IMSIF ANNUAL REPORT 2025



Defining Challenges

Providing Solutions

OUR MISSION

The Illinois Mine Subsidence Insurance Fund is a taxable enterprise created by Statute to operate as a private solution to a public problem.

The purpose of the Fund is to assure financial resources are available to owners of property damaged by mine subsidence. The Fund fills a gap in the insurance market for the benefit of Illinois property owners at risk of experiencing mine subsidence damage.

The Fund does this by:

- Providing reinsurance to insurance companies for damage caused by mine subsidence.
- Conducting geotechnical investigations to determine if mine subsidence caused the damage.
- Supporting and sponsoring mine subsidence related research and initiatives consistent with the public interest.
- Educating the public and the industry about mine subsidence and related issues.

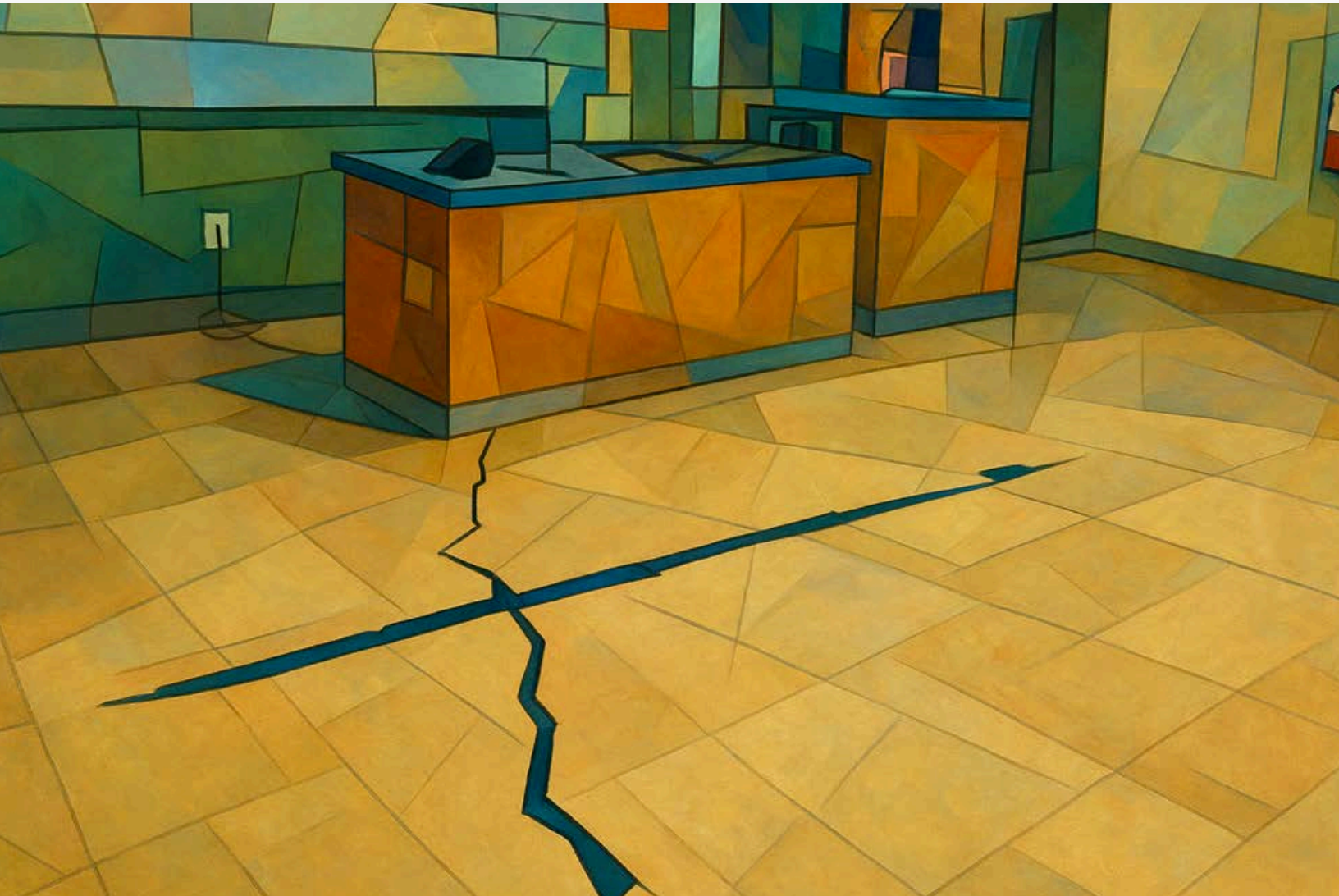




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JOINT LETTER FROM LEADERSHIP

In 2025, IMSIF embraced both the challenges and opportunities that come with transformation. As we worked to modernize long-standing processes and systems, we remained focused on improving service, strengthening partnerships, and building a foundation for the future.

A key area of progress was our claims adjusting process. We clarified the roles and responsibilities of insurance company claim adjusters, established comprehensive communication protocols, and developed an escalation process for situations where contractual obligations are not met.

Building on this work, IMSIF made the strategic decision to transition from contracted designated adjusters to an in-house adjusting team. While driven primarily by a commitment to service quality rather than cost savings, the initiative is poised to create greater consistency, accountability, and long-term value for our stakeholders.

Operationally, 2025 marked a significant milestone with the implementation of Microsoft Business Central, our fully integrated ERP platform. Following years of planning and preparation, the system went live in March and became the foundation for enhanced reporting, analytics, and operational efficiency. While we have only begun to explore its capabilities, the platform positions IMSIF for continued growth and innovation in the years ahead.

Throughout these efforts, we often found ourselves in what can best be described as the “messy middle” of change. Yet it is within this space that meaningful progress takes shape. By clearly identifying challenges through our strategic planning process, we strengthened our ability to develop thoughtful, forward-looking solutions.

Our 2025 Annual Report theme draws inspiration from Picasso and the Cubist movement. Cubism challenged traditional perspectives by examining subjects from multiple viewpoints and reassembling them into something richer and more complete. In much the same way,

IMSIF is approaching its work through a broader lens, integrating technology, data, education, collaboration, and partnerships to address increasingly complex needs while remaining grounded in our mission and experience.

Education and outreach remained central to that mission. During 2025, IMSIF achieved nearly 400 unique stakeholder touchpoints with insurance agents, realtors, claims adjusters, and members of the public. More than 200 of those interactions occurred through in-person and virtual learning opportunities developed and delivered by the Fund, helping expand awareness, strengthen relationships, and support informed decision-making across our communities.

As we look ahead, we remain committed to embracing innovation, fostering collaboration, and pursuing continuous improvement. The progress made in 2025 demonstrates that even in the midst of transformation, purposeful change can lead to lasting impact.



Paul O’Grady
Chairman of the Board

Heidi Weber
President & CEO



USHERING IN A NEW CHAIRMAN

We are pleased to recognize **Paul O'Grady** as Chairman of the Board effective in 2025, marking an exciting new chapter for IMSIF. His experience, unique perspectives, and leadership will be instrumental as we navigate a new era for our organization.

As we look to the future, we are confident his guidance will help strengthen our mission, foster continued growth and position IMSIF for long-term success.





IMSIF Board of Directors



Nancy Bufalino
Retired Executive
Insurance & Education
Insurance Industry-Elected
Director since 2019



Dorothy Even
Retired Executive
Insurance Investments
Insurance Industry-Elected
Director since 2010



Robert D. Gibson
Retired Geologist
Office of Surface Mining
Reclamation & Enforcement
Public Director since 2022



Charles M. Hill, Sr.
Retired Executive - Banking
Public Director since 1983



Corinne R. Kruse, JD
Global Head of Ceded
Reinsurance Operation &
Claims
Everest Insurance Company
Insurance Industry-Elected
Director since 2022



Paul O'Grady
Partner-Ancel Glink
Public Director since 2014

IMSIF Board of Directors (cont.)



Robert Ostgulen
Retired Executive-Insurance
Insurance Industry-Elected
Director since 1999



John Pintozzi
Retired Executive-Insurance
Insurance Industry-Elected
Director since 2024



Richard A. Sauget, Jr.
Mayor-Sauget, IL
Public Director since 2006





Richard A. Sedlak
Schmale Insurance
Insurance Producer
Director since 2009



Frederick M. Strauss
Retired Executive - Insurance
Insurance Industry-Elected
Director since 2007

IMSIF STAFF

HEIDI M. WEBER
President & CEO

BRANDON R. RAIMONDI
Vice President & CFO

MARC C. LOVRAK
VP of Reinsurance Operations

JESSICCA E. VARACALLI
Industry Relations/Consumer Education Manager

PATRICIA F. BEDNAREK
HR & Compliance Manager

ANDREA PAYTON
Claims Information Specialist

SAMANTHA STANEK
Accountant

Geotechnical Investigators:
MIKE ANDERSON
KEVIN DAUT
GREGORY J. GOLLAHER
BRYCE KAEMMERER
JOE ROBERTSON

Geospatial Dept.:
RIN KIRBY

Survey Dept.:
RANCE OLLIGES - Survey Coordinator
ETHAN ANDIS
COLIN GRAHAM
COLLIN PIERCE
BRENT SHELTON
JAIME TOOLEN

INDEPENDENT AUDITORS
Johnson Lambert, LLP
Park Ridge, Illinois

INDEPENDENT ACTUARIES
Milliman, Inc.
Chicago, Illinois

INVESTMENT MANAGERS
Conning & Company
Hartford, Connecticut

GENERAL COUNSEL
Todd S. Schenk
Tressler LLP



WITH GRATITUDE
The Retirement of Dave Owens



This year, we marked the retirement of Lead Surveyor Dave Owens after 31 years of dedicated service to IMSIF.

Colleagues thank Dave for years of mentorship, sharing his wisdom and guidance through challenges.

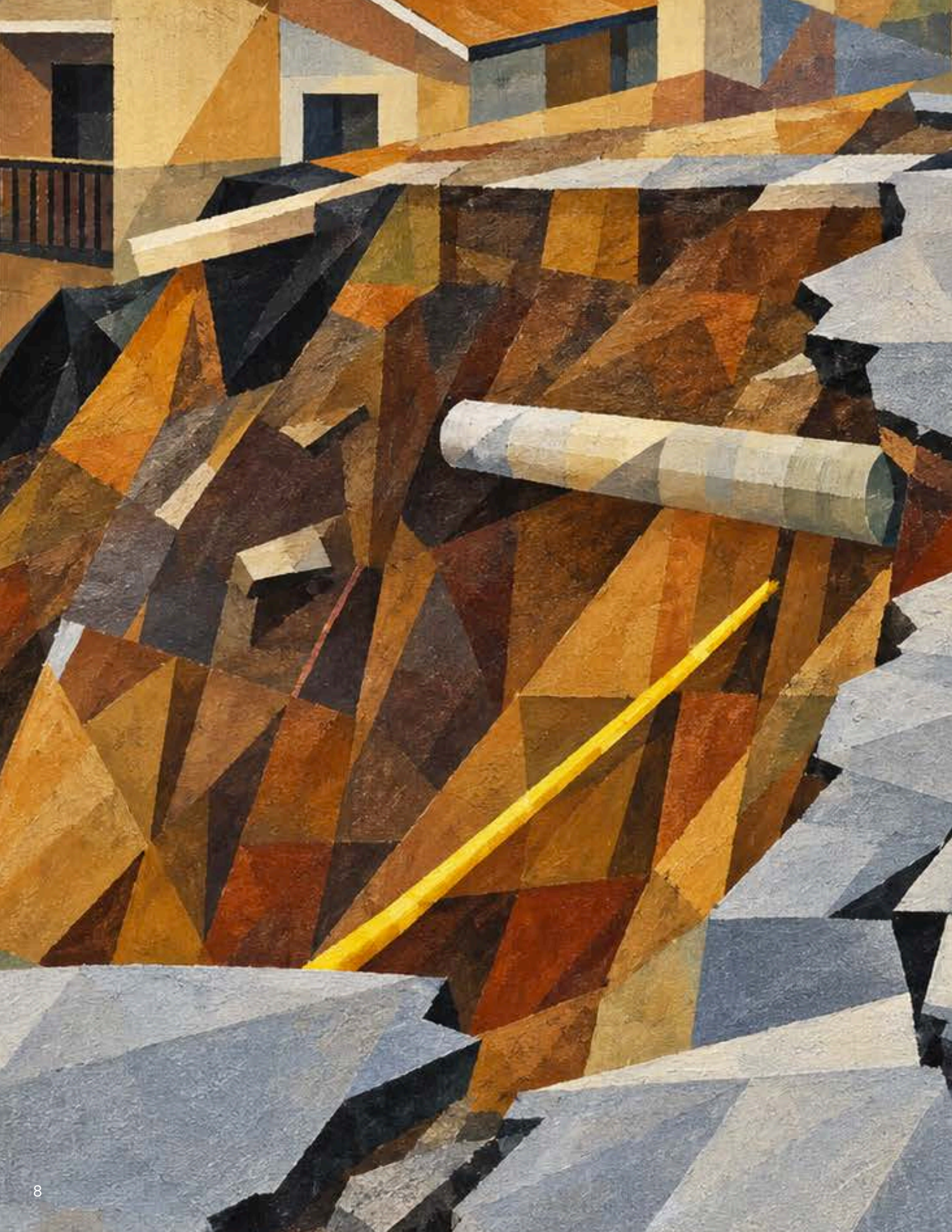


We are grateful for the commitment, knowledge, and professionalism he brought to our organization and wish him happiness and fulfillment in retirement.



"No one deserves this next chapter of relaxation and new adventures more than you. Wishing you all the best in your well-earned retirement and may the hunting and fishing be plentiful!" - Collin P





IN-HOUSE SOLUTIONS: DYNAMICS 365 CONNECTING DATA & DEPARTMENTS



The insurance industry has traditionally taken a measured approach to adopting new technology, reflecting the highly regulated and risk-sensitive nature of the business. Insurers must carefully balance the potential benefits of innovation with concerns surrounding data security, regulatory compliance, operational reliability, and the privacy of policyholders.

The pace of technological change, however, continues to accelerate, and stakeholder expectations have never been more demanding. IMSIF's leadership recognizes that remaining well-positioned for the future requires a disciplined yet proactive approach to embracing new technology.

With this in mind, IMSIF's objectives were to modernize its technology infrastructure, establish integrated and sustainable data systems, and leverage Microsoft Business Central and Dynamics 365 to enhance reporting, analytics, and forecasting. These investments also provide a foundation for the eventual streamlining of operations within the Claims Department, Geotechnical Investigations, and the Geospatial Program.

This updated environment helps to align departments and tasks across the organization, setting the stage for better informed decision making and an enhanced customer experience.

IN OUR COMMUNITY: 2025 PRESENTATION SERIES

2025 marked the launch of our presentation series designed to strengthen communication and engagement with our industry partners. Conceived, planned, and successfully executed by Industry Relations and Consumer Education Manager, Jessicca Varacalli, this initiative demonstrated exceptional leadership, vision, and dedication to fostering meaningful partnerships across the industries we serve.

This series included individual presentations tailored specifically to realtors, insurance agents and insurance adjusters, and provided an opportunity to address pertinent questions, share information, and discuss topics directly affecting the industries and professionals we serve.

By creating an open forum for conversation, we were able to provide greater clarity on key issues while reinforcing the value of collaboration and ongoing communication.

Equally important, the presentations allowed us to explore industry-specific challenges and better understand the concerns facing our partners in regard to mine subsidence.

These conversations encouraged the exchange of ideas, offered practical insight and helped identify areas where additional education and resources may be beneficial.

The series reflects our continued commitment to being an accessible, informed and responsive partner to the industries we serve.





By the numbers:

Number of agents, realtors and claim adjusters reached through Brunch & Learn Sessions and in-person meetings: **137**

85 Claim adjusters reached through Zoom and Teams meetings.

214 Insurance professionals that attended the Big I Illinois conference where we had our display and representatives.

Answered emails and phone calls from agents, realtors and the general public: **152**

SOCIAL MEDIA – A NEW TOOL FOR COMMUNITY ENGAGEMENT



As consumer expectations continue to evolve, maintaining accessible and relevant communication channels has become increasingly important. Social media provides a valuable touchpoint for homeowners, offering a convenient way to access information, find helpful resources, and stay informed about issues that may affect their property.

According to Pew Research Center's 2025 data, 80% of adults ages 30-49 actively use Facebook and 40% use LinkedIn, aligning with the National Association of REALTORS report that the median age for nearly half of first-time homebuyers in 2025 was forty years old.

Recognizing this opportunity, we introduced monthly posts on Facebook and LinkedIn to provide timely, useful and educational content on mine subsidence, the mine subsidence claim process, and IMSIF throughout the year. These communications are intended to increase awareness of available resources, address commonly asked questions and provide homeowners with credible information they can reference when needed.

Our social media efforts represent one component of a broader commitment to improving how we communicate and share information. As consumers increasingly turn to digital channels for research, education and guidance, it is important that homeowners can readily find accurate, easy-to-understand information from a trusted source. A consistent digital presence also allows us to direct consumers to more comprehensive resources while creating additional opportunities for engagement.

Looking ahead, we intend to continue expanding our digital footprint and the resources available to homeowners and industry partners. Building upon our monthly social media program, we will explore additional educational content, digital resources and communication opportunities that make information easier to find, understand and use.



WITH OUR PARTNERS: ISGS AND THE PROXIMITY REPORT



"Approximately 323,500 acres of urban and developed lands overlie or are immediately adjacent to underground mines."

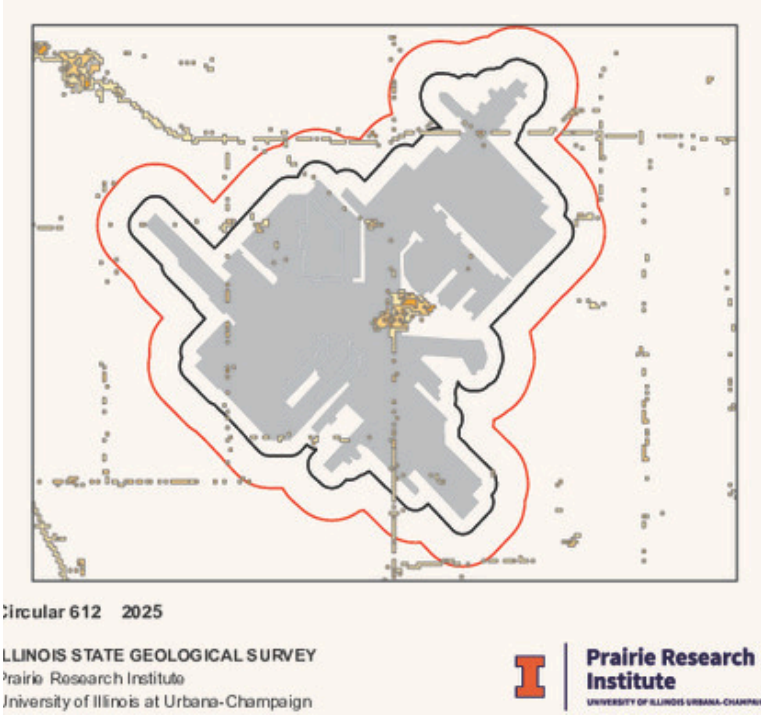
How do we know? The research is out!

We are pleased to announce the updated ***Proximity of Underground Mines to Urban and Developed Lands in Illinois*** report has been published.

Funded by IMSIF, projects such as the Proximity Report further confirms our commitment to providing valuable data and insights that help inform decision-making and strengthen understanding as it relates to mining and mine subsidence.

This extensively researched document was written, and research compiled by Alan R. Myers, Jennifer M. Obrad, Samantha L. Hager, and Christopher P. Korose in conjunction with ISGS, Prairie Research Institute and the University of Illinois Urbana-Champaign.

An update to Korose et al. (2009), this report provides insight into the proximity of urban and developed areas to coal and non-coal underground-mined areas in Illinois. This report maintains the previous assessment methodology while reflecting newly available data acquired in a variety of ways, including Geographic Information Systems (GIS) software and current US Census Bureau information.



The full report can be found at:

https://www.ideals.illinois.edu/items/136841

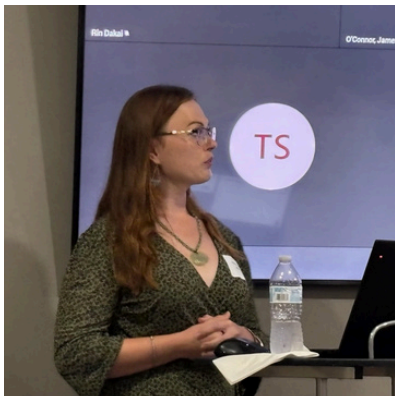
2025 GEOTECHNICAL SUMMER CONSORTIUM



Geospatial Analyst Rin Kirby reminded us that in 2021, IMSIF hosted a Summer Consortium that brought together industry experts for collaborative discussions on mine subsidence and related topics.



The Consortium was designed to do more than simply gather experts in one room. It provided a forum for connecting research with real-world experience and examining mine subsidence from multiple perspectives. Participants shared observations from the field, identified gaps in existing knowledge, discussed challenges facing Illinois communities, and explored how research and data could better inform future decisions.



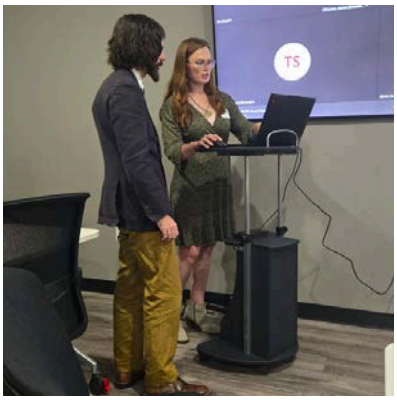


Recognizing that mine subsidence is a complex issue that crosses organizational and professional boundaries, we saw the value in continuing the collaborative efforts that began in 2021. With that goal in mind, IMSIF hosted the 2025 Geotechnical Summer Consortium.



The 2025 Consortium featured a well-researched presentation by Rin, along with presentations and discussions involving representatives from ISGS, IDNR, current and retired professionals with extensive experience in mining, geology, engineering, subsidence, and related fields.











FINANCIAL STATEMENTS:



Illinois Mine Subsidence Insurance Fund

Audited Financial Statements - Statutory

Years ended December31, 2025 and 2024
with Report of Independent Auditors

Illinois Mine Subsidence Insurance Fund

Audited Financial Statements - Statutory

Years ended December 31, 2025 and 2024

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Report of Independent Auditors

Board of Directors
Illinois Mine Subsidence Insurance Fund

Opinions

We have audited the accompanying individual and combined statutory financial statements of the Residential and Commercial Sub-Funds of the Illinois Mine Subsidence Insurance Fund (the "Fund"), which comprise the individual and combined balance sheets - statutory as of December 31, 2025 and 2024, and the related individual and combined statements of income - statutory, changes in surplus - statutory, and cash flows - statutory for the years then ended, and the related notes to the statutory financial statements.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the accompanying statutory financial statements present fairly, in all material respects, the admitted assets, liabilities, and surplus of the individual and combined Residential and Commercial Sub-Funds of the Illinois Mine Subsidence Insurance Fund as of December 31, 2025 and 2024, and the results of their operations and their cash flows for the years then ended, in accordance with the basis of accounting described in Note 2.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles section of our report, the statutory financial statements do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the individual and combined Residential and Commercial Sub-Funds of the Illinois Mine Subsidence Insurance Fund as of December 31, 2025 and 2024, or the results of their operations or their cash flows for the years then ended.

Basis for Opinions

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 the 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 opinions.

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

As described in Note 2 to the statutory financial statements, the Fund prepared these statutory financial statements using accounting practices prescribed or permitted by the Illinois Department of Insurance, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the statutory financial statements of the variances between these statutory accounting practices described in Note 2 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 statutory financial statements in accordance with the accounting practices prescribed or permitted by the Illinois Department of Insurance. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of statutory financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the statutory financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fund's ability to continue as a going concern for one year after the date that the statutory financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the statutory 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 statutory 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 statutory 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 statutory financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 statutory financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the 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.



Park Ridge, Illinois
May 28, 2026

Illinois Mine Subsidence Insurance Fund

Balance Sheets - Statutory

December 31, 2025 and 2024

	Residential Sub-Fund		Commercial Sub-Fund		Combined	
	2025	2024	2025	2024	2025	2024
Admitted Assets						
Cash and invested assets						
Bonds	$ 226,420,279	$ 209,656,640	$ 92,059,226	$ 86,225,966	$ 318,479,505	$ 295,882,606
Common stocks	7,465,243	6,643,928	3,049,183	2,713,717	10,514,426	9,357,645
Cash and cash equivalents	8,493,598	7,832,968	1,571,463	2,027,429	10,065,061	9,860,397
Real estate	1,674,949	1,713,144	476,767	487,540	2,151,716	2,200,684
Total cash and invested assets	244,054,069	225,846,680	97,156,639	91,454,652	341,210,708	317,301,332
Premiums receivable	7,925,684	7,537,610	1,936,360	1,924,919	9,862,044	9,462,529
Investment receivable	83	85	30	31	113	116
Accrued investment income	1,872,792	1,732,765	764,943	707,749	2,637,735	2,440,514
Net deferred tax asset	1,127,017	950,505	281,754	351,556	1,408,771	1,302,061
Other	3,197	3,077	799	919	3,996	3,996
Total Admitted Assets	$ 254,982,842	$ 236,070,722	$ 100,140,525	$ 94,439,826	$ 355,123,367	$ 330,510,548
Liabilities and Surplus						
Liabilities						
Loss and loss adjustment expense	$ 81,268,515	$ 73,646,158	$ 18,221,777	$ 18,600,903	$ 99,490,292	$ 92,247,061
Unearned premium	16,667,889	15,807,718	3,793,875	3,772,041	20,461,764	19,579,759
Commissions payable	1,188,853	1,130,641	378,122	384,984	1,566,975	1,515,625
Income tax payable	255,601	888,063	669,946	388,557	925,547	1,276,620
Accrued expenses	1,296,123	1,243,443	336,123	359,507	1,632,246	1,602,950
Total Liabilities	100,676,981	92,716,023	23,399,843	23,505,992	124,076,824	116,222,015
Surplus	154,305,861	143,354,699	76,740,682	70,933,834	231,046,543	214,288,533
Total Liabilities and Surplus	$ 254,982,842	$ 236,070,722	$ 100,140,525	$ 94,439,826	$ 355,123,367	$ 330,510,548

See accompanying notes to the statutory financial statements

Illinois Mine Subsidence Insurance Fund

Statements of Income - Statutory

Years Ended December 31, 2025 and 2024

	Residential Sub-Fund		Commercial Sub-Fund		Combined	
	2025	2024	2025	2024	2025	2024
Underwriting						
Premiums earned	$ 31,554,211	$ 30,158,382	$ 7,739,456	$ 7,585,912	$ 39,293,667	$ 37,744,294
Less underwriting expenses						
Loss and loss adjustment expense	18,471,007	15,178,448	1,080,821	1,458,549	19,551,828	16,636,997
Commissions	4,854,528	4,413,824	1,538,480	1,524,616	6,393,008	5,938,440
State income tax expense	1,432,479	1,588,366	802,500	691,461	2,234,979	2,279,827
Other underwriting expenses	2,369,833	1,843,170	478,621	598,802	2,848,454	2,441,972
Total underwriting expenses	27,127,847	23,023,808	3,900,422	4,273,428	31,028,269	27,297,236
Underwriting gain	4,426,364	7,134,574	3,839,034	3,312,484	8,265,398	10,447,058
Investment Income						
Net investment income	8,564,457	7,419,445	3,471,697	3,026,337	12,036,154	10,445,782
Net realized capital gains, net of tax	172,003	89,506	70,255	36,559	242,258	126,065
Net investment gain	8,736,460	7,508,951	3,541,952	3,062,896	12,278,412	10,571,847
Net income before federal income tax expense	13,162,824	14,643,525	7,380,986	6,375,380	20,543,810	21,018,905
Federal income tax expense	2,770,392	2,946,129	1,558,963	1,283,173	4,329,355	4,229,302
Net income	$ 10,392,432	$ 11,697,396	$ 5,822,023	$ 5,092,207	$ 16,214,455	$ 16,789,603

See accompanying notes to the statutory financial statements

Illinois Mine Subsidence Insurance Fund

Statements of Changes in Surplus - Statutory

Years Ended December 31, 2025 and 2024

	Residential Sub-Fund		Commercial Sub-Fund		Combined	
	2025	2024	2025	2024	2025	2024
Beginning Surplus	$ 143,354,699	$ 131,520,944	$ 70,933,834	$ 65,648,625	$ 214,288,533	$ 197,169,569
Net income	10,392,432	11,697,396	5,822,023	5,092,207	16,214,455	16,789,603
Change in unrealized capital gains, net of tax	230,643	508,036	94,206	207,508	324,849	715,544
Change in pension liability	630,880	31,674	75,609	91,879	706,489	123,553
Change in net deferred tax asset	227,660	94,316	(74,024)	33,982	153,636	128,298
Change in non-admitted assets	(530,453)	(497,667)	(110,966)	(140,367)	(641,419)	(638,034)
Ending Surplus	$ 154,305,861	$ 143,354,699	$ 76,740,682	$ 70,933,834	$ 231,046,543	$ 214,288,533

See accompanying notes to the statutory financial statements

Illinois Mine Subsidence Insurance Fund

Statements of Cash Flows - Statutory

Years Ended December 31, 2025 and 2024

	Residential Sub-Fund		Commercial Sub-Fund		Combined	
	2025	2024	2025	2024	2025	2024
Cash From Operations						
Premiums collected	$ 31,975,345	$ 31,677,137	$ 7,726,733	$ 7,527,563	$ 39,702,078	$ 39,204,700
Less underwriting expenses paid						
Loss and loss adjustment expenses paid	(10,757,049)	(12,830,413)	(1,436,873)	(1,586,938)	(12,193,922)	(14,417,351)
Commissions	(4,796,316)	(4,751,573)	(1,545,342)	(1,505,511)	(6,341,658)	(6,257,084)
Other	(2,357,946)	(2,694,852)	(674,381)	(857,565)	(3,032,327)	(3,552,417)
Net investment income	8,648,324	7,370,979	3,505,953	3,006,541	12,154,277	10,377,520
Federal income taxes paid	(4,881,056)	(3,181,400)	(2,098,749)	(1,438,600)	(6,979,805)	(4,620,000)
Net cash from operations	17,831,302	15,589,878	5,477,341	5,145,490	23,308,643	20,735,368
Cash From Investments						
Proceeds from bonds sold, matured, or repaid	49,855,655	19,815,118	20,363,577	8,093,498	70,219,232	27,908,616
Proceeds from common stocks sold	2,004,070	1,830,677	818,564	747,742	2,822,634	2,578,419
Cost of bonds acquired	(66,435,656)	(30,196,035)	(26,055,624)	(14,160,122)	(92,491,280)	(44,356,157)
Cost of common stocks acquired	(2,594,741)	(2,163,956)	(1,059,824)	(883,870)	(3,654,565)	(3,047,826)
Cost of real estate acquired	-	(575,973)	-	(162,454)	-	(738,427)
Net cash used in investments	(17,170,672)	(11,290,169)	(5,933,307)	(6,365,206)	(23,103,979)	(17,655,375)
Net change in cash and cash equivalents	660,630	4,299,709	(455,966)	(1,219,716)	204,664	3,079,993
Cash and cash equivalents, beginning of year	7,832,968	3,533,259	2,027,429	3,247,145	9,860,397	6,780,404
Cash and cash equivalents, end of year	$ 8,493,598	$ 7,832,968	$ 1,571,463	$ 2,027,429	$ 10,065,061	$ 9,860,397

See accompanying notes to the statutory financial statements

Illinois Mine Subsidence Insurance Fund

Notes to Statutory Financial Statements

Years ended December 31, 2025 and 2024

Note 1 - Organization and Nature of Operations

Illinois Mine Subsidence Insurance Fund was established by Illinois statute and is governed by Article XXXVIIIA (the "Article") of the Illinois Insurance Code. The purpose for establishing the Fund was to create a private reinsurer that offered mine subsidence reinsurance coverage to insurers doing business within the State of Illinois. The Fund was divided into two separate sub-funds (the "sub-funds") effective January 1, 1994. The Residential Sub-Fund provides reinsurance for mine subsidence losses arising from residential and living unit coverage. The Commercial Sub-Fund provides reinsurance for mine subsidence losses arising from commercial coverage.

According to the Article, the assets of the Residential Sub-Fund shall not be used to reimburse insurers for losses for commercial coverage and, likewise, the assets of the Commercial Sub-Fund shall not be used to reimburse insurers for losses for residential or living unit coverage.

By law, all insurance companies authorized to write basic property insurance in Illinois are required to offer mine subsidence insurance coverage. A mine subsidence loss is defined as a loss resulting from lateral or vertical ground movement, caused by a failure at the mine level, of man-made underground mines. Such insurance companies must further enter into reinsurance agreements with the Fund in which each company agrees to cede 100% of residential and commercial mine subsidence insurance to the Fund. In consideration for the ceding commission retained by such companies, they also agree to undertake adjustment of losses, payment of premium taxes and certain other expenses related to the sale of policies and certain aspects of the administration of the mine subsidence program.

Under the terms of the reinsurance agreements, the sub-funds will reimburse the ceding company for each claim, up to $750,000 per commercial building for policies issued or renewed on or after July 1, 2011 ($350,000 prior to July 1, 2011) and up to $750,000 per residential structure for policies issued or renewed on or after April 1, 2008 ($350,000 prior to April 1, 2008). Additionally, in accordance with Article, Section 806.1b of the Illinois Insurance Code, ceding insurers are not required to pay any claim for losses resulting from mine subsidence except to the extent that the amount available in the respective sub-fund is sufficient to reimburse the insurer.

Each ceding company is required to report the results of mine subsidence premium transactions and remit ceded premiums to the Fund on a quarterly basis. Such reports are due no later than 45 days after the close of each calendar quarter. Each ceding company is also required to report mine subsidence claim activity as it is reported by its policyholders.

Note 2 - Summary of Significant Accounting Policies

Basis of Reporting
These statutory financial statements have been prepared in accordance with accounting practices prescribed or permitted by the Illinois Department of Insurance (“SAP”), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America ("GAAP"). Prescribed accounting practices include a variety of publications of the National Association of Insurance Commissioners ("NAIC"), including the NAIC Accounting Practices and Procedure Manual, as well as state laws, regulations and general administrative rules. Permitted statutory accounting practices encompass all accounting practices that are not prescribed; such practices differ from state to state, may differ from company to company within a state, and may change in the future. There are no differences with respect to the Fund's statutory financial statements between SAP and the NAIC basis accounting practices.

The more significant variances between SAP and GAAP that affect the Fund are as follows:

a. *Investments:* Investments are valued in accordance with methods prescribed by the NAIC as set forth in Notes 2 and 3. Under SAP, bonds are generally carried at amortized cost or fair value based on rating received from the NAIC. Under GAAP, investments in bonds, other than those intended to be held-to-maturity, are recorded at fair value, with unrealized gains and losses recorded as either a separate component of accumulated other comprehensive income, net of tax (for bonds classified as "available-for-sale"), or as a direct charge to net income (bonds classified as "trading" securities). Under SAP, unrealized gains and losses on investments in equity securities are generally recorded as a direct credit or charge to surplus, net of the adjustment for deferred federal income taxes. Under GAAP, unrealized gains and losses on equity securities are reported directly in net income. The impairment and credit loss model is different for SAP and GAAP purposes.

b. *Policy Acquisition Costs:* Acquisition costs, such as commissions and other costs related to acquiring new business, are expensed as incurred under SAP; under GAAP, those costs related to successful contract acquisition, to the extent recoverable, are deferred and amortized as the related premiums are earned.

c. *Deferred Income Taxes:* Under SAP, the net deferred tax asset is computed for federal income taxes only and is subject to certain admissibility limitations based on prescribed rules. Changes in deferred taxes are reflected in surplus. Under GAAP, deferred taxes are provided for federal and state income taxes with changes generally reflected in the statements of income.

d. *Non-admitted Assets:* Non-admitted assets are excluded through a charge against surplus under SAP; under GAAP, non-admitted assets are reinstated to the balance sheet, net of any valuation allowance.

Note 2 - Summary of Significant Accounting Policies (Continued)

e. *Comprehensive Income:* Comprehensive income and its components are not presented in the statutory financial statements, which is required under GAAP.

f. *Realized Gains or Losses:* Under SAP, realized gains or losses are reported net of related federal income taxes while, under GAAP, such gains or losses are reported gross of tax.

g. *Statements of Cash Flows:* Cash and cash equivalents in the accompanying statutory statements of cash flows represent cash balances and investments with initial maturities of one year or less. Under GAAP, the corresponding caption cash and cash equivalents would include cash balances and investments with initial maturities of three months or less. Under GAAP, presentation of a reconciliation of net income to cash from operations is required. No such reconciliation is required under SAP.

The effects of the foregoing variances between SAP and GAAP have not been determined, but are presumed to be material.

Adoption of Accounting Principle
The Fund adopted the National Association of Insurance Commissioners (NAIC) Principles-Based Bond Definition (PBBD) guidance, which revises Statements of Statutory Accounting Principles (SSAP) No. 26 – *Bonds*, SSAP No. 43 – *Asset-Backed Securities*, and SSAP No. 21 – *Other Admitted Assets*, on January 1, 2025. The guidance replaces the prior classification rules for bonds with a principles-based approach. The guidance requires the Fund to use a principles-based approach to classify debt securities as either issuer credit obligations, asset-backed securities, or other invested assets based on their characteristics. The Fund updated investment disclosures to comply with the guidance.

The Fund adopted the guidance using the prospective approach. There was no impact to the Fund's net income or surplus from adopting the guidance as of January 1, 2025.

Note 2 - Summary of Significant Accounting Policies (Continued)

Accounting by the Sub-Funds
Premiums are credited and claim and claim adjustment expense is charged, net of related subrogation, to the Residential Sub-Fund or Commercial Sub-Fund based upon the nature of the insured property. The sub-funds' investment balances reflect their pro rata, undivided interests in the investment portfolio and are based on each sub-fund's respective cumulative investing activity. Investment income and expenses are allocated based upon the sub-fund's respective ownership of the investment portfolio, which is determined on a quarterly basis. Realized capital gains and losses are allocated based upon each sub-fund's respective share of the proceeds from the related sales. Other underwriting expenses are allocated to each sub-fund by formula, based on written premium. For the year ended December 31, 2025, the allocation percentage was 80% and 20% for the Residential Sub-Fund and Commercial Sub-Fund, respectively. For the year ended December 31, 2024, the allocation percentage was 78% and 22% for the Residential Sub-Fund and Commercial Sub-Fund, respectively. The Fund's income taxes are allocated between the sub-funds based on their pretax income.

Premium Revenue
Insurance premiums, as reported by ceding companies, are deferred as unearned premiums and earned on a pro rata basis over the terms of the policies. Premiums receivable relate to amounts due from ceding companies related to premiums collected on behalf of the Fund.

Loss and Loss Adjustment Expense Reserves
The reserve for loss and loss adjustment expense is the estimated amount necessary to settle both reported and unreported claims of reinsured losses based on (a) case basis estimates for losses reported by third-party ceding companies, adjusted in the aggregate for ultimate loss expectations, (b) estimates of unreported losses based upon past experience and (c) estimates of future expenses to be incurred in the settlement of losses (see Note 5).

In establishing the liability for loss and loss adjustment expenses, the Fund performs an independent calculation, comparing the findings to an independent consulting actuary. The choice of reserving methodology utilized by the actuary considers the number of years of experience, and the age of the accident year being developed. The following methods were used to evaluate ultimate retained losses for the Fund: Incurred plus Adjusted Case Reserve Development Method, Incurred plus Confirmed Case Reserve Development, Paid Loss Development Method, Bornhuetter-Ferguson using Earned Premiums and Adjusted Incurred Loss Method, Bornhuetter-Ferguson using Earned Premiums and Confirmed Incurred Loss Method, Bornhuetter Ferguson using Earned Premiums and Paid Loss Method, and Frequency and Severity Method. In 2024, the following method was also used to evaluate ultimate retained losses for the Fund: Adjusted Frequency and Severity Method.

Commissions
For the years ended December 31, 2025 and 2024, third-party ceding companies retain 15% of the Residential and 20% of the Commercial premiums remitted to the Fund as commission, respectively.

Note 2 - Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents
Cash and cash equivalents consist primarily of cash on deposit in bank accounts and money market funds. As of December 31, 2025 and 2024, qualifying money market funds are considered to be cash equivalents. At times, cash and cash equivalents may exceed Federal Deposit Insurance Corporation ("FDIC") insurance levels or may not be covered by FDIC insurance. The Fund believes it is not exposed to any significant credit risk on cash.

Investments
Investments are carried at values prescribed by the NAIC. Bonds are carried at values based on categories established by the NAIC that are primarily influenced by credit ratings. Bonds are carried at amortized cost or, for lower credit ratings, at the lower of amortized cost or NAIC fair value.

Common stocks are reported at fair value and the related net unrealized capital gain or loss is charged or credited directly to surplus, net of income tax.

Investment income consists primarily of interest and dividends and is recognized on an accrual basis. Realized capital gains and losses, resulting from sales of investments, represent the difference between the net proceeds and the cost or amortized cost of investments sold, determined on a specific-identification basis.

The Fund reviews its investment portfolio for factors that may indicate that a decline in the fair value of any investment is other than temporary impairment ("OTTI"). These declines in fair value are computed on a specific-identification method and are reflected in the statements of income - statutory in the period in which the decline was determined to be other than temporary. Where a decline in value has occurred, that is, other than temporary, investments will be written down to their estimated realizable value, generally fair value. The Fund did not record any other than temporary write downs in investments for the years ended December 31, 2025 and 2024, respectively.

Real Estate
Real estate represents Fund-owned and occupied office space which is depreciated on a straight-line basis over 39 years, the estimated life of the property.

Electronic Data Processing Equipment and Software
Nonoperating system software are carried at cost, less accumulated depreciation and are recorded as nonadmitted assets.

Note 2 - Summary of Significant Accounting Policies (Continued)

Pension and Other Post Retirement Plans
Any underfunded defined benefit pension and other post retirement plan amounts, are recognized as a liability and included in accrued expenses. Benefits expected to be earned by unvested participants are included in the calculation of net periodic pension cost and the projected benefit obligation is used to determine the related liabilities.

Use of Estimates
The preparation of financial statements in conformity with statutory accounting principles requires management to make estimates and assumptions that affect the amounts reported in the statutory financial statements and accompanying notes. The most significant estimates include reserves for loss and loss adjustment expense. Actual results could differ from those estimates.

Risks and Uncertainties
The Fund invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, liquidity, and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities may occur in the near term and those changes could materially affect the amounts reported on the statutory balance sheets.

Reclassifications
Certain 2024 balances have been reclassified to conform to the 2025 presentation. These changes had no effect on the Fund's results of operations or financial position at December 31, 2025.

Subsequent Events
The Fund evaluated subsequent events for recognition and disclosure through May 28, 2026, the date the statutory financial statements were available to be issued, and has not noted any events or transactions requiring recognition or disclosure.

Note 3 - Investments

The Residential and Commercial Sub-Funds have undivided interests in the investment portfolio of approximately 71% and 29% as of December 31, 2025 and 2024, respectively. The amortized cost, or cost for common stock, gross unrealized gains and losses, and fair value of investments in debt securities and common stocks are as follows:

At December 31, 2025	Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Bonds				
Issuer Credit Obligations:				
Municipal bonds – general obligations (direct & guaranteed)	$ 6,822,902	$ 1,061	$ (117,630)	$ 6,706,333
Municipal bonds – special revenue	34,694,407	148,806	(1,851,107)	32,992,106
Corporate bonds (unaffiliated)	130,869,593	1,623,088	(7,338,935)	125,153,746
Single entity backed obligations (unaffiliated)	211,307	-	(4,547)	206,760
Bonds issued by funds representing operating entities (unaffiliated)	4,846,717	52,240	(91,798)	4,807,159
Total issuer credit obligations	177,444,926	1,825,195	(9,404,017)	169,866,104
Asset-backed securities:				
Agency residential mortgage backed securities – guaranteed	347,564	55	(20,894)	326,725
Agency residential mortgage backed securities – not/partially guaranteed	102,867,441	867,202	(5,101,211)	98,633,432
Agency commercial mortgage backed securities – not/partially guaranteed	2,241,860	33,039	(63,391)	2,211,508
Non agency residential mortgage backed securities (unaffiliated)	12,332,160	45,870	(1,616,562)	10,761,468
Non agency commercial mortgage backed securities (unaffiliated)	9,552,466	-	(1,023,645)	8,528,821
Other financial asset backed securities – self liquidating (unaffiliated)	4,786,536	28,006	(7,031)	4,807,511
Lease backed securities – practical expedient (unaffiliated)	8,906,552	53,600	(274,191)	8,685,961
Total asset-backed securities	141,034,579	1,027,772	(8,106,925)	133,955,426
Total bonds	$ 318,479,505	$ 2,852,967	$ (17,510,942)	$ 303,821,530

At December 31, 2024	Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Corporate bonds	$ 131,149,372	$ 448,668	$ (10,377,489)	$ 121,220,551
State and municipal bonds	57,971,382	155,584	(3,042,380)	55,084,586
Asset-backed bonds	17,229,181	82,305	(424,238)	16,887,248
Mortgage-backed bonds	89,532,671	59,675	(10,670,097)	78,922,249
Total debt securities	$ 295,882,606	$ 746,232	$ (24,514,204)	$ 272,114,634

Note 3 - Investments (Continued)

At December 31, 2025	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Common stocks	$ 9,181,417	$ 1,728,948	$ (395,939)	$ 10,514,426

At December 31, 2024	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Common stocks	$ 8,349,486	$ 1,252,293	$ (244,134)	$ 9,357,645

Note 3 - Investments (Continued)

The following table shows the fair value and gross unrealized losses aggregated by investment category and length of time securities have been in a continuous unrealized loss position, as of December 31, 2025 and 2024:

	Less Than 12 Months		12 Months or Longer		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
At December 31, 2025						
Bonds	$ 20,730,257	$ (286,950)	$ 149,028,159	$ (17,223,992)	$ 169,758,416	$ (17,510,942)
Common stocks	1,326,454	(72,927)	2,783,801	(323,012)	4,110,255	(395,939)
Total	$ 22,056,711	$ (359,877)	$ 151,811,960	$ (17,547,004)	$ 173,868,671	$ (17,906,881)

	Less Than 12 Months		12 Months or Longer		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
At December 31, 2024						
Bonds	$ 37,980,511	$ (787,135)	$ 188,605,436	$ (23,727,069)	$ 226,585,947	$ (24,514,204)
Common stocks	1,468,143	(140,653)	960,616	(103,481)	2,428,759	(244,134)
Total	$ 39,448,654	$ (927,788)	$ 189,566,052	$ (23,830,550)	$ 229,014,706	$ (24,758,338)

Note 3 - Investments (Continued)

The Fund's bond portfolio is sensitive to interest rate fluctuations, which impact the fair value of individual securities. Virtually all unrealized losses on bonds were caused by certain securities with stated interest rates currently below market rates. The Fund does not believe the unrealized losses represent an other-than-temporary impairment as of December 31, 2025 or 2024, and has the intent and ability to hold until maturity or recovery.

The summary of the amortized cost and fair value of the Fund's investment in debt securities at December 31, 2025 by contractual maturity, is shown below:

	Carrying Value	Fair Value
Years to maturity:		
One or less	$ 3,437,657	$ 3,428,414
After one through five	67,697,552	66,677,635
After five through ten	66,493,663	65,897,508
After ten through twenty	23,562,784	20,975,711
Thereafter	16,253,270	12,886,836
Asset-backed securities	141,034,579	133,955,426
Total bonds	$ 318,479,505	$ 303,821,530

Actual maturities may differ from those scheduled as a result of prepayments by the issuers.

The proceeds from sales and calls of investments and the related gross realized gains (losses) on those sales as of December 31 are as follows:

	2025	2024
Proceeds from sales and calls:		
Bonds	$ 63,219,232	$ 26,783,616
Common stocks	2,822,634	2,578,419
Bonds:		
Gross realized gains on sales	45,629	35,549
Gross realized losses on sales	(254,780)	(93,147)
Common stocks:		
Gross realized gains on sales	741,784	489,719
Gross realized losses on sales	(225,977)	(272,545)
Net realized gains on sales	306,656	159,576
Income tax expense	(64,398)	(33,511)
Net realized gains on sales, net of tax	$ 242,258	$ 126,065

Note 3 - Investments (Continued)

The Fund had eleven and nine bonds sold, disposed, or redeemed in 2025 and 2024, respectively, as a result of a callable feature. Investment income of $0 was recorded as a result of prepayment penalties and acceleration fees at December 31, 2025 and 2024.

Net investment income is composed of the following for the years ended December 31:

	2025	2024
Investment income		
Bonds	$ 12,034,256	$ 10,477,680
Common stock	293,739	258,457
Cash and cash equivalents	129,410	98,988
Total investment income	12,457,405	10,835,125
Expenses		
Investment expenses incurred	(421,251)	(389,343)
Net investment income	$ 12,036,154	$ 10,445,782

Interest income due and accrued was $2,637,735 and $2,440,514 as of December 31, 2025 and 2024, respectively. No amounts were nonadmitted.

Note 4 - Fair Value of Financial Instruments

The Fund follows a three-level hierarchy for fair value measurements that distinguishes between market participant assumptions developed based on market data obtained from sources independent of the reporting entity ("observable inputs") and the reporting entity's own assumptions developed based on the best information available in the circumstances ("unobservable inputs"). The hierarchy level assigned to financial instruments recorded at fair value is based on the Fund's assessment of the transparency and reliability of the inputs used in the valuation of such instrument at the measurement date. The three hierarchy levels are defined as follows:

Level 1 – Valuations based on unadjusted quoted market prices in active markets for identical securities that the Fund has the ability to access.

Level 2 – Valuations based on observable inputs (other than Level 1 prices), such as quoted prices for similar assets at the measurement date; quoted prices in markets that are not active; or other inputs that are observable, either directly or indirectly.

Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement and involve management judgment.

Note 4 - Fair Value of Financial Instruments (Continued)

If the inputs used to measure fair value fall in different levels of the fair value hierarchy, the instrument is placed in the hierarchy level based upon the lowest level of input that is significant to the fair value measurement. Fair value estimates are made at a specific point in time based on relevant market information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Financial Assets Measured at Fair Value
The tables below present the Fund's investments aggregated by the level in the fair value hierarchy within which those measurements fall.

As of December 31, 2025

Description	Level 1	Level 2	Level 3	Total Fair Value	Admitted Asset Value
Bonds	$ -	$ 303,821,530	$ -	$ 303,821,530	$ 318,479,505
Common stocks	10,514,426	-		10,514,426	10,514,426
Total	$ 10,514,426	$ 303,821,530	$	$ 314,335,956	$ 328,993,931

As of December 31, 2024

Description	Level 1	Level 2	Level 3	Total Fair Value	Admitted Asset Value
Bonds	$ -	$ 272,114,634	$ -	$ 272,114,634	$ 295,882,606
Common stocks	9,357,645	-	-	9,357,645	9,357,645
Total	$ 9,357,645	$ 272,114,634	$ -	$ 281,472,279	$ 305,240,251

Bonds
The fair values for bonds are based on NAIC-prescribed market values, where available, or quoted market values. For bonds not actively traded, fair values are estimated using values obtained from independent pricing services that specialize in matrix pricing and modeling techniques for estimating fair values or internal pricing software generally based on market-observable inputs.

Common Stocks
The fair values for common stocks are based on their quoted market values in actively traded markets.

Note 5 - Reserve for Loss and Loss Adjustment Expense

As described in Note 2, management establishes reserves for loss and loss adjustment expense ("LAE") on reported and unreported claims for reinsured losses. The establishment of appropriate reserves is an inherently uncertain process. Furthermore, estimation of the ultimate reserve level is difficult due to the lack of industry and Fund historical claim data as a result of the relatively small mine subsidence claim population. Estimation is further complicated by the extended periods of time between the date the loss occurs and the date the loss is reported to the third-party ceding company and ultimately settled. Loss reporting to the Fund may be further delayed because the Fund must rely on the third-party ceding companies to report losses. Reserve estimates are regularly reviewed and updated using the most current information available. Any resulting adjustments, which may be material, are reflected in current operations.

Activity in the reserve for loss and LAE is summarized as follows:

	Residential Sub-Fund		Commercial Sub-Fund	
	2025	2024	2025	2024
Reserves, at January 1	$ 73,646,158	$ 71,280,594	$ 18,600,903	$ 18,724,349
Add:				
Provision for insured events of current year	19,660,024	21,006,931	4,802,148	3,856,943
Decrease in provision attributable to prior year events	(1,280,618)	(5,810,954)	(3,744,401)	(2,393,451)
Total incurred during the year	18,379,406	15,195,977	1,057,747	1,463,492
Deduct loss and LAE payments for claims, occurring during:				
Current year	1,256,884	975,464	203,478	171,651
Prior years	9,500,165	11,854,949	1,233,395	1,415,287
Total paid during the year	10,757,049	12,830,413	1,436,873	1,586,938
Reserves, at December 31	$ 81,268,515	$ 73,646,158	$ 18,221,777	$ 18,600,903

In 2025, the Fund experienced favorable loss development in the residential sub-fund. The changes are primarily the result of favorable development on the 2023-2024 accident years and 2017 and prior accident years. The Fund experienced favorable loss development in the commercial sub-fund in 2025, primarily as a result of favorable development of accident years 2024 and prior. In 2024, the Fund experienced favorable loss development in the residential sub-fund. The changes are primarily the result of favorable development on the 2023 and 2017 and prior accident years. The Fund experienced favorable loss development in the commercial sub-fund in 2024, primarily as a result of favorable development of accident years 2021-2023.

Note 5 - Reserve for Loss and Loss Adjustment Expense (Continued)

Reconciliation of incurred loss and LAE:

	Residential Sub-Fund		Commercial Sub-Fund	
	2025	2024	2025	2024
Amount included in above table	$18,379,406	$15,195,977	$ 1,057,747	$ 1,463,492
Expense items classified as LAE that do not affect reserves	91,601	(17,529)	23,074	(4,943)
Total	$ 18,471,007	$ 15,178,448	$ 1,080,821	$ 1,458,549

Management believes that the reserves for loss and LAE for the Residential and Commercial sub-funds at December 31, 2025 and 2024 are appropriately established in the aggregate and adequate to cover the ultimate net cost of reported and unreported claims arising from losses which had occurred by that date. However, the estimation process is inherently uncertain and actual amounts could vary significantly from amounts estimated.

The reserves for loss and LAE for the Residential sub-fund are recorded net of anticipated subrogation of $229,290 and $675,000 as of December 31, 2025 and 2024, respectively. There was no anticipated subrogation recorded for the Commercial sub-fund as of December 31, 2025 and 2024.

Note 6 - Other Underwriting Expenses

For the year ended December 31, 2025, the allocation percentage for other underwriting expenses was 80% and 20% for the Residential Sub-Fund and Commercial Sub-Fund, respectively. For the year ended December 31, 2024, the allocation percentage for other underwriting expenses was 78% and 22% for the Residential Sub-Fund and Commercial Sub-Fund, respectively. Other underwriting expenses consist of the following items:

	2025	2024
Salaries	$ 970,020	$ 896,339
Employee relations and benefits	336,895	370,161
Professional fees	858,200	483,305
Directors' fees	133,000	132,000
Rent, including allocated building overhead	163,249	157,736
Insurance	124,673	113,745
Research	100,000	49,380
Travel and meetings	50,607	52,136
Public awareness and relations	8,693	5,383
Purchase of equipment - net of disposals	501	90,527
Dues and memberships	27,615	40,656
Other	75,001	50,604
Total	$ 2,848,454	$ 2,441,972

Note 7 - Federal Income Taxes

The provision for Federal income taxes consists of the following components:

	2025	2024
Federal income tax expense	$ 4,329,355	$ 4,229,302
Realized capital gains tax expense	64,398	33,511
Total federal income tax expense	$ 4,393,753	$ 4,262,813

The provision for federal income taxes incurred is different from that which would be obtained by applying the Federal income tax rate to statutory income before income taxes primarily as a result of the tax-exempt interest deduction.

Note 7 - Federal Income Taxes (Continued)

Deferred federal income taxes arise from temporary differences between the valuation of assets and liabilities as determined for financial reporting purposes and federal income tax purposes. The Fund's temporary differences are measured at an effective tax rate of 21% as of December 31, 2025 and 2024. The amount of gross deferred tax asset calculated is then reduced for any valuation allowance and an admissibility test. In accordance with SSAP 101, the admissibility test is based on the realization threshold table and other limitations. The Fund also admitted deferred tax assets that can be used to offset against deferred tax liabilities.

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities as of December 31 are as follows:

	2025	2024
Deferred tax assets:		
Discounting of unpaid losses and LAE	$ 859,392	$ 1,147,822
Unearned premiums	1,276,868	822,350
Non-admitted assets	-	48,560
Total deferred tax assets	2,136,260	2,018,732
Nonadmitted deferred tax assets	(727,306)	(680,380)
Net admitted deferred tax asset	1,408,954	1,338,352
Deferred tax liabilities:		
Legislative change in loss discounting	-	36,291
Fixed assets	183	-
Total deferred tax liabilities	183	36,291
Net deferred tax asset	$ 1,408,771	$ 1,302,061

The change in net deferred income taxes, before consideration of the change in nonadmitted deferred tax assets, is comprised of the following at December 31:

	2025	2024	Change
Total deferred tax assets ("DTAs")	$ 2,136,260	$ 2,018,732	$ 117,528
Total deferred tax liabilities ("DTLs")	(183)	(36,291)	36,108
Net deferred tax asset	$ 2,136,077	$ 1,982,441	$ 153,636
Tax effect of change in unrealized capital gains			-
Change in net deferred income tax			$ 153,636

Note 7 - Federal Income Taxes (Continued)

The amounts of each component pursuant to SSAP 101 paragraph 11 by tax character are as follows:

	December 31, 2025		
	Ordinary	Capital	Total
Can be recovered through loss carrybacks (a)	$ 1,225,584	$ -	$ 1,225,584
Lesser of:			
Adjusted gross DTA expected to be recognized following the balance sheet date (b.i)	183,187	-	183,187
Adjusted gross DTA allowed per limitation threshold (b.ii)			34,445,666
Adjusted gross DTAs offset against existing DTLs (c)	183	-	183
DTAs admitted as a result of the application of SSAP 101 (a+b.i+c)	$ 1,408,954	$ -	$ 1,408,954

	December 31, 2024		
	Ordinary	Capital	Total
Can be recovered through loss carrybacks (a)	$ 1,172,781	$ -	$ 1,172,781
Lesser of:			
Adjusted gross DTA expected to be recognized following the balance sheet date (b.i)	129,280	-	129,280
Adjusted gross DTA allowed per limitation threshold (b.ii)			31,947,971
Adjusted gross DTAs offset against existing DTLs (c)	36,291	-	36,291
DTAs admitted as a result of the application of SSAP 101 (a+b.i+c)	$ 1,338,352	$ -	$ 1,338,352

Note 7 - Federal Income Taxes (Continued)

The ratio and amount of adjusted capital and surplus used to determine the recovery period and threshold limitation as of December 31 are as follows:

	2025	2024
Adjusted gross DTA / adjusted capital and surplus ratio % used to determine recovery period and threshold limitation amount	4%	4%
Realization threshold limitation	15%	15%
Amount of adjusted capital and surplus used to determine recovery period and threshold limitation amount	$229,637,771	$212,986,473

The Fund's tax-planning strategies did not include the use of reinsurance-related tax planning strategies.

At December 31, 2025, the Fund did not have any unused operating loss carryforwards available to offset against future taxable income.

The following are federal income taxes incurred in the current and prior year that may be available for recovery in the event of future net operating losses.

2025	$	4,355,778
2024	$	4,350,108

The Fund's federal income tax return is not consolidated with any entities for the years ended December 31, 2025 and 2024.

The Fund has no tax loss contingencies for which it is reasonably possible that the total liability will significantly increase within twelve months of the reporting date.

The Inflation Reduction Act ("Act") was enacted on August 16, 2022, and includes a corporate alternative minimum tax ("CAMT"). The Fund has determined that it does not expect to be liable for the CAMT in 2025.

Note 8 - Pension and Other Postretirement Plans

The Fund participates, along with other employers, in a defined benefit pension plan that is administered by an unaffiliated third party. The Fund's Board of Directors approved the closing of the defined benefit pension plan to new employees hired after June 30, 2012. All active full-time employees hired prior to July 1, 2012 are eligible for this plan. Coverage under this plan begins at the date of retirement, and normal retirement age is 65. Benefits under the plan are based primarily on years of service and employee compensation near retirement. The pension plan is funded per the 1974 Employee Retirement Income Security Act.

The Fund also provides certain life insurance and health care benefits for eligible retired employees. Coverage begins at the date of retirement with a normal retirement age of 65. Early retirement is allowed at ages 55 through 64 with at least 14 years and 1 day of service.

Life insurance amounts are based upon 200% of the basic annual earnings immediately prior to retirement. At age 65, life insurance benefits are reduced to $5,000.

Eligible retirees are also provided access to a Health Reimbursement Arrangement (HRA) account. The Fund contributes to the account in annually agreed upon lump sum amounts for retiree and eligible spouse.

A summary of assets, obligations and assumptions of the Pension, Post Employment and Other Postretirement Benefit Plans as of December 31 are as follows:

	Pension Benefits		Other Benefits	
	2025	2024	2025	2024
Change in benefit obligations:				
Benefit obligation, beginning of year	$ 8,595,523	$ 8,598,939	$ 1,372,023	$ 1,488,005
Service cost	60,990	89,856	29,235	29,205
Interest cost	450,144	438,343	70,771	71,014
Actuarial gain	(153,722)	(213,756)	(89,543)	(129,490)
Benefits paid	(413,031)	(317,859)	(41,953)	(86,711)
Benefit obligation, end of year	$ 8,539,904	$ 8,595,523	$ 1,340,533	$ 1,372,023
Change in plan assets:				
Fair value of plan assets, beginning of year	$ 8,622,325	$ 8,801,415	$ -	$ -
Actual return on plan assets	1,029,373	138,769	-	-
Employer contributions	-	-	41,953	86,711
Benefits paid	(413,031)	(317,859)	(41,953)	(86,711)
Fair value of plan assets, end of year	$ 9,238,667	$ 8,622,325	$ -	$ -

Note 8 - Pension and Other Postretirement Plans (Continued)

	Pension Benefits		Other Benefits	
	2025	2024	2025	2024
Funded Status: Overfunded (Underfunded)				
Assets (liabilities) recognized				
Asset (liability) for pension benefits	$ 698,763	$ 26,802	$ (1,340,533)	$ (1,372,023)
Total assets (liabilities) recognized	$ 698,763	$ 26,802	$ (1,340,533)	$ (1,372,023)
Components of net periodic benefit cost:				
Service cost	$ 60,990	$ 89,856	$ 29,235	$ 29,205
Interest cost	450,144	438,343	70,771	71,014
Expected return on plan assets	(482,411)	(492,597)	-	-
Amortization of net gain	-	-	(796)	-
Amount of loss recognized	-	51,192	-	-
Net periodic benefit cost	$ 28,723	$ 86,794	$ 99,210	$ 100,219
Changes in amounts recognized in accumulated surplus:				
Beginning unrecognized balances	$ 1,110,891	$ 1,022,011	$ (77,439)	$ 52,051
Amortization of net gain	-	-	796	-
Net loss recognized	-	(51,192)	-	-
New actuarial (gains) losses occurring	(700,684)	140,072	(89,543)	(129,490)
Ending unrecognized balances	$ 410,207	$ 1,110,891	$ (166,186)	$ (77,439)
Amounts in accumulated surplus that have not yet been recognized as components of net periodic benefit cost:				
Net recognized losses	$ 410,207	$ 1,110,891	$ (166,186)	$ (77,439)
Total	$ 410,207	$ 1,110,891	$ (166,186)	$ (77,439)

Note 8 - Pension and Other Postretirement Plans (Continued)

The assumptions used to determine the actuarial present value of the projected benefit obligations as of December 31 were as follows:

	Pension Benefits		Other Benefits	
	2025	2024	2025	2024
Discount rate	5.40%	5.60%	5.45%	5.60%
Average rate of compensation increase	4.00 %	4.00 %	4.00 %	4.00 %

The assumptions used to determine the net benefit cost as of December 31 were as follows:

	Pension Benefits		Other Benefits	
	2025	2024	2025	2024
Discount rate	5.60%	5.10%	5.60%	5.10%
Average rate of compensation increase	4.00 %	4.00 %	4.00 %	4.00 %
Expected long-term rate of return on plan assets	5.75%	5.75%	N/A*	N/A*

*There is no expected long-term rate of return since there are no invested assets in the plan.

Pension plan assets are invested in trusts comprised primarily of investments in various debt and equity funds. A fiduciary committee of the Plan establishes the target asset mix and monitors asset performance. The expected rate of return on assets includes the determination of a real rate of return for equity and fixed income investment applied to the portfolio based on their relative weighting, increased by an underlying inflation rate. The Fund's pension plan weighted average asset allocations by asset category are as follows:

	Target	Allocation December 31	
	2025	2025	2024
Asset Category			
Equity securities	40.0%	27.5%	28.5%
Debt securities	60.0	59.2	57.8
Other	0.0	13.3	13.7
Total	100.0 %	100.0 %	100.0 %

Note 8 - Pension and Other Postretirement Plans (Continued)

Following is a description of the valuation methodologies used for pension assets measured at fair value:

- *Equity securities*: Equity securities consist of various managed funds that invest primarily in common stocks. These securities are valued at the net asset value of shares held by the plan at year-end. The net asset value is calculated based on the underlying shares and investments held by the funds.

- *Debt securities:* Debt securities consist of fixed income funds that invest primarily in debt securities. These securities are valued at the net asset value of shares held by the plan at year-end. The net asset value is calculated based on the underlying shares and investments held by the funds.

- *Other:* Other consists of investments in cash and cash equivalents, pooled separate accounts and common collective trusts. Cash and cash equivalents are stated at cost, which approximates fair value.

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

The levels assigned to the pension plan assets as of December 31, 2025 and 2024, respectively, are summarized in the tables below:

	Level 1	Level 2	Level 3	Total	% of Total
2025					
Equity securities	$ 2,542,319	$ -	$ -	$ 2,542,319	27.5%
Bonds	-	5,469,465	-	5,469,465	59.2 %
Other	-	1,226,883	$ -	1,226,883	13.3 %
Total	$ 2,542,319	$ 6,696,348	$	9,238,667	100.0 %

	Level 1	Level 2	Level 3	Total	% of Total
2024					
Equity securities	$ 2,461,464	$ -	$ -	$ 2,461,464	28.5%
Bonds	-	4,978,811	-	4,978,811	57.8 %
Other	-	1,182,050	$ -	1,182,050	13.7 %
Total	$ 2,461,464	$ 6,160,861	$	8,622,325	100.0 %

Note 8 - Pension and Other Postretirement Plans (Continued)

The following benefit payments, which reflect expected future service as appropriate, are expected to be paid:

	Pension Benefits	Other Benefits
2026 2027	$ 502,861	$ 92,741
2028 2029	525,242	96,570
2030 2031 -	552,514	96,821
2035 Total	595,592	90,128
	616,491	92,646
	3,288,801	506,792
	$ 6,081,501	$ 975,698

In 2026, the Fund expects to contribute $0 to the pension plan and $92,741 to the other postretirement plan.

Note 9 - Non-admitted Assets

Components of non-admitted assets as of December 31, were as follows:

	2025	2024	Change
Prepaid expenses	$ 80,735	$ 81,320	$ (585)
Deferred tax asset: non-admitted	727,306	680,380	46,926
Overfunded pension plan asset	698,763	26,802	671,961
Electronic data processing equipment and software	1,086,467	1,163,350	(76,883)
Total	$ 2,593,271	$ 1,951,852	$ 641,419

AROUND THE OFFICE



Celebrating Spring with a few of our favorite people hunting for goodies.





In August we had the honor of welcoming Celeste Stiehl, and Edmund 'Ed' Murphy for an open house and lunch.

Celeste's legislative efforts were instrumental in establishing IMSIF, while Ed served as the organization's founding manager.



The management team, members of the Board of Directors, members of the Department of Insurance, and representatives from Albers met at the Ink House in September to discuss the challenges their town has faced with mine subsidence.





The IMSIF team celebrated each other and gave thanks at the 2025 Friendsgiving event.

Ending the year with gratitude and games at Dogwood Social House.




IMSIF
a private solution
to a public problem since 1979
For additional information about mine subsidence or the Illinois Mine Subsidence Insurance Fund, please visit WWW.IMSIF.com