THE CALM IN THE *storm*

2020 FINANCIAL HIGHLIGHTS

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TexasMutual®
WORKERS' COMPENSATION INSURANCE
WORK SAFE, TEXAS®

Financial Highlights

For the year ended December 31, 2020
(in thousands)

Gross premiums written	$959,712
Gross premiums earned	$976,971
Net premiums earned	$976,391
Net investment income	$298,525
Claim benefits paid and incurred	$395,891
Underwriting expense	$315,910
Dividends to policyholders	$348,572
Total other expense	$3,770
Net income	$210,773

At December 31, 2020
(in thousands, except number of policies in force and employees covered)

Admitted assets	$7,829,763
Liabilities	$3,551,793
Policyholders' surplus	$4,277,970
Number of policies in force	72,029
Number of employees covered on policies in force	1,475,803

Key indicators, year ended December 31, 2019

Incurred loss ratio	40.5%
Statutory combined ratio	73.8%
Combined ratio including dividends	110.2%
Premiums written to surplus ratio	0.22:1

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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, 2020 and 2019, 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, 2020 and 2019, 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, 2020 and 2019, 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 26, 2021

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

	December 31, 2020	December 31, 2019
Admitted Assets		
Cash and invested assets:		
Bonds (Note 2)	$ 4,941,381,028	$ 4,918,948,540
Common stocks and mutual funds (Note 2)	910,335,819	979,368,459
Preferred stocks (Note 2)	-	1,617,952
Real estate (Note 2)		
Properties occupied by the Company	101,119,393	103,894,284
Cash, cash equivalents, and short-term investments	146,207,615	83,112,518
Other invested assets	1,243,570,461	1,045,399,774
Total cash and invested assets	7,342,614,316	7,132,341,527
Premiums receivable, net of allowance	438,530,080	447,587,143
Reinsurance recoverable on paid losses (Note 5)	1,307,265	1,064,567
Investment income due and accrued	34,629,288	36,906,195
Furniture and electronic data processing equipment	5,758,528	7,322,246
Other assets	6,923,937	6,369,054
Total Admitted Assets	$ 7,829,763,414	$ 7,631,590,732
Liabilities and Policyholders' Surplus		
Liabilities		
Reserve for losses and loss adjustment expenses (Note 3)	$ 2,869,211,755	$ 2,907,666,869
Unearned premiums	507,612,316	524,872,092
Taxes, licenses, and fees	14,930,978	17,583,547
Commissions payable	45,251,299	52,662,253
Advance premiums	8,565,980	8,490,334
Borrowed funds (Note 6)	20,000,889	50,081,572
Other liabilities	52,391,021	44,202,533
Payables for securities	33,829,521	26,029,795
Total liabilities	3,551,793,759	3,631,588,995
Commitments and contingencies (Note 8)		
Policyholders' Surplus		
Unassigned surplus	4,277,969,655	4,000,001,737
Total policyholders' surplus	4,277,969,655	4,000,001,737
Total Liabilities and Policyholders' Surplus	$ 7,829,763,414	$ 7,631,590,732

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

STATUTORY-BASIS STATEMENTS OF OPERATIONS

	For the Year Ended December 31, 2020		For the Year Ended December 31, 2019	
Premiums				
Premiums written - direct and assumed	$	959,711,574	$	1,110,722,526
Change in unearned premium reserve		17,259,776		(13,707,796)
Premiums earned		976,971,350		1,097,014,730
Less cost of reinsurance (Note 5)		(580,725)		(3,484,349)
Net premiums earned		976,390,625		1,093,530,381
Losses and Expenses Incurred				
Losses and loss adjustment expenses (Note 3)		395,891,411		441,573,195
Underwriting expenses		315,910,380		343,941,070
Total losses and expenses incurred		711,801,791		785,514,265
Net underwriting gain		264,588,834		308,016,116
Net Investment Income (Note 2)				
Net interest, dividend and other invested income earned		194,254,767		205,957,025
Net realized capital gains on investments		104,270,097		58,876,074
Net investment income		298,524,864		264,833,099
Other Income (Expense)				
Finance and service charges		282,377		725,196
Provision for uncollectible premiums		(2,029,293)		(8,125,842)
Ordinary gain (loss) on disposal of fixed assets		(2,292,690)		(141,272)
Miscellaneous income		270,680		79,401
Total other expense		(3,768,926)		(7,462,517)
Net income before dividends to policyholders		559,344,772		565,386,698
Dividends to policyholders (Note 4)		348,572,145		347,562,715
Net Income	$	210,772,627	$	217,823,983

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,	
	2020	2019
Total policyholders' surplus, beginning of the year	$ 4,000,001,737	$ 3,565,685,644
Net income	210,772,627	217,823,983
Change in net unrealized capital gains	63,463,437	213,011,977
Change in non-admitted assets	3,910,054	3,495,204
Change in provision for reinsurance	(178,200)	(15,071)
Change in policyholders' surplus for the year	277,967,918	434,316,093
Total policyholders' surplus, end of the year	$ 4,277,969,655	$ 4,000,001,737

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, 2020	2019
Cash from Operations		
Premiums collected, net of reinsurance	$ 967,140,114	$ 1,059,231,886
Losses and loss adjustment expenses paid, net of subrogation (Note 3)	(434,346,525)	(478,957,396)
Underwriting expenses paid	(314,661,956)	(356,334,061)
Net cash from underwriting	218,131,633	223,940,429
Net investment income	208,869,467	213,756,086
Other expense, net	282,377	725,196
Dividends to policyholders	(348,243,863)	(349,178,316)
Net cash from operations	79,039,614	89,243,395
Cash from Investments		
Proceeds from investments sold, matured, or repaid		
Bonds	3,925,091,500	4,129,676,450
Common stocks and mutual funds	331,176,421	231,996,044
Other invested assets	58,682,340	96,236,849
Net miscellaneous investment gains	68,395	678,067
Total investment proceeds	4,315,018,656	4,458,587,410
Cost of investments acquired		
Bonds	(3,849,001,566)	(4,342,664,406)
Common stocks and mutual funds	(222,662,139)	(193,349,797)
Capital improvements - real estate	(57,200)	(3,304,645)
Other invested assets	(226,816,452)	(127,357,296)
Total investments acquired	(4,298,537,357)	(4,666,676,144)
Net cash provided/(used) by investments	16,481,299	(208,088,734)
Cash from Financing and Miscellaneous Sources		
Borrowed funds (Note 6)	(30,628,396)	48,768,421
Other cash applied	(1,797,420)	(1,674,982)
Net cash (used)/provided by financing and miscellaneous sources	(32,425,816)	47,093,439
Net increase (decrease) in cash, cash equivalents and short-term investments	63,095,097	(71,751,900)
Cash, cash equivalents and short-term investments at beginning of year	83,112,518	154,864,418
Cash, cash equivalents and short-term investments at end of year	$ 146,207,615	$ 83,112,518

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 $5,574,001 and $6,629,108 as of December 31, 2020 and 2019, respectively, if all office furniture were non-admitted as required by NAIC SAP. Additionally, the Company’s statutory surplus would be decreased by $184,527 and $693,138 as of December 31, 2020 and 2019, 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 the 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.

During the current year, the Company increased the capitalization policy threshold for internally developed software to $5,000,000 from $1,000,000. The threshold for all other assets was also increased to $50,000 from $10,000. The new threshold was determined to be appropriate taking into consideration the Company's size, financial strength, and the administrative burden required at the previous thresholds.

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, 2020 and 2019, totaled $6,589,435 and $10,065,510, 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.

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. An independent consulting actuary is retained to provide an independent estimate of reserves. Management believes that the provision for losses and LAE is adequate to cover the ultimate liability at December 31, 2020 and 2019. 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 $3,123,623 and $3,176,253 at December 31, 2020 and 2019, 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. In February 2020, management, with the agreement of the board, made the decision not to renew the April 1, 2020 – March 31, 2021 reinsurance contract due to the Company's financial strength to cover future losses.

Federal income taxes

The Company is exempt from federal income taxation under Section 501(c)(27) of the Internal Revenue Code. 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, 2020			
	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	$ 734,677,117	$ 30,638,791	$ (672,498)	$ 764,643,410
Foreign government	43,491,800	5,323,946	-	48,815,746
Industrial and miscellaneous	2,815,543,913	219,260,402	(365,904)	3,034,438,411
Mortgage-backed securities	332,296,604	16,401,972	(100,447)	348,598,129
Asset-backed securities	291,543,672	6,693,267	(603,690)	297,633,249
Collateralized mortgage obligations	723,827,922	43,481,006	(1,429,363)	765,879,565
Total bonds	4,941,381,028	321,799,384	(3,171,902)	5,260,008,510
Common stocks and mutual funds	601,051,536	315,209,369	(5,925,086)	910,335,819
	$ 5,542,432,564	$ 637,008,753	$ (9,096,988)	$ 6,170,344,329

	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

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, 2020. Expected maturities may differ from contractual maturities because borrowers may have the right to prepay obligations without call or prepayment penalties.

	December 31, 2020	
	Amortized Cost/Adjusted Carrying Value	Fair Value
Due in one year or less	$ 337,621,948	$ 339,232,234
Due after one year through five years	1,812,060,470	1,911,315,897
Due after five years through ten years	1,719,312,379	1,869,307,548
Due after ten years	1,249,185,972	1,316,952,572
	$ 5,118,180,769	$ 5,436,808,251

Proceeds from the sale of bonds for the years ended December 31, 2020 and 2019, were $3,927,438,913 and $4,110,280,051, respectively. Gross gains of $111,721,385 and $52,433,043, and gross losses of $16,069,239 and $12,327,808, were realized from the sales of bonds for the years ended December 31, 2020 and 2019, respectively.

Proceeds from the sale of stocks for the years ended December 31, 2020 and 2019, were $326,278,640 and $234,135,541, respectively. Gross gains of $78,959,827 and $45,515,600 and gross losses of $44,534,839 and $22,088,585, were realized from the sales of stocks for the years ended December 31, 2020 and 2019, respectively.

Proceeds from the sale of preferred stocks for the year ended December 31, 2020 were $1,855,025. Gross gains of $12,122 and gross losses of $126,546 were realized from the sales of preferred stocks for the year ended December 31, 2020. There were no sales of preferred stocks for the year ended December 31, 2019.

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, 2020 and 2019, 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 $28,015,480 and $9,486,697 were recorded for the years ended December 31, 2020 and 2019. Within the scope of SSAP No. 30. *Unaffiliated Common Stock* (SSAP No. 30), $26,968,566 and $9,486,697 was recorded for the years ended December 31, 2020 and 2019, respectively. Within the scope of SSAP No. 26R. *Bonds* (SSAP No. 26R), $1,046,914 was recorded for the year ended December 31, 2020.

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, 2020 and 2019 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, 2020 and 2019, respectively. However, these declines in value were not deemed to be other than temporary. Substantially all 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, 2020			
	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	$ 103,150,979	$ (672,498)	$ -	$ -
Industrial and miscellaneous	28,167,693	(365,904)	-	-
Mortgage-backed securities	16,023,649	(70,057)	1,622,825	(30,390)
Asset-backed securities	23,484,357	(399,514)	35,618,535	(204,176)
Collateralized mortgage obligations	20,853,509	(350,583)	29,570,641	(1,078,780)
Total bonds	191,680,187	(1,858,556)	66,812,001	(1,313,346)
Common stocks and mutual funds	38,764,280	(3,832,178)	18,516,299	(2,092,908)
	$ 230,444,467	$ (5,690,734)	$ 85,328,300	$ (3,406,254)

	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)

Investment Income

Net investment income consists of the following:

	For the Years Ended December 31,	
	2020	2019
Net interest, dividend and other invested income earned:		
Bonds	$ 157,088,270	$ 158,900,022
Common stocks and mutual funds	24,830,500	30,540,500
Cash equivalents and short-term investments	693,397	3,566,240
Other invested assets	34,345,999	37,313,573
Miscellaneous investments	663,677	1,747,500
Net real estate income	1,675,985	376,920
Less interest expense on borrowed funds	(547,712)	(1,313,151)
Less investment expenses	(24,495,349)	(25,174,579)
Total net interest, dividend and other invested income earned	194,254,767	205,957,025
Net realized gains (losses) on investments:		
Bonds	94,605,232	40,105,235
Common stocks and mutual funds	7,456,422	13,940,318
Preferred stocks	(114,424)	-
Cash equivalents and short-term investments	68,395	678,067
Other invested assets	2,254,472	4,152,454
Total net realized gains on investments	104,270,097	58,876,074
Net investment income	$ 298,524,864	$ 264,833,099

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, 2020 and 2019, net investment income included prepayment penalties amounting to $9,077,602 and $1,520,955, respectively.

Restricted Assets

As of December 31, 2020 and 2019, the Company has pledged as collateral securities with a book/adjusted carrying value of $478,476,481 and $326,062,271, respectively. In addition, the Company has other restricted assets of $13,728,273 as of December 31, 2020, including $3,487,500 of Federal Home Loan Bank ("FHLB) Capital Stock.

The following table provides information about the Company's assets pledged to others as collateral or otherwise restricted at book/adjusted carrying value as of December 31, 2020 and 2019.

	For the Years Ended December 31,			
	2020	2019	Increase/ (Decrease)	Admitted Restricted to Total Admitted Assets
Pledged as collateral:				
FHLB Loan (Note 6)	$ 361,354,830	$ 192,042,998	$ 169,311,832	4.61%
FHLB LOC Collateral	1,228,838	2,109,158	(880,320)	0.02%
Argonaut reinsurance	108,451,943	124,482,383	(16,030,440)	1.38%
Federal Longshore and Harbor Workers' Compensation Act	7,440,870	7,427,732	13,138	0.10%
Total Pledged as collateral	478,476,481	326,062,271	152,414,210	6.11%
Other restricted assets:				
Argonaut reinsurance	$ 9,969,773	$ 7,898,996	$ 2,070,777	0.13%
Chesapeake Employers' Ins Fund reinsurance	271,000	271,000	-	0.00%
FHLB capital stock (Note 6)	3,487,500	4,988,600	(1,501,100)	0.05%
Securities restricted from sale	-	1,282,901	(1,282,901)	0.00%
Total other restricted assets	13,728,273	14,441,497	(713,224)	0.18%
Total admitted restricted assets	$ 492,204,754	$ 340,503,768	$ 151,700,986	6.29%

Real estate

The Company owns land and a commercial building for its main office at 2200 Aldrich Street in Austin, Texas. Depreciation expense on the building totaled $2,679,906 and $2,648,903 for the years ended December 31, 2020 and 2019, respectively. Accumulated depreciation on the building as of the years ended December 31, 2020 and 2019, totaled $5,864,707 and $3,193,349, respectively.

The Company also owns land and a commercial building for its regional office in Lubbock, Texas. Depreciation expense on the building totaled $101,000 and $101,280 for the years ended December 31, 2020 and 2019, respectively. Accumulated depreciation on the building as of the years ended December 31, 2020 and 2019, totaled $1,167,572 and $1,081,831, 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,	
	2020	2019
Reserve for losses and LAE, net of reinsurance, at January 1	$ 2,907,666,869	$ 2,945,051,070
Incurred losses and LAE, net of reinsurance:		
Provision for insured events of the current year	630,827,974	687,933,887
Change in provision for insured events of prior years	(234,936,563)	(246,360,692)
Total incurred losses and LAE, net of reinsurance	395,891,411	441,573,195
Payments for losses and LAE, net of reinsurance:		
Attributable to insured events of the current year	(165,502,505)	(198,699,673)
Attributable to insured events of the prior years	(268,844,020)	(280,257,723)
Losses and LAE paid during the year, net of reinsurance	(434,346,525)	(478,957,396)
Reserve for losses and LAE, net of reinsurance, at December 31	$ 2,869,211,755	$ 2,907,666,869

Losses and LAE of $395,891,411 and $441,573,195 included decreases of $234,936,563 and $246,360,692 due to favorable development of prior year estimates for the years ended December 31, 2020 and 2019, 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 2020 and 2019. It is anticipated that we will continue to recognize these savings and therefore we lowered our estimated reserve for unpaid losses and LAE payments.

Note 4 - Policyholders' Surplus

Policyholder dividends totaled $348,572,145 and $347,562,715 for the years ended December 31, 2020 and 2019, respectively. Included in this amount are dividends paid to safety group policyholders totaling $18,665,202 and $18,467,933 for the years ended December 31, 2020 and 2019, 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,	
	2020	2019
Net unrealized capital gains	$ 530,219,889	$ 466,756,452
Non-admitted asset values	$ (22,414,642)	$ (26,324,696)
Provision for reinsurance	$ (245,600)	$ (67,400)

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, 2020 and 2019, funds and securities with a total book/adjusted carrying value of $118,421,716 and $132,381,379, 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 for prior years up to March 31, 2020. Various reinsurers provide the reinsurance coverage either directly or through pools or associations. For the contract year 2019, 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. For the 2020 contract year, the Company declined reinsurance coverage due to the Company's financial strength to cover future losses. 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,			
	2020		2019	
	Written	Earned	Written	Earned
Direct	$ 923,313,869	$ 940,480,094	$ 1,069,298,202	$ 1,052,315,860
Assumed	36,397,705	36,491,256	41,424,324	44,698,870
Ceded	-	(580,725)	-	(3,484,349)
Total	$ 959,711,574	$ 976,390,625	$ 1,110,722,526	$ 1,093,530,381

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, 2020 and 2019 were $1,911,816 and $(1,872,212), respectively. Assumed losses and LAE incurred for the calendar years ended December 31, 2020 and 2019 were $21,840,510 and $25,751,166, respectively.

Reinsurance recoverable on paid losses at December 31, 2020 and 2019 totaled $1,307,265 and $1,064,567, respectively. Reinsurance recoverable on unpaid losses at December 31, 2020 and 2019 totaled $46,329,563 and $51,062,995, 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 2020, The Company's Board of Directors approved a proposal to borrow from the FHLB for liquidity purposes, up to statutory limitations, as management deems necessary to fund policyholder dividends and insurance operations. 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	$ 3,087,500	$ 2,938,600
Activity Stock	400,000	2,050,000
Maximum Amount Pledged during reporting period	568,886,118	200,180,079
Maximum Debt during reporting period	430,000,000	169,256,900

At December 31, 2020 and December 31, 2019, the Company had $20,000,000 and $50,000,000 in outstanding loans from the FHLB of Dallas, respectively. The loans had associated accrued interest of $889 and $81,572 at December 31, 2020 and December 31, 2019, respectively. The current loan accrued interest at a rate of 0.16% and matures on January 27, 2021. At December 31, 2020 and December 31, 2019, the Company had securities pledged as collateral with a carrying value of $361,354,830 and $192,042,998 and fair value of $386,808,787 and $196,691,105, respectively. The collateral constitutes restricted assets and represents 4.61% and 2.52% of total assets and admitted assets at December 31, 2020 and December 31, 2019, respectively.

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. The Company matches 100% of participant contributions to the Plan, up to a maximum matching contribution by the Company of 6% of the participant's salary. The Company's contributions totaled $8,379,329 and $8,004,023 for the years ended December 31, 2020 and 2019, 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 $428,212 and $417,077 included in other liabilities at December 31, 2020 and 2019, respectively. The deferred rent represents the difference between the actual lease payments and the rent expense recognized. Rental expense for operating leases totaled $11,017,421 and $10,324,594 for the years ended December 31, 2020 and 2019, 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, 2020 are $17,934,890 in the aggregate, and amounts due for the succeeding 5 years are as follows:

2021	$	6,062,873
2022		3,672,245
2023		2,768,610
2024		2,348,935
2025		1,382,224

Commitments

As of December 31, 2020 and 2019, the Company has made total commitments of $252,469,579 and $109,877,315, 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, 2020
Principal RE Debt Fund III LP	$ 83,548,651
Elliott Associates LP	63,045,000
SSP Adjacent Oppty Partners LP	37,418,813
Principal RE Debt Fund II LP	19,911,498
GSO Credit Alpha Fund II LP	15,111,592
Partners Group RE SEC 2013A	14,269,301
Crestline Opportunity Fund III LTD	6,800,791
AMFAM Fund III LP	6,735,739
Principal RE Debt Fund LP	3,016,295
Golub Capital Pearls, LP	2,553,404
Crestline Gas Co	58,495
	$ 252,469,579

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, 2020. 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, 2020 and 2019, guaranty fund assets totaled $203,543 and $244,251, respectively. An assessment was not incurred for the years 2020 and 2019. 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, 2020 and 2019, the Company had no reserve credit recorded for high deductibles on unpaid losses and the deductible amounts billed and recoverable on paid claims were $197,878 and $276,654, 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, 2020 and December 31, 2019, respectively.

	December 31, 2020			
	Level 1	Level 2	Level 3	Total
Bonds				
Industrial and miscellaneous	$ -	$ 14,465,862	$ -	$ 14,465,862
Asset-backed securities	-	3,885,981	-	3,885,981
Collateralized mortgage obligations	-	6,720,532	-	6,720,532
Total bonds	-	25,072,375	-	25,072,375
Common stock and mutual funds	906,848,319	-	-	906,848,319
Total stocks and mutual funds	906,848,319	-	-	906,848,319
Total assets at fair value	$ 906,848,319	$ 25,072,375	$ -	$ 931,920,694

	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

Fair Values for All Financial Instruments

The table below reflects the fair values of all admitted assets 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 $20,000,000 and $50,000000, at December 31, 2020 and December 31, 2019, respectively, approximate the fair value due to the short-term maturity and are considered level 2 within the fair value hierarchy.

	December 31, 2020				
	Fair Value	Level 1	Level 2	Level 3	Not Practicable Carrying Value
Financial instruments					
Bonds	$5,260,008,510	$ 24,836,050	$ 5,228,519,090	$6,653,370	$ -
Common stocks and mutual funds	910,335,819	906,848,319	-	-	3,487,500
Cash, cash equivalents and short-term investments	146,215,636	146,215,636	-	-	-
Total assets	$6,316,559,965	$1,077,900,005	$ 5,228,519,090	$6,653,370	$ 3,487,500

	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

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 $19,946,660 and $18,901,626 as of December 31, 2020 and 2019, 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 26, 2021 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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