Ullico Inc.

1625 EYE STREET, NW
WASHINGTON, DC 20006

2023 AND 2022 CONSOLIDATED FINANCIAL STATEMENTS

Management's Report on Internal Control over Financial Reporting as of December 31, 2023

Management of Ullico Inc. and its subsidiaries ("the Company") is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed under the supervision of the Company's principal executive and financial officers and effected by the Company's board of directors, management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Internal control over financial reporting includes those policies and procedures that:

- Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Management has evaluated the effectiveness of its internal control over financial reporting as of December 31, 2023, based on the control criteria established in a report entitled Internal Control-Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework). Based on such evaluation, management has concluded that the Company's internal control over financial reporting was effective as of December 31, 2023.

The effectiveness of our internal control over financial reporting as of December 31, 2023 has been audited by Ernst & Young LLP, the Company's independent auditors, as stated in their report, which appears herein.

Management's Report on Disclosure Controls and Procedures as of December 31, 2023

The Company has established disclosure controls and procedures to ensure that material information relating to the Company, including its subsidiaries, is made known to the officers responsible for financial reporting, other members of senior management and to the board of directors. Based upon their evaluation of the effectiveness of the Company's disclosure controls and procedures, the principal executive and financial officers have concluded that such disclosure controls and procedures are effective to ensure that the information required to be disclosed by the Company is recorded, processed, summarized and reported within the appropriate time periods.

The Company intends to review and evaluate the design and effectiveness of its disclosure controls and procedures on an ongoing basis. The Company intends to make all necessary improvements in controls and procedures and correct any deficiencies that may be discovered in the future in order to ensure that senior management has timely access to all material financial and non-financial information concerning the Company's business. While the present design of the Company's disclosure controls and procedures is effective to achieve these results, future events affecting the Company's business may cause management to modify its disclosure controls and procedures.

Brian J. Hale
President & Chief Executive Officer

Darin R. Hardy
Senior Vice President & Chief Financial Officer

Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of Ullico Inc.

Opinion on Internal Control over Financial Reporting

We have audited Ullico Inc.'s internal control over financial reporting as of December 31, 2023, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Ullico Inc. (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2023, based on the COSO criteria.

We also have audited, in accordance with the auditing standards of the Public Company Accounting Oversight Board (United States) (the PCAOB) and in accordance with auditing standards generally accepted in the United States of America, the consolidated financial statements of the Company, which comprise the consolidated balance sheets of the Company as of December 31, 2023 and 2022, the related consolidated statements of income, comprehensive income, changes in stockholders' equity and cash flows for the years then ended, and the related notes and our report dated April 18, 2024 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are required to be independent with respect to the Company in accordance with the relevant ethical requirements relating to our audit.

We conducted our audit in accordance with the auditing standards of the PCAOB and in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Ernst + Young LLP

We have served as the Company's auditor since 2014.
Philadelphia, Pennsylvania
April 18, 2024

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of Ullico Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Ullico Inc. (the Company) as of December 31, 2023 and 2022, the related consolidated statements of income, comprehensive income, changes in stockholders' equity, and cash flows for the years then ended, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the auditing standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2023, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated April 18, 2024 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are required to be independent with respect to the Company in accordance with the relevant ethical requirements relating to our audit.

We conducted our audits in accordance with the auditing standards of the Public Company Accounting Oversight Board (United States) and in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the account or disclosure to which it relates.

Valuation of Policy and Claim Reserves – Medical Stop Loss

Description of the Matter

At December 31, 2023, the Company's liability for policy and claim reserves for life, accident and health and annuities was $274 million, of which a significant portion represents incurred but not reported reserves related to the Company's medical stop loss business. As described in Note 2 of the consolidated financial statements, the group life and health insurance claim reserves are based on projections of historical claim development and the Company's best estimate of future amounts needed to pay claims. The difference between the estimated ultimate claim costs and the paid and pending claims is considered to be incurred but not reported. There is significant uncertainty inherent in determining management's best estimate of the ultimate claim reserves, requiring the use of actuarially based estimates and management's judgment. In particular, the estimate is sensitive to the selection and weighting of actuarial methodologies applied to project the ultimate costs and the selection of loss factors and expected loss ratios that include consideration of claim severity, claim frequency, and claim payment patterns.

Auditing management's estimate of incurred but not reported reserves related to the Company's medical stop loss business was complex due to the highly judgmental nature of the significant assumptions used in the valuation of the estimate. The significant judgment was primarily due to the sensitivity of management's estimate to the actuarial methods applied and the expected loss ratios used in the determination of the ultimate claim costs.

How We Addressed the Matter in Our Audit

We obtained an understanding, evaluated the design and tested the operating effectiveness of internal controls over the process for estimating incurred but not reported reserves related to the Company's medical stop loss business. This included, among others, the review and approval processes management has in place for the methods and assumptions used in estimating the claim reserves.

To test the Company's estimate of incurred but not reported reserves related to the Company's medical stop loss business, our audit procedures included among others, the assistance of our actuarial specialists to evaluate the assumptions used in the actuarial methods by comparing the expected loss ratios to the Company's historical experience. In addition, we evaluated the selection and the weighting of actuarial methods used by management with those methods used in prior periods and those used in the industry. We developed a range of reasonable reserve estimates which included performing independent projections and compared the range of reserve estimates to the Company's recorded reserves. We also performed a review of historical results of the development of the claim reserves related to prior years.

Required Supplementary Information

Accounting principles generally accepted in the United States require that the incurred and paid claims development prior to the most recent year and the average annual percentage payout of incurred claims disclosed in Note 8 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Financial Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Ernst + Young LLP

We have served as the Company's auditor since 2014.
Philadelphia, Pennsylvania
April 18, 2024

Ullico Inc.
CONSOLIDATED BALANCE SHEETS
(in thousands)

	December 31, 2023	December 31, 2022
ASSETS		
Fixed maturity and debt securities, available for sale, at fair value (amortized cost of $450,025 and $410,415)	$ 422,876	$ 368,504
Equity securities	13,451	11,992
Investments in limited partnerships and limited liability corporations	22,970	11,849
Mortgage loans, held for investment	39,515	40,850
Other invested assets	14,022	12,345
Total Investments	$ 512,834	$ 445,540
Cash and cash equivalents	100,787	84,235
Accrued investment income	4,359	3,696
Premiums and accounts receivable	47,209	37,479
Reinsurance recoverable, net of allowance	94,864	89,812
Property and equipment, net	5,640	6,643
Right-of-use lease asset	22,293	25,772
Deferred policy acquisition costs	11,327	10,187
Current income tax recoverable	-	-
Deferred income tax	10,905	13,156
Other assets	15,746	15,406
Separate account assets	4,445,780	4,438,123
TOTAL ASSETS	$ 5,271,744	$ 5,170,049

The accompanying notes are an integral part of these financial statements.

Ullico Inc.
CONSOLIDATED BALANCE SHEETS
(in thousands, except share amounts)

	December 31, 2023	December 31, 2022
LIABILITIES		
Policy and claim reserves:		
Life, accident and health and annuities	$ 274,080	$ 245,762
Property and casualty	50,232	49,383
Deposit-type annuity contracts	21,616	22,971
Policyholder funds on deposit	1,158	1,157
Policyholder dividends payable	9,495	8,506
Unearned and advance premiums	20,053	18,511
Total Policy Liabilities	376,634	346,290
Accounts payable and other liabilities	39,982	36,716
Lease liabilities	25,882	29,571
Reinsurance balances payable	21,989	16,332
Note payable related to coinsurance agreement	12,742	13,479
Accrued pension and other post-employment benefits (“OPEB”)	17,166	16,438
Current income taxes payable	159	1,418
Separate account liabilities	4,445,780	4,438,123
TOTAL LIABILITIES	$ 4,940,334	$ 4,898,367
STOCKHOLDERS' EQUITY		
Capital stock ($25 par value; 2,000,000 shares authorized; issued and outstanding 226,565 at 12/31/23 and 230,914.33 at 12/31/22)	5,664	5,773
Class A common stock, voting ($1 par value; 20,000,000 shares authorized; issued and outstanding 8,166,498.67 at 12/31/23 and 8,321,628.67 at 12/31/22)	8,166	8,322
Additional capital paid-in	172,920	176,631
Accumulated other comprehensive income:		
Unrealized investment gains/(losses), net of deferred tax	(21,446)	(33,110)
Pension/OPEB liability adjustment, net of deferred tax	854	1,977
Policy benefits loss reserve adjustment, net of deferred tax	-	-
Accumulated other comprehensive income/(loss) (“AOCI”)	(20,592)	(31,133)
Retained earnings	160,576	108,491
TOTAL ULLICO INC. STOCKHOLDERS' EQUITY	326,734	268,084
Noncontrolling interest	4,676	3,598
TOTAL STOCKHOLDERS' EQUITY	331,410	271,682
TOTAL LIABILITIES and STOCKHOLDERS' EQUITY	$ 5,271,744	$ 5,170,049

The accompanying notes are an integral part of these financial statements.

Ullico Inc.
CONSOLIDATED STATEMENTS OF INCOME
(in thousands)

	Periods Ended	
	December 31, 2023	**December 31, 2022**
INCOME		
Premium income:		
Life, accident and health and annuities	$ 215,461	$ 187,813
Property and casualty	42,972	40,463
Fee based income	147,600	131,164
Net investment income	23,119	15,022
Net realized gains/(losses)	(444)	(1,131)
Other income	734	3,014
TOTAL INCOME	$ 429,442	$ 376,345
BENEFITS and EXPENSES		
Life, accident and health and annuities	168,027	143,862
Interest credited to policyholder account balances	772	434
Losses and loss adjustment expenses - property and casualty	11,109	12,260
Policyholder dividends	5,144	4,672
Total policy benefits and claims expenses	185,052	161,228
Commissions	47,789	45,143
Sales, general and administrative expenses	105,602	92,948
Net change in deferred acquisition costs	(1,140)	(682)
Taxes, licenses and fees	6,415	6,078
Interest expense	524	574
TOTAL BENEFITS and EXPENSES	$ 344,242	$ 305,289
Net income before income taxes	85,200	71,056
Income tax expense	(15,457)	(12,756)
NET INCOME	69,743	58,300
Net income attributable to noncontrolling interest	(16,606)	(13,248)
NET INCOME ATTRIBUTABLE TO ULLICO INC.	$ 53,137	$ 45,052

The accompanying notes are an integral part of these financial statements.

Ullico Inc.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in thousands)

	Periods Ended	
	December 31, 2023	**December 31, 2022**
Net income attributable to Ullico Inc.	$ 53,137	$ 45,052
Other comprehensive income/(loss), net of tax:		
Unrealized investment gains/(losses) arising during the year, net of $2,882 and $(12,531) of tax	10,843	(47,144)
Reclassification adjustment for realized gains/(losses) on fixed income securities included in net income, net of $218 and $(615) of tax	821	(2,311)
Change in unrealized gains/(losses) on fixed income securities, net of $3,100 and $(13,146) of tax	11,664	(49,455)
Change in pension/OPEB liability, net of tax	(1,123)	2,968
Change in adjustment to reserves for future policy benefits, net of tax	-	1,408
COMPREHENSIVE INCOME/(LOSS) ATTRIBUTABLE TO ULLICO INC.	63,678	(27)
Comprehensive income attributable to noncontrolling interest	1,078	1,311
COMPREHENSIVE INCOME	$ 64,756	$ 1,284

The accompanying notes are an integral part of these financial statements.

Ullico Inc.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(in thousands)

	Shares	Capital Stock	Class A Common Stock	Additional Capital Paid-In
Balance, January 1, 2022	8,696	$ 5,824	$ 8,463	$ 180,007
Redemption of stock	(143)	(51)	(141)	(3,376)
Balance, December 31, 2022	8,553	$ 5,773	$ 8,322	$ 176,631
Redemption of stock	(160)	(109)	(156)	(3,711)
Balance, December 31, 2023	8,393	$ 5,664	$ 8,166	$ 172,920

	Accumulated Other Comprehensive Income/(Loss)	Retained Earnings	Noncontrolling Interest	Total
Balance, January 1, 2022	$ 13,946	$ 64,377	$ 2,287	$ 274,904
Net income	-	45,052	13,248	58,300
Change in unrealized investment gains/(losses) on fixed income securities, net	(49,455)	-	-	(49,455)
Change in pension/OPEB liability, net	2,968	-	-	2,968
Change in adjustment to reserves for future policy benefits, net	1,408	-	-	1,408
Distribution to noncontrolling member	-	-	(11,937)	(11,937)
Total comprehensive income				1,284
Redemption of stock	-	(938)	-	(4,506)
Balance, December 31, 2022	$ (31,133)	$ 108,491	$ 3,598	$ 271,682
Net income	-	53,137	16,606	69,743
Change in unrealized investment gains/(losses) on fixed income securities, net	11,664	-	-	11,664
Change in pension/OPEB liability, net	(1,123)	-	-	(1,123)
Change in adjustment to reserves for future policy benefits, net	-	-	-	-
Distribution to noncontrolling member	-	-	(15,528)	(15,528)
Total comprehensive income				64,756
Cumulative effect from adoption of ASC 326	-	(28)	-	(28)
Redemption of stock		(1,024)		(5,000)
Balance, December 31, 2023	$ (20,592)	$ 160,576	$ 4,676	$ 331,410

The accompanying notes are an integral part of these financial statements.

Ullico Inc.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Periods Ended	
	December 31, 2023	December 31, 2022
Cash flows from operating activities:		
Net income attributable to Ullico Inc.	$ 53,137	$ 45,052
Adjustments to reconcile net income to net cash provided by operating activities:		
Interest credited to policyholder account balances	313	265
Amortization of deferred policy acquisition costs	21,562	20,023
Capitalization of deferred policy acquisition costs	(22,702)	(20,705)
Amortization & depreciation expense	1,158	985
Deferred income taxes	(849)	10,506
Net realized (gains)/losses	444	1,131
(Gains)/losses on limited partnership investments, net	(1,169)	(546)
Change in premiums, accounts and note receivable	(9,730)	(2,831)
Change in reinsurance recoverable/payable	605	(4,515)
Change in note payable related to coinsurance agreement	(737)	(708)
Change in policy liabilities	31,697	5,649
Change in accounts payable and other liabilities	2,872	(8,683)
Change in current income tax recoverable/payable	(1,259)	1,859
Change in right-of-use asset/liability	(210)	3,799
Other, net	(257)	(225)
Cash provided by operating activities	74,875	51,056
Cash flows from investing activities:		
Proceeds from sales & maturities of investments:		
Fixed maturity and debt security sales	26,878	10,543
Fixed maturity and debt security maturities	26,868	36,994
Equity securities	6,560	11,033
Mortgage loans	1,335	-
Limited partnerships	367	697
Other invested assets	-	340
Purchases of investments:		
Fixed maturities and debt securities	(96,117)	(75,542)
Equity securities	(6,550)	(11,069)
Mortgage loans	-	(7,845)
Limited partnerships	(10,319)	(137)
Other invested assets	(1,046)	(5,223)
Net proceeds/(purchases) of property & equipment	(711)	2,426
Cash used in investing activities	(52,735)	(37,783)
Cash flows from financing activities:		
Investment product deposits	8,000	6,913
Investment product withdrawals	(9,666)	(9,512)
Payoff of FHLB advance	-	(8,000)
Change in noncontrolling interest	1,078	1,311
Redemption of stock	(5,000)	(4,506)
Cash used in financing activities	(5,588)	(13,794)
Net change in cash and cash equivalents	16,552	(521)
Cash and cash equivalents, beginning of period	84,235	84,756
Cash and cash equivalents, end of period	$ 100,787	$ 84,235

The accompanying notes are an integral part of these financial statements

Note 1---Organization and Basis of Presentation

The accompanying consolidated financial statements include the accounts of Ullico Inc., a privately held specialty insurance and investments holding company serving the union workplace, and its subsidiaries (collectively, "Ullico" or "the Company"). Ullico's primary wholly owned subsidiaries include The Union Labor Life Insurance Company ("Union Labor Life"), Ullico Labor Captive, IC ("Labor Captive"), Ullico Casualty Group, LLC ("UCG"), Ullico Investment Advisors, Inc. ("UIA") and Ullico Investment Company, LLC.

The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). All significant intercompany balances and transactions have been eliminated in consolidation. The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from these estimates due to a number of factors, including changes in the level of mortality, morbidity, interest rates, asset valuations, experience development, claims frequency and severity trends and changes in market conditions and such differences could occur in the near term.

Nature of Operations
Union Labor Life was founded in 1925 by the officials of the American Federation of Labor to provide low cost insurance protection to union members and their collectively bargained union benefit plans. Ullico Inc. was formed in 1987 to facilitate the restructuring of the insurance subsidiaries and to enable the Company to expand its investment services capabilities through non-insurance subsidiaries. Ownership of Ullico's stock is generally restricted to international and national trade unions, their members, their members' benefit funds and directors and officers of the Company.

The activities of the Company cover a broad range of insurance and financial products and services provided principally to labor unions and their members, employers of union members, employee benefit plans and trustees of benefit plans, including life and health insurance, property and casualty insurance, investment advisory services, asset management and mortgage banking and servicing activities.

Coronavirus
The health, economic and business conditions precipitated by the worldwide COVID-19 pandemic that emerged in 2020 continued to moderately affect the Company's business, results of operations and financial condition during 2023 and 2022. While various treatments and vaccines are now available, COVID-19 variants continue to emerge, which could prolong or lead to increased hospitalization and death rates. The Company continues to monitor U.S. CDC reports related to COVID-19 and the potential continuing impacts of the COVID-19 pandemic on our operations.

Ukraine
The war in Ukraine and the sanctions imposed against entities and individuals in Russia and Belarus have no direct effect on the Company's business, results of operations and financial condition. Indirectly, the Company is affected by capital markets volatility and downstream consequences on the overall macroeconomic environment. The Company's business operations do not have supplier or customer relationships with entities or individuals in Russia or Belarus and the Company does not expect our third party relationships or direct investments within our investment portfolio to be materially affected.

Israel-Gaza Conflict
The Israel-Gaza conflict has no direct effect on the Company's business, results of operations and financial condition. Indirectly, the Company is affected by capital markets volatility and downstream consequences on the overall macroeconomic environment. The Company's business operations do not have supplier or customer relationships with entities or individuals in Gaza and the Company does not expect our third party relationships or direct investments within our investment portfolio to be materially affected.

UIA Investment Management, LLC
UIA owns 75% of UIA Investment Management, LLC ("UIA-IM") and the remaining 25% is owned by UIAIM-SP, LLC. UIAIM-SP, LLC, is an entity that was formed by the professionals that had been hired by UIA to build an in-house capability to manage fixed income assets. Effective April 1, 2019, those professionals transitioned from employment with UIA to employment with UIA-IM. UIA has a majority of the votes on the board of managers of UIA-IM. The pertinent agreements between the parties specify a formula for distribution between UIA and UIAIM-SP, LLC, of the management fees generated by the fixed income assets under management, after deductions for certain direct and allocated UIA-IM expenses, and after recovery by UIA of certain start-up expenses for UIA-IM. The agreements also provide that the respective ownership shares of UIA and UIAIM-SP in the UIA-IM entity may change over time; provide certain transfer rights and restrictions on UIA's and UIAIM-SP's interests in UIA-IM that may be triggered if either party wishes to withdraw from or terminate the relationship; and contain certain restrictive covenants that may be triggered in such termination or withdrawal scenarios. Effective March 31, 2019, UIA entered into an Investment Sub-Advisory Agreement with UIA-IM, pursuant to which UIA-IM provides exclusive investment advisor services for fixed income investment clients, under UIA's supervision. Accordingly, the fixed income investment management services previously offered by UIA through its employees are offered through UIA's affiliate, UIA-IM.

Noncontrolling Interest
UIA, a registered investment advisor, manages assets for Taft-Hartley pension funds and other qualified investors. UIA manages the Ullico Infrastructure Fund ("UIF"), which invests in privately-negotiated opportunities in the infrastructure sector. Effective January 1, 2017, UIA entered into an Investment Sub-Advisory Agreement with Ullico Infrastructure Management Company, LLC ("UIMC"), pursuant to which UIMC will provide exclusive investment advisor services for the UIF infrastructure investments, under UIA's supervision. UIA, which owned 79% of UIMC, formed UIMC with Ullico Infrastructure Partners, LLC ("UIP"), which owned the remaining 21%. UIP is an entity owned by the principal portfolio management staff for infrastructure investments. Effective January 1, 2022, a change to the equity ownership structure and certain other features of UIMC was implemented. UIP's ownership share increased to 30% and UIA's decreased to 70%; certain SG&A expenses of managing the UIF previously incurred by UIA are incurred by UIMC; and an incentive payment previously available to UIP has been discontinued. Noncontrolling interest accounting is utilized to record the value of the noncontrolling equity interest owned by UIP and the net income attributable to that interest.

Note 2---Summary of Significant Accounting Policies

Invested Assets
Fixed maturity and debt securities are designated as available for sale and are reported at fair value. The fair value of fixed maturity and debt securities is based upon independent market quotations. Changes in fair value of securities designated as available for sale, net of deferred income taxes, are recorded as a separate component of stockholders' equity, and accordingly have no effect on net income. Cash received from maturities and pay downs is reflected as a component of proceeds from sales and maturities of investments in the statements of cash flows.

Equity securities are recorded at fair value if independent market quotations are available. If independent market quotations are not available, fair values are based on estimates which utilize other valuation techniques. The difference between cost and fair value is recorded as a separate component of net realized gains or losses.

Limited partnership investments and limited liability corporations are recorded in accordance with the equity method of accounting. Recognition of limited partnership and limited liability corporation investment income is delayed due to the availability of the related financial statements, which are generally obtained on a three-month delay.

Other invested assets represent the Company's investments in Federal Home Loan Bank ("FHLB") stock and an affiliated separate account, Separate Account C. The FHLB stock is carried at cost of $100 per share and periodically evaluated for impairment based on ultimate recovery of par value. As of December 31, 2021, the Company owned 24,933 shares of FHLB stock. In March 2022, the Company purchased 2,229 shares of FHLB stock for approximately $0.2 million. In October 2022, FHLB repurchased 3,400 shares of FHLB stock for approximately $0.3 million. In March 2023, the Company purchased 685 shares of FHLB stock for approximately $0.1 million. In August 2023, the Company purchased 9,778 shares of FHLB stock for approximately $1.0 million. The Company now owns 34,225 shares of FHLB stock. The Separate Account C value is carried at the prior month investor statement value due to the unavailability of the investor statements at the financial statement date. The investment income related to Separate Account C is recorded based on the changes in the investor statement balance throughout the year.

Mortgage loans are carried at unpaid principal balances, less allowance for credit losses (“impaired”). When a mortgage loan has been determined to be impaired, an allowance is established for the difference between the unpaid principal of the mortgage loan and its fair value. Fair value is based on the lower of either the present value of expected future cash flows discounted at the mortgage loan's effective interest rate or the fair value of the underlying collateral. Allowance for credit losses are maintained at a level we believe is adequate to absorb current expected lifetime credit losses. Our periodic evaluation of the adequacy of the allowance for credit losses is based on historical loss experience, known and inherent risks in the portfolio, adverse situations that may affect the borrower’s ability to repay (including the timing of future payments), the estimated value of the underlying collateral, composition of the loan portfolio, current economic conditions, reasonable and supportable forecasts about the future and other relevant factors. Mortgage loans on real estate are presented net of the allowance for credit losses on the consolidated balance sheets.

Cash equivalents include money market funds and other investments whose maturities at the time of acquisition were ninety days or less and are readily convertible to known amounts of cash. These investments are carried at cost, which approximates fair value.

Declines in the fair value of invested assets below cost are evaluated for impairment losses. The portfolio of investments is reviewed on a quarterly basis to determine if a credit impairment to the value has occurred. The decision to impair a security incorporates both quantitative criteria and qualitative information. A number of items factor into the impairment decision including, but not limited to: (a) materiality of unrealized loss; (b) the financial condition of the issuer; (c) the business plan and trend of the issuer; (d) general market conditions and industry or sector specific factors; (e) interest rate environment and (f) whether the Company intends to sell or thinks it is more likely than not it will be required to sell the security prior to recovery.

If the fair value of a fixed maturity or debt security declines in value below the Company’s amortized cost and the Company intends to sell or determines that it will more likely than not be required to sell the security before recovery of its amortized cost basis, management concludes that an impairment has occurred and a write-down is recorded, with a corresponding charge to realized gain/(loss) on the consolidated statements of income. If, however, the Company does not intend to sell the security and determines that it is not more likely than not that it will be required to do so, then declines in the fair value of the security are evaluated further. Such impairment is separated into amounts representing credit losses and amounts related to other factors. The measurement of expected credit losses is based on relevant information about past events, including historical experience, any changes to the rating of the security by a rating agency, and adverse conditions specifically related to the security, as well as current economic conditions and reasonable and supportable forecasts that affect the collectability of the financial asset. If this assessment indicates that the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance for credit losses is recorded with a corresponding adjustment to realized gain (loss) in the consolidated statements of income. Any amounts related to other factors are included as a component of AOCI, net of the related income tax benefit.

Premium and Accounts Receivable
Premiums and accounts receivable consist primarily of accrued premiums receivable from the Company’s insurance customers. Premiums and accounts receivable are carried at their estimated collectible amounts, net of any allowance for doubtful accounts, and are periodically evaluated for collectability based on past payment history and current economic conditions.

Concentration and Credit Risk
Financial instruments that potentially subject the Company to concentration and credit risk are primarily cash and cash equivalents, investments, accounts receivable and reinsurance recoverable. Investments are diversified through many industries and geographic regions through the use of investment managers who employ different investment strategies. The Company limits the amount of credit exposure with any one financial institution and believes that no significant concentration of credit risk exists with respect to cash and investments. The premiums receivable balances are generally diversified due to the distribution of policyholders across many states. The Company also has receivables from reinsurers. Reinsurance contracts do not relieve the Company from its obligations to its policyholders. Failure of reinsurers to honor their obligations could result in losses to the Company. The Company periodically evaluates the financial condition of its reinsurers and in certain cases, requires collateral from its reinsurers to minimize its exposure to significant losses from reinsurer insolvencies. Management’s policy is to review all outstanding receivable balances as well as bad debt write-offs experienced in the past and establish an allowance for doubtful accounts, if deemed necessary. See Note 9, Reinsurance, for additional details on concentration and credit risk related to the Company’s reinsurance programs.

Policy and Claim Reserves and Policyholder Contract Deposits
Life and health insurance products consist principally of group insurance policies. Most of the Company's group life and health insurance policies are participating. Therefore, in addition to guaranteed benefits, they pay dividends, as declared annually by the Company based on its experience. The group life and health insurance claim reserves are based on projections of historical claim development and reflect the Company's best estimate of future amounts needed to pay claims. The difference between the estimated ultimate claim reserves and the paid claims is considered to be incurred but not reported. The policy reserves, as related to life and health products, are based on assumptions for mortality and morbidity, utilizing interest rates ranging from 2.25% to 7.0%. Additional assumptions fundamental to the reserving process include expected loss ratios and claims frequency and severity as well as review of historical payment and claim reporting patterns.

Investment-type annuity products consist of single premium annuity contracts. Annuity reserves consist principally of liabilities for group pension funds that are deposited on behalf of groups to provide immediate and future retirement benefits to group members.

Policy reserves and policyholder contract deposits on annuity and universal life insurance products are determined following the retrospective deposit method and consist of policy account values that accrue to the benefit of the policyholder, based on guaranteed rates stated in the policy contract, before deduction of surrender charges.

The reserves for losses and loss adjustment expenses for property and casualty insurance policies include estimates for losses and claims reported prior to the balance sheet date, estimates of claims incurred but not reported based on projections of historical loss developments and estimates of expenses for investigating, defending and adjusting all incurred and unadjusted claims. Actual amounts could differ from these estimates if these assumptions do not occur as expected. Reserves are continually monitored and reviewed, and any adjustments are reflected in the current period consolidated statement of income.

As of December 31, 2023, the Company did not record an increase to policyholder reserves and deposit type annuity contracts that would have been necessary if the unrealized investment gains and losses related to the Company's available-for-sale securities had been realized. When recorded, changes in this adjustment, net of deferred tax, are reported as a component of AOCI within the stockholders' equity section of the balance sheet.

FHLB Advance
In May 2020, Union Labor Life received an $8.0 million advance against its $40.0 million line of credit with the FHLB of Atlanta. The $8.0 million advance was renewed through October 24, 2022 at an interest rate of 0.30%. In October 2022, the Company paid the $8.0 million advance in full. There is no outstanding balance as of December 31, 2023.

Fee Based Income
Fee based income consists primarily of revenue generated from administrative services, investment management fees charged to Separate Accounts and third parties and managing general agency fees. Investment management fees were $106.7 million and $94.6 million for the periods ended December 31, 2023 and 2022, respectively. Property and casualty fee based income was $40.7 million and $36.3 million for the periods ended December 31, 2023 and 2022, respectively. The majority of this income relates to managing general agency fees resulting from a program administrator agreement ("PA") with Markel American Insurance Company ("Markel") of $39.4 million and $35.1 million for the periods ended December 31, 2023 and 2022, respectively. The business covered under the PA is Union Liability, Fiduciary Liability, Fiduciary Excess, Governmental Liability and Labor and Management Non-Profit Liability products ("professional liability"). UCG also received fees from agency agreements of $1.1 million and $1.0 million for the periods ended December 31, 2023 and 2022. In addition, life and health marketing fees were $0.2 million and $0.3 million for the periods ended December 31, 2023 and 2022.

Premiums, Charges and Benefits
Premiums for life and accident and health policies are generally recognized when due. Premiums for property and casualty policies are earned over the contract term. Benefit claims (including an estimated provision for claims incurred but not reported), benefit reserve changes, and expenses (except deferred policy acquisition costs) are charged to income as incurred.

Deposits for certain investment-type annuity and universal life insurance contracts are treated as liabilities rather than as premiums. Revenues for investment-type products consist of policy charges for the cost of insurance, policy initiation, administration and surrenders during the period. Expenses include interest credited to policy account balances and benefit payments made in excess of policy account balances. Credited interest rates ranged from 2.0% to 5.25% in 2023 and 2022.

Deferred Policy Acquisition Costs ("DAC")
The Company defers and amortizes costs which are incrementally and directly related to the successful acquisition of new or renewal insurance business. Such costs include commissions and costs of marketing the Company's products. The DAC for supplemental insurance is amortized over the premium paying lifetime of the insurance contracts, which typically extends 10 to 30 years. DAC associated with property and casualty insurance is amortized to expense as premiums are earned (typically 12 months or less). For annuity products, DAC is amortized to expense in relation to estimated gross profits. Anticipated investment income is considered when determining if a premium deficiency relating to short-duration contracts exists.

Investment Income
Investment income primarily consists of interest from fixed maturity securities, debt securities and mortgage loans, dividends from common stock and net investment income from limited partnership and limited liability corporation interests. Interest and dividends are recognized on an accrual basis. Income from limited partnership investments and limited liability corporations is recorded based on the equity method and earnings are included in investment income. Realized gains and losses include change in fair value of equity securities as well as gains and losses on investment dispositions and write downs in value due to changes in the allowance for credit losses for financial assets. Realized gains and losses on investment dispositions are determined on a specific identification basis.

Policyholder Dividends
As of December 31, 2023 and 2022, approximately 99% of the Company's in-force life and health business was written on a participating basis. Dividends are earned by the policyholders ratably over the policy year. Dividends are included in the accompanying financial statements as a liability and as a charge to income in the period incurred. Dividends are paid within a few months of the anniversary date of the policy.

Reinsurance
The reinsurance recoverable amount reported includes amounts billed to reinsurers on paid policy life and accident and health benefits, as well as estimates of amounts expected to be recovered from reinsurance on amounts that have not yet been paid. Reinsurance recoverable on unpaid policy benefits and claims are estimated based upon assumptions consistent with those utilized in establishing reserves. The Company reviews reinsurance recoverable for collectability and records write-downs if necessary. Reinsurance recoverables are presented net of the allowance for credit losses on the consolidated balance sheets. Changes in the allowance for credit losses are reported in realized gain/(loss) on the consolidated statements of income. Reinsurance recoverables deemed uncollectible are charged against the allowance for credit losses, and subsequent recoveries, if any, are credited to the allowance for credit losses, limited to the aggregate of amounts previously charged-off and expected to be charged-off. Premiums, benefits and expenses are recorded net of experience refunds, reserve adjustments and amounts assumed from or ceded to reinsurers, including commission and expense allowances. The reinsurance balances payable amount reported includes amounts billed from reinsurers for premiums ceded which were written by the Company and assumed losses payable to ceding companies.

The reinsurance recoverable balance was affected by the implementation of ASC Topic 326, Financial Instruments – Credit Losses, Topic 815, Derivatives and Hedging and Topic 825, Financial Instruments. This guidance clarifies the measurement, recognition and presentation of the allowance for credit losses for insurance reinsurance recoverables within the scope of ASC 326-20. Effective January 1, 2023, the Company recorded an allowance for credit losses of less than $0.1 million as a reduction to equity, net of taxes. Any adjustments to the initial allowance during 2023 were recorded through the income statement.

The Company estimated an allowance for credit losses for all reinsurance recoverables and related reinsurance deposit assets held by our subsidiaries. As such, the Company performed a quantitative analysis using a probability of loss model approach to estimate expected credit losses for reinsurance recoverables, inclusive of similar assets recognized using the deposit method of accounting. The credit loss allowance is a general allowance for pools of receivables with similar risk characteristics segmented by credit risk ratings and receivables assessed on an individual basis that do not share similar risk characteristics where we anticipate a credit loss over the life of reinsurance-related assets.

Separate Accounts
Union Labor Life maintains separate account assets and liabilities, representing net deposits and accumulated net investment earnings less fees, held primarily for the benefit of tax-qualified group pension contract holders, which are reported at fair value in the Company's consolidated balance sheets. The Company does not bear the investment risk. The assets consist primarily of equity securities, publicly traded long-term bonds, construction and permanent mortgages, real estate owned, cash equivalents and short-term investments. Investments income/(loss) from separate account investments do not impact the Company's consolidated results.

In February 2020, Union Labor Life invested $2.0 million of seed money in Separate Account C, a new affiliated fund investing in fixed income securities. Union Labor Life anticipates redeeming the Separate Account C investment once the Separate Account reaches $50.0 million in assets under management. For the investment in Separate Account C, Union Labor Life allocates its proportionate interest in Separate Account C's assets to the corresponding categories in the consolidated balance sheet. The Company receives its proportionate share of the income or loss of the assets in Separate Account C.

Income Taxes
Current federal income taxes are charged or credited to income based upon amounts estimated to be payable or recoverable as a result of taxable income. Deferred income tax assets have been recorded for temporary differences between the reported amounts of assets and liabilities in the accompanying financial statements and those in the Company's income tax returns. A deferred tax asset valuation allowance is established if it is more likely than not that such an asset would not be realized. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Property and Equipment
Property and equipment are recorded at cost less accumulated depreciation and amortization. Included in property and equipment are capitalized costs related to computer software licenses and software developed for internal use. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. Estimated useful lives of depreciated assets are as follows: personal computers (3 years); printers, servers, mainframe equipment, software and furniture and fixtures (5 years). Leasehold improvements are amortized over the shorter of the estimated useful lives of the assets or the related lease term, ranging from five to ten years. Accumulated depreciation on property and equipment was $8.8 million and $7.8 million at December 31, 2023 and December 31, 2022, respectively. Depreciation expense was $1.2 million and $1.0 million for the periods ended December 31, 2023 and December 31, 2022, respectively. The Company reviews its property and equipment for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

Contingent Liabilities
Amounts related to contingent liabilities are accrued if it is probable that a liability has been incurred and an amount is reasonably estimable.

Reserves for Litigation
The Company is subject to lawsuits in the normal course of business related to its insurance and non-insurance products. At the time when pending or threatened litigation becomes known, management evaluates the merits of the case and, if the potential settlements or judgments are determined to be probable and estimable, a reserve is established in accordance with Financial Accounting Standards Board ("FASB"), Accounting Standards Codification ("ASC"), 450-20, Contingencies, Loss Contingencies. These reserves may be adjusted as the case develops. Periodically, and at least quarterly, management assesses all pending cases as a basis for evaluating reserve levels. At that point, any necessary adjustments are made to applicable reserves as determined by management and are included in current operating results. Reserves may be adjusted based upon outside counsel's advice regarding the laws and facts of the case, any revisions in the law applicable to the case,

the results of depositions and/or other forms of discovery, general developments as the case progresses such as a favorable or an adverse trial court ruling, whether a verdict is rendered for or against the Company, whether management believes an appeal will be successful, or other factors that may affect the anticipated outcome of the case. Due to the uncertainty of future events, there can be no assurance that actual outcomes will not differ from the assessments made by management.

Subsequent Events
The Company has evaluated subsequent events for recognition and disclosure through April 18, 2024, the date the consolidated financial statements were available to be issued and has determined there were no events that required recognition or disclosure.

Accounting Pronouncements Adopted in 2023
Effective January 1, 2023, the Company adopted Accounting Standards Update ("ASU") 2016-13, Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. This guidance adopted a new model in ASC Topic 326 to measure and recognize credit losses for most financial assets. The ASU requires a financial asset measured at amortized cost to be presented at the net amount expected to be collected over the life of the asset using a credit loss allowance. Changes in the allowance are charged to earnings. The measurement of expected credit losses is based on relevant information about past events, including historical experience, as well as current economic conditions and reasonable and supportable forecasts that affect the collectability of the financial asset. The method used to measure estimated credit losses for fixed maturity available for sale securities will be unchanged from current GAAP; however, the amendments require credit losses to be recognized through an allowance rather than as a reduction to the amortized cost of those securities. The amendments permit entities to recognize improvements in credit loss estimates on fixed maturity available for sale securities by reducing the allowance account immediately through earnings.

Effective January 1, 2023, the Company adopted ASU 2019-04, Codification Improvements to Topic 326, Financial Instruments – Credit Losses, Topic 815, Derivatives and Hedging and Topic 825, Financial Instruments. This guidance clarifies the measurement, recognition and presentation of the allowance for credit losses on accrued interest receivable balances; the inclusion of recoveries when estimating the allowance for credit losses; the inclusion of all ASC Topic 944 – Financial Services – Insurance reinsurance recoverables within the scope of ASC 326-20; and provide additional targeted clarifications on the calculation of the allowance for credit losses. Our adoption of ASU 2016-13 and ASU 2019-04 did not have a material impact on our consolidated financial condition and results of operations.

Issued Accounting Pronouncements Not Yet Adopted
Accounting Standard Update ("ASU") 2018-12, Targeted Improvements to the Accounting for Long-Duration Contracts and related amendments has a pending effective date of January 1, 2025. These amendments make changes to the accounting and reporting for long-duration contracts issued by an insurance entity that will significantly change how insurers account for long-duration contracts, including how they measure, recognize and make disclosures about insurance liabilities and DAC. Under this ASU, insurers will be required to review cash flow assumptions at least annually and update them if necessary. The insurers also will have to make quarterly updates to the discount rate assumptions they use to measure the liability for future policyholder benefits. The ASU creates a new category of market risk benefits (i.e., features that protect the contract holder from capital market risk and expose the insurer to that risk) that insurers will have to measure at fair value. The ASU provides various transition methods by topic that entities may elect upon adoption. We are currently considering the potential impacts of this standard on the Company.

Note 3---Investment Securities

The amortized cost, gross unrealized gains, gross unrealized losses and fair value of investments as of December 31, 2023 and December 31, 2022 are as follows (in millions):

December 31, 2023	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Debt securities issued by U.S Treasury and other U.S. government corporations and agencies	$ 13.7	$ 0.1	$ 0.4	$ 13.4
Debt securities issued by U.S. states and political subdivisions of states	91.2	0.9	6.9	85.2
Debt securities issued by foreign governments	1.5	-	0.2	1.3
Corporate debt securities	267.2	3.2	17.3	253.1
Residential mortgage-backed securities	76.4	0.2	6.7	69.9
Total	$ 450.0	$ 4.4	$ 31.5	$ 422.9

December 31, 2022	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Debt securities issued by U.S Treasury and other U.S. government corporations and agencies	$ 11.3	$ 0.1	$ 0.6	$ 10.8
Debt securities issued by U.S. states and political subdivisions of states	86.9	0.3	9.4	77.8
Debt securities issued by foreign governments	1.5	-	0.2	1.3
Corporate debt securities	230.8	0.3	24.7	206.4
Residential mortgage-backed securities	79.9	0.2	7.9	72.2
Total	$ 410.4	$ 0.9	$ 42.8	$ 368.5

The Company had $5.9 million and $5.8 million of securities on deposit with state regulatory authorities as of December 31, 2023 and December 31, 2022.

The Company had $87.1 million and $75.4 million of assets pledged as collateral held in trust for benefit of third parties at December 31, 2023 and December 31, 2022, respectively.

The amortized cost and estimated fair value of fixed maturity securities at December 31, 2023 by contractual maturity are shown below (in millions):

	Amortized Cost	Fair Value
Due in one year or less	$ 10.6	$ 10.6
Due after one year through five years	78.5	76.9
Due after five years through ten years	100.0	94.5
Due after ten years	260.9	240.9
Total	$ 450.0	$ 422.9

Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without prepayment penalties. Mortgage-backed securities are included based on their final maturity.

Realized gain/(losses) for the periods ended December 31, 2023 and 2022, are summarized as follows (in millions):

Net Realized Gains/(Losses)	**December 31, 2023**	**December 31, 2022**
Fixed income securities	$ (1.9)	$ (1.4)
Equity securities	1.5	0.3
Total Net Realized Gains/(Losses)	$ (0.4)	$ (1.1)

The following table shows the portion of unrealized gains/(losses) for the period ended December 31, 2023 and 2022 that related to equity securities still held at the reporting date (in millions):

	December 31, 2023	**December 31, 2022**
Net realized gains/(losses) recognized during the period on equity securities	$ 1.5	$ 0.3
Less: Net realized gains recognized during the period on equity securities sold	(1.0)	1.5
Unrealized gains/(losses) recognized during the reporting period on equity securities still held at the reporting date	$ 0.5	$ (1.2)

The following table shows the Company's investments with gross unrealized losses and their fair value, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, at December 31, 2023 (in millions):

	Less than 12 months		**12 months or more**		**Total**	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Debt securities issued by U.S Treasury and other U.S. government corporations and agencies	$ 0.3	$ -	$ 8.0	$ 0.4	$ 8.3	$ 0.4
Debt securities issued by U.S. states and political subdivisions of states	2.3	-	61.4	6.9	63.7	6.9
Debt securities issued by foreign governments	-	-	1.3	0.2	1.3	0.2
Corporate debt securities	19.0	0.1	162.2	17.2	181.2	17.3
Residential mortgage-backed securities	7.1	0.1	45.4	6.6	52.5	6.7
Total	$ 28.7	$ 0.2	$ 278.3	$ 31.3	$ 307.0	$ 31.5

The Company's investment portfolio includes approximately $0.2 million of unrealized losses on fifty-two investment securities that have been in a continuous loss position for less than twelve months. The portfolio includes $31.3 million of unrealized losses on four hundred thirty-two investment securities that have been in a loss position for more than twelve months. The unrealized losses associated with our investment securities were attributable primarily to reduced liquidity in several market segments and rising interest rates. The Company does not intend to sell the investments and it is not more likely than not that the Company will be required to sell the investments before recovery of their amortized cost bases. Based upon the nature of the investment securities, the Company believes that each issuer will meet all of its financial obligations. There was no allowance for credit losses recorded for the Company's investment securities as of December 31, 2023 and December 31, 2022, based on the factors described in Note 2 to the consolidated financial statements.

The following table shows the Company's investments with gross unrealized losses and their fair value, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, at December 31, 2022 (in millions):

	Less than 12 months		**12 months or more**		**Total**	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Debt securities issued by U.S Treasury and other U.S. government corporations and agencies	$ 7.8	$ 0.4	$ 0.7	$ 0.2	$ 8.5	$ 0.6
Debt securities issued by U.S. states and political subdivisions of states	61.4	7.6	9.7	1.8	71.1	9.4
Debt securities issued by foreign governments	-	-	1.3	0.2	1.3	0.2
Corporate debt securities	117.0	10.3	79.7	14.4	196.7	24.7
Residential mortgage-backed securities	33.3	2.7	24.1	5.2	57.4	7.9
Total	$ 219.5	$ 21.0	$ 115.5	$ 21.8	$ 335.0	$ 42.8

Net unrealized appreciation/(depreciation) on securities as of December 31, 2023 and December 31, 2022 is summarized as follows (in millions):

	December 31, 2023	**December 31, 2022**
Fixed income securities	$ (27.1)	$ (41.9)
Less: Deferred income tax (expense)/benefit	5.7	8.8
Net unrealized appreciation/(depreciation)	$ (21.4)	$ (33.1)

Net investment income, by type of investment, is as follows for the periods ended December 31, 2023 and 2022 (in millions):

	December 31, 2023	December 31, 2022
Gross investment income/(loss):		
Fixed income securities	$ 15.0	$ 12.3
Equity securities	0.5	0.5
Mortgage loans, held for investment	2.5	1.8
Limited partnerships	1.2	0.7
Short-term investments	5.0	0.9
Gross investment income	24.2	16.2
Less: Investment expenses	(1.1)	(1.2)
Net investment income	$ 23.1	$ 15.0

Note 4---Fair Value of Financial Instruments

The Company has adopted ASC 820, Fair Value Measurements and Disclosures, for all financial instruments accounted for or disclosed at fair value in the Company's financial statements. ASC 820 established a new framework for measuring fair value and expands related disclosures. Broadly, the framework requires fair value to be determined based on the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants. It also establishes market or observable inputs as the preferred source of values, followed by assumptions based on hypothetical transactions in the absence of market inputs.

ASC 820 specifies that a hierarchy of valuation techniques be determined for each asset or liability based on whether the inputs to the valuation technique for those assets are observable or unobservable. Observable inputs reflect market data corroborated by independent sources while unobservable inputs reflect assumptions that are not observable in an active market or are developed internally. These two types of inputs create three valuation hierarchy levels:

- Level 1 valuations reflect quoted market or exchange prices for the actual or identical assets or liabilities in active markets.
- Level 2 valuations reflect inputs other than quoted prices in Level 1 which are observable. The inputs can include some or all of the following into a valuation model:
    - quoted prices on similar assets in active markets
    - quoted prices on actual assets that are not active
    - observable inputs other than quoted prices such as yield curves, volatilities, prepayment speeds
    - inputs derived from observable market data
- Level 3 valuations reflect valuations in which one or more of the significant valuation inputs are not observable in an active market, there is limited if any market activity, and/or are based on management inputs into a valuation model.

The Company maintains policies and procedures to value instruments using the best and most relevant data available. The Company determines the fair value of financial assets utilizing prices obtained from a third party pricing service. Typical inputs used to determine fair value include, but are not limited to, reported trades, broker/dealer prices, benchmark yields and issuer spreads. In addition, the Company has an investment management team that reviews the valuation, including independent price validation for certain instruments.

The following section describes the valuation methodologies the Company uses to measure the financial instruments at fair value.

Investments in Fixed Maturity and Debt Securities
All fixed maturity and debt securities are considered available for sale and consist of: United States Treasury notes and bonds which trade actively and are categorized as Level 1; corporate bonds, government or agency debt, securitized debt (collateralized mortgage obligation or mortgage backed security) and private placements have valuations that use such inputs as dealer quotations, matrix pricing methodology, similar traded securities, and other observable data to generate their fair values which result in a Level 2 categorization.

Investments in Equity Securities
Equity securities consist of investments in exchange traded funds. The exchange traded funds have a readily available market or exchange price which results in a Level 1 categorization.

Investments in Cash Equivalents
Investments in cash equivalents consist of money market fund holdings, U.S. Treasury bills and certificates of deposit. All of these instruments have readily available market or exchange prices in an active market and are categorized as Level 1 assets.

Other Invested Assets
Other invested assets consist of the Company's investment in FHLB stock. The inputs utilized to measure the fair value of the investments are classified as Level 3 within the fair value hierarchy.

Separate Account Assets
The amount shown on the balance sheet represents the total of all Separate Account assets held in each of the accounts managed within the Company. Assets held in the Separate Accounts consists of U.S. Treasury bills, U.S. Treasury bonds, cash, common stock and investments in money market funds, all of which are Level 1 assets as their values are readily available in the open market. Corporate bonds, corporate commercial paper, government or agency debt and securitized debt are valued using the market approach and priced using pricing models or matrix pricing making them Level 2 assets. For Separate Accounts J and W1, each mortgage loan's fair value is established externally on a monthly basis using the present value of future mortgage payments due thereunder and are categorized as Level 3 assets. Real estate owned is fair valued externally using a method that includes inputs such as: appraisals of the assets, the nature of the investment, local market conditions and current and projected operating performance of the real estate investments and is categorized as Level 3 assets.

The following table presents the Company's assets measured at fair value on a recurring basis at December 31, 2023 (in millions):

Balance Sheet Line Item	Asset Category	Level 1	Level 2	Level 3	Fair value
Fixed Maturities					
	Debt securities issued by U.S Treasury and other U.S. government corporations and agencies	$ 6.6	$ 6.8	$ -	$ 13.4
	Debt securities issued by U.S. states and political subdivisions of states	-	85.2	-	85.2
	Debt securities issued by foreign governments	-	1.3	-	1.3
	Corporate debt securities	-	253.1	-	253.1
	Residential mortgage-backed securities	-	69.9	-	69.9
Fixed Maturities Total		6.6	416.3	-	422.9
Equity Securities	Common stock	13.5	-	-	13.5
Cash Equivalents	Money market funds	98.2	-	-	98.2
Other Invested Assets	FHLB stock	-	-	3.4	3.4
Total		$ 118.3	$ 416.3	$ 3.4	$ 538.0

Ullico Inc.

Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2023 and 2022

The following table presents the Company's assets measured at fair value on a recurring basis at December 31, 2022 (in millions):

Balance Sheet Line Item	Asset Category	Level 1	Level 2	Level 3	Fair value
Fixed Maturities					
	Debt securities issued by U.S Treasury and other U.S. government corporations and agencies	$ 6.7	$ 4.1	$ -	$ 10.8
	Debt securities issued by U.S. states and political subdivisions of states	-	77.8	-	77.8
	Debt securities issued by foreign governments	-	1.3	-	1.3
	Corporate debt securities	-	206.4	-	206.4
	Residential mortgage-backed securities	-	72.2	-	72.2
Fixed Maturities Total		6.7	361.8	-	368.5
Equity Securities	Common stock	12.0	-	-	12.0
Cash Equivalents	Money market funds	63.7	-	-	63.7
Other Invested Assets	FHLB stock	-	-	2.4	2.4
Total		$ 82.4	$ 361.8	$ 2.4	$ 446.6

The following table details assets measured at fair value on a recurring basis at December 31, 2023 for all Separate Accounts (in millions). Note that the Balance Sheet categories "Separate Account Assets" and "Separate Account Liabilities" include receivables and other items that are not required to be disclosed under ASC 820.

	Asset Category	Level 1	Level 2	Level 3	Fair value
Equity Securities	Common Stock	$ 57.8	$ -	$ -	$ 57.8
Equity Securities Total		57.8	-	-	57.8
Fixed Maturities					
	Debt securities issued by U.S Treasury and other U.S. government corporations and agencies	-	20.1	-	20.1
	Debt Securities issued by foreign governments	-	0.4	-	0.4
	Commercial mortgage-backed securities	-	246.9	-	246.9
	Corporate debt securities	-	70.5	-	70.5
	Asset-backed securities	-	1.4	-	1.4
	Residential mortgage-backed securities	-	386.4	-	386.4
Fixed Maturities Total		-	725.7	-	725.7
Short Term Investments and Cash Equivalents					
	Debt securities issued by U.S Treasury and other U.S. government corporations and agencies	-	10.9	-	10.9
	Corporate debt securities	-	0.5	-	0.5
	Money market funds	237.8	-	-	237.8
Short Term Investments and Cash Equivalents Total		237.8	11.4	-	249.2
Mortgage Loans	Mortgage loans	-	-	3,342.6	3,342.6
Real Estate Owned	Real estate	-	-	3.4	3.4
Total Separate Account Investments		$ 295.6	$ 737.1	$ 3,346.0	$4,378.7

The following table presents additional information about valuation methodologies and inputs used for investments that are measured at fair value and categorized within Level 3 as of December 31, 2023 (in millions):

Investment Type	Fair Value	Valuation Techniques	Unobservable Inputs	Range	Weighted Average
Mortgage Loans	$ 2,907.5	Discounted Cash Flow	Discount rates	5.63 – 13.73%	9.04%
			Capitalization rates	3.60 – 8.00%	5.54%
			Interest rates	4.00 – 11.44%	7.10%
Mortgage Loans	198.4	Held at Par (a)	N/A	N/A	N/A
Mortgage Loans	236.7	Expected Net Proceeds (a)	N/A	N/A	N/A
Real Estate Owned	3.4	Appraisal Value (b)	N/A	N/A	N/A
Total Level 3 investments	$ 3,346.0				

(a)Approximates fair value.
(b)The fair value of the investment is based on a third party appraisal report performed at foreclosure and is adjusted for subsequent sales and assessed monthly for impairment.

The amount of Purchases/Loan Fundings and Sales/Repayments related to Level 3 assets was $1,039.0 million and $501.4 million for the period ended December 31, 2023. The remaining change to Level 3 assets was due to the change in fair value of ($79.5) million for the period ended December 31, 2023.

The following table details assets measured at fair value on a recurring basis at December 31, 2022 for all Separate Accounts (in millions). Note that the Balance Sheet categories "Separate Account Assets" and "Separate Account Liabilities" include receivables and other items that are not required to be disclosed under ASC 820.

	Asset Category	Level 1	Level 2	Level 3	Fair value
Equity Securities	Common Stock	$ 52.7	$ -	$ -	$ 52.7
Equity Securities Total		52.7	-	-	52.7
Fixed Maturities					
	Debt securities issued by U.S Treasury and other U.S. government corporations and agencies	-	47.9	-	47.9
	Debt Securities issued by foreign governments	-	0.4	-	0.4
	Commercial mortgage-backed securities	-	487.5	-	487.5
	Corporate debt securities	-	67.7	-	67.7
	Asset-backed securities	-	3.4	-	3.4
	Residential mortgage-backed securities	-	362.0	-	362.0
Fixed Maturities Total		-	968.9	-	968.9
Short Term Investments and Cash Equivalents					
	Debt securities issued by U.S Treasury and other U.S. government corporations and agencies	-	7.1	-	7.1
	Money market funds	452.6	-	-	452.6
Short Term Investments and Cash Equivalents Total		452.6	7.1	-	459.7
Mortgage Loans	Mortgage loans	-	-	2,880.8	2,880.8
Real Estate Owned	Real estate	-	-	7.0	7.0
Total Separate Account Investments		$ 505.3	$ 976.0	$ 2,887.8	$4,369.1

The following table presents additional information about valuation methodologies and inputs used for investments that are measured at fair value and categorized within Level 3 as of December 31, 2022 (in millions):

Investment Type	Fair Value	Valuation Techniques	Unobservable Inputs	Range	Weighted Average
Mortgage Loans	$ 2,308.0	Discounted Cash Flow	Discount rates	5.65 – 10.64%	7.69%
			Capitalization rates	4.00 – 8.00%	5.40%
			Interest rates	4.00 – 10.14%	6.07%
Mortgage Loans	482.0	Held at Par (a)	N/A	N/A	N/A
Mortgage Loans	90.8	Expected Net Proceeds (a)	N/A	N/A	N/A
Real Estate Owned	7.0	Appraisal Value (b)	N/A	N/A	N/A
Total Level 3 investments	$ 2,887.8				

(a)Approximates fair value.
(b)The fair value of the investment is based on a third party appraisal report performed at foreclosure and is adjusted for subsequent sales and assessed monthly for impairment.

The amount of Purchases/Loan Fundings and Sales/Repayments related to Level 3 assets was $710.1 million and $508.3 million for the period ended December 31, 2022. The remaining change to Level 3 assets was due to the change in fair value of ($110.6) million for the period ended December 31, 2022.

ASC 825, *Disclosures about Fair Value of Financial Instruments*, requires disclosure of fair value information about financial instruments, whether or not recognized in the balance sheets, for which it is practicable to estimate that value. In cases where quoted market prices are not available for identical or comparable financial instruments, fair values are based on estimates using the present values of estimated cash flows or other valuation techniques. Estimated fair values can be significantly affected by the methods and assumptions used, including the discount rate and estimates as to the amounts and timing of future cash flows. Accordingly, the fair values may not represent actual values of the financial instruments that could have been realized by the Company as of year-end or that will be realized in the future.

Fair values for the Company's insurance contracts are not required to be disclosed under ASC 825. However, the estimated fair value and future cash flows of liabilities under all insurance contracts are taken into consideration in the Company's overall management of interest rate risk, which minimizes exposure to changing interest rates through the matching of investment maturities with amounts due under insurance contracts. Management believes that disclosing the estimated fair value of all assets without a corresponding revaluation of all liabilities associated with insurance contracts can be misinterpreted. The aggregate fair value amounts presented do not represent the actual value of the Company.

Limited partnerships and limited liability corporations are reported under the equity method of accounting. The carrying value of the limited partnerships and limited liability corporations is assumed to approximate its fair value. The fair value of mortgage loans is estimated through the use of discounted cash flow techniques using interest rates currently being offered for similar loans to borrowers with similar credit ratings. Mortgage loans with similar characteristics are aggregated for purposes of this analysis. Deposit-type annuity contracts with defined maturities and policyholder funds on deposit liabilities are valued using discounted cash flow techniques based upon interest rates currently being offered by the Company for similar contracts with maturities consistent with the contracts being valued. Deposit-type annuity contracts with no defined maturities are valued using discounted cash flow techniques based upon a risk free interest rate, adjusted for Company specific non-performance risk and a non-stochastic process margin or the amount payable on demand at the reporting date. Other assets and liabilities considered financial instruments such as premium and accounts receivable, accrued investment income and cash are generally of a short-term nature and their carrying values are deemed to approximate fair value.

(in millions)	December 31, 2023		December 31, 2022	
Financial Instrument	Carrying Value	Fair Value	Carrying Value	Fair Value
Investments in limited partnerships and limited liability corporations	$ 23.0	$ 23.0	$ 11.8	$ 11.8
Mortgage loans held for investment	39.5	38.5	40.9	39.8
Policyholder funds on deposit	1.2	1.2	1.2	1.2
Deposit-type annuity contracts	21.6	21.3	23.0	22.7

Note 5---Mortgage Loans - Held for Investment

Mortgage loans held for investment and the related valuation reserves, if any, are as follows at December 31, 2023 and December 31, 2022 (in millions):

	December 31, 2023	December 31, 2022
Commercial mortgages	$ 39.5	$ 40.9
Less: Mortgage valuation reserves	-	-
Net Mortgage Loans	$ 39.5	$ 40.9

The Company's mortgage loans held for investment, net of related reserves, if any, for significant states at December 31, 2023 are as follows (in millions):

	Number	Balance	% of portfolio
Ohio	2	$ 10.4	26.3%
Florida	1	9.7	24.6%
New York	1	6.8	17.2%
Washington	1	6.6	16.7%
Virginia	1	6.0	15.2%
Total	6	$ 39.5	100.0%

Note 6---Property and Equipment

Property and equipment consisted of the following at December 31, 2023 and December 31, 2022 (in millions):

	December 31, 2023	December 31, 2022
Furniture and equipment	$ 3.0	$ 2.9
Leasehold improvements	1.4	1.6
Software	10.0	9.9
Property and equipment, at cost	14.4	14.4
Less: Accumulated depreciation and amortization	(8.8)	(7.8)
Net Property and Equipment	$ 5.6	$ 6.6

Note 7---Deferred Policy Acquisition Costs

Policy acquisition costs deferred for amortization against future income and the related amortization charged to expense for the periods ended December 31, 2023 and December 31, 2022 are as follows (in millions):

	December 31, 2023	December 31, 2022
Balance, January 1	$ 10.2	$ 9.5
Costs deferred during the year:		
Commissions	21.1	20.0
Direct marketing costs	1.6	0.7
Total costs deferred during the year	22.7	20.7
Less: Costs amortized during the year	(21.6)	(20.0)
Balance	$ 11.3	$ 10.2

No premium deficiency reserve was established at December 31, 2023 or December 31, 2022 as the sum of expected estimated losses and loss adjustment expenses, unamortized acquisition costs and maintenance costs did not exceed unearned premium and anticipated investment income.

Note 8---Claim Reserves

Life and Health

Activity in the liability for unpaid life and health claims as of and for the periods ended December 31, 2023 and December 31, 2022 is summarized as follows (in millions):

	December 31, 2023	December 31, 2022
Balance, January 1	$ 164.7	$ 158.6
Less: reinsurance recoverables	45.9	41.4
Net balance, January 1	118.8	117.2
Incurred related to:		
Current year	188.6	162.7
Prior years	(12.5)	(16.4)
Total Incurred	176.1	146.3
Paid related to:		
Current year	64.8	61.0
Prior years	85.7	83.7
Total Paid	150.5	144.7
Net balance	144.4	118.8
Plus: reinsurance recoverables	50.8	45.9
Total claim reserves	195.2	164.7
Total policy reserves	78.9	81.1
Policy benefits loss reserve adjustment	-	-
Total life, accident and health and annuity reserves	$ 274.1	$ 245.8

The Company's life and accident and health operations experienced net favorable prior year reserve development of $12.5 million for the period ended December 31, 2023. The following products experienced favorable prior year reserve development: medical stop loss $9.6 million and group life and accidental death and dismemberment ("AD&D"), $3.1 million. Group disability experienced $0.2 million of unfavorable prior year reserve development. The overall reserve development was due to better than anticipated experience for benefits and claims expense and represents the Company's best estimates.

The Company's life and accident and health operations experienced net favorable prior year reserve development of $16.4 million for the period ended December 31, 2022. The following products experienced favorable prior year reserve development: medical stop loss, $15.0 million; group disability, $0.8 million; individual agency health, $0.2 million; and group life and AD&D, $0.5 million. The supplemental life block experienced $0.1 million of unfavorable prior year reserve development. The overall reserve development was due to better than anticipated experience for benefits and claims expense and represents the Company's best estimates.

The following is information, presented by life and accident and health lines of business, related to incurred and paid claims development as of December 31, 2023, net of reinsurance, as well as cumulative claim frequency and the total of IBNR liabilities included within the net incurred claims amounts. The information about incurred and paid claims development for the years ended December 31, 2019 to 2022, is presented as required supplementary unaudited information.

Stop Loss

Incurred and paid loss development for the stop loss line of business for the year ending December 31, 2023 is as follows (in millions):

Cumulative Incurred Losses

	(unaudited)	(unaudited)	(unaudited)	(unaudited)	
Claim Year	2019	2020	2021	2022	2023
2019	$ 79.8	$ 74.5	$ 71.0	$ 71.3	$ 71.3
2020		101.4	94.8	92.4	92.4
2021			105.5	89.6	83.8
2022				102.3	95.0
2023					129.9
					$ 472.4

Cumulative Paid Losses

	(unaudited)	(unaudited)	(unaudited)	(unaudited)	
Claim Year	2019	2020	2021	2022	2023
2019	$ 23.9	$ 68.3	$ 71.3	$ 71.3	$ 71.3
2020		27.7	88.0	92.1	92.4
2021			21.6	78.6	83.6
2022				22.0	81.8
2023					28.3
					$ 357.4

The total of IBNR liabilities plus expected development on reported claims by claim year for the stop loss line of business as of December 31, 2023 is as follows (in millions):

Claim Year	
2019	$ -
2020	-
2021	0.2
2022	13.2
2023	101.6
	$ 115.0

The cumulative number of reported claims by claim year (unaudited) for the stop loss line of business as of December 31, 2023 is:

Claim Year	
2019	756
2020	859
2021	871
2022	878
2023	363
	3,727

The following represents supplementary unaudited information about average historical claims duration for stop loss as of December 31, 2023:

Average Annual Percentage Payout of Incurred Claims by Age, Net of Reinsurance (unaudited)					
Year	1	2	3	4	5
Stop Loss	29.3%	65.5%	5.6%	0.3%	0.2%

Group Life

Incurred and paid losses for the group life line of business for the year ending December 31, 2023 is as follows (in millions):

Cumulative Incurred Losses

	(unaudited)	(unaudited)	(unaudited)	(unaudited)	
Claim Year	2019	2020	2021	2022	2023
2019	$ 45.1	$ 44.6	$ 44.3	$ 44.1	$ 44.4
2020		43.8	47.6	47.4	47.8
2021			46.6	46.6	46.9
2022				46.0	43.1
2023					45.7
					$ 227.9

Cumulative Paid Losses

	(unaudited)	(unaudited)	(unaudited)	(unaudited)	
Claim Year	2019	2020	2021	2022	2023
2019	$ 32.5	$ 43.2	$ 43.8	$ 43.9	$ 44.0
2020		32.2	46.2	47.1	47.4
2021			31.3	45.4	46.6
2022				29.8	41.4
2023					28.1
					$ 207.5

The total of IBNR liabilities plus expected development on reported claims by claim year for the group life line of business as of December 31, 2023 are as follows (in millions):

Claim Year	
2019	$ 0.4
2020	0.4
2021	0.3
2022	1.7
2023	17.6
	$ 20.4

The cumulative number of reported claims by claim year (unaudited) for the group life line of business as of December 31, 2023 is:

Claim Year	
2019	9,445
2020	10,202
2021	9,995
2022	9,051
2023	5,633
	44,326

The following represents supplementary unaudited information about average historical claims duration for group life as of December 31, 2023:

Average Annual Percentage Payout of Incurred Claims by Age, Net of Reinsurance (unaudited)

Year	1	2	3	4	5
Group Life	71.4%	32.5%	1.4%	0.5%	0.1%

The reconciliation of the stop loss and group life incurred and claims development information, reflected in the tables above, to the life, accident and health and annuities policy and claim reserves, as of December 31, 2023 is as follows (in millions):

	Stop Loss	Group Life	Total
Cumulative incurred losses	$ 472.4	$ 227.9	$ 700.3
Less: Cumulative paid losses	357.4	207.5	564.9
Net losses payable	$ 115.0	$ 20.4	$ 135.4
Other lines of business claim reserves			9.0
Total life and health claim reserves			$ 144.4

Property and Casualty

Activity in the liability for unpaid property and casualty losses and loss adjustment expenses ("LAE") as of and for the periods ended December 31, 2023 and December 31, 2022 is summarized as follows (in millions):

	December 31, 2023	December 31, 2022
Balance, January 1	$ 49.4	$ 49.0
Less: reinsurance recoverables	-	-
Net balance, January 1	49.4	49.0
Incurred related to:		
Current year	21.6	21.5
Prior years	(10.5)	(9.2)
Total incurred	11.1	12.3
Paid related to:		
Current year	1.9	2.2
Prior years	8.4	9.7
Total paid	10.3	11.9
Net balance	50.2	49.4
Plus: reinsurance recoverable	-	-
Total property and casualty reserves	$ 50.2	$ 49.4

The Company's property and casualty operations experienced favorable prior year reserve development of $10.5 million and $9.2 million for the periods ended December 31, 2023 and December 31, 2022, respectively. The prior year reserve development for 2023 and 2022 is related to professional liability.

Increases and decreases of this nature occur as the result of claim settlements during the current year, and as additional information is received regarding unpaid additional claims. Recent loss development trends are also taken into account in evaluating the overall adequacy of unpaid losses and LAE.

The following is information, presented by property and casualty lines of business with similar pay out patterns, related to incurred and paid claims development as of December 31, 2023, net of reinsurance, as well as cumulative claim frequency and the total of IBNR liabilities included within the net incurred claims amounts. The information about incurred and paid claims development for the years ended December 31, 2019 to 2022, is presented as required supplementary unaudited information.

Fiduciary and Governmental Liability

Incurred and paid losses and allocated loss adjustment expenses development by claim year for the fiduciary and governmental liability line of business, net of reinsurance, for the year ending December 31, 2023 is as follows (in millions):

	Cumulative Incurred Losses and Allocated Loss Adjustment Expenses				
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	
Claim Year	2019	2020	2021	2022	2023
2019	$ 9.2	$ 8.3	$ 6.6	$ 4.8	$ 3.8
2020		9.0	7.9	6.0	4.8
2021			9.0	7.5	6.0
2022				9.8	7.9
2023					10.0
					$ 32.5

	Cumulative Paid Losses and Allocated Loss Adjustment Expenses				
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	
Claim Year	2019	2020	2021	2022	2023
2019	$ 1.1	$ 1.8	$ 2.6	$ 2.9	$ 3.0
2020		0.6	2.2	2.5	2.8
2021			1.0	2.0	2.4
2022				1.0	2.1
2023					1.3
					$ 11.6

The total of IBNR liabilities plus expected development on reported claims by claim year for the fiduciary & governmental liability line of business as of December 31, 2023 are as follows (in millions):

Claim Year	
2019	$ 0.8
2020	2.0
2021	3.6
2022	5.8
2023	8.7
	$ 20.9

The cumulative number of reported claims by claim year (unaudited) for the fiduciary and governmental liability line of business as of December 31, 2023 is:

Claim Year	
2019	129
2020	112
2021	138
2022	158
2023	172
	709

The following represents supplementary unaudited information about average historical claims duration for fiduciary and governmental liability as of December 31, 2023:

Average Annual Percentage Payout of Incurred Claims by Age, Net of Reinsurance (unaudited)

Year	1	2	3	4	5
	16.7%	20.3%	12.0%	5.6%	2.9%

Union Liability

Incurred and paid losses and allocated loss adjustment expenses development by claim year for the union liability line of business, net of reinsurance, for the year ending December 31, 2023 is as follows (in millions):

Cumulative Incurred Losses and Allocated Loss Adjustment Expenses

	(unaudited)	(unaudited)	(unaudited)	(unaudited)	
Claim Year	2019	2020	2021	2022	2023
2019	$ 8.8	$ 9.3	$ 8.0	$ 7.4	$ 7.1
2020		9.9	13.0	12.4	10.5
2021			10.5	10.1	8.7
2022				11.2	11.8
2023					11.2
					$ 49.3

Cumulative Paid Losses and Allocated Loss Adjustment Expenses

	(unaudited)	(unaudited)	(unaudited)	(unaudited)	
Claim Year	2019	2020	2021	2022	2023
2019	$ 1.1	$ 3.0	$ 4.3	$ 5.0	$ 5.9
2020		1.2	4.6	7.5	7.8
2021			1.1	2.8	4.4
2022				1.2	3.8
2023					0.6
					$ 22.5

The total of IBNR liabilities plus expected development on reported claims by claim year for the union liability line of business as of December 31, 2023 are as follows (in millions):

Claim Year		
2019	$	1.2
2020		2.7
2021		4.3
2022		8.0
2023		10.6
	$	26.8

The cumulative number of reported claims by claim year (unaudited) for the union liability line of business as of December 31, 2023 is:

Claim Year	
2019	237
2020	191
2021	198
2022	231
2023	206
	1,063

The following represents supplementary unaudited information about average historical claims duration for union liability as of December 31, 2023:

Average Annual Percentage Payout of Incurred Claims by Age, Net of Reinsurance (unaudited)

Year	1	2	3	4	5
	10.8%	25.4%	21.7%	6.1%	12.5%

The reconciliation of the fiduciary and governmental liability and union liability incurred and claims development information, reflected in the tables above, to the property and casualty policy and claim reserves, as of December 31, 2023 is as follows (in millions):

	Fiduciary and Governmental Liability		Union Liability		Total	
Cumulative incurred losses and allocated loss adjustment expenses	$	32.5	$	49.3	$	81.8
Less: Cumulative paid losses and allocated loss adjustment expenses		11.6		22.5		34.1
Net losses and allocated loss adjustment expenses payable	$	20.9	$	26.8	$	47.7
Unpaid losses and allocated loss adjustment expenses prior to 2019						1.5
Unallocated loss adjustment expense payable						1.0
Total property and casualty reserves					$	50.2

Note 9---Reinsurance

In the normal course of business, the Company assumes risks from and cedes certain parts of its risks to other insurance companies. The primary purpose of ceded reinsurance is to limit losses from large exposures.

Reinsurance contracts do not relieve the Company of its obligations to policyholders. To the extent that reinsuring companies are later unable to meet obligations under reinsurance agreements, the Company would be liable for these obligations. The Company evaluates the financial condition of its reinsurers and attempts to limit its exposure to any one reinsurer.

Union Labor Life maintains certain reinsurance agreements under excess of loss, quota share, and catastrophe coverage. For stop loss contracts with treaty years beginning October 1, 2018, through September 30, 2019, the Company retained $1.75 million less the underlying self-insured deductible and reinsures 100% of the excess. For stop loss contracts beginning on or after October 1, 2019, the Company retains $2.0 million less the underlying self-insured deductible and reinsures 100% of the excess. For stop loss contracts beginning on or after October 1, 2023, the Company retains $2.25 million less the underlying self-insured deductible and reinsures 100% of the excess. Swiss Re was the excess reinsurer from October 1, 2018 to September 30, 2022; QBE Insurance became the excess reinsurer beginning October 1, 2022. For group life and AD&D policies and supplemental life and AD&D policies, GenRe was the excess reinsurer through June 30, 2022, and Swiss Re became the excess reinsurer beginning July 1, 2022. The Company retains a maximum retention amount of $150,000 per life policy and $150,000 per AD&D policy.

Prior to 2015, Union Labor Life had a reinsurance arrangement with Fidelity Security Life Insurance Company (“Fidelity Security Life”) and Fidelity Security Life of New York whereby Union Labor Life assumed 95% and 90% of the written stop loss premium, respectively. Effective January 1, 2015, the Fidelity Security Life treaty was amended and Union Labor Life assumes 80% of the stop loss premium written on Fidelity Security Life paper. In addition, a new treaty was enacted effective January 1, 2015 between Union Labor Life and Fidelity Security Life whereby Fidelity Security Life assumes 20% of the stop loss premium written on Union Labor Life’s paper.

Effective October 1, 2012, Union Labor Life entered into a 30% modified coinsurance (“modco") arrangement on its medical stop loss business with Canada Life. Under this agreement, Union Labor Life will retain its liability on the policies net of the reinsured obligation. The amount of ceded premium and claims was $57.7 million and $40.2 million for the period ending December 31, 2023 and $48.0 million and $35.9 million for the period ending December 31, 2022, respectively. The amount of stop loss modco reserve adjustment for December 31, 2023 was an increase of $7.3 million. The amount of stop loss modco reserve adjustment for December 31, 2022 was an increase of $0.9 million. The modified coinsurance agreement includes a provision that caps the reinsurer’s loss at a realized loss ratio of 95%. A reserve credit is not taken for losses in excess of the cap. There was no loss in excess of the cap for the period ended December 31, 2023.

Effective July 1, 2016, Union Labor Life entered into a 100% quota share reinsurance agreement on its supplemental life and health block of business with GenRe. As part of the agreement, Union Labor Life also recorded a $17.3 million note payable at 4% to GenRe which will be reduced by annual principal and interest payments each July 1 of approximately $1.3 million over twenty years. The current balance of the note payable is approximately $12.7 million. Collateral is required under the agreement to support the note payable amount. As of December 31, 2023, the balance in the collateral account was $11.7 million. The amount of ceded premium and claims was $8.6 million and $6.8 million for the period ending December 31, 2023 and $9.6 million and $8.4 million for the period ending December 31, 2022, respectively. Union Labor Life also received administrative expense allowances from GenRe of $1.8 million and $2.0 million for the periods ended December 31, 2023 and 2022.

Effective October 1, 2012, certain life insurance, individual agency and group conversion life policies issued by Union Labor Life were 100% ceded, up to a maximum cession per policy of $100,000 to Southern Financial Life Insurance Company (“SFIC”), a Louisiana domestic company. As of December 31, 2023, there was approximately $6.0 million in reserves ceded to SFIC. As of December 31, 2023, SFIC has $6.8 million of collateral available to the Company for amounts recoverable from SFIC.

Labor Captive, a wholly owned subsidiary of Ullico Inc., is a reinsurer under multiple quota share reinsurance agreements linked to UCG's program administrator agreements with Alterra America Insurance Company ("Alterra"), subsequently renamed Pinnacle National Insurance Company, and Markel. The business covered is professional liability. All terminated agreements are cancelled on a run-off basis. Labor Captive pays a ceding commission to Markel based on the ratio of fee based income paid to UCG to gross written premium plus an allowance for fronting fees, boards, bureaus and taxes times the amount of assumed premium.

The following table provides the summarized terms for the agreements:

Term	Ceding Companies	Quota Share %	Maximum Loss per Program Policy per Claim
11/15/12 –2/28/14	Alterra	60%	$1,200,000
3/1/14 –12/31/14	Alterra, Markel	60%	$1,200,000
1/1/15 – 12/31/16	Alterra, Markel	65%	$1,300,000
1/1/17 – 12/31/18	Alterra, Markel	65%	$1,300,000
1/1/19 – 12/31/19	Alterra, Markel	60%	$1,200,000
1/1/20 – 12/31/24	Markel	60%	$1,200,000

The effects of reinsurance on premium income and benefits and claims incurred for the periods ended December 31, 2023 and 2022 are as follows (in millions):

	December 31, 2023	December 31, 2022
Life, health and annuities premium income:		
Direct	$ 344.6	$ 298.0
Assumed	0.6	0.3
Ceded	(129.7)	(110.5)
Net premium income earned	$ 215.5	$ 187.8
Property and casualty premiums written:		
Direct	$ -	$ -
Assumed	44.0	41.5
Ceded	-	-
Net premium written	$ 44.0	41.5
Property and casualty premiums earned:		
Direct	$ -	$ -
Assumed	43.0	40.5
Ceded	-	-
Net premium income earned	$ 43.0	$ 40.5
Life, health and annuities benefits and claims incurred:		
Direct	$ 259.3	$ 232.2
Assumed	0.8	0.7
Ceded	(92.1)	(89.0)
Net benefits and claims incurred	$ 168.0	$ 143.9
Property and casualty benefits and claims incurred:		
Direct	$ -	$ -
Assumed	11.1	12.3
Ceded	-	-
Net benefits and claims incurred	$ 11.1	$ 12.3

Total amounts recoverable from reinsurers was $94.9 million and $89.8 million for the periods ending December 31, 2023 and December 31, 2022.

Reinsurance recoverables from reinsurers grouped by their AM Best rating for December 31, 2023 are as follows (in millions):

A.M. Best Rating	Unpaid Losses	Paid Losses	Unearned Premium	Other	Total
A++	$37.1	-	$0.4	-	$37.5
A+	4.7	9.6	-	2.6	16.9
A	35.1	0.3	-	0.2	35.6
A-	-	-	-	-	-
Not rated by A.M. Best	4.9	-	-	-	4.9
Total	$81.8	$9.9	$0.4	$2.8	$94.9

Reinsurance recoverables from reinsurers grouped by their AM Best rating for December 31, 2022 are as follows (in millions):

A.M. Best Rating	Unpaid Losses	Paid Losses	Unearned Premium	Other	Total
A++	$37.7	-	$0.4	-	$38.1
A+	9.7	9.1	-	2.5	21.3
A	25.1	-	-	-	25.1
A-	-	-	-	-	-
Not rated by A.M. Best	5.3	-	-	-	5.3
Total	$77.8	$9.1	$0.4	$2.5	$89.8

Certain of the Company's reinsurance agreements require the reinsurer to set up letters of credit or trust accounts as collateral for the Company's benefit in the event of insolvency.

The following collateral is available to the Company for amounts recoverable from reinsurers as of December 31, 2023 (in millions):

	Regulation 114 Trust	Letters of Credit	Total
Southern Financial Life Insurance Company	$6.8	-	$6.8

The following collateral is available to the Company for amounts recoverable from reinsurers as of December 31, 2022 (in millions):

	Regulation 114 Trust	Letters of Credit	Total
Southern Financial Life Insurance Company	$6.6	-	$6.6

Note 10---Benefit Plans

Company Benefit Plans
The Company's eligible employees are participants in the AFL-CIO Staff Retirement Plan ("the Plan"), a multiemployer defined benefit plan with a fiscal year end of June 30. The Company makes monthly contributions to the Plan. The Plan records the present value of retirement incentive contributions using a discount rate of 7.0%. The Company's year-to-date contributions to the Plan represented more than 5% of all participating employer's total contributions for the fiscal year ending June 30, 2023.

The financial health of a multiemployer plan is indicated by the zone status, as defined by the Pension Protection Act of 2006, which represents the funded status of the plan as certified by the plan's actuary. Plans in the red zone are less than 65% funded, the yellow zone are between 65% and 80% funded and green zone are at least 80% funded.

The following information details the Company's participation in the Plan:

Employer Identification Number/Pension Plan Number: 53-0228172-001

Pension Protection Act Zone Status as of June 30, 2023: Green

Company Contributions for the periods ended December 31, 2023 and 2022: $2.5 million and $3.5 million, respectively.

The Plan's investment strategy includes investing in securities which provide long-term appreciation and revenue generation. The strategy also includes investments in hedge funds in order to attain above average rates of returns and long-term capital growth.

The Company also sponsors an unfunded non-qualified defined benefit plan and a defined contribution savings and investment plan, as well as other postretirement health and life insurance benefits to eligible retirees. The Company made matching contributions to its defined contribution savings and investment plan of $1.2 million and $1.1 million for the periods ending December 31, 2023 and 2022.

Information with respect to the Company's non-qualified pension and other postretirement benefit plan obligation is as follows (in millions):

Obligations and Funded Status	**Non-qualified Pension Benefits**		**Postretirement Benefits**	
	2023	**2022**	**2023**	**2022**
Change in benefits obligation				
Benefit obligation at beginning of year	$ 12.7	$ 16.2	$ 3.7	$ 4.9
Service cost	0.1	0.1	0.1	0.1
Interest cost	0.6	0.4	0.2	0.1
Actuarial loss/(gain)	0.2	(3.5)	0.1	(1.2)
Benefits paid	(0.7)	(0.6)	(0.3)	(0.2)
Benefit obligation at end of year	$ 12.9	$ 12.6	$ 3.8	$ 3.7

	Non-qualified Pension Benefits		Postretirement Benefits	
	2023	**2022**	**2023**	**2022**
Change in plan assets				
Fair value of plan assets beginning of year	$ -	$ -	$ -	$ -
Market adjustment	-	-	-	-
Actual return on plan assets	-	-	-	-
Employer contribution	0.7	0.6	0.3	0.2
Benefits paid	(0.7)	(0.6)	(0.3)	(0.2)
Administrative expenses	-	-	-	-
Transfer to other plan	-	-	-	-
Fair value of plan assets end of year	$ -	$ -	$ -	$ -

Information for the Company's non-qualified pension and other postretirement benefit plans with accumulated benefit obligation in excess of plan assets is as follows (in millions):

	Non-qualified Pension Benefits		Postretirement Benefits	
	2023	**2022**	**2023**	**2022**
Accumulated benefit obligation	$ 12.7	$ 12.4	$ -	$ -
Benefit obligation	12.9	12.6	3.8	3.7
Fair value of assets	-	-	-	-
Funded status	$ (12.9)	$ (12.6)	$ (3.8)	$ (3.7)
Amounts recognized in the consolidated balance sheet consist of:				
Current liabilities	(0.9)	(0.8)	(0.3)	(0.3)
Non-current liabilities	(12.0)	(11.8)	(3.5)	(3.4)

	Non-qualified Pension Benefits		Postretirement Benefits	
	2023	**2022**	**2023**	**2022**
Amounts recognized in AOCI consist of:				
Net actuarial loss/(gain)	$ 0.4	$ 0.2	$ (2.1)	$ (3.2)
Prior service cost/(credit)	-	-	0.6	0.5
Net amount recognized	$ 0.4	$ 0.2	$ (1.5)	$ (2.7)

The other changes in plan assets and benefit obligations recognized in other comprehensive income are as follows (in millions):

	Non-qualified Pension Benefits		Postretirement Benefits	
	2023	**2022**	**2023**	**2022**
New prior service cost/(credit)	$ -	$ -	$ -	$ -
Net loss/(gain)	0.2	(3.5)	0.1	(1.2)
Amortization of prior service credit/(cost)	-	-	1.1	1.5
Amortization of net gain/(loss)	-	(0.4)	-	(0.2)
Total recognized in other comprehensive income	$ 0.2	$ (3.9)	$ 1.2	$ 0.1
Total recognized in other comprehensive income and net periodic benefit cost	$ 0.9	$ (3.0)	$ 0.4	$ (1.0)

The components of net periodic benefit cost are as follows (in millions):

	Non-qualified Pension Benefits		Postretirement Benefits	
	2023	**2022**	**2023**	**2022**
Service cost	$ 0.1	$ 0.1	$ 0.1	$ 0.1
Interest cost	0.6	0.4	0.2	0.1
Expected return on plan assets	-	-	-	-
Amortization of prior service cost	-	-	(1.1)	(1.5)
Amortization of net loss/(gain)	-	0.4	-	0.2
Net periodic benefit cost	$ 0.7	$ 0.9	$ (0.8)	$ (1.1)

The rate assumptions utilized as of December 31, 2023 and December 31, 2022 are as follows:

	Non-qualified Pension Benefits		Postretirement Benefits	
	2023	**2022**	**2023**	**2022**
Discount rate	5.0%	5.2%	5.0%	5.2%
Rate of compensation increase	3.0%	3.0%	3.0%	3.0%

The Company uses December 31 as the measurement date for its non-qualified pension and other postretirement benefit plans.

For postretirement health benefit measurement purposes, a 6.25% annual rate of increase in the per capita cost of covered health care benefits was assumed for the year ending December 31, 2023. The rate was assumed to decrease gradually to 4.5% until 2030 and remain at that level thereafter.

For the year ending December 31, 2023 and 2022, the actuarial (gain)/loss component of the change in benefit obligation is $0.2 million and $(3.5) million, respectively, for the non-qualified pension benefit plan. This is comprised of $0.2 million and $(3.7) million attributable to the change in the discount rate and less than $0.1 million and $0.2 million attributable to the net impact of the change in the mortality assumption and demographic experience for 2023 and 2022, respectively.

For the year ending December 31, 2023 and 2022, the actuarial (gain)/loss component of the change in benefit obligation is $0.1 million and $(1.2) million, respectively, for the postretirement benefit plan. This is comprised of $0.1 million and $(1.1) million attributable to the change in the discount rate and less than $0.1 million and $(0.1) million attributable to the

net impact of the change in the mortality assumption and demographic experience for 2023 and 2022, respectively.
As of December 31, 2023, the following benefit payments, which reflect expected future services, are expected to be paid from the benefit plans (in millions). These benefit payments are calculated using the same rate assumptions previously noted.

	Non-qualified Pension Benefits	Postretirement Benefits
2024	$ 0.9	$ 0.3
2025	0.9	0.3
2026	0.9	0.3
2027	1.0	0.3
2028	1.0	0.3
2029-2033	4.7	1.4

Note 11---Income Taxes

The Company files a consolidated federal income tax return including all eligible subsidiaries. The components of income tax expense are as follows (in millions):

	December 31, 2023	December 31, 2022
Federal income tax expense		
Current	$ (14.1)	$ (1.9)
Deferred	0.5	(9.3)
Federal income tax expense	(13.6)	(11.2)
State income tax expense		
Current	(1.9)	(1.5)
Deferred	-	(0.1)
State income tax expense	(1.9)	(1.6)
Income tax expense	$ (15.5)	$ (12.8)

The reconciliation of federal taxes computed at the statutory rate of 21% for December 31, 2023 and 2022 to the income tax expense is as follows (in millions):

	December 31, 2023	December 31, 2022
Federal income tax expense at statutory rate	$ (14.4)	$ (12.1)
State income tax expense	(1.9)	(1.6)
Tax credits	-	0.3
Other, net	0.8	0.6
Income tax expense	$ (15.5)	$ (12.8)

The tax effects of items comprising the Company's net federal deferred income tax asset are as follows at December 31, 2023 and December 31, 2022 (in millions):

	December 31, 2023	December 31, 2022
Federal deferred tax asset		
Insurance reserves	$ 2.0	$ 1.7
Pension and postretirement benefits	3.5	3.4
Economic performance adjustment	2.5	1.2
Policyholder dividends	1.7	1.4
Lease liability	5.4	6.2
Unrealized capital losses on investments	5.6	8.6
Other	0.2	1.2
Subtotal federal deferred tax asset	20.9	23.7
Federal deferred tax liability		
Deferred policy acquisition costs and ceding commissions	1.0	1.1
Developed software and excess depreciation	0.9	1.0
Right-of-use lease asset	4.7	5.4
Limited partnership investments	3.4	3.0
Subtotal federal deferred tax liability	10.0	10.5
Net federal deferred tax asset	$ 10.9	$ 13.2

The deferred tax assets and deferred tax liabilities listed in the table above relate to temporary differences between the Company's accounting and tax carrying values.

As of December 31, 2023, the Company has concluded that it is more likely than not that all of the benefit from deferred tax assets will be realized in the foreseeable future. Based on this assessment, the Company has recorded no valuation allowance against the deferred tax asset, in accordance with ASC 740, *Accounting for Income Taxes*.

The $10.9 million of net deferred tax asset at December 31, 2023 results from net positive evidence that the Company has in support of the deferred tax asset.

As of December 31, 2023, the Company has no federal regular-tax net operating loss carry forwards. The Company paid $15.4 million of federal income tax for the period ended December 31, 2023. The Company paid no federal income tax for the period ended December 31, 2022.

There were no penalties on income taxes paid or accrued as of December 31, 2023. Tax penalties on income taxes paid or accrued were $0.1 million as of December 31, 2022. There are no material unrecognized tax benefits within the meaning of ASC 740-10-65-2 and management does not expect any significant increase or decrease within the following 12 months. The Company recognizes interest and penalties accrued, if any, related to unrecognized tax benefits as a component of income tax expense. Tax years that remain open and subject to examination by the Internal Revenue Service are calendar years 2020 and forward.

On August 16, 2022, the Inflation Reduction Act (the "Act") was signed into law. The Act, which is effective for tax years beginning after December 31, 2022, includes a new corporate alternative minimum tax ("CAMT") on certain corporations. The Company has determined that it will not be liable for the CAMT in 2023.

Note 12---Commitments and Contingencies

Financial Instruments with Off-Balance-Sheet Risk
The Company is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet its financing needs. These financial instruments include investment commitments related to separate account mortgage loans. These instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the balance sheets.

At December 31, 2023 and December 31, 2022, the Company had combined outstanding commitments to fund mortgage loans for Union Labor Life for the benefit of Separate Account J and W1 of approximately $1.0 billion and $1.3 billion, respectively.

Union Labor Life, on behalf of Separate Account J, maintained a $125.0 million line of credit with BMO Harris Bank as of January 2021. The line of credit is solely secured by the assets of Separate Account J. The line of credit was subsequently reduced to $100.0 million and $75.0 million in August 2021 and August 2022. The Account did not draw on the line of credit in 2023 or 2022. The unused line of credit was $75.0 million as of December 31, 2023.

Union Labor Life, on behalf of Separate Account W1, maintained a $10.0 million line of credit with the Bank of Labor as of January 2021. The line of credit is solely secured by the assets of Separate Account W1. The Account did not draw on the line of credit during 2023 or 2022. The unused line of credit was $10.0 million as of December 31, 2023.

FDIC Limit
The Company maintains its own funds in bank accounts with balances in excess of the FDIC insurance limit.

Audits, Investigations, Litigation and Unasserted Claims
Ullico and its subsidiaries are involved in legal proceedings arising in the ordinary course of their business. In the opinion of management, such investigations, litigation, and unasserted claims will not have a material impact on the financial condition, results of income, or cash flow of the Company.

Guaranties
The Company and, in certain instances, its subsidiary, Union Labor Life, are party to several agreements that guarantee the performance of Ullico Casualty, a former subsidiary.

Guaranties to State National Insurance Company

The Company and Union Labor Life are party to three guaranties of quota share reinsurance agreements between Ullico Casualty and State National Insurance Company ("SNIC"). Ullico Casualty funds were used to create a security fund in support of the guaranties.

Following is a summary of the guaranties:

Effective Date	Policies Issued	Type of Business Covered	Guarantor(s)
February 1, 2004	2004-2008	Fiduciary and Union Liability	Ullico
January 1, 2009	2009-2012	Worker's Compensation	Ullico, Union Labor Life
January 1, 2012	2012-2013	Fiduciary and Union Liability	Ullico, Union Labor Life

These guaranties remain in force as long as Ullico Casualty has outstanding obligations under the related reinsurance agreements. The Company and Union Labor life are obligated to hold SNIC harmless with respect to all liabilities of Ullico Casualty under these reinsurance agreements.

At December 31, 2023, SNIC reported a net amount reinsurance recoverable of $5.3 million in its statutory filings. Ullico Casualty's funds on deposit in a security fund account were $47.1 million at December 31, 2023. Thus, management believes that there is no exposure to the guarantees provided by the Company and Union Labor Life at December 31, 2023.

Guaranty to Hudson Insurance Company

- Effective October 1, 2007, the Company guaranteed the performance and obligations of Ullico Casualty under its quota share reinsurance agreement dated October 1, 2007 with Hudson Insurance Company ("Hudson") for Hudson Fiduciary and Union Liability policies issued from 2007 to 2012 that Ullico Casualty reinsured. The guaranty provides that the Company will guarantee the performance by Ullico Casualty of its liabilities under the reinsurance agreement, including all payment and collateral obligations. Collateral is required under the reinsurance agreement at 100% of unearned premium and outstanding loss reserves as determined by Hudson. The guaranty provides that it will remain in force as long as Ullico Casualty has outstanding obligations under the reinsurance agreement. At December 31, 2023, Hudson reported no reinsurance recoverable in its statutory filings. Ullico Casualty's funds on deposit, for the benefit of Hudson, to secure these obligations were $11.3 million at December 31, 2023. Thus, management believes that there is no exposure to the Company's guaranty at December 31, 2023.

The maximum potential amount of future payments under the above guaranties is the obligations incurred by Ullico Casualty under the related reinsurance agreements. The current estimate of this amount is the loss reserves as of December 31, 2023. Loss reserves are necessarily based upon assumptions and estimates and while management believes the amount is adequate, the ultimate liability may be in excess of or less than the amount estimated. The collateral accounts described above are funded with cash equivalents and investment grade bonds. The Company believes there is adequate collateral in the collateral accounts to fund the reinsurance agreement obligations.

In addition to the guaranties described above that relate to reinsurance obligations of Ullico Casualty in receivership, the Company is also party to certain guaranties that relate to the professional liability program of its subsidiary UCG, as described below.

Guaranties to Alterra and Markel

- Effective November 15, 2012, the Company guaranteed the performance and obligations of Labor Captive under a quota share reinsurance agreement with Alterra with respect to certain liability policies issued on Alterra paper. The guaranty agreement and quota share reinsurance agreement have been subsequently amended and effective December 1, 2015, the Company guaranteed the performance and obligations of Labor Captive under a second amended and restated quota share reinsurance agreement with Alterra effective November 15, 2012, with respect to Union Liability, Fiduciary Liability, Governmental Liability, and Fiduciary Excess policies issued on Alterra paper. The second amended and restated guaranty provides that the Company will guarantee any payments arising out of or relating to the obligations and liabilities of Labor Captive arising from the second amended and restated quota share reinsurance agreement that Labor Captive is unwilling or unable to make, including collateral obligations. Collateral is required under the reinsurance agreement at 100% of: (a) reserves for unearned premiums, if any; (b) the unearned portions of any claims handling expenses; and (c) reserves for losses incurred but not reported and losses reported but unpaid. The second amended and restated guaranty also provides that: (1) the Company will contribute additional funds to Labor Captive if required for Labor Captive to maintain adequate capital pursuant to the reinsurance agreement; (2) the Company will indemnify and hold Alterra harmless with respect to any and all liabilities or losses relating to the obligations of Labor Captive arising from the reinsurance agreement; (3) the Company guarantees the performance and obligations of UCG, which is the managing general agent for the Alterra program, to indemnify and hold Alterra harmless as provided in a third amended and restated program administration agreement effective November 15, 2012, with Alterra and Labor Captive. The quota share reinsurance agreement and the program administration agreements were amended to include Alterra's affiliate, Markel, in the Alterra program to facilitate offering the program in all states. The parties terminated the reinsurance agreement on a run-off basis and the program administration agreement effective January 1, 2017. The Company's guaranty obligations remain in full force and effect as long as Labor Captive has any obligations under the reinsurance agreement or UCG has any obligations to indemnify Alterra under the program administrator agreement.

- Effective March 1, 2014, the Company guaranteed the performance and obligations of UCG, which is the managing general agent for the Alterra program, to indemnify and hold Markel harmless as provided in the program administration agreement, effective March 1, 2014, with Markel and UCG. The Company's guaranty obligations remain in full force and effect as long as UCG has any obligations to indemnify Markel under the program administrator agreement. The Company's obligations to Markel under the guaranty are identical to its obligations to Alterra under the second amended and restated guaranty referred to above.

- Effective January 1, 2017, the Company agreed to (1) guarantee the performance and obligations of Labor Captive under a quota share reinsurance agreement with Alterra and Markel effective January 1, 2017; (2) indemnify and hold Alterra and Markel harmless with respect to any and all liabilities or losses relating to the obligations of Labor Captive arising from the reinsurance agreement; and (3) guarantee the performance and obligations of UCG, which is the managing general agent for the Markel program, to indemnify and hold Alterra and Markel harmless as provided in a program administration agreement effective January 1, 2017, with Alterra, Markel and Labor Captive. The specific terms of this guaranty are identical to those outlined in the Guaranty and Indemnification Agreement between the parties effective November 12, 2012 and described in detail above. The Company's guaranty obligations remain in full force and effect as long as Labor Captive has any obligations under the reinsurance agreement or UCG has any obligations to indemnify Alterra and Markel under the program administrator agreement.

- Effective January 1, 2020, the Company agreed to guarantee the performance and obligations of UCG, which is the managing general agent for the Markel program, to indemnify and hold Markel harmless as provided in a program administration agreement effective January 1, 2020, with Markel and Labor Captive. In addition to the policies described above related to the program administrator agreement effective November 15, 2012, the January 1, 2020 program administrator agreement includes Labor and Management Non-Profit Liability policies. The Company's guaranty obligations remain in full force and effect as long as UCG has any obligations to indemnify Markel under the program administrator agreement.

The collateral required by Alterra and Markel at December 31, 2023 in connection with the reinsurance agreements outlined in the table included in Note 9, was $72.9 million. At December 31, 2023, $75.4 million was on deposit in a trust account for the benefit of Alterra and Markel.

Note 13---Leases

Effective January 1, 2022, the Company adopted new accounting guidance which increased transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The Company adopted this new accounting guidance using the modified retrospective approach method. Under this method, the Company applied the new lease standard at the adoption date and did not recognize any cumulative effect adjustment to the Company's stockholders' equity. The Company elected the package of practical expedients permitted under the transition guidance within the new standard. In addition, the Company elected the hindsight practical expedient to determine the lease term for existing leases.

The Company determines if an arrangement is a lease at inception. Leases with a term of 12 months or less are not recorded on the consolidated balance sheets. For leases with a term of greater than 12 months, right-of-use lease assets ("ROU") and lease liabilities are included in their own lines on the consolidated balance sheets.

ROU lease assets and lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at the commencement date. The Company's leases do not provide an implicit rate. The Company is not a public business entity and may elect the use of a risk-free rate. The ROU assets are calculated using the initial lease liability amount, plus any lease payments made at or before the commencement date, minus any lease incentives received, plus any initial direct costs incurred.

The Company's lease agreements may contain both lease and non-lease components which are accounted separately. The Company elected the practical expedient on not separating lease components from non-lease components for its leases.

The Company leases office space and equipment under various operating lease arrangements. The Company's leases have remaining lease terms ranging from 1 year to 8.75 years. The Company did not factor in term extension, terminations, or space retractions into the lease terms used to calculate the right-of-use assets and lease liabilities since it was uncertain as to whether these options would be executed.

The Company is also party to certain service contracts. These agreements will continue to be accounted for as service contracts and expensed in the period the services have been provided. As contracts are signed, renewed, or renegotiated, they will be evaluated using the criteria set forth in the new lease guidance to determine if these contracts contain a lease and will be accounted for properly depending upon the terms and language in the contract.

Lease expenses for minimum lease payments are recognized on a straight-line basis over the lease term. Total lease expense includes operating lease expense of $4.1 million and $3.0 million as of December 31, 2023 and December 31, 2022, respectively.

Supplemental cash flow information related to leases was as follows (in millions):

		Period Ended December 31, 2023
Cash paid for amounts included in the measurement of liabilities:		
Operating leases	$	3.8

Supplemental balance sheet information related to leases was as follows:

The table below presents the lease-related assets and liabilities recorded on the consolidated balance sheets (in millions):

		December 31, 2023
Assets:		
Operating lease ROU assets	$	22.3
Liabilities:		
Operating lease liability	$	25.9
Weighted-average remaining lease term		
Operating leases		7.0 years
Risk-free rate		
Operating leases		1.3% to 3.3%

Aggregate future minimum rent payments required under non-cancelable operating leases in effect at December 31, 2023 is summarized as follows (in millions):

Period ending December 31		Minimum Lease Payments
2024	$	3.9
2025		3.5
2026		3.7
2027		3.8
2028		4.1
Thereafter		8.3
Total future minimum lease payments		27.3
Less amount representing interest		(1.4)
Present value of minimum lease payments	$	25.9

Note 14---Capital

At December 31, 2023 and December 31, 2022, the Company's insurance subsidiary had statutory capital and surplus of $202.5 million and $182.1 million, respectively, determined in accordance with statutory accounting practices utilized in filings with insurance regulatory authorities. For the periods ending December 31, 2023 and 2022, the Company's insurance subsidiary had combined statutory net income of $16.3 million and $29.5 million, respectively. Access to the capital and surplus within Union Labor Life is restricted by state regulations. The maximum amount that Union Labor Life may pay to the holding company during 2024 on a statutory basis without approval from the Maryland Insurance Administration is approximately $15.9 million.

On April 20, 2023, the Board of Directors approved an offer to purchase up to $5.0 million in value of the issued and outstanding shares of Capital and Class A stock of the Company. The offer specified a purchase price of $31.35 per share, which was the Company's total stockholders' equity as of December 31, 2022 divided by the total number of outstanding shares of stock. The total shares tendered by stockholders that satisfied the terms and conditions of the offer resulted in the repurchase by the Company of 159,479 shares of stock and the distribution by the Company of the approved $5.0 million purchase proceeds in July 2023.

On April 21, 2022, the Board of Directors approved an offer to purchase up to $4.5 million in value of the issued and outstanding shares of Capital and Class A stock of the Company. The offer specified a purchase price of $31.35 per share, which was the Company's total stockholders' equity as of December 31, 2021 divided by the total number of outstanding shares of stock. The tender period closed on July 13, 2022. The total shares tendered by stockholders that satisfied the terms and conditions of the offer resulted in the repurchase by the Company of 143,531 shares of stock and the distribution by the Company of the approved $4.5 million purchase proceeds in July 2022. Pursuant to standing authorization from the Board, the Company also purchased 221 shares from a shareholder in October 2022 at the same purchase price per share.

Note 15---Related Party Transactions

In November 2014, UIA entered into an agreement with Acropolis Investment Management, LLC ("Acropolis"), pursuant to which UIA and Acropolis, doing business as Ullico Retirement Solutions ("URS"), offer investment adviser and investment management services to sponsors and fiduciaries of defined contribution retirement plans in the labor union market place. Christopher B. Lissner, a member of the Company's Board of Directors, is President of Acropolis. Acropolis, d/b/a URS, has served as the investment advisor of the Ullico Inc. 401(k) Plan and Trust since January 1, 2016.

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