



NC DEPARTMENT
of **INSURANCE**
MIKE CAUSEY, COMMISSIONER

COMPANY SERVICES GROUP
FINANCIAL EXAMINATION DIVISION

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I, Mike Causey, Commissioner of Insurance in and for the State of North Carolina do hereby certify that: I have caused the Report on Examination of Forestry Mutual Insurance Company as of December 31, 2024 with the original on file at this Department and find the same to be a correct copy of the whole said original.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my official seal at the City of Raleigh, this the 29th day of December, 2025.



Mike Causey
Commissioner of Insurance

Monique D. Smith, CPA, CFE, CIA
Deputy Commissioner
Financial Examination Division

Forestry Mutual Insurance Company

Raleigh, North Carolina

Report on Examination

As of December 31, 2024

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December 8, 2025

Honorable Mike Causey
Commissioner of Insurance
State of North Carolina
Raleigh, North Carolina

Sir:

Pursuant to your instructions and in accordance with Section (“§”) 58-2-131 of the General Statutes of North Carolina (“GS”), the North Carolina Department of Insurance (“Department”) conducted an examination of the records, business affairs and financial condition of

Forestry Mutual Insurance Company

(hereinafter referred to as the “Company”), acknowledging that its main administrative and statutory home office is located at 801 Jones Franklin Road, Raleigh, North Carolina 27606. The following report on examination is respectfully submitted.

SCOPE OF THE EXAMINATION

We performed a full-scope statutory examination of the Company. This examination covers the period from January 1, 2020, to December 31, 2024, including any material transactions and events occurring subsequent to the examination date and noted during the course of this examination. The Department’s most recent prior examination of the Company was as of December 31, 2019.

The purpose of this examination is to assess the financial condition and controls of the Company and set forth findings of fact (together with citations of pertinent laws, regulations, and rules) with regard to any material adverse findings disclosed by the examination.

We conducted our examination in accordance with auditing standards established by the Department and the National Association of Insurance Commissioners (“NAIC”) Financial Condition Examiners Handbook (“Handbook”). The Handbook requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Company, and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer’s surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process, and the following key functional activities were identified:

Claims Handling and Reserves
Investments
Premiums and Underwriting
Reinsurance Ceding
Related Party
Surplus Management

This may include assessing significant estimates made by management, as well as evaluating the overall financial statement presentation, management's compliance with GS Chapter 58 and evaluating management's compliance with statutory accounting principles. This examination does not attest to the fair presentation of the financial statements included herein. If during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately from the Company's financial statements.

This examination report includes significant findings of fact and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination report but separately communicated to the Company.

The Company's Annual Statements, work papers, and the independent audit work papers were reviewed and relied upon whenever possible. A trial balance reconciliation of the Annual Statement was performed, as were a verification of ownership and valuation of assets, determination of liabilities and reserves, and an analysis and review of such accounts and records as deemed necessary by the examination team. A management representation letter attesting to the Company's ownership of assets, the nonexistence of unrecorded liabilities and contingent liabilities was received from Company management.

The books and records of the Company are audited annually by independent certified public accountants in accordance with GS § 58-10-185(a). Koonce, Wooten and Haywood, LLP of Raleigh, North Carolina, the prior independent public accountant of the Company, issued an unmodified opinion for the years ended December 31, 2020, and 2021. Dean Dorton Allen Ford, PLLC of Raleigh, North Carolina, the current designated independent public accountant of the Company, issued an unmodified opinion for the years ended December 31, 2022, 2023, and 2024.

REPORT ACRONYMS

Board of Directors	“Board”
Financial Condition Examiners Handbook	“Handbook”
FMIC Insurance Agency, Inc.	“Agency”
Forestry Mutual Insurance Company	“Company”
General Statutes of North Carolina	“GS”
Information Technology General Controls	“ITGC’s”
Information Technology Planning Questionnaire	“ITPQ”
National Association of Insurance Commissioners	“NAIC”
National Council on Compensation Insurance, Inc.	“NCCI”
National Workers’ Compensation Reinsurance Pool	“Pool”
North Carolina Department of Insurance	“Department”
North Carolina Forestry Association Self Insurers Fund	“Fund”
Mississippi Workers’ Compensation Assigned Risk Pool	“MWPool”

SUMMARY OF SIGNIFICANT FINDINGS

COMMENTS, RECOMMENDATIONS, AND DIRECTIVES

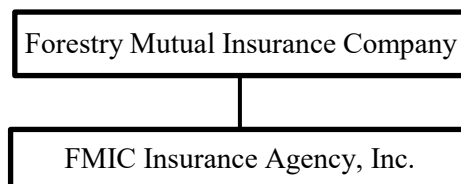
1. The Company was not in compliance with Article V, Section 2 of its bylaws for the years 2020 through 2024, which requires an annual election of officers by the Board of Directors (“Board”). The Company is directed to comply with its bylaws or amend its bylaws to reflect current practices. (Refer to Subsequent Events)

ORGANIZATIONAL STRUCTURE

The Company is part of an insurance holding company system as defined in GS § 58-19. The Company has a wholly owned subsidiary, FMIC Insurance Agency, Inc. (“Agency”), which serves as the marketing agent for the Company.

ORGANIZATIONAL CHART

The following is the organizational chart of the Company and its wholly owned subsidiary as of December 31, 2024:



COMPANY HISTORY

The Company, formerly known as North Carolina Forestry Association Mutual Insurance Company, was incorporated on July 15, 1998, and became licensed on October 1, 1998, under the laws of the State of North Carolina as a mutual insurance company. On August 20, 1998, the Company received \$1,086,855 in securities from the North Carolina Forestry Association Self Insurers Fund (“Fund”), and the Company issued a surplus note to the Fund. Effective January 1, 1999, the Company merged with the Fund, and the surplus note was extinguished. The Company was established to meet the workers’ compensation insurance needs of the North Carolina Forestry Association. In December 2000, the Company amended its articles of incorporation to change its name to Forestry Mutual Insurance Company.

On December 31, 2024, the Company reported \$33,568,897 in unassigned funds.

DIVIDENDS TO POLICYHOLDERS

Dividends are paid to policyholders as declared by the Company’s Board. Under the insurance regulations of North Carolina, the Company may pay dividends from its unassigned surplus that are in excess of any required minimum surplus requirements. The Company did not pay any dividends to policyholders during the examination period.

MANAGEMENT AND CONTROL

CORPORATE GOVERNANCE

Members

The bylaws of the Company provide that any person or entity that is a policyholder of the Company shall be a member of the Company and that an annual meeting of the members shall be held at such time and place as the Board may appoint. Special meetings of the members may be called at any time by the Board Chairperson whenever 10% or more of the members, or the holders of 10% or more of the total par value of guaranty capital certificates outstanding, if any, or any two directors of the Board request a special meeting in writing.

Board of Directors

The business of the Company is conducted by its management team and is subject to review by the Board. The bylaws specify that the number of directors shall consist between eleven (11) and fourteen (14) individuals. The directors are divided into three (3) classes. There are up to seven (7) directors in class one, up to four (4) directors in class two, and up to three (3) directors in class three. Directors in classes one, two and three are elected for staggered terms of three (3) years which expire at the third annual meeting held thereafter and shall continue in office until a successor has been elected and qualified, or until their death or until they resign or shall have been disqualified or removed. All directors are elected by the membership.

The following individuals served as directors as of December 31, 2024:

Name	Location	Principal Occupation
Michael Walters	Fairmont, NC	Chairperson; President, Claybourn Walters Logging Co., Inc.
Weldon Capps, Jr.	Macon, NC	Owner, Arcola Logging Co., Inc.
Randall Denman	Clyde, NC	Retired
Michael Macedo	Georgetown, SC	Retired
Matthew Thuman	Wilmington, NC	Regional Manager, Campbell Global, LLC
Joey Ferguson	Rock Hill, SC	Retired
James Ratcliff, Jr.	Jackson, MS	Executive Vice President, CLAW Forestry Services, LLC
Thomas Barnes, Sr.	Edgemoor, SC	Owner, Ideal Logging, Inc.
Joel Cathey	Keysville, VA	Forester, Ontario Hardwood Co., Inc.
Candace Dinwiddie	Nashville, TN	Executive Director, Tennessee Forestry Association
Bernard Rose	Weldon, NC	Procurement Manager, Roseburg Forest Products
Marshall Thompson	Lancaster, SC	East Region Manager, New Indy Containerboard
John Hatcher	Raleigh, NC	Executive Director, North Carolina Forestry Association

The Board established several committees including an Investment Committee, a Salary Committee, and an Executive/Audit Committee to act on behalf of the Company.

The following individuals served on committees as of December 31, 2024:

Investment Committee

Matthew Thurman, Chair
Randall Denman
John Hatcher
James Ratcliff, Jr.

Executive/Audit Committee

Michael Walters, Chair
Marshall Thompson
Matthew Thuman

Salary Committee

Marshall Thompson, Chair
Michael Macedo
Matthew Thurman
Michael Walters

Officers

The bylaws provide that the Board will elect the officers of the Company annually. The officers of the Company consist of a president and a secretary. In addition, the directors may elect other officers deemed necessary by the Board. All officers shall hold offices, subject to removal at any time by the Board, until their successors are elected and qualified. Any two offices may be held by the same person except for the offices of president and secretary. (Refer to Summary of Significant Findings)

The following individuals served as officers of the Company as of December 31, 2024:

Name	Title
William Dine	President and Chief Executive Officer
Eugene Baker	Secretary and Treasurer
Amy Almond	Chief Financial Officer

CODE OF CONDUCT AND CONFLICT OF INTEREST

The Company has an established policy and procedure to identify existing or potential conflicts of interest and to report the same to the Board. Annually, the Company requires a signed statement from each director and officer disclosing any conflict of interest. A review of the signed conflict of interest statements for the examination period revealed that the Company acted in accordance with its policies and procedures for disclosure of conflicts of interest.

CORPORATE RECORDS

We reviewed the minutes of the meetings of the Board and its committees for the period under examination. Based on our review, it appears that the minutes documented the Company's significant transactions and events and that the directors approved these transactions and events, with the exception of the Board's annual election of officers. (Refer to Summary of Significant Findings)

The Company's articles of incorporation and bylaws were reviewed for any changes during the period under examination. On November 18, 2021, the Company amended its bylaws to update the number of Board members to be between eleven (11) and fourteen (14) and to reduce the number of classes for its directors from four to three. On February 23, 2023, the Company amended its articles of incorporation to change the name of the registered agent to William Dine, President and Chief Executive Officer. Based on the review, it appears that no other changes to the Company's articles of incorporation or bylaws were made during the examination period.

STATUTORY DEPOSITS

Statutory deposits are maintained as required by insurance regulatory agencies for doing business in such jurisdictions. The Company's 2024 Annual Statement Schedule E, Part 3 contains a complete description and listing of the Company's statutory deposits by state.

ACCOUNTS AND RECORDS

The Company's books and records are maintained at the main administrative office at 801 Jones Franklin Road, Raleigh, North Carolina 27606.

The Company utilizes information systems to sell products to customers, to establish services, and maintain customer policies, as well as to gather and report financial information. The Company's environment for internal controls over financial reporting includes application controls and system generated reports supporting its financial reporting functions. The Company utilizes cloud-based applications where possible.

INFORMATION TECHNOLOGY CONTROLS

The Department performed a risk-based assessment and review of the Company's Information Technology General Controls ("ITGCs") in accordance with the NAIC requirements as outlined in the Handbook. The guidance and direction used to perform the review of the Company's ITGCs were derived from Exhibit C Part 1 - Information Technology Planning Questionnaire ("ITPQ") and Exhibit C Part 2 - Information Technology Work Program (collectively, "Exhibit C").

The Company's responses to the ITPQ were evaluated, and certain controls within the IT control environment were tested to assess whether the selected controls were designed effectively and were functioning properly.

The Department's objectives were to obtain reasonable assurance about whether:

- a. The Company had a process in place to effectively identify, mitigate, and manage its IT risks;
- b. The Company's control structure, policies, and procedures were suitably designed to achieve the control objectives specified in Exhibit C; and
- c. The Company was complying with those policies and procedures.

The objectives above were achieved through a combination of reviewing the Company's policies and procedures, testing key areas related to Exhibit C, interviewing the Company's IT management, reviewing IT risk assessment processes, and leveraging relevant risk assessment procedures performed by Dean Dorton Allen Ford, PLLC.

Based upon the risk-based assessment and review, the Company's ITGCs were determined to be effective.

FIDELITY BONDS AND OTHER INSURANCE

At December 31, 2024, the Company had fidelity bond coverage totaling \$500,000 in aggregate, which exceeds the minimum amount of fidelity bond coverage recommended by the Handbook.

In addition, the Company is a named insured on various corporate property and liability policies such as professional liability, commercial general liability, commercial liability umbrella, cyber security, business auto, and workers' compensation issued to the Company and the Agency, which appeared to be adequate to cover risks in the normal course of business.

EMPLOYEE BENEFITS AND PENSION PLANS

The Company sponsors a qualified defined contribution plan for which employees may become eligible to participate after three full months of service. The Company contributes up to 6% of an employee's eligible compensation after three months of service and its contributions to the plan totaled \$103,987 and \$118,887 in 2024 and 2023, respectively.

The Company's executive employees are covered by a non-qualified excess deferred compensation plan sponsored by the Company. The Company contributes a discretionary percentage of each executive's compensation and its contributions to the plan totaled \$43,184 and \$55,520 in 2024 and 2023, respectively.

THIRD-PARTY ADMINISTRATOR

The Company utilizes AEGIS Administrative Services, Inc. for claims handling services, which include claims handling, reporting, claims fraud, reinsurance billings, and regulatory complaints and inquiries. The Company incurred service fees under this agreement totaling \$897,252 and \$1,207,738 in 2024 and 2023, respectively.

RELATED PARTY AGREEMENTS

The Company has a management agreement with the Agency, effective January 31, 2007, whereby the Company provides administrative and accounting services to the Agency, and the Agency serves as the marketing agent for the Company by placing workers' compensation and other insurance coverage with current and future policyholders of the Company. Under this agreement, the Company allocates a percentage of its finance staff's salaries to the Agency as a management fee and pays expenses on the Agency's behalf. The Company bills the Agency for these fees and expenses on a monthly basis. The agreement was amended on April 1, 2016, to include the right of offset for amounts due and owed between the Company and the Agency. The Company charged the Agency management fees for the allocated salary expenses totaling \$515,212 and \$481,976 in 2024 and 2023, respectively, and the Agency reimbursed the Company \$1,948,081 and \$2,160,779 in 2024 and 2023, respectively, for expenses paid by the Company on its behalf. In addition, the Company pays the Agency a monthly commission based on a percentage of net premiums for the insurance coverage placed by the Agency. The Company incurred commission expenses totaling \$390,080 and \$490,493 in 2024 and 2023, respectively. All balances due are to be settled within 30 days under this agreement.

The Company has a tax allocation agreement with the Agency, effective November 11, 2013, whereby the Company files a consolidated income tax return and allocates the tax liability between the two entities. The provisions for federal income tax are computed as if the entities were filing separate income tax returns. The agreement was amended on May 13, 2016, to include an offset between tax payments and other balances due between the Company and the Agency. Tax expenses are to be submitted within 90 days of filing the consolidated income tax returns.

TERRITORY AND PLAN OF OPERATION

The Company writes workers' compensation policies and provides loss control services to members of state Forestry Associations. The Company utilizes its wholly owned subsidiary, the Agency, for the distribution of its products and solicitation of business.

On December 31, 2024, the Company was licensed in Florida, Georgia, Mississippi, North Carolina, South Carolina, Tennessee, and Virginia; however, no business has been written in Florida.

TRENDS OF THE COMPANY

The following data, obtained from annual statements filed with the Department, illustrates the trends of the Company for the five-year period ending December 31, 2024:

Year	Net Admitted Assets	Surplus	Gross Premiums Written	Net Earned Premiums	Net Income (Loss)
2024	\$66,041,691	\$33,568,897	\$21,419,642	\$16,253,504	\$(1,987,983)
2023	\$70,423,282	\$35,897,179	\$21,656,658	\$17,444,229	\$(583,667)
2022	\$71,380,442	\$36,180,134	\$23,691,315	\$18,064,339	\$1,356,789
2021	\$74,291,554	\$38,366,586	\$22,937,578	\$18,577,789	\$1,036,626
2020	\$71,050,905	\$35,877,021	\$22,682,198	\$17,177,125	\$2,006,930

ACTUARIAL OPINION

Every property and casualty insurance company doing business in this State, unless otherwise exempted by the Commissioner, shall annually submit the opinion of an appointed actuary and an actuarial opinion summary in accordance with GS § 58-10-150 and GS § 58-10-155.

The statutory reserves and related items for 2024 were reviewed and certified by the Company's Appointed Actuary, Dana F. Joseph, FCAS, MAAA of Oliver Wyman Actuarial Consulting. Actuarial opinions regarding the Company's reserves for losses and loss adjustment expenses were issued by an appointed actuary for all years in the examination period. The Appointed Actuary evaluated the data provided by the Company for reasonableness and consistency of the losses and loss adjustment expense reserves. According to the actuarial opinions, the Company's reserve on the losses and loss adjustment expenses met the requirements of the insurance laws of North Carolina; were consistent with reserves computed in accordance with accepted actuarial standards and principles; and made a reasonable provision for all losses and loss adjustment expense obligations of the Company.

REINSURANCE PROGRAM OVERVIEW

REINSURANCE CEDED

The Company has a workers' compensation excess of loss reinsurance contract effective January 1, 2024 through January 1, 2025, with various reinsurers participating at specified levels. The contract provides six layers of coverage for catastrophe losses in excess of \$500,000 up to \$30,000,000. The amount of coverage provided and the limitations for each layer are as follows:

Layer	Company Retention	Percentage Placed	Reinsurer per Occurrence Limit	Reinsurer Annual Limit
First	\$500,000	90.00%	\$500,000	\$4,000,000
Second	\$1,000,000	100.00%	\$1,000,000	\$4,000,000
Third	\$2,000,000	100.00%	\$3,000,000	\$6,000,000
Fourth	\$5,000,000	100.00%	\$5,000,000	\$10,000,000
Fifth	\$10,000,000	100.00%	\$10,000,000	\$20,000,000
Sixth	\$20,000,000	100.00%	\$10,000,000	\$20,000,000

The Company ceded premiums totaling \$5,034,788 and \$4,710,470 in 2024 and 2023, respectively, under its excess of loss contract.

REINSURANCE ASSUMED

The Company participates in the National Workers' Compensation Reinsurance Pool ("Pool"), a residual market reinsurance mechanism for servicing carriers of workers' compensation assigned risk plans administered by the National Council on Compensation Insurance, Inc. ("NCCI"). As a participant, the Company assumes premiums, losses, costs, and other expenses arising from coverage provided under authorized insurance plans written through a servicing carrier. The business assumed from the Pool is the Company's proportionate share of the total voluntary market for workers' compensation in the states where the Company writes business. The Company assumed premiums totaling approximately \$579,000 and \$921,000 in 2024 and 2023, respectively, from the Pool.

The Company participates in the Mississippi Workers' Compensation Assigned Risk Pool ("MWPool"), a residual market reinsurance mechanism for servicing carriers of workers' compensation assigned risk plans administered by the Mississippi Compensation Commission. As a participant, the Company assumes premiums, losses, costs, and other expenses arising from coverage provided under authorized insurance plans written through a servicing carrier. The business assumed from the MWPool is the Company's proportionate share of the total voluntary market for workers' compensation in Mississippi. The Company assumed premiums totaling approximately \$82,000 and \$76,000 in 2024 and 2023, respectively, from the MWPool.

FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by the Company with the Department and present the financial condition of the Company for the period ending December 31, 2024. The supporting exhibits present the information required to be included, in conformity with reporting practices prescribed by the Department. The financial statements and supporting schedules as of December 31, 2023, are unexamined and are presented for comparative purposes only.

Forestry Mutual Insurance Company
Statutory Statement of Admitted Assets
December 31, 2024

	2024	2023 <i>(unexamined)</i>
Bonds	\$38,629,555	\$40,435,644
Preferred stocks	-	76,295
Common stocks	12,845,722	13,161,758
Cash, cash equivalents and short-term investments	1,434,451	4,683,799
Total cash and invested assets	52,909,728	58,357,496
Investment income due and accrued	309,395	352,861
Uncollected premiums and agents' balances in course of collection	1,749,469	1,745,011
Deferred premiums and agents' balances booked but deferred and not yet due	7,701,591	7,507,282
Amounts recoverable from reinsurers	557,801	305,004
Other amounts receivable from reinsurance contracts	97,167	70,730
Current federal income tax recoverable	1,450,997	751,204
Net deferred tax asset	674,141	731,745
Electronic data processing equipment and software	495	2,472
Receivable from parent, subsidiaries, and affiliates	78,621	160,025
Corporate-owned life insurance asset	469,996	347,354
State taxes receivable	42,290	92,098
Total admitted assets	\$66,041,691	\$70,423,282

Forestry Mutual Insurance Company
Statutory Statement of Liabilities and Surplus
December 31, 2024

	2024	2023 <i>(unexamined)</i>
Losses	\$15,550,518	\$17,881,835
Loss adjustment expenses	1,284,563	1,385,870
Commissions payable, contingent commissions and other similar charges	319,308	230,865
Other expenses	329,447	341,031
Taxes, licenses, and fees	285,911	262,257
Unearned premiums	6,845,472	6,714,122
Advance premium	125,565	121,216
Ceded reinsurance premiums payable	6,119,271	6,073,037
Amounts withheld or retained by company for account of others	1,240	(779)
Provision for reinsurance	19,000	21,000
Member deposits	1,152,635	1,182,277
Escheat liability	4,931	6,148
Deferred compensation	313,734	258,664
Guaranty assessments	121,199	48,560
Total liabilities	32,472,794	34,526,103
Unassigned funds	33,568,897	35,897,179
Total liabilities and surplus	\$66,041,691	\$70,423,282

Forestry Mutual Insurance Company
Statutory Statement of Operations
December 31, 2024

	2024	2023 <i>(unexamined)</i>
Underwriting income (loss)		
Premiums earned	\$16,253,504	\$17,444,229
Deductions		
Losses incurred	11,326,256	10,620,314
Loss adjustment expenses incurred	1,498,000	2,003,391
Other underwriting expenses incurred	7,121,005	6,693,562
Total underwriting deductions	19,945,262	19,317,267
Net underwriting (loss)	(3,691,758)	(1,873,038)
Investment income		
Net investment income earned	1,501,915	1,062,388
Net realized capital (losses) gains	(344,960)	91,500
Net investment gain	1,156,955	1,153,888
Other income		
Net (loss) from agents' or premium balances charged off	(12,604)	(49,228)
Late fees	49,025	51,875
Miscellaneous	12,552	16,917
Total other income	48,973	19,564
Federal income taxes incurred	(497,846)	(115,919)
Net loss	\$(1,987,983)	\$(583,667)

Forestry Mutual Insurance Company
Statutory Statement of Surplus
December 31, 2024

	2024	2023 <i>(unexamined)</i>
Surplus, beginning of year	\$35,897,179	\$36,180,134
Surplus increases (decreases):		
Net loss	(1,987,983)	(583,667)
Change in net unrealized capital gains (losses)	(378,190)	282,807
Change in net deferred income tax	12,202	(11,984)
Change in non-admitted assets	23,690	4,889
Change in provision for reinsurance	2,000	25,000
Net change in surplus	(2,328,281)	(282,955)
Surplus, end of year	\$33,568,897	\$35,897,179

Forestry Mutual Insurance Company
Statutory Statement of Cash Flow
December 31, 2024

	2024	2023 <i>(unexamined)</i>
Cash used by operations		
Premiums collected net of reinsurance	\$16,158,890	\$17,006,138
Net investment income	1,600,460	1,340,312
Miscellaneous income	48,973	19,564
Total	17,808,324	18,366,013
Benefit and loss related payments	13,910,372	9,696,265
Commissions, expenses paid and aggregate write-ins	8,613,874	8,768,674
Federal income taxes paid	110,249	3,223
Total	22,634,495	18,468,161
Net cash used by operations	(4,826,171)	(102,148)
Cash from investments		
Proceeds from investments sold, matured, or repaid	32,761,008	27,031,377
Cost of investments acquired	31,307,514	23,651,289
Net cash from investments	1,453,494	3,380,088
Cash from (used by) financing and miscellaneous sources		
Other cash provided (applied)	123,328	(592,561)
Net cash from (used by) financing and miscellaneous sources	123,328	(592,561)
Reconciliation of cash, cash equivalents, and short-term investments		
Net change in cash and short-term investments	(3,249,348)	2,685,380
Cash and short-term investments, beginning of year	4,683,799	1,998,420
Cash and short-term investments, end of year	\$1,434,451	\$4,683,799

COMMENTS ON FINANCIAL STATEMENTS

Basis of Presentation and Summary of Significant Accounting Policies:

The accompanying financial statements have been prepared on the basis of the accounting practices prescribed or permitted by the Department.

The more significant accounting policies followed by the Company are as follows:

Short-term investments: Stated at amortized value using the interest method. Non-investment grade short-term investments are stated at the lower of amortized value or fair value.

Bonds: Bonds not backed by other loans are stated at amortized value using the interest method. Non-investment grade bonds are stated at the lower of amortized value or fair value.

Common stocks: Common stocks, other than investments in stocks of subsidiaries and affiliates, are stated at market value.

Preferred stock: Redeemable preferred stocks are stated at amortized value. Perpetual preferred stocks are stated at fair value. Non-investment grade preferred stocks are stated at the lower of amortized value or fair value.

Loan-backed securities: Stated at amortized value using the interest method. The retrospective adjustment method is used to value all loan-backed securities. Non-investment grade loan-backed securities are stated at the lower of amortized value or fair value.

Investment in subsidiary: A non-insurance subsidiary is stated at statutory equity value.

Premiums: Premiums are earned over the terms of the related policies and reinsurance contracts. Unearned premiums are established to cover the unexpired portion of premiums written. Such reserves are computed by pro rata methods for direct business and are based on reports received from ceding companies for reinsurance assumed. Expenses incurred in connection with acquiring new insurance business, including acquisition costs such as sales commissions, are charged to operations as incurred.

Reinsurance: Premiums, commissions, expense reimbursements, and reserves are reported on a basis consistent with the original policies issued and the terms of the reinsurance agreements. Premiums ceded are reported as a reduction of premium income. Losses and loss adjustment expenses are reported as reductions of those items. Uncollateralized amounts from unauthorized reinsurers are deducted directly from capital and surplus through a provision for unauthorized reinsurance. Changes to the provision are credited or charged directly to surplus.

Non-admitted assets: Certain assets, such as premiums over 90 days past due, furniture and equipment and prepaid expenses, are “nonadmitted” and are charged against surplus.

Losses and loss adjustment expenses: Includes amounts determined from individual case estimates and loss reports and amounts, based on experience, for losses incurred but not reported. Estimated amounts of reinsurance recoverable are deducted from the reserve for losses and loss adjustment expenses.

Analysis of Assets:

The following represents an analysis of the Company's net admitted assets:

	Assets	Assets not Admitted	Net Admitted Assets
Bonds	\$38,629,555	\$-	\$38,629,555
Common stocks	12,845,722	-	12,845,722
Cash and cash equivalents	1,434,451	-	1,434,451
Total cash and invested assets	52,909,728	-	52,909,728
Investment income due and accrued	309,395	-	309,395
Premiums and agents' balances in course of collection	1,832,806	83,337	1,749,469
Premiums and agents' balances booked but not yet due	7,701,591	-	7,701,591
Amounts recoverable from reinsurance	557,801	-	557,801
Other amounts receivable under reinsurance contracts	97,167	-	97,167
Current federal income tax recoverable	1,450,997	-	1,450,997
Net deferred tax assets	701,430	27,289	674,141
Electronic data processing equipment and software	494	-	494
Furniture and equipment	49,458	49,458	-
Receivable from parent, subsidiaries, and affiliates	78,621	-	78,621
Prepaid expenses	178,415	178,415	-
Employee travel advances	1,800	1,800	-
Receivable-Aegis	1,364	1,364	-
Security deposit	11,343	11,343	-
Trademark	45,000	45,000	-
Corporate-owned life insurance asset	469,996	-	469,996
State taxes receivable	42,290	-	42,290
Total admitted assets	\$66,439,427	\$397,735	\$66,041,691

Reinsurance Activity:

The Company has an excess of loss reinsurance contract to minimize its exposure to losses. Reinsurance contracts do not relieve the Company of its primary obligation to policyholders. Failure of the reinsurers to discharge their obligations could result in losses to the Company. The Company utilizes Guy Carpenter as a reinsurance intermediary to negotiate and obtain reinsurance contracts on its behalf for specifically identified risks.

Direct, assumed, and ceded premiums written and earned are as follows:

	2024	2023
Direct written	\$20,758,709	\$20,659,442
Assumed written	660,933	997,216
Ceded written	(5,034,788)	(4,710,470)
Net written	16,384,854	16,946,188
Direct earned	20,390,215	21,072,111
Assumed earned	721,539	997,216
Ceded earned	(4,858,250)	(4,678,430)
Net earned	\$16,253,504	\$17,444,229

The reinsurers share the risks at different levels as specified in the reinsurance contracts. The types of contracts and retention limits are described under the Reinsurance Program Overview.

Summary of Reserves:

The following provides a reconciliation of the Company's reserves for losses and loss adjustment expenses:

	2024	2023
Reserves for losses and loss adjustment expenses, beginning of year	\$19,267,705	\$18,328,673
Add:		
Provision for losses and loss adjustment expenses, current year	13,802,491	14,203,461
Change in estimated losses and loss adjustment expenses, prior years	(978,235)	(1,579,757)
Total incurred	12,824,256	12,623,704
Deduct:		
Losses and loss adjustment expenses paid, current year	5,104,077	4,268,829
Losses and loss adjustment expenses paid, prior year	10,152,803	7,415,843
Total paid	15,256,880	11,684,672
Reserves for losses and loss adjustment expenses, end of year	16,835,081	19,267,705
Increase (decrease) in reserves for losses and loss adjustment expenses	\$(2,432,624)	\$939,032

Reserves for losses and loss adjustment expenses are reported net of the amounts that are recoverable under the Company's reinsurance contracts. At December 31, 2024, and 2023, the liability for losses and loss adjustment expenses was reduced by \$13,989,523 and \$16,191,611, respectively, for amounts to be recovered from reinsurers.

Surplus:

The following, in conjunction with the Statutory Statement of Surplus, represents the changes in the Company's surplus since the Department's last examination as of December 31, 2019.

	2022	2021	2020
Surplus, beginning of year	\$38,366,586	\$35,877,021	\$32,557,293
Surplus increases (decreases):			
Net income	1,356,789	1,036,626	2,006,930
Change in net unrealized capital gain (loss)	(3,468,426)	1,340,733	1,447,080
Change in net deferred income tax	(2,286)	24,779	(8,065)
Change in nonadmitted assets	(47,528)	93,427	(132,217)
Change in provision for reinsurance	(25,000)	(6,000)	6,000
Change in surplus as regards policyholders for the year	(2,186,451)	2,489,565	3,319,728
Surplus, end of year	\$36,180,134	\$38,366,586	\$35,877,021

Line of Credit:

The Company had a \$1,000,000 line of credit with First Citizens Bank and Trust Company that matured on May 25, 2025, for which accrued interest payments were made monthly. In 2024, the Company paid interest totaling \$41,184. (Refer to Subsequent Events)

Lease Commitments:

The Company leases vehicles, office equipment, and office space under various non-cancellable operating lease agreements. The Company's rental expense under such agreements totaled \$232,728 and \$276,693 in 2024 and 2023, respectively. Future minimum lease payments are as follows:

<u>Year</u>	<u>Amount</u>
2025	\$224,949
2026	\$74,423
	<u>\$299,372</u>

SUBSEQUENT EVENTS

On February 7, 2025, the Company's Certificate of Authority was amended to add additional casualty lines and auto lines including but not limited to fire, collision, personal injury liability, property damage liability and marine inland. The addition of these lines increased the minimum required surplus to \$1,800,000 pursuant to GS § 58-7-75(8)b and the North Carolina statutory deposit to \$900,000 pursuant to GS § 58-5-55(b).

On February 21, 2025, the Company renewed its line of credit with First Citizens Bank and Trust Company in the amount of \$2,000,000 with a maturity date of February 25, 2026.

On May 7, 2025, Joey Cathey retired from the Board.

On July 29, 2025, the Department approved the Company's reorganization through the formation of a Mutual Insurance Holding Company pursuant to GS § 58-10-280.

On August 19, 2025, the Board elected all officers retroactively from November 2019 through December 31, 2024, and on a forward basis through November 20, 2025.

On August 19, 2025, the Board elected Ben Greenberg to the Board.

On August 19, 2025, the Board approved the formation of the Mutual Insurance Holding Company pursuant to GS § 58-10-280.

On August 20, 2025, the Company sold the Agency's book of business to Joiner Insurance Agency, transitioning the Company to a fully independent agent model.

On September 9, 2025, the Company became licensed to write property and miscellaneous casualty coverage in the state of Alabama.

Forestry Mutual Insurance Company
DISTRIBUTION OF REPORT ON EXAMINATION
December 31, 2024

Amy Almond, Chief Financial Officer
801 Jones Franklin Road
Raleigh, North Carolina 27606

William Dine, President and Chief Executive Officer
801 Jones Franklin Road
Raleigh, North Carolina 27606

CONCLUSION

The examination procedures described, herein, revealed no material adverse findings or adjustments to surplus.

We conclude that the Company complies with the minimum surplus requirements of GS § 58-7-75 for the kinds of insurance that the Company has been authorized to write, which is \$1,000,000.

The courteous cooperation and assistance extended by the officers and employees of the Company during the examination is hereby acknowledged.

Respectfully submitted,



Monique D. Smith, CPA, CFE, CIA
Deputy Commissioner
North Carolina Department of Insurance

December 8, 2025

STATE OF NORTH CAROLINA

COUNTY OF WAKE

William Keely, North Carolina Department of Insurance, being first, duly sworn, deposes and says that this report on examination, subscribed by him, is true and correct to the best of his knowledge and belief.

Signature: Wm F Keely Date: 12/8/25

Sworn and subscribed before me this 8 day of December, 2025.

Notary Public Signature: Jessica N Vaughan Notary Public Seal:

