JohnsonLambert LLP
cpas + consultants

Physicians Insurance A Mutual Company

Audited Financial Statements - Statutory Basis

Years ended December 31, 2023 and 2022
with Report of Independent Auditors

Physicians Insurance A Mutual Company

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Years ended December 31, 2023 and 2022

Contents

Report of Independent Auditors

Board of Directors
Physicians Insurance A Mutual Company

Opinions

We have audited the statutory financial statements of Physicians Insurance A Mutual Company (the Company), which comprise the statutory balance sheets as of December 31, 2023 and 2022, and the related statutory statements of income, changes in policyholders' surplus, and cash flows for the years then ended, and the related notes to the financial statements.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the accompanying financial statements present fairly, in all material respects, the admitted assets, liabilities, and policyholders' surplus of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended, in accordance with the basis of accounting described in Note 2.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles section of our report, the financial statements do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Company as of December 31, 2023 and 2022, or the results of its operations or its cash flows for the years then ended.

Basis for Opinions

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

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 2 to the financial statements, the Company prepared these financial statements using accounting practices prescribed or permitted by the Washington State Office of the Insurance Commissioner, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these statutory accounting practices described in Note 2 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Responsibilities of Management for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with the accounting practices prescribed or permitted by the Washington State Office of the Insurance Commissioner. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

In performing an audit in accordance with GAAS, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Supplemental Investment Risks Interrogatories, Summary Investment Schedule, and Supplemental Reinsurance Interrogatories of the Company as of December 31, 2023, are presented for purposes of additional analysis and are not a required part of the financial statements but are supplementary information required by the Washington State Office of the Insurance Commissioner. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, such schedules are fairly stated in all material respects in relation to the financial statements as a whole.

Johnson Lambert LLP

Atlanta, Georgia
May 23, 2024

Physicians Insurance A Mutual Company

Balance Sheets - Statutory Basis

As of December 31, 2023 and 2022

	2023	2022
Admitted assets		
Cash and investments:		
Bonds	$ 366,013,909	$ 387,963,011
Common stock	76,191,882	77,157,291
Cash and cash equivalents	64,183,260	16,047,953
Other invested assets	43,680,112	37,230,535
Total cash and investments	550,069,163	518,398,790
Uncollected premiums and agents' balances in the course of collection	37,017,592	35,636,570
Reinsurance recoverables on paid losses	254,372	4,466,773
Accrued interest and dividends	2,691,678	2,855,822
Receivable from affiliates	834,162	907,441
Net deferred tax asset	842,914	751,405
Federal income tax recoverable	357,805	430,884
EDP equipment and software	98,510	167,081
Other assets	728,150	337,646
Total admitted assets	$ 592,894,346	$ 563,952,412
Liabilities and policyholders' surplus		
Liabilities		
Reserves for losses	$ 179,582,501	$ 171,319,593
Reserves for loss adjustment expenses	71,139,555	67,822,533
Reinsurance payable on paid losses and loss adjustment expenses	611,123	1,686,078
Unearned premiums	48,070,550	37,245,253
Advance premiums	8,380,650	5,923,054
Commissions payable	140,177	344,606
Other expenses	4,500,729	3,910,254
Retroactive reinsurance reserves assumed	-	698,400
Taxes, licenses, and fees payable	951	337,255
Provision for reinsurance	14,288	76,363
Ceded reinsurance premium payable to reinsurers	3,817,669	4,680,209
Payable for securities	448,638	-
Total liabilities	316,706,831	294,043,598
Policyholders' surplus	276,187,515	269,908,814
Total liabilities and capital and surplus	$ 592,894,346	$ 563,952,412

See accompanying notes to the statutory basis financial statements.

Physicians Insurance A Mutual Company

Statements of Income - Statutory Basis

Years ended December 31, 2023 and 2022

	2023	2022
Revenues		
Premiums earned	$ 160,069,785	$ 149,271,964
Less: ceded reinsurance premiums earned	36,272,017	34,123,120
Net premiums earned	123,797,768	115,148,844
Losses and expenses		
Net losses incurred	76,780,682	53,919,163
Net loss adjustment expenses incurred	41,562,512	44,659,565
Other underwriting expenses incurred	24,704,245	23,222,220
Total underwriting deductions	143,047,439	121,800,948
Net underwriting loss	(19,249,671)	(6,652,104)
Investment income		
Net investment income earned	14,122,109	11,394,712
Net realized capital gain (losses), less tax of $1,606,695 and $112,902 at December 31, 2023 and 2022, respectively	6,044,233	(17,392,605)
Net investment gain (loss)	20,166,342	(5,997,893)
Other income		
Net loss from agents' or premium balances charged off	(5,935)	(6,163)
Finance and service charges not included in premiums	295,960	24,953
Other income, net	699,415	236,570
Total other income	989,440	255,360
Income (loss) before federal income taxes	1,906,111	(12,394,637)
Federal income tax (benefit) expense	(133,367)	878,797
Net income (loss)	$ 2,039,478	$ (13,273,434)

See accompanying notes to the statutory basis financial statements.

Physicians Insurance A Mutual Company

Statements of Changes in Policyholders' Surplus - Statutory Basis

Years ended December 31, 2023 and 2022

	2023	2022
Policyholders' surplus, beginning of year	$ 269,908,814	$ 286,987,938
Net income (loss)	2,039,478	(13,273,434)
Change in unauthorized reinsurance	62,075	510,648
Change in nonadmitted assets	1,661,414	(2,247,171)
Change in net unrealized capital gains, net of tax	1,894,931	(2,677,718)
Change in net deferred income tax	620,803	608,551
Policyholders' surplus, end of year	$ 276,187,515	$ 269,908,814

See accompanying notes to the statutory basis financial statements.

Physicians Insurance A Mutual Company

Statements of Cash Flows - Statutory Basis

Years ended December 31, 2023 and 2022

	2023	2022
Cash flows from operating activities		
Premiums collected, net of reinsurance	$ 132,955,756	$ 104,957,617
Net investment income	15,221,707	13,218,605
Miscellaneous income	291,038	18,790
Total income	148,468,501	118,195,012
Benefits and loss-related payments	65,519,750	57,130,464
Expenses paid	60,745,439	62,277,157
Federal and foreign income taxes paid (recovered)	1,400,250	(379,242)
Total	127,665,439	119,028,379
Net cash flows from operating activities	20,803,062	(833,367)
Cash flows from investing activities		
Proceeds from investments sold, matured, or repaid:		
Bonds	112,760,943	50,274,739
Common stocks	22,204,562	9,371,538
Total investment proceeds	134,965,505	59,646,277
Cost of investments acquired:		
Bonds	93,681,558	43,659,304
Common stocks	7,674,724	10,547,414
Other invested assets	6,409,366	23,367,988
Miscellaneous applications	(448,638)	103,020
Total investments acquired	107,317,010	77,677,726
Net cash flows from investing activities	27,648,495	(18,031,449)
Financing and miscellaneous activities		
Other cash applied	(316,250)	(1,627,210)
Net cash flows from financing activities	(316,250)	(1,627,210)
Net change in cash and cash equivalents	48,135,307	(20,492,026)
Cash and cash equivalents		
Beginning of year	16,047,953	36,539,979
End of year	$ 64,183,260	$ 16,047,953

See accompanying notes to the statutory basis financial statements.

Note 1 - Organization

Physicians Insurance A Mutual Company (the Company) provides comprehensive professional liability insurance to physicians and hospitals practicing primarily in the states of Washington, Oregon, Idaho, and Alaska. The Company writes claims-made professional liability policies, provider excess, and medical stop-loss policies for organizations and self-insured employers.

The Company is a mutual insurance company. The Company owns 100% of the equity or membership interests of the following subsidiaries:

Association Insurance Services, Inc. (AIS) - Insurance agency, wholly owned subsidiary
Alternative Insurance Management Services, LLC (AIMS) - wholly owned subsidiary
PHYSIS Corporation - Inactive financial planning firm, wholly owned subsidiary
Washington State Physicians Insurance Association, Inc. - wholly owned subsidiary
Alterna, LLC - Captive management company, 100% owned by AIMS
Physicians Insurance Membership Services, LLC (PIMS) - Captive management service company, 100% owned by AIMS
Novaris, LLC - Captive insurance company, 100% owned by AIMS

Physicians Insurance Risk Retention Group, Inc. (PI RRG) is an incorporated protected cell within Novaris, LLC. PI RRG is capitalized with surplus notes issued by the Company.

Note 2 - Significant Accounting Policies

The Company, domiciled in Washington state, prepares its statutory basis financial statements in conformity with the National Association of Insurance Commissioners (NAIC) *Accounting Practices and Procedures Manual,* which has been adopted by the state of Washington, subject to any deviations prescribed or permitted by the Washington State Office of the Insurance Commissioner (Department). The Department has no significant accounting practices that differ from those found in NAIC statutory accounting principles.

NAIC accounting practices differ in certain respects from U.S. generally accepted accounting principles (GAAP). The effects on the financial statements of the variances between these statutory accounting practices and GAAP, although not reasonably determinable, are presumed to be material and pervasive. Significant differences are as follows:

- *Nonadmitted Assets* - Certain assets designated as "nonadmitted" assets are excluded from the balance sheets, and the changes in such assets are credited or charged directly to unassigned surplus. These assets primarily consist of unaudited subsidiaries, the nonadmitted portion of deferred taxes, and certain property and equipment. Under GAAP, such assets are included on the balance sheets to the extent that those assets are not impaired.

Note 2 - Significant Accounting Policies (Continued)

- *Investments* - Investments are carried at values prescribed by the NAIC. Generally, bonds are stated at amortized cost (unless the NAIC requires fair value), and equity securities of nonaffiliates are stated at fair value with changes in fair value recognized directly to policyholders' surplus net of related deferred taxes. Under GAAP, bonds would be designated at purchase as held-to-maturity, trading, or available-for-sale. Held-to-maturity fixed maturity investments would be reported at amortized cost, and the remaining fixed maturity investments would be reported at fair value, with unrealized holding gains and losses reported in operations for those designated as trading and as a separate component of other comprehensive income, net of the related deferred taxes, for those designated as available-for-sale. Effective 2023, the impairment model for current expected credit losses is different for statutory and GAAP purposes. Equity securities would be reported at fair value with changes in fair value recognized in the Company's results of operations.

- *Investments in Subsidiaries* - The Company's investments in its insurance affiliates are included in common stock or other invested assets and are carried at their underlying statutory or GAAP equity. Changes in the carrying value of affiliates are recorded directly to policyholders' surplus. Under GAAP, changes in the carrying value of affiliates are recorded in earnings.

- *Deferred Taxes* - Deferred tax assets and liabilities are determined in a manner similar to GAAP; however, additional criteria are then applied to those assets that may require certain amounts to be nonadmitted. The change in net deferred tax assets is recorded as a change in policyholders' surplus. Under GAAP, a deferred tax asset is recorded for the amount of gross deferred tax assets expected to be realized in future years, and a valuation allowance is established for deferred tax assets not realizable.

- *Leases* - For statutory purposes, costs related to operating leases are expensed as incurred. Under GAAP, such amounts are reported on the balance sheet including a right-of-use asset for the right to use an underlying asset for the lease term and a lease liability, on a discounted basis, for the obligation to make lease payments. Lease costs are expensed on a straight-line basis for the term of the lease.

- *Policy Acquisition Costs* - Acquisition expenses relating to the issuance of new policies are charged to expense as incurred. Under GAAP, certain policy acquisition costs to the extent recoverable would be deferred and amortized over the effective period of the related insurance policies.

Note 2 - Significant Accounting Policies (Continued)

- *Loss and Loss Adjustment Expenses* - Ceded reinsurance recoverables on unpaid losses and loss adjustment expenses (LAE) are recorded as a reduction to the reserves for losses and LAE. Additionally, the unexpired portion of ceded reinsurance premiums is recorded as a reduction of unearned premiums. Under GAAP, ceded reinsurance recoverables and ceded reinsurance premiums are reported as assets. Effective 2023, the impairment model for current expected credit losses is different for statutory and GAAP purposes.

- *Provision for Reinsurance* - A liability is provided for uncollateralized reinsurance balances of reinsurers not authorized to do business by the Department, and changes to those amounts are credited or charged directly to policyholders' surplus. Under GAAP, an allowance for amounts deemed uncollectible would be established through a charge to earnings.

- *Ceding Commissions* - Commissions allowed by reinsurers on business ceded are reported as income when incurred to the extent the amount does not exceed actual acquisition costs rather than being deferred and amortized with deferred policy acquisition costs, as would be required under GAAP.

- *Statement of Cash Flows* - The statutory statements of cash flow does not classify cash flow consistent with GAAP, and a reconciliation of net income to net cash provided by or used in operating activities is not provided.

- *Realized Gains and Losses* - For statutory purposes, net realized investment gains (losses) are reported net of federal income tax on the statutory statement of operations. Under GAAP, federal income tax related to investment gains (losses) is included in federal income tax expense.

- *Policyholder Dividends* - Dividends are recorded as an expense on the statements of income when declared. Under GAAP, policyholder dividends are accrued over the term of the related policies.

- *Comprehensive Income* - Comprehensive income is not reported under statutory accounting practices.

Other significant accounting practices are as follows:

Cash and Cash Equivalents
Cash balances consist of cash in the bank or on hand and available for current use. Cash equivalents consist of highly liquid investments with original maturities of three months or less when purchased. The Company maintains certain cash and cash equivalents balances that, at times, may exceed Federal Deposit Insurance Corporation insurance thresholds, which management does not consider to be a significant risk.

Note 2 - Significant Accounting Policies (Continued)

Investments
Bonds are reported at statement value as prescribed by the NAIC. Bonds that are investment grade (NAIC designation 1 or 2) are stated at cost or amortized cost. All other bonds (NAIC designations 3 to 6) are stated at the lower of amortized cost or fair value. Discount or premium on bonds is amortized using the effective-yield method.

Mortgage-backed securities are adjusted using the prospective method. Prepayment assumptions for single and multiclass mortgage-backed and asset-backed securities are obtained from independent pricing sources.

Common stocks are stated at fair value, and the related net unrealized capital gains (losses) are reported in policyholders' surplus along with any adjustment for federal income taxes.

The Company's investments in subsidiary, controlled, and affiliated entities are included in common stock or other invested assets and are carried at their underlying statutory or GAAP equity. Changes in the carrying value of affiliates are recorded directly to policyholders' surplus. Unaudited affiliates are nonadmitted.

The Company has interests in various partnerships as reported in other invested assets in the accompanying statutory basis balance sheets. The carrying value of the investments are based on the Company's share of the GAAP basis equity of the partnerships.

Surplus notes with a designation of NAIC 1 or NAIC 2 are reported at amortized cost. All other surplus notes are reported at the lesser of amortized cost or fair value.

Realized gains and losses are determined on the first-in, first-out method.

The Company monitors investments for other-than-temporary impairment (OTTI). In determining whether the losses are temporary or other-than-temporary, the Company considers the financial strength of the issuer, and its intent to sell the security or the Company's ability to hold the security long enough to recover in value. OTTI is reviewed quarterly. All securities with both a market value that is at least $10,000 under cost or book value and a market value that is less than 90% of cost or book value are evaluated.

Interest and dividend income are recorded on the accrual basis.

The Company nonadmits investment income due and accrued if amounts are over 90 days past due. All accrued investment income was admitted at December 31, 2023 and 2022.

Note 2 - Significant Accounting Policies (Continued)

Premiums

Premiums are earned over the terms of the related policies. Unearned premium reserves are established to cover the unexpired portion of premiums written. Such reserves are computed by pro rata methods for direct and assumed business.

Premiums related to coverages for doctors who retire, die, or are disabled are deferred as unearned premiums and are recognized as earned when an insured retires, dies, becomes disabled, or terminates coverage, whichever event occurs first; unearned premiums of $6,227,725 and $7,865,000 at December 31, 2023 and 2022, respectively, are for this coverage, which are referred to as Disability, Death, and Retirement (DD&R) reserves and are included in unearned premium in the accompanying statutory basis balance sheets. In determining unearned premiums related to DD&R, the Company includes an estimate for unexercised extended reporting endorsements utilizing actuarial models, including assumptions for the time value of money, loss trends, and the degree by which the loss experience of DD&R policies is likely to be below that implied by the Company's historical claims-made experience. Although the Company considers its experience and industry data in determining unearned premium related to DD&R, assumptions and projections of future events are necessary and unearned premiums may differ materially from amounts projected in the near term.

Advance premiums represent premium payments received from policyholders of the Company for policies not in effect until the ensuing calendar year.

If anticipated losses, loss adjustment expenses, commissions, and other acquisition costs exceed the Company's recorded unearned reserve and future installment premiums on existing policies, a premium deficiency reserve is recognized by recording a liability for the reserve. The Company anticipates investment income as a factor in premium deficiency calculations. No premium deficiency reserve has been recorded as of December 31, 2023 and 2022.

Uncollected premiums and agents' balances in the course of collection are presented net of nonadmitted amounts. The Company routinely evaluates the collectibility of these amounts.

Note 2 - Significant Accounting Policies (Continued)

Reserves for Losses and Loss Adjustment Expenses
The reserves for losses and LAE are established on the basis of reported losses (case-basis method). Provision is also made for claims incurred but not reported and related LAE. These amounts are based on the estimates of management and are subject to risks and uncertainties. Changes in estimates of losses and LAE are included in income for the period in which the estimates are changed. The Company does not discount loss and LAE reserves. The method of making such estimates and establishing the resulting reserves is based on actuarial assumptions of future contingencies and the applicability of other data sources such as recent settlements, claim frequency, and other economic and social factors. A provision for inflation in the calculation of estimated future claims costs is implicit in the calculation because reliance is placed both on actual historical data that reflects past inflation and on other factors that are considered to be appropriate modifiers of past experience. Although the Company considers its experience and industry data in determining such reserves, assumptions and projections of future events are necessary, and the ultimate amounts may differ materially from the amounts recorded or disclosed.

Reinsurance
The Company protects itself from excessive losses by reinsuring certain levels of risk in various areas of exposure with reinsurers. The Company also assumes risk from other insurance entities, including affiliates. Reinsurance coverage is provided on both a quota share and excess of loss basis. Prospective ceded and assumed reinsurance premiums, losses, and LAE are accounted for on bases consistent with those used in accounting for the original policies issued and the terms of the reinsurance contracts. Certain ceded and assumed reinsurance premiums include adjustments based on losses incurred, subject to certain limits, and are recorded on a best-estimate basis.

Ceded and assumed reinsurance premiums payable or receivable represent actual reinsurance costs in excess of deposits made and return premiums from prior years.

Reinsurance recoverables from unauthorized reinsurers in excess of applicable letters of credit are considered nonadmitted assets.

Retroactive reinsurance contracts are recorded as a liability and evaluated periodically for adequacy of the reserves. Gains and losses from the contracts are recorded in other income on the accompanying statements of income - statutory basis.

Note 2 - Significant Accounting Policies (Continued)

Income Taxes and Deferred Taxes
The Company accounts for income taxes under the liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements. Under this method, deferred tax assets and liabilities are determined based on the differences between financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. Deferred tax assets are limited to those that will more likely than not (defined as a likelihood of more than 50%) generate a tax benefit, and a valuation allowance is established if necessary to reduce the deferred tax asset to an amount that is more likely than not to be realized. No valuation allowance has been recorded as of December 31, 2023 or 2022.

Deferred income taxes are further subject to limitations as to the amount of deferred income tax assets that may be reported as "admitted assets" in accordance with statutory accounting principles (SSAP 101, Income Taxes). Admitted deferred tax assets are limited to (1) the amount of federal income taxes paid in prior years that can be recovered through loss carrybacks for existing temporary differences that reverse within the Internal Revenue Service loss carryback provisions; (2) the lesser of the remaining gross deferred tax assets expected to be realized within one year to three years of the balance sheet date or 10% to 15% of capital and surplus, excluding surplus arising from any net deferred tax assets, electronic data processing (EDP) equipment, operating software, and net positive goodwill; and (3) the amount of remaining gross deferred tax assets that can be offset against existing gross deferred tax liabilities. The Company considers character (capital or ordinary) in admitting deferred tax assets. Deferred income taxes do not include amounts for state income taxes.

Use of Estimates
The preparation of financial statements in conformity with accounting practices prescribed or permitted by the Department requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the statutory basis financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant accounts subject to management estimates are reserves for losses and LAE, reinsurance recoverables on unpaid losses and LAE, DD&R reserves, other-than-temporary impairment of invested assets, and the admitted portion of deferred tax assets.

Note 3 - Investments

The cost/amortized cost and estimated fair value of investments in bonds and common stock are summarized as follows:

December 31, 2023	Cost/Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. treasury securities and obligations of U.S. government corporations and agencies	$ 31,305,752	$ 41,179	$ (2,477,337)	$ 28,869,594
Obligations of states and political subdivisions	51,701,307	5,547	(6,787,164)	44,919,690
Corporate securities	112,248,723	287,783	(9,906,527)	102,629,979
Asset-backed securities	37,198,132	156,467	(570,047)	36,784,552
Residential mortgage-backed securities	95,247,562	564,761	(7,198,372)	88,613,951
Commercial mortgage-backed securities	38,312,433	85,743	(4,026,907)	34,371,269
Total bonds	$ 366,013,909	$ 1,141,480	$ (30,966,354)	$ 336,189,035
Common stock	$ 39,665,157	$ 36,528,672	$ (1,947)	$ 76,191,882

December 31, 2022	Cost/Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. treasury securities and obligations of U.S. government corporations and agencies	$ 35,306,689	$ -	$ (3,713,204)	$ 31,593,485
Obligations of states and political subdivisions	100,181,144	163,344	(9,319,134)	91,025,354
Corporate securities	125,993,291	140,013	(13,177,594)	112,955,710
Asset-backed securities	29,158,846	-	(1,402,202)	27,756,644
Residential mortgage-backed securities	72,337,777	34,445	(8,200,368)	64,171,854
Commercial mortgage-backed securities	24,985,264	-	(4,276,483)	20,708,781
Total bonds	$ 387,963,011	$ 337,802	$ (40,088,985)	$ 348,211,828
Common stock	$ 44,710,416	$ 33,204,330	$ (757,455)	$ 77,157,291

Note 3 - Investments (Continued)

Provided below is a summary of securities that were in an unrealized loss position as of December 31, 2023 and 2022. Management does not believe any individual unrealized loss as of December 31, 2023 or 2022, represents an other-than-temporary impairment, as the quantitative and qualitative criteria used by management to determine other-than-temporary impairment have not been met. The Company does not have the intent to sell and has the intent and ability, at the reporting date, to hold these investments until maturity or until fair value recovers above cost or amortized cost. In 2023 and 2022, there were no realized losses on debt or equity securities due to other-than-temporary impairments in value.

	Less than 12 Months		Greater than 12 Months		Total	
December 31, 2023	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
(in thousands)						
U.S. treasury and obligations of U.S. government corporations and agencies	$ 4,849	$ (196)	$ 10,406	$ (2,281)	$ 15,255	$ (2,477)
Obligations of states and political subdivision	4,440	(51)	36,350	(6,736)	40,790	(6,787)
Corporate securities	6,043	(34)	81,726	(9,873)	87,769	(9,907)
Asset-backed securities	4,383	(14)	9,843	(556)	14,226	(570)
Residential mortgage-backed securities	12,325	(143)	49,752	(7,055)	62,077	(7,198)
Commercial mortgage-backed securities	6,290	(254)	20,005	(3,773)	26,295	(4,027)
Total bonds	$ 38,330	$ (692)	$ 208,082	$ (30,274)	$ 246,412	$ (30,966)
Common stock	$ 606	$ (2)	$ -	$ -	$ 606	$ (2)

Note 3 - Investments (Continued)

December 31, 2022	Less than 12 Months Fair Value	Less than 12 Months Unrealized Losses	Greater than 12 Months Fair Value	Greater than 12 Months Unrealized Losses	Total Fair Value	Total Unrealized Losses
(in thousands)						
U.S. treasury and obligations of U.S. government corporations and agencies	$ 26,769	$ (2,649)	$ 4,825	$ (1,064)	$ 31,594	$ (3,713)
Obligations of states and political subdivision	53,077	(5,529)	12,791	(3,790)	65,868	(9,319)
Corporate securities	89,616	(8,197)	21,250	(4,981)	110,866	(13,178)
Asset-backed securities	12,800	(268)	14,957	(1,134)	27,757	(1,402)
Residential mortgage-backed securities	38,089	(2,710)	25,000	(5,490)	63,089	(8,200)
Commercial mortgage-backed securities	13,761	(2,369)	6,948	(1,908)	20,709	(4,277)
Total bonds	$ 234,112	$ (21,722)	$ 85,771	$ (18,367)	$ 319,883	$ (40,089)
Common stock	$ 10,009	$ (757)	$ -	$ -	$ 10,009	$ (757)

The cost or amortized cost and fair value of bonds by contractual maturity at December 31, 2023, are shown below. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Carrying Value	Estimated Fair Value
Due in one year or less	$ 12,131,516	$ 12,000,052
Due after one year through five years	69,406,187	67,069,627
Due after five years through ten years	39,061,005	34,050,088
Due after ten years	74,657,074	63,299,496
Asset-backed securities	37,198,132	36,784,552
Residential mortgage-backed securities	95,247,562	88,613,951
Commercial mortgage-backed securities	38,312,433	34,371,269
	$ 366,013,909	$ 336,189,035

	Proceeds	Gains	Losses
2023			
Bonds	$ 72,409,172	$ 204,634	$ 1,996,646
Common stock	22,204,562	9,449,558	3,490
2022			
Bonds	$ 11,757,581	$ 33,104	$ 261,493
Common stock	9,371,538	1,194,330	441,827

Note 3 - Investments (Continued)

Certain bonds were held on deposit with the North Carolina, Nevada, and Washington Office of the Insurance Commissioner for the protection of policyholders at December 31, 2023. Certain bonds were held on deposit with the Nevada and Washington Office of the Insurance Commissioner for the protection of policyholders at December 31, 2022. The amortized cost of these securities at December 31, 2023 and 2022, was $2,950,000 and $2,750,000, respectively. Admitted restricted assets as a percentage of total assets and admitted assets were 0.5% at both December 31, 2023 and 2022.

During 2021, the Company purchased an interest in a partnership, a private credit fund, reported in other invested assets in the accompanying statutory basis balance sheets. The carrying value of the partnership at December 31, 2023 and 2022 was $22,317,827 and $20,754,392, respectively. The Company has $0 of unfunded commitments to the partnership at December 31, 2023. There is liquidity risk associated with the partnership. Ownership is subject to certain restrictions on transferability and disposition under the subscription agreement and the marketability of the ownership units may be severely limited.

During 2022, the Company purchased an interest in a partnership, a core property fund, reported in other invested assets in the accompanying statutory basis balance sheets. The carrying value of the partnership at December 31, 2023 and 2022 was $17,738,464 and $14,447,552, respectively. The Company has $0 of unfunded commitments to the partnership at December 31, 2023. There is liquidity risk associated with the partnership. Ownership is subject to certain restrictions on transferability and disposition under the subscription agreement and the marketability of the ownership units may be severely limited.

The admitted carrying values of investments in subsidiaries and affiliates at December 31, 2023 and 2022 are shown below. The Company's investment in AIS is included in common stock, and the Company's investment in AIMS is included in other invested assets in the accompanying statutory basis balance sheets. Both AIS and AIMS were nonadmitted in 2022.

	2023	2022
AIS	$ 37,876	$ -
AIMS	1,461,129	-

The Company recognized an impairment loss on investments in subsidiaries and affiliates of $0 and $17,817,334 for the years ended December 31, 2023 and 2022, respectively.

Note 3 - Investments (Continued)

Net investment income for the years ended December 31, 2023 and 2022 is summarized as follows:

	2023	2022
Bonds	$ 11,527,949	$ 10,620,018
Common stock - nonaffiliates	1,135,072	1,175,876
Other invested assets	1,802,725	622,106
Cash and cash equivalents	794,285	76,388
Less: investment expenses	(1,137,922)	(1,099,676)
Net investment income	$ 14,122,109	$ 11,394,712

Note 4 - Fair Value of Financial Instruments

The following methods and assumptions were used by the Company in estimating the fair value of financial instruments in the accompanying financial statements and notes:

Cash and cash equivalents: The carrying amounts reported on the accompanying statutory basis balance sheets for these financial instruments approximate fair value.

Investment securities: Fair values for investment securities are primarily based on prices received from a third-party pricing service that uses observable market information in determining the fair value. Fair values for private placement securities are based on unit prices published by the Securities Valuation Office (SVO), or in the absence of SVO published unit prices, observable market inputs other than quoted market prices.

Surplus Note: The surplus note is included in other invested assets on the accompanying statutory basis balance sheet and valued based on the income. The income approach uses a valuation technique to convert the future amounts (interest cash flows for the surplus note) to a single present value amount (discounted). The annual coupon rate of 1.25%, maturity date of May 1, 2035, and the annual required return of 5.68% and 6.03% at December 31, 2023 and 2022, respectively, were used to calculate the value. The cost of the surplus note is $3,000,000.

For all other financial instruments (payables and receivables), carrying value approximates fair value.

Financial assets and liabilities carried at fair value have been classified, for disclosure purposes, based on a fair value hierarchy. The three-tier fair value hierarchy, which prioritizes the inputs used in the valuation methodologies, is as follows:

Level 1 - Valuations based on quoted prices for identical assets and liabilities in active markets.

Note 4 - Fair Value of Financial Instruments (Continued)

Level 2- Valuations based on observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data.

Level 3 - Valuations based on unobservable inputs reflecting the Company's own assumptions, consistent with reasonably available assumptions made by other market participants. These valuations require significant judgment.

The following table shows fair value hierarchy levels for the Company's investments as of December 31, 2023 and 2022:

	Fair Value Hierarchy			
2023	Level 1	Level 2	Level 3	Total
U.S. treasury securities and obligations of U.S. government corporations and agencies	$ 28,869,594	$ -	$ -	$ 28,869,594
Obligations of states and political subdivisions	-	44,919,690	-	44,919,690
Corporate securities	-	102,629,979	-	102,629,979
Asset-backed securities	-	36,784,552	-	36,784,552
Residential mortgage-backed securities	-	88,613,951	-	88,613,951
Commercial mortgage-backed securities	-	34,371,269	-	34,371,269
Total bonds	$ 28,869,594	$307,319,441	$ -	$336,189,035
Common stock	$ 76,191,882	$ -	$ -	$ 76,191,882
Other invested assets - surplus notes	$ -	$ -	$ 1,911,000	$ 1,911,000

Note 4 - Fair Value of Financial Instruments (Continued)

2022	Level 1	Level 2	Level 3	Total
U.S. treasury securities and obligations of U.S. government corporations and agencies	$ 31,593,485	$ -	$ -	$ 31,593,485
Obligations of states and political subdivisions	-	91,025,354	-	91,025,354
Corporate securities	-	112,955,710	-	112,955,710
Asset-backed securities	-	27,756,644	-	27,756,644
Residential mortgage-backed securities	-	64,171,854	-	64,171,854
Commercial mortgage-backed securities	-	20,708,781	-	20,708,781
Total bonds	$ 31,593,485	$316,618,343	$ -	$348,211,828
Common stock	$ 77,157,291	$ -	$ -	$ 77,157,291
Other invested assets - surplus notes	$ -	$ -	$ 1,776,900	$ 1,776,900

Fair Value Measurements in Level 3 of the Fair Value Hierarchy

	2023	2022
Assets: Surplus notes - affiliate		
Beginning balance, January 1	$ 1,776,900	$ 2,412,900
Total gains (losses) included in surplus	134,100	(636,000)
Ending balance, December 31	$ 1,911,000	$ 1,776,900

Note 5 - Reinsurance

Under reinsurance agreements, the Company cedes various amounts of risk to other insurance companies. The professional liability reinsurance agreements that were effective in 2023 and 2022, provide for an initial retention by the Company of the first $1,000,000 of loss per claim, with coverage of the excess up to $31,000,000. The stop-loss liability insurance coverage business was reinsured in 2023 and 2022 through a 50% quota share reinsurance arrangement and two excess of loss agreements, which apply to specific policies. In 2023 and 2022, cyber liability coverage was reinsured at 100%. D&O coverage has been reinsured since July 1, 2016, under the same reinsurance agreements as the Company's professional liability agreements.

The Company also assumes risk from other insurance entities, including its affiliate PI RRG which writes medical professional liability (MPL) business nationally. The Company reinsures RRG under a 95% quota share reinsurance agreement.

Note 5 - Reinsurance (Continued)

The effect of reinsurance, both ceded and assumed, on the Company's statutory basis financial statements are as follows:

December 31, 2023	Direct Business	Reinsurance Assumed Affiliated	Reinsurance Assumed Nonaffiliated	Reinsurance Ceded Nonaffiliated	Net Reported
Premiums written	$ 99,025,319	$ 62,335,744	$ 10,595,494	$ (37,333,493)	$ 134,623,064
Premiums earned	109,998,026	39,339,519	10,732,240	(36,272,017)	123,797,768
Losses (recoveries)	65,485,214	35,922,499	4,917,989	(29,545,020)	76,780,682
Loss adjustment (recoveries)	31,728,946	9,870,426	1,533,769	(1,570,629)	41,562,512
Underwriting expenses	17,859,089	7,301,146	991,425	(1,447,415)	24,704,245

December 31, 2022	Direct Business	Reinsurance Assumed Affiliated	Reinsurance Assumed Nonaffiliated	Reinsurance Ceded Nonaffiliated	Net Reported
Premiums written	$ 120,205,609	$ 25,864,127	$ 8,745,816	$ (35,816,132)	$ 118,999,420
Premiums earned	116,732,562	24,153,590	8,385,812	(34,123,120)	115,148,844
Losses (recoveries)	64,490,224	14,742,986	4,195,304	(29,509,351)	53,919,163
Loss adjustment (recoveries)	40,147,799	4,208,324	1,366,583	(1,063,141)	44,659,565
Underwriting expenses	17,774,837	5,769,681	1,346,620	(1,668,918)	23,222,220

At December 31, 2023 and 2022, a provision for reinsurance of $14,288 and $76,363, respectively, related to past due and unauthorized reinsurance recoverables was established. At December 31, 2023 and 2022, management determined that based on the creditworthiness of reinsurance counterparties, no additional provision for uncollectible reinsurance was necessary.

A contingent liability exists with respect to reinsured losses that would become an actual liability of the Company in the event that the reinsurers are unable to meet the obligations assumed by them under the reinsurance agreements as the reinsurance does not relieve the Company from the responsibility to the policyholders. The Company evaluates the financial condition of its reinsurers and monitors concentrations of credit risk arising from activities or economic characteristics of the reinsurers to minimize its exposure to significant losses from reinsurer insolvencies.

Unsecured reinsurance recoverables in excess of 3% of surplus as of December 31, 2023 are as follows:

	Federal ID Number	Name of Reinsurer	Unsecured Amount
2023	52-1952955	Rennaissance Re US	$ 8,627,000

There were no unsecured reinsurance recoverables in excess of 3% of surplus as of December 31, 2022.

There would be no commissions due to be paid if reinsurance were canceled.

Note 5 - Reinsurance (Continued)

Contingent commissions of $(67,837) and $47,690 were accrued as of December 31, 2023 and 2022, respectively, and are included in commissions payable within the accompanying statutory balance sheets.

Assumed retroactive reinsurance as of December 31, 2023 and 2022, is $0 and $698,400, respectively. Between 2015 and 2018, the Company received approximately $13,000,000 as part of a loss portfolio transfer agreement entered into in December 2016. There were $8,403,188 of inception-to-date loss and loss adjustment expenses paid as of both December 31, 2023 and 2022, related to this business. Favorable development of $698,400 and $236,570 in reserves related to retroactive reinsurance in assumed business was recognized in other income (expense) within the statutory basis statements of income in 2023 and 2022, respectively.

Note 6 - Reserves for Losses and Loss Adjustment Expenses

Activity in the reserves for losses and loss adjustment expenses is summarized as follows:

	2023	2022
	(in thousands)	
Balance - January 1, net of reinsurance recoverables of $60,336 and $40,231	$ 239,142	$ 232,635
Incurred related to		
Current year	104,800	93,689
Prior years	13,543	4,890
Total incurred	118,343	98,579
Paid related to:		
Current year	10,260	9,985
Prior years	96,503	82,087
Total paid	106,763	92,072
Balance - December 31, net of reinsurance recoverables of $63,915 and $60,336	$ 250,722	$ 239,142

As a result of changes in estimates of insured events in prior years, losses and LAE increased by approximately $13,540,000 and $4,890,000 in 2023 and 2022, respectively. During 2023, the Company experienced adverse development, a majority of which was attributable to accident years 2017, 2018, 2020 and 2021. During 2022, the Company experienced adverse development, a majority of which was attributable to accident years 2017, 2018 and 2020.

Note 7 - Federal Income Taxes

The Company's federal income tax return is consolidated with its subsidiaries:

- Association Insurance Services, Inc.
- PHYSIS Corporation
- Washington State Physicians Insurance Association, Inc.

The Company has a written tax sharing agreement that sets forth the manner in which the total combined federal income tax is allocated to each entity that is party to the consolidation. Allocation is based on separate return calculations with credit for losses/credits where losses/credits result in an actual reduction of the tax liability of the consolidated group.

The components of the net deferred tax at December 31, 2023 and 2022 are as follows:

December 31, 2023	Ordinary	Capital	Total
Gross deferred tax asset	$ 7,171,692	$ 1,923,863	$ 9,095,555
Gross deferred tax liabilities	(581,895)	(7,670,746)	(8,252,641)
Net deferred tax asset (liability)	6,589,797	(5,746,883)	842,914
Nonadmitted deferred tax asset	-	-	-
Admitted net deferred tax asset (liability)	$ 6,589,797	$ (5,746,883)	$ 842,914

December 31, 2022	Ordinary	Capital	Total
Gross deferred tax asset	$ 6,329,642	$ 2,004,576	$ 8,334,218
Gross deferred tax liabilities	(768,969)	(6,813,844)	(7,582,813)
Net deferred tax asset (liability)	5,560,673	(4,809,268)	751,405
Nonadmitted deferred tax asset	-	-	-
Admitted net deferred tax asset (liability)	$ 5,560,673	$ (4,809,268)	$ 751,405

Note 7 - Federal Income Taxes (Continued)

The amount of each component pursuant to SSAP 101 paragraph 11 by tax character at December 31, 2023 and 2022 are as follows:

December 31, 2023	Ordinary	Capital	Total
Can be recovered through loss carrybacks (11.a.)	$ 2,196,637	$ -	$ 2,196,637
Lesser of:			
Expected to be realized following the balance sheet date (11.b.i.)	2,988,054	-	2,988,054
Adj. gross DTAs allowed per limit threshold (11.b.ii.)			41,286,914
Gross DTAs offset against existing DTLs (11.c.)	3,910,864	-	3,910,864
DTAs admitted as a result of the application of SSAP 101	$ 9,095,555	$ -	$ 9,095,555
Ex DTA ACL RBC ratio percentage used to determine recovery period and threshold limit			897 %
Amount of adjusted capital and surplus used to determine recovery period and threshold limitation			$275,246,091

December 31, 2022	Ordinary	Capital	Total
Can be recovered through loss carrybacks (11.a.)	$ 798,330	$ -	$ 798,330
Lesser of:			
Expected to be realized following the balance sheet date (11.b.i.)	3,673,683	-	3,673,683
Adj. gross DTAs allowed per limit threshold (11.b.ii.)			40,348,549
Gross DTAs offset against existing DTLs (11.c.)	3,862,205	-	3,862,205
DTAs admitted as a result of the application of SSAP 101	$ 8,334,218	$ -	$ 8,334,218
Ex DTA ACL RBC ratio percentage used to determine recovery period and threshold limit			961 %
Amount of adjusted capital and surplus used to determine recovery period and threshold limitation			$268,990,328

The Company did not utilize any reinsurance tax planning or any other tax planning strategies in 2023 or 2022 that had an impact on gross and net deferred tax assets.

There are no temporary differences for which deferred tax liabilities are not recognized.

The Inflation Reduction Act was enacted on August 16, 2022, and included a new Corporate Alternative Minimum Tax ("CAMT"). The Company has determined that they do not expect to be liable for CAMT in 2023.

Note 7 - Federal Income Taxes (Continued)

Current income taxes incurred consist of the following major components:

	2023	2022
Current income tax:		
Federal	$ (107,462)	$ 610,406
Federal income tax on net realized capital gains	1,606,695	112,902
Other, including prior year adjustments	(25,905)	268,391
Federal and foreign income taxes incurred	$ 1,473,328	$ 991,699

The main components of deferred tax amounts are as follows:

	2023	2022
Deferred tax assets:		
Ordinary		
Loss reserve discounting	$ 3,949,393	$ 3,735,188
Unearned premium reserves and advance premiums	2,370,950	1,813,069
Fixed assets	476,474	483,387
Deferred compensation and benefits accrual	135,121	101,572
Other	239,754	196,426
Total gross ordinary deferred tax assets	7,171,692	6,329,642
Capital		
Investments	1,923,863	2,004,576
Total gross capital deferred tax assets	1,923,863	2,004,576
Total admitted deferred tax assets	9,095,555	8,334,218
Deferred tax liabilities:		
Ordinary		
Depreciation	88,564	142,550
Tax reconciliation act limited risk distributor	417,613	626,419
Other	75,718	-
Total gross ordinary deferred tax liability	581,895	768,969
Capital		
Tax effect of unrealized capital gains	7,670,746	6,813,844
Total gross capital deferred tax liability	7,670,746	6,813,844
Total gross deferred tax liabilities	8,252,641	7,582,813
Net deferred tax assets (liabilities)	$ 842,914	$ 751,405

Note 7 - Federal Income Taxes (Continued)

The change in deferred net income taxes comprises the following, exclusive of nonadmitted DTAs:

	2023	2022	Change
Total deferred tax assets	$ 9,095,555	$ 8,334,218	$ 761,337
Total deferred tax liabilities	(8,252,641)	(7,582,813)	(669,828)
Net deferred tax liabilities	$ 842,914	$ 751,405	$ 91,509
Tax effect of unrealized gains			529,294
Change in net deferred income tax			$ 620,803

The federal income tax expense incurred differs from the amount computed by applying the expected U.S. corporate income tax rate of 21% to income before taxes for the years ended December 31, 2023 and 2022. In both years, the significant items causing this difference were tax-exempt interest income, dividends received deduction, and change in nonadmitted assets.

The following are income taxes incurred in the current and prior years that will be available for recoupment in the event of future net losses:

	Amount
2023	$ 1,499,233
2022	$ 697,403

The Company has no admitted deposits under Section 6603 of the Internal Revenue Code.

The Company has no tax loss contingency. Interest and penalty related to unrecognized tax benefits are recorded in the income statement. The Company has no accrued interest and penalty recorded and does not anticipate any significant changes to the total unrecognized tax liabilities within the next twelve months.

Note 8 - Other Underwriting Expenses

The major components of underwriting expenses incurred during 2023 and 2022 were as follows:

	2023	2022
Net commissions and brokerage	$ 10,740,577	$ 9,558,283
Salaries and related items	6,023,840	5,407,456
Taxes, licenses, and fees	2,104,871	2,515,405
Employee relations and welfare	1,622,039	1,554,888
Other consultants fees	914,257	870,476
Equipment	857,818	662,130
Travel and travel items	450,650	368,275
Other miscellaneous expenses	443,119	421,384
Board, bureaus, and associations	374,688	503,725
Rent and rent items	374,167	583,461
Legal and auditing	343,690	353,558
Depreciation expense	243,147	166,450
Directors' fees	211,382	256,729
Other underwriting expenses incurred	$ 24,704,245	$ 23,222,220

Note 9 - Employee Benefit and Deferred Compensation Plans

The Company's employees are covered by two defined contribution plans. One plan requires no employee contribution, and the Company contributes 10% of eligible compensation to the plan. The second plan allows employee contributions, and 100% of those contributions are matched by the Company up to a maximum of 6.6% of eligible compensation. Employees vest 20% per year in employer contributions over the first five service years and vest immediately in all employer contributions upon completion of five service years. The Company's contribution to these plans was $1,996,541 and $1,893,808 for 2023 and 2022, respectively, and is reflected in other underwriting expenses incurred on the statutory basis statements of income.

Note 10 - Commitment and Contingencies

The Company leases office facilities and certain equipment under noncancelable operating leases through 2033, with certain leases having a renewal option for one five-year period. Annual rental expense under these lease agreements was $746,696 and $1,011,702 in 2023 and 2022, respectively.

Note 10 - Commitment and Contingencies (Continued)

Future minimum commitments under these leases as of December 31, 2023, are as follows:

2024	$ 828,702
2025	845,369
2026	862,203
2027	879,420
2028	896,985
Thereafter	3,932,951
Total	$ 8,245,630

The Company is subject to guaranty fund and other assessments by the states in which it writes business. As of December 31, 2023 and 2022, the Company expensed $782 and $2,539, respectively, in guaranty fund assessments.

Lawsuits against the Company for matters other than insurance claims occasionally arise in the ordinary course of business. Management believes that losses to the Company resulting from such matters, if any, will not have a material adverse effect on the Company's financial condition or results of operations

Note 11 - Nonadmitted Assets

The major components of non-admitted assets as of December 31, 2023 and 2022 are as follows:

	2023	2022	Change
Fixed assets	$ 2,268,926	$ 2,301,845	$ (32,919)
Premium receivable	35,575	233,582	(198,007)
Other invested assets	-	1,556,714	(1,556,714)
Prepaid expenses	919,509	795,980	123,529
Common stock	500	39,011	(38,511)
Deductible receivable	41,208	-	41,208
Totals	$ 3,265,718	$ 4,927,132	$ (1,661,414)

Note 12 - Policyholders' Surplus

The directors of a domestic mutual insurer may from time to time apportion and pay dividends to its members only out of that part of its surplus funds that are in excess of its required minimum surplus and that represent net realized savings and net realized earnings from its business. Without the prior written consent of the Department, the Company is not permitted to issue dividends in 2024. No dividends were declared or paid during 2023 and 2022.

Note 12 - Policyholders' Surplus (Continued)

The Company is subject to risk-based capital (RBC) requirements of the NAIC, which require that certain amounts of capital be maintained. As of December 31, 2023 and 2022, the Company's RBC exceeded the required amount.

Note 13 - Related Party Transactions

PI is the primary reinsurer for its affiliate, PI RRG, which writes Medical Professional Liability business nationally as described in Note 5.

The Company performs substantially all services on behalf of its immediate subsidiaries and is reimbursed under various management agreements.

As described in Note 4, the Company has provided $3,000,000 in surplus notes to capitalize PI RRG since 2016. No new surplus notes were provided in 2023 or 2022.

See Note 7 for discussion of the tax-sharing agreement.

As of December 31, 2023 and 2022, the Company had receivables from affiliates of $834,162 and $907,441, respectively.

Note 14 - Risks and Uncertainties

The Company invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, liquidity, and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities may occur in the near term and those changes could materially affect the amounts reported on the accompanying statutory basis balance sheets.

Note 15 - Subsequent Events

The Company evaluated subsequent events through May 23, 2024, the date on which these financial statements were available to be issued, and considered any relevant matters in the preparation of the financial statements and note disclosures.

On February 29, 2024, the Company sold a portion of its interest in the private credit fund partnership described in Note 3 for $10,000,000.

SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES

For The Year Ended December 31, 2023
(To Be Filed by April 1)

Of The Physicians Insurance A Mutual Company

ADDRESS (City, State and Zip Code) Seattle , WA 98101

NAIC Group Code 0464 NAIC Company Code 40738 Federal Employer's Identification Number (FEIN) 91-1160717

The Investment Risks Interrogatories are to be filed by April 1. They are also to be included with the Audited Statutory Financial Statements.

Answer the following interrogatories by reporting the applicable U.S. dollar amounts and percentages of the reporting entity's total admitted assets held in that category of investments.

1. Reporting entity's total admitted assets as reported on Page 2 of this annual statement. $ 592,894,342

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

	1 Issuer	2 Description of Exposure	3 Amount	4 Percentage of Total Admitted Assets
2.01	Federal National Mortgage Association	Bonds, MBS	$ 46,443,074	7.8 %
2.02	Federal Home Loan Mortgage Corporation	CMO, MBS	$ 44,874,343	7.6 %
2.03	SLC Management	Sch BA-Fixed Income	$ 22,317,827	3.8 %
2.04	TAR CPF GP, LLC.	Sch BA-Joint Venture Real Estate	$ 17,738,464	3.0 %
2.05	Golden Credit Card Trust, Series 2021-1	ABS	$ 3,999,525	0.7 %
2.06	Morgan Stanley Capital I Trust 2021-L5	MBS	$ 3,988,052	0.7 %
2.07	The Charles Schwab Corporation	Bonds	$ 3,295,683	0.6 %
2.08	The Toronto-Dominion Bank	Bonds, Yankee	$ 2,982,266	0.5 %
2.09	Wake Forest University	Bonds	$ 2,645,501	0.4 %
2.10	The PNC Financial Services Group, Inc.	Bonds	$ 2,592,029	0.4 %

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

	Bonds	1	2		Preferred Stocks	3	4
3.01	NAIC 1	$ 313,747,431	52.9 %	3.07	NAIC 1	$	%
3.02	NAIC 2	$ 50,954,511	8.6 %	3.08	NAIC 2	$	%
3.03	NAIC 3	$ 1,311,967	0.2 %	3.09	NAIC 3	$	%
3.04	NAIC 4	$	%	3.10	NAIC 4	$	%
3.05	NAIC 5	$	%	3.11	NAIC 5	$	%
3.06	NAIC 6	$	%	3.12	NAIC 6	$	%

4. Assets held in foreign investments:

4.01 Are assets held in foreign investments less than 2.5% of the reporting entity's total admitted assets? Yes [ ] No [X]

If response to 4.01 above is yes, responses are not required for interrogatories 5 - 10.

4.02	Total admitted assets held in foreign investments	$ 18,437,927	3.1 %
4.03	Foreign-currency-denominated investments	$	%
4.04	Insurance liabilities denominated in that same foreign currency	$	%

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

		1	2
5.01	Countries designated NAIC-1	$ 18,437,927	3.1 %
5.02	Countries designated NAIC-2	$	%
5.03	Countries designated NAIC-3 or below	$	%

6. Largest foreign investment exposures by country, categorized by the country's NAIC sovereign designation:

		1	2
	Countries designated NAIC - 1:		
6.01	Country 1: Cayman Islands	$ 8,959,454	1.5 %
6.02	Country 2: Jersey	$ 4,000,000	0.7 %
	Countries designated NAIC - 2:		
6.03	Country 1:	$	%
6.04	Country 2:	$	%
	Countries designated NAIC - 3 or below:		
6.05	Country 1:	$	%
6.06	Country 2:	$	%

		1	2
7.	Aggregate unhedged foreign currency exposure	$	%

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

		1	2
8.01	Countries designated NAIC-1	$	%
8.02	Countries designated NAIC-2	$	%
8.03	Countries designated NAIC-3 or below	$	%

9. Largest unhedged foreign currency exposures by country, categorized by the country's NAIC sovereign designation:

		1	2
	Countries designated NAIC - 1:		
9.01	Country 1:	$	%
9.02	Country 2:	$	%
	Countries designated NAIC - 2:		
9.03	Country 1:	$	%
9.04	Country 2:	$	%
	Countries designated NAIC - 3 or below:		
9.05	Country 1:	$	%
9.06	Country 2:	$	%

10. Ten largest non-sovereign (i.e. non-governmental) foreign issues:

	1 Issuer	2 NAIC Designation	3	4
10.01	Palmer Square CLO 2023-1 Ltd.	1FE	$ 1,003,915	0.2 %
10.02	Milford Pk Clo Ltd	1FE	$ 1,000,000	0.2 %
10.03	Goldentree Loan Management US CLO 14, Ltd.	1FE	$ 1,000,000	0.2 %
10.04	AGL CLO 23 Ltd.	1FE	$ 1,000,000	0.2 %
10.05	Sculptor Clo Xxx Ltd.	1FE	$ 1,000,000	0.2 %
10.06	Symphony Clo XXXIII Ltd.	1FE	$ 1,000,000	0.2 %
10.07	Magnetite XXXIII, Limited	1FE	$ 1,000,000	0.2 %
10.08	Carlyle Us Clo 2022-5 Ltd.	1FE	$ 1,000,000	0.2 %
10.09	Elmwood Clo 22 Ltd.	1FE	$ 1,000,000	0.2 %
10.10	Heineken N.V.	2FE	$ 997,545	0.2 %

11. Amounts and percentages of the reporting entity's total admitted assets held in Canadian investments and unhedged Canadian currency exposure:

11.01 Are assets held in Canadian investments less than 2.5% of the reporting entity's total admitted assets? Yes [X] No [ ]

If response to 11.01 is yes, detail is not required for the remainder of interrogatory 11.

		1	2
11.02	Total admitted assets held in Canadian investments	$ 8,480,727	1.4 %
11.03	Canadian-currency-denominated investments	$	%
11.04	Canadian-denominated insurance liabilities	$	%
11.05	Unhedged Canadian currency exposure	$	%

12. Report aggregate amounts and percentages of the reporting entity's total admitted assets held in investments with contractual sales restrictions:

12.01 Are assets held in investments with contractual sales restrictions less than 2.5% of the reporting entity's total admitted assets? Yes [X] No [ ]

If response to 12.01 is yes, responses are not required for the remainder of Interrogatory 12.

	1	2	3
12.02	Aggregate statement value of investments with contractual sales restrictions	$	%
	Largest three investments with contractual sales restrictions:		
12.03		$	%
12.04		$	%
12.05		$	%

13. Amounts and percentages of admitted assets held in the ten largest equity interests:

13.01 Are assets held in equity interests less than 2.5% of the reporting entity's total admitted assets? Yes [ ] No [X]

If response to 13.01 above is yes, responses are not required for the remainder of Interrogatory 13.

	1 Issuer	2	3
13.02	Vanguard Institutional Index Funds - Vanguard Institutional Index Fund	$ 36,430,792	6.1 %
13.03	SLC Management	$ 22,317,827	3.8 %
13.04	TAR CPF GP, LLC.	$ 17,738,464	3.0 %
13.05	Vanguard Index Funds - Vanguard Mid-Cap ETF	$ 13,556,301	2.3 %
13.06	Dodge & Cox Funds - Dodge & Cox International Stock Fund	$ 10,625,034	1.8 %
13.07	Schwab Capital Trust - Schwab S&P 500 Index Fund	$ 9,163,299	1.5 %
13.08	AB Cap Fund, Inc. - AB Small Cap Value Portfolio	$ 3,276,946	0.6 %
13.09	Loomis Sayles Funds II - Loomis Sayles Small/Mid Cap Growth Fund	$ 3,101,634	0.5 %
13.10	Physicians Insurance Risk Retention Group, Inc.	$ 1,911,000	0.3 %
13.11	Alternative Ins Mgmt Svcs LLC	$ 1,461,129	0.2 %

14. Amounts and percentages of the reporting entity's total admitted assets held in nonaffiliated, privately placed equities:

14.01 Are assets held in nonaffiliated, privately placed equities less than 2.5% of the reporting entity's total admitted assets? Yes [ ] No [X]

If response to 14.01 above is yes, responses are not required for 14.02 through 14.05.

	1	2	3
14.02	Aggregate statement value of investments held in nonaffiliated, privately placed equities	$ 40,056,291	6.8 %
	Largest three investments held in nonaffiliated, privately placed equities:		
14.03	SLC Management	$ 22,317,827	3.8 %
14.04	TAR CPF GP, LLC.	$ 17,738,464	3.0 %
14.05		$	%

Ten largest fund managers:

	1 Fund Manager	2 Total Invested	3 Diversified	4 Nondiversified
14.06	Vanguard Institutional Index Funds - Vanguard Institutional Index Fund	$ 36,430,792	$ 36,430,792	$
14.07	First American Funds, Inc. - Treasury Obligations Fund	$ 31,604,936	$ 31,604,936	$
14.08	Northern Institutional Funds - Treasury Portfolio	$ 30,701,844	$ 30,701,844	$
14.09	SLC Management	$ 22,317,827	$	$ 22,317,827
14.10	TAR CPF GP, LLC.	$ 17,738,464	$	$ 17,738,464
14.11	Vanguard Index Funds - Vanguard Mid-Cap ETF	$ 13,556,301	$ 13,556,301	$
14.12	Dodge & Cox Funds - Dodge & Cox International Stock Fund	$ 10,625,034	$ 10,625,034	$
14.13	Schwab Capital Trust - Schwab S&P 500 Index Fund	$ 9,163,299	$ 9,163,299	$
14.14	AB Cap Fund, Inc. - AB Small Cap Value Portfolio	$ 3,276,946	$ 3,276,946	$
14.15	Loomis Sayles Funds II - Loomis Sayles Small/Mid Cap Growth Fund	$ 3,101,634	$ 3,101,634	$

15. Amounts and percentages of the reporting entity's total admitted assets held in general partnership interests:

15.01 Are assets held in general partnership interests less than 2.5% of the reporting entity's total admitted assets? Yes [X] No [ ]

If response to 15.01 above is yes, responses are not required for the remainder of Interrogatory 15.

	1	2	3
15.02	Aggregate statement value of investments held in general partnership interests	$	%
	Largest three investments in general partnership interests:		
15.03		$	%
15.04		$	%
15.05		$	%

16. Amounts and percentages of the reporting entity's total admitted assets held in mortgage loans:

16.01 Are mortgage loans reported in Schedule B less than 2.5% of the reporting entity's total admitted assets? .... Yes [X] No [ ]

If response to 16.01 above is yes, responses are not required for the remainder of Interrogatory 16 and Interrogatory 17.

	1 Type (Residential, Commercial, Agricultural)	2	3
16.02		$	%
16.03		$	%
16.04		$	%
16.05		$	%
16.06		$	%
16.07		$	%
16.08		$	%
16.09		$	%
16.10		$	%
16.11		$	%

Amount and percentage of the reporting entity's total admitted assets held in the following categories of mortgage loans:

		Loans	
16.12	Construction loans	$	%
16.13	Mortgage loans over 90 days past due	$	%
16.14	Mortgage loans in the process of foreclosure	$	%
16.15	Mortgage loans foreclosed	$	%
16.16	Restructured mortgage loans	$	%

17. Aggregate mortgage loans having the following loan-to-value ratios as determined from the most current appraisal as of the annual statement date:

		Residential		Commercial		Agricultural	
Loan to Value		1	2	3	4	5	6
17.01	above 95%	$	%	$	%	$	%
17.02	91 to 95%	$	%	$	%	$	%
17.03	81 to 90%	$	%	$	%	$	%
17.04	71 to 80%	$	%	$	%	$	%
17.05	below 70%	$	%	$	%	$	%

18. Amounts and percentages of the reporting entity's total admitted assets held in each of the five largest investments in real estate:

18.01 Are assets held in real estate reported less than 2.5% of the reporting entity's total admitted assets? .... Yes [X] No [ ]

If response to 18.01 above is yes, responses are not required for the remainder of Interrogatory 18.

Largest five investments in any one parcel or group of contiguous parcels of real estate.

	Description 1	2	3
18.02		$	%
18.03		$	%
18.04		$	%
18.05		$	%
18.06		$	%

19. Report aggregate amounts and percentages of the reporting entity's total admitted assets held in investments held in mezzanine real estate loans:

19.01 Are assets held in investments held in mezzanine real estate loans less than 2.5% of the reporting entity's total admitted assets? .... Yes [X] No [ ]

If response to 19.01 is yes, responses are not required for the remainder of Interrogatory 19.

	1	2	3
19.02	Aggregate statement value of investments held in mezzanine real estate loans:	$	%
	Largest three investments held in mezzanine real estate loans:		
19.03		$	%
19.04		$	%
19.05		$	%

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

	At Year End 1	At Year End 2	At End of Each Quarter: 1st Quarter 3	2nd Quarter 4	3rd Quarter 5
20.01 Securities lending agreements (do not include assets held as collateral for such transactions)	$	%	$	$	$
20.02 Repurchase agreements	$	%	$	$	$
20.03 Reverse repurchase agreements	$	%	$	$	$
20.04 Dollar repurchase agreements	$	%	$	$	$
20.05 Dollar reverse repurchase agreements	$	%	$	$	$

21. Amounts and percentages of the reporting entity's total admitted assets for warrants not attached to other financial instruments, options, caps, and floors:

	Owned 1	Owned 2	Written 3	Written 4
21.01 Hedging	$	%	$	%
21.02 Income generation	$	%	$	%
21.03 Other	$	%	$	%

22. Amounts and percentages of the reporting entity's total admitted assets of potential exposure for collars, swaps, and forwards:

	At Year End 1	At Year End 2	At End of Each Quarter: 1st Quarter 3	2nd Quarter 4	3rd Quarter 5
22.01 Hedging	$	%	$	$	$
22.02 Income generation	$	%	$	$	$
22.03 Replications	$	%	$	$	$
22.04 Other	$	%	$	$	$

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

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

SUMMARY INVESTMENT SCHEDULE

Investment Categories	Gross Investment Holdings 1 Amount	2 Percentage of Column 1 Line 13	Admitted Assets as Reported in the Annual Statement 3 Amount	4 Securities Lending Reinvested Collateral Amount	5 Total (Col. 3 + 4) Amount	6 Percentage of Column 5 Line 13
1. Long-Term Bonds (Schedule D, Part 1):						
1.01 U.S. governments	44,574,705	8.103	44,574,705		44,574,705	8.103
1.02 All other governments		0.000				0.000
1.03 U.S. states, territories and possessions, etc. guaranteed	3,427,059	0.623	3,427,059		3,427,059	0.623
1.04 U.S. political subdivisions of states, territories, and possessions, guaranteed	3,581,179	0.651	3,581,179		3,581,179	0.651
1.05 U.S. special revenue and special assessment obligations, etc. non-guaranteed	136,515,529	24.818	136,515,529		136,515,529	24.818
1.06 Industrial and miscellaneous	177,915,437	32.344	177,915,437		177,915,437	32.344
1.07 Hybrid securities		0.000				0.000
1.08 Parent, subsidiaries and affiliates		0.000				0.000
1.09 SVO identified funds		0.000				0.000
1.10 Unaffiliated bank loans		0.000				0.000
1.11 Unaffiliated certificates of deposit		0.000				0.000
1.12 Total long-term bonds	366,013,909	66.540	366,013,909		366,013,909	66.540
2. Preferred stocks (Schedule D, Part 2, Section 1):						
2.01 Industrial and miscellaneous (Unaffiliated)		0.000				0.000
2.02 Parent, subsidiaries and affiliates		0.000				0.000
2.03 Total preferred stocks		0.000				0.000
3. Common stocks (Schedule D, Part 2, Section 2):						
3.01 Industrial and miscellaneous Publicly traded (Unaffiliated)		0.000				0.000
3.02 Industrial and miscellaneous Other (Unaffiliated)		0.000				0.000
3.03 Parent, subsidiaries and affiliates Publicly traded		0.000				0.000
3.04 Parent, subsidiaries and affiliates Other	38,376	0.007	37,876		37,876	0.007
3.05 Mutual funds	76,154,006	13.844	76,154,006		76,154,006	13.844
3.06 Unit investment trusts		0.000				0.000
3.07 Closed-end funds		0.000				0.000
3.08 Exchange traded funds		0.000				0.000
3.09 Total common stocks	76,192,382	13.851	76,191,882		76,191,882	13.851
4. Mortgage loans (Schedule B):						
4.01 Farm mortgages		0.000				0.000
4.02 Residential mortgages		0.000				0.000
4.03 Commercial mortgages		0.000				0.000
4.04 Mezzanine real estate loans		0.000				0.000
4.05 Total valuation allowance		0.000				0.000
4.06 Total mortgage loans		0.000				0.000
5. Real estate (Schedule A):						
5.01 Properties occupied by company		0.000				0.000
5.02 Properties held for production of income		0.000				0.000
5.03 Properties held for sale		0.000				0.000
5.04 Total real estate		0.000				0.000
6. Cash, cash equivalents and short-term investments:						
6.01 Cash (Schedule E, Part 1)	(279,904)	(0.051)	(279,904)		(279,904)	(0.051)
6.02 Cash equivalents (Schedule E, Part 2)	64,463,164	11.719	64,463,164		64,463,164	11.719
6.03 Short-term investments (Schedule DA)		0.000				0.000
6.04 Total cash, cash equivalents and short-term investments	64,183,260	11.668	64,183,260		64,183,260	11.668
7. Contract loans		0.000				0.000
8. Derivatives (Schedule DB)		0.000				0.000
9. Other invested assets (Schedule BA)	43,680,112	7.941	43,680,112		43,680,112	7.941
10. Receivables for securities		0.000				0.000
11. Securities Lending (Schedule DL, Part 1)		0.000		XXX	XXX	XXX
12. Other invested assets (Page 2, Line 11)		0.000				0.000
13. Total invested assets	550,069,663	100.000	550,069,162		550,069,162	100.000

Physicians Insurance A Mutual Company

Reinsurance Summary Supplemental
Filing for General Interrogatory 9

As of December 31, 2023, the Company's reinsurance program does not include any contracts with risk limiting features identified in paragraphs 114 through 119 of Statement of Statutory Accounting Principle No. 62R, Property and Casualty Reinsurance.