Combined Financial Statements – Statutory-Basis

Star Insurance Company and Subsidiaries
(Wholly Owned Subsidiaries of AmeriTrust
Group, Inc.)

Years Ended December 31, 2022 and 2021
With Report of Independent Auditors

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Contents

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Report of Independent Auditors

The Board of Directors
Star Insurance Company and Subsidiaries

Opinion

We have audited the combined statutory-basis financial statements of Star Insurance Company and Subsidiaries (the Company), which comprise the combined balance sheets as of December 31, 2022 and 2021, and the related combined statements of operations, changes in capital and surplus, and cash flow for the years then ended, and the related notes to the financial statements (collectively referred to as the "financial statements").

Unmodified Opinion on Statutory Basis of Accounting

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended, on 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 described 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 at December 31, 2022 and 2021, or the results of its operations or its cash flows for the years then ended.

Basis for Opinion

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

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

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with accounting practices prescribed or permitted by the Michigan Department of Insurance and Financial Services and Ohio Insurance Department. 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 Responsibility 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.

Ernst & Young LLP

March 20, 2023

Star Insurance Company and Subsidiaries
(Wholly Owned Subsidiaries of AmeriTrust Group, Inc.)

Combined Balance Sheets – Statutory-Basis

	December 31	
	2022	**2021**
Admitted assets		
Cash and invested assets:		
Bonds, at amortized cost	**$ 1,599,143,924**	$ 1,491,906,389
Stocks	**81,010,554**	105,799,611
Properties occupied by the company	**5,731,171**	6,024,931
Cash, cash equivalents and short-term investments	**213,434,445**	243,941,126
Other invested assets	**34,715,287**	42,087,409
Receivable for securities	**2,113,180**	2,979,537
Total cash and invested assets	**1,936,148,561**	1,892,739,003
Investment income due and accrued	**13,370,292**	9,617,101
Premiums receivable	**94,695,407**	117,172,880
Reinsurance recoverables on ceded paid losses	**16,605,146**	14,640,043
Funds deposited with reinsured companies	**411,769**	489,547
Federal income tax recoverable	**14,143,707**	1,027,041
Net deferred tax asset	**29,053,330**	26,925,668
Receivables from parent and affiliates	**-**	177,313
Other assets	**27,050,418**	16,055,136
Total admitted assets	**$ 2,131,478,630**	$ 2,078,843,732
Liabilities		
Losses and loss adjustment expenses	**$ 1,193,461,252**	$ 1,064,187,234
Commissions and other expenses payable	**4,407,751**	4,259,773
Taxes, licenses and fees	**5,978,771**	6,001,895
Borrowed money	**40,000,000**	40,000,000
Unearned premiums	**283,986,776**	263,032,577
Ceded reinsurance premiums payable	**31,020,964**	32,417,341
Reinsurance payable on paid losses and loss adjustment expenses	**-**	25,027,575
Provision for reinsurance	**870,800**	1,501,550
Amounts retained for account of others	**2,507,730**	3,014,850
Payable to parent and affiliates	**2,658,377**	2,882,409
Retroactive reinsurance recoverable	**(42,267,524)**	(50,000,000)
Other liabilities	**4,090,077**	7,965,856
Total liabilities	**1,526,714,974**	1,400,291,060
Capital and surplus		
Segregated surplus on retroactive reinsurance contract	**20,000,000**	20,000,002
Common stock	**5,040,000**	5,040,000
Gross paid in and contributed surplus	**392,153,691**	392,153,691
Unassigned funds (surplus)	**187,569,965**	261,358,979
Total capital and surplus	**604,763,656**	678,552,672
Total liabilities and capital and surplus	**$ 2,131,478,630**	$ 2,078,843,732

See accompanying notes.

Star Insurance Company and Subsidiaries

(Wholly Owned Subsidiaries of AmeriTrust Group, Inc.)

Combined Statements of Operations – Statutory-Basis

	Year Ended December 31	
	2022	**2021**
Net premiums earned	**$621,958,277**	$575,491,231
Losses and loss adjustment expenses incurred	**518,736,654**	409,404,475
Other underwriting expenses incurred	**207,524,400**	195,099,664
Net underwriting gain (loss)	**(104,302,777)**	(29,012,908)
Net investment income earned	**60,990,736**	51,660,803
Net realized capital gains (losses)	**(9,740,868)**	24,344,314
Net other income (expense)	**(646,908)**	(8,354,774)
Income before dividends to policyholders and federal income taxes	**(53,699,817)**	38,637,435
Dividends to policyholders	**170,571**	241,869
Income before federal income taxes	**(53,870,388)**	38,395,566
Federal income tax incurred	**(6,174,724)**	2,475,387
Net income	**$(47,695,664)**	$ 35,920,179

See accompanying notes.

Star Insurance Company and Subsidiaries
(Wholly Owned Subsidiaries of AmeriTrust Group, Inc.)

Combined Statements of Changes in Capital and Surplus – Statutory-Basis

	Year Ended December 31	
	2022	**2021**
Surplus, beginning of year	**$678,552,672**	$672,822,888
Net income	**(47,695,664)**	35,920,179
Change in net unrealized capital gains or (losses)	**(16,061,884)**	(17,518,152)
Change in net unrealized foreign exchange capital gain (loss)	**-**	(611,339)
Change in net deferred income tax	**3,547,310**	(372,722)
Change in nonadmitted assets	**(4,209,526)**	(3,138,524)
Change in provision for reinsurance	**630,750**	(549,658)
Dividends to stockholders	**(10,000,000)**	(8,000,000)
Change in segregated surplus on retroactive reinsurance contract	**(2)**	-
Change in surplus	**(73,789,016)**	5,729,784
Surplus, end of year	**$604,763,656**	$678,552,672

See accompanying notes.

Star Insurance Company and Subsidiaries
(Wholly Owned Subsidiaries of AmeriTrust Group, Inc.)

Combined Statements of Cash Flow – Statutory-Basis

	Year Ended December 31	
	2022	**2021**
Cash from operations		
Premiums collected net of reinsurance	**$ 665,262,796**	$ 604,628,334
Net investment income	**63,896,237**	57,215,825
Miscellaneous income	**(646,910)**	(8,354,774)
Total	**728,512,123**	653,489,385
Benefit and loss related payments	**339,671,111**	297,260,345
Commissions and expenses paid	**284,297,090**	270,291,851
Dividends paid to policyholders	**55,800**	367,164
Federal income taxes paid (recovered)	**4,993,628**	6,340,387
Total	**629,017,629**	574,259,747
Net cash from operations	**99,494,494**	79,229,638
Cash from investments		
Proceeds from investments sold, matured or repaid:		
Bonds	**251,850,461**	648,244,821
Stocks	**16,873,053**	90,909,092
Other invested assets	**5,848,032**	18,490,778
Net gains or (losses) on cash, cash equivalents and short-term investments	**2,283**	(194,645)
Miscellaneous proceeds	**866,380**	4,518,123
Total investment proceeds	**275,440,209**	761,968,169
Cost of investments acquired (long-term only):		
Bonds	**380,035,044**	763,500,431
Stocks	**7,908,819**	112,519,424
Other invested assets	**89,678**	16,355,265
Miscellaneous applications	**4,307,905**	791,304
Total investments acquired	**392,341,446**	893,166,424
Net cash from investments	**(116,901,237)**	(131,198,255)
Cash from financing and miscellaneous sources		
Dividends to stockholders	**(10,000,000)**	(8,000,000)
Other cash provided (applied)	**(3,099,938)**	50,405,292
Net cash from financing and miscellaneous sources	**(13,099,938)**	42,405,292
Net change in cash, cash equivalents and short-term investments	**(30,506,681)**	(9,563,325)
Cash, cash equivalents and short-term investments		
Beginning of year	**243,941,126**	253,504,451
End of year	**$ 213,434,445**	$ 243,941,126

See accompanying notes.

1. Nature of Business Operations

Star Insurance Company (Star), a wholly owned subsidiary of AmeriTrust Group, Inc., is domiciled in the state of Michigan. Star has three wholly owned insurance subsidiaries, Ameritrust Insurance Corporation (Ameritrust) and Williamsburg National Insurance Company (Williamsburg), both domiciled in the state of Michigan, and Century Surety Company (Century), domiciled in the state of Ohio. ProCentury Insurance Company (PIC) is a wholly owned insurance subsidiary of Century domiciled in the state of Michigan.

AmeriTrust Group, Inc. was acquired by Accident Fund Insurance Company of America ("AFICA"), whose ultimate parent is Blue Cross Blue Shield of Michigan Mutual Insurance Company, on December 31, 2022. Prior to the acquisition, AmeriTrust Group, Inc. was a wholly-owned subsidiary of Fosun International Limited ("Fosun"). The Company maintains its home office in Southfield, Michigan.

Star and its subsidiaries (collectively referred to as the Company) provide several types of property and liability insurance coverage, including workers' compensation, multiple peril, auto physical damage, ocean/inland marine, professional liability, garage liability, limited bonding, aircraft, and other liability coverages.

The Company markets and underwrites specialty property and casualty insurance programs and products on both an admitted and non-admitted basis through network of independent retail agents, wholesalers, program administrators and general agents. Program business refers to an aggregation of individually underwritten homogeneous risks that have similar characteristics and are distributed through a select group of agents. The insurance companies are licensed either on an admitted or a non-admitted basis in all 50 states and the District of Columbia.

2. Summary of Significant Accounting Practices

The preparation of financial statements of insurance companies requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the combined financial statements, and the reported amounts of revenues and expenses for the period. Actual results could differ from those estimates.

Principles of Combination

The accompanying combined financial statements include the accounts of Star and its wholly owned insurance subsidiaries (Ameritrust, Williamsburg, and Century) and Century's wholly owned insurance subsidiary (PIC) that participate in an intercompany pooling arrangement. In combination, all intercompany transactions have been eliminated.

Basis of Presentation

The Company's financial statements have been prepared principally for filing with regulatory agencies and, as such, are prepared in conformity with accounting practices prescribed or permitted by the insurance department of each subsidiary's respective state of domicile. Prescribed statutory accounting practices include a variety of publications, including the National Association of Insurance Commissioners' *Accounting Practices and Procedures Manual (NAIC SAP)*, regulations and general administrative rules. Permitted statutory accounting practices encompass all accounting practices not so prescribed.

The State of Michigan Department of Insurance and Financial Services (DIFS) recognizes only statutory accounting practices prescribed or permitted by the state of Michigan for determining and reporting the financial condition and results of operations of an insurance company, for determining its solvency under the Michigan Insurance Law. NAIC SAP has been adopted as a component of prescribed or permitted practices by the state of Michigan. The state of Michigan has adopted certain prescribed accounting practices that differ from those found in NAIC SAP.

Specifically, the state of Michigan does not allow the use of ceded balances payable to unauthorized reinsurers to be used as an offset against ceded paid and unpaid loss and loss adjustment expenses (LAE) recoverable, and unearned premiums recoverable from unauthorized reinsurers when determining the Company's provision for reinsurance liability. There was no impact for this practice as of December 31, 2022 and 2021.

The Company has been granted a permitted practice by the State of Michigan DIFS which allows the Company to report bail bond premiums, including unearned premium, net of agent commissions. This is a deviation from standard practices for reporting premiums as described in statutory accounting principle No. 53 (*SSAP 53 P/C Contracts-Premiums*). The permitted practice was granted for reporting periods beginning December 31, 2012. The following table reconciles Gross Premiums to Premiums net of Agent Commissions, shown gross of reinsurance, for the years ended December 31, 2022 and 2021, respectively.

Premiums Written:	2022	2021
Gross Bail Bond Premiums Written	$ 21,838	$ 116,300
Less: Agent Commissions	18,925	108,369
Net Bail Bond Premiums Written	$ 2,913	$ 7,931
Premiums Earned:		
Gross Bail Bond Premiums Earned	$ 21,838	$ 116,300
Less: Agent Commissions	18,925	108,369
Net Bail Bond Premiums Earned	$ 2,913	$ 7,931

A reconciliation of the Company's surplus between NAIC SAP permitted and practices prescribed by the state of Michigan is shown below.

	2022	2021
Net income, state of Michigan basis	$ (47,695,664)	$ 35,920,179
Effect of Bail Bond Permitted Practice	-	-
Net Income, NAIC SAP basis	$ (47,695,664)	$ 35,920,179
Statutory surplus, state of Michigan basis	$ 604,763,656	$ 678,552,672
Effect of Bail Bond Permitted Practice	-	-
Statutory surplus, NAIC SAP basis	$ 604,763,656	$ 678,552,672

Differences Between Statutory and Generally Accepted Accounting Principles

Statutory principles differ in some respects from generally accepted accounting principles (GAAP). The more significant differences are as follows: (a) certain assets designated as "nonadmitted assets" (principally deferred tax assets and overdue receivable balances) are excluded from the balance sheet by direct charges to unassigned surplus; (b) the costs of acquiring and renewing business are charged to operations as incurred rather than being deferred and amortized; (c) a liability is established, by a direct charge to unassigned surplus, for amounts due from unauthorized reinsurers that are not fully collateralized; (d) deferred income taxes are admitted only to the extent that they are expected to be realized for a period not to exceed three years of the balance sheet date; in accordance with GAAP, this admissibility test is not required; (e) the unpaid loss and loss adjustment expense reserves and unearned premium reserves are presented net of reinsurance; (f) bonds and redeemable preferred stocks are reported principally at amortized cost rather than reporting bonds and redeemable preferred stocks at fair value; (g) unaffiliated common stocks are valued at fair value with related unrealized capital gains or losses reflected through policyholder surplus instead of through income; (h) goodwill is amortized over the estimated period the Company benefits economically, not to exceed 10 years; in accordance with GAAP, goodwill is not amortized but is assessed for impairment on an annual basis or more frequently if circumstances indicate that a possible impairment has occurred; and (i) comprehensive income is not presented in the accompanying financial statements in accordance with the Accounting Standards Codification (ASC) 220, *Comprehensive Income*.

Investments

Investment-grade bonds are stated at amortized cost. Bonds rated below investment grade are stated at the lower of amortized cost or fair value.

Common stock of affiliates is recorded at the equity in the underlying statutory-basis net assets of the affiliates. Common stock of non-affiliates is recorded at fair value.

Short-term investments are stated at cost, which approximates fair value, and include investments whose maturities, at the time of acquisition, are one year or less.

Real estate is stated at market value, less depreciation. Real estate is property occupied by the Company.

Prepayment assumptions for loan-backed and structured securities are periodically obtained from third parties and evaluated as to the impact based on the current interest rate and economic environment. Loan-backed securities are stated at amortized cost. Significant changes in estimated cash flows from the original purchase assumptions are accounted for using the prospective method. Loan-backed securities with NAIC designations of 3 through 6 are stated at the lower of amortized cost or fair value.

The fair values for bonds, unaffiliated common stocks, and short-term investments are stated at values obtained either by using an accepted securities pricing provider, broker/dealer quotes, or matrix pricing if quoted prices are not available.

Investments are regularly reviewed for other-than-temporary impairment with any credit-related impairment recognized as a realized loss in the combined statement of income.

The Company does not engage in direct subprime residential mortgage lending. The Company's exposure to subprime lending is limited to investments within the fixed maturity investment portfolio, which contains securities collateralized by mortgages that have characteristics of subprime lending such as adjustable-rate mortgages and alternative documentation mortgages. At December 31, 2022 and 2021, the total carrying value of these investments comprised approximately less than 0.5% of the overall portfolio.

Investment income is recorded when earned. Due and accrued investment income that is determined to be in default is written-off and future accruals cease to be reported (admitted).

Policy Acquisition Costs

Costs of acquiring business are charged to expense when incurred while the related premiums are earned over the periods covered by the policies.

Nonadmitted Assets

Nonadmitted assets, which consist primarily of certain deferred tax assets, prepaid expenses, and receivable balances over 90 days, were $22,552,097 and $18,342,571 at December 31, 2022 and 2021, respectively.

Losses and Loss Adjustment Expenses

The liability for losses and loss adjustment expenses represents (1) case-basis estimates of reported losses on direct business, (2) estimates received from ceding reinsurers on assumed business, and (3) estimates based on past experience of unreported losses, the total of which is reduced for amounts ceded to other insurers. Such liabilities are necessarily based upon estimates. While management believes the amount is adequate, the ultimate liability may be greater or less than the amount provided. The methods for making such estimates and for establishing the resulting reserves are continually reviewed, and any adjustments are reflected in current operations.

Amounts for anticipated salvage and subrogation deducted from the liability for losses and loss adjustment expense were $14,127,000 and $16,533,000 at December 31, 2022 and 2021, respectively.

Assessments

The Company is subject to guaranty fund and other assessments by the states in which it writes business. Guaranty fund assessments should be accrued at the time of insolvencies. Other assessments should be accrued either at the time the assessments are levied or in the case of premium-based assessments, at the time the premiums are written, or in the case of loss-based assessments, at the time the losses are incurred.

The Company has accrued a liability for guaranty fund and other assessments of $2,980,474 and $4,153,823 and a related premium tax benefit asset of $459,201 and $460,631 as of December 31, 2022 and 2021, respectively. The liability is included in other liabilities and is typically paid within 1 to 3 years. The asset is included in other admitted assets. The amounts represent management's best estimates based on information received from the states in which the Company writes business and may change due to many factors, including the Company's share of the ultimate cost of current insolvencies.

Unauthorized Reinsurance

The liability for unauthorized reinsurance represents unearned premiums and unpaid losses and loss adjustment expenses in excess of funds held on business reinsured with insurance companies not authorized to do business in Michigan. The change in the liability is charged or credited directly to unassigned surplus.

Premiums

Premiums written are recognized on a pro rata basis over the life of the policy term. Certain premiums are subject to retrospective premium adjustments. Bail bond premium is reported net of agent commissions due to a permitted practice granted by the State of Michigan DIFS. The estimated ultimate premium is recognized over the term of the insurance contract. Unearned premiums represent the portion of premiums written applicable to the unexpired terms of policies in force, after deduction for reinsurance ceded to others. Provisions for unearned premiums on reinsurance assumed from others are made on the basis of ceding reports received from those entities.

Income Taxes

The method of tax allocation between the companies is subject to a Tax Allocation Agreement whereby allocation is made primarily on a separate return basis with current credit for any net operating losses or other items utilized in the combined tax return.

The Company's federal income tax return is consolidated with the following entities: AmeriTrust Group, Inc. (Parent), Meadowbrook, Inc., Preferred Insurance Agency, Inc., TPA Insurance Agency, Inc., Florida Preferred Administrators, Inc., Meadowbrook Intermediaries, Inc., Meadowbrook Insurance, Inc., Mackinaw Underwriters, Inc., Crest Financial Corporation, Commercial Carriers Insurance Agency, Inc., Interline Insurance Services, Inc., Liberty Premium Finance, Inc., American Highway Carriers Association, Star Insurance Company, Ameritrust Insurance Corporation, Century Surety Company, ProCentury Corporation, ProCentury Insurance Company, Williamsburg National Insurance Company, Mackinaw Administrators, LLC., Miracle Nova I US, LLC, and Miracle Nova II US, LLC.

Premium Deficiency Reserves

Premium deficiency reserves are required for the amount of the anticipated losses, loss adjustment expenses, commissions and other acquisition costs and maintenance costs that have not previously been expensed and are in excess of the recorded unearned premium reserve on existing policies and anticipated investment income. No premium deficiency reserve was recorded at December 31, 2022 or 2021.

High Deductibles

The Company has no high deductibles on amounts billed as of December 31, 2022 or 2021.

3. Investments

The book/adjusted carrying value, gross unrealized gains, gross unrealized losses, and estimated fair values of long-term bonds and unaffiliated common stock, at December 31, 2022 and 2021, were as follows:

	Book/Adjusted Carrying Value	Unrealized Gains	Unrealized Losses	Estimated Fair Value
December 31, 2022				
Debt securities:				
U.S. governments	**$ 9,109,673**	**$ 4,374**	**$ (526,872)**	**$ 8,587,175**
States, territories, and possessions	**26,191,942**	**32,279**	**(1,190,047)**	**25,034,174**
Political subdivisions of states, territories, and possessions	**24,710,505**	**28,438**	**(2,248,058)**	**22,490,885**
Special revenue and mortgage-backed securities	**189,560,335**	**281,480**	**(17,793,905)**	**172,047,910**
Industrial and miscellaneous	**1,301,930,737**	**206,123**	**(143,179,670)**	**1,158,957,190**
Bank Loans	**47,640,732**	**118,890**	**(96,511)**	**47,663,111**
Total debt securities	**$ 1,599,143,924**	**$ 671,584**	**$ (165,035,063)**	**$ 1,434,780,445**
Common stock – unaffiliated	**85,117,166**	**3,509,771**	**(7,616,383)**	**81,010,554**
Total Securities	**$ 1,684,261,090**	**$ 4,181,355**	**$ (172,651,446)**	**$ 1,515,790,999**

	Book/Adjusted Carrying Value	Unrealized Gains	Unrealized Losses	Estimated Fair Value
December 31, 2021				
Debt securities:				
U.S. governments	$ 8,005,771	$ 62,461	$ (64,154)	$ 8,004,078
States, territories, and possessions	22,815,886	660,432	(70,072)	23,406,246
Political subdivisions of states, territories, and possessions	25,098,892	39,801	(181,033)	24,957,660
Special revenue and mortgage-backed securities	174,094,496	1,364,832	(1,496,254)	173,963,074
All other governments	2,611,637	30,161	-	2,641,798
Industrial and miscellaneous	1,185,355,176	17,353,590	(3,444,959)	1,199,263,807
Bank Loans	53,506,497	177,118	(40,388)	53,643,227
ETF – SVO Identified	20,418,034	-	-	20,418,034
Total debt securities	$1,491,906,389	$ 19,688,395	$(5,296,860)	$1,506,297,924
Common stock – unaffiliated	101,506,864	6,831,269	(2,538,522)	105,799,611
Total Securities	$1,593,413,253	$ 26,519,664	$ (7,835,382)	$1,612,097,535

At December 31, 2022 and 2021 there were no preferred stock securities held by the Company.

The book/adjusted carrying value and estimated fair value of net admitted long-term bonds at December 31, 2022, by contractual maturity, are shown below. Expected maturities may differ from contractual maturities because certain borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Book Adjusted Carrying Value	Estimated Fair Value
Due in one year or less	$ 77,075,705	$76,723,213
Due after one year through five years	501,863,994	478,890,187
Due after five years through ten years	370,444,682	318,062,913
Due after ten years through fifteen years	147,821,825	120,551,346
Due after fifteen years through twenty years	7,073,940	6,109,864
Asset Backed Securities	330,376,901	293,630,817
Mortgage-Backed Securities	164,486,877	140,812,105
	$1,599,143,924	$1,434,780,445

Proceeds from the sales of bonds during 2022 were $131,361,596. Gross gains of $112,933 and gross losses of $3,460,677 were realized on these sales. Proceeds from the sales of bonds during 2021 were $605,303,052. Gross gains of $14,293,770 and gross losses of $1,889,645 were realized on these sales.

The Company has pledged long-term bonds with an aggregate carrying value of $986,956,319 and $1,009,624,618 in connection with various statutory deposit requirements and reinsurance agreements at December 31, 2022 and 2021, respectively.

Other-than-temporary impairment (OTTI) losses result in a permanent reduction to the cost basis of the investment and are included in the net realized loss on investments in the accompanying combined statements of income. The Company recorded an aggregate impairment of $9,829,532 and $4,810,234 for the years ended December 31, 2022 and 2021, respectively.

Positive evidence considered in reaching the Company's conclusion that the bond investments in an unrealized loss position are not other than temporarily impaired consisted of the following: 1) absence of a significant rating downgrade or other credit event; 2) all interest payments are current; 3) there were no significant changes in the financial condition and near-term prospects of the issuer; and 4) the Company's intent and ability to retain the investment for a period of time sufficient to allow for a recovery in value.

The following is the fair value and amount of unrealized losses segregated by the time period the investment has been in an unrealized loss position:

	Less Than 12 Months		**Greater Than 12 Months**	
	Fair Value of Investments With Unrealized Losses	**Gross Unrealized Losses and Non-Credit OTTI**	**Fair Value of Investments With Unrealized Losses**	**Gross Unrealized Losses and Non-Credit OTTI**
December 31, 2022				
Debt securities:				
U.S. government	**$ 4,149,504**	**$ (186,528)**	**$ 3,814,570**	**$ (340,344)**
States, territories, and possessions	**15,335,337**	**(482,049)**	**6,809,636**	**(707,998)**
Political subdivisions of states, territories, and possessions	**7,881,192**	**(447,894)**	**11,063,677**	**(1,800,164)**
Special revenue and mortgage-backed securities	**75,120,363**	**(6,448,851)**	**84,714,676**	**(11,345,054)**
Industrial and miscellaneous	**684,345,439**	**(75,750,826)**	**332,179,219**	**(67,428,845)**
Bank Loans	**1,659,096**	**(96,511)**	**-**	**-**
Total debt securities	**788,490,931**	**(83,412,659)**	**438,581,778**	**(81,622,405)**
Common stock – unaffiliated	**45,486,968**	**(7,616,384)**	**-**	**-**
Total securities	**$ 833,977,899**	**$ (91,029,043)**	**$438,581,778**	**$ (81,622,405)**

	Less Than 12 Months		**Greater Than 12 Months**	
	Fair Value of Investments With Unrealized Losses	**Gross Unrealized Losses and Non-Credit OTTI**	**Fair Value of Investments With Unrealized Losses**	**Gross Unrealized Losses and Non-Credit OTTI**
December 31, 2021				
Debt securities:				
U.S. government	$ 5,129,913	$ (62,622)	$ 47,172	$ (1,532)
States, territories, and possessions	8,921,648	(70,072)	-	-
Political subdivisions of states, territories, and possessions	16,880,052	(181,033)	-	-
Special revenue and mortgage-backed securities	109,328,551	(1,496,254)	-	-
Industrial and miscellaneous	365,304,193	(2,975,650)	20,250,260	(469,309)
Bank Loans	308,674	(1,254)	81,744	(39,134)
Total debt securities	505,873,031	(4,786,885)	20,379,176	(509,975)
Common stock – unaffiliated	20,743,109	(2,538,522)	-	-
Total securities	$ 526,616,140	$ (7,325,407)	$20,379,176	$ (509,975)

For loan-backed and structured securities, the Company's accounting vendor uses a proprietary model for loss assumptions and widely accepted models for prepayment assumptions in valuing mortgage-backed and asset-backed securities. Inputs come from major third-party data providers. Credit loss analysis, resulting effective analytics (spreads, duration, convexity) and cash-flows are reported to clients on a monthly basis. Model assumptions are specific to asset class and collateral types and are regularly evaluated and adjusted where appropriate.

For loan-backed and structural securities, a credit OTTI is determined to exist when the Company does not have the intent to sell and has the ability to hold to recovery, but the anticipated future cash flows are less than the amortized cost.

At December 31, 2022 and 2021, the Company had 210 and 72 loan-backed and structured securities, respectively, that were in an unrealized loss position. Of the securities held at December 31, 2022, 141 were in an unrealized loss position for less than 12 months and 69 were in an unrealized loss position for greater than 12 months. Of the securities held at December 31, 2021, 62 were in an unrealized loss position for less than 12 months and 10 were in an unrealized loss position for greater than 12 months.

	Less Than 12 Months		Greater Than 12 Months	
	Fair Value of Investments With Unrealized Losses	**Gross Unrealized Losses and Non-Credit OTTI**	**Fair Value of Investments With Unrealized Losses**	**Gross Unrealized Losses and Non-Credit OTTI**
December 31, 2022				
Loan-backed and structured securities:				
Residential mortgage-backed	**$ 41,630,230**	**$(4,684,359)**	**$34,710,324**	**$(7,994,547)**
Commercial mortgage-backed	**24,145,129**	**(4,170,495)**	**33,600,702**	**(11,234,031)**
Asset-backed securities	**143,239,650**	**(15,901,146)**	**131,502,560**	**(21,440,983)**
Total loan-backed and structured securities	**$209,015,009**	**$(24,756,000)**	**$199,813,586**	**$(40,669,561)**
December 31, 2021				
Loan-backed and structured securities:				
Residential mortgage-backed	$ 68,548,509	$ (741,926)	$ 757,728	$ (24,329)
Commercial mortgage-backed	38,499,205	(457,481)	-	-
Asset-backed	129,459,711	(1,269,497)	19,539,704	(446,513)
Total loan-backed and structured securities	$236,507,425	$(2,468,904)	$ 20,297,432	$ (470,842)

The Company recognized one loan-backed security with a $0.9 million credit related OTTI loss for the year ending December 31, 2022. The Company recognized a $2.0 million credit-related OTTI on one loan-backed security as of December 31, 2021.

There are several factors that are considered in determining an OTTI, including, but not limited to, effect of interest rates, volatility, prepayment speeds, credit ratings, defaults rates, sector analytics, liquidity, expected earnings, and the present value of projected future cash flows associated with these investments.

4. Fair Value of Financial Instruments

Fair value measurement accounting guidance establishes a three-level hierarchy for fair value measurements that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs) and the reporting entity's own assumptions about market participants' assumptions (unobservable inputs). The hierarchy level assigned to each security in the Company's portfolio is based upon its assessment of the transparency and reliability of the inputs used in the valuation as of the measurement date. The levels of the fair value hierarchy for assets measured at fair value on a recurring basis are as follows:

- Level 1 – Valuations that are based on unadjusted quoted prices in active markets for identical securities. The fair values of exchange-traded equities and mutual funds included in the Level 1 category were based on quoted prices that are readily and regularly available in an active market and are thus classified as Level 1.

- Level 2 – Valuations that are based on observable inputs (other than Level 1 prices), such as quoted prices for similar assets at the measurement date; quoted prices in markets that are not active; or other inputs that are observable, either directly or indirectly. The fair values of securities included in the Level 2 category were based on market values obtained from a third-party pricing service. They were evaluated using pricing models that vary by asset class and incorporate available trade, bid, and other observable market information. The third-party service monitors market indicators as well as industry and economic events. The Level 2 category includes corporate bonds, government and agency bonds, asset-backed, residential mortgage-backed, and commercial mortgage-backed securities, and municipal bonds.
- Level 3 – Valuations that are derived from techniques in which one or more of the significant inputs are unobservable and/or involve management judgment and/or are based on non-binding broker quotes.

The tables below provide information as of December 31, 2022 and 2021, about the Company's financial assets measured at fair value.

		Fair Value Measurements Using:		
	Total	**Level 1**	**Level 2**	**Level 3**
December 31, 2022				
Assets at fair value:				
Debt securities:				
Industrial and miscellaneous	**$ 51,768,992**	**$ -**	**$ 50,338,636**	**$ 1,430,356**
Bank Loans - Unaffiliated	**37,948,420**	**-**	**37,948,420**	**-**
Equity securities:				
Common stock – unaffiliated	**81,010,554**	**78,460,554**	**-**	**2,550,000**
Cash equivalents & short-term investments	**108,941,610**	**108,941,610**	**-**	**-**
Total	**$279,669,576**	**$187,402,164**	**$ 88,287,056**	**$ 3,980,356**
December 31, 2021				
Assets at fair value:				
Debt securities:				
Industrial and miscellaneous	$ 43,362,562	$ -	$ 40,548,910	$ 2,813,652
Bank Loans - Unaffiliated	31,863,895	-	31,863,895	-
ETF – SVO identified	20,418,034	20,418,034	-	-
Equity securities:				
Common stock – unaffiliated	105,799,611	103,284,211	-	2,515,400
Cash equivalents & short-term investments	196,520,290	196,506,764	13,526	-
Total	$397,964,392	$320,209,009	$ 72,426,331	$ 5,329,052

At the end of each reporting period, the Company evaluates whether any event has occurred, or circumstances have changed that would cause an instrument to be transferred between levels or disclosed at fair value. During the years ended December 31, 2022 and December 31, 2021 respectively no transfers between levels occurred.

The table below reflects the fair values and admitted values of all admitted assets and liabilities that are financial instruments excluding those accounted for under the equity method. The fair values are also categorized into the three-level fair value hierarchy as described above.

	December 31, 2022				
	Total Admitted Value	**Total Fair Value**	**Level 1**	**Level 2**	**Level 3**
Debt Securities:					
U.S. Governments	**$ 9,109,672**	**$ 8,587,174**	**$ -**	**$ 8,587,174**	**$ -**
States, territories, and possessions	**26,191,942**	**25,034,173**	**-**	**25,034,173**	**-**
Political subdivisions of states, territories, and possessions	**24,710,505**	**22,490,885**	**-**	**22,490,885**	**-**
Special revenue and mortgage-backed securities	**189,560,335**	**172,047,910**	**-**	**172,047,910**	**-**
All other governments	**-**	**-**	**-**	**-**	**-**
Industrial and miscellaneous	**1,301,930,738**	**1,158,957,190**	**-**	**1,157,132,883**	**1,824,307**
Bank Loans	**47,640,732**	**47,663,110**	**-**	**47,663,110**	**-**
ETF – SVO Identified	**-**	**-**	**-**	**-**	**-**
Total debt securities	**$1,599,143,924**	**$1,434,780,442**	**$ -**	**$1,432,956,135**	**$1,824,307**
Common stock	**81,010,554**	**81,010,554**	**78,460,554**	**-**	**2,550,000**
Total securities	**$1,680,154,478**	**$1,515,790,996**	**$78,460,554**	**$1,432,956,135**	**$4,374,307**

	December 31, 2021				
	Total Admitted Value	Total Fair Value	Level 1	Level 2	Level 3
Debt Securities:					
U.S. Governments	$ 8,005,771	$ 8,004,078	$ -	$ 8,004,078	$ -
States, territories, and possessions	22,815,886	23,406,246	-	23,406,246	-
Political subdivisions of states, territories, and possessions	25,098,892	24,957,660	-	24,957,660	-
Special revenue and mortgage-backed securities	174,094,496	173,963,074	-	173,963,074	-
All other governments	2,611,637	2,641,798	-	2,641,798	-
Industrial and miscellaneous	1,185,355,176	1,199,263,807	-	1,195,980,568	3,283,239
Bank Loans	53,506,497	53,643,227	-	53,643,227	-
ETF – SVO Identified	20,418,034	20,418,034	20,418,034	-	-
Total debt securities	$1,491,906,389	$1,506,297,924	$20,418,034	$1,482,596,651	$3,283,239
Common stock	105,799,611	105,799,611	103,284,211	-	2,515,400
Total securities	$1,597,706,000	$1,612,097,535	$123,702,245	$1,482,596,651	$5,798,639

The table below provides information as of December 31, 2022, about the Company's roll forward of fair value measurements in Level 3.

	Significant Unobservable Inputs – Level 3
Balance as of January 1, 2021	$ 7,482,488
Total gains or (losses):	
Included in surplus	(1,868,988)
Purchases, issuances, sales, and settlements:	
Purchases	(284,448)
Transfers between fair value and cost, net	-
Balance as of January 1, 2022	$ 5,329,052
Total gains or (losses):	
Included in surplus	(1,183,546)
Purchases, issuances, sales, and settlements:	
Purchases	(165,150)
Transfers between fair value and cost, net	-
Balance as of December 31, 2022	$ 3,980,356

The estimated fair values of the Company's investments are based on prices provided by third-party pricing services. The prices provided by these services are based on quoted market prices (when available), non-binding broker quotes, or matrix pricing. The Company has not historically adjusted security prices.

For corporate, government, and municipal bonds, the third-party pricing service utilizes a pricing model with standard inputs that include benchmark yields, reported trades, issuer spreads, two-sided markets, benchmark securities, market bids/offers, and other reference data observable in the marketplace. The model uses the option-adjusted spread methodology and is a multi-dimensional relational model. All bonds valued under these techniques are classified as Level 2.

For asset-backed, residential mortgage-backed, and commercial mortgage-backed securities, the third-party pricing service valuation methodology includes consideration of interest rate movements, new issue data, monthly remittance reports, and other pertinent data that is observable in the marketplace. This information is used to determine the cash flows for each tranche and identifies the inputs to be used, such as benchmark yields, prepayment assumptions, and collateral performance. All asset-backed, residential mortgage-backed, and commercial mortgage-backed securities valued under these methods are classified as Level 2.

For all assets where readily observable pricing methods are not available, the third-party investment manager will price the asset using a combination of non-binding broker-dealer quotes, benchmarking techniques, and sector specific knowledge. All assets priced using this methodology are classified as Level 3.

5. Debt

In 2011, the Company became a member of the Federal Home Loan Bank of Indianapolis ("FHLBI") primarily for the purpose of participation in its mortgage-collateralized loan advance program. Membership requires the Company to purchase and hold a minimum amount of FHLB capital stock. The Company is also required to purchase additional capital stock based on advances taken by the Company. Advances are in the form of interest payment only funding agreements issued by FHLB.

The following table summarizes the rates and amounts associated with the Company's FHLBI advances:

Issue Date	Maturity Date	Accrued Interest Rate	Interest Paid in 2022	Carrying Value as of December 31, 2022
03/30/2020	03/30/2023	1.59%	320,415	20,000,000
04/07/2020	04/10/2023	0.97%	98,346	10,000,000
04/24/2020	04/24/2023	0.80%	81,110	10,000,000
			$499,871	$40,000,000

Due to the nature of the lending agreements, the carrying values for borrowings approximate their face value.

The Company has the ability to increase its borrowing capacity through purchasing additional FHLBI capital stock and pledging additional collateralized RMBS securities. Collateral and capital stock requirements are periodically reviewed by FHLBI and adjusted by the Company per the requirements of the advance agreement. The Company retains all the rights and privileges regarding the pledged collateralized RMBS securities. The Company remained in compliance with all debt terms and covenants during 2022 and 2021.

The table below indicates the total amount of assets and liabilities related to the agreement with FHLB as of December 31.

	2022	2021
FHLB Capital Stock		
Membership Stock		
Class B Stock purchased / owned	**$ 2,550,000**	$ 2,515,400
Amount eligible for redemption	**-**	-
Fair Value of Collateral Pledged	**56,607,413**	52,945,826
Carrying Value of Collateral Pledged	**62,946,144**	52,767,670
Authorized borrowing capacity	**80,000,000**	80,000,000
Available borrowing capacity	**40,000,000**	40,000,000

6. Liability for Losses and Loss Adjustment Expenses

	2022	2021
Unpaid losses and LAE at beginning of year	**$1,064,187,234**	$1,024,220,115
Losses and LAE incurred in current year:		
Current year losses and LAE	**423,561,103**	417,945,695
Prior year losses and LAE	**95,175,551**	(8,541,220)
Total incurred	**518,736,654**	409,404,475
Losses and LAE paid in current year:		
Current year losses and LAE	**113,141,206**	126,005,655
Prior year losses and LAE	**276,321,430**	243,431,701
Total paid	**389,462,636**	369,437,356
Unpaid losses and LAE at end of year	**$1,193,461,252**	$1,064,187,234

On December 31, 2022, AmeriTrust Group was purchased by AFICA. Upon completion of the transaction, an increase of $87.3 million was made to management's best estimate of gross and net prior accident year ultimate loss estimates. The increase impacted accident years 2021 and prior and varied by Annual Statement Line of Business. The increase in the best estimate helps align management's reserve estimation processes across the AFICA enterprise.

In previous years, ultimate loss estimates include provisions for inflation that were consistent with historical averages. Inflation has surged during 2022 in excess of long-term inflationary trends. This has necessitated an inflation specific adjustment to the IBNR reserves for accident years 2021 and prior. The ultimate loss estimates as of December 31, 2022 reflect the inflation specific adjustment.

In total, prior accident year ultimate loss estimates during 2022 increased $95.2 million. Ultimate loss estimates on Auto Liability and General Liability business combined increased by $26.0 million, the Public Entity Excess runoff increased by $29.0 million, and Short Tail Lines increased by $3.8 million. This was offset by a $3.5 million decrease on Workers Compensation business. All other lines of business increased by $39.9 million. Analysis performed in 2022 showed additional exposure to claims that have loss potential in excess of reinsurance limits. All other lines include the resulting increase to the prior year ultimate loss estimates from this exposure.

In 2021, prior accident year ultimate loss estimates decreased $8.5 million. Ultimate loss estimates on Auto Liability and General Liability business combined increased by $5.2 million; Short Tail Lines increased by $1.0 million, and the Public Entity Excess runoff increased by $7.2 million. This was offset by a $29.9 million decrease on Workers Compensation business. All other lines of business increased by $8.0 million.

The net loss and ALAE reserves of $1.193 billion were partially offset by $38.4 million in retroactive reinsurance recoverable reserves under an Adverse Development Cover ("ADC") agreement. The ADC agreement is further described below(in Note 7) and is classified as retroactive reinsurance due to covering prior year losses. Because of the retroactive nature, the impact of the ADC flows through Other Income on a statutory basis, in lieu of Underwriting Income, and does not directly impact the Combined Ratio.

7. Reinsurance

Star has historically maintained an allowance for the potential uncollectibility of certain reinsurance balances due from some risk-sharing partners, some of which may be in dispute. At the end of each quarter, an analysis of these exposures is conducted to determine the potential exposure to uncollectibility. At December 31, 2022 and 2021, the allowance was $0.5 million. To date, the Company has not, in the aggregate, experienced material difficulties in collecting balances from its risk-sharing partners. No assurance can be given, however, regarding the future ability of reinsurers to meet their obligations.

Star maintains a reinsurance structure designed to protect against large or unusual loss and loss adjustment expense activity. Star determines the appropriate amount of reinsurance based primarily on Star's evaluation of the risks accepted, but also considers analysis prepared by consultants and reinsurers, along with market conditions including the availability and pricing of reinsurance. However, no assurance can be given regarding the future ability of any of Star's reinsurers to meet their obligations.

Star also assumes insurance from other domestic insurers and reinsurers under pro rata contracts.

In 2013, the Companies entered into a 100% fronting agreement with State National Insurance Company, and its affiliates, effective July 1, 2013. A 100% quota share reinsurance agreement was executed with State National Insurance Company, National Specialty Insurance Company and United Specialty Insurance Company (collectively, "SNIC"), wherein certain of the business is written on SNIC and 100% assumed by the Companies. Effective October 1, 2016, the fronting agreement was novated to reflect that Star now assumes 100% of the business written by SNIC.

The SNIC fronted business fee is reflected as assumed commission on Star's financial statements. In 2022 and 2021, the Companies collectively have assumed $0.1 million and $4.2 million in gross written premium from SNIC, respectively.

A reconciliation of direct to net premiums, on both a written and earned basis, for 2022 and 2021 follows:

	2022		2021	
	Written	**Earned**	Written	Earned
Direct	**$723,406,761**	**$701,481,114**	$670,556,060	$655,010,127
Assumed	**6,908,287**	**7,634,561**	8,409,046	13,403,178
Ceded	**(87,402,572)**	**(87,157,398)**	(92,867,068)	(92,922,074)
Net premiums	**$642,912,476**	**$621,958,277**	$586,098,038	$575,491,231

The following amounts have been deducted in the accompanying financial statements as a result of reinsurance ceded:

	2022	2021
Unpaid losses and loss adjustment expenses	**$536,151,687**	$545,068,281
Losses and loss adjustment expenses incurred	**50,364,110**	62,383,725
Unearned premiums	**4,349,742**	4,104,568
Ceding commissions	**11,460,676**	10,524,120

At December 31, 2022, the aggregate total of unsecured, unaffiliated reinsurance recoverables in excess of 3% of policyholder surplus with any one individual reinsurer was $315,998,694. The unsecured reinsurance balances in excess of 3% of policyholder surplus with any one reinsurer included:

Individual Reinsurers Who Are Not Members of a Group

Reinsurer Name	Unsecured Amount
Hannover Ruck SE	$ 126,679,760
Lloyds #2003 - CATLIN	$ 47,728,840
Lloyds #4472 - LIBERTY	$ 40,262,158
Lloyds #2987 - BRIT	$ 25,200,349
Aspen Ins UK Ltd	$ 19,277,074

Individual Reinsurers Who Are Members of a Group

Group Code	Reinsurer Name	Unsecured Amount
0181	Swiss Reinsurance Corporation	$ 37,605,750
3416	Axis Reins Co	$ 19,244,764

All Members of the Groups Shown Above with Unsecured Reinsurance Recoverables

Group Code	Reinsurer Name	Unsecured Amount
0181	Swiss Reinsurance Corporation	$ 21,825,119
3416	Axis Reins Co	$ 19,244,764

The above-mentioned balances are all due to Star. These reinsurers are authorized in the state of Michigan.

Star entered into a Quota Share Reinsurance Agreement on June 1, 2002 with the Berkley Insurance Company to provide coverage for 90% of the first $1,000,000 of loss and 100% of the next $4,000,000 of loss for excess and umbrella policies.

Included in the terms of the agreement is a profit contingency between Star and Berkley based upon three-year rating periods beginning with June 1, 2002 through May 31, 2005 and each subsequent three-year period. The profit contingency to be paid is equal to 25% of the difference between the amount of ceded earned premium during the rating period less ceded losses incurred (defined as ceded paid losses plus ceded case losses and LAE including IBNR) less actual ceding commission paid less a ceded expense factor of 15% less any deficit carryforward from any previous three-year rating periods. As of December 31, 2022 and 2021, Star accrued an outstanding profit contingency, net of cash settled, due to Berkley of $667,848 and $690,445 respectively.

The net amount of return commissions recoverable at December 31, 2022, if all external, unaffiliated assumed and ceded reinsurance was cancelled is as follows:

	Assumed Reinsurance		**Ceded Reinsurance**		**Net**	
	Unearned Premium Reserves	**Commission Equity**	**Unearned Premium Reserves**	**Commission Equity**	**Unearned Reserves**	**Commission Equity**
Subsidiaries	**$ 200,552,111**	**$ -**	**$ 200,552,111**	**$ -**	**$ -**	**$ -**
Non-subsidiaries	**1,572,670**	**107,194**	**4,349,742**	**701,153**	**(2,777,072)**	**(593,960)**
Total	**$ 202,124,781**	**$ 107,194**	**$ 204,901,853**	**$ 701,153**	**$ (2,777,072)**	**$ (593,960)**
Direct unearned premium reserve		**$286,763,848**				

The net amount of return commissions recoverable at December 31, 2021, if all external, unaffiliated assumed and ceded reinsurance was cancelled is as follows:

	Assumed Reinsurance		Ceded Reinsurance		Net	
	Unearned Premium Reserves	Commission Equity	Unearned Premium Reserves	Commission Equity	Unearned Reserves	Commission Equity
Subsidiaries	$ 179,261,256	$ -	$ 179,261,256	$ -	$ -	$ -
Non-subsidiaries	2,298,944	310,017	4,104,568	725,089	(1,805,624)	(415,072)
Total	$ 181,560,200	$ 310,017	$ 183,365,824	$ 725,089	$ (1,805,624)	$ (415,072)

Direct unearned premium reserve	$264,838,201

In 2022 and 2021, there were no reinsurance commutations transacted.

Retroactive Reinsurance

On October 1, 2015, Star entered into two Adverse Loss Development ("ADC") reinsurance contracts: one supported by Peak Reinsurance Company Limited ("Peak Re") and one supported by Hannover Re Limited-Ireland ("Hannover Re"). Collectively, the contracts provide up to $100 million of indemnity for losses incurred, including Incurred but Not Reported (IBNR) on accident years 2014 and prior in excess of 2% of stated booked reserves (the Company's retention). Star may not recoup any amount due from reinsurers until such ceded reserve recoverable loss is actually paid by Star. Total consideration of $64 million was paid under the contracts.

The contracts are retroactive reinsurance contracts and are accounted and reported for as such in the corresponding December 31, 2022 and 2021 financial statements in accordance with the requirements of SSAP 62R, *Property and Casualty Reinsurance*.

Effective November 5, 2021, Star commuted Peak Re's 50% participation in the ADC reinsurance contract. Star agreed to release Peak Re from all further liabilities under the contract for a cash settlement of $41,318,697. Star recognized an $8,618,803 loss on the transaction and reported the loss from the retroactive reinsurance commutation transaction as net other income (expense) in the accompanying financial statements.

As of December 31, 2022 and 2021, an ADC reserve recoverable has been established from reinsurers under the contracts totaling $38.4 million and $50.0 million, respectively, all of which is related to IBNR estimates.

The total ADC reserve recoverable as of December 31, 2022 and 2021 of $38.4 million and $50.0 million, respectively, is recoverable from Hannover Re.

	Ceded
Retroactive Reinsurance Agreements	
a. Reserves Transferred	
1. Initial Reserves	$ 65,526,889
2. Adjustments – Prior Years	(15,526,889)
3. Adjustments – Current Year	(11,593,061)
4. Current Total	38,406,939
b. Consideration Paid or Received	
1. Initial Consideration	$ (64,000,000)
2. Adjustments – Prior Years	34,000,000
3. Adjustments – Current Year	-
4. Current Total	(30,000,000)
c. Paid Losses Reimbursed or Recovered	
1. Prior Years	-
2. Current Year	7,732,476
3. Current Total	7,732,476
d. Segregated Surplus on Retroactive Reinsurance	
1. Initial Surplus Gain or Loss	$ 1,526,889
2. Adjustments – Prior Years	18,473,113
3. Adjustments – Current Year	(2)
4. Current Year Restricted Surplus	20,000,000
5. Cumulative Total Transferred to Unassigned Funds	-

8. Retrospectively Rated Contracts

Accrued retrospective premiums, included in receivable balances due and deferred on the accompanying combined balance sheets, have been determined based upon loss experience on business subject to such experience rating adjustment. Accrued retrospectively rated premiums, including all of those relating to bulk IBNR, have been determined by or allocated to individual policyholder accounts. Business written with retrospective rating features includes workers' compensation and general liabilities coverages. Any current year retrospective premium recorded related to workers' compensation coverage is for periodic premium adjustments related to loss experience per the contract terms. Retrospective premium related to general liability coverage is the estimated ultimate premium anticipated related to the ultimate exposure as determined by the retrospective experience factors for the policy term. The Company records accrued retrospective premiums through written premium.
The amount of 2021 net premiums written subject to retrospective rating features, as well as the corresponding percentage to total net premiums written, were as follows:

Total premium subject to retrospective rating	**$ -**
Total net premiums written	**642,912,476**
Percent of retro premium to total premium	**0.00%**

Accrued retrospective premium is as follows:

	December 31	
	2022	2021
Total accrued retrospective premium receivable	**$ 166,492**	$ 164,376
Less nonadmitted amount - 10% of receivable	**16,649**	16,438
	$ 149,843	$ 147,938

9. Intercompany Pooling Arrangements

Star and its subsidiaries are parties to an Intercompany Pooling Agreement (IPA), effective January 1, 2009. The IPA was amended (novated) effective October 1, 2016, to novate all insurance risks of the affiliated carriers, requiring Star to assume all premiums, claims, underwriting expenses and outstanding reserves with no retroceding back to the other carriers. This change was not disapproved by any of the carrier's domestic or commercially domiciled regulators. Effective November 1, 2018, the IPA was amended to remove Savers Property and Casualty Company due to the sale of that company.

With the October 1, 2016 amendment, beginning with December 31, 2016 and subsequent periods, Ameritrust, Williamsburg, Century and PIC are reporting zero Net Premiums Earned, Losses and LAE incurred, Underwriting Expenses, Unpaid Losses and LAE, and Unearned Premiums. As a result, the Schedule P for these companies will reflect "None". All direct and non-affiliated assumed business written on Ameritrust, Williamsburg, Century and PIC is ceded to Star, Star continues to cede to external reinsurers, with Star then retaining the net underwriting exposure.

In the event that the reinsuring company would be unable to meet its obligations under existing reinsurance agreements, Star would be liable for such defaulted amounts. Therefore, Star is subject to credit risk with respect to the obligations of its reinsurers.

Each affiliate continues to hold its own invested assets to the extent necessary and required.

Amounts due to/from lead entity and pool participants are as follows as of December 31, 2022:

Name of Insurer	Amounts Receivable	Amounts Payable	Net Receivable (Payable)
Star (lead insurer)	$ 4,129,908	$ (6,697,082)	$ (2,567,174)
Century	6,368,317	-	6,368,317
Williamsburg	328,765	-	328,765
ProCentury	-	(4,030,247)	(4,030,247)
Ameritrust	-	(99,661)	(99,661)

10. Federal Income Taxes

The components of the Company's net deferred tax asset (liability) at December 31 are as follows:

	2022		
	Ordinary	**Capital**	**Total**
Gross deferred tax assets	**$ 36,077,288**	**$ 7,673,806**	**$ 43,751,094**
Statutory valuation allowance adjustment	**–**	**–**	**–**
Adjusted gross deferred tax assets	**36,077,288**	**7,673,806**	**43,751,094**
Deferred tax assets nonadmitted	**(5,255,698)**	**(4,720,603)**	**(9,976,301)**
Subtotal net deferred tax assets	**30,821,590**	**2,953,203**	**33,774,793**
Deferred tax liabilities	**(4,363,456)**	**(358,007)**	**(4,721,463)**
Net admitted deferred tax assets	**$ 26,458,134**	**$ 2,595,196**	**$ 29,053,330**
Increase in nonadmitted deferred tax assets			**$ 5,689,263**

	2021		
	Ordinary	Capital	Total
Gross deferred tax assets	$ 35,442,098	$ 1,693,206	$ 37,135,304
Statutory valuation allowance adjustment	–	–	–
Adjusted gross deferred tax assets	35,442,098	1,693,206	37,135,304
Deferred tax assets nonadmitted	(4,210,192)	(76,846)	(4,287,038)
Subtotal net deferred tax assets	31,231,906	1,616,360	32,848,266
Deferred tax liabilities	(4,788,496)	(1,134,102)	(5,922,598)
Net admitted deferred tax assets (liabilities)	$ 26,443,410	$ 482,258	$ 26,925,668
Decrease in nonadmitted deferred tax assets			$ 3,677,729

The following tables provide information as of December 31, 2022 and 2021, related to the admission calculation components under SSAP 101:

	2022		
	Ordinary	**Capital**	**Total**
Federal income taxes paid in prior years recoverable through loss carrybacks	**$ 5,800,692**	**$ 2,654,547**	**$ 8,455,239**
Adjusted gross DTAs expected to be realized (excluding the amount above) after application of the threshold limitation, the lesser of:	**20,697,596**	**–**	**20,697,596**
Adjusted gross DTAs expected to be realized following the balance sheet date	**20,697,596**	**–**	**20,697,596**
Adjusted gross DTAs allowed per limitation threshold	**XXX**	**XXX**	**86,342,664**
Adjusted gross DTAs (excluding the amounts above) offset by gross DTLs	**4,323,302**	**298,656**	**4,621,958**
DTAs admitted as the result of application of SSAP 101	**$ 30,821,590**	**$ 2,953,203**	**$ 33,774,793**

	2021		
	Ordinary	Capital	Total
Federal income taxes paid in prior years recoverable through loss carrybacks	$ 15,948,742	$ 590,344	$ 16,539,086
Adjusted gross DTAs expected to be realized (excluding the amount above) after application of the threshold limitation, the lesser of:	10,462,832	76,280	10,539,112
Adjusted gross DTAs expected to be realized following the balance sheet date	10,462,832	76,280	10,539,112
Adjusted gross DTAs allowed per limitation threshold	XXX	XXX	97,727,142
Adjusted gross DTAs (excluding the amounts above) offset by gross DTLs	4,820,332	949,736	5,770,068
DTAs admitted as the result of application of SSAP 101	$ 31,231,906	$ 1,616,360	$ 32,848,266

The following table provides additional information as of December 31, 2022 and 2021, related to the admission calculation:

	2022	2021
Ratio percentage used to determine recovery period and threshold limitation amount	**435%**	518%
Amount of adjusted capital and surplus used to determine recovery period and threshold limitation amount	**$ 575,617,758**	$ 651,514,285

Impact of tax planning strategies:

	2022		
	Ordinary	**Capital**	**Total**
(a) Adjusted Gross DTAs (% of Total Adjusted Gross DTAs)	**–**	**35%**	**6%**
(b) Net Admitted Adjusted Gross DTAs (% of Total Net Admitted Adjusted Gross DTAs)	**–**	**–**	**–**

	2021		
	Ordinary	Capital	Total
(a) Adjusted Gross DTAs (% of Total Adjusted Gross DTAs)	–	35%	2%
(b) Net Admitted Adjusted Gross DTAs (% of Total Net Admitted Adjusted Gross DTAs)	–	–	–

The Company's tax-planning strategies did not include the use of reinsurance-related tax-planning strategies.

The Company has no unrecognized deferred income tax liabilities.

Current income taxes incurred for the years ended December 31 consist of the following:

	2022	2021
Federal income tax expense – ordinary	**$ (6,279,110)**	$ 2,394,501
Foreign tax	**104,386**	80,886
Federal income tax expense – capital	**(1,948,314)**	6,471,274
Current income taxes incurred	**$ (8,123,038)**	$ 8,946,661

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities are as follows at December 31:

	2022	2021
Deferred tax assets		
Ordinary:		
Discount of unpaid losses and LAE	**$ 21,449,756**	$ 21,384,715
20% of unearned premiums	**11,927,444**	11,047,368
Nonadmitted assets	**2,640,917**	2,951,662
Other	**59,171**	58,353
Total ordinary deferred tax assets	**36,077,288**	35,442,098
Capital:		
Net unrealized capital losses	**3,489,391**	–
Investment items	**2,913,154**	848,952
Partnership interest	**1,271,261**	844,254
Total capital deferred tax assets	**7,673,806**	1,693,206
Total deferred tax assets	**43,751,094**	37,135,304
Statutory valuation allowance adjustment	**–**	–
Adjusted gross deferred tax assets	**43,751,094**	37,135,304
Nonadmitted deferred tax assets	**(9,976,301)**	(4,287,038)
Admitted deferred tax assets	**$ 33,774,793**	$ 32,848,266
Deferred tax liabilities		
Ordinary:		
Discount of unpaid losses and LAE	**$ 2,902,144**	$ 3,869,526
Investment items	**1,210,347**	598,394
Discount of accrued salvage and subrogation	**250,965**	320,576
Total ordinary deferred tax liabilities	**4,363,456**	4,788,496
Capital:		
Net unrealized capital gains and foreign currency translation adjustment	**–**	780,224
Partnership interest	**358,007**	353,878
Total capital deferred tax liabilities	**358,007**	1,134,102
Total deferred tax liabilities	**4,721,463**	5,922,598
Net admitted deferred tax assets	**$ 29,053,330**	$ 26,925,668

The change in net deferred income taxes is comprised of the following (this analysis is exclusive of the change in nonadmitted deferred tax assets, which are reported separately from the change in net deferred income tax in the accompanying combined statements of changes in capital and surplus) at December 31:

	2022	2021	**Change**
Gross deferred tax assets	**$ 43,751,094**	$ 37,135,304	**$ 6,615,790**
Statutory valuation allowance	**–**	–	**–**
Adjusted gross deferred tax assets	**43,751,094**	37,135,304	**6,615,790**
Gross deferred tax liabilities	**(4,271,463)**	(5,922,598)	**1,201,135**
Net deferred tax assets	**$ 39,029,631**	$ 31,212,706	**$ 7,816,925**
Deferred tax on change in net unrealized capital gains and foreign currency translation adjustment			**(4,269,615)**
Change in net deferred income tax			**$ 3,547,310**

The provision for federal income taxes incurred is different from that which would be obtained by applying the statutory federal income tax rate to income before income taxes. The significant items causing this difference are as follows:

	2022 Tax Effect	**Effective Tax Rate**	2021 Tax Effect	Effective Tax Rate
Provision computed at statutory rate	**$(11,721,927)**	**21.00%**	$ 9,422,036	21.00%
Tax-exempt interest income deduction, net of proration	**(246,947)**	**0.44**	(125,566)	(0.28)
Change in nonadmitted assets	**310,745**	**(0.56)**	113,233	0.25
Dividends received deduction, net of proration	**(98,284)**	**0.18**	(65,451)	(0.15)
Non-deductible expenses	**24,630**	**(0.04)**	34,107	0.08
Accrual adjustment – prior year	**(43,095)**	**0.08**	(30,652)	(0.07)
Other	**104,530**	**(0.19)**	(28,324)	(0.06)
Taxable expense before the impact of changes in net deferred income taxes	**$(11,670,348)**	**20.91%**	$ 9,319,383	20.77%
Federal and foreign income taxes incurred - ordinary	**$ (6,174,724)**	**11.06%**	$ 2,475,387	5.52%
Realized capital gains tax	**(1,948,314)**	**3.49**	6,471,274	14.42
Change in net deferred income taxes	**(3,547,310)**	**6.36**	372,722	0.83
Total statutory income taxes	**$(11,670,348)**	**20.91%**	$ 9,319,383	20.77%

At December 31, 2022, the Company has $8,608,384 of federal income tax expense incurred during 2021 that can be recouped in the event of future net operating losses.

At December 31, 2022 and December 31, 2021, the Company did not have any protective tax deposits under Section 6603 of the Internal Revenue Code.

Interest costs and penalties related to income taxes are classified as other underwriting expense incurred in the accompanying combined statements of income. As of December 31, 2022 and 2021, the Company had no amounts of accrued interest or penalties related to uncertain tax positions.

The Company and its subsidiaries are subject to U.S. federal income tax as well as to income tax of multiple state jurisdictions. Tax returns for all years subsequent to 2018 are subject to future examination by tax authorities.

At December 31, 2022, the Company had $14,143,707 of net federal income taxes receivable from its Parent. At December 31, 2021, the Company had $1,027,041 of net federal income taxes receivable from its Parent.

At December 31, 2022 and December 31, 2021, the Company did not have any tax loss contingencies for which it is reasonably possible that the total liability will significantly increase within twelve months of the reporting date.

On August 16, 2022, the Inflation Reduction Act was signed into law, which included a new corporate alternative minimum tax (the "CAMT") of 15% of the adjusted financial statement of income ("AFSI") of corporations with average AFSI exceeding $1.0 billion over a three-year period. The CAMT is effective beginning after December 31, 2022. The Company has determined that it does not expect to be subject to the Corporate AMT in 2023.

11. Capital and Surplus

At December 31, 2022 and 2021, the Company had common stock with a stated value of $5,040,000 on a combined basis. The details of the stock are as follows:

Entity	Stated Value Per Share	Shares Authorized	Shares Issued and Outstanding	Value
Star and subsidiaries	$ 21	500,000	240,000	$ 5,040,000

Star, Ameritrust, Williamsburg and PIC are domiciled in Michigan and Century is domiciled in Ohio. Michigan and Ohio law regulating dividends state that the maximum discretionary (“ordinary”) dividend payable is limited to the greater of the following:

(1) 10% of the prior-year surplus, or
(2) Prior-year net income (excluding realized capital gains).

These dividends are further limited by a clause in the laws, which prohibit an insurer from declaring dividends, except out of the surplus earnings of the company as allowed under the Insurance Codes of the states of Michigan and Ohio.

As the parent insurance company for all subsidiaries, Star’s dividend calculation is based on the combined surplus of all entities. The maximum ordinary dividend payment allowed from Star to AmeriTrust Group, Inc. during 2022, without prior regulatory approval, was $67,855,267, of which $10,000,000 was paid. In 2021 Star had the capacity to pay ordinary dividends of $67,282,289 without prior regulatory approval, of which $8,000,000 was paid.

During 2022 and 2021, there were no ordinary and extraordinary dividend payments made between the insurance affiliates.

The Company, as part of its statutory filings, is required to disclose its risk-based capital (RBC) requirements. The NAIC developed an RBC program to enable regulators to take appropriate and timely regulatory actions relating to insurers that show signs of weak or deteriorating financial conditions. RBC is a series of dynamic formulas, which measure required capital and surplus based on a Company's product and investment portfolio. The level of regulatory oversight ranges from requiring the insurance company to inform and obtain approval from the domiciliary insurance commissioner of a comprehensive financial plan for increasing its RBC to mandatory regulatory intervention to requiring an insurance company to be placed under regulatory control in a rehabilitation or liquidating proceeding. At December 31, 2022 and 2021, Star, Century, PIC, Ameritrust, and Williamsburg all met the minimum RBC levels to which they are subject.

12. Related-Party Transactions

The Company does not directly hire employees. Rather, the Company has a Management Service Agreement with Meadowbrook, Inc., a subsidiary of AmeriTrust, and subsidiaries and affiliates, which provides the accounting, financial reporting, underwriting, compliance, reinsurance, sales, claims, loss prevention, and general management services for the Company. Fees paid to Meadowbrook, Inc. and subsidiaries and affiliates are determined on an annual basis by program, based on the costs associated with overall administration of each program. The fees are distributed to business segment based on provisional departmental costs related to services performed.

Effective November 1, 2018, the Company entered into a new Management Services Agreement ("Agreement"). The Agreement is effective through October 31, 2021 and automatically extends for additional three (3) year periods, if not terminated by the parties.

For the years ended December 31, 2022 and 2021, fees expensed related to the Agreement are $82,525,589 and $76,635,051, respectively. Of the total fees expensed, $61,140,590 and $58,198,166 are included in other underwriting expenses incurred in 2022 and 2021, respectively, and $21,384,999 and $18,436,885 are included in losses and loss adjustment expenses incurred in 2022 and 2021, respectively.

The Company has an Agency Agreement with Meadowbrook, Inc. and its affiliates or subsidiaries (the Agent) whereby the Company pays the Agent a commission for the production of premium. For the years ended December 31, 2022 and 2021, commissions paid to the Agent were $10,510,743 and $10,893,532, respectively.

In addition, the Company's federal income tax return is combined with the entities referenced in Note 10. Pursuant to the Tax Allocation Agreement, the Company generated a $8,227,424 tax benefit during 2022. This compares to $8,865,775 of tax expense during 2021, which was ultimately remitted to AmeriTrust.

A portion of the Company's business is written by affiliates as agents for the Company. The following amounts are included in the accompanying financial statements as of and for the years ended December 31, 2022 and 2021, related to these affiliates:

	2022	2021
Agent's balances, net of commissions payable and claims fees payable	**$ 4,444,397**	$ 5,010,404
Commissions	**10,510,743**	10,893,532

13. Managing General Agents

Star, Williamsburg and ProCentury use a third-party administrator (TPA) to adjust claims (CA), underwrite polices (U), bind policies (B), collect premiums (P), and pay claims (C) for workers compensation products in specified areas.

Name and Address of Third-Party Administrator	FEIN Number	Exclusive Contract	Types of Business Written	Types of Authority Granted	Total Direct Premium Written/Produced By
Midwest General Insurance Agency, LLC 300 S Bradfordton Rd. Springfield, Il 62711	37-1406801	No	Workers Compensation	CA, U, B, P, C	$ 48,514,558

14. Participating Business

For the years ended December 31, 2022 and 2021, premiums written under participating policies were $8,719,410 and $9,189,435, respectively, or 1.2% and 1.4% of total direct premiums written (including SNIC assumed written premium) for 2022 and 2021. The Company pays policyholder dividends at the sole discretion of the Board of Directors. Dividends are not guaranteed. During 2022 and 2021, the Company paid dividends in the amount of $170,572 and $241,870, respectively, to policyholders and did not allocate any additional income to such policyholders.

15. Commitments and Contingencies

Litigation

The Company is involved in litigation arising in the ordinary course of operations. While the results of litigation cannot be predicted with certainty, management is of the opinion, after reviewing these matters with legal counsel, that the final outcome of such litigation will not have a material effect upon the Company's combined financial position, results of operations, or cash flows.

Investment Commitment

Aquiline Financial Services Fund III, LP Investment
In June 2015, the Company committed to invest up to $10 million in the Aquiline Financial Services Fund III L.P. ("the Fund"). As of December 31, 2022, $12.4 million has been invested in the fund, with $2.9 million of inception-to-date distributions being subject to recall and a remaining unfunded commitment of $0.5 million. The Company's ownership interest is approximately 0.8% of the Fund, which does not constitute "significant influence". The Company is accounting for this investment under the equity method of accounting, and as such recognized 0.8% of the Fund's net income of $5.4 million and $6.8 million, respectively, for the years ended December 31, 2022 and December 31, 2021, which was recorded as an unrealized gain on the change in net unrealized capital gains or (losses) line of the Combined Statements of Changes in Capital and Surplus in accordance with statutory guidance. The Company recognized $3.3 million and $6.8 million, respectively of cash distributions received from the fund during the years ended December 31, 2022 and December 31, 2021 as dividend income on the Net investment income line of the Combined Statements of Operations in accordance with statutory guidance. The balance in the investment as of December 31, 2022 and December 31, 2021 was $12.3 million and $10.1 million, respectively.

Michigan Income and Principal Protected Growth Fund Investment
In May 2014, the Company committed to invest up to $2.0 million in the Michigan Income and Principal-Protected Growth Fund, L.P. ("the Fund"). As of December 31, 2022, $1.9 million has been invested in the fund, with a remaining unfunded capital commitment of $0.1 million. The Company's ownership interest is approximately 7.5% of the Fund, which does not constitute "significant influence". The Company is accounting for this investment under the equity method of accounting, and as such recognized 7.5% of the Fund's net loss of $28 thousand and $19 thousand, respectively, for the years ended December 31, 2022 and December 31, 2021, which was recorded as an unrealized loss on the change in net unrealized capital gains or (losses) line of the Combined Statements of Changes in Capital and Surplus in accordance with statutory guidance. The balance in the investment as of December 31, 2022 and December 31, 2021 was $0.5 million and $0.6 million, respectively.

BlackRock Securitized Investors, LP Fund Investment
In June 2020, the Company committed to invest up to $10.0 million in the BlackRock Securitized Investors Fund, L.P. ("the Fund"). As of December 31, 2022, $5.8 million has been invested in the fund, with a remaining unfunded capital commitment of $4.2 million. The Company's ownership interest is approximately 1.9% of the Fund, which does not constitute "significant influence". The Company is accounting for this investment under the equity method of accounting, and as such recognized 1.9% of the Fund's net income (loss) of ($0.7) million and $0.8 million, respectively, for the years ended December 31, 2022 and December 31, 2021, which was recorded as an unrealized gain (loss) on the change in net unrealized capital gains or (losses) line of the Combined Statements of Changes in Capital and Surplus in accordance with statutory guidance. The balance in the investment as of December 31, 2022 and December 31, 2021 was $5.8 million and $6.9 million, respectively.

COVID-19

The Company has not experienced a material impact from COVID-19 on our business operations, financial position, liquidity, or our ability to service our policyholders to date, with the exceptions of fluctuations in our investment portfolios due to volatility of the equity securities markets. The COVID-19 pandemic and resulting global disruptions did not have a material impact on our access to credit and capital markets needed to maintain sufficient liquidity for our continued operating needs during the years ended December 31, 2022 and 2021.

The scope, severity and longevity of any business shutdowns and economic disruptions as a result of the COVID-19 outbreak are highly uncertain and cannot be predicted at this time, as new information may continue to emerge concerning the actions governments may take to contain or mitigate the spread of the virus or address its impact on individuals, businesses, and the economy. We did not incur material claims or significant disruptions to our business for the years ended December 31, 2022 and 2022 as a result of COVID-19. At this time, it is not possible to reasonably estimate the extent of the impact of the economic uncertainties on our business, results of operations and financial condition in future periods, due to uncertainty regarding the duration of the COVID-19 pandemic, but we will continue to respond to the COVID-19 pandemic and take reasonable measures to make sure customers continue to be served without interruption.

16. Subsequent Events

Management has evaluated subsequent events through March 20, 2023, which is the date the financial statements were available to be issued, and determined that there are no items requiring disclosure.

Supplementary Information

Building a better
working world

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Report of Independent Auditors on Supplementary Information

The Board of Directors
Star Insurance Company and Subsidiaries

We have audited the combined statutory-basis financial statements of Star Insurance Company and Subsidiaries (the Company) as of and for the years ended December 31, 2022 and 2021, and have issued our report thereon dated March 20, 2023, which contained an adverse opinion with respect to conformity with U.S. generally accepted accounting principles and an unmodified opinion with respect to conformity with accounting practices prescribed or permitted by the Michigan Department of Insurance and Financial Services and Ohio Insurance Department on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplemental schedules of combination, supplemental schedule of reinsurance disclosures and supplemental investment disclosures are presented to comply with the National Association of Insurance Commissioners' Annual Reporting Model Regulation (#205), as adopted by Michigan and Ohio, the National Association of Insurance Commissioners' Annual Statement Instructions and the National Association of Insurance Commissioners' Accounting Practices and Procedures Manual and for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the combined statutory-basis financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Restriction on Use

This report is intended solely for the information and use of the Company and state insurance departments to whose jurisdiction the Company is subject and is not intended to be and should not be used by anyone other than these specified parties.

Ernst & Young LLP

March 20, 2023

Star Insurance Company and Subsidiaries

(Wholly Owned Subsidiaries of AmeriTrust Group, Inc.)

Combined Summary of Investments – Statutory-Basis

December 31, 2022

		Gross Investment Holdings* Amount	%	Admitted Assets as Reported in the Annual Statement Amount	%
1.	Long-Term Bonds (Schedule D, Part 1):				
	1.01 U.S. Governments	$ 9,109,672	0.5%	$ 9,109,672	0.5%
	1.03 U.S. States, Territories and Possessions, etc., Guaranteed	26,191,942	1.4%	26,191,942	1.4%
	1.04 U.S. Political Subdivisions of States, Territories and Possessions, Guaranteed	24,710,505	1.3%	24,710,505	1.3%
	1.05 U.S. Special Revenue and Special Assessment Obligations, etc., Non-Guaranteed	189,560,335	9.8%	189,560,335	9.8%
	1.06 Industrial and Miscellaneous	1,301,930,738	67.2%	1,301,930,738	67.2%
	1.10 Unaffiliated Bank Loans	47,640,732	2.5%	47,640,732	2.5%
	Common Stocks (Schedule D, Part 2, Section 2):				
	3.01 Industrial and Miscellaneous Publicly Traded (Unaffiliated)	74,309,009	3.8%	74,309,009	3.8%
3.	3.02 Industrial and Miscellaneous Other (Unaffiliated)	2,550,000	0.1%	2,550,000	0.1%
	3.05 Exchange Traded Funds	4,151,545	0.2%	4,151,545	0.2%
	Real Estate (Schedule A):				
	5.01 Properties Occupied by Company	5,731,171	0.3%	5,731,171	0.3%
5.	Cash, Cash Equivalents, and Short-Term Investments:				
	6.01 Cash (Schedule E, Part 1)	54,093,130	2.8%	54,093,130	2.8%
6.	6.02 Cash Equivalents (Schedule E, Part 2)	108,941,610	5.6%	108,941,610	5.6%
	6.03 Short-Term Investments (Schedule DA)	50,399,705	2.6%	50,399,705	2.6%
	Other Invested Assets (Schedule BA)	34,715,287	1.8%	34,715,287	1.8%
	Receivables for Securities	2,113,180	0.1%	2,113,180	0.1%
9.	Total Invested Assets	**$1,936,148,561**	100.0%	**$1,936,148,561**	100.0%
10.					

13. *Gross investment holdings as valued in compliance with the NAIC *Accounting Practices and Procedures Manual.*

Investment Risks Interrogatories

1. The reporting entities' total admitted assets as reported on page 2 of the NAIC Annual Statement as of December 31, 2022 were $2,131,173,465.

2. The ten largest exposures to a single issuer/borrower/investment, excluding: (i) U.S. government, U.S. government agency securities, and those U.S. government money market funds listed in the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* as exempt, (ii) property occupied by the company, and (iii) policy loans, are as follows:

Issuer	Description of Exposure	Amount	Percentage of Total Admitted Assets
Morgan Stanley	Long-Term Bonds	50,052,137	2.349%
JPMorgan Chase & Co.	Long-Term Bonds	43,908,397	2.060%
Bank of America Corp.	Long-Term Bonds	43,739,376	2.052%
Goldman Sachs Group, Inc.	Long-Term Bonds	43,282,328	2.031%
Citigroup, Inc.	Long-Term Bonds	43,114,701	2.023%
Qualcomm Incorporated	Long-Term Bonds	36,328,540	1.705%
Simon Property Group, L.P.	Long-Term Bonds	34,522,106	1.620%
Apollo Management Holdings, L.P.	Long-Term Bonds	33,377,244	1.566%
Federal National Mortgage Assoc.	Long-Term Bonds	33,381,785	1.566%
Federal Home Loan Mortgage Corp.	Long-Term Bonds	32,722,648	1.535%

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

Bonds	Amount	Percentage of	Preferred Stock	Amount	Percentage of
NAIC – 1	$ 1,080,811,642	65.40%	P/PSF – 1	$ -	-%
NAIC – 2	472,392,568	28.74%	P/PSF – 2	-	-
NAIC – 3	61,906,274	3.77%	P/PSF – 3	-	-
NAIC – 4	32,478,341	1.98%	P/PSF – 4	-	-
NAIC – 5	880,396	0.05%	P/PSF – 5	-	-
NAIC – 6	1,074,408	0.07%	P/PSF – 6	-	-
Total	**$ 1,649,543,628**			$ -	

4. Assets held in foreign investments:

4.01 Assets held in foreign investments are greater than 2.5% of the reporting entities' total admitted assets.

4.02 Excluding Canadian investments, the amounts and percentages of the reporting entities' total admitted assets held in foreign investments (regardless of whether there is any foreign currency exposure) and unhedged foreign currency exposure were $109,777,335 and 5.15%.

4.03. Foreign-currency-denominated investments – None

4.04. Insurance liabilities denominated in that same foreign currency – None.

5. Aggregate foreign investment exposure by NAIC sovereign designation.

5.01	Countries designated NAIC-1:	$101,352,533	4.76%
5.02	Countries designated NAIC-2:		0.0%
5.03	Countries designated NAIC-3 or below	8,424,802	0.40%

6. Two largest foreign investment exposures to a single country, categorized by the country's NAIC sovereign rating.

	Countries rated NAIC-1:			
6.01	Country 1:	Cayman Islands	$ 52,802,603	2.48%
6.02	Country 2:	Ireland	9,412,270	0.44%
	Countries rated NAIC-2:			
6.03	Country 1:			
6.04	Country 2:			
	Countries rated NAIC-3 or below:			
6.05	Country 1:	Virgin Islands, British	6,847,802	0.32%
6.06	Country 2:			

7. Aggregate unhedged foreign currency exposure – None.

8. Aggregate unhedged foreign currency exposure categorized by NAIC sovereign designation - None.

9. Largest unhedged foreign currency exposures by country, categorized by the country's NAIC sovereign designation None.

10. Ten largest nonsovereign (i.e., nongovernmental) foreign issues:

Issuer	**NAIC Rating**	**Amount**	**Percentage of Total Admitted Assets**
Golub Capital Partners 51M LP	1FE	$13,500,000	0.65%
Blackbird Capital II Aircraft	1FE	8,517,402	0.41%
Carlyle US CLO 2017-1 Ltd.	2FE	7,033,186	0.34%
VR Funding LLC	1FE	6,847,802	0.33%
Anheuser-Busch InBev SA/NV	Common Stock	6,350,131	0.31%
SAP SE	Common Stock	5,708,264	0.27%
Alcon Inc.	Common Stock	5,694,723	0.27%
Tailwind 2019-1 Aviation Ltd.	2FE, 3FE	5,656,394	0.27%
Taiwan Semiconductor	Common Stock	5,158,954	0.25%
Diageo PLC	Common Stock	4,362,626	0.21%

11. Assets held in Canadian investments are less than 2.5% of the reporting entities' total admitted assets.

12. Assets held in investments with contractual sales restrictions are less than 2.5% of the reporting entities' total admitted assets.

Note to Supplementary Information – Statutory-Basis

13. Amounts and percentages of admitted assets held in the largest 10 equity interests (including investments in the shares of mutual funds, preferred stocks, publicly traded securities, and other equity securities, and excluding money market and bond mutual funds listed in the Appendix to the SVO Practices and Procedures Manual as exempt or Class 1).

Issuer	Amount	Percentage of Total Admitted Assets
Becton, Dickinson and Company	$7,967,219	0.37%
Philip Morris International Inc.	7,930,310	0.37%
Microsoft Corporation	6,572,267	0.31%
Merck & Co., Inc.	6,369,085	0.30%
Anheuser-Busch InBev SA/NV	6,350,131	0.30%
SAP SE	5,708,264	0.27%
Alcon Inc.	5,694,723	0.27%
Analog Devices, Inc.	5,596,212	0.26%
Taiwan Semiconductor	5,158,954	0.24%
International Flavors & Fragrances	4,929,262	0.23%

14. Assets held in nonaffiliated, privately placed equities are less than 2.5% of the reporting entities' total admitted assets.

Ten Largest Fund Managers

Fund Manager	Total Invested	Diversified	Non-Diversified
First American Funds, Inc. US Treasury Money Market Fund	$ 93,344,806	$ -	$ 93,344,806
Goldman Sachs Trust – Financial Square Government Fund	14,170,225	-	14,170,225
Vanguard Index Funds - Vanguard S&P 500 ETF	4,151,545	-	4,151,545
Goldman Sachs Trust - Goldman Sachs Financial Square Treasury Fund	1,131,765	-	1,131,765
TD Bank Deposit Sweep	127,272	-	127,272
Wells Fargo Funds Trust – Treasury Plus Money Market Fund	125,000	-	125,000
First American Funds, inc. Treasury Obligations Fund	42,541	-	42,541

15. Assets held in general partnership interests are less than 2.5% of the reporting entities' total admitted assets.
16. Assets held in mortgage loans are less than 2.5% of the reporting entities' total admitted assets.
17. Assets held in mortgage loans are less than 2.5% of the reporting entities' total admitted assets.
18. Assets held in real estate are less than 2.5% of the reporting entities' total admitted assets.
19. Assets held in mezzanine real estate loans are less than 2.5% of the reporting entities' total admitted assets.
20. The reporting entities have no assets subject to the following types of agreements – securities lending, repurchase, reverse repurchase, dollar repurchase, or dollar reverse repurchase.
21. The reporting entities have no investments in warrants not attached to other financial instruments, options, caps, and floors.
22. The reporting entities have no assets of potential exposure for collars, swaps, and forwards.
23. The reporting entities have no assets of potential exposure for futures contracts.

Note to Supplementary Information – Statutory-Basis

Reinsurance Risk Interrogatories

1. Has the reporting entity reinsured any risk with any other entity under a quota share reinsurance contract that includes a provision that would limit the reinsurer's losses below the stated quota share percentage (e.g., a deductible, a loss ratio corridor, a loss cap, an aggregate limit or any similar provisions)? Yes [ ] No [X]
2. If yes, indicate the number of reinsurance contracts containing such provisions.
3. If yes, does the amount of reinsurance credit taken reflect the reduction in quota share coverage caused by any applicable limiting provision(s)? Yes [ ] No [ ]
4. Has the reporting entity ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates) for which during the period covered by the statement: (i) it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; (ii) it accounted for that contract as reinsurance and not as a deposit; and (iii) the contract(s) contain one or more of the following features or other features that would have similar results:
   - (a) A contract term longer than two years and the contract is noncancellable by the reporting entity during the contract term;
   - (b) A limited or conditional cancellation provision under which cancellation triggers an obligation by the reporting entity, or an affiliate of the reporting entity, to enter into a new reinsurance contract with the reinsurer, or an affiliate of the reinsurer;
   - (c) Aggregate stop loss reinsurance coverage;
   - (d) A unilateral right by either party (or both parties) to commute the reinsurance contract, whether conditional or not, except for such provisions which are only triggered by a decline in the credit status of the other party;
   - (e) A provision permitting reporting of losses, or payment of losses, less frequently than on a quarterly basis (unless there is no activity during the period); or
   - (f) Payment schedule, accumulating retentions from multiple years or any features inherently designed to delay timing of the reimbursement to the ceding entity. Yes [ ] No [X]

5. Has the reporting entity during the period covered by the statement ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates), for which, during the period covered by the statement, it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards to policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves greater than 5% of prior year-end surplus as regards to policyholders; excluding cessions to approved pooling arrangements or to captive insurance companies that are directly or indirectly controlling, controlled by, or under common control with (i) one or more unaffiliated policyholders of the reporting entity, or (ii) an association of which one or more unaffiliated policyholders of the reporting entity is a member where:
   (a) The written premium ceded to the reinsurer by the reporting entity or its affiliates represents fifty percent (50%) or more of the entire direct and assumed premium written by the reinsurer based on its most recently available financial statement; or
   (b) Twenty-five percent (25%) or more of the written premium ceded to the reinsurer has been retroceded back to the reporting entity or its affiliates in a separate reinsurance contract. Yes [ ] No [X]
6. If yes to 4 or 5, please provide the following information:
   (a) The aggregate financial statement impact gross of all such ceded reinsurance contracts on the balance sheet and statement of income;
   (b) A summary of the reinsurance contract terms and indicate whether it applies to the contracts meeting the criteria in 4 or 5; and
   (c) A brief discussion of management's principal objectives in entering into the reinsurance contract including the economic purpose to be achieved.
7. Except for transactions meeting the requirements of paragraph 30 of SSAP No. 62, *Property and Casualty Reinsurance*, has the reporting entity ceded any risk under any reinsurance contract (or multiple contracts with the same reinsurer or its affiliates) during the period covered by the financial statement, and either:
   (a) Accounted for that contract as reinsurance (either prospective or retroactive) under statutory accounting principles (SAP) and as a deposit under generally accepted accounting principles (GAAP); or
   (b) Accounted for that contract as reinsurance under GAAP and as a deposit under SAP? Yes [ ] No [X]
8. If yes to 7, explain why the contract(s) is treated differently for GAAP and SAP.

(Wholly Owned Subsidiaries of AmeriTrust Group, Inc.)

Combining Balance Sheet – Statutory-Basis

December 31, 2022

	Star	Ameritrust	Williamsburg	ProCentury	Century	Elimination		Combined
Admitted assets								
Cash and invested assets:								
Bonds, at amortized cost	$1,490,725,161	$16,887,876	$15,362,763	$31,217,969	$44,950,155	$0		$1,599,143,924
Stocks	211,840,728	392,700	76,000	-	40,071,435	(171,370,309)	a	81,010,554
Properties occupied by company	5,731,171	-	-	-	-	-		5,731,171
Cash, cash equivalents and short-term investments	198,565,577	2,029,549	1,531,460	7,201,609	4,106,250	-		213,434,445
Other invested assets	34,715,287	-	-	-	-	-		34,715,287
Receivable for securities	2,113,158	-	-	-	22	-		2,113,180
Total cash and invested assets	1,943,691,082	19,310,125	16,970,223	38,419,578	89,127,862	(171,370,309)		1,936,148,561
Investment income due and accrued	12,640,678	130,938	98,565	222,283	277,828	-		13,370,292
Premiums receivable	98,717,168	82,530	25,265	352	-	(4,129,908)	b	94,695,407
Reinsurance recoverables on ceded paid losses	16,605,146	-	328,765	-	6,368,317	(6,697,082)	b	16,605,146
Funds deposited with reinsured companies	411,769	-	-	-	-	-		411,769
Federal income tax recoverable	14,246,438	-	-	-	-	(102,731)	c	14,143,707
Net deferred tax asset	29,145,898	(7,936)	-	-	(5,284)	(79,348)	d	29,053,330
Receivables from parent and affiliates	472,781	286,026	797	318,535	-	(1,078,139)	e	-
Other assets	18,977,217	20,511	1,843,693	5,554,620	654,377	-		27,050,418
Total admitted assets	$2,134,908,177	$19,822,194	$19,267,308	$44,515,368	$96,423,100	($183,457,517)		$2,131,478,630
Liabilities								
Losses and loss adjustment expenses	$1,193,461,252	$0	$0	$0	$0	$0		$1,193,461,252
Commissions and other expenses payable	2,099,868	87,489	119,827	26,727	2,073,840	-		4,407,751
Taxes, licenses and fees	5,158,195	436,708	83,247	262,296	38,325	-		5,978,771
Borrowed money	40,000,000	-	-	-	-	-		40,000,000
Unearned premiums	283,986,776	-	-	-	-	-		283,986,776
Ceded reinsurance premiums payable	31,020,964	99,661	-	4,030,247	-	(4,129,908)	b	31,020,964
Reinsurance payable on paid losses and loss adjustment expenses	6,697,082	-	-	-	-	(6,697,082)	b	-
Provision for reinsurance	870,800	-	-	-	-	-		870,800
Amounts retained for account of others	2,465,743	-	25,071	16,916	-	-		2,507,730
Payable to parent and affiliates	2,657,682	21,086	15,210	32,818	1,009,720	(1,078,139)	e	2,658,377
Retroactive reinsurance recoverable	(42,267,524)	-	-	-	-	-		(42,267,524)
Other liabilities	3,993,685	58,692	119,155	74,928	25,696	(182,079)	c, d	4,090,077
Total liabilities	1,530,144,523	703,636	362,510	4,443,932	3,147,581	(12,087,208)		1,526,714,974
Capital and Surplus								
Segregated surplus on retroactive reinsurance contract	20,000,000	-	-	-	-	-		20,000,000
Common stock	5,040,000	3,000,000	3,000,000	3,601,000	3,000,000	(12,601,000)	a	5,040,000
Gross paid in and contributed surplus	392,153,691	14,467,036	14,989,655	31,172,620	86,467,199	(147,096,510)	a	392,153,691
Unassigned funds (surplus)	187,569,964	1,651,522	915,142	5,297,816	3,808,320	(11,672,799)	a	187,569,965
Total capital and surplus	604,763,655	19,118,558	18,904,797	40,071,436	93,275,519	(171,370,309)		604,763,656
Total liabilities and capital and surplus	$2,134,908,178	$19,822,194	$19,267,307	$44,515,368	$96,423,100	($183,457,517)		$2,131,478,630

Footnotes:

a. Elimination of Star's 100% investment in Ameritrust and Williamsburg and Century's 100% investment in ProCentury.

b. Elimination of Intercompany Reinsurance per Inter-Company Pooling Agreement.

c. Reclass to net Ameritrust, Williamsburg & ProCentury federal income taxes payable against combined federal income tax recoverable.

d. Reclass to net Williamsburg & ProCentury net deferred tax liability against combined net deferred tax asset.

e. Elimination of Intercompany subsidiary balances between insurance operations.

See accompanying notes.

Star Insurance Company and Subsidiaries

(Wholly Owned Subsidiaries of AmeriTrust Group, Inc.)

Combining Statement of Operations – Statutory-Basis

Year Ended December 31, 2022

	Star	Ameritrust	Williamsburg	ProCentury	Century	Elimination	Combined
Net premiums earned	$ 621,958,277	$ -	$ -	$ -	$ -	$ -	$ 621,958,277
Losses and loss adjustment expenses incurred	518,736,654	-	-	-	-	-	518,736,654
Other underwriting expenses incurred	207,639,171	-	-	-	-	(114,771)	207,524,400
Net underwriting gain (loss)	(104,417,548)	-	-	-	-	114,771	(104,302,777)
Net investment income earned	58,798,074	403,880	253,557	642,629	892,596	-	60,990,736
Net realized capital gains (losses)	(9,728,888)	(343)	40	(3,960)	(7,717)	-	(9,740,868)
Net other income (expense)	(685,030)	17,407	12,850	7,181	684	-	(646,908)
Income before dividends to policyholders and federal income taxes	(56,033,392)	420,944	266,447	645,850	885,563	114,771	(53,699,817)
Dividends to policyholders	55,800	-	-	-	-	114,771	170,571
Income before federal income taxes	(56,089,192)	420,944	266,447	645,850	885,563	-	(53,870,388)
Federal income tax incurred	(6,520,840)	86,554	47,362	140,836	71,364	-	(6,174,724)
Net income	$ (49,568,352)	$ 334,390	$ 219,085	$ 505,014	$ 814,199	$ -	$ (47,695,664)

Star Insurance Company and Subsidiaries

(Wholly Owned Subsidiaries of AmeriTrust Group, Inc.)

Combining Statement of Changes in Capital and Surplus – Statutory-Basis

December 31, 2022

	Star	Ameritrust	Williamsburg	ProCentury	Century	Elimination	Combined
Surplus, beginning of year	$ 678,552,669	$ 18,786,446	$ 18,667,447	$ 39,552,774	$ 92,197,156	$ (169,203,820) a	$ 678,552,672
Net income	(49,568,351)	334,390	219,085	505,014	814,198	-	(47,695,664)
Change in net unrealized capital gains or (losses)	(14,220,499)	-	-	-	325,103	(2,166,488) b	(16,061,884)
Change in net deferred income tax	3,596,984	100	18,266	13,648	(81,688)	-	3,547,310
Change in nonadmitted assets	(4,227,899)	(2,378)	-	-	20,751	-	(4,209,526)
Change in provision for reinsurance	630,750	-	-	-	-	-	630,750
Dividends to stockholders	(10,000,000)	-	-	-	-	-	(10,000,000)
Change in segregated surplus on retroactive reinsurance contract	(2)	-	-	-	-	-	(2)
Change in surplus	(73,789,017)	332,112	237,351	518,662	1,078,364	(2,166,488)	(73,789,016)
Surplus, end of year	$ 604,763,652	$ 19,118,558	$ 18,904,798	$ 40,071,436	$ 93,275,520	$ (171,370,308)	$ 604,763,656

Footnotes:

a. Elimination of the value of subsidiaries 100% owned by Star and subsidiary 100% owned by Century.

b. Elimination of the unrealized gain/(loss) of subsidiaries 100% owned by Star and subsidiary 100% owned by Century.

See accompanying notes.

Star Insurance Company and Subsidiaries

(Wholly Owned Subsidiaries of AmeriTrust Group, Inc.)

Combining Statement of Cash Flow – Statutory-Basis

Year Ended December 31, 2022

	Star	Ameritrust	Williamsburg	ProCentury	Century	Elimination	Combined
Cash from operations							
Premiums collected net of reinsurance	666,388,061	36,333	(1,795,650)	634,052	-	-	665,262,796
Net investment income	61,165,597	464,282	379,251	797,157	1,089,950	-	63,896,237
Miscellaneous income	(685,032)	17,407	12,850	7,181	684	-	(646,910)
Total	726,868,626	518,022	(1,403,549)	1,438,390	1,090,634	-	728,512,123
Benefit and loss related payments	337,844,846	-	328,765	-	1,497,500	-	339,671,111
Commissions and expenses paid	285,196,881	(45,539)	16,327	(220,347)	(650,232)	-	284,297,090
Dividends paid to policyholders	55,800	-	-	-	-	-	55,800
Federal income taxes paid (recovered)	4,731,526	78,828	36,304	97,025	49,945	-	4,993,628
Total	627,829,053	33,289	381,396	(123,322)	897,213	-	629,017,629
Net cash from operations	**99,039,573**	**484,733**	**(1,784,945)**	**1,561,712**	**193,421**	**-**	**99,494,494**
Cash from investments							
Proceeds from investments sold, matured or repaid:							
Bonds	241,982,732	1,802,818	1,461,944	3,377,071	3,225,896	-	251,850,461
Stocks	16,782,553	78,600	11,900	-	-	-	16,873,053
Other invested assets	5,848,032	-	-	-	-	-	5,848,032
Net gains or (losses) on cash, cash equivalents and short-term investments	2,283	-	-	-	-	-	2,283
Miscellaneous proceeds	866,380	-	-	-	-	-	866,380
Total investment proceeds	265,481,980	1,881,418	1,473,844	3,377,071	3,225,896	-	275,440,209
Cost of investments acquired (long-term only):							
Bonds	370,731,081	1,584,777	1,034,371	1,775,688	4,909,127	-	380,035,044
Stocks	7,908,819	-	-	-	-	-	7,908,819
Other invested assets	89,678	-	-	-	-	-	89,678
Miscellaneous applications	4,307,882	-	-	-	23	-	4,307,905
Total investments acquired	383,037,460	1,584,777	1,034,371	1,775,688	4,909,150	-	392,341,446
Net cash from investments	**(117,555,480)**	**296,641**	**439,473**	**1,601,383**	**(1,683,254)**	**-**	**(116,901,237)**
Financing and miscellaneous sources							
Dividends to stockholders	(10,000,000)	-	-	-	-	-	(10,000,000)
Other cash provided (applied)	(1,298,876)	(28,825)	(185,833)	(1,355,461)	(230,943)	-	(3,099,938)
Net cash from financing and miscellaneous sources	**(11,298,876)**	**(28,825)**	**(185,833)**	**(1,355,461)**	**(230,943)**	**-**	**(13,099,938)**
Net change in cash, cash equivalents and short-term investments	(29,814,783)	752,549	(1,531,305)	1,807,634	(1,720,776)	-	(30,506,681)
Cash, cash equivalents and short-term investments:							
Beginning of year	228,380,361	1,276,998	3,062,766	5,393,975	5,827,026	-	243,941,126
End of year	**198,565,578**	**2,029,547**	**1,531,461**	**7,201,609**	**4,106,250**	**-**	**213,434,445**

Note to Supplementary Information – Statutory-Basis

Basis of Presentation

The accompanying supplemental schedules present selected statutory-basis financial data as of December 31, 2022, and for the year then ended for purposes of complying with the National Association of Insurance Commissioners' *Accounting Practices and Procedures Manual* and agree to or are included in the amounts reported in Accident Fund Insurance Company of America's 2022 Combined Statutory Annual Statement as filed with the Michigan Department of Insurance.