JohnsonLambert LLP
cpas + consultants

Physicians Insurance A Mutual Company

Audited Financial Statements - Statutory Basis

Years ended December 31, 2021 and 2020
with Report of Independent Auditors

Physicians Insurance A Mutual Company

Audited Financial Statements - Statutory Basis

Years ended December 31, 2021 and 2020

Contents

Report of Independent Auditors

Board of Directors
Physicians Insurance A Mutual Company

Opinions

We have audited the statutory financial statements of Physicians Insurance A Mutual Company (the Company), which comprise the statutory balance sheet as of December 31, 2021, and the related statutory statements of income, changes in capital and surplus, and cash flows for the year then ended, and the related notes to the financial statements.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the accompanying financial statements present fairly, in all material respects, the admitted assets, liabilities, and capital and surplus of the Company as of December 31, 2021, 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 2.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles section of our report, the financial statements do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Company as of December 31, 2021, or the results of its operations or its cash flows for the year then ended.

Basis for Opinions

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 opinions.

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

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

Other Matter

The financial statements of the Company as of and for the year ended December 31, 2020, were audited by another auditor, who on June 1, 2021, expressed an adverse opinion on those statements in accordance with U.S. Generally Accepted Accounting Principles and an unmodified opinion on those statements in accordance with the basis of accounting described in Note 2.

Responsibilities of Management for the Financial Statements

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

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

Auditor’s Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we

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

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

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

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

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

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

Johnson Lambert LLP

Atlanta, Georgia
May 31, 2022

Physicians Insurance A Mutual Company

Balance Sheets - Statutory Basis

As of December 31, 2021 and 2020

	2021	2020
Admitted assets		
Cash and investments:		
Bonds	$ 396,576,963	$ 394,465,378
Common stock	94,272,619	88,575,343
Cash and cash equivalents	36,539,979	26,758,756
Other invested assets	20,171,778	5,561,827
Total cash and investments	547,561,339	515,361,304
Uncollected premiums and agents' balances in the course of collection	24,990,646	26,388,594
Reinsurance recoverables on paid losses	579,599	3,563,721
EDP equipment and software	60,618	184,905
Accrued interest and dividends	2,915,667	3,076,252
Receivable from affiliates	1,149,775	1,003,932
Federal income tax recoverable	1,801,826	-
Other assets	1,006,328	783,659
Total admitted assets	$ 580,065,798	$ 550,362,367
Liabilities and policyholders' surplus		
Liabilities		
Reserves for losses	$ 170,725,622	$ 152,079,833
Reserves for loss adjustment expenses	61,908,953	56,393,443
Reinsurance payable on paid losses and loss adjustment expenses	1,609,210	2,374,284
Unearned premiums	33,394,677	41,057,157
Advance premiums	12,884,949	9,236,612
Other expenses	4,477,163	4,586,786
Retroactive reinsurance reserves assumed	2,000,000	1,926,178
Taxes, licenses, and fees payable	78,738	197,932
Provision for reinsurance	587,011	357,987
Ceded reinsurance premium payable to reinsurers	490,282	3,435,744
Federal income taxes payable	-	218,871
Net deferred tax liability	4,818,235	2,422,159
Payable for securities	103,020	-
Total liabilities	293,077,860	274,286,986
Policyholders' surplus	286,987,938	276,075,381
Total liabilities and capital and surplus	$ 580,065,798	$ 550,362,367

See accompanying notes to the statutory basis financial statements.

Physicians Insurance A Mutual Company

Statements of Income - Statutory Basis

Years ended December 31, 2021 and 2020

	2021	2020
Revenues		
Premiums earned	$ 151,724,530	$ 139,609,365
Less: ceded reinsurance premiums earned	34,576,715	29,976,980
Net premiums earned	117,147,815	109,632,385
Losses and expenses		
Net losses incurred	67,823,828	59,551,016
Net loss adjustment expenses incurred	40,101,720	34,578,879
Other underwriting expenses incurred	24,683,640	30,388,717
Total underwriting deductions	132,609,188	124,518,612
Net underwriting loss	(15,461,373)	(14,886,227)
Investment income		
Net investment income earned	11,235,751	12,379,280
Net realized capital gains, less taxes of $2,650,544 and $2,660,305 at December 31, 2021 and 2020, respectively	9,971,095	10,007,813
Net investment gain	21,206,846	22,387,093
Other income (loss)		
Net loss from agents' or premium balances charged off	(33,010)	(6,552)
Finance and service charges not included in premiums	-	59,184
Other (expense) income, net	(1,269,642)	502,489
Total other (loss) income	(1,302,652)	555,121
Income before dividends to policyholders and before federal income taxes	4,442,821	8,055,987
Dividends to policyholders	-	5,001,642
Income after dividends to policyholders and before federal income taxes	4,442,821	3,054,345
Federal income tax benefit	(2,838,901)	(1,366,265)
Net income	$ 7,281,722	$ 4,420,610

See accompanying notes to the statutory basis financial statements.

Physicians Insurance A Mutual Company

Statements of Changes in Policyholders' Surplus - Statutory Basis

Years ended December 31, 2021 and 2020

	2021	2020
Policyholders' surplus, beginning of year	$ 276,075,381	$ 270,165,947
Net income	7,281,722	4,420,610
Change in unauthorized reinsurance	(229,024)	(256,702)
Change in nonadmitted assets	(312,367)	1,116,184
Change in net unrealized capital gains, net of tax	5,269,959	451,390
Change in net deferred income tax	(1,097,733)	177,952
Policyholders' surplus, end of year	$ 286,987,938	$ 276,075,381

See accompanying notes to the statutory basis financial statements.

Physicians Insurance A Mutual Company

Statements of Cash Flows - Statutory Basis

Years ended December 31, 2021 and 2020

	2021	2020
Cash flows from operating activities		
Premiums collected, net of reinsurance	$ 112,776,484	$ 103,508,713
Net investment income	13,858,537	15,299,609
Miscellaneous (expense) income	(1,302,652)	55,119
Total income	125,332,369	118,863,441
Benefits and loss-related payments	47,105,159	54,434,878
Expenses paid	58,851,277	58,378,236
Dividends paid	-	5,001,642
Federal and foreign income taxes paid	1,832,340	406,431
Total	107,788,776	118,221,187
Net cash flows from operating activities	17,543,593	642,254
Cash flows from investing activities		
Proceeds from investments sold, matured, or repaid:		
Bonds	92,965,877	71,985,791
Common stocks	20,110,395	21,119,883
Other invested assets	225,496	-
Total investment proceeds	113,301,768	93,105,674
Cost of investments acquired:		
Bonds	97,914,713	83,491,560
Common stocks	4,123,276	2,199,863
Other invested assets	17,303,020	-
Miscellaneous applications	(103,021)	-
Total investments acquired	119,237,988	85,691,423
Net cash flows from investing activities	(5,936,220)	7,414,251
Financing and miscellaneous activities		
Other cash applied	(1,826,150)	(1,132,290)
Net cash flows from financing activities	(1,826,150)	(1,132,290)
Net change in cash and cash equivalents	9,781,223	6,924,215
Cash and cash equivalents		
Beginning of year	26,758,756	19,834,541
End of year	$ 36,539,979	$ 26,758,756

See accompanying notes to the statutory basis financial statements.

Note 1 - Organization

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

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

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

MedChoice Risk Retention Group, Inc. (MedChoice) is controlled by the Company through its status as a sponsored captive of Novaris, LLC.

Note 2 - Significant Accounting Policies

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

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

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

Note 2 - Significant Accounting Policies (Continued)

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

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

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

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

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

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

Note 2 - Significant Accounting Policies (Continued)

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

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

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

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

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

Other significant accounting practices are as follows:

Cash and Cash Equivalents
Cash balances consist of cash in the bank or on hand and available for current use. The Company considers all liquid instruments with a maturity of one year or less at the time of purchase to be short-term investments. The Company maintains certain cash and cash equivalents balances that, at times, may exceed Federal Deposit Insurance Company insurance thresholds, which management does not consider to be a significant risk. The carrying amount of cash and cash equivalents approximates fair value because of the short-term nature of those instruments.

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

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

Note 2 - Significant Accounting Policies (Continued)

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

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

The Company has an interest in a partnership as reported in other invested assets in the accompanying statutory basis balance sheets. The carrying value of the investment is based on the Company's share of the GAAP basis equity of the partnership.

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

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

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

Interest and dividend income are recorded on the accrual basis.

The Company non-admits investment income due and accrued if amounts are over 90 days past due. All accrued investment income was admitted at December 31, 2021 and 2020.

Premiums

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

Note 2 - Significant Accounting Policies (Continued)

Premiums related to coverages for doctors who retire, die, or are disabled are deferred as unearned premiums and are recognized as earned when an insured retires, dies, becomes disabled, or terminates coverage, whichever event occurs first; unearned premiums of $7,940,000 and $9,015,000 at December 31, 2021 and 2020, respectively, are for this coverage, which are referred to as Disability, Death, and Retirement (DD&R) reserves. In determining unearned premiums related to DD&R, the Company includes an estimate for unexercised extended reporting endorsements utilizing actuarial models, including assumptions for the time value of money, loss trends, and the degree by which the loss experience of DD&R policies is likely to be below that implied by the Company's historical claims-made experience. Although the Company considers its experience and industry data in determining unearned premium related to DD&R, assumptions and projections of future events are necessary and unearned premiums may differ materially from amounts projected in the near term.

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

If anticipated losses, loss adjustment expenses, commissions, and other acquisition costs exceed the Company's recorded unearned reserve and future installment premiums on existing policies, a premium deficiency reserve is recognized by recording a liability for the reserve. The Company anticipates investment income as a factor in premium deficiency calculations. No premium deficiency reserve has been recorded as of December 31, 2021 and 2020.

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

Reserves for Losses and Loss Adjustment Expenses

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

Note 2 - Significant Accounting Policies (Continued)

Reinsurance

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

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

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

Retrospective reinsurance contracts are recorded as a liability and evaluated periodically for adequacy of the reserves. Gains and losses from the contracts are recorded in other income on the income statement.

Income Taxes and Deferred Taxes

The Company accounts for income taxes under the liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements. Under this method, deferred tax assets and liabilities are determined based on the differences between financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. Deferred tax assets are limited to those that will more likely than not (defined as a likelihood of more than 50%) generate a tax benefit, and a valuation allowance is established if necessary to reduce the deferred tax asset to an amount that is more likely than not to be realized. No valuation allowance has been recorded as of December 31, 2021 or 2020.

Note 2 - Significant Accounting Policies (Continued)

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

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

Note 3 - Investments

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

December 31, 2021	Cost / Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. treasury securities and obligations of U.S. government corporations and agencies	$ 37,852,458	$ 2,995,128	$ (115,148)	$ 40,732,438
Obligations of states and political subdivisions	106,381,077	4,972,584	(237,136)	111,116,525
Corporate securities	131,164,705	9,439,510	(729,984)	139,874,231
Mortgage-backed/asset-backed securities	121,178,723	2,626,124	(1,297,779)	122,507,068
Total bonds	$ 396,576,963	$ 20,033,346	$ (2,380,047)	$ 414,230,262
Common stock	$ 42,782,037	$ 51,580,430	$ (89,848)	$ 94,272,619

December 31, 2020	Cost / Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. treasury securities and obligations of U.S. government corporations and agencies	$ 42,597,804	$ 5,425,763	$ -	$ 48,023,567
Obligations of states and political subdivisions	104,010,267	7,159,543	-	111,169,810
Corporate securities	128,557,322	14,728,904	(6,252)	143,279,974
Mortgage-backed/asset-backed securities	119,299,985	4,977,513	(62,559)	124,214,939
Total bonds	$ 394,465,378	$ 32,291,723	$ (68,811)	$ 426,688,290
Common stock	$ 43,183,523	$ 45,441,482	$ (49,662)	$ 88,575,343

Investments in subsidiaries and affiliates, had a carrying value of $4,522,199 and $5,561,827 at December 31, 2021 and 2020, respectively. Certain other subsidiaries and affiliates with a total value of $1,679,332 and $1,331,161 at December 31, 2021 and 2020, respectively, are nonadmitted. Equity in earnings (losses) of subsidiaries is included in the change in unrealized capital gains (losses) and was $435,902 and $402,847 for the years ended December 31, 2021 and 2020, respectively.

Note 3 - Investments (Continued)

The cost or amortized cost and fair value of bonds by contractual maturity at December 31, 2021, are shown below. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Cost/ Amortized Cost	Estimated Fair Value
Due in one year or less	$ 12,260,481	$ 12,402,650
Due after one year through five years	90,441,732	93,484,339
Due after five years through ten years	94,144,161	98,300,434
Due after ten years	78,551,866	87,535,771
Mortgage-backed/asset-backed securities	121,178,723	122,507,068
	$ 396,576,963	$ 414,230,262

Provided below is a summary of securities that were in an unrealized loss position as of December 31, 2021 and 2020. Management does not believe any individual unrealized loss as of December 31, 2021 or 2020, represents an other-than-temporary impairment, as the quantitative and qualitative criteria used by management to determine other-than-temporary impairment have not been met. The Company does not have the intent to sell and has the intent and ability, at the reporting date, to hold these investments until maturity or until fair value recovers above cost or amortized cost. In 2021 and 2020, there were no realized losses due to other-than-temporary impairments in value.

	Less than 12 Months		Greater Than 12 Months		Total	
December 31, 2021	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
(in thousands)						
U.S. treasury and obligations of U.S. government corporations and agencies	$ 5,793	$ (115)	$ -	$ -	$ 5,793	$ (115)
Obligations of states and political subdivision	14,885	(237)	-	-	14,885	(237)
Corporate securities	23,326	(604)	2,209	(126)	25,535	(730)
Mortgage-backed/asset-backed securities	57,851	(1,109)	2,379	(189)	60,230	(1,298)
Common stocks	1,891	(90)	-	-	1,891	(90)
Total	$ 103,746	$ (2,155)	$ 4,588	$ (315)	$ 108,334	$ (2,470)

Note 3 - Investments (Continued)

	Less than 12 Months		Greater Than 12 Months		Total	
December 31, 2020	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
(in thousands)						
Corporate securities	$ 4,409	$ 6	$ -	$ -	$ 4,409	$ 6
Mortgage-backed/asset-backed securities	7,643	63	-	-	7,643	63
Common stocks	263	3	613	47	876	50
Total	$ 12,315	$ 72	$ 613	$ 47	$ 12,928	$ 119

Proceeds from sales of bonds during 2021 and 2020 were $22,075,393 and $12,520,849, respectively. Gross gains of $79,810 and $191,228 and gross losses of $501,312 and $36,081 were realized on those sales during 2021 and 2020, respectively.

Proceeds from sales of unaffiliated common stock during 2021 and 2020 were $15,000,000 and $20,000,000, respectively. Gross gains of $10,475,238 and $12,506,657 were realized on sales of equity securities during 2021 and 2020. No gross losses were realized during 2021 and 2020.

Certain bonds were on deposit with the Washington and Nevada Office of the Insurance Commissioner for the protection of policyholders. The amortized cost of these securities at December 31, 2021 and 2020, was $2,783,213 and $2,729,196, respectively. Admitted restricted assets as a percentage of total assets and admitted assets were 0.5% at both December 31, 2021 and 2020.

During 2021, the Company purchased an interest in a partnership, a private credit fund, reported in other invested assets in the accompanying statutory basis balance sheets. The carrying value of the partnership at December 31, 2021 was $17,258,879. The Company has $7,800,000 of unfunded commitments to the partnership at December 31, 2021. There is a liquidity risk associated with the partnership. Ownership is subject to certain restrictions on transferability and disposition under the subscription agreement and the marketability of the ownership units may be severely limited.

Note 3 - Investments (Continued)

Net investment income for the year ended December 31, 2021 and 2020 is summarized as follows:

	2021	2020
Bonds	$ 10,818,371	$ 11,705,217
Common stock - affiliates	425,000	600,000
Common stock - nonaffiliates	1,019,660	1,084,908
Other invested assets	140,520	37,603
Cash and cash equivalents	768	18,280
Less: investment expenses	(1,168,568)	(1,066,728)
Net investment income	$ 11,235,751	$ 12,379,280

No amounts of investment income due and accrued have been excluded from surplus.

Note 4 - Fair Value of Financial Instruments

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

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

Investment securities: Fair values for investment securities are primarily based on prices received from a third-party pricing service that uses observable market information in determining the fair value. Fair values for private placement securities are based on unit prices published by the Securities Valuation Office (SVO), or in the absence of SVO published unit prices, observable market inputs other than quoted market prices. See Note 2 for additional fair value information.

Surplus Note: The surplus note is included in other invested assets on the accompanying balance sheet and valued based on the income. The income approach uses a valuation technique to convert the future amounts (interest cash flows for the surplus note) to a single present value amount (discounted). The annual coupon rate of 1.25%, maturity date of May 1, 2035, and the annual required return of 3.06% were used to calculate the value. The cost of the surplus note is $3,000,000.

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

Note 4 - Fair Value of Financial Instruments (Continued)

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

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

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

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

The following table shows fair value hierarchy levels for the Company's investments as of December 31, 2021 and 2020:

	Fair Value Hierarchy			
2021	Level 1	Level 2	Level 3	Total
U.S. treasury securities and obligations of U.S. government corporations and agencies	$ 40,732,438	$ -	$ -	$ 40,732,438
Obligations of states and political subdivisions	-	111,116,525	-	111,116,525
Corporate securities	-	139,874,231	-	139,874,231
Mortgage-backed/asset-backed securities	-	122,507,068	-	122,507,068
Total bonds	$ 40,732,438	$373,497,824	$ -	$414,230,262
Common stock	$ 94,272,619	$ -	$ -	$ 94,272,619
Other invested assets - surplus notes	$ -	$ -	$ 2,412,900	$ 2,412,900

Note 4 - Fair Value of Financial Instruments (Continued)

2020	Level 1	Level 2	Level 3	Total
U.S. treasury securities and obligations of U.S. government corporations and agencies	$ 39,672,563	$ 8,351,004	$ -	$ 48,023,567
Obligations of states and political subdivisions	-	111,169,810	-	111,169,810
Corporate securities	-	143,279,974	-	143,279,974
Mortgage-backed/asset-backed securities	-	124,214,939	-	124,214,939
Total bonds	$ 39,672,563	$387,015,727	$ -	$426,688,290
Common stock	$ 88,575,343	$ -	$ -	$ 88,575,343
Other invested assets - surplus notes	$ -	$ -	$ 2,376,000	$ 2,376,000

Fair Value Measurements in Level 3 of the Fair Value Hierarchy

	2021	2020
Assets: Surplus notes - affiliate		
Beginning balance, January 1	$ 2,376,600	$ 2,190,000
Total gains included in surplus	36,300	186,600
Ending balance, December 31	$ 2,412,900	$ 2,376,600

Note 5 - Reinsurance

Under reinsurance agreements, the Company cedes various amounts of risk to other insurance companies. The professional liability reinsurance agreements that became effective January 1, 2021, provide for an initial retention by the Company of the first $1,000,000 of loss per event, with coverage of the excess up to $25,000,000. The stop-loss liability insurance coverage business was reinsured in 2021 and 2020 through a 50% quota share reinsurance arrangement. In 2021 and 2020, cyber liability coverage was reinsured at 100%. D&O coverage has been reinsured since July 1, 2016, under the same reinsurance agreements as the Company's professional liability agreements.

Note 5 - Reinsurance (Continued)

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

December 31, 2021	Direct Business	Reinsurance Assumed Affiliated	Reinsurance Assumed Nonaffiliated	Reinsurance Ceded Nonaffiliated	Net Reported
Premiums written	111,006,162	25,287,699	6,251,447	(33,059,973)	109,485,335
Premiums earned	116,539,359	29,073,561	6,111,610	(34,576,715)	117,147,815
Losses (recoveries)	61,224,444	22,159,321	4,220,751	(19,780,688)	67,823,828
Loss adjustment (recoveries)	32,079,152	7,408,308	1,411,970	(797,710)	40,101,720
Underwriting expenses	17,764,126	7,555,759	544,228	(1,180,473)	24,683,640

December 31, 2020	Direct Business	Reinsurance Assumed Affiliated	Reinsurance Assumed Nonaffiliated	Reinsurance Ceded Nonaffiliated	Net Reported
Premiums written	111,934,410	29,602,080	6,105,060	(32,424,323)	115,217,227
Premiums earned	111,668,640	22,023,521	5,917,205	(29,976,980)	109,632,386
Losses (recoveries)	68,320,714	11,754,691	2,647,115	(23,171,504)	59,551,016
Loss adjustment (recoveries)	30,381,660	3,876,128	784,288	(463,197)	34,578,879
Underwriting expenses	18,839,450	12,161,170	1,033,951	(1,645,855)	30,388,716

At December 31, 2021 and 2020, a provision for reinsurance of $587,011 and $357,987, respectively, related to past due and unauthorized reinsurance recoverables was established. At December 31, 2021 and 2020, management determined that based on the creditworthiness of reinsurance counterparties, no additional provision for uncollectible reinsurance was necessary.

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

Unsecured reinsurance recoverables in excess of 3% of surplus as of December 31, 2021 or 2020 are as follows:

	Federal ID Number	Name of Reinsurer	Unsecured Amount
2021	CR-1340125	Hannover Ruck SE	$ 14,443,380
2020	CR-1340125	Hannover Ruck SE	$ 16,223,266

There would be no commissions due if reinsurance were canceled.

Note 5 - Reinsurance (Continued)

Contingent commissions of $1,197,805 and $503,794 were accrued as of December 31, 2021 and 2020, respectively.

Assumed retroactive reinsurance as of December 31, 2021 and 2020, is $2,000,000 and $1,926,178, respectively. In January 2017, the Company received approximately $12,000,000 as part of a loss portfolio transfer agreement entered into in December 2016. There were $7,428,158 and $5,657,853 of loss and loss adjustment expenses paid as of December 31, 2021 and 2020, respectively, related to this business. In 2021, unfavorable development of $1,754,129 in reserves related to retroactive reinsurance in assumed business was recognized in other income. In 2020, favorable development of $500,000 in reserves related to retroactive reinsurance in assumed business was recognized in other income.

Note 6 - Reserves for Losses and Loss Adjustment Expenses

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

	2021	2020
	(in thousands)	
Balance - January 1, net of reinsurance recoverables of $30,317 and $22,709 (in thousands)	$ 208,473	$ 203,822
Incurred related to		
Current year	98,692	94,395
Prior years	9,234	(265)
Total incurred	107,926	94,130
Paid related to:		
Current year	12,286	13,051
Prior years	71,478	76,428
Total paid	83,764	89,479
Balance - December 31, net of reinsurance recoverables of $40,231 and $30,317 (in thousands)	$ 232,635	$ 208,473

As a result of changes in estimates of insured events in prior years, losses and LAE increased (decreased) by approximately $9,234,000 and ($265,000) in 2021 and 2020, respectively. During 2021, the Company experienced adverse development, a majority of which was attributable to accident years 2018 and 2020.

Note 7 - Federal Income Taxes

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

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

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

The components of the net deferred tax at December 31, 2021 and 2020 are as follows:

December 31, 2021	Ordinary	Capital	Total
Gross deferred tax asset	$ 6,847,317	$ -	$ 6,847,317
Gross deferred tax liabilities	(852,530)	(10,813,022)	(11,665,552)
Net deferred tax asset (liability)	5,994,787	(10,813,022)	(4,818,235)
Nonadmitted deferred tax asset	-	-	-
Admitted net deferred tax asset (liability)	$ 5,994,787	$ (10,813,022)	$ (4,818,235)

December 31, 2020	Ordinary	Capital	Total
Gross deferred tax asset	$ 8,199,470	$ -	$ 8,199,470
Gross deferred tax liabilities	(1,089,347)	(9,532,282)	(10,621,629)
Net deferred tax asset (liability)	7,110,123	(9,532,282)	(2,422,159)
Nonadmitted deferred tax asset	-	-	-
Admitted net deferred tax asset (liability)	$ 7,110,123	$ (9,532,282)	$ (2,422,159)

Note 7 - Federal Income Taxes (Continued)

The amount of each component pursuant to SSAP 101 paragraph 11 by tax character at December 31, 2021 and 2020 are as follows:

December 31, 2021	Ordinary	Capital	Total
Can be recovered through loss carrybacks (11.a.)	$ 1,218,630	$ -	$ 1,218,630
Lesser of:			
Expected to be realized following the balance sheet date (11.b.i.)	2,715,471	-	2,715,471
Adj. gross DTAs allowed per limit threshold (11.b.ii.)	-	-	43,048,191
Gross DTAs offset against existing DTLs (11.c.)	2,913,216	-	2,913,216
DTAs admitted as a result of the application of SSAP 101	$ 6,847,317	$ -	$ 6,847,317
Ex DTA ACL RBC ratio percentage used to determine recovery period and threshold limit			1,030 %
Amount of adjusted capital and surplus used to determine recovery period and threshold limitation			$286,927,320

December 31, 2020	Ordinary	Capital	Total
Can be recovered through loss carrybacks (11.a.)	$ 1,758,149	$ -	$ 1,758,149
Lesser of:			
Expected to be realized following the balance sheet date (11.b.i.)	2,968,548	-	2,968,548
Adj. gross DTAs allowed per limit threshold (11.b.ii.)	-	-	41,483,571
Gross DTAs offset against existing DTLs (11.c.)	3,472,773	-	3,472,773
DTAs admitted as a result of the application of SSAP 101	$ 8,199,470	$ -	$ 8,199,470
Ex DTA ACL RBC ratio percentage used to determine recovery period and threshold limit			983 %
Amount of adjusted capital and surplus used to determine recovery period and threshold limitation			$275,890,476

The Company did not utilize any reinsurance tax planning or any other tax planning strategies in 2021 or 2020 that had an impact on gross and net deferred tax assets.

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

Note 7 - Federal Income Taxes (Continued)

Current income taxes incurred consist of the following major components

	2021	2020
Current income tax:		
Federal	$ (2,845,206)	$ (1,253,318)
Federal income tax on net realized capital gains	2,650,544	2,660,305
Other, including prior year adjustments	6,305	(112,947)
Federal and foreign income taxes incurred	$ (188,357)	$ 1,294,040

The main components of deferred tax amounts are as follows:

	2021	2020
Deferred tax assets:		
Ordinary		
Loss reserve discounting	$ 3,819,855	$ 3,523,080
Unearned premium reserves and advance premiums	1,943,744	2,112,338
Investments	438,291	451,632
Fixed assets	34,935	71,566
Deferred compensation and benefits accrual	113,452	220,314
Intangible assets/goodwill	-	1,438,937
Other	497,040	381,603
Total admitted deferred tax assets	6,847,317	8,199,470
Deferred tax liabilities:		
Ordinary		
Depreciation	17,305	45,315
Tax reconciliation act limited risk distributor	835,225	1,044,032
Total gross ordinary deferred tax liability	852,530	1,089,347
Capital		
Tax effect of unrealized capital gains	10,813,022	9,532,282
Total gross capital deferred tax liability	10,813,022	9,532,282
Total gross deferred tax liabilities	11,665,552	10,621,629
Net deferred tax liabilities	$ (4,818,235)	$ (2,422,159)

Note 7 - Federal Income Taxes (Continued)

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

	2021	2020	Change
Total deferred tax assets	$ 6,847,317	$ 8,199,470	$ (1,352,153)
Total deferred tax liabilities	(11,665,552)	(10,621,629)	(1,043,923)
Net deferred tax liabilities	$ (4,818,235)	$ (2,422,159)	$ (2,396,076)
Tax effect of unrealized gains			1,298,343
Change in net deferred income tax			$ (1,097,733)

The federal income tax expense incurred differs from the amount computed by applying the expected U.S. corporate income tax rate of 21% to income before taxes for the years ended December 31, 2021 and 2020. In both years, the significant items causing this difference were tax-exempt interest income, dividends received deduction, and change in nonadmitted assets.

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

	Amount
2021	$ -
2020	$ 1,413,292

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

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

Note 8 - Other Underwriting Expenses

The major components of underwriting expenses incurred during 2021 and 2020 were as follows:

	2021	2020
Net commissions and brokerage	$ 11,094,854	$ 15,943,550
Advertising	49,967	40,670
Board, bureaus, and associations	570,568	578,863
Surveys and underwriting reports	572	693
Salaries and related items	5,994,408	6,492,603
Employee relations and welfare	1,651,953	1,742,813
Insurance	83,256	74,902
Directors' fees	246,298	265,846
Travel and travel items	131,740	204,856
Rent and rent items	492,505	430,063
Equipment	526,720	570,665
Depreciation expense	142,200	162,579
Printing and stationary	166,188	177,932
Postage and telephone	85,652	85,936
Legal and auditing	431,526	360,486
Taxes, licenses, and fees	2,209,974	2,389,506
Other consultants fees	805,259	866,754
Other underwriting expenses incurred	$ 24,683,640	$ 30,388,717

Note 9 - Employee Benefit and Deferred Compensation Plans

The Company's employees are covered by two defined contribution plans. One plan requires no employee contribution, and the Company contributes 10% of eligible compensation to the plan. The second plan allows employee contributions, and 100% of those contributions are matched by the Company up to a maximum of 6.6% of eligible compensation. Employees vest 20% per year in employer contributions over the first five service years and vest immediately in all employer contributions upon completion of five service years. The Company's contribution to these plans was $2,002,926 and $2,043,474 for 2021 and 2020, respectively.

Deferred compensation agreements have been entered into with certain members of the Board of Directors and nondirector committee members. Amounts recorded as a liability in accordance with those agreements as of December 31, 2021 and 2020, were $0 and $131,873, respectively.

Note 10 - Commitment and Contingencies

The Company leases office facilities and certain equipment under noncancelable operating leases through 2033, with certain leases having a renewal option for one five-year period. Annual rental expense under these lease agreements was $1,022,323 and $918,574 in 2021 and 2020, respectively.

Future minimum commitments under these leases as of December 31, 2021, are as follows:

2022	$ 716,028
2023	679,264
2024	828,702
2025	845,279
2026	862,185
Thereafter	5,709,356
Total	$ 9,640,814

The Company is subject to guaranty fund and other assessments by the states in which it writes business. As of December 31, 2021 and 2020, the Company expensed $3,089 and $0, respectively, in guaranty fund assessments.

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

Note 11 - Nonadmitted Assets

The major components of non-admitted assets as of December 31, 2021 and 2020 are as follows:

	2021	2020	Change
Fixed assets	$ 166,357	$ 340,792	$ (174,435)
Premium receivable	168,703	93,233	75,470
Other invested assets	1,639,298	942,726	696,572
Prepaid expenses	665,569	602,408	63,161
Common stock	40,034	388,435	(348,401)
Totals	$ 2,679,961	$ 2,367,594	$ 312,367

Note 12 - Policyholders' Surplus

The directors of a domestic mutual insurer may from time to time apportion and pay dividends to its members only out of that part of its surplus funds that are in excess of its required minimum surplus and that represent net realized savings and net realized earnings from its business. Without the prior written consent of the Department, the Company is not permitted to issue dividends in 2022. Dividends declared and paid were $0 and $5,001,642 during 2021 and 2020, respectively.

The Company is subject to risk-based capital (RBC) requirements of the NAIC, which require that certain amounts of capital be maintained. As of December 31, 2021 and 2020, the Company's RBC exceeded the required amount.

Note 13 - Related Party Transactions

Through December 31, 2019, Western Professional Insurance Company (WPIC) was a wholly owned subsidiary of PI. On December 31, 2019, PI sold two-thirds of WPIC common stock to COPIC Insurance Company (COPIC) and Michigan Professional Insurance Exchange (MPIE) in a transaction that was approved by the Washington Office of Insurance Commissioner (OIC). WPIC changed its name to Alestri Insurance Company effective as of January 1, 2020. On December 7, 2020 PI entered into an agreement to sell its remaining one-third share of Alestri to COPIC and MPIE during the first quarter of 2021 for $2,000,000. The Company realized a $500,000 loss on the sale of Alestri recorded in net realized capital gains in the accompanying statutory basis statements of income.

PI is the primary reinsurer for its affiliate, MedChoice RRG, which writes MPL business nationally and participates as a reinsurer for independent MPL insurers and RRGs.

As described in Note 4, the Company has provided $3,000,000 in surplus notes to capitalize MedChoice RRG since 2016. No new surplus notes were provided in 2021 or 2020.

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

As of December 31, 2021 and 2020, the Company had receivables from affiliates of $1,149,775 and $1,003,932, respectively.

Note 14 - Risks and Uncertainties

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

Note 14 - Risks and Uncertainties (Continued)

COVID-19 Risks and Uncertainties

The ongoing COVID-19 coronavirus pandemic (COVID-19) continues to have a global impact creating uncertainty, volatility, and disruption across economies and financial markets. The Company has had minimal direct COVID-19 losses to date. The Company's operational and financial performance will depend on certain developments, including COVID-19 related claims filed as the statute of limitations for immunities nears the end date and indirect COVID-19 losses including claims resulting from the restricted availability of preventative care, the delay and/or misdiagnosis of non-COVID illness and disease, and the increased use of telemedicine. As such, COVID-19 could have a material adverse effect on the Company's financial position in the future. The ultimate duration and impact of COVID-19 and resulting implications on the Company's financial position cannot be reasonably estimated at this time.

Note 15 - Subsequent Events

The Company evaluated subsequent events through May 31, 2022, the date on which these financial statements were available to be issued, and considered any relevant matters in the preparation of the financial statements and note disclosures.