

— M I S S O U R I —
PROPERTY AND CASUALTY
INSURANCE GUARANTY ASSOCIATION

2025

Annual Report

ANNUAL REPORT OF THE
MISSOURI PROPERTY AND CASUALTY INSURANCE
GUARANTY ASSOCIATION
FOR FISCAL YEAR ENDING DECEMBER 31, 2025

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

Chelsea Chaney

Arch Insurance Company

Veronica Chang-Peshoff

Auto Club Family Insurance Company

Dean Trachsel

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

Andy Ribaud

Shelter Insurance Companies

Jennifer Rodewald

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, 2025

The Annual Report of the Missouri Property and Casualty Insurance Guaranty Association (the Association) for the year ending December 31, 2025, 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 Operation, 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, 2025, there were 1,009 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 2025, 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 2025 Annual Meeting of the Membership was held on September 24, 2025, at The Ritz-Carlton in Clayton, Missouri. Three member insurers were elected to serve on the Board of Directors for terms expiring in 2028. 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, 2025, are listed below.

Three-year term ending 2026

Auto Club Family Insurance Company	Dean Trachsel
Medical Liability Alliance	Dana Frese (Chair)
Missouri Employers Mutual Insurance Company	Andy Ribaud

Three-year term ending 2027

MAMIC Mutual Insurance Company	Chris Kespohl (Sec./Treasurer)
Shelter Mutual Insurance Company	Brian Waller
State Farm Mutual Automobile Insurance Company	Michael Lane

Three-year term ending 2028

American Family Mutual Insurance Company	Chelsea Chaney
Arch Insurance Company	Veronica Chang-Peshoff (Vice-Chair)
Farm Bureau Town & Country Insurance Co. of Missouri	Nick Schollmeyer

During 2025, 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 Association’s office in Jefferson City, Missouri.

OFFICERS

The Officers elected at the September 24, 2025, Annual Meeting of the Board of Directors are listed below.

Dana Frese, Chair	Medical Liability Alliance
Veronica Chang-Peshoff, Vice-Chair	Arch Insurance Company
Chris Kespohl, Sec./Treasurer	MAMIC Mutual 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 English & Monaco, P.C., 2701 West Main Street, Suite 201, Jefferson City, MO 65102. The primary contacts are Ann Warren and Mark Warren.

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, 2025.

AUDITORS

Detailed financial information for the Association for the year ended December 31, 2025, is shown in the audited financial report prepared by Wipfli LLP.

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 2025 with six full-time employees at year-end. One full-time employee retired during the first quarter of 2025. That employee's duties were reallocated both internally and to Williams Keepers LLC as controller vendor.

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 coordinating committees. 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 served on the IAIR Board of Directors (from 2019-2025) and IAIR committees. The Association monitors legislation and 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, 2025, are included with this report. The notes to the financial statements are also included as an integral part of the report. The accounting firm of Wipfli LLP, 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 the September 24, 2025, Annual Meeting of the Board of Directors, the Board determined that no assessment would be made in 2025. The Association last assessed member insurers to fund the automobile account in 2024. The Association last assessed the workers' compensation account in 2023. During 2025, the Association refunded the 2023 assessment to workers' compensation insurers.

INSOLVENCIES

Two insolvencies were judicially closed during 2025. As of December 31, 2025, the Association administered 41 open insolvencies. Included in this total are 15 insolvencies that have no open claims. There are 9 closed insolvencies with open claims. There were two new member insurer insolvencies in 2025 including Key Insurance Company (KS) and Transport Insurance Company (OH). Key generated no policyholder claims.

Loss and Loss Adjustment Expense Activity

During 2025, the open claims count for the Association decreased by 134 claims. Reflected below is a summary of ending reserves and reserve changes for 2025.

Company	Open Claims	Loss Reserves	Expense Reserves	Change in Open Claims	Change in Loss Reserves	Change in Defense and Cost Containment Loss Reserves
Totals	112	31,495,132	6,129,127	(134)	(11,609,134)	(3,109,117)

In addition to the above reserves, the Association maintains an unallocated loss adjustment expense reserve (ULAE) of \$7,520,001 as a reserve for future loss adjustment expenses.

Payment Activity for 2025:

Company	Losses Paid	Defense and Cost Containment Paid	Salvage Subro	Return Premium Paid	Return Premium Reserves
1st Auto	583,657	28,573	(27,931)	(1,738)	0
Affirmative	0	315	0	0	0
Amer Service	23	2,154	0	0	0
Arrowood	14,844	251	0	0	0
Atlantic Mutual	9,344	168	0	0	0
Bedivere	116,534	0	0	0	0
CA Comp	12,810	9,211	0	0	0
Cameron	874,477	158,796	(27,448)	7,233	0
CRE	638	0	0	0	0
Employers Casualty	89,563	7	0	0	0
Employers Natl	28,620	0	0	0	0
Fremont	54,343	0	0	0	0
Gateway	6,000	1,534	0	0	0
Guarantee	306,580	15,343	0	0	0
Home	51,978	7,973	0	0	0
Legion	292,034	15,467	0	0	0
Lumbermens	221,240	15,498	0	0	0
MAX	4,544	0	0	(8,506)	0
Millers First	6,674	0	0	0	0
PSIC	0	37,733	0	0	0
Reliance	443,993	69,634	0	0	0
Statewide	912	0	0	0	0
United Home	296,647	66,294	(82,369)	(21,681)	0
Villanova	24,596	0	0	0	0
Totals	3,440,050	428,950	(137,748)	(24,692)	0

Insolvencies

The following insolvent estates were open as of December 31, 2025. The year shows the year of insolvency and the abbreviation following the company name indicates the domestic regulator.

<u>1985</u>	<u>2016</u>
Ideal Mutual Insurance Company – NY	Affirmative Insurance Company – IL
<u>1986</u>	Lumbermen’s Underwriting Alliance – MO
Midland Insurance Company – NY	<u>2017</u>
<u>1991</u>	Castlepoint Insurance Company – CA
American Universal Insurance Company – RI	Galen Insurance Company – MO
<u>2003</u>	Guarantee Insurance Company – FL
Home Insurance Company – NH	Millers First Insurance Company – IL
Reciprocal of America – VA	<u>2018</u>
<u>2004</u>	Access Insurance Company – TX
Casualty Reciprocal Exchange – MO	<u>2019</u>
Equity Mutual Insurance Company – MO	Capson Physicians Insurance Company – TX
IGF Insurance Company – IN	Physicians Standard Insurance Company – KS
<u>2005</u>	<u>2020</u>
Consolidated American Insurance Company – SC	Gateway Insurance Company – IL
<u>2009</u>	American Service Insurance Company – IL
Park Avenue P&C Insurance Company – OK	<u>2021</u>
<u>2010</u>	Bedivere Insurance Company – PA
Imperial Casualty and Indemnity Company – OK	Western General Insurance Company – CA
<u>2011</u>	Highlands Insurance Company – TX
Atlantic Mutual Insurance Company – NY	<u>2023</u>
Centennial Insurance Company – NY	Arrowood Indemnity Company – DE
<u>2013</u>	Cameron Mutual Insurance Company – MO
Lumbermens Mutual Casualty Company – IL	MutualAid eXchange - KS
Pride National Insurance Company – OK	United Home Insurance Company - AR
Ullico Casualty Company – DE	<u>2024</u>
<u>2014</u>	1 st Auto & Casualty – WI
Freestone Insurance Company – DE	<u>2025</u>
Red Rock Insurance Company – OK	Key Insurance Company – KS
	Transport Insurance Company – OH

Not all estates, open or closed, generate material Association activity. Listed below are estates that generated material activity during 2025.

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 5 open claims. Total reserves are \$161,139. Claim payments totaled \$584,300 during 2025.

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 1 open claim. Total reserves are \$263,498 and \$15,096 has been paid on the claim during 2025.

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 6 open claims. Total reserves are \$2.2 million. The Association paid claims of \$116,534 for 2025.

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 paid Early Access in 2025. The Executive Director chairs the NCIGF Communications Committee.

The Association has 22 open claims. Total reserves are \$642,922. The Association paid claims of \$1,005,824 for 2025.

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 \$4.85 million and payments of \$321,924 in 2025.

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. MAX paid a 2nd interim distribution to the Association in December 2025, bringing the total paid by the estate to 38% of the allowed Priority Class 2 claims.

The Association has no remaining open claims. Total reserves are \$0 and payments on claims totaled \$4,544 in 2025.

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.

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 completed adjudication of those POCs in 2025. The receiver assigned recovery rights to the Association, requested court authority to administratively close the estate while she contracts with outside counsel to pursue a cause of action, and paid \$3.6 million early access funds to the Association during the 4th quarter of 2025. Any recovery on the cause of action will be to the benefit of the Missouri Association.

The Association is handling three open claims with \$117,375 total reserves and payments of \$37,733 during 2025.

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 8 open claims with total reserves of \$4.5 million and payments of \$513,627 in 2025.

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 14 open claims. Total reserves are \$521,498. The Association paid claims of \$280,572 during 2025.

Financial Reporting and Audit

**for the year ending
December 31, 2025**

WIPFLI

Missouri Property and Casualty Insurance Guaranty Association

Financial Statements

For the Years Ended December 31, 2025 and 2024

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 Missouri Property and Casualty Insurance Guaranty Association (the "Association"), which comprise the statements of financial position as of December 31, 2025 and 2024, and the related statements of activities, functional expenses, and cash flows for the years 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 Missouri Property and Casualty Insurance Guaranty Association as of December 31, 2025 and 2024, and 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 ("GAAP").

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Missouri Property and Casualty Insurance Guaranty 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 the financial statements in accordance with accounting principles generally accepted in the United States, 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 Missouri Property and Casualty Insurance Guaranty Association's ability to continue as a going concern for one year after the date 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 Missouri Property and Casualty Insurance Guaranty 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 Missouri Property and Casualty Insurance Guaranty 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.

Wipfli LLP

Wipfli LLP

St. Louis, Missouri
February 25, 2026

"Wipfli" is the brand name under which Wipfli LLP and Wipfli Advisory LLC and its respective subsidiary entities provide professional services. Wipfli LLP and Wipfli Advisory LLC (and its respective subsidiary entities) practice in an alternative practice structure in accordance with the AICPA Code of Professional Conduct and applicable law, regulations, and professional standards. Wipfli LLP is a licensed independent CPA firm that provides attest services to its clients, and Wipfli Advisory LLC provides tax and business consulting services to its clients. Wipfli Advisory LLC and its subsidiary entities are not licensed CPA firms.

Missouri Property and Casualty Insurance Guaranty Association

Statements of Financial Position

<i>As of December 31,</i>	2025	2024
ASSETS:		
Cash and cash equivalents	\$ 1,477,343	\$ 2,054,250
Investments	83,569,760	96,651,102
Subscription deposit	50,000	-
Investment interest receivable	126,526	144,355
Unbilled assessments	37,000,000	37,000,000
Computer software, net of accumulated depreciation of \$589,349 and \$543,317, respectively	74,361	78,580
Operating lease right-of-use asset	342,570	385,522
Total assets	\$ 122,640,560	\$ 136,313,809
LIABILITIES AND NET ASSETS:		
LIABILITIES		
Accounts payable	\$ 67,071	\$ 142,023
Refunds to members	-	19,905,485
Reverse repurchase agreement liability	-	1,000,000
Due to Missouri Life and Health Insurance Guaranty Association	92,937	64,219
Operating lease liability	342,570	385,522
Early access liability	13,084,857	5,702,838
Reserves for losses and loss adjustment expenses	45,144,261	62,282,511
Total liabilities	58,731,696	89,482,598
NET ASSETS		
Without restrictions:		
Board designated	15,000,000	15,000,000
Undesignated	48,908,864	31,831,211
Total net assets	63,908,864	46,831,211
Total liabilities and net assets	\$ 122,640,560	\$ 136,313,809

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

Missouri Property and Casualty Insurance Guaranty Association

Statements of Activities

<i>For the years ended December 31,</i>	2025	2024
SUPPORT AND REVENUES		
Assessment income	\$ -	\$ 8,899,045
Change in unbilled assessments	-	20,000,000
Liquidation distributions	1,189,148	1,298,275
Net investment return	3,803,847	4,263,223
Miscellaneous income	2,700	-
Total support and revenues	4,995,695	34,460,543
EXPENSES		
Program expenses		
Losses and loss adjustment expenses paid, net of subrogation and salvage of \$137,748 and \$80,705	3,731,257	13,747,290
Decrease in reserves for return premium expenses	-	(3,699,647)
Decrease in reserves for losses and loss adjustment expenses	(17,138,250)	(11,287,947)
Return of (voided) unearned premiums	(24,692)	3,481,751
Refunds to members	-	19,905,485
Program expenses, net	(13,431,685)	22,146,932
General and administrative expenses	1,349,727	1,741,870
Total expenses	(12,081,958)	23,888,802
Change in net assets	17,077,653	10,571,741
Net assets, beginning of year	46,831,211	36,259,470
Net assets, end of year	\$ 63,908,864	\$ 46,831,211

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

Missouri Property and Casualty Insurance Guaranty Association

Statements of Functional Expenses

For the years ended December 31,	2025		2024	
	Program	General and Administrative	Program	General and Administrative
	Total Expenses	Total Expenses	Total Expenses	Total Expenses
Decrease in reserves for losses and loss adjustment expenses	\$ (17,138,250)	\$ -	\$ (17,138,250)	\$ -
Decrease in reserves for return premium	-	-	(3,699,647)	-
Losses and loss adjustment expenses	3,731,257	-	13,747,290	-
Salaries and benefits	-	725,878	-	783,427
Professional fees	-	107,742	-	462,464
Dues, fees, and subscriptions	-	143,705	-	137,919
Other	-	71,599	-	130,963
Rent and utilities	-	71,477	-	72,631
Depreciation	-	46,032	-	40,328
Travel	-	22,596	-	19,954
Equipment and supplies	-	20,882	-	20,766
Return of (voided) unearned premiums	(24,692)	-	3,481,751	-
Contracted services	-	139,816	-	73,418
Refunds to members	-	-	19,905,485	-
Total	\$ (13,431,685)	\$ 1,349,727	\$ (12,081,958)	\$ 1,741,870
			\$ 22,146,932	\$ 23,888,802

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

Missouri Property and Casualty Insurance Guaranty Association

Statements of Cash Flows

<i>For the years ended December 31,</i>	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 17,077,653	\$ 10,571,741
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	46,032	40,328
Realized gain on investments, including change in unrealized gains (losses)	(3,203,500)	(3,416,927)
Change in billed assessments receivable	-	17,655,890
Change in other receivables	-	35,000
Change in investment interest receivable	17,829	-
Change in unbilled assessments	-	(20,000,000)
Change in subscription deposit	(50,000)	-
Change in accounts payable	(74,952)	78,520
Change in refunds to members	(19,905,485)	19,905,485
Change in due to Missouri Life and Health Insurance Guaranty Association	28,718	(198,159)
Change in early access liability	7,382,019	(473,310)
Change in return premium liability	-	(3,699,647)
Change in reserves for losses and loss adjustment expense	(17,138,250)	(11,287,947)
Net cash provided (used) by operating activities	(15,819,936)	9,210,974
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	79,163,784	13,017,000
Purchases of investments	(62,878,942)	(20,332,180)
Payment of reverse repurchase agreement	(1,000,000)	-
Purchase of computer software and equipment	(41,813)	(65,052)
Net cash (used) provided by investing activities	15,243,029	(7,380,232)
Net change in cash and cash equivalents	(576,907)	1,830,742
Cash and cash equivalents, beginning of year	2,054,250	223,508
Cash and cash equivalents, end of year	\$ 1,477,343	\$ 2,054,250

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

Missouri Property and Casualty Insurance Guaranty Association

Notes to Financial 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 2025 and 2024.

Use of Estimates

Management uses estimates and assumptions in preparing these financial statements in accordance with accounting principles generally accepted in the United States. 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.

Missouri Property and Casualty Insurance Guaranty Association

Notes to Financial Statements

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 \$1,476,000 and \$2,167,000 at December 31, 2025 and 2024, respectively, which is included in the cash and cash equivalents line item in the statements of financial condition. 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, 2025 and 2024 totaled \$46,032 and \$40,328, 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.

Missouri Property and Casualty Insurance Guaranty Association

Notes to Financial Statements

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.

Missouri Property and Casualty Insurance Guaranty Association

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Assessments (Continued)

There were no assessments during 2025.

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.

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.

Missouri Property and Casualty Insurance Guaranty Association

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Subsequent Events

The Association has evaluated events and transactions for potential recognition or disclosure in the financial statements through February 25, 2026, 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, 2025 and 2024 for general expenditures are as follows:

	2025	2024
Cash and cash equivalents	\$ 1,477,343	\$ 2,054,250
Investments due in one year or less	67,026,699	73,363,228
Investment interest receivable	126,526	144,355
Total	\$ 68,630,568	\$ 75,561,833

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, 2025 and 2024:

	2025	Cost	Unrealized Gain (Loss)	Fair Value
U.S. agency bonds and notes		\$ 25,350,835	\$ (922,543)	\$ 24,428,292
U.S. Treasury marketable securities		58,897,886	243,582	59,141,468
Total investment securities		\$ 84,248,721	\$ (678,961)	\$ 83,569,760

	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

Missouri Property and Casualty Insurance Guaranty Association

Notes to Financial Statements

Note 3: Investments (Continued)

Contractual maturities of investment securities at December 31, 2025 are as follows, based on the expected call date:

	Cost	Unrealized Gain (Loss)	Fair Value
Due in one year or less	\$ 66,905,453	\$ 121,246	\$ 67,026,699
Due in one to five years	17,343,268	(800,207)	16,543,061
Total investment securities	\$ 84,248,721	\$ (678,961)	\$ 83,569,760

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.

Missouri Property and Casualty Insurance Guaranty Association

Notes to Financial Statements

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, 2025 and 2024.

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, 2025 and 2024, aggregated by the level in the fair value hierarchy within which those measurements fall:

<i>December 31, 2025</i>	Level I	Level II	Level III	Total
<u>Assets</u>				
U.S. agency bonds and notes	\$ -	\$ 24,428,292	\$ -	\$ 24,428,292
U.S. Treasury marketable securities	59,141,468	-	-	59,141,468
Total investment securities	\$ 59,141,468	\$ 24,428,292	\$ -	\$ 83,569,760

<i>December 31, 2024</i>	Level I	Level II	Level III	Total
<u>Assets</u>				
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

Missouri Property and Casualty Insurance Guaranty Association

Notes to Financial Statements

Note 3: Investments (Continued)

Net investment return consisted of the following for the years ended December 31, 2025 and 2024:

	2025	2024
Change in unrealized gain (loss) on investments	\$ 3,341,198	\$ 3,318,578
Net realized gain (loss) on sales	(137,698)	98,349
	3,203,500	3,416,927
Interest income	600,347	846,296
Net investment return	\$ 3,803,847	\$ 4,263,223

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 and was repurchased at June 30, 2025. The collateral provided by the Association was included in the total investment value and a liability was reported as of December 31, 2024 equivalent to the cash borrowed. The estimated fair value of the Association's reverse repurchase agreement, reported as investments as of December 31, 2024 was \$1,105,133.

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 \$13,084,857 and \$5,702,838 at December 31, 2025 and 2024, 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 of activities as incurred.

Missouri Property and Casualty Insurance Guaranty Association

Notes to Financial Statements

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

The total reserves for losses and loss adjustment expenses were approximately \$45,140,000 and \$62,280,000 at December 31, 2025 and 2024, respectively. These reserves are based on estimates and, while management presently believes the estimated reserves for losses and loss adjustment expenses at December 31, 2025 and 2024 are adequate, the actual liability could vary considerably from the amount presented in the accompanying statements of financial position. The large change in the balance year over year is mainly due to favorable development on a claim from 2002, as well as a lack of claims in 2023 through 2025.

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 (6.75% and 7.50% at December 31, 2025 and 2024, respectively) or 4.00%. There were no borrowings under this agreement during 2025 and 2024. The agreement expires on May 1, 2026.

Note 8: Designated Net Assets

The Association elected to designate \$15,000,000 in net assets as of December 31, 2025 and 2024 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 \$969,722 and \$988,949 from MLHIGA for the years ended December 31, 2025 and 2024, 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.

Missouri Property and Casualty Insurance Guaranty Association

Notes to Financial Statements

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 \$57,269 and \$57,271 for the years ended December 31, 2025 and 2024, 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:

	2025	2024
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating lease	\$ 57,269	\$ 57,271
Weighted-average remaining lease term in years for operating leases	7.50	8.50
Discount rate for operating lease	5.00%	5.00%

Minimum future lease payments for the operating leases at December 31, 2025 are as follows:

2026	\$	57,269
2027		57,269
2028		57,269
2029		57,269
2030		57,269
Thereafter		143,172
<hr/>		
Total undiscounted cash flows		429,517
Less: present value discount		(86,947)
<hr/>		
Total lease liabilities	\$	342,570