MISSOURI
PROPERTY AND CASUALTY
INSURANCE GUARANTY ASSOCIATION

2024

Annual Report

ANNUAL REPORT OF THE

MISSOURI PROPERTY AND CASUALTY INSURANCE GUARANTY ASSOCIATION

FOR FISCAL YEAR ENDING DECEMBER 31, 2024

Prepared for

The Director of the Missouri Department of Commerce and Insurance

Prepared by

Tamara W. Kopp, Executive Director
Missouri Property and 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 MO	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, 2024

The Annual Report of the Missouri Property and Casualty Insurance Guaranty Association (the Association) for the year ending December 31, 2024, 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, 2024, there were 1,006 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 2024, 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 2024 Annual Meeting of the Membership was held on September 25, 2024, at Crossroads Hotel in Kansas City, Missouri. Three member insurers were elected to serve on the Board of Directors for terms expiring in 2027. 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, 2024, are listed below.

Three-year term ending 2025

American Family Mutual Insurance Company	David Monaghan (Vice-Chair) [1]
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	Andy Ribaudo [2]

Three-year term ending 2027

MAMIC Mutual Insurance Company	Chris Kespohl
Shelter Mutual Insurance Company	Brian Waller
State Farm Mutual Automobile Insurance Company	Michael Lane

During 2024, 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 25, 2024, 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 Inglish & Monaco, P.C., 2701 West Main Street, Suite 201, Jefferson City, MO 65102. The primary contacts are Ann Warren and Mark Warren.

[1] David Monaghan represented American Family Mutual Insurance Company and served as Vice-Chair until his retirement at year end. On December 26, 2024, the Director of the Department of Commerce and Insurance approved Chelsea Chaney as the company's new representative upon Mr. Monaghan's retirement.

[2] Missouri Employers Mutual Insurance Company sought to substitute Andy Ribaudo as its representative in 2024, replacing Jennifer Barth. The Director of the Department of Commerce and Insurance approved the new representation on December 26, 2024.

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.

In December 2023, the Board unanimously authorized an assessment of the member insurers that write workers' compensation insurance. In early 2024, a member insurer objected to the assessment and appealed the Board's assessment decision to the Missouri Department of Commerce and Insurance. The Association was involved in the administrative proceeding at the Missouri Department of Commerce and Insurance during most of 2024. The Department issued its Order on December 31, 2024, directing that the Association refund the assessment paid by the member insurer that appealed. The Board elected not to appeal the Order.

AUDITORS

Detailed financial information for the Association for the year ended December 31, 2024, is shown in the audited financial report prepared by Wipfli.

OFFICE OF THE EXECUTIVE DIRECTOR

Tamara W. Kopp continues as the Executive Director for the Association under a Joint Administrative Agreement with the Missouri Life and Health Insurance Guaranty Association. The Association's core functions continued through 2024 with seven full-time employees at year-end. The Association also engaged temporary administrative support staff to assist during a year with high policy and return premium claims resulting from five member-insurer insolvencies between mid-2023 and early 2024.

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. 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. The Association engages with industry through involvement with the Missouri Insurance Coalition.

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, 2024, 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 Wipfli St. Charles, MO, conducted the independent audit of the financial records of the Association.

ASSESSMENTS

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 July 31, 2024, the Board of Directors voted unanimously to issue an assessment in the automobile account for $9,000,000 to fund obligations related to the following insolvent companies:

1. United Home Insurance Company
2. Cameron Mutual Insurance Company
3. 1st Auto & Casualty Insurance Company

Member insurers paid the assessment without objection and the Association issued each a Certificate of Contribution in accordance with § 375.774, RSMo.

INSOLVENCIES

Five insolvencies were closed during 2024. As of December 31, 2024, the Association administered 41 open insolvencies. Included in this total are 23 insolvencies that have no open claims. There are 8 closed insolvencies with open claims. There was one new insolvency in 2024.

Loss and Loss Adjustment Expense Activity

During 2024, the open claims count for the Association decreased by 513 claims. Reflected below is a summary of ending reserves and reserve changes for 2024.

Company	Open Claims	Loss Reserves	Expense Reserves	Change in Open Claims	Change in Loss Reserves	Change in Defense and Cost Containment Loss Reserves
Totals	246	43,104,266	9,238,244	(513)	(8,474,487)	16,586

In addition to the above reserve, the Association maintains an unallocated loss adjustment expense reserve (ULAE) of $9,940,001 as a reserve for future loss adjustment expenses.

Payment Activity for 2024:

Company	Losses Paid	Defense and Cost Containment Paid	Salvage Subro	Return Premium Paid	Return Premium Reserves
1st Auto	458,284	123,455	(861)	158,049	0
Affirmative	0	158	0	0	0
Amer Service	25,023	15,837	0	0	0
Arrowood	4,511	4,994	0	0	0
Atlantic Mutual	2,692	58	0	0	0
Bedivere	121,098	(4,097)	0	0	0
CA Comp	66,055	12,874	0	0	0
Cameron	4,855,637	248,979	(10,539)	2,381,779	0
CRE	392	0	0	0	0
Employers Casualty	699	7	0	0	0
Employers Natl	29,819	0	0	0	0
Freestone	50,000	6,197	0	0	0
Fremont	54,343	0	0	0	0
Gateway	240,348	28,243	0	0	0
Guarantee	538,162	27,285	0	0	0
Home	17,221	3,524	0	0	0
Legion	598,137	30,064	0	0	0
Lumbermens	145,174	19,234	0	0	0
MAX	413,092	11,686	0	4,598	0
Millers First	11,840	0	0	0	0
PSIC	0	51,206	0	0	0
Reliance	228,564	37,565	0	0	0
ULLICO	6,669	0	0	0	0
United Home	5,152,067	166,304	(69,305)	937,325	0
Villanova	24,596	0	0	0	0
Totals	13,044,423	783,574	(80,704)	3,481,751	0

Insolvencies

The following insolvent estates were open as of December 31, 2024. 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

2005
Consolidated American Insurance Company – SC

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

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

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
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
Arrowood Indemnity Company – DE
Cameron Mutual Insurance Company – MO
MutualAid eXchange - KS
United Home Insurance Company - AR

2024
1st Auto & Casualty – WI

Not all estates, open or closed, generate material Association activity. Listed below are estates that generated material activity during 2024.

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 six 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 and 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 Order for Liquidation was effective January 1, 2024.

The Association worked ahead of liquidation with Receiver staff and GSI to effectively transition unearned premium and claim data for 1st Auto to the Association.

The Association has 21 open claims. Total reserves are $616,438. Claim payments totaled $580,879 and return premium paid of $158,049.

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 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 Bar Date has been extended to May 15, 2025.

The Association has one open claim. Total reserves are $273,594 and $9,505 has been paid on claims.

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.

The Liquidation Order authorized the Liquidator to pre-fund workers' compensation indemnity benefits for 12 weeks, providing a time cushion for claims data to reach guaranty associations and allow associations to take over claim payments. The Liquidator contracted with GSI, the NCIGF subsidiary, to extract electronic data from the company and TPAs and transfer data to guaranty associations. The Receiver is still evaluating paper environmental and toxic tort claim files. Many claims initially thought to be Bedivere claims liability reverted to other solvent carriers rather than the guaranty associations because of incomplete novation/assumption transactions. Ultimate assets and liabilities are still uncertain. The Liquidator received approximately 1,600 Proofs of Claim by the December 31, 2021, Claims Bar Date and expects liabilities to exceed $1B.

Missouri serves on the NCIGF Coordinating Committee and Liaison Subcommittee. Initially, the Liaison Subcommittee met virtually with the receiver approximately once each quarter. The first in-person meeting with the Bedivere receiver took place in March 2023 in Philadelphia, PA in association with the Southeast Regional Insurance Guaranty Associations meeting. The day following the in-person meeting, the Bedivere receiver filed the first financials with the court giving a better picture of the estate's financial position. The court filing suggests early access is still several years away and guaranty association policy level claims may not be the largest creditor class when compared with non-covered policy level claims.

The Association has six open claims. Total reserves are $2.2 million.

Cameron Mutual Insurance Company

Cameron Mutual Insurance Company (Cameron Mutual) is a Missouri-domestic Chapter 379 mutual insurance company licensed in five states (AR, IL, IA, KS, and MO). Cameron wrote personal lines (homeowners and auto), commercial, and farm coverage in three 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 six 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 was 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. The Order of Rehabilitation does not include a finding of impairment or insolvency and the Missouri Property and Casualty Insurance Guaranty Association was not triggered. During the first three months of rehabilitation, Cameron Mutual reduced its policies and claims to 13,810 and 677, respectively.

On November 15, 2023, the Court entered a Final Judgment, Decree, and Order of Liquidation, Effective December 1, 2023, ordering the Cameron Mutual be liquidated, but without finding that Cameron Mutual was insolvent – again, the Association was not triggered. On December 26, 2023, the Court entered a Finding of Insolvency, thereby triggering the Association.

The Association continues regular communication with Missouri Department of Commerce and Insurance (DCI) Receivership Counsel, Shelley Forrest and the Special Deputy Receiver, Kirsten Byrd. The Association received return premium data in early February 2024 for 7,176 policyholders. The Receiver and Guaranty Associations entered into an Early Access Agreement that was approved by the Circuit Court in December 2024 and the Receiver plans on paying Early Access in 2025. The Executive Director chairs the NCIGF Communications Committee.

The Association has 103 open claims. Total reserves are $2.9 million. The Association paid claims of $5.1 million along with return premium payments of $2.4 million.

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.

There are three open Gateway and ASI claims with $14,192 in total reserves.

On June 13, 2024, the Gateway shell company (referred to as Gateway 2.0) was ordered into rehabilitation in Illinois. The Association has a confidentiality agreement in place with the Gateway 2.0 receiver.

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 17 open claims with total reserves of $5 million and payments of $565,447 in 2024.

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. In the year preceding receivership, 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 and Casualty Insurance Guaranty Association.

MAX paid a 20% 1st interim distribution to the Association in December 2024.

The Association has two open claims. Total reserves are $3,121 and payments on claims totaled $424,778.

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, and their affiliates, had various legal claims against each other including a fraudulent transfer claim against PSIC concerning a lien PSIC has/had on a commercial building owned by MPM-PPIA and a $1M CD held with the Missouri receivership court. Also, PSIC may have a fraudulent transfer claim against MPM-PPIA regarding the shares transferred to PSIC as part of the Policy Acquisition Agreement. The KS and MO receivers settled their claims against each other with MPM-PPIA paying $35,000 to PSIC estate. The KS receiver continues efforts to reach settlements with other individuals and entities.

The PSIC claims bar date was June 30, 2020. The PSIC receiver received 137 Proofs of Claim and continues to adjudicate those POCs. The Association regularly communicates with the PSIC receiver staff to verify Association claim handling to manage redundant POCs.

The Association is handling three open claims with $132,598 total reserves and payments of $51,206 during 2024.

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 $4.7 million and payments of $266,129 in 2024.

United Home Insurance Company

United Home Insurance Company (United Home) is an Arkansas-domestic property and casualty insurance company licensed in nine states and wrote insurance in five 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, including a finding of insolvency and triggering the Association.

The Association has 45 open claims. Total reserves are $765,019. Claim payments totaled $5.3 million with an additional $939,679 in return premium claims paid in 2024.

Missouri Property and Casualty Insurance Guaranty Association

Financial Statements

For the Years Ended December 31, 2024 and 2023

WIPFLI

WIPFLI

Independent Auditor's Report

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

Opinion

We have audited the accompanying financial statements of the Missouri Property and Casualty Insurance Guaranty Association (the "Association"), which comprise the statements of financial position as of December 31, 2024, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Association as of December 31, 2024, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States. (''GAAP'').

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with GAAP, 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.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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.

Auditor's Report on the 2023 Financial Statements

The 2023 financial statements of the Association were audited by predecessor auditors whose report dated March 26, 2024, expressed an unmodified opinion on those financial statements.

Wipfli LLP

Wipfli LLP

St. Louis, Missouri
March 18, 2025

Missouri Property and Casualty Insurance Guaranty Association

Statements of Financial Position

As of December 31,	2024	2023
ASSETS:		
Cash and cash equivalents	$ 2,054,250	$ 223,508
Investments	96,651,102	85,918,995
Billed assessments receivable	-	17,655,890
Receivables for unsettled trades	-	35,000
Investment interest receivable	144,355	144,355
Unbilled assessments	37,000,000	17,000,000
Computer software, net of accumulated depreciation of $543,317 and $505,427, respectively	78,580	53,856
Operating lease right-of-use asset	385,522	428,473
Total assets	$ 136,313,809	$ 121,460,077
LIABILITIES AND NET ASSETS:		
LIABILITIES		
Accounts payable	$ 142,023	$ 63,503
Refunds to members	19,905,485	-
Reverse repurchase agreement liability	1,000,000	1,000,000
Due to Missouri Life and Health Insurance Guaranty Association	64,219	262,378
Operating lease liability	385,522	428,473
Early access liability	5,702,838	6,176,148
Return premium liability	-	3,699,647
Reserves for losses and loss adjustment expenses	62,282,511	73,570,458
Total liabilities	89,482,598	85,200,607
NET ASSETS		
Without restrictions:		
Board designated	15,000,000	15,000,000
Undesignated	31,831,211	21,259,470
Total net assets	46,831,211	36,259,470
Total liabilities and net assets	$ 136,313,809	$ 121,460,077

The notes to the 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,	2024	2023
SUPPORT AND REVENUES		
Assessment income	$ 8,899,045	$ 19,998,700
Change in unbilled assessments	20,000,000	(24,600,000)
Liquidation distributions	1,298,275	14,154,863
Net investment return	4,263,223	3,946,525
Total support and revenues	34,460,543	13,500,088
EXPENSES		
Program expenses		
Losses and loss adjustment expenses paid, net of subrogation and salvage of $80,705 and $0	13,747,290	5,042,088
(Decrease) increase in reserves for return premium expenses	(3,699,647)	3,699,647
(Decrease) increase in reserves for losses and loss adjustment expenses	(11,287,947)	10,899,353
Return of unearned premiums	3,481,751	3,875,196
Refunds to members	19,905,485	-
Program expenses, net	22,146,932	23,516,284
General and administrative expenses	1,741,870	1,002,511
Total expenses	23,888,802	24,518,795
Change in net assets	10,571,741	(11,018,707)
Net assets, beginning of year	36,259,470	47,278,177
Net assets, end of year	$ 46,831,211	$ 36,259,470

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

Missouri Property and Casualty Insurance Guaranty Association

Statements of Functional Expenses

	2024			2023		
For the years ended December 31,	Program	General and Administrative	Total Expenses	Program	General and Administrative	Total Expenses
(Decrease) increase in reserves for losses and loss adjustment expenses	$ (11,287,947)	$ -	$ (11,287,947)	$ 10,899,353	$ -	$ 10,899,353
(Decrease) increase in reserves for return premium	(3,699,647)	-	(3,699,647)	3,699,647	-	3,699,647
Losses and loss adjustment expenses	13,747,290	-	13,747,290	5,042,088	-	5,042,088
Salaries and benefits	-	783,427	783,427	-	590,929	590,929
Professional fees	-	462,464	462,464	-	95,115	95,115
Dues, fees, and subscriptions	-	137,919	137,919	-	120,405	120,405
Other	-	130,963	130,963	-	56,975	56,975
Rent and utilities	-	72,631	72,631	-	60,390	60,390
Depreciation	-	40,328	40,328	-	33,216	33,216
Travel	-	19,954	19,954	-	21,515	21,515
Equipment and supplies	-	20,766	20,766	-	23,966	23,966
Return of unearned premiums	3,481,751	-	3,481,751	3,875,196	-	3,875,196
Contracted services	-	73,418	73,418	-	-	-
Refunds to members	19,905,485	-	19,905,485	-	-	-
Total	$ 22,146,932	$ 1,741,870	$ 23,888,802	$ 23,516,284	$ 1,002,511	$ 24,518,795

The notes to the 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,	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 10,571,741	$ (11,018,707)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	40,328	33,216
Realized gain on investments, including change in unrealized gains (losses)	(3,416,927)	(3,285,294)
Change in billed assessments receivable	17,655,890	(17,655,890)
Change in other receivables	35,000	167,804
Change in unbilled assessments	(20,000,000)	24,600,000
Change in accounts payable	78,520	12,530
Change in refunds to members	19,905,485	-
Change in due to Missouri Life and Health Insurance Guaranty Association	(198,159)	199,226
Change in early access liability	(473,310)	(13,625,910)
Change in return premium liability	(3,699,647)	3,699,647
Change in reserves for losses and loss adjustment expense	(11,287,947)	10,899,356
Net cash provided (used) by operating activities	9,210,974	(5,974,022)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	13,017,000	6,975,163
Purchases of investments	(20,332,180)	(2,541,541)
Purchase of computer software and equipment	(65,052)	(33,593)
Net cash (used) provided by investing activities	(7,380,232)	4,400,029
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from reverse repurchase agreement	-	1,000,000
Net cash provided by financing activities	-	1,000,000
Net change in cash and cash equivalents	1,830,742	(573,993)
Cash and cash equivalents, beginning of year	223,508	797,501
Cash and cash equivalents, end of year	$ 2,054,250	$ 223,508
SUPPLEMENTAL CASH FLOW DISCLOSURES		
Non-cash investing and financing transactions:		
Lease liability arising from obtaining right-of-use asset	$ -	$ 449,949

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

Note 1: 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 2024 and 2023.

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.

Note 1: Summary of Significant Accounting Policies (Continued)

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 $2,167,000 and $2,660,000 at December 31, 2024 and 2023, respectively. 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 national exchanges or over-the-counter markets. Purchases and sales of securities are recorded on a trade date basis. Realized investment gains and losses are determined on the specific identification basis. Dividends are recorded on the declaration date. Interest is recorded when earned.

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, 2024 and 2023 totaled $40,328 and $33,216, respectively.

ASC 842 Lease Accounting

The Association is a lessee in a noncancelable operating lease. If the contract provides the Association the right to substantially all the economic benefits and the right to direct the use of the identified asset, it is considered to be or contain a lease. A right-of-use (ROU) asset and lease liability are recognized at the lease commencement date based on the present value of the future lease payments over the expected lease term. The ROU asset is also adjusted for any lease prepayments made, lease incentives received, and initial direct costs incurred.

The lease liability is initially and subsequently recognized based on the present value of its future lease payments. Variable payments are included in the future lease payments when those variable payments depend on an index or a rate. Increases (decreases) to variable lease payments due to subsequent changes in an index or rate are recorded as variable lease expense (income) in the future period in which they are incurred.

The Association has elected to use a risk-free rate for a term similar to the underlying lease as the discount rate if the implicit rate in the lease contract is not readily determinable.

Note 1: Summary of Significant Accounting Policies (Continued)

ASC 842 Lease Accounting (Continued)

The ROU asset for operating leases is subsequently measured throughout the lease term at the amount of the remeasured lease liability (i.e., present value of the remaining lease payments), plus unamortized initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received, and any impairment recognized. For operating leases with lease payments that fluctuate over the lease term, the total lease costs are recognized on a straight-line basis over the lease term.

For all underlying classes of assets, the Association has elected to not recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less at lease commencement and do not include an option to purchase the underlying asset that the Association is reasonably certain to exercise. Leases containing termination clauses in which either party may terminate the lease without cause and the notice period is less than 12 months are deemed short-term leases with lease costs included in short-term lease expense. The Association recognizes short-term lease cost on a straight-line basis over the lease term.

The Association made an accounting policy election to not separate the lease components of a contract and its associated non-lease components. For all other underlying classes of assets, the Association separates lease and non-lease components to determine the lease payment.

Assessments

For purposes of assessment, the Association maintains four accounts: (1) the automobile insurance account; (2) the workers' compensation 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 whenever funds are necessary to pay claims and expenses but are limited to 2% of the net direct written premium of the member insurer. Revenue is recognized at the time the Board approves the assessment to its members.

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, changes occur to estimated claims and loss adjustment expenses, or when an insolvency is purchased by a third party.

Note 1: Summary of Significant Accounting Policies (Continued)

Assessments (Continued)

During 2024, the Board approved billed assessments to member insurers in the automobile insurance account in the amount of $9,000,000. As these assessments were assessed and billed during the year, there was no change in the unbilled assessment account. During 2023, the Association reduced unbilled assessments in the amount of $4,600,000 based on a reduction of future payment obligations.

In addition, during 2023, the Association assessed member insurers in the workers' compensation account in the amount of $20,000,000. One member insurer paid its assessment under protest and filed an appeal with the Association's Board of Directors. The Board affirmed its assessment decision during 2024. The member insurer subsequently appealed the assessment with the Missouri Department of Commerce and Insurance. On December 31, 2024, the Missouri Department of Commerce and Insurance ruled in favor of the member insurer on the grounds that the assessment was not necessary and, therefore, unlawful. In January 2025, the Board of Directors approved a refund to all other member insurers of this assessment. Based on the Missouri Department of Commerce and Insurance's ruling, the Association recognized an assessment refund liability as of December 31, 2024.

Liquidation Distributions

Liquidation distributions represent distributions made by the receivers of insolvent estates to the Association based on claims paid and current claims being paid. Distributions occur when the insolvent insurer has funds available and at the discretion of the receiver. Due to the unpredictability of the timing of distributions, revenue is recognized when the distribution is received.

Functional Allocation of Expenses

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 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

The Associations have evaluated events and transactions for potential recognition or disclosure in the financial statements through March 18, 2025, which is the date the financial statements were available to be issued.

Note 2: Liquidity and Availability of Financial Assets

The Association's financial assets available within one year from December 31, 2024 and 2023 for general expenditures are as follows:

	2024	2023
Cash and cash equivalents	$ 2,054,250	$ 223,508
Billed assessments receivable	-	17,655,890
Investments due in one year or less	73,363,228	-
Receivable for unsettled trades	-	35,000
Investment interest receivable	144,355	144,355
Total	$ 75,561,833	$ 18,058,753

As more fully described in Note 8, 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.

Note 3: Investments

Investments consisted of the following at December 31, 2024 and 2023:

2024	Cost	Unrealized Gain (Loss)	Fair Value
U.S. agency bonds and notes	$ 93,257,732	$ (4,068,698)	$ 89,189,034
U.S. Treasury marketable securities	7,413,529	48,539	7,462,068
Total investment securities	$ 100,671,261	$ (4,020,159)	$ 96,651,102

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

Note 3: Investments (Continued)

Contractual maturities of investment securities at December 31, 2024 are as follows, based on the expected call date:

	Cost	Unrealized Gain (Loss)	Fair Value
Due in one year or less	$ 75,320,427	$ (1,957,199)	$ 73,363,228
Due in one to five years	25,350,834	(2,062,960)	23,287,874
Total investment securities	$ 100,671,261	$ (4,020,159)	$ 96,651,102

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 I and II of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level III of the hierarchy).

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

Level I - Inputs to the valuation methodology are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Association can access at the measurement date.

Level II - Inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level II input must be observable for substantially the full term of the asset or liability.

Level III - Inputs that are unobservable inputs for the asset or liability.

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.

Note 3: Investments (Continued)

The following is a description of valuation methodologies used for assets and liabilities recorded at fair value. There have been no changes in the methodologies used during the years ended December 31, 2024 and 2023.

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 preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Association believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The table below presents the Association's assets measured at fair value as of December 31, 2024 and 2023, aggregated by the level in the fair value hierarchy within which those measurements fall:

December 31, 2024	Level I	Level II	Level III	Total
Assets				
U.S. agency bonds and notes	$ -	$ 89,189,034	$ -	$ 89,189,034
U.S. Treasury marketable securities	7,462,068	-	-	7,462,068
Total investment securities	$ 7,462,068	$ 89,189,034	$ -	$ 96,651,102

December 31, 2023	Level I	Level II	Level III	Total
Assets				
U.S. agency bonds and notes	$ -	$ 85,918,995	$ -	$ 85,918,995
Total investment securities	$ -	$ 85,918,995	$ -	$ 85,918,995

Note 3: Investments (Continued)

Net investment return consisted of the following for the years ended December 31, 2024 and 2023:

	2024	2023
Change in unrealized gain (loss) on investments	$ 3,318,578	$ 3,176,261
Net realized gain on sales	98,349	109,033
	3,416,927	3,285,294
Interest income	846,296	661,231
Net investment return	$ 4,263,223	$ 3,946,525

Note 4: Reverse Repurchase Agreement

During the year ended December 31, 2023, the Association participated in a reverse purchase 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, 2024 and 2023 equivalent to the cash borrowed. The estimated fair value of the Association's reverse repurchase agreement, reported as investments as of December 31, 2024 and 2023, was $1,105,133 and $1,060,411, respectively.

Note 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 $5,702,838 and $6,176,148 at December 31, 2024 and 2023, respectively.

Note 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 statements activities as incurred.

Note 6: Reserves for Losses and Loss Adjustment Expenses (Continued)

The total reserves for losses and loss adjustment expenses were approximately $62,280,000 and $73,570,000 at December 31, 2024 and 2023, respectively. These reserves are based on estimates and, while management presently believes the estimated reserves for losses and loss adjustment expenses at December 31, 2024 and 2023 are adequate, the actual liability could vary considerably from the amount presented in the accompanying statements of financial position.

Note 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 (7.50% and 8.50% at December 31, 2024 and 2023, respectively) or 4.00%. There were no borrowings under this agreement during 2024 and 2023. The agreement expires on May 2, 2025.

Note 8: Designated Net Assets

The Association elected to designate $15,000,000 in net assets as of December 31, 2024 and 2023 to provide for expected future insolvencies. As of year-end, 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.

Note 9: Affiliate Agreement

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 $988,949 and $522,035 from MLHIGA for the years ended December 31, 2024 and 2023, respectively. On occasion, the Association will make direct payments to MLHIGA's vendors for expenses that are directly related to the Association's operations.

Note 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 Statements of Activities. The natural classification detail of those expenses has been summarized in the Statements of Functional Expenses. The Association's policy is to not allocate any portion of general and administrative expenses to program expense.

Note 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, 2033. Lease expense paid totaled $57,271 and $47,605 for the years ended December 31, 2024 and 2023, 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 judgment.

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 included 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:

	2024	2023
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating lease	$ 57,271	$ 47,605
ROU assets obtained in exchange for new operating lease liabilities	$ -	$ 449,949
Weighted-average remaining lease term in years for operating leases	8.50	9.50
Discount rate for operating lease	5.00%	5.00%

Minimum future lease payments for the operating leases at December 31, 2024 are as follows:

2025	$ 57,269
2026	57,269
2027	57,269
2028	57,269
2029	57,269
Thereafter	200,441
Total undiscounted cash flows	486,786
Less: present value discount	(101,264)
Total lease liabilities	$ 385,522

Note 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.