YELLOWSTONE
INSURANCE EXCHANGE, RRG

2021
Annual Meeting

June 22, 2021

Welcome

Thank you for taking part in the 2021 Yellowstone Annual Meeting. As you know, this year we decoupled the Annual Meeting from the Risk Management portion of the conference to better navigate the changing landscape of the Covid-19 Pandemic. The Risk Management Conference is scheduled for October. We arrived at this decision following CDC guidelines and out of abundance of caution to protect participants and mitigate the level of risk. After all, at Yellowstone Insurance Exchange, RRG the mitigation of risk, employee safety and patient safety are at the core of who we are as an organization.

We once again appreciate your flexibility and understanding as we adapted this year's conference to a virtual format. We look forward to gathering in Coeur d'Alene in 2022 to share information about your company, spend time together renewing friendships and having the opportunity to learn from each other.

For the Annual Meeting this year, we have good news to share with you. We look forward to meeting with you via teleconference. Instructions to join the teleconference are provided on the following page.

Best Regards,

Doug McMillan

Chairman, Yellowstone Insurance Exchange, RRG

Yellowstone Insurance Exchange
(A Risk Retention Group)
Annual Meeting

Annual Meeting Instructions

The annual meeting of the Subscribers of Yellowstone Insurance Exchange (A Risk Retention Group) will be held in a virtual meeting format by Telspan and telephone conference on June 22, 2021, commencing at 8:00 a.m. (Pacific Time).

Primary Meeting Link – Telspan:

1-888-392-4560 Participant code 20520# You can listen through your computer and use the chat box.

Please make sure you have registered using this link prior to June 18, 2021:

https://web.telspan.com/register/yellowstone/hnl3vrxm

Secondary Meeting Link - Call-in Instructions:

1: At the specified time (**Tuesday, June 22, 8:00 AM PT**), dial the Access Number **1.800.704.9804.**

2: When prompted, enter your Participant Code followed by #.

3: Your Participant Code is **7619235#.**

Participant Star Commands

*4 Volume - Pressing *4 will increase/decrease the volume.

*6 Mute - Participants can mute/unmute their own lines by pressing *6.

By Order of the President

8:00 AM PDT, Tuesday, June 22

YIE, RRG Annual Meeting of Subscribers and SAC Update

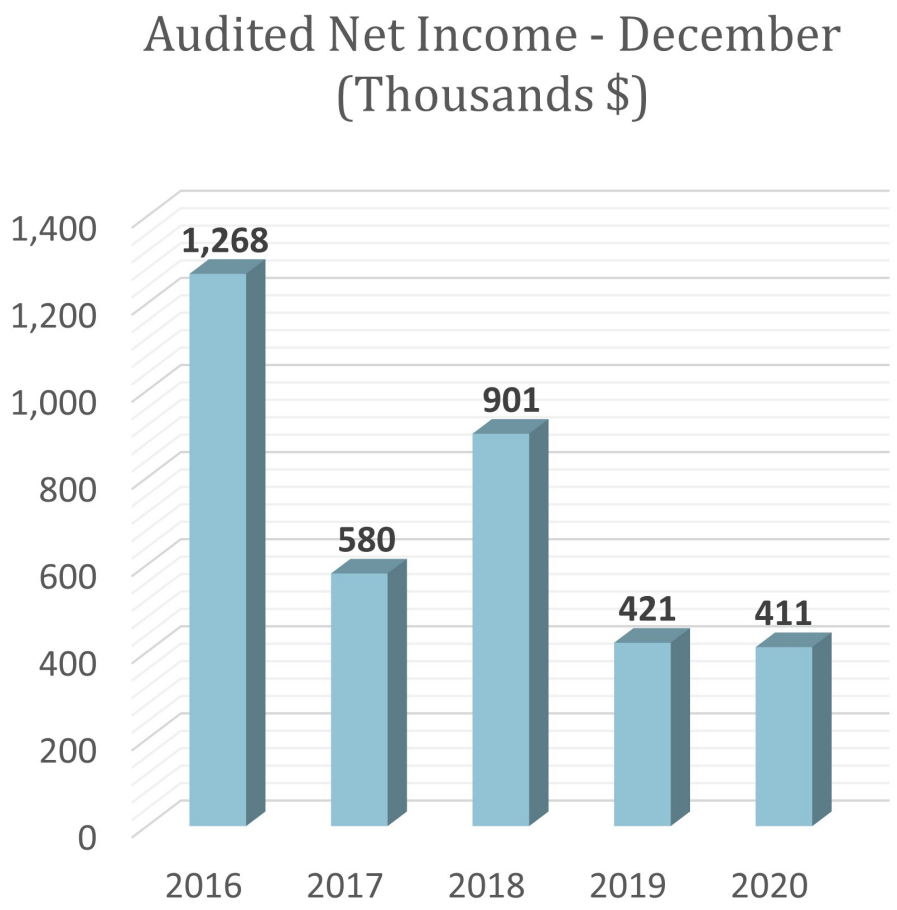
Topic **Page**

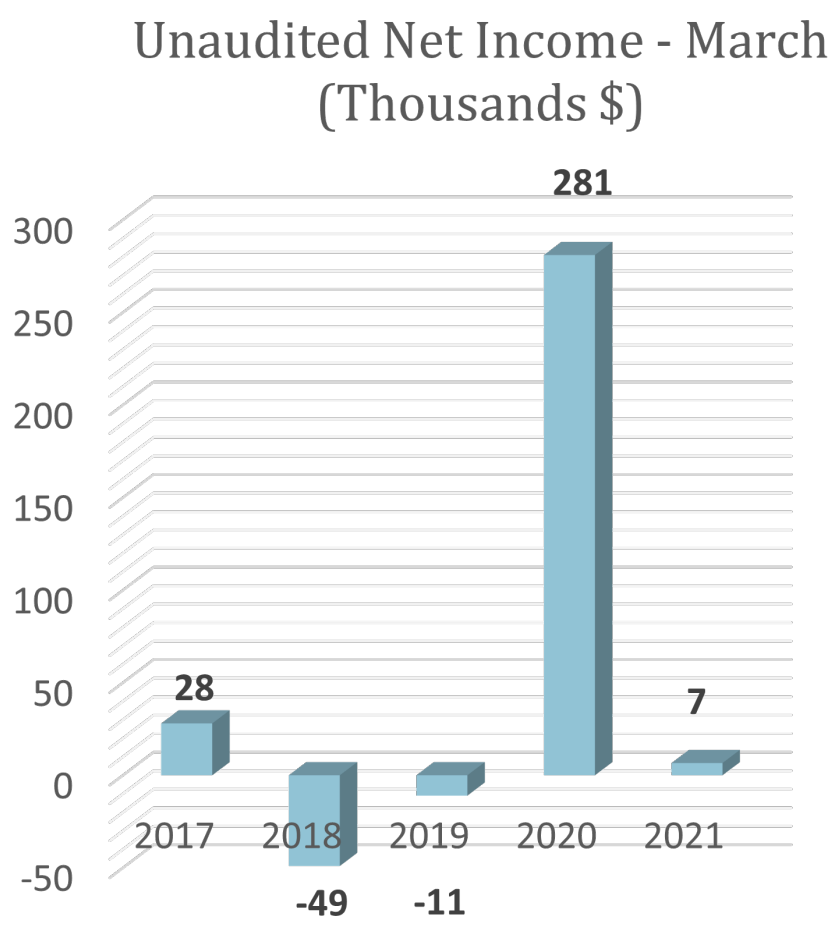
2021 Annual Meeting of Subscribers
June 22, 2021

YELLOWSTONE
INSURANCE EXCHANGE, RRG

Agenda

- Yellowstone Update
- Resolutions
  - SAC Member Elections
  - Annual Meeting Minutes
  - Ratify Actions of the Subscriber Advisory Committee





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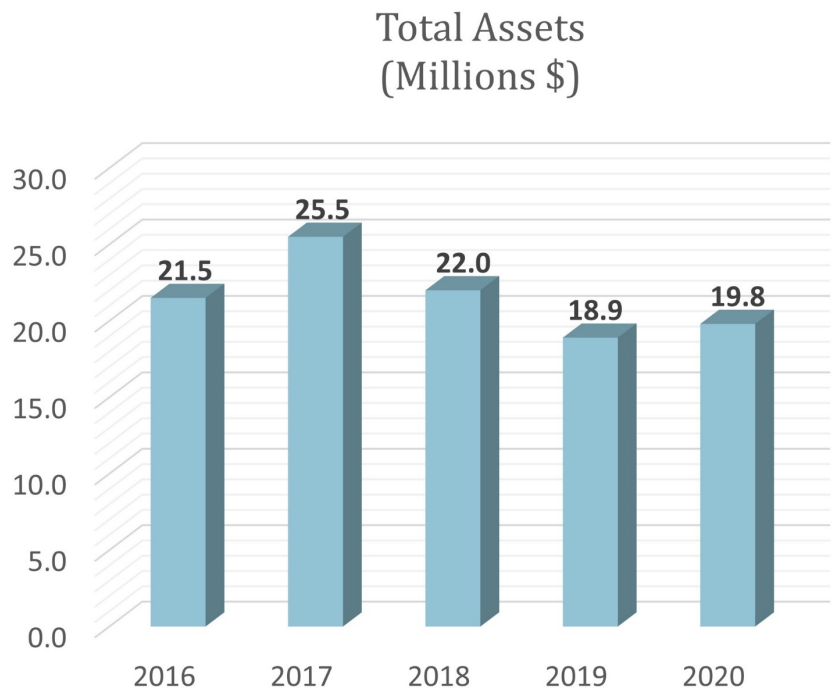

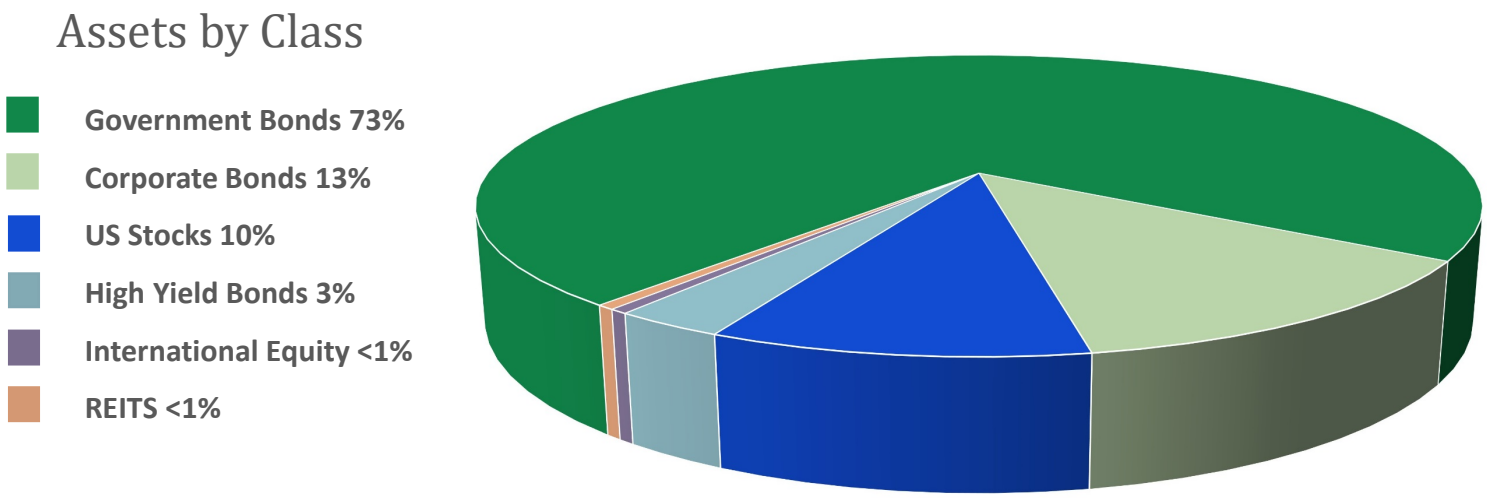

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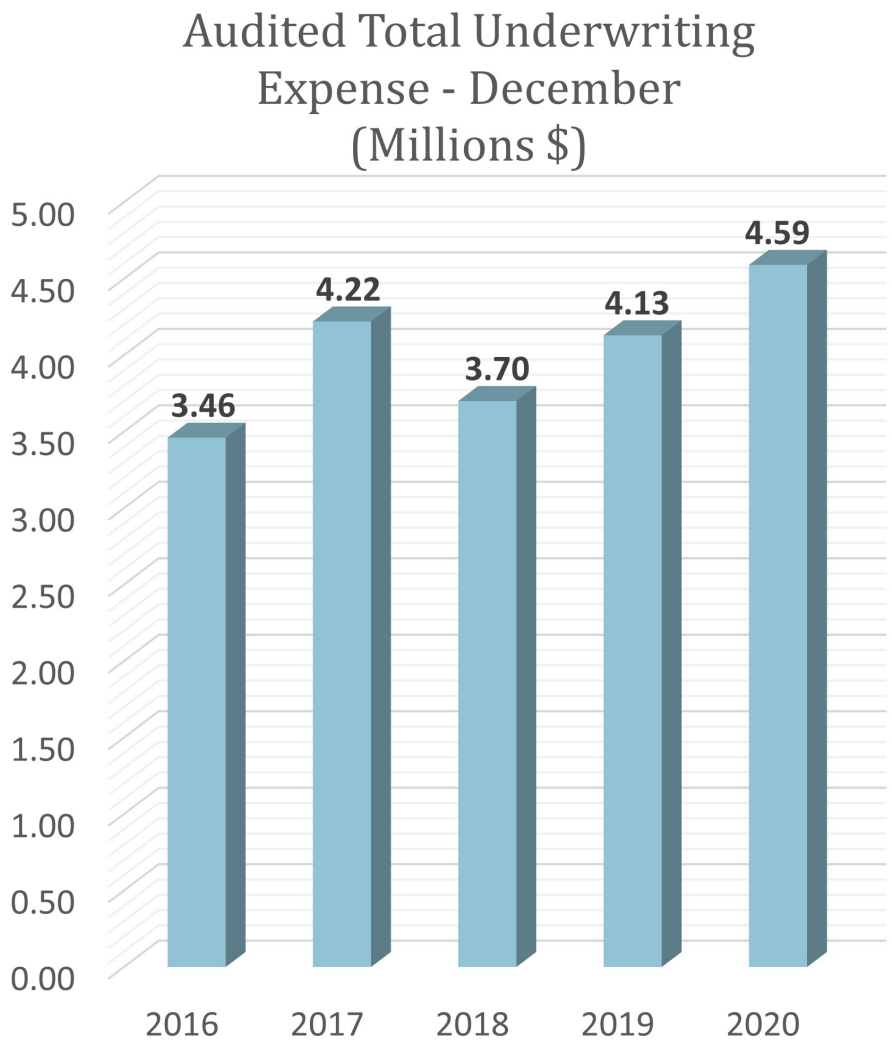

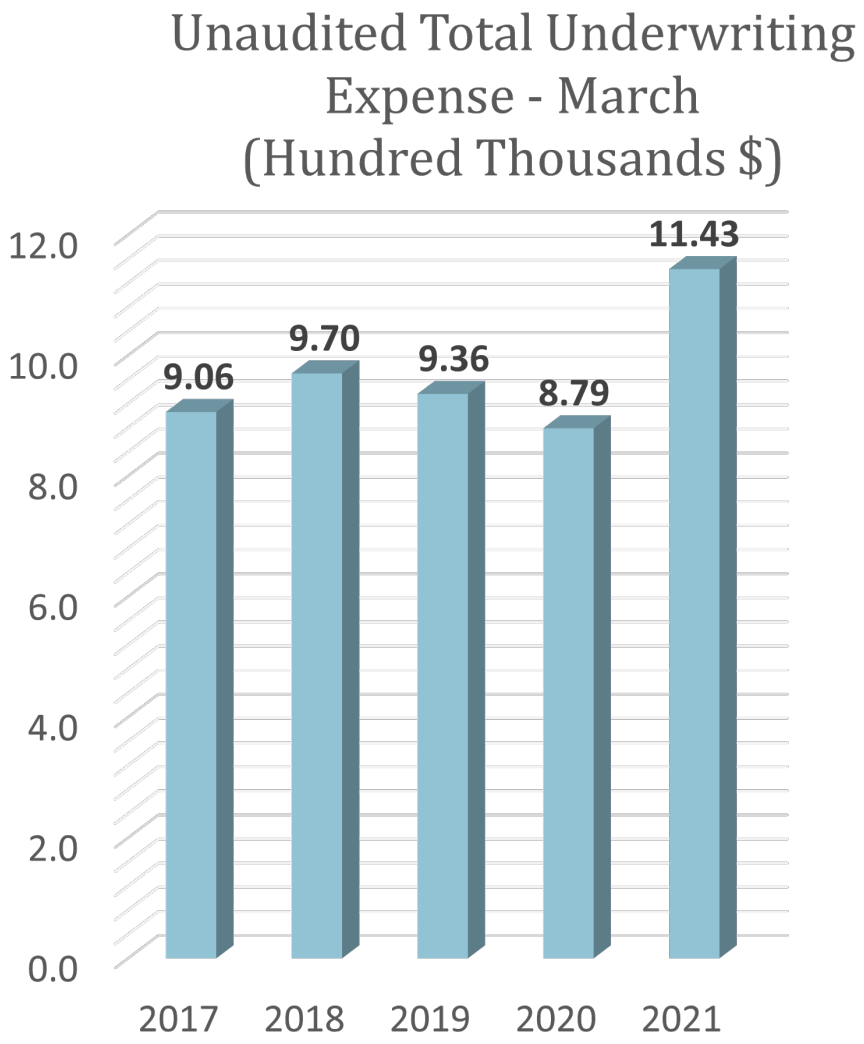

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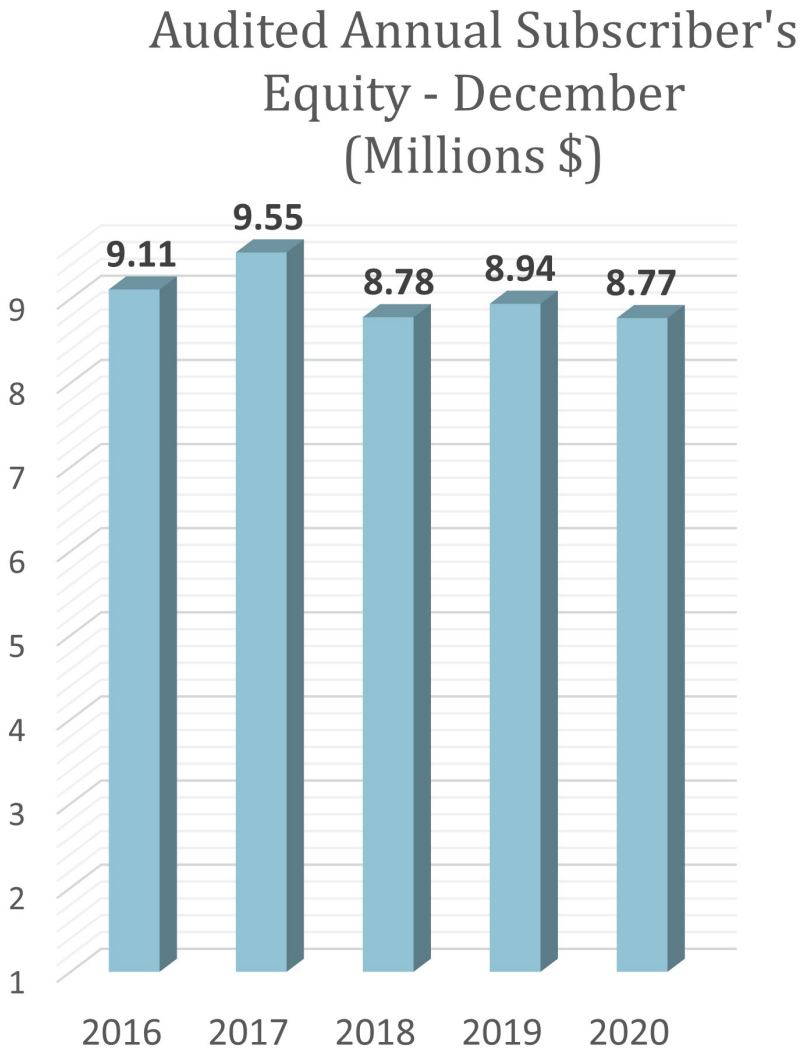

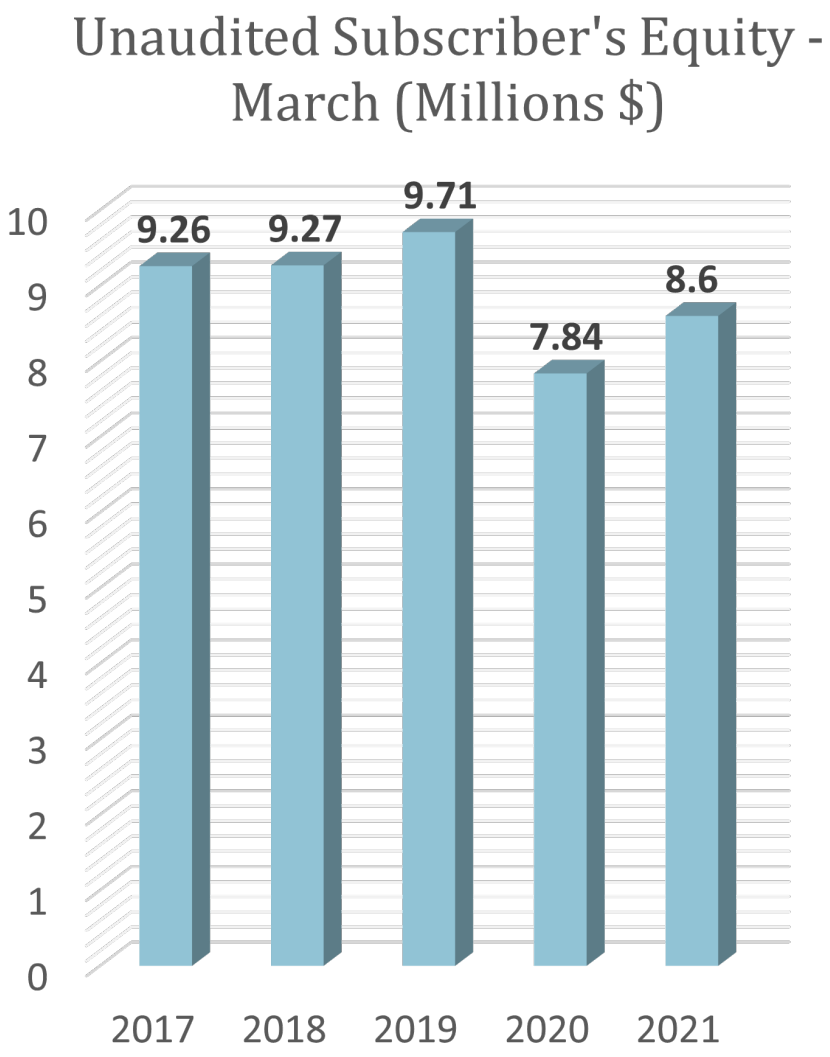

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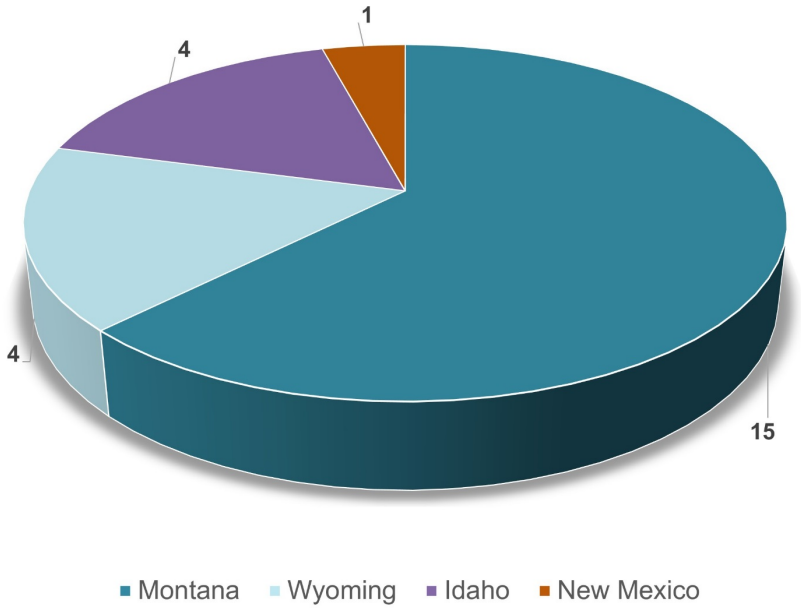
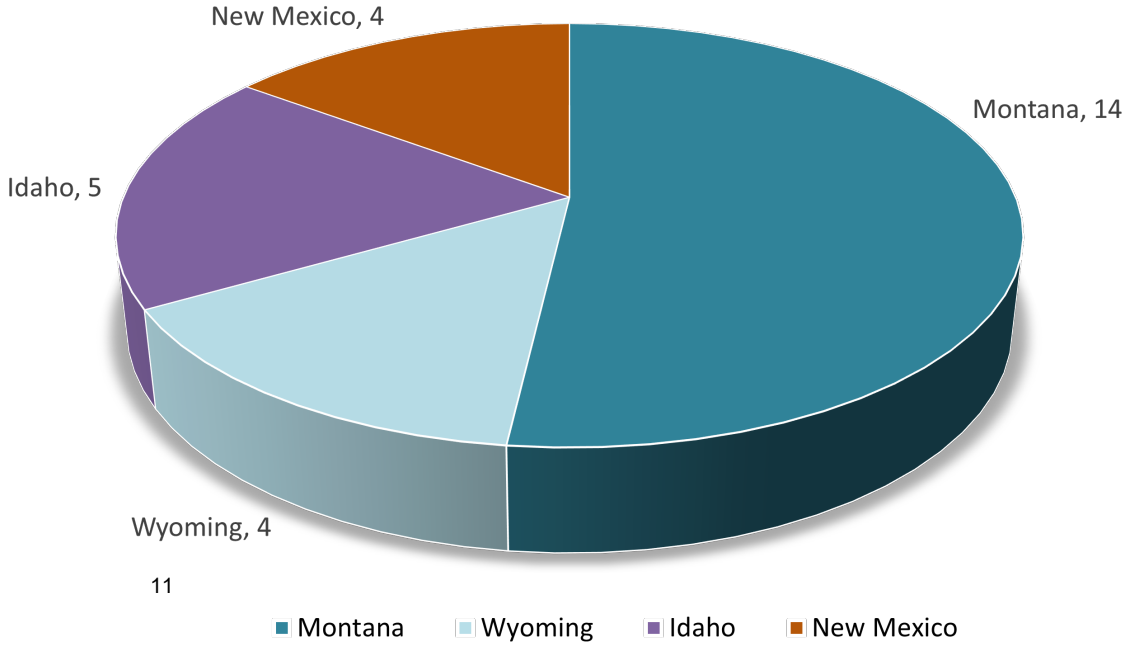
Membership by State



Open Claims by State (March 2021)



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2020 Highlights

- Yellowstone Insurance Exchange, RRG proved to be organizationally resilient as it adapted to the challenges presented by a historic global pandemic. At the same time, it stayed true to its core values and operating precepts to deliver another successful year from a financial, member service and patient safety perspective.
- In support of member hospitals in 2020, Yellowstone Risk Managers made 10 on-site visits, 58 Action Plan teleconferences and 270 remote consultations to improve patient safety. These services were provided to members at no cost.
- The company successfully concluded a comprehensive examination by the Vermont Department of Financial Regulation with no significant findings noted during the examination. Yellowstone will continue to emphasize regulatory compliance and operational excellence.
- 2020 marked 16 consecutive years of distributions from Subscribers' Savings to members.
- The Power of One Program recognized 12 hospital staff members for actions they took to mitigate a potential safety related events.
- Risk management and patient safety continued to be at the core of Yellowstone success in 2020.

2021 Highlights

- In a challenging global insurance market conditions, we continue to provide members with competitive prices and products by navigating and leveraging our domestic and global relationships. In short, we deliver real value to members.
- We continue to monitor our diversified investment portfolio substantially sheltered from the turbulence of equity markets. We remain committed to our long-term strategy of diversification and preservation of capital.
- In the wake of increasing social inflation claims and potential covid-19 related claims, Yellowstone claim management is focused on protecting members from claims without merit and actively managing all claims.
- Yellowstone Ongoing Service to Membership -
  - Operations, Underwriting, Risk Management, Claims, Reinsurance
- Yellowstone continues to offer a robust schedule of teleconferences and webinars to assist members in 2021. We look forward to in-person visits in accordance with CDC guidelines and prudent risk management.
- Addressed coverage limitations beyond physical locations of hospitals & clinics.

Recovery Phase

Staff - Facilities - Communities

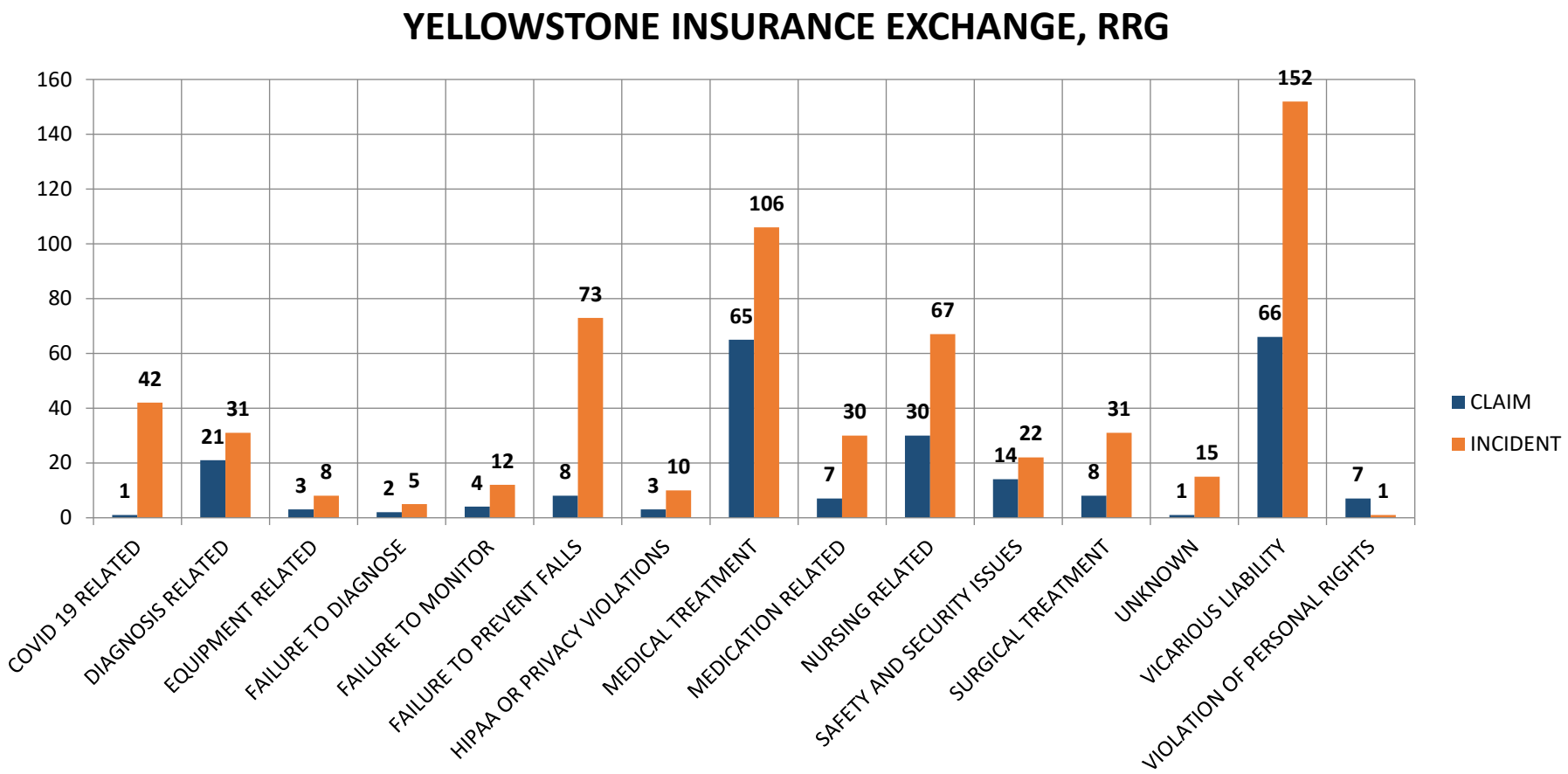
- Review of lessons learned during the pandemic and how to improve
- Monitor potential for trailing lawsuits and legal actions downstream
- Ongoing telemedicine coverage questions & answers
- Reaffirm the importance of credentialing and hiring the right staff

Claims Analytics and Predictive Modeling

- Objectives:
  - To alleviate risk within a member's facility
  - Provide insights that can help improve clinical, operational, and financial outcomes.
  - Using Yellowstone data from inception we can classify and soften adverse quality and utilization trends.
  - We are mining this data and using analytics to help our members and their physicians to hopefully reduce distractions and focus on patient health and satisfaction
- How – Through understanding?
  - PCE's - Potentially Compensatory Event - Incidents
  - Claims Filed
  - Awards Recorded

Top 15 Claims and PCEs

2003 to 2020



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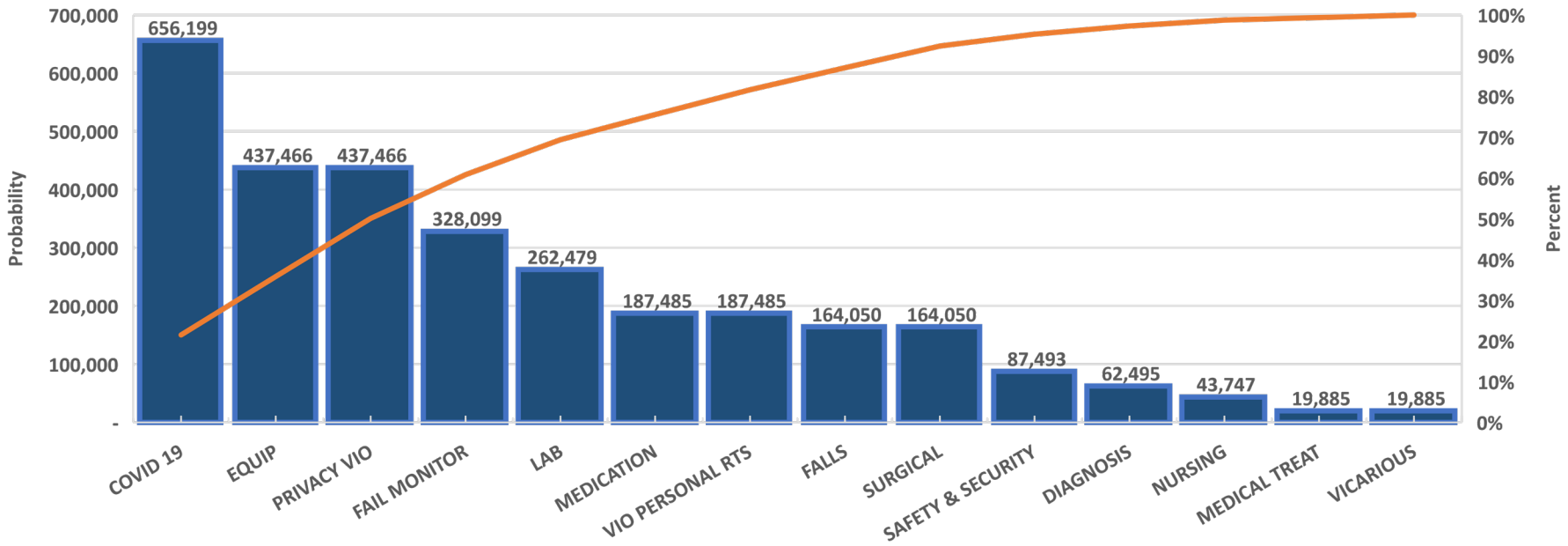
Claim Probability
Per Individual Encounter ITD



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INSURANCE EXCHANGE, RRG

Success Factors

- Past Insurance cycles
- Long-term commitment
- Stable / steady growth and control
- No drift from core competencies
- Strong member capitalization

Resolutions

Resolutions

PROPOSED RESOLUTIONS FOR ADOPTION BY THE SUBSCRIBERS

Election of Subscribers' Advisory Committee Members

VOTED: That the following individuals are hereby elected as members of the Subscribers' Advisory Committee of the Reciprocal (assigned to Class II), to serve for three years and until their successors are elected and qualified, or until their earlier death, resignation or removal:

Joseph Schimenti
James Girardin (Vermont Resident SAC Member)

Resolutions - Continued

PROPOSED RESOLUTIONS FOR ADOPTION BY THE SUBSCRIBERS

Approval of Annual Meeting Minutes

VOTED: To approve the Minutes of the June 23, 2020 Annual Meeting of Subscribers.

Ratify Actions of Subscribers' Advisory Committee

VOTED: To ratify the actions taken by the Subscribers' Advisory Committee in their capacity as such since June 23, 2020.

JohnsonLambert LLP
cpas + consultants

Yellowstone Insurance Exchange (A Risk Retention Group)

Audited Financial Statements - Statutory Basis

As of and for the years ended December 31, 2020 and 2019
with Report of Independent Auditors

Yellowstone Insurance Exchange (A Risk Retention Group)

Audited Financial Statements - Statutory Basis

As of and for the years ended December 31, 2020 and 2019

Contents

Report of Independent Auditors

Subscribers' Advisory Committee
Yellowstone Insurance Exchange (A Risk Retention Group)

We have audited the accompanying statutory basis financial statements of Yellowstone Insurance Exchange (A Risk Retention Group) (the Company) which comprise the statutory statements of admitted assets, liabilities, and subscribers' equity as of December 31, 2020 and 2019, and the related statutory statements of income, changes in subscribers' equity 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 accounting practices prescribed or permitted by the State of Vermont Department of Financial Regulation (the Department). 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 Company'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 Company's internal control over financial reporting. 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 opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles
As described in Note A to the statutory basis financial statements, the Company prepared these financial statements using accounting practices prescribed or permitted by the Department, 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 Yellowstone Insurance Exchange (A Risk Retention Group) as of December 31, 2020 and 2019, 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 subscribers' equity of Yellowstone Insurance Exchange (A Risk Retention Group) as of December 31, 2020 and 2019, and the results of its operations and its cash flows for the years then ended, on the basis of accounting described in Note A.

Other Matter
Our audit was conducted for the purpose of forming an opinion on the statutory basis financial statements taken as a whole. The accompanying summary investment schedule, supplemental investment risk interrogatories, and supplemental schedules of reinsurance disclosures (collectively, the supplemental statutory schedules) of the Company as of December 31, 2020, are presented for purposes of additional analysis and are not a required part of the statutory basis financial statements but are supplementary information required by the Department. The accompanying supplemental disclosure of Subscribers' Equity by Member as of December 31, 2020, is presented for the purpose of additional analysis and is not a required part of the statutory basis financial statements. All supplemental information is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the statutory basis financial statements. The supplemental statutory disclosures have been subjected to the auditing procedures applied in the audit of the statutory basis financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the statutory basis financial statements or to the statutory basis financial statements themselves and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental statutory disclosures are fairly stated in all material respects in relation to the statutory basis financial statements as a whole.

Johnson Lambert LLP

Burlington, Vermont
March 10, 2021
Vermont firm registration: 092-0000267

Yellowstone Insurance Exchange (A Risk Retention Group)

Statements of Admitted Assets, Liabillities and Subscribers' Equity - Statutory Basis

	As of December 31, 2020	2019
Admitted assets		
Bonds, at amortized cost	$ 13,365,780	$ 12,910,686
Equity securities, at fair value	1,994,960	2,123,517
Cash and short-term investments	3,994,359	2,756,412
Total cash and invested assets	19,355,099	17,790,615
Premiums receivable	-	45,052
Federal income taxes recoverable	6,477	17,970
Reinsurance premium receivable	-	306,334
Reinsurance receivable - paid losses	48,106	585,726
Receivable for investment securities	62,234	-
Accrued investment income	93,113	99,202
Accounts receivable	196,652	65,434
Other assets	-	10,084
Total admitted assets	$ 19,761,681	$ 18,920,417
Liabilities and subscribers' equity		
Liabilities:		
Losses and loss adjustment expenses, net	$ 10,497,609	$ 9,694,846
Advanced premiums	3,208	-
Reinsurance premiums payable	81,977	-
Claims payable	174	-
Accrued expenses	406,313	255,018
Payable for investment securities	-	30,900
Total liabilities	10,989,281	9,980,764
Subscribers' equity:		
Contributed surplus	300,582	306,962
Subscribers' earnings	8,189,023	8,576,910
Unassigned surplus	282,795	55,781
Total subscribers' equity	8,772,400	8,939,653
Total liabilities and subscribers' equity	$ 19,761,681	$ 18,920,417

See accompanying notes to the statutory basis financial statements.

Yellowstone Insurance Exchange (A Risk Retention Group)

Statements of Income - Statutory Basis

	Year ended December 31, 2020	Year ended December 31, 2019
Underwriting loss		
Premiums earned, net	$ 4,994,699	$ 4,608,509
Deductions:		
Losses and loss adjustment expenses incurred, net	2,460,364	2,228,584
Other underwriting expenses incurred	2,750,639	2,638,511
Net underwriting loss	(216,304)	(258,586)
Investment income		
Net investment income earned	287,709	313,000
Net realized capital gains	351,333	365,875
Net investment income	639,042	678,875
Other income	-	300
Income before federal income taxes	422,738	420,589
Federal income tax expense	11,493	-
Net income	$ 411,245	$ 420,589

See accompanying notes to the statutory basis financial statements.

Yellowstone Insurance Exchange (A Risk Retention Group)

Statements of Changes in Subscribers' Equity - Statutory Basis

	Year ended December 31, 2020	Year ended December 31, 2019
Subscribers' equity, beginning of year	$ 8,939,653	$ 8,784,798
Net income	411,245	420,589
Change in net unrealized gain on investments	198,381	236,695
Change in non-admitted assets	37,975	(60,108)
Contributed surplus	8,911	31,630
Return of subscribers' equity	(823,765)	(473,951)
Change in subscribers' equity	(167,253)	154,855
Subscribers' equity, end of year	$ 8,772,400	$ 8,939,653

See accompanying notes to the statutory basis financial statements.

Yellowstone Insurance Exchange (A Risk Retention Group)

Statements of Cash Flows - Statutory Basis

	Year ended December 31, 2020	Year ended December 31, 2019
Cash flows from operating activities		
Premiums collected, net	$ 5,431,270	$ 4,714,145
Net investment income collected	361,349	309,247
Other income collected	-	300
Losses and loss adjustment expenses paid, net	(1,240,941)	(1,572,330)
Underwriting and other expenses paid	(2,599,344)	(2,666,544)
Net cash provided by operations	1,952,334	784,818
Cash flows from investing activities		
Proceeds from investments sold, matured or repaid:		
Bonds	7,448,578	6,590,672
Equity securities	1,182,428	2,190,422
Total investment proceeds	8,631,006	8,781,094
Cost of investments acquired:		
Bonds	(7,810,722)	(8,378,343)
Equity securities	(719,817)	(844,833)
Total investments acquired	(8,530,539)	(9,223,176)
Net cash provided by (used) in investments	100,467	(442,082)
Cash flows from financing activities		
Surplus contributions from subscribers	8,911	31,630
Return of subscribers' equity	(823,765)	(473,951)
Net cash used in financing	(814,854)	(442,321)
Net change in cash and short-term investments	1,237,947	(99,585)
Cash and short-term investments, beginning of year	2,756,412	2,855,997
Cash and short-term investments, end of year	$ 3,994,359	$ 2,756,412

See accompanying notes to the statutory basis financial statements.

Note A - Organization and Significant Accounting Policies

Organization
Yellowstone Insurance Exchange (A Risk Retention Group) (the Company or Yellowstone) was chartered as a risk retention group and authorized on September 18, 2003 to transact business as a reciprocal captive insurance company by the State of Vermont Department of Financial Regulation (the Department). Yellowstone provides claims-made hospital and physicians professional liability, commercial general liability, excess liability, healthcare organization billing errors & omissions and regulatory liability, and solo strike liability coverages to the subscribers. As of December 31, 2020 and 2019, Yellowstone has 24 and 25 member subscribers, consisting of hospitals and healthcare providers operating in Idaho, Montana, New Mexico and Wyoming and belonging to hospital associations in their respective states. Nine subscribers accounted for 82% of total gross written premium as of December 31, 2020, and eight subscribers accounted for 76% of total gross written premium as of December 31, 2019. No other subscriber accounted for more than 5% of total gross written premium during 2020 or 2019.

Consensus Management Corporation (Consensus), a Vermont corporation, was established to act as the Attorney-in-Fact for Yellowstone pursuant to a Power of Attorney agreement. As Attorney-in-Fact, Consensus provides various services to Yellowstone, as more fully described in Note C. Consensus is owned by MHA Ventures (a subsidiary of the Montana Hospital Association), Wyoming Hospital Association, Hospital Services Corporation, and an officer of Yellowstone.

Member subscribers of Yellowstone are also policyholders and premium and losses relate solely to the exposures of these member subscribers. Certain directors and officers of Yellowstone are also employees of Yellowstone member subscribers.

Basis of Reporting
The accompanying statutory basis financial statements have been prepared in accordance with the accounting practices prescribed or permitted by the Department which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America (GAAP), referred to as Statutory Accounting Practices (SAP). Prescribed SAP include a variety of publications of the National Association of Insurance Commissioners (NAIC), as well as state laws, regulations and general administrative rules of the Department. The NAIC Accounting Practices and Procedures Manual, (NAIC SAP) has been adopted as a component of prescribed or permitted practices by the State of Vermont, subject to any deviations prescribed or permitted by the Department.

The preparation of SAP statements 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.

Note A - Organization and Significant Accounting Policies (Continued)

Under SAP, net income and capital and surplus (subscribers' equity) will vary from GAAP. The more significant variances from GAAP, as they pertain to Yellowstone are as follows:

- Investments - Under NAIC SAP, bonds are generally carried at amortized cost. In accordance with GAAP, investments in bonds other than those intended to be held-to-maturity are recorded at estimated fair value, with unrealized gains and losses recorded as either a separate component of surplus (for bonds classified as available-for-sale), or as a direct change to income (for bonds classified as trading securities).
- Federal income taxes - Under NAIC SAP, deferred income taxes are calculated similarly to those under GAAP to reflect differences in the values of assets and liabilities for tax versus financial reporting purposes. Under both GAAP and NAIC SAP, deferred tax assets are reduced by a valuation allowance if it is more likely than not that the deferred tax asset will not be realized. However, under NAIC SAP, deferred taxes recorded are subject to an additional admissibility test in accordance with Statement of Statutory Accounting Principles (SSAP) No. 101, Income Taxes. Under NAIC SAP, the change in deferred income tax is reported directly in capital and surplus, rather than being reported as a component of income tax expense, as it is with GAAP.
- Insurance reserves - Under NAIC SAP, loss reserves and unearned premiums are presented net of related reinsurance rather than on a gross basis as required under GAAP.
- For statutory purposes, certain assets such as deferred tax assets in excess of admissibility limitations, past due agent balances, past due reinsurance receivables on paid losses, furniture and equipment, and prepaid expenses, are considered non-admitted and are excluded from assets and subscribers' equity.
- For statutory purposes, unrealized gains and losses on investments in equity securities are generally recorded as a direct credit or charge to surplus, net of the adjustment for deferred federal income taxes. Under GAAP, unrealized gains and losses on equity securities are reported directly in net income.
- Policy acquisition costs - under NAIC SAP, policy acquisition costs such as commissions, premium taxes and other items, are expensed when the related premiums are written and not deferred and amortized over the policy period, as would be the treatment under GAAP.
- The statutory statement of cash flow does not classify cash flow consistent with GAAP, and a reconciliation of net income to net cash provided by operating activities is not provided. For cash flow purposes under NAIC SAP, cash, cash equivalents and short-tem investments includes short-term investments which mature within one year as opposed to three months under GAAP.

The effects of the foregoing variances from GAAP on the accompanying statutory basis financial statements have not been determined, but are presumed to be material.

Note A - Organization and Significant Accounting Policies (Continued)

COVID-19 Risks and Uncertainties
In March 2020, the World Health Organization declared a pandemic related to the rapidly spreading coronavirus (COVID-19) outbreak, which has led to a global health emergency. The Company's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impact on the Company and its policyholders and vendors. As such, COVID-19 could have a material adverse effect on the Company's financial position in the future. The ultimate duration and impact of the COVID-19 outbreak on the Company's financial position cannot be reasonably estimated at this time.

Subsequent Events
Yellowstone has evaluated subsequent events for disclosure and recognition through March 10, 2021 , the date the statutory basis financial statements were available to be issued.

Premium Revenue and Reinsurance
Premiums written are earned ratably over the terms of the policies to which they relate. Premiums ceded pursuant to reinsurance agreements are expensed over the terms of the underlying agreements to which they relate and are netted against earned premiums. The policies coincide with the calendar year, therefore there are no recorded unearned premiums or prepaid reinsurance premiums at December 31, 2020 and 2019.

Prior to January 1, 2016, premiums ceded to reinsurers relating to Yellowstone's primary reinsurance layer were subject to adjustment based on the terms of the reinsurance agreement. Initially a provisional premium is ceded to the reinsurers. As defined in the reinsurance agreement the provisional ceded premium is subject to a minimum of 9% of gross written premium (8% prior to January 1, 2010) and to a maximum of 47.5% of gross written premium. These percentages assume the agreement will be renewed and remain in effect for a defined period. Subject to the maximum, ultimate premium ceded to the reinsurers for the primary layer will be equal to the minimum rate of gross written premium, plus 107.5% of ceded primary ultimate losses and loss adjustment expenses (110% prior to January 1, 2013). Any adjustments will occur at the end of each annual period beginning twelve months after the end of the contract year and continue until all losses are either commuted or closed. Ceded premiums have decreased by $161,251 and $375,391 during 2020 and 2019, respectively, because of these adjustments. At December 31, 2020 and 2019, $(81,977) and $306,334 has been accrued as reinsurance premium (payable) receivable, respectively, relating primarily to these adjustments and are included in reinsurance premium receivable on the statutory basis statements of admitted assets, liabilities and subscribers' equity. As adjustments to estimated losses in the reinsured layer change, the related impact to reinsurance premiums receivable and payable is reflected in current operations.

Losses and Loss Adjustment Expenses
The liability for unpaid losses and loss adjustment expenses (LAE) is comprised of case-basis estimates and incurred but not reported losses (IBNR) calculated based upon loss projections utilizing industry and historical data. In establishing the liability for losses and LAE, Yellowstone utilizes the findings of an independent consulting actuary. A significant degree of judgment is required in estimating these liabilities. The principal estimation and analysis methods utilized by the Company's actuary to evaluate management's

Note A - Organization and Significant Accounting Policies (Continued)

existing estimates are the case reserve development method, unpaid development method, unreported development method, paid development method, reported development method, frequency-severity method, and expected loss method.

The Company projects the estimate of ultimate losses and LAE at each reporting date using the above-referenced generally accepted actuarial reserving techniques. The IBNR reserve equals the difference between the projected ultimate losses and LAE incurred and the sum of case-basis losses and LAE reserves; and inception-to-date paid losses and LAE. An estimate of ultimate losses is projected at each reporting date.

Management believes that its aggregate liability for unpaid losses and LAE at year-end represents its best estimate, based upon the available data, of the amount necessary to cover the ultimate cost of losses. However, because of the limited population of insured risks, limited historical data, economic conditions, judicial decisions, legislation, and other matters, it is not presently possible to determine whether actual loss experience will conform to the assumptions used in estimating the liability. As a result, the actual liability may be significantly in excess of or less than the amount indicated in the statutory basis financial statements. As adjustments to these estimates become necessary, such adjustments are reflected in current operations.

Reinsurance Recoverable - Unpaid Losses
Estimated liabilities for losses and LAE are reported net of applicable reinsurance recoverable amounts on unpaid losses and LAE. Amounts recoverable from reinsurers pursuant to the reinsurance agreements have been estimated using actuarial assumptions consistent with those used in establishing the liability for losses and LAE described above. Management believes that the reinsurance recoverable as recorded represents its best estimate of such amounts. However, as changes in the estimated ultimate liability for losses and LAE are determined, the estimated ultimate amount recoverable from reinsurers will also change. Accordingly, the ultimate recoverable could be significantly in excess of or less than the amount indicated in the statutory basis financial statements. As adjustments to these estimates become necessary, such adjustments are reflected in current operations.

Yellowstone relies on ceded reinsurance to limit its retained insurance risk as further described in Note B. In the event that the reinsurers are unable to meet their obligations under the existing reinsurance agreements, Yellowstone would be contingently liable for such amounts. In preparing statutory basis financial statements, management makes estimates of the amounts recoverable from the reinsurers, which includes consideration of amounts, if any, estimated to be uncollectible based on factors including management's assessment of the creditworthiness of the reinsurers. Management has estimated the amount of reinsurance recoverable on unpaid losses to be $7,041,346 and $6,606,326 as of December 31, 2020 and 2019, respectively. Management believes that the reinsurance recoverable recorded is fully collectible.

Note A - Organization and Significant Accounting Policies (Continued)

Fair Value of Investments
NAIC SAP defines fair value, establishes a framework and hierarchy for measuring fair value, and require disclosures about fair value measurements. NAIC SAP establishes a three level hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the assets fall within different levels of the hierarchy, the classification is based on the lowest level input that is significant to the fair value measurement of the asset. Classification of assets within the hierarchy considers the markets in which the assets are traded and the reliability and transparency of the assumptions used to determine fair value. The hierarchy requires the use of observable market data when available. The levels of the hierarchy and those investments included in each are as follows:

Level 1 – Inputs to the valuation methodology are quoted prices for identical assets traded in active markets.

Level 2 – Inputs to the valuation methodology include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, inputs other than quoted prices that are observable for the asset and market corroborated inputs.

Level 3 – Inputs to the valuation methodology are unobservable for the asset and are significant to the fair value measurement.

Fair values are based on quoted market prices when available (Level 1). When market prices are not available, fair value is generally estimated using current market inputs for similar financial instruments with comparable terms and credit quality, commonly referred to as matrix pricing (Level 2). Yellowstone held no Level 3 investments during 2020 and 2019. These valuation techniques involve some level of management estimation and judgment. Yellowstone's investments are categorized in accordance with the fair value measurements and disclosures accounting guidance; with all equity securities and U.S. Treasury securities being classified as Level 1 securities and all other bonds being classified as Level 2 securities as of December 31, 2020 and 2019.

Other-Than-Temporary Impairments (OTTI)
An investment is considered impaired when the fair value of the investment is less than its amortized cost or cost. When an investment is impaired, Yellowstone must make a determination as to whether the impairment is other-than-temporary.

Factors considered in identifying OTTI include: (1) for debt securities, whether the Company intends to sell the investment or whether it is more likely than not that the Company will be required to sell the security prior to an anticipated recovery in value; (2) the likelihood of the recoverability of principal and interest for debt securities (i.e., whether there is a credit loss) or cost for equity securities; (3) the length of time and extent to which the fair value has been less than amortized cost or cost; and (4) the financial condition, near-term and long-term prospects for the issuer, including the relevant industry conditions and trends, and implications of rating agency actions and offering prices.

Note A - Organization and Significant Accounting Policies (Continued)

OTTI losses result in a permanent reduction of the cost basis of the underlying investment and are reflected as a realized loss. During 2020 and 2019, the Company did not record any OTTI charges.

Bonds
Investments in bonds consist of U.S. Treasury securities and U.S. Government agency obligations, foreign bonds, municipal bonds, corporate bonds, certificates of deposit and asset backed securities with original maturities greater than three months from the original purchase date. Bonds are carried at amortized cost except where otherwise required by the NAIC Valuation of Securities Manual. Amortization is calculated using the effective interest method. Unrealized losses, which are deemed other-than-temporary are charged to income when incurred. Realized capital gains or losses are determined using the specific identification method and are reflected net of tax in the statutory basis statements of income in the period of sale.

Equity Securities
Investments in equity securities include common stock, mutual and exchange traded funds, and real estate investment trusts, and are reported at their estimated fair values based on quoted market prices. Unrealized gains or losses on equity securities are reported as a component of subscribers' equity, net of tax effect. Dividend income is recognized on the payment date. Realized capital gains and losses are determined using the specific identification method and are reflected net of tax in the statutory basis statement of income in the period of sale.

Cash and Short-Term Investments
For purposes of the statement of cash flows, Yellowstone considers money market funds and all other highly liquid debt instruments purchased with maturities of one year or less from the date of acquisition to be short-term investments. The Federal Deposit Insurance Corporation (FDIC) insures amounts on deposit with each financial institution up to limits as prescribed by law. Yellowstone's cash and short-term investments include bank account balances, which, at times, may exceed federally insured limits and investments in money market mutual funds which are not subject to FDIC insurance. Yellowstone has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk on cash and short-term investments. Cash and short-term investments held by Yellowstone as of the following years ended December 31 consist of the following:

	2020	2019
Checking accounts	$ 33,088	$ 27,398
Money market accounts	3,341,639	2,562,419
First American Government Obligation Fund	160,211	153,455
Black Rock Liquidity Fund	429,423	13,140
Short-term bond	29,998	-
Cash and short-term investments	$ 3,994,359	$ 2,756,412

Note B - Insurance Activity

Yellowstone provides, on a claims-made basis, hospital and physicians professional liability and commercial general liability coverages to its subscribers. The hospital and physicians professional liability coverage has a limit of the first $1 million per claim with an aggregate limit ranging from $3 million to $5 million. The commercial general liability coverage has a limit of the first $1 million per claim with an aggregate limit ranging from $1 million to $2 million. The limits are inclusive of various deductibles. Additionally, Yellowstone provides, at the option of its subscribers, excess liability coverage with additional limits ranging from $1 million to $5 million. Beginning on January 1, 2015, Yellowstone provides subscribers the option to purchase coverage for defense costs in excess of the stated policy limits for primary and excess policies. Excess coverage is 95% reinsured (100% reinsured prior to January 1, 2014) through various unaffiliated reinsurers, subject to various maximum recoverable amounts.

Effective January 1, 2009, Yellowstone provides, on a claims-made basis, healthcare organization billings errors & omissions and regulatory liability coverage. The information security and privacy liability coverage has a $1 million per claim and aggregate limit with a shared group aggregate limit of $5 million, subject to a $50,000 self-insured retention. The healthcare organization billings errors & omissions and regulatory liability coverage has a $1 million per claim and $3 million aggregate limit with a shared group aggregate limit of $5 million, subject to a $50,000 self-insured retention. These coverages are 100% reinsured through various unaffiliated reinsurers.

Effective January 1, 2014, Yellowstone provides, on a claims-made basis, solo strike liability coverage providing additional coverage in the event of an individual attack on an insured subscribers' facility. The solo strike liability coverage has a $10 million per claim and in aggregate limit, subject to a $100,000 self-insured retention. This coverage is 100% reinsured through various unaffiliated reinsurers.

Through multi-year reinsurance treaties with various unaffiliated reinsurers, Yellowstone cedes up to $700,000 in excess of the first $300,000 of losses and LAE inclusive of policyholder deductibles with an annual aggregate limit up to $10 million. Prior to January 1, 2016, the reinsurance agreement contains a provision for a reinsurance premium adjustment based upon the reinsurers' loss experience under the agreements as described in Note A.

A reconciliation of gross to net premiums earned for the years ended December 31 is as follows:

	2020	2019
Direct premiums	$ 7,729,547	$ 6,934,695
Ceded premiums - provisional rate	(2,896,099)	(2,701,577)
Ceded premium adjustments	161,251	375,391
Net premiums earned	$ 4,994,699	$ 4,608,509

Note B - Insurance Activity (Continued)

The components of the liability for losses and LAE and related reinsurance recoverables on unpaid losses as of the years ended December 31 are as follows:

	2020		2019	
	Gross Liability	Reinsurance Recoverable	Gross Liability	Reinsurance Recoverable
Case-basis reserves	$ 3,907,135	$ 1,187,262	$ 4,386,100	$ 998,448
IBNR reserves	13,631,820	5,854,084	11,915,072	5,607,878
Total	$ 17,538,955	$ 7,041,346	$ 16,301,172	$ 6,606,326

Yellowstone remains contingently liable to insureds for amounts recoverable from reinsurers to the extent that the reinsurers do not meet their contractual obligations. There are no reinsurance recoverable amounts in dispute. As of December 31, 2020 and 2019, Yellowstone had the following unsecured paid and unpaid reinsurance recoverable amounts in excess of 3% of subscribers' equity from any individual reinsurer (in thousands):

	2020	2019
Lloyd's Syndicate #2003	$ 1,962	$ 1,908
Lloyd's Syndicate #2623	1,092	1,017
Lloyd's Syndicate #2001	874	897
Lloyd's Syndicate #435	527	540
Aspen Ins. UK Ltd.	666	790
Hannover Rueck SE	1,612	1,548
Catlin Ins. Co. Ltd.	-	325
Total	$ 6,733	$ 7,025

Losses and LAE activity is as follows:

	2020	2019
Liability as of January 1, net of reinsurance recoverable of $6,606,326 and $4,973,923	$ 9,694,846	$ 8,536,351
Incurred related to:		
Current year	4,058,975	3,184,825
Development of prior years	(1,598,611)	(956,241)
Total incurred during the year	2,460,364	2,228,584
Paid related to:		
Current year	(311,637)	(21,439)
Prior years	(1,345,964)	(1,048,650)
Total paid during the year	(1,657,601)	(1,070,089)
Liability as of December 31, net of reinsurance recoverable of $7,041,346 and $6,606,326	$ 10,497,609	$ 9,694,846

Note B - Insurance Activity (Continued)

For the year ended December 31, 2020, favorable incurred loss development from prior years is primarily due to significant favorable development on the 2018 accident year. For the year ended December 31, 2019, favorable incurred loss development from prior years is primarily due to significant favorable development on the 2016 and 2017 accident years.

Note C - Service Agreements and Related Party Transactions

Pursuant to a written agreement, Consensus is the Attorney-in-Fact and provides administrative management, underwriting, claims and risk management, reinsurance placement, strategic planning and marketing services as well as overseeing the services provided by other service providers such as policy rating and accounting. As reported in the following chart, Consensus wrote direct premiums greater than 5% of subscribers' equity for the years ended December 31 is as follows:

Name & Address	FEIN Number	Exclusive Contract	Direct Written Premium	
			2020	2019
Consensus Management Corporation, Nashville, TN	06-1701699	Yes	$7,729,547	$6,934,695

Fees for services provided by Consensus amounted to $1,610,359 and $1,507,921 for the years ended December 31, 2020 and 2019, respectively, and are included in other underwriting expenses on the statutory basis statement of income. Members of the Yellowstone Subscribers' Advisory Committee (SAC) and officers of Yellowstone are also owners, directors and officers of Consensus.

In accordance with a management agreement, Amethyst Captive Insurance Solutions, Inc. provides accounting, regulatory compliance and records retention services. Fees for these services are paid by Consensus.

Note D - Investments

The cost or amortized cost, gross unrealized gains, gross unrealized losses and estimated fair value of investments at December 31, 2020 are as follows:

	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Bonds:				
U.S. Treasury securities and U.S. Government agency obligations	$ 4,265,085	$ 259,909	$ (4,720)	$ 4,520,274
Foreign bonds	500,447	26,487	-	526,934
Municipal bonds	1,166,318	21,148	(206)	1,187,260
Corporate bonds	5,525,146	171,839	(2,348)	5,694,637
Certificates of deposit	1,287,040	54,288	-	1,341,328
Asset backed securities	621,744	4,625	-	626,369
Total bonds	13,365,780	538,296	(7,274)	13,896,802

Note D - Investments (Continued)

	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Equity securities:				
Common stock	1,081,784	590,032	(22,603)	1,649,213
Exchange traded funds	166,414	34,831	-	201,245
Mutual funds	92,634	2,486	-	95,120
Real estate investment trust	28,853	20,529	-	49,382
Total equity securities	1,369,685	647,878	(22,603)	1,994,960
Total investments	$ 14,735,465	$ 1,186,174	$ (29,877)	$ 15,891,762

The cost or amortized cost, gross unrealized gains, gross unrealized losses and estimated fair value of investments at December 31, 2019 are as follows:

	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Bonds:				
U.S. Treasury securities and U.S. Government agency obligations	$ 4,863,910	$ 108,810	$ (7,619)	$ 4,965,101
Foreign bonds	476,166	16,949	-	493,115
Municipal bonds	706,313	6,257	(241)	712,329
Corporate bonds	5,591,771	89,532	(2,150)	5,679,153
Certificates of deposit	1,054,527	9,688	(1,017)	1,063,198
Asset backed securities	217,999	1,686	(14)	219,671
Total bonds	12,910,686	232,922	(11,041)	13,132,567
Equity securities:				
Common stock	922,067	382,578	(25,195)	1,279,450
Exchange traded funds	234,340	26,686	-	261,026
Mutual funds	482,988	24,497	(2,282)	505,203
Real estate investment trust	57,228	21,708	(1,098)	77,838
Total equity securities	1,696,623	455,469	(28,575)	2,123,517
Total investments	$ 14,607,309	$ 688,391	$ (39,616)	$ 15,256,084

Note D - Investments (Continued)

The following table shows the estimated fair values and gross unrealized losses aggregated by investment category and length of time securities have been in a continuous unrealized loss position, as of December 31, 2020 and 2019.

	Fewer than 12 Months		12 Months or Greater		Total	
At December 31, 2020:	Estimated Fair Value	Unrealized Loss	Estimated Fair Value	Unrealized Loss	Estimated Fair Value	Unrealized Loss
Bonds:						
U.S. Treasury securities and U.S. Government agency obligations	$ 574,993	$ (4,720)	$ -	$ -	$ 574,993	$ (4,720)
Municipal bonds	35,088	(206)	-	-	35,088	(206)
Corporate bonds	463,146	(2,160)	14,321	(188)	477,467	(2,348)
Total bonds	1,073,227	(7,086)	14,321	(188)	1,087,548	(7,274)
Equity securities:						
Common stock	87,881	(11,802)	81,303	(10,801)	169,184	(22,603)
Total investments	$1,161,108	$ (18,888)	$ 95,624	$ (10,989)	$1,256,732	$ (29,877)

	Fewer than 12 Months		12 Months or Greater		Total	
At December 31, 2019:	Estimated Fair Value	Unrealized Loss	Estimated Fair Value	Unrealized Loss	Estimated Fair Value	Unrealized Loss
Bonds:						
U.S. Treasury securities and U.S. Government agency obligations	$1,244,462	$ (7,619)	$ -	$ -	$1,244,462	$ (7,619)
Municipal bonds	39,950	(241)	-	-	39,950	(241)
Corporate bonds	373,124	(1,813)	49,114	(337)	422,238	(2,150)
Certificates of deposit	-	-	298,983	(1,017)	298,983	(1,017)
Asset backed securities	24,726	(14)	-	-	24,726	(14)
Total bonds	1,682,262	(9,687)	348,097	(1,354)	2,030,359	(11,041)
Equity securities:						
Common stock	28,958	(3,315)	121,501	(21,880)	150,459	(25,195)
Mutual funds	-	-	135,136	(2,282)	135,136	(2,282)
Real estate investment trust	-	-	27,277	(1,098)	27,277	(1,098)
Total equity securities	28,958	(3,315)	283,914	(25,260)	312,872	(28,575)
Total investments	$1,711,220	$ (13,002)	$ 632,011	$ (26,614)	$2,343,231	$ (39,616)

Note D - Investments (Continued)

At December 31, 2020 and 2019, the gross unrealized loss is comprised of certain bond and equity securities, none of which have unrealized losses exceeding the impairment threshold of Yellowstone's impairment policy. Management actively monitors the financial position and outlook for all securities, particularly those with an unrealized loss greater than 30% of its respective book value, and will take appropriate action as necessary in accordance with its policy on OTTI. Yellowstone does not consider any investments to be other-than-temporarily impaired at December 31, 2020 and 2019.

Amortized cost and estimated fair value of bonds at December 31, 2020, by contractual maturity, are as follows:

	Amortized Cost	Estimated Fair Value
Maturity:		
Due in one year or less	$ 1,312,382	$ 1,328,559
Due in one to five years	6,681,783	6,967,256
Due in five to ten years	4,343,656	4,558,678
Due in ten years or more	406,215	415,940
Asset backed securities	621,744	626,369
Totals	$ 13,365,780	$ 13,896,802

Actual maturities may differ from contractual maturities because certain borrowers have the right to call or prepay obligations with or without call or prepayment penalties.

Gains and losses on sales of bonds and unaffiliated equity securities are detailed as follows:

	2020		2019	
	Bonds	Equities	Bonds	Equities
Gross realized gains	$ 222,749	$ 188,504	$ 59,065	$ 355,510
Gross realized losses	(7,088)	(52,832)	(14,467)	(34,233)
Total net realized capital gains	$ 215,661	$ 135,672	$ 44,598	$ 321,277

Proceeds from the sales of bonds were $6,043,373 and $5,754,672 for the years ended December 31, 2020 and 2019. Proceeds from the sales of equity securities were $1,182,428 and $2,190,422 for the years ended December 31, 2020 and 2019.

Major components of net investment income for the years ended December 31 are summarized as follows:

	2020	2019
Investment income:		
Interest and amortization income	$ 325,232	$ 310,998
Dividends from equity investments	32,449	52,368
Total interest and dividends	357,681	363,366
Investment expenses	(69,972)	(50,366)
Net investment income	$ 287,709	$ 313,000

Note E - Federal Income Taxes

Yellowstone, as a reciprocal, follows the rules governing taxation under IRC Code §832(f). This section allows Yellowstone to deduct its statutory income, if any, as reported on its NAIC Annual Statement to the extent this amount is credited to the subscribers' accounts. In order for Yellowstone to deduct its statutory income, it must advise its members annually of their respective share of statutory income by March 15th. Such allocations are discretionary and must be approved by the SAC.

The Yellowstone SAC authorized the allocation of 2020 and 2019 pre-tax income of $422,738 and $420,589 to subscribers. Yellowstone incurred $11,493 and $0 of current federal income tax expense for the years ended December 31, 2020 and 2019, respectively.

Yellowstone establishes a valuation allowance equal to 100% of net deferred federal income tax assets. A valuation allowance is established due to uncertainty about realizing the benefit of the net deferred federal income tax asset, primarily associated with the intent of the SAC to allocate future income to the subscribers' accounts on an annual basis. Yellowstone also minimizes temporary differences by issuing policies on a calendar year basis. Accordingly, Yellowstone projects that future taxable income will not be sufficient to allow recognition of deferred tax assets in excess of deferred tax liabilities. As such, Yellowstone recorded a net valuation allowance of $12,424 and $55,749 as of December 31, 2020 and 2019 to fully offset the net deferred income tax asset. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. The amount of the deferred federal tax asset considered realizable could be revised in the near term if estimates of future taxable income are revised.

The provision for federal income taxes incurred is different from that which would be obtained by applying the Federal income tax rate to statutory income before income taxes. The items causing this difference are as follows:

	2020	2019
Tax expense provision computed at statutory rate (21%)	$ 86,361	$ 88,324
Loss discounting	(8,452)	(149,231)
Subscribers' surplus allocation	(88,775)	(88,324)
Net operating loss carryforward	11,154	164,143
Other, net	11,205	(14,912)
Federal income tax expense	$ 11,493	$ -

Note E - Federal Income Taxes (Continued)

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

	2020	2019
Deferred tax assets:		
Net operating loss carryforward	$ -	$ 17,017
Charitable contribution carryover	13,365	13,245
Loss reserves, net	171,966	156,790
Accrued expenses	-	11,550
Other	1,996	1,861
Deferred tax liabilities:		
Prepaid expenses	(9,616)	(14,146)
Legislative reserve adjustment	(33,979)	(40,775)
Unrealized gain on equity securities	(131,308)	(89,793)
Net deferred tax asset before valuation allowance	12,424	$ 55,749
Valuation allowance	(12,424)	(55,749)
Net deferred tax asset	$ -	$ -

Yellowstone accounts for uncertain tax positions in accordance with the income taxes accounting guidance. Yellowstone has analyzed filing positions in the federal and state jurisdictions where it is required to file tax returns, as well as all open tax years in these jurisdictions. Yellowstone believes that its federal income tax filing positions and deductions will be sustained on audit and does not anticipate any adjustments that will result in a material change to its financial position. Therefore, no reserves for uncertain federal income tax positions have been recorded, nor have any federal income tax related interest or penalties been incurred for the years ended December 31, 2020 and 2019.

Note F - Non-Admitted Assets

The significant components of non-admitted assets as of December 31 are as follows:

	2020	2019
Reinsurance receivable - paid losses	$ 5,160	$ 35,023
Prepaid expenses	61,180	69,292
Totals	$ 66,340	$ 104,315

Note G - Subscribers' Equity

Pursuant to laws of the State of Vermont, Yellowstone is required to maintain minimum unimpaired capital and surplus (subscribers' equity) of $1,000,000. Capital and surplus amounted to $8,772,400 and $8,939,653 at December 31, 2020 and 2019, respectively. As of December 31, 2020, four subscribers accounted for over 62% of total subscribers' equity. As of December 31, 2019, four subscribers accounted for over 60% of total subscribers' equity. No other subscriber accounted for more than 10% of total subscribers' equity during 2020 and 2019.

Note G - Subscribers' Equity (Continued)

During 2020, Yellowstone received approval from the Department to return $823,765 of capital and surplus to the members. This return consisted of the return of contributed surplus and release of subscriber savings account (SSA) balances in the amounts of $15,290 and $808,475, respectively. During 2019, Yellowstone received approval from the Department to return $473,951 of capital and surplus to the members. This return consisted of the return of contributed surplus and release of SSA balances in the amounts of $9,920 and $464,031, respectively.

During 2020, Yellowstone adopted amendments to their Rules & Regulations and Standards and Formulas for Surplus Allocations and Distributions. The Amendments eliminate the separate classification of Class A and Class B subscribership interests and will result in all subscribers having the same subscribership interests in Yellowstone. Membership in Yellowstone becomes effective upon execution of a Subscriber's Agreement, commitment by the subscriber for the payment of its minimum required paid-in surplus contribution, and a binding commitment to pay premium for five years in return for insurance coverage provided to the subscriber by Yellowstone.

Prior to 2020, Subscribers were comprised of Class A and Class B members. Class A and Class B subscribers were health care systems, hospitals and such other entities, as determined by the SAC in its sole discretion, that had contributed surplus to Yellowstone.

Earnings and returns of surplus to members are allocated according to each subscriber's SSA in accordance with Yellowstone's standards and formulas for surplus allocations and distributions. Yellowstone's SAC authorized Yellowstone to allocate the 2020 and 2019 pre-tax income to subscribers. Unallocated surplus balances represent a deficit of $1,452,864 and $1,490,836 as of December 31, 2020 and 2019, respectively, and are included as a component of subscribers' earnings.

Upon withdrawal, subscribers that have participated for a period of five years or longer, shall receive the greater of the book value or the actual contributed equity, in equal installments, on the first three anniversaries of the notice of the subscriber’s termination. Any subscriber that withdraws within the minimum five-year period, shall not receive any of the contributed surplus unless it is determined by at least three-quarters of the SAC that termination was based on extenuating circumstances. Upon liquidation of Yellowstone, remaining assets shall be distributed based on each subscriber’s equity. Any distribution to subscribers will require prior approval from the Department.

There are no differences, other than rounding, between 2020 and 2019 net income and subscribers' equity as reported herein and the corresponding amounts as stated in the 2020 and 2019 NAIC Annual Statements.

Other Financial Information

SUMMARY INVESTMENT SCHEDULE

Investment Categories	Gross Investment Holdings 1 Amount	2 Percentage of Column 1 Line 13	Admitted Assets as Reported in the Annual Statement 3 Amount	4 Securities Lending Reinvested Collateral Amount	5 Total (Col. 3 + 4) Amount	6 Percentage of Column 5 Line 13
1. Long-Term Bonds (Schedule D, Part 1):						
1.01 U.S. Governments	3,915,277	20.2	3,915,277		3,915,277	20.2
1.02 All Other Governments		0.0			0	0.0
1.03 U.S. States, Territories and Possessions, etc., Guaranteed	75,141	0.4	75,141		75,141	0.4
1.04 U.S. Political Subdivisions of States, Territories and Possessions, Guaranteed	299,307	1.5	299,307		299,307	1.5
1.05 U.S. Special Revenue and Special Assessment Obligations, etc., Non-Guaranteed	1,548,180	8.0	1,548,180		1,548,180	8.0
1.06 Industrial and Miscellaneous	7,513,366	38.7	7,513,366		7,513,366	38.7
1.07 Hybrid Securities	14,509	0.1	14,509		14,509	0.1
1.08 Parent, Subsidiaries and Affiliates		0.0			0	0.0
1.09 SVO Identified Funds	95,593	0.5	95,593		95,593	0.5
1.10 Unaffiliated Bank Loans		0.0			0	0.0
1.11 Total Long-Term Bonds	13,461,373	69.3	13,461,373	0	13,461,373	69.3
2. Preferred Stocks (Schedule D, Part 2, Section 1):						
2.01 Industrial and Misc. (Unaffiliated)		0.0			0	0.0
2.02 Parent, Subsidiaries and Affiliates		0.0			0	0.0
2.03 Total Preferred Stock	0	0.0	0	0	0	0.0
3. Common Stocks (Schedule D, Part 2, Section 2):						
3.01 Industrial and Miscellaneous Publicly Traded (Unaffiliated)	1,698,596	8.7	1,698,596		1,698,596	8.7
3.02 Industrial and Miscellaneous Other (Unaffiliated)		0.0			0	0.0
3.03 Parent, Subsidiaries and Affiliates Publicly Traded		0.0			0	0.0
3.04 Parent, Subsidiaries and Affiliates Other		0.0			0	0.0
3.05 Mutual Funds	200,771	1.0	200,771		200,771	1.0
3.06 Unit Investment Trusts		0.0			0	0.0
3.07 Closed-End Funds		0.0			0	0.0
3.08 Total Common Stocks	1,899,367	9.8	1,899,367	0	1,899,367	9.8
4. Mortgage Loans Schedule B):						
4.01 Farm Mortgages		0.0			0	0.0
4.02 Residential Mortgages		0.0			0	0.0
4.03 Commercial Mortgages		0.0			0	0.0
4.04 Mezzanine Real Estate Loans		0.0			0	0.0
4.05 Total Valuation Allowance		0.0			0	0.0
4.06 Total Mortgage Loans	0	0.0	0	0	0	0.0
5. Real Estate (Schedule A):						
5.01 Properties Occupied by Company		0.0			0	0.0
5.02 Properties Held for Production of Income		0.0			0	0.0
5.03 Properties Held for Sale		0.0			0	0.0
5.04 Total Real Estate	0	0.0	0	0	0	0.0
6. Cash, Cash Equivalents, and Short-Term Investments::						
6.01 Cash (Schedule E, Part 1)	3,374,727	17.4	3,374,727		3,374,727	17.4
6.02 Cash Equivalents (Schedule E, Part 2)	589,634	3.0	589,634		589,634	3.0
6.03 Short-Term Investments (Schedule DA)	29,998	0.2	29,998		29,998	0.2
6.04 Total Cash, Cash Equivalents, and Short-Term Investments	3,994,359	20.6	3,994,359	0	3,994,359	20.6
7. Contract Loans		0.0			0	0.0
8. Derivatives (Schedule DB)		0.0			0	0.0
9. Other Invested Assets (Schedule BA)		0.0			0	0.0
10. Receivables for Securities	62,234	0.3	62,234		62,234	0.3
11. Securities Lending (Schedule DL, Part 1)		0.0		XXX	XXX	XXX
12. Other Invested Assets (Page 2, Line 11)		0.0			0	0.0
13. Total Invested Assets	19,417,333	100.0	19,417,333	0	19,417,333	100.0

* 1 1 7 9 6 2 0 2 0 2 8 5 0 0 1 0 0 *

SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES

For the year ended December 31, 2020

(To be filed by April 1)

Of Yellowstone Insurance Exchange (A Risk Retention Group)

Address (City, State, Zip Code): Burlington VT 05401

NAIC Group Code.....0 NAIC Company Code.....11796 Employer's ID Number.....83-0378647

The Investment Risks Interrogatories are to be filed by April 1. They are also to be included with the Audited Statutory Financial Statements.

Answer the following interrogatories by reporting the applicable U.S. dollar amounts and percentages of the reporting entity's total admitted assets held in that category of investments.

1. Reporting entity's total admitted assets as reported on Page 2 of this annual statement. $.....19,769,432

2. Ten largest exposures to a single issuer/borrower/investment.

	1 Issuer	2 Description of Exposure	3 Amount	4 Percentage of Total Admitted Assets
2.01	Federal National Mortgage Association	MBS	$.....406,501	.....2.1 %
2.02	Wells Fargo Bank, N.A.	CD	$.....250,000	.....1.3 %
2.03	Capital One Bank (USA), National Association	CD	$.....246,339	.....1.2 %
2.04	The Goldman Sachs Group, Inc.	Bonds	$.....242,092	.....1.2 %
2.05	Northern Trust Corporation	Bonds	$.....235,105	.....1.2 %
2.06	Visa Inc.	Bonds, Equity	$.....228,841	.....1.2 %
2.07	Public Storage	Bonds	$.....223,467	.....1.1 %
2.08	Bank of America Corporation	Bonds, Equity	$.....211,562	.....1.1 %
2.09	Berkshire Hathaway Inc.	Bonds	$.....202,228	.....1.0 %
2.10	Discover Bank	CD	$.....202,136	.....1.0 %

3. Amounts and percentages of the reporting entity's total admitted assets held in bonds and preferred stocks by NAIC designation.

	Bonds	1	2
3.01	NAIC 1	$.....11,207,273	.....56.7 %
3.02	NAIC 2	$.....2,284,098	.....11.6 %
3.03	NAIC 3	$.....	.....0.0 %
3.04	NAIC 4	$.....	.....0.0 %
3.05	NAIC 5	$.....	.....0.0 %
3.06	NAIC 6	$.....	.....0.0 %
	Preferred Stocks	**3**	**4**
3.07	P/RP-1	$.....	.....0.0 %
3.08	P/RP-2	$.....	.....0.0 %
3.09	P/RP-3	$.....	.....0.0 %
3.10	P/RP-4	$.....	.....0.0 %
3.11	P/RP-5	$.....	.....0.0 %
3.12	P/RP-6	$.....	.....0.0 %

4. Assets held in foreign investments:

4.01 Are assets held in foreign investments less than 2.5% of the reporting entity's total admitted assets? Yes [X] No [ ]

If response to 4.01 above is yes, responses are not required for interrogatories 5-10.

4.02	Total admitted assets held in foreign investments	$.....466,534	.....2.4 %
4.03	Foreign-currency-denominated investments	$.....	.....0.0 %
4.04	Insurance liabilities denominated in that same foreign currency	$.....	.....0.0 %

5. Aggregate foreign investment exposure categorized by NAIC sovereign designation:

		1	2
5.01	Countries designated NAIC 1	$.....	.....0.0 %
5.02	Countries designated NAIC 2	$.....	.....0.0 %
5.03	Countries designated NAIC 3 or below	$.....	.....0.0 %

6. Largest foreign investment exposures by country, categorized by the country's NAIC sovereign designation:

		1	2
	Countries designated NAIC 1:		
6.01	Country 1:	$.....	.....0.0 %
6.02	Country 2:	$.....	.....0.0 %
	Countries designated NAIC 2:		
6.03	Country 1:	$.....	.....0.0 %
6.04	Country 2:	$.....	.....0.0 %
	Countries designated NAIC 3 or below:		
6.05	Country 1:	$.....	.....0.0 %
6.06	Country 2:	$.....	.....0.0 %

		1	2
7.	Aggregate unhedged foreign currency exposure	$.....	.....0.0 %

8. Aggregate unhedged foreign currency exposure categorized by NAIC sovereign designation:

		1	2
8.01	Countries designated NAIC 1	$	0.0 %
8.02	Countries designated NAIC 2	$	0.0 %
8.03	Countries designated NAIC 3 or below	$	0.0 %

9. Largest unhedged foreign currency exposures by country, categorized by the country's NAIC sovereign designation:

		1	2
	Countries designated NAIC 1:		
9.01	Country 1:	$	0.0 %
9.02	Country 2:	$	0.0 %
	Countries designated NAIC 2:		
9.03	Country 1:	$	0.0 %
9.04	Country 2:	$	0.0 %
	Countries designated NAIC 3 or below:		
9.05	Country 1:	$	0.0 %
9.06	Country 2:	$	0.0 %

10. Ten largest non-sovereign (i.e. non-governmental) foreign issues:

	1 Issuer	2 NAIC Designation	3	4
10.01			$	0.0 %
10.02			$	0.0 %
10.03			$	0.0 %
10.04			$	0.0 %
10.05			$	0.0 %
10.06			$	0.0 %
10.07			$	0.0 %
10.08			$	0.0 %
10.09			$	0.0 %
10.10			$	0.0 %

11. Amounts and percentages of the reporting entity's total admitted assets held in Canadian investments and unhedged Canadian currency exposure:

11.01 Are assets held in Canadian investments less than 2.5% of the reporting entity's total admitted assets? Yes [X] No [ ]

If response to 11.01 is yes, detail is not required for the remainder of Interrogatory 11.

11.02	Total admitted assets held in Canadian Investments	$ 99,907	0.5 %
11.03	Canadian currency-denominated investments	$	0.0 %
11.04	Canadian-denominated insurance liabilities	$	0.0 %
11.05	Unhedged Canadian currency exposure	$	0.0 %

12. Report aggregate amounts and percentages of the reporting entity's total admitted assets held in investments with contractual sales restrictions.

12.01 Are assets held in investments with contractual sales restrictions less than 2.5% of the reporting entity's total admitted assets? Yes [X] No [ ]

If response to 12.01 is yes, responses are not required for the remainder of Interrogatory 12.

	1	2	3
12.02	Aggregate statement value of investments with contractual sales restrictions	$	0.0 %
	Largest three investments with contractual sales restrictions:		
12.03		$	0.0 %
12.04		$	0.0 %
12.05		$	0.0 %

13. Amounts and percentages of admitted assets held in the ten largest equity interests:

13.01 Are assets held in equity interest less than 2.5% of the reporting entity's total admitted assets? Yes [ ] No [X]

If response to 13.01 above is yes, responses are not required for the remainder of Interrogatory 13.

	1 Name of Issuer	2	3
13.02	Microsoft Corporation	$ 134,564	0.7 %
13.03	Amazon.com, Inc.	$ 104,222	0.5 %
13.04	iShares Trust - iShares Preferred and Income Securities ETF	$ 95,120	0.5 %
13.05	Apple Inc.	$ 82,268	0.4 %
13.06	SPDR S&P MidCap 400 ETF Trust	$ 73,486	0.4 %
13.07	Bank of America Corporation	$ 61,832	0.3 %
13.08	Alphabet Inc.	$ 61,342	0.3 %
13.09	JPMorgan Chase & Co.	$ 59,723	0.3 %
13.10	Walmart Inc.	$ 54,056	0.3 %
13.11	American Tower Corporation (REIT)	$ 49,381	0.2 %

14. Amounts and percentages of the reporting entity's total admitted assets held in nonaffiliated, privately placed equities:

14.01 Are assets held in nonaffiliated, privately placed equities less than 2.5% of the reporting entity's total admitted assets? Yes [X] No [ ]

If response to 14.01 above is yes, responses are not required for 14.02 through 14.05.

	1	2	3
14.02	Aggregate statement value of investments held in nonaffiliated, privately placed equities	$	0.0 %
	Largest three investments held in nonaffiliated, privately placed equities:		
14.03		$	0.0 %
14.04		$	0.0 %
14.05		$	0.0 %

Ten Largest Fund Managers

	1 Fund Manager	2 Total Invested	3 Diversified	4 Non-Diversified
14.06	BlackRock Liquidity Funds - FedFund	$ 429,423	$ 429,423	$
14.07	First American Funds, Inc. - Government Obligations Fund	$ 160,211	$ 160,211	$
14.08	iShares Trust - iShares iBoxx $ High Yield Corporate Bond ETF	$ 95,594	$ 95,594	$
14.09	iShares Trust - iShares Preferred and Income Securities ETF	$ 95,120	$ 95,120	$
14.10	SPDR S&P MidCap 400 ETF Trust	$ 73,486	$ 73,486	$
14.11.	iShares Trust - iShares Core S&P Small-Cap ETF	$ 32,165	$ 32,165	$
14.12		$	$	$
14.13		$	$	$
14.14		$	$	$
14.15		$	$	$

15. Amounts and percentages of the reporting entity's total admitted assets held in general partnership interests:

15.01 Are assets held in general partnership interests less than 2.5% of the reporting entity's total admitted assets? Yes [X] No [ ]

If response to 15.01 above is yes, responses are not required for the remainder of Interrogatory 15.

	1	2	3
15.02	Aggregate statement value of investments held in general partnership interests	$	0.0 %
	Largest three investments in general partnership interests:		
15.03		$	0.0 %
15.04		$	0.0 %
15.05		$	0.0 %

16. Amounts and percentages of the reporting entity's total admitted assets held in mortgage loans:

16.01 Are mortgage loans reported in Schedule B less than 2.5% of the reporting entity's total admitted assets? Yes [X] No [ ]

If response to 16.01 above is yes, responses are not required for the remainder of Interrogatory 16 and Interrogatory 17.

	1 Type (Residential, Commercial, Agricultural)	2	3
16.02		$	0.0 %
16.03		$	0.0 %
16.04		$	0.0 %
16.05		$	0.0 %
16.06		$	0.0 %
16.07		$	0.0 %
16.08		$	0.0 %
16.09		$	0.0 %
16.10		$	0.0 %
16.11		$	0.0 %

Amount and percentage of the reporting entity's total admitted assets held in the following categories of mortgage loans:

		Loans	
16.12	Construction loans	$	0.0 %
16.13	Mortgage loans over 90 days past due	$	0.0 %
16.14	Mortgage loans in the process of foreclosure	$	0.0 %
16.15	Mortgage loans foreclosed	$	0.0 %
16.16	Restructured mortgage loans	$	0.0 %

17. Aggregate mortgage loans having the following loan-to-value ratios as determined from the most current appraisal as of the annual statement date:

Loan-to-Value	Residential		Commercial		Agricultural	
	1	2	3	4	5	6
17.01 above 95%	$	0.0 %	$	0.0 %	$	0.0 %
17.02 91% to 95%	$	0.0 %	$	0.0 %	$	0.0 %
17.03 81% to 90%	$	0.0 %	$	0.0 %	$	0.0 %
17.04 71% to 80%	$	0.0 %	$	0.0 %	$	0.0 %
17.05 below 70%	$	0.0 %	$	0.0 %	$	0.0 %

18. Amounts and percentages of the reporting entity's total admitted assets held in each of the five largest investments in real estate:

18.01 Are assets held in real estate reported less than 2.5% of the reporting entity's total admitted assets? Yes [X] No [ ]

If response to 18.01 above is yes, responses are not required for the remainder of Interrogatory 18.

Largest five investments in any one parcel or group of contiguous parcels of real estate:

	Description	2	3
18.02		$	0.0 %
18.03		$	0.0 %
18.04		$	0.0 %
18.05		$	0.0 %
18.06		$	0.0 %

19. Report aggregate amounts and percentages of the reporting entity's total admitted assets held in investments held in mezzanine real estate loans.

19.01 Are assets held in investments held in mezzanine real estate loans less than 2.5% of the reporting entity's admitted assets? Yes [X] No [ ]

If response to 19.01 is yes, responses are not required for the remainder of Interrogatory 19.

	1	2	3
19.02	Aggregate statement value of investments held in mezzanine real estate loans	$.....	.....0.0 %
	Largest three investments held in mezzanine real estate loans:		
19.03	.....	$.....	.....0.0 %
19.04	.....	$.....	.....0.0 %
19.05	.....	$.....	.....0.0 %

20. Amounts and percentages of the reporting entity's total admitted assets subject to the following types of agreements:

		At Year-End		At End of Each Quarter		
				1st Qtr	2nd Qtr	3rd Qtr
		1	2	3	4	5
20.01	Securities lending agreements (do not include assets held as collateral for such transactions)	$.....	.....0.0 %	$.....	$.....	$.....
20.02	Repurchase agreements	$.....	.....0.0 %	$.....	$.....	$.....
20.03	Reverse repurchase agreements	$.....	.....0.0 %	$.....	$.....	$.....
20.04	Dollar repurchase agreements	$.....	.....0.0 %	$.....	$.....	$.....
20.05	Dollar reverse repurchase agreements	$.....	.....0.0 %	$.....	$.....	$.....

21. Amounts and percentages of the reporting entity's total admitted assets for warrants not attached to other financial instruments, options, caps and floors:

		Owned		Written	
		1	2	3	4
21.01	Hedging	$.....	.....0.0 %	$.....	.....0.0 %
21.02	Income generation	$.....	.....0.0 %	$.....	.....0.0 %
21.03	Other	$.....	.....0.0 %	$.....	.....0.0 %

22. Amounts and percentages of the reporting entity's total admitted assets of potential exposure for collars, swaps, and forwards:

		At Year-End		At End of Each Quarter		
				1st Qtr	2nd Qtr	3rd Qtr
		1	2	3	4	5
22.01	Hedging	$.....	.....0.0 %	$.....	$.....	$.....
22.02	Income generation	$.....	.....0.0 %	$.....	$.....	$.....
22.03	Replications	$.....	.....0.0 %	$.....	$.....	$.....
22.04	Other	$.....	.....0.0 %	$.....	$.....	$.....

23. Amounts and percentages of the reporting entity's total admitted assets of potential exposure for futures contracts:

		At Year-End		At End of Each Quarter		
				1st Qtr	2nd Qtr	3rd Qtr
		1	2	3	4	5
23.01	Hedging	$.....	.....0.0 %	$.....	$.....	$.....
23.02	Income generation	$.....	.....0.0 %	$.....	$.....	$.....
23.03	Replications	$.....	.....0.0 %	$.....	$.....	$.....
23.04	Other	$.....	.....0.0 %	$.....	$.....	$.....

Yellowstone Insurance Exchange (A Risk Retention Group)

Reinsurance Summary

Supplemental Filing for General Interrogatory 9

As of December 31, 2020

9. The Company has performed an analysis of its reinsurance contracts and has concluded that these contracts do not contain provisions that would require disclosure in accordance with General Interrogatory 9 as more fully described in SSAP No. 62R: Property and Casualty Reinsurance.

Yellowstone Insurance Exchange (A Risk Retention Group)
Supplemental Disclosure of Subscribers' Equity by Member

Individual paid-in surplus (PSA) balances, SSA balances, and an allocation for net unrealized gains on equity securities for each of the subscribers as of December 31, 2020, are as follows:

Subscriber	Paid-in Surplus Accounts	Subscriber's Savings Account	Net Unrealized Gains on Equity Securities, net of tax	Total Subscriber's Equity
A	$ -	$ 112,981	$ 8,316	$ 121,297
B	11,974	8,890	646	21,510
C	-	1,988,977	147,961	2,136,938
D	-	520,011	38,684	558,695
E	-	215,136	16,004	231,140
F	-	991,638	73,769	1,065,407
G	-	634,911	47,232	682,143
H	-	343,726	25,570	369,296
I	-	111,232	8,237	119,469
J	-	231,894	17,182	249,076
K	-	289,921	21,568	311,489
L	-	295,160	21,957	317,117
M	-	295,130	21,955	317,085
N	-	198,276	14,750	213,026
O	-	150,408	11,189	161,597
P	-	975,033	73,229	1,048,262
Q	-	75,051	5,583	80,634
R	-	178,604	13,287	191,891
S	-	486,260	36,173	522,433
T	-	23,198	1,726	24,924
U	-	3,303	216	3,519
V	-	260,367	19,051	279,418
W	-	4,076	176	4,252
X	910	277	21	1,208
Y	9,487	8,372	613	18,472
Z	22,720	2,413	180	25,313
Non Participating:				
AA	-	1,149,653	-	1,149,653
AB	-	-	-	-
Unallocated surplus	(498,235)	(954,629)	-	(1,452,864)
Total	$ (453,144)	$ 8,600,269	$ 625,275	$ 8,772,400

PSA balances represent the subscribers' individual contributions. SSA's represent the subscriber's cumulative allocation of Yellowstone's retained earnings. For presentation purposes only, net unrealized gains on equity securities have been temporarily apportioned to the subscribers based on the ratio each subscriber's SSA balance bears to the sum of all SSA balances. Actual allocation for net unrealized gains on equity securities will occur at the end of the year in which the corresponding investment security's gain or loss is realized through sale or maturity. Any future allocations are at the discretion of the SAC and may not be consistent with amounts presented here.

YELLOWSTONE
INSURANCE EXCHANGE, RRG

2020 ANNUAL REPORT

2020 Your Company's Performance at a Glance

Total Admitted Assets	
2020	19,761,681
2019	18,920,417
Change	4.45%

Cash	
2020	3,994,359
2019	2,756,412
Change	44.91%

Total Subscriber Equity	
2020	8,772,400
2019	8,939,652
Change	-1.87%

Most often annual reports begin with numbers, facts and figures as we attempt to explain a fiscal year. The 2020 Yellowstone Annual Report needs a different beginning as we continue to overcome the many challenges brought by the pandemic.

We begin by offering a heartfelt thank you to each individual staff member working at member hospitals and affiliated facilities. Given the demands made upon each of you, whether a clinician, a person in operations or an administrative employee, you have been exceptional in service to your hospital and community. The public does not always fully appreciate how individuals working together at great personal risk, in the most unforgiving circumstances, saved countless lives during this historic pandemic. You showed up to care for patients out of a commitment to serve in the most noble of acts. The truth is you do this every day with or without a pandemic, it took an epic event for some to see how selfless and heroic you are in service to your community.

As we move forward, there will be some who want to place blame and seek legal remedies directed at individuals and member hospitals due to circumstances related to Covid-19. We at Yellowstone Insurance Exchange, RRG stand ready to assist and defend you if such actions occur. Thank you for everything you do each day. Please call us if you have any questions about this report or need assistance.

Through a Pandemic, Economic Challenges and Insurance Market Turbulence – Yellowstone Delivers Stability and Value

2020 will be long remembered for a global pandemic, associated economic dislocations and other challenges. Yet through it all, Yellowstone delivered on its core mission of providing a stable source for liability insurance, comprehensive risk management services, and claim services to protect the financial and reputational interests of hospitals. Throughout this challenging year, your company continued to deliver real value at a time when it was most needed by members. Moreover, while accomplishing this mission, the company has returned over $800,000 in subscriber savings distributions to member hospitals. Yellowstone members, working together towards common goals, clearly demonstrated that this company is agile and resilient even during the most challenging of circumstances. Yellowstone was built to serve members through the inevitable ups and downs of insurance markets and business cycles. This year we once again proved the strength of our organization and how staying true to our founding values continues to deliver value to our members.

Another important way we provided value to members was through a risk management premium credit for members who purchase qualifying CyberSecurity & Privacy Insurance offered by CMCi. Members must participate in cybersecurity webinars and education events presented by Yellowstone risk managers in association with cybersecurity specialists to earn the credit. At a time when cybersecurity threats continue to escalate, a strong cybersecurity posture is vital in protecting the information resources of a hospital and the very ability to operate. We encourage member hospitals to continue to evaluate the cybersecurity threat environment and be prepared to adapt.

Accomplishments and Highlights

- 2020 marks sixteen consecutive years of distributions from Subscribers' Savings accounts to members.
- Yellowstone posted superior results relative to financial performance.
- 92% of member hospitals are using the Yellowstone Event System (YES) in real time. YES is an integral tool to improve patient safety and is provided at no cost to members.
- Yellowstone Risk Managers made 10 on-site visits, 58 Action Plan teleconferences and 270 remote consults with member hospitals in 2020 working in partnership to support ongoing patient safety and risk management.
- $7,500 was donated to foundations, fundraisers and sponsorships in member communities.
- Yellowstone reaffirms its commitment to a strong underwriting posture to protect the strength and stability of the company.

2020 Your Company's Performance at a Glance

Direct Premiums

2020	7,729,547
2019	6,934,695
Change	11.46%

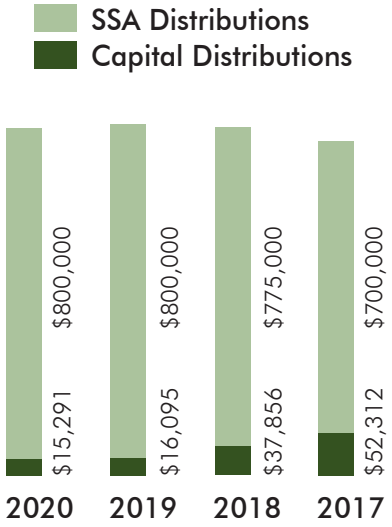
Investments PMV

2020	16,548,403
2019	15,368,919
Change	7.67%

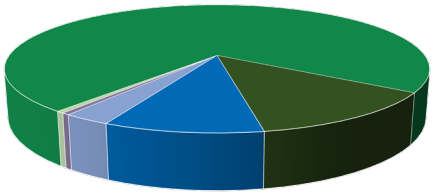
Year End Open Claims

2020	29
2019	32
Change	-9.38%

Return of Capital



Assets by Class



- Government Bonds 73%
- Corporate Bonds 13%
- US Stocks 10%
- High Yield Bonds 3%
- International Equity <1%
- REITS <1%

Financial Overview

In a year that no one would have predicted in January of 2020, Yellowstone Insurance Exchange, RRG remained agile and resilient in its ability to adapt to a rapidly evolving landscape. Our steadfast commitment to conservative underwriting, strong risk management and prudent financial management practices once again yielded superior results for our members. As a reminder, in 2019 the company changed from the Generally Accepted Accounting Principles (GAAP) to Statutory Accounting Principles to align with current insurance industry practices and the requirements of regulators. All numbers used in this report reflect Statutory Accounting Principles.

Reflecting the continued superior performance and financial standing of Yellowstone, your company distributed $400,000 to Subscribers' Savings Accounts in March and another $400,000 in November bringing the total return in 2020 to $800,000. For a detailed financial review, please see Yellowstone Insurance Exchange, RRG's Audited Financial Statements for the year ended December 31, 2020.

Key Financial Trends

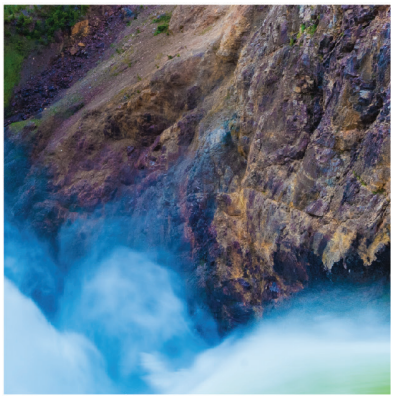
Total Subscriber's Equity decreased slightly in 2020 to $8,772,400 from $8,939,653 in 2019. Net income held steady at $411,245 in 2020 as compared to 420,589 in 2019. Our objective at Yellowstone is to provide insurance products and services to members as close to an at-cost basis as possible, as opposed to traditional insurance companies focused on maximizing profits. Total admitted assets increased in 2020 to $19,761,681 up from $18,920,417 pointing to continued financial strength.

The year end 2020 loss ratio was 49.0% reflecting a slight increase from 48.3% in 2019. Your company once again took the opportunity to litigate several cases which we evaluated as being unfairly brought against members. As a result, the loss ratio increased marginally due to costs associated with litigation. Our goal is always to defend cases which have no merit. We continue to see an increase in non-meritorious cases across the nation and in our region due to social inflation. We work to protect the reputation and good-will of member-owned hospitals and related companies in such circumstances. Conversely, we pay in good faith, claims that are valid.

Portfolio Allocation

2020 is the second year of portfolio diversification started in 2018 to optimize the returns on the investment portfolio. The investment portfolio is focused on the preservation of capital and mitigating risk to shield the organization from financial market volatility. Financial assets are primarily invested in fixed income securities to anchor the portfolio through the ups and downs of the market. A limited component is invested in diversified equities and other financial instruments to take advantage of opportunities as they present. Yellowstone posted another successful year in 2020.

YELLOWSTONE INSURANCE EXCHANGE, RRG



Finance/Audit Committee Chairman Message

Ms. Sheryl Rickard, CEO, Bonner General Hospital

We are very pleased to present you with the Yellowstone Insurance Exchange, RRG Annual Report for year ending 2020. The Annual Report is a summary of key results and is intended to be complimentary to the Yellowstone Audited Financial Statements that provide more detailed information. In 2020, your company posted strong results in the face of substantial uncertainty during a global pandemic and related economic dislocations.

It is important to note these results were not simply the result of happenstance but rather the direct result of the combined effort of member hospitals, the leadership of our governing board, the Subscribers' Advisory Committee, and the hard work of risk managers across the organization.

Yellowstone Insurance Exchange, RRG has once again proven that it is a resilient and agile organization capable of meeting the moment even in the most challenging of circumstances. Together, we should be proud of what we have created and worked to build through the years. Thank you all for your commitment and dedication in making Yellowstone Insurance Exchange, RRG one of the premier insurance organizations in our industry. Congratulations on creating success in 2020!

YELLOWSTONE

INSURANCE EXCHANGE, RRG

Vermont, USA | www.yierrg.com

For a detailed financial review, please see Yellowstone Insurance Exchange, RRG's Audited Financial Statements for the year ended December 31, 2020.

YELLOWSTONE INSURANCE EXCHANGE
(A RISK RETENTION GROUP)

June 2021

PROPOSED RESOLUTIONS FOR ADOPTION BY THE SUBSCRIBERS

Election of Subscribers' Advisory Committee Members

VOTED: That the following individuals are hereby elected as members of the Subscribers' Advisory Committee of the Reciprocal (assigned to Class II), to serve for three years and until their successors are elected and qualified, or until their earlier death, resignation or removal:

Joseph Schimenti
James Girardin (Vermont Resident SAC Member)

Approval of Annual Meeting Minutes

VOTED: To approve the Minutes of the June 23, 2020 annual meeting of Subscribers.

Ratify Actions of Subscribers' Advisory Committee

VOTED: To ratify the actions taken by the Subscribers' Advisory Committee in their capacity as such since June 23, 2020.

Yellowstone Insurance Exchange (A Risk Retention Group)
2020 Highlights & Accomplishments

In 2020, your company posted excellent results based on the collective work of member hospitals, the steady leadership of your company and the focused effort of risk managers across the organization. We continue to create success because of the strong commitment to our founding principles.

Finance

•For sixteen consecutive years, Yellowstone distributed Subscribers' Savings Allocations to members.

•Yellowstone posted superior financial results across key metrics once again in 2020.

•Yellowstone Total Admitted Assets grew 4.45% from $18,920,417 in 2019 to $19,761,681 in 2020.

•Yellowstone's conservative investment strategy focused on preservation of capital with the portfolio being valued at $16,548,403 in 2020 up from $15,368,919 in 2019 representing an increase of 7.67%.

Operations

•In 2020, Yellowstone maintained a strong underwriting posture to protect the strength and stability of the company. Historically, the company accepts 1 of 5 applicants demonstrating our focus on quality.

•Yellowstone continued to streamline and enhance business processes and procedures to enhance the ease of doing business and to add value for members. Continuous improvement is part of our DNA.

•In the face of ongoing cybersecurity threats, Yellowstone worked to provide members with resources and information to combat the risk associated with network intrusions, ransomware, phishing, privacy breakdowns and other cyber security threats.

Claims

•With the challenge of social inflation and potential Covid-19 claims, Yellowstone emphasized defending members. We successfully defended or mitigated the damages in several cases in 2020.

•2020 ended the year with 29 open claims down 9.38% from 32 claims in 2019.

•Last year, we started the process of assembling claims data from 2003 to 2020 to begin data mining and analysis to help hospitals see areas of exposure related to PCEs and claims as we go forward.

Risk Management

• 92% of member hospitals use the Yellowstone Event System (YES) in real time. YES is a critical tool to improve patient safety and is provided at no cost to members.

•The Power of One Program recognized 12 hospital staff members who either reported or took steps to prevent or mitigate a potential patient safety related event. We also recognized hospitals for superior risk management performance via the Jeff Martin Award and the Silver Award.

•Yellowstone Risk Managers made 10 on-site visits, 58 Action Plan teleconferences and 270 remote consults with member hospitals in 2020 to support ongoing patient safety and risk management.

June 23, 2020
Subscribers' Annual Meeting
Meeting Minutes

Yellowstone Insurance Exchange (A Risk Retention Group)
Subscribers' Annual Meeting
June 23, 2020
By Telspan and Telephone Conference

Guests:
Joseph T. Schimenti, President of Yellowstone Insurance Exchange (A Risk Retention Group) (the "Reciprocal") and Consensus Management Corporation ("CMC")
Tom Murphy, CMC
Kelly Casey, CMC
Ron Fulkerson, CMC
Julie Gemar Williams, CMC
Denise McCord, CMC
Maria Koslosky, Barrett Hospital and HealthCare
Leota Gormely, Broadwater Health Center
Amber Ondriezek, Crook County Medical Services District
Kim Brown, Nor Lea General Hospital
Eric Koch, Northern Montana Healthcare
Stephanie Eney, Northern Rockies Medical Center
Andrea Garner, Shodair Children's Hospital
Anna Hoerner, Shodair Children's Hospital
Jim Girardin, Amethyst Captive Insurance Solutions, Inc.
Tara Smith, Amethyst Captive Insurance Solutions, Inc.
Randy Wachsmann, Primmer Piper Eggleston & Cramer PC

Call to order: The meeting was called to order by Mr. Douglas McMillan, Chairman of the Meeting, at 9:05 a.m. PDT. The Chairman presented opening remarks and noted that the Reciprocal needed to move to a virtual annual meeting in lieu of an in person meeting as a result of the pandemic. He commented on the financial performance of the Reciprocal and suggested that subscribers provide feedback concerning their participation in the Reciprocal. The Chairman noted that a quorum of Subscribers had been achieved.

Mr. Schimenti reviewed highlights of the operations of the Reciprocal since the last annual meeting of Subscribers. He reported that the Reciprocal had net income of $421,000 for the year ended December 31, 2019. Mr. Schimenti noted that premium had decreased in 2019 compared to the prior year. He reported that the Reciprocal had converted to statutory accounting for the year ended December 31, 2019 for ease of filing and to address certain differences in book and tax accounting. Mr. Schimenti stated that the Reciprocal also ceased discounting loss reserves in connection with the conversion to statutory accounting.

Mr. Schimenti reported that the Reciprocal is on track for favorable results in 2020. He noted that the Reciprocal's total assets as of December 31, 2019 were $25.5 million compared to $22.00 million as of December 31, 2018. Mr. Schimenti reported that the Reciprocal's investment portfolio continues to be conservative and losses experienced during the first quarter of 2020 were not significant. He noted that the Reciprocal's goal was to address downside risk which is reflected in the investment guidelines. Mr. Schimenti reported that the Reciprocal would continue to closely monitor investment performance in light of ongoing market disruption. He noted that underwriting expense was slightly higher in 2019 compared to the prior year. Mr. Schimenti stated that underwriting expense in 2020 has been reduced slightly year-to-date. He then provided an overview of Subscribers' Savings' Accounts ("SSAs") and the allocation of the Reciprocal's net income to SSAs. Mr. Schimenti noted that the Reciprocal's surplus as of March 31,

2020 was less than surplus as of December 31, 2019. He noted that the reduction in surplus was due to investment portfolio losses, which have largely recovered, and write offs for certain receivables.

Mr. Schimenti provided an overview of proposed revisions to the Rules & Regulations and Standards and Formulas for Surplus Allocations and Distributions ("Standards") to convert to a single common class of subscribers. He then provided an update of membership by state and marketing efforts to add new subscribers. Mr. Schimenti noted that marketing efforts focus on prospects who understand the importance of risk management. He then reviewed the Reciprocal's claims by state since inception. Mr. Schimenti reminded subscribers of the importance of consistent reporting of incidents to ensure that risk management resources can be provided to subscribers. He commented on the impact of social inflation and COVID-19 on health care providers.

Mr. Schimenti noted that 2020 marked 15 consecutive years of distributions from SSAs totaling $13,396,940. He reported that the Reciprocal developed a Cyber Risk Management Premium Discount Program to help members understand and combat the risk associated with network intrusions, ransomware, phishing, privacy breakdowns and other cyber security threat. Mr. Schimenti stated that in 2019 the Reciprocal conducted 63 onsite visits to member hospitals and 268 remote consults to support ongoing patient safety and risk management. He noted that 96% of the Reciprocal's hospitals are using the Yellowstone Event System which provides additional benefit for risk management initiatives and the development of action plans. Mr. Schimenti reviewed onsite subscribership visits and remote contacts for assistance. He noted that the Power of One risk management program continues to be successful with demonstrated benefits to membership.

Mr. Schimenti commented that as other liability market segments begin to firm from a price perspective, the Reciprocal will utilize its unique strength and capabilities as a risk retention group to navigate the markets to the advantage of its members. He reported that the Reciprocal has offered and continues to offer teleconferences to assist members in 2020. He then reviewed the impact of COVID-19 on health care providers and actions being taken in some states to limit providers' liability. He reviewed services provided by the Reciprocal to subscribers in connection with COVID-19.

Mr. Schimenti provided an overview of actions being taken by the property and casualty insurance market in response to COVID-19. He reviewed distributions made to subscribers from SSAs in March 2020 and indicated that the Reciprocal may consider an additional distribution from SSAs in November 2020. He then reviewed the Reciprocal's success factors of long-term commitment, stable growth and control, no drift from core competencies and strong member capitalization. Ms. Taylor asked if directors and officers coverage ("D&O") will continue be offered to members outside of the Reciprocal or if the Reciprocal may offer D&O coverage in the future. Mr. Schimenti said that D&O coverage does not fit the Reciprocal's insurance program now, but may in the future.

Mr. Schimenti noted that the recognition program will be presented tomorrow. He encouraged subscribers to participate in the program. Mr. Schimenti thanked subscribers for their participation in the Reciprocal.

Mr. Wachsmann next reviewed proposed actions submitted for a vote of subscribers.

Election of Class A Subscribers' Advisory Committee Members

Mr. Wachsmann stated that the terms of the SAC members assigned to Class I expire at the annual meeting. He reported that the SAC had accepted the Nominating Subcommittee recommendation that all of the incumbent Class I SAC members be nominated for re-election to the SAC for a term of three years. Upon motion duly made and seconded, it was voted to approve the following resolution.

VOTED: That the following individuals are hereby elected as Class A members of the Subscribers' Advisory Committee of Reciprocal (assigned to Class 1), to serve for three years and until their successors are elected and qualified, or until their earlier death, resignation or removal:

Doug McMillan
Sheryl Rickard
Tony Pfaff
David Shaw

All subscribers who were present voted in favor of the resolution. There were no votes cast to withhold authority for any nominee. There were no abstentions.

Approval of Annual Meeting Minutes
Mr. Wachsmann indicated that the Minutes of the 2019 annual meeting of Subscribers had been presented for approval by subscribers. There being no questions or suggested modifications, and upon motion duly made and seconded, it was voted to approve the following resolution.

VOTED: To approve the Minutes of the June 18, 2019 annual meeting of Subscribers, as presented.

All subscribers who were present voted in favor of the resolution. There were no votes cast against the motion. There was one abstention by proxy.

Amendments to Governance Documents. Mr. Wachsmann presented an overview of proposed amendments to the Rules & Regulations and Standards that would eliminate Class B subscribership interests and convert current Class A and Class B subscribership interests to a single common subscribership interest. He noted that redlined copies of the proposed amendments were included in the annual meeting materials. Mr. Wachsmann stated that Mr. Schimenti did not receive any comments or questions from subscribers regarding the proposed amendments to the Rules & Regulations and Standards prior to the annual meeting. There being no questions or suggested modifications, and upon motion duly made and seconded, it was voted to approve the following resolution.

VOTED: To approve the proposed amendments to the Reciprocal's Rules & Regulations set forth in Attachment A and the proposed amendments to the Reciprocal's Standards and Formulas for Surplus Allocations and Distributions set forth in Attachment B to the Minutes.

All subscribers who were present voted in favor of the resolution. There were no votes against the resolution. There were no abstentions.

Conversion of Subscribership Interests. Mr. Wachsmann indicated that the approval of the amendments to the Rules & Regulations and Standards will result in the conversion of current Class A and Class B subscribership interests to a single common subscribership interest (the "Subscribership Interest Conversion"). He stated that the Subscribership Interest Conversion would become effective upon approval by the Vermont Department of Financial Regulation. There being no questions, and upon motion duly made and seconded, it was voted to approve the following resolution.

VOTED: To approve the Subscribership Interest Conversion.

All subscribers who were present voted in favor of the resolution. There were no votes against the resolution. There were no abstentions.

Ratify Actions of Subscribers' Advisory Committee

Mr. Wachsmann indicated that a proposal to ratify the actions taken by the SAC in their capacity as such since the since June 18, 2019, had been presented for approval by subscribers. There being no questions or comments, and upon motion duly made and seconded, it was voted to approve the following resolution.

> **RESOLVED**: To ratify the actions taken by the Subscribers' Advisory Committee in their capacity as such since June 18, 2019.

All subscribers who were present voted in favor of the resolution. There were no votes against the resolution. There were no abstentions.

Mr. Schimenti noted that the next Annual Subscribers' Meeting will be held in 2021. The location, date and time of that meeting will be determined at a later date.

The meeting was adjourned at 9:50 a.m. PDT.

Respectfully Submitted,

_____

Douglas McMillan, Chairman of the Meeting
Yellowstone Insurance Exchange, RRG

Date

Yellowstone Insurance Exchange (A Risk Retention Group)

June 23, 2020

By Telspan and Telephone Conference

Subscribers in Attendance – 2020 Annual Subscribers' Meeting

Subscribers Attending in Person:	**Subscriber Authorized Representative**
Barrett Hospital and Healthcare	Ken Westman
Bonner General Hospital	Sheryl Rickard
Boundary Community Medical Center	Preston Becker
Central Montana Hospital	Alan Aldrich
Cody Regional Health	Doug McMillan
Deer Lodge Medical Center	Tony Pfaff
Madison Valley Medical Center	Charley Able
Mineral Community Hospital	Laurel Haskins
Mountainview Medical Center	Rob Brandt
Niobrara County Hospital District	Nick Doucette
Nor-Lea General Hospital	David Shaw
Northern Montana Healthcare	David Henry
Northern Rockies Medical Center	Cherie Taylor
Rosebud Healthcare Center	Mindy Price
Shodair Children's Hospital	Craig Aasvad
Shoshone Medical Center	Paul Lewis
Sidney Health Center	Jennifer Doty
South Big Horn County Hospital	Tamara Sawyer
Steele Memorial Hospital	Jeanine Gentry
Weston County Health Services	Maureen Cadwell

Subscribers Represented by Proxy and Directing Vote by Ballot:	**Subscriber Authorized Representative**
Broadwater Health Center	Chairman of the Meeting
Community Hospital of Anaconda	Chairman of the Meeting
Crook County Medical Services District	Chairman of the Meeting
Granite County Medical Center	Chairman of the Meeting

Subscribers not in Attendance:	**Subscriber Authorized Representative**
Ruby Valley Hospital	Landon Dybdal

List of Subscribers' Advisory Committee Members As of June 11, 2021

Class I –Term Expires in 2023

Doug McMillan (Chairperson) (Class I)

Tony Pfaff (Class I)

Sheryl Rickard (Class I)

David Shaw (Class I)

Class II –Term Expires in 2021

Vacant (due to retirement of Craig Johnson) (Class II)

James Girardin (Class II)

Joseph Schimenti (Class II)

Class III –Term Expires in 2022

Maureen Cadwell (Class III)

David Henry (Class III)

Ken Westman (Class III)

Article IV, Section 1 of the Rules & Regulations indicates that the SAC shall consist of not less than four (4) or more than fourteen (14) persons, the exact number to be fixed from time to time by the SAC. Subscribers are entitled to elect SAC members (including the Vermont resident member of the SAC). SAC member elections are held at each annual meeting for those SAC member positions whose terms expire at the annual meeting.

Officers of Yellowstone:

1. **Mr. Doug McMillan** — **Chairperson of the Board**
2. **Mr. Joseph Schimenti** — **President**
3. **Mr. David Shaw** — **Vice President**
4. **Jim Girardin** — **Secretary**
5. **Ms. Sheryl Rickard** — **Treasurer**
6. **Mr. Randy Wachsmann** — **Assistant Secretary**

Executive Subcommittee:

1. **Mr. Doug McMillan** — **Chairperson**
2. **Mr. Joseph Schimenti**
3. **Mr. David Shaw**
4. **Mr. David Henry**
5. **Ms. Sheryl Rickard**

Finance - Audit Subcommittee:

1. **Ms. Sheryl Rickard** — **Chairperson**
2. **Mr. Jim Girardin**
3. **Mr. Ken Westman**
4. **Mr. David Shaw**

Underwriting Subcommittee:

1. **Mr. David Shaw** — **Chairperson**
2. **Mr. Doug McMillan**
3. **Mr. Ken Westman**
4. **Mr. Tony Pfaff**
5. **Ms. Maureen Cadwell**

Claims Subcommittee:

1. **Mr. David Henry** — **Chairperson**
2. **Ms. Sheryl Rickard**
3. **Mr. Tony Pfaff**
4. **Ms. Maureen Cadwell**

Risk Management Subcommittee:

1. **Mr. Ken Westman** — **Chairperson**
2. **Mr. Doug McMillan**
3. **Ms. Maureen Cadwell**

Customer Service Subcommittee:

1. **Mr. Tony Pfaff** — **Chairperson**
2. **Mr. David Shaw**
3. **Mr. Doug McMillan**

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Ron Fulkerson, Director of Claims	Phone: 866-216-7433 ext. 218 E-Mail: RonF@yierrg.

Yellowstone Insurance Exchange (A Risk Retention Group)
2021 Annual Meeting - Conclusion

Thank you for your participation in the 2021 Annual Meeting. We appreciate your flexibility as we continued to navigate the Covid-19 environment over the past year and a half. If you have any comments, questions, or anything you would like to share about this meeting, please do not hesitate to contact us at your convenience. We appreciate the work you do for this organization, your hospitals, and the communities you serve. Together we create success!

We look forward to the Yellowstone Risk Management Conference set for October 21 -22. Please mark your calendars. Details will follow soon.

Next year we plan to return to an on site meeting on June 13-15, 2022 at the beautiful Coeur d'Alene Resort. We look forward to seeing you there!

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