

Statutory Financial Statements
December 31, 2025

North Dakota Insurance Reserve Fund

North Dakota Insurance Reserve Fund

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December 31, 2025

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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 Statutory Financial Statements

Opinion

We have audited the accompanying statutory financial statements of North Dakota Insurance Reserve Fund, which comprise the statutory statement of admitted assets, liabilities, and surplus as of December 31, 2025, and the related statutory statements of income and changes in surplus, and cash flows for the year then ended, and the related notes to the financial statements.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the admitted assets, liabilities, and surplus of North Dakota Insurance Reserve Fund as of December 31, 2025, and the results of its operations and its cash flows for the year then ended, on the basis of accounting described in Note 1.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter described in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles section of our report, the accompanying financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of North Dakota Insurance Reserve Fund as of December 31, 2025, or the results of its operations or its cash flows for the year then ended.

Basis for Opinion

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

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 to the financial statements, the North Dakota Insurance Reserve Fund prepared these financial statements using accounting practices prescribed or permitted by the Insurance Department of the State of North Dakota, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the statutory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the basic statutory-basis financial statements taken as a whole. The Summary Schedule of Investments, Investment Risks Interrogatories and Reinsurance Interrogatories are required to be presented to comply with the National Association of Insurance Commissioners’ Annual Statement Instructions and the National Association of Insurance Commissioners’ Accounting Practices and Procedures Manual and are not a required part of the basic statutory-basis financial statements. Such information included in the schedules referred to above is the responsibility of management, is presented for purposes of additional analysis 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 audit 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 procedures in accordance with GAAS. In our opinion, the information is fairly stated in all material respects in relation to the basic statutory-basis financial statements taken as a whole.

The ten-year claims development information, balance sheet, and statement of activities 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 audit 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 procedures in accordance with GAAS. In our opinion, the information is fairly stated in all material respects in relation to the basic statutory-basis financial statements taken as a whole.

Eide Bailly LLP

Fargo, North Dakota
March 16, 2025

North Dakota Insurance Reserve Fund
 Statutory Statement of Admitted Assets, Liabilities, and Surplus
 December 31, 2025
 (Dollars in Thousands)

Admitted Assets

Bonds	\$ 41,490
Marketable equity securities, at market value	12,177
Certificates of deposit	5,007
Real estate - occupied by the Fund	2,915
Cash and cash equivalents	5,000
	66,589
Interest receivable	361
Agents' balances	642
	1,003
Electronic data processing equipment and software	15
	\$ 67,607

Liabilities and Surplus

Liabilities	
Losses and loss adjustment expenses	\$ 15,649
Incurred but not reported losses	10,032
Unearned premiums	7,113
Unearned commission Tornado and Fire	703
Accounts payable	223
Accrued expenses	264
	33,984
Surplus	33,623
	\$ 67,607

North Dakota Insurance Reserve Fund
Statutory Statement of Operations and Change in Surplus
Year Ended December 31, 2025
(Dollars in Thousands)

Underwriting Income	
Premiums earned	\$ 21,156
Commissions earned	1,417
Total underwriting income	22,573
Deductions	
Losses incurred	16,693
Loss expenses incurred	3,346
Other underwriting expenses incurred	8,591
Total underwriting deductions	28,630
Underwriting Loss	(6,057)
Investment Income	
Investment income, net of investment expenses of \$74	1,868
Realized capital gain (loss), net	122
Gain on sale of real estate - had been occupied by the Fund	1,464
Total investment income	3,454
Net Loss	\$ (2,603)
Capital and Surplus Account	
Surplus, at beginning of year	\$ 34,204
Net Loss	(2,603)
Net unrealized gain on investments	2,087
Change in non-admitted assets	(65)
Change in surplus for the year	(581)
Surplus, at end of year	\$ 33,623

North Dakota Insurance Reserve Fund
Statutory Statement of Cash Flows
Year Ended December 31, 2025
(Dollars in Thousands)

Operating Activities	
Premiums received	\$ 22,817
Commissions & other underwriting received	1,417
Loss and loss adjustment expenses paid	(14,437)
Other underwriting expenses paid	(8,465)
Net investment income received	3,419
	4,751
Net Cash Provided by Operating Activities	
Cash Flows From Investing Activities	
Purchase of investments	
Bonds	(16,343)
Marketable equity securities	(1,866)
Sale of investments	
Bonds	13,513
Loss from sale and maturities of investments	(13)
Purchase of property and equipment	(434)
Proceeds from sale of property and equipment	1,886
	(3,257)
Net Cash Used for Investing Activities	
Financing Activities	
Conferment paid	(2,885)
	(2,885)
Net Cash From (Used for) Financing Activities	
Net Change in Cash and Cash Equivalents	
	(1,391)
Cash and Cash Equivalents at Beginning of Year	
	6,391
Cash and Cash Equivalents at End of Year	
	\$ 5,000
Cash and Cash Equivalents - Note 3	
	\$ 4,862
State of ND - State Fire and Tornado Fund cash	
	138
Cash and Cash Equivalents at End of Year	\$ 5,000

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 2,615 as of December 31, 2025.

In June 2019, NDIRF was contracted by the Office of Management and Budget 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 signed during 2025 and will end on June 30, 2027.

Basis of Presentation

The statutory financial statements of the Fund are presented on the basis of accounting practices prescribed or permitted by the North Dakota Division of Insurance. The North Dakota Division of Insurance recognizes only statutory accounting practices prescribed or permitted by the State of North Dakota for determining and reporting the financial condition and results of operations of an insurance company and for purposes of determining its solvency. The National Association of Insurance Commissioners' Accounting Practices and Procedures Manual (NAIC SAP) has been adopted as a component of prescribed or permitted practices by the State of North Dakota. There are no significant differences between NAIC SAP and permitted practices by the State of North Dakota as of and for the year ended December 31, 2025.

Accounting practices prescribed or permitted by the North Dakota Division of Insurance vary from accounting principles generally accepted in the United States of America (US GAAP); the more significant variances from US GAAP are as follows:

- 1) Investments in bonds are generally carried at amortized cost, while under GAAP, they are carried at either amortized cost or estimated fair value based on their classification according to the Fund's ability and intent to hold or trade the securities;

- 2) Net unrealized capital gains and losses on investments in common stocks are recorded in surplus, while under GAAP, they are recorded in income;
- 3) Acquisition costs, such as commissions and other costs related to acquiring new business, are expensed as incurred, while under GAAP, they are deferred and amortized to income as premiums are earned;
- 4) Reserves are reported net of ceded reinsurance, while under GAAP, they are reported as gross with an offsetting reinsurance receivable;
- 5) Rental expense on the Fund's home office building is recorded with the corresponding rental income;
- 6) Assets are reported under NAIC SAP at the "admitted asset" value and "non-admitted assets" are excluded through a charge against unassigned surplus, while under GAAP, "non-admitted assets" are reinstated to the balance sheet, net of any valuation allowance;
- 7) Comprehensive income and its components are not presented in the statutory financial statements;
- 8) The statement of cash flow is presented in the statutorily prescribed format;
- 9) NAIC SAP requires all leases be classified as operating leases. Under GAAP, a right-of-use asset and corresponding lease liability would be carried on the balance sheet and leases, including leases under sale-leaseback transactions, could be classified as operating or financing leases; and
- 10) NAIC SAP requires an analysis of investments for other than temporary impairment (OTTI) as well as prescribed valuation based on credit ratings while under GAAP, an evaluation would be completed under CECL to calculate a potential allowance for credit loss.

Cash and Invested Assets

The Fund's cash balances are maintained in various bank deposit accounts which may 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, 2025, the Fund had no funds in excess of FDIC-insured limits. Certain money market accounts are guaranteed by the Securities Investor Protection Corporation (SIPC) up to \$500,000 per depositor, per insured bank, for securities held in brokerage accounts. As of December 31, 2025, the Fund had no funds in secured money market funds in excess of SIPC insured limits. As of December 31, 2025, the Fund had \$635 in certain money market accounts which are not FDIC or SIPC insured.

North Dakota Insurance Reserve Fund

Notes to Statutory Financial Statements

December 31, 2025

(Dollars in Thousands)

Cash, cash equivalents, and short-term investments include cash on hand, amounts due from banks, and temporary investments with original maturities of 90 days or less, as well as investments in certain money market mutual funds. Short-term investments consist of securities with maturity dates within one-year.

Bonds, common stocks, short-term investments and other invested assets are stated at values prescribed by the NAIC as follows:

Investment grade bonds not backed by other loans with NAIC designations of 1 or 2 are stated at amortized cost using the scientific interest method. Non-investment grade bonds not backed by other loans with NAIC designations of 3 through 6 are stated at the lower of amortized cost or fair value. Bonds that have been deemed OTTI and written-down are carried at fair value at the time of impairment.

Loan-backed bonds are stated at either amortized cost or the lower of amortized cost or fair value. The Fund uses either the prospective or retrospective adjustment method to accrete or amortize the amortized cost basis to the expected cash flow. The retrospective method is used for securities where an OTTI has not been recorded by the Fund. Subsequent to an OTTI, the prospective adjustment method is utilized.

Common stocks are stated at fair value except for investments in stocks of subsidiaries and affiliates in which the Fund has an interest of 10 percent or more. Investments in affiliates are stated as a percentage of ownership using the surplus value of the affiliate. Other common stocks include privately held stock for which no active market exists. They are valued using the underlying equity value of the private company financial statements.

The net unrealized gains or losses resulting from the change in fair value for common stock and private equities are recorded as a credit or change to unassigned surplus.

The assessment of OTTI is performed on a case-by-case basis. Factors considered by management in determining whether an OTTI exists (in other than loan-backed or structured investment securities) include: the financial condition, business prospects and creditworthiness of the issuer, the length of time and extent to which fair value has been less than cost for equity securities or amortized cost for fixed income securities and the Fund's intent and ability to retain such investments until the fair value recovers. If it is determined that the decline in fair market value is other than temporary, the carrying amount of the investment is written down to fair value as its new basis and the amount of the write-down is recorded as a realized loss.

For loan-backed or structured securities, factors considered by management in determining whether an OTTI exists include the Fund's stated intent to not sell, the Fund's ability to hold such investments until the fair value recovers and the discounted cash flows of the security based on the yield at the date of the acquisition. If the Fund intends to sell or if the Fund does not have the ability and intent to hold the security for a period of time sufficient to recover its amortized cost basis, an OTTI exists, and the security is written down to fair value with the amount of the write-down recorded as a realized loss. If the Fund does not intend to sell the security and has the ability and intent to hold the security for a period of time sufficient to recover the amortized cost basis, the Fund calculates the cash flows expected to be collected. In this calculation, the Fund compares the present value of cash flows expected to be collected, discounted at the security's effective interest rate at date of purchase, to the amortized cost basis. If the present value of cash flows is less than the amortized cost basis, a realized loss is recorded for the differences. The present value of cash flows then becomes the new cost basis.

Realized capital gains and losses are determined using the specific identification basis. Interest income is recognized on an accrual basis. Income is not generally accrued on investments when there is evidence of default or another indication that such amounts will not be collected. At December 31, 2025, the Fund had no material amounts of investment income excluded with respect to such practices.

Fair Value Measurements

The Fund has determined the fair value of certain assets and liabilities in accordance with the accounting practices prescribed or permitted by the North Dakota Division of Insurance.

Fair value is defined 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. Valuation techniques should maximize the use of observable inputs and minimize the use of unobservable inputs.

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.

Cash Equivalents

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

Certificates of Deposit

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

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. Management reviews agents' balances on a regular basis and charges operations for those considered uncollectible. All remaining agents' balances are considered collectible. Receivables over 90 days are considered non-admitted assets and that was \$1 for the year ended December 31, 2025.

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.

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.

Real Estate - Occupied by Fund and Electronic Data Processing Equipment and Software

Real estate – occupied by Fund and electronic data processing equipment and software is recorded at cost less accumulated depreciation. 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 statutory statements of income. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed as incurred. Depreciation is computed using the straight-line method over the following estimated useful lives:

Real Estate - Occupied by the Fund	5-30 years
Electronic Data Processing Equipment	3-7 years
Electronic Data Processing Software	3-5 years

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, subrogation, and reinsurance recoverables.

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 \$5,500 per occurrence but the Reinsurer shall not be liable for more than \$70,300 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. The Fund must also refer any new or current members that meet certain, set criteria to be approved by the Reinsurer and accepted under the coverage. 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 \$887 during the year ended December 31, 2025. Reinsurance recoveries of \$724 for the year ended December 31, 2025 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. Commissions are withheld until total commissions earned reach \$1,396,398. 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, 2025, 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.

Advertising Costs

Marketing costs are expensed as incurred. Marketing expense was \$635 for the year ended December 31, 2025.

Non-admitted Assets

Certain assets are designated as non-admitted assets. The change in non-admitted assets is reflected as a direct credit (charge) to surplus.

Use of Estimates in the Preparation of the Statutory Financial Statements

The preparation of statutory financial statements in conformity with accounting practices prescribed requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires disclosure of contingent assets and liabilities at the date of the statutory financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Risks and Uncertainties

Certain risks and uncertainties are inherent to the Fund's day-to-day operations and to the process of preparing its statutory financial statements. The more significant of those risks and uncertainties, as well as the Fund's method for attempting to mitigate the risks, are presented below and throughout the notes to the statutory financial statements.

- **Reinsurance** – Reinsurance contracts do not relieve the Fund from its obligations to those insured. Failure of reinsurers to honor their obligations could result in losses to the Fund; consequently, allowances are established for amounts deemed uncollectible. The Fund evaluates the financial condition of its reinsurers to attempt to minimize its exposure to significant losses from reinsurer insolvencies. Management believes that any liability arising from this contingency would not be material to the Fund's financial position.

North Dakota Insurance Reserve Fund

Notes to Statutory Financial Statements

December 31, 2025

(Dollars in Thousands)

- **Investments** – The Fund is exposed to risks that issuers of securities owned by the Fund will default or that interest rates will change and cause a decrease in the value of its investments. With mortgage-backed securities, the Fund is exposed to prepayment risk. As interest rates decline, the frequency at which these securities pay down the principal would be expected to increase. Management attempts to mitigate these risks by conversely investing in high-grade securities and by matching maturities of its investment with the anticipated payouts of its liabilities.
- **External Factors** – The Fund is highly regulated by the state in which it is domiciled as well as states in which it does business. Such regulations, among other things, limit the amount of dividends and impose restrictions on the amount and types of investments the Fund can make.

Current Vulnerability Due to Certain Concentration

The Fund operates in a business environment which is subject to various risks and uncertainties. Such risk and uncertainties include, but are not limited to, interest rate risk, market risk, credit risk and legal and regulatory changes.

Subsequent Events

The Fund has evaluated subsequent events through March 16, 2025 the date which the financial statements were available to be issued.

Note 2 - Cash and Cash Equivalents

Cash and cash equivalents are comprised of the following at December 31, 2025:

Cash	\$	4,126
State fire and tornado fund cash		138
Money market		736
		<hr/>
	\$	5,000
		<hr/> <hr/>

North Dakota Insurance Reserve Fund

Notes to Statutory Financial Statements

December 31, 2025

(Dollars in Thousands)

Note 3 - Net Investment Income

Net investment income for the year ended December 31, 2025, was comprised of the following:

Interest and dividends	\$ 1,942
Less: investment expenses	(74)
Net investment income	\$ 1,868

Note 4 - Investments

Information as to the cost, unrealized gains and losses, and fair value of the Fund's portfolio of bonds and mutual funds at December 31, 2025, is as follows:

	Actual Cost	Unrealized Gains	Unrealized Losses	Fair Value
Bonds	\$ 41,490	\$ 300	\$ -	\$ 41,790
Mutual funds	6,964	5,236	(23)	12,177
	48,454	5,536	(23)	53,968

The unrealized losses and fair value of the Fund's available for sale securities, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position at December 31, 2025, are as follows:

	Greater Than 12 Months		Less Than 12 Months		Total at December 31, 2025	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Mutual funds	\$ 327	\$ (23)	\$ -	\$ -	\$ 327	\$ (23)
	\$ 327	\$ (23)	\$ -	\$ -	\$ 327	\$ (23)

The Fund evaluates impairment at each reporting period for each of the securities where the fair value of the investment is less than its cost. There were no securities recognized as having other than temporary impairment in 2025.

North Dakota Insurance Reserve Fund

Notes to Statutory Financial Statements

December 31, 2025

(Dollars in Thousands)

Note 5 - Fair Value Measurement

The fair value of an asset or liability is the amount the asset or liability could be bought or sold for in a current transaction between willing parties, that is, other than a forced or liquidation sale. Under SSAP No. 100R, various inputs are used in determining the value of the Fund's investments. These inputs are summarized into three broad levels described below:

Level 1 – Quoted market prices in active markets for identical securities. An active market for a security is a market in which transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis. A quoted price in an active market provides the most reliable evidence of fair value.

Level 2 – Observable market-based inputs or unobservable inputs that are corroborated by market data (including quoted prices for similar securities, interest rates, prepayment speeds, etc.) and inputs that are derived principally from or corroborated by observable market data.

Level 3 – Significant unobservable inputs that are not corroborated by market data, incorporating certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

The following table presents the financial instruments related to the Fund's assets carried at fair value at December 31, 2025, by the SSAP 100 valuation hierarchy:

	<u>Total</u>	<u>Quoted Prices in Active Markets (Level 1)</u>	<u>Other Observable (Level 2)</u>	<u>Unobservable Inputs (Level 3)</u>
Mutual funds	\$ 12,177	\$ 12,177	\$ -	\$ -
Corporate bonds	25,827	-	25,827	-
U.S. Government Securities	<u>15,918</u>	<u>-</u>	<u>15,918</u>	<u>-</u>
Total assets	<u>\$ 53,922</u>	<u>\$ 12,177</u>	<u>\$ 41,745</u>	<u>\$ -</u>

Note 6 - Real Estate - Occupied by the Fund

Investment in real estate consists of the following at December 31, 2025:

Cost of real estate - occupied by the Fund	\$ 3,101
Accumulated depreciation	<u>(186)</u>
	<u>\$ 2,915</u>

North Dakota Insurance Reserve Fund

Notes to Statutory Financial Statements

December 31, 2025

(Dollars in Thousands)

Note 7 - Conferment Payable

During 2025, the Board of Directors elected to not 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. There was no remaining outstanding benefits conferred payable for the year ended December 31, 2025.

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

Unpaid Claims and Claim Adjustment Expenses, Beginning of Year	\$ 20,079
Unpaid Claims and Claim Adjustment Expenses Provision for insured events of current year	13,896
Increase in provision of prior years	6,143
Total Incurred Claims and Claim Adjustment Expenses	20,039
Payments	
Claims and claim adjustment expenses attributable to insured events of the current year	4,474
Claims and claim adjustment expenses attributable to insured events of prior years	9,963
Total Payments	14,437
Total Unpaid Claims and Claim Adjustment Expenses, End of the Year	\$ 25,681

During 2025, the Fund had unfavorable development of \$6,143 in relation to the reserve for losses and incurred but not reported losses. The unfavorable and 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. There were no changes to methodologies or assumptions used to develop the unpaid loss and loss adjustment expense reserves during the year ended December 31, 2025.

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 2025 were \$298.

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 2025 was \$68.

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 2025 the total amount paid to the related parties for these types of services was \$341.

Supplementary Information
December 31, 2025

North Dakota Insurance Reserve Fund

North Dakota Insurance Reserve Fund
 Summary Schedule of Investments
 December 31, 2025
 (Dollars in Thousands)

	<u>Gross Investment Holdings</u>	<u>Percentage</u>	<u>Admitted Assets as Reported</u>	<u>Percentage</u>
Investment Categories				
Long-term bonds				
U.S. governments	\$ 15,385	23.10%	\$ 15,385	23.10%
U.S. political subdivisions of states	1,120	1.68%	1,120	1.68%
Security backed	3,507	5.27%	3,507	5.27%
Corporate	<u>21,478</u>	<u>32.25%</u>	<u>21,478</u>	<u>32.25%</u>
Total long-term bonds	<u>41,490</u>	<u>62.30%</u>	<u>41,490</u>	<u>62.30%</u>
Cash, cash equivalents and short-term investments:				
Cash	4,126	6.20%	4,126	6.20%
State fire and tornado fund cash	138	0.21%	138	0.21%
Cash equivalents	<u>736</u>	<u>1.10%</u>	<u>736</u>	<u>1.10%</u>
Total cash, cash equivalents and short-term equivalents	<u>5,000</u>	<u>7.51%</u>	<u>5,000</u>	<u>7.51%</u>
Other invested assets				
Marketable equity securities	12,177	18.29%	12,177	18.29%
Certificates of deposit	5,007	7.52%	5,007	7.52%
Real estate investments				
Property occupied by the Company	<u>2,915</u>	<u>4.38%</u>	<u>2,915</u>	<u>4.38%</u>
Total invested assets	<u>\$ 66,589</u>	<u>100.00%</u>	<u>\$ 66,589</u>	<u>100.00%</u>

North Dakota Insurance Reserve Fund

Investment Risks Interrogatories

December 31, 2025

(Dollars in Thousands)

1. Total admitted assets \$ 67,607

2. The Company's ten largest exposures to a single issuer/borrower/investment, excluding U.S. Government, U.S. Government agency securities, and those U.S. Government money market funds listed in the Appendix to the NAIC SVO Purposes and Procedures Manual, as exempt, property occupied by the Company, and policy loans at December 31, 2025 are as follows:

	Amortized Cost	Percentage of Total Admitted Assets
State Street 500 Growth ETF	\$ 700	1.04%
Bank of America Corp	695	1.03%
CNH Equipment Trust 2024-B	675	1.00%
JPMorgan Momentum Factor ETF	616	0.91%
Schwab Large Cap Growth ETF	590	0.87%
Invesco NASDAQ ETF	570	0.84%
iShare Growth ETF	562	0.83%
Vanguard Mega Cap Growth ETF	495	0.73%
Fidelity Information Tech Index ETF	464	0.69%
State Street Technology ETF	447	0.66%

3. State the amounts and percentages of total admitted assets held in bonds and short-term investments by NAIC rating:

	Amortized Cost	Percentage of Total Admitted Assets
NAIC - 1	\$ 35,020	51.80%
NAIC - 2	6,470	9.57%

4. – 13. Interrogatory questions are not applicable to the Fund and, as such, are excluded from this schedule.

North Dakota Insurance Reserve Fund

Investment Risks Interrogatories

December 31, 2025

(Dollars in Thousands)

14. Assets held in nonaffiliated, privately placed equities are less than 2.5% of the Fund’s admitted assets at December 31, 2025.

Ten Largest Fund Managers:

	Total Invested	Diversified or Nondiversified
State Street 500 Growth ETF	\$ 700	Diversified
JPMorgan Momentum Factor ETF	616	Diversified
Schwab Large Cap Growth ETF	590	Diversified
Invesco NASDAQ ETF	570	Nondiversified
iShare Growth ETF	562	Diversified
Vanguard Mega Cap Growth ETF	495	Nondiversified
Fidelity Information Tech Index ETF	464	Nondiversified
State Street Technology ETF	447	Nondiversified
Vanguard Growth ETF	366	Diversified
Vanguard High Yield	327	Diversified

15. – 23. Interrogatory questions are inapplicable to the Fund and, as such, are excluded from this schedule.

7.1 Has the reporting entity reinsured any risk with any other entity under a quota share reinsurance contract that includes a provision that would limit the reinsurer’s losses below the stated quota share percentage (e.g., a deductible, a loss ratio corridor, a loss cap, an aggregate limit or any similar provisions)?

Yes No

9.1 Has the reporting entity ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates) for which during the period covered by the statement: (i) it recorded a positive or negative underwriting result greater than 5% of prior year end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than five percent of prior year end surplus as regards policyholders; (ii) it accounted for that contract as reinsurance and not as a deposit; and (iii) the contract(s) contain one or more of the following features or other features that would have similar results:

- a. A contract term longer than two years and the contract is non-cancellable by the reporting entity during the contract term;
- b. A limited or conditional cancellation provision under which cancellation triggers an obligation by the reporting entity, or an affiliate of the reporting entity, to enter into a new reinsurance contract with the reinsurer, or an affiliate of the reinsurer;

Aggregate stop loss reinsurance coverage;

- c. A unilateral right by either party (or both parties) to commute the reinsurance contract, whether conditional or not, except for such provisions which are only triggered by a decline in the credit status of the other party;
- d. A provision permitting reporting of losses, or payment of losses, less frequently than on a quarterly basis (unless there is no activity during the period); or
- e. Payment schedule, accumulating retentions from multiple years or any features inherently designed to delay timing of the reimbursement to the ceding entity.

Yes No

9.2 Has the reporting entity during the period covered by the statement ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates), for which, during the period covered by the statement, it recorded a positive or negative underwriting results greater than 5% of prior year end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year end surplus as regards policyholders; excluding cessions to approved pooling arrangements or to captive insurance companies that are directly or indirectly controlling, controlled by, or under common control with (i) one or more unaffiliated policyholders of the reporting entity, or (ii) an association of which one or more unaffiliated policyholders of the reporting entity is a member, where:

- a. The written premium ceded to the reinsurer by the reporting entity or its affiliates represents 50% or more of the entire direct and assumed premium written by the reinsurer based on its most recently available financial statement; or
- b. 25% or more of the written premium ceded to the reinsurer has been retroceded back to the reporting entity or its affiliates in a separate reinsurance contract.

Yes No

North Dakota Insurance Reserve Fund

Reinsurance Interrogatories

December 31, 2025

(Dollars in Thousands)

- 9.4 Except for transactions meeting the requirements of paragraph 31 of SSAP No. 62R – *Property and Casualty Reinsurance*, has the reporting entity ceded any risk under any reinsurance contract (or multiple contracts with the same reinsurer or its affiliates) during the period covered by the financial statement, and either:
- a. Accounted for that contract as reinsurance (either prospective or retroactive) under statutory accounting principles (SAP) and as a deposit under generally accepted accounting principles (GAAP); or
 - b. Accounted for that contract as reinsurance under GAAP and as a deposit under SAP.

Yes No

North Dakota Insurance Reserve Fund
Ten Year Claims Development Information
Year Ended December 31, 2025
(Dollars in Thousands)

	Fiscal and Accident Year End									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Net Earned Premium and Revenues	\$14,198	\$15,979	\$14,882	\$20,708	\$21,263	\$18,768	\$12,765	\$23,083	\$23,158	\$25,905
Unallocated Expenses	5,121	5,350	5,739	5,912	6,283	6,609	6,892	7,268	7,543	7,077
Estimated Incurred Claims and Expense, End of Accident Year	11,203	9,463	9,544	11,343	9,063	12,083	10,572	10,235	9,214	13,896
Paid (Cumulative) as of										
End of accident year	3,996	3,125	3,369	4,742	3,291	5,897	4,120	4,914	3,693	4,474
One year later	6,226	4,269	4,242	5,670	4,066	6,678	6,123	6,115	6,175	
Two years later	7,414	5,733	5,132	6,066	4,857	7,298	6,625	7,318		
Three years later	9,020	6,482	5,621	6,425	5,834	7,760	7,276			
Four years later	9,524	6,724	5,832	6,927	6,746	9,888				
Five years later	10,116	7,122	5,905	7,093	9,690					
Six years later	10,280	7,376	5,965	7,295						
Seven years later	10,461	7,499	6,128							
Eight years later	10,589	7,591								
Nine years later	10,658									
Reestimated Incurred Claims and Expense										
End of accident year	11,203	9,463	9,544	11,343	9,063	12,083	10,160	10,235	9,214	13,896
One year later	11,433	8,065	7,807	9,057	7,295	10,248	9,257	10,262	10,702	
Two years later	11,944	8,358	7,632	8,135	8,233	9,873	8,454	11,456		
Three years later	12,287	8,153	6,537	7,591	8,332	11,343	11,118			
Four years later	12,388	8,233	6,158	7,711	9,260	10,509				
Five years later	12,185	8,920	6,130	7,496	10,263					
Six years later	12,171	8,734	6,226	7,810						
Seven years later	12,333	7,951	6,444							
Eight years later	11,955	7,847								
Nine years later	11,982									
Increase (Decrease) in Estimated Incurred Claims and Expense, End of Accident Year	779	(1,616)	(3,100)	(3,533)	1,200	(1,574)	958	1,221	1,488	-

North Dakota Insurance Reserve Fund

Balance Sheet - GAAP

December 31, 2025

(Dollars in Thousands)

Assets

Cash and cash equivalents	\$	4,862
State of ND - State Fire and Tornado Fund cash		138
Certificates of deposit		5,007
Investments		53,922
Agents' balances		643
Interest receivable		361
Deferred policy acquisition costs		881
Land, building and equipment, net		2,941.00
Other assets		441
		441
	\$	69,196

Liabilities and Net Assets

Liabilities

Accounts payable	\$	85
Payable to State of ND - State Fire and Tornado Fund		138
Accrued expenses		264
Unearned premiums		7,113
Unearned commission - State Tornado and Fire Fund		703
Reserve for losses		15,649
Reserve for incurred but not reported losses		10,032
		10,032

33,984

Net Assets

Without member restrictions		35,212
		35,212
	\$	69,196

North Dakota Insurance Reserve Fund

Statement of Activities - GAAP
Year Ended December 31, 2025
(Dollars in Thousands)

Revenues	
Premiums earned	\$ 21,156
Commission income - State Fire and Tornado Fund	1,417
Total revenues	22,573
Expenses	
Program expenses	
Losses and loss adjustment expenses	20,039
Underwriting	2,725
Administrative expense	
Administrative	7,330
Total expenses	30,094
Revenues Over Expenses	(7,521)
Nonoperating Revenues	
Investment income, net of investment expenses of \$74	1,815
Realized and unrealized gains on investments, net	4,400
Gain on Sale of Building	1,464
Lease income	54
Total nonoperating revenues	7,733
Change in Net Assets Without Member Restrictions	212
Net Assets Without Member Restrictions, Beginning of Year	35,000
Net Assets Without Member Restrictions, End of Year	\$ 35,212