


A Stronger Texas, Together

Texas Mutual Insurance Company
2019 Annual Report



Financial Highlights

For the year ended December 31, 2019
(in thousands)

Gross premiums written	$1,110,723
Gross premiums earned	$1,097,015
Net premiums earned	$1,093,530
Net investment income	$264,833
Claim benefits paid and incurred	$441,573
Underwriting expense	$343,941
Dividends to policyholders	$347,563
Total other expense	$7,463
Net income	$217,824

At December 31, 2019
(in thousands, except number of policies in force and employees covered)

Admitted assets	$7,631,591
Liabilities	$3,631,589
Policyholders' surplus	$4,000,002
Number of policies in force	72,188
Number of employees covered on policies in force	1,504,828

Key indicators, year ended December 31, 2019

Incurred loss ratio	40.4%
Statutory combined ratio	72.1%
Combined ratio including dividends	103.5%

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Texas Mutual Insurance Company
Austin, Texas

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

Management's Responsibility for the Statutory-Basis Financial Statements

Management is responsible for the preparation and fair presentation of these statutory-basis financial statements in accordance with the accounting practices prescribed or permitted by the Texas Department 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.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the statutory-basis financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the statutory-basis financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the statutory-basis financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the statutory-basis financial statements.

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

Basis for Adverse Opinion on Accounting Principles Generally Accepted in the United States of America

As described in Note 1 to the statutory-basis financial statements, the statutory-basis financial statements are prepared by Texas Mutual Insurance Company using the accounting practices prescribed or permitted by the Texas Department of Insurance, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the Texas Department of Insurance.

The effects on the statutory-basis financial statements of the variances between the statutory-basis of accounting described in Note 1 to the statutory-basis financial statements and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on Accounting Principles Generally Accepted in the United States of America

In our opinion, because of the significance of the matter described in the Basis for Adverse Opinion on Accounting Principles Generally Accepted in the United States of America paragraphs, the statutory-basis financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Texas Mutual Insurance Company as of December 31, 2019 and 2018, or the results of its operations or its cash flows for the years then ended.

Opinion on Statutory Basis of Accounting

In our opinion, the statutory-basis financial statements referred to above present fairly, in all material respects, the admitted assets, liabilities, and policyholders' surplus of Texas Mutual Insurance Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for the years then ended, in accordance with the accounting practices prescribed or permitted by the Texas Department of Insurance as described in Note 1 to the statutory-basis financial statements.

Deloitte & Touche LLP

February 27, 2020

STATUTORY-BASIS STATEMENTS OF ADMITTED ASSETS, LIABILITIES AND POLICYHOLDERS' SURPLUS

	December 31, 2019	December 31, 2018
Admitted Assets		
Cash and invested assets:		
Bonds (Note 2)	$ 4,918,948,540	$ 4,642,561,881
Common stocks and mutual funds (Note 2)	979,368,459	863,677,667
Preferred stocks (Note 2)	1,617,952	445,855
Real estate (Note 2)		
Properties occupied by the Company	103,894,284	103,339,823
Cash, cash equivalents, and short-term investments	83,112,518	154,864,418
Other invested assets	1,045,399,774	944,821,895
Total cash and invested assets	7,132,341,527	6,709,711,539
Premiums receivable, net of allowance	447,587,143	413,931,509
Reinsurance recoverable on paid losses (Note 5)	1,064,567	900,594
Investment income due and accrued	36,906,195	38,046,016
Furniture and electronic data processing equipment	7,322,246	8,512,353
Other assets	6,369,054	6,440,362
Total Admitted Assets	$ 7,631,590,732	$ 7,177,542,373
Liabilities and Policyholders' Surplus		
Liabilities		
Reserve for losses and loss adjustment expenses (Note 3)	$ 2,907,666,869	$ 2,945,051,070
Unearned premiums	524,872,092	511,164,296
Taxes, licenses, and fees	17,583,547	19,526,599
Commissions payable	52,662,253	59,041,741
Advance premiums	8,490,334	8,898,450
Borrowed funds (Note 6)	50,081,572	-
Other liabilities	44,202,533	63,451,580
Payables for securities	26,029,795	4,722,993
Total liabilities	3,631,588,995	3,611,856,729
Commitments and contingencies (Note 8)		
Policyholders' Surplus		
Unassigned surplus	4,000,001,737	3,565,685,644
Policyholders' surplus	4,000,001,737	3,565,685,644
Total Liabilities and Policyholders' Surplus	$ 7,631,590,732	$ 7,177,542,373

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

STATUTORY-BASIS STATEMENTS OF OPERATIONS

	For the Year Ended December 31, 2019	For the Year Ended December 31, 2018
Premiums		
Premiums written - direct and assumed	$ 1,110,722,526	$ 1,150,335,199
Change in unearned premium reserve	(13,707,796)	(38,603,051)
Premiums earned	1,097,014,730	1,111,732,148
Less cost of reinsurance (Note 5)	(3,484,349)	(3,508,552)
Net premiums earned	1,093,530,381	1,108,223,596
Losses and Expenses Incurred		
Losses and loss adjustment expenses (Note 3)	441,573,195	551,098,790
Underwriting expenses	343,941,070	343,417,864
Total losses and expenses incurred	785,514,265	894,516,654
Net underwriting gain	308,016,116	213,706,942
Net Investment Income (Note 2)		
Net interest, dividend and other invested income earned	205,957,025	195,348,528
Net realized capital gains on investments	58,876,074	83,337,118
Net investment income	264,833,099	278,685,646
Other Income (Expense)		
Finance and service charges	725,196	1,009,068
Provision for uncollectible premiums	(8,125,842)	(5,366,201)
Ordinary gain (loss) on disposal of fixed assets	(141,272)	(638,680)
Miscellaneous income	79,401	105,269
Total other expense	(7,462,517)	(4,890,544)
Net income before dividends to policyholders	565,386,698	487,502,044
Dividends to policyholders (Note 4)	347,562,715	302,089,888
Net Income	$ 217,823,983	$ 185,412,156

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

STATUTORY-BASIS STATEMENTS OF CHANGES IN POLICYHOLDERS' SURPLUS

	For the Year Ended December 31, 2019	For the Year Ended December 31, 2018
Total policyholders' surplus, beginning of the year	$ 3,565,685,644	$ 3,533,425,890
Net income	217,823,983	185,412,156
Change in net unrealized capital gains	213,011,977	(159,685,982)
Change in non-admitted assets	3,495,204	6,152,220
Change in provision for reinsurance	(15,071)	381,360
Change in policyholders' surplus for the year	434,316,093	32,259,754
Total policyholders' surplus, end of the year	$ 4,000,001,737	$ 3,565,685,644

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

STATUTORY-BASIS STATEMENTS OF CASH FLOWS

	For the Year Ended December 31, 2019	2018
Cash from Operations		
Premiums collected, net of reinsurance	$ 1,059,231,886	$ 1,101,292,854
Losses and loss adjustment expenses paid, net of subrogation (Note 3)	(478,957,396)	(480,105,849)
Underwriting expenses paid	(356,334,061)	(315,802,529)
Net cash from underwriting	223,940,429	305,384,476
Net investment income	213,756,086	197,784,661
Other expense, net	725,196	1,009,068
Dividends to policyholders	(349,178,316)	(302,348,602)
Net cash from operations	89,243,395	201,829,603
Cash from Investments		
Proceeds from investments sold, matured, or repaid		
Bonds	4,129,676,450	4,540,560,033
Common stocks and mutual funds	231,996,044	352,314,636
Other invested assets	96,236,849	144,218,783
Real estate	-	24,608,209
Net miscellaneous investment gains	678,067	133,037
Total investment proceeds	4,458,587,410	5,061,834,698
Cost of investments acquired		
Bonds	(4,342,664,406)	(4,751,016,613)
Common stocks and mutual funds	(193,349,797)	(185,030,626)
Capital improvements - real estate	(3,304,645)	(53,287,580)
Other invested assets	(127,357,296)	(216,501,228)
Total investments acquired	(4,666,676,144)	(5,205,836,047)
Net cash used by investments	(208,088,734)	(144,001,349)
Cash from Financing and Miscellaneous Sources		
Borrowed funds (Note 6)	48,768,421	-
Other cash applied	(1,674,982)	(8,651,927)
Net cash used by financing and miscellaneous sources	47,093,439	(8,651,927)
Net increase (decrease) in cash, cash equivalents and short-term investments	(71,751,900)	49,176,327
Cash, cash equivalents and short-term investments at beginning of year	154,864,418	105,688,091
Cash, cash equivalents and short-term investments at end of year	$ 83,112,518	$ 154,864,418

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

NOTES TO STATUTORY-BASIS FINANCIAL STATEMENTS

Note 1 - Organization and Summary of Significant Accounting Policies

(a) Description of operations

Effective September 1, 2001, the Texas Workers' Compensation Insurance Fund, which began operations on January 1, 1992, became Texas Mutual Insurance Company (the "Company"). This change occurred through the passage of Texas House Bill 3458, acts of the 77th Regular Session of the Legislature. The legislation mandates that the Company operate as a domestic mutual insurance company, authorized to write workers' compensation insurance in the state of Texas. The Company currently has a contract with another carrier to provide workers' compensation coverage to certain Texas policyholders of the Company for their out-of-state operations (Note 5). All monies, revenues and assets belong solely to the Company and may not be borrowed or appropriated by the state of Texas. The Company is subject to the rules, regulations, taxes and assessments of the Texas Department of Insurance ("TDI"), and assessments of the Texas Property and Casualty Insurance Guaranty Association ("TPCIGA") (Note 8). The Company serves as a competitive force in the Texas workers' compensation insurance market and as the insurer of last resort.

The Company has a nine-member Board of Directors (the "Board"). Five members, including the chair, are appointed by the Governor and confirmed by the State Senate, and the Company's policyholders elect the remaining four members.

(b) Summary of significant accounting policies

Basis of presentation

The accompanying financial statements have been prepared in conformity with the accounting practices prescribed or permitted by the TDI.

The TDI has adopted the National Association of Insurance Commissioners' statutory accounting practices ("NAIC SAP") except that it has retained certain prescribed accounting practices that differ from those found in NAIC SAP. Among these differences that impact the Company is the prescribed practice of admitting office furniture and electronic data processing equipment to the extent that the total value of those assets is less than five percent of the other admitted assets of the Company. The Company's statutory surplus would be decreased by $6,629,108 and $7,546,157 as of December 31, 2019 and 2018, respectively, if all office furniture were non-admitted as required by NAIC SAP. Additionally, the Company's statutory surplus would be decreased by $693,138 and $966,196 as of December 31, 2019 and 2018, respectively, if all electronic data processing equipment were non-admitted. The accompanying statutory financial statements vary in some respects from accounting principles generally accepted in the United States of America ("generally accepted accounting principles" or "GAAP").

The significant differences between statutory accounting principles and GAAP are as follows:

- Policy acquisition costs, such as commissions, premium taxes, and other expenses directly related to the cost of acquiring new and renewal business are expensed as incurred, while under GAAP, they are deferred and amortized over the policy term to provide for proper matching of revenue and expense;
- Investments in bonds are generally carried at amortized cost, while under GAAP, they would be classified as available for sale and are carried at fair value;
- Assets are reported under NAIC SAP at "admitted-asset" value and "non-admitted" assets are excluded through a charge against policyholders' surplus, while under GAAP, all assets are reported on the balance sheet, net of any required valuation allowance;
- The reserve for losses and loss adjustment expenses ("LAE") is reported net of reinsurance, while under GAAP, reinsurance recoverable amounts related to losses paid and losses incurred but not reported are recorded on the balance sheet as assets;
- The Company's share of undistributed earnings or losses on minority ownership interests in partnerships and limited liability companies included with other invested assets are recorded to unrealized gains or losses, while under GAAP the accounting treatment varies based upon the ownership level and type of interest.

The effect of the differences between statutory basis of accounting and generally accepted accounting principles, although not reasonably determinable, is presumed to be material.

Use of estimates in the preparation of the statutory financial statements

The accompanying statutory financial statements have been prepared in conformity with NAIC SAP which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported periods. Actual results could differ from those estimates.

Property and equipment

Furniture and electronic data processing equipment are stated at depreciated cost and are allowed to be recorded as admissible assets for insurance companies domiciled in the state of Texas. Fixtures, software, automobiles, and leasehold improvements are recorded as non-admitted assets. Costs incurred for the development of internal use software are capitalized as non-operating system software and are not admissible assets.

Depreciation and amortization expense for all property and equipment are recorded using the straight-line method over the estimated useful lives of the property and equipment generally as follows:

Building	39 years
Fixtures	10 years
Furniture and equipment	5 years
Major applications and internally developed software	5 years
Electronic data processing equipment	3 years
Other software	3 years
Automobiles	3 years

Leasehold improvements are amortized over the term of the related lease, or the estimated useful life of the asset, whichever is shorter.

Depreciation and amortization expense for property and equipment for the years ended December 31, 2019 and 2018, totaled $10,065,510 and 10,770,520, respectively. Depreciation for the Company's owned and occupied buildings is shown in Note 2.

Investments

Under provisions of the Company's Statement of Investment Policies and Objectives and in accordance with applicable Texas regulations, the Company is restricted to investments authorized by law as provided by Chapter 424 of the Texas Insurance Code. The Company's investment portfolio consists primarily of U.S. Treasury and government agency securities, corporate bonds, mortgage-backed and asset-backed securities, collateralized mortgage obligations, equity securities, investments in funds, and cash.

Other invested assets consist of minority ownership interests in limited liability companies and limited partnerships, which are recorded at initial cost and subsequently adjusted to recognize the Company's share of audited GAAP basis earnings or losses, adjusted for any distributions received or additional capital contributions. This adjustment is recorded as an increase/decrease to the carrying value with an offsetting amount recorded to unrealized capital gains and losses on investments within unassigned surplus. There were no other invested asset holdings that exceeded 10% of admitted assets.

All of the Company's investments are valued in accordance with guidelines established by the NAIC SAP. Investments in bonds with NAIC designations of 1 or 2 are stated at amortized cost. Investments in bonds with NAIC designations of 3 through 6 are stated at the lower of amortized cost or fair value. Premiums and discounts are amortized or accreted until maturity or earlier call date for each security. The amortization or accretion is an adjustment to yield using the effective interest method. For loan-backed securities and structured securities subject to Statement of Statutory Accounting Principles (SSAP) No. 43R, *Loan-Backed and Structured Securities* (SSAP No. 43R), the constant-yield method is used based on the anticipated prepayments and the estimated economic life of the securities. When estimates of prepayments change, the effective yield is recalculated to reflect actual payments to date and anticipated future payments. Prepayment assumptions are obtained from investment managers or Bloomberg.

Amounts pertaining to prepayment penalty and/or acceleration fees for callable bonds, loan-backed and structured securities are reported as investment income.

Common stocks, preferred stocks and mutual funds are stated at fair value with the change in fair value being recognized as a change in unrealized holding gains and losses.

Short-term investments include those securities that mature within one year and are stated at amortized cost, which approximates fair value.

Unrealized holding gains and losses are excluded from income and reported as net unrealized capital gains or losses in policyholders' surplus. Investment income consists primarily of interest and dividends. Interest is recognized on an accrual basis and dividends are recorded as earned at the ex-dividend date. Realized capital gains and losses on sales of investments are recognized in income on a first-in, first-out basis. Investment securities are regularly reviewed by management for impairment based on criteria that include the extent to which cost exceeds fair value, the duration of the valuation decline, the financial health and specific prospects for the issuer, and the Company's intent and ability to hold the investment to recovery. A decline in the fair value below cost that is deemed other than temporary is charged to income in the reporting period for which the assessment is made. SSAP No. 43R requires additional consideration be given for structured and loan-backed securities that have declined below book value to determine if the present value of expected cash flows is less than the amortized cost.

Investments in real estate are depreciated over an estimated useful life and stated at depreciated cost.

Reserve for losses and loss adjustment expenses

The reserve for losses and loss adjustment expenses is comprised of the following: aggregate case-basis estimates of reported losses in the process of settlement, estimates of incurred but not reported losses ("IBNR"), and estimates of LAE to be incurred in the settlement of claims. The reserve represents the estimated claim costs and LAE necessary to cover the ultimate net costs of investigating and settling all losses incurred and unpaid. These estimates are adjusted in the aggregate for ultimate loss expectations based on historical experience and current economic trends.

The Company projects estimated ultimate losses, which are used in determining the estimated reserve for losses and LAE. Independent consulting actuaries are also retained to review the Company's loss projections and related reserves. Management believes that the provision for losses and LAE is adequate to cover the ultimate liability at December 31, 2019 and 2018. However, the actual amounts paid when claims are settled may be different from such estimates. Adjustments to these estimates are reflected as adjustments to incurred losses in the period in which such adjustments are known.

Escrow deposits for funding deductibles

Policyholders who purchase coverage under a deductible plan are required to deposit a predetermined escrow amount with the Company at inception of coverage. Funds held of $3,176,253 and $3,460,802 at December 31, 2019 and 2018, respectively, are included in other liabilities. These amounts are held by the Company in a liability (escrow) account until one of the following two events occur:

- Default by insured - if insured fails to remit payment for advances made by the Company on the insured's behalf on a monthly basis as billed, the Company may elect to cancel the policy for nonpayment and may offset any amounts due against such escrow funds.
- Policyholder terminates the relationship with the Company - as stated in a security agreement with the policyholder, the balance in the escrow account is held by the Company after the expiration of the policy and is returned to the policyholder over a period of 36 months or when all claims related to the policyholder are closed.

The Company is liable for claims under deductible plan policies even if the policyholder is unable to meet the obligations under the terms of the policy.

Premium revenues

Premiums are calculated from rates established by the Board based on recommendations from the Company's consulting actuary. For policies on interim reporting, premiums are earned over the policy term based on the periodic reports submitted by policyholders during the term of their coverage. Premiums for all other policies are earned using the daily pro rata method over the term of the policy. Unearned premium reserves are established to cover the unexpired portion of premiums written. Upon expiration or cancelation, a policy is audited or reviewed to determine the actual premiums earned and revenues are increased or decreased accordingly.

Subrogation

Subrogation claims (claims against third parties) are recognized as reduction of losses incurred upon collection.

Reinsurance

In the normal course of business, the Company reinsures risks above certain retention levels with other insurance companies. Reinsurance recoverable on paid losses in which the Company is not relieved of its legal liability to the policyholders is reported separately on the statutory statements of admitted assets, liabilities, and policyholders' surplus.

Federal income taxes

The Company is exempt from federal income taxation under Section 501(c)(27) of the Internal Revenue Code and therefore not impacted by recent tax reform. Accordingly, the accompanying statutory financial statements do not include a provision for income taxes.

Disclosures about fair value of financial instruments

In preparing disclosures about the fair value of financial instruments, the Company has assumed that the carrying amount approximates fair value for cash and short-term investments because of the short maturities of these instruments. The fair value of bonds and stocks is determined by the Company based on fair values obtained from third party pricing services. If not available, the quoted market values or estimated values using the current interest rates available to the Company for investments with similar terms and remaining maturities are used. See Note 10 for additional fair value disclosures.

Note 2 - Investments

The amortized cost/adjusted carrying value, gross unrealized capital gains and losses, and fair value of investments are as follows:

	December 31, 2019			
	Amortized Cost/Adjusted Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury securities and obligations of U.S. government corporations and agencies	$ 1,081,336,430	$ 22,362,196	$ (2,041,203)	$ 1,101,657,423
Foreign government	34,250,550	2,807,206	-	37,057,756
Industrial and miscellaneous	2,508,559,123	101,448,182	(481,084)	2,609,526,221
Mortgage-backed securities	343,677,311	9,229,615	(228,840)	352,678,086
Asset-backed securities	236,481,049	2,982,130	(633,730)	238,829,449
Collateralized mortgage obligations	714,644,077	21,434,873	(1,535,854)	734,543,096
Total bonds	4,918,948,540	160,264,202	(4,920,711)	5,074,292,031
Common stocks and mutual funds	703,662,095	293,555,791	(17,849,427)	979,368,459
Preferred stocks	1,333,938	284,014	-	1,617,952
	5,623,944,573	454,104,007	(22,770,138)	6,055,278,442

	December 31, 2018			
	Amortized Cost/Adjusted Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury securities and obligations of U.S. government corporations and agencies	$ 867,038,556	$ 5,456,738	$ (4,631,269)	$ 867,864,025
Foreign government	28,594,969	110,887	(1,073,537)	27,632,319
Industrial and miscellaneous	2,516,776,760	9,568,164	(50,431,311)	2,475,913,613
Mortgage-backed securities	256,569,611	1,589,408	(3,816,628)	254,342,391
Asset-backed securities	304,886,538	1,230,169	(3,151,284)	302,965,423
Collateralized mortgage obligations	668,695,447	9,185,824	(10,579,662)	667,301,609
Total bonds	4,642,561,881	27,141,190	(73,683,691)	4,596,019,380
Common stocks and mutual funds	726,406,566	191,909,785	(54,638,684)	863,677,667
Preferred stocks	444,740	1,115	-	445,855
	5,369,413,187	219,052,090	(128,322,375)	5,460,142,902

The amortized cost/adjusted carrying value and estimated fair value of bonds, short term securities, and money market funds are shown below by contractual maturities as of December 31, 2019. Expected maturities may differ from contractual maturities because borrowers may have the right to prepay obligations without call or prepayment penalties.

	December 31, 2019	
	Amortized Cost/Adjusted Carrying Value	Fair Value
Due in one year or less	$ 305,143,292	$ 306,106,906
Due after one year through five years	1,997,422,027	2,046,576,011
Due after five years through ten years	1,611,614,356	1,683,213,281
Due after ten years	1,123,402,492	1,157,029,460
	$ 5,037,582,167	$ 5,192,925,658

Proceeds from the sale of bonds for the years ended December 31, 2019 and 2018, were $4,110,280,051 and $4,432,199,567, respectively. Gross gains of $52,433,043 and $10,564,069, and gross losses of $12,327,808 and $38,654,353, were realized from the sales of bonds for the years ended December 31, 2019 and 2018, respectively.

Proceeds from the sale of stocks for the years ended December 31, 2019 and 2018, were $234,135,541 and $353,008,948, respectively. Gross gains of $45,515,600 and $107,899,195 and gross losses of $22,088,585 and $11,786,138, were realized from the sales of stocks for the years ended December 31, 2019 and 2018, respectively. The Company's sales of investment securities in an unrealized loss position are due primarily to perceived changes in financial or other circumstances of an issuer.

During the years ended December 31, 2019 and 2018, the fair value of certain securities was lower than the related cost basis and these declines in value were determined to be other than temporary. Losses incurred for securities with other than temporary impairments of $9,486,697 and $8,318,124 were recorded for the years ended December 31, 2019 and 2018, respectively for securities within the scope of SSAP No. 30. *Unaffiliated Common Stock* (SSAP No. 30) and $351,637 was recorded for the year ended December 31, 2018 for securities within the scope of SSAP No. 26R. *Bonds* (SSAP No. 26R).

The Company employs a systematic methodology to evaluate declines in fair value below the amortized cost for its investments. In addition, the methodology incorporates a qualitative process ensuring that available evidence concerning the declines in fair value below amortized cost is evaluated in a disciplined manner. Based on the evaluation and the Company's ability and intent to hold the investment for a reasonable period of time sufficient for a recovery of fair value, the Company views the decline in market value of each of the investments represented in the table above as being temporary in accordance with the Company's impairment policy.

The Company applies measurement and disclosure provisions of SSAP No. 43R for loan-backed and structured securities. As defined in SSAP No. 43R, when the holder of a loan-backed security or structured security ("security") with an unrealized loss position either has the intent to sell or does not have the intent and ability to hold the security for the period of time sufficient to recover the amortized cost basis, the security is considered other-than-temporarily impaired and must be written down to fair value. Additionally, if the holder of a security does not expect to recover the entire amortized cost basis of the security even if the holder has no intent to sell and has the intent and ability to hold the security, the security is considered other-than-temporarily impaired and should be written down to the present value of cash flows expected to be collected. The other-than-temporary write-down shall be recognized in earnings as a realized loss.

The Company did not recognize other-than-temporary impairments during the years ended December 31, 2019 and 2018 for securities within the scope of SSAP No. 43R.

The following two tables reflect securities whose fair values were lower than the related cost basis at December 31, 2019 and 2018, respectively. However, these declines in value were not deemed to be other than temporary. The majority of the unrealized losses were due to market fluctuations resulting from cyclical and other economic pressures. The tables show the fair value and the unrealized losses, aggregated by investment category and category of duration that individual securities have been in a continuous unrealized loss position.

	December 31, 2019			
	Less than Twelve Months		Twelve Months or Greater	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Treasury securities and obligations of U.S. government corporations and agencies	$ 296,351,118	$ (2,041,203)	$ -	$ -
Industrial and miscellaneous	57,483,080	(252,281)	19,164,320	(228,804)
Mortgage-backed securities	27,716,360	(61,303)	17,756,995	(167,536)
Asset-backed securities	39,520,004	(93,345)	39,473,571	(540,385)
Collateralized mortgage obligations	89,249,585	(300,131)	130,845,995	(1,235,723)
Total bonds	510,320,147	(2,748,263)	207,240,881	(2,172,448)
Common stocks and mutual funds	25,501,706	(2,714,111)	90,349,322	(15,135,316)
	$ 535,821,853	$ (5,462,374)	$ 297,590,203	$ (17,307,764)

	December 31, 2018			
	Less than Twelve Months		Twelve Months or Greater	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Treasury securities and obligations of U.S. government corporations and agencies	$ 35,254,955	$ (205,196)	$ 413,201,596	$ (4,426,073)
Foreign government	18,695,480	(538,715)	5,174,126	(534,822)
Industrial and miscellaneous	1,370,330,525	(33,728,792)	428,458,645	(16,702,519)
Mortgage-backed securities	82,373,588	(1,235,011)	86,677,358	(2,581,617)
Asset-backed securities	181,976,692	(2,371,109)	61,206,486	(780,175)
Collateralized mortgage obligations	168,373,040	(2,339,496)	266,812,813	(8,240,166)
Total bonds	1,857,004,280	(40,418,319)	1,261,531,024	(33,265,372)
Common stocks and mutual funds	153,114,438	(31,835,115)	79,677,457	(22,803,569)
	$ 2,010,118,718	$ (72,253,434)	$ 1,341,208,481	$ (56,068,941)

Investment Income

Net investment income consists of the following:

	For the Years Ended December 31,	
	2019	2018
Net interest, dividend and other invested income earned:		
Bonds	$ 158,900,022	$ 149,831,057
Common stocks and mutual funds	30,540,500	30,966,810
Cash equivalents and short-term investments	3,566,240	1,687,449
Other invested assets	37,313,573	35,806,198
Miscellaneous investments	1,747,500	1,574,659
Net real estate income	376,920	980,182
Less interest expense on borrowed funds	(1,313,151)	-
Less investment expenses	(25,174,579)	(25,497,827)
Total net interest, dividend and other invested income earned	205,957,025	195,348,528
Net realized gains (losses) on investments:		
Bonds	40,105,235	(28,441,921)
Common stocks and mutual funds	13,940,318	87,794,933
Cash equivalents and short-term investments	678,067	133,036
Real Estate	-	15,742,915
Other invested assets	4,152,454	8,108,155
Total net realized gains on investments	58,876,074	83,337,118
Net investment income	$ 264,833,099	$ 278,685,646

Amounts pertaining to prepayment penalty and/or acceleration fees for callable bonds, loan-back and structured securities are reported as investment income pursuant to SSAP No. 26R and SSAP No. 43R. As of December 31, 2019 and 2018, net investment income included prepayment penalties amounting to $1,520,955 and $1,277,335, respectively.

Restricted Assets

As of December 31, 2019 and 2018, the Company has pledged as collateral securities with a book/adjusted carrying value of $326,062,271 and $200,952,733, respectively. In addition, the Company has other restricted assets of $14,441,497 as of December 31, 2019, including $4,988,600 of Federal Home Loan Bank (“FHLB) Capital Stock. The Company also had $1,282,901 private investments in public equities restricted from sale as of December 31, 2019.

The following tables provide information about the Company’s assets pledged to others as collateral or otherwise restricted at book/adjusted carrying value as of December 31, 2019 and 2018.

	For the Years Ended December 31,			
	2019	2018	Increase/ (Decrease)	Admitted Restricted to Total Admitted Assets
Pledged as collateral:				
FHLB Loan (Note 6)	$ 192,042,998	$ 55,064,120	$ 136,978,878	2.52%
FHLB LOC Collateral	2,109,158	2,123,640	(14,482)	0.03%
Argonaut reinsurance	124,482,383	133,270,904	(8,788,521)	1.63%
Federal Longshore and Harbor Workers' Compensation Act	7,427,732	10,494,069	(3,066,337)	0.10%
Total Pledged as collateral	326,062,271	200,952,733	125,109,538	4.27%
Other restricted assets:				
Argonaut reinsurance	$ 7,898,996	$ 5,785,043	$ 2,113,953	0.10%
Chesapeake Employers' Ins Fund reinsurance	271,000	308,000	(37,000)	0.00%
FHLB capital stock (Note 6)	4,988,600	2,824,700	2,163,900	0.04%
Securities restricted from sale	1,282,901	-	1,282,901	0.02%
Total other restricted assets	14,441,497	8,917,743	5,523,754	0.19%
Total admitted restricted assets	$ 340,503,768	$ 209,870,476	$ 130,633,292	4.46%

Real estate

The Company owned land and a commercial building for its main office located on Highway 290 in Austin, Texas that was originally purchased in 2002. The land and building were sold on August 31, 2018. Accumulated depreciation on the building as of the year ended December 31, 2018, totaled $18,313,192. The proceeds of the sale were $24,608,209 and resulted in a realized gain on investments of $15,742,915.

The Company acquired land and began construction in 2017 for its main office at 2200 Aldrich Street in Austin, Texas. Construction of the building was completed, and the building was occupied for use in October 2018. Depreciation expense on the building totaled $2,648,903 and $544,446 for the years ended December 31, 2019 and 2018, respectively. Accumulated depreciation on the building as of the years ended December 31, 2019 and 2018, totaled $3,193,349 and $544,446, respectively.

The Company also owns land and a commercial building for its regional office in Lubbock, Texas. Depreciation expense on the building totaled $101,280 for both years ended December 31, 2019 and 2018. Accumulated depreciation on the building as of the years ended December 31, 2019 and 2018, totaled $1,081,831 and $980,551, respectively.

Note 3 - Reserve for Losses and Loss Adjustment Expenses

The changes in reserves for losses and LAE consist of the following:

	For the Years Ended December 31, 2019	For the Years Ended December 31, 2018
Reserve for losses and LAE, net of reinsurance, at January 1	$ 2,945,051,070	$ 2,874,058,129
Incurred losses and LAE, net of reinsurance:		
Provision for insured events of the current year	687,933,887	731,657,559
Change in provision for insured events of prior years	(246,360,692)	(180,558,769)
Total incurred losses and LAE, net of reinsurance	441,573,195	551,098,790
Payments for losses and LAE, net of reinsurance:		
Attributable to insured events of the current year	(198,699,673)	(205,927,312)
Attributable to insured events of the prior years	(280,257,723)	(274,178,537)
Losses and LAE paid during the year, net of reinsurance	(478,957,396)	(480,105,849)
Reserve for losses and LAE, net of reinsurance, at December 31	$ 2,907,666,869	$ 2,945,051,070

Losses and LAE of $441,573,195 and $551,098,790 were the result of decreases of $246,360,692 and $180,558,769 due to favorable development of prior year estimates for the years ended December 31, 2019 and 2018, respectively. The favorable development continues to be due partially to recognition of activity taken by the claims department to control claim costs. These actions included the centralization of the medical resolution team, renegotiations of pharmacy and physical therapy services, and implementation of our own healthcare network. These changes contributed to lower than expected payments in 2019 and 2018. It is anticipated that we will continue to recognize these savings and therefore we lowered our estimated unpaid losses and LAE payments.

Note 4 - Policyholders' Surplus

Policyholder dividends totaled $347,562,715 and $302,089,888 for the years ended December 31, 2019 and 2018, respectively. Included in this amount are dividends paid to safety group policyholders totaling $18,467,933 and $22,829,958 for the years ended December 31, 2019 and 2018, respectively. TDI is notified of all dividends declared by the Company prior to payment. Future dividends to policyholders, if any, will be determined based on future operating results, and will be expensed as declared by the Board. The portion of unassigned surplus represented or (reduced) by each item below is as follows:

	December 31, 2019	December 31, 2018
Net unrealized capital gains	$ 466,756,452	$ 253,744,475
Non-admitted asset values	$ (26,324,696)	$ (29,819,900)
Provision for reinsurance	$ (67,400)	$ (52,329)

See Note 1 detailing the prescribed practice of admitting office furniture and electronic data processing equipment and the resulting impact on unassigned surplus.

Note 5 - Reinsurance

The Company contracts with Argonaut Insurance Company to write coverage for the Company's direct policyholder employees located in other states. The Argonaut contract calls for 100% reinsurance assumption of premiums, losses and LAE. As of December 31, 2019 and 2018, funds and securities with a total book/adjusted carrying value of $132,381,379 and $139,055,947, respectively, were held in trust as collateral for losses paid by Argonaut. The Company also assumed risk related to Travelers Insurance Company and the Chesapeake Mutual Insurance Company.

The Company also cedes insurance to other companies for catastrophic exposures. Various reinsurers provide the reinsurance coverage either directly or through pools or associations. For both contract years 2019 and 2018, the program reinsured losses in excess of $75 million on a per occurrence basis up to a maximum of $225 million, with a maximum of $15 million for any one life. Reinsurance contracts do not relieve the Company from its direct obligations to its policyholders. The Company is potentially liable if the reinsurance companies are unable to meet their obligations under the existing agreements.

The effect of reinsurance on premiums written and earned is as follows:

	For the Years Ended December 31,			
	2019		2018	
	Written	Earned	Written	Earned
Direct	$ 1,069,298,202	$ 1,052,315,860	$ 1,097,243,791	$ 1,059,925,895
Assumed	41,424,324	44,698,870	53,091,408	51,806,253
Ceded	-	(3,484,349)	-	(3,508,552)
Total	$ 1,110,722,526	$ 1,093,530,381	$ 1,150,335,199	$ 1,108,223,596

Ceded premiums are recorded on an earned basis, which is consistent with terms of the reinsurance contract. Ceded losses incurred for the calendar years ended December 31, 2019 and 2018 were $(1,872,212) and $(181,669), respectively. Assumed losses and LAE incurred for the calendar years ended December 31, 2019 and 2018 were $25,751,166 and $37,125,877, respectively.

Reinsurance recoverable on paid losses at December 31, 2019 and 2018 totaled $1,064,567 and $900,594, respectively. Reinsurance recoverable on unpaid losses at December 31, 2019 and 2018 totaled $51,062,995 and $51,949,956, respectively.

Note 6 – Borrowed Funds

The Company is a member of the Federal Home Loan Bank (FHLB) of Dallas through Class B membership stock. Membership provides financial flexibility and a source of liquidity to the Company. Any funds obtained from the FHLB of Dallas are accounted for in accordance with *SSAP No. 15, Debt and Holding Company Obligations*, as borrowed money. In 2016, the Company's Board of Directors approved a proposal to borrow funds on a short-term basis from the FHLB for liquidity purposes as management deems necessary. As a result of the borrowings, the Company was required to purchase additional FHLB activity stock and pledge securities as collateral.

	Current Year	Prior Year
Membership Stock – Class B	$ 2,938,600	$ 2,824,700
Activity Stock	2,050,000	-
Maximum Amount Pledged during reporting period	200,180,079	161,702,346
Maximum Debt during reporting period	169,256,900	-

At December 31, 2019, the Company had $50,000,000 in outstanding loans from the FHLB of Dallas and associated accrued interest of $81,572. The loan accrued interest at a rate of 1.62% and matures on January 23, 2020. The Company had securities pledged as collateral with a carrying value of $192,042,998 and fair value of $196,691,105. The collateral constitutes restricted assets and represents 2.52% of total assets and admitted assets.

Note 7 - Retirement Plans

The Company sponsors a defined contribution retirement plan (the "Plan") as provided for under Section 401 of the Internal Revenue Code. All employees who are 18 years of age and older automatically participate in the Plan. Under the terms of the 401, the Company makes nonelective employer contributions to the Plan on behalf of plan participants in the amount equal to 4% of each participant's salary plus 4% of the excess of each participant's salary over the Social Security wage base. Each participant may elect to contribute a percentage of their eligible compensation into the Plan, subject to IRS limitations. Starting January 1, 2019, the Company revised their contributions. The Company now matches 100% of participant contributions to the Plan, up to a maximum matching contribution by the Company of 6% of the participant's salary. Prior to 2019, the Company matched 75% of participant contributions to the Plan, up to a maximum matching contribution by the Company of 4.5% of the participant's salary. The Company's contributions totaled $8,004,023 and $7,695,727 for the years ended December 31, 2019 and 2018, respectively.

Note 8 - Commitments and Contingencies

Leases

The Company has entered into various operating leases that expire over the next five years. The leases contain various renewal options. For financial reporting purposes, rent expense is charged to operations on a straight-line basis over the term of the lease, resulting in a liability for deferred rent of $417,077 and $382,668 included in other liabilities at December 31, 2019 and 2018, respectively. The deferred rent represents the difference between the actual lease payments and the rent expense recognized. Rental expense for operating leases totaled $10,324,594 and $10,929,525 for the years ended December 31, 2019 and 2018, respectively. The future minimum rental payments required under operating leases for office space and equipment that have initial or remaining noncancelable lease terms in excess of one year as of December 31, 2019 are $24,128,928 in the aggregate, and amounts due for the succeeding 5 years are as follows:

2020	$	6,776,658
2021		4,994,670
2022		3,148,124
2023		2,514,832
2024		2,195,437

Commitments

As of December 31, 2019 and 2018, the Company has made total commitments of $109,877,315 and $243,884,559, respectively, to provide additional funds to limited partnership investments recorded within other invested assets. The Company understands and has agreed that the commitment for additional investment could be due and payable at one or more closings of subscriptions for interests in the limited partnership over the life of the fund. In addition, the closings could be held on dates reasonably selected and in amounts to be determined by the General Partner in their sole and absolute discretion, but not to exceed, in the aggregate, the total amount of the commitment for additional investment.

The Company has made commitments to provide additional funds as needed to the following limited partnerships:

Limited partnerships	December 31, 2019
Golub Capital Pearls, LP	$ 14,556,406
Principal RE Debt Fund LP	3,016,295
Principal RE Debt Fund II LP	27,099,268
Partners Group RE SEC 2013A	14,269,301
Maranon Senior Credit Fund II-A LP	5,943,423
Crestline Opportunity Fund III LTD	11,102,093
Crestline Chowder Co	79,842
GSO Credit Alpha Fund II LP	26,027,469
Crestline Gas Co	58,495
AMFAM Fund III LP	7,724,723
	$ 109,877,315

Litigation

The Company is party to lawsuits and claims generally incidental to its business, which are expected to be adequately covered by loss reserves established at December 31, 2019. The ultimate disposition of these matters is not expected to have a significantly adverse effect on the Company's financial position, results of operations or cash flows.

Guaranty fund assessments

Effective January 1, 2000, the Company became a member of the Texas Property and Casualty Insurance Guaranty Association ("TPCIGA"). The TPCIGA is a non-profit, unincorporated association of all Texas-licensed property and casualty insurers and exists to protect Texas policyholders by providing payment for covered claims of insolvent insurance companies. The TPCIGA assesses member insurers based on premium written in the year preceding the assessment. The Company records liabilities for these assessments when it is probable that an assessment will be imposed and the amount can be reasonably estimated. The State of Texas provides premium tax credits for all TPCIGA assessments paid, allowing recovery of these payments ratably over a ten-year period. Due to the anticipated recoverability of the assessed amounts through premium tax offsets, the Company records guaranty fund assessments as an asset that is amortized in conjunction with the corresponding offset to premium taxes. The assets will be recovered through premium tax credits over a ten-year period for each applicable assessment.

As of December 31, 2019 and 2018, guaranty fund assets totaled $244,251 and $284,960, respectively. An assessment was not incurred for the years 2019 and 2018. The Company does anticipate future assessments; however, no liabilities have been accrued as these future assessments cannot currently be reasonably estimated.

Note 9 - High Deductibles

As of December 31, 2019 and 2018, the Company had no reserve credit recorded for high deductibles on unpaid losses and the deductible amounts billed and recoverable on paid claims were $276,654 and $78,939, respectively. These amounts were not in excess of collateral specifically held, and therefore were admissible as assets.

Note 10 - Fair Value Measurements

The investments carried at fair value on the financial statements have been classified, for disclosure purposes, based on the hierarchy defined by the SSAP No. 100, *Fair Value Measurements*. The Statement defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. SSAP No. 100 establishes a fair value hierarchy that distinguishes between market participant assumptions developed on market data obtained from sources independent of the Company (observable inputs) and the Company's own assumptions about market participants based on best information available in the circumstances (unobservable inputs). The asset's classification in the hierarchy is based on the lowest level of input that is significant to its valuation. The levels of the fair value hierarchy are as follows:

- Level 1 – Quoted prices for *identical* instruments in active markets.
- Level 2 – Quoted prices for *similar* instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 – Significant Unobservable Inputs for the asset or liability that reflect the Company's own assumptions about the assumptions that market participants would use in pricing the asset or liability.

Level 1 financial assets

These assets include actively-traded exchange-listed common stocks. Unadjusted quoted prices for these securities are provided by various independent pricing services.

Level 2 financial assets

The assets in this category include bonds with fair values provided by independent pricing services, utilizing observable inputs. The Company has obtained an understanding of the methods, models and inputs used in pricing, and controls in place to validate that amounts provided represent current fair values.

Typical inputs to models used by independent pricing services include but are not limited to benchmark yields, reported trades, broker-dealer quotes, issuer spreads, benchmark securities, bids, offers, reference data, and industry and economic events. Because some bonds do not trade daily, independent pricing services regularly derive fair values using recent trades of securities with similar features. When recent trades are not available, pricing models are used to estimate the fair values of securities by discounting future cash flows at estimated market interest rates. As part of the Company's control over pricing, management reviews all prices obtained to ensure reasonableness of values and corroborates these prices with other independent sources.

Level 3 financial assets

These assets include bonds with fair values provided by independent broker quotations, utilizing inputs that cannot be corroborated by observable market data.

Fair Value Measurements at Reporting Date

The following two tables provide information about the Company's financial assets measured and reported at fair value excluding those accounted for under the equity method (limited partnership and limited liability company interests) as of December 31, 2019 and December 31, 2018, respectively.

	December 31, 2019			
	Level 1	Level 2	Level 3	Total
Bonds				
Industrial and miscellaneous	$ -	$ 17,383,259	$ -	$ 17,383,259
Asset-backed securities	-	2,681,986	-	2,681,986
Collateralized mortgage obligations	-	5,448,309	-	5,448,309
Total bonds	-	25,513,554	-	25,513,554
Common stock and mutual funds	974,379,859	-	-	974,379,859
Preferred stock	1,617,952	-	-	1,617,952
Total stocks and mutual funds	975,997,811	-	-	975,997,811
Total assets at fair value	$ 975,997,811	$ 25,513,554	$ -	$ 1,001,511,365

	December 31, 2018			
	Level 1	Level 2	Level 3	Total
Bonds				
Industrial and miscellaneous	$ 6,082,500	$ 146,629,504	$ -	$ 152,712,004
Asset-backed securities	-	2,131,883	-	2,131,883
Collateralized mortgage obligations	-	3,812,758	-	3,812,758
Total bonds	6,082,500	152,574,145	-	158,656,645
Common stock and mutual funds	860,852,967	-	-	860,852,967
Preferred stock	445,855	-	-	445,855
Total stocks and mutual funds	861,298,822	-	-	861,298,822
Total assets at fair value	$ 867,381,322	$ 152,574,145	$ -	$ 1,019,955,467

Fair Values for All Financial Instruments

The table below reflects the fair values of all admitted assets and liabilities that are financial instruments excluding those accounted for under the equity method (limited partnership and limited liability company interests). See Note 2 for admitted values. The fair values are also categorized into the three-level fair value hierarchy as described above, with the exception of those securities in which it was not practicable to determine fair value. Due to the nature of FHLB Capital Stock and the restrictions placed on the transferability, determining fair value was deemed not practicable. The carrying value of borrowed funds in the amount of $50,000,000 at December 31, 2019 approximate the fair value due to the short-term maturity and are considered level 2 within the fair value hierarchy.

	December 31, 2019				
	Fair Value	Level 1	Level 2	Level 3	Not Practicable Carrying Value
Financial instruments					
Bonds	$5,074,292,032	$ -	$ 5,074,292,032	$ -	$ -
Preferred stocks	1,617,952	1,617,952	-	-	-
Common stocks and mutual funds	979,368,459	974,379,859	-	-	4,988,600
Cash, cash equivalents and short-term investments	83,112,518	83,112,518	-	-	-
Total assets	$6,138,390,961	$1,059,110,329	$ 5,074,292,032	$ -	$ 4,988,600

	December 31, 2018				
	Fair Value	Level 1	Level 2	Level 3	Not Practicable Carrying Value
Financial instruments					
Bonds	$4,596,019,381	$ 6,082,500	$ 4,589,936,881	$ -	$ -
Preferred stocks	445,855	445,855	-	-	-
Common stocks and mutual funds	863,677,667	860,852,967	-	-	2,824,700
Cash, cash equivalents and short-term investments	154,864,418	154,864,418	-	-	-
Total assets	$5,615,007,321	$1,022,245,740	$ 4,589,936,881	$ -	$ 2,824,700

Note 11 – Structured Settlements

Structured settlements are arrangements under which claimants agree to fixed financial payments for a determinable period, or for life in return for releasing the Company from its claim liabilities. In current and prior years, the Company has purchased annuities from various life insurance companies for the settlement of certain Employer Liability (EL) and other claims as allowed by statute. For each annuity purchased, the claimant is the payee and has signed a full release of liability. The purchase of these annuities allows the Company to reduce reserves for unpaid losses. The related amount of reserves no longer carried by the Company is $18,901,626 and $16,622,554 as of December 31, 2019 and 2018, respectively. Since a full release of liability from the claimant has been obtained, the Company is not contingently liable for payments in the event of default or insolvency of the life insurer.

The Company has not purchased annuities from life insurers under which the Company is payee and therefore, no balances are due from such annuity insurers.

Note 12 – Events Subsequent

The Company has considered subsequent events through February 27, 2020 the date statutory-basis financial statements were available to be issued. There were no events occurring subsequent to the end of the year that merited recognition or disclosure in these statements.

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