treaties | 12,032,740 | 3,173,151 |
| Payable for securities | - | 1,309,998 |
| Other liabilities | 1,935,694 | 1,607,463 |
| Deposits held for large deductible policyholders | 24,796,700 | 19,217,209 |
| Premium taxes and assessments payable | 4,515,498 | 3,451,166 |
| Amounts withheld for others | 2,164,350 | 2,277,359 |
| Federal income tax payable | 2,605,812 | 4,429,762 |
| Commissions payable | 9,006,860 | 8,829,382 |
| Due to parent | <u>4,960,661</u> | <u>3,287,087</u> |
| Total liabilities | <u>466,979,150</u> | <u>446,419,769</u> |
| Commitments and contingent liabilities (Note 13) | | |
| Capital and surplus | | |
| Common stock, 1,000,000 shares authorized, 100,000 shares issued and outstanding, \$30 par value | 3,000,000 | 3,000,000 |
| Gross paid-in and contributed surplus | 126,000,000 | 126,000,000 |
| Unassigned surplus | <u>73,259,817</u> | <u>68,604,846</u> |
| Total capital and surplus | <u>202,259,817</u> | <u>197,604,846</u> |
| Total liabilities and capital and surplus | <u>\$ 669,238,967</u> | <u>\$ 644,024,615</u> |

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, 2025 and 2024

| | <u>2025</u> | <u>2024</u> |
|--|---------------------|----------------------|
| Underwriting income | | |
| Premiums earned, net | \$ 190,133,365 | \$ 176,531,859 |
| Loss and underwriting expenses | | |
| Losses incurred, net | 98,440,276 | 86,247,021 |
| Loss adjustment expenses incurred, net | 35,555,376 | 33,997,933 |
| Underwriting expense | | |
| Commissions | 20,596,099 | 19,402,741 |
| Premium taxes | 5,480,293 | 4,682,214 |
| Guarantee fund, rating bureau and other assessments | 1,245,801 | 2,376,287 |
| Supervision, acquisition and collection expenses | 26,829,299 | 24,360,588 |
| Loss control | 5,089,037 | 4,984,557 |
| General expenses | 3,275,001 | 2,444,610 |
| Total underwriting expenses | <u>62,515,530</u> | <u>58,250,997</u> |
| Total loss and underwriting expenses | <u>196,511,182</u> | <u>178,495,951</u> |
| Net underwriting loss | <u>(6,377,817)</u> | <u>(1,964,092)</u> |
| Investment income | | |
| Net investment income | 22,007,394 | 19,712,251 |
| Net realized capital gains (less capital gains tax of \$359,133 and \$1,556,010, during 2025 and 2024, respectively) | 1,351,023 | 5,853,561 |
| Total investment income | <u>23,358,417</u> | <u>25,565,812</u> |
| Other (expense) income | | |
| Bad debt expense | (235,863) | (404,101) |
| Other expense | (302,701) | (371,867) |
| Service fee income | 56,093 | 51,227 |
| Net other expense | <u>(482,471)</u> | <u>(724,741)</u> |
| Income before dividends and federal income taxes | 16,498,129 | 22,876,979 |
| Dividends to policyholders | <u>5,184,962</u> | <u>5,025,048</u> |
| Income after dividends, before federal income taxes | 11,313,167 | 17,851,931 |
| Provision for federal income taxes | <u>2,272,625</u> | <u>2,873,752</u> |
| Net income | <u>\$ 9,040,542</u> | <u>\$ 14,978,179</u> |

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, 2025 and 2024

| | <u>2025</u> | <u>2024</u> |
|---|-----------------------|-----------------------|
| Capital and surplus at beginning year | \$ 197,604,846 | \$ 183,747,203 |
| Net income | 9,040,542 | 14,978,179 |
| Change in net deferred income taxes | 1,508,057 | 625,555 |
| Change in nonadmitted assets | (6,246,663) | (808,623) |
| Change in net unrealized appreciation of invested assets (net of deferred taxes of \$77,205 and \$(246,610) as of December 31, 2025 and 2024, respectively) | <u>353,035</u> | <u>(937,468)</u> |
| Change in capital and surplus | <u>4,654,971</u> | <u>13,857,643</u> |
| Capital and surplus at end of year | <u>\$ 202,259,817</u> | <u>\$ 197,604,846</u> |

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, 2025 and 2024

| | <u>2025</u> | <u>2024</u> |
|---|---------------------|---------------------|
| Cash from operations | | |
| Premiums collected, net | \$ 191,245,607 | \$ 178,364,570 |
| Investment income received, net | 22,440,426 | 20,264,456 |
| Other expense | <u>(482,470)</u> | <u>(724,742)</u> |
| Cash provided from operations | <u>213,203,563</u> | <u>197,904,284</u> |
| Benefit and loss related payments | 101,935,381 | 91,854,834 |
| Commissions and expenses paid | 92,594,313 | 87,755,044 |
| Dividends paid to policyholders | 5,184,962 | 5,025,048 |
| Federal income taxes paid | <u>4,455,708</u> | <u>3,078,832</u> |
| Cash used in operations | <u>204,170,364</u> | <u>187,713,758</u> |
| Net cash provided from operations | <u>9,033,199</u> | <u>10,190,526</u> |
| Cash from investing activities | | |
| Proceeds from bonds sold, matured or repaid | 63,791,496 | 59,197,163 |
| Proceeds from common stocks sold | 13,046,527 | 39,557,750 |
| Cost of bonds acquired | (80,844,096) | (104,654,909) |
| Cost of stocks acquired | (15,793,803) | (18,786,529) |
| Cost of other invested assets | <u>(111,438)</u> | <u>(916,220)</u> |
| Net cash used in investing activities | <u>(19,911,314)</u> | <u>(25,602,745)</u> |
| Cash from financing and miscellaneous sources | | |
| Other cash provided (applied) | <u>10,713,878</u> | <u>(2,096,753)</u> |
| Net cash provided from (used in) financing and miscellaneous sources | <u>10,713,878</u> | <u>(2,096,753)</u> |
| Net decrease in cash | (164,237) | (17,508,972) |
| Cash, cash equivalents and short-term investments | | |
| Beginning of year | <u>6,355,212</u> | <u>23,864,184</u> |
| End of year | <u>\$ 6,190,975</u> | <u>\$ 6,355,212</u> |

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

MEMIC Indemnity Company

Notes to Financial Statements

(Statutory Basis)

December 31, 2025 and 2024

1. Organization

MEMIC Indemnity Company (the “Company”), a wholly-owned subsidiary of Maine Employers’ Mutual Insurance Company (“MEMIC”), was incorporated on February 24, 2000. The Company, domiciled in New Hampshire, is licensed to write workers’ compensation and/or employers’ liability insurance in 50 states and the District of Columbia. The Company writes its business primarily through independent agents and brokers. MEMIC also owns 100% of the common stock of MEMIC Casualty Company (“MEMIC Casualty”), a property and casualty insurance company also licensed to write workers’ compensation insurance and domiciled in New Hampshire.

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 Statement of Statutory Accounting Principles (“SSAP”) No. 101, *Income Taxes*. SSAP No. 101 provides requirements for tax loss contingencies and the calculation and admissibility of deferred tax assets (“DTAs”). The admissibility of any resulting DTA is limited based on certain criteria in accordance with SSAP No. 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 balances over 90 days past due, a portion of DTAs, other 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. Non-operating system software and office furniture and equipment, (“fixed assets”) 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 carried at fair value, and debt securities classified as held-to-maturity are carried at amortized cost. The impairment/credit loss model is different for statutory and GAAP purposes;

MEMIC Indemnity Company
Notes to Financial Statements
(Statutory Basis)
December 31, 2025 and 2024

- e. For statutory purposes, unrealized gains and losses on investments in equity securities are generally recorded directly to surplus, net of the adjustment for deferred federal income taxes. Under GAAP, unrealized gains and losses on equity securities are reported directly in net income;
- 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 recoverables; moreover, under statutory accounting, a liability is established for recoverable balances from reinsurers which are not authorized and for overdue paid loss recoverables. The impairment/credit loss model is different for statutory and GAAP purposes;
- g. For statutory purposes, costs related to operating leases are expensed as incurred. Under GAAP, the Company would record a right-of-use asset for the right to use an underlying asset for the lease term and a lease liability, on a discounted basis for the obligation to make lease payments. Lease costs are expensed on a straight-line basis for the term of the lease;
- h. Under GAAP, the inclusion of a Statement of Comprehensive Income, detailing the income effects of unrealized gains and losses on debt securities classified as available-for-sale is required;
- i. For statutory cash flow purposes, short-term investments, investments with remaining maturities greater than three months but under one year from the purchase date, are added to GAAP cash and cash equivalents; and
- j. A reconciliation of cash flows to the GAAP indirect method is not allowed under statutory accounting.

Adoption of Accounting Principle

The Company adopted the NAIC Principles-Based Bond Definition ("PBBD") guidance, which revises SSAP No. 26 – Bonds, SSAP No. 43 – Asset-Backed Securities, and SSAP No. 21 – Other Admitted Assets, on January 1, 2025. The guidance replaces the prior classification rules for bonds with a principles-based approach. The guidance requires the Company to use a principles-based approach to classify debt securities as either issuer credit obligations, asset-backed securities, or other invested assets, based on their characteristics. The Company updated investment disclosures to comply with the guidance. The Company adopted the guidance using the prospective approach. There was no impact to the Company from adopting the guidance as of January 1, 2025.

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 mature within one year of purchase; 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 federally 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 further discussion of high deductible policies in Note 16.

MEMIC Indemnity Company
Notes to Financial Statements
(Statutory Basis)
December 31, 2025 and 2024

Investment grade non-asset-backed bonds, 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 cost or fair value. U.S. government agency asset-backed securities are valued at amortized value. Other asset-backed securities are valued at either amortized cost 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 cost to par value and amortized cost to fair value.

Investments in asset-backed securities ("ABS") include mortgage-backed securities ("MBS"), collateralized loan obligations ("CLO"), collateralized bond obligations ("CBO"), collateralized debt obligations ("CDO"), lease-backed securities, and other financial ABS.

Common stocks, which include exchange-traded and Federal Home Loan Bank ("FHLB") common stock, which is restricted and not exchange-traded, are generally stated at fair value. See Note 9 for further information on the Company's FHLB investment. The net unrealized gains and losses on these marketable common stocks, after deductions of applicable deferred income taxes, are recorded directly to unassigned surplus. 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. Specific impairments are determined based on a continual review of investment portfolio valuations. Bi-annually, the Company performs a by-cusip, by-lot, 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 OTTI should be recognized.

Other invested assets consist of the Company's investment in an Insurtech limited partnership and surplus debentures. The Company's Insurtech investment is carried at fair value based on the Company's proportionate interest in the partnership's net asset value. The remaining unfunded commitment to the Insurtech fund was \$750,466 as of December 31, 2025. The investment grade surplus debenture included in other invested assets with the NAIC designation of 1 is stated at cost using the interest method.

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.

Premiums and Unearned Premium Reserves

Direct and assumed premiums are earned on a monthly pro rata basis over the inforce period, and ceded premiums for excess of loss treaties are written and earned concurrently. 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 2025 or 2024.

Involuntary Pooling Arrangements

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

MEMIC Indemnity Company
Notes to Financial Statements
(Statutory Basis)
December 31, 2025 and 2024

operations of the pool are recorded separately in the financial statements rather than netted against each other. Premiums receivable on involuntary pool business are recorded in premium balances receivable on the Statements of Admitted Assets, Liabilities and Capital and Surplus.

Loss and Loss Adjustment Expense Reserves

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

Nonadmitted Assets

The following nonadmitted assets were excluded from the Statements of Admitted Assets, Liabilities and Capital and Surplus as of December 31, 2025 and 2024:

| | <u>2025</u> | <u>2024</u> |
|---|----------------------|---------------------|
| Premium balances receivable over 90 days past due | \$ 887,425 | \$ 1,124,337 |
| Deferred income taxes | 3,502,018 | 2,304,209 |
| Fixed assets, net of accumulated depreciation | 5,629,667 | 345,204 |
| Prepaid assets | 11,182 | 9,879 |
| Total nonadmitted assets | <u>\$ 10,030,292</u> | <u>\$ 3,783,629</u> |

For the years ended December 31, 2025 and 2024, depreciation expense on nonadmitted fixed assets was \$52,934 and \$205,621 respectively.

Federal Income Taxes

The Company files a consolidated income tax return with MEMIC and three affiliates, MEMIC Casualty, MEMIC Services, Inc. and Casco View Holdings, LLC. 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 in the current period. Deferred income taxes are computed under the asset/liability method, which results from temporary differences between the tax basis and book basis of assets and liabilities. Changes in deferred income taxes are included as a direct charge to surplus. SSAP No. 101 outlines the statutory accounting principles for current and deferred federal and foreign income taxes and current state income taxes. SSAP No. 101, (1) restricts the ability to use the 3 years/15 percent of surplus admission rule to those entities that meet a new modified risk based capital ratio threshold; (2) outlines the recognition threshold for recording tax contingency reserves from a probable liability standard to a more-likely-than-not liability standard; (3) requires the disclosure of tax planning strategies that relate to reinsurance; and (4) requires consideration of reversal patterns of DTAs and deferred tax liabilities ("DTLs") in determining the extent to which DTLs could offset DTAs on the federal income tax return. Uncertain tax positions, as applicable, are considered in these statutory financial statements.

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 general expenses.

MEMIC Indemnity Company
Notes to Financial Statements
(Statutory Basis)
December 31, 2025 and 2024

Reclassifications

Certain balances in the 2024 financial statements have been reclassified to conform to the 2025 presentation. These reclassifications had no effect on net income, total admitted assets, or total capital and surplus as previously reported.

3. Capital and Surplus

Total contributions from MEMIC were \$129,000,000 as of December 31, 2025 and 2024. There were no contributions from MEMIC during 2025 or 2024.

4. Dividend Restrictions

The Company may declare a stockholder dividend without 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 value together with that of other dividends or distributions made within the preceding twelve months, exceeds 10% of such insurer's capital and surplus as of December 31, limited to the prior year-end's unassigned surplus. The maximum amount of dividends which could be paid by the Company to stockholders without prior approval of the Commissioner of Insurance was \$19,760,485 and \$18,374,720 during 2025 and 2024, respectively. There were no stockholder dividends declared during 2025 or 2024.

MEMIC Indemnity Company
Notes to Financial Statements
(Statutory Basis)
December 31, 2025 and 2024

5. Income Taxes

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

| | December 31, 2025 | | |
|--|--------------------------|-----------------------|---------------------|
| | 1 | 2 | 3 |
| | | | (Col 1+2) |
| | Ordinary | Capital | Total |
| a. Gross deferred tax assets | \$ 14,419,047 | \$ - | \$ 14,419,047 |
| b. Statutory valuation allowance adjustment | - | - | - |
| c. Adjusted gross deferred taxes (1a - 1b) | 14,419,047 | - | 14,419,047 |
| d. Deferred tax assets nonadmitted | 3,502,018 | - | 3,502,018 |
| e. Subtotal net admitted deferred tax asset (1c - 1d) | 10,917,029 | - | 10,917,029 |
| f. Deferred tax liabilities | 462,813 | 1,064,736 | 1,527,549 |
| g. Net admitted deferred tax assets/(net deferred tax liability) (1e - 1f) | <u>\$ 10,454,216</u> | <u>\$ (1,064,736)</u> | <u>\$ 9,389,480</u> |
| | December 31, 2024 | | |
| | 4 | 5 | 6 |
| | | | (Col 4+5) |
| | Ordinary | Capital | Total |
| a. Gross deferred tax assets | \$ 13,232,878 | \$ - | \$ 13,232,878 |
| b. Statutory valuation allowance adjustment | - | - | - |
| c. Adjusted gross deferred taxes (1a - 1b) | 13,232,878 | - | 13,232,878 |
| d. Deferred tax assets nonadmitted | 2,304,209 | - | 2,304,209 |
| e. Subtotal net admitted deferred tax asset (1c - 1d) | 10,928,669 | - | 10,928,669 |
| f. Deferred tax liabilities | 784,700 | 987,532 | 1,772,232 |
| g. Net admitted deferred tax assets/(net deferred tax liability) (1e - 1f) | <u>\$ 10,143,969</u> | <u>\$ (987,532)</u> | <u>\$ 9,156,437</u> |
| | Change | | |
| | 7 | 8 | 9 |
| | (Col 1-4) | (Col 2-5) | (Col 7+8) |
| | Ordinary | Capital | Total |
| a. Gross deferred tax assets | \$ 1,186,169 | \$ - | \$ 1,186,169 |
| b. Statutory valuation allowance adjustment | - | - | - |
| c. Adjusted gross deferred taxes (1a - 1b) | 1,186,169 | - | 1,186,169 |
| d. Deferred tax assets nonadmitted | 1,197,809 | - | 1,197,809 |
| e. Subtotal net admitted deferred tax asset (1c - 1d) | (11,640) | - | (11,640) |
| f. Deferred tax liabilities | (321,887) | 77,204 | (244,683) |
| g. Net admitted deferred tax assets/(net deferred tax liability) (1e - 1f) | <u>\$ 310,247</u> | <u>\$ (77,204)</u> | <u>\$ 233,043</u> |

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Admission calculation components:

| | December 31, 2025 | | |
|---|-------------------------------|------------------------------|----------------------------|
| | 1 | 2 | 3 |
| | Ordinary | Capital | (Col 1+2) Total |
| a. Federal income taxes paid in prior years recoverable through loss carrybacks | \$ 7,087,466 | \$ - | \$ 7,087,466 |
| 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 | 2,302,014 | - | 2,302,014 |
| 2. Adjusted gross deferred tax assets allowed per limitation threshold | | | 28,930,551 |
| 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 | 1,527,549 | - | 1,527,549 |
| d. Deferred tax assets admitted as the result of application of SSAP 101 Total 2(a)+2(b)+2(c) | <u>\$ 10,917,029</u> | <u>\$ -</u> | <u>\$ 10,917,029</u> |
| | December 31, 2024 | | |
| | 4 | 5 | 6 |
| | Ordinary | Capital | (Col 4+5) Total |
| a. Federal income taxes paid in prior years recoverable through loss carrybacks | \$ 7,534,666 | \$ - | \$ 7,534,666 |
| b. Adjusted gross deferred tax assets expected to be realized (excluding the amount of deferred tax assets from 2(a) above) after application of the threshold limitation. (The lesser of 2(b)1 and 2(b)2 below): | | | |
| 1. Adjusted gross deferred tax assets expected to be realized following the balance sheet date | 1,621,771 | - | 1,621,771 |
| 2. Adjusted gross deferred tax assets allowed per limitation threshold | | | 28,267,261 |
| 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 | 1,772,232 | - | 1,772,232 |
| d. Deferred tax assets admitted as the result of application of SSAP 101 Total 2(a)+2(b)+2(c) | <u>\$ 10,928,669</u> | <u>\$ -</u> | <u>\$ 10,928,669</u> |
| | Change | | |
| | 7 | 8 | 9 |
| | (Col 1-4) Ordinary | (Col 2-5) Capital | (Col 7+8) Total |
| a. Federal income taxes paid in prior years recoverable through loss carrybacks | \$ (447,200) | \$ - | \$ (447,200) |
| 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. Adjusted gross deferred tax assets expected to be realized following the balance sheet date | 680,243 | - | 680,243 |
| 2. Adjusted gross deferred tax assets allowed per limitation threshold | | | 663,290 |
| 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 | (244,683) | - | (244,683) |
| d. Deferred tax assets admitted as the result of application of SSAP 101 Total 2(a)+2(b)+2(c) | <u>\$ (11,640)</u> | <u>\$ -</u> | <u>\$ (11,640)</u> |

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Other admissibility criteria:

| | <u>2025</u> | <u>2024</u> |
|---|----------------|----------------|
| a. Ratio percentage used to determine recovery period and threshold limitation amount | 610% | 580% |
| b. Amount of adjusted capital and surplus used to determine recovery period and threshold limitation in 2(b)2 above | \$ 192,870,337 | \$ 188,448,409 |

Tax planning strategies were not employed by the Company during 2025 or 2024, and therefore, had no impact upon the determination of adjusted gross and net admitted DTAs.

As of December 31, 2025 and 2024, 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 \$2,679,091 and \$4,408,375 for both 2025 and 2024, respectively. There are no deposits admitted under Section 6603 of the Internal Revenue Code.

As of December 31, 2025 and 2024, 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.

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 Inflation Reduction Act was enacted on August 16, 2022, and includes a corporate alternative minimum tax (the "CAMT"). The Company has determined that it does not expect to be liable for the CAMT in 2025.

Current and deferred income taxes:

| Current income taxes: | <u>2025</u> | <u>2024</u> | <u>Change</u> |
|---|---------------------|---------------------|-----------------------|
| Federal | \$ 2,319,958 | \$ 2,899,697 | \$ (579,739) |
| Provision to return | (47,333) | (25,945) | (21,388) |
| Subtotal | 2,272,625 | 2,873,752 | (601,127) |
| Federal income tax on net capital gains | 359,133 | 1,556,010 | (1,196,877) |
| Federal income taxes incurred | <u>\$ 2,631,758</u> | <u>\$ 4,429,762</u> | <u>\$ (1,798,004)</u> |

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| Deferred Tax Assets | <u>2025</u> | <u>2024</u> | <u>Change</u> |
|--|----------------------|----------------------|---------------------|
| a. Ordinary: | | | |
| Discounting of unpaid losses | \$ 9,033,566 | \$ 9,011,188 | \$ 22,378 |
| Unearned premium reserves | 3,392,677 | 3,174,663 | 218,014 |
| Accrued expenses | 621,866 | 736,348 | (114,482) |
| Other | <u>1,370,938</u> | <u>310,679</u> | <u>1,060,259</u> |
| Subtotal | 14,419,047 | 13,232,878 | 1,186,169 |
| b. Statutory valuation allowance adjustment | - | - | - |
| c. Nonadmitted | <u>3,502,018</u> | <u>2,304,209</u> | <u>1,197,809</u> |
| d. Admitted ordinary deferred tax assets | 10,917,029 | 10,928,669 | (11,640) |
| e. Capital: | | | |
| Investments | <u>-</u> | <u>-</u> | <u>-</u> |
| Subtotal | - | - | - |
| f. Statutory valuation allowance adjustment | - | - | - |
| g. Nonadmitted | <u>-</u> | <u>-</u> | <u>-</u> |
| h. Admitted capital deferred tax assets | - | - | - |
| i. Admitted deferred tax assets | <u>\$ 10,917,029</u> | <u>\$ 10,928,669</u> | <u>\$ (11,640)</u> |
| Deferred Tax Liabilities | | | |
| a. Ordinary: | | | |
| Investments | \$ 359,098 | \$ 256,504 | \$ 102,594 |
| Legislative change in loss discounting | - | 425,336 | (425,336) |
| Fixed assets | 63,966 | 67,589 | (3,623) |
| Other | <u>39,749</u> | <u>35,271</u> | <u>4,478</u> |
| Subtotal | 462,813 | 784,700 | (321,887) |
| b. Capital: | | | |
| Investments | <u>1,064,736</u> | <u>987,532</u> | <u>77,204</u> |
| Subtotal | <u>1,064,736</u> | <u>987,532</u> | <u>77,204</u> |
| c. Deferred tax liabilities | <u>1,527,549</u> | <u>1,772,232</u> | <u>(244,683)</u> |
| Net Deferred Tax Assets/Liabilities | <u>\$ 9,389,480</u> | <u>\$ 9,156,437</u> | <u>\$ 233,043</u> |
| Change in net deferred income taxes | <u>2025</u> | <u>2024</u> | <u>Change</u> |
| a. Adjusted gross deferred tax assets | \$ 14,419,047 | \$ 13,232,878 | \$ 1,186,169 |
| b. Total deferred tax liabilities | <u>1,527,549</u> | <u>1,772,232</u> | <u>(244,683)</u> |
| c. Net deferred tax assets | <u>\$ 12,891,498</u> | <u>\$ 11,460,646</u> | <u>\$ 1,430,852</u> |
| d. Tax effect of change in unrealized gains (losses) | | | \$ (77,205) |
| e. Total change in net deferred income tax | | | 1,508,057 |
| | | | <u>\$ 1,430,852</u> |

There were no deferred tax liabilities that were not recognized.

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Among the more significant book to tax adjustments in 2025 and 2024 were the following:

| | <u>2025</u> | <u>2024</u> |
|--------------------------------------|---------------------|---------------------|
| Provision computed at statutory rate | \$ 2,451,183 | \$ 4,075,668 |
| Permanent differences | (211,006) | (225,873) |
| Prior year true up (to deferred) | (8,883) | 7,964 |
| Prior year true up (to current) | (47,333) | (25,945) |
| Change in nonadmitted assets | <u>(1,060,260)</u> | <u>(27,607)</u> |
| Totals | <u>1,123,701</u> | <u>3,804,207</u> |
| Federal income taxes incurred | 2,272,625 | 2,873,752 |
| Realized capital gains tax | 359,133 | 1,556,010 |
| Change in net deferred income taxes | <u>(1,508,057)</u> | <u>(625,555)</u> |
| Total statutory income taxes | <u>\$ 1,123,701</u> | <u>\$ 3,804,207</u> |

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, 2025 and 2024, are summarized as follows:

| | <u>2025</u> | <u>2024</u> |
|-------------------------------------|-----------------------|-----------------------|
| Net balances at January 1, | \$ 323,075,830 | \$ 325,543,984 |
| Incurred related to | | |
| Current year | 161,042,592 | 148,003,392 |
| Prior year | <u>(27,046,940)</u> | <u>(27,758,438)</u> |
| Total incurred | <u>133,995,652</u> | <u>120,244,954</u> |
| Paid related to | | |
| Current year | 42,507,073 | 30,062,538 |
| Prior year | <u>90,686,256</u> | <u>92,650,570</u> |
| Total paid | <u>133,193,329</u> | <u>122,713,108</u> |
| Net balances at December 31, | \$ 323,878,153 | \$ 323,075,830 |

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 reserving 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 \$3,933,023 and \$2,168,728 as of December 31, 2025 and 2024, respectively. These amounts are included as a net recovery to paid losses in the applicable accident years and included in premium balances receivable on the Statements of Admitted Assets, Liabilities and Capital and Surplus. In addition, the Company recorded a reserve credit for high deductible reserves outstanding of \$13,443,641 and \$11,785,766 as of December 31, 2025 and 2024, respectively. These 2025 and 2024 reserve credits are a reduction to outstanding loss and loss adjustment expenses incurred on the Statements of Income and a reduction in case loss and case loss adjustment expense reserves on the Statements of Admitted Assets, Liabilities and Capital and Surplus. See Note 16 for more information on high deductible policies. 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.

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During 2025, the Company's incurred losses related to prior years decreased by \$27,046,940 as a result of favorable loss development principally in the 2018-2021 and 2023-2024 accident years. This favorable development is the result of ongoing analysis of recent loss development trends.

During 2024, the Company's incurred losses related to prior years decreased by \$27,758,438 as a result of favorable loss development principally in the 2017-2019 accident years. This favorable development is the result of ongoing analysis of recent loss development trends, including favorable development related to COVID-19 claims.

7. Reinsurance

The Company ceded risk to another insurance company through a 15% quota share reinsurance agreement for treaty year 2021 and a 20% quota share reinsurance agreement for treaty years 2020 and 2019. The 2021 and 2020 quota share treaties included a funds withheld provision in lieu of a traditional remittance of premium and recovery of associated subject losses and loss adjustment expenses. As such, the net amount payable to the reinsurer is included in funds held by company under reinsurance treaties on the Statements of Admitted Assets, Liabilities and Capital and Surplus as of December 31, 2025 and 2024. Amounts deducted from premiums, reserves and expenses for reinsurance ceded to other companies for these quota share treaties are as follows:

| | <u>2025</u> | <u>2024</u> |
|--|-------------|-------------|
| Premiums earned | \$ - | \$ (14,337) |
| Loss and loss adjustment expenses incurred | (1,640,832) | (2,811,835) |
| Loss and loss adjustment expense reserves | 6,932,701 | 11,304,141 |
| Ceding commissions | (616,074) | 4,301 |
| Funds held by company under reinsurance treaties | 12,032,740 | 3,173,151 |

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"). 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 \$1,104,094 and \$1,234,649 for 2025 and 2024, respectively. All amounts are recorded as assumed business.

Amounts added to premiums, reserves and expenses for reinsurance assumed from pools are as follows:

| | <u>2025</u> | <u>2024</u> |
|--|--------------|--------------|
| Premiums earned | \$ 5,262,747 | \$ 4,273,497 |
| Loss and loss adjustment expenses incurred | 4,565,447 | 3,006,769 |
| Unearned premiums | 1,745,611 | 1,373,636 |
| Loss and loss adjustment expense reserves | 14,647,884 | 14,060,936 |
| Premiums receivable | 763,336 | 623,736 |
| Underwriting expenses incurred | 1,382,277 | 1,121,371 |

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 \$2,000,000 for both 2025 and 2024. For both 2025 and 2024, the Company also maintains additional coverage up to \$100,000,000 on a per occurrence basis.

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

| | <u>2025</u> | <u>2024</u> |
|--|--------------|--------------|
| Premiums earned | \$ 4,797,541 | \$ 4,454,716 |
| Loss and loss adjustment expenses incurred | - | (1,145,554) |
| Loss and loss adjustment expense reserves | 10,172,091 | 11,483,543 |
| Premiums payable | 304,667 | 174,150 |

The 2025 and 2024 ceded loss and loss adjustment expense case and incurred but not reported reserves above are comprised of amounts with four and three reinsurance carriers, respectively, although the Company has contracts with other carriers.

As of December 31, 2025 and 2024, individual reinsurers with unsecured reinsurance recoverables exceeding 3% of policyholder surplus were as follows:

| | <u>2025</u> | <u>2024</u> |
|--|--------------|--------------|
| Swiss Reinsurance America Corporation | N/A | \$ 9,307,000 |
| Maiden Reinsurance North American Incorporated | \$ 9,643,000 | 8,271,000 |

N/A: Not applicable as recoverables are less the 3% of policyholder surplus as of December 31, 2025.

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 represent 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.

During 2025, the Company had two commutations for the 2017 treaty year with no financial impact.

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8. Premiums Written and Earned

For the years ended December 31, 2025 and 2024, direct, assumed and ceded premiums are as follows:

| | 2025 | | 2024 | |
|--------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | Written | Earned | Written | Earned |
| Direct | \$ 194,119,839 | \$ 189,668,159 | \$ 182,779,129 | \$ 176,698,741 |
| Assumed | 5,634,723 | 5,262,747 | 4,220,229 | 4,273,497 |
| Ceded | (4,797,541) | (4,797,541) | (4,440,379) | (4,440,379) |
| Net premiums | <u>\$ 194,957,021</u> | <u>\$ 190,133,365</u> | <u>\$ 182,558,979</u> | <u>\$ 176,531,859</u> |

9. Restricted Assets

Various regulatory authorities require that securities be placed on deposit in conjunction with writing workers' compensation business. As of December 31, 2025 and 2024, the Company had fixed income securities on deposit with a carrying value of \$12,597,779 and \$11,999,632 respectively, included in bonds on the Statements of Admitted Assets, Liabilities and Capital and Surplus.

The Company is a member of the FHLB. The Company has Membership Class B stock, which is not eligible for redemption. An annual recalculation of the Company's FHLB stock requirement is performed each year. The April 2025 and April 2024 recalculations of the Company's required membership stock necessitated additional stock purchases of \$5,900 and \$0 respectively. The Company now holds \$322,100 in Class B membership stock and \$0 excess stock. This common stock, all of which is admitted, is included on the Statements of Admitted Assets, Liabilities and Capital and Surplus. The agreement between the FHLB and the Company specifies Advances and Other Credit Products will be available subject to specified collateral arrangements. The Company has no activity stock, prepayment obligations or borrowings outstanding as of the reporting date. The maximum amount the Company can borrow, absent prior approval of the Company's Board of Directors, is 5% of net admitted assets from the most recent statutory financial statements which is \$33,461,948, as of December 31, 2025.

Certain high deductible policyholders have opted to provide cash in lieu of a letter of credit as collateral for future deductible obligations up to their stated policy limits on a per claim aggregate basis. Included in both cash, cash equivalents and short-term investments and deposits held for large deductible policyholders on the Statements of Admitted Assets, Liabilities and Capital and Surplus is \$24,796,700 and \$19,217,209 as of December 31, 2025 and 2024, respectively, for this collateral on deposit. See Note 16.

The following table discloses quantitative information about the Company's restricted assets by category of restricted asset as of December 31, 2025:

| Restricted Asset Category | Total Current Year | | | Admitted Restricted to Total Assets | Gross Restricted to Total Assets |
|--|----------------------|----------------------|----------------------|-------------------------------------|----------------------------------|
| | Admitted Restricted | Total Prior Year | Increase/ (Decrease) | | |
| On deposit with states | \$ 12,597,779 | \$ 11,999,632 | \$ 598,147 | 1.88% | 1.85% |
| Pledged as collateral to FHLB | 5,232,422 | 5,651,556 | (419,134) | 0.78% | 0.77% |
| FHLB capital stock | 322,100 | 316,200 | 5,900 | 0.05% | 0.05% |
| Deposits held for large deductible policyholders | 24,796,700 | 19,217,209 | 5,579,491 | 3.71% | 3.65% |
| Total restricted assets | <u>\$ 42,949,001</u> | <u>\$ 37,184,597</u> | <u>\$ 5,764,404</u> | <u>6.42%</u> | <u>6.32%</u> |

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10. Investments

The carrying value and fair value of bonds as of December 31, 2025 and 2024, are as follows:

| | 2025 | | | |
|---|-----------------------|-------------------------------|--------------------------------|-----------------------|
| | Carrying Value | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
| U.S. government obligations | \$ 12,506,121 | \$ 106,225 | \$ (1,149,182) | \$ 11,463,164 |
| Other U.S. government obligations | 298,533 | 4,768 | - | 303,301 |
| Non-U.S. sovereign jurisdiction securities | 1,774,846 | - | (190,731) | 1,584,115 |
| Municipal bonds general | 41,878,041 | 73,356 | (1,464,209) | 40,487,188 |
| Municipal bonds special revenue | 64,925,877 | 183,192 | (4,831,999) | 60,277,070 |
| Corporate bonds | 195,926,982 | 1,354,912 | (11,290,535) | 185,991,359 |
| Single entity backed obligations | 2,894,892 | - | (128,143) | 2,766,749 |
| Bonds issued by funds | 5,871,364 | 7,815 | (229,825) | 5,649,354 |
| Total issuer credit obligations | 326,076,656 | 1,730,268 | (19,284,624) | 308,522,300 |
| Agency residential MBS | 19,109,984 | 452,568 | (20,911) | 19,541,641 |
| Agency commercial MBS | 2,041,318 | 43,427 | (12,056) | 2,072,689 |
| Agency residential MBS not/partially guaranteed | 93,474,049 | 1,449,432 | (5,313,680) | 89,609,801 |
| Agency commercial MBS not/partially guaranteed | 3,377,873 | 72,789 | - | 3,450,662 |
| Non-agency residential MBS | 36,343,648 | 177,656 | (4,652,635) | 31,868,669 |
| Non-agency commercial MBS | 16,912,475 | 96,438 | (1,042,898) | 15,966,015 |
| Non-agency - CLOs/CBOs/CDOs | 6,002,584 | 13,375 | (1,021) | 6,014,938 |
| Self-liquidating ABS | 8,411,245 | 52,347 | (56,104) | 8,407,488 |
| Lease-backed securities | 16,902,120 | 32,867 | (644,997) | 16,289,990 |
| Other non-financial ABS | 6,610,931 | 52,429 | - | 6,663,360 |
| Total asset-backed securities | 209,186,227 | 2,443,328 | (11,744,302) | 199,885,253 |
| Total bonds | \$ 535,262,883 | \$ 4,173,596 | \$ (31,028,926) | \$ 508,407,553 |

| | 2024 | | | |
|---|-----------------------|-------------------------------|--------------------------------|-----------------------|
| | Carrying Value | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
| U.S. government & government agencies & authorities | \$ 13,734,101 | \$ 11,329 | \$ (1,443,027) | \$ 12,302,403 |
| States, territories & possessions | 9,193,376 | 387 | (483,111) | 8,710,652 |
| Political subdivisions of states | 38,712,769 | 111,396 | (1,855,519) | 36,968,646 |
| U.S special revenue & assessment obligations | 66,640,166 | 124,390 | (5,531,521) | 61,233,035 |
| Industrial & miscellaneous | 198,434,639 | 143,358 | (16,317,488) | 182,260,509 |
| Asset-backed securities | 192,904,335 | 536,194 | (16,508,687) | 176,931,842 |
| Total bonds | \$ 519,619,386 | \$ 927,054 | \$ (42,139,353) | \$ 478,407,087 |

MEMIC Indemnity Company
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(Statutory Basis)
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The carrying value and fair value of the Company's industrial surplus debenture, which is included in other invested assets and matures in 2047, has a carrying value of \$1,996,481 and a fair value of \$1,556,376 as of December 31, 2025, and a carrying value of \$1,996,380 and a fair value of \$1,502,156 as of December 31, 2024.

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

| | <u>Cost</u> | <u>Gross Unrealized Gains</u> | <u>Gross Unrealized Losses</u> | <u>Fair Value</u> |
|---------------|---------------|---------------------------------------|--|-----------------------|
| 2025 | | | | |
| Common stocks | \$ 37,981,795 | \$ 7,561,432 | \$ (1,663,091) | \$ 43,880,136 |
| 2024 | | | | |
| Common stocks | \$ 34,877,622 | \$ 5,857,692 | \$ (1,069,147) | \$ 39,666,167 |

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

The carrying value and fair value of bonds by contractual maturity as of December 31, 2025, are as follows:

| Maturity | <u>Carrying Value</u> | <u>Fair Value</u> |
|---|---------------------------|-----------------------|
| One year or less | \$ 13,657,043 | \$ 13,623,508 |
| Over one year through five years | 107,096,539 | 106,014,963 |
| Over five years through ten years | 76,396,533 | 76,276,827 |
| Over ten years through fifteen years | 48,951,720 | 46,151,935 |
| Over fifteen years through twenty years | 55,145,908 | 50,566,819 |
| Over twenty years | 234,015,140 | 215,773,501 |
| | <u>\$ 535,262,883</u> | <u>\$ 508,407,553</u> |

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.

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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, 2025 and 2024, are summarized as follows:

| | 2025 | | |
|---------------|--------------------------------|-----------------------|-----------------------|
| | Proceeds From Sales | Gross Realized | |
| | | Gains | Losses |
| Bonds | \$ 6,161,209 | \$ 12,538 | \$ (3,126) |
| Common stocks | 13,046,527 | 3,042,804 | (1,375,910) |
| | <u>\$ 19,207,736</u> | <u>\$ 3,055,342</u> | <u>\$ (1,379,036)</u> |

| | 2024 | | |
|---------------|--------------------------------|-----------------------|-----------------------|
| | Proceeds From Sales | Gross Realized | |
| | | Gains | Losses |
| Bonds | \$ 9,555,874 | \$ 144 | \$ (141,597) |
| Common stocks | 39,557,750 | 9,020,761 | (1,476,541) |
| | <u>\$ 49,113,624</u> | <u>\$ 9,020,905</u> | <u>\$ (1,618,138)</u> |

As of December 31, 2025 and 2024, 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 2025 or 2024.

Unrealized losses on investment grade securities (NAIC 1-2) principally relate to changes in interest rates. The fair value and gross unrealized loss of investment securities and the amount of time the security has been in an unrealized loss position as of December 31, 2025 and 2024, are as follows:

| | 2025 | | | | | |
|---------------------------------|----------------------------|------------------------------|--------------------------|------------------------------|-----------------------|------------------------------|
| | Less Than 12 Months | | 12 Months or More | | Total | |
| | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses |
| Bonds | | | | | | |
| Total issuer credit obligations | \$ 27,625,894 | \$ (644,935) | \$ 182,246,133 | \$ (18,639,689) | \$ 209,872,027 | \$(19,284,624) |
| Total asset-backed securities | 16,159,660 | (222,826) | 75,019,916 | (11,521,476) | 91,179,576 | (11,744,302) |
| Common stocks - unaffiliated | 10,155,620 | (966,873) | 3,552,257 | (696,218) | 13,707,877 | (1,663,091) |
| | <u>\$ 53,941,174</u> | <u>\$ (1,834,634)</u> | <u>\$ 260,818,306</u> | <u>\$ (30,857,383)</u> | <u>\$ 314,759,480</u> | <u>\$(32,692,017)</u> |

| | 2024 | | | | | |
|------------------------------|----------------------------|------------------------------|--------------------------|------------------------------|-----------------------|------------------------------|
| | Less Than 12 Months | | 12 Months or More | | Total | |
| | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses |
| Bonds | \$ 144,095,635 | \$ (3,612,821) | \$ 270,527,230 | \$ (38,526,532) | \$ 414,622,865 | \$(42,139,353) |
| Common stocks - unaffiliated | 9,889,955 | (916,974) | 1,215,655 | (152,173) | 11,105,610 | (1,069,147) |
| | <u>\$ 153,985,590</u> | <u>\$ (4,529,795)</u> | <u>\$ 271,742,885</u> | <u>\$ (38,678,705)</u> | <u>\$ 425,728,475</u> | <u>\$(43,208,500)</u> |

MEMIC Indemnity Company
Notes to Financial Statements
(Statutory Basis)
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The major categories of net investment income for the years ended December 31, 2025 and 2024, are summarized as follows:

| | <u>2025</u> | <u>2024</u> |
|---|----------------------|----------------------|
| Bonds | \$ 21,177,886 | \$ 18,598,267 |
| Common stocks | 1,512,915 | 1,601,516 |
| Cash, cash equivalents and short-term investments | 246,369 | 352,238 |
| Other investment income | <u>77,101</u> | <u>77,097</u> |
| Total investment income | 23,014,271 | 20,629,118 |
| Less: Investment expenses | <u>(1,006,877)</u> | <u>(916,867)</u> |
| Net investment income | <u>\$ 22,007,394</u> | <u>\$ 19,712,251</u> |

Interest income due and accrued was \$4,585,481 and \$4,423,310 as of December 31, 2025 and 2024, respectively, and is included in investment income due and accrued on the Statements of Admitted Assets, Liabilities and Capital and Surplus. No amounts were nonadmitted.

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 common stocks. The estimated fair value of the equity securities within this category are based on quoted prices in active markets and are thus classified as Level 1.

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

Level 3 - Significant Other Unobservable Inputs: Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Transfers to and from Level 3 would be recognized when a purchase, sale or settlement increases or decreases 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. The Company's Level 3 assets consist of one privately held stock valued by a broker.

MEMIC Indemnity Company
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| | 2025 | | | |
|--|----------------------|---------------------|----------------|----------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Assets on Statements of Admitted Assets, Liabilities and Capital and Surplus, at fair value: | | | | |
| Bonds | | | | |
| Issuer credit obligations | \$ - | \$ 1,918,344 | \$ - | \$ 1,918,344 |
| Total bonds | - | 1,918,344 | - | 1,918,344 |
| Common stocks | | | | |
| Industrial & miscellaneous | 43,558,036 | - | - | 43,558,036 |
| Federal Home Loan Bank | - | 322,100 | - | 322,100 |
| Total common stocks | 43,558,036 | 322,100 | - | 43,880,136 |
| Total assets, measured at fair value | <u>\$ 43,558,036</u> | <u>\$ 2,240,444</u> | <u>\$ -</u> | <u>\$ 45,798,480</u> |

| | 2024 | | | |
|--|----------------------|---------------------|-------------------|----------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Assets on Statements of Admitted Assets, Liabilities and Capital and Surplus, at fair value: | | | | |
| Bonds | | | | |
| Industrial & miscellaneous | \$ - | \$ 972,078 | \$ - | \$ 972,078 |
| Total bonds | | 972,078 | | 972,078 |
| Common stocks | | | | |
| Industrial & miscellaneous | 38,801,517 | - | 548,450 | 39,349,967 |
| Federal Home Loan Bank | - | 316,200 | - | 316,200 |
| Total common stocks | 38,801,517 | 316,200 | 548,450 | 39,666,167 |
| Total assets, measured at fair value | <u>\$ 38,801,517</u> | <u>\$ 1,288,278</u> | <u>\$ 548,450</u> | <u>\$ 40,638,245</u> |

The table below summarizes the Company's fair value Level 3 activity for the years ended December 31, 2025 and 2024:

| | 2025 | 2024 |
|-------------------------------------|-------------|-------------------|
| Balance at January 1, | \$ 548,450 | \$ 585,761 |
| Purchases | - | - |
| Unrealized loss | - | (37,311) |
| Loss on sale included in net income | (587,316) | - |
| Gain on sale included in surplus | 38,866 | - |
| Balance at December 31, | <u>\$ -</u> | <u>\$ 548,450</u> |

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

MEMIC Indemnity Company
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The table below reflects the fair values and admitted assets and liabilities that are financial instruments as of December 31, 2025 and 2024. The fair values are also categorized into the three-level fair value hierarchy as described above.

| Type of Financial Instrument | 2025 | | | | | Not Practicable (Carrying Value) |
|---|-----------------------|-----------------------|----------------------|-----------------------|-------------|----------------------------------|
| | Aggregate Fair Value | Admitted Value | Level 1 | Level 2 | Level 3 | |
| Bonds | | | | | | |
| Total issuer credit obligations | \$ 308,522,300 | \$ 326,076,656 | \$ - | \$ 308,522,300 | \$ - | \$ - |
| Total asset-backed securities | 199,885,253 | 209,186,227 | - | 199,885,253 | - | - |
| Common stocks | 43,880,136 | 43,880,136 | 43,558,036 | 322,100 | - | - |
| Cash, cash equivalents & short-term investments | 6,190,975 | 6,190,975 | 6,190,975 | - | - | - |
| Other invested assets | 1,556,376 | 1,996,481 | - | 1,556,376 | - | - |
| Total assets | <u>\$ 560,035,040</u> | <u>\$ 587,330,475</u> | <u>\$ 49,749,011</u> | <u>\$ 510,286,029</u> | <u>\$ -</u> | <u>\$ -</u> |

| Type of Financial Instrument | 2024 | | | | | Not Practicable (Carrying Value) |
|---|-----------------------|-----------------------|----------------------|-----------------------|-------------------|----------------------------------|
| | Aggregate Fair Value | Admitted Value | Level 1 | Level 2 | Level 3 | |
| Bonds | \$ 478,407,087 | \$ 519,619,386 | \$ - | \$ 478,407,087 | \$ - | \$ - |
| Common stocks | 39,666,167 | 39,666,167 | 38,801,517 | 316,200 | 548,450 | - |
| Cash, cash equivalents & short-term investments | 6,355,212 | 6,355,212 | 6,355,212 | - | - | - |
| Other invested assets | 1,502,156 | 1,996,380 | - | 1,502,156 | - | - |
| Total assets | <u>\$ 525,930,622</u> | <u>\$ 567,637,145</u> | <u>\$ 45,156,729</u> | <u>\$ 480,225,443</u> | <u>\$ 548,450</u> | <u>\$ -</u> |

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 2025 or 2024.

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

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13. Commitment and Contingent Liabilities

The Company leases office space and various office equipment under lease arrangements through 2030. Future minimum lease payments under operating leases as of December 31, 2025 are as follows:

| | |
|-------------------------------------|---------------------|
| 2026 | \$ 317,877 |
| 2027 | 324,617 |
| 2028 | 331,549 |
| 2029 | 336,107 |
| 2030 | 298,377 |
| Thereafter | - |
| Total future minimum lease payments | <u>\$ 1,608,527</u> |

Total rent and lease expense was \$169,828 and \$277,368 for the years ended December 31, 2025 and 2024, 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 2025 or 2024 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 are accrued at the time of insolvencies. Certain assessments that are unknown to the Company are accrued at the time of assessment. Premium based assessments are accrued at the time the premiums are written and loss-based assessments are accrued at the time the losses are incurred. The Company has recorded an expense for guaranty fund and other assessments of \$1,303,568 and \$3,189,914 at December 31, 2025 and 2024, respectively, in guarantee fund, rating bureau and other assessments in its Statements of Income. The Company has recorded a liability for guaranty fund and other assessments of \$1,749,291 and \$2,446,506 and no related premium tax benefit asset as of December 31, 2025 and 2024, respectively, on the Statements of Admitted Assets, Liabilities and Capital and Surplus or Statements of Income. This amount represents management's best estimate of its liability for guaranty fund and other rating and various state insurance related assessments based on information received from the state in which the Company writes business and may change due to many factors, including the Company's share of the ultimate cost of current insolvencies or market share.

14. Related Party Transactions

MEMIC charges management and other fees to the Company in the normal course of business and in accordance with the terms of certain cost sharing agreements. In 2025 and 2024, the Company was charged \$37,633,001 and \$35,706,939, respectively, for administrative and management services, underwriting, claims, managed care and investment management fees. Certain other direct costs are paid by MEMIC, charged back to the Company and settled within the terms of the written cost sharing agreements.

15. Asset-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

MEMIC Indemnity Company
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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 asset-backed securities that have a recognized OTTI where the Company either has the intent to sell or does not have the ability or intent to retain the investment for a period of time to recover any unadjusted amortized cost basis. Credit related declines in the fair value of loan-backed or structured securities would be reflected as a realized loss in the Statements of Income.

See Note 10 for fair value and unrealized loss position of asset-backed securities.

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 Deductible Policies

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:

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

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

Premiums receivable includes amounts billed to policyholders under high deductible policies. Deductible amounts billed to policyholders reduce paid losses and loss adjustment expenses recognized by the Company. Management believes all high deductible amounts outstanding are recoverable based on the policyholders' payment practices and collateral held in the form of cash or irrevocable letters of credit. As of December 31, 2025 and 2024, the Company recorded a net admitted deductible recovery accrual of \$3,933,023 and \$2,168,728, respectively, for amounts billed in January 2026 and 2025, respectively, under secured high deductible policies included in premium balances receivable in the accompanying Statements of Admitted Assets, Liabilities and Capital and Surplus.

The Company recorded a reserve credit for high deductible reserves outstanding of \$13,443,641 and \$11,785,766 as of December 31, 2025 and 2024, respectively. This 2025 reserve credit does not include the component of unsecured reserve credit liabilities that are in excess of collateral included on or off balance sheet, therefore there is no nonadmitted component of the reserve credit. The reserve credit is a reduction to outstanding loss and loss adjustment expenses on the Statements of Income and a reduction in case loss and case loss adjustment expense reserves on the Statements of Admitted Assets, Liabilities and Capital and Surplus.

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Counter Party Exposure Recorded on Unpaid Claims and Billed Recoverables on Paid Claims as of December 31, 2025:

| 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 | \$ 31,265,850 | \$ 13,443,641 | \$ 3,933,023 | \$ 17,376,664 |

Unsecured amounts on high deductible policies:

| | |
|--|---------------|
| Total high deductibles and billed recoverables on paid claims | \$ 17,376,664 |
| Collateral on balance sheet | 24,796,700 |
| Collateral off balance sheet | 17,845,420 |
| Total unsecured deductibles and billed recoverables on paid claims | \$ - |
| Percentage unsecured | 0.00% |
| Amount of overdue nonadmitted (either due to aging or collateral) | \$ - |
| Total over 90 days overdue admitted | - |
| Total overdue | \$ - |

Below are the high deductible policyholders with unsecured reserves as of December 31, 2025, by counterparty:

| Counterparty Ranking | Unsecured High Deductible Amounts |
|-----------------------------|--|
| Counterparty 1 | \$ 175,448 |
| Counterparty 2 | 90,909 |
| Counterparty 3 | 29,381 |
| Counterparty 4 | 23,731 |
| Counterparty 5 | 23,460 |
| Counterparty 6 | 20,755 |
| Counterparty 7 | 11,980 |

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

17. Subsequent Events

Subsequent events have been considered through March 24, 2026, for these statutory financial statements which are available to be issued on March 24, 2026. On January 7, 2026, the Company's parent, MEMIC, executed a Stock Purchase Agreement to acquire 100% equity interest in Risk Administration Services, LLC ("RAS"), who owns 51% of First Dakota Indemnity Company ("First Dakota") and serves as the attorney-in-fact for Dakota Truck Underwriters ("Dakota Truck"). Effective January 1, 2026, the Company will participate in a pooling arrangement with MEMIC Casualty Company, First Dakota, and Dakota Truck. In addition, the Company will also participate in a quota-share reinsurance arrangement whereby the Company will provide quota-share reinsurance to First Dakota and Dakota Truck.

ANNUAL STATEMENT FOR THE YEAR 2025 OF THE MEMIC Indemnity Company

SUMMARY INVESTMENT SCHEDULE

| Investment Categories | Gross Investment Holdings | | Admitted Assets as Reported in the Annual Statement | | | |
|--|---------------------------|-------------------------------------|---|--|-----------------------------------|-------------------------------------|
| | 1 Amount | 2 Percentage of Column 1 Line 14 | 3 Amount | 4 Securities Lending Reinvested Collateral Amount | 5 Total (Col. 3 + 4) Amount | 6 Percentage of Column 5 Line 14 |
| 1. Issuer credit obligations (Schedule D, Part 1, Section 1): | | | | | | |
| 1.01 U.S. government obligations..... | 12,506,123 | 2.115 | 12,506,121 | 0 | 12,506,121 | 2.115 |
| 1.02 Other U.S. government obligations | 298,533 | 0.050 | 298,533 | 0 | 298,533 | 0.050 |
| 1.03 Non-U.S. sovereign jurisdiction securities..... | 1,774,846 | 0.300 | 1,774,846 | 0 | 1,774,846 | 0.300 |
| 1.04 Municipal bonds – general obligations (direct & guaranteed) | 41,878,042 | 7.084 | 41,878,041 | 0 | 41,878,041 | 7.084 |
| 1.05 Municipal bonds – special revenue..... | 64,925,878 | 10.983 | 64,925,877 | 0 | 64,925,877 | 10.983 |
| 1.06 Project finance bonds issued by operating entities | 0 | 0.000 | 0 | 0 | 0 | 0.000 |
| 1.07 Corporate bonds | 195,926,982 | 33.142 | 195,926,983 | 0 | 195,926,983 | 33.142 |
| 1.08 Mandatory convertible bonds | 0 | 0.000 | 0 | 0 | 0 | 0.000 |
| 1.09 Single entity backed obligations | 2,894,892 | 0.490 | 2,894,892 | 0 | 2,894,892 | 0.490 |
| 1.10 SVO-Identified bond exchange traded funds – fair value | 0 | 0.000 | 0 | 0 | 0 | 0.000 |
| 1.11 SVO-Identified bond exchange traded funds – systematic value | 0 | 0.000 | 0 | 0 | 0 | 0.000 |
| 1.12 Bonds issued by funds representing operating entities..... | 5,871,363 | 0.993 | 5,871,364 | 0 | 5,871,364 | 0.993 |
| 1.13 Bank loans - issued..... | 0 | 0.000 | 0 | 0 | 0 | 0.000 |
| 1.14 Bank loans - acquired..... | 0 | 0.000 | 0 | 0 | 0 | 0.000 |
| 1.15 Mortgages loans that qualify as SVO-Identified credit tenant loans..... | 0 | 0.000 | 0 | 0 | 0 | 0.000 |
| 1.16 Certificates of deposit..... | 0 | 0.000 | 0 | 0 | 0 | 0.000 |
| 1.17 Other issuer credit obligations..... | 0 | 0.000 | 0 | 0 | 0 | 0.000 |
| 1.18 Total issuer credit obligations..... | 326,076,659 | 55.158 | 326,076,657 | 0 | 326,076,657 | 55.158 |
| 2. Asset-backed securities (Schedule D, Part 1, Section 2): | | | | | | |
| 2.01 Financial asset-backed securities – self-liquidating | 185,673,170 | 31.408 | 185,673,176 | 0 | 185,673,176 | 31.408 |
| 2.02 Financial asset-backed securities – not self-liquidating | 0 | 0.000 | 0 | 0 | 0 | 0.000 |
| 2.03 Non-financial asset-backed securities | 23,513,054 | 3.977 | 23,513,050 | 0 | 23,513,050 | 3.977 |
| 2.04 Total asset-backed securities..... | 209,186,224 | 35.385 | 209,186,226 | 0 | 209,186,226 | 35.385 |
| 3. Preferred stocks (Schedule D, Part 2, Section 1): | | | | | | |
| 3.01 Industrial and miscellaneous (unaffiliated)..... | 0 | 0.000 | 0 | 0 | 0 | 0.000 |
| 3.02 Parent, subsidiaries and affiliates..... | 0 | 0.000 | 0 | 0 | 0 | 0.000 |
| 3.03 Total preferred stocks..... | 0 | 0.000 | 0 | 0 | 0 | 0.000 |
| 4. Common stocks (Schedule D, Part 2, Section 2): | | | | | | |
| 4.01 Industrial and miscellaneous - publicly traded (unaffiliated) | 43,558,036 | 7.368 | 43,558,036 | 0 | 43,558,036 | 7.368 |
| 4.02 Industrial and miscellaneous - other (unaffiliated) | 322,100 | 0.054 | 322,100 | 0 | 322,100 | 0.054 |
| 4.03 Parent, subsidiaries and affiliates - publicly traded | 0 | 0.000 | 0 | 0 | 0 | 0.000 |
| 4.04 Parent, subsidiaries and affiliates - other | 0 | 0.000 | 0 | 0 | 0 | 0.000 |
| 4.05 Mutual funds | 0 | 0.000 | 0 | 0 | 0 | 0.000 |
| 4.06 Unit investment trusts | 0 | 0.000 | 0 | 0 | 0 | 0.000 |
| 4.07 Closed-end funds | 0 | 0.000 | 0 | 0 | 0 | 0.000 |
| 4.08 Exchange traded funds | 0 | 0.000 | 0 | 0 | 0 | 0.000 |
| 4.09 Total common stocks | 43,880,136 | 7.423 | 43,880,136 | 0 | 43,880,136 | 7.423 |
| 5. Mortgage loans (Schedule B): | | | | | | |
| 5.01 Farm mortgages | 0 | 0.000 | 0 | 0 | 0 | 0.000 |
| 5.02 Residential mortgages | 0 | 0.000 | 0 | 0 | 0 | 0.000 |
| 5.03 Commercial mortgages | 0 | 0.000 | 0 | 0 | 0 | 0.000 |
| 5.04 Mezzanine real estate loans | 0 | 0.000 | 0 | 0 | 0 | 0.000 |
| 5.05 Total valuation allowance | 0 | 0.000 | 0 | 0 | 0 | 0.000 |
| 5.06 Total mortgage loans | 0 | 0.000 | 0 | 0 | 0 | 0.000 |
| 6. Real estate (Schedule A): | | | | | | |
| 6.01 Properties occupied by company | 0 | 0.000 | 0 | 0 | 0 | 0.000 |
| 6.02 Properties held for production of income | 0 | 0.000 | 0 | 0 | 0 | 0.000 |
| 6.03 Properties held for sale | 0 | 0.000 | 0 | 0 | 0 | 0.000 |
| 6.04 Total real estate | 0 | 0.000 | 0 | 0 | 0 | 0.000 |
| 7. Cash, cash equivalents and short-term investments: | | | | | | |
| 7.01 Cash (Schedule E, Part 1) | 4,843,937 | 0.819 | 4,843,937 | 0 | 4,843,937 | 0.819 |
| 7.02 Cash equivalents (Schedule E, Part 2) | 1,347,038 | 0.228 | 1,347,038 | 0 | 1,347,038 | 0.228 |
| 7.03 Short-term investments (Schedule DA) | 0 | 0.000 | 0 | 0 | 0 | 0.000 |
| 7.04 Total cash, cash equivalents and short-term investments | 6,190,975 | 1.047 | 6,190,975 | 0 | 6,190,975 | 1.047 |
| 8. Contract loans | 0 | 0.000 | 0 | 0 | 0 | 0.000 |
| 9. Derivatives (Schedule DB) | 0 | 0.000 | 0 | 0 | 0 | 0.000 |
| 10. Other invested assets (Schedule BA) | 5,723,377 | 0.968 | 5,723,377 | 0 | 5,723,377 | 0.968 |
| 11. Receivables for securities | 115,013 | 0.019 | 115,013 | 0 | 115,013 | 0.019 |
| 12. Securities Lending (Schedule DL, Part 1)..... | 0 | 0.000 | 0 | XXX | XXX | XXX |
| 13. Other invested assets (Page 2, Line 11) | 0 | 0.000 | 0 | 0 | 0 | 0.000 |
| 14. Total invested assets | 591,172,384 | 100.000 | 591,172,384 | 0 | 591,172,384 | 100.000 |



SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES

For The Year Ended December 31, 2025
(To Be Filed by April 1)

Of The MEMIC Indemnity Company.....
 ADDRESS (City, State and Zip Code) Portland , ME 04101
 NAIC Group Code 1332 NAIC Company Code 11030 Federal Employer's Identification Number (FEIN) 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.\$669,238,967

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

| | 1 | 2 | 3 | 4 |
|------|---------------------------------------|-------------------------|---------------|-------------------------------------|
| | Issuer | Description of Exposure | Amount | Percentage of Total Admitted Assets |
| 2.01 | FEDERAL NATIONAL MORTGAGE ASSOCIATION | US POOL | \$ 43,939,925 | 6.6 % |
| 2.02 | FEDERAL HOME LOAN MORTGAGE CORP | US POOL | \$ 28,457,777 | 4.3 % |
| 2.03 | JP MORGAN MORTGAGE TRUST | ASSET BACKED SECURITY | \$ 9,027,607 | 1.3 % |
| 2.04 | CLARK COUNTY SCHOOL DISTRICT | BOND | \$ 4,134,523 | 0.6 % |
| 2.05 | GS MORTGAGE BACKED SECURITIES | ASSET BACKED SECURITY | \$ 4,097,527 | 0.6 % |
| 2.06 | FREDDIE MAC | ASSET BACKED SECURITY | \$ 3,982,366 | 0.6 % |
| 2.07 | THE BANK OF NEW YORK MELLON | BOND/EQUITY | \$ 3,793,877 | 0.6 % |
| 2.08 | CITIGROUP MORTGAGE LOAN TRUST | ASSET BACKED SECURITY | \$ 3,752,897 | 0.6 % |
| 2.09 | PROVIDENT FUNDING MORTGAGE TRUST | ASSET BACKED SECURITY | \$ 3,749,952 | 0.6 % |
| 2.10 | ARTHUR J GALLAGHER & CO | BOND | \$ 3,692,821 | 0.6 % |

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

| | Bonds | 1 | 2 | Preferred Stocks | 3 | 4 |
|------|--------|----------------|--------|------------------|--------|-------|
| 3.01 | NAIC 1 | \$ 456,013,110 | 68.1 % | 3.07 | NAIC 1 | 0.0 % |
| 3.02 | NAIC 2 | \$ 77,331,431 | 11.6 % | 3.08 | NAIC 2 | 0.0 % |
| 3.03 | NAIC 3 | \$ 1,918,344 | 0.3 % | 3.09 | NAIC 3 | 0.0 % |
| 3.04 | NAIC 4 | \$ 0 | 0.0 % | 3.10 | NAIC 4 | 0.0 % |
| 3.05 | NAIC 5 | \$ 0 | 0.0 % | 3.11 | NAIC 5 | 0.0 % |
| 3.06 | NAIC 6 | \$ 0 | 0.0 % | 3.12 | NAIC 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 | \$ 38,918,572 5.8 % |
| 4.03 | Foreign-currency-denominated investments | \$ 0.0 % |
| 4.04 | Insurance liabilities denominated in that same foreign currency | \$ 0.0 % |

SUPPLEMENT FOR THE YEAR 2025 OF THE MEMIC Indemnity Company

| | | | | |
|---|--|------------------|--------------|----------|
| 5. Aggregate foreign investment exposure categorized by NAIC sovereign designation: | | | | |
| | | <u>1</u> | <u>2</u> | |
| 5.01 | Countries designated NAIC-1 | \$ 36,568,954 | 5.5 % | |
| 5.02 | Countries designated NAIC-2 | \$ 2,349,618 | 0.4 % | |
| 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: | | | | |
| | | <u>1</u> | <u>2</u> | |
| Countries designated NAIC - 1: | | | | |
| 6.01 | Country 1: CAYMAN ISLANDS | \$ 7,316,357 | 1.1 % | |
| 6.02 | Country 2: UNITED KINGDOM OF GREAT BRITAIN AND NORTHER IRELAND | \$ 4,283,125 | 0.6 % | |
| Countries designated NAIC - 2: | | | | |
| 6.03 | Country 1: MEXICO | \$ 664,879 | 0.1 % | |
| 6.04 | Country 2: PANAMA | \$ 409,822 | 0.1 % | |
| Countries designated NAIC - 3 or below: | | | | |
| 6.05 | Country 1: | \$ | 0.0 % | |
| 6.06 | Country 2: | \$ | 0.0 % | |
| 7. Aggregate unhedged foreign currency exposure | | | | |
| | | <u>1</u> | <u>2</u> | |
| 7. | Aggregate unhedged foreign currency exposure | \$ | 0.0 % | |
| 8. Aggregate unhedged foreign currency exposure categorized by NAIC sovereign designation: | | | | |
| | | <u>1</u> | <u>2</u> | |
| 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: | | | | |
| | | <u>1</u> | <u>2</u> | |
| 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: | | | | |
| | <u>1</u> | <u>2</u> | <u>3</u> | <u>4</u> |
| | Issuer | NAIC Designation | | |
| 10.01 | UBS GROUP INC | 1.F FE | \$ 2,874,920 | 0.4 % |
| 10.02 | TYCO ELECTRONICS GROUP | 1.G FE | \$ 2,190,991 | 0.3 % |
| 10.03 | AERCAP IRELAND CAPITAL DESIGNS | 2.A FE | \$ 2,183,955 | 0.3 % |
| 10.04 | OHA CREDIT FUNDING 15, INC | 1.A FE | \$ 2,007,069 | 0.3 % |
| 10.05 | MIZUHO FINANCIAL GROUP | 1.G FE | \$ 2,000,000 | 0.3 % |
| 10.06 | TRAFIGURA FUNDING | 2.A PL | \$ 2,000,000 | 0.3 % |
| 10.07 | AIA GROUP LIMITED | 1.F FE | \$ 1,997,443 | 0.3 % |
| 10.08 | RENAISSANCE HOLDINGS LTD | 1.G FE | \$ 1,989,699 | 0.3 % |
| 10.09 | BHP BILLITON FINANCE | 1.E FE | \$ 1,883,731 | 0.3 % |
| 10.10 | AUSTRALIA PACIFIC LNG PROCESS | 2.B FE | \$ 1,744,833 | 0.3 % |

SUPPLEMENT FOR THE YEAR 2025 OF THE MEMIC Indemnity Company

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.

| | 1 | 2 | |
|--|----------|-------|-------|
| 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 interests 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 | 2 | 3 | |
|---|----------|---------|-------|-------|
| | Issuer | | | |
| 13.02 MERK & CO INC. | \$ | 855,343 | ..... | 0.1 % |
| 13.03 BRISTOL MYERS SQUIBB CO | \$ | 847,613 | ..... | 0.1 % |
| 13.04 RTX CORPORATION | \$ | 831,536 | ..... | 0.1 % |
| 13.05 THE TRAVELERS COMPANIES INC | \$ | 824,931 | ..... | 0.1 % |
| 13.06 COLGATE PALMOLIVE CO | \$ | 822,993 | ..... | 0.1 % |
| 13.07 AMGEN INC | \$ | 821,548 | ..... | 0.1 % |
| 13.08 ABBVIE INC | \$ | 820,736 | ..... | 0.1 % |
| 13.09 LOCKHEED MARTIN CORP | \$ | 819,337 | ..... | 0.1 % |
| 13.10 THE PROCTOR & GAMBLE CO | \$ | 819,160 | ..... | 0.1 % |
| 13.11 ABBOTT LABORATORIES | \$ | 817,643 | ..... | 0.1 % |

SUPPLEMENT FOR THE YEAR 2025 OF THE MEMIC Indemnity Company

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 14.02 through 14.05.

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

Ten largest fund managers:

| | 1 | 2 | 3 | 4 |
|-------------|--------------|----------------|-------------|----------------|
| | Fund Manager | Total Invested | Diversified | Nondiversified |
| 14.06 | | \$0 | \$ | \$ |
| 14.07 | | \$0 | \$ | \$ |
| 14.08 | | \$0 | \$ | \$ |
| 14.09 | | \$0 | \$ | \$ |
| 14.10 | | \$0 | \$ | \$ |
| 14.11 | | \$0 | \$ | \$ |
| 14.12 | | \$0 | \$ | \$ |
| 14.13 | | \$0 | \$ | \$ |
| 14.14 | | \$0 | \$ | \$ |
| 14.15 | | \$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 % |

SUPPLEMENT FOR THE YEAR 2025 OF THE MEMIC Indemnity Company

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 | 2 | 3 |
|-------|--|----------|-------|
| | Type (Residential, Commercial, Agricultural) | | |
| 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 | 1 | 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 total 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 % |
| 19.03 | Largest three investments held in mezzanine real estate loans: | \$ | 0.0 % |
| 19.04 | ..... | \$ ..... | 0.0 % |
| 19.05 | ..... | \$ ..... | 0.0 % |

SUPPLEMENT FOR THE YEAR 2025 OF THE MEMIC Indemnity Company

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

| | At Year End | | 1st Quarter 3 | At End of Each Quarter | |
|---|-------------|-------|------------------|------------------------|------------------|
| | 1 | 2 | | 2nd Quarter 4 | 3rd Quarter 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 | | 3 | Written | |
|-------------------------------|----------|-------|----------|---------|---|
| | 1 | 2 | | 4 | 5 |
| 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 | | 1st Quarter 3 | At End of Each Quarter | |
|-------------------------------|-------------|-------|------------------|------------------------|------------------|
| | 1 | 2 | | 2nd Quarter 4 | 3rd Quarter 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 | | 1st Quarter 3 | At End of Each Quarter | |
|-------------------------------|-------------|-------|------------------|------------------------|------------------|
| | 1 | 2 | | 2nd Quarter 4 | 3rd Quarter 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, 2025 and 2024

MEMIC Casualty Company
Index
(Statutory Basis)
December 31, 2025 and 2024

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| Statements of Changes in Capital and Surplus | 6 |
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Report of Independent Auditors

Board of Directors
MEMIC Casualty Company

Opinions

We have audited the statutory 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, 2025 and 2024, and the related statutory statements of income and changes in capital and surplus, and cash flows for the years then ended, and the related notes to the financial statements.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the accompanying financial statements present fairly, in all material respects, the admitted assets, liabilities and capital and surplus of the Company as of December 31, 2025 and 2024, and the results of its operations and its cash flows for the years then ended, in accordance with the basis of accounting described in Note 2.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles section of our report, the financial statements 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, 2025 and 2024, or the results of its operations or its cash flows for the years then ended.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 New Hampshire Insurance Department, 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 these statutory accounting practices described in Note 2 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the accounting practices prescribed or permitted by the New Hampshire Insurance Department. 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.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audit was 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, 2025, are presented for purposes of additional analysis and are not a required part of the financial statements but are supplementary information required by the New Hampshire Insurance Department. 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 financial statements as a whole.

A handwritten signature in black ink that reads "Johnson Lambert LLP". The signature is written in a cursive, flowing style.

Jacksonville, Florida
March 24, 2026

MEMIC Casualty Company
Statements of Admitted Assets, Liabilities and Capital and Surplus
(Statutory Basis)
December 31, 2025 and 2024

| | <u>2025</u> | <u>2024</u> |
|---|-----------------------|-----------------------|
| Admitted Assets | | |
| Invested assets | | |
| Bonds, at carrying value (fair value: \$161,195,175 and \$149,170,292 at December 31, 2025 and 2024, respectively) | \$ 168,401,490 | \$ 161,519,046 |
| Common stocks, at fair value | 166,500 | 166,500 |
| Cash, cash equivalents and short-term investments | 3,749,796 | 2,927,230 |
| Total cash and invested assets | <u>172,317,786</u> | <u>164,612,776</u> |
| Premium balances receivable | 20,899,781 | 19,947,153 |
| Reinsurance recoverable on paid loss and loss adjustment expenses | 189,701 | 29,228 |
| Investment income due and accrued | 1,221,485 | 1,236,137 |
| Net deferred tax asset | 2,925,981 | 2,879,473 |
| Total admitted assets | <u>\$ 197,554,734</u> | <u>\$ 188,704,767</u> |
| Liabilities | | |
| Loss reserves | \$ 81,220,499 | \$ 83,284,353 |
| Loss adjustment expense reserves | 15,263,520 | 14,723,682 |
| Unearned premium reserves | 27,510,625 | 24,307,485 |
| Advance premium | 442,605 | 121,753 |
| Reinsurance premiums payable | 82,541 | 70,026 |
| Funds held by company under reinsurance treaties | 4,778,642 | 3,227,953 |
| Other liabilities | 250,141 | 264,661 |
| Deposits held for large deductible policyholders | 874,037 | 1,118,201 |
| Premium taxes and assessments payable | 1,284,954 | 1,354,748 |
| Amounts withheld for others | 1,273,796 | 1,072,572 |
| Due to parent | 1,456,807 | 1,542,478 |
| Commissions payable | 2,097,188 | 2,132,798 |
| Federal income tax payable | 1,455,065 | 1,471,158 |
| Total liabilities | <u>137,990,420</u> | <u>134,691,868</u> |
| Commitments and contingent liabilities (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 | 46,183,951 | 46,183,951 |
| Unassigned surplus | 10,380,363 | 4,828,948 |
| Total capital and surplus | <u>59,564,314</u> | <u>54,012,899</u> |
| Total liabilities and capital and surplus | <u>\$ 197,554,734</u> | <u>\$ 188,704,767</u> |

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, 2025 and 2024

| | <u>2025</u> | <u>2024</u> |
|---|---------------------|---------------------|
| Underwriting income | | |
| Premiums earned, net | \$ 56,257,191 | \$ 52,733,578 |
| Loss and underwriting expenses | | |
| Losses incurred, net | 28,085,866 | 23,894,303 |
| Loss adjustment expenses incurred, net | 8,883,553 | 8,802,853 |
| Underwriting expenses | | |
| Commissions | 5,261,923 | 4,618,781 |
| Premium taxes | 1,244,594 | 2,096,238 |
| Guarantee fund, rating bureau and other assessments | 361,344 | 748,895 |
| Supervision, acquisition and collection expenses | 8,802,987 | 8,075,824 |
| Loss control | 1,654,156 | 1,475,397 |
| General expenses | 548,891 | 767,368 |
| Total underwriting expenses | <u>17,873,895</u> | <u>17,782,503</u> |
| Total loss and underwriting expenses | <u>54,843,314</u> | <u>50,479,659</u> |
| Net underwriting gain | <u>1,413,877</u> | <u>2,253,919</u> |
| Investment income | | |
| Net investment income | 6,436,567 | 5,946,976 |
| Net realized capital losses (less capital gains tax of \$(94,918) and \$(48,778), December 31, 2025 and 2024, respectively) | <u>(357,072)</u> | <u>(183,499)</u> |
| Total investment income | <u>6,079,495</u> | <u>5,763,477</u> |
| Other (expense) income | | |
| Bad debt expense | (60,526) | (149,430) |
| Finance charges | 10,558 | 9,668 |
| Other expense | <u>(91,140)</u> | <u>(112,610)</u> |
| Net other expense | <u>(141,108)</u> | <u>(252,372)</u> |
| Income before dividends and federal income taxes | 7,352,264 | 7,765,024 |
| Dividends to policyholders | <u>400,641</u> | <u>438,833</u> |
| Income after dividends, before federal income taxes | 6,951,623 | 7,326,191 |
| Provision for federal income taxes | <u>1,550,680</u> | <u>1,519,936</u> |
| Net income | <u>\$ 5,400,943</u> | <u>\$ 5,806,255</u> |

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, 2025 and 2024

| | <u>2025</u> | <u>2024</u> |
|--|----------------------|----------------------|
| Capital and surplus at beginning year | \$ 54,012,899 | \$ 48,073,024 |
| Net income | 5,400,943 | 5,806,255 |
| Change in net deferred income taxes | 72,470 | 36,920 |
| Change in nonadmitted assets | <u>78,002</u> | <u>96,700</u> |
| Change in capital and surplus | <u>5,551,415</u> | <u>5,939,875</u> |
| Capital and surplus at end of year | <u>\$ 59,564,314</u> | <u>\$ 54,012,899</u> |

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, 2025 and 2024

| | <u>2025</u> | <u>2024</u> |
|--|---------------------|---------------------|
| Cash from operations | | |
| Premiums collected, net | \$ 58,944,940 | \$ 53,150,832 |
| Investment income received, net | 6,375,170 | 5,953,042 |
| Other expense | <u>(141,108)</u> | <u>(252,373)</u> |
| Cash provided from operations | <u>65,179,002</u> | <u>58,851,501</u> |
| Benefit and loss related payments | 30,310,192 | 28,484,571 |
| Commissions and expenses paid | 26,337,534 | 24,877,501 |
| Dividends paid to policyholders | 400,641 | 438,833 |
| Federal income taxes paid | <u>1,471,855</u> | <u>946,574</u> |
| Cash used in operations | <u>58,520,222</u> | <u>54,747,479</u> |
| Net cash provided from operations | <u>6,658,780</u> | <u>4,104,022</u> |
| Cash from investing activities | | |
| Proceeds from bonds sold, matured or repaid | 34,300,856 | 13,436,261 |
| Cost of bonds acquired | <u>(41,559,240)</u> | <u>(14,535,918)</u> |
| Net cash used in investing activities | <u>(7,258,384)</u> | <u>(1,099,657)</u> |
| Cash from financing and miscellaneous sources | | |
| Borrowed money | - | (2,000,000) |
| Other cash applied | <u>1,422,170</u> | <u>(2,225,659)</u> |
| Net cash provided from (used in) financing and miscellaneous sources | <u>1,422,170</u> | <u>(4,225,659)</u> |
| Net increase (decrease) in cash | 822,566 | (1,221,294) |
| Cash, cash equivalents and short-term investments | | |
| Beginning of year | <u>2,927,230</u> | <u>4,148,524</u> |
| End of year | <u>\$ 3,749,796</u> | <u>\$ 2,927,230</u> |

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

MEMIC Casualty Company

Notes to Financial Statements

(Statutory Basis)

December 31, 2025 and 2024

1. Organization

MEMIC Casualty Company (the “Company”) is a property and casualty insurance company, domiciled in the State of New Hampshire, and licensed to write workers’ compensation insurance in 45 states and the District of Columbia. All outstanding shares of the Company are owned by Maine Employers’ Mutual Insurance Company (“MEMIC”), a property and casualty insurance company domiciled in the State of Maine. MEMIC also owns 100% of the common stock of MEMIC Indemnity Company (“MEMIC Indemnity”), a property and casualty insurance company licensed to write workers’ compensation insurance, which is also domiciled in New Hampshire.

The Company was created when 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; on December 12, 2011, MEMIC purchased the Company. In conjunction with the transaction, GMMIC was renamed to MEMIC Casualty Company.

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 Statement of Statutory Accounting Principles (“SSAP”) No. 101, *Income Taxes*. SSAP No. 101 provides requirements for tax loss contingencies and the calculation and admissibility of deferred tax assets (“DTAs”). The admissibility of any resulting DTA is limited based on certain criteria in accordance with SSAP No. 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 receivable balances over 90 days past due, 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;

MEMIC Casualty Company
Notes to Financial Statements
(Statutory Basis)
December 31, 2025 and 2024

- 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. The impairment/credit loss model is different for statutory and GAAP purposes;
- e. For statutory purposes, unrealized gains and losses on investments in equity securities are generally recorded as a direct credit or charge to surplus, net of the adjustment for deferred federal income taxes. Under GAAP, unrealized gains and losses on equity securities are reported directly in net income;
- 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 recoverables; moreover, under statutory accounting, a liability is established for recoverable balances from reinsurers which are not authorized and for overdue paid loss recoverables. The impairment/credit loss model is different for statutory and GAAP purposes;
- g. Under GAAP, the inclusion of a Statement of Comprehensive Income, detailing the income effects of unrealized gains and losses on debt securities classified as available-for-sale is required;
- h. For statutory cash flow purposes, short-term investments, investments with remaining maturities greater than three months but under one year from the purchase date, are added to GAAP cash and cash equivalents; and
- i. A reconciliation of cash flows to the indirect method is not provided under statutory accounting.

Adoption of Accounting Principle

The Company adopted the NAIC Principles-Based Bond Definition ("PBBD") guidance, which revises SSAP No. 26 – Bonds, SSAP No. 43 – Asset-Backed Securities, and SSAP No. 21 – Other Admitted Assets, on January 1, 2025. The guidance replaces the prior classification rules for bonds with a principles-based approach. The guidance requires the Company to use a principles-based approach to classify debt securities as either issuer credit obligations, asset-backed securities, or other invested assets, based on their characteristics. The Company updated investment disclosures to comply with the guidance. The Company adopted the guidance using the prospective approach. There was no impact to the Company from adopting the guidance as of January 1, 2025.

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 mature within one year of purchase; 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 federally insurable amounts. The Company believes it mitigates its risks by depositing cash in or investing through major financial institutions. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Only investments with original maturities of three months or less qualify under this definition. Included in cash and cash equivalents are policyholder deposits for high deductible policies that have opted to provide cash in lieu of a letter of credit. See discussion of high deductibles in Note 16.

MEMIC Casualty Company
Notes to Financial Statements
(Statutory Basis)
December 31, 2025 and 2024

Investment grade non-asset-backed bonds with NAIC designation 1 or 2 are stated at amortized cost using the interest method. Non-investment grade non-asset-backed bonds with NAIC designations of 3 through 6 are stated at the lower of amortized cost or fair value. U.S. government agency asset-backed securities are valued at amortized cost. Other asset-backed securities are valued at either amortized cost 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 cost to par value and amortized cost to fair value.

Investments in asset-backed securities ("ABS") include mortgage-backed securities ("MBS"), collateralized loan obligations ("CLO"), collateralized bond obligations ("CBO"), collateralized debt obligations ("CDO"), lease-backed securities, and other financial ABS.

Common stocks, which are not exchange-traded, are stated at 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, by lot, review of bonds with a fair value to carrying value less than 75% to determine if other-than-temporary impairment ("OTTI") has occurred and whether an OTTI should be recognized.

Premiums and Unearned Premium Reserves

Direct and assumed premiums are earned on a monthly pro rata basis over the inforce period and ceded premiums are written and earned concurrently for the workers' compensation line of business. Premium adjustments resulting from retrospective rating plans and/or audits are recorded as written and earned premiums once such amounts can be reasonably estimated. When the anticipated losses, loss adjustment expenses, commissions and other acquisition and maintenance costs exceed the recorded unearned premium reserve, and any future installment premiums on existing policies, a premium deficiency reserve is recognized by recording an additional liability for the deficiency, with a corresponding charge to operations. The Company anticipates investment income when evaluating the need for any premium deficiency reserve. There was no premium deficiency reserve recorded for 2025 or 2024.

Involuntary Pooling Arrangements

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.

MEMIC Casualty Company
Notes to Financial Statements
(Statutory Basis)
December 31, 2025 and 2024

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, 2025 and 2024:

| | <u>2025</u> | <u>2024</u> |
|---|---------------------|---------------------|
| Premium balances receivable over 90 days past due | \$ 179,325 | \$ 283,199 |
| Net deferred tax asset | 957,430 | 931,468 |
| Fixed assets, net of accumulated depreciation | 55,582 | 55,672 |
| Total nonadmitted assets | <u>\$ 1,192,337</u> | <u>\$ 1,270,339</u> |

Depreciation expense on nonadmitted fixed assets was \$6,717 and \$40,961 for the years ended December 31, 2025 and 2024, respectively.

Federal Income Taxes

The Company files a consolidated tax return with MEMIC and three affiliates, MEMIC Indemnity, MEMIC Services, Inc. and Casco View Holdings, LLC. 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 in the current period. Deferred income taxes are computed under the asset/liability method, which results from temporary differences between the tax basis and book basis of assets and liabilities. Changes in deferred income taxes are included as a direct charge to surplus. SSAP No. 101 outlines the statutory accounting principles for current and deferred federal and foreign income taxes and current state income taxes. SSAP No. 101, (1) restricts the ability to use the 3 years/15 percent of surplus admission rule to those entities that meet a modified risk based capital ratio threshold; (2) outlines the recognition threshold for recording tax contingency reserves from a probable liability standard to a more-likely-than-not liability standard; (3) requires the disclosure of tax planning strategies that relate to reinsurance; and, (4) requires consideration of reversal patterns of DTAs and deferred tax liabilities ("DTLs") in determining the extent to which DTLs could offset DTAs on the federal income tax return. Uncertain tax positions, as applicable, are considered in these statutory financial statements.

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 general 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 years. For the years ended December 31, 2025 and 2024, depreciation expense was \$0 and \$158 respectively. Expenditures for maintenance

MEMIC Casualty Company
Notes to Financial Statements
(Statutory Basis)
December 31, 2025 and 2024

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 balances in the 2024 financial statements have been reclassified to conform to the 2025 presentation. These reclassifications had no effect on net income, total admitted assets, or total capital and surplus as previously reported.

3. Capital and Surplus

There were no contributions from MEMIC during 2025 or 2024. To date, contributions from MEMIC total \$49,183,951.

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 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 value of dividends which could be paid by the Company to stockholders without prior approval of the Commissioner of Insurance was \$5,401,290 and \$4,807,302 during 2025 and 2024, respectively. There were no stockholder dividends declared during 2025 or 2024.

MEMIC Casualty Company
Notes to Financial Statements
(Statutory Basis)
December 31, 2025 and 2024

5. Income Taxes

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

| | December 31, 2025 | | |
|--|-----------------------|----------------------|--------------------|
| | 1 | 2 | 3 |
| | Ordinary | Capital | (Col 1+2) Total |
| a. Gross deferred tax assets | \$ 4,026,400 | \$ - | \$ 4,026,400 |
| b. Statutory valuation allowance adjustment | - | - | - |
| c. Adjusted gross deferred taxes (1a - 1b) | 4,026,400 | - | 4,026,400 |
| d. Deferred tax assets nonadmitted | 957,430 | - | 957,430 |
| e. Subtotal net admitted deferred tax asset (1c - 1d) | 3,068,970 | - | 3,068,970 |
| f. Deferred tax liabilities | 142,989 | - | 142,989 |
| g. Net admitted deferred tax assets/(net deferred tax liability) (1e - 1f) | \$ 2,925,981 | \$ - | \$ 2,925,981 |
| | December 31, 2024 | | |
| | 4 | 5 | 6 |
| | Ordinary | Capital | (Col 4+5) Total |
| a. Gross deferred tax assets | \$ 3,987,530 | \$ - | \$ 3,987,530 |
| b. Statutory valuation allowance adjustment | - | - | - |
| c. Adjusted gross deferred taxes (1a - 1b) | 3,987,530 | - | 3,987,530 |
| d. Deferred tax assets nonadmitted | 931,468 | - | 931,468 |
| e. Subtotal net admitted deferred tax asset (1c - 1d) | 3,056,062 | - | 3,056,062 |
| f. Deferred tax liabilities | 176,589 | - | 176,589 |
| g. Net admitted deferred tax assets/(net deferred tax liability) (1e - 1f) | \$ 2,879,473 | \$ - | \$ 2,879,473 |
| | Change | | |
| | 7 | 8 | 9 |
| | (Col 1-4) Ordinary | (Col 2-5) Capital | (Col 7+8) Total |
| a. Gross deferred tax assets | \$ 38,870 | \$ - | \$ 38,870 |
| b. Statutory valuation allowance adjustment | - | - | - |
| c. Adjusted gross deferred taxes (1a - 1b) | 38,870 | - | 38,870 |
| d. Deferred tax assets nonadmitted | 25,962 | - | 25,962 |
| e. Subtotal net admitted deferred tax asset (1c - 1d) | 12,908 | - | 12,908 |
| f. Deferred tax liabilities | (33,600) | - | (33,600) |
| g. Net admitted deferred tax assets/(net deferred tax liability) (1e - 1f) | \$ 46,508 | \$ - | \$ 46,508 |

MEMIC Casualty Company
Notes to Financial Statements
(Statutory Basis)
December 31, 2025 and 2024

Admission Calculation Components:

| | December 31, 2025 | | |
|---|-------------------------------|------------------------------|----------------------------|
| | 1 | 2 | 3 |
| | Ordinary | Capital | (Col 1+2) Total |
| a. Federal income taxes paid in prior years recoverable through loss carrybacks | \$ 2,575,618 | \$ - | \$ 2,575,618 |
| 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 | 350,363 | - | 350,363 |
| 2. Adjusted gross deferred tax assets allowed per limitation threshold | | | 8,495,750 |
| 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 | 142,989 | - | 142,989 |
| d. Deferred tax assets admitted as the result of application of SSAP 101 Total 2(a)+2(b)+2(c) | <u>\$ 3,068,970</u> | <u>\$ -</u> | <u>\$ 3,068,970</u> |
| | December 31, 2024 | | |
| | 4 | 5 | 6 |
| | Ordinary | Capital | (Col 4+5) Total |
| a. Federal income taxes paid in prior years recoverable through loss carrybacks | \$ 2,417,837 | \$ - | \$ 2,417,837 |
| 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 | 461,636 | - | 461,636 |
| 2. Adjusted gross deferred tax assets allowed per limitation threshold | | | 7,670,014 |
| 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 | 176,589 | - | 176,589 |
| d. Deferred tax assets admitted as the result of application of SSAP 101 Total 2(a)+2(b)+2(c) | <u>\$ 3,056,062</u> | <u>\$ -</u> | <u>\$ 3,056,062</u> |
| | Change | | |
| | 7 | 8 | 9 |
| | Ordinary (Col 1-4) | Capital (Col 2-5) | Total (Col 7+8) |
| a. Federal income taxes paid in prior years recoverable through loss carrybacks | \$ 157,781 | \$ - | \$ 157,781 |
| 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 | (111,273) | - | (111,273) |
| 2. Adjusted gross deferred tax assets allowed per limitation threshold | | | 825,736 |
| 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 | (33,600) | - | (33,600) |
| d. Deferred tax assets admitted as the result of application of SSAP 101 Total 2(a)+2(b)+2(c) | <u>\$ 12,908</u> | <u>\$ -</u> | <u>\$ 12,908</u> |

MEMIC Casualty Company
Notes to Financial Statements
(Statutory Basis)
December 31, 2025 and 2024

| Other Admissibility Criteria | <u>2025</u> | <u>2024</u> |
|---|---------------|---------------|
| a. Ratio percentage used to determine recovery period and threshold limitation amount | 756% | 603% |
| b. Amount of adjusted capital and surplus used to determine recovery period and threshold limitation in 2(b)2 above | \$ 56,638,333 | \$ 51,133,426 |

Tax planning strategies were not employed by the Company during 2025 or 2024, and therefore, had no impact upon the determination of adjusted gross and net admitted deferred tax assets.

As of December 31, 2025 and 2024, 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 \$1,443,293 and \$1,484,324 for 2025 and 2024, respectively. There are no deposits admitted under Section 6603 of the Internal Revenue Code.

As of December 31, 2025 and 2024, the Company does not have any uncertain tax positions requiring disclosure in these financial statements or any tax loss contingencies for which it is reasonably possible that the total liability will significantly increase within twelve months of the reporting date. The Company has a tax sharing agreement which sets forth the manner in which the total combined federal income tax is allocated to each entity which is a party to the consolidation. Pursuant to this agreement, the Company has a right to recoup federal income taxes paid in prior years in the event of future net losses, or to recoup its net losses carried forward as an offset to future net income subject to federal income taxes.

The Inflation Reduction Act was enacted on August 16, 2022, and includes a corporate alternative minimum tax (the "CAMT"). The Company has determined that it does not expect to be liable for the CAMT in 2025.

Current and deferred income taxes:

Current income tax:

| | <u>2025</u> | <u>2024</u> | <u>Change</u> |
|--|---------------------|---------------------|--------------------|
| Federal | \$ 1,538,211 | \$ 1,520,634 | \$ 17,577 |
| Provision to return | 12,469 | (698) | 13,167 |
| Subtotal | 1,550,680 | 1,519,936 | 30,744 |
| Federal income tax on net capital losses | (94,918) | (48,778) | (46,140) |
| Federal income taxes incurred | <u>\$ 1,455,762</u> | <u>\$ 1,471,158</u> | <u>\$ (15,396)</u> |

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Deferred Tax Assets

| | <u>2025</u> | <u>2024</u> | <u>Change</u> |
|---|------------------|------------------|-----------------|
| a. Ordinary: | | | |
| Discounting of unpaid losses | \$ 2,674,524 | \$ 2,716,770 | \$ (42,246) |
| Unearned premium reserves | 1,174,036 | 1,026,028 | 148,008 |
| Accrued expenses | 128,509 | 173,569 | (45,060) |
| Other (including items < 5% of total ordinary tax assets) | <u>49,331</u> | <u>71,163</u> | <u>(21,832)</u> |
| Subtotal | 4,026,400 | 3,987,530 | 38,870 |
| b. Statutory valuation allowance adjustment | - | - | - |
| c. Nonadmitted | <u>957,430</u> | <u>931,468</u> | <u>25,962</u> |
| d. Admitted ordinary deferred tax assets | 3,068,970 | 3,056,062 | 12,908 |
| e. Capital: | | | |
| Investments | <u>-</u> | <u>-</u> | <u>-</u> |
| Subtotal | - | - | - |
| f. Statutory valuation allowance adjustment | - | - | - |
| g. Nonadmitted | <u>-</u> | <u>-</u> | <u>-</u> |
| h. Admitted capital deferred tax assets | - | - | - |
| i. Admitted deferred tax assets | <u>3,068,970</u> | <u>3,056,062</u> | <u>12,908</u> |

Deferred Tax Liabilities

| | | | |
|--|---------------------|---------------------|------------------|
| a. Ordinary: | | | |
| Investments | 122,961 | 128,729 | (5,768) |
| Fixed assets | 11,672 | 11,691 | (19) |
| Legislative change in loss discounting | - | 33,870 | (33,870) |
| Additional acquisition costs | <u>8,356</u> | <u>2,299</u> | <u>6,057</u> |
| Subtotal | 142,989 | 176,589 | (33,600) |
| b. Capital: | | | |
| Investments | <u>-</u> | <u>-</u> | <u>-</u> |
| Subtotal | - | - | - |
| c. Deferred tax liabilities | <u>142,989</u> | <u>176,589</u> | <u>(33,600)</u> |
| Net Deferred Tax Assets/Liabilities | <u>\$ 2,925,981</u> | <u>\$ 2,879,473</u> | <u>\$ 46,508</u> |

Change in net deferred income taxes

| | <u>2025</u> | <u>2024</u> | <u>Change</u> |
|--|------------------|------------------|------------------|
| a. Adjusted gross deferred tax assets | \$ 4,026,400 | \$ 3,987,530 | \$ 38,870 |
| b. Total deferred tax liabilities | <u>142,989</u> | <u>176,589</u> | <u>(33,600)</u> |
| c. Net deferred tax assets | <u>3,883,411</u> | <u>3,810,941</u> | <u>72,470</u> |
| d. Tax effect of change in unrealized gains (losses) | | | - |
| e. Total change in net deferred income tax | | | 72,470 |
| | | | <u>\$ 72,470</u> |

There were no deferred tax liabilities that were not recognized.

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Among the more significant book to tax adjustments in 2025 and 2024 were the following:

| | <u>2025</u> | <u>2024</u> |
|--|---------------------|---------------------|
| Provision computed at statutory rate | \$ 1,439,908 | \$ 1,528,257 |
| PY true up (to deferred) | (12,733) | 1,223 |
| PY true up (to current) | 12,469 | (698) |
| Change in nonadmitted assets | 21,832 | 2,547 |
| Legislative change in loss discounting | - | 161,283 |
| Other permanent differences | (78,184) | (258,374) |
| Totals | <u>1,383,292</u> | <u>1,434,238</u> |
| Federal income taxes incurred | 1,550,680 | 1,519,936 |
| Realized capital gains tax | (94,918) | (48,778) |
| Change in net deferred income taxes | (72,470) | (36,920) |
| Total statutory income taxes | <u>\$ 1,383,292</u> | <u>\$ 1,434,238</u> |

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, 2025 and 2024, are summarized as follows:

| | <u>2025</u> | <u>2024</u> |
|-------------------------------------|----------------------|----------------------|
| Net balances at January 1, | \$ 98,008,035 | \$ 101,685,876 |
| Incurred related to | | |
| Current year | 45,843,798 | 42,216,779 |
| Prior year | (8,874,379) | (9,519,623) |
| Total incurred | <u>36,969,419</u> | <u>32,697,156</u> |
| Paid related to | | |
| Current year | 11,927,869 | 7,643,836 |
| Prior year | 26,565,566 | 28,731,161 |
| Total paid | <u>38,493,435</u> | <u>36,374,997</u> |
| Net balances at December 31, | <u>\$ 96,484,019</u> | <u>\$ 98,008,035</u> |

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 were \$59,833 and \$177,402 as of December 31, 2025 and 2024, respectively. These amounts are included as a net recovery to paid losses in the applicable accident years and included in premium balances receivable on the Statements of Admitted Assets, Liabilities and Capital and Surplus. In addition, the Company recorded a reserve credit for high deductible reserves outstanding of \$530,195 and \$997,642 as of December 31, 2025 and 2024, respectively. These 2025 and 2024 reserve credits are a reduction to incurred loss and loss adjustment expenses on the Statements of Income and a reduction in case loss and case loss adjustment expense reserves on the Statements of Admitted Assets, Liabilities and Capital and Surplus, see Note 16. Original estimates are increased or decreased as additional information becomes known regarding individual claims. There was no impact on reserves or surplus as a result of development of retrospectively rated policies.

During 2025, the Company's incurred losses related to prior years decreased by \$8,874,379 as a result of favorable loss development principally in the 2021, 2022 and 2024 accident years. This favorable development is the result of ongoing analysis of recent loss development trends.

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During 2024, the Company's incurred losses related to prior years decreased by \$9,519,623 as a result of favorable loss development principally in the 2019, 2020 and 2022 accident years. This favorable development is the result of ongoing analysis of recent loss development trends.

7. Reinsurance

As a condition of writing policies in the states in which it has workers' compensation business, the Company is required to participate in the National Workers' Compensation Reinsurance Pool and the Massachusetts Reinsurance Pool (the "Pools"). Participation requires that the Company share in the losses and expenses of the Pools. The Pools 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. All amounts are recorded as assumed business. The difference between discounted and undiscounted incurred but not reported loss and loss adjustment expense liabilities from NCCI is \$214,645 for both 2025 and 2024. Amounts added to premiums, reserves and expenses for reinsurance assumed from pools are as follows:

| | <u>2025</u> | <u>2024</u> |
|--|--------------|--------------|
| Premiums earned | \$ 1,835,481 | \$ 2,163,141 |
| Loss and loss adjustment expenses incurred | 1,557,914 | 1,810,291 |
| Unearned premiums | 718,223 | 731,611 |
| Loss and loss adjustment expense reserves | 5,010,510 | 5,054,074 |
| Premiums receivable | 356,339 | 424,350 |
| Underwriting expenses incurred | 458,742 | 522,848 |

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 \$2,000,000 for both 2025 and 2024. In addition, for 2025 and 2024, 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 for excess of loss agreements were as follows:

| | <u>2025</u> | <u>2024</u> |
|--|--------------|--------------|
| Premiums earned | \$ 1,410,317 | \$ 1,305,278 |
| Loss and loss adjustment expenses incurred | - | 103,131 |
| Loss and loss adjustment expense reserves | 227,597 | 403,253 |
| Premiums payable | 82,541 | 70,027 |

The Company ceded risk to another insurance company through a 15% quota share reinsurance agreement for treaty year 2021 and a 20% quota share reinsurance agreement for treaty years 2020 and 2019. The 2021 and 2020 quota share treaties included a funds withheld provision in lieu of a traditional remittance of premium and recovery of associated subject losses and loss adjustment expenses. As such, the net amount payable to the reinsurer is included in funds held by company under reinsurance treaties on the Statements of Admitted Assets, Liabilities and Capital

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and Surplus as of December 31, 2025 and 2024. Amounts deducted from premiums, reserves and expenses for reinsurance ceded to other companies for these quota share treaties are as follows:

| | <u>2025</u> | <u>2024</u> |
|--|-------------|-------------|
| Premiums earned | \$ - | \$ (4,848) |
| Loss and loss adjustment expenses incurred | 597,977 | 1,226,683 |
| Loss and loss adjustment expense reserves | 2,155,848 | 3,702,149 |
| Ceding commissions | (133,926) | (1,454) |
| Funds held by company under reinsurance treaties | 4,778,642 | 3,227,953 |

The 2025 and 2024 ceded loss and loss adjustment expense, case and incurred but not reported reserves above are comprised of amounts with three and two reinsurance carriers, respectively, although the Company has contracts with other carriers. As of December 31, 2025 and 2024 the Company had no unsecured reinsurance recoverables that exceeded 3% of capital and surplus.

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.

During 2025, the Company had two commutations for the 2017 treaty year, with no financial impact.

8. Premiums Written and Earned

During the years ended December 31, 2025 and 2024, direct, assumed and ceded premiums were as follows:

| | <u>2025</u> | | <u>2024</u> | |
|--------------|----------------------|----------------------|----------------------|----------------------|
| | <u>Written</u> | <u>Earned</u> | <u>Written</u> | <u>Earned</u> |
| Direct | \$ 59,048,555 | \$ 55,832,027 | \$ 52,896,779 | \$ 51,870,867 |
| Assumed | 1,822,093 | 1,835,481 | 2,057,933 | 2,163,141 |
| Ceded | (1,410,317) | (1,410,317) | (1,300,430) | (1,300,430) |
| Net premiums | <u>\$ 59,460,331</u> | <u>\$ 56,257,191</u> | <u>\$ 53,654,282</u> | <u>\$ 52,733,578</u> |

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9. Restricted Assets

Various regulatory authorities require that securities be placed on deposit in conjunction with writing workers' compensation business. As of December 31, 2025 and 2024, the Company had fixed income securities on deposit with a carrying value of \$5,700,939 and \$5,136,520, respectively, included in bonds on the Statements of Admitted Assets, Liabilities and Capital and Surplus.

The Company is a member of the FHLB. The Company has Membership Class B stock, which is not eligible for redemption. The April 2025 and April 2024 recalculations of the Company's required membership stock necessitated additional stock purchases of \$100 and \$7,800, respectively. As of December 31, 2025, the membership stock balance is \$94,400 and the activity stock balance is \$72,100. As of December 31, 2024, the membership stock balance was \$94,300 and the activity stock balance was \$72,200. This common stock, all of which is admitted, is included on the Statements of Admitted Assets, Liabilities and Capital and Surplus. The agreement between the FHLB and the Company specifies Advances and Other Credit Products will be available subject to specified collateral arrangements. The maximum amount the Company can borrow, absent prior approval of the Company's Board of Directors, is 5% of net admitted assets from the most recent statutory financial statements which, as of December 31, 2025, is \$9,877,737.

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 or aggregate basis. Included in both cash, cash equivalents and short-term investments and deposits held for large deductible policyholders on the Statements of Admitted Assets, Liabilities and Capital and Surplus is \$874,037 and \$1,118,201 as of 2025 and 2024, respectively, see Note 16.

The following table discloses quantitative information about the Company's restricted assets by category of restricted assets as of December 31, 2025:

| Restricted Asset Category | Total Current Year | | Increase/ (Decrease) | Admitted | Gross |
|--|----------------------|----------------------|-------------------------|-------------------------------------|--------------|
| | Admitted Restricted | Total Prior Year | | Restricted to Total Admitted Assets |  | Restricted to Total Assets |
| On deposit with states | \$ 5,700,939 | \$ 5,136,520 | \$ 564,419 | 2.89% | 2.87% |
| Pledged as collateral to FHLB | 3,575,739 | 3,982,038 | (406,299) | 1.81% | 1.80% |
| FHLB capital stock | 166,500 | 166,500 | - | 0.08% | 0.08% |
| Deposits held for large deductible policyholders | 874,037 | 1,118,201 | (244,164) | 0.44% | 0.44% |
| Total restricted assets | <u>\$ 10,317,215</u> | <u>\$ 10,403,259</u> | <u>\$ (86,044)</u> | <u>5.22%</u> | <u>5.19%</u> |

10. Investments

As of December 31, 2025 and 2024, the cost and fair value of the Company's FHLB stock was \$166,500 and \$166,500, respectively.

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The carrying value and fair value of bonds as of December 31, 2025, by contractual maturity, are as follows:

| Maturity | Carrying | |
|---|-----------------------|-----------------------|
| | Value | Fair Value |
| One year or less | \$ 1,750,437 | \$ 1,744,564 |
| Over one year through five years | 24,562,406 | 24,367,348 |
| Over five years through ten years | 21,147,786 | 20,617,040 |
| Over ten years through fifteen years | 17,734,140 | 16,565,317 |
| Over fifteen years through twenty years | 15,230,518 | 13,139,404 |
| Over twenty years | 87,976,203 | 84,761,502 |
| | <u>\$ 168,401,490</u> | <u>\$ 161,195,175</u> |

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, 2025 and 2024, 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 2025 or 2024.

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, 2025 and 2024, are as follows:

| | 2025 | | | | | |
|---------------------------------|----------------------|---------------------|----------------------|-----------------------|----------------------|-----------------------|
| | Less Than 12 Months | | 12 Months or More | | Total | |
| | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses |
| Bonds | | | | | | |
| Total issuer credit obligations | \$ 8,314,291 | \$ (117,958) | \$ 45,937,873 | \$ (6,480,735) | \$ 54,252,164 | \$ (6,598,693) |
| Total asset-backed securities | 6,086,306 | (10,573) | 25,491,198 | (2,683,487) | 31,577,504 | (2,694,060) |
| | <u>\$ 14,400,597</u> | <u>\$ (128,531)</u> | <u>\$ 71,429,071</u> | <u>\$ (9,164,222)</u> | <u>\$ 85,829,668</u> | <u>\$ (9,292,753)</u> |

| | 2024 | | | | | |
|-------|---------------------|-------------------|-------------------|-------------------|----------------|-------------------|
| | Less Than 12 Months | | 12 Months or More | | Total | |
| | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses |
| Bonds | \$ 30,406,951 | \$ (620,661) | \$ 81,231,051 | \$ (12,491,185) | \$ 111,638,002 | \$ (13,111,846) |

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

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The information for the year ended December 31, 2025 and 2024, is as follows:

| | 2025 | | |
|---------------|----------------------|-----------------------|---------------------|
| | Proceeds | Gross Realized | |
| | From Sales | Gains | Losses |
| Bonds | \$ 16,965,139 | \$ 36,938 | \$ (489,939) |
| Common stocks | - | - | - |
| Total | \$ 16,965,139 | \$ 36,938 | \$ (489,939) |

| | 2024 | | |
|---------------|---------------------|-----------------------|---------------------|
| | Proceeds | Gross Realized | |
| | From Sales | Gains | Losses |
| Bonds | \$ 3,134,592 | \$ - | \$ (153,852) |
| Common stocks | - | - | - |
| Total | \$ 3,134,592 | \$ - | \$ (153,852) |

The major categories of net investment income for the years ended December 31, 2025 and 2024, are summarized as follows:

| | 2025 | 2024 |
|---|---------------------|---------------------|
| Bonds | \$ 6,537,074 | \$ 6,100,678 |
| Common stocks | 12,438 | 13,469 |
| Cash, cash equivalents and short-term investments | 114,137 | 73,502 |
| Other investment income | - | - |
| Total investment income | 6,663,649 | 6,187,649 |
| Less: Investment expenses | (227,082) | (240,673) |
| Net investment income | \$ 6,436,567 | \$ 5,946,976 |

Interest income due and accrued was \$1,221,485 and \$1,236,137 as of December 31, 2025 and 2024, respectively, and is included in investment income due and accrued on the Statements of Admitted Assets, Liabilities and Capital and Surplus. No amounts were nonadmitted.

The Company held no structured notes as of December 31, 2025 or 2024.

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.

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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 narrative. 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. The carrying amounts of cash and cash equivalents approximate fair value and are considered level 1.

Level 2 - Significant Other Observable Inputs: This category, for items measured at fair value on a recurring basis, includes bonds and FHLB common stock, which are not exchange-traded. The estimated fair values of certain securities 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 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 as of December 31, 2025 and 2024. The fair values are also categorized into the three-level fair value hierarchy as described above.

| Type of Financial Instrument | 2025 | | | | | |
|---|----------------------|----------------|--------------|---------------|---------|----------------------------------|
| | Aggregate Fair Value | Admitted Value | Level 1 | Level 2 | Level 3 | Not Practicable (Carrying Value) |
| Bonds | | | | | | |
| Issuer credit obligation | \$ 82,406,554 | \$ 87,809,227 | \$ - | \$ 82,406,554 | \$ - | \$ - |
| Asset-backed securities | 78,788,621 | 80,592,263 | - | 78,788,621 | - | - |
| Common stocks | 166,500 | 166,500 | - | 166,500 | - | - |
| Cash, cash equivalents & short-term investments | 3,749,796 | 3,749,796 | 3,749,796 | - | - | - |
| Total assets | \$ 165,111,471 | \$ 172,317,786 | \$ 3,749,796 | \$161,361,675 | \$ - | \$ - |

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| Type of Financial Instrument | 2024 | | | | | Not Practicable (Carrying Value) |
|-----------------------------------|-------------------------|-----------------------|---------------------|----------------------|-------------------|---|
| | Aggregate Fair Value | Admitted Value | Level 1 | Level 2 | Level 3 | |
| Bonds | | | | | | |
| U.S. government & government | | | | | | |
| agencies & authorities | \$ 4,323,938 | \$ 4,446,297 | \$ - | \$ 4,323,938 | \$ - | \$ - |
| States, territories & possessions | 2,237,335 | 2,438,140 | - | 2,234,335 | - | - |
| Political subdivisions of states | 7,489,884 | 8,444,010 | - | 7,489,884 | - | - |
| U.S special revenue & | | | | | | |
| assessment obligations | 30,115,116 | 34,018,153 | - | 30,115,116 | - | - |
| Industrial & miscellaneous | 43,280,251 | 46,207,482 | - | 43,280,251 | - | - |
| Asset-backed securities | 61,723,768 | 65,964,964 | - | 61,473,768 | 250,000 | - |
| Common stocks | 166,500 | 166,500 | - | 166,500 | - | - |
| Cash, cash equivalents & | | | | | | |
| short-term investments | 2,927,230 | 2,927,230 | 2,927,230 | - | - | - |
| Total assets | <u>\$ 152,264,022</u> | <u>\$ 164,612,776</u> | <u>\$ 2,927,230</u> | <u>\$149,083,792</u> | <u>\$ 250,000</u> | <u>\$ -</u> |

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 2025 or 2024 requiring accrual or disclosure.

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

As of December 31, 2025 and 2024, the Company has recorded an expense of \$387,988 and \$1,060,506, respectively, for guaranty funds and other assessments. As of December 31, 2025 and 2024, the Company had accrued a net liability of \$539,049 and \$811,011, respectively, which is included in premium taxes and assessments payable on the Statements of Admitted Assets, Liabilities and Capital and Surplus. This amount represents management's best estimate of its liability for guaranty fund and other rating and various state insurance related assessments based on information received from the state in which the Company writes business and may change due to many factors, including the Company's share of the ultimate cost of current insolvencies or market share. There is no related premium tax benefit asset recorded from guaranty funds on the Statements of Admitted Assets, Liabilities and Capital and Surplus or Statements of Income.

13. Employee Benefit Plans

The Company's parent, MEMIC, has adopted a qualified defined contribution discretionary, 401(k) and profit-sharing plan covering substantially all full-time employees who meet the plans' eligibility requirements. MEMIC has also

MEMIC Casualty Company
Notes to Financial Statements
(Statutory Basis)
December 31, 2025 and 2024

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 2025 or 2024.

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

14. Related Party Transactions

MEMIC charges management fees and other services to the Company in the normal course of business and in accordance with the terms of certain cost sharing agreements. For the years ended December 2025 and 2024, \$11,125,281 and \$10,454,842, respectively, in administrative and management services, underwriting, claims, managed care and investment management fees were charged from MEMIC to the Company. Certain other direct costs are paid by MEMIC, charged back to the Company and settled within the terms of the cost-sharing agreements.

15. Asset-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 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 asset-backed securities that have a recognized OTTI where the Company either has the intent to sell or does not have the ability or intent to retain the investment for a period of time to recover any unadjusted amortized cost basis. Credit related declines in the fair value of asset-backed or structured securities would be reflected as a realized loss in the Statements of Income.

See Note 10 for fair value and unrealized loss position of asset-backed securities.

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

16. High Deductible Policies

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

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

In most cases, the Company requires high deductible policyholders to provide an evergreen, irrevocable, clean letter of credit to secure obligations up to the deductible limits. In other cases, the Company will accept a cash deposit in lieu of a letter of credit which remains in the custody of the Company and is included in cash, cash equivalents and

MEMIC Casualty Company
Notes to Financial Statements
(Statutory Basis)
December 31, 2025 and 2024

short-term investments and deposits held for large deductible policyholders on the Statements of Admitted Assets, Liabilities and Capital and Surplus. These letters of credit and cash in lieu of letter of credit requirements are reviewed periodically, as necessary, or annually in conjunction with the policy renewal to determine appropriate increases or decreases.

Premiums receivable includes amounts billed to policyholders under high deductible policies. Deductible amounts billed to policyholders reduce paid losses and loss adjustment expenses recognized by the Company. Management believes all high deductible amounts outstanding are recoverable based on the policyholders' payment practices and collateral held in the form of cash or irrevocable letters of credit. As of December 31, 2025 and 2024, the Company recorded a net admitted deductible recovery accrual of \$59,833 and \$177,402, respectively, for amounts billed in January 2026 and 2025, respectively, under secured high deductible policies included in premium balances receivable in the Statements of Admitted Assets, Liabilities and Capital and Surplus.

The Company recorded a reserve credit for high deductible reserves outstanding of \$530,195 and \$997,642 as of December 31, 2025 and 2024, respectively. These 2025 and 2024 reserve credits are a reduction to outstanding loss and loss adjustment expenses on the Statements of Income and a reduction in case loss and case loss adjustment expense reserves on the Statements of Admitted Assets, Liabilities and Capital and Surplus. There are no high deductible recoverable amounts overdue or nonadmitted as of December 31, 2025 and 2024.

Counter Party Exposure Recorded on Unpaid Claims and Billed Recoverables on Paid Claims as of December 31, 2025:

| 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 | \$ 2,091,259 | \$ 530,195 | \$ 59,833 | \$ 590,028 |

Unsecured amounts on high deductible policies:

| | |
|--|------------|
| Total high deductibles and billed recoverables on paid claims | \$ 590,028 |
| Collateral on balance sheet | 874,038 |
| Collateral off balance sheet | 750,000 |
| Total unsecured deductibles and billed recoverables on paid claims | - |
| Percentage unsecured | 0.00% |

High deductible recoverable amounts on paid claims

| | |
|---|------|
| 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 reserves as of December 31, 2025. These unsecured reserves were not included in the reserve credit for high deductibles above, therefore there is no nonadmitted component or percentage noted as unsecured. Collateral on and off balance sheet, in the aggregate, remains in excess of the established reserve credit and billed recoverables on paid claims. There are no unsecured

MEMIC Casualty Company
Notes to Financial Statements
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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 24, 2026, for these statutory financial statements which are available to be issued on March 24, 2026. On January 7, 2026, the Company's parent, MEMIC, executed a Stock Purchase Agreement to acquire 100% equity interest in Risk Administration Services, LLC ("RAS"), who owns 51% of First Dakota Indemnity Company ("First Dakota") and serves as the attorney-in-fact for Dakota Truck Underwriters ("Dakota Truck"). Effective January 1, 2026, the Company will participate in a pooling arrangement with MEMIC Indemnity Company, First Dakota, and Dakota Truck. In addition, the Company will also participate in a quota-share reinsurance arrangement whereby the Company will provide quota-share reinsurance to First Dakota and Dakota Truck.

ANNUAL STATEMENT FOR THE YEAR 2025 OF THE MEMIC Casualty Company

SUMMARY INVESTMENT SCHEDULE

| Investment Categories | Gross Investment Holdings | | Admitted Assets as Reported in the Annual Statement | | | |
|--|---------------------------|-------------------------------------|---|--|-----------------------------------|-------------------------------------|
| | 1 Amount | 2 Percentage of Column 1 Line 14 | 3 Amount | 4 Securities Lending Reinvested Collateral Amount | 5 Total (Col. 3 + 4) Amount | 6 Percentage of Column 5 Line 14 |
| 1. Issuer credit obligations (Schedule D, Part 1, Section 1): | | | | | | |
| 1.01 U.S. government obligations..... | 4,487,218 | 2.604 | 4,487,217 | 0 | 4,487,217 | 2.604 |
| 1.02 Other U.S. government obligations | | 0.000 | 0 | 0 | 0 | 0.000 |
| 1.03 Non-U.S. sovereign jurisdiction securities..... | | 0.000 | 0 | 0 | 0 | 0.000 |
| 1.04 Municipal bonds – general obligations (direct & guaranteed) | 10,638,824 | 6.174 | 10,638,823 | 0 | 10,638,823 | 6.174 |
| 1.05 Municipal bonds – special revenue..... | 34,329,735 | 19.922 | 34,329,735 | 0 | 34,329,735 | 19.922 |
| 1.06 Project finance bonds issued by operating entities | 0 | 0.000 | 0 | 0 | 0 | 0.000 |
| 1.07 Corporate bonds | 36,892,365 | 21.409 | 36,892,364 | 0 | 36,892,364 | 21.409 |
| 1.08 Mandatory convertible bonds | 0 | 0.000 | 0 | 0 | 0 | 0.000 |
| 1.09 Single entity backed obligations | 0 | 0.000 | 0 | 0 | 0 | 0.000 |
| 1.10 SVO-Identified bond exchange traded funds – fair value | | 0.000 | 0 | 0 | 0 | 0.000 |
| 1.11 SVO-Identified bond exchange traded funds – systematic value | | 0.000 | 0 | 0 | 0 | 0.000 |
| 1.12 Bonds issued by funds representing operating entities..... | 1,461,088 | 0.848 | 1,461,088 | 0 | 1,461,088 | 0.848 |
| 1.13 Bank loans - issued..... | 0 | 0.000 | 0 | 0 | 0 | 0.000 |
| 1.14 Bank loans - acquired..... | 0 | 0.000 | 0 | 0 | 0 | 0.000 |
| 1.15 Mortgages loans that qualify as SVO-Identified credit tenant loans..... | 0 | 0.000 | 0 | 0 | 0 | 0.000 |
| 1.16 Certificates of deposit..... | 0 | 0.000 | 0 | 0 | 0 | 0.000 |
| 1.17 Other issuer credit obligations..... | 0 | 0.000 | 0 | 0 | 0 | 0.000 |
| 1.18 Total issuer credit obligations..... | 87,809,230 | 50.958 | 87,809,227 | 0 | 87,809,227 | 50.958 |
| 2. Asset-backed securities (Schedule D, Part 1, Section 2): | | | | | | |
| 2.01 Financial asset-backed securities – self-liquidating | 80,342,298 | 46.624 | 80,342,300 | 0 | 80,342,300 | 46.624 |
| 2.02 Financial asset-backed securities – not self-liquidating | | 0.000 | 0 | 0 | 0 | 0.000 |
| 2.03 Non-financial asset-backed securities | 249,962 | 0.145 | 249,963 | 0 | 249,963 | 0.145 |
| 2.04 Total asset-backed securities..... | 80,592,260 | 46.770 | 80,592,263 | 0 | 80,592,263 | 46.770 |
| 3. Preferred stocks (Schedule D, Part 2, Section 1): | | | | | | |
| 3.01 Industrial and miscellaneous (unaffiliated)..... | | 0.000 | 0 | 0 | 0 | 0.000 |
| 3.02 Parent, subsidiaries and affiliates..... | | 0.000 | 0 | 0 | 0 | 0.000 |
| 3.03 Total preferred stocks..... | 0 | 0.000 | 0 | 0 | 0 | 0.000 |
| 4. Common stocks (Schedule D, Part 2, Section 2): | | | | | | |
| 4.01 Industrial and miscellaneous - publicly traded (unaffiliated) | | 0.000 | 0 | 0 | 0 | 0.000 |
| 4.02 Industrial and miscellaneous - other (unaffiliated) | 166,500 | 0.097 | 166,500 | 0 | 166,500 | 0.097 |
| 4.03 Parent, subsidiaries and affiliates - publicly traded | | 0.000 | 0 | 0 | 0 | 0.000 |
| 4.04 Parent, subsidiaries and affiliates - other | | 0.000 | 0 | 0 | 0 | 0.000 |
| 4.05 Mutual funds | | 0.000 | 0 | 0 | 0 | 0.000 |
| 4.06 Unit investment trusts | | 0.000 | 0 | 0 | 0 | 0.000 |
| 4.07 Closed-end funds | | 0.000 | 0 | 0 | 0 | 0.000 |
| 4.08 Exchange traded funds | | 0.000 | 0 | 0 | 0 | 0.000 |
| 4.09 Total common stocks | 166,500 | 0.097 | 166,500 | 0 | 166,500 | 0.097 |
| 5. Mortgage loans (Schedule B): | | | | | | |
| 5.01 Farm mortgages | 0 | 0.000 | 0 | 0 | 0 | 0.000 |
| 5.02 Residential mortgages | 0 | 0.000 | 0 | 0 | 0 | 0.000 |
| 5.03 Commercial mortgages | 0 | 0.000 | 0 | 0 | 0 | 0.000 |
| 5.04 Mezzanine real estate loans | 0 | 0.000 | 0 | 0 | 0 | 0.000 |
| 5.05 Total valuation allowance | | 0.000 | 0 | 0 | 0 | 0.000 |
| 5.06 Total mortgage loans | 0 | 0.000 | 0 | 0 | 0 | 0.000 |
| 6. Real estate (Schedule A): | | | | | | |
| 6.01 Properties occupied by company | | 0.000 | 0 | 0 | 0 | 0.000 |
| 6.02 Properties held for production of income | | 0.000 | 0 | 0 | 0 | 0.000 |
| 6.03 Properties held for sale | | 0.000 | 0 | 0 | 0 | 0.000 |
| 6.04 Total real estate | 0 | 0.000 | 0 | 0 | 0 | 0.000 |
| 7. Cash, cash equivalents and short-term investments: | | | | | | |
| 7.01 Cash (Schedule E, Part 1) | 2,205,211 | 1.280 | 2,205,211 | 0 | 2,205,211 | 1.280 |
| 7.02 Cash equivalents (Schedule E, Part 2) | 1,544,585 | 0.896 | 1,544,585 | 0 | 1,544,585 | 0.896 |
| 7.03 Short-term investments (Schedule DA) | | 0.000 | 0 | 0 | 0 | 0.000 |
| 7.04 Total cash, cash equivalents and short-term investments | 3,749,796 | 2.176 | 3,749,796 | 0 | 3,749,796 | 2.176 |
| 8. Contract loans | 0 | 0.000 | 0 | 0 | 0 | 0.000 |
| 9. Derivatives (Schedule DB) | 0 | 0.000 | 0 | 0 | 0 | 0.000 |
| 10. Other invested assets (Schedule BA) | 0 | 0.000 | 0 | 0 | 0 | 0.000 |
| 11. Receivables for securities | 0 | 0.000 | 0 | 0 | 0 | 0.000 |
| 12. Securities Lending (Schedule DL, Part 1)..... | 0 | 0.000 | 0 | XXX | XXX | XXX |
| 13. Other invested assets (Page 2, Line 11) | 0 | 0.000 | 0 | 0 | 0 | 0.000 |
| 14. Total invested assets | 172,317,786 | 100.000 | 172,317,786 | 0 | 172,317,786 | 100.000 |



SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES

For The Year Ended December 31, 2025
(To Be Filed by April 1)

Of The MEMIC Casualty Company.....
 ADDRESS (City, State and Zip Code) Portland , ME 04101
 NAIC Group Code 1332 NAIC Company Code 14164 Federal Employer's Identification Number (FEIN) 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.\$197,554,734

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

| | 1 | 2 | 3 | 4 |
|------|--------------------------------|-------------------------|---------------|-------------------------------------|
| | Issuer | Description of Exposure | Amount | Percentage of Total Admitted Assets |
| 2.01 | FEDERAL NATIONAL MTGE ASSOC | US POOL | \$ 22,765,428 | 11.5 % |
| 2.02 | FEDERAL HOME LOAN MTGE CORP | US POOL | \$ 12,605,669 | 6.4 % |
| 2.03 | KEY BANK | BANK ACCOUNT | \$ 1,544,585 | 0.8 % |
| 2.04 | BAYVIEW | Asset Backed Securities | \$ 1,509,934 | 0.8 % |
| 2.05 | THE COMMONWEALTH OF MASS | BOND | \$ 1,502,539 | 0.8 % |
| 2.06 | THE TORONTO DOMINION BANK | BOND | \$ 1,500,588 | 0.8 % |
| 2.07 | ANGEL OAK MORTGAGE TRUST | Asset Backed Securities | \$ 1,298,853 | 0.7 % |
| 2.08 | OCEANVIEW MORTGAGE TRUST | Asset Backed Securities | \$ 1,278,901 | 0.6 % |
| 2.09 | RADIAN MORTGAGE CAP TRUST | Asset Backed Securities | \$ 1,212,902 | 0.6 % |
| 2.10 | BAYVIEW MSR OPPORTUNITY MASTER | Asset Backed Securities | \$ 1,148,621 | 0.6 % |

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

| | Bonds | 1 | 2 | Preferred Stocks | 3 | 4 |
|------|--------|----------------|--------|------------------|--------|----------------|
| 3.01 | NAIC 1 | \$ 157,909,608 | 79.9 % | 3.07 | NAIC 1 | \$ 0.0 % |
| 3.02 | NAIC 2 | \$ 10,491,886 | 5.3 % | 3.08 | NAIC 2 | \$ 0.0 % |
| 3.03 | NAIC 3 | \$ 0 | 0.0 % | 3.09 | NAIC 3 | \$ 0.0 % |
| 3.04 | NAIC 4 | \$ 0 | 0.0 % | 3.10 | NAIC 4 | \$ 0.0 % |
| 3.05 | NAIC 5 | \$ 0 | 0.0 % | 3.11 | NAIC 5 | \$ 0.0 % |
| 3.06 | NAIC 6 | \$ 0 | 0.0 % | 3.12 | NAIC 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..... | \$5,955,823 3.0 % |
| 4.03 | Foreign-currency-denominated investments | \$ 0.0 % |
| 4.04 | Insurance liabilities denominated in that same foreign currency | \$ 0.0 % |

SUPPLEMENT FOR THE YEAR 2025 OF THE MEMIC Casualty Company

| | | | | |
|---|---|------------------|--------------|----------|
| 5. Aggregate foreign investment exposure categorized by NAIC sovereign designation: | | | | |
| | | <u>1</u> | <u>2</u> | |
| 5.01 | Countries designated NAIC-1 | \$ 5,955,823 | 3.0 % | |
| 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: | | | | |
| | | <u>1</u> | <u>2</u> | |
| Countries designated NAIC - 1: | | | | |
| 6.01 | Country 1: Cayman Islands | \$ 3,474,104 | 1.8 % | |
| 6.02 | Country 2: United Kingdom of Great Britain and Northern Ireland | \$ 742,913 | 0.4 % | |
| Countries designated NAIC - 2: | | | | |
| 6.03 | Country 1: | \$ | 0.0 % | |
| 6.04 | Country 2: | \$ | 0.0 % | |
| Countries designated NAIC - 3 or below: | | | | |
| 6.05 | Country 1: | \$ | 0.0 % | |
| 6.06 | Country 2: | \$ | 0.0 % | |
| 7. Aggregate unhedged foreign currency exposure | | | | |
| | | <u>1</u> | <u>2</u> | |
| 7. | Aggregate unhedged foreign currency exposure | \$ | 0.0 % | |
| 8. Aggregate unhedged foreign currency exposure categorized by NAIC sovereign designation: | | | | |
| | | <u>1</u> | <u>2</u> | |
| 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: | | | | |
| | | <u>1</u> | <u>2</u> | |
| 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: | | | | |
| | <u>1</u> | <u>2</u> | <u>3</u> | <u>4</u> |
| | Issuer | NAIC Designation | | |
| 10.01 | LAKESIDE PARK CLO LTD | 1.C FE | \$ 1,000,000 | 0.5 % |
| 10.02 | Madison Park Funding LXXI Ltd | 1.A FE | \$ 750,000 | 0.4 % |
| 10.03 | Hsbc Holdings Plc | 1.G FE | \$ 742,913 | 0.4 % |
| 10.04 | Mf1 2022-F18 Ltd | 1.A FE | \$ 649,314 | 0.3 % |
| 10.05 | Takeda Pharmaceutical Company | 2.A FE | \$ 499,556 | 0.3 % |
| 10.06 | Bnp Paribas Sa | 1.E FE | \$ 496,068 | 0.3 % |
| 10.07 | Ares Lxvii Clo Ltd. | 1.A FE | \$ 250,000 | 0.1 % |
| 10.08 | Bain Capital Credit Clo 2025-1 | 1.C FE | \$ 250,000 | 0.1 % |
| 10.09 | Benefit Street Partners Clo Xx | 1.C FE | \$ 250,000 | 0.1 % |
| 10.10 | Goldentree Loan Management US | 1.A FE | \$ 250,000 | 0.1 % |

SUPPLEMENT FOR THE YEAR 2025 OF THE MEMIC Casualty Company

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.

| | 1 | 2 | |
|--|----------|-------|-------|
| 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 interests 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 | 2 | 3 | |
|-------------|----------|-------|-------|-------|
| | Issuer | | | |
| 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 % |

SUPPLEMENT FOR THE YEAR 2025 OF THE MEMIC Casualty Company

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 14.02 through 14.05.

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

Ten largest fund managers:

| | 1 | 2 | 3 | 4 |
|-------------|--------------|----------------|-------------|----------------|
| | Fund Manager | Total Invested | Diversified | Nondiversified |
| 14.06 | | \$0 | \$ | \$ |
| 14.07 | | \$0 | \$ | \$ |
| 14.08 | | \$0 | \$ | \$ |
| 14.09 | | \$0 | \$ | \$ |
| 14.10 | | \$0 | \$ | \$ |
| 14.11 | | \$0 | \$ | \$ |
| 14.12 | | \$0 | \$ | \$ |
| 14.13 | | \$0 | \$ | \$ |
| 14.14 | | \$0 | \$ | \$ |
| 14.15 | | \$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 % |

SUPPLEMENT FOR THE YEAR 2025 OF THE MEMIC Casualty Company

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 | 2 | 3 |
|-------|--|----------|-------|
| | Type (Residential, Commercial, Agricultural) | | |
| 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 | 1 | 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 total 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 % |
| 19.03 | Largest three investments held in mezzanine real estate loans: | | |
| 19.03 | | \$ | 0.0 % |
| 19.04 | | \$ | 0.0 % |
| 19.05 | | \$ | 0.0 % |

SUPPLEMENT FOR THE YEAR 2025 OF THE MEMIC Casualty Company

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

| | At Year End | | 1st Quarter 3 | At End of Each Quarter | |
|---|-------------|-------|------------------|------------------------|------------------|
| | 1 | 2 | | 2nd Quarter 4 | 3rd Quarter 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 | | 3 | Written | |
|-------------------------------|----------|-------|----------|---------|----------|
| | 1 | 2 | | 4 | 5 |
| 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 | | 1st Quarter 3 | At End of Each Quarter | |
|-------------------------------|-------------|-------|------------------|------------------------|------------------|
| | 1 | 2 | | 2nd Quarter 4 | 3rd Quarter 5 |
| 22.01 Hedging | \$ 0 | 0.0 % | \$ 0 | \$ 0 | \$ |
| 22.02 Income generation | \$ 0 | 0.0 % | \$ 0 | \$ 0 | \$ |
| 22.03 Replications | \$ 0 | 0.0 % | \$ 0 | \$ 0 | \$ |
| 22.04 Other | \$ 0 | 0.0 % | \$ 0 | \$ 0 | \$ |

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

| | At Year End | | 1st Quarter 3 | At End of Each Quarter | |
|-------------------------------|-------------|-------|------------------|------------------------|------------------|
| | 1 | 2 | | 2nd Quarter 4 | 3rd Quarter 5 |
| 23.01 Hedging | \$ 0 | 0.0 % | \$ 0 | \$ 0 | \$ |
| 23.02 Income generation | \$ | 0.0 % | \$ | \$ | \$ |
| 23.03 Replications | \$ | 0.0 % | \$ | \$ | \$ |
| 23.04 Other | \$ | 0.0 % | \$ | \$ | \$ |