OlsenThielen & Co., Ltd.
CPAS AND ADVISORS

Minnesota Workers' Compensation Assigned Risk Plan

Financial Statements Together with Independent Auditors' Report

December 31, 2022

MINNESOTA WORKERS' COMPENSATION ASSIGNED RISK PLAN

CONTENTS

INDEPENDENT AUDITORS' REPORT

Plan Administrator and the Commerce Department
of the State of Minnesota
Minnesota Workers' Compensation Assigned Risk Plan
St. Paul, Minnesota

Opinion

We have audited the accompanying financial statements of Minnesota Workers' Compensation Assigned Risk Plan (the Plan), which comprise the balance sheet as of December 31, 2022 and 2021, and the related statements of income and comprehensive income (loss), change in policyholders' surplus, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Plan as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Plan 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 opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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 Plan's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 generally accepted auditing standards, 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 Plan'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 Plan'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.

Olsen Thielen + Co, Ltd.

Roseville, Minnesota
August 11, 2023

MINNESOTA WORKERS' COMPENSATION ASSIGNED RISK PLAN

BALANCE SHEET
DECEMBER 31, 2022 AND 2021

ASSETS

	2022	2021
INVESTMENTS:		
Fixed Maturities - at Fair Value	**$ 201,899,665**	$ 220,422,131
Equity Securities - at Fair Value	**49,097,497**	57,491,933
Short-Term Investments	**5,952,593**	7,128,574
Total Investments	**256,949,755**	285,042,638
Cash	**4,180,334**	1,474,709
Accrued Interest and Dividends	**930,523**	542,312
Premiums Receivable, Net	**13,466,584**	11,567,548
Reinsurance Recoverable on Unpaid Losses	**340,533,000**	356,914,000
Reinsurance Recoverable on Paid Losses	**14,641,029**	12,256,129
Deferred Service Carrier Fees	**2,015,474**	2,036,186
Deferred Policy Acquisition Costs	**862,760**	560,356
Due From Broker for Security Sales	**73,976**	65,895
Other Assets	**104,982**	295,258
TOTAL ASSETS	**$ 633,758,417**	$ 670,755,031

LIABILITIES AND POLICYHOLDERS' SURPLUS

	2022	2021
LIABILITIES:		
Reserve for Losses	**$ 528,070,000**	$ 541,763,000
Reserve for Loss Adjustment Expenses	**45,765,000**	40,941,000
Unearned Premiums	**14,248,602**	14,499,784
Due to Broker for Pending Purchases	**–**	28,406
Special Compensation Fund Assessment Payable	**2,575,813**	2,620,681
Servicing Carrier Administration Fee Payable	**3,735,057**	3,689,176
Other Liabilities	**516,011**	474,118
Total Liabilities	**594,910,483**	604,016,165
POLICYHOLDERS' SURPLUS:		
Restricted - Terrorism Coverage	**4,908,027**	4,833,617
Appropriated for State of Minnesota	**–**	16,738,866
Unassigned	**50,881,869**	44,449,976
Accumulated Other Comprehensive Income (Loss)	**(16,941,962)**	716,407
Total Policyholders' Surplus	**38,847,934**	66,738,866
TOTAL LIABILITIES AND POLICYHOLDERS' SURPLUS	**$ 633,758,417**	$ 670,755,031

The accompanying notes are an integral part of the financial statements.

MINNESOTA WORKERS' COMPENSATION ASSIGNED RISK PLAN

STATEMENT OF INCOME AND COMPREHENSIVE INCOME (LOSS)
YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
REVENUES:		
Net Earned Premiums	**$ 36,064,444**	$ 34,630,973
Net Investment Income	**3,831,321**	3,369,287
Unrealized Gain (Loss) on Equity Security Investments	**(13,981,381)**	5,820,601
Net Realized Capital Gains	**2,101,498**	10,530,785
WCRA Surplus Distribution	**19,959,115**	–
Total Revenues	**47,974,997**	54,351,646
LOSSES AND EXPENSES INCURRED:		
Losses and Loss Adjustment Expenses	**30,044,016**	18,870,974
Servicing Carrier Fees	**4,945,577**	4,469,437
Special Compensation Fund Assessments	**504,681**	505,513
Other Underwriting Expenses	**5,974,420**	6,115,315
Total Losses and Expenses Incurred	**41,468,694**	29,961,239
NET INCOME	**6,506,303**	24,390,407
OTHER COMPREHENSIVE LOSS:		
Unrealized Losses on Fixed Maturity Investments	**(17,658,369)**	(7,651,541)
Other Comprehensive Loss	**(17,658,369)**	(7,651,541)
COMPREHENSIVE INCOME (LOSS)	**$ (11,152,066)**	$ 16,738,866

The accompanying notes are an integral part of the financial statements.

MINNESOTA WORKERS' COMPENSATION ASSIGNED RISK PLAN

STATEMENT OF CHANGES IN POLICYHOLDERS' SURPLUS
YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
RESTRICTED - TERRORISM COVERAGE:		
Beginning of Year	$ 4,833,617	$ 4,748,813
Transfer From Unassigned Surplus	74,410	84,804
End of Year	4,908,027	4,833,617
APPROPRIATED FOR STATE OF MINNESOTA:		
Beginning of Year	16,738,866	29,033,378
Transfer From Unassigned Surplus	–	16,738,866
Distributions to the State of Minnesota	(16,738,866)	(29,033,378)
End of Year	–	16,738,866
UNASSIGNED:		
Beginning of Year	44,449,976	36,883,239
Net Income	6,506,303	24,390,407
Transfer to Restricted - Terrorism Coverage	(74,410)	(84,804)
Transfer to Appropriated for State of Minnesota	–	(16,738,866)
End of Year	50,881,869	44,449,976
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS):		
Beginning of Year	716,407	8,367,948
Unrealized Losses on Fixed Maturity Investments	(17,658,369)	(7,651,541)
End of Year	(16,941,962)	716,407
TOTAL POLICYHOLDERS' SURPLUS	$ 38,847,934	$ 66,738,866

The accompanying notes are an integral part of the financial statements.

MINNESOTA WORKERS' COMPENSATION ASSIGNED RISK PLAN

STATEMENT OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Premiums Collected, Net of Reinsurance	**$ 33,914,226**	$ 32,652,141
Investment Income Received	**3,439,646**	3,635,332
Loss and Loss Adjustment Expenses Paid, Net of Recoveries	**(24,916,916)**	(26,248,440)
Special Compensation Fund Assessments Paid	**(549,549)**	(6,652)
Underwriting and Other Expenses Paid	**(10,923,639)**	(10,112,599)
WCRA Surplus Distribution	**19,959,115**	–
Net Cash Flows From Operating Activities	**20,922,883**	(80,218)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of Fixed Maturities	**(55,843,430)**	(77,575,643)
Purchases of Equity Securities	**(11,432,535)**	(891,299)
Proceeds From Sales of Fixed Maturities	**49,807,309**	83,086,486
Proceeds From Sales of Equity Securities	**9,738,866**	20,033,378
Due to/Due From Broker for Security Purchases and Sales	**(36,487)**	23,977
Paydowns of Fixed Maturities	**5,111,904**	1,494,236
Net Change in Short-Term Investments	**1,175,981**	140,384
Distributions to the State of Minnesota	**(16,738,866)**	(29,033,378)
Net Cash Flows From Investing Activities	**(18,217,258)**	(2,721,859)
NET CHANGE IN CASH	**2,705,625**	(2,802,077)
CASH at Beginning of Year	**1,474,709**	4,276,786
CASH at End of Year	**$ 4,180,334**	$ 1,474,709

The accompanying notes are an integral part of the financial statements.

NOTE 1 - DESCRIPTION OF PLAN

The Minnesota Workers' Compensation Assigned Risk Plan (the Plan) is the source of workers' compensation and employers' liability coverage for Minnesota employers who have been unable to obtain an insurance policy through the voluntary market. Coverage provided through the Plan is substantially the same as coverage available from licensed workers' compensation insurance companies.

The Plan was established in 1982 and contracts with servicing contractors who review applications, issue policies, collect premiums, pay claims, and perform other administrative duties for the Plan per contractual requirements. To the extent that the assets of the Plan are inadequate to meet its obligations, the Commissioner of the Minnesota Department of Commerce shall assess all licensed workers' compensation insurance companies doing business in the state of Minnesota an amount sufficient to fully fund the obligations of the Plan. The assessment of each insurer shall be in a proportion equal to the proportion that the amount of workers' compensation insurance written by that insurer in Minnesota during the calendar year preceding the assessment bears to the total workers' compensation insurance written in Minnesota during the same calendar year by all licensed insurers. No assessments were made in either 2022 or 2021. The servicing contractors bear no share of the Plan's liabilities.

Since inception, the Plan has contracted with eight servicing contractors to administer the program. These contractors are as follows:

- Berkley Risk Administrators Company, LLC (BRAC);
- RTW, Inc. (RTW);
- SFM Risk Solutions, Inc. (SFM);
- Old Republic Residual Market Services (OR);
- Employers Insurance of Wausau, a Mutual Company (EIW);
- Occupational Healthcare Management Services (OHMS);
- Deferred Compensation Administrators, Inc. (DCA); and
- St. Paul Risk Services, Inc. (SPRS)

Policies are allocated to servicing carriers according to each carrier's contractual percentage participation in the program. The percentage participations have varied over time, as outlined in the following chart:

	Percentage Participation							
Policy Inception Period	BRAC	RTW	SFM	OR	EIW	OHMS	DCA	SPRS
Inception - 6/30/83	7.0%	–%	–%	–%	30.0%	–%	3.0%	60.0%
7/1/83 - 12/31/86	18.0	–	–	–	67.0	–	15.0	–
1/1/87 - 3/31/89	50.0	–	–	–	33.0	–	17.0	–
4/1/89 - 3/31/92	65.0	–	–	–	35.0	–	–	–
4/1/92 - 3/31/94	50.0	–	–	–	50.0	–	–	–
4/1/94 - 3/31/97	50.0	–	–	–	25.0	25.0	–	–
4/1/97 - 6/30/00	50.0	–	–	–	50.0	–	–	–
7/1/00 - 6/30/04	100.0	–	–	–	–	–	–	–
7/1/04 - 12/31/09	75.0	25.0	–	–	–	–	–	–
1/1/10 - 12/31/16	33.3	33.3	33.3	–	–	–	–	–
1/1/17 - 6/30/18	–	40.0	60.0	–	–	–	–	–
7/1/18 - 12/31/19	–	–	100.0	–	–	–	–	–
1/1/20 - 12/31/22	–	–	75.0	25.0	–	–	–	–

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Plan's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP).

Risks and Uncertainties

Certain risks and uncertainties are inherent in the Plan's day-to-day operations and in the process of preparing its financial statements. The more significant of those risks and uncertainties, as well as the Plan's methods for mitigating, quantifying, and minimizing such risks, are presented below and throughout the notes to the financial statements.

Financial Statements Risk

The preparation of financial statements requires the Plan administrator to make estimates and assumptions that affect the reported financial statement balances, as well as the disclosure of contingent assets and liabilities. The most significant of these amounts is the liability for loss and loss adjustment expense (LAE) reserves. While the Plan administrator believes the reserve for losses and LAE makes a reasonable provision to cover the ultimate liability, it is reasonably possible that the actual ultimate loss and LAE costs may vary from amounts provided, and the variance could be material to the financial statements.

Investments Risk

The Plan is exposed to risks that issuers of securities owned by the Plan will default or that interest rates will change and cause a decrease in the value of its investments. The Plan mitigates these risks by investing in high-grade securities and by matching the maturities of its investments with the anticipated payouts of its liabilities.

Premiums Receivable Risk

Premiums receivable represent amounts to be received for policies issued. Premiums are calculated based upon information provided by the insured. Audits are performed on the information provided after the policy expiration date. These audits may result in an additional premium billing or a premium refund. Any difference between the initial premium and the audit premium is reflected in current operations when the audit premium is billed, or premium refund is recorded. The Plan provides for probable uncollectible accounts through charges to earnings and credits to a valuation allowance based on prior experience and assessment of the current status of individual accounts. Balances that are still outstanding after the Plan has used reasonable collection efforts are written-off through charges to the valuation allowance and credits to receivable accounts. The Plan's allowance for uncollectible accounts at December 31, 2022 and 2021 amounted to $8,159,426 and $7,211,705, respectively.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

The Plan follows current generally accepted accounting standards relating to accounting for investment securities. These standards require equity investments (except those accounted for under the equity method of accounting, or those that result in the consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income. Investments in debt securities are classified as held-to-maturity if the Plan has the positive intent and ability to hold the securities to maturity and reports them in the financial statements at amortized cost. All other debt securities are classified as available-for-sale and reported at fair value with unrealized gains and losses reported in other comprehensive income. All equity securities held by the Plan that have readily determinable fair values are reported at fair value. The accounting standards allow companies to make an election for those investments in equity securities where there is not a readily determinable fair value (measurement alternative election). Under this election, equity securities without readily determinable fair values are reported at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the same or similar instruments of the same issuer.

Realized gains and losses on the sale of investments are determined using the average cost method. Both realized and unrealized gains and losses on equity securities are reported in net income. For debt securities declines in fair value that are other than temporary are included in net income.

For all investment securities, fair value is determined by reference to quoted prices in active markets.

Interest income includes amortization of purchase premium or discounts for those debt securities which are held to maturity. Premiums and discounts on these debt securities are amortized on the level yield method without anticipating prepayments.

Deferred Costs and Fees

Policy acquisition costs, such as commissions and premium taxes which vary with and are primarily related to the production of business, are deferred and amortized over the effective period of the related insurance policies. If deferred policy acquisition costs were to exceed the sum of unearned premiums and related anticipated investment income less related losses and loss adjustment expenses, the excess costs would be expensed immediately.

Service carrier fees, which are primarily related to the production and maintenance of business, are deferred and amortized over the effective period of the related insurance policies.

Unearned Premiums

Premiums are earned ratably over the terms of the policies. Unearned premiums are calculated on the daily pro-rata method and represent the unexpired portion of premiums written.

Losses and LAE

The reserves for losses and LAE represent an estimate of the ultimate net cost of all claims that have occurred and are unpaid. The reserves are based on loss factors determined by independent consulting actuaries, using statistical analyses and projections and the historical loss experience of the Plan, and give effect to estimates of trends in claim severity and frequency. As claim settlements occur that differ from reserves estimates, these differences are included in current operations.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Losses and LAE (Continued)

For policies with inception dates prior to April 1, 1992, the servicing contractors were responsible for all allocated and unallocated LAE incurred in the settlement of losses. Allocated loss adjustment expenses (ALAE) include legal fees and related expenses (expert testimony, investigations, etc.), medical examinations, and other costs paid to third parties associated with the defense and settlement of particular claims. Unallocated loss adjustment expenses (ULAE) include that portion of the cost of settling claims that cannot be attributed to a specific claim and are more in the nature of an overhead expense (servicing contractors' claim adjuster salaries, rent, etc.).

For polices with inception dates after April 1, 1992, the Plan is responsible for legal and related expenses incurred in the settlement of losses and, accordingly, a liability for these amounts has been established. All other ALAE and all ULAE continue to be the responsibility of the servicing contractors.

Special Compensation Fund Assessments

The Minnesota Department of Labor and Industry currently assesses all insurers writing workers' compensation insurance in Minnesota. The assessment pays for the operation of the Special Compensation Fund (SCF). The SCF pays the cost of administration by the State of Minnesota of the workers' compensation laws; reimburses supplementary benefits paid to claimants; reimburses certain benefits paid to claimants with qualifying, prior registered conditions; and pays claims of injured employees of uninsured employers.

In March 2002, legislation was passed by the Minnesota state legislature and signed into law to change the method of assessing insured employers from a loss-based assessment to a premium-based assessment. This change was effective beginning in 2003, from which point the obligating event for assessment liability became the writing of, or becoming obligated to write or renew, the premiums on which the future assessments are to be based. According to MN Senate File 3136, the premium-based method of assessment is to be collected through a policyholder surcharge.

The special compensation fund assessment payable represents those assessments currently due based on pure premiums and the estimated liabilities for future SCF assessments based on SCF surcharges collected on policies with an effective date on or after January 1, 2003.

Restricted Surplus - Terrorism Coverage

As a result of the "Terrorism Risk Insurance Act" passed by Congress and signed into law by the President in November 2002, the Plan is required to restrict a portion of its surplus for terrorism. Through December 31, 2020, the Plan restricted $1 for every $5,000 of payroll covered by the Plan's policies. The "Terrorism Risk Insurance Program Reauthorization Act of 2019" extended this program through 2027 and may require additional amounts to be restricted in future years.

Income Taxes

The Plan is exempt from paying income taxes under Section 501 of the Internal Revenue Code. Accordingly, no provision for income taxes is included in the accompanying financial statements. The Plan reviews income tax positions taken or expected to be taken to determine if there are any income tax uncertainties. This includes positions that the Plan is exempt from income taxes and as such has not filed Federal or Minnesota Income Tax Returns. The Plan recognizes tax benefits from uncertain tax positions only if it is more likely than not that the tax positions will be sustained on examination by taxing authorities, based on the technical merits of the positions. The Plan has identified no income tax uncertainties.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Credit Risk

Financial instruments which potentially subject the Plan to concentrations of credit risk consist principally of cash. The Plan places its cash with high credit quality financial institutions and, by policy, generally limits the amount of credit exposure to any one financial institution. The Plan had a credit risk concentration at December 31, 2022 as a result of depositing $4,688,000 of funds in excess of Federal Deposit Insurance (FDIC) coverage.

Subsequent Events

In preparing these financial statements, the Plan has evaluated for recognition or disclosure the events or transactions that occurred through August 11, 2023, the date the financial statements were available to be issued.

NOTE 3 - CASH PROVIDED BY OPERATING ACTIVITIES

A reconciliation of cash provided by operating activities to the amount reflected in the statement of cash flows is as follows:

	2022	2021
Net Cash Flow From Operating Activities:		
Net Income	**$ 6,506,303**	$ 24,390,407
Adjustments to Reconcile Net Income to Net Cash Flows From Operating Activities:		
Unrealized Loss (Gain) on Equity Security Investments	**13,981,381**	(5,820,601)
Net Realized Capital Gains	**(2,101,498)**	(10,530,785)
Amortization and Accretion	**(3,464)**	132,852
Changes in Operating Assets and Liabilities:		
Reserve for Losses and Loss Adjustment Expenses	**(8,869,000)**	(34,196,000)
Reinsurance Recoverable on Paid Losses	**(2,384,900)**	(1,069,466)
Reinsurance Recoverable on Unpaid Losses	**16,381,000**	27,888,000
Unearned Premiums	**(251,182)**	619,641
Premiums Receivable, Net	**(1,899,036)**	(2,598,473)
Deferred Service Carrier Fees	**20,712**	(90,347)
Deferred Policy Acquisition Costs	**(302,404)**	277,880
Special Compensation Fund Assessment Payable	**(44,868)**	498,861
Servicing Carrier Administration Fee Payable	**45,881**	289,784
Other Liabilities	**41,893**	82,141
Accrued Interest and Dividends	**(388,211)**	133,193
Other Assets	**190,276**	(87,305)
Net Cash Flows From Operating Activities	**$ 20,922,883**	$ (80,218)

NOTE 4 - REINSURANCE

The Plan is reinsured by the Minnesota Workers' Compensation Reinsurance Association (WCRA). There is not, nor has there ever been, any other applicable reinsurance. The following table lists the selected per-occurrence retentions by accident year for the past twenty years:

Accident Year	Loss only Per-Occurrence Retention
2003	$ 360,000
2004	360,000
2005	380,000
2006	780,000
2007	800,000
2008	820,000
2009	1,720,000
2010	1,800,000
2011	1,800,000
2012	1,840,000
2013	1,880,000
2014	1,920,000
2015	1,960,000
2016	2,000,000
2017	2,000,000
2018	5,000,000
2019	5,000,000
2020	5,000,000
2021	5,000,000
2022	5,000,000

A contingent liability exists with respect to reinsurance ceded to the extent that the reinsurer is unable to meet its obligations assumed under the reinsurance agreement.

The effect of ceded reinsurance on premiums written, premiums earned, and losses and LAE is reflected in the following table:

	2022	2021
Premium Written:		
Direct	**$ 36,202,146**	$ 35,226,314
Ceded	**(117,630)**	(79,038)
Net Premiums Written	**$ 36,084,516**	$ 35,147,276
Premiums Earned:		
Direct	**$ 36,182,074**	$ 34,710,011
Ceded	**(117,630)**	(79,038)
Net Premiums Earned	**$ 36,064,444**	$ 34,630,973
Losses and Loss Adjustment Expenses Incurred:		
Direct	**$ 38,912,851**	$ 27,729,123
Ceded	**(8,868,835)**	(8,858,149)
Net Losses and Loss Adjustment Expenses Incurred	**$ 30,044,016**	$ 18,870,974

NOTE 5 - INVESTMENTS

Invested Amounts, Investment Income and Gains and Losses

The amortized cost, gross unrealized appreciation and depreciation, and the estimated fair values of investments in fixed maturities are as follows:

	2022			
	Amortized Cost	**Gross Unrealized Appreciation**	**Gross Unrealized Depreciation**	**Estimated Fair Value**
U.S. Treasury Securities and Other Obligations	**$ 145,696,060**	**$ 13,164**	**$ (12,593,888)**	**$ 133,115,336**
Mortgage-Backed Securities	**73,145,567**	**22,791**	**(4,384,029)**	**68,784,329**
Total Fixed Maturities	**$ 218,841,627**	**$ 35,955**	**$ (16,977,917)**	**$ 201,899,665**

	2021			
	Amortized Cost	Gross Unrealized Appreciation	Gross Unrealized Depreciation	Estimated Fair Value
U.S. Treasury Securities and Other Obligations	$ 126,878,957	$ 1,924,515	$ (1,252,158)	$ 127,551,314
Mortgage-Backed Securities	92,826,767	707,587	(663,537)	92,870,817
Total Fixed Maturities	$ 219,705,724	$ 2,632,102	$ (1,915,695)	$ 220,422,131

The amortized cost and estimated fair value of investments in fixed maturities at December 31, 2022 by contractual maturity are shown below. Expected maturities will likely differ from contractual maturities, as borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Amortized Cost	Estimated Fair Value
Due in One Year or Less	$ –	$ –
Due After One Year Through Five Years	91,715,743	85,883,265
Due After Five Years Through Ten Years	53,980,317	47,232,071
Mortgage-Backed Securities	73,145,567	68,784,329
	$ 218,841,627	$ 201,899,665

The cost and fair values of equity securities available-for-sale at 2022 and 2021 were as follows:

	2022			
Description	**Cost**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**
Equity Securities	**$ 34,538,643**	**$ 14,558,854**	**$ –**	**$ 49,097,497**

	2021			
Description	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Equity Securities	$ 28,951,698	$ 28,540,235	$ –	$ 57,491,933

NOTE 5 - INVESTMENTS (Continued)

Invested Amounts, Investment Income and Gains and Losses (Continued)

At December 31, 2022 and 2021, gross unrealized losses and fair value, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, are as follows:

2022

Description	Less Than 12 Months Fair Value	Less Than 12 Months Unrealized Losses	12 Months or More Fair Value	12 Months or More Unrealized Losses	Total Fair Value	Total Unrealized Losses
Fixed Maturities:						
U.S. Treasury Securities and Other Obligations	**$ 78,079,543**	**$ (5,292,292)**	**$ 47,036,723**	**$ (7,301,596)**	**$ 125,116,266**	**$ (12,593,888)**
Mortgage-Backed Securities	**22,052,341**	**(1,432,527)**	**41,216,756**	**(2,951,502)**	**63,269,097**	**(4,384,029)**
Total	**$ 100,131,884**	**$ (6,724,819)**	**$ 88,253,479**	**$ (10,253,098)**	**$ 188,385,363**	**$ (16,977,917)**

2021

Description	Less Than 12 Months Fair Value	Less Than 12 Months Unrealized Losses	12 Months or More Fair Value	12 Months or More Unrealized Losses	Total Fair Value	Total Unrealized Losses
Fixed Maturities:						
U.S. Treasury Securities and Other Obligations	$ 74,466,020	$ (902,924)	$ 5,602,734	$ (349,234)	$ 80,068,754	$ (1,252,158)
Mortgage-Backed Securities	58,675,995	(605,238)	2,389,101	(58,299)	61,065,096	(663,537)
Total	$ 133,142,015	$ (1,508,162)	$ 7,991,835	$ (407,533)	$ 141,133,850	$ (1,915,695)

The Plan has concluded that no investments have impairment that is other-than-temporary at December 31, 2022. The Plan believes that its unrealized losses in equity securities are caused by market conditions influenced by the existing economic factors, as opposed to deterioration in the fundamentals of individual investments and intends to maintain its investments through this downturn.

The Plan holds investments in a variety of investment funds. In general, its investments are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term and such changes could be material to the amounts reported in the balance sheet.

Net investment income for 2022 and 2021 is summarized as follows (fixed maturities include interest on short-term investments):

	2022	2021
Fixed Maturities	**$ 3,212,069**	$ 2,751,294
Equity Securities	**834,162**	864,198
Total	**4,046,231**	3,615,492
Investment Expenses	**(214,910)**	(246,205)
Net Investment Income	**$ 3,831,321**	$ 3,369,287

NOTE 5 - INVESTMENTS (Continued)

Cash proceeds received from sales and paydowns of investments in fixed maturities during 2022 and 2021 were $54,919,213 and $84,580,722, respectively. In 2022 and 2021, gross gains of $216,294 and $1,621,578 and gross losses of $(2,008,072) and $(149,496), respectively, were realized on those sales.

Gross gains of $3,893,276 and $9,058,703 and were realized on sales of equity securities in 2022 and 2021, respectively.

Fair Value of Financial Instruments

The FASB *Accounting Standards Codification* establishes a three-tier fair value hierarchy that prioritizes the inputs used in measuring fair value, as follows: Level 1, defined as observable inputs (i.e. quoted prices in active markets); Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and, Level 3, defined as unobservable inputs for which little or no market data exists, which then requires an entity to develop its own assumptions.

The Plan utilizes a pricing service to estimate its fair value measurements for its fixed maturities and equity securities. Since fixed maturities other than U.S. Treasury securities generally do not trade on a daily basis, most fair value estimates for fixed maturities are based on observable market information rather than quoted prices. Accordingly, the estimates of fair value for fixed maturities, other than U.S. Treasury securities, are included in Level 2 of the Standard's hierarchy. U.S. Treasury securities are included in Level 1.

The fair value of the Plan's mortgage-backed securities and other debt obligations were determined based on Level 2 inputs and are estimated as the present value of expected future cash inflows, taking into account (1) the type of security, its term, and any underlying collateral, (2) the seniority level of the debt security, and (3) quotes received from brokers and pricing services. In applying the valuation model, significant inputs including probability of default for debt securities, the estimated prepayment rate, and the projected yield based on estimated future market rates for similar securities.

All equity securities owned by the Plan have active markets and are included in Level 1 of the Standard's hierarchy.

Certain equity securities are valued at the net asset value per unit based on either the observable net asset value of the underlying investment or the net asset value of the underlying pool of securities. Net asset value is based on the value of the underlying assets owned by the fund, minus its liabilities, and then divided by the number of shares outstanding.

Investments measured at net asset value include alternative investment fund of funds and private equity fund of funds. The Plan uses the net asset value of these investment entities to determine the fair value of these investments which do not have a readily determinable fair value and either have the attributes of an investment company or prepare their financial statements consistent with the measurement principles of an investment company.

NOTE 5 - INVESTMENTS (Continued)

Fair Value of Financial Instruments (Continued)

The Plan's fixed maturities and equity investments fair value measurements at December 31, 2022 and 2021 are as follows:

	Total	**Quoted Prices for Identical Assets (Level 1)**	**Other Observable Inputs (Level 2)**	**Unobservable Inputs (Level 3)**
2022:				
Fixed Maturities:				
U.S. Treasury Securities and Other Obligations	**$ 133,115,336**	**$ 133,115,336**	**$ –**	**$ –**
Mortgage-Backed Securities	**68,784,329**	**–**	**68,784,329**	**–**
Total Fixed Maturities	**201,899,665**	**$ 133,115,336**	**$ 68,784,329**	**$ –**
Investments Measured at Net Asset Value	**49,097,497**			
Totals	**$ 250,997,162**			

	Total	Quoted Prices for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
2021:				
Fixed Maturities:				
U.S. Treasury Securities and Other Obligations	$ 127,551,314	$ 127,551,314	$ –	$ –
Mortgage-Backed Securities	92,870,817	–	92,870,817	–
Total Fixed Maturities	220,422,131	$ 127,551,314	$ 92,870,817	$ –
Investments Measured at Net Asset Value	57,491,933			
Totals	$ 277,914,064			

Fair value measurements of investments in certain entities that calculate net asset value per share (or its equivalent) as of December 31, 2022 and 2021 are as follows:

	2022 Net Asset Value	2021 Net Asset Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
SBI Non-Retirement Fund	**$ 49,097,497**	$ 57,491,933	$ –	N/A	N/A

NOTE 6 - LIABILITY FOR LOSSES AND LOSS ADJUSTMENT EXPENSES

A reconciliation of beginning and end of year balances in the liability for unpaid losses and loss adjustment expenses (LAE), net of reinsurance recoverable for the years ended December 31, 2022 and 2021, is as follows:

	2022	2021
Liability for Losses and LAE at Beginning of Year	**$ 582,704,000**	$ 616,900,000
Reinsurance Recoverable on Unpaid Losses - Beginning of Year	**(356,914,000)**	(384,802,000)
Net Liability for Losses and LAE at Beginning of Year	**225,790,000**	232,098,000
Provision for Losses and LAE for Claims Incurred:		
Current Year	**31,673,000**	32,932,000
Prior Years	**(1,628,985)**	(14,061,025)
Total Incurred	**30,044,015**	18,870,975
Losses and LAE Payments for Claims Incurred:		
Current Year	**5,388,091**	6,462,932
Prior Years	**17,143,924**	18,716,043
Total Paid	**22,532,015**	25,178,975
Net Liability for Losses and LAE at End of Year	**233,302,000**	225,790,000
Reinsurance Recoverable on Unpaid Losses - End of Year	**340,533,000**	356,914,000
Liability for Losses and LAE at End of Year	**$ 573,835,000**	$ 582,704,000

As a result of changes in estimates of insured events in prior years, the losses and LAE incurred, net of reinsurance, decreased by approximately $1,629,000 in 2022 and approximately $14,061,000 in 2021.

NOTE 7 - CONTINGENCIES

Since inception, the Plan has contracted with eight servicing contractors to provide policy issuance, premium accounting, and claim settlement services in exchange for a service fee based upon standard written premium. Contingent liabilities exist with respect to the performance of the above services to the extent that the servicing carriers are unable to meet their obligations under terms of the general services agreement.

The Plan is presently not engaged in any litigation that it considers will have a material adverse effect on its business. As is common with other insurance providers, the Plan is regularly engaged in the defense of claims arising out of the conduct of the insurance business.

NOTE 8 - OTHER COMPREHENSIVE INCOME (LOSS)

Comprehensive income is defined as any change in policyholders' surplus originating from non-owner transactions. The Plan has identified those changes as being comprised of net income and change in unrealized appreciation on investments. The components of comprehensive income, other than net income, are as follows:

	2022	2021
Unrealized Appreciation (Depreciation) Arising During the Period	**$ (15,556,871)**	$ 2,879,244
Less Reclassification Adjustment for Realized Capital Gains Included in Net Income	**2,101,498**	10,530,785
Total Other Comprehensive Loss	**$ (17,658,369)**	$ (7,651,541)

NOTE 9 - POLICYHOLDERS' SURPLUS

A Minnesota law requires the Plan to transfer its "excess surplus" (as defined in the statute) to the general fund of the State of Minnesota. The amount appropriated by the Plan for the State of Minnesota was $0 at December 31, 2022 and $16,705,391 at December 31, 2021.

NOTE 10 - WCRA SURPLUS DISTRIBUTION

In 2022, the Workers' Compensation Reinsurance Association (WCRA) distributed $600 million back to Minnesota's insurers, and policy holders as a result of excellent investment returns and reductions in loss reserve liabilities from favorable inflation rates, declining claims frequency, and recent legislation. The Plan's share of the distribution was $19,959,115 and relates to insured years from 1982 through 2021 and is recorded as income in 2022.