



Financial Statements
December 31, 2023 and 2022
North Dakota Insurance Reserve Fund

North Dakota Insurance Reserve Fund

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December 31, 2023 and 2022

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Independent Auditor's Report

The Board of Directors
North Dakota Insurance Reserve Fund
Bismarck, North Dakota

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of North Dakota Insurance Reserve Fund, which comprise the balance sheets as of December 31, 2023 and 2022, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of North Dakota Insurance Reserve Fund as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about North Dakota Insurance Reserve Fund's ability to continue as a going concern for 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 North Dakota Insurance Reserve Fund'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 North Dakota Insurance Reserve Fund'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.

Eide Bailly LLP

Fargo, North Dakota
February 29, 2024

North Dakota Insurance Reserve Fund

Balance Sheets
December 31, 2023 and 2022
(Dollars in Thousands)

	2023	2022
Assets		
Cash and cash equivalents - Note 3	\$ 6,062	\$ 3,255
State of ND - State Fire and Tornado Fund cash	51	41
Certificates of deposit	1,007	-
Investments - Note 4	46,058	42,388
Agents' balances	604	559
Interest receivable	298	256
Deferred policy acquisition costs - Note 5	801	766
Land, building and equipment, net - Note 6	501	547
Other assets	310	280
	\$ 55,692	\$ 48,092
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 42	\$ 75
Payable to State of ND - State Fire and Tornado Fund	49	39
Conferment payable - Note 7	35	34
Accrued expenses	219	195
Unearned premiums	6,473	6,176
Unearned commission - State Tornado and Fire Fund	487	341
Reserve for losses	10,370	11,108
Reserve for incurred but not reported losses	7,438	7,544
	25,113	25,512
Net Assets		
Without member restrictions	30,579	22,580
	\$ 55,692	\$ 48,092

North Dakota Insurance Reserve Fund

Statements of Activities

Years Ended December 31, 2023 and 2022

(Dollars in Thousands)

	2023	2022
Revenues		
Premiums earned	\$ 18,841	\$ 17,912
Commission income - State Fire and Tornado Fund	882	650
Total revenues	19,723	18,562
Expenses		
Program expenses		
Losses and loss adjustment expenses	8,698	9,220
Underwriting	2,427	2,311
Administrative expense		
Administrative	4,841	4,581
Total expenses	15,966	16,112
Revenues over Expenses	3,757	2,450
Nonoperating (Losses) Revenues		
Investment income, net of investment expenses of \$67 and \$68 in 2023 and 2022, respectively	1,268	1,048
Realized and unrealized (losses) gains on investments, net	2,974	(6,195)
Total nonoperating (losses) revenues	4,242	(5,147)
Change in Net Assets Without Member Restrictions	7,999	(2,697)
Net Assets Without Member Restrictions, Beginning of Year	22,580	25,277
Net Assets Without Member Restrictions, End of Year	\$ 30,579	\$ 22,580

North Dakota Insurance Reserve Fund

Statements of Cash Flows

Years Ended December 31, 2023 and 2022

(Dollars in Thousands)

	2023	2022
Cash Flows from Operating Activities		
Change in net assets	\$ 7,999	\$ (2,697)
Adjustment to reconcile change in net assets to net cash from operating activities		
Depreciation	53	83
Realized and unrealized loss (gain) on investments	(2,974)	6,195
Changes in assets and liabilities		
Agents' balances	(45)	(20)
Interest receivable	(42)	(32)
Deferred policy acquisition costs	(35)	4
Other assets	(30)	(14)
Losses and loss adjustment expenses	(738)	1,211
Incurred but not reported losses	(106)	1,102
Unearned premiums	297	(45)
Unearned commission State Fire and Tornado Fund	146	74
Accounts payable	(23)	20
Accrued expenses	24	(7)
Net Cash provided by Operating Activities	4,526	5,874
Cash Flows from Investing Activities		
Purchase of investments	(15,286)	(9,542)
Proceeds from sale and maturities of investments	13,584	7,716
Purchase of property and equipment	(7)	(2)
Net Cash used for Investing Activities	(1,709)	(1,828)
Financing Activities		
Conferment paid	-	(5,289)
Net Cash from (used for) Financing Activities	-	(5,289)
Net Change in Cash and Cash Equivalents	2,817	(1,243)
Cash and Cash Equivalents at Beginning of Year	3,296	4,539
Cash and Cash Equivalents at End of Year	\$ 6,113	\$ 3,296
Cash and Cash Equivalents - Note 3	\$ 6,062	\$ 3,255
State of ND - State Fire and Tornado Fund cash	51	41
Cash and Cash Equivalents at End of Year	\$ 6,113	\$ 3,296
Schedule of Other Noncash Activities		
Conferment payable	\$ 35	\$ 34

See Notes to Financial Statements

Note 1 - Summary of Significant Accounting Policies

Principal Business Activity

The North Dakota Insurance Reserve Fund (NDIRF or the Fund) is a non-profit corporation engaged in the underwriting and insuring of property and casualty risks. NDIRF was organized January 1, 1986 and was incorporated on June 5, 1989. All political subdivisions in the State of North Dakota are eligible to participate in accordance with the North Dakota Century Code (Chapter 26.1- 23.1). The purpose of NDIRF is to establish a fund for self-insurance by the members against various types of property and casualty risks to which they are exposed in the ordinary course of their operations. Political subdivisions may terminate their membership at any time. Members include cities, counties, townships, school districts, fire districts, park districts, ambulance associations, soil conservation districts and water districts within the State of North Dakota. Total membership is 2,597 and 2,586 as of December 31, 2023 and 2022, respectively.

In June 2019, NDIRF was contracted by the North Dakota Insurance Department to administer the State Fire and Tornado Fund and the State Bonding Fund. NDIRF is contracted to provide the following services: Underwriting, Collection of Premium, Loss Control and Claims Administration, in exchange for compensation. NDIRF is not at risk for claims from the Fire and Tornado Fund policyholders and is only an administrator of the program. This contract was extended in the current year and will end on June 30, 2024.

Guidance issued by the Financial Accounting Standards Board (FASB) in section 958-10-15-5 of the codification excludes NDIRF from being required to prepare its financial statements in conformance with not-for-profit entity standards. However, NDIRF has elected to use certain terminologies and treatments used by not-for-profit entities in order to best represent its financial position to its members.

Basis of Presentation

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America that differ from statutory accounting practices prescribed or permitted for insurance companies by regulatory authorities.

Concentration of Credit Risk

The Fund's cash balances are maintained in various bank deposit accounts which exceed federally insured limits. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per depositor, per insured bank, for each account ownership category. As of December 31, 2023 and 2022, the Fund had approximately \$4,942 and \$3,594, respectively, in excess of FDIC-insured limits. The Fund pledged collateral that held a value of \$5,165 and \$3,812 as of December 31, 2023 and 2022, respectively.

Concentration of credit risk with respect to agents' balances is related principally to agents located within North Dakota. The Fund performs periodic credit evaluations of its agents' financial condition and generally does not require collateral. Receivables are generally due in 30 days.

Investments

Investments are reported at fair value. All investment income, including changes in the fair value of investments, is recognized in the statement of activities.

Declines in the fair value of investments below their cost that are deemed to be other than temporary are reflected in earnings as realized losses. In estimating other-than-temporary impairment losses, management considers (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of the Fund to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value.

Fair Value Measurements

The Fund has determined the fair value of certain assets and liabilities in accordance with the provisions of ASC (Accounting Standards Codification) 820, *Fair Value Measurement and Disclosures*, which provides a framework for measuring fair value under generally accepted accounting principles North Dakota Insurance Reserve Fund.

ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC 820 requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. ASC 820 also establishes a fair value hierarchy, which prioritizes the valuation inputs into three broad levels.

Level 1 inputs consist of quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the related asset or liability. Level 3 inputs are unobservable inputs related to the asset or liability.

Agents' Balances and Credit Policy

Agents' balances are uncollateralized obligations due under normal trade terms requiring payment within 15 days from the month-end statement date. The balances are non-interest bearing. Payments are applied to the earliest unpaid invoices. Management reviews agents' balances on a regular basis and charges operations for those considered uncollectible. All remaining agents' balances are considered collectible.

Management believes that the historical loss information it has compiled is a reasonable base on which to determine expected credit losses for trade receivables held at December 31, 2023 and December 2022 because the composition of the agents' balances at those dates are consistent with that used in developing the historical credit-loss percentages (i.e., the similar risk characteristics of its customers and its lending practices have not changed significantly over time). Additionally, management has determined that the current and reasonable and supportable forecasted economic conditions are consistent with the economic conditions included in the historical information. As a result, the historical loss rates have not been adjusted for differences in current conditions or forecasted changes.

Recognition of Premium Revenue and Related Expenses

Premiums are earned principally on a pro-rata basis over the lives of the policies. Unearned premiums represent the portion of premiums written applicable to the unexpired terms of policies in force. Related expenses associated with the unearned premiums are recognized as deferred policy acquisition costs and amortized over the lives of the policies.

The Fund also recognizes commission revenue related to a signed agent agreement in which the Fund uses office personnel to manage premium billing and claims payments of the Fire and Tornado Fund. The commission revenue is recognized ratably over the life of the contract as the premium is earned.

Land, Building and Equipment

Equipment and building are stated at cost. The Fund capitalizes equipment and building purchases in excess of \$1,000. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any remaining gain or loss is included in the statement of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

Depreciation is computed using the straight-line method over the following estimated useful lives:

Equipment	3-10 years
Building	3-30 years

The Fund reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value or the asset. There were no indicators of asset impairment during the years ended December 31, 2023 and 2022.

Insurance Liabilities

The liability for losses, loss-adjustment expenses and incurred but not reported losses includes an amount determined from loss reports and individual cases and an amount, based on past experience, for losses incurred but not reported. Such liabilities are necessarily based on estimates and, while management believes that the amount is adequate, the ultimate liability may be in excess of or less than the amounts provided. The methods for making such estimates and for establishing the resulting liability are continually reviewed, and any adjustments are reflected in earnings currently. The reserve for losses and loss-adjustment expenses is reported net of receivables for salvage and subrogation.

Reinsurance

In the normal course of business, the Fund seeks to limit its exposure to loss on any single insured and to recover a portion of losses paid by ceding reinsurance to the Reinsurer for Data Breach Coverage, Property Coverage, and Automobile and Liability Coverage. For Data Breach Coverage, the Reinsurer will cover losses occurring under Data Breach Coverage Endorsements during the term of the contract for \$5,000 of the ultimate net loss over and above an initial ultimate net loss equal to \$5,000. The Reinsurer shall not be liable for more than \$250 in the aggregate for Data Breach Expense Coverage for any one member or \$1,000 in the aggregate for Data Breach Liability Coverage for any one member and \$1,000 in the aggregate for Data Breach Expense Coverage attaching to a Memorandum of Coverage covering up to ten named members. For Property Coverage, the Reinsurer will cover losses exceeding \$5,000 per occurrence but the Reinsurer shall not be liable for more than \$68,400 per occurrence. For Automobile and Liability Coverage, the Reinsurer will cover losses exceeding \$2,000 per occurrence but the Reinsurer shall not be liable for more than \$8,000 per occurrence. Excess limits are also available to members who select increased Memorandums of Coverage for Property and Liability Coverage at an additional premium fee.

Reinsurance premiums are reported as a reduction of premium revenue. Premiums ceded were \$768 and \$740 during the years ended December 31, 2023 and 2022, respectively. Reinsurance recoveries are reported as a reduction of related loss expense. A contingent liability exists with respect to reinsurance ceded to the extent that any reinsurer is unable to meet its obligation assumed under the reinsurance agreement.

State Tornado and Fire Fund

The Fund earns a commission on all written premiums for Tornado and Fire Fund policies. The commission rate is 5% of all written premiums for political subdivisions and 15% of all written premiums for state agencies. This amount is earned on a pro-rata basis over the life of the policies. All policies are one year and run from July 1 through June 30. The Fund records an unearned commission for the amount commission received on unearned premiums. Policyholders remit their payments directly to the Fund who then remits the funds less the 5% or 15% commission to the North Dakota Insurance Department. Losses are similarly handled as funds are transferred to the Fund from the North Dakota Insurance Department which are then remitted to the policy holders by the Fund. Cash accounts and losses payable accounts are presented on the balance sheet as an asset and liability.

Income Taxes

A ruling was received from the Internal Revenue Service (IRS) stating the income of the Fund is excludable for tax purposes from gross income under Section 115 of the Internal Revenue Code. However, it should be noted that the IRS also stated that no opinion is expressed as to the federal income tax consequences or whether the Fund is an insurance company for federal tax purposes. As a result, no provision for income taxes has been provided for. As of December 31, 2023 and 2022, the unrecognized tax benefit accrual was zero.

The Fund will recognize future accrued interest and penalties related to unrecognized tax benefits in income tax expense if incurred.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

The Fund considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Advertising

Marketing costs are expensed as incurred. Marketing expense was \$483 and \$506 for the years ended December 31, 2023 and 2022.

Certificates of Deposit

Certificates of deposit consist of those with maturities greater than three months.

Adoption of New Accounting Standard

In June 2016, the FASB issued guidance (FASB ASC 326) which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that aren't measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the company that are subject to the guidance in FASB ASC 326 are trade accounts receivables. We adopted the standard effective January 1, 2023. The impact of the adoption was not considered material to the financial statements and primarily resulted in new/enhanced disclosures only.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on net income or net assets without member restrictions.

Note 2 - Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of member-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Member Restrictions - Net assets available for use in general operations and not subject to member (or certain grantor) restrictions.

Net Assets With Member Restrictions - Net assets subject to member (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. There were no net assets with member restrictions as of December 31, 2023 and 2022.

Financial assets available for general expenditure, that is, without member or other restrictions limiting their use, within one year of the statement of financial position date, comprise all the assets of the Fund.

Note 3 - Cash and Cash Equivalents

Cash and cash equivalents are comprised of the following at December 31, 2023 and 2022:

	2023	2022
Cash	\$ 4,396	\$ 3,102
Certificates of Deposit	1,005	-
State Fire and Tornado Fund Cash	51	41
Money Market	661	153
	\$ 6,113	\$ 3,296

North Dakota Insurance Reserve Fund

Notes to Financial Statements

December 31, 2023 and 2022

(Dollars in Thousands)

Note 4 - Investments and Fair Value of Assets and Liabilities

The cost and fair value of investments measured at fair value on a recurring basis at December 31, 2023 and 2022, follows:

	2023		2022	
	Cost	Fair Value	Cost	Fair Value
Fixed Maturities				
Corporate bonds	\$ 32,104	\$ 30,607	\$ 29,782	\$ 27,292
U.S. government securities	7,566	7,248	9,640	8,866
	<u>39,670</u>	<u>37,855</u>	<u>39,422</u>	<u>36,158</u>
Marketable Equity Securities				
Mutual funds	6,390	8,203	4,307	6,230
	<u>6,390</u>	<u>8,203</u>	<u>4,307</u>	<u>6,230</u>
	<u>\$ 46,060</u>	<u>\$ 46,058</u>	<u>\$ 43,729</u>	<u>\$ 42,388</u>

The related fair values of these assets and liabilities are determined as follows:

	Total	Quoted Prices in Active Markets (Level 1)	Other Observable Observable (Level 2)	Unobservable Inputs (Level 3)
December 31, 2023				
Mutual Funds	\$ 8,203	\$ 8,203	\$ -	\$ -
Corporate Bonds	30,607	-	30,607	-
U.S. Government Securities	7,248	-	7,248	-
	<u>\$ 46,058</u>	<u>\$ 8,203</u>	<u>\$ 37,855</u>	<u>\$ -</u>
December 31, 2022				
Mutual Funds	\$ 6,230	\$ 6,230	\$ -	\$ -
Corporate Bonds	27,292	-	27,292	-
U.S. Government Securities	8,866	-	8,866	-
	<u>\$ 42,388</u>	<u>\$ 6,230</u>	<u>\$ 36,158</u>	<u>\$ -</u>

The fair value for mutual funds and stocks is determined by reference to quoted market prices. The fair value for corporate bonds and U.S. government securities is determined by reference to quoted prices for similar assets in active markets or quoted prices for identical or similar instruments in markets that are not active.

North Dakota Insurance Reserve Fund

Notes to Financial Statements

December 31, 2023 and 2022

(Dollars in Thousands)

Major categories of net investment income (loss), follows:

	2023	2022
Fixed Maturities Interest	\$ 1,167	\$ 1,012
Marketable Equity Securities Dividends	110	98
Cash and Cash Equivalents Interest	58	6
	1,335	1,116
Investment Expenses	(67)	(68)
Gain (Loss) on Sale and Maturity of Investments	1,636	(398)
Increase (Decrease) in Fair Value of Investments	1,338	(5,797)
	\$ 4,242	\$ (5,147)

As of December 31, 2023 and 2022, investments with a fair value of approximately \$2,275 and \$2,250 were pledged to the North Dakota Insurance Department.

Note 5 - Deferred Policy Acquisition Costs

Deferred policy acquisition costs consist of unearned commissions which have been paid to agents. These costs are amortized as a percent of unearned premiums in the same ratio as the percent of written premiums. Amortization in 2023 and 2022 was \$2,427 and \$2,311, respectively and are included in underwriting and administrative expenses in the statements of activities.

Note 6 - Land, Building and Equipment

	2023	2022
Equipment	\$ 271	\$ 271
Building	1,243	1,235
Land	215	215
	1,729	1,721
Less Accumulated Depreciation	(1,228)	(1,174)
	\$ 501	\$ 547

Depreciation charged to land, building and equipment for the years ended December 31, 2023 and 2022 was \$53 and \$83, respectively.

North Dakota Insurance Reserve Fund

Notes to Financial Statements

December 31, 2023 and 2022

(Dollars in Thousands)

Note 7 - Conferment Payable

During 2023 and 2022, the Board of Directors elected not to confer benefits to the participating members of the Fund. The amount of benefits allocated to a specific member is based upon a pro-rata share of the total benefit to be conferred. The remaining outstanding benefits conferred payable for the years ended December 31, 2023 and 2022 were \$35 and \$34, respectively.

Note 8 - Reserve for Losses and Incurred but Not Reported Losses

	2023	2022
Unpaid Claims and Claim Adjustment Expenses, Beginning of Year	\$ 18,652	\$ 16,339
Unpaid Claims and Claim Adjustment Expenses Provision for insured events of current year (Decrease) increase in provision of prior years	10,235 (1,537)	10,160 (940)
Total Incurred Claims and Claim Adjustment Expenses	8,698	9,220
Payments		
Claims and claim adjustment expenses attributable to insured events of the current year	4,914	4,120
Claims and claim adjustment expenses attributable to insured events of prior years	4,628	2,787
Total Payments	9,542	6,907
Total Unpaid Claims and Claim Adjustment Expenses, End of the Year	\$ 17,808	\$ 18,652

During 2023 and 2022, the Company had favorable development in relation to the reserve for losses and incurred but not reported losses of \$1,537 and 940, respectively. The favorable development is generally the result of ongoing analysis of recent loss development trends. Original actuarial estimates of ultimate liabilities for incurred claims are increased or decreased as additional information becomes known regarding individual claims.

Note 9 - Employee Benefit Plans**401(a) Retirement Plan**

The Fund has a qualified profit-sharing plan which covers all employees who meet eligibility requirements. The Fund's contribution to the plan is at the sole discretion of the employer. The contributions become 100 percent vested once disbursed to the plan. The Fund's contributions for 2023 and 2022 were \$267 and \$250, respectively.

Deferred Compensation Plan

The Fund has an elective employees' deferred compensation plan for substantially all employees. The plan qualifies as a deferred arrangement under Section 457 of the Internal Revenue Code. The plan allows employees to contribute up to the maximum allowable by law per year. These contributions are not subject to federal income taxes. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. Beginning January 1, 2009, the Fund began matching contributions up to 2.5% of gross wages for all participating employees. The Fund's contributions for 2023 and 2022 were \$61 and \$57, respectively.

Note 10 - Related Parties

The Fund sponsors seminars, special projects, and advertising for Associations whose members are eligible to participate in the Fund. Certain Associations' Executive Directors or Board members are members of the Fund's Board of Directors. This would include the North Dakota Association of Counties, North Dakota League of Cities, North Dakota Recreation and Parks Association, and North Dakota School Board Association. In 2023 and 2022 the total amount paid to the related parties for these types of services was \$227 and \$220, respectively.

Note 11 - Statutory Net Income and Membership Equity

Accounting principles generally accepted in the United States of America differ in certain respects from the accounting practices prescribed or permitted by insurance regulatory authorities (statutory basis). Statutory net income was \$6,661 and \$3,100 in 2023 and 2022, and statutory surplus was \$30,753 and \$24,639 at December 31, 2023 and 2022, respectively.

Note 12 - Subsequent Events

The Fund has evaluated subsequent events through February 29, 2024, the date which the financial statements were available to be issued. The Fund identified one event, which was a purchase of a building on January 31, 2024 for a purchase price of \$2,250.



Required Supplementary Information
December 31, 2023 and 2022

North Dakota Insurance Reserve Fund



Independent Auditor's Report on Required Supplementary Information

The Board of Directors
North Dakota Insurance Reserve Fund
Bismarck, North Dakota

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The ten-year claims development information (required supplementary information), although not part of the basic financial statements, are required to be presented to comply with accounting principles generally accepted in the United States. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods or preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

A handwritten signature in black ink that reads "Eide Bailly LLP".

Fargo, North Dakota
February 29, 2024

North Dakota Insurance Reserve Fund

Ten Year Claims Development Information

Years Ended December 31, 2023 and 2022

(Dollars in Thousands)

	Fiscal and Accident Year End									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Net Earned Premium and Revenues	\$ 13,322	\$ 12,973	\$ 14,198	\$ 15,979	\$ 14,882	\$ 20,708	\$ 21,263	\$ 18,768	\$ 12,765	\$ 23,083
Unallocated Expenses	4,656	4,948	5,121	5,350	5,739	5,912	6,283	6,609	6,892	7,268
Estimated Incurred Claims and Expense, End of Accident Year	7,994	10,126	11,203	9,463	9,544	11,343	9,063	12,083	10,572	10,235
Paid (Cumulative) as of										
End of accident year	3,067	3,602	3,996	3,125	3,369	4,742	3,291	5,897	4,120	4,914
One year later	4,706	5,473	6,226	4,269	4,242	5,670	4,066	6,678	6,123	
Two years later	6,026	7,360	7,414	5,733	5,132	6,066	4,857	7,298		
Three years later	6,477	7,677	9,020	6,482	5,621	6,425	5,834			
Four years later	6,995	8,302	9,524	6,724	5,832	6,927				
Five years later	7,420	8,545	10,116	7,122	5,905					
Six years later	7,477	8,949	10,280	7,376						
Seven years later	7,578	8,986	10,461							
Eight years later	7,615	8,978								
Nine years later	7,644									
Reestimated Incurred Claims and Expense										
End of accident year	7,994	10,126	11,203	9,463	9,544	11,343	9,063	12,083	10,160	10,235
One year later	8,352	10,196	11,433	8,065	7,807	9,057	7,295	10,248	9,257	
Two years later	9,224	9,215	11,944	8,358	7,632	8,135	8,233	9,873		
Three years later	8,457	9,082	12,287	8,153	6,537	7,591	8,332			
Four years later	8,174	9,127	12,388	8,233	6,158	7,711				
Five years later	7,659	9,020	12,185	8,920	6,130					
Six years later	7,529	9,053	12,171	8,734						
Seven years later	7,771	8,986	12,333							
Eight years later	7,688	8,986								
Nine years later	7,677									
Increase (Decrease) in Estimated Incurred Claims and Expense, End of Accident Year	(317)	(1,140)	1,130	(729)	(3,414)	(3,632)	(731)	(2,210)	(903)	-



Supplementary Information
December 31, 2023 and 2022

North Dakota Insurance Reserve Fund



Independent Auditor's Report on Supplementary Information

The Board of Directors
North Dakota Insurance Reserve Fund
Bismarck, North Dakota

We have audited the financial statements of North Dakota Insurance Reserve Fund as of and for the year ended December 31, 2023 and 2022, and have issued our report thereon dated February 29, 2024, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole.

The statutory statements of admitted assets, liabilities, and surplus and statutory statements of operations are presented for the purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in black ink that reads "Eide Bailly LLP".

Fargo, North Dakota
February 29, 2024

North Dakota Insurance Reserve Fund
Statutory Statements of Admitted Assets, Liabilities, and Surplus
Years Ended December 31, 2023 and 2022
(Dollars in Thousands)

	2023	2022
Admitted Assets		
Bonds, at amortized cost	\$ 39,158	\$ 39,283
Marketable equity securities, at market value	8,203	6,230
Certificates of deposit	1,007	-
Real estate - occupied by the Company	489	522
Cash and cash equivalents	6,113	3,296
	54,970	49,331
Interest receivable	298	256
Agents' balances	593	552
	891	808
Electronic data processing equipment and software	5	12
	\$ 55,866	\$ 50,151
Liabilities and Surplus		
Liabilities		
Losses and loss adjustment expenses	\$ 10,370	\$ 11,108
Incurred but not reported losses	7,438	7,544
Unearned premiums	6,473	6,176
Unearned commission Tornado and Fire	487	341
Accounts payable	91	114
Accrued expenses	219	195
Conferment payable	35	34
	25,113	25,512
Surplus	30,753	24,639
	\$ 55,866	\$ 50,151

North Dakota Insurance Reserve Fund
Statutory Statements of Operations
Years Ended December 31, 2023 and 2022
(Dollars in Thousands)

	2023	2022
Underwriting Income		
Premiums earned	\$ 18,841	\$ 17,912
Commissions earned	882	650
Total underwriting income	19,723	18,562
Deductions		
Losses incurred	6,294	7,382
Loss expenses incurred	2,404	1,838
Other underwriting expenses incurred	7,268	6,892
Total underwriting deductions	15,966	16,112
Net Underwriting Income	3,757	2,450
Investment Income		
Investment income, net of investment expenses of \$67 and \$68 in 2023 and 2022, respectively	1,268	1,048
Realized capital gain (loss), net	1,636	(398)
Total investment income	2,904	650
Net Gain	\$ 6,661	\$ 3,100
Capital and Surplus Account		
Surplus, at beginning of year	\$ 24,639	\$ 23,195
Net gain	6,661	3,100
Net unrealized loss on investments	(484)	(1,667)
Change in non-admitted assets	(63)	11
Change in surplus for the year	6,114	1,444
Surplus, at end of year	\$ 30,753	\$ 24,639