MISSOURI
PROPERTY AND CASUALTY
INSURANCE GUARANTY ASSOCIATION

2023

Annual Report

ANNUAL REPORT OF THE
MISSOURI PROPERTY AND CASUALTY INSURANCE GUARANTY ASSOCIATION
FOR FISCAL YEAR ENDING DECEMBER 31, 2023

Prepared for

The Director of the Missouri Department of Commerce and Insurance

Prepared by

Tamara W. Kopp, Executive Director
Missouri Property & Casualty Insurance Guaranty Association

Board of Directors of
the

Missouri Property and Casualty Insurance Guaranty Association

COMPANY	REPRESENTATIVE
American Family Mutual Insurance Company	David A. Monaghan
Arch Insurance Group	Veronica Chang-Peshoff
Auto Club Family Insurance Company	Angela L. Nelson
Farm Bureau Town & Country Insurance Company of Missouri	Nick Schollmeyer
MAMIC Mutual Insurance Company	Chris Kespohl
Medical Liability Alliance	Dana Frese
Missouri Employers Mutual Insurance Company	Jennifer Barth
Shelter Insurance Companies	Brian Waller
State Farm Mutual Automobile Insurance Company	Michael Lane

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ANNUAL REPORT OF THE
MISSOURI PROPERTY AND CASUALTY INSURANCE GUARANTY ASSOCIATION
FOR YEAR ENDING DECEMBER 31, 2023

The Annual Report of the Missouri Property and Casualty Insurance Guaranty Association (the Association) for the year ending December 31, 2023, is herewith submitted to the Director of the Missouri Department of Commerce and Insurance (DCI) and the Board of Directors.

ABOUT

The Association was created as a nonprofit unincorporated legal entity to provide protection, within limits, to those who are disadvantaged due to the insolvency of a member company. To provide this protection, the Association may assess its member insurers. The Association operates according to a Plan of Operations, Amended and Restated on September 27, 2023.

The Missouri Insurance Guaranty Association was established by the Missouri Legislature on September 28, 1971. An initial board of directors was elected by the member insurers at the organizational meeting on January 13, 1972. Since 1989, the Association has been known as the Missouri Property and Casualty Insurance Guaranty Association.

As of December 31, 2023, there were 965 companies licensed to sell property and casualty insurance coverage and by the terms of §§ 375.771 to 375.779, RSMo, all were deemed to be members of the Association. Lines of coverage written by authorized member insurers are identified on the State Supplemental Page to their respective annual statements. The Association does not cover all the lines of coverage identified on the State Supplemental Page.

Members of the Association meet annually in person, virtually, or by proxy, typically in September of each year to elect Directors. The Association generally holds its meeting during the same week and at the same location as the Missouri Insurance Coalition, a trade association representing the insurance industry in Missouri. Immediately following the Annual Meeting of the Membership, the newly elected Board of Directors meets to elect officers. Directors and officers receive no compensation for their service to the Board and Association but are entitled to reimbursement of expenses related to Association activities.

BOARD OF DIRECTORS

The Board of Directors consists of not less than seven nor more than nine member insurers. At the end of 2023, the Board consisted of nine member insurers, seven of which are Missouri-domiciled insurers. Directors are elected each year by the member insurers at the Annual Meeting of the Membership and serve three-year terms, subject to approval by the Director of the Department of Commerce and Insurance in accordance with § 375.776.3, RSMo.

The 2023 Annual Meeting of the Membership was held on September 27, 2023, at The Ritz-Carlton in Clayton, Missouri. Three member insurers were elected to serve on the Board of Directors for terms expiring in 2026. Immediately following the Annual Meeting of the Membership, during the Annual Meeting of the Board of Directors, the Board of Directors elected officers to serve one-year terms, or until a successor is duly elected.

The Board of Directors and their designated representatives as of December 31, 2023, are listed below.

Three-year term ending 2024

MAMIC Mutual Insurance Company	Chris Kespohl
Shelter Mutual Insurance Company	Brian Waller

State Farm Mutual Automobile Insurance Company	Michael Lane

Three-year term ending 2025

American Family Mutual Insurance Company	David Monaghan (Vice-Chair)
Arch Insurance Company	Veronica Chang-Peshoff (Sec./Treasurer)
Farm Bureau Town & Country Insurance Co. of Missouri	Nick Schollmeyer

Three-year term ending 2026

Auto Club Family Insurance Company	Angela L. Nelson
Medical Liability Alliance	Dana Frese (Chair)
Missouri Employers Mutual Insurance Company	Jennifer Barth

During 2023, the Board of Directors continued the practice of meeting regularly on a quarterly basis. The Board employs this practice to facilitate involvement with the ongoing functions and the administrative duties of the Association. Minutes of all meetings of the Member Insurers, the Board of Directors, and other Board-appointed committees are on file at the office of the Association in Jefferson City, Missouri.

OFFICERS

The Officers elected at the September 27, 2023, Annual Meeting of the Board of Directors are listed below.

Dana Frese, Chair	Medical Liability Alliance
David Monaghan, Vice-Chair	American Family Mutual Insurance Company
Veronica Chang-Peshoff, Sec./Treasurer	Arch Insurance Company

NOMINATING COMMITTEE

The Nominating Committee is appointed by the Board each year as provided by the Association's Plan of Operation, Article IV.B.4. The Nominating Committee is responsible for selecting a nominee to succeed each Board Member whose term expires at the next Annual Meeting of the Membership. The nominees and their representatives are submitted to the Director of the Department of Commerce and Insurance for approval prior to being elected by Member Insurers, in accordance with § 375.776.3, RSMo.

ATTORNEYS

Legal Counsel for the Association is Lathrop GPM, 2345 Grand Boulevard, Suite 2200, Kansas City, Missouri 64108. The primary contact is Michael W. (Mick) Rhodes, Senior Counsel.

LITIGATION

It is part of the statutory responsibility of the Association in assuming the obligations on covered claims of the insolvent insurer to provide for the defense of insureds. Consequently, the Association is involved in numerous instances of defense litigation. This section of the report is not intended to address litigation of this nature. In contrast, this section is intended to highlight those instances where the Association is litigating a matter involving an interpretation of the Missouri Property and Casualty Insurance Guaranty Association Act. There was no such litigation pending as of December 31, 2023.

AUDITORS

The audit of the Association's financial statement for the year ended December 31, 2023, was performed by Williams-Keepers LLC, 2005 West Broadway, Suite 100, Columbia, Missouri 65203. The primary contact is Nick Mestres, CPA. Detailed financial information for the Association for the year ended December 31, 2023, is shown in the audited financial report prepared by Williams-Keepers LLC.

OFFICE OF THE EXECUTIVE DIRECTOR

Tamara W. Kopp continues as the Executive Director for the Association under a Joint Administration Agreement with the Missouri Life & Health Insurance Guaranty Association. The Association's core functions continued through 2023 with seven full time employees at year-end.

The Association paid claims and continued its support for the state-based guaranty association system by being engaged as an active member of the National Conference of Insurance Guaranty Funds (NCIGF) and Guaranty Support, Inc. (GSI). The Executive Director represents the Association by serving on the NCIGF Board of Directors (since 2021), GSI Board of Directors (since 2020), and several NCIGF committees and estate-specific task forces, chairing those task forces involving Missouri-domiciled companies in receivership. The Association is further engaged with regulators and troubled company practitioners through the National Association of Insurance Commissioners (NAIC) and the International Association of Insurance Receivers (IAIR) where the Executive Director sits on the IAIR Board of Directors (since 2019) and IAIR committees.

FINANCIAL REPORTS

The Association's financial records are the subject of an annual independent audit. Interim financial reports and transactions are reviewed by the Board of Directors and committees of the Board. The audited financial statements as of and for the year ending December 31, 2023, are included with this report. Further, the notes to the financial statements are also included as an integral part of the report. The accounting firm of Williams-Keepers, LLC, Jefferson City, Missouri, conducted the independent audit of the financial records of the Association.

2023 ASSESSMENT

The Association is authorized under § 375.775, RSMo, to assess Member Insurers for the purpose of providing the funding necessary to meet the Association's obligations. At an interim meeting of the Board of Directors on December 15, 2023, the Board of Directors voted unanimously to issue an assessment in the workers' compensation account for $20,000,000. The Association last assessed member insurers in 2006.

INSOLVENCIES

As of December 31, 2023, the Association administered 41 open insolvencies. Included in this total are 21 insolvencies that have no open claims. There are 8 closed insolvencies with open claims. There are four new insolvencies added during 2023, and the Association engaged in substantial planning for another insolvency with a January 1, 2024 effective date.

Loss and Loss Adjustment Expense Activity

During 2023, the open claims count for the Association increased by 635 claims. Reflected below is a summary of ending reserves and reserve changes for 2023.

Company	Open Claims	Loss Reserves	Expense Reserves	Change in Open Claims	Change in Loss Reserves	Change in Defense and Cost Containment Loss Reserves
Totals	759	51,578,754	9,221,658	635	8,232,900	1,130,298

In addition to the above reserve, the Association maintains an unallocated loss adjustment expense reserve (ULAE) of $12,770,045 as a reserve for future loss administrative expenses.

Payment Activity for 2023:

Company	Losses Paid	Defense and Cost Containment Paid	Salvage Subro	Return Premium Paid	Return Premium Reserves
Affirmative	25,000	9,102	0	0	0
Amer Service	225,000	34,083	0	0	0
Bedivere	244,044	11,616	0	0	0
California Compensation	26,670	9,070	0	0	0
Cameron Mutual	0	0	0	0	2,500,000
Capson Physicians	0	176	0	0	0
Casualty Reciprocal Exchange	1,869	1,819	0	0	0
Employers Casualty	583	9	0	0	0
Employers Natl	29,106	0	0	0	0
Fremont	54,343	0	0	0	0
Galen IC	0	410	0	0	0
Gateway	75,000	86,005	0	0	0
Guarantee	712,047	58,896	0	0	0
Home	89,035	4,903	0	0	0
Legion	433,866	23,929	0	0	0
Lumbermens Mutual	254,128	30,424	0	0	0
MAX	1,244,249	30,055	0	1,582,566	0
Millers First	6,025	0	0	0	0
Physicians Standard	200,000	93,793	0	0	0
Reliance	401,496	156,177	0	0	0
Statewide	1,609	0	0	0	0
ULLICO	26,676	0	0	0	0
United Home	414,659	1,620	0	2,292,550	1,199,647
Villanova	24,596	0	0	0	0
Totals	4,490,001	552,087	0	3,875,196	3,699,647

Insolvencies

The following insolvent estates were open as of December 31, 2023. The year shows the year of insolvency and the abbreviation following the company name indicates the domestic regulator.

1985
Union Indemnity Insurance Company – NY
Ideal Mutual Insurance Company – NY

1986
Midland Insurance Company – NY

1991
American Universal Insurance Company – RI

1992
West General Insurance Company – KS

2003
Fremont Insurance Company – CA
Home Insurance Company – NH
Reciprocal of America – VA

2004
Casualty Reciprocal Exchange – MO
Equity Mutual Insurance Company – MO
IGF Insurance Company – IN
Security Indemnity – NJ

2005
Consolidated American Insurance Company – SC

2006
Shelby Casualty Insurance Company – TX

2009
Park Avenue P&C Insurance Company – OK

2010
Imperial Casualty and Indemnity Company – OK

2011
Atlantic Mutual Insurance Company – NY
Centennial Insurance Company – NY

2012
Frontier Insurance Company – NY

2013
Lumbermens Mutual Casualty Company – IL
Pride National Insurance Company – OK
Ullico Casualty Company – DE

2014
Freestone Insurance Company – DE
Red Rock Insurance Company – OK

2015
Lincoln General Insurance Company – PA

2016
Affirmative Insurance Company – IL
Lumbermen's Underwriting Alliance – MO

2017
Castlepoint Insurance Company – CA
Galen Insurance Company – MO
Guarantee Insurance Company – FL
Millers First Insurance Company – IL

2018
Access Insurance Company – TX

2019
Capson Physicians Insurance Company – TX
Northwestern National Insurance Company – WI
Physicians Standard Insurance Company – KS

2020
Gateway Insurance Company – IL
American Service Insurance Company – IL

2021
Bedivere Insurance Company – PA
Western General Insurance Company – CA
Highlands Insurance Company – TX

2022
Weston Property and Casualty Insurance Company – FL

2023
1st Auto & Casualty – WI
Arrowood Indemnity Company – DE
Cameron Mutual Insurance Company – MO
MutualAid eXchange - KS
United Home Insurance Company - AR

Not all estates, open or closed, generate material Association activity. Listed below are estates that generated material activity during 2023.

1st Auto & Casualty Insurance Company

1st Auto & Casualty Insurance Company (1st Auto) is a Wisconsin-domiciled subsidiary of Wisconsin Reinsurance Corporation (WRC). 1st Auto wrote personal auto, business auto, and personal/farm umbrella insurance in 6 states including AR, IL, IA, MO, SD, and WI and WRC wrote reinsurance for mutual companies, including 13 county mutual companies in Missouri. WRC is licensed as a property and casualty insurance company and is an authorized reinsurer in Wisconsin but is not a member of the Missouri Property & Casualty Insurance Guaranty Association.

On June 21, 2023, the Circuit Court of Dane County, Wisconsin entered an Order for Rehabilitation for both companies. The Court approved the Receiver's Rehabilitation Plan on July 27, 2023. On November 1, 2023, the Receiver filed a Petition and Proposed Order for Liquidation for both companies. The Liquidation Order was effective January 1, 2024. The Association worked pre-liquidation and continues working with the Receiver's staff and GSI to effectively transition unearned premium and claim data for 1st Auto to the Association.

Arrowood Indemnity Company

Arrowood Indemnity Company (Arrowood) is a Delaware-domiciled property and casualty insurance company licensed in 49 states and the District of Columbia. Arrowood was in runoff for the last 15 years and operated under the supervision of the Delaware Department of Insurance. During runoff, Arrowood reduced its claim count from 120,000 to 7,000 claims. Claims include workers' compensation, asbestos, environmental, abuse, opioids, and ear plugs. On November 6, 2023, the Director for the Delaware Department of Insurance filed a Motion for Entry of Liquidation Order. The Arrowood board of directors consented to the Motion and the court entered a Liquidation Order on November 8, 2023 with a Claims Bar Date of January 15, 2025.

The Association has estimated reserves of $3,000,000 as of year end 2023.

Bedivere Insurance Company

On March 11, 2021, the Pennsylvania Commonwealth Court entered an Order of Liquidation and Declaration of Insolvency concerning Bedivere Insurance Company. Bedivere Insurance Company is the surviving company following a December 2020 merger of Lamorak Insurance Company (formerly known as OneBeacon America Insurance Company), Potomac Insurance Company, and Employers' Fire Insurance Company into Bedivere Insurance Company. Bedivere is owned by Trebuchet US Holdings, Inc. Bedivere wrote workers' compensation, commercial auto, commercial liability, products liability, and personal auto coverage in all 50 US states and most territories.

Approximately three years into the liquidation, ultimate assets and liabilities are still uncertain, making early access discussion premature. However, the Liquidator received approximately 1,600 Proofs of Claim by the December 31, 2021, Claims Bar Date and expects liabilities to exceed $1B.

The Association has seven open claims including a small number of very large workers' compensation claims. Total reserves are $8.5 million.

Missouri serves on the NCIGF Coordinating Committee and Liaison Subcommittee.

Cameron Mutual Insurance Company

Cameron Mutual Insurance Company (Cameron Mutual) is a Missouri-domestic Chapter 379 mutual insurance company licensed in 5 states (AR, IL, IA, KS, and MO). Cameron wrote personal lines homeowners and auto), commercial, and farm coverage in 3 states (AR, IA, and MO). Cameron National Insurance Company is a Missouri-domestic Chapter 379 property and casualty insurer wholly owned by Cameron Mutual and is licensed in 6 states AR, IL, IA, KS, MO, and NE, but has no active policies.

Cameron Mutual had been experiencing a slow decline in market share and it is geographically concentrated in areas impacted repeatedly by severe storms, resulting in major losses in 2023.

On August 7, 2023, the Circuit Court of Cole County, Missouri, entered an Order of Rehabilitation following Cameron Mutual's and Cameron National's consent to rehabilitation. Effective December 1, 2023, the Court ordered that Cameron Mutual be liquidated. The Liquidation Order did not include a finding of insolvency and the Missouri Property & Casualty Insurance Guaranty Association was not triggered. On December 26, 2023, the Court entered an order finding Cameron Mutual insolvent and triggering the Missouri Property & Casualty Insurance Guaranty Association.

The Association continues regular communication with Missouri Department of Commerce & Insurance (DCI) Receivership Counsel, Shelley Forrest and the Special Deputy Liquidator, Kirsten Byrd. The state guaranty associations and the Receiver entered into a hardship agreement authorizing the Receiver to pay certain hardship claims until claims data is transferred to the state guaranty associations.

The Association has estimated reserves of $6,000,000 at year end 2023.

Gateway Insurance Company

Gateway Insurance Company (Gateway) was a Missouri-domiciled property and casualty insurer incorporated in 1986. Gateway was redomesticated from Missouri to Illinois and was placed in rehabilitation October 16, 2019. Gateway is affiliated with Atlas Financial Holdings, Inc. and other subsidiaries. There are three other insurance entities in the Atlas holding company: Global Liberty Insurance Company of New York, American Service Insurance Company (ASIC) and American Country Insurance Company (ACIC). ASIC and ACIC were placed in rehabilitation July 8, 2019. Gateway was ordered liquidated June 10, 2020, followed by ASIC and ACIC on August 11, 2020. The company estates were consolidated for purposes of liquidation on October 30, 2020. Gateway was licensed in 46 states and wrote primarily commercial auto insurance.

The Association has 16 open claims with total reserves of $1.3 million and payments of $587,481 in 2023.

Guarantee Insurance Company

On November 27, 2017, Guarantee Insurance Company (GIC) was ordered into receivership for purposes of liquidation by the Second Judicial Circuit Court in Leon County, Florida. GIC predominantly wrote workers' compensation coverage.

The Association has 28 open claims with total reserves of $11.6 million and payments of $424,336 in 2023.

MutualAid eXchange Insurance Company

MutualAid eXchange (MAX) is a Kansas domestic reciprocal or inter-insurance exchange company that wrote a range of property and casualty lines including auto and homeowners. The company was founded upon the faith-based principles of the Mennonite, Brethren and related denominations and wrote business in approximately 17 states. Over the last year, MAX lost its catastrophic reinsurance coverage and experienced significant storm-related losses. On August 8, 2023, the Kansas insurance regulator secured an Order of Rehabilitation and appointed Jodi Adolf and Bruce Baty as Special Deputy Receivers. On August 22, 2023, the District Court of Shawnee County, Kansas, entered an Order of Liquidation with a finding of insolvency, triggering the Missouri Property & Casualty Insurance Guaranty Association.

At yearend, the Association had paid $1,582,566 unearned premium to 1,988 Missouri policyholders. The Association has 93 open claims with total reserves of $835,030. The Association continues to receive unearned premium and new claim data from MAX.

Physicians Standard Insurance Company

Physicians Standard Insurance Company (PSIC) is a Kansas-domiciled medical malpractice insurer. It is licensed in Missouri as a Chapter 379 stock company and a member of the Association. On March 18, 2018, PSIC entered into a Policy Acquisition Agreement with Missouri Professionals Mutual – Physicians Professional Indemnity Association (MPM-PPIA), which purported to transfer MPM-PPIA written policies and extended reporting policies to PSIC. On August 20, 2019, the Shawnee County, Kansas District Court entered an Order of Rehabilitation against PSIC. Effective December 1, 2019, PSIC was declared insolvent and ordered to be liquidated by the court.

In December 2019, PSIC transferred claims to MIGA.

PSIC was associated with MPM-PPIA, a medical malpractice insurer organized under Chapter 383, RSMo, and explicitly excluded under the Association's enabling act. MPM-PPIA is currently subject to an order of commercial receivership supervised by the Franklin County Circuit Court under the Missouri Commercial Receivership Act – Chapter 515. PSIC and MPM-PPIA have various legal claims against each other in Missouri and Kansas state and federal courts that will take some time before resolution.

The PSIC claims bar date was June 30, 2020. The PSIC Receiver continues to adjudicate Proofs of Claim. The Association regularly communicates with the PSIC Receiver staff and counsel to verify Association claim handling to avoid approving redundant POCs. The PSIC Receiver has requested an extension until December 2024 to file an asset distribution plan.

The Association has 11 open claims with total reserves of $2.9 million and payments of $1.2 million in 2023.

Reliance Insurance Company

An order of liquidation was entered against the Pennsylvania-domiciled insurer on October 3, 2001. The company wrote all lines of business but was heavily focused on workers' compensation coverage.

The total distribution to the Association from the estate for loss and expenses is approximately $32.5 million. The Association also received $2.6 million for the reimbursement of administrative expenses incurred in conjunction with the handling of Reliance claims.

The Liquidator closed the estate in 2022, however, the Association's obligations persist.

The Association has nine open claims with total reserves of $11.3 million and payments of $364,829 in 2023.

United Home Insurance Company

United Home Insurance Company (United Home) is an Arkansas-domestic property and casualty insurance company licensed in 9 states and wrote insurance in 5 states (AR, MO, KY, OK, and TN). United Home focused on personal lines, particularly homeowners and auto. Weather-related losses have negatively impacted its financial situation over the last several years and its CAT reinsurance renewal for 2023 was on less favorable terms. On September 6, 2023, the Arkansas Insurance Department secured an Order of Rehabilitation. On November 3, 2023, the Receiver filed a Petition for Liquidation. On November 16, 2023 the Court entered an Amended Liquidation Order finding United Home insolvent and triggering the Missouri Property & Casualty Insurance Guaranty Association.

As of year-end 2023, the Association paid $ 2,292,550 unearned premium to 5,041 Missouri policyholders. The Association has 452 open claims with total reserves of $5,359,200. The Association continues to receive unearned premium and new claim data from United Home.

Financial Reporting and Audit for the year ending December 31, 2023

WILLIAMS KEEPERS LLC
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the
Missouri Property and Casualty Insurance
Guaranty Association

Opinion

We have audited the financial statements of the Missouri Property and Casualty Insurance Guaranty Association (the "Association"), which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities, functional expenses and cash flow for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Missouri Property and Casualty Insurance Guaranty Association as of December 31, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern for a reasonable period of time.

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

Williams-Keepers LLC

Williams-Keepers LLC
Columbia, Missouri
March 26, 2024

MISSOURI PROPERTY AND CASUALTY INSURANCE GUARANTY ASSOCIATION

STATEMENTS OF FINANCIAL POSITION
As of December 31, 2023 and 2022

ASSETS

	2023	2022
Cash and cash equivalents	$ 223,508	$ 797,501
Investments	85,918,995	87,067,322
Billed assessments receivable	17,655,890	-
Receivable for unsettled trades	35,000	200,000
Investment interest receivable	144,355	147,159
Unbilled assessments	17,000,000	41,600,000
Computer software and equipment, net of accumulated depreciation of $505,427 and $472,211, respectively	53,856	53,480
Operating lease right-of-use asset	428,473	-
Total assets	$ 121,460,077	$ 129,865,462

LIABILITIES AND NET ASSETS

	2023	2022
LIABILITIES		
Accounts payable	$ 63,503	$ 50,973
Reverse repurchase agreement liability	1,000,000	-
Due to Missouri Life and Health Insurance Guaranty Association	262,378	63,152
Operating lease liability	428,473	-
Early access liability	6,176,148	19,802,058
Return premium liability	3,699,647	-
Reserves for losses and loss adjustment expenses	73,570,458	62,671,102
Total liabilities	85,200,607	82,587,285
NET ASSETS		
Without restrictions:		
Board designated	15,000,000	15,000,000
Undesignated	21,259,470	32,278,177
Total net assets	36,259,470	47,278,177
Total liabilities and net assets	$ 121,460,077	$ 129,865,462

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

MISSOURI PROPERTY AND CASUALTY INSURANCE GUARANTY ASSOCIATION

STATEMENTS OF ACTIVITIES
For the Years Ended December 31, 2023 and 2022

	2023	2022
SUPPORT AND REVENUES		
Assessment income	$ 19,998,700	$ -
Liquidation distributions	14,154,863	536,429
Net investment return	3,946,525	(7,636,300)
Total support and revenues	38,100,088	(7,099,871)
CHANGE IN UNBILLED ASSESSMENTS	(24,600,000)	-
EXPENSES		
Program expenses		
Losses and loss adjustment expenses, net of subrogation and salvage of $0 and $12,938	5,042,088	3,951,719
Increase in reserves for return premium expenses	3,699,647	-
Increase (decrease) in reserves for losses and loss adjustment expenses	10,899,353	(5,142,317)
Return of unearned premiums	3,875,196	361
Program expenses, net	23,516,284	(1,190,237)
General and administrative expenses	1,002,511	988,280
Total expenses	24,518,795	(201,957)
Change in net assets	(11,018,707)	(6,897,914)
Net assets, beginning of year	47,278,177	54,176,091
Net assets, end of year	$ 36,259,470	$ 47,278,177

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

MISSOURI PROPERTY AND CASUALTY INSURANCE GUARANTY ASSOCIATION

STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2023
(with comparative totals for the year ended December 31, 2022)

	Program	General and Administrative	2023 Total	2022 Total
Increase (decrease) in reserves for losses and loss adjustment expenses	$ 10,899,353	$ -	$ 10,899,353	$ (5,142,317)
Increase in reserves for return premium	3,699,647	-	3,699,647	-
Losses and loss adjustment expenses	5,042,088	-	5,042,088	3,964,657
Salaries and benefits	-	590,929	590,929	611,927
Professional fees	-	95,115	95,115	112,518
Dues, fees, and subscriptions	-	120,405	120,405	112,155
Other	-	56,975	56,975	45,123
Rent and utilities	-	60,390	60,390	37,893
Depreciation	-	33,216	33,216	26,964
Travel	-	21,515	21,515	20,406
Equipment and supplies	-	23,966	23,966	21,294
Return of unearned premiums	3,875,196	-	3,875,196	361
Subrogation and salvage	-	-	-	$ (12,938)
	$ 23,516,284	$ 1,002,511	$ 24,518,795	$ (201,957)

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

MISSOURI PROPERTY AND CASUALTY INSURANCE GUARANTY ASSOCIATION

STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2022

	Program	General and Administrative	2022 Total
Decrease in reserves for losses and loss adjustment expenses	$ (5,142,317)	$ -	$ (5,142,317)
Losses and loss adjustment expenses	3,964,657	-	3,964,657
Salaries and benefits	-	611,927	611,927
Professional fees	-	112,518	112,518
Dues, fees, and subscriptions	-	112,155	112,155
Other	-	45,123	45,123
Rent and utilities	-	37,893	37,893
Depreciation	-	26,964	26,964
Travel	-	20,406	20,406
Equipment and supplies	-	21,294	21,294
Return of unearned premiums	361	-	361
Subrogation and salvage	(12,938)	-	(12,938)
	$ (1,190,237)	$ 988,280	$ (201,957)

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

MISSOURI PROPERTY AND CASUALTY INSURANCE GUARANTY ASSOCIATION

STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2023 and 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (11,018,707)	$ (6,897,914)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	33,216	34,275
Realized (gain) loss on investments, net of change in unrealized loss	(3,285,294)	8,256,365
Change in billed assessments receivable	(17,655,890)	-
Change in accounts receivable	167,804	(198,035)
Change in unbilled assessments	24,600,000	-
Change in accounts payable	12,530	4,156
Change in due to Missouri Life and Health Insurance Guaranty Association	199,226	20,424
Change in early access liability	(13,625,910)	(69,081)
Change in return premium liability	3,699,647	-
Change in reserves for losses and loss adjustment expenses	10,899,356	(5,142,316)
Net cash (used) by operating activities	(5,974,022)	(3,992,126)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	6,975,163	4,520,000
Purchases of investments	(2,541,541)	(7,963,452)
Purchase of computer software and equipment	(33,593)	(38,590)
Net cash provided (used) by investing activities	4,400,029	(3,482,042)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from reverse repurchase agreement	1,000,000	-
Net cash provided by investing activities	1,000,000	-
Net change in cash and cash equivalents	(573,993)	(7,474,168)
Cash and cash equivalents, beginning of year	797,501	8,271,669
Cash and cash equivalents, end of year	$ 223,508	$ 797,501
SUPPLEMENTAL CASH FLOW DISCLOSURES		
Non-cash transactions:		
Lease liability arising from obtaining right-of-use asset	$ 449,949	$ -

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

MISSOURI PROPERTY AND CASUALTY INSURANCE GUARANTY ASSOCIATION
NOTES TO FINANCIAL STATEMENTS

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization: The Missouri Property and Casualty Insurance Guaranty Association (the "Association") is a nonprofit, unincorporated legal entity established on September 28, 1971 by Missouri Revised Statute 375.775 to be obligated for the payment of covered claims, as that term is defined by statute. To provide this protection, the Association was created to guarantee payment of benefits and continuation of coverage. All insurers doing business in the State of Missouri are member insurers of the Association and will remain members of the Association as a condition of their authority to transact business in the State of Missouri. The Association's functions are primarily to employ and retain individuals to handle claims and perform other duties related to insolvent insurers.

The Association performs its functions under a plan of operation and exercises its powers through a Board of Directors. The Association is subject to the immediate supervision of the Missouri Director of the Department of Commerce and Insurance and the insurance laws of the State of Missouri.

Basis of accounting: The financial statements of the Association have been prepared on the accrual basis of accounting. Therefore, revenues are recognized when earned and expenses are recognized when incurred.

Financial statement presentation: The Association uses the American Institute of Certified Public Accountants' not-for-profit model for accounting and financial reporting. The Association reports information regarding its financial position and activities according to two classes of net assets: net assets with restrictions and net assets without restrictions. The Association had only net assets without restrictions during 2023 and 2022.

Use of estimates: Management uses estimates and assumptions in preparing these financial statements in accordance with U.S. generally accepted accounting principles. Those estimates and assumptions affect the reported amount of assets and liabilities and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Cash and cash equivalents: Cash and cash equivalents include certain interest-bearing bank accounts and overnight repurchase agreements, which invest in various highly liquid investments. The Association considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Concentration of credit risk: Financial instruments that potentially subject the Association to concentration of credit risk consist primarily of cash on deposit, overnight repurchase agreements and investments. Periodically, the Association maintains cash on deposit at financial institutions in excess of amounts insured by the U.S. Federal Deposit Insurance Corporation (FDIC). The Association held an overnight repurchase agreement balance of approximately $2,660,000 at December 31, 2023 and $550,000 at December 31, 2022. Overnight repurchase agreements are not secured. However, the Association requires that U.S. government and agency securities underlying the repurchase agreements must have a fair value of at least 100% of the cost of the repurchase agreement. The fair values of U.S. government and agency securities underlying repurchase agreements are determined daily.

Investments: Investments consist primarily of U.S. Government backed securities and are reported on the statement of financial position at fair value. Fair value is determined by quoted market prices for securities listed on the national exchanges or over-the-counter markets. Purchases and sales of securities are recorded on a trade date basis. Realized investment gain and losses are determined on the specific identification basis. Dividends are recorded on the declaration date. Interest is recorded when earned.

Unbilled assessments: Unbilled assessments represent an accumulation of all future assessments that may be made in order to cover the estimated claims and loss adjustment expenses of current insolvencies. The potential future assessment amount is estimated at the beginning of the liquidation of an insurer and is subsequently reduced as assessments are billed or changes occur to estimated claims and loss adjustment expenses, or when an insolvency is purchased by a third party. During 2023, the Association reduced unbilled assessments in the amount of $20,000,000 following the Board of Directors approved billed assessment to member insurers in the workers' compensation account. The Association also reduced unbilled assessments in the amount of $4,600,000 based on a reduction of future payment obligations.

Computer software: Purchases of computer software are recorded at cost. The costs of normal maintenance and repairs are expensed as incurred. Renewals and betterments are capitalized and depreciated over the remaining useful lives of the related assets on a straight-line basis over three years. Depreciation expense for the years ended December 31, 2023 and 2022 totaled $33,216 and $34,275, respectively.

Assessments: For purposes of assessment, the Association maintains four accounts: (1) the automobile insurance account; (2) the workers compensation insurance account; (3) the Missouri mutuals account; and (4) the all other insurance account. In order to provide funds necessary to carry out the powers and duties of the Association, the Board of Directors (Board) is authorized to assess the member insurers, in a combined assessment or separately for each account, at such time and for such amounts as the Board deems necessary. The Board is further authorized to make refunds to member insurers if the Board determines that assets of the Association in any account exceed the liabilities of that account as estimated by the Board. To the extent that any sums to be refunded have been offset against premium taxes paid by member insurers to the State of Missouri, the Association distributes the refund to the Director of Revenue of the State of Missouri.

Assessments of member insurers of the Association are based on the proportion that the net direct written premium for specified coverages of each member insurer for the preceding calendar year bears to the total net direct written premiums for that coverage of all member insurers doing business in the State of Missouri for the preceding calendar year. The assessments are made at the discretion of the Board of Directors whenever funds are necessary to pay claims and expenses, but are limited to 2% of the net direct written premium of the member insurer. During 2023, the Board of Directors approved billed assessments to member insurers in the workers' compensation account in the amount of $20,000,000. There were no assessments made during 2022.

Functional allocation of expenses: The costs of program and supporting services activities have been summarized on a functional basis in the Statements of Activities. The natural classification detail of those expenses has been summarized in the Statements of Functional Expenses. Certain costs that are attributable to more than one function have been allocated among the program and supporting services benefited using a single-rate method consistently applied based on a study of time and effort by employees.

Income taxes: The Association was created by state statute, Chapter 375 RSMo. In 1975, the Internal Revenue Service determined the Association to be an instrumentality of the State of Missouri as described in Section 115 of the Internal Revenue Code and, as such, is not subject to federal or state income tax.

Subsequent events: Events that have occurred subsequent to December 31, 2023, have been evaluated through March 26, 2024, which represents the date the Association's financial statements were approved by management and, therefore, were available to be issued.

2. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Association's financial assets available within one year from December 31, 2023 for general expenditures are as follows:

Cash and cash equivalents	$ 223,508
Billed assessments receivable	17,655,890
Receivable for unsettled trades	35,000
Investment interest receivable	144,355
	$ 18,058,753

The Board has designated up to $15,000,000 to be set aside for expected future insolvencies. Draws against the designated amount require Board approval. As more fully described in Note 7, the Association also maintains a line of credit of $15,000,000 with a bank, which it could draw upon in the event of an unanticipated liquidity need. The Association has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

3. INVESTMENTS

Investments consisted of the following at December 31, 2023 and 2022:

2023	Cost	Unrealized (Loss)	Fair Value
U.S. agency bonds and notes	93,257,733.00	$ (7,338,738)	$ 85,918,995
Total investment securities	$ 93,257,733	$ (7,338,738)	$ 85,918,995

2022	Cost	Unrealized Gain/(Loss)	Fair Value
U.S. agency bonds and notes	$ 93,257,733	$ (10,537,858)	$ 82,719,875
U.S. treasury marketable securities	4,324,588	22,859	$ 4,347,447
Total investment securities	$ 97,582,321	$ (10,514,999)	$ 87,067,322

Contractual maturities of investment securities at December 31, 2023, are as follows, based on the expected call date:

	Cost	Unrealized (Loss)	Fair Value
Due in one to five years	$ 93,257,733	$ (7,338,738)	$ 85,918,995
Total investment securities	$ 93,257,733	$ (7,338,738)	$ 85,918,995

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. For assets and liabilities required to be reported at fair value, U.S. generally accepted accounting principles prescribes a framework for measuring fair value and financial statement disclosures about fair value measurements. A fair value hierarchy has been established that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Levels 1 and 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

The three levels of the fair value hierarchy as prescribed by GAAP are as follows:

Level 1 Valuation is based upon quoted prices (unadjusted) in active markets for identical assets or liabilities that the Association has the ability to access.

Level 2 Valuation is based upon quoted prices for similar assets or liabilities in active markets, quoted market prices for identical or similar assets or liabilities in inactive markets, inputs other than quoted prices that are observable for the asset or liability, or inputs that are derived principally from or corroborated by observable market data by correlation or other means. Observable inputs may include interest rates, foreign exchange rates, and yield curves that are observable at commonly quoted intervals.

Level 3 Valuation is based on methodologies that are unobservable and significant to the fair value measure. These may be generated from model-based techniques that use at least one significant assumption based on unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The Association's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of valuation methodologies used for assets and liabilities recorded at fair value.

U.S. agency bonds and notes: U.S. agency bonds and notes are valued at the closing price reported in the market in which the individual security is traded. Other U.S. government bonds are valued at the closing price reported in the inactive market in which the bond is traded or valued based on yields currently available on comparable securities of issuers with similar credit ratings.

U.S. treasury securities: U.S. treasury securities are valued at the closing price reported in the market in which the individual security is traded.

The table below presents the Association's assets measured at fair value as of December 31, 2023 and 2022, aggregated by the level in the fair value hierarchy within which those measurements fall:

2023 Assets	Level 1	Level 2	Level 3	Total
Investment securities	$ -	$ 85,918,995	$ -	$ 85,918,995

2022 Assets	Level 1	Level 2	Level 3	Total
Investment securities	$ -	$ 87,067,322	$ -	$ 87,067,322

Net investment return consisted of the following for the years ended December 31, 2023 and 2022:

	2023	2022
Change in unrealized gain (loss) on investments	$ 3,176,261	$ (8,278,576)
Net realized gain on sales	109,033	22,211
	3,285,294	(8,256,365)
Interest income	661,231	620,065
Net investment return	$ 3,946,525	$ (7,636,300)

4. REVERSE REPURCHASE AGREEMENT

During the year ended December 31, 2023, the Association participated in a reverse repurchase agreement in exchange for $1,000,000 in cash used to cover claim and return premium payments. A single security was sold with an agreement to repurchase at June 30, 2025. The collateral provided by the Association is included in the total investment value and a liability was reported as of December 31, 2023 equivalent to the cash borrowed. The estimated fair value of the Association's reverse repurchase agreement reported as investments as of December 31, 2023 was $1,066,411.

5. EARLY ACCESS LIABILITY

The Association receives distributions from insolvent insurer estates to be used to offset claims expenses incurred by the Association on behalf of the insurer. In some instances, such distributions are made to the Association pursuant to an early access agreement prior to the payment of other estate creditors. Early access distributions are made with the provision that if equal or higher priority creditors require payment from the estate that the Association is obligated to repay the funds. The Association accounts for such obligations as a liability at the time the cash is received. The early access liability is reflected on the accompanying statements of financial position and was $6,176,148 and $19,802,058 at December 31, 2023 and 2022, respectively.

6. RESERVES FOR LOSSES AND LOSS ADJUSTMENT EXPENSES

The Association receives estimates of losses and loss adjustment expenses from the receivers through the National Conference of Insurance Guaranty Funds (NCIGF) and other entities. Management analyzes the information received from NCIGF and other entities, industry trends and the effects of Missouri statute limitations on the estimates prior to arriving at the recorded liability. The methods for making such estimates and for establishing the resulting liability are continually reviewed by management and any adjustments are reflected currently. Accordingly, losses and loss adjustment expenses are reported in the accompanying statement of activities as incurred.

The total reserves for losses and loss adjustment expenses were approximately $73,570,000 and $62,671,000 at December 31, 2023 and 2022, respectively. These reserves are based on estimates and, while management presently believes the estimated reserves for losses and loss adjustment expenses at December 31, 2023 and 2022 are adequate, the actual liability could vary considerably from the amount presented in the accompanying statements of financial position.

7. LINE OF CREDIT

The Association maintains a $15,000,000 unsecured revolving line-of-credit which bears an interest rate at greater of 0.50% plus prime (8.50% at December 31, 2023) or 4.00%. There were no borrowings under this agreement during 2023 or 2022. The agreement expires on May 4, 2024.

8. DESIGNATED NET ASSETS

The Association elected to designate $15,000,000 in net assets as of December 31, 2023 and 2022, to provide for expected future insolvencies. As of yearend, there are a number of insolvent insurance companies that have not yet been placed into liquidation. The Association does not become responsible for paying claims until an order of liquidation is received, at which time a reserve for loss and loss adjustment expenses will be recorded. However, as it is likely most of these companies will ultimately be placed into liquidation, the Association elected to designate a portion of net assets for future claim payments for those potential liquidations.

9. CONTRACT

On May 8, 2001, the Association entered into an agreement with the Missouri Life and Health Insurance Guaranty Association (MLHIGA) whereby MLHIGA provides common administration and management of both associations. The agreement is cancelable by either party by giving six months notice and continues in existence until terminated. Each association is responsible for its proportionate share of employee and overhead expenses. Such expenses are allocated at cost in proportion to the estimated utilization by each association. Allocation methods are reviewed periodically based on current operations and resources utilized by the associations. The Association was allocated expenses of $522,035 and $709,879 from MLHIGA for the years ended December 31, 2023 and 2022, respectively. On occasion, the Association will make direct payments to MLHIGA’s vendors for expenses that are directly related to the Association’s operations.

10. ALLOCATION OF EXPENSES AMONG PROGRAM AND SUPPORTING SERVICES

The costs of program and supporting services activities have been summarized on a functional basis in the Statement of Activities. The natural classification detail of those expenses has been summarized in the Statement of Functional Expenses. The Association's policy is to not allocate any portion of general and administrative expenses to program expense.

11. LEASE COMMITMENT

The Association has a noncancelable operating lease for office space located in Jefferson City, Missouri, requiring monthly rental payments of $6,363. The lease commenced July 1, 2023 and expires June 30, 3033. Lease expense paid totaled $47,605 and $26,400 for the years ended December 31, 2023 and 2022, respectively. An amendment to the lease required 75% of the monthly rent payment to be made by the Association. MLHIGA, the Association's affiliate organization, is responsible for the remaining 25% of the monthly payment.

In evaluating contracts to determine if they qualify as a lease, the Association considers factors such as if it has obtained substantially all the rights to the underlying asset through exclusivity, if it can direct the use of the asset by making decisions about how and for what purpose the asset will be used, and if the lessor has substantive substitution rights, which may require significant judgement.

Operating lease right-of-use (ROU) assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. The discount rate used to measure the ROU asset and lease liability is explicitly stated in the lease agreements. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The operating lease ROU asset also includes any consideration of the tenant improvement allowance amortized as a lease expense on the straight-line basis.

The Association's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Other information related to the previously described leases are as follows for the year ended December 31, 2023:

Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows from operating leases	$ 47,605
ROU assets obtained in exchange for new operating lease liabilities	$ 449,949
Weighted-average remaining lease term in years for operating leases	9.50
Discount rate for operating lease	5.00%

Minimum future lease payments for the operating leases at December 31, 2023 are as follows:

2024	$ 57,269
2025	57,269
2026	57,269
2027	57,269
2028	57,269
Thereafter	257,710
Total undiscounted cash flows	544,055
Less: present value discount	(115,582)
Total lease liabilities	$ 428,473

12. CONTINGENCIES

The Association is involved in litigation arising in the normal course of its business. In the opinion of management, the Association's recovery or liability, if any, under any pending litigation or administrative proceeding would not materially affect its financial position.

In reference to the billed assessment detailed in Note 1, a member insurer paid its 2023 assessment under protest and subsequently filed an appeal with the Board of Directors. The Board affirmed its assessment decision on March 15, 2024. The matter may be subject to further appeal, and management has not formed a conclusion as to whether an unfavorable outcome in this matter is either probable or remote, or as to whether a loss of a particular amount or within a particular range is probable. As such, no amount is accrued related to the protested assessment as of December 31, 2023.