



**KENTUCKY EMPLOYERS' MUTUAL INSURANCE AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**WITH SUPPLEMENTARY SCHEDULES**

**2024**

# KENTUCKY EMPLOYERS' MUTUAL INSURANCE AUTHORITY

## 2024 MANAGEMENT'S DISCUSSION AND ANALYSIS

### OBJECTIVE AND BACKGROUND

This discussion provides management's assessment of the current financial position, results of operations, cash flows and liquidity of Kentucky Employers' Mutual Insurance Authority (KEMI, or the Company). Information presented in this discussion supplements the schedules and exhibits included in KEMI's statutory basis Annual Statement filed with the Department of Insurance of the Commonwealth of Kentucky.

KEMI is a unique entity in the Kentucky workers' compensation insurance marketplace. KEMI operates as a self-supporting, competitive state fund created for the purpose of providing both a market of last resort for employers in the Commonwealth, as well as furnishing another competitive source of insurance in the voluntary market through which employers may secure and maintain their workers' compensation coverage. KEMI performs its duties under authority granted directly to it by the Kentucky General Assembly. Except for items specifically addressed in its enabling statute, KEMI operates as a domestic mutual insurance company. KEMI began writing business effective September 1, 1995, and is the largest provider of workers' compensation insurance in Kentucky, with policyholders in all 120 counties.

KEMI is governed by a ten-member board of directors. Seven board members are appointed by the Governor and three board members are specified cabinet secretaries. The board is responsible for hiring a manager, and both the board and the manager are given specific statutory duties.

The Company endeavors to maintain fiscal discipline in the administration of workers' compensation insurance by keeping the cost of coverage affordable to all employers in the Commonwealth through increased competition and by providing superior service to policyholders and claimants. In addition, the Company offers loss education programs and safety training to help policyholders control their own destiny in the marketplace. KEMI has no public funding and sets its standards based on long-term financial stability. KEMI does, in fact, make workers' comp work.

### FINANCIAL POSITION

The Statement of Admitted Assets, Liabilities and Policyholder Surplus (balance sheet) reflects KEMI's financial position at year end. KEMI's condensed balance sheets as of December 31 were as follows:

	2024	2023
<b>Admitted Assets:</b>		
Long term bonds	\$ 985,771,759	\$ 983,132,973
Common and preferred stocks	72,025,305	69,047,629
Cash and cash equivalents	38,975,338	37,373,444
Real estate	4,025,000	4,025,000
Other invested assets	16,768,228	12,801,986
Receivable for securities	6,718	35,611
Subtotal cash and invested assets	1,117,572,348	1,106,416,643

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Investment income receivable	9,566,230	8,427,549
Premiums receivable or deferred	47,867,627	57,394,285
Reinsurance recoverable on paid losses and loss expenses	45,960	15,539
Reinsurance deposits held by third party	1,200,000	1,770,000
Other admitted assets	221,073	143,827
Total admitted assets	<u>\$ 1,176,473,238</u>	<u>\$ 1,174,167,843</u>

	<u>2024</u>	<u>2023</u>
<b>Liabilities and Policyholder Surplus:</b>		
Unpaid loss reserves	\$ 606,167,533	\$ 616,863,107
Unpaid loss adjustment expense reserves	52,374,084	53,093,803
Premiums written but not yet earned	63,630,168	69,635,390
Commissions payable	13,835,730	13,533,573
Other expenses payable	6,749,199	6,826,855
Amounts withheld or retained for others	11,530,965	13,052,398
Ceded reinsurance premiums payable	(103,790)	808,745
Funds withheld under reinsurance treaties	2,374,986	2,013,337
Retroactive reinsurance reserves assumed	29,362,444	32,096,306
Retroactive reinsurance reserves ceded	0	0
Funds withheld on retroactive reinsurance ceded	0	2,087,828
Liability for projected pension benefits	0	0
Other liabilities	1,043,191	1,136,249
Total liabilities	786,964,510	811,147,591
Policyholder surplus	389,508,728	363,020,252
Total liabilities and policyholder surplus	<u>\$ 1,176,473,238</u>	<u>\$ 1,174,167,843</u>

**Assets**

Cash and invested assets made up 95% of KEMI's total admitted assets at the end of 2024. KEMI's long-term bond portfolio had a carrying value of \$985,771,759 and a fair market value of \$928,570,916. Of total long-term bonds held at year end, 98% were rated either NAIC 1 (highest quality) or NAIC 2 (high quality). The fixed income portfolio had an effective maturity of 7.50 years, an average book yield of 4.40% and an average credit rating of A2/A. Preferred stocks had a carrying value of \$2,951,725 and a fair market value of \$2,927,136. Common stocks, which were stated at fair market value as determined by the Securities Valuation Office of the NAIC, totaled \$69,073,580 and reflected net unrealized gains of \$10,757,755 at year end. Money market funds had a fair market value of \$26,092,325 and operating cash balances totaled \$12,883,013.

At the 2024 April board meeting, KEMI management made a recommendation to the Board of Directors, which was approved, to allow Conning, the Financial Manager of KEMI's investment portfolio, to sell assets with lower interest rates at a loss to improve the overall long-term return of the portfolio (moniker used "Bond Swap"). The Board approved capital losses of \$25 million which would be offset by a reduction in excess reserve redundancy so that net income and surplus would not be impacted. From May through December 2024, over \$300 million in investments were sold creating the loss. The impact of the Bond Swap improved the performance of the entire portfolio by approximately 60 basis points and will allow the portfolio to earn over \$6 million additional dollars annually

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compared to before these transactions. Year-end results for capital losses ended at approximately \$18 million (with additional assets sold at gains that were unrelated to the Bond Swap). Reserve redundancy dropped from \$75 million at the end of 2023 to \$45 million at year-end 2024. The Bond Swap also improved KEMI's leverage as the reserve liability declined during the year.

KEMI owns 21.68 acres of commercially zoned land, appraised at \$4,025,000. This parcel was originally purchased for the purpose of constructing a home office campus; however, KEMI's Board of Directors subsequently decided to continue leasing instead of building a home office. This parcel is now classified as property held for sale.

During 2020, KEMI purchased a minority interest in ElmTree US Net Lease Fund IV-A, LP for a total commitment of \$20 million, of which \$0.7 million remains unused. This private equity limited partnership invests in newly constructed and build-to-suit commercial net lease real estate with tenant lease terms of 10 to 15 years. After a 30-month investment period, the fund's ultimate objective is to sell this portfolio of properties to a core buyer at a gain. As of December 31, 2024, fund closings have occurred resulting in a reduction of KEMI's carrying value to zero. KEMI received its final distribution on September 30th, 2024. KEMI is awaiting the release of its current unfunded commitment of \$0.7 million.

In 2023, KEMI also committed to purchase a minority interest in ElmTree US Net Lease Fund V-A, LP for a total of \$30 million, of which \$16.8 million in capital contributions and \$630 thousand in expenses have been paid to date. Similar to Fund IV-A, this private equity limited partnership invests in newly constructed and build-to-suit commercial net lease real estate with tenant lease terms of 12 to 15 years. After a 30-month investment period, the fund's ultimate objective is to sell this portfolio of properties to a core buyer at a gain. ElmTree US Net Lease Fund V-A, LP seeks to yield an annual return of 7%, paid quarterly. As of December 31, 2024, KEMI has a net carrying value of \$16.8 million and outstanding commitment of \$12.6 million related to fund V-A.

Premiums receivable or deferred are policy payments due from KEMI policyholders. Pursuant to payment plan arrangements, \$38,139,592 of the \$47,867,627 in premium balances at the end of 2024 represent future installments that were deferred and not yet due. Statutory Accounting Principles also require management to estimate the amount of premium that will be earned but unbilled at the end of each policy in force based upon past policy audit experience. Management's estimate of \$5,119,220 is included in KEMI's deferred premium balances.

Non-admitted assets are those assets which, under Statutory Accounting Principles, must be excluded from the balance sheet by a direct charge to surplus. At the end of 2024 KEMI's non-admitted assets totaled \$23,577,555, for a net increase of \$1,662,898 from the prior year. Included in non-admitted assets is \$14,424,712 of premium balances that are more than ninety days past due or are otherwise determined to be uncollectible. The collectability of these receivables is regularly assessed, and balances are written off to bad debt only after all efforts to secure payment have been exhausted. Also included are prepaid pension and postretirement assets of \$8,238,535 which will be amortized through the income statement until 2030. Other non-admitted assets include undepreciated balances of furniture, equipment, and application software of \$444,144, prepaid expenses of \$441,359, investment income due and accrued of 26,862, and other receivables of \$1,943.

#### **Liabilities**

Reserves for unpaid losses and loss adjustment expenses are stated at the Company's best estimate of the ultimate cost, net of ceded reinsurance, of settling all incurred but unpaid claims. Unpaid loss and loss adjustment expense reserves are based on industry statistics and Company history, along with management's expectations of loss relative to premiums earned by accident year. The method for making such estimates and for establishing the resulting

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liability is continually reviewed and any adjustments are reflected in the period determined. During 2024, adjustments to the loss and loss adjustment expense reserves of prior accident years resulted in a net decrease of \$3,248,183 to those reserves due to favorable development in prior accident years.

The Company closely monitors economic and regulatory changes impacting the coal industry, and continually evaluates the need for additional protection from losses which might arise from this industry segment. KEMI discounts the indemnity portion of black lung claim reserves on a tabular basis at a rate of 3.5% to reflect the time value of money. No other reserves are discounted.

KEMI maintains excess of loss treaty reinsurance agreements with unaffiliated, high-quality reinsurers to limit its exposure to losses in excess of \$4 million per occurrence and up to \$125 million per occurrence. KEMI also maintains an excess of loss facultative reinsurance agreement with unaffiliated, high-quality reinsurers that provides catastrophe protection for losses exceeding \$125 million per occurrence and up to \$305 million per occurrence in certain geographical locations where KEMI has heavy concentrations of policyholders. All KEMI's excess of loss agreements include protection against acts of terrorism.

KEMI commuted its agreement for adverse development coverage, which protected against unfavorable development arising from existing and/or newly reported claims for accident years 2015 through 2019, effective May 31, 2024, and produced a profit sharing gain of \$3.2 million as reflected in Net Income tables below.

KEMI's loss reserving methodologies are conservative and management's goal is to maintain reserve balances in excess of actuarial point estimates. Reserves are evaluated at least twice each year by an independent actuarial firm that provides an Annual Statement of Actuarial Opinion to KEMI's independent auditors and regulatory agencies. KEMI received an Unqualified Statement of Actuarial Opinion for 2024, as it has every year since its inception.

Activity with respect to losses and loss adjustment expenses is displayed below:

	<u>2024</u>	<u>2023</u>
Unpaid losses and loss adjustment expenses, beginning	\$ 669,956,910	\$ 657,404,126
Losses and loss adjustment expenses incurred:		
Gross losses incurred	65,828,522	82,825,855
Gross loss adjustment expenses incurred	27,815,832	29,020,278
Ceded losses and loss adjustment expenses incurred	(3,044,580)	(1,174,798)
Subrogation recoveries	<u>(1,262,937)</u>	<u>(1,054,673)</u>
Net incurred	<u>89,336,837</u>	<u>109,616,662</u>
Losses and loss adjustment expenses paid:		
Gross losses paid	74,028,921	71,097,339
Gross loss adjustment expenses paid	28,520,399	28,524,608
Ceded losses and loss adjustment expenses recovered	(534,253)	(1,503,396)
Subrogation recoveries	<u>(1,262,937)</u>	<u>(1,054,673)</u>
Net paid	<u>100,752,130</u>	<u>97,063,878</u>
Unpaid losses and loss adjustment expenses, ending	<u>\$ 658,541,617</u>	<u>\$ 669,956,910</u>

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#### Loss Portfolio Transfers

Effective October 31, 2014, KEMI entered into a loss portfolio transfer agreement with the Commissioner of Insurance of the Commonwealth of Kentucky, Rehabilitator of Kentucky School Boards Insurance Trust (KSBIT) Workers' Compensation Self-Insurance Fund. Pursuant to this loss portfolio transfer, approximately \$35 million of workers' compensation claim liabilities for the period July 7, 1978, through June 30, 2013, were transferred to KEMI by KSBIT's Rehabilitator. In exchange for assuming responsibility for these claim liabilities and the handling thereof, KEMI received \$35 million in cash and guaranteed receivables. As a result of efficient claims handling practices, actuarially determined claim liabilities were less than originally projected. Therefore, KEMI returned \$16.3 million of transferred reserves back to the Rehabilitator in 2019 and 2020. As of December 31, 2024, KSBIT's cash balance was \$7,891,980, reinsurance receivables on paid losses and loss adjustment expenses were \$188,890, net reported loss and loss adjustment expense reserves were \$6,155,011 and net incurred but not reported (IBNR) loss and loss adjustment expense reserves were \$1,925,859.

Effective July 7, 2017, KEMI entered into a loss portfolio transfer agreement with the Kentucky Workers' Compensation Funding Commission (the Funding Commission) wherein all authority and responsibility to administer the Kentucky Coal Workers' Pneumoconiosis Fund (KCWPF) was transferred from the Funding Commission to KEMI. The purpose of KCWPF is to pay one-half of the indemnity benefits for coal-related occupational disease claims incurred on or after December 12, 1996, and filed on or before June 30, 2017. Pursuant to this loss portfolio transfer, the Funding Commission transferred all of the existing assets and liabilities of KCWPF to KEMI. Based on current actuarial reserve studies, claim liabilities were less than originally projected; therefore, in 2021 and 2022, KEMI distributed \$22.3 million of excess reserves from KCWPF in accordance with KRS 342.1242(8). Active coal operators in good standing with the Commonwealth of Kentucky received settlement distributions totaling \$10.2 million and the Kentucky Coal Employers' Self-Insurance Guarantee Fund received settlement distributions totaling \$12.1 million. As of December 31, 2024, KCWPF's cash balance was \$4,663,646, net reported loss and loss adjustment expense reserves were \$4,025,313 and net incurred but not reported (IBNR) loss and loss adjustment expense reserves were \$638,333.

Effective July 1, 2022, KEMI entered into a loss portfolio transfer agreement with the Commissioner of Insurance of the Commonwealth of Kentucky, Rehabilitator of the AIK Comp (AIK) self-insurance fund. Pursuant to this loss portfolio transfer, approximately \$5.7 million of AIK workers' compensation claim liabilities incurred prior to March 1, 1997, were transferred to KEMI by the Rehabilitator. In exchange for assuming responsibility for these claim liabilities and the handling thereof, KEMI received \$5,719,371 in cash. As of December 31, 2024, AIK's cash balance was \$3,938,960, TPA advances were \$100,000, net reported loss and loss adjustment expense reserves were \$5,126,918 and net incurred but not reported (IBNR) loss and loss adjustment expense reserves were \$(1,087,958). AIK reserves for unpaid losses and loss adjustment expenses are not discounted. Inception to date activity is included in the following table as retroactive reinsurance assumed.

Effective July 1, 2022, KEMI entered into a loss portfolio transfer agreement with the Commissioner of Insurance of the Commonwealth of Kentucky, Rehabilitator of the Kentucky Coal Producers' Self-Insurance Fund (KCP). Pursuant to this loss portfolio transfer, approximately \$14.1 million of KCP workers' compensation claim liabilities incurred prior to November 1, 1991, were transferred to KEMI by the Rehabilitator. Any KCP claims arising under the Federal Black Lung Benefits Act are specifically excluded from this loss portfolio transfer agreement. In exchange for assuming responsibility for these claim liabilities and the handling thereof, KEMI received \$14,073,195 in cash. As of December 31, 2024, KCP's cash balance was \$12,616,070, TPA advances were \$151,788, net reported loss and loss adjustment expense reserves were \$1,258,246 and net incurred but not reported (IBNR) loss and loss adjustment

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expense reserves were \$11,509,612. KCP reserves for unpaid losses and loss adjustment expenses are not discounted. Inception to date activity is included in the following table as retroactive reinsurance assumed.

#### Retirement Plans

Prior to July 1, 2016, all full-time KEMI employees were enrolled in a mandatory defined benefit plan regulated by the Kentucky Retirement Systems (KRS). KEMI voluntarily ceased participation in KRS effective June 30, 2016. By withdrawing from KRS and establishing its own retirement plans, KEMI has realized employer contribution savings in excess of \$55 million from the date of withdrawal through the end of 2024.

Effective July 1, 2016, KEMI established a contributory 401(a) defined benefit pension plan for which it is the plan sponsor. The plan provides for 401(a) pension benefits and 401(h) partial subsidy of retiree health insurance premiums for eligible KEMI employees who have chosen to participate in the plan. Benefit amounts are determined based on retirement age, salary history, participation date and years of service. Participating employees are required to contribute 6% of their salary to the defined benefit pension plan. Per external actuarial evaluations, both the defined benefit 401(a) and 401(h) plans are fully funded as of December 31, 2024. Employer contributions are continually evaluated to ensure the financial soundness of the plan.

Effective July 1, 2016, KEMI established a 401(a) defined contribution plan for which it is the plan sponsor. Employees who have chosen to participate in the 401(a) defined benefit pension plan are not eligible to participate in the 401(a) defined contribution plan. Participation in the defined contribution plan is not mandatory; however, employees who elect to participate are required to contribute 6% of their salary to the plan. KEMI provides matching funds of 6% to the 401(a) defined contribution plan for participants hired on or after July 1, 2016; an enhanced match and access to the retiree health plan is provided for participants hired prior to July 1, 2016 who were previously members of KRS but who opted out of KEMI's 401(a) defined benefit pension plan. Participants are fully vested after 60 months of service.

KEMI also established a 457(b) plan effective July 1, 2016 for which it is the plan sponsor and to which all employees may elect to contribute additional elective deferrals.

#### **Policyholder Surplus**

As of December 31, 2024, KEMI's policyholder surplus had increased by \$26,488,476 over the prior year. Contributing to this increase were: net income of \$24,765,548, net unrealized gains of \$3,325,285, net decreases in non-admitted assets of \$1,662,898, and a net increase in provision for reinsurance of \$60,541.

The Company's overall financial position remained strong in 2024. KEMI's mission is to make workers' compensation coverage affordable to employers by adhering to financially responsible underwriting practices, promoting safety in the workplace, protecting itself against unfavorable loss development and controlling overhead costs. Management regularly evaluates premium and claim levels, operating expenditures, and investment performance to maintain the Company's sound financial footing. Looking forward, increases to surplus are expected from net investment income and a continued focus on controlling claim costs and operating expenses.

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**RESULTS OF OPERATIONS**

The Statement of Income measures the results of operations during the reporting period. KEMI's condensed Statements of Income for the years ended December 31 were as follows:

	<u>2024</u>	<u>2023</u>
<b>Income and Expense:</b>		
Net premiums earned	\$ 150,877,948	\$ 154,778,301
Losses incurred	(61,561,832)	(80,593,446)
Loss adjustment expenses incurred	(27,775,004)	(29,023,216)
Underwriting expenses incurred	(37,307,970)	(38,252,110)
Net underwriting gain (loss)	24,233,142	6,909,529
Net investment income	39,418,982	34,736,450
Net realized capital gains (losses)	(18,659,967)	1,074,707
Other income (expense)	(1,897,786)	(1,205,723)
Net periodic pension and postretirement benefit cost	(3,664,629)	(5,032,298)
Retroactive reinsurance commutation gain	3,233,141	0
Net income before policyholder dividends	42,662,883	36,482,665
Dividends to policyholders	(17,897,335)	(15,458,044)
Net income after policyholder dividends	<u>\$ 24,765,548</u>	<u>\$ 21,024,621</u>

KEMI's direct written premiums for 2024 were \$147,011,755 versus \$161,837,132 for 2023, representing a decrease of \$14,825,377 or 9.2%, mainly due to a decrease in coal business. Audit premium and wage inflation both contributed to premium income in 2023 and 2024.

Total claims counts for 2024 increased 7.6% for reported claims and 4.2% for total open claims. Total losses incurred for 2024 include the \$25 million release of IBNR redundancy as noted above. During 2024 KEMI continued its initiative to settle certain claims through the use of structured settlements. The purchase of these structured settlements has allowed KEMI to realize savings on large claims and to reduce reserves for losses and loss adjustment expenses.

Management continued its focus on reducing leverage throughout 2023 and 2024. Reductions in leverage were achieved using the Bond Swap and structured settlements.

In June 2024, KEMI's Board of Directors approved a dividend payable to policyholders who had maintained a loss ratio of 65% or less for the 2021 policy year, and who still had active policies with KEMI at the time of payout. Nearly 12,300 dividend checks totaling \$17,897,335 were distributed in August 2024 as compared to \$15,458,044 in 2023.

In November 2024, A.M. Best affirmed KEMI's Financial Strength Rating of A- (Excellent) with a stable outlook.



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**CASH FLOW AND LIQUIDITY**

**Cash Flow**

The Statement of Cash Flows reports cash provided by or used for operations, investments, and other sources. KEMI's condensed Statements of Cash Flows for the years ended December 31 were as follows:

	<u>2024</u>	<u>2023</u>
<b>Cash Flows from Operations:</b>		
Net cash from underwriting and claims	\$ 11,359,507	\$ 15,514,802
Net investment income received	40,158,839	35,670,202
Dividends paid to policyholders	(17,897,335)	(15,458,044)
Other income (expense)	(5,562,415)	(6,238,021)
Retroactive reinsurance commutation gain	3,233,141	0
Net cash provided by (used for) operations	<u>31,291,737</u>	<u>29,488,939</u>
<b>Cash Flows from Investments:</b>		
Proceeds from investments sold or matured	358,906,007	110,927,188
Cost of investments acquired	<u>(385,124,075)</u>	<u>(117,963,913)</u>
Net cash provided by (used for) investments	<u>(26,218,068)</u>	<u>(7,036,725)</u>
<b>Cash Flows from Other Sources:</b>		
Net cash used for retroactive reinsurance assumed	(5,067,003)	(3,792,594)
Other net cash provided (used)	<u>1,595,228</u>	<u>(259,819)</u>
Net cash provided by (used for) other sources	<u>(3,471,775)</u>	<u>(4,052,412)</u>
 Net change in cash and cash equivalents	 1,601,894	 18,399,802
Cash and cash equivalents, beginning of year	<u>37,373,444</u>	<u>18,973,642</u>
Cash and cash equivalents, end of year	<u>\$ 38,975,338</u>	<u>\$ 37,373,444</u>

**Liquidity**

KEMI's portfolio of cash and invested assets exceeds the estimated amounts eventually required to satisfy KEMI's liabilities. As additional funds become available, they are primarily invested in high quality long-term bonds. Furthermore, a relatively short effective maturity of 7.50 years has enabled KEMI to reinvest maturing bonds at higher yields due to increasing interest rates in 2024. Maturity dates for KEMI's fixed income securities are selected to closely match the actuarial expected payout of losses and loss adjustment expenses. KEMI's equity positions are highly rated with a focus on steady dividends and are actively traded on major exchanges. KEMI maintains sufficient cash balances on hand to meet its obligations as they come due.

**NOTE:** To the extent that the above comments constitute forward-looking statements, these statements are not guarantees of future performance. Forward-looking statements are based on current expectations and projections about future events and are subject to risks, uncertainties and assumptions about the Company, economic and market factors, judicial rulings, and the insurance industry, among other things. Actual events and results may differ materially from those expressed in forward-looking statements.

**KENTUCKY EMPLOYERS' MUTUAL INSURANCE AUTHORITY**  
**Quarterly Statement of Assets, Liabilities, Policyholders' Surplus and Net Income**  
**Statutory Basis of Accounting**

BALANCE SHEET		Quarter ended 3/31/2024		Quarter ended 6/30/2024		Quarter ended 9/30/2024		Quarter ended 12/31/2024		Year ended 12/31/2024					
ASSETS															
Long-term bonds	\$	993,856,355		\$	992,760,403		\$	991,812,740		\$	985,771,759		\$	985,771,759	
Preferred stocks		1,751,725			2,951,725			2,951,725			2,951,725			2,951,725	
Common stocks		72,174,050			70,929,802			78,788,112			69,073,580			69,073,580	
Cash and cash equivalents		30,005,861			37,681,076			25,644,207			38,975,338			38,975,338	
Real estate		4,025,000			4,025,000			4,025,000			4,025,000			4,025,000	
Other invested assets		14,031,509			15,365,040			15,365,040			16,768,228			16,768,228	
Receivable for securities		5,971			19,211			1,450,822			6,718			6,718	
Investment income due and accrued		8,407,030			8,671,677			8,112,422			9,566,230			9,566,230	
Premiums in course of collection		12,623,123			20,714,173			12,740,082			9,728,034			9,728,034	
Premiums deferred and not yet due		42,537,975			24,768,683			40,142,706			38,139,592			38,139,592	
Policy deductibles receivable		10,271			7,702			7,272			17,992			17,992	
Reinsurance receivable		8,854			37,912			24,118			45,960			45,960	
Funds on deposit with reinsurers		1,770,000			1,770,000			1,770,000			1,200,000			1,200,000	
Electronic data processing equipment		133,426			308,589			255,834			203,080			203,080	
TOTAL ASSETS	\$	1,181,341,151		\$	1,180,010,992		\$	1,183,090,082		\$	1,176,473,238		\$	1,176,473,238	
LIABILITIES & SURPLUS															
Loss reserves	\$	619,275,953		\$	619,256,406		\$	608,550,524		\$	606,167,533		\$	606,167,533	
Loss adjustment expense reserves		53,997,702			54,340,039			52,603,290			52,374,084			52,374,084	
Commissions payable		14,201,006			13,844,705			13,703,936			13,835,730			13,835,730	
Other expenses payable		4,554,532			5,283,906			5,707,045			6,749,199			6,749,199	
Unearned premiums		64,951,508			57,145,214			68,725,342			63,630,168			63,630,168	
Ceded reinsurance premiums payable		(1,802,160)			(1,743,022)			(1,612,194)			(103,790)			(103,790)	
Funds withheld under reinsurance treaties		1,955,317			1,882,677			1,834,677			2,374,986			2,374,986	
Amounts withheld or retained for others		12,637,799			12,567,705			11,778,071			11,530,965			11,530,965	
Remittances and items not allocated		943,342			742,562			(12,205)			734,036			734,036	
Provision for reinsurance		119,695			119,695			119,695			59,154			59,154	
Payable for securities		2,999,164			0			5,941,850			250,000			250,000	
Retroactive reinsurance reserves assumed		31,754,170			30,868,079			30,179,616			29,362,444			29,362,444	
Retroactive reinsurance assumed - excess funds to be returned		0			0			0			0			0	
Retroactive reinsurance reserve ceded		0			0			0			0			0	
Funds withheld on retroactive reinsurance reserve ceded		2,243,977			0			0			0			0	
Liability for projected pension and postretirement benefits		0			0			0			0			0	
TOTAL LIABILITIES	\$	807,832,006		\$	794,307,966		\$	797,519,649		\$	786,964,510		\$	786,964,510	
POLICYHOLDER SURPLUS (BEGINNING)	\$	363,020,252		\$	373,509,145		\$	385,703,026		\$	385,570,433		\$	363,020,252	
Net income/(loss) after policyholder dividends		7,534,458			15,674,752			(8,217,551)			9,773,890			24,765,548	
Change in net unrealized capital gains/(losses)		4,178,314			(1,730,152)			7,574,852			(6,697,728)			3,325,285	
Change in non-admitted assets		(1,223,879)			(1,750,718)			510,106			801,592			(1,662,898)	
Change in provision for reinsurance		0			(0)			0			60,541			60,541	
Change in projected pension and postretirement benefits		0			0			0			0			0	
POLICYHOLDER SURPLUS (ENDING)		373,509,145			385,703,026			385,570,433			389,508,728			389,508,728	
TOTAL LIABILITIES & POLICYHOLDER SURPLUS	\$	1,181,341,151		\$	1,180,010,992		\$	1,183,090,082		\$	1,176,473,238		\$	1,176,473,238	
INCOME STATEMENT															
Net premiums earned	\$	37,077,648	100.00%	\$	39,117,497	100.0%	\$	38,934,248	100.00%	\$	35,748,555	100.00%	\$	150,877,948	100.00%
Deductions:															
Net losses incurred		20,452,811	55.2%		17,357,343	44.4%		7,527,204	19.3%		16,224,473	45.4%		61,561,832	40.8%
Net loss adjustment expenses incurred		8,750,545	23.6%		6,954,505	17.8%		5,925,462	15.2%		6,144,491	17.2%		27,775,003	18.4%
Underwriting expenses incurred		8,191,887	22.1%		8,578,173	21.9%		10,832,365	27.8%		9,705,546	27.1%		37,307,970	24.7%
Total deductions		37,395,243	100.9%		32,890,022	84.1%		24,285,030	62.4%		32,074,511	89.7%		126,644,805	83.9%
Net underwriting gain/(loss)		(317,595)	-0.9%		6,227,476	15.9%		14,649,217	37.6%		3,674,044	10.3%		24,233,143	16.1%
Net investment income earned		8,926,784	24.1%		9,410,912	24.1%		10,510,255	27.0%		10,571,031	29.6%		39,418,982	26.1%
Net realized gains/(losses)		314,750	0.8%		(1,844,520)	-4.7%		(14,004,429)	-36.0%		(3,125,768)	-8.7%		(18,659,967)	-12.4%
Other income/(expenses)		(522,880)	-1.4%		(420,428)	-1.1%		(546,894)	-1.4%		(407,586)	-1.1%		(1,897,787)	-1.3%
Net periodic pension and postretirement benefit expense		(866,602)	-2.3%		(931,829)	-2.4%		(928,366)	-2.4%		(937,832)	-2.6%		(3,664,629)	-2.4%
Retroactive reinsurance commutation gain		0	0.0%		3,233,141	8.3%		0	0.0%		0	0.0%		3,233,141	2.1%
Net operating gain/(loss)		7,534,458	20.3%		15,674,752	40.1%		9,679,784	24.9%		9,773,890	27.3%		42,662,883	28.3%
Policyholder dividends		0	0.0%		0	0.0%		(17,897,335)	-46.0%		0	0.0%		(17,897,335)	-11.9%
NET INCOME/(LOSS) AFTER POLICYHOLDER DIVIDENDS	\$	7,534,458	20.3%	\$	15,674,752	40.1%	\$	(8,217,551)	-21.1%	\$	9,773,890	27.3%	\$	24,765,548	16.4%

**KENTUCKY EMPLOYERS' MUTUAL INSURANCE AUTHORITY**  
**2024 at a Glance**

	Quarter ended <u>3/31/2024</u>	Quarter ended <u>6/30/2024</u>	Quarter ended <u>9/30/2024</u>	Quarter ended <u>12/31/2024</u>	Year ended <u>12/31/2024</u>
<b><u>Cash and Invested Assets:</u></b>					
Long-term bonds:					
U.S. government securities	\$ 23,334,108	\$ 23,174,979	\$ 23,073,826	\$ 22,976,907	\$ 22,976,907
U.S. special revenue issuer obligation bonds	25,102,125	24,270,594	18,728,577	18,721,866	18,721,866
U.S. special revenue residential mortgage-backed	88,722,764	90,159,158	82,898,174	86,734,062	86,734,062
U.S. special revenue commercial mortgage-backed	10,938,586	10,915,582	5,711,592	0	0
Corporate issuer obligation bonds	625,641,566	627,337,084	591,540,367	576,392,310	576,392,310
Corporate issuer residential mortgage-backed	63,666,638	62,200,950	82,272,562	80,384,421	80,384,421
Corporate issuer commercial mortgage-backed	35,239,463	40,180,382	50,958,623	49,312,987	49,312,987
Other loan-backed and structured securities	103,447,107	96,773,891	124,473,802	139,109,976	139,109,976
All other bonds	<u>17,763,999</u>	<u>17,747,784</u>	<u>12,155,216</u>	<u>12,139,230</u>	<u>12,139,230</u>
Total long-term bonds	993,856,355	992,760,403	991,812,740	985,771,759	985,771,759
Preferred stocks	1,751,725	2,951,725	2,951,725	2,951,725	2,951,725
Common stocks	72,174,050	70,929,802	78,788,112	69,073,580	69,073,580
Operating cash balances	12,139,146	15,568,878	9,143,238	12,883,014	12,883,014
Cash equivalents (money market funds)	17,866,715	12,154,380	16,500,969	26,092,325	26,092,325
Short Term Investments	0	9,957,817	0	0	0
Real estate	4,025,000	4,025,000	4,025,000	4,025,000	4,025,000
Other invested assets	14,031,509	15,365,040	15,365,040	16,768,228	16,768,228
Receivables for securities	5,971	19,211	1,450,822	6,718	6,718
Total cash and invested assets	<u>\$ 1,115,850,471</u>	<u>\$ 1,123,732,257</u>	<u>\$ 1,120,037,647</u>	<u>\$ 1,117,572,348</u>	<u>\$ 1,117,572,348</u>
<b><u>Gross Investment Income Earned:</u></b>					
Net investment income earned	\$ 8,926,784	\$ 9,410,912	\$ 10,510,255	\$ 10,571,031	\$ 39,418,982
Add back interest expense on reinsurance funds withheld	174,354	106,997	16,073	(1,659)	295,765
Add back investment expenses	<u>743,259</u>	<u>576,542</u>	<u>290,823</u>	<u>708,502</u>	<u>2,319,126</u>
Gross investment income earned	<u>\$ 9,844,397</u>	<u>\$ 10,094,451</u>	<u>\$ 10,817,151</u>	<u>\$ 11,277,874</u>	<u>\$ 42,033,873</u>
<b><u>Net Realized Investment Gains (Losses):</u></b>					
Net realized gains (losses) on long-term bonds	\$ 10,906	(2,161,198)	(16,403,384)	(6,577,573)	\$ (25,131,250)
Net realized gains (losses) on common stocks	225,265	270,570	966,800	3,451,806	4,914,441
Net realized gains (losses) on other invested assets	<u>78,579</u>	<u>46,108</u>	<u>1,432,155</u>	<u>0</u>	<u>1,556,843</u>
Total net realized investment gains (losses)	<u>\$ 314,750</u>	<u>\$ (1,844,520)</u>	<u>\$ (14,004,429)</u>	<u>\$ (3,125,768)</u>	<u>\$ (18,659,967)</u>
<b><u>Direct Policy Activity:</u></b>					
Direct premiums written	\$ 35,001,627	\$ 30,611,399	\$ 50,807,869	\$ 30,590,860	\$ 147,011,755
Direct premiums earned	\$ 37,592,997	\$ 39,444,060	\$ 39,320,465	\$ 36,223,194	\$ 152,580,716
Direct commissions paid, excluding contingent	\$ 3,546,764	\$ 2,964,902	\$ 5,189,815	\$ 3,046,672	\$ 14,748,152
Direct commissions paid as a % of direct premiums written	10.13%	9.69%	10.21%	9.96%	10.03%
<b>Direct Active Policy Count</b>	<b>18,943</b>	<b>18,728</b>	<b>18,546</b>	<b>18,322</b>	<b>18,322</b>
<b><u>Direct Claim Activity:</u></b>					
Direct losses paid, net of subrogation and deductibles	\$ 17,468,022	\$ 16,901,781	\$ 16,969,131	\$ 18,219,495	\$ 69,558,429
Direct loss adjustment expenses paid, net of subrogation and deductibles	\$ 7,595,893	\$ 6,393,284	\$ 7,147,206	\$ 6,199,681	\$ 27,336,064
Direct reserve for unpaid losses, including IBNR	\$ 643,572,472	\$ 646,469,435	\$ 636,180,712	\$ 633,293,902	\$ 633,293,902
Direct reserve for unpaid loss adjustment expenses, including IBNR	\$ 54,028,258	\$ 54,323,229	\$ 52,664,855	\$ 52,425,225	\$ 52,425,225
<b>Direct Open Claim Count</b>	<b>4,146</b>	<b>4,118</b>	<b>3,948</b>	<b>4,152</b>	<b>4,152</b>