

Kentucky Employers' Mutual Insurance Authority dba Kentucky Employers' Mutual Insurance

Audited Financial Statements - Statutory Basis with Supplemental Information

*Years ended December 31, 2025 and 2024
with Report of Independent Auditors*

Kentucky Employers' Mutual Insurance Authority
dba Kentucky Employers' Mutual Insurance

Audited Financial Statements - Statutory Basis
with Supplemental Information

Years ended December 31, 2025 and 2024

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Report of Independent Auditors

Board of Directors
Kentucky Employers' Mutual Insurance Authority
dba Kentucky Employers' Mutual Insurance
Lexington, Kentucky

Opinion

We have audited the accompanying statutory financial statements of Kentucky Employers' Mutual Insurance Authority dba Kentucky Employers' Mutual Insurance (the Company), which comprise the statutory statements of admitted assets, liabilities, and policyholder surplus as of December 31, 2025, and the related statutory statements of operations, changes in surplus, and cash flows for the year then ended, and the related notes to the statutory financial statements.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the accompanying statutory financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2025, and the results of its operations and its cash flows for the year then ended in accordance with the basis of accounting described in Note 1.

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 statutory 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, 2025, or the results of its operations or its cash flows for the year then ended.

Basis for Opinion

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

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

As described in Note 1 to the statutory financial statements, the Company prepared these statutory financial statements using accounting practices prescribed or permitted by the Department of Insurance of the Commonwealth of Kentucky, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the statutory financial statements of the variances between these statutory accounting practices described in Note 1 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 statutory financial statements in accordance with the accounting practices prescribed or permitted by the Department of Insurance of the Commonwealth of Kentucky. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of statutory 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 available to be 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 statutory financial statements taken as a whole. The accompanying Reinsurance Summary Supplemental Filing for General Interrogatory 9, Supplemental Investment Risks Interrogatories, and Summary Investment Schedule of the Company as of December 31, 2025, are presented for purposes of additional analysis and are not a required part of the statutory financial statements but are supplementary information required by the Department of Insurance of the Commonwealth of Kentucky. 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 statutory financial statements. The information has been subjected to the auditing procedures applied in the audit of the statutory financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the statutory financial statements or to the statutory 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 statutory financial statements as a whole.

A handwritten signature in cursive script that reads "Johnson Lambert LLP". The signature is written in black ink and is positioned above the typed address and date.

Raleigh, North Carolina
April 15, 2026

Kentucky Employers' Mutual Insurance Authority
dba Kentucky Employers' Mutual Insurance

Statements of Admitted Assets, Liabilities and Policyholder Surplus - Statutory Basis

As of December 31, 2025 and 2024

	2025	2024
Admitted Assets		
Long-term bonds	\$ 1,017,588,732	\$ 985,771,759
Common stocks	58,809,135	69,073,580
Preferred stocks	2,951,725	2,951,725
Cash, cash equivalents, and short-term investments	29,401,560	38,975,338
Real estate	4,020,000	4,025,000
Other invested assets	24,884,419	16,768,228
Receivables for securities	-	6,718
Total cash and invested assets	1,137,655,571	1,117,572,348
Investment income due and accrued	10,600,812	9,566,230
Premiums in course of collection	8,586,213	9,728,035
Uncollected premiums and deferred premiums	34,060,197	38,139,593
Funds on deposit with reinsurers	1,750,000	1,200,000
Amounts recoverable from reinsurers	4,282,159	45,960
EDP equipment and software	101,601	203,080
Other assets	18,728	17,992
Total admitted assets	\$ 1,197,055,281	\$ 1,176,473,238
Liabilities and Policyholder Surplus		
Liabilities:		
Reserve for losses	\$ 593,332,261	\$ 606,167,533
Reserve for loss adjustment expenses	51,690,947	52,374,084
Commissions payable and other similar charges	13,677,829	13,835,730
Unearned premiums	60,031,889	63,630,168
Amounts withheld or retained for account of others	9,950,332	11,530,965
Reinsurance premiums payable	(382,637)	(103,790)
Funds withheld under reinsurance treaties	2,656,411	2,374,986
Remittances and items not allocated	678,460	734,037
Retroactive reinsurance reserves assumed	30,347,463	29,362,444
Payable for securities	-	250,000
Provision for reinsurance	-	59,154
Other liabilities	7,352,604	6,749,199
Total liabilities	769,335,559	786,964,510
Policyholder surplus:		
Unassigned surplus	427,719,722	389,508,728
Total liabilities and policyholder surplus	\$ 1,197,055,281	\$ 1,176,473,238

See accompanying notes to statutory basis financial statements

Kentucky Employers' Mutual Insurance Authority
dba Kentucky Employers' Mutual Insurance

Statements of Operations - Statutory Basis

Years ended December 31, 2025 and 2024

	2025	2024
Underwriting income		
Premiums earned	\$ 135,741,866	\$ 150,877,948
Deductions:		
Losses incurred	68,101,953	61,561,832
Loss adjustment expenses incurred	26,223,135	27,775,002
Other underwriting expenses incurred	38,353,267	37,307,972
Total underwriting expenses	132,678,355	126,644,806
Net underwriting income	3,063,511	24,233,142
Investment income		
Net investment income earned	46,720,402	39,418,983
Net realized capital gains (losses)	7,159,890	(18,659,967)
Net investment income	53,880,292	20,759,016
Other income		
Net loss from agent's or uncollected balances charged off	(3,802,243)	(1,899,267)
Pension and postretirement benefit expense	(1,956,494)	(3,664,629)
Other income	-	3,234,621
Total other loss	(5,758,737)	(2,329,275)
Net income before dividends to policyholders	51,185,066	42,662,883
Dividends to policyholders	(17,682,573)	(17,897,335)
Net income	\$ 33,502,493	\$ 24,765,548

See accompanying notes to statutory basis financial statements

Kentucky Employers' Mutual Insurance Authority
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Statements of Changes in Policyholder Surplus - Statutory Basis

Years ended December 31, 2025 and 2024

	<u>Total Policyholder Surplus</u>
Balance at January 1, 2024	\$363,020,252
Net income	24,765,548
Change in unrealized capital gains and losses	3,325,285
Change in provision for reinsurance	60,541
Change in nonadmitted assets	<u>(1,662,898)</u>
Balance at December 31, 2024	389,508,728
Net income	33,502,493
Change in provision for reinsurance	59,154
Change in unrealized capital gains and losses	246,355
Change in nonadmitted assets	<u>4,402,992</u>
Balance at December 31, 2025	<u><u>\$427,719,722</u></u>

See accompanying notes to statutory basis financial statements

Kentucky Employers' Mutual Insurance Authority
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Statements of Cash Flows - Statutory Basis

Years ended December 31, 2025 and 2024

	2025	2024
Cash from operations		
Premiums collected, net of reinsurance paid	\$ 138,969,113	\$ 148,953,803
Net investment income received	46,149,154	40,158,839
Miscellaneous expenses	(5,758,737)	(2,329,275)
Benefit and loss related payments, net	(85,173,424)	(72,287,827)
Commissions and other expenses paid	(64,579,556)	(65,306,471)
Dividends paid to policyholders	(17,682,573)	(17,897,335)
Net cash from operations	11,923,977	31,291,734
Cash from investments		
Proceeds from investments sold or matured	147,549,478	363,284,522
Cost of investments acquired	(170,323,567)	(389,502,591)
Net cash from investments	(22,774,089)	(26,218,069)
Cash from financing and miscellaneous sources		
Other cash provided (applied)	1,276,334	(3,471,771)
Net cash from financing and miscellaneous sources	1,276,334	(3,471,771)
Net change in cash, cash equivalents and short-term investments	(9,573,778)	1,601,894
Cash, cash equivalents and short-term investments at beginning of year	38,975,338	37,373,444
Cash, cash equivalents and short-term investments at end of year	\$ 29,401,560	\$ 38,975,338

See accompanying notes to statutory basis financial statements

Kentucky Employers' Mutual Insurance Authority
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Notes to Statutory Basis Financial Statements

Years ended December 31, 2025 and 2024

Note 1 - Organization and Significant Accounting Policies

Organization

Kentucky Employers' Mutual Insurance Authority dba Kentucky Employers' Mutual Insurance (KEMI or the Company) is a non-profit, independent, self-supporting de jure municipal corporation and political subdivision of the Commonwealth of Kentucky (the Commonwealth). KEMI was established by legislation of the Commonwealth enacted April 4, 1994 to serve as a competitive state fund for the purpose of providing both a market of last resort for employers in the Commonwealth and another competitive source of insurance in the voluntary market through which employers may secure and maintain their workers' compensation coverage as required by state law. KEMI began writing business effective September 1, 1995. All of KEMI's total direct gross written premiums for years ended December 31, 2025 and 2024 were for insureds in Kentucky. KEMI also offers multi-state coverage to its Kentucky based policyholders through the use of assumptive reinsurance agreements as described in Note 2.

Basis of Reporting

For regulatory purposes, the Company prepares its financial statements in accordance with accounting practices prescribed or permitted by the Department of Insurance of the Commonwealth of Kentucky (the Department), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America (U.S. GAAP). Prescribed statutory accounting practices include a variety of publications of the National Association of Insurance Commissioners (NAIC), as well as state laws, regulations and general administrative rules. Permitted statutory accounting practices encompass all accounting practices not so prescribed. The NAIC Accounting Practices and Procedures Manual (NAIC Statutory Accounting Practices) has been adopted as a component of prescribed or permitted practices by the Commonwealth of Kentucky. KEMI does not employ any practices not prescribed by the NAIC or the Department in the preparation of its statutory basis financial statements. There are no differences between statutory policyholders' surplus as presented in these statutory basis financial statements as of December 31, 2025 and 2024 (as prescribed or permitted by the Commonwealth of Kentucky) and NAIC Statutory Accounting Practices.

Kentucky Employers' Mutual Insurance Authority
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Notes to Statutory Basis Financial Statements (Continued)

Note 1 - Organization and Significant Accounting Policies (Continued)

Statutory accounting practices vary in some respects from U.S. GAAP. The effects have not been determined, however, the more significant variances from GAAP that are relevant to the Company's statutory basis financial statements are as follows:

- Investments in bonds with an NAIC rating of 1 or 2 are carried at NAIC determined value or amortized cost, with all other bonds being recorded at the lower of amortized cost or fair value; common stocks and nonredeemable preferred stocks are carried at fair value; redeemable preferred stocks with an NAIC rating of 1 or 2 are carried at amortized cost, with all other redeemable preferred stocks recorded at the lower of amortized cost or fair value; bonds with a NAIC rating of 3 through 6 are assigned specific year-end values by the NAIC and are written down to Securities Valuation Office (SVO) assigned values (if less than amortized cost) by charging statutory policyholder surplus. Under U.S. GAAP, bonds are classified into three categories: held to maturity, available for sale and trading. Bonds held to maturity are stated at amortized cost; bonds available for sale are stated at fair value and the resulting unrealized gains or losses, net of applicable income taxes, are charged or credited to policyholder surplus; and bonds held for trading are reported at fair value and the resulting gains and losses are reported in earnings net of related taxes.
- For loan-backed and structured securities, if the company determines that a security is impaired and management intends to sell the security or no longer has the ability and intent to retain the investment for a period of time sufficient to recover the amortized cost, that security shall be written down to fair value. For statutory purposes, if the company subsequently changes their assertion, and now believe they do not intend to sell the security and have the ability and intent to retain the investment for a period of time sufficient to recover the amortized cost, that security will continue to be carried at the lower of cost or market with any future decreases in fair value charged through operations until the security is disposed. For U.S. GAAP purposes, once the company alters their assertion, that security's amortized cost basis will not be decreased for future reductions in fair value unless an other-than-temporary impairment is determined to have occurred.
- For U.S. GAAP purposes, other-than-temporary impairment losses related to debt securities (for non-loan-backed and structured securities) are bifurcated between credit and non-credit, whereas for statutory purposes the total other-than-temporary impairment loss is reported in earnings.
- Changes in the unrealized gains (losses) of common stock investments are recorded as a component of policyholder surplus under statutory accounting principles. Under U.S. GAAP, common stocks are carried at fair value with unrealized changes in fair value recognized in operations.

Kentucky Employers' Mutual Insurance Authority
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Notes to Statutory Basis Financial Statements (Continued)

Note 1 - Organization and Significant Accounting Policies (Continued)

- Assets having economic value other than those that can be used to fulfill policyholder obligations are categorized as non-admitted assets and are not permitted to be included in the statutory basis financial statements of admitted assets, liabilities, and policyholder surplus, whereas, for U.S. GAAP, these assets are recognized in the balance sheet. Included with non-admitted assets are furniture, equipment and supplies, prepaid expenses, certain receivables, pension net assets overfunding, and other items that do not meet statutory criteria for admitted assets.
- Receivables over 90 days outstanding are not admitted in the statutory basis financial statements and charged to policyholder surplus, whereas, for U.S. GAAP, the company assesses the collectability of premiums receivable and any credit losses assessed is charged to the income statement.
- The statutory basis financial statements are presented net of the effects of reinsurance, whereas for U.S. GAAP, the financial statements are presented gross of the effects of reinsurance.
- Policy acquisition costs, net of ceding commission received pursuant to reinsurance agreements, are charged to operations in the year such costs are incurred, rather than being deferred and amortized over the terms of the policies as would be required under GAAP.
- Comprehensive income is not determined for statutory reporting purposes, whereas, for U.S. GAAP, such income is recognized.
- Costs incurred in connection with acquiring new insurance business, including commissions, are charged against statutory earnings as such costs are incurred, while under U.S. GAAP, such costs, to the extent recoverable, would be deferred and amortized over the effective periods covered by the related policies.
- A statutory liability is established and charged to policyholder surplus for amounts due from unauthorized reinsurers in excess of letters of credit, funds held, and premiums payable. Under U.S. GAAP, no such liability is provided.
- Cash, cash equivalents, and short-term investments in the statements of cash flows statutory basis represent cash balances and investments with initial maturities of one year or less. Under U.S. GAAP, the corresponding caption of cash and short-term investments (also referred to as cash equivalents) would include cash balances and investments with maturities, when purchased, of three months or less. Additionally, negative cash balances are recorded as a negative asset whereas under U.S. GAAP, these balances would be reclassified to a liability account.
- All leases, except leveraged leases for lessors, are treated as operating leases with rental expense being recognized on a straight-line basis over the lease term, without recognition of a right-to-use asset or lease liability as provided for under U.S. GAAP.

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Notes to Statutory Basis Financial Statements (Continued)

Note 1 - Organization and Significant Accounting Policies (Continued)

- The statutory basis financial statements are prepared in a form using language and groupings substantially the same as the annual statements that KEMI files with the NAIC and the state regulatory authorities, which differ from the presentation and disclosures of financial statements presented under U.S. GAAP reporting.
- The statutory statement of cash flow does not classify cash flow consistent with GAAP, and a reconciliation of net income to net cash provided by operating activities is not provided.

The effects of these differences on these statutory basis financial statements have not been determined, but are presumed to be material and pervasive.

Adoption of Accounting Principle

The Company adopted the National Association of Insurance Commissioners (NAIC) Principles-Based Bond Definition (PBBDD) guidance, which revises Statements of Statutory Accounting Principles (SSAP) No. 26 – *Bonds*, SSAP No. 43 – *Asset-Backed Securities*, and SSAP No. 21 – *Other Admitted Assets*, on January 1, 2025. The guidance replaces the prior classification rules for bonds with a principles-based approach. The guidance requires the Company to use a principles-based approach to classify debt securities as either issuer credit obligations, asset-backed securities, or other invested assets based on their characteristics. The Company updated investment disclosures to comply with the guidance.

The Company adopted the guidance using the prospective approach. There was no impact to the Company from adopting the guidance as of January 1, 2025.

Risks and Uncertainties

Certain risks and uncertainties are inherent to KEMI's day-to-day operations and to the process of preparing its statutory basis financial statements. The more significant of those risks and uncertainties are presented below and throughout the notes to the statutory basis financial statements.

Use of Estimates

The preparation of statutory basis financial statements requires management to make estimates and assumptions. Those estimates and assumptions affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the statutory statements of admitted assets, liabilities, and policyholder surplus, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Kentucky Employers' Mutual Insurance Authority
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Notes to Statutory Basis Financial Statements (Continued)

Note 1 - Organization and Significant Accounting Policies (Continued)

Reserve for Losses and LAE

KEMI estimates unpaid losses and loss adjustment expenses (LAE) based on the accumulation of case estimates and loss reports, as well as estimates of incurred but not reported (IBNR) losses, net of applicable policy deductibles and deduction of amounts for reinsurance ceded on reported and unreported claims and incidents using certain actuarial methods. KEMI also offers its Kentucky-based policyholders multi-state coverage through the use of assumptive reinsurance agreements, under which unaffiliated cedents write certain policies for which KEMI assumes 100% of the business. Management believes that the reserve for losses and LAE represents its best estimate of the amounts necessary to cover the ultimate net cost of losses and LAE. However, considerable variability is inherent and these estimates are subject to the effects of trends in loss severity and frequency. Accordingly, the ultimate net liability could be significantly in excess of or less than the amount indicated in the statutory basis financial statements. The estimates are continually reviewed by management, and adjusted if necessary, as experience develops or new information becomes known; such adjustments are charged or credited to current operations.

In establishing the reserve for unpaid losses and LAE, several generally accepted actuarial methodologies are applied to the Company's line of business. The methodologies used in the actuarial analysis incorporates a variety of claim count, loss and LAE estimation methods. There were no significant changes to the methodologies and assumptions used in establishing the reserve for unpaid losses and LAE for 2025.

To reflect the time value of money, KEMI began discounting the indemnity portion of black lung reserves effective December 31, 2017. Both case reserves and IBNR reserves have been discounted on a tabular basis at a rate of 3.5% using the following tables: Male—2021 Social Security Administration Table Adjusted for Black Lung Mortality for Males, and Female - 2021 U.S. Lives Table for Females. Tabular discounting of indemnity reserves is a permitted practice of the NAIC and the Department, and it is a common industry practice to discount the indemnity portion of black lung claim reserves given the long-term nature of the payment pattern. KEMI does not discount indemnity claims other than black lung, nor does it discount any medical or loss expense reserves.

Premiums

Premiums are earned on the daily pro-rata method over the policy period and are stated after deduction for reinsurance. Unearned premiums represent the portion of initial premiums written that are applicable to the unexpired terms of policies in force. Initial premiums are recorded as premiums written on the policy effective date except for certain premiums that are recorded on an installment basis. Any subsequent additional premiums or refunds that occur as a result of policy audits are recorded as written premiums at the time the policy audits are finalized. Earned but unbilled premiums include management's estimate of future audit premiums and are included in premiums booked but deferred and not yet due.

Kentucky Employers' Mutual Insurance Authority
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Notes to Statutory Basis Financial Statements (Continued)

Note 1 - Organization and Significant Accounting Policies (Continued)

Premiums in course of collection which are customer obligations due under normal terms requiring payment by the policy due date, and premiums booked but deferred and not yet due are valued at their carrying amount. Premiums in the course of collection are presented net of non-admitted amounts. Ten percent of earned but unbilled premium in excess of collateral held is included as a non-admitted asset. Management continually monitors the collectibility of such balances, and accounts specifically identified as uncollectible are charged to expense in the year the determination is made. Receivables over 90 days outstanding are not admitted in the statutory basis financial statements.

Reinsurance

Reinsurance contracts do not relieve KEMI from its obligations to insureds. Failure of reinsurers to honor their obligations could result in losses to KEMI. KEMI evaluates the financial condition of its reinsurers to minimize its exposure to significant losses from reinsurer insolvencies. Management believes that any liability arising from this contingency would not be material to KEMI's financial position.

The Company utilizes ceded reinsurance to limit its insurance risk. Reinsurance recoverable is estimated using assumptions consistent with those used to estimate the reserve for unpaid losses and LAE. In preparing financial statements, management makes estimates of amounts recoverable from reinsurers, which include consideration of amounts, if any, estimated to be uncollectible by management based on an assessment of factors including the creditworthiness of the reinsurers. Reinsurance receivable on losses and LAE paid by the Company are reported as an asset, while reinsurance recoverable on unpaid losses and LAE are reported as a reduction of the gross reserve. The Company did not record a valuation allowance for reinsurance receivable as of December 31, 2025 and 2024.

Investments

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 statements of admitted assets, liabilities, and policyholder surplus.

Kentucky Employers' Mutual Insurance Authority
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Notes to Statutory Basis Financial Statements (Continued)

Note 1 - Organization and Significant Accounting Policies (Continued)

KEMI is exposed to risks that issuers of securities owned by KEMI will default or that interest rates will change and cause a decrease in the value of its investments. With mortgage-backed securities, KEMI is exposed to credit risk and prepayment risk. As interest rates change, the velocity at which these securities pay down the principal will change as well. Management mitigates these risks by conservatively investing in high-grade securities and by matching maturities of its investments with the anticipated payouts of its liabilities. As part of its investment strategy, KEMI holds investments in loan-backed securities and, therefore, KEMI has subprime risk exposure related to these investments. These securities subject KEMI to unrealized gains and losses due to changes in asset values; future sales could result in realized losses and a reduction of future cash flows. As of December 31, 2025 and 2024, none of KEMI's loan-backed securities were considered subprime. KEMI mitigates its subprime risk by adhering to conservative investment strategies and by actively monitoring investment performance.

As most of KEMI's investments consist of securities that are traded in the public securities markets, they are subject to risk related to fluctuations in overall market performance and are potentially subject to heightened levels of market risk attributable to issuer, industry, and geographic region concentrations. KEMI's investment portfolio is regularly reviewed, and the extent of its diversification, is considered in the context of statutory requirements and other risk management and performance objectives.

The Company's investments are stated as follows, in accordance with statutory accounting practices:

- Investments, excluding residential mortgage-backed securities not guaranteed by federal or federally sponsored agencies, are stated at values prescribed by the NAIC's SVO, which generally are as follows:
 - Non loan-backed bonds rated 1 and 2 by the NAIC are stated at amortized cost using the scientific (constant yield) interest method with bonds containing call provisions being amortized to the call or maturity date, whichever results in a lower asset value. Loan-backed bonds rated 1 and 2 by the NAIC are stated at amortized cost using the scientific (constant yield) interest method including anticipated prepayments. Bonds rated 3 through 6 are carried at the lower of amortized cost or fair value with the change included within policyholder surplus.

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Notes to Statutory Basis Financial Statements (Continued)

Note 1 - Organization and Significant Accounting Policies (Continued)

- Investments in residential mortgage-backed securities not guaranteed by federal or federally sponsored agencies utilize a financial model commissioned by the NAIC to determine credit ratings, and ultimately the NAIC designation/rating. This financial model requires a two-step process. KEMI first determines the initial rating designation based upon each security's amortized cost in relation to security specific prescribed valuation points. This initial rating designation determines whether the security will be stated at amortized cost or fair value, based on the same criteria noted in the preceding paragraph. (The lower the amortized cost relative to par, the higher the NAIC designation, and the more likely the security will be carried at amortized cost.) If the security is to be carried at fair value, KEMI then determines the final rating designation based upon each security's fair value in relation to the same security specific prescribed valuation points used in the first step. If the security is to be carried at amortized cost, the final designation remains the same as what was determined in the first step. The final designation is used for RBC purposes as well as for NAIC designation disclosure purposes.
- Investments in redeemable preferred stocks with an NAIC rating designation of 1 or 2 are stated at amortized cost; all other preferred stocks are stated at the lesser of amortized cost or fair value.
- Investments in common stocks are stated at fair value with unrealized gains and losses being reported as a separate component of unassigned policyholder surplus.
- Realized gains or losses are determined on the specific-identification method. Investment income is recognized as earned, net of related investment expenses. Bond premiums and discounts are amortized by the scientific-yield method and are charged or credited to net investment income. For mortgage-backed securities, KEMI anticipates prepayments utilizing published data in determining interest income.
- The assessment of other-than-temporary impairments is performed on a case-by-case basis. Factors considered by management in determining whether an other-than-temporary impairment exists (in other than loan-backed or structured securities) include: the financial condition, business prospects and creditworthiness of the issuer, the length of time and extent to which fair value has been less than cost for equity securities or amortized cost for fixed income securities, and KEMI's intent and ability to retain such investments until the fair value recovers. If it is determined that the decline in fair market value is other-than-temporary, the carrying amount of the investment is written down to fair value as its new basis and the amount of the write down is recorded as a realized loss.

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Notes to Statutory Basis Financial Statements (Continued)

Note 1 - Organization and Significant Accounting Policies (Continued)

- For loan-backed or structured securities, factors considered by management in determining whether an other-than temporary impairment exists include: KEMI's stated intent to not sell, KEMI's ability to hold such investments until the fair value recovers, and the discounted cash flows of the security based on the yield at the date of acquisition. If KEMI intends to sell or if KEMI does not have the ability and intent to hold the security for a period of time sufficient to recover its amortized cost basis, an other-than-temporary impairment exists, and the security is written down to fair value with the amount of the write-down recorded as a realized loss. If KEMI does not intend to sell the security and has the ability and intent to hold the security for a period of time sufficient to recover the amortized cost basis, KEMI calculates the cash flows expected to be collected. In this calculation, KEMI compares the present value of cash flows expected to be collected, discounted at the security's effective interest rate at date of purchase, to the amortized cost basis. If the present value of cash flows is less than the amortized cost basis, a realized loss is recorded for the difference. The present value of cash flows then becomes the new cost basis.
- For fixed-rate agency mortgage-backed securities, KEMI's investment managers calculate prepayment speeds utilizing Mortgage Industry Advisory Corporation (MIAC) Mortgage Industry Medians (MIMs). MIMs are derived from a semi-monthly dealer consensus survey of long-term prepayment projections. For other mortgage-backed, loan-backed, and structured securities, KEMI's investment managers use prepayment assumptions from Moody's Analytics (Moody's). Moody's applies a flat economic credit model and utilizes a vector of multiple monthly speeds as opposed to a single speed for more robust projections. In instances where Moody's projections are not available, KEMI's investment managers use data from Reuters, which utilizes the median prepayment speed from contributors' models.
- KEMI is a member of the Federal Home Loan Bank (FHLB) of Cincinnati. Through its membership, KEMI may engage in borrowing activities with the FHLB. The strategy behind purchasing FHLB Capital stock was to gain backup liquidity and to provide an option for securing letters of credit at rates lower than those offered by other commercial lenders. Investments in FHLB common stock are carried at par value and are considered restricted investments until redeemed by FHLB. Dividends are recognized in net investment income when received. In December 2025, KEMI was approved for a \$30 million credit line, from which it has borrowed \$0 as of the end of the reporting period.

Other Invested Assets

KEMI has ownership interest in one unaffiliated partnership, which is reported as other invested assets on the statutory statements of admitted assets, liabilities, and policyholder surplus as of December 31, 2025 and 2024.

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Notes to Statutory Basis Financial Statements (Continued)

Note 1 - Organization and Significant Accounting Policies (Continued)

During the funding and acquisition phase, it is valued at initial cost plus subsequent capital contributions less any distributions received. Once the funding and acquisition phase is complete, the carrying value is adjusted for KEMI's proportionate share of the underlying audited GAAP equity of the investee, as described by SSAP No. 48 - Joint Ventures, Partnerships and Limited Liability Companies.

These investments shall not be categorized within the fair value hierarchy levels 1 through 3.

In order to redeem these investments prior to dissolution of the fund, KEMI would need to transfer its interests and any unfunded commitment to another party with the approval of the general partner. Under these circumstances, it is likely the investment would sell below the carrying value.

External Factors

KEMI is highly regulated by the state in which it is domiciled. Such regulations, among other things, limit the amount of dividends and impose restrictions on the amount and types of investments. In addition, from time to time, KEMI may be affected by changes in federal regulations such as the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act) or the Patient Protection and Affordable Care Act (PPACA). Additionally, the PPACA contained an amendment with specific language related to black lung claims (the Byrd Amendment). KEMI continues to monitor the impact of such regulations and will assess any potential impact of these changes on the accompanying statutory basis financial statements.

Risk-based Capital

The NAIC has developed property-casualty risk-based capital (RBC) standards that relate an insurer's reported statutory basis capital and policyholder surplus to the risks inherent in its overall operations. The RBC formula uses the statutory basis annual statement to calculate the minimum indicated capital level to protect KEMI from the various risks that it faces. The NAIC model law calls for various levels of regulatory action based on the magnitude of an indicated RBC capital deficiency, if any. KEMI continues to monitor its internal capital requirements and the NAIC's RBC requirements. KEMI has determined that its capital levels are in excess of the minimum capital requirements for all RBC action levels. Management believes that KEMI's capital levels are sufficient to support the level of risk inherent in its operations.

Cash, Cash Equivalents, and Short-term Investments

The Company considers all highly liquid instruments purchased with a maturity of one year or less to be cash equivalents. Cash equivalents are short-term investments that are both readily convertible to known amounts of cash and so near their maturity they present an insignificant risk of changes in value because of changes in interest rates. Amounts held in financial institutions in excess of FDIC limits totaled \$27,878,853 at December 31, 2025.

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Notes to Statutory Basis Financial Statements (Continued)

Note 1 - Organization and Significant Accounting Policies (Continued)

Electronic Data Processing

Electronic data processing (EDP) equipment is stated at cost, less accumulated depreciation and, along with other furniture and equipment, is depreciated using the straight-line method over the estimated useful lives of the assets, which range from three to ten years. EDP equipment is limited to 3% of surplus, subject to certain specified adjustments. Maintenance and repair costs are charged to expense as incurred.

Depreciation expense is computed using the straight-line method over the estimated useful lives of the assets. Gains and losses on the sale of property and equipment are recorded in the year of disposition. Maintenance and repairs are expensed as incurred; replacements and betterments are capitalized.

Pension Plan and Postretirement Plan

Some of the Company's employees are covered under a defined benefit retirement plan (Pension plan) and post retirement medical plan sponsored by the Company. The projected benefit obligations are determined using actuarial techniques and assumptions as of the reporting date. These include assumptions regarding discount rates, expected salary increases, mortality rates, employee turnover, and other demographic factors. Projected benefit obligations represent the obligations for past service and for expected future compensation as of the measurement date. If the projected benefit obligation exceeds the fair value of plan assets, the Company recognizes a liability that equals the unfunded projected benefit obligation. If the projected benefit obligation does not exceed the the fair value of plan assets, the Company recognizes a non-admitted asset that equals the overfunded amount plus any prepaid benefit amount.

Reclassifications

Certain amounts from the 2024 financial statements have been reclassified to conform to the 2025 presentation. Such reclassifications had no impact on reported policyholders' surplus.

Subsequent Events

The Company evaluated subsequent events through April 15, 2026, the date on which these financial statements were available to be issued. There were no events during the evaluation period that required recognition or disclosure in the statutory basis financial statements.

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Notes to Statutory Basis Financial Statements (Continued)

Note 2 - Insurance Activity

The following table provides a reconciliation of the beginning and ending reserve balances for losses and LAE:

	<u>2025</u>	<u>2024</u>
Net reserves for losses and LAE, beginning of year	\$ 658,541,617	\$ 669,956,910
Provision for losses and LAE related to:		
Current year	112,448,729	92,703,230
Prior years	<u>(18,123,641)</u>	<u>(3,366,396)</u>
Total incurred losses and LAE	<u>94,325,088</u>	<u>89,336,834</u>
Losses and LAE paid related to:		
Current year	(40,199,337)	(41,394,593)
Prior years	<u>(67,644,160)</u>	<u>(59,357,534)</u>
Total paid losses and LAE	<u>(107,843,497)</u>	<u>(100,752,127)</u>
Net reserves for losses and LAE at end of year	<u>\$ 645,023,208</u>	<u>\$ 658,541,617</u>

Net estimates for incurred losses and LAE attributable to insured events of prior years decreased or developed favorably by \$18,123,641 during 2025 and decreased or developed favorably by \$3,366,396 during 2024, as a result of re-estimations of unpaid losses and LAE, including changes in discount rates. During 2025, the majority of the favorable development in KEMI's workers' compensation line relates to accident years 2021, 2022, and 2023, developing favorably by approximately \$28 million. This favorable development was partially offset by unfavorable development of approximately \$17 million related to accident year 2024. During 2024, the majority of the favorable development in KEMI's workers' compensation line relates to accident year 2022, developing favorably by a total of approximately \$12 million. This favorable development was partially offset by unfavorable development of approximately \$10 million related to accident year 2023.

The reserve for losses and LAE as of December 31, 2025 and 2024 have been offset by reinsurance recoverables amounting to \$24,657,706 and \$33,414,014, respectively. Estimated subrogation recoverable on unpaid losses was approximately \$3,000,000 and \$600,000 as of December 31, 2025 and 2024, respectively.

Tabular discounts were \$151,337,411 and \$135,411,310 as of December 31, 2025 and 2024, respectively. KEMI recognized discount accretion of approximately \$2,400,000 and \$2,100,000 for 2025 and 2024, respectively, through direct losses incurred on the statements of operations - statutory basis.

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Notes to Statutory Basis Financial Statements (Continued)

Note 2 - Insurance Activity (Continued)

Reinsurance

KEMI limits the maximum net loss that can arise from large risks or risks in concentrated areas of exposure by reinsuring (ceding) certain levels of risks with various reinsurers under excess of loss agreements. These agreements cede premium on an earned basis. Ceded reinsurance is treated as the risk and liability of the assuming companies; however, these reinsurance contracts do not relieve KEMI from its original obligations to policyholders. Failure of reinsurers to honor their obligations could result in losses to KEMI; consequently, allowances are established for amounts deemed uncollectible, if any. KEMI evaluates the financial condition of its reinsurers and monitors concentrations of credit risk arising from similar geographic regions, activities, or economic characteristics of the reinsurers to minimize its exposure to significant losses from reinsurer insolvencies.

KEMI maintains Excess of Loss reinsurance coverage (including terrorism) with unaffiliated reinsurers for losses and loss adjustment expenses in excess of \$4 million per occurrence and up to \$125 million per occurrence. The Excess of Loss reinsurance agreements apply to KEMI's net retained liability, covering direct and assumed business in force as of each effective date, as well as new business and renewal business from the effective date through the end of the contract term. Unpaid losses and loss adjustment expenses as of December 31, 2025 and 2024 included estimated reinsurance recoverables under the Excess of Loss agreements of \$17,401,952 and \$26,103,196, respectively.

KEMI also maintains a facultative reinsurance agreement with unaffiliated reinsurers for catastrophe coverage (including terrorism) in certain geographical locations where KEMI has heavy concentrations of covered lives. This facultative contract provides 100% coverage of losses and loss adjustment expenses in excess of \$125 million per occurrence up to \$305 million per occurrence.

Effective November 1, 2017, KEMI entered into a quota share reinsurance treaty with Automobile Dealers Management Insurance Company (ADMIC) under which KEMI cedes to ADMIC 50% of the premiums, losses and loss adjustment expenses for a group of approximately forty to fifty car dealerships. The agreement is renewable annually, and each contract year may be commuted no sooner than five years after expiration. Ceded premiums earned under the agreement were \$566,443 and \$623,252 in 2025 and 2024, respectively. Unpaid losses and loss adjustment expenses as of December 31, 2025 and 2024 included estimated reinsurance recoverables of \$1,114,779 and \$1,028,977, respectively, under the agreement. The ADMIC quota share contracts are secured by funds withheld accounts and collateral deposits totaling \$2,656,411 and \$2,374,986 as of December 31, 2025 and 2024, respectively.

Kentucky Employers' Mutual Insurance Authority
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Notes to Statutory Basis Financial Statements (Continued)

Note 2 - Insurance Activity (Continued)

KEMI offers multi-state coverage to its policyholders through the use of assumptive reinsurance agreements, under which unaffiliated cedents write certain policies for which KEMI assumes 100% of the business. This coverage is only available to Kentucky-based businesses that have similar operations in other states. KEMI's liability for unpaid losses and loss adjustment expenses as of December 31, 2025 and 2024 includes \$4,617,836 and \$6,236,504 respectively, related to these agreements. The cedents require KEMI to maintain standby letters of credit totaling \$16.7 million. The letters of credit are collateralized by U.S. Treasury Bonds.

As of December 31, 2025 and 2024, KEMI has \$25,242,249 and \$24,383,091, respectively, of investments pledged as collateral related to funds withheld under reinsurance policies and lines of credit.

KEMI had no unsecured net reinsurance recoverables outstanding for losses and loss adjustment expenses, paid and unpaid, including IBNR and unearned premium that individually exceeded 3% of policyholder surplus at December 31, 2025 and 2024.

The effects of KEMI's assumed and ceded reinsurance transactions for the years ended December 31, 2025 and 2024 are summarized as follows:

	<u>2025</u>	<u>2024</u>
Written premiums:		
Direct	\$ 136,445,712	\$ 147,011,755
Assumed	2,774,949	4,479,153
Ceded	<u>(6,716,056)</u>	<u>(6,919,743)</u>
Net	<u>\$ 132,504,605</u>	<u>\$ 144,571,165</u>
	<u>2025</u>	<u>2024</u>
Earned premiums:		
Direct	\$ 138,772,107	\$ 152,580,716
Assumed	3,718,157	5,251,611
Ceded	<u>(6,748,398)</u>	<u>(6,954,379)</u>
Net	<u>\$ 135,741,866</u>	<u>\$ 150,877,948</u>

Kentucky Employers' Mutual Insurance Authority
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Notes to Statutory Basis Financial Statements (Continued)

Note 2 - Insurance Activity (Continued)

	2025	2024
Unearned premiums:		
Direct	\$ 58,992,832	\$ 61,680,244
Assumed	1,407,095	2,350,303
Ceded	(368,038)	(400,379)
Net	\$ 60,031,889	\$ 63,630,168
	2025	2024
Incurred losses and LAE:		
Direct	\$ 88,449,905	\$ 88,822,315
Assumed	4,026,828	3,985,146
Ceded	1,848,355	(3,470,627)
Net	\$ 94,325,088	\$ 89,336,834

KEMI has evaluated its assumed and ceded reinsurance arrangements and believe they appropriately transfer risk in accordance with SSAP No. 62, Property and Casualty Reinsurance, and have therefore accounted for them as prospective reinsurance.

At December 31, 2025 and 2024, the Company had no unsecured reinsurance balances (including ceded case and IBNR reserves, and ceded unearned premiums) with any one reinsurer in excess of 3% of surplus.

Commission activity during the years ended December 31, 2025 and 2024 is as follows:

	2025	2024
Commission expense on direct premiums	\$ 13,884,487	\$ 14,778,308
Contingent commission expense on direct premiums	1,687,247	1,719,945
Commission expense on assumed premiums	643,793	743,825
Commission expense on ceded premiums	(160,230)	(176,585)
Contingent commission expense on ceded premiums	(36,359)	(6,425)
Net commissions on direct, assumed and ceded premiums	\$ 16,018,938	\$ 17,059,068

Kentucky Employers' Mutual Insurance Authority
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Notes to Statutory Basis Financial Statements (Continued)

Note 2 - Insurance Activity (Continued)

Premium balances due consist of the following at December 31, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Uncollected premiums	\$ 18,870,594	\$ 22,639,695
Deferred premiums	35,767,373	39,652,645
Non-admitted premium balances	<u>(11,991,557)</u>	<u>(14,424,712)</u>
Premiums in course of collection, uncollected premiums and deferred premiums	<u>\$ 42,646,410</u>	<u>\$ 47,867,628</u>

Uncollected premium balances include amounts due from insureds for billed premiums. Deferred premiums consist of future, unbilled installments. Included in deferred premium above is \$4,758,203 and \$5,119,220 of earned but unbilled premium due as of December 31, 2025 and 2024 respectively.

Kentucky Employers' Mutual Insurance Authority
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Notes to Statutory Basis Financial Statements (Continued)

Note 3 - Investments

The carrying value/cost and fair value of investments at December 31, 2025 are summarized as follows:

<u>2025</u>	<u>Carrying Value/Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>
Bonds				
Issuer Credit Obligations:				
U.S. Government obligations	\$ 18,343,944	\$ 125,165	\$ (255,402)	\$ 18,213,707
Non U.S. sovereign jurisdiction securities	3,819,315	30,455	(25,543)	3,824,227
Municipal bonds – general obligations (direct & guaranteed)	6,716,034	-	(604,546)	6,111,488
Municipal bonds – special revenue	20,028,318	64,741	(730,746)	19,362,313
Corporate bonds (unaffiliated)	621,862,660	6,614,843	(22,739,478)	605,738,025
Single entity backed obligations (unaffiliated)	2,120,269	-	(143,995)	1,976,274
Bonds issued by funds representing operating entities (unaffiliated)	<u>2,964,000</u>	<u>77,135</u>	<u>-</u>	<u>3,041,135</u>
Total Issuer Credit Obligations	675,854,540	6,912,339	(24,499,710)	658,267,169
Asset-Backed Securities:				
Agency residential mortgage backed securities – guaranteed	2,761,636	117,526	-	2,879,162
Agency residential mortgage backed securities – not/partially guaranteed	84,816,124	809,169	(5,282,016)	80,343,277
Non agency residential mortgage backed securities (unaffiliated)	67,979,500	252,326	(7,052,807)	61,179,019
Non agency commercial mortgage backed securities (unaffiliated)	42,133,269	124,361	(783,950)	41,473,680
Non agency – CLOs/CBOs/CDOs (unaffiliated)	81,764,263	291,026	(43,521)	82,011,768
Other financial asset backed securities – self liquidating (unaffiliated)	20,660,800	562,147	(115,082)	21,107,865
Lease backed securities – practical expedient (unaffiliated)	30,441,350	307,525	(611,737)	30,137,138
Other non financial asset backed securities – practical expedient (unaffiliated)	<u>11,177,250</u>	<u>193,240</u>	<u>(47,261)</u>	<u>11,323,229</u>
Total Asset-Backed Securities	<u>341,734,192</u>	<u>2,657,320</u>	<u>(13,936,374)</u>	<u>330,455,138</u>
Total Bonds	<u>\$1,017,588,732</u>	<u>\$ 9,569,659</u>	<u>\$ (38,436,084)</u>	<u>\$ 988,722,307</u>
Common stock	\$ 50,374,803	\$ 10,413,744	\$ (1,979,412)	\$ 58,809,135
Preferred stock	<u>2,951,725</u>	<u>42,328</u>	<u>(14,897)</u>	<u>2,979,156</u>
Total stocks	<u>\$ 53,326,528</u>	<u>\$ 10,456,072</u>	<u>\$ (1,994,309)</u>	<u>\$ 61,788,291</u>

Kentucky Employers' Mutual Insurance Authority
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Notes to Statutory Basis Financial Statements (Continued)

Note 3 - Investments (Continued)

The carrying value/cost and fair value of investments at December 31, 2024 are summarized as follows:

December 31, 2024	Carrying Value/Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S government securities	\$ 19,864,056	\$ 32,158	\$ (672,790)	\$ 19,223,424
U.S. agency residential mortgage- backed securities	3,112,851	51,402	(526)	3,163,727
U.S. special revenue bonds	105,455,929	17,015	(9,500,500)	95,972,444
Commercial mortgage-backed securities	129,697,408	212,655	(11,684,452)	118,225,611
Commercial asset-backed securities	139,109,976	874,168	(2,246,207)	137,737,937
Corporate bonds (\$13,891,015 carried at fair value)	576,392,310	2,092,096	(35,317,104)	543,167,302
All other bonds	<u>12,139,229</u>	<u>264</u>	<u>(1,059,023)</u>	<u>11,080,470</u>
Total bonds	<u>\$ 985,771,759</u>	<u>\$ 3,279,758</u>	<u>\$ (60,480,602)</u>	<u>\$ 928,570,915</u>
Common stock	\$ 58,315,825	\$ 12,117,593	\$ (1,359,838)	\$ 69,073,580
Preferred stock	<u>2,951,725</u>	<u>16,326</u>	<u>(40,915)</u>	<u>2,927,136</u>
Total stocks	<u>\$ 61,267,550</u>	<u>\$ 12,133,919</u>	<u>\$ (1,400,753)</u>	<u>\$ 72,000,716</u>

The carrying value and estimated fair value of long-term bonds at December 31, 2025, by contractual maturity, are as follows. Actual maturities may differ from contractual maturities because certain borrowers have the right to call or prepay obligations with or without call or prepayment penalties.

	<u>Carrying Value</u>	<u>Fair Value</u>
Years to maturity:		
One year or less	\$ 21,436,844	\$ 21,305,773
Over one year through five years	247,383,427	243,970,671
Over five years through ten years	222,301,327	221,111,123
Over ten years through twenty years	61,913,985	56,574,024
Over twenty years	122,818,957	115,305,579
Residential mortgage-backed securities	155,557,260	144,401,458
Commercial mortgage-backed securities	42,133,269	41,473,680
Other asset-backed securities	<u>144,043,663</u>	<u>144,579,999</u>
Total bonds	<u>\$1,017,588,732</u>	<u>\$ 988,722,307</u>

Kentucky Employers' Mutual Insurance Authority
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Notes to Statutory Basis Financial Statements (Continued)

Note 3 - Investments (Continued)

The following table shows the proceeds from the sales and redemptions, and maturities and calls of debt securities, and the sales of equities, and the related gross realized gains and losses during 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Debt securities:		
Proceeds - sales and redemptions	\$ 72,245,152	\$ 303,567,950
Gross realized gains	96,965	155,440
Gross realized losses	(278,088)	(25,171,350)
Proceeds - maturities and calls	34,021,516	26,372,072
Gross realized gains	33,783	9,310
Gross realized losses	(4,147)	(124,650)
Equity securities:		
Proceeds - sales	33,459,900	26,550,942
Gross realized gains	8,979,039	6,583,146
Gross realized losses	(2,119,033)	(1,668,706)

Major categories of the Company's 2025 and 2024 net investment income are summarized as follows:

	<u>2025</u>	<u>2024</u>
Investment Income:		
Cash and short-term investments	\$ 870,527	\$ 1,479,828
Bonds	45,147,539	37,398,780
Stocks	2,328,877	2,234,281
Other invested assets	<u>807,950</u>	<u>920,984</u>
Gross investment income	49,154,893	42,033,873
Investment expense	(2,344,539)	(2,319,125)
Interest expense	<u>(89,952)</u>	<u>(295,765)</u>
Net investment income	<u>\$ 46,720,402</u>	<u>\$ 39,418,983</u>

Kentucky Employers' Mutual Insurance Authority
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Notes to Statutory Basis Financial Statements (Continued)

Note 3 - Investments (Continued)

Real Estate

In September of 2016, KEMI purchased a parcel of land upon which it planned to construct a home office building. This parcel of land was reported at cost, plus capitalized legal and professional fees, of \$5,020,818. In 2019, KEMI extended their current lease and terminated all plans to develop a home office building. The property was reclassified to held for sale. On August 28, 2025, a third-party certified appraiser valued the land at \$4,020,000, which is lower than the previous appraisal value. The carrying value was adjusted to reflect the lower appraised value.

Other Invested Assets

During 2023, KEMI purchased a minority limited partnership interest in ElmTree U.S. Net Lease Fund V-A, L.P. (the ElmTree Fund V-A) for a total commitment of \$30 million. The Fund was formed in April 2023 to invest in real estate development. As of December 31, 2025 KEMI had made capital contributions totaling \$24,724,272 leaving a remaining commitment of \$5,275,728. KEMI's book adjusted carrying value for ElmTree V-A was \$24,884,419 as of December 31, 2025 and \$16,768,228 as of December 31, 2024. KEMI earns an annual return of 7% on this investment, which is paid quarterly and reflected in investment income.

Other-than-temporary Impairment

The following tables illustrate the gross unrealized losses and fair value of investments with unrealized losses that are not deemed to be other-than-temporarily impaired, aggregated by investment type and length of time that individual securities have been in a continuous unrealized loss position as of December 31, 2025 and 2024:

December 31, 2025	Less than 12 months		Greater than 12 months		Total	
	Fair value	Unrealized Loss	Fair value	Unrealized Loss	Fair value	Unrealized Loss
Bonds	\$ 48,986,871	\$ (923,730)	\$ 483,838,987	\$ (37,512,354)	\$ 532,825,858	\$ (38,436,084)
Common stock	11,045,942	(1,170,054)	6,010,298	(809,358)	17,056,240	(1,979,412)
Preferred stock	-	-	1,215,103	(14,897)	1,215,103	(14,897)
Total	<u>\$ 60,032,813</u>	<u>\$ (2,093,784)</u>	<u>\$ 491,064,388</u>	<u>\$ (38,336,609)</u>	<u>\$ 551,097,201</u>	<u>\$ (40,430,393)</u>

December 31, 2024	Less than 12 months		Greater than 12 months		Total	
	Fair value	Unrealized Loss	Fair value	Unrealized Loss	Fair value	Unrealized Loss
Bonds	232,939,163	(7,896,664)	470,439,612	(52,583,938)	703,378,775	(60,480,602)
Common stock	10,497,573	(1,110,681)	3,141,665	(249,157)	13,639,238	(1,359,838)
Preferred stock	-	-	1,189,085	(40,915)	1,189,085	(40,915)
Total	<u>\$ 243,436,736</u>	<u>\$ (9,007,345)</u>	<u>\$ 474,770,362</u>	<u>\$ (52,874,010)</u>	<u>\$ 718,207,098</u>	<u>\$ (61,881,355)</u>

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Notes to Statutory Basis Financial Statements (Continued)

Note 3 - Investments (Continued)

KEMI evaluates impairment at each reporting period for each of the securities whereby the fair value of the investment is less than its amortized cost. It is expected that the securities would not be settled at a price less than the amortized cost of the investment, as KEMI has the ability and intent to hold the investment until there is not an unrealized loss on the investment. For valuing loan-backed and structured securities, KEMI's asset manager uses a proprietary model for loss assumptions and widely accepted models for prepayment assumptions with inputs from major third-party data providers. Model assumptions are specific to asset class and collateral types and are regularly evaluated and adjusted where appropriate.

KEMI evaluated the credit ratings of these holdings, noting neither a significant deterioration since purchase nor other factors which may indicate an other-than-temporary impairment, such as the length of time and extent to which fair value has been less than cost, the financial condition and near-term prospects of the issuer as well as specific events or circumstances that may influence the operations of the issuer, and KEMI's intent and ability to hold the investment for a sufficient time in order to enable recovery of cost. In 2025 and 2024, KEMI had recorded no other-than-temporary impairments.

KEMI continues to review its investment portfolio under its impairment review policy. Given the fluctuating market conditions and the significant judgment involved, there is a continuing risk that further declines in fair value may occur and additional other-than-temporary impairments may be experienced in future periods.

Fair Value Measurements

The fair value estimates presented herein are based on pertinent information available to management as of December 31, 2025 and 2024. Although management is not aware of any factors that would significantly affect the estimated fair value amounts, such amounts have not been comprehensively revalued for purposes of these statutory basis financial statements since that date, and current estimates of fair value may differ significantly from the amounts presented herein.

The following methods and assumptions were used to estimate the fair value of each significant class of financial instruments for which it is practical to estimate that value:

Bonds, Loan-backed and Structured Securities, and Common Stock

Valued at fair value by reference to identical trades in active markets and by a third-party portfolio manager. Fair values are based on values published by the SVO, quoted market prices, or dealer quotes. For bonds not actively traded, fair values are estimated using values obtained from independent pricing services, or in the case of private placements, are estimated by discounting the expected future cash flows using current market rates applicable to the yield, credit, and maturity of the investment.

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Notes to Statutory Basis Financial Statements (Continued)

Note 3 - Investments (Continued)

KEMI's financial assets carried at fair value have been classified, for disclosure purposes, based on a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The hierarchy gives the highest priority to fair values determined using unadjusted quoted prices in active markets for identical assets (Level 1) and the lowest priority to fair values determined using unobservable inputs (Level 3). An asset's classification is determined based on the lowest level input that is significant to its measurement. For example, a Level 3 fair value measurement may include inputs that are both observable (Levels 1 and 2) and unobservable (Level 3).

The levels of the fair value hierarchy are as follows:

Level 1 - Unadjusted quoted prices in active markets for identical assets that KEMI has the ability to access at the measurement date.

Level 2 - Valuations derived from inputs other than quoted market prices included within Level 1 that are observable for the asset, either directly or indirectly, such as:

- Quoted prices for similar assets in active markets.
- Quoted prices for identical or similar assets in markets that are not active.
- Inputs other than quoted prices that are observable for the asset.
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - Valuations are derived from techniques that require significant unobservable inputs. The unobservable inputs reflect KEMI's own assumptions about the assumptions that market participants would use in pricing the asset.

KEMI holds common stocks and other securities that are measured at fair value on a recurring basis. In addition, KEMI sometimes holds certain financial assets, primarily certain bonds valued at the lower of cost or fair value in accordance with NAIC reporting guidelines and assets that are impaired during the current reporting period and carried at fair value, that are considered to be measured at fair value on a recurring basis.

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Notes to Statutory Basis Financial Statements (Continued)

Note 3 - Investments (Continued)

The following table summarizes the fair value of all of KEMI's financial instruments whether or not they are carried at fair value on the statement of admitted assets, liabilities and policyholder surplus - statutory basis. Management has elected not to further disaggregate the investments displayed below as additional risk information is not deemed material to the statutory basis financial statements.

<u>December 31, 2025</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Bonds	\$ -	\$ 988,722,307	\$ -	\$ 988,722,307
Common Stock	58,809,135	-	-	58,809,135
Preferred Stock	-	2,979,156	-	2,979,156
Total assets at fair value	<u>\$ 58,809,135</u>	<u>\$ 991,701,463</u>	<u>\$ -</u>	<u>\$ 1,050,510,598</u>
<u>December 31, 2024</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Bonds	\$ -	\$ 928,570,915	\$ -	\$ 928,570,915
Common stock	68,662,259	411,321	-	69,073,580
Preferred Stock	-	2,927,136	-	2,927,136
Total assets at fair value	<u>\$ 68,662,259</u>	<u>\$ 931,909,372</u>	<u>\$ -</u>	<u>\$ 1,000,571,631</u>

At December 31, 2025 and 2024, bonds and short-term investments with admitted asset values of \$68,923,479, or 6% of admitted assets, and \$26,306,966, or 2% of admitted assets, respectively, were on deposit in trusts to satisfy regulatory and contractual requirements. A significant portion of this balance consist of collateral pledged to the Federal Home Loan Bank of Cincinnati (FHLB), further described below. Additionally, the Company maintains deposits with the U.S Department of Labor. These deposits total \$990,457 and \$980,776, as of December 31, 2025 and 2024, respectively.

The Company is a member of the FHLB of Cincinnati. Through its membership, the Company has the opportunity to conduct business activity with the FHLB, including engaging in borrowing activities. During 2025, the Company was approved for a \$30,000,000 credit line, from which it has borrowed \$0 as of the end of the reporting period. The cash management advance (CMA) application remains effective for a 12 month period from the December 9, 2025 effective date. The interest rate on CMAs is either fixed or variable, at the election of the Company at the time the advance is made. Prepayment and repayment terms vary depending on the type of interest rate election made under the borrowing arrangement. To provide collateral in the event the credit line is drawn upon, the Company had pledged securities with a carrying value of \$35,048,340 and a fair value of \$35,510,524 at December 31, 2025.

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Notes to Statutory Basis Financial Statements (Continued)

Note 3 - Investments (Continued)

In addition, the Company owns FHLB stock. There are two types of FHLB stock, membership stock and activity stock. At both December 31, 2025 and 2024, the Company owned \$943,100 of membership stock and no activity stock. This stock is restricted for purposes of the FHLB.

The following table discloses quantitative information about the Company's restricted assets by category of restricted asset for the years ended December 31, 2025 and 2024. Because the Company is a property and casualty insurance company, it does not hold assets that would be required to be held in a separate account. Accordingly, no distinction is made between general account and separate account restricted assets in the following table.

Restricted Asset Category	Gross Restricted				Percentage	
	Total from Current Year	Total from Prior Year	Increase/ (Decrease)	Total Current Year Admitted Restricted	Gross Restricted to Total Assets	Admitted Restricted to Total Admitted Assets
FHLB capital stock	\$ 943,100	\$ 943,100	\$ -	\$ 943,100	0.078 %	0.079 %
On deposit with other regulatory bodies	990,457	980,776	9,681	990,457	0.081 %	0.083 %
Pledged as collateral to FHLB	35,048,340	-	35,048,340	35,048,340	2.882 %	2.928 %
Pledged as collateral not captured in other categories	25,242,249	24,383,090	859,159	25,242,249	2.075 %	2.109 %
Collateral assets received and on the balance sheet	<u>6,699,333</u>	<u>-</u>	<u>6,699,333</u>	<u>6,699,333</u>	<u>0.551 %</u>	<u>0.560 %</u>
Total restricted assets	<u>\$ 68,923,479</u>	<u>\$ 26,306,966</u>	<u>\$ 42,616,513</u>	<u>\$ 68,923,479</u>	<u>5.667 %</u>	<u>5.759 %</u>

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Notes to Statutory Basis Financial Statements (Continued)

Note 4 - Loss Portfolio Transfers

Kentucky School Boards Insurance Trust Loss Portfolio Transfer

Effective October 31, 2014, KEMI entered into a loss portfolio transfer agreement with the Commissioner of Insurance of the Commonwealth of Kentucky, Rehabilitator of the Kentucky School Boards Insurance Trust (KSBIT) Workers' Compensation Self Insurance Fund. Pursuant to this loss portfolio transfer, approximately \$35 million in workers' compensation claims 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. Final installments under the guaranteed receivables program were received in 2020. As a result of efficient claims handling practices, actuarially determined claim liabilities were less than originally projected; therefore, KEMI was able to return a total of \$16.3 million of transferred funds to the Rehabilitator in 2019 and 2020. As of December 31, 2025, KSBIT's cash balance was \$8,046,518, reinsurance receivables on paid losses and loss adjustment expenses were \$(76,707), net reported loss and loss adjustment expense reserves were \$4,182,572 and net incurred but not reported loss and loss adjustment expense reserves were \$3,940,653. KSBIT reserves for unpaid losses and loss adjustment expenses are not discounted.

The net liability for KSBIT unpaid claims and the receivable for retroactive reinsurance assumed activity for the years ended December 31, 2025 and 2024 is as follows:

	2025	2024
Net liability for KSBIT unpaid claims, beginning of year	\$ 7,891,980	\$ 8,205,795
Losses and LAE paid	(542,680)	(739,534)
Reinsurance received	697,218	425,719
Net liability for KSBIT unpaid claims, end of year	\$ 8,046,518	\$ 7,891,980

Kentucky Workers' Compensation Funding Commission Loss Portfolio Transfer

Effective July 7, 2017, KEMI entered into a loss portfolio transfer agreement with the Kentucky Workers' Compensation Funding Commission (the Funding Commission). Pursuant to this loss portfolio transfer, approximately \$40 million in workers' compensation claims liabilities for claims incurred on or after December 12, 1996, which were filed on or before June 30, 2017 (known as the Kentucky Coal Workers' Pneumoconiosis Fund or KCWPF), were transferred from the Funding Commission to KEMI. In exchange for assuming responsibility for these claim liabilities and the handling thereof, KEMI received approximately \$19.3 million in cash. In addition, the Funding Commission continued to impose assessments until both the Funding Commission and KEMI agreed that the liabilities were fully funded. Assessments ceased effective January 1, 2020. As of December 31, 2025, KCWPF's cash balance was \$3,808,936 and net loss and loss adjustment expense reserves were \$3,808,936. KCWPF reserves for unpaid losses and loss adjustment expenses are not discounted.

Kentucky Employers' Mutual Insurance Authority
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Notes to Statutory Basis Financial Statements (Continued)

Note 4 - Loss Portfolio Transfers (Continued)

The net liability for KCWPF unpaid claims and the receivable for retroactive reinsurance assumed activity for the years ended December 31, 2025 and 2024 is as follows:

	<u>2025</u>	<u>2024</u>
Net liability for KCWPF unpaid claims, beginning of year	\$ 4,663,646	\$ 6,404,864
Losses and LAE paid, net	(733,080)	(1,669,177)
Settlement distributions to KY Coal Employers Self-Insured Guarantee Fund	<u>(121,630)</u>	<u>(72,041)</u>
Net liability for KCWPF unpaid claims, end of year	<u>\$ 3,808,936</u>	<u>\$ 4,663,646</u>
Excess funds to be returned, beginning of year	\$ -	\$ -
Excess funds adjustments	121,630	72,041
Settlement distributions to KY Coal Employers Self-Insured Guarantee Fund	<u>(121,630)</u>	<u>(72,041)</u>
Excess funds to be returned, end of year	<u>\$ -</u>	<u>\$ -</u>

AIK Comp Loss Portfolio Transfer

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 \$5.7 million in cash. As of December 31, 2025, AIK's cash balance was \$6,513,679. AIK reserves for unpaid losses and loss adjustment expenses are not discounted.

The net liability for AIK unpaid claims and the receivable for retroactive reinsurance assumed activity for the years ended December 31, 2025 and 2024 is as follows:

	<u>2025</u>	<u>2024</u>
Net liability for AIK unpaid claims, beginning of year	\$ 4,038,960	\$ 4,416,227
Losses and LAE paid, net	(511,565)	(334,449)
Intercompany Loss Reallocation	3,000,000	-
Other direct expenses paid	<u>(13,716)</u>	<u>(42,818)</u>
Net liability for AIK unpaid claims, end of year	<u>\$ 6,513,679</u>	<u>\$ 4,038,960</u>

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Notes to Statutory Basis Financial Statements (Continued)

Note 4 - Loss Portfolio Transfers (Continued)

Kentucky Coal Producers' Self-Insurance Fund Loss Portfolio Transfer

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, 2025, KCP's cash balance was \$11,978,330. KCP reserves for unpaid losses and loss adjustment expenses are not discounted.

The net liability for KCP unpaid claims and the receivable for retroactive reinsurance assumed activity for the years ended December 31, 2025 and 2024 is as follows:

	<u>2025</u>	<u>2024</u>
Net liability for KCP unpaid claims, beginning of year	\$ 12,767,858	\$ 13,069,420
Intercompany Loss Reallocation	(3,000,000)	-
Losses and LAE paid, net	2,275,596	(210,339)
Other direct expenses paid	<u>(65,124)</u>	<u>(91,223)</u>
Net liability for KSBIT unpaid claims, end of year	<u>\$ 11,978,330</u>	<u>\$ 12,767,858</u>

The net liability of all assumed loss portfolios transfers noted above as of December 31, 2025 and 2024 is \$30,347,463 and \$29,362,444. The net liability is shown as part of retroactive reinsurance reserves assumed on the statements of admitted assets, liabilities and policyholder surplus - statutory basis as of December 31, 2025 and 2024.

Note 5 - Adverse Development Coverage

Effective December 31, 2019, KEMI entered into an agreement for adverse development coverage with two unaffiliated reinsurers, Swiss Reinsurance America Corporation (67.5%) and Hannover Ruck SE (22.5%); KEMI retained 10% of this coverage. This agreement, which was commuted with an effective date of May 31, 2024, related to direct and assumed business, excluding all loss portfolio transfers, and provided KEMI with reinsurance protection against unfavorable development arising from existing and/or newly reported claims for accident years 2015 through 2019. In exchange for a total premium of \$30.5 million, KEMI obtained \$75 million of additional protection against unfavorable development for those accident years. Upon commutation, KEMI recouped \$3.2 million of interest expense on Funds Withheld under the contract. This \$3.2 million was recognized as an aggregate write-in gain on KEMI's 2024 Statement of Income.

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Notes to Statutory Basis Financial Statements (Continued)

Note 6 - Leases

KEMI leases space for its main office under a noncancelable operating lease which expires December 31, 2034. The agreement also includes an option to extend the lease for an additional 60 months following the expiration on December 31, 2034. KEMI also leases space for a satellite office under a noncancelable operating lease which expires May 31, 2027. Rental expense under these leases was \$473,681 and \$812,328 for 2025 and 2024, respectively.

The following is a summary of future minimum rental commitments for these leases:

Years Ending		
2026	\$	502,436
2027		463,125
2028		434,643
2029		434,643
2030		478,359
Thereafter		<u>1,913,437</u>
	\$	<u><u>4,226,643</u></u>

Note 7 - Retirement Plans

Defined Benefit Pension and Postretirement Benefit Plans

Prior to July 1, 2016, all full-time KEMI employees were enrolled in a mandatory defined benefit pension plan regulated by the Kentucky Retirement Systems (KRS). KEMI voluntarily ceased participation in KRS effective June 30, 2016.

Effective July 1, 2016, KEMI established a contributory 401(a) defined benefit pension plan for which it is the plan sponsor. The plan provides pension benefits and a 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. These employer contribution rates will be evaluated as deemed necessary to ensure the financial soundness of the plan.

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Notes to Statutory Basis Financial Statements (Continued)

Note 7 - Retirement Plans (Continued)

The change in assumptions losses for 2025 and 2024 are primarily due to adjustments to the discount rate to reflect current market conditions and the change of the mortality table. The prepaid pension and postretirement asset of \$6,282,041 and \$8,238,535 as of December 31, 2025 and 2024, respectively, has been nonadmitted in the statutory statements of admitted assets, liabilities, and policyholder surplus.

	Pension Benefits		Postretirement Benefits	
	2025	2024	2025	2024
Amounts in unassigned funds (surplus) recognized as components of net periodic benefit cost:				
Items not yet recognized as a component of net periodic cost - prior year	\$ 1,623,156	\$ 7,032,470	\$ 504,664	\$ 923,023
Net prior service cost or credit arising during the period	-	-	(107,724)	-
Net prior service (cost) or credit recognized	(733,814)	(2,935,272)	(140,465)	(140,465)
Net (gain) loss arising during the period	(2,583,256)	(2,474,042)	377,366	(277,894)
Effect of Settlement	-	-	(22,346)	-
	<u>\$ (1,693,914)</u>	<u>\$ 1,623,156</u>	<u>\$ 611,495</u>	<u>\$ 504,664</u>
Amounts in unassigned funds (surplus) that have not yet been recognized as components of net periodic benefit cost				
Net prior service cost	\$ -	\$ 733,814	\$ 474,030	\$ 722,219
Net losses (gains)	(1,693,914)	889,342	137,465	(217,555)
	<u>\$ (1,693,914)</u>	<u>\$ 1,623,156</u>	<u>\$ 611,495</u>	<u>\$ 504,664</u>

Kentucky Employers' Mutual Insurance Authority
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Notes to Statutory Basis Financial Statements (Continued)

Note 7 - Retirement Plans (Continued)

The accumulated benefit obligation for the pension plan benefits as of December 31, 2025 and 2024 was \$29,425,205 and \$28,402,083, respectively. The accumulated benefit obligation for the postretirement benefits as of December 31, 2025 and 2024 was \$4,365,477 and \$4,606,935, respectively.

The weighted-average assumptions used to determine benefit obligations and net periodic benefit costs for the years ended December 31 were as follows:

	Pension Benefits		Postretirement Benefits	
	2025	2024	2025	2024
Benefit obligations:				
Discount rate	5.46 %	5.50 %	5.49 %	5.54 %
Rate of compensation increase	4.00 %	4.00 %	N/A	N/A
Health care cost trend rate	N/A	N/A	8.50% pre-65 / 6.50% post-65	8.50% pre-65 / 7.00% post-65
Net periodic benefit costs:				
Discount rate	5.50 %	4.75 %	5.54 %	4.83 %
Expected return on plan assets	4.50 %	4.50 %	4.50 %	4.00 %
Rate of compensation increase	4.00 %	4.00 %	N/A	N/A
Health care cost trend rate	N/A	N/A	8.50% pre-65 / 7.00% post-65	9.00% pre-65 / 5.00% post-65

The discount rate is determined each year as of the measurement date based on a review of interest rates associated with long-term high-quality corporate bonds. The discount rate is used in calculating the benefit obligation as of the measurement date and the net periodic benefit (income)/cost for the upcoming plan year.

Measurement of postretirement health care benefits requires the use of certain assumptions about future health care costs. A maximum benefit of \$400 per month in subsidies for retiree health insurance premiums was assumed for 2020 and thereafter.

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Notes to Statutory Basis Financial Statements (Continued)

Note 7 - Retirement Plans (Continued)

For the defined benefit pension plan, retirees have the option of selecting either an annuity stream or a lump sum distribution discounted to present value at 6%. The following estimated future payments, which reflect expected future service, as appropriate, are expected to be paid in the years indicated:

Year Ending December 31:	<u>Pension Benefits</u>	<u>Postretirement Benefits</u>
2026	\$ 2,137,087	\$ 210,755
2027	2,167,051	303,212
2028	1,590,277	279,916
2029	3,035,184	258,020
2030	2,299,184	312,925
Thereafter	14,000,655	1,087,093

The discount rate utilized in valuing the defined benefit pension obligation is determined by matching the FTSE Pension Discount Curve to the expected benefit payout stream and determining a single equivalent discount rate. The impact of the assumption changes identified in the tables above during 2025 and 2024 resulted in an increase and a (decrease) in the projected benefit obligation of \$116,727 and \$(2,661,923), respectively.

Plan assets are professionally managed by a third-party investment advisor under two separate investment policies. The primary objective for both plans is to obtain favorable returns through investment in high quality income producing and long-term growth oriented investments. This is consistent with the need to preserve and increase plan assets through stability and growth in income while maintaining safety of principal, as well as the need to ensure that sufficient assets are available to fund expected benefit payments as they come due. A retirement plan investment committee monitors the plans' investment options based on the following criteria:

- Maximization of return within reasonable and prudent levels of risk
- Provision of returns comparable to returns for similar investment options
- Provision of exposure to a wide range of investment opportunities in various asset classes and vehicles
- Control of administrative and management costs
- Provision of appropriate diversification within investment vehicles

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Notes to Statutory Basis Financial Statements (Continued)

Note 7 - Retirement Plans (Continued)

In 2023, the Retirement Plan Committee approved the implementation of a cash flow liability hedging strategy for the Pension Plan. This strategy designates assets in the plan as part of either "Hedged" or "Growth" portfolios. The Hedged Portfolio is used to offset the plan's expected cash flows over the next 10 years. The Growth Portfolio is used to generate long-term growth of plan assets. This strategy reduces stress on the plan during periods of large equity drawdowns since the Hedged Portfolio can be used to cover necessary cash flows and provide time for the Growth Portfolio to recover.

The Hedged Portfolio is structured to cover cash flows with very low risk for loss of principal. Investments are focused on US investment grade bonds and cash with redemption values close to the targeted future cash flows of the Plan.

The Growth Portfolio is structured on balancing the risks and rewards of each broad asset class, the defined benefit plan's neutral target investment allocation is 70% in Equities, 20% in Diversifying Strategies, and 10% in Bonds (including cash).

The Postretirement plan has a neutral target allocation of 75% in fixed income securities (including a 2% cash position), 15% in equities, and 10% in diversifying strategies. All investments must meet minimum quality, duration and diversification standards as set forth in the retirement plan investment policy statements. In addition, overall composition by asset class is subject to benchmarks and other limitations.

The Company's pension plan asset allocation percentages, and fair value of assets at December 31, 2025 and 2024 by asset category are as follows:

Asset Category	2025		2024	
	Asset Allocation	Fair Value	Asset Allocation	Fair Value
Equity securities	60 %	\$ 21,742,786	2 %	\$ 884,410
High yield and international debt securities, commodities and other	8 %	2,745,908	5 %	1,873,853
US debt securities, other short-term investments and cash	32 %	11,927,770	93 %	34,976,758
Total	100.0 %	\$ 36,416,464	100.0 %	\$ 37,735,021

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Notes to Statutory Basis Financial Statements (Continued)

Note 7 - Retirement Plans (Continued)

The Company's postretirement plan asset allocation percentages, and fair value of assets at December 31, 2025 and 2024 by asset category are as follows:

Asset Category	2025		2024	
	Asset Allocation	Fair Value	Asset Allocation	Fair Value
Equity securities	48 %	\$ 2,255,672	0 %	\$ -
High yield and international debt securities, commodities and other	12 %	568,740	0 %	-
US debt securities, other short-term investments and cash	40 %	1,914,265	100 %	5,339,843
Total	100.0 %	\$ 4,738,677	100.0 %	\$ 5,339,843

The following table shows fair value hierarchy levels for the Company's plan investments as of December 31, 2025 and 2024:

2025	Level 1	Level 2	Level 3	Fair Value
Pension Plan Assets:				
Cash and cash investments	\$ 2,319,624	\$ -	\$ -	\$ 2,319,624
US treasury bonds	-	6,284,809	-	6,284,809
Short-term bond funds	1,536,626	-	-	1,536,626
Intermediate-term bond funds	21,742,787	-	-	21,742,787
High-yield bond funds	873,421	-	-	873,421
Certificates of deposit	1,786,711	-	-	1,786,711
Investment real estate LP	-	-	1,872,486	1,872,486
Total Pension Plan Assets	\$ 28,259,169	\$ 6,284,809	\$ 1,872,486	\$ 36,416,464
Postretirement Benefit Plan Assets:				
Cash and cash investments	\$ 1,331,273	\$ -	\$ -	\$ 1,331,273
US treasury bonds	-	582,994	-	582,994
Short-term bond funds	568,738	-	-	568,738
Intermediate-term bond funds	2,255,672	-	-	2,255,672
Total Postretirement Benefit Plan Assets	\$ 4,155,683	\$ 582,994	\$ -	\$ 4,738,677

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Notes to Statutory Basis Financial Statements (Continued)

Note 7 - Retirement Plans (Continued)

<u>2024</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Pension Plan Assets:				
Cash and cash investments	\$ 3,305,607	\$ -	\$ -	\$ 3,305,607
US treasury notes	-	10,166,870	-	10,166,870
Short-term bond funds	4,124,512	-	-	4,124,512
Intermediate-term bond funds	15,085,241	-	-	15,085,241
High yield bond funds	581,840	-	-	581,840
Large-cap stock funds	488,060	-	-	488,060
Mid-cap stock Funds	67,512	-	-	67,512
Small-cap stock funds	44,214	-	-	44,214
Foreign stock funds	264,809	-	-	264,809
Specialty funds	19,815	-	-	19,815
Certificates of deposit	2,294,528	-	-	2,294,528
Investment real estate LP	-	-	1,292,013	1,292,013
Total Pension Plan Assets	<u>\$ 26,276,138</u>	<u>\$ 10,166,870</u>	<u>\$ 1,292,013</u>	<u>\$ 37,735,021</u>
Postretirement Benefit Plan Assets:				
Cash and cash investments	\$ 1,069,180	\$ -	\$ -	\$ 1,069,180
US treasury bonds	-	2,520,552	-	2,520,552
Short-term bond funds	1,750,111	-	-	1,750,111
Total Postretirement Benefit Plan Assets	<u>\$ 2,819,291</u>	<u>\$ 2,520,552</u>	<u>\$ -</u>	<u>\$ 5,339,843</u>

Defined Contribution Plans

Effective July 1, 2016, KEMI established a 401(a) defined contribution plan for which it is the plan sponsor. Participation in the plan is not mandatory; however, employees who elect to participate are required to contribute 6% of their salary to the plan. 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. KEMI provides matching funds of 6% for participants hired on or after July 1, 2016; an enhanced match and access to the retiree health insurance plan is provided for participants hired prior to July 1, 2016 who were previously members of KRS. KEMI also established a 457(b) plan effective July 1, 2016, for which it is the plan sponsor and to which employees may elect to contribute additional elective deferrals. During 2025 and 2024, KEMI contributed matching funds of \$1,545,153 and \$1,410,279, respectively, to the 401(a) defined contribution plan. KEMI does not contribute matching funds to the 457(b) plan. Participants are fully vested after sixty months of service.

Kentucky Employers' Mutual Insurance Authority
dba Kentucky Employers' Mutual Insurance

Notes to Statutory Basis Financial Statements (Continued)

Note 7 - Retirement Plans (Continued)

Self-Insured Medical Plan

The Company has a self insured health plan (the medical plan) that covers substantially all of its employees and their dependents. The Company makes contributions to the medical plan sufficient to cover benefit payments required under the plan for all employees and partially for employee dependents. The cost of the plan charged to operations was \$2,002,975 and \$1,199,621 for the years ended December 31, 2025 and 2024, respectively. The Company also maintains a stop-loss treaty in order to limit the exposure related to employee claims.

Note 8 - Federal Income Taxes

As described in Note 1, KEMI is a political subdivision of the Commonwealth and was created by legislation to serve as the insurer of last resort as well as a competitive force to stabilize the workers' compensation market in Kentucky. The Commonwealth provided KEMI's initial funding and continues to influence KEMI through Governor appointed board members and through the role of oversight. The Internal Revenue Service has determined that KEMI is a tax-exempt entity pursuant to Internal Revenue Code section §501(c)(27) and, therefore, is not subject to federal income taxes. Accordingly, the statutory basis financial statements do not include a provision for federal income taxes.

Note 9 - Commitments and Contingencies

KEMI is involved in litigation and may become involved in potential litigation arising in the ordinary course of business. Additionally, KEMI may be impacted by adverse regulatory actions and adverse court decisions where insurance coverages are expanded beyond the scope originally contemplated in the policies. In the opinion of management, the effects, if any, of such litigation and published court decisions to date are not expected to be material to the statutory basis financial statements.

Note 10 - Statutory Requirements

Under the insurance regulations of the Commonwealth of Kentucky, the amount of dividends that KEMI may pay to its policyholders is limited to the excess of actuarially determined minimum policyholder surplus requirements. Actuarially determined minimum policyholder surplus takes into consideration the company's present liabilities as well as management's expectation of future business volumes, claims activity and investment performance. The Commonwealth of Kentucky's statutory minimum policyholder surplus requirement is \$1,500,000.

Kentucky Employers' Mutual Insurance Authority
dba Kentucky Employers' Mutual Insurance

Notes to Statutory Basis Financial Statements (Continued)

Note 10 - Statutory Requirements (Continued)

The items contributing to the cumulative increase (reduction) in policyholder surplus at December 31, 2025 and 2024 were as follows:

	<u>2025</u>	<u>2024</u>
Unrealized gains and losses on investments	7,484,455	10,057,370
Non-admitted assets	(19,174,563)	(23,577,555)
Provision for reinsurance	-	(59,154)

Note 11 - Other Underwriting Expenses

The significant components of other underwriting expenses incurred during December 31, 2025 and 2024 were as follows:

	<u>2025</u>	<u>2024</u>
Net commissions and brokerage	\$ 16,018,938	\$ 17,059,068
Advertising	759,920	566,890
Board, bureaus and associations	205,669	230,843
Surveys and underwriting reports	900,100	835,794
Audit of assureds' records	5,527	22,948
Salaries and related items	12,747,825	11,059,742
Employee relations and welfare	2,376,478	1,962,573
Insurance	157,728	149,805
Travel and travel items	226,756	207,849
Rent and rent items	266,914	391,528
Equipment	1,188,688	1,618,256
Depreciation of EDP equipment and software	155,820	139,339
Printing and stationary	87,254	60,683
Postage and telephone	202,840	188,107
Legal and auditing	235,678	290,953
Taxes, licenses and fees	260,471	87,038
Other miscellaneous expenses	<u>2,556,661</u>	<u>2,436,556</u>
Other underwriting expenses incurred	<u>\$ 38,353,267</u>	<u>\$ 37,307,972</u>

Kentucky Employers' Mutual Insurance Authority
dba Kentucky Employers' Mutual Insurance

Notes to Statutory Basis Financial Statements (Continued)

Note 12 - Non-Admitted Assets

The significant components of non-admitted assets as of December 31, 2025 and 2024 were as follows:

	<u>2025</u>	<u>2024</u>	<u>Change</u>
Premiums receivable	\$ 10,284,381	\$ 12,911,660	\$ (2,627,279)
Deferred premiums	1,707,176	1,513,052	194,124
Investment income due and accrued	-	26,862	(26,862)
Property and equipment	344,276	444,144	(99,868)
Pension and postretirement benefits	6,282,041	8,238,535	(1,956,494)
Other non-admitted assets	<u>556,689</u>	<u>443,302</u>	<u>113,387</u>
Total	<u>\$ 19,174,563</u>	<u>\$ 23,577,555</u>	<u>\$ (4,402,992)</u>

Note 13 - EDP Equipment, Software and Other Fixed Assets

The major components of EDP equipment, software and other fixed assets as of December 31, 2025 and 2024 were as follows:

	<u>2025</u>	<u>2024</u>
EDP equipment	\$ 2,193,136	\$ 2,139,546
Furniture and fixtures	<u>1,188,910</u>	<u>1,188,910</u>
Sub-total	3,382,046	3,328,456
Less: Accumulated depreciation	(2,936,168)	(2,681,232)
Less: Non-admitted items	<u>(344,277)</u>	<u>(444,144)</u>
EDP equipment and software, net	<u>\$ 101,601</u>	<u>\$ 203,080</u>

Depreciation expense for the years ended December 31, 2025 and 2024 was \$307,668 and \$301,780, respectively.

Kentucky Employers' Mutual Insurance Authority
dba Kentucky Employers' Mutual Insurance

Reinsurance Summary Supplemental
Filing for General Interrogatory 9

December 31, 2025

As of December 31, 2025, 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. 62¹, *Property and Casualty Reinsurance*.



SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES

For The Year Ended December 31, 2025
(To Be Filed by April 1)

Of The KENTUCKY EMPLOYERS' MUTUAL INSURANCE AUTHORITY.....
ADDRESS (City, State and Zip Code) Lexington, KY 40507-1724
NAIC Group Code 0000 NAIC Company Code 10320 Federal Employer's Identification Number (FEIN) 61-1275981

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.\$ 1,197,055,281

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

	1	2	3	4
	Issuer	Description of Exposure	Amount	Percentage of Total Admitted Assets
2.01	Federal National Mortgage Association	CMO, MBS	\$ 50,181,815	4.2 %
2.02	Federal Home Loan Mortgage Corporation	CMO, MBS	\$ 34,634,309	2.9 %
2.03	ELMTREE FUND V G.P., L.L.C	Sch BA-Joint Venture	\$ 24,884,419	2.1 %
2.04	The Goldman Sachs Group, Inc.	Bonds	\$ 8,071,030	0.7 %
2.05	Cargill, Incorporated	Bonds	\$ 7,079,542	0.6 %
2.06	Wells Fargo & Company	Bonds	\$ 6,599,938	0.6 %
2.07	JPMorgan Chase & Co.	Bonds, Equity	\$ 6,552,346	0.5 %
2.08	Lyra Music Assets (Delaware) LP	ABS	\$ 6,357,392	0.5 %
2.09	Morgan Stanley	Bonds, Equity	\$ 6,229,899	0.5 %
2.10	International Business Machines Corporation	Bonds, Equity	\$ 6,152,294	0.5 %

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	\$ 691,005,486	57.7 %	3.07	NAIC 1	\$ 2,951,725	0.2 %
3.02	NAIC 2	\$ 296,347,935	24.8 %	3.08	NAIC 2	\$	%
3.03	NAIC 3	\$ 27,450,957	2.3 %	3.09	NAIC 3	\$	%
3.04	NAIC 4	\$ 1,534,354	0.1 %	3.10	NAIC 4	\$	%
3.05	NAIC 5	\$	%	3.11	NAIC 5	\$	%
3.06	NAIC 6	\$ 1,250,000	0.1 %	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..... \$144,315,39812.1 %

4.03 Foreign-currency-denominated investments \$ %

4.04 Insurance liabilities denominated in that same foreign currency \$ %

SUPPLEMENT FOR THE YEAR 2025 OF THE KENTUCKY EMPLOYERS' MUTUAL INSURANCE AUTHORITY

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

	1	2
5.01 Countries designated NAIC-1	\$ 136,339,970	11.4 %
5.02 Countries designated NAIC-2	\$ 4,925,428	0.4 %
5.03 Countries designated NAIC-3 or below	\$ 3,050,000	0.3 %

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	\$ 63,396,350	5.3 %
6.02 Country 2: United Kingdom	\$ 17,203,909	1.4 %
Countries designated NAIC - 2:		
6.03 Country 1: Mexico	\$ 2,970,596	0.2 %
6.04 Country 2: Aruba	\$ 1,400,000	0.1 %
Countries designated NAIC - 3 or below:		
6.05 Country 1: Guatemala	\$ 2,250,000	0.2 %
6.06 Country 2: Jamaica	\$ 800,000	0.1 %

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	2	3	4
	Issuer	NAIC Designation		
10.01 Saudi Arabian Oil Company	1FE .....	.....	\$ 5,507,116	0.5 %
10.02 UBS Group AG	1FE .....	.....	\$ 5,000,000	0.4 %
10.03 Barclays PLC	2FE .....	.....	\$ 5,000,000	0.4 %
10.04 Horizon Aircraft Finance IV Ltd	1FE .....	.....	\$ 4,650,786	0.4 %
10.05 BNP Paribas SA	1FE, 2FE .....	.....	\$ 3,829,915	0.3 %
10.06 Standard Chartered PLC	1FE .....	.....	\$ 3,530,000	0.3 %
10.07 Ares Lxv Clo Ltd.	1FE .....	.....	\$ 3,500,000	0.3 %
10.08 Macquarie Group Limited	1FE .....	.....	\$ 3,021,145	0.3 %
10.09 Vodafone Group Public Limited Company	2FE .....	.....	\$ 2,543,897	0.2 %
10.10 Oaktree Clo 2022-3 Ltd.	1FE .....	.....	\$ 2,500,000	0.2 %

SUPPLEMENT FOR THE YEAR 2025 OF THE KENTUCKY EMPLOYERS' MUTUAL INSURANCE AUTHORITY

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	<input checked="" type="checkbox"/> No <input type="checkbox"/>
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	\$ 26,631,470	2.2 %
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	<input checked="" type="checkbox"/> No <input type="checkbox"/>
If response to 12.01 is yes, responses are not required for the remainder of Interrogatory 12.			
		1	2
12.02	Aggregate statement value of investments with contractual sales restrictions	\$	3 %
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	<input type="checkbox"/> No <input checked="" type="checkbox"/>
If response to 13.01 above is yes, responses are not required for the remainder of Interrogatory 13.			
		1	2
		Issuer	3
13.02	ELMTREE FUND V G.P., L.L.C	\$ 24,884,419	2.1 %
13.03	Carlyle Tactical Private Credit Fund	\$ 1,751,725	0.1 %
13.04	Cion Ares Diversified Credit Fund	\$ 1,200,000	0.1 %
13.05	Merck & Co., Inc.	\$ 1,094,915	0.1 %
13.06	Philip Morris International Inc.	\$ 1,094,409	0.1 %
13.07	Bristol-Myers Squibb Company	\$ 1,085,111	0.1 %
13.08	RTX Corporation	\$ 1,064,637	0.1 %
13.09	The Travelers Companies, Inc.	\$ 1,056,108	0.1 %
13.10	Colgate-Palmolive Company	\$ 1,053,574	0.1 %
13.11	Amgen Inc.	\$ 1,051,647	0.1 %

SUPPLEMENT FOR THE YEAR 2025 OF THE KENTUCKY EMPLOYERS' MUTUAL INSURANCE AUTHORITY

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 [X] No []

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

	<u>1</u>		<u>2</u>		<u>3</u>	
14.02	Aggregate statement value of investments held in nonaffiliated, privately placed equities .....	\$	.....		.....	%
	Largest three investments held in nonaffiliated, privately placed equities:					
14.03	.....	\$	.....		.....	%
14.04	.....	\$	.....		.....	%
14.05	.....	\$	.....		.....	%

Ten largest fund managers:

	<u>1</u>		<u>2</u>		<u>3</u>		<u>4</u>
	Fund Manager		Total Invested		Diversified		Nondiversified
14.06	First American Funds, Inc. - Government Obligations Fund	\$	17,520,262	\$	17,520,262	\$	.....
14.07	\$	\$	\$
14.08	\$	\$	\$
14.09	\$	\$	\$
14.10	\$	\$	\$
14.11	\$	\$	\$
14.12	\$	\$	\$
14.13	\$	\$	\$
14.14	\$	\$	\$
14.15	\$	\$	\$

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.

	<u>1</u>		<u>2</u>		<u>3</u>	
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	.....	\$	.....		.....	%

SUPPLEMENT FOR THE YEAR 2025 OF THE KENTUCKY EMPLOYERS' MUTUAL INSURANCE AUTHORITY

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	2	3
	Type (Residential, Commercial, Agricultural)		
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:

Loan to Value	Residential		Commercial		Agricultural	
	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	2	3
	1		
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:	\$ %
19.03	Largest three investments held in mezzanine real estate loans:	\$ %
19.04	.....	\$ .....	..... %
19.05	.....	\$ .....	..... %

SUPPLEMENT FOR THE YEAR 2025 OF THE KENTUCKY EMPLOYERS' MUTUAL INSURANCE AUTHORITY

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

	At Year End		1st Quarter 3	At End of Each Quarter	
	1	2		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		3	Written	
	1	2		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		1st Quarter 3	At End of Each Quarter	
	1	2		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		1st Quarter 3	At End of Each Quarter	
	1	2		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		Admitted Assets as Reported in the Annual Statement			
	1 Amount	2 Percentage of Column 1 Line 14	3 Amount	4 Securities Lending Reinvested Collateral Amount	5 Total (Col. 3 + 4) Amount	6 Percentage of Column 5 Line 14
1. Issuer credit obligations (Schedule D, Part 1, Section 1):						
1.01 U.S. government obligations.....	18,343,944	1.612	18,343,944		18,343,944	1.612
1.02 Other U.S. government obligations		0.000				0.000
1.03 Non-U.S. sovereign jurisdiction securities.....	3,819,315	0.336	3,819,315		3,819,315	0.336
1.04 Municipal bonds – general obligations (direct & guaranteed)	6,716,034	0.590	6,716,034		6,716,034	0.590
1.05 Municipal bonds – special revenue.....	20,028,318	1.760	20,028,318		20,028,318	1.760
1.06 Project finance bonds issued by operating entities		0.000				0.000
1.07 Corporate bonds	621,862,659	54.662	621,862,659		621,862,659	54.662
1.08 Mandatory convertible bonds		0.000				0.000
1.09 Single entity backed obligations	2,120,269	0.186	2,120,269		2,120,269	0.186
1.10 SVO-Identified bond exchange traded funds – fair value		0.000				0.000
1.11 SVO-Identified bond exchange traded funds – systematic value		0.000				0.000
1.12 Bonds issued by funds representing operating entities.....	2,964,000	0.261	2,964,000		2,964,000	0.261
1.13 Bank loans - issued.....		0.000				0.000
1.14 Bank loans - acquired.....		0.000				0.000
1.15 Mortgages loans that qualify as SVO-Identified credit tenant loans.....		0.000				0.000
1.16 Certificates of deposit.....		0.000				0.000
1.17 Other issuer credit obligations.....		0.000				0.000
1.18 Total issuer credit obligations.....	675,854,540	59.408	675,854,540		675,854,540	59.408
2. Asset-backed securities (Schedule D, Part 1, Section 2):						
2.01 Financial asset-backed securities – self-liquidating	300,115,593	26.380	300,115,593		300,115,593	26.380
2.02 Financial asset-backed securities – not self-liquidating		0.000				0.000
2.03 Non-financial asset-backed securities	41,618,599	3.658	41,618,599		41,618,599	3.658
2.04 Total asset-backed securities.....	341,734,192	30.038	341,734,192		341,734,192	30.038
3. Preferred stocks (Schedule D, Part 2, Section 1):						
3.01 Industrial and miscellaneous (unaffiliated).....	2,951,725	0.259	2,951,725		2,951,725	0.259
3.02 Parent, subsidiaries and affiliates.....		0.000				0.000
3.03 Total preferred stocks.....	2,951,725	0.259	2,951,725		2,951,725	0.259
4. Common stocks (Schedule D, Part 2, Section 2):						
4.01 Industrial and miscellaneous - publicly traded (unaffiliated)	58,809,135	5.169	58,809,135		58,809,135	5.169
4.02 Industrial and miscellaneous - other (unaffiliated)		0.000				0.000
4.03 Parent, subsidiaries and affiliates - publicly traded		0.000				0.000
4.04 Parent, subsidiaries and affiliates - other		0.000				0.000
4.05 Mutual funds		0.000				0.000
4.06 Unit investment trusts		0.000				0.000
4.07 Closed-end funds		0.000				0.000
4.08 Exchange traded funds		0.000				0.000
4.09 Total common stocks	58,809,135	5.169	58,809,135		58,809,135	5.169
5. Mortgage loans (Schedule B):						
5.01 Farm mortgages		0.000				0.000
5.02 Residential mortgages		0.000				0.000
5.03 Commercial mortgages		0.000				0.000
5.04 Mezzanine real estate loans		0.000				0.000
5.05 Total valuation allowance		0.000				0.000
5.06 Total mortgage loans		0.000				0.000
6. Real estate (Schedule A):						
6.01 Properties occupied by company		0.000				0.000
6.02 Properties held for production of income		0.000				0.000
6.03 Properties held for sale	4,020,000	0.353	4,020,000		4,020,000	0.353
6.04 Total real estate	4,020,000	0.353	4,020,000		4,020,000	0.353
7. Cash, cash equivalents and short-term investments:						
7.01 Cash (Schedule E, Part 1)	11,881,298	1.044	11,881,298		11,881,298	1.044
7.02 Cash equivalents (Schedule E, Part 2)	17,520,262	1.540	17,520,262		17,520,262	1.540
7.03 Short-term investments (Schedule DA)		0.000				0.000
7.04 Total cash, cash equivalents and short-term investments	29,401,560	2.584	29,401,560		29,401,560	2.584
8. Contract loans		0.000				0.000
9. Derivatives (Schedule DB)		0.000				0.000
10. Other invested assets (Schedule BA)	24,884,419	2.187	24,884,419		24,884,419	2.187
11. Receivables for securities		0.000				0.000
12. Securities Lending (Schedule DL, Part 1).....		0.000		XXX	XXX	XXX
13. Other invested assets (Page 2, Line 11)		0.000				0.000
14. Total invested assets	1,137,655,572	100.000	1,137,655,571		1,137,655,571	100.000