The New NYSIF

Transforming the Customer Experience

2019 Annual Report

The New

NYSIF

Transforming the customer experience

Delivering excellent service and coverage is our overarching objective. We worked hard over the past year to provide customers with the products, services and convenience you asked for and we continue to focus on improvements that will enhance service.

The feedback we've received from policyholders, claimants and insurance agents included in this report are direct quotes and the result of our abiding sense of commitment to transforming the customer experience.

NYSIF

2019 Annual Report Financial Highlights

Workers' Compensation Fund (in thousands)

	2019	2018
Net Written Premium	$ 1,996,372	$ 2,256,138
Net Earned Premium	$ 2,057,856	$ 2,226,409
Net Investment Income	$ 744,878	$ 719,772
Net Income	$ $741,976	$ 1,066,651
Total Admitted Assets	$ 20,648,032	$ 19,388,838
Total Surplus	$ 8,205,020	$ 7,096,066

Disability Benefits Fund (in thousands)

	2019	2018
Net Written Premium	$ 58,069	$ 75,189
Net Earned Premium	$ 55,820	$ 56,707
Net Investment Income	$ 5,347	$ 5,049
Net Income	$ 9,495	$ 10,578
Total Admitted Assets	$ 256,125	$ 255,828
Total Surplus	$ 194,482	$ 185,408

A Message from our Chairman

Kenneth R. Theobalds
Vice President, Government & Regulatory Affairs, Entergy

For 106 years, NYSIF has met the insurance needs of thousands of New York State businesses, both large and small. Today, we are the leading workers' compensation insurance carrier in New York and rank among the top 10 carriers nationally. During the past year, we have increased efficiencies, streamlined processes, and enhanced communications to benefit policyholders and the injured workers who rely on us. Through it all, our mission remains the same: to be a competitive carrier committed to ensuring a fair marketplace and guaranteed coverage for New York employers and the timely payment of benefits to injured workers.

The Coronavirus Pandemic

As this report goes to press, NYSIF staff has been working remotely due to the global coronavirus pandemic (COVID-19). Economic activity has been severely impacted, and social distancing is the norm to help curb infection and halt the spread of COVID-19. We continue to assist policyholders to maintain coverage and promote health and safety practices.

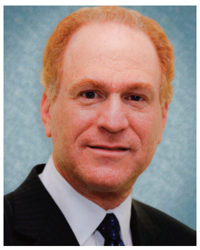
As Chairman, and on behalf of the Board of Commissioners, I extend our gratitude to NYSIF employees who through it all, have remained steadfast in their commitment to serving the public while balancing work, family, health and safety. Our executive team, under the leadership of Executive Director & CEO Eric Madoff, has continued to move forward with initiatives to improve and enhance service to our policyholders and claimants. We applaud their efforts to ensure that NYSIF continues to fulfill its mission. In the coming months, we will renew our focus on an equitable, diverse and inclusive workplace and promoting economic opportunity as appropriate. We hope that all can remain New York Strong, as we move through these unpredictable times.

I also want to thank Governor Andrew Cuomo for his continued support and his unparalleled leadership, which has made an invaluable difference to our agency and all New Yorkers.

Kenneth R. Theobalds
Chairman
NYSIF Board of Commissioners

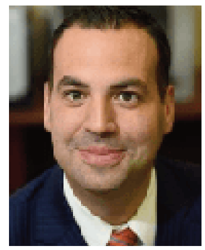
Our Board of Commissioners

Chairman **Kenneth R. Theobalds**
Vice President, Government & Regulatory Affairs, Entergy



Vice Chairman **Barry Swidler**
President
American Fire Restoration, LLC

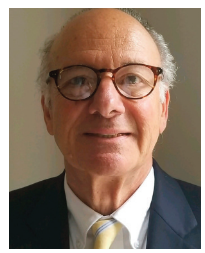
Nathaalie Carey
Executive Deputy Commissioner
*NYS Department of Labor**



Ryan Delgado
New York State AFL-CIO

Sean A. Graham
Senior Investment Officer
Cornell University

Dr. Navneet Kathuria, MD
Chief Medical Officer
Community Health Network



Dr. Dennis Kessler, SJD
Co-Owner Kessler Restaurants
Clinical Professor, Entrepreneurship,
University of Rochester
Simon School of Business

Charles B. MacLeod
Principal/Owner
SMM Advertising

Bhakti Mirchandani
Director
Responsible Investing
Trinity Church Wall Street

Louis J. Roberti, Jr.
Owner
Arroway Ford/
Arroway Tractor

Alexis E. Thomas
CEO & Founder
Preston Hollow Consultants

*(ex-officio)

A Message from our Executive Director & CEO

Eric Madoff
NYSIF Executive Director & CEO

Thank you for your interest in NYSIF. We have been engaged in a multi-year transformation to improve service for our customers, injured workers, and other stakeholders. We also faced challenges at the beginning of 2020 with the advent of the COVID pandemic. Notwithstanding those challenges, NYSIF has both continued to deliver on customer service enhancements and has also risen to the challenge of COVID, delivering industry-leading relief to our customers during this difficult time.

Policyholders

We've rolled out new systems to make it easier for prospective customers to purchase NYSIF insurance policies. Using our online application, policyholders and producers can apply for a policy, get a quote, and bind coverage in less than 15 minutes. The first policy written on this new platform was for a pizzeria in Central New York. The entire process took only a few minutes, from start to finish, and was completed in less time than it takes to make a pizza. That's quick!

We've streamlined our process for premium audit. Each year we reach out to policyholders to verify that we've charged the correct premium by verifying their payroll (and other information). Historically that process has been difficult for our customers. We've dramatically improved the experience by offering several enhancements including the ability to complete the entire premium verification process online and making the findings of our audits more clear to our customers. We are continuing to work on making this process easier for our customers.

We've improved our billing procedures, offering electronic notification of bills, autopay to our workers' comp and disability policyholders, and we've extended the number of days that our customers have to make their monthly payments by an extra five days.

Contact Center

Our Contact Center had great success in improving our service levels, achieving call answer rates of 99%, with average hold times less than 20 seconds. Their performance is remarkable. We've all had the experience of long wait times, trying to reach a customer service center. Our goal is to make sure that when a customer calls us, we answer the phone quickly and resolve their questions or concerns in one conversation.

We have been engaged in a multi-year transformation to improve service for our customers, injured workers, and other stakeholders.

"We have had nothing but positive things to say about NYSIF since we started with you a few years ago, so I am not surprised you are able to help."

– *Policyholder*

Transforming the customer experience

Injured Workers

We continue to make progress to improve our service to injured workers. One of the most important things that we can do is to pay a worker quickly who is missing work because of an injury and who is not receiving their regular paycheck. Over the past few years, NYSIF has made tremendous progress on improving the timeliness of initial payments to workers, attaining performance levels well above 95% timeliness from much lower levels in the past.

"You are the best. We really appreciate all that you do for us."

NYSIF has continued to deliver on customer service enhancements and has risen to the challenge of COVID, delivering industry - leading relief to our customers.

Transforming the customer experience

"Thanks VERY much for your help and OUTSTANDING customer service."

Producers

Some of our customers access our products via brokers and agents throughout the state. We continue to strengthen our relationship with these producers through our Producers' Advisory Council. Based on feedback from this group, we've taken numerous steps to make it easier for producers to do business with NYSIF. We look forward to continuing to build on these successes to strengthen our relationship with the producer community.

"Our team feels that NYSIF's service, compassion and flexibility have reached new heights. We believe that your services are market leading."

– *Broker*

COVID

During this period of disruption caused by COVID-19, NYSIF has adapted to provide extra assistance to our customers and claimants.

With the onset of COVID, we shifted our staff to working from home, in order to ensure their safety. We rolled out special programs to help our customers who were facing financial difficulty, including:

- Suspending cancellation of insurance policies for nonpayment during a period from March to August
- Suspending all late fees, installment fees, and interest charges
- Allowing our customers to pay off accumulated premium balances over a twelve-month period, without interest
- Lowering premium amounts due from our customers to reflect their reduced business activity

- Offering to work with any customer facing financial difficulty to keep their policy active
- Offering a premium credit for customers who purchased personal protective gear to protect their employees.

For the injured workers who rely on us, we proactively reached out to them to make sure that they were well. We offered to convert paper checks to electronic deposits to ensure delivery and safety. We created a telemedicine pilot to ensure that injured workers had safe access to health services.

"Thank you for your quick response, as always. I want you to know how appreciative I am for all the help over the years."
– *Claimant*

What's Next

In 2020, we will keep working to help our customers manage the impact of the coronavirus on their businesses. We also will continue to deliver enhancements to customer service. Our goal is to provide the best value in workers' compensation and disability benefits insurance, combining an attractive price with great service.

Thank you for choosing NYSIF to meet your workers' compensation and disability benefits insurance needs. I am proud to lead a team that is committed to making sure we provide you with the best possible customer service for many years to come.

Eric Madoff
Executive Director & CEO

Our goal is to provide the best value in workers' compensation and disability benefits insurance, combining an attractive price with great service.

Transforming the customer experience

"Thanks to you, I can support my baby while holding on to a job and a career I worked so hard to build. You help me keep up and not fall behind."

Responding to Our Customers' Needs

As the coronavirus (COVID-19) pandemic began to impact New York businesses, NYSIF notified policyholders having financial difficulties that we are here to help. We took measures to lower premium, extend terms and focus on industries hit hardest by the virus, giving our staff wide flexibility to assist all customers. Here are some samples of the feedback we received.

"I appreciate your courteous and professional handling of this unprecedented situation."

"Thank you for all your help! Under the circumstances, your prompt attention to our situation and your compassion is very comforting."

"Thank you very much for all the help you are giving to policyholders at this time. It is greatly appreciated."

"Thank you for your understanding and assistance. It may very well save my business!"

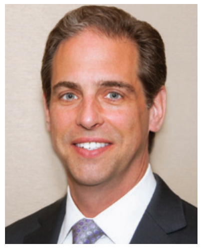
"At a time like this, you went out of your way to make sure that my business was taken care of."

"I want to thank you on behalf of all of my brokers and their clients. Everyone at NYSIF has been doing a phenomenal job assisting insureds in addressing their needs and concerns. Processes have been improving over the last few years, and the handling of this pandemic has put NYSIF as #1 in my opinion.

Congrats to everyone there; you are rock stars!"

"You are a lifesaver."

Our Executive Staff



Eric Madoff
Executive Director & CEO

Patricia Albert
Assistant Deputy Executive Director & Director, Claims Operations

Patricia Carroll
Director, Administration

Peter Cusick
Deputy Counsel & Assistant Secretary to the Board

Tanisha Edwards
General Attorney

Gregory Francis
Chief Investment Officer

Lori Fraser
Director, Contact Center

William Gratrix
Chief Financial Officer

Charlotte Griffin
Acting Chief Information Officer

Melissa Jensen
Director, Executive Project Management Office

Lawrence Montle
Chief Information Security & Privacy Officer

Joseph Mullen
Deputy Executive Director & Director, Policyholder Services

Shirley Stark
Deputy Executive Director & Chief Operating Officer

INDEPENDENT AUDITORS' REPORT

EISNERAMPER

To the Board of Commissioners of
The State Insurance Fund Workers' Compensation Fund
New York, New York

Report on the Statutory Basis Financial Statements
We have audited the accompanying statutory basis financial statements of the State Insurance Fund Workers' Compensation Fund, which comprise the statutory basis statements of admitted assets, liabilities and surplus as of December 31, 2019 and 2018, and the related statutory basis statements of income, surplus, and cash flows for the years then ended, and the related notes to the statutory basis financial statements.

Management's Responsibility for the Statutory Basis Financial Statements
Management is responsible for the preparation and fair presentation of these statutory basis financial statements in accordance with the accounting practices prescribed or permitted by the New York State Department of Financial Services. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of statutory basis financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these statutory basis financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the statutory basis financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the statutory basis financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the statutory basis financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the statutory basis financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the statutory basis financial statements.

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 2A to the financial statements, the State Insurance Fund Workers' Compensation Fund prepared these financial statements using accounting practices prescribed or permitted by the New York State Department of Financial Services, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statements of the variances between these statutory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

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" paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the State Insurance Fund Workers' Compensation Fund as of December 31, 2019 and 2018, or the results of its operations or its cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting
In our opinion, the statutory basis financial statements referred to above present fairly, in all material respects, the admitted assets, liabilities and surplus of the State Insurance Fund Workers' Compensation Fund as of December 31, 2019 and 2018, and the results of its operations and its cash flows for the years then ended on the basis of accounting described in Note 2A.

Emphasis of Matter
As described in Note 2A, the State Insurance Fund Workers' Compensation Fund has significant prescribed accounting practices that are mandated by New York State Workers' Compensation Law in accordance with the financial reporting provisions of the New York State Department of Financial Services.

Our opinion is not modified with respect to this matter.

EISNERAMPER LLP
New York, New York
May 21, 2020

EisnerAmper LLP

NEW YORK STATE INSURANCE FUND
WORKERS' COMPENSATION FUND

Statutory Basis Statements of Admitted Assets, Liabilities and Surplus
As of December 31, 2019 and 2018 (in thousands)

	2019	2018
Admitted assets		
Cash and invested assets:		
Bonds—at NAIC carrying value	**$ 16,292,127**	$ 15,900,108
Common stocks	**1,849,910**	1,417,855
Real estate	**104,832**	97,304
Cash, cash equivalents and short-term investments	**528,784**	160,482
Receivables for securities and security lending reinvested collateral assets	**241,384**	185,589
Total cash and invested assets	**19,017,037**	17,761,338
Premium receivables	**123,589**	122,730
Accrued investment income	**114,504**	102,920
Advance Workers' Compensation Board assessments	**84,314**	82,076
Due from affiliates	**7,643**	15,247
Other admitted assets	**5,945**	9,527
Contingent receivable from New York State	**1,295,000**	1,295,000
Total admitted assets	**$ 20,648,032**	$ 19,388,838
Liabilities and surplus		
Liabilities:		
Reserve for losses	**$ 9,098,559**	$ 9,044,703
Reserve for loss adjustment expenses	**905,088**	950,512
Unearned premiums	**361,812**	396,644
Contingent policyholder dividends	**1,636,681**	1,504,475
Payables for securities and securities lending	**254,636**	186,175
Accrued expenses and other liabilities	**186,236**	210,263
Total liabilities	**12,443,012**	12,292,772
Surplus:		
Appropriated surplus funds:		
Security fluctuation surplus	**1,600,000**	1,350,000
Catastrophe surplus	**399,561**	399,561
Foreign terrorism catastrophe surplus	**648,973**	605,339
Domestic terrorism catastrophe surplus	**122,275**	114,596
Postemployment benefits surplus	**696,843**	680,428
Unassigned surplus	**4,737,368**	3,946,142
Total surplus	**8,205,020**	7,096,066
Total liabilities and surplus	**$ 20,648,032**	$ 19,388,838

See accompanying notes to statutory basis financial statements.

NEW YORK STATE INSURANCE FUND
WORKERS' COMPENSATION FUND

Statutory Basis Statements of Income
for the Years Ended December 31, 2019 and 2018 (in thousands)

	2019	2018
Underwriting income:		
Net written premium	**$ 1,996,372**	$ 2,256,138
Net earned premium	**$ 2,057,856**	$ 2,226,409
Underwriting expenses:		
Losses incurred	**1,284,072**	1,391,543
Loss adjustment expenses incurred	**135,081**	158,767
Other underwriting expenses incurred	**170,255**	201,919
Total underwriting expenses	**1,589,408**	1,752,229
Net underwriting profit	**468,448**	474,180
Investment income earned:		
Investment income	**579,417**	536,399
Investment expenses	**(31,504)**	(33,017)
Net realized capital gains	**196,965**	216,390
Net investment income earned	**744,878**	719,772
Other income (expenses):		
Bad debt expense	**(129,545)**	(110,458)
Finance and service charges	**20,451**	15,568
Miscellaneous income	**4,041**	3,565
Dividend expense to policyholders	**(366,297)**	(35,976)
Total other expenses	**(471,350)**	(127,301)
Net income	**$ 741,976**	$ 1,066,651

See accompanying notes to statutory basis financial statements.

NEW YORK STATE INSURANCE FUND
WORKERS' COMPENSATION FUND

Statutory Basis Statements of Surplus
for the Years Ended December 31, 2019 and 2018 (in thousands)

	Appropriated Surplus Funds						
	Security Fluctuation Surplus	Catastrophe Surplus	Foreign Terrorism Catastrophe Surplus	Domestic Terrorism Catastrophe Surplus	Postemployment Fringe Benefits	Unassigned Surplus	Total Surplus
Balance—January 1, 2018	$ 1,050,000	$ 399,561	$ 559,561	$ 106,535	$ 506,624	$ 3,321,338	$ 5,943,619
Net income	-	-	-	-	-	1,066,651	1,066,651
Change in net unrealized capital gain (loss) - investments	-	-	-	-	-	(305,695)	(305,695)
Increase in nonadmitted assets	-	-	-	-	-	71,920	71,920
Contributed Surplus - State of New York	-	-	-	-	-	209,399	209,399
Appropriated surplus adjustment - Postemployment fringe benefits	-	-	-	-	110,172	-	110,172
Appropriation of unassigned to (from) appropriated surplus	300,000	-	45,778	8,061	63,632	(417,471)	-
Balance—December 31, 2018	1,350,000	399,561	605,339	114,596	680,428	3,946,142	7,096,066
Net income	-	-	-	-	-	741,976	741,976
Change in net unrealized capital gain (loss) - investments	-	-	-	-	-	356,136	356,136
Increase in nonadmitted assets	-	-	-	-	-	10,842	10,842
Appropriation of unassigned to (from) appropriated surplus	250,000	-	43,634	7,679	16,415	(317,728)	-
Balance—December 31, 2019	**$ 1,600,000**	**$ 399,561**	**$ 648,973**	**$ 122,275**	**$ 696,843**	**$ 4,737,368**	**$ 8,205,020**

See accompanying notes to statutory basis financial statements.

NEW YORK STATE INSURANCE FUND
WORKERS' COMPENSATION FUND

Statutory Basis Statements of Cash Flows
for the Years Ended December 31, 2019 and 2018 (in thousands)

	2019	2018
Cash flows from operations:		
Premiums collected, net of reinsurance	**$ 2,043,665**	$ 2,240,869
Net investment income	**522,519**	460,164
Miscellaneous expense	**(102,821)**	(93,488)
Losses and loss adjustment expenses paid, net of salvage and subrogation	**(1,230,216)**	(1,387,923)
Expenses paid	**(356,263)**	(363,027)
Dividends paid to policyholders	**(234,091)**	(202,484)
Net cash provided by operations	**642,793**	654,111
Cash flows from investments:		
Proceeds from investments sold, matured or repaid	**6,826,580**	5,243,467
Cost of investments acquired	**(7,079,379)**	(5,929,957)
Other applications	**(56,168)**	(143,592)
Net cash used in investments	**(308,967)**	(830,082)
Net cash flows from other sources	**34,476**	121,083
Net change in cash and short-term investments	**368,302**	(54,888)
Cash and short-term investments: Beginning of year	**160,482**	215,370
Cash and short-term investments: End of year	**$ 528,784**	$ 160,482

See accompanying notes to statutory basis financial statements.

Notes to Statutory Basis Financial Statements for the Years Ended December 31, 2019 and 2018 (in thousands)

NOTE 1 - ORGANIZATION AND PURPOSE

The New York State Insurance Fund (NYSIF), which includes the operations of the Workers' Compensation Fund (WCF) and the Disability Benefits Fund (DBF), is a nonprofit agency of the State of New York (the State). NYSIF also administers the Aggregate Trust Fund (ATF). By statute, NYSIF maintains separate records for each fund.

In *Methodist Hospital of Brooklyn v. State Insurance Fund (1985)*, The New York State Court of Appeals held that NYSIF is "a State agency for all of whose liabilities the State is responsible…".

The home office properties are occupied jointly by all three funds. Because of this relationship, WCF incurs joint operating expenses subject to allocation based on the level of services provided. Management believes the method of allocating such expenses is fair and reasonable. WCF allocates the cost of services rendered to DBF based on a percentage of DBF employees, salaries and square footage occupied. There is no direct allocation charged to ATF. A flat fee of either 3% or 6% of losses incurred is charged by WCF dependent upon the date of the award (refer to Note 8).

Workers' compensation insurance covers job-related disabilities and includes the cost of medical treatment.

WCF also administers the Workers' Compensation Program for the State, which self-insures.

WCF has exposure to catastrophes, which are an inherent risk of the property/casualty insurance business, which have contributed, and may contribute, to material year-to-year fluctuations in WCF's results of operations and financial position.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation:
The accompanying statutory basis financial statements of WCF are presented in conformity with accounting practices prescribed by the New York State Department of Financial Services (JPDFS). DFS recognizes only New York Statutory Accounting Practices (NY SAP) for determining and reporting the financial condition and results of operations of an insurance company and for determining its solvency under New York State Insurance Law. The National Association of Insurance Commissioners' (NAIC) Accounting Practices and Procedures Manual (NAIC SAP), effective January 1, 2001 and subsequent revisions, have been adopted as a component of NY SAP.

Differences between NAIC SAP and NY SAP:

The State has adopted certain prescribed accounting practices that differ from those found in NAIC SAP. Such differences are identified herein as NY SAP where applicable. Specifically, Electronic Data Processing (EDP) and related equipment, constituting a data processing, record keeping or accounting system with a cost of $50 and greater shall be depreciated over a period not to exceed 10 years under NY SAP.

In addition, the Superintendent of DFS has the right to permit other specific practices that may deviate from prescribed practices. WCF, as mandated by New York State Workers' Compensation Law, discounts all loss and loss adjustment expense reserves at 5%, is not required to calculate Risk Based Capital and records the contingent receivable from the State as an admitted asset.

WCF discounts all reserves, including pension and non-pension reserves, for loss and loss adjustment expenses at 5%. If no discounting was used, statutory surplus would decrease by $6,668,739 and $6,799,532 as of December 31, 2019 and 2018. If the contingent receivable from the State was not prescribed as an admitted asset, total statutory surplus would decrease by $1,295,000 as of both December 31, 2019 and 2018.

The cumulative effect of prescribed practices by NY SAP or as mandated by New York State Workers' Compensation Law on WCF's total surplus and net income for the years ended December 31, 2019 and 2018 is as follows:

	2019	2018
Surplus		
Total surplus as shown on statutory statements - NY SAP	$ 8,205,020	$ 7,096,066
Discounting of loss and loss adjustment expense reserves at 5% *	(6,668,739)	(6,799,532)
Contingent receivable from State of New York	(1,295,000)	(1,295,000)
Total cumulative effect	(7,963,739)	(8,094,532)
Total adjusted surplus (deficit) - NAIC SAP	$ 241,281	$ (998,466)
Net Income		
Total net income as shown on statutory statements - NY SAP	$ 741,976	$ 1,066,651
Discounting of loss and loss adjustment expense reserves at 5% *	130,792	39,799
Total cumulative effect	130,792	39,799
Total adjusted net income - NAIC SAP	$ 872,768	$ 1,106,450

* Under NAIC SAP, certain pension tabular case reserves would be discounted at an appropriate interest rate. The amount of tabular discount at 3.5% as of December 31, 2019 and 2018, would be $2,214,854 and $2,339,298.

The accounting practices and procedures of NY SAP and NAIC SAP (collectively referred to as (SAP) comprise a comprehensive basis of accounting other than generally accepted accounting principles in the United States (U.S. GAAP). The more significant differences between SAP and U.S. GAAP, which are applicable to WCF, are set forth below:

a. Bonds are generally carried at amortized cost. Under U.S. GAAP, such securities are classified into "held to maturity" and reported at amortized cost, or "trading" and reported at fair value with unrealized gains and losses included in earnings, or "available for sale" and reported at fair value with unrealized gains and losses reported as a separate component of surplus.

All single class and multi-class mortgage-backed/asset-backed securities are adjusted for the effects of changes in prepayment assumptions on the related accretion of discount or amortization of premium of such securities using either the retrospective or prospective methods. If it is determined that a decline in fair value is other-than-temporary, the cost basis of the security is written down to the discounted estimated future cash flows. Under U.S. GAAP, all securities, purchased or retained, that represent beneficial interests in securitized assets (e.g., collateralized mortgage obligations or asset-backed securities), other than high-credit quality securities, are adjusted using the prospective method when there is a change in estimated future cash flows. If it is determined that a decline in fair value is other-than-temporary, the cost basis of the security is written down to the discounted fair value.

b. Common stocks are reported at fair value, as determined by the NAIC's Securities Valuation Office (SVO) and other independent pricing sources and the related net unrealized capital gains and losses are reported in unassigned surplus. Under U.S. GAAP, common stocks are reported at fair value with unrealized gains and losses included in earnings.

c. Cash and short-term investments in the statutory basis statements of cash flows represent cash balances and investments with initial maturities of one year or less. Under U.S. GAAP, the corresponding caption of cash and cash equivalents includes cash balances and investments with initial maturities of three months or less.

d. Policy acquisition costs (principally underwriting and marketing related costs) are expensed as incurred, whereas under U.S. GAAP, these costs are capitalized and amortized to income on the same basis as premium income is recognized.

e. WCF records written premiums when billed to policyholders and earns the related income over the life of the policy. Under U.S. GAAP, premiums would be recognized as written premium on the effective date of the policy and earned over the life of the policy.

f. Certain assets designated as non-admitted assets (principally premiums in the course of collection outstanding over 90 days, 10% of earned but unbilled premium and office furniture and equipment) are charged directly against surplus. Under U.S. GAAP, such non-admitted assets would be included in total assets, less valuation allowances.

g. EDP and related equipment with a cost of $2 and greater are depreciated over an estimated useful life up to 3 years. Under U.S. GAAP, all EDP and related equipment would be recorded as assets, less accumulated depreciation over their useful lives.

h. WCF's contingent receivable (Note 6) of $1,295,000 from the State does not have a due date. This contingent receivable is carried at the amount transferred to the State without consideration for collectability or imputed interest. Under U.S. GAAP, such an amount would be excluded from the balance sheet.

i. The reserves for losses and loss adjustment expenses are discounted to their present value using an annual effective interest rate of 5% during 2019 and 2018. Under U.S. GAAP, the interest rate would be based on market rates and earnings expectations.

j. An appropriation for security fluctuations has been established for the difference between the amortized cost of securities and their fair value. Such an appropriation is established for future contingencies, rather than allocated to specific investments. In addition, a reasonable portion of unassigned surplus has been established as an appropriation for catastrophes and for postemployment benefits.

k. For real estate owned and occupied by NYSIF, rental income and corresponding rental expense is recorded. Under U.S. GAAP, no such income or expense is recorded.

l. The balance sheet under SAP is reported net of reinsurance, while under U.S. GAAP, the balance sheet reports reinsurance recoverables, including amounts related to ceded losses incurred but not reported and prepaid reinsurance premiums, as an asset.

m. Comprehensive income and its components are not presented in the statutory basis financial statements.

n. The net amount of all cash accounts is reported jointly. Cash accounts with positive balances are not reported separately from cash accounts with negative balances. If in the aggregate, the reporting entity has a net negative cash balance, it is reported as a negative asset. Under U.S. GAAP, positive cash balances are reported as assets while net negative cash balances are reported as liabilities.

o. The aggregate effect of the foregoing variances on the accompanying statutory basis financial statements has not been determined, however, it is presumed to be material.

B. Investments:

Investments are generally valued in accordance with the valuation procedures of the NAIC.

Bonds are valued in accordance with the requirements of the NAIC's SVO. Bonds are principally carried at amortized cost. Discount or premium on bonds is amortized using the scientific method, which is a variation of the effective interest method. Short-term investments consist of bonds purchased within a year of the maturity date, which are stated at amortized cost. Market value is primarily based on market prices obtained from the SVO, and JPMorgan Chase.

For mortgage-backed fixed maturity securities, WCF recognizes income using constant effective yield based on anticipated prepayments over the economic life of the security. Mortgage-backed securities are accounted for under the retrospective method and prepayment assumptions are based on market conditions. When actual payments differ significantly from anticipated prepayments, the effective yield is recalculated to reflect actual payments to date and anticipated future payments and any resulting adjustment is included in net investment income.

Common stocks are carried at fair value, which is obtained from the SVO and other pricing sources. Unrealized gain or loss for common stocks is the change in fair value from the prior year-end and is reflected as a separate component of unassigned surplus. Realized gains and losses are calculated based on the difference between cost and the consideration received at the time of sale and are included in the statutory basis statements of income.

Receivable and payable for securities represent sales and purchases of securities that are unsettled at year-end.

Realized gains and losses on the sale of investments are calculated based on the difference between the carrying value and the consideration received at the time of sale and are included in the statutory basis statements of income.

Investment income earned consists primarily of interest and dividends. Interest is recognized on an accrual basis and dividends are recorded as earned at the ex-dividend date. Interest income on mortgage-backed and asset-backed securities is determined on the effective yield method based on estimated principal repayments. Accrual of income is suspended for bonds and mortgage loans that are in default or when the receipt of interest payments is in doubt. Realized capital gains and losses are determined using the first-in, first-out method.

An investment in a debt or equity security is impaired if its fair value falls below book value and the decline is considered other-than-temporary. Factors considered in determining whether a loss is other-than-temporary include the length of time and extent to which fair value has been below cost; the financial condition and near term prospects of the issuer; and WCF's ability and intent to hold the investment for a period of time sufficient to allow for any anticipated recovery. A debt security is impaired if it is probable that WCF will not be able to collect all the amounts due under the security contractual terms. Equity investments are impaired when it becomes apparent that WCF will not recover its cost over the expected holding period. Other-than-temporary declines in fair value of investments are included in realized losses. The amount recorded in the statutory basis statements of income in 2019 and 2018 for realized impaired losses was $45,272 and $63,509.

C. Real Estate:

WCF records buildings at cost less accumulated depreciation calculated over estimated useful life of 25 years, using the straight-line method. All property owned by NYSIF is used primarily for its own operations. In accordance with statutory accounting practices, WCF records both rental income and rental expense for office space occupied in buildings owned by NYSIF. The amount of rental income and expense recorded in the statutory basis statements of income in 2019 and 2018 was $13,123 and $11,937.

Maintenance and repairs are charged to expense as incurred.

D. Premium Revenue and Related Accounts:

WCF records written premiums when billed to policyholders and earns the related income over the life of the policy.

WCF records premium receivable as an admitted asset if the following three conditions are met: (1) a bill for the premium amount is no more than 90 days past due, (2) the bill date is within six months after the expiration of the policy year, and (3) no other bill for the same policy is considered non-admitted.

At December 31, 2019 and 2018, the outstanding premium receivable balance is net of $153,162 and $166,022 of non-admitted amounts. WCF routinely assesses the collectability of receivables and believes any uncollectable amounts at December 31, 2019 and 2018 are not expected to exceed the non-admitted amounts. Based on WCF's analysis of uncollectable premiums receivable, write offs of $129,545 and $110,458 were recorded as bad debt expense in the statutory basis statements of income for the years ended December 31, 2019 and 2018.

For WCF, unearned premiums represent the pro-rata portion of premiums and endorsements billed that are applicable to the unexpired terms of policies in force at year-end.

The estimate for earned but unbilled premium (EBUB) is recognized through the statutory basis statements of income as an adjustment to premium earned. EBUB premium represents in-force and auditable policies on which premium has been earned but not yet been billed to the insured. Ten percent of EBUB, in excess of collateral specifically held as identifiable on a policy basis, is non-admitted.

E. Expenses of Workers' Compensation Board (WCB):

WCF carried a liability of $3,172 and $5,625 related to assessment payments due to the WCB as of December 31, 2019 and 2018.

The amount of assessments due from policyholders billed as of December 31, 2019 and 2018 was $87,486 and $87,701 and recorded through the statutory basis statements of admitted assets, liabilities and surplus.

Assessments billed for the years ended December 31, 2019 and 2018 were $242,173 and $268,647 and the estimated payments made to the Workers' Compensation Board were $243,630 and $262,851. These assessments billed and estimated payments to the Workers' Compensation Board were recorded as a reduction in premium written in the statutory basis statements of income.

Notes to Statutory Basis Financial Statements for the Years Ended December 31, 2019 and 2018 (in thousands)

F. Reserves for Losses and Loss Adjustment Expenses:

The reserves for losses and loss adjustment expenses (LAE) for WCF are based on individual case estimates and formula reserves. Additional reserves are provided for losses incurred but not reported (IBNR) based on past experience, modified for current trends.

The reserves for losses and loss adjustment expenses of WCF are discounted to present value using an annual effective rate of interest of 5%. The liability for losses and loss adjustment expenses of WCF has been reduced by $6,668,739 and $6,799,532 as of December 31, 2019 and 2018, as a result of the 5% discounting. This accounting practice is mandated by Section 86 of the New York State Workers' Compensation Law.

Loss and loss adjustment expense reserves are significant in relation to surplus and a change in the timing of future payments could have a material impact on surplus. A change of 1% of discount reserves would impact surplus by 1.2% and 1.4% as of December 31, 2019 and 2018.

WCF's reserves for losses and loss adjustment expenses are estimated by using recognized actuarial techniques. The methods for making such estimates and for establishing the resulting liability is continually reviewed and any adjustments are reflected in the period determined. An independent actuarial consulting firm reviews the estimated liability. WCF's management believes that the assumptions used in determining this liability are reasonable and that the amount recorded represents its best estimate of the ultimate cost of investigating, defending and settling claims.

However, WCF's actual future experience may not conform to the assumptions inherent in the determination of the liability. Accordingly, the ultimate settlement value may vary materially from the amounts included in the statutory basis financial statements.

Amounts relating to New York State losses and defense and cost containment expenses have been excluded from the financial statements. New York State reimburses NYSIF for a portion of adjusting and other expenses. There are no underwriting expenses incurred by NYSIF related to New York State claims (see Note 8).

G. Postemployment Fringe Benefits - Pension:

All employees of WCF are eligible to be covered under a retirement plan administered by the New York State Employees Retirement System. For employees hired prior to July 27, 1976, the plan is noncontributory. For employees hired on or after July 27, 1976, but before 2015, the plan is partially contributory in the first 10 years of employment and noncontributory thereafter. For employees hired on and after January 1, 2015, the plan is partially contributory for the entire term of employment.

WCF has determined that they are not directly liable for this obligation and as such, in accordance with SSAP No. 102, *Pensions*, WCF records its obligation based on amounts billed by the State. WCF records the difference between amounts billed by the State and amounts paid to the State as a liability or prepaid asset.

Based on actual costs billed by various State agencies, WCF incurred $47,294 and $105,789 of fringe benefits and indirect costs in 2019 and 2018, recorded in other underwriting expenses in the statutory basis statements of income. WCF has a prepaid asset for pension benefits in the amount of $5,887 and $6,133 as of December 31, 2019 and 2018.

WCF also estimates a contingent liability for the net pension obligation as of December 31 of each calendar year based on the State's latest available Actuarial Valuation Report, which is as of March 31 of the same calendar year.

During the years ended December 31, 2019 and 2018, WCF appropriated surplus to provide for the net pension obligation costs as permitted by SSAP No. 72, *Surplus and Quasi-Reorganizations*. Future obligations may vary significantly due to potential future changes in various key assumptions, such as WCF's ultimate allocated share of the obligation, investment earning and actuarial projections. WCF updates the estimate each year-end.

At December 31, 2019 and 2018, WCF's pro-rata portion of its New York State Employees' net pension obligation was $37,163 and $18,132. The pension obligation was measured by the State as of March 31, 2019 and 2018 with WCF's portion of the obligation based on a ratio of its employees to State employees. At March 31, 2019 and 2018, WCF's approximate proportionate share was 0.522% and 0.567%.

The activity in the appropriated surplus for pension benefits during 2019 and 2018 is as follows:

	2019	2018
Balance beginning of year	$ 18,132	$ -
Current year appropriation	19,031	18,132
Balance end of year	$ 37,163	$ 18,132

In 2019 and 2018, WCF recorded pension expense of $23,423 and $24,532.

Notes to Statutory Basis Financial Statements for the Years Ended December 31, 2019 and 2018 (in thousands)

H. Postemployment Fringe Benefits – Other Postemployment Benefits:

WCF's employees are employees of the State. New York State Civil Service Law, Section 163.2, provides for health insurance coverage for retired employees of WCF including their spouses and dependent children (The State Plan). Eligibility is determined by the membership in the New York State and Local Employees' Retirement System, enrollment in the New York State Health Insurance Program (NYSHIP) at the time of retirement, and the completion of a minimum number of years of service as required by the employees' membership tier in the retirement system.

The State's Actuarial Valuation Reports are prepared as of March 31 (the State's fiscal year end) and segregate balances relating to the various state agencies, including NYSIF, under GASB 75.

NYSIF, in the course of business, reimburses the State for certain Other Postemployment Benefits (OPEB) related charges under the State's Plan. Under SSAP No. 92, *Postretirement Benefits Other Than Pensions*, WCF estimates its Normal Cost as of December 31 of each calendar year based on the State's latest available Actuarial Valuation Report, which is as of March 31 of the same calendar year.

WCF carries its net OPEB obligation (i.e., the Normal Cost less the amount WCF has funded to the State for retirees) as a liability. WCF recognizes in the statement of income only its annual Normal Cost, as this is WCF's current year expense for the plan for the period, in accordance with statutory accounting principles.

Projected benefits for financial reporting purposes are based on the State's actuarial calculations and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between employer and plan members to that point. The actuarial calculations reflect a long-term perspective. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revisions as results are compared to past expectations and new estimates are made about the future. WCF maintains an appropriated surplus account to provide for the portion of the contingency for OPEB costs that have not already been recognized as a net OPEB obligation, as permitted by SSAP No. 72, *Surplus and Quasi-Reorganizations*. Future obligations may vary significantly due to potential future changes in various key assumptions, such as WCF's ultimate allocated share of the liability, discount rate used to develop the present value of future benefits, healthcare inflation, projected healthcare claims, and the likelihood an employee retires, elects healthcare coverage, and survives after retirement. WCF updates the estimate each year-end.

The activity in the appropriated surplus for postemployment benefits during 2019 and 2018 is as follows:

	2019	2018
Balance beginning of year	**$ 662,296**	$ 506,624
Current year appropriation	**(2,616)**	155,672
Balance end of year	**$ 659,680**	$ 662,296

WCF paid the State retiree OPEB charges of $20,343 and $19,261 for the years ended December 31, 2019 and 2018. The following table shows the components of WCF's assigned values relating to OPEB expense (normal cost) under the State's plan, the amount credited to the plan, and changes in the net OPEB obligation as of December 31, 2019 and 2018:

	2019	2018
Net OPEB obligation, beginning of year	**$ 56,829**	$ 49,967
Annual OPEB expense (Normal Cost)	**23,860**	26,123
Estimated contribution credit (retiree premiums paid)	**(20,343)**	(19,261)
Increase in net OPEB obligation	**3,517**	6,862
Net OPEB obligation, end of year	**$ 60,346**	$ 56,829

WCF has an accrued liability for employee' compensation for future absences in the amount of $16,052 and $16,771 as of December 31, 2019 and 2018.

Notes to Statutory Basis Financial Statements for the Years Ended December 31, 2019 and 2018 (in thousands)

I. Appropriated Surplus Funds:

As described above, WCF may designate a portion of unassigned surplus to provide for contingencies as permitted under NAIC SAP.

Security fluctuation surplus

WCF increased security fluctuation surplus to $1,600,000 as of December 31, 2019 from $1,350,000 at December 31, 2018.

Catastrophe surplus

The review of the catastrophe surplus in conjunction with a risk assessment of WCF's exposures resulted in WCF maintaining the catastrophe surplus at $399,651 as of December 31, 2019 and 2018.

Foreign terrorism and domestic terrorism catastrophe surplus

WCF has exposure to significant losses from terrorism. The Terrorism Risk Insurance Act of 2002, (TRIA) was enacted into Federal law and established a temporary Federal program through the Department of the Treasury, providing a system of shared public and private compensation for insured losses resulting from foreign terrorism.

In order for a loss to be covered under TRIA, the loss must result from an event that is certified as an act of terrorism by the U.S. Secretary of the Treasury. If Congress has declared war, then only workers' compensation losses would be covered by TRIA. The Terrorism Insurance Program (Terrorism Program) generally requires that all property/casualty insurers licensed in the United States participate in the Terrorism Program. The Terrorism Program became effective upon enactment, and in December 2005, was extended through December 31, 2007. In December 2007, the President signed into law the Terrorism Risk Insurance Program Reauthorization Act of 2007 (TRIPRA), extending TRIA for another seven years through December 31, 2014. In January 2015, the President signed into law an extension which expires December 31, 2020, with certain changes. TRIPRA adds domestic terrorism to the list of covered acts, triggers a year-long study of a proposal to mandate coverage for nuclear, biological, chemical and radiological attacks and retains the government's share of insured losses for a major attack at $100 billion.

Once subject losses have reached the $100 billion aggregate in a Terrorism Program year, there is no additional reimbursement from the U.S. Treasury and an insurer that has met its deductible for the Terrorism Program year is not liable for any losses (or portion thereof) that exceed the $100 billion cap. WCF is responsible for a deductible of $445,282 and $459,114 for December 31, 2019 and 2018. WCF assigned $648,973 and $605,339 of surplus which represents the estimated premium attributable to the foreign terrorism premium charge at December 31, 2019 and 2018. Beginning on October 1, 2005, WCF began assigning a portion of premium to domestic terrorism catastrophe surplus, which totaled $122,275 and $114,596 as of December 31, 2019 and 2018.

Pension and postemployment benefits surplus

WCF records pension and postemployment benefit expenses and estimates a contingent liability for the net obligation as of December 31 of each calendar year based on the State's latest available actuarial valuation reports (see Notes 2G and 2H).

Other postemployment benefits (OPEB) appropriated surplus decreased to $659,680 as of December 31, 2019 from $662,296 at December 31, 2018.

Appropriated pension surplus increased to $37,163 at December 31, 2019 from $18,132 at December 31, 2018.

J. Contingent Policyholder Dividends:

Section 90 of the New York State Workers' Compensation Law provides in substance that dividends may be paid in the discretion of WCF to safety groups. The estimated dividends that may be payable recorded by WCF is based on the contingent balances of the safety groups as of the most recent group accounting date and an estimate of the contingent balance for the period since the last group accounting. The contingent balance is calculated by adding premiums billed and applicable investment income less reported losses, expenses and previous dividends. The dividends paid during the year and the change in the contingent balances during the year are reflected in the statutory basis statements of income.

Activity in contingent policyholder dividends is summarized as follows:

	2019	2018
Balance - January 1	$ 1,504,475	$ 1,670,983
Calendar year accrued Safety Group dividend liability	366,297	232,788
Adjustment of estimated liability	-	(196,812)
Dividends paid to policyholders	(234,091)	(202,484)
Balance - December 31	$ 1,636,681	$ 1,504,475

K. Income Tax:
WCF is exempt from federal and state income taxes. WCF is, however, subject to a New York State franchise tax. WCF's franchise tax is based on written premiums. The New York State franchise tax expense was $35,711 and $39,916 in 2019 and 2018.

WCF maintains an office and does business in the metropolitan New York area and is subject to the Metropolitan Transit Authority (MTA) surcharge. The MTA surcharge is based on premiums written on businesses in the metropolitan area and wages paid to employees in the metropolitan area. The MTA surcharge was $4,247 and $5,059 in 2019 and 2018.

The franchise and MTA tax expenses are recorded through the statutory basis statements of income.

L. Concentrations of Credit Risk:
Financial instruments that potentially subject WCF to concentrations of credit risk are primarily cash and cash equivalents. Cash equivalents include investments in commercial paper of companies with high credit ratings, investments in money market securities and securities backed by the U.S. Government. Balances maintained in demand deposit accounts in the United States are fully insured by the Federal Deposit Insurance Corporation, (FDIC) up to $250. The term 'demand deposits' means both interest-bearing and noninterest bearing deposits that are payable on demand and for which the depository institution does not reserve the right to require advance notice of an intended withdrawal.

Cash and cash equivalents are held with high credit quality financial institutions in the United States and from time to time may have balances that exceed the amount of insurance provided by the FDIC on such deposits.

M. Risks and Uncertainties:
WCF invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, market risk and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in values of investment securities will occur in the near term and that changes could materially affect the amounts reported in the statutory basis financial statements.

The extent of the impact and effects of the recent outbreak of the coronavirus (COVID-19) on the operations and financial performance of NYSIF are unknown. NYSIF has instituted changes in premium payment plans including deferral of premium due dates and forbearance on cancellation of policies for non-payment. The extent of the impact of the COVID-19 outbreak on NYSIF's financial results will depend on future developments, including the duration and spread of the outbreak and related advisories and restrictions, all of which are highly uncertain and cannot be predicted. If the financial markets and/or the overall economy are impacted for an extended period, NYSIF's business, results of operations, cash flows, and investment results may be materially affected.

N. Use of Estimates:
The preparation of these statutory basis financial statements in conformity with statutory accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the statutory basis financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The significant estimates included in these statutory basis financial statements are the liability for loss and loss adjustment expenses, earned but unbilled premiums and WCF's portion of the pension and OPEB costs estimated by WCF based on the current actuarial valuation prepared for the State, which includes WCF's employees.

O. Reclassifications:
Certain reclassifications have been made to the prior year's statutory basis financial statements to conform to the current year presentation.

Notes to Statutory Basis Financial Statements for the Years Ended December 31, 2019 and 2018 (in thousands)

NOTE 3 - INVESTMENTS

Section 87 of the New York State Workers' Compensation Law states that the Commissioner of Taxation and Finance is the sole custodian of WCF. By order of the Commissioner and approval of DFS, Section 87 allows JPMorgan Chase to serve as WCF's custodian for investments. The type of securities authorized for investment by WCF are mandated by Section 87. All bank deposits are entirely insured or collateralized with securities held by JPMorgan Chase at December 31, 2019 and 2018, in accordance with Section 105 of the New York State Finance Law.

The amortized cost, gross unrealized gains, gross unrealized losses and estimated market value of investments in bonds and stocks at December 31, 2019 and 2018 are as follows:

	2019			
	Cost or Book Adjusted Carrying Value	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Estimated Market Value**
U.S. Government and government agency obligations	**$ 4,919,947**	**$ 460,367**	**$ (7,831)**	**$ 5,372,483**
Foreign government	**15,005**	**139**	**-**	**15,144**
States, territories, possessions and political subdivisions	**906,011**	**6,871**	**(8,242)**	**904,640**
Corporate bonds and public utilities	**8,558,201**	**583,840**	**(4,380)**	**9,137,661**
Mortgaged-backed securities	**1,892,963**	**21,592**	**(1,071)**	**1,913,484**
Total bonds	**16,292,127**	**1,072,809**	**(21,524)**	**17,343,412**
Common stocks	**1,265,849**	**591,074**	**(7,013)**	**1,849,910**
Total stocks	**1,265,849**	**591,074**	**(7,013)**	**1,849,910**
Total investments	**$ 17,557,976**	**$ 1,663,883**	**$ (28,537)**	**$ 19,193,322**

	2018			
	Cost or Book Adjusted Carrying Value	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Estimated Market Value**
U.S. Government and government agency obligations	$ 4,872,081	$ 200,586	$ (45,063)	$ 5,027,604
Foreign government	170,040	342	(1,360)	169,022
States, territories, possessions and political subdivisions	248,851	4,019	(4,188)	248,682
Corporate bonds and public utilities	8,538,386	124,330	(179,562)	8,483,154
Mortgage-backed securities	2,070,735	4,146	(14,414)	2,060,467
Hybrid securities	15	10	-	25
Total bonds	15,900,108	333,433	(244,587)	15,988,954
Common stocks	1,189,930	289,661	(61,736)	1,417,855
Total stocks	1,189,930	289,661	(61,736)	1,417,855
Total investments	$ 17,090,038	$ 623,094	$ (306,323)	$ 17,406,809

Mortgage-backed securities and collateralized mortgage obligations are distributed to maturity year–based on an estimate of the rate of future prepayments of principal over the remaining lives of the securities. Prepayment assumptions are based on market expectations. Actual prepayment experience may vary from these estimates.

	Amortized Cost	Market Value
Due in one year or less	$ 868,627	$ 871,681
Due after one year through five years	5,502,084	5,622,759
Due after five years through ten years	2,635,264	2,863,251
Due after ten years	7,286,152	7,985,721
Total bonds	$ 16,292,127	$ 17,343,412

WCF participates in securities lending programs whereby certain securities from WCF's portfolio are loaned to other institutions for short periods of time. Under the terms of the lending agreements, WCF receives a fee from the borrower and requires collateral with a market value of at least 102% of the market value of securities loaned. WCF maintains ownership rights to securities loaned and has the ability to sell securities while they are on loan. WCF has an indemnification agreement with lending agents in the event a borrower becomes insolvent or fails to return securities. As of December 31, 2019 and 2018, $418,042 and $370,253 of WCF investments were on loan, supported by collateral of $427,676 and $379,486.

Notes to Statutory Basis Financial Statements for the Years Ended December 31, 2019 and 2018 (in thousands)

WCF had reinvested collateral assets in the amount of $239,999 and $183,816 as of December 31, 2019 and 2018. For the years ended December 31, 2019 and 2018, WCF received fees of $3,562 and $2,093. The fees for the current year have been included in investment income earned in the statutory basis statements of income.

The amortized cost and market value of the reinvested collateral assets at December 31, 2019 by contractual maturity are shown below:

	Amortized Cost	Fair Value
30 days or less	$ 239,766	$ 239,766
31 to 180 days	233	363
Total collateral received	$ 239,999	$ 240,129

The amortized cost and market value of the reinvested collateral assets at December 31, 2018 by contractual maturity are shown below:

	Amortized Cost	Fair Value
30 days or less	$ 183,816	$ 183,964
Total collateral received	$ 183,816	$ 183,964

WCF has sufficient tradable securities that could be sold to pay for the collateral calls that could come due under a worst-case scenario.

WCF security lending agreement is with JPMorgan Chase. All bank deposits are entirely insured or collateralized with securities held by JPMorgan Chase at December 31, 2019 and 2018, in accordance with Section 105 of the New York State Finance Law.

Net investment income earned consists principally of interest and dividends on investments as follows:

	2019	2018
Bonds	$ 520,734	$ 478,503
Stocks	32,900	36,876
Cash, cash equivalents and short-term investments	8,380	4,827
Real estate - home office	16,237	15,051
Securities lending	3,543	2,402
Other	(2,377)	(1,260)
Investment income earned	579,417	536,399
Investment expenses	(23,956)	(27,406)
Depreciation on real estate and other invested assets	(7,548)	(5,611)
Net realized capital gains	196,965	216,390
Net investment income	$ 744,878	$ 719,772

Net realized capital gains on investments, determined on the first-in, first-out method in 2019 and 2018, consist of the following:

	2019	2018
Bonds	$ 154,223	$ 3,092
Stocks	42,797	213,262
Cash and short-term investments	(70)	-
Securities lending	15	36
Net realized capital gains	$ 196,965	$ 216,390

Notes to Statutory Basis Financial Statements for the Years Ended December 31, 2019 and 2018 (in thousands)

Proceeds from investments sold, matured or repaid during the years ended December 31, 2019 and 2018 were $6,826,580 and $5,243,467. These sales resulted in gross realized capital gains of $285,573 and $363,626, and gross realized capital losses of $43,282 and $83,728 in 2019 and 2018.

The following table represents WCF's unrealized loss, fair value and amortized cost for bonds and stocks aggregated by investment category and length of time individual securities have been in a continuous unrealized loss position as of December 31, 2019 and 2018.

	2019					
	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Government/agency	$ 983,473	$ (14,440)	$ 86,288	$ (1,633)	$ 1,069,761	$ (16,073)
Corporate and Public Utilities	261,843	(2,670)	95,830	(1,710)	357,673	(4,380)
Mortgage Backed Securities	406,313	(771)	122,839	(300)	529,152	(1,071)
Total Fixed Maturities	1,651,629	(17,881)	304,957	(3,643)	1,956,586	(21,524)
Common Stock	88,932	(7,013)	-	-	88,932	(7,013)
Total Equity	88,932	(7013)	-	-	88,932	(7,013)
Total Temporarily Impaired	$ 1,740,561	$ (24,894)	$ 304,957	$ (3,643)	$ 2,045,518	$ (28,537)

	2018					
	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Government/agency	$ 759,047	$ (15,972)	$ 918,631	$ (33,279)	$ 1,677,678	$ (49,251)
Foreign Government	-	-	108,548	(1,360)	108,548	(1,360)
Corporate and Public Utilities	3,518,000	(95,432)	2,596,044	(84,130)	6,114,044	(179,562)
Mortgage Backed Securities	755,083	(2,362)	696,791	(12,052)	1,451,874	(14,414)
Total Fixed Maturities	5,032,130	(113,766)	4,320,014	(130,821)	9,352,144	(244,587)
Common Stock	358,468	(61,506)	1,313	(230)	359,781	(61,736)
Total Equity	358,468	(61,506)	1,313	(230)	359,781	(61,736)
Total Temporarily Impaired	$ 5,390,598	$ (175,272)	$ 4,321,327	$ (131,051)	$ 9,711,925	$ (306,323)

Gross unrealized losses represented 0.2% and 1.9% of cost or amortized cost of total investments for WCF as of December 31, 2019 and 2018. Fixed maturities represented 75.4% and 79.8% of WCF's unrealized losses as of December 31, 2019 and 2018. The group of securities in an unrealized loss position for less than twelve months was comprised of 810 and 1,827 securities for WCF as of December 31, 2019 and 2018. The group of securities depressed for twelve months or more were comprised of 55 and 402 securities for WCF as of December 31, 2019 and 2018.

The fixed income securities in an unrealized loss position are primarily investment grade securities with extended maturity dates, which have been adversely impacted by an increase in interest rates after the purchase date. As part of WCF's ongoing security monitoring process by a committee of investment and accounting professionals, WCF has reviewed its investment portfolio and concluded that there were no additional other-than-temporary impairments as of December 31, 2019 and 2018. Due to the issuers' continued satisfaction of the securities' obligations in accordance with their contractual terms and the expectation that they will continue to do so, management's ability and intent to hold these securities, as well as the evaluation of the fundamentals of the issuer's financial condition and other objective evidence, WCF believes that the securities identified above were temporarily impaired.

The evaluation for other-than-temporary impairments (OTTI) is a quantitative and qualitative process, which is subject to risks and uncertainties in the determination of whether declines in the fair value of investments are other-than-temporary. The risks and uncertainties include changes in general economic conditions, the issuer's financial condition or near term recovery prospects and the effects of changes in interest rates.

SSAP No. 43R - *Loan-backed and Structured Securities* (SSAP No. 43R) requires that OTTI be recognized in earnings for a loan-backed or structured security in an unrealized loss position when it is anticipated that the amortized basis will not be recovered. In such situations, the OTTI recognized in earnings is the entire difference between the security's amortized cost and its fair value either (i) WCF intends to sell the security; or (ii) WCF does not have the intent and ability to retain the security for the time sufficient to recover the amortized cost basis. If neither of these two conditions exists, and WCF has the intent and ability to hold the security but does not expect to recover the entire amortized cost, the difference between the amortized cost basis of the security and the present value of projected future cash flows expected to be collected is recognized as an OTTI in earnings.

There were no amounts included in 2019 and 2018 for realized impairment losses related to SSAP No. 43R investments. There were no additional impairments recorded in 2019 and 2018 on the basis that the present value of future expected cash flows is less than the amortized cost basis of the security as losses were identified on the basis that WCF was unable to retain the security until recovery of amortized cost.

During 2019 and 2018, WCF recorded OTTI related to bonds in the amount of $1,247 and $13,822 in the statutory basis statements of income. WCF recorded total OTTI of $44,025 and $49,687 related to common stock as of December 31, 2019 and 2018, as a component of net realized investment gains through the statutory basis statements of income.

A. Fair Value of Financial Instruments:

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the end of the reporting period.

WCF evaluated the significance of transfers between levels based upon the nature of the financial instrument and size of the transfer relative to the total investment portfolio.

The fair value of an asset is the amount at which that asset could be bought or sold in a current transaction between willing parties, that is, other than in a forced or liquidation sale. The fair value of a liability is the amount at which that liability could be incurred or settled in a current transaction between willing parties, that is, other than in a forced or liquidation sale.

Fair values are based on quoted market prices when available. When market prices are not available, fair value is generally estimated using discounted cash flow analysis, incorporating current market inputs for similar financial instruments with comparable terms and credit quality (matrix pricing). In instances where there is little or no market activity for the same or similar instruments, WCF estimates fair value using methods, models and assumptions that management believes market participants would use to determine a current transaction price. These valuation techniques involve some level of management's estimation and judgment which becomes significant with increasingly complex instruments or pricing models. Where appropriate, adjustments are included to reflect the risk inherent in a particular methodology, model or input used.

SSAP No. 100R, *Fair Value,* defines fair value, establishes a framework for measuring fair value and establishes disclosure requirements about fair value.

Included in various investment related line items in the statutory basis financial statements are certain financial instruments carried at fair value. Other financial instruments are periodically measured at fair value, such as when impaired, or, for certain bonds and preferred stocks, when NAIC designations fall below a 2 and, therefore, are carried at the lower of cost or market.

When available, WCF uses quoted market prices to determine the fair values of aforementioned investment securities. When quoted market prices are not readily available or representative of fair value, pricing determinations are made based on the results of valuation models using observable market data such as recently reported trades, bid and offer information and benchmark securities. Unobservable inputs reflect WCF's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

WCF's financial assets and liabilities carried at fair value, as well as where fair value is disclosed, have been classified for disclosure purposes based on the SSAP No. 100R hierarchy. The hierarchy gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest ranking to fair values determined using methodologies and models with unobservable inputs (Level 3). An asset's or a liability's classification is based on the lowest level input that is significant to its measurement. For example, a Level 3 fair value measurement may include inputs that are both observable (Levels 1 and 2) and unobservable (Level 3).

Notes to Statutory Basis Financial Statements for the Years Ended December 31, 2019 and 2018 (in thousands)

The levels of the fair value hierarchy are as follows:

Level 1 - Values are unadjusted quoted prices for identical assets and liabilities in active markets accessible at the measurement date.

Level 2 - Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument. Such inputs include market interest rates and volatilities, spreads and yield curves.

Level 3 - Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect WCF's best estimate of what hypothetical market participants would use to determine a transaction price for the asset and liability at the reporting date.

The following table provides information as of December 31, 2019 about WCF's assets measured at fair value along with a brief description of the valuation technique for each type of asset.

Assets at fair value:	Level 1	Level 2	Level 3	Total
Common stocks	$ 1,849,906	$ -	$ 4	$ 1,849,910
Total assets at fair value	$ 1,849,906	$ -	$ 4	$ 1,849,910

The following table provides information as of December 31, 2018 about WCF's assets measured at fair value along with a brief description of the valuation technique for each type of asset.

Assets at fair value:	Level 1	Level 2	Level 3	Total
Common stocks	$ 1,417,854	$ -	$ 1	$ 1,417,855
Total assets at fair value	$ 1,417,854	$ -	$ 1	$ 1,417,855

Low grade fixed maturity investments where fair value is lower than cost and common stocks are recorded at fair value. Securities classified into Level 1 included primarily corporate bonds and common stocks where there are quoted prices in active markets for identical securities and the source of the pricing. Unadjusted quoted prices for these securities are provided to WCF by independent pricing services. Level 2 securities include corporate bonds and other common stock securities where pricing is based on bid evaluations. Quoted prices for these securities are provided to WCF using independent pricing services. There were no changes in valuation techniques during 2019 and 2018.

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period.

WCF evaluated the significance of transfers between levels based upon the nature of the financial instrument and size of the transfer relative to total net assets available for plan benefits.

WCF's policy is to recognize transfers in and out of Levels 2 and 3 as of the end of the reporting period. There were no significant transfers in or out of Level 2 or 3 during 2019 and 2018.

The following table provides information as of December 31, 2019 about WCF's financial instruments disclosed at fair value along with a brief description of the valuation technique for each type of assets.

Type of Financial Instrument	Aggregate Fair Value	Admitted Assets	Level 1	Level 2	Level 3
Bonds	$ 17,343,412	$ 16,292,127	$ -	$ 17,343,412	$ -
Cash Equivalents and short-term investments	447,605	447,595	363,729	83,876	-
Common stocks	1,849,910	1,849,910	1,849,906	-	4
Security lending collateral assets	240,129	239,999	239,766	363	-
Total	$ 19,881,056	$ 18,829,631	$ 2,453,401	$ 17,427,651	$ 4

Notes to Statutory Basis Financial Statements for the Years Ended December 31, 2019 and 2018 (in thousands)

The following table provides information as of December 31, 2018 about WCF's financial instruments disclosed at fair value along with a brief description of the valuation technique for each type of assets.

Type of Financial Instrument	Aggregate Fair Value	Admitted Assets	Level 1	Level 2	Level 3
Bonds	$ 15,988,929	$ 15,900,093	$ -	$ 15,988,929	$ -
Hybrids	25	15	-	25	-
Cash Equivalents and short-term investments	109,046	109,043	109,046	-	-
Common stocks	1,417,855	1,417,855	1,417,854	-	1
Security lending collateral assets	183,964	183,816	183,577	387	-
Total	$ 17,699,819	$ 17,610,822	$ 1,710,477	$ 15,989,341	$ 1

Securities classified into Level 1 included primarily common stocks, preferred stocks and money market mutual funds where there are quoted prices in active markets for identical securities and the source of the pricing. Unadjusted quoted prices for these securities are provided to WCF by independent pricing services. Quoted prices for these securities are provided to WCF using independent pricing services. Level 2 securities include all bonds, mortgage-backed securities including hybrid securities with pricing using bid evaluations or matrix pricing. Matrix pricing takes quoted prices of bonds with similar features and applies analytic methods to determine the fair value of bonds held. Features that are inputs into the analysis include duration, credit quality, tax status and call and sinking fund features. Quoted prices for these securities are provided to WCF by independent pricing services. Securities classified in Level 3 for 2019 represent a structured investment vehicle that is measured based on analysis performed by WCF's investment manager which analyzes the underlying collateral in addition to bid/ask pricing received from brokers to estimate a price. The valuation methodology has been applied consistently.

There were no significant transfers into or out of Level 2 or 3 during 2019 and 2018. There were no changes in valuation techniques during 2019 and 2018.

B. Subprime Mortgage Exposure:

WCF has no direct subprime exposure through investments in subprime mortgage loans.

WCF has indirect subprime exposure in 2 mortgage-backed securities in the reinvested collateral assets in the amount of $895 and $916 in 2019 and 2018. None of these securities were deemed to have any issues that would lead management to believe that they were other-than-temporarily impaired.

WCF has no underwriting exposure to subprime mortgage risk through Mortgage Guaranty or Financial Guaranty insurance coverage.

C. Wash Sales:

In the course of WCF's management of investment portfolio, securities may be sold at a loss and repurchased within 30 days of the sale date to enhance WCF's yield on its investment portfolio. WCF did not sell any securities at a loss or in a loss position with a NAIC designation from 3 to 6 for the years ended December 31, 2019 and 2018 that were reacquired within 30 days of the sale date.

NOTE 4 - REAL ESTATE

Investment in real estate includes various locations in New York State occupied by the NYSIF's employees. Depreciation expense recorded in the statutory basis statements of income during 2019 and 2018 was $7,549 and $5,610.

During 2017, NYSIF began renovations of its New York City location. The costs associated with these renovations, which amounted to $104,914 as of December 31, 2019, have been recorded within office buildings and improvements.

NYSIF owned real estate recorded by WCF at December 31, 2019 and 2018 is as follows:

	2019	2018
Office buildings and improvements, at cost	**$ 141,096**	$ 126,019
Accumulated depreciation	**(41,248)**	(33,699)
Office buildings and improvements—net of accumulated depreciation	**99,848**	92,320
Land	**2,735**	2,735
Land improvement	**2,249**	2,249
Total real estate	**$ 104,832**	$ 97,304

Notes to Statutory Basis Financial Statements for the Years Ended December 31, 2019 and 2018 (in thousands)

NOTE 5 - NON-ADMITTED ASSETS

Non-admitted assets at December 31, 2019 and 2018 are as follows:

	2019	2018
Premium in course of collection outstanding over 90 days, net	$ 143,932	$ 159,457
Earned but unbilled premiums	8,278	6,565
Accrued retrospective premiums	952	-
Electronic data equipment/software	2,260	2,183
Furniture and equipment, net of accumulated depreciation	7,353	5,160
Prepaid expenses and other	5,892	6,145
Total non-admitted assets	$ 168,667	$ 179,510

NOTE 6 - TRANSACTIONS WITH NEW YORK STATE

Over the course of several years, WCF was required to transfer to the State an aggregate of $1,295,000, which is noninterest bearing and is included in the accompanying statutory basis statements of admitted assets, liabilities and surplus as a contingent receivable due to the repayment conditions. Chapter 55 of the New York State Laws of 1982 required WCF to transfer $190,000 out of its surplus to the general fund of the State. Chapter 28 of the New York State Laws of 1986 authorized and directed WCF to transfer an additional $325,000 to the general fund of the State. Chapter 47 of the New York State Laws of 1987 required WCF to pay an additional $300,000 ($150,000 to the general fund of the State and $150,000 to the State's capital fund). Chapter 7 of the New York State Laws of 1989 required WCF to pay an additional $250,000 to the general fund of the State. As required by Chapter 41 of the New York State Laws of 1990, WCF transferred $230,000 to the State's general fund. The statutes require the State to appropriate $1,295,000 annually for the potential repayment of any portion of the aggregate contingent receivable. Such repayment by the State is required only if, in substance, WCF has no assets in excess of its reserves available to pay claims under its Workers' Compensation policies. These statutes specifically require the contingent receivable to be carried as an admitted asset.

NOTE 7 - REINSURANCE

As part of a prior reinsurance program, WCF reinsured certain risks with other companies. Such arrangements served to limit WCF's maximum loss from catastrophes, large risks and unusually hazardous risks. To the extent that any reinsuring company might be unable to meet its obligations, WCF would be liable for its respective participation in such defaulted amounts. The reserves for losses and loss adjustment expenses are $1,133 and $947 for losses recoverable under reinsurance contracts as of December 31, 2019 and 2018. WCF purchased no reinsurance for 2019 and 2018.

See Note 2[I] on reinsurance afforded through the Terrorism Risk Insurance Act of 2002.

Unsecured Reinsurance Recoverables in Excess of 3% of Surplus:

WCF does not have an unsecured aggregate recoverable for losses, paid and unpaid including IBNR, loss adjustment expenses and unearned premium with any individual reinsurers, authorized or unauthorized, that exceeds 3% of WCF's surplus at December 31, 2019 and 2018.

NOTE 8 - RELATED PARTY TRANSACTIONS

Expenses allocated to DBF are $3,992 in 2019 and $4,184 in 2018. The amount owed to WCF from DBF is $588 and $3,125 as of December 31, 2019 and 2018.

NYSIF acts as the administrator of ATF by paying losses on behalf of the ATF. ATF was created under New York State Worker's Compensation Law and is the disbursing agency for certain death and permanent disability claims exclusive of claims applicable to WCF. NYSIF charges ATF an administrative fee based on paid losses for such services at a rate of 3% for awards adjudicated prior to July 1, 2018 and 6% for awards adjudicated on or after July 1, 2018. The total administration fees charged to ATF during 2019 and 2018 are $1,774 and $1,808. The amount owed to NYSIF, recorded in WCF from ATF is $170 and $218 as of December 31, 2019 and 2018.

Notes to Statutory Basis Financial Statements for the Years Ended December 31, 2019 and 2018 (in thousands)

WCF administers the claims for the State, which self-insures its liability for workers' compensation claims. WCF is reimbursed for losses, allocated loss adjustment expenses, reinsurance and administrative expenses paid on behalf of the State. During 2019 and 2018, the State reimbursed WCF $483,841 and $511,269 for such costs. Amounts relating to New York State losses, loss adjustment expenses and underwriting expenses have been excluded from these financial statements. The amount owed to WCF from the State is $6,885 and $11,903 as of December 31, 2019 and 2018.

Beginning January 1, 2014, in accordance with the 2013 reforms, WCF administers payments to the Workers' Compensation Board on behalf of policyholders. Assessments administered to the WCB are estimated based on premium written in the prior quarter, as well as assessment adjustments to policies previously reported. WCF is reimbursed for assessments administered to WCF through premium billing. Policyholders reimbursed WCF $242,173 and $268,647, and estimated payments made to the Workers' Compensation Board were $243,630 and $262,851 for the years ended December 31, 2019 and 2018. WCF recorded a liability of $3,172 and $5,625 as of December 31, 2019 and 2018 for payments to the Workers' Compensation Board, which is recorded through the statutory basis statements of admitted assets, liabilities and surplus. The amount of assessments due from policyholders billed as of December 31, 2019 and 2018 is $87,486 and $87,701 and recorded through the statutory basis statements of admitted assets, liabilities and surplus.

During the year ended December 31, 2018, WCF was able to settle amounts due to the State by offsetting receivables of $40,601 and a permanent forgiveness/surplus contribution by the State for the remaining balance of $209,399. The forgiveness has been recorded as a contribution of surplus from the State on the statutory basis statements of surplus as of December 31, 2018.

Amounts due to/from affiliates were as follows as of December 31:

	2019	2018
Due from affiliates		
Aggregate Trust Fund	**$ 170**	$ 218
DBF	**588**	3,125
New York State	**6,885**	11,904
Total due from affiliates	**$ 7,643**	$ 15,247

NOTE 9 - COMMITMENTS

NYSIF leases offices, warehouse space and vehicles under non-cancellable operating leases, generally varying from one to fifteen years. WCF's aggregate minimum commitments under non-cancelable operating leases at December 31, 2019, are as follows:

2020	$ 2,924
2021	2,970
2022	3,035
2023	3,082
2024	3,130
Thereafter	23,558
Net minimum commitments	$ 38,699

Rental expense (which includes an imputed amount of rent expense allocated to its owned building for WCF of $13,123 and $11,937) was $17,211 and $20,736 in 2019 and 2018 and is recorded as an offset to investment income earned.

In December 2017, NYSIF began leasing office space at its 199 Church St location in New York City to the New York State Division of State Police. The termination date of the lease is December 31, 2032. NYSIF recognized lease income of $3,083 in 2019 and 2018 recorded through investment income earned.

Notes to Statutory Basis Financial Statements for the Years Ended December 31, 2019 and 2018 (in thousands)

NOTE 10 - RESERVES FOR LOSSES AND LOSS ADJUSTMENT EXPENSES

Activity in the reserves for losses and loss adjustment expenses, net of reinsurance recoveries of $1,133 and $947 for 2019 and 2018 is summarized as follows:

	2019	2018
Balance—January 1 (net of reinsurance recoveries)	$ 9,995,215	$ 10,069,869
Incurred claims related to:		
Current year	2,062,558	2,059,441
Prior years	(643,405)	(509,131)
Total incurred	1,419,153	1,550,310
Paid claims related to:		
Current year	200,263	209,825
Prior years	1,210,458	1,415,139
Total paid	1,410,721	1,624,964
Balance—December 31 (net of reinsurance recoveries)	$ 10,003,647	$ 9,995,215

These amounts reflect discounting pursuant to prescribed practices that depart from NAIC SAP. See Note 2, Summary of Significant Accounting Policies.

The incurred claims relating to prior years have changed in 2019 and 2018 as a result of changes in estimates of events insured in prior years.

NOTE 11 - SURPLUS

There were no restrictions placed on WCF's surplus, including for whom the surplus is being held.

Changes in balances of appropriated surplus funds from December 31, 2018 to December 31, 2019 are discussed in Note 2 (G).

Unassigned surplus includes the accumulated balance for the items listed below:

	2019	2018
Unrealized gains	$ 584,061	$ 227,925
Nonadmitted assets	$ 168,667	$ 179,510

NOTE 12 - OTHER UNDERWRITING EXPENSES

The components of other underwriting expenses are as follows:

	2019	2018
Advertising	$ 186	$ 190
Boards, bureaus and associations	5,568	4,879
Audit of assured's records	392	376
Salaries and payroll taxes	73,886	75,837
Employee relations and welfare	21,141	46,930
Insurance	149	88
Travel and travel items	668	646
Rent and rent items	7,619	9,141
Equipment	539	415
Cost or depreciation of EDP equipment and software	7,048	6,063
Printing and stationery	816	949
Postage and telephone	2,678	3,144
Legal and auditing	2,087	2,297
Taxes, licenses and fees:		
Franchise taxes and other fees	41,652	45,070
Miscellaneous expenses	5,826	5,894
Total	$ 170,255	$ 201,919

Notes to Statutory Basis Financial Statements for the Years Ended December 31, 2019 and 2018 (in thousands)

NOTE 13 - CONTINGENCIES

From time to time, WCF is involved in pending and threatened litigation in the normal course of business in which claims for monetary damages are asserted and are considered as part of the estimation of loss and loss adjustment expenses. In the opinion of management, the ultimate liability, if any, arising from such pending or threatened litigation is not expected to have a material effect on the results of operations, liquidity, or financial position of WCF.

NOTE 14 - RETROSPECTIVELY RATED CONTRACTS

For certain policies, WCF offers experience-rated insurance contracts whereby the ultimate premium is dependent upon claims incurred. WCF estimates accrued retrospective premium adjustments through the review of each individual retrospectively rated risk, comparing case basis loss development with that anticipated in the policy contract to arrive at the best estimate of return or additional retrospective premium.

The amount of net premiums written subject to retrospective rating feature is $7,237, or 0.4% of total net written premiums written for the year ended December 31, 2019.

As of December 31, 2019, premiums receivable included accrued retrospective and unbilled audit premiums of $8,572. In accordance with SSAP No. 66, *Retrospectively Rated Contracts*, 10% of the amount of accrued retrospective premiums not offset by retrospective return premiums has been nonadmitted as referenced below.

Accrued retrospective premium receivable	$ 9,524
Less nonadmitted amount (10%)	(952)
Admitted retrospective premium receivable	$ 8,572

NOTE 15 - SUBSEQUENT EVENTS

Subsequent events have been reviewed in accordance with SSAP No. 9, *Subsequent Events*, for both annual statement reporting and through issuance of these audited statutory basis financial statements. Subsequent events were initially reviewed through March 1, 2020 when the annual statement was originally filed, which is the date when the annual statement was issued and filed with the NAIC and DFS. After that date, subsequent events have been reviewed through May 21 2020, the date which these audited statements were available to be issued.

INDEPENDENT AUDITORS' REPORT

EISNERAMPER

To the Board of Commissioners
The State Insurance Fund Disability Benefits Fund
New York, New York

Report on the Statutory Basis Financial Statements
We have audited the accompanying statutory basis financial statements of the State Insurance Fund Disability Benefits Fund, which comprise the statutory basis statements of admitted assets, liabilities and surplus as of December 31, 2019 and 2018, and the related statutory basis statements of income, surplus, and cash flows for the years then ended, and the related notes to the statutory basis financial statements.

Management's Responsibility for the Statutory Basis Financial Statements
Management is responsible for the preparation and fair presentation of these statutory basis financial statements in accordance with the accounting practices prescribed or permitted by the New York State Department of Financial Services. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of statutory basis financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these statutory basis financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the statutory basis financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the statutory basis financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the statutory basis financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the statutory basis financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the statutory basis financial statements.

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 2A to the financial statements, the State Insurance Fund Disability Benefits Fund prepared these financial statements using accounting practices prescribed or permitted by the New York State Department of Financial Services, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statements of the variances between these statutory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

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" paragraph, the statutory basis financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the State Insurance Fund Disability Benefits Fund as of December 31, 2019 and 2018, or the results of its operations or its cash flows for the years then ended.

Opinion on Regulatory Basis of Accounting
In our opinion, the statutory basis financial statements referred to above present fairly, in all material respects, the admitted assets, liabilities and surplus of the State Insurance Fund Disability Benefits Fund as of December 31, 2019 and 2018, and the results of its operations and its cash flows for the years then ended on the basis of accounting described in Note 2A.

EISNERAMPER LLP
New York, New York
May 21, 2020

EisnerAmper LLP

NEW YORK STATE INSURANCE FUND
DISABILITY BENEFITS FUND

Statutory Basis Statements of Admitted Assets, Liabilities and Surplus
As of December 31, 2019 and 2018 (in thousands)

		2019		2018
Admitted assets				
Cash and invested assets				
Bonds—at NAIC carrying value	**$**	**83,458**	$	163,445
Cash, cash equivalents and short-term investments		**159,654**		71,246
Securities lending reinvested collateral		**75**		8,118
Total cash and invested assets		**243,187**		242,809
Premium receivables		**12,033**		12,215
Accrued investment income		**681**		804
Other assets		**224**		-
Total admitted assets	**$**	**256,125**	$	255,828
Liabilities and surplus				
Liabilities				
Reserve for losses	**$**	**14,409**	$	17,638
Reserve for loss adjustment expenses		**1,959**		2,443
Unearned premiums		**32,211**		29,962
Advance premium		**1,956**		1,663
Due to affiliate		**588**		3,125
Payables for securities and securities lending		**2,135**		8,118
Accrued expenses and other liabilities		**8,385**		7,471
Total liabilities		**61,643**		70,420
Surplus				
Appropriated surplus funds:				
Security fluctuation surplus		**1,260**		1,890
Catastrophe surplus		**4,000**		4,000
Postemployment benefits surplus		**7,949**		7,374
Unassigned surplus		**181,273**		172,144
Total surplus		**194,482**		185,408
Total liabilities and surplus	**$**	**256,125**	$	255,828

See accompanying notes to statutory basis financial statements.

NEW YORK STATE INSURANCE FUND
DISABILITY BENEFITS FUND

Statutory Basis Statements of Income
for the Years Ended December 31, 2019 and 2018 (in thousands)

	2019	2018
Underwriting income		
Net written premium	$ 58,069	$ 75,189
Net earned premium	$ 55,820	$ 56,707
Underwriting expenses:		
Losses incurred	43,197	40,393
Loss adjustment expenses incurred	3,415	5,606
Other underwriting expenses incurred	4,557	5,259
Total underwriting expenses	51,169	51,258
Net underwriting profit	4,651	5,449
Investment income earned:		
Investment income	5,626	4,981
Investment expenses	(294)	(318)
Net realized capital gains	15	386
Net investment income earned	5,347	5,049
Other (expenses) income:		
Bad debt expense	(1,324)	(1,038)
Miscellaneous income	821	1,118
Total other (expense) income	(503)	80
Net income	$ 9,495	$ 10,578

See accompanying notes to statutory basis financial statements.

NEW YORK STATE INSURANCE FUND
DISABILITY BENEFITS FUND

Statutory Basis Statements of Surplus
for the Years Ended December 31, 2019 and 2018 (in thousands)

	Appropriated Surplus Funds				
	Security Fluctuation Surplus	Catastrophe Surplus	Postemployment Fringe Benefits	Unassigned Surplus	Total Surplus
Balance—January 1, 2018	$ 6,570	$ 4,000	$ 5,441	$ 158,501	$ 174,512
Net income	-	-	-	10,578	10,578
Decrease in nonadmitted assets	-	-	-	(782)	(782)
Appropriated surplus adjustment - Postemployment fringe benefits	-	-	1,100	-	1,100
Appropriation of unassigned to (from) appropriated surplus	(4,680)	-	833	3,847	-
Balance—December 31, 2018	1,890	4,000	7,374	172,144	185,408
Net income	-	-	-	9,495	9,495
Decrease in nonadmitted assets	-	-	-	(421)	(421)
Appropriation of unassigned to (from) appropriated surplus	(630)	-	575	55	-
Balance—December 31, 2019	**$ 1,260**	**$ 4,000**	**$ 7,949**	**$ 181,273**	**$ 194,482**

See accompanying notes to statutory basis financial statements.

NEW YORK STATE INSURANCE FUND
DISABILITY BENEFITS FUND

Statutory Basis Statements of Cash Flows
for the Year Ended December 31, 2019 and 2018 (in thousands)

	2019	2018
Cash flows from operations		
Premiums collected	$ 59,240	$ 64,567
Net investment income	5,374	4,337
Miscellaneous (expense) income	(502)	80
Losses and loss adjustment expenses paid, net of salvage and subrogation	(46,426)	(26,408)
Expenses paid	(8,667)	(8,970)
Net cash provided by operations	9,019	33,606
Cash flows from investments		
Proceeds from investments sold, matured or repaid	90,697	60,339
Cost of investments acquired	(513)	(54,240)
Other uses	-	(5,430)
Net cash provided by investments	90,184	669
Cash flows from other sources	(10,795)	8,286
Net change in cash and short-term investments	88,408	42,561
Cash and short-term investments Beginning of year	71,246	28,685
Cash and short-term investments End of year	$ 159,654	$ 71,246

See accompanying notes to statutory basis financial statements.

NOTE 1 - ORGANIZATION AND PURPOSE

The State Insurance Fund (NYSIF), which includes the operations of Disability Benefits Fund (DBF) and Workers' Compensation Fund (WCF), is a nonprofit agency of the State of New York (the State). NYSIF also administers the Aggregate Trust Fund (ATF). By statute, NYSIF maintains separate records for each fund.

In *Methodist Hospital of Brooklyn v. State Insurance Fund (1985)*, The New York State Court of Appeals held that NYSIF is "a State agency for all of whose liabilities the State is responsible…".

DBF offers statutory disability benefits insurance that satisfies an employer's requirement to provide partial wage replacement benefits to their employees for off the job injuries or illnesses and disabilities arising from pregnancies. Statutory disability benefits are equal to one half the average weekly wage of the employee, up to a maximum benefit of $170 for 26 weeks, if necessary within a 52-week period. Medical care is the responsibility of the claimant.

Effective January 1, 2018, DBF added an endorsement to policies to cover employees for mandatory New York State Paid Family Leave (PFL), which is funded through employee payroll deductions. PFL provides workers with job-protected, paid leave to bond with a new child, care for a loved one with a serious condition or help relieve family pressures when someone is deployed abroad on active military service.

The home office properties are occupied jointly by all three funds. Because of this relationship, DBF incurs operating expenses allocated to DBF by WCF based on the level of services provided. Management believes the method of allocating such expenses is fair and reasonable. WCF allocates the cost of services rendered to DBF based on a percentage of DBF employees, salaries and square footage occupied.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation:

The accompanying statutory basis financial statements of DBF are presented in conformity with accounting practices prescribed by the New York Department of Financial Services (DFS). DFS recognizes only New York Statutory Accounting Practices (NY SAP) for determining and reporting the financial condition and results of operations of an insurance company and for determining its solvency under New York State Insurance Law. The National Association of Insurance Commissioners' (NAIC) Accounting Practices and Procedures Manual (NAIC SAP), effective January 1, 2001 and subsequent revisions, have been adopted as a component of NY SAP.

Differences between NAIC SAP and NY SAP:

The State has adopted certain prescribed accounting practices that differ from those found in NAIC SAP. Such differences are identified herein as NY SAP where applicable. Specifically, Electronic Data Processing (EDP) and related equipment, constituting a data processing, record keeping or accounting system with a cost of $50 and greater shall be depreciated over a period not to exceed 10 years under NY SAP. In addition, the Superintendent of DFS has the right to permit other specific practices that may deviate from prescribed practices. DBF, as mandated by New York State Workers' Compensation Law, is not required to calculate Risk Based Capital.

Differences between NY SAP and U.S. GAAP:

The accounting practices and procedures of NY SAP and NAIC SAP (collectively referred to as SAP) comprise a comprehensive basis of accounting other than generally accepted accounting principles in the United States (U.S. GAAP). The more significant differences between SAP and U.S. GAAP which are applicable to DBF are set forth below:

a. Bonds are generally carried at amortized cost. Under U.S. GAAP, such securities are classified into "held to maturity" and reported at amortized cost, or "trading" and reported at fair value with unrealized gains and losses included in earnings, or "available for sale" and reported at fair value with unrealized gains and losses reported as a separate component of surplus.

All single class and multi-class mortgage-backed/asset-backed securities are adjusted for the effects of changes in prepayment assumptions on the related accretion of discount or amortization of premium of such securities using either the retrospective or prospective methods. If it is determined that a decline in fair value is other-than-temporary, the cost basis of the security is written down to the discounted estimated future cash flows.

Under U.S. GAAP, all securities, purchased or retained, that represent beneficial interests in securitized assets (e.g., collateralized mortgage obligations or asset-backed securities), other than high-credit quality securities, are adjusted using the prospective method when there is a change in estimated future cash flows. If it is determined that a decline in fair value is other-than-temporary, the cost basis of the security is written down to the discounted fair value.

b. Cash and short-term investments in the statutory basis statements of cash flows represent cash balances and investments with initial maturities of one year or less. Under U.S. GAAP, the corresponding caption of cash and cash equivalents includes cash balances and investments with initial maturities of three months or less.

c. Policy acquisition costs (principally underwriting and marketing related costs) are expensed as incurred, whereas under U.S. GAAP these costs are capitalized and amortized to income on the same basis as premium income is recognized.

d. Certain assets designated as non-admitted assets (principally premiums in the course of collection outstanding over 90 days and prepaid expenses) are charged directly against surplus. Under U.S. GAAP, all premiums in course of collection and prepaid expenses would be included in total assets, less valuation allowances.

e. An appropriation of surplus for security fluctuations has been established for the difference between the amortized cost of securities and their fair value. Such an appropriation of surplus is established for future contingencies, rather than allocated to specific investments. In addition, a reasonable portion of unassigned surplus has been established as an appropriation of surplus for catastrophes and postemployment benefits.

f. Comprehensive income and its components are not presented in the statutory basis financial statements.

g. The net amount of all cash accounts is reported jointly. Cash accounts with positive balances are not reported separately from cash accounts with negative balances. If in the aggregate, the reporting entity has a net negative cash balance, it is reported as a negative asset. Under U.S. GAAP, positive cash balances are reported as assets while net negative cash balances are reported as liabilities.

h. The aggregate effect of the foregoing variances on the accompanying statutory basis financial statements has not been determined, however, it is presumed to be material.

B. Investments:
Investments are generally valued in accordance with the valuation procedures of the NAIC.

Bonds are valued in accordance with the requirements of the NAIC's SVO. Bonds are principally carried at amortized cost. Discount or premium on bonds is amortized using the scientific method, which is a variation of the effective interest method. Short-term investments consist of bonds purchased within a year of the maturity date, which are stated at amortized cost. Market value is based on market prices obtained from the SVO and JP Morgan Chase primarily.

For mortgage-backed fixed maturity securities, DBF recognizes income using constant effective yield based on anticipated prepayments over the economic life of the security. Mortgage-backed securities are accounted for under the retrospective method and prepayment assumptions are based on market conditions. When actual payments differ significantly from anticipated prepayments, the effective yield is recalculated to reflect actual payments to date and anticipated future payments and any resulting adjustment is included in net investment income.

Receivable and payable for securities represent sales and purchases of securities that are unsettled at year-end.

Realized gains and losses on the sale of investments are calculated based on the difference between the carrying value and the consideration received at the time of sale and are included in the statutory basis statements of income.

Investment income earned consists primarily of interest. Interest is recognized on an accrual basis. Interest income on mortgage-backed and asset-backed securities is determined on the effective yield method based on estimated principal repayments. Accrual of income is suspended for bonds and mortgage loans that are in default or when the receipt of interest payments is in doubt. Realized capital gains and losses are determined using the first-in, first-out method.

An investment in a debt security is impaired if its fair value falls below book value and the decline is considered other than temporary. Factors considered in determining whether a loss is other than temporary include the length of time and extent to which fair value has been below cost; the financial condition and near term prospects of the issuer; and DBF's ability and intent to hold the investment for a period of time sufficient to allow for any anticipated recovery. A debt security is impaired if it is probable that DBF will not be able to collect all the amounts due under the security contractual terms. Other-than-temporary declines in fair value of investments are included in realized losses. There were no realized losses related to impairment losses during 2019 and 2018.

C. Premium Revenue and Related Accounts:
DBF records written premiums on the effective date of the policy and earns premium over the life of the policy.

DBF records premium receivable as an admitted asset if the following three conditions are met: (1) a bill for the premium amount is no more than 90 days past due, (2) the bill date is within six months after the expiration of the policy year and (3) no other bill for the same policy is considered non-admitted.

At December 31, 2019 and 2018, the outstanding premium receivable balance is net of $1,386 and $981 of non-admitted amounts. DBF routinely assesses the collectability of receivables and believes any uncollectable amounts at December 31, 2019 and 2018 are not expected to exceed the non-admitted amounts. Based on DBF's analysis of uncollectable premiums receivable, write offs of $1,324 and $1,038 were recorded as bad debt expense in the statutory basis statements of income for the years ended December 31, 2019 and 2018.

For DBF, unearned premiums represent the pro-rata portion of premiums and endorsements written that are applicable to the unexpired term of policies in force at year end.

Also included in the reserve for unearned premiums are estimates for Return of Premium Program (ROP) in the amount of $1,965 and $1,409 at December 31, 2019 and 2018 and the Premium Adjustment Plan (PAP) in the amount of $2,441 and $2,779 at December 31, 2019 and 2018 (See Note 2L). ROP is a program whereby policyholders with 49 or fewer employees become members of a group of policyholders and a premium credit is estimated based on the group's loss ratio that is not in excess of the industry standard as established by DFS. PAP is a program whereby policyholders with annual premium greater than $1 may qualify for an annual credit based on policyholder's individual claim performance. If the total annual premium is greater than the total claims paid, after all claims are closed for that same period, multiplied by a factor of 1.2, a PAP credit is awarded. Other qualifications for both ROP and the PAP are that the policyholder must maintain an active status with DBF throughout the policy year and have payroll reports submitted after the end of the policy period.

D. Reserves for Losses and Loss Adjustment Expenses:

Total DBF reserves for losses and loss adjustment expenses (LAE), which include case and incurred but not reported (IBNR) reserves, are estimated using generally accepted actuarial methods. The methods for making such estimates and for establishing the resulting liabilities are continually reviewed and any adjustments are reflected in the period determined. An independent actuarial consulting firm reviews the estimated liability. DBF's management believes that the assumptions used in determining this liability are reasonable and that the amount recorded represents the best estimate of the ultimate cost of investigating, defending and settling claims.

Case reserves for losses and LAE of DBF are based on individual case estimates for losses attributable to policy years prior to the current year. These liabilities also include expenses for investigating and settling claims.

DBF's actual future experience may not conform to the assumptions inherent in the determination of the liability. Accordingly, the ultimate settlement value may vary significantly from the amounts included in the statutory basis financial statements and the difference may be material.

The New York State Department of Financial Services has imposed a risk adjustment mechanism on insurers writing PFL coverage. Each year, those carriers with PFL loss ratios lower than the average industry loss ratio make a risk adjustment payment and those carriers with loss ratios higher than the average industry loss ratio receive a risk adjustment payment. The payment and receipt of risk adjustments is intended to ensure all carriers have an equivalent loss ratio within specific employer size groupings. During 2019, NYSIF made a risk adjustment payment of $13,828.

DBF does not cede or assume any reinsurance. DBF does not participate in any voluntary or involuntary pools.

The reserves for loss and LAE of DBF are not discounted.

E. Postemployment Fringe Benefits - Pension:

All employees of DBF are eligible to be covered under a retirement plan administered by the New York State Employees Retirement System. For employees hired prior to July 27, 1976, the plan is noncontributory. For employees hired on or after July 27, 1976, but before 2015, the plan is partially contributory in the first 10 years of employment and noncontributory thereafter. For employees hired on and after January 1, 2015, the plan is partially contributory for the entire term of employment.

DBF has determined that they are not directly liable for this obligation and as such, in accordance with SSAP No. 102, *Pensions*, DBF records its obligation based on amounts billed by the State. DBF records the difference between amounts billed by the State and amounts paid to the State as a liability or prepaid asset. DBF has a prepaid asset for pension benefits in the amount of $84 and $67 as of December 31, 2019 and 2018.

Based on actual costs billed by various State agencies, DBF incurred $1,490 and $1,874 of fringe benefits and indirect costs in 2019 and 2018 recorded through other underwriting expenses in the statutory basis statements of income.

DBF also estimates a contingent liability for the net pension liability as of December 31 of each calendar year based on the State's latest available Actuarial Valuation Report, which is as of March 31 of the same calendar year.

During the year ended December 31, 2018, DBF appropriated surplus to provide for the net pension obligation costs as permitted by SSAP No. 72, *Surplus and Quasi-Reorganizations*. Future obligations may vary significantly due to potential future changes in various key assumptions, such as DBF's ultimate allocated share of the obligation, investment earning and actuarial projections. DBF updates the estimate each year-end.

At December 31, 2019 and 2018, DBF's pro-rata portion of its New York State Employees' net pension obligation was $836 and $202. The pension obligation was measured by the State as of March 31, 2019 and 2018 with DBF's portion of the obligation based on a ratio of its employees to State employees. At March 31, 2019, and 2018, DBF's approximate proportionate share was 0.01%.

Notes to Statutory Basis Financial Statements for the Years Ended December 31, 2019 and 2018 (in thousands)

The activity in the appropriated surplus for pension benefits during 2019 and 2018 is as follows:

	2019	2018
Balance beginning of year	$ 202	$ -
Surplus adjustment	-	1,100
Current year appropriation	634	(898)
Balance end of year	$ 836	$ 202

In 2019 and 2018, DBF recorded pension expense of $529 and $485.

F. Postemployment Fringe Benefits – Other Postemployment Benefits:

DBF's employees are employees of the State. New York State Civil Service Law, Section 163.2, provides for health insurance coverage for retired employees of DBF including their spouses and dependent children (The State Plan). Eligibility is determined by the membership in the New York State and Local Employees' Retirement System, enrollment in the New York State Health Insurance Program (NYSHIP) at the time of retirement, and the completion of a minimum number of years of service as required by the employees' membership tier in the retirement system.

The State's Actuarial Valuation Reports are prepared as of March 31 (the State's fiscal year end) and segregate balances relating to the various state agencies, including NYSIF, under GASB 75.

NYSIF, in the course of business, reimburses the State for certain Other Postemployment Benefits (OPEB) related charges under the State's Plan. Under SSAP No. 92, *Postretirement Benefits Other Than Pensions*, DBF estimates its Normal Cost as of December 31 of each calendar year based on the State's latest available Actuarial Valuation Report, which is as of March 31 of the same calendar year.

DBF carries its net OPEB obligation (i.e., the Normal Cost less the amount DBF has funded to the State for retirees) as a liability. DBF recognizes in the statement of income only its annual Normal Cost, as this is DBF's current year expense for the plan for the period, in accordance with statutory accounting principles.

Projected benefits for financial reporting purposes are based on the State's actuarial calculations and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between employer and plan members to that point. The actuarial calculations reflect a long-term perspective. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revisions as results are compared to past expectations and new estimates are made about the future. DBF maintains an appropriated surplus account to provide for the portion of the contingency for OPEB costs that have not already been recognized as a net OPEB obligation, as permitted by SSAP No. 72, *Surplus and Quasi-Reorganizations*. Future obligations may vary significantly due to potential future changes in various key assumptions, such as DBF's ultimate allocated share of the liability, discount rate used to develop the present value of future benefits, healthcare inflation, projected healthcare claims, and the likelihood an employee retires, elects healthcare coverage, and survives after retirement. DBF updates the estimate each year-end.

The activity in the appropriated surplus for postemployment benefits during 2019 and 2018 is as follows:

	2019	2018
Balance beginning of year	$ 7,172	$ 5,441
Current year appropriation	(59)	1,731
Balance end of year	$ 7,113	$ 7,172

Notes to Statutory Basis Financial Statements for the Years Ended December 31, 2019 and 2018 (in thousands)

DBF paid the State retiree OPEB charges of $226 and $212 for the years ended December 31, 2019 and 2018. The following table shows the components of DBF's assigned values relating to OPEB expense (normal cost) under the State's plan, the amount credited to the plan, and changes in the net OPEB obligation as of December 31, 2019 and 2018:

	2019	2018
Net OPEB obligation, beginning of year	$ 634	$ 555
Annual OPEB expense (Normal Cost)	537	291
Estimated contribution credit (retiree premiums paid)	(226)	(212)
Increase in net OPEB obligation	311	79
Net OPEB obligation, end of year	$ 945	$ 634

DBF has an accrued liability for employees' compensation for future absences in the amount of $321 and $291 as of December 31, 2019 and 2018.

G. Appropriated Surplus Funds:

As described above, DBF may designate a portion of unassigned surplus to provide for contingencies as permitted under NAIC SAP.

Security fluctuation surplus

DBF decreased security fluctuation surplus to $1,260 at December 31, 2019 from $1,890 at December 31, 2018.

Catastrophe surplus

The review of the catastrophe surplus in conjunction with a risk assessment of DBF's exposures resulted in DBF maintaining the catastrophe surplus at $4,000 as of December 31, 2019 and 2018.

Pension and postemployment fringe benefits surplus

DBF records pension and postemployment benefits expenses and estimates a contingent liability for the net obligation as of December 31 of each calendar year based on the State's latest available actuarial valuation reports (see notes 2E and 2F).

Other postemployment benefits (OPEB) surplus decreased to $7,113 as of December 31, 2019 from $7,172 at December 31, 2018.

Pension surplus increased to $836 as of December 31, 2019 from $202 at December 31, 2018.

H. Income Tax:

DBF is exempt from federal and state income taxes. DBF is, however, subject to a New York State franchise tax. DBF's franchise tax is based on written premiums. The New York State franchise tax expense was $1,016 and $1,316 in 2019 and 2018.

DBF maintains an office and does business in the metropolitan New York area and is subject to the Metropolitan Transit Authority (MTA) surcharge. The MTA surcharge is based on premiums written on businesses in the metropolitan area and wages paid to employees in the metropolitan area. The MTA surcharge was $143 and $188 in 2019 and 2018.

The franchise and MTA tax expenses are recorded through the statutory basis statements of income.

I. Concentrations of Credit Risk:

Financial instruments that potentially subject DBF to concentrations of credit risk are primarily cash and cash equivalents. Cash equivalents include investments in money market securities and securities backed by the U.S. Government. Balances maintained in demand deposit accounts in the United States are fully insured by the Federal Deposit Insurance Corporation, (FDIC) up to $250. The term demand deposit means both interest and non-interest bearing deposits that are payable on demand and for which the depository institution does not reserve the right to require advance notice of an intended withdrawal.

Cash and cash equivalents are held with high credit quality financial institutions in the United States and from time to time may have balances that exceed the amount of insurance provided by the FDIC on such deposits.

J. Risks and Uncertainties

DBF invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, market risk and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in values of investment securities will occur in the near term and those changes could materially affect the amounts reported in the statutory basis financial statements.

The extent of the impact and effects of the recent outbreak of the coronavirus (COVID-19) on the operations and financial performance of NYSIF are unknown. NYSIF has instituted changes in premium payment plans including deferral of premium due dates and forbearance on cancellation of policies for non-payment. The extent of the impact of the COVID-19 outbreak on NYSIF's financial results will depend on future developments, including the duration and spread of the outbreak and related advisories and restrictions, all of which are highly uncertain and cannot be predicted. If the financial markets and/or the overall economy are impacted for an extended period, NYSIF's business, results of operations, cash flows, and investment results may be materially affected.

While COVID-19 claims do not impact the financial statements as of December 31, 2019, the impact of such claims incurred after December 31, 2019, while uncertain to project at this time, may be material. Both NY State and the Federal Government passed legislation expanding wage loss benefits, essentially sick leave paid by the employer, to qualifying persons impacted by COVID-19. The State law also provides that DB and PFL benefits be paid to qualifying employees when sick leave benefits have been exhausted. It is NYSIF's conclusion that the federally mandated benefits are primary and paid directly by the employer to the employee. Under the State law, however, DB and PFL expanded benefits will also be paid by the DBF for conterminous periods with federally mandated sick leave where the benefit under the State law is greater than the benefit available under the Federal law, but only to the extent of the difference between the two. Accordingly, the passage of the Federal law significantly reduces the DBF's exposure to COVID-19 losses as it is expected to be either a partial or complete offset to otherwise mandated State benefits for most claims. It is not possible at this time to reliably estimate the impact of the additional exposure posed by the new laws as the number of claims that may be filed is presently unknown and the interaction and administration of the separate laws still remains to be determined. At this time, existing surplus in the DBF is expected to be adequate to cover the net impact of the benefits required to be paid to claimants asserting disability due to COVID-19.

K. Use of Estimates:

The preparation of these statutory basis financial statements in conformity with statutory basis accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the statutory basis financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The significant estimates included in these statutory basis financial statements are the liability for loss and LAE, ROP and PAP estimates in unearned premiums, and DBF's portion of the pension and OPEB costs estimated by DBF based on the current actuarial valuation prepared for New York State which includes DBF's employees.

L. Reclassifications:

Certain reclassifications have been made to the prior year's statutory basis financial statements to conform to the current year presentation.

Notes to Statutory Basis Financial Statements for the Years Ended December 31, 2019 and 2018 (in thousands)

NOTE 3 - INVESTMENTS

Section 87 of the New York State Workers' Compensation Law states that the Commissioner of Taxation and Finance is the sole custodian of DBF. By order of the Commissioner and approval of DFS, Section 87 allows J.P. Morgan Chase to serve as DBF's custodian for investments. The type of securities authorized for investment by DBF are mandated by Section 87. All bank deposits are entirely insured or collateralized with securities held by J.P. Morgan Chase at December 31, 2019 and 2018, in accordance with Section 105 of the New York State Finance Law.

The amortized cost, gross unrealized gains, gross unrealized losses and estimated market value of investments in bonds, at December 31, 2019 and 2018 are as follows:

2019	Cost or Book Adjusted Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
U.S. Government and government agency obligations	$ 8,209	$ 127	$ -	$ 8,336
All other governments	2,000	1	-	2,001
Corporate bonds and public utilities	55,283	86	(2)	55,367
Mortgage/loan backed securities	17,966	22	(12)	17,976
Total investments	$ 83,458	$ 236	$ (14)	$ 83,680

2018	Cost or Book Adjusted Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
U.S. Government and government agency obligations	$ 14,621	$ 150	$ (28)	$ 14,743
All other governments	5,996	42	-	6,038
State, territory, and possession general obligations	500	-	-	500
Corporate bonds and public utilities	86,141	34	(553)	85,622
Mortgage/loan backed securities	56,187	-	(460)	55,727
Total investments	$ 163,445	$ 226	$ (1,041)	$ 162,630

The amortized cost and market value of bonds at December 31, 2019 by contractual maturity are shown below. Actual maturities may differ from contractual maturities because certain issuers may have the right to call or prepay obligations with or without penalties.

	Amortized Cost	Market Value
Due in one year or less	$ 57,900	$ 58,031
Due after one year through five years	11,438	11,518
Due after five years through ten years	2,363	2,362
Due after ten years	11,757	11,769
Total bonds	$ 83,458	$ 83,680

DBF participates in securities lending programs whereby certain securities from DBF's portfolio are loaned to other institutions for short periods of time. Under the terms of the lending agreements, DBF receives a fee from the borrower and requires collateral with a market value of at least 102% of the market value of securities loaned. DBF maintains ownership rights to securities loaned and has the ability to sell securities while they are on loan. DBF has an indemnification agreement with lending agents in the event a borrower becomes insolvent or fails to return securities.

As of December 31, 2019 and 2018, $8,411 and $8,328 of DBF investments were on loan, supported by collateral of $8,582 and $8,452.

DBF had reinvested collateral assets in the amount of $75, and $8,118 as of December 31, 2019 and 2018. For the years ended December 31, 2019 and 2018, DBF received fees of $65 and $81. The fees for the current year have been included in investment income earned in the statutory basis statements of income.

Notes to Statutory Basis Financial Statements for the Years Ended December 31, 2019 and 2018 (in thousands)

The amortized cost and market value of the reinvested collateral assets at December 31, 2019 by contractual maturity are shown below:

	Amortized Cost	Fair Value
30 days or less	$ 75	$ 75
Total collateral received	$ 75	$ 75

The amortized cost and market value of the reinvested collateral assets at December 31, 2018 by contractual maturity are shown below:

	Amortized Cost	Fair Value
30 days or less	$ 8,118	$ 8,118
Total collateral received	$ 8,118	$ 8,118

DBF has sufficient tradable securities that could be sold and used to pay for the collateral calls that could come due under a worst-case scenario.

DBF has security lending agreements with J.P. Morgan Chase. All bank deposits are entirely insured or collateralized with securities held by J.P. Morgan Chase at December 31, 2019, in accordance with Section 105 of the New York State Finance Law.

Net investment income earned consists principally of interest and dividends on investments as follows:

	Year Ended December 31, 2019	Year Ended December 31, 2018
Bonds	$ 3,276	$ 4,273
Cash and cash equivalents	2,331	689
Security lending	19	19
Investment income	5,626	4,981
Investment expenses	(294)	(318)
Net realized capital gains	15	386
Net investment income earned	$ 5,347	$ 5,049

Net realized capital gains on investments, determined on the first-in, first-out method in 2019 and 2018.

	Year Ended December 31, 2019	Year Ended December 31, 2018
Bonds	$ 13	$ 387
Cash and short-term investments	2	(1)
Net realized capital gains	$ 15	$ 386

Proceeds from investments sold, matured or repaid during the years ended December 31, 2019 and 2018 were $90,697 and $60,339. These sales resulted in gross realized capital gains of $16 and $409 and gross realized capital losses of $3 and $22 in 2019 and 2018.

Notes to Statutory Basis Financial Statements for the Years Ended December 31, 2019 and 2018 (in thousands)

The following tables represents DBF's unrealized loss, fair value and amortized cost for bonds aggregated by investment category and length of time individual securities have been in a continuous unrealized loss position as of December 31, 2019 and 2018.

2019	Less Than 12 Months		12 Months or More		Total	
	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses
Corporate bonds and public utilities	$ 1,000	$ -	$ 4,748	$ (1)	$ 5,748	$ (1)
Mortgaged backed securities	3,807	(2)	7,642	(11)	11,449	(13)
Total fixed maturities	4,807	(2)	12,390	(12)	17,197	(14)
Total temporarily impaired investments	$ 4,807	$ (2)	$ 12,390	$ (12)	$ 17,197	$ (14)

2018	Less Than 12 Months		12 Months or More		Total	
	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses
U.S. Government and government agency obligations	$ 5,940	$ (10)	$ 2,980	$ (18)	$ 8,920	$ (28)
All other governments	500	-	-	-	500	-
Corporate bonds and public utilities	49,743	(218)	33,242	(335)	82,985	(553)
Mortgaged backed securities	18,831	(59)	36,663	(401)	55,494	(460)
Total fixed maturities	75,014	(287)	72,885	(754)	147,899	(1,041)
Total temporarily impaired investments	$ 75,014	$ (287)	$ 72,885	$ (754)	$ 147,899	$ (1,041)

Gross unrealized losses represented 0.02% and 0.6% of the total cost or amortized cost of total investments for DBF as of December 31, 2019 and 2018. Fixed maturities represented 100% of DBF's unrealized losses as of December 31, 2019 and 2018. The group of securities in an unrealized loss position for less than twelve months was comprised of 6 and 55 securities for DBF as of December 31, 2019 and 2018. The group of securities depressed for twelve months or more were comprised of 17 and 63 securities for DBF as of December 31, 2019 and 2018.

The fixed income securities in an unrealized loss position are primarily investment grade securities with extended maturity dates, which have been adversely impacted by an increase in interest rates after the purchase date. As part of DBF's ongoing security monitoring process by a committee of investment and accounting professionals, DBF has reviewed its investment portfolio and concluded that there were no additional other-than-temporary impairments as of December 31, 2019 and 2018. Due to the issuers' continued satisfaction of the securities' obligations in accordance with their contractual terms and the expectation that they will continue to do so, management's ability and intent to hold these securities, as well as the evaluation of fundamentals of the issuers' financial condition and other objective evidence, DBF believes that the securities identified above were temporarily impaired.

The evaluation for other-than-temporary impairments (OTTI) is a quantitative and qualitative process, which is subject to risks and uncertainties in the determination of whether declines in the fair value of investments are other-than-temporary. The risks and uncertainties include changes in general economic conditions, the issuer's financial condition or near term recovery prospects and the effects of changes in interest rates.

SSAP No. 43R - *Loan-backed and Structured Securities* (SSAP No. 43R) requires that OTTI be recognized in earnings for a loan-backed or structured security in an unrealized loss position when it is anticipated that the amortized basis will not be recovered. In such situations, the OTTI recognized in earnings is the entire difference between the security's amortized cost and its fair value either (i) DBF intends to sell the security; or (ii) DBF does not have the intent and ability to retain the security for the time sufficient to recover the amortized cost basis. If neither of these two conditions exists, and DBF has the intent and ability to hold the security but does not expect to recover the entire amortized cost, the difference between the amortized cost basis of the security and the present value of projected future cash flows expected to be collected is recognized as an OTTI in earnings.

There were no amounts included in 2019 and 2018 for realized losses related to DBF for impairment losses related to SSAP No. 43R investments. There were no additional impairments recorded in 2019 and 2018 on the basis that the present value of future expected cash flows is less than the amortized cost basis of the security as losses were identified on the basis that DBF was unable to retain the security until recovery of amortized cost.

DBF recorded no impairments during 2019 or 2018 as a component of net realized investment gains through the statutory basis statements of income.

A. Fair Value of Financial Instruments:

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the end of the reporting period.

DBF evaluated the significance of transfers between levels based upon the nature of the financial instrument and size of the transfer relative to the total investment portfolio.

The fair value of an asset is the amount at which that asset could be bought or sold in a current transaction between willing parties, that is, other than in a forced or liquidation sale. The fair value of a liability is the amount at which that liability could be incurred or settled in a current transaction between willing parties, that is, other than in a forced or liquidation sale.

Fair values are based on quoted market prices when available. When market prices are not available, fair value is generally estimated using discounted cash flow analysis, incorporating current market inputs for similar financial instruments with comparable terms and credit quality (matrix pricing). In instances where there is little or no market activity for the same or similar instruments, DBF estimates fair value using methods, models and assumptions that management believes market participants would use to determine a current transaction price. These valuation techniques involve some level of management’s estimation and judgment which becomes significant with increasingly complex instruments or pricing models. Where appropriate, adjustments are included to reflect the risk inherent in a particular methodology, model or input used.

SSAP No. 100R defines fair value, establishes a framework for measuring fair value and establishes disclosure requirements about fair value.

Included in various investment related line items in the statutory basis financial statements are certain financial instruments carried at fair value. Other financial instruments are periodically measured at fair value, such as when impaired, or, for certain bonds when NAIC designations fall below a 2 and, therefore, are carried at the lower of cost or market.

When available, DBF used quoted market prices to determine the fair values of aforementioned investment securities. When quoted market prices are not readily available or representative of fair value, pricing determinations are made based on the results of valuation models using observable market data such as recently reported trades, bid and offer information and benchmark securities. There were no investments with unobservable inputs held by DBF as of December 31, 2019 and 2018. Unobservable inputs reflect DBF’s best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

DBF’s financial assets and liabilities carried at fair value, as well as where fair value is disclosed, have been classified, for disclosure purposes, based on the SSAP No. 100R hierarchy. The hierarchy gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest ranking to fair values determined using methodologies and models with unobservable inputs (Level 3). An asset's or a liability's classification is based on the lowest level input that is significant to its measurement. For example, a Level 3 fair value measurement may include inputs that are both observable (Levels 1 and 2) and unobservable (Level 3).

The levels of the fair value hierarchy are as follows:

Level 1 - Values are unadjusted quoted prices for identical assets and liabilities in active markets accessible at the measurement date.

Level 2 - Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument. Such inputs include market interest rates and volatilities, spreads and yield curves.

Level 3 - Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect DBF’s best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

Low grade fixed maturity investments where fair value is lower than cost are recorded at fair value. Securities classified into Level 1 included primarily cash equivalents where there are quoted prices in active markets for identical securities and the source of the pricing. Unadjusted quoted prices for these securities are provided to DBF by independent pricing services. Level 2 securities include corporate bonds where pricing is based on bid evaluations. Quoted prices for these securities are provided to DBF using independent pricing services. DBF did not have any securities that were carried at fair value. There were no changes in valuation techniques during 2019 and 2018.

Notes to Statutory Basis Financial Statements for the Years Ended December 31, 2019 and 2018 (in thousands)

The following table provides information as of December 31, 2019 about DBF's financial instruments disclosed at fair value along with a brief description of the valuation technique for each type of assets.

Type of Financial Instrument	Aggregate Fair Value	Admitted Assets	Level 1	Level 2	Level 3
Bonds	$ 83,680	$ 83,458	$ -	$ 83,680	$ -
Cash equivalent	10,973	10,973	10,973	-	-
Short-term investments	148,801	148,805	-	148,801	-
Security lending collateral assets	75	75	75	-	-
Total	$ 243,529	$ 243,311	$ 11,048	$ 232,481	$ -

The following table provides information as of December 31, 2018 about DBF's financial instruments at fair value along with a brief description of the valuation technique for each type of assets.

Type of Financial Instrument	Aggregate Fair Value	Admitted Assets	Level 1	Level 2	Level 3
Bonds	$ 162,630	$ 163,445	$ -	$ 162,630	$ -
Cash equivalent	10,411	10,411	10,411	-	-
Short-term investments	60,523	60,523	-	60,523	-
Security lending collateral assets	8,118	8,118	8,118	-	-
Total	$ 241,682	$ 242,497	$ 18,529	$ 223,153	$ -

Securities classified into Level 1 included primarily cash equivalents and treasury notes (collateral assets) where there are quoted prices in active markets for identical securities and the source of the pricing. Unadjusted quoted prices for these securities are provided to DBF by independent pricing services. Quoted prices for these securities are provided to DBF using independent pricing services. Level 2 securities include all bonds, mortgage-backed securities including hybrid securities with pricing using bid evaluations or matrix pricing. Matrix pricing takes quoted prices of bonds with similar features and applies analytic methods to determine the fair value of bonds held. Features that are inputs into the analysis include duration, credit quality, tax status and call and sinking fund features. Quoted prices for these securities are provided to DBF by independent pricing services. DBF does not have any Level 3 securities. The valuation methodology has been applied consistently.

There were no significant transfers into or out of Level 3 during 2019 and 2018. There were no changes in valuation techniques during 2019 and 2018.

B. Subprime Mortgage Exposure:

DBF had no exposures to subprime mortgage loans at December 31, 2019 and 2018.

C. Wash Sales:

In the course of DBF's management of investment portfolio, securities may be sold at a loss and repurchased within 30 days of the sale date to enhance DBF's yield on its investment portfolio. DBF did not sell any securities at a loss or in a loss position with a NAIC designation from 3 to 6 for the years ended December 31, 2019 and 2018 that were reacquired within 30 days of the sale date.

NOTE 4 - NON-ADMITTED ASSETS

The non-admitted assets of DBF at December 31, 2019 and 2018 were as follows:

	2019	2018
Premium in course of collection outstanding over 90 days	$ 1,386	$ 981
Other	83	67
Total non-admitted assets	$ 1,469	$ 1,048

NOTE 5 - RELATED PARTY TRANSACTIONS

Expenses allocated to DBF were $3,992 in 2019 and $4,184 in 2018. The amount owed to WCF at December 31, 2019 and 2018 from DBF is $588 and $3,125.

Notes to Statutory Basis Financial Statements for the Years Ended December 31, 2019 and 2018 (in thousands)

NOTE 6 - RESERVES FOR LOSSES AND LOSS ADJUSTMENT EXPENSES

Activity in the reserves for losses and loss adjustment expenses is summarized as follows:

	2019	2018
Balance—January 1	$ 20,081	$ 5,259
Incurred claims related to		
Current year	47,798	47,268
Prior years	(1,186)	(1,269)
Total incurred	46,612	45,999
Paid claims related to		
Current year	32,156	27,539
Prior years	18,169	3,638
Total paid	50,325	31,177
Balance—December 31	$ 16,368	$ 20,081

The incurred claims related to prior years have changed in 2019 and 2018 as a result of changes in estimate of events insured in prior years.

NOTE 7 - SURPLUS

There were no restrictions placed on DBF's surplus, including for whom the surplus is being held.

Changes in balances of appropriated surplus funds from December 31, 2018 to December 31, 2019 are discussed in Note 2 (E).

Unassigned surplus reflects the accumulated balances for the item listed below:

	2019	2018
Nonadmitted assets	$ (1,469)	$ (1,048)

NOTE 8 - OTHER UNDERWRITING EXPENSES

The components of other underwriting expenses are as follows:

	2019	2018
Salaries and payroll taxes	$ 1,693	$ 1,598
Employee relations and welfare	659	828
Insurance	15	15
Rent and rent items	158	158
Equipment	1	1
Taxes, licenses and fees	1,191	1,558
Cost of depreciation of EDP equipment and software	424	717
Printing and stationery	21	20
Postage, telephone and telegraph	83	82
Legal and auditing	72	43
Miscellaneous expense	240	239
Total	$ 4,557	$ 5,259

NOTE 9 - CONTINGENCIES

From time to time, DBF is involved in pending and threatened litigation in the normal course of business in which claims for monetary damages are asserted. In the opinion of management, the ultimate liability, if any, arising from such pending or threatened litigation is not expected to have material effect on the results of operations, liquidity, or financial position of DBF.

NOTE 10 - SUBSEQUENT EVENTS

Subsequent events have been reviewed in accordance with SSAP No. 9, *Subsequent Events*, for both annual statement reporting and through issuance of these audited statutory basis financial statements. Subsequent events were initially reviewed through March 1, 2020 for annual statement reporting. After this date, subsequent events have been reviewed through May 21, 2020, the date which these audited statements were available to be issued.

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