



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

2025

**KENTUCKY EMPLOYERS' MUTUAL INSURANCE AUTHORITY
2025 MANAGEMENT'S DISCUSSION AND ANALYSIS**

OBJECTIVE AND BACKGROUND

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

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

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

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

FINANCIAL POSITION

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

	2025	2024
Admitted Assets:		
Long term bonds	\$ 1,017,588,732	\$ 985,771,759
Common and preferred stocks	61,760,860	72,025,305
Cash and cash equivalents	29,401,561	38,975,338
Real estate	4,020,000	4,025,000
Other invested assets	24,884,419	16,768,228
Receivable for securities	0	6,718
Subtotal cash and invested assets	1,137,655,572	1,117,572,348
Investment income receivable	10,600,812	9,566,230
Premiums receivable or deferred	42,646,409	47,867,627
Reinsurance recoverable on paid losses and loss expenses	4,282,159	45,960
Reinsurance deposits held by third party	1,750,000	1,200,000
Other admitted assets	120,329	221,073
Total admitted assets	\$ 1,197,055,281	\$ 1,176,473,238

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	2025	2024
Liabilities and Policyholder Surplus:		
Unpaid loss reserves	\$ 593,332,262	\$ 606,167,533
Unpaid loss adjustment expense reserves	51,690,947	52,374,084
Premiums written but not yet earned	60,031,889	63,630,168
Commissions payable	13,677,829	13,835,730
Other expenses payable	7,352,604	6,749,199
Amounts withheld or retained for others	9,950,333	11,530,965
Ceded reinsurance premiums payable	(382,637)	(103,790)
Funds withheld under reinsurance treaties	2,656,411	2,374,986
Retroactive reinsurance reserves assumed	30,347,463	29,362,444
Retroactive reinsurance reserves ceded	0	0
Funds withheld on retroactive reinsurance ceded	0	0
Liability for projected pension benefits	0	0
Other liabilities	678,458	1,043,191
Total liabilities	769,335,559	786,964,510
Policyholder surplus	427,719,722	389,508,728
Total liabilities and policyholder surplus	\$ 1,197,055,281	\$ 1,176,473,238

Assets

Cash and invested assets made up 95% of KEMI's total admitted assets at the end of 2025. KEMI's long-term bond portfolio had a carrying value of \$1,017,588,732 and a fair market value of \$988,722,307. Of total long-term bonds held at year end, 97% were rated either NAIC 1 (highest quality) or NAIC 2 (high quality). The fixed income portfolio had an effective maturity of 7.71 years, an average book yield of 4.50% and an average credit rating of A2/A. Preferred stocks had a carrying value of \$2,951,725 and a fair market value of \$2,979,156. Common stocks, which were stated at fair market value as determined by the Securities Valuation Office of the NAIC, totaled \$58,809,135 and reflected net unrealized gains of \$8,434,332 at year end. Money market funds had a fair market value of \$17,520,262 and operating cash balances totaled \$11,881,299.

KEMI owns 21.68 acres of commercially zoned land, appraised at \$4,020,000. This parcel was originally purchased for the purpose of constructing a home office campus; however, KEMI's Board of Directors subsequently decided to continue leasing instead of building a home office. This parcel is now classified as property held for sale.

In 2023, KEMI also committed to purchase a minority interest in ElmTree US Net Lease Fund V-A, LP for a total of \$30 million, of which \$22.1 million in capital contributions and \$0.95 million in expenses have been paid to date. This private equity limited partnership invests in newly constructed and build-to-suit commercial net lease real estate with tenant lease terms of 12 to 15 years. After a 30-month investment period, the fund's ultimate objective is to sell this portfolio of properties to a core buyer at a gain. ElmTree US Net Lease Fund V-A, LP seeks to yield an annual return of 7%, paid quarterly. In the fourth quarter of 2025, KEMI made the decision to change the carrying value of the fund from cost basis to the equity method. This change resulted in an unrealized gain adjustment of \$2.8 million which is reflected in surplus. There was no impact to net income. As of December 31, 2025, KEMI has a net carrying value of \$24.9 million and an outstanding commitment of \$5.3 million related to fund V-A.

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Also in the fourth quarter of 2025, KEMI made two commitments to purchase minority interests in Walton Street Real Estate Debt Core Fund (packages and sells commercial net lease real estate portfolios) and Walton Street Real Estate Core-Plus Fund (invests in commercial real estate equity) of \$25.0 million each. As of December 31, 2025 and to date for this filing, no funds had been invested in either fund.

Premiums receivable or deferred are policy payments due from KEMI policyholders. Pursuant to payment plan arrangements, \$34,060,197 of the \$42,646,909 in premium balances at the end of 2025 represent future installments that were deferred and not yet due. Statutory Accounting Principles also require management to estimate the amount of premium that will be earned but unbilled at the end of each policy in force based upon past policy audit experience. Management's estimate of \$4,758,203 is included in KEMI's deferred premium balances.

Non-admitted assets are those assets which, under Statutory Accounting Principles, must be excluded from the balance sheet by a direct charge to surplus. At the end of 2025 KEMI's non-admitted assets totaled \$19,174,563, for a net decrease of \$4,402,992 from the prior year. Included in non-admitted assets is \$11,991,557 of premium balances that are more than ninety days past due or are otherwise determined to be uncollectible. The collectability of these receivables is regularly assessed, and balances are written off to bad debt only after all efforts to secure payment have been exhausted. Also included are prepaid pension and postretirement assets of \$6,282,041 which will be amortized through the income statement until 2030. Other non-admitted assets include undepreciated balances of furniture, equipment, and application software of \$344,276, prepaid expenses of \$453,611, and other receivables of \$103,078.

Liabilities

Reserves for unpaid losses and loss adjustment expenses are stated at the Company's best estimate of the ultimate cost, net of ceded reinsurance, of settling all incurred but unpaid claims. Unpaid loss and loss adjustment expense reserves are based on industry statistics and Company history, along with management's expectations of loss relative to premiums earned by accident year. The method for making such estimates and for establishing the resulting liability is continually reviewed and any adjustments are reflected in the period determined. During 2025, total loss and loss adjustment expense liabilities decreased \$13.5 million due to both favorable development of prior years and structured settlements across multiple accident years.

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

KEMI maintains excess of loss treaty reinsurance agreements with unaffiliated, high-quality reinsurers to limit its exposure to losses in excess of \$4 million per occurrence and up to \$125 million per occurrence. KEMI also maintains an excess of loss facultative reinsurance agreement with unaffiliated, high-quality reinsurers that provides catastrophe protection for losses exceeding \$125 million per occurrence and up to \$300 million per occurrence in certain geographical locations where KEMI has heavy concentrations of policyholders. All KEMI's excess of loss agreements include protection against acts of terrorism.

KEMI's loss reserving methodologies are conservative and management's goal is to maintain reserve balances in excess of actuarial point estimates. Reserves are evaluated at least twice each year by an independent actuarial firm that provides an Annual Statement of Actuarial Opinion to KEMI's independent auditors and regulatory agencies. KEMI received an Unqualified Statement of Actuarial Opinion for 2025, as it has every year since its inception.

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

	2025	2024
Unpaid losses and loss adjustment expenses, beginning	\$ 658,541,617	\$ 669,956,910
Losses and loss adjustment expenses incurred:		
Gross losses incurred	66,975,005	65,828,522
Gross loss adjustment expenses incurred	26,218,375	27,815,832
Ceded losses and loss adjustment expenses incurred	1,848,356	(3,044,580)
Subrogation recoveries	(716,647)	(1,262,937)
Net incurred	94,325,089	89,336,837
Losses and loss adjustment expenses paid:		
Gross losses paid	88,533,880	74,028,921
Gross loss adjustment expenses paid	26,934,216	28,520,399
Ceded losses and loss adjustment expenses recovered	(6,907,951)	(534,253)
Subrogation recoveries	(716,648)	(1,262,937)
Net paid	107,843,497	100,752,130
Unpaid losses and loss adjustment expenses, ending	\$ 645,023,209	\$ 658,541,617

Loss Portfolio Transfers

Effective October 31, 2014, KEMI entered into a loss portfolio transfer agreement with the Commissioner of Insurance of the Commonwealth of Kentucky, Rehabilitator of Kentucky School Boards Insurance Trust (KSBIT) Workers' Compensation Self-Insurance Fund. Pursuant to this loss portfolio transfer, approximately \$35 million of workers' compensation claim liabilities for the period July 7, 1978, through June 30, 2013, were transferred to KEMI by KSBIT's Rehabilitator. In exchange for assuming responsibility for these claim liabilities and the handling thereof, KEMI received \$35 million in cash and guaranteed receivables. As a result of efficient claims handling practices, actuarially determined claim liabilities were less than originally projected. Therefore, KEMI returned \$16.3 million of transferred reserves back to the Rehabilitator in 2019 and 2020. As of December 31, 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 (IBNR) loss and loss adjustment expense reserves were \$3,940,653.

Effective July 7, 2017, KEMI entered into a loss portfolio transfer agreement with the Kentucky Workers' Compensation Funding Commission (the Funding Commission) wherein all authority and responsibility to administer the Kentucky Coal Workers' Pneumoconiosis Fund (KCWPF) was transferred from the Funding Commission to KEMI. The purpose of KCWPF is to pay one-half of the indemnity benefits for coal-related occupational disease claims incurred on or after December 12, 1996, and filed on or before June 30, 2017. Pursuant to this loss portfolio transfer, the Funding Commission transferred all of the existing assets and liabilities of KCWPF to KEMI. Based on current actuarial reserve studies, claim liabilities were less than originally projected; therefore, in 2021 and 2022, KEMI distributed \$22.3 million of excess reserves from KCWPF in accordance with KRS 342.1242(8). Active coal operators in good standing with the Commonwealth of Kentucky received settlement distributions totaling \$10.2 million and the Kentucky Coal Employers' Self-Insurance Guarantee Fund received settlement distributions totaling \$12.1 million. As of December 31, 2025, KCWPF's cash balance was \$3,808,936, net reported loss and loss adjustment expense reserves were \$3,077,301 and net incurred but not reported (IBNR) loss and loss adjustment expense reserves were \$731,635.

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Effective July 1, 2022, KEMI entered into a loss portfolio transfer agreement with the Commissioner of Insurance of the Commonwealth of Kentucky, Rehabilitator of the AIK Comp (AIK) self-insurance fund. Pursuant to this loss portfolio transfer, approximately \$5.7 million of AIK workers' compensation claim liabilities incurred prior to March 1, 1997, were transferred to KEMI by the Rehabilitator. In exchange for assuming responsibility for these claim liabilities and the handling thereof, KEMI received \$5,719,371 in cash. As of December 31, 2025, AIK's cash balance was \$6,413,679, TPA advances were \$100,000, net reported loss and loss adjustment expense reserves were \$4,346,889 and net incurred but not reported (IBNR) loss and loss adjustment expense reserves were \$2,166,790. AIK reserves for unpaid losses and loss adjustment expenses are not discounted.

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 \$11,824,007, TPA advances were \$154,323, net reported loss and loss adjustment expense reserves were \$5,036,347 and net incurred but not reported (IBNR) loss and loss adjustment expense reserves were \$6,941,983. KCP reserves for unpaid losses and loss adjustment expenses are not discounted.

Retirement Plans

Prior to July 1, 2016, all full-time KEMI employees were enrolled in a mandatory defined benefit plan regulated by the Kentucky Retirement Systems (KRS). KEMI voluntarily ceased participation in KRS effective June 30, 2016. By withdrawing from KRS and establishing its own retirement plans, KEMI has realized employer contribution savings in excess of \$72 million from the date of withdrawal through the end of 2025.

Effective July 1, 2016, KEMI established a contributory 401(a) defined benefit pension plan for which it is the plan sponsor. The plan provides for 401(a) pension benefits and 401(h) partial subsidy of retiree health insurance premiums for eligible KEMI employees who have chosen to participate in the plan. Benefit amounts are determined based on retirement age, salary history, participation date and years of service. Participating employees are required to contribute 6% of their salary to the defined benefit pension plan. Per external actuarial evaluations, both the defined benefit 401(a) and 401(h) plans are fully funded as of December 31, 2025. Employer contributions are continually evaluated to ensure the financial soundness of the plan.

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

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

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Policyholder Surplus

As of December 31, 2025, KEMI's policyholder surplus had increased by \$38,210,994 over the prior year. Contributing to this increase were: net income of \$33,502,493, net unrealized gains of \$246,355, net decreases in non-admitted assets of \$4,402,992, and a net decrease in provision for reinsurance of \$59,154.

The Company's overall financial position remained strong in 2025. KEMI's mission is to make workers' compensation coverage affordable to employers by adhering to financially responsible underwriting practices, promoting safety in the workplace, protecting itself against unfavorable loss development and controlling overhead costs. Management regularly evaluates premium and claim levels, operating expenditures, and investment performance to maintain the Company's sound financial footing. Looking forward, increases to surplus are expected from net investment income and a continued focus on controlling claim costs and operating expenses.

RESULTS OF OPERATIONS

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

	2025	2024
Income and Expense:		
Net premiums earned	\$ 135,741,867	\$ 150,877,948
Losses incurred	(68,101,954)	(61,561,832)
Loss adjustment expenses incurred	(26,223,134)	(27,775,004)
Underwriting expenses incurred	(38,353,265)	(37,307,970)
Net underwriting gain (loss)	3,063,514	24,233,142
Net investment income	46,720,403	39,418,982
Net realized capital gains (losses)	7,159,890	(18,659,967)
Other income (expense)	(3,802,247)	(1,897,786)
Net periodic pension and postretirement benefit cost	(1,956,494)	(3,664,629)
Retroactive reinsurance commutation gain	0	3,233,141
Net income before policyholder dividends	51,185,066	42,662,883
Dividends to policyholders	(17,682,573)	(17,897,335)
Net income after policyholder dividends	\$ 33,502,493	\$ 24,765,548

KEMI's direct written premiums for 2025 were \$136,445,712 versus \$147,011,755 for 2024, representing a decrease of \$10,566,043 or 7.2%, due to a decrease in non-coal workers compensation rates as well as a decrease in coal business.

Total claim counts for 2025 increased 4.0% for reported claims and decreased 0.4% for total open claims. During 2025 KEMI continued its initiative to settle certain claims through the use of structured settlements. The purchase of these structured settlements has allowed KEMI to realize savings on large claims and to reduce reserves for losses and loss adjustment expenses and represents a large portion of the reason for the decline in open claims compared to prior year.

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In June 2025, KEMI's Board of Directors approved a dividend payable to policyholders who had maintained a loss ratio of 65% or less for the 2022 policy year, and who still had active policies with KEMI at the time of payout. Nearly 11,800 dividend checks totaling \$17,682,573 were distributed in August 2025 as compared to \$17,897,335 in 2024.

In December 2025, A.M. Best affirmed KEMI's Financial Strength Rating of A- (Excellent) with a stable outlook.

CASH FLOW AND LIQUIDITY

Cash Flow

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

	2025	2024
Cash Flows from Operations:		
Net cash from underwriting and claims	\$ (10,783,865)	\$ 11,359,507
Net investment income received	46,149,153	40,158,839
Dividends paid to policyholders	(17,682,573)	(17,897,335)
Other income (expense)	(5,758,740)	(5,562,415)
Retroactive reinsurance commutation gain	0	3,233,141
Net cash provided by (used for) operations	11,923,975	31,291,737
Cash Flows from Investments:		
Proceeds from investments sold or matured	142,050,357	358,906,007
Cost of investments acquired	(164,824,446)	(385,124,075)
Net cash provided by (used for) investments	(22,774,089)	(26,218,068)
Cash Flows from Other Sources:		
Net cash used for retroactive reinsurance assumed	985,019	(5,067,003)
Other net cash provided (used)	291,318	1,595,228
Net cash provided by (used for) other sources	1,276,337	(3,471,775)
Net change in cash and cash equivalents	(9,573,777)	1,601,894
Cash and cash equivalents, beginning of year	38,975,338	37,373,444
Cash and cash equivalents, end of year	\$ 29,401,561	\$ 38,975,338

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Liquidity

KEMI's portfolio of cash and invested assets exceeds the estimated amounts eventually required to satisfy KEMI's liabilities. As additional funds become available, they are primarily invested in high quality long-term bonds. Maturity dates for KEMI's fixed income securities are selected to closely match the actuarial expected payout of losses and loss adjustment expenses. KEMI's equity positions are highly rated with a focus on steady dividends and are actively traded on major exchanges. In December 2025, KEMI was approved for a \$30M credit line with the FHLB of Cincinnati. The credit line was established to provide funds for short-term cash needs resulting from opportunities for alternative asset funding and large claims settlements over the next 3-6 months. As of December 31, 2025, no funds had been borrowed. In January 2026, KEMI borrowed \$5.0 million for these short-term needs, which was repaid in full in early February 2026. KEMI maintains sufficient cash balances on hand to meet its obligations as they come due.

Amended Filing

In March 2026, KEMI filed amended pages for Schedule P and RBC related to the re-allocation of IBNR by accident year. No changes in total were made to reserves, losses or surplus but simply a re-allocation of IBNR on the internal records and Schedule P to more closely reflect the allocation of IBNR by external actuaries. The external actuaries and auditors have reviewed this amended data. This change impacted some of the RBC calculations due to the shift in one- and two-year development and therefore an amended RBC was also filed.

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

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

BALANCE SHEET	Quarter ended 3/31/2025	Quarter ended 6/30/2025	Quarter ended 9/30/2025	Quarter ended 12/31/2025	Year ended 12/31/2025
ASSETS					
Long-term bonds	\$ 1,004,055,137	\$ 1,020,080,757	\$ 1,008,962,299	\$ 1,017,588,732	\$ 1,017,588,732
Preferred stocks	2,951,725	2,951,725	2,951,725	2,951,725	2,951,725
Common stocks	71,804,666	58,301,895	61,856,363	58,809,135	58,809,135
Cash and cash equivalents	28,463,468	30,086,995	34,523,550	29,401,561	29,401,561
Real estate	4,025,000	4,025,000	4,020,000	4,020,000	4,020,000
Other invested assets	13,607,532	19,094,949	18,199,104	24,884,419	24,884,419
Receivable for securities	518,600	0	2,425,366	0	0
Investment income due and accrued	8,984,322	10,236,987	9,654,603	10,600,812	10,600,812
Premiums in course of collection	10,122,959	19,127,615	10,507,805	8,586,212	8,586,212
Premiums deferred and not yet due	39,592,538	20,090,534	35,494,877	34,060,197	34,060,197
Policy deductibles receivable	15,547	12,637	21,104	18,728	18,728
Reinsurance receivable	12,922	1,211,401	1,261,756	4,282,159	4,282,159
Funds on deposit with reinsurers	1,200,000	1,200,000	1,200,000	1,750,000	1,750,000
Electronic data processing equipment	168,778	172,977	144,049	101,601	101,601
TOTAL ASSETS	\$ 1,185,523,193	\$ 1,186,593,473	\$ 1,191,222,601	\$ 1,197,055,281	\$ 1,197,055,281

LIABILITIES & SURPLUS					
Loss reserves	\$ 605,807,742	\$ 600,513,173	\$ 600,015,570	\$ 593,332,262	\$ 593,332,262
Loss adjustment expense reserves	52,420,135	52,446,485	52,489,523	51,690,947	51,690,947
Commissions payable	14,602,613	14,085,158	13,638,119	13,677,829	13,677,829
Other expenses payable	4,373,174	5,615,270	6,371,108	7,352,604	7,352,604
Unearned premiums	62,663,583	55,998,568	67,931,482	60,031,889	60,031,889
Ceded reinsurance premiums payable	(355,634)	(1,962,157)	(1,946,411)	(382,637)	(382,637)
Funds withheld under reinsurance treaties	2,364,280	2,336,186	2,141,919	2,656,411	2,656,411
Amounts withheld or retained for others	11,408,308	10,527,409	10,380,176	9,950,333	9,950,333
Remittances and items not allocated	836,549	703,614	627,095	678,458	678,458
Provision for reinsurance	59,154	59,154	59,154	0	0
Payable for securities	0	6,090,000	2,121,376	0	0
Retroactive reinsurance reserves assumed	28,885,395	28,392,355	30,675,683	30,347,463	30,347,463
Retroactive reinsurance assumed - excess funds to be returned	0	0	0	0	0
Retroactive reinsurance reserve ceded	0	0	0	0	0
Funds withheld on retroactive reinsurance reserve ceded	0	0	0	0	0
Liability for projected pension and postretirement benefits	0	0	0	0	0
TOTAL LIABILITIES	\$ 783,065,298	\$ 774,805,215	\$ 784,504,794	\$ 769,335,559	\$ 769,335,559
POLICYHOLDER SURPLUS (BEGINNING)	\$ 389,508,728	\$ 402,457,894	\$ 411,788,258	\$ 406,717,807	\$ 389,508,728
Net income/(loss) after policyholder dividends	11,141,598	11,508,482	(8,718,327)	19,570,740	33,502,493
Change in net unrealized capital gains/(losses)	1,195,860	(3,794,816)	1,924,265	921,047	246,355
Change in non-admitted assets	611,708	1,616,698	1,723,612	450,974	4,402,992
Change in provision for reinsurance	0	0	0	59,154	59,154
Change in projected pension and postretirement benefits	0	0	0	0	0
POLICYHOLDER SURPLUS (ENDING)	402,457,894	411,788,258	406,717,807	427,719,722	427,719,722
TOTAL LIABILITIES & POLICYHOLDER SURPLUS	\$ 1,185,523,193	\$ 1,186,593,473	\$ 1,191,222,601	\$ 1,197,055,281	\$ 1,197,055,281

INCOME STATEMENT

Net premiums earned	\$ 34,607,796	100.00%	\$ 32,400,544	100.0%	\$ 35,866,246	100.00%	\$ 32,867,281	100.00%	\$ 135,741,867	100.00%
Deductions:										
Net losses incurred	19,420,170	56.1%	18,128,728	56.0%	20,254,465	56.5%	10,298,592	31.3%	68,101,954	50.2%
Net loss adjustment expenses incurred	7,833,228	22.6%	6,631,047	20.5%	5,831,541	16.3%	5,927,319	18.0%	26,223,134	19.3%
Underwriting expenses incurred	7,857,881	22.7%	9,027,917	27.9%	12,315,600	34.3%	9,151,867	27.8%	38,353,265	28.3%
Total deductions	35,111,278	101.5%	33,787,691	104.3%	38,401,605	107.1%	25,377,778	77.2%	132,678,353	97.7%
Net underwriting gain/(loss)	(503,482)	-1.5%	(1,387,147)	-4.3%	(2,535,360)	-7.1%	7,489,503	22.8%	3,063,514	2.3%
Net investment income earned	11,467,329	33.1%	12,023,342	37.1%	11,488,687	32.0%	11,741,045	35.7%	46,720,403	34.4%
Net realized gains/(losses)	1,640,204	4.7%	2,568,678	7.9%	2,009,874	5.6%	941,134	2.9%	7,159,890	5.3%
Other income/(expenses)	(524,011)	-1.5%	(825,882)	-2.5%	(1,071,094)	-3.0%	(1,381,260)	-4.2%	(3,802,247)	-2.8%
Net periodic pension and postretirement benefit expense	(938,442)	-2.7%	(870,509)	-2.7%	(927,861)	-2.6%	780,318	2.4%	(1,956,494)	-1.4%
Retroactive reinsurance commutation gain	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Net operating gain/(loss)	11,141,598	32.2%	11,508,482	35.5%	8,964,246	25.0%	19,570,740	59.5%	51,185,066	37.7%
Policyholder dividends	0	0.0%	0	0.0%	(17,682,573)	-49.3%	(0)	0.0%	(17,682,573)	-13.0%
NET INCOME/(LOSS) AFTER POLICYHOLDER DIVIDENDS	\$ 11,141,598	32.2%	\$ 11,508,482	35.5%	\$ (8,718,327)	-24.3%	\$ 19,570,740	59.5%	\$ 33,502,493	24.7%

KENTUCKY EMPLOYERS' MUTUAL INSURANCE AUTHORITY
2025 at a Glance

	Quarter ended <u>3/31/2025</u>	Quarter ended <u>6/30/2025</u>	Quarter ended <u>9/30/2025</u>	Quarter ended <u>12/31/2025</u>	Year ended <u>12/31/2025</u>
<u>Cash and Invested Assets:</u>					
<u>Bonds - Issuer Credit Obligations</u>					
U.S. government securities	\$ 19,859,199	\$ 18,354,095	\$ 18,348,963	\$ 18,343,944	\$ 18,343,944
Municipal Bonds - General Obligations	9,705,276	9,688,708	9,442,744	6,716,034	6,716,034
Municipal Bonds - Special Revenue	20,215,303	20,087,343	20,070,205	20,028,318	20,028,318
Corporate issuer obligation bonds	588,000,258	603,391,396	601,272,191	621,862,659	621,862,659
All other bonds	8,187,066	8,181,292	8,175,462	8,903,584	8,903,584
<u>Bonds - Asset Backed Securities</u>					
U.S. special revenue residential mortgage-backed	91,672,117	89,225,649	86,978,362	87,577,760	87,577,760
Corporate issuer residential mortgage-backed	78,038,732	74,690,145	71,711,074	67,979,500	67,979,500
Corporate issuer commercial mortgage-backed	52,390,233	51,720,445	48,308,225	42,133,269	42,133,269
Financial Asset-Backed Securities - CLOs/CBOs/CDOs/Other	90,015,684	99,188,403	102,202,072	102,425,063	102,425,063
Non-Financial Asset-Backed Securities	45,971,268	45,553,282	42,453,000	41,618,599	41,618,599
Total long-term bonds	<u>1,004,055,137</u>	<u>1,020,080,757</u>	<u>1,008,962,299</u>	<u>1,017,588,732</u>	<u>1,017,588,732</u>
Preferred stocks	2,951,725	2,951,725	2,951,725	2,951,725	2,951,725
Common stocks	71,804,666	58,301,895	61,856,363	58,809,135	58,809,135
Operating cash balances	12,180,982	9,282,974	11,910,577	11,881,299	11,881,299
Cash equivalents (money market funds)	16,282,486	20,804,021	22,612,973	17,520,262	17,520,262
Short Term Investments	0	0	0	0	0
Real estate	4,025,000	4,025,000	4,020,000	4,020,000	4,020,000
Other invested assets	13,607,532	19,094,949	18,199,104	24,884,419	24,884,419
Receivables for securities	518,600	0	2,425,366	0	0
Total cash and invested assets	<u>\$ 1,125,426,128</u>	<u>\$ 1,134,541,320</u>	<u>\$ 1,132,938,407</u>	<u>\$ 1,137,655,572</u>	<u>\$ 1,137,655,572</u>
<u>Gross Investment Income Earned:</u>					
Net investment income earned	\$ 11,467,329	\$ 12,023,342	\$ 11,488,687	\$ 11,741,045	\$ 46,720,403
Add back interest expense on reinsurance funds withheld	23,163	22,278	20,954	23,557	89,952
Add back investment expenses	433,980	576,774	537,648	796,135	2,344,537
Gross investment income earned	<u>\$ 11,924,472</u>	<u>\$ 12,622,394</u>	<u>\$ 12,047,289</u>	<u>\$ 12,560,737</u>	<u>\$ 49,154,892</u>
<u>Net Realized Investment Gains (Losses):</u>					
Net realized gains (losses) on long-term bonds	\$ 155,897	(187,103)	42,199	(164,936)	\$ (153,943)
Net realized gains (losses) on common stocks	1,277,372	2,727,837	1,748,727	1,106,070	6,860,006
Net realized gains (losses) on other invested assets	206,935	27,943	223,948	0	458,827
Net realized gains (losses) on real estate	0	0	(5,000)	0	(5,000)
Total net realized investment gains (losses)	<u>\$ 1,640,204</u>	<u>\$ 2,568,678</u>	<u>\$ 2,009,874</u>	<u>\$ 941,134</u>	<u>\$ 7,159,890</u>
<u>Direct Policy Activity:</u>					
Direct premiums written	\$ 34,843,587	\$ 27,097,552	\$ 50,807,869	\$ 23,696,704	\$ 136,445,712
Direct premiums earned	\$ 35,105,421	\$ 33,537,515	\$ 36,354,082	\$ 33,775,089	\$ 138,772,107
Direct commissions paid, excluding contingent	\$ 3,561,812	\$ 2,776,571	\$ 4,927,380	\$ 2,654,827	\$ 13,920,589
Direct commissions paid as a % of direct premiums written	10.22%	10.25%	9.70%	11.20%	10.20%
Direct Active Policy Count	18,039	17,910	17,832	17,668	17,668
<u>Direct Claim Activity:</u>					
Direct losses paid, net of subrogation and deductibles	\$ 18,027,897	\$ 23,274,455	\$ 21,236,999	\$ 20,601,025	\$ 83,140,376
Direct loss adjustment expenses paid, net of subrogation and deductibles	\$ 7,512,760	\$ 6,310,812	\$ 5,615,430	\$ 6,526,575	\$ 25,965,577
Direct reserve for unpaid losses, including IBNR	\$ 633,165,723	\$ 626,670,239	\$ 624,572,145	\$ 613,244,699	\$ 613,244,699
Direct reserve for unpaid loss adjustment expenses, including IBNR	\$ 52,461,870	\$ 52,563,020	\$ 52,602,484	\$ 51,818,379	\$ 51,818,379