



Board of Minerals and Environment

523 East Capitol Avenue
Pierre, South Dakota 57501-3182
(605)773-3886

Live audio for this meeting is available at <http://www.sd.net>

AGENDA

**Board of Minerals and Environment
Telephone Conference Call Meeting
523 East Capitol Avenue
Pierre, South Dakota**

November 21, 2024

10:00 a.m. Central Time

Call to order and roll call

Approval of minutes from October 24, 2024, meeting

Mining issues consent calendar – Tom Cline

Acceptance of reclamation surety and postclosure financial assurance increases for Wharf Resources (USA), Inc., Permits 356, 434, 435, 464, 476, & 490 – Eric Holm

Discussion on conversion of limestone mine permits to mine licenses – DANR staff

Public comment period in accordance with SDCL 1-25-1

Next meeting – January 16, 2025

Adjourn

The board packet is available on the Boards and Commissions website at <https://boardsandcommissions.sd.gov/Meetings.aspx?BoardID=67>

Interested persons may participate via telephone or in the DANR Large Conference Room, 523 East Capitol Avenue, Pierre, SD. To participate via telephone please contact DANR at (605) 773-3886 or via email at brenda.binegar@state.sd.us no later than 4:00 p.m. Central Time on Wednesday, November 20, 2024.

Notice is given to individuals with disabilities that the meeting is being held in a physically accessible location. Individuals requiring assistive technology or other services to participate in the meeting or materials in an alternate format should contact Brian Walsh, Nondiscrimination Coordinator, by calling (605) 773-5559 or by email at Brian.Walsh@state.sd.us as soon as possible but no later than two business days prior to the meeting to ensure accommodations are available.

The audio recording for this meeting is available on the South Dakota Boards and Commissions Portal at <http://boardsandcommissions.sd.gov/Meetings.aspx?BoardID=67>

Minutes of the
Board of Minerals and Environment
Telephone Conference Call Meeting
523 East Capitol Avenue
Pierre, South Dakota

October 24, 2024
10:00 a.m. Central Time

CALL TO ORDER: The meeting was called to order by Chairman Glenn Blumhardt. The roll was called, and a quorum was present.

The meeting was streaming live on SD.net, a service of South Dakota Public Broadcasting.

BOARD MEMBERS PRESENT: Glenn Blumhardt, Rex Hagg, Bob Ewing, Doyle Karpen, Jessica Gruenwald, Gary Haag, Bob Morris, and Laurie Schultz.

BOARD MEMBERS ABSENT: Gregg Greenfield.

OTHERS PRESENT: Mike Lees, Roberta Hudson, Eric Holm, Lucy Blocker, Bret Graves, and Tom Cline, DANR Minerals, Mining, and Superfund Program, Steve Blair, Deputy Attorney General.

APPROVAL OF MINUTES FROM JULY 18, 2024, MEETING: Motion by Hagg, seconded by Ewing, to approve the minutes from the July 18, 2024, Board of Minerals and Environment meeting. A roll call vote was taken, and the motion carried with Ewing, Gruenwald, Haag, Hagg, Morris, Schultz, and Blumhardt voting aye. Karpen abstained.

MINING ISSUES CONSENT CALENDAR: A copy of the consent calendar, which is a table listing the department recommendations for transfers of liability, transfers of liability and surety, releases of liability, release of liability and surety, was included in the board packet. (See attachment.)

Tom Cline was available to answer questions. There were no questions from the board.

Motion by Morris, seconded by Gruenwald, to approve the consent calendar, as presented. A roll call vote was taken, and the motion carried unanimously.

RELEASE OF LIABILITY AND SURETY FOR GCC DACOTAH, EXPLORATION NOTICES OF INTENT, EXNI-428, 429, 430, AND 432: Roberta Hudson reported that GCC Dacotah has requested release of reclamation liability and surety for four EXNIs covered under the previous statewide surety amount of \$20,000.

EXNI 428, issued in June 2017, is in Rapid City and allowed for the drilling of 12 holes. The holes were drilled in 2017 and the site has been in reclamation since.

EXNI 429, issued in August 2017, allowed for the drilling of six holes near some historic limestone quarries on the west side of Sturgis. GCC drilled five holes in 2017, and the area has been in reclamation since.

EXNI 430, issued in August 2017, allowed for drilling two holes at the limestone quarry in Rapid City. GCC drilled one hole in 2017. The hole was plugged appropriately and the area then became part of the active mine quarry.

EXNI 432, issued in October 2018, allowed for the drilling of up to 100 holes of which GCC drilled 34. Exploration activity was conducted northwest of Sturgis between Sturgis and Whitewood. The area has been in reclamation for several years.

GCC Dacotah filed for release of liability in May 2024. The department conducted a closure inspection for all four EXNIs on July 17, 2024, and determined the areas had been successfully reclaimed.

The department recommended release of reclamation liability and surety for GCC Dacotah's EXNIs 428, 429, 430, 432, and statewide Surety Bond No. 106336637, Travelers Casualty and Surety Company of America, Hartford Connecticut, in the amount of \$20,000.

Motion by Hagg, seconded by Karpen, to release reclamation liability and surety for GCC Dacotah's EXNIs 428, 429, 430, and 432 and statewide Surety Bond No. 106336637, Travelers Casualty and Surety Company of America, Hartford Connecticut, in the amount of \$20,000. A roll call vote was taken, and the motion carried unanimously.

RELEASE OF RECLAMATION SURETY FOR PETE LIEN AND SONS MINE PERMITS 58 AND 216 DUE TO CONVERSION OF LIMESTONE MINE PERMITS TO MINE LICENSE AND RELEASE OF RECLAMATION SURETY FOR SIMON CONTRACTORS MINE PERMITS 14, 444, AND 489 DUE TO CONVERSION OF LIMESTONE MINE PERMITS TO MINE LICENSE: Eric Holm reported that Senate Bill 111, which was approved during the 2024 legislative session and became effective on July 1, 2024, placed the mining of any use of limestone under the mine license statutes (SDCL 45-6-65). As a result, current mine permits issued for limestone uses other than construction aggregate, cement, or lime production need to be converted to a licensed mining operation. At this time, Pete Lien and Sons and Simon Contractors of South Dakota, Inc. are in the process of converting mine permits to licensed operations.

Pete Lien is converting Large Scale Mine Permit 58 located approximately nine miles southwest of Pringle and Large Scale Mine Permit 216 located along Sturgis Road near Black Hawk.

Simon Contractors is converting Large Scale Mine Permit 14 located along Sturgis Road in Rapid City, Small Scale Mine Permit 444 located one-half mile south of Hidden Valley Road in

Rapid City, and Large Scale Mine Permit 489 located approximately four miles southwest of Pringle.

Since Pete Lien and Sons and Simon Contractors have mine licenses, the process for the conversion of the mine permit to a mine license is similar to the publication and notification requirements of SDCL 45-6-68 and 45-6-69 in adding a site to a license. Instead of a Notice of Intent, the operator publishes a Notice of Conversion to License and Intent to Continue Operation. A copy of the notice is sent to DANR, Game, Fish, and Parks, the Archaeological Research Center, and the local conservation district. Pete Lien and Sons and Simon Contractors published the notices in newspapers local to the mines and submitted copies to the required review agencies.

All areas previously disturbed under the mine permit, including reclamation liability, will now be covered under the mine license and the reclamation bond held under the mine license.

Mr. Morris asked what the surety requirements are once these are converted to a mine license.

Mr. Holm stated that Pete Lien and Sons and Simon Contractors are existing operators since they already have mine licenses and currently hold a \$20,000 statewide surety. The \$20,000 statewide surety for each license will increase to \$100,000 on July 1, 2026, \$200,000 on July 1, 2027, and \$300,000 on July 1, 2029, as required under SDCL 45-6-71.

Mr. Hagg asked if the lesser amount is deemed adequate on the exposure, and is there a need to release the other bonds until that is completed?

Mr. Holm stated that mine permits were converted to mine licenses for pegmatite mines in 1989 and limestone operations used for cement or lime were converted to mine licenses in 1991. In those instances, the board released the bonds for the mine permits and went to bonds required for mine licenses. This is the same procedure being used today.

Mr. Hagg asked if the department believes the bond required for mine licenses is an adequate amount?

Mr. Holm stated that the department is following the bonding requirements as set forth in SB 111, which was approved by the legislature in 2024.

Chairman Blumhardt stated that as of July 1, 2024, there is only a \$20,000 bond, and that bond amount does not change to \$100,000 until July 1, 2026. He commented that the bond for Pete Lien's Mine Permit 50 is dropping from \$284,500 to \$20,000.

Mr. Karpen said it sounds like the legislature has trapped the board into a corner. He stated that the new bond amount is a major reduction; it is more than \$250,000 less.

Chairman Blumhardt said it does give him a lot of angst to give up that much bonding. Even though Pete Lien and Sons is a long-time established contactor in South Dakota, the board is giving up a lot of bonding.

Mike Lees stated that the tiered approach to the bond increase under SDCL 45-6, the construction aggregate law, was a compromise with the legislature. The legislature didn't want to hit the sand and gravel operators with a drastic bond increase all at once. The transfer of the mine permits for limestone to the mine license is now the law. Over the next five years the amount will increase and at the end of the five-year window the bond amount will be more comparable to what it was before. He said the department does not have the authority to require agricultural limestone producers to have a permit-level bond amount since it's now required to be under a mine license.

Chairman Blumhardt stated that to comply with the new law the board needs to release the sureties for these companies. He said it bothers him that the board is giving up all that bonding right now, and the bond amount will be short for the next few years.

Mr. Karpen said the board has no choice but to release the bonds. He stated he believes the two companies are very reputable, but this is a precedent that the legislature is setting. He commented that if the board gets into a jam, the legislature can bail the board out with a bill to finance the reclamation.

Motion by Karpen, seconded by Schultz, to release Pete Lien and Sons Large Scale Mine Permit 58 Surety Bond No. 30097847, Western Surety Company, in the amount of \$284,500, and to release Pete Lien and Sons Large Scale Mine Permit 216 Surety Bond No. 30097837, Western Surety Company, in the amount of \$10,000.

Mr. Hagg said the board has talked about raising the amount for some of these sureties to make sure there is adequate coverage, and this legislation is inconsistent with that. The board has had concerns that the surety amounts were inadequate, so in the short-term the \$20,000 bond requirement is disturbing.

Mr. Morris stated that this is clearly an example of unintended consequences, but considering the longevity and reputation of both contactors, he does not have a significant problem with them taking advantage of the law as it was written.

A roll call vote was taken, and the motion carried unanimously.

Chairman Blumhardt commented that the board released more than \$1,500,000 in bonding for Simon Contractors in exchange for a \$20,000 statewide bond.

Mr. Holm asked if the board wanted to hear the department recommendation.

Chairman Blumhardt stated that the board is going to do what the legislature has required them to do.

Mr. Hagg stated that the board will do what is statutorily required to do, but the board is not in agreement with this compromise on the bond reduction and, in the board's opinion, it is too drastic. He requested that the meeting minutes reflect the board's discussion.

Chairman Blumhardt said he believes the board feels like it is backed into a corner and is giving up a lot for very little.

Motion by Hagg, seconded by Karpen, to release Simon Contractors of South Dakota Inc. Large Scale Permit 14 Surety Bond No. 014071181, Liberty Mutual Insurance Company, in the amount of \$677,800; release Simon Contractors of South Dakota Inc. Small Scale Permit 444 Surety Bond No. 014071182, Liberty Mutual Insurance Company, in the amount of \$2,500, and release Simon Contractors of South Dakota Inc. Large Scale Permit 489 Surety Bond No. 015218607, Liberty Mutual Insurance Company, in the amount of \$883,000. A roll call vote was taken, and the motion carried unanimously.

UNDERGROUND INJECTION CONTROL (UIC) DELEGATION DOCUMENT UPDATE:

Lucy Blocker noted that prior to the meeting the board received copies of the Program Description, the Memorandum of Agreement, and the Attorney General's Statement that allows the department to have a delegated Class II Underground Injection Control Program.

In 2021, the Department of Environment and Natural Resources merged with the Department of Agriculture, so the agency name and rule citations needed to be updated.

Motion by Schultz, seconded by Hagg, to authorize Chairman Blumhardt to execute the Memorandum of Agreement between the Department of Agriculture and Natural Resources and the U.S. Environmental Protection Agency, Region 8. A roll call vote was taken, and the motion carried unanimously.

ENFORCEMENT HEARING IN THE MATTER OF THOMAS L. SUNDE'S VIOLATIONS OF SDCL CHAPTER 45-9 AND ARSD ARTICLE 74:12 (OIL AND GAS PERMIT NOS. 121, 340, 342, 348, 416, AND 2066): Chairman Blumhardt turned the gavel over to Hearing Chairman Bob Morris.

Steve Blair, Deputy Attorney General, was present on behalf of the Department of Agriculture and Natural Resources Minerals, Mining, and Superfund Program.

No one was present on behalf of Thomas L. Sunde.

At the request of Hearing Chairman Morris, Mr. Blair provided the following overview of this matter.

Mr. Sunde holds six permits to drill. Based on those permits, Sunde operated oil production wells in the Barker Dome Field in Custer County at the following locations:

- Ozark 2 Coffing, located in the southeast quarter of the northwest quarter of Section 34, Township 6 South, Range 2 East.
- Ozark 1 Coffing, located in the southeast quarter of the northwest quarter of Section 34, Township 6 South, Range 2 East.

- Dodgin 1 Coffing, located in the northeast quarter of the northwest quarter of Section 34, Township 6 South, Range 2 East.
- Helms 1 Coffing, located in the northeast quarter of the northwest quarter of Section 34, Township 6 South, Range 2 East.
- Ozark 3 Coffing, located in the southeast quarter of the northwest quarter of Section 34, Township 6 South, Range 2 East.
- Sunde 1-6-2-34 Spencer, located in the northwest quarter of the southeast quarter of Section 34, Township 6 South, Range 2 East.

ARSD 74:12:03:03 requires wells to be idle for no more than six months without approval of the Secretary for a longer term. Mr. Sunde reported no production since 2022 for the Helms 1 Coffing, Permit 121, Ozark 1 Coffing, Permit 340, Dodgin 1 Coffing, Permit 342, and Ozark 2 Coffing, Permit 348. These wells have been idle since 2022 and have not been temporarily abandoned or plugged and abandoned. This is considered a violation of the administrative rule.

The injection well, Ozark 3 Coffing, Permit 416, has reported no injection since 2022 and has not been temporarily abandoned or plugged and abandoned. This is considered a violation of the administrative rule.

The Sunde 1-6-2-34 Spencer well, Permit 2066, was drilled by Sunde in 2015 and temporarily abandoned in 2020. The well has never produced.

All the wells are covered by a \$100,000 surety bond issued by Lexon Insurance Company, which is a subsidiary of Sompo International.

In April 2024, the department issued a Notice of Violation and Order to Thomas L. Sunde regarding the violations of not producing from, or injecting into, the wells and not either temporarily abandoning or plugging and abandoning the wells. Mr. Sunde did not contest that Notice of Violation within the required amount of time.

In September 2024, the department issued a Petition to Revoke Drilling Permits and Forfeit Surety in this matter based on the allegations contained in the Notice of Violation.

There was communication with Mr. Sunde's counsel, and in October 2024 Mr. Sunde signed a stipulation in which he stipulated that he is not contesting the allegations. He stipulated to entry of an Order by the board revoking the permits and forfeiting the surety, and he waived appearance before the board in that stipulation.

Mr. Blair said he had communication with the surety company. The company was given notice of the petition and the stipulation. The company indicated they were not contesting forfeiture of the surety bond.

An Order was drafted and provided to Hearing Chair Morris. The Order revokes the permits for failure to temporarily abandon or plug and abandon and forfeits the surety.

Mr. Blair noted that once the surety is forfeited, Permit 2066, which covers the Sunde 1-6-2-24 Spencer well, will not have proper surety as required by state law, so that permit will also be revoked.

Hearing Chair Morris stated that a court reporter was not present, but the hearing was being recorded.

Hearing Chair Morris asked if there was anyone present on the conference call that wanted to make an appearance on behalf of Thomas L. Sunde in the matter of Thomas L. Sunde's Violations of SDCL Chapter 45-9 and ARSD Article 74:12 (Oil and Gas Permit Nos. 121, 340, 342, 348, 416, and 2066). There was no response.

Hearing Chair Morris asked if there was anyone present on the conference call that wanted to make an appearance on behalf of Lexon Insurance Company. There was no response.

Hearing Chair Morris requested board action.

Motion by Hagg, seconded by Gruenwald, to accept the Stipulation for revocation of drilling permits and forfeiture of surety in the matter of Thomas L. Sunde's violations of SDCL Chapter 45-9 and ARSD Article 74:12 (Oil and Gas Permit Nos. 121, 340, 342, 348, 416, and 2066). A roll call vote was taken, and the motion carried unanimously.

In response to a question from Ms. Schultz regarding the bond forfeiture, Mr. Blair stated that the department will undertake activities to make sure the wells are properly plugged, abandoned, and reclaimed.

Chairman Blumhardt asked if the \$100,000 surety will cover the cost of plugging, abandoning, and reclaiming the wells. Mr. Lees stated that the \$100,000 surety is not enough to plug the six wells. The department's plan is to use the surety that was acted upon under the Quartz case several years ago. That amount supplemented with the \$100,000 surety from Mr. Sunde will cover most of the estimated cost for plugging the wells.

Motion by Hagg, seconded by Ewing, to adopt the Order revoking drilling permits and forfeiting surety in the matter of Thomas L. Sunde's violations of SDCL Chapter 45-9 and ARSD Article 74:12 (Oil and Gas Permit Nos. 121, 340, 342, 348, 416, and 2066), and authorizing Hearing Chair Morris to execute the Order on behalf of the Board of Minerals and Environment. A roll call vote was taken, and the motion carried unanimously.

Below is the adopted Order.

ORDERED that the Stipulation for Revocation of Drilling Permits and Forfeiture of Surety, referenced above, is hereby fully incorporated herein by this reference. It is further

ORDERED that Oil & Gas Permit Nos. 348, 340, 342, 121, and 416 are hereby revoked for failure to comply with the terms and conditions of said permits and applicable State law. It is further

ORDERED that Oil & Gas Permit No. 2066 is hereby revoked due to lack of surety as required by State law. It is further

ORDERED that surety bond No. 1114551, issued by Lexon Insurance Company, totaling \$100,000, be forfeited to the State of South Dakota. The Chairman of the Board is authorized to issue whatever paperwork is necessary to complete the forfeiture of said surety. It is further

ORDERED that Department staff are directed and authorized to carry out all activities necessary to transfer the proceeds of Lexon Insurance Co. Surety Bond No. 1114451 to the Department to be held in the name of the Board. It is further

ORDERED that, upon receipt of the payment of the surety to the Department of Agriculture & Natural Resources, Thomas L. Sunde is released from liability for the plugging and abandonment of all wells associated with Oil & Gas Permits Nos. 348, 340, 342, 121, 416, & 2066, and is released from all liability for any surface reclamation of any well-site associated with the identified permits.

Hearing Chair Morris closed the hearing and returned the gavel to Chairman Blumhardt.

PUBLIC COMMENT PERIOD IN ACCORDANCE WITH SDCL 1-25-1: Byron Erbele, Edgemont, SD commented on the Sunde matter.

NEXT MEETING: The next meeting is November 21, 2024, via telephone conference call.

ADJOURN: Motion by Hagg, seconded by Karpen, to adjourn the meeting. A roll call vote was taken, and the motion carried unanimously.

Secretary, Board of Minerals
and Environment

Date

*South Dakota Board of Minerals & Environment
Consent Calendar*

October 24, 2024

<u>License Holder</u>	<u>License No.</u>	<u>Site No.</u>	<u>Surety Amount</u>	<u>Surety Company or Bank</u>	<u>DANR Recommendation</u>
<u>Transfer of Liability:</u>					
Dakota Road Builders Custer, SD	83-240		\$20,000	Western Surety Company	Transfer liability.
		240025	E1/2 Section 25; T92N-R50W, Union County		
Transfer to:					
Pollman Excavation, Inc. Custer, SD	15-994		\$20,000	First Premier Bank, Wakonda, SD	
<u>Transfer of Liability & Surety Release:</u>					
Roland A Fannin Watertown, SD	18-1040		\$2,500	Dacotah Bank Watertown	Transfer liability & \$2,500.
		1040001	NE1/4 Section 18; T117N-R51W, Codington County		
Transfer to:					
Clausen & Sons Construction LLC Watertown, SD	83-15		\$20,000	Merchants Bonding Company	
Marty Lund Parker, SD	20-1088		\$1,000	Great Western Bank Lennox, SD	Transfer liability & \$1,000.
		1088001	N1/2 NW1/4 Section 25; T99N-R53W, Turner County		
Transfer to:					
Precision Dirtworks LLC Sioux Falls, SD	24-1143		\$2,000	Central Bank Sioux Falls, SD	

*South Dakota Board of Minerals & Environment
Consent Calendar*

October 24, 2024

<u>License Holder</u>	<u>License No.</u>	<u>Site No.</u>	<u>Surety Amount</u>	<u>Surety Company or Bank</u>	<u>DANR Recommendation</u>
<u>Transfer of Liability & Surety Release:</u>					
John C Rider Henry, SD	09-885		\$2,000	Dacotah Bank - Watertown, SD Dacotah Bank - Clark, SD	Transfer liability & \$2,000.
		885001		SE1/4 Section 28; T118N-R55W, Codington County	
Transfer to:					
Hovde Excavating & Gravel LLC Clark, SD	24-1144		\$3,500	Reliabank Dakota - Hazel, SD Dacotah Bank - Watertown, SD	
<u>Release of Liability:</u>					
Bob Bak Construction Ravina, SD	83-61		\$20,000	American State Bank - Pierre, SD First National Bank - Pierre, SD American Bank & Trust - Pierre, SD Wells Fargo Bank - White River, SD	Release liability.
		61032		Section 5; T1N-R25E, Haakon County	
Clausen & Sons Construction LLC Watertown, SD	83-15		\$20,000	Merchants Bonding Company	Release liability.
		15008		NE1/4 Section 31; T117N-R57W, Clark County	
Divine Concrete Inc Bonesteel, SD	00-698		\$2,500	First Fidelity Bank Bonesteel, SD	Release liability.
		698001		NE1/4 SW1/4 Section 24; T96N-R69W, Gregory County	

*South Dakota Board of Minerals & Environment
Consent Calendar*

October 24, 2024

<u>License Holder</u>	<u>License No.</u>	<u>Site No.</u>	<u>Surety Amount</u>	<u>Surety Company or Bank</u>	<u>DANR Recommendation</u>
Release of Liability:					
Edmunds County Hwy Dept. Ipswich, SD	83-161		Exempt	NA	Release liability.
		161015	NW1/4 SW1/4 Section 1; T125N-R73W, McPherson County		
Forest Excavating Clark, SD	08-855		\$20,000	The Ohio Casualty Ins. Co.	Release liability.
		855001	SW1/4 Section 31; T117N-R57W, Clark County		
Hamlin County Hwy Dept. Hayti, SD	83-56		Exempt	NA	Release liability.
		56005	NW1/4 Section 9; T114N-R53W, Hamlin County		
Hand County Hwy Dept. Miller, SD	83-148		Exempt	NA	Release liability.
		148002	Lot 1 SW1/4 Section 11; T115N-R66W, Hand County		
		148006	NW1/4 Section 15; T115N-R67W, Hand County		
Harding County Hwy Dept. Buffalo, SD	83-66		Exempt	NA	Release liability.
		66044	NE1/4 NE1/4 Section 34; T22N-R8E, Harding County		

*South Dakota Board of Minerals & Environment
Consent Calendar*

October 24, 2024

<u>License Holder</u>	<u>License No.</u>	<u>Site No.</u>	<u>Surety Amount</u>	<u>Surety Company or Bank</u>	<u>DANR Recommendation</u>
<u>Release of Liability:</u>					
J & L Ventures, LLC Mitchell, SD	17-1031		\$1,500	Security State Bank Alexandria, SD	Release liability.
		1031001	SW1/4 Section 24; T103N-R61W, Davison County		
Jensen Rock & Sand Inc Mobridge, SD	83-112		\$20,000	New Hampshire Insurance Co.	Release liability.
		112008	S1/2 NE1/4 Section 33; T124N-R78W, Walworth County		
Jerauld County Hwy Dept.	83-80		Exempt	NA	Release liability.
		80050	SE1/4 Section 34; T106N-R65W, Jerauld County		
Vickie Kitchell Ipswich, SD	09-879		\$11,500	First State Bank of Roscoe Roscoe, SD	Release liability.
		879005	NE1/4 Section 13; T122N-R68W, Edmunds County		
Miller Construction Isabel, SD	03-767		\$20,000	Western Surety Company	Release liability.
		767005	N1/2 NW1/4 Section 24; T124N-R76W, Walworth County		
		767006	SW1/4 Section 12; T125N-R76W, Campbell County		

*South Dakota Board of Minerals & Environment
Consent Calendar*

October 24, 2024

<u>License Holder</u>	<u>License No.</u>	<u>Site No.</u>	<u>Surety Amount</u>	<u>Surety Company or Bank</u>	<u>DANR Recommendation</u>
<u>Release of Liability:</u>					
Portland Township Clear Lake, SD	97-623		Exempt	NA	Release liability.
		623001	NW1/4 Section 26; T117-R49W, Deuel County		
Pro Crush Olivet, SD	14-975		\$9,500	The Farmer & Merchants State Bank – Scotland, SD	Release liability.
		975006	SE1/4 Section 8; T98N-R62W, Douglas County		
Vanderpol Dragline, Inc. Mitchell, SD	83-59		\$20,000	Wausau Underwriters Insurance Company	Release liability.
		59013	SW1/4 Section 31; T101N-R65W, Aurora County		
		59017	NW1/4 Section 26; T103N-R60W, Davison County		
		59019	NE1/4 Section 12; T100N-R65W, Douglas County		

*South Dakota Board of Minerals & Environment
Consent Calendar*

October 24, 2024

<u>License Holder</u>	<u>License No.</u>	<u>Site No.</u>	<u>Surety Amount</u>	<u>Surety Company or Bank</u>	<u>DANR Recommendation</u>
<u>Release of Liability & Surety Release:</u>					
Blane Nagel Springfield, SD	20-1062	1062001	\$5,500	Security State Bank Tyndall, SD NE1/4 Section 17; T93N-R60W, Bon Homme County	Release liability & \$5,500.
Mehlhaff Construction Tripp, SD	83-218	218017	\$4,000	The Farmer & Merchants State Bank – Scotland, SD SW1/4 Section 17; T98N-R62W, Douglas County	Release liability & \$4,000.
Sorber Inc. Colome, SD	20-1077	1077001	\$500	First Fidelity Bank Colome, SD N1/2 Section 10; T95N-R75W, Tripp County	Release liability & \$500.

South Dakota Board of Minerals & Environment

October 24, 2024

<u>Permit Holder</u>	<u>Permit No.</u>	<u>Surety Amount</u>	<u>Surety Company or Bank</u>	<u>DANR Recommendation</u>
<u>Release of Reclamation Liability and Surety for GCC Dacotah:</u>				
GCC Dacotah Rapid City, SD	EXNI's 428, 429, 430, and 432	\$20,000	Traveler's Casualty & Surety Company of America	Release liability and Surety Bond No. 106336637, Traveler's Casualty & Surety of American, in the amount of \$20,000.
			EXNI-428 Sections 14 & 20; T2N-R7E, Pennington County Section 11; T2N-R7E, Meade County	
			EXNI-429 Sections 8 & 18; T5N-R5E, Meade County	
			EXNI-430 Sections 28 & 33; T2N-R7E, Pennington County	
			EXNI-432 Portions of Sections 1, 12, & 13; T5N-R4E & Portions of Sections 35 & 36; T6N-R4E, Lawrence County Portions of Sections 6 & 7; T5N-R5E, Meade County	
<u>Release of Reclamation Surety for Pete Lien & Sons:</u>				
Pete Lien & Sons Rapid City, SD	58	\$284,500	Western Surety Company	Release Surety Bond No. 30097847, Western Surety Company, in the amount of \$284,500 due to conversion to mine license.
			S1/2 NE1/4, Portion of SE1/4 NW1/4, NE1/4 SW1/4, & Portion of W1/2 SW1/4, N1/2 SE1/4, SE1/4 SW1/4, & S1/2 SE1/4 Section 29; T6S-R4E, Custer County	

South Dakota Board of Minerals & Environment

October 24, 2024

<u>Permit Holder</u>	<u>Permit No.</u>	<u>Surety Amount</u>	<u>Surety Company or Bank</u>	<u>DANR Recommendation</u>
Pete Lien & Sons Rapid City, SD	216	\$10,000	Western Surety Company	Release Surety Bond No. 30097837, Western Surety Company, in the amount of \$10,000 due to conversion to mine license.
Section 12; T2N-R6E & Section 7; T2N-R7E, Meade County Sections 17, 18, & 19; T2N-R7E, Pennington County				
<u>Release of Reclamation Surety for Simon Contractors of SD Inc:</u>				
Simon Contractors of SD Inc Rapid City, SD	14	\$677,800	Liberty Mutual Insurance Company	Release Surety Bond No. 014071181, Liberty Mutual Insurance Company, in the amount of \$677,800 due to conversion to mine license.
Portions of SW1/4 NE1/4, NW1/4 SE1/4, NE1/4 SE1/4 & E1/2 NW1/4 Section 33 & Portions of SW1/4 SW1/4 & SE1/4 SW1/4 Section 28; T2N-R7E, Pennington County				
Simon Contractors of SD Inc Rapid City, SD	444	\$2,500	Liberty Mutual Insurance Company	Release Surety Bond No. 014071182, Liberty Mutual Insurance Company, in the amount of \$2,500 due to conversion to mine license.
S1/2 Section 30; T2N-R7E, Pennington County				

South Dakota Board of Minerals & Environment

October 24, 2024

<u>Permit Holder</u>	<u>Permit No.</u>	<u>Surety Amount</u>	<u>Surety Company or Bank</u>	<u>DANR Recommendation</u>
Simon Contractors of SD Inc Rapid City, SD	489	\$883,000	Liberty Mutual Insurance Company	Release Surety Bond No. 015218607, Liberty Mutual Insurance Company, in the amount of \$883,000 due to conversion to mine license.
Portions of Sections 33 & 34; T5S-R4E, Custer County				

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Consent Calendar
South Dakota Board of Minerals & Environment

November 21, 2024

<u>License Holder</u>	<u>License No.</u>	<u>Site No.</u>	<u>Surety Amount</u>	<u>Surety Company or Bank</u>	<u>DANR Recommendation</u>
<u>Transfer of Liability:</u>					
Fisher Sand & Gravel Co. Dickinson, ND	83-54		\$20,000	Liberty Mutual Insurance Co.	Transfer liability.
		54142	NW1/4 Section 23; T122N-R53W, Day County		
Transfer to:					
B & B Contracting, Inc. Aberdeen, SD	07-716		\$20,000	North American Specialty Insurance Company	
Hovde Gravel Construction Vienna, SD	00-702		\$2,000	Bank of the West - Redfield Dacotah Bank – Clark	Transfer liability.
		702002	SW1/4 Section 31; T116N-R57W, Clark County		
Transfer to:					
Hovde Excavating & Gravel LLC - Clark, SD	24-1144		\$8,500	Reliabank Dakota – Hazel Dacotah Bank – Watertown	
<u>Transfer of Liability & Surety Release:</u>					
Harvey Sand & Gravel Inc Harvey, ND	02-751		\$2,500	Capitol Indemnity Corporation	Transfer Liability & \$2,500.
		751001	Section 35; T129N-R54W, Marshall County		
Transfer to:					
Alexandria Gravel Products, LLC – Alexandria, MN	17-1024		\$20,000	Travelers Casualty & Surety Company of America	

Consent Calendar
South Dakota Board of Minerals & Environment

November 21, 2024

<u>License Holder</u>	<u>License No.</u>	<u>Site No.</u>	<u>Surety Amount</u>	<u>Surety Company or Bank</u>	<u>DANR Recommendation</u>
<u>Transfer of Liability & Surety Release:</u>					
Knodel Contractors LLC Freeman, SD	12-945		\$20,000	Security State Bank – Chancellor	Transfer Liability & \$20,000.
		945001	NW1/4 Section 26; T99N-R53W, Turner County		
Transfer to:					
Concrete Materials Sioux Falls, SD	83-144		\$3,500	United Fire & Casualty Company	
<u>Release of Liability:</u>					
Aggregate Construction Inc. – Minot, ND	89-382		\$20,000	Ohio Farmers Insurance Company	Release Liability.
		382037	S1/2 SE1/4 SE1/4 Section 17, N1/2 NW1/4 NW1/4 Section 21, and E21/2 Section 20; T5S-R7E, Custer County		
		382042	Section 1 and Section 2; T122N-R11E, Perkins County		
DOT Aberdeen Region Aberdeen, SD	83-10		Exempt		Release liability.
		10190	NE1/4 SE1/4 Section 2; T127N-R71W, McPherson County		
R & J Gravel & Trucking Chamberlain, SD	07-841		\$20,000	Sun Surety Insurance Company	Release liability.
		841008	E1/2 Section 14; T107N-R66W, Jerauld County		

Consent Calendar
South Dakota Board of Minerals & Environment

November 21, 2024

<u>License Holder</u>	<u>License No.</u>	<u>Site No.</u>	<u>Surety Amount</u>	<u>Surety Company or Bank</u>	<u>DANR Recommendation</u>
<u>Release of Liability:</u>					
Hand County Highway Department – Miller, SD	83-148		Exempt		Release liability.
		148001	NW1/4 Section 6; T116N-R69W, Hand County		
		148008	NE1/4 Section 9; T109N-R67W, Hand County		
		148009	N1/2 Section 9; T109N-R68W, Hand County		
		148010	SE1/4 Section 34; T110N-R66W, Hand County		
		148015	SW1/4 SE1/4 and SE1/4 SW1/4 Section 34; T116N-R70W, Hand County		

South Dakota Board of Minerals & Environment

November 21, 2024

<u>Permit Holder</u>	<u>Permit No.</u>	<u>Surety Amount</u>	<u>Surety Company or Bank</u>	<u>DANR Recommendation</u>
<u>Acceptance of Reclamation Bond Increase for Wharf Resources (USA) Inc.:</u>				
Wharf Resources (USA), Inc. Lead, SD	356, 434, 435, 464, 476, & 490	\$1,769,900	Indemnity National Insurance Company	Accept Bond No. N-G000012, Indemnity National Insurance Company, in the amount of \$1,769,900. The acceptance of this bond will increase the Wharf reclamation bond to \$73,922,800.
<u>Acceptance of Post-Closure Financial Assurance Increase for Wharf Resources (USA), Inc.:</u>				
Wharf Resources (USA), Inc. Lead, SD	356, 434, 435, 464, 476, & 490	\$12,412,800	Indemnity National Insurance Company	Accept Bond No. N-G000013, Indemnity National Insurance Company, in the amount of \$12,412,800. The acceptance of this bond will increase the Wharf post-closure financial assurance to \$65,101,800.

South Dakota Department of Agriculture and Natural Resources

Acceptance of Reclamation Surety and Postclosure Financial Assurance Increases for Wharf Resources

November 21, 2024

1

Reclamation Surety

Recalculated Surety	\$73,922,800
Current Surety	<u>\$72,152,900</u>
Additional Surety	\$ 1,769,900

2

Postclosure Financial Assurance

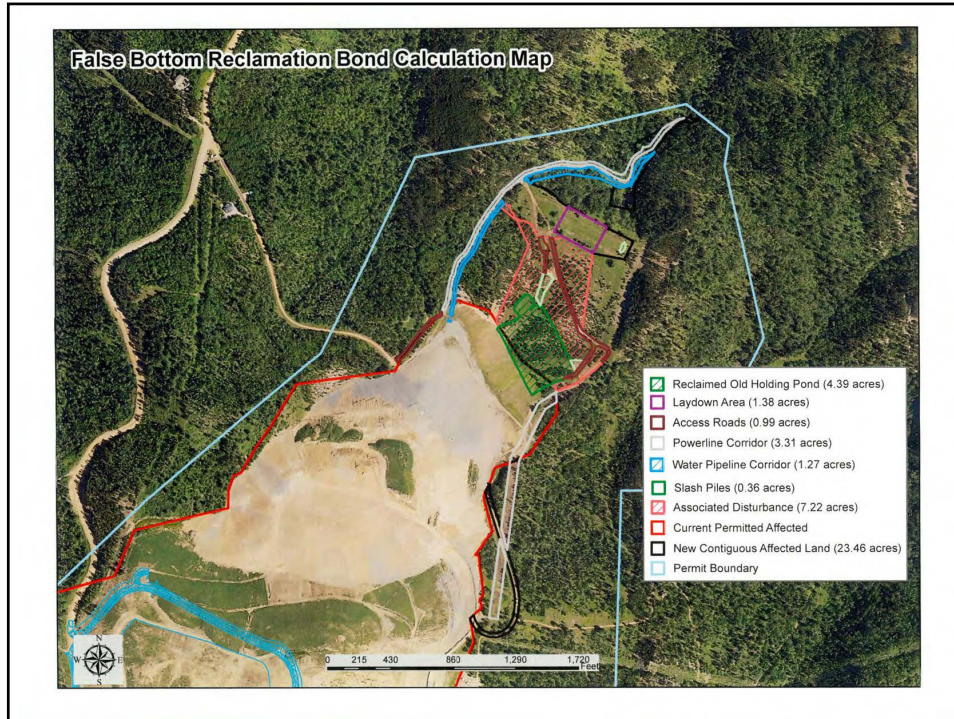
Updated Financial Assurance	\$65,101,800
Current Financial Assurance	<u>\$52,689,000</u>
Additional Financial Assurance	\$12,412,800

3

Reasons for Increase

- False Bottom Selenium Treatment Plant
- Two Small Facility Additions Approved under Technical Revisions
- Inflation
 - Seed, heavy equipment, labor, building demolition
- Associated increases in indirect costs

4



5

Reclamation Surety Earthwork and Revegetation

False Bottom Treatment Plant	
Construction Disturbance	\$ 81,881

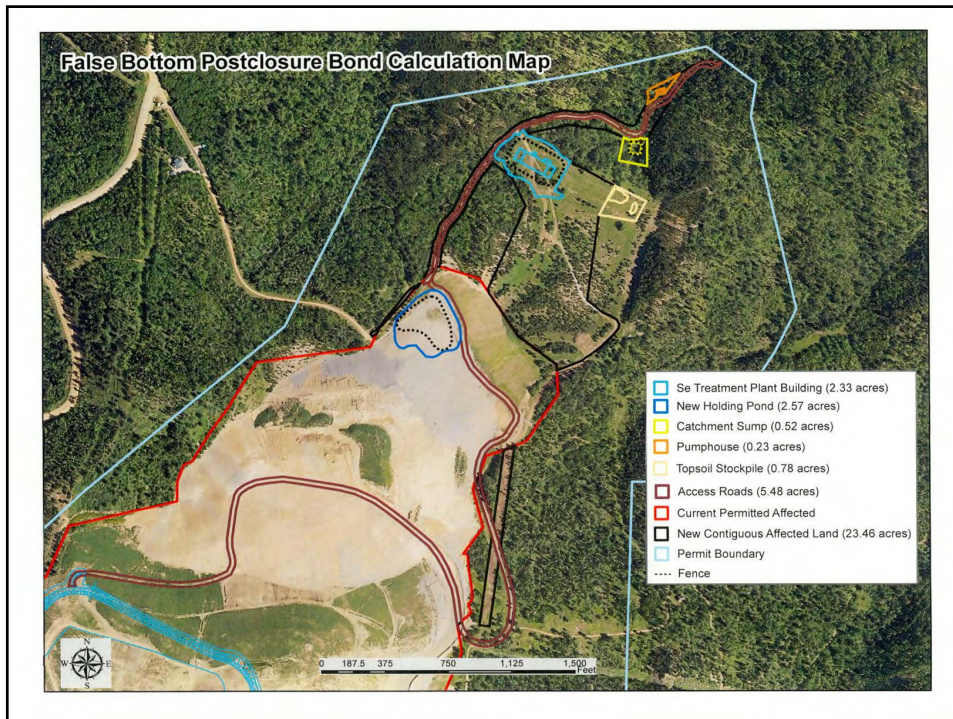
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Reclamation Surety – Water Treatment

Plant Reagents	\$ 17,959
Electricity	\$ 22,501
Shipping Reagents & Waste Disposal	\$ 19,033
Maintenance Supplies & Misc	\$ 85,827
Total Annual Treatment Cost	\$ 145,320

One Time Consultant Labor Cost Year 1 \$ 306,600

7



8

Postclosure Financial Assurance – Annual Water Treatment Costs

False Bottom Se Treatment Plant Complex (50 Year Treatment Period)

Plant Reagents	\$ 17,959
Electricity	\$ 22,501
Shipping Reagents & Waste Disposal	\$ 19,033
Maintenance Supplies & Misc	<u>\$ 85,827</u>
Total Annual Treatment Cost	\$ 145,320
Long Term Liner & Plant Replacement (Year 25)	\$ 111,200
Plant Overhaul (Year 25)	\$1,300,000

9

Postclosure Financial Assurance Year 50 Final Closure Costs

False Bottom Se Treatment Complex	\$ 27,726
False Bottom Holding Pond	\$ 42,602
Topsoil Stockpile	\$ 4,615
Access Road	\$ 44,143
Plant Building Demolition	<u>\$ 224,335</u>
Total Base Closure Cost	\$ 343,421

10

Current Reclamation Surety Bonds

United State Fire Insurance	\$10,866,800
United State Fire Insurance	\$ 8,000,000
Everest Reinsurance Co.	\$10,000,000
Everest Reinsurance Co.	\$ 5,786,000
Endurance Assurance	\$ 6,000,000
Liberty Mutual Insurance Co.	\$10,000,000
Argonaut Insurance Co.	\$ 7,593,300
Ascot Surety & Casualty	<u>\$13,906,800</u>
Total	\$72,152,900

11

New Reclamation Surety Bonds

United State Fire Insurance	\$10,866,800
United State Fire Insurance	\$ 8,000,000
Everest Reinsurance Co.	\$10,000,000
Everest Reinsurance Co.	\$ 5,786,000
Endurance Assurance	\$ 6,000,000
Liberty Mutual Insurance Co.	\$10,000,000
Argonaut Insurance Co.	\$ 7,593,300
Ascot Surety & Casualty	\$13,906,800
Indemnity National Insurance	<u>\$ 1,769,900</u>
New Total	\$73,922,800

12

Current Postclosure Surety Bonds

United State Fire Insurance	\$ 7,532,923
Ascot Surety & Casualty	\$ 9,267,077
Atlantic Specialty Insurance	\$10,000,000
Arch Insurance	\$11,596,200
Ascot Surety & Casualty	\$ 4,289,400
Everest Reinsurance Co.	<u>\$10,003,400</u>
Total	\$52,689,000

13

New Postclosure Surety Bond

United State Fire Insurance	\$ 7,532,923
Ascot Surety & Casualty	\$ 9,267,077
Atlantic Specialty Insurance	\$10,000,000
Arch Insurance	\$11,596,200
Ascot Surety & Casualty	\$ 4,289,400
Everest Reinsurance Co.	\$10,003,400
Indemnity National Insurance	<u>\$12,412,800</u>
Total	\$65,101,800

14

Indemnity National Insurance Company (US Treasury Certified Company)

	AM Best	S&P	Moody's	Fitch
Financial Strength	A- (excellent)	Not rated	Not rated	Not rated
Long Term	a- (excellent)	Not rated	Not rated	Not rated
Outlook	Positive	Not rated	Not rated	Not rated

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OCT 22 2024

MINERALS & MINING PROGRAM



Company Overview

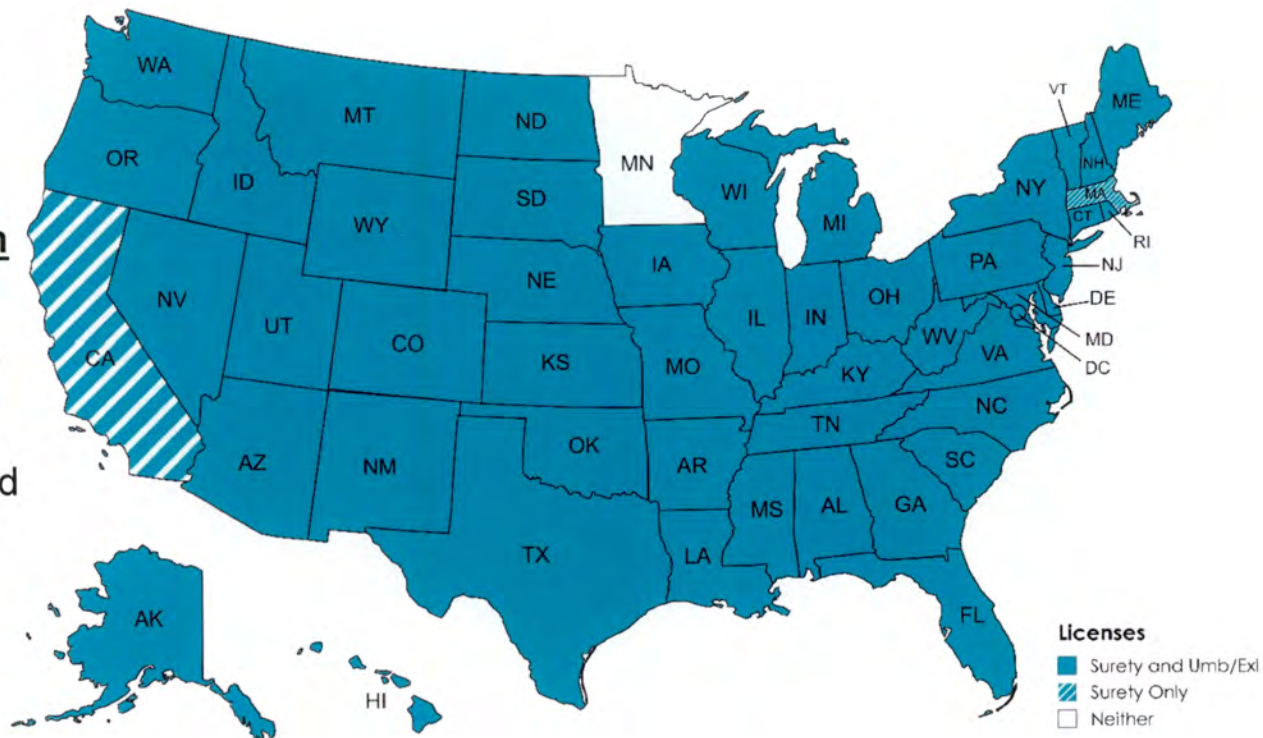
October 2024





Indemnity National Insurance Company

- P&C insurance company operating since 2005 offering surety and umbrella/excess liability products
- Capital & surplus of \$123.1 million (June 30, 2024)
- Rated **A- (excellent), positive outlook** by A.M. Best with Financial Size Category of VIII
- **US Treasury listed** certification (T-limit of \$11.4 million, effective July 1, 2024)
- Current Insurance Licensing
 - Currently approved in 49 states
 - Application pending in MN
- **Strong surety reinsurance program**
 - \$60M of coverage in excess of the first \$10M of loss for a given customer
 - Backed by Lloyd's of London and other highly rated reinsurers
- Member of the Surety & Fidelity Association of America
 - Top 35 surety by premiums written in 2023





Surety Solutions

Indemnity National specializes in supporting surety programs for companies of all sizes with needs driven by regulatory frameworks across various industries

- **Capacity:**

- A.M. Best - “A-” (Excellent) (outlook positive)
- US Treasury listed - \$11.425 million
- Aggregate programs up to \$150 million
- Single bond limits
 - Non-federal obligee: \$30 million
 - Federal obligee: \$11.425 million

- **Target Segments:**

- Mining and minerals
- Energy
- Industrial and manufacturing
- Waste services

- **Differentiators:**

- Dedicated to service and quick turnaround
- Specialists in natural resources
- Long-term view towards supporting the mining industry

- **Supported Surety Classes:**

- License & permit bonds (including reclamation | plugging & abandonment | closure & post-closure)
- Miscellaneous commercial surety bonds
- Contract



Indemnity National – Executive Team

David Wiley – Chairman and CEO | KEWA Financial and Chairman | INIC: Over 30 years' experience across mining, insurance, finance, and capital markets | Former CEO at Nighthawk Gold | Former CEO at Phoenix Coal | Former Partner at MHI Energy Partners (energy and mining private equity)

Tom Elkins – President | KEWA Financial and INIC: Oversees all daily operations for KEWA Financial and Indemnity National | 18 years' experience across insurance, corporate finance, consulting, capital markets, and mining | Former VP, Corporate Development at Nighthawk Gold | Former VP at Raven Hill Partners

Jamie Hart – CFO | KEWA Financial and INIC: Oversees corporate finance and accounting functions | 20 years' experience across insurance, finance, and accounting | Former Senior Manager within the Business Valuation Services Division at LBMC, PC

B. Patterson – President | Cumberland Surety and Newbridge Services (INIC affiliate): Specialist in the development of technical underwriting data to allow carriers to safely underwrite reclamation bonds for mining operations | Managed a significant book of reclamation bonds since 1985



Contact

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Phone: 615-592-5301
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BEST'S CREDIT REPORT

Best's Credit Rating Effective Date

November 29, 2023

Analytical Contacts

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Information

[Best's Credit Rating Methodology](#)

[Guide to Best's Credit Ratings](#)

[Market Segment Outlooks](#)

Financial Data Presented

The financial data in this report reflects the most current data available to the Analytical Team at the time of the rating. Updates to the financial exhibits in this report are available here: [Best's Financial Report](#).

Indemnity National Insurance Company

AMB #: 013137 | NAIC #: 18468 | FEIN #: 64-0838376

Ultimate Parent: AMB # 046568 - KEWA Financial Inc.

Best's Credit Ratings

Financial Strength Rating (FSR)

A-
Excellent
Outlook: Positive Action: Affirmed

Issuer Credit Rating (ICR)

a-
Excellent
Outlook: Positive Action: Affirmed

Assessment Descriptors

Balance Sheet Strength	Very Strong
Operating Performance	Adequate
Business Profile	Limited
Enterprise Risk Management	Appropriate

Rating Rationale

Balance Sheet Strength: **Very Strong**

- Strongest level of risk-adjusted capitalization as measured by Best's Capital Adequacy Ratio (BCAR) at the 99.6% confidence level.
- Consistent surplus growth over the current five-year period (2018-2022) has benefited from profitable operating earnings and capital contributions from its parent company, KEWA US Inc. (KEWA US).
- High-quality, well-diversified investment portfolio primarily consists of fixed-income securities, cash and short-term investments, and equities.
- Stable loss reserving trends, as the company consistently reports favorable accident and calendar year loss reserve development.
- Comprehensive reinsurance program with strong partners.

Operating Performance: **Adequate**

- The company has generally produced solid operating return measures, primarily driven by profitable underwriting performance and sound investment income. The company's return on equity and return on revenue are solid and track closely with the composite averages on a five- and ten-year basis.
- The company has reported profitable underwriting results in five straight years and such results have continued through the third quarter of 2023.
- The company's five-year average combined and operating ratios track closely to the composite averages. However, when viewed relative to the small surety composite, the company's overall operating metrics compare favorably to other carriers in the composite.
- Solid and growing investment earnings, which contributed approximately 11 points to the company's operating ratio at year-end 2022.

Business Profile: **Limited**

- Product concentration consists of predominantly premium writings derived from commercial surety bonding products as well as some umbrella/excess liability policies. The company is continuing its product diversification with a new umbrella and excess liability program.
- Significant premium growth over the past four plus years has been generated from a broader distribution of geographic locations, expansion into the oil and gas sectors and increased demand for surety bonding products. Future premium growth will be derived from the company's aforementioned new product line; an umbrella and excess liability program.
- Products are distributed through an affiliated agency as well as a limited number of third-party agencies.
- The affiliated agency provides agency and underwriting services for coal reclamation and other classes of surety bonds. A partnership with an established provider of offshore services to the oil and gas industry will support diversified growth initiatives.

Enterprise Risk Management: **Appropriate**

- Enterprise risk management (ERM) is viewed as appropriate for the company's scope of operations.
- The ERM platform includes adherence to strong corporate governance practices through regular engagement with the board. Its Audit and Risk Committee provides oversight of critical operational controls.
- Engaged with an ERM consulting firm to review and assist with updating, formalizing and integrating an ERM program.
- While management has a strong knowledge of surety underwriting risk, execution risk exists due to geographic expansion and oil and gas growth initiatives.

Outlook

- The positive outlooks reflect consistently positive operating performance of the company as a result of underwriting initiatives. The expectation is for sustained improvement in operating performance metrics with moderate volatility, while maintaining a very strong balance sheet strength assessment.

Rating Drivers

- Positive rating action could occur should underwriting and operating results continue to be sustained at a level that outperforms the surety composite over the intermediate term.
- Negative rating action could occur if balance sheet strength deteriorates and is not supportive of the very strong assessment.
- Negative rating action could also occur if there is a material change in the capital structure of the holding company.

Key Financial Indicators

Best's Capital Adequacy Ratio (BCAR) Scores (%)

Confidence Level	95.0	99.0	99.5	99.6
BCAR Score	79.5	72.1	69.2	68.4

Source: Best's Capital Adequacy Ratio Model - P/C, US

Key Financial Indicators USD (000)	9-Months		Year End - December 31				
	2023	2022	2022	2021	2020	2019	2018
Premiums Written:							
Direct	68,850	43,459	68,780	61,635	56,718	37,959	27,050
Assumed*	12	...	...	...	...	166	...
Ceded*	17,108	10,262	12,990	9,945	7,997	5,384	4,262
Net	51,754	33,197	55,790	51,690	48,722	32,741	22,788
Net Operating Income	16,848	14,916	18,162	16,022	3,059	7,664	2,876
Net Income	13,817	14,843	18,498	17,119	328	7,885	3,136
Total Admitted Assets	311,547	281,011	299,532	268,289	219,401	169,255	125,758
Policyholders' Surplus	110,195	96,423	100,515	86,825	73,128	75,339	72,539

Source: BestLink® - Best's Financial Suite

*Quarterly premiums include affiliated reinsurance premiums that are eliminated in annual assumed and ceded values.

Key Financial Ratios (%)	9-Months		Year End - December 31					Weighted Average
	2023	2022	2022	2021	2020	2019	2018	
Profitability:								
Combined Ratio	66.8	66.6	63.0	67.1	85.3	70.8	69.8	70.5
Reserve Development Combined Ratio Impact	-17.9	-18.3	-17.0	-11.0	-19.7	-2.9	-12.2	-13.5
Net Investment Yield	3.3	2.0	2.1	1.8	2.2	2.8	2.5	2.2
Pre-Tax Operating Return on Net Earned Premiums	43.7	51.1	45.1	40.9	10.4	35.6	24.0	33.4
Net Income Return on Policyholders' Surplus	17.5	21.6	19.7	21.4	0.4	10.7	5.1	12.3
Total Return on Policyholders' Surplus	18.4	16.3	16.9	25.6	-4.3	16.0	2.0	12.0
Leverage:								
Net	2.5	2.5	2.5	2.7	2.7	1.7	1.0	...
Gross	...	...	2.7	2.8	2.8	1.8	1.1	...
Non-affiliated Investment	27.6	24.3	19.7	29.7	31.4	36.5	25.3	...

Source: BestLink® - Best's Financial Suite

Credit Analysis

Balance Sheet Strength

Indemnity National maintains very strong balance sheet strength assessment based on its strongest risk adjusted capital as measured by Best's Capital Adequacy Ratio (BCAR), high quality well-diversified investment portfolio and stable loss reserving trends. Additionally, the balance sheet assessment also takes into consideration the solid liquidity measures that have been enhanced by positive underwriting and operating cash flows in each of the past five years and through third quarter of 2023 on a year-to-date basis. These strengths are somewhat offset by a slightly elevated underwriting leverage.

Balance Sheet Strength (Continued...)

Capitalization

The company's surplus has increased in four of the previous five years at a five-year compound rate of 15.0% primarily driven by operating earnings and capital contributions of \$20 million from its parent company, KEWA US, which were partially offset by stockholder dividends of \$9.5 million and other surplus adjustments. As of September 30, 2023, the company reported surplus of \$110.2 million an increase of 9.6%, primarily driven by operating earnings, partially offset by realized capital losses. The company's surplus is expected to increase by approximately 18% by year-end 2023. In 2020, the company's surplus did decline modestly by approximately 3%, largely driven by capital losses (realized and unrealized) due to market trends resulting from COVID-19 and \$2.5 million of dividends paid to KEWA US.

Capital Generation Analysis USD (000)	9-Months		Year End - December 31				
	2023	2022	2022	2021	2020	2019	2018
Beginning Policyholders' Surplus	100,515	86,825	86,825	73,128	75,339	72,539	50,054
Net Operating Income	16,848	14,916	18,162	16,022	3,059	7,664	2,876
Net Realized Capital Gains (Losses)	-3,031	-73	336	1,097	-2,732	221	260
Net Unrealized Capital Gains (Losses)	762	-3,668	-2,682	3,331	-3,523	3,957	-1,924
Net Change in Paid-In Capital and Surplus	...	...	...	...	...	...	20,000
Stockholder Dividends	...	...	...	-5,000	-2,500	-2,000	...
Other Changes in Capital and Surplus	-4,898	-1,578	-2,126	-1,754	3,485	-7,042	1,272
Net Change in Policyholders' Surplus	9,681	9,598	13,690	13,696	-2,210	2,800	22,485
Ending Policyholders' Surplus	110,195	96,423	100,515	86,825	73,128	75,339	72,539
Net Change in Policyholders' Surplus (%)	9.6	11.1	15.8	18.7	-2.9	3.9	44.9
Net Change in Policyholders' Surplus (5 yr CAGR)	...	...	15.0	...	...	...	...

Source: BestLink® - Best's Financial Suite

Liquidity Analysis	9-Months		Year End - December 31				
	2023	2022	2022	2021	2020	2019	2018
Net Operating Cash Flow USD (000)	23,183	18,574	29,207	17,326	21,633	8,030	6,830
Current Liquidity (%)	132.6	133.8	130.2	131.3	133.9	164.4	221.3

Source: BestLink® - Best's Financial Suite

Asset Liability Management - Investments

The company's prudent investment portfolio is comprised of highly rated fixed income securities, which mostly consists of corporate and government agencies and the average credit quality of fixed income securities is A+. Additionally, the investment portfolio also consists of cash & short-term investments with the bulk of the remainder in equities. The company's common stock leverage is slightly elevated when compared to its industry composite.



BEST'S CREDIT REPORT

AMB #: 013137 - Indemnity National Insurance Company

Balance Sheet Strength (Continued...)

Composition of Cash and Invested Assets	9-Months		Year End - December 31				
	2023	2022	2022	2021	2020	2019	2018
Total Cash and Invested Assets USD (000)	291,919	259,094	274,394	248,113	205,799	158,468	119,451
Composition Percentages (%)							
Unaffiliated:							
Cash and Short Term Investments	8.0	7.1	7.1	8.0	17.4	12.6	23.9
Bonds	70.8	77.2	75.7	75.2	65.9	63.0	55.7
Stocks	11.8	10.5	11.0	12.4	11.4	21.3	18.4
Other Invested Assets	4.5	1.0	1.2	...	0.7	...	...
Total Unaffiliated	95.1	95.8	95.0	95.6	95.4	96.8	98.0
Investments in Affiliates	5.0	4.2	5.1	4.4	4.6	3.2	2.0
Non-Admitted	-0.1	...	-0.1	...	...	...	...
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: BestLink® - Best's Financial Suite

Bonds and Short Term Investments - Distribution by Maturity (%)	Years					Average (Years)
	0-1	1-5	5-10	10-20	20+	
Government Bonds	7.6	15.7	0.5	...	...	2.3
Government Agencies and Municipal Bonds	0.2	4.2	1.1	0.6	1.1	8.1
Industrial and Miscellaneous Bonds	6.3	33.5	27.6	0.4	...	4.7
Hybrid Securities	0.3	...	...	...	0.7	18.2
Total Bonds	14.5	53.4	29.2	1.0	1.9	4.5

Source: BestLink® - Best's Financial Suite

Reserve Adequacy

The company has produced stable loss reserving trends over the past five plus years, as evidenced by favorable developments reported on both an accident and calendar year basis over the past ten years, which is reflective of management's conservative reserving practices. Loss reserve leverage (28.3% of PHS) at year-end 2022 remained slightly below the composite average of 31.7%.

In each of the past five years, the company's loss reserves balance has increased due to the increase in INIC's premium volume over the same time-period. This increase was partially offset by favorable developments on prior accident years. Carried reserves are near the high end of the actuarial range of estimates. The company's reserve level targets are based on the most likely outcome in the actuarial range of estimates. Periodic reviews of reserving methodology ensure that Indemnity National's reserving policy is consistent with peer companies and actuarial expectations.

Loss and Loss Adjustment Expense Reserves and Development - Calendar Year	9-Months		Year End - December 31				
	2023	2022	2022	2021	2020	2019	2018
Loss and ALAE* Reserves USD (000)	32,811	27,103	28,424	15,719	4,409	-875	277
Loss and ALAE* Reserves Development USD (000)	-8,570	-6,926	...	-9,013	-14,242	-13,087	-6,240
Development to:							
Original Reserves (%)	...	...	...	-36.4	-76.4	-99.9	-95.7
Prior Year End Reserves(%)	-30.2	-28.0	...	...	...	...	...
Prior Year End Surplus (%)	-8.5	-8.0	...	-10.4	-19.5	-17.4	-8.6

Source: BestLink® - Best's Financial Suite

* Interim LAE reserves balances displayed include Adjusting and Other Unpaid as well as Defense and Cost Containment Unpaid. Year End LAE balances include Defense and Cost Containment Unpaid only.

**Balance Sheet Strength (Continued...)**

	Year End - December 31				
Loss and Loss Adjustment Expense Reserves and Development - Accident Year	2022	2021	2020	2019	2018
Original Loss and ALAE Reserves USD (000)	13,208	11,919	13,181	6,591	5,392
Loss and ALAE Reserves Developed thru Latest Year End USD (000)	13,208	11,310	4,154	-1,075	277
Development to Original Reserves (%)	...	-5.1	-68.5	-99.9	-94.9
Accident Year Loss and LAE Ratio (%)	25.7	22.7	17.7	0.4	1.8
Accident Year Combined Ratio (%)	80.0	77.0	82.4	45.8	49.5

Source: BestLink® - Best's Financial Suite

Holding Company Assessment

KEWA Financial Inc. (KEWA) (ultimate parent) has a neutral impact on the balance sheet strength of Indemnity National based on its strongest risk-adjusted capitalization as measured by its consolidated BCAR and modest financial leverage. Also, financial flexibility, liquidity and access to capital markets are adequate.

Effective Aug 31, 2018, holders of Series 2 Preferred Shares in KEWA US, in the amount of \$75 million agreed to exchange their shares for non-voting common shares of KEWA. After the conversion of the original Series 2 Preferred Shares to common shares of KEWA, additional Series 2 Preferred Shares were issued in the amounts of \$20 million received in the 4th quarter 2018 and \$5 million received in first quarter of 2019. The \$20 million proceeds were contributed to INIC as additional surplus. Financial leverage is acceptable on both an adjusted and unadjusted basis. As well, interest coverage is adequate.

Financial Leverage Summary - Holding Company

Financial Leverage Ratio (%)	24.60
Adjusted Financial Leverage Ratio (%)	24.60
Interest Coverage (x)	167.90

Operating Performance

Indemnity National's profitable operating earnings reflects sound underwriting results complemented by growth in net investment income. The company's underwriting profitability has been driven by its low loss frequency of surety book of business and its consistently favorable loss reserve development. Additionally, the company benefits from its indemnity agreements that has pledged collateral to the company in the event of loss (forfeiture) or bankruptcy.

During the past five years and through third quarter of 2023 year to date, the company has reported solid operating earnings largely driven by increased net investment income and generally profitable underwriting results that included continued strong premium growth partially offset by an elevated underwriting expense structure.

Premium growth was derived from expansion in oil and gas business and an expanded customer base in mining reclamation as well as a new umbrella/excess liability program. Although significantly improved, profitability was partially offset by increased commissions and premium taxes on written premiums, some of which are paid to an affiliated agency. The expense increase also includes administrative expenses paid to the parent, KEWA US, as part of the cost sharing agreement. Given Indemnity National's strict underwriting guidelines, management anticipates prospective underwriting results will remain consistent with prior year trends despite the company's expanded business platform and rapid premium growth. Changes in the combined ratio in each of the past three years have been primarily driven by fluctuations in the company's expense ratios typical of surety writers.

In each of the past five years (2018 thru 2022) and through third quarter of 2023 year to date, growth in net investment income was due to interest and dividends earned on the investment portfolio primarily due to the substantial growth in the invested asset base included additional capital contributions of \$20 million by the company's parent in 2018 and to a lesser extent positive underwriting and operating cash flows. Over the period, the company's five-year average investment yield benefited from more credit sensitive fixed income securities in the investment portfolio.



Operating Performance (Continued...)

Operating and Financial Performance Ratios (%) - Company	9-Months		Year End - December 31					Weighted Average
	2023	2022	2022	2021	2020	2019	2018	
Calendar Year Loss and LAE Ratio	9.9	7.9	8.6	12.8	20.6	25.4	22.2	15.9
Expense and Policyholder Dividend Ratio	57.0	58.7	54.4	54.3	64.7	45.5	47.6	54.6
Combined Ratio	66.8	66.6	63.0	67.1	85.3	70.8	69.8	70.5
Reserve Development Ratio Impact	-17.9	-18.3	-17.0	-11.0	-19.7	-2.9	-12.2	-13.5
Net Investment Yield	3.3	2.0	2.1	1.8	2.2	2.8	2.5	2.2
Pre-Tax Operating Return on Net Earned Premiums	43.7	51.1	45.1	40.9	10.4	35.6	24.0	33.4
Net Income Return on Policyholders' Surplus	17.5	21.6	19.7	21.4	0.4	10.7	5.1	12.3
Total Return on Policyholders' Surplus	18.4	16.3	16.9	25.6	-4.3	16.0	2.0	12.0

Source: BestLink® - Best's Financial Suite

Operating and Financial Performance Ratios (%) - Composite	9-Months		Year End - December 31					Weighted Average
	2023	2022	2022	2021	2020	2019	2018	
Calendar Year Loss and LAE Ratio	...	24.7	24.6	27.3	30.1	24.9	21.5	25.7
Expense and Policyholder Dividend Ratio	...	46.1	46.5	47.8	48.7	48.5	49.6	48.2
Combined Ratio	...	70.8	71.1	75.1	78.9	73.4	71.1	73.9
Reserve Development Ratio Impact	...	-8.4	-8.8	-7.7	-4.8	-5.6	-7.5	-6.9
Net Investment Yield	...	2.6	2.7	2.7	3.3	3.1	3.0	3.0
Pre-Tax Operating Return on Net Earned Premiums	...	34.4	35.6	32.4	32.0	35.4	38.4	34.7
Net Income Return on Policyholders' Surplus	...	13.6	14.2	12.7	12.1	13.2	14.5	13.3
Total Return on Policyholders' Surplus	...	8.9	11.5	14.7	9.0	15.4	12.4	12.6

Source: BestLink® - Best's Financial Suite

Industry Composite: Fidelity & Surety Composite - BestLink® - Best's Financial Suite

Business Profile

Indemnity National's limited business profile reflects the company's niche focus on surety bonds for the energy industry, which predominately accounts for commercial surety bonding as well as some umbrella/excess liability products. Historically, the company specialized in writing surety bonds for mining companies in the US coal market. These products include mining reclamation bonds that are required by statute to ensure full reclamation upon completion of mining operations.

Effective January 2017, KEWA US acquired all the outstanding shares of Indemnity National and a 100% interest in New Cumberland Holding, LLC. KEWA US is a wholly owned subsidiary of KEWA. KEWA (the ultimate parent) was incorporated under the laws of Ontario on September 25, 2014, and is primarily a holding company. Effective August 31, 2018, KEWA redomesticated as a Delaware corporation.

Under new ownership, management began to grow its surety bonding business through writing more bonds to qualified mining companies across a broader distribution of geographic locations. Indemnity National has been approved in 49 states and the District of Columbia. Overall conditions in the coal space remain favorable as the demand continues to be high. In the near term, expected growth will be generated from new mining reclamation bonding business.

The company has also diversified its premium base by providing surety solutions to the oil and gas industry for the decommissioning and abandonment of wells at offshore platforms. Plugging and abandonment bonds are required by statute to ensure oil and gas related infrastructures are properly decommissioned at the end of the assets' useful lives. Given challenging market conditions in the oil and gas sector, INIC has not achieved notable penetration. The company has been slowly expanding to other classes of surety beyond coal and oil & gas where opportunities exist to reduce concentration.

Further, the company added an umbrella and excess liability program in 2021, which will provide additional premium diversification as well as premium growth going forward.

Business Profile (Continued...)

INIC utilizes the services of an affiliate, a leading provider of on-the-ground risk evaluation, market trend analysis and loss mitigation strategy formulation for the coal mining reclamation industry. Also, INIC has partnered with a leading integrated provider of offshore services to the oil & gas industry to assist with risk evaluation of bonded offshore decommissioning liabilities.

Premium Composition and Growth	9-Months		Year End - December 31					5 Year CAGR
	2023	2022	2022	2021	2020	2019	2018	
Direct Premiums Written USD (000)	68,850	43,459	68,780	61,635	56,718	37,959	27,050	...
% Change	58.4	15.0	11.6	8.7	49.4	40.3	139.1	43.5
Reinsurance Premiums Assumed USD (000)*	12	...	...	...	...	166	...	...
% Change	...	...	...	...	-99.9	...	...	...
Reinsurance Premiums Ceded USD (000)*	17,108	10,262	12,990	9,945	7,997	5,384	4,262	...
% Change	66.7	20.9	30.6	24.4	48.5	26.3	320.6	66.6
Net Premiums Written USD (000)	51,754	33,197	55,790	51,690	48,722	32,741	22,788	...
% Change	55.9	13.2	7.9	6.1	48.8	43.7	121.2	40.2

Source: BestLink® - Best's Financial Suite

*Quarterly premiums include affiliated reinsurance premiums that are eliminated in annual assumed and ceded values.

2022 By Line Business	Direct Premiums Written		Reinsurance Premiums Assumed		Reinsurance Premiums Ceded		Net Premiums Written		Business Retention
	USD (000)	%	USD (000)	%	USD (000)	%	USD (000)	%	%
Surety	57,072	83.0	...	...	9,694	74.6	47,378	84.9	83.0
Other Liab Occurrence	11,708	17.0	...	...	3,296	25.4	8,412	15.1	71.8
Top 5	68,780	100.0	...	...	12,990	100.0	55,790	100.0	81.1
Total	68,780	100.0	...	...	12,990	100.0	55,790	100.0	81.1

Source: BestLink® - Best's Financial Suite

Geographic Breakdown by Direct Premiums Written USD (000)	Year End - December 31				
	2022	2021	2020	2019	2018
West Virginia	13,736	15,359	15,243	11,867	9,873
Pennsylvania	11,279	10,279	9,749	2,825	1,512
Illinois	7,906	7,825	6,095	3,357	1,097
Kentucky	6,420	9,230	9,127	8,016	5,298
Texas	5,144	3,525	5,782	4,710	3,922
Top 5 States	44,486	46,218	45,996	30,775	21,703
All Other	24,294	15,417	10,723	7,184	5,347
Total	68,780	61,635	56,718	37,959	27,050
Geographic Concentration Index	0.10	...	...	...	...

Source: BestLink® - Best's Financial Suite

Enterprise Risk Management

Indemnity National's ERM program is considered appropriate for its risk profile. The ERM process is characterized by selective underwriting of its principals. Consistent with other writers of surety bonds, the company employs several risk management techniques including collecting an indemnity agreement from each principal along with other strong indemnity provisions. Management ensures the principal has the capacity (i.e., the skills, systems, and management abilities) to meet its obligations under contract. Management further checks the principal's finances regarding the financial strength and researches the principal's character, experience and reputation through interviews and public records to gain a better perspective of the principal's ability to fulfill its contractual obligations.

Management engaged an ERM specialist to review and assist with updating, formalizing, and integrating its ERM platform given the company's recent and projected growth profile. The Executive Management team, Board of Directors, Audit and Risk Committee are all actively engaged in the ERM process. An ERM committee has been established that reports to the Audit and Risk Committee of the

Enterprise Risk Management (Continued...)

KEWA Board. INIC will be developing a formalized risk appetite statement consistent with the goals set forth in the ERM framework. This plan will include defined risk metrics in priority classifications, quantified risk tolerances, well defined objectives, processes, roles, and responsibilities.

Reinsurance Summary

The 2023-2024 reinsurance program includes an excess of loss treaty consisting of three layers, providing coverage of \$50.0 million excess of \$10.0 million retention per principal. INIC also has separate treaty coverage to write self-insured workers compensation bonds and cross collateralize the obligations with reclamation bond collateral. Further, the 2023-2024 reinsurance program on the umbrella and excess liability program provides coverage up to \$5.0 million.

Environmental, Social & Governance

AM Best considers Indemnity National's exposure, as a surety writer to material environmental, social and governance (ESG) to be low. At present there are no regulatory requirements from the company's domiciliary state related to ESG, although the company regularly monitors developments to ensure its practices are compliant. Accordingly, ESG factors are unlikely to impact the credit quality of the group over the near-term.



BEST'S CREDIT REPORT

AMB #: 013137 - Indemnity National Insurance Company

Financial Statements

	9-Months		Year End - December 31			
	2023		2022		2021	
	USD (000)	%	USD (000)	%	USD (000)	%
Balance Sheet						
Cash and Short Term Investments	23,388	7.5	19,618	6.5	19,745	7.4
Bonds	206,540	66.3	207,774	69.4	186,653	69.6
Preferred and Common Stock	45,270	14.5	40,233	13.4	37,788	14.1
Other Invested Assets	16,722	5.4	6,769	2.3	3,927	1.5
Total Cash and Invested Assets	291,919	93.7	274,394	91.6	248,113	92.5
Premium Balances	8,338	2.7	12,688	4.2	14,460	5.4
Net Deferred Tax Asset	2,116	0.7	2,015	0.7	1,208	0.5
Other Assets	9,174	2.9	10,436	3.5	4,507	1.7
Total Assets	311,547	100.0	299,532	100.0	268,289	100.0
Loss and Loss Adjustment Expense Reserves:						
Net Reported Loss Reserves	...	...	4,202	1.4	4,202	1.6
Net IBNR Loss Reserves*	32,811	10.5	18,535	6.2	15,278	5.7
Net LAE Reserves	...	...	5,687	1.9	5,251	2.0
Total Net Loss and LAE Reserves	32,811	10.5	28,424	9.5	24,732	9.2
Net Unearned Premiums	36,429	11.7	32,678	10.9	29,879	11.1
Other Liabilities	132,112	42.4	137,916	46.0	126,853	47.3
Total Liabilities	201,352	64.6	199,017	66.4	181,464	67.6
Capital Stock	4,200	1.3	4,200	1.4	4,200	1.6
Paid-In and Contributed Surplus	68,946	22.1	68,946	23.0	68,946	25.7
Unassigned Surplus	37,050	11.9	27,369	9.1	13,679	5.1
Total Policyholders' Surplus	110,195	35.4	100,515	33.6	86,825	32.4
Total Liabilities and Surplus	311,547	100.0	299,532	100.0	268,289	100.0

Source: BestLink® - Best's Financial Suite

* Interim reserves balances include LAE.

	9-Months		Year End - December 31	
	2023	2022	2022	2021
Income Statement USD (000)				
Net Premiums Earned	48,003	37,871	52,991	51,504
Net Losses and LAE Incurred:				
Current Accident Year	13,299	9,927	13,595	12,275
Prior Accident Years	-8,570	-6,926	-9,013	-5,680
Underwriting Expenses Incurred	29,475	19,482	30,331	28,069
Net Underwriting Income	13,799	15,389	18,078	16,840
Net Investment Income	7,038	3,745	5,606	4,159
Other Income (Expense)	152	207	222	50
Pre-Tax Operating Income	20,989	19,340	23,906	21,050
Income Taxes Incurred	4,141	4,424	5,744	5,028
Net Operating Income	16,848	14,916	18,162	16,022
Net Realized Capital Gains (Losses)	-3,031	-73	336	1,097
Net Income	13,817	14,843	18,498	17,119

Source: BestLink® - Best's Financial Suite



Statement of Operating Cash Flows USD (000)	9-Months		Year End - December 31	
	2023	2022	2022	2021
Net Premiums Collected	49,518	39,311	58,257	42,896
Net Losses Paid	...	...	...	...
Expenses Paid	28,122	20,569	30,443	25,829
Net Underwriting Cash Flow	21,396	18,743	27,814	17,067
Net Investment Income	6,129	4,305	6,452	5,335
Other Income (Expense)	152	207	222	50
Income Taxes Paid (Recovered)	4,495	4,680	5,281	5,126
Net Operating Cash Flow	23,183	18,574	29,207	17,326

Source: BestLink® - Best's Financial Suite

Related Methodology and Criteria

[Best's Credit Rating Methodology, 11/13/2020](#)

[Available Capital & Holding Company Analysis, 10/13/2017](#)

[Rating Surety Companies, 04/07/2021](#)

[Scoring and Assessing Innovation, 02/27/2023](#)

[Understanding BCAR for U.S. Property/Casualty Insurers, 05/25/2023](#)

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A Best's Issue/Issuer Credit Rating is an opinion regarding the relative future credit risk of an entity, a credit commitment or a debt or debt-like security.

Credit risk is the risk that an entity may not meet its contractual, financial obligations as they come due. These credit ratings do not address any other risk, including but not limited to liquidity risk, market value risk or price volatility of rated securities. The rating is not a recommendation to buy, sell or hold any securities, insurance policies, contracts or any other financial obligations, nor does it address the suitability of any particular financial obligation for a specific purpose or purchaser.

In arriving at a rating decision, AM Best relies on third-party audited financial data and/or other information provided to it. While this information is believed to be reliable, AM Best does not independently verify the accuracy or reliability of the information. Any and all ratings, opinions and information contained herein are provided "as is," without any express or implied warranty.

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South Dakota Department of Labor and Regulation
Division of Insurance
124 South Euclid Avenue – 2nd Floor
Pierre, South Dakota 57501

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OCT 22 2024
MINERALS & MINING PROGRAM



COMPANY CERTIFICATE OF AUTHORITY
Effective: March 30, 2023

The South Dakota Director of Insurance hereby issues the following company a Certificate of Authority to do business in the State of South Dakota for the lines so indicated. This is a perpetual license and will remain active unless otherwise cancelled, suspended, or revoked.

INDEMNITY NATIONAL INSURANCE COMPANY
JACKSON, MISSISSIPPI
NAIC #18468 DOMICILE: MISSISSIPPI

Authorized lines: 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 16, 17, 18, 19, 22, 23A, 23C, 27

- | | |
|-------------------------------|------------------------------|
| 1 - Life | 15 - Aircraft |
| 2 - Health | 16 - Credit |
| 3 - Fire & Allied Lines | 17 - Crop Hail |
| 4 - Inland & Ocean Marine | 18 - Livestock |
| 5 - Workers Compensation | 19 - Title |
| 6 - Bodily Injury (No Auto) | 20 - Variable Annuity |
| 7 - Property Damage (No Auto) | 21 - Variable Life |
| 8 - Bodily Injury (Auto) | 22 - Reinsurance |
| 9 - Property Damage (Auto) | 23A - Travel Accident |
| 10 - Physical Damage (Auto) | 23C - Bail Bonds |
| 11 - Fidelity & Surety Bonds | 24 - SD Farm Mutual (County) |
| 12 - Glass | 25 - SD Farm Mutual (State) |
| 13 - Burglary & Theft | 27 - Personal |
| 14 - Boiler & Machinery | |




Larry Deiter – Director of Insurance

Dated: March 31, 2023

RECEIVED

Indemnity National Insurance Company

Jackson, Mississippi

NAIC#: 18468 FEIN: 64-0838376 LEI: -

OCT 22 2024

FINANCIAL RESULTS

USD (000's Omitted)

MINERALS & MINING PROGRAM

BCAR as of Apr 15, 2024

ASSETS	2023	% Change	2022	2021
Bonds	209,001	0.6%	207,774	186,653
Common & Preferred Stocks	35,905	19.2%	30,128	30,887
Mortgage Loans	11,596	--	0	0
Real Estate	5,906	(2.0%)	6,028	3,922
Cash & Short Term Investments	34,757	77.2%	19,618	19,745
Affiliated Investments	7,531	(25.5%)	10,105	6,901
Other	769	3.8%	741	5
Subtotal Cash & Inv. Assets	305,465	11.3%	274,394	248,113
Premiums Balances	18,434	45.3%	12,688	14,460
Deposits w/Reinsured Cos	1,062	--	0	0
Reins Recoverable on Paid Losses	0	--	0	0
Curr & Def Fed & Foreign Inc Tax	3,770	87.1%	2,015	1,208
Other Assets	11,000	(11.6%)	12,450	5,716
Total Assets	335,961	12.2%	299,532	268,289

LIABILITIES	2023	% Change	2022	2021
Loss Reserves (excl IBNR)	7,577	80.3%	4,202	4,203
IBNR Reserves	22,085	19.2%	18,535	15,278
Loss Adjustment Expense Reserves	7,049	23.9%	5,687	5,251
Unearned Premium Reserves	47,085	44.1%	32,678	29,879
Subtotal	83,796	37.1%	61,102	54,611
Other Liabilities	137,917	0.0%	137,915	126,853
Total Liabilities	221,713	11.4%	199,017	181,464

POLICYHOLDERS' SURPLUS	2023	% Change	2022	2021
Capital Paid-Up	4,200	0.0%	4,200	4,200
Surplus Paid-In	68,946	0.0%	68,946	68,946
Surplus Notes	0	--	0	0
Other Surplus Funds	0	--	0	0
Unassigned Funds	41,102	50.2%	27,369	13,679
Policyholders' Surplus (PHS)	114,247	13.7%	100,515	86,825

PREMIUMS	2023	% Change	2022	2021
Direct Premiums	104,280	51.6%	68,780	61,635
+Assumed Affiliates Premiums	0	--	0	0
+Assumed Non Affiliates Premiums	885	--	0	0
Gross Premiums Written	105,165	52.9%	68,780	61,635
-Ceded Affiliates Premiums	0	--	0	0
-Ceded Non Affiliates Premiums	21,575	66.1%	12,990	9,945
Net Premiums Written	83,590	49.8%	55,790	51,690

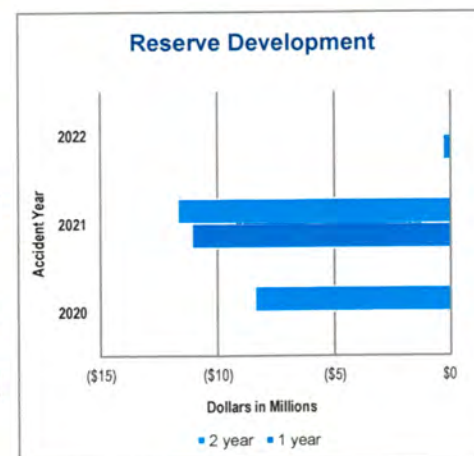
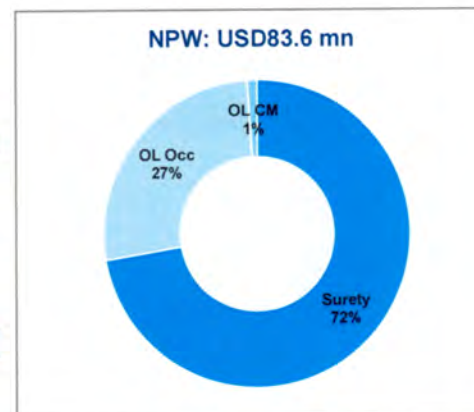
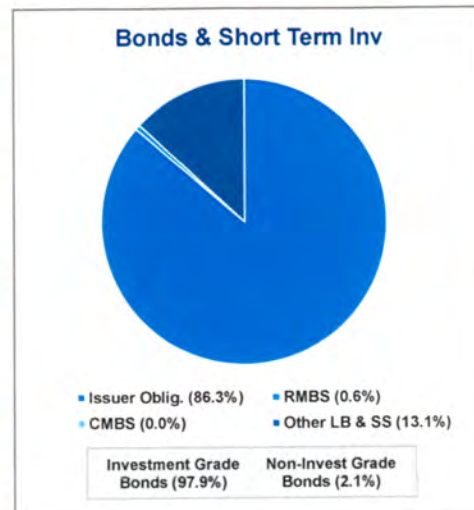
INCOME STATEMENT	2023	% Change	2022	2021
Net Premiums Earned	69,182	30.6%	52,991	51,504
-Losses Incurred	6,925	112.6%	3,257	4,696
-Loss Expense Incurred	1,718	29.7%	1,325	1,899
-Underwriting Expense	43,294	42.7%	30,331	28,069
Net Underwriting Gain/Loss	17,245	(4.6%)	18,078	16,840
+Net Investment Income	10,018	78.7%	5,606	4,159
+Net Realized Cap Gain/(Loss)	(7,797)	(2420.5%)	336	1,097
+Other Income	1,164	424.3%	222	50
-Dividends to Policyholders	0	--	0	0
-Federal and Foreign Tax	7,518	30.9%	5,744	5,028
Net Income	13,112	(29.1%)	18,498	17,119

PHS ADJUSTMENTS	2023	% Change	2022	2021
Net Income	13,112	(29.1%)	18,498	17,119
Unrealized Cap Gains (Less CG Tax)	2,207	182.3%	(2,682)	3,331
Capital Contributions	0	--	0	0
Dividends to Stockholders	0	--	0	(5,000)
Other Surplus Changes	(1,587)	25.4%	(2,126)	(1,753)
Change in Surplus	13,732	0.3%	13,690	13,697

REINSURANCE RECOVERABLE	2023	% Change	2022	2021
Unaff Paid & Unpaid Losses & LAE	2,896	10.0%	2,633	2,171
Unaff Unearned Premiums	5,347	149.2%	2,146	452
Unaff IBNR	4,646	264.1%	1,276	253
Affiliated Reins. Recoverable	0	--	0	0
Total Reinsurance Recoverable	12,889	112.9%	6,055	2,876

BCAR	Confidence Level %			
	95.0	99.0	99.5	99.6
Score	79.5	72.1	69.2	68.4

BCAR for Indemnity National Insurance Company



Source of Data: AM Best (AMB#: 013137)

Indemnity National Insurance Company

PROFITABILITY (%)	2023	2022	2021
Pre-tax Operating Return / NPE	41.1	45.1	40.9
ROAE	12.2	19.7	21.4
Dividends / Net Income	0.0	0.0	29.2
Net Investment Yield	3.5	2.1	1.8
Pure Loss Ratio	10.0	6.1	9.1
+Loss Expense Ratio	2.5	2.5	3.7
+Policyholders' Dividend Ratio	0.0	0.0	0.0
+Net Commission / NPW	36.7	36.8	34.0
+Other Und Expense / NPW	15.1	17.6	20.3
Combined Ratio	64.3	63.0	67.1
Loss Reserve Dev (excl Forex) / NPE (Favorable) / Unfavorable	(16.5)	(17.0)	(11.3)

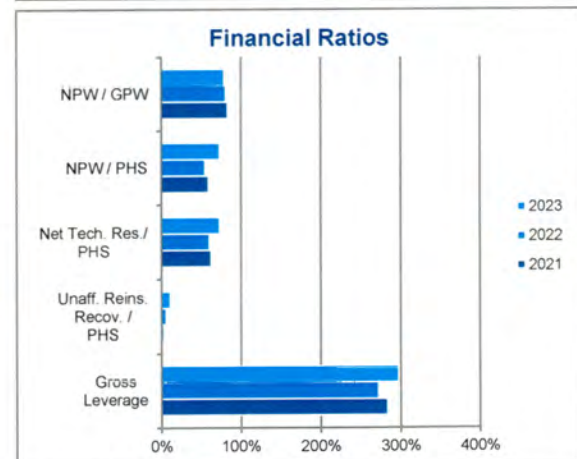
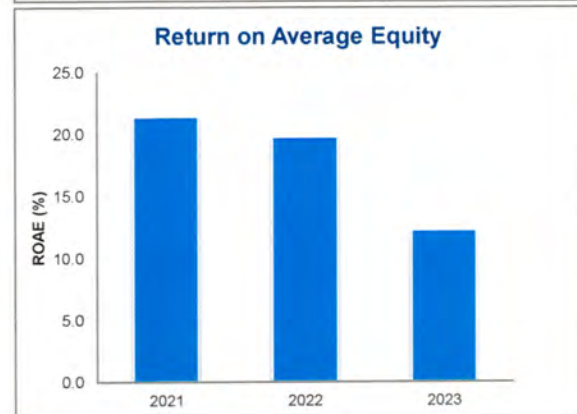
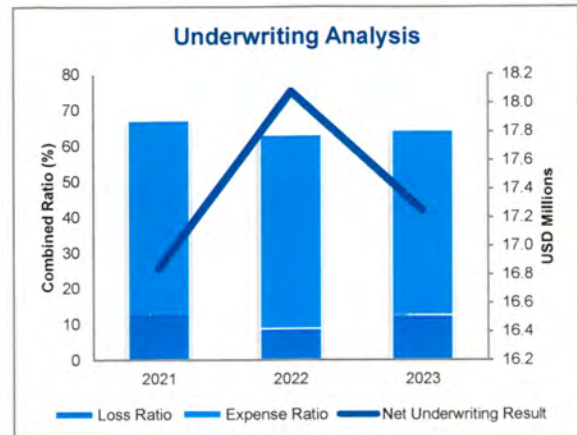
LEVERAGE (X)	2023	2022	2021
RBC	6.9	8.1	7.1
GPW / PHS	0.9	0.7	0.7
NPW / PHS	0.7	0.6	0.6
Net Tech Res / PHS	0.7	0.6	0.6
Other Liabilities / PHS	1.2	1.4	1.5
Net Leverage	2.7	2.5	2.7
Unaff Reins Recover / PHS	0.1	0.1	0.0
Unaff Ceded Premiums / PHS	0.2	0.1	0.1
Gross Leverage	3.0	2.7	2.8
NPW / GPW (%)	79.5	81.1	83.9

OVERALL LIQUIDITY (%)	2023	2022	2021
Liquid Assets / Net Tech Res	333.7	421.5	434.5
Inv Assets+Fnds Hld/ N Tech Res	365.8	449.1	454.3
Inv Assets+Fnds Hld/ Net Liab	138.3	137.9	136.7
Total Assets / Total Liabilities	148.7	149.0	147.1

ASSET COMPOSITION (%)	2023	2022	2021
Non-Inv Assets / Total Assets	9.1	8.4	7.5
Cash & Short Term / Inv Assets	11.4	7.1	8.0
Stocks / Invested Assets	11.8	11.0	12.4
Bonds / Invested Assets	68.4	75.7	75.2
All Other Invest / Invested Assets	8.4	6.1	4.4

LOSS RESERVES (%)	2023	2022	2021
Loss Res / NPE	53.1	53.6	48.0
IBNR Res (w/o LAE) / NPE	31.9	35.0	29.7
IBNR Res (w/o LAE) / Loss Res	60.2	65.2	61.8

PERCENTAGE CHANGE	2023	2022	2021
GPW	52.9	11.6	8.7
NPW	49.8	7.9	6.1
NPE	30.6	2.9	29.1
Loss & LAE Reserves	29.2	14.9	32.6
Net Liabilities	11.4	9.7	24.1
PHS	13.7	15.8	18.7
PHS from retained earnings	13.0	21.3	16.6



For more information about The Market Information Group visit marsh.com, guycarp.com, or contact your local Marsh or Guy Carpenter representative.

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Indemnity National Insurance Company

Net Premium by Line:

(000's Omitted)	% of 2023 NPW	2023	2022	2021	2023 % Chng	2022 % Chng
Fire	0.0%	-	-	-	-	-
Allied Lines *	0.0%	-	-	-	-	-
Farmowners MP	0.0%	-	-	-	-	-
Homeowners MP	0.0%	-	-	-	-	-
Commercial MP *	0.0%	-	-	-	-	-
Mortg Guaranty	0.0%	-	-	-	-	-
Ocean Marine	0.0%	-	-	-	-	-
Inland Marine	0.0%	-	-	-	-	-
Finan Guaranty	0.0%	-	-	-	-	-
Med Prof Liab Occur	0.0%	-	-	-	-	-
Med Prof Liab Claims	0.0%	-	-	-	-	-
Earthquake	0.0%	-	-	-	-	-
Group A&H *	0.0%	-	-	-	-	-
Credit A&H	0.0%	-	-	-	-	-
Other A&H *	0.0%	-	-	-	-	-
Workers' Comp	0.0%	-	-	-	-	-
Oth Liab Occur	26.6%	22,274	8,412	2,313	164.8%	263.7%
Oth Liab Claim	1.1%	885	-	-	-	-
Excess Workers Comp	0.0%	-	-	-	-	-
Prod Liab Occ	0.0%	-	-	-	-	-
Prod Liab Clms	0.0%	-	-	-	-	-
PP Auto Liab *	0.0%	-	-	-	-	-
Comm Auto Liab *	0.0%	-	-	-	-	-
Auto Phys Damg *	0.0%	-	-	-	-	-
Aircraft	0.0%	-	-	-	-	-
Fidelity	0.0%	-	-	-	-	-
Surety	72.3%	60,430	47,378	49,378	27.5%	(4.1%)
Burglary & Theft	0.0%	-	-	-	-	-
Boiler & Mach	0.0%	-	-	-	-	-
Credit	0.0%	-	-	-	-	-
International	0.0%	-	-	-	-	-
Warranty	0.0%	-	-	-	-	-
Rein-Property	0.0%	-	-	-	-	-
Rein-Liability	0.0%	-	-	-	-	-
Rein-Fin Lines	0.0%	-	-	-	-	-
Agg Write-Ins	0.0%	-	-	-	-	-
Total	100.0%	83,590	55,790	51,690	49.8%	7.9%

Loss Experience:

	% of 2023 NPE	Pure Loss Ratio			negative indicates improvement	
		2023	2022	2021	2023 Pt Chng	2022 Pt Chng
Fire	0.0%	-	-	-	-	-
Allied Lines *	0.0%	-	-	-	-	-
Farmowners MP	0.0%	-	-	-	-	-
Homeowners MP	0.0%	-	-	-	-	-
Commercial MP *	0.0%	-	-	-	-	-
Mortg Guaranty	0.0%	-	-	-	-	-
Ocean Marine	0.0%	-	-	-	-	-
Inland Marine	0.0%	-	-	-	-	-
Finan Guaranty	0.0%	-	-	-	-	-
Med Prof Liab Occur	0.0%	-	-	-	-	-
Med Prof Liab Claims	0.0%	-	-	-	-	-
Earthquake	0.0%	-	-	-	-	-
Group A&H *	0.0%	-	-	-	-	-
Credit A&H	0.0%	-	-	-	-	-
Other A&H *	0.0%	-	-	-	-	-
Workers' Comp	0.0%	-	-	-	-	-
Oth Liab Occur	22.0%	28.1%	28.1%	20.0%	0.0	8.1
Oth Liab Claim	0.8%	32.3%	-	-	-	-
Excess Workers Comp	0.0%	-	-	-	-	-
Prod Liab Occ	0.0%	-	-	-	-	-
Prod Liab Clms	0.0%	-	-	-	-	-
PP Auto Liab *	0.0%	-	-	-	-	-
Comm Auto Liab *	0.0%	-	-	-	-	-
Auto Phys Damg *	0.0%	-	-	-	-	-
Aircraft	0.0%	-	-	-	-	-
Fidelity	0.0%	-	-	-	-	-
Surety	77.2%	4.6%	3.8%	8.9%	0.8	(5.1)
Burglary & Theft	0.0%	-	-	-	-	-
Boiler & Mach	0.0%	-	-	-	-	-
Credit	0.0%	-	-	-	-	-
International	0.0%	-	-	-	-	-
Warranty	0.0%	-	-	-	-	-
Rein-Property	0.0%	-	-	-	-	-
Rein-Liability	0.0%	-	-	-	-	-
Rein-Fin Lines	0.0%	-	-	-	-	-
Agg Write-Ins	0.0%	-	-	-	-	-
All Lines	100.0%	10.0%	6.1%	9.1%	3.9	(3.0)

Indemnity National Insurance Company

By Line Loss Reserve Development

Lines of Business	Prior Yr Loss Reserves	1 Yr Devel	Prior Yr Losses Paid in the Current Yr	Remaining Unpaid Losses for Prior Yrs	% Reduction in Prior Year Loss Reserves	Unpaid Prior year Reserve / Current Year Reserve	1 Yr Development to Current NPE	Development to Prior Yr Res
HO / FO	0	0	0	0	0.0 %	0.0 %		
Priv Pass Auto Liab	0	0	0	0	0.0 %	0.0 %		
Comm Auto Liab	0	0	0	0	0.0 %	0.0 %		
Workers' Comp	0	0	0	0	0.0 %	0.0 %		
CMF	0	0	0	0	0.0 %	0.0 %		
Med Mal Occur	0	0	0	0	0.0 %	0.0 %		
Med Mal CM	0	0	0	0	0.0 %	0.0 %		
Spec'l Liab	0	0	0	0	0.0 %	0.0 %		
Other Liab Occur	1,952	28	0	1,980	(1.4)%	27.7 %	0.2 %	1.4 %
Other Liab CM	0	0	0	0	0.0 %	0.0 %	0.0 %	
Int'l	0	0	0	0	0.0 %	0.0 %		
Reins A	0	0	0	0	0.0 %	0.0 %		
Reins B	0	0	0	0	0.0 %	0.0 %		
Reins C	0	0	0	0	0.0 %	0.0 %		
Product Liab Occur	0	0	0	0	0.0 %	0.0 %		
Product Liab CM	0	0	0	0	0.0 %	0.0 %		
Short Tailed Lines	26,472	(11,446)	0	15,026	43.2 %	51.2 %	(21.4)%	(43.2)%
Total	28,424	(11,418)	0	17,006	40.2 %	46.3 %	(16.5)%	(40.2)%

Original Accident Year Incurred Losses and Subsequent Development - All Lines

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Accident Yr Loss Ratio		
											Original	Developed	Difference
Prior Yrs	2,347	(854)	(160)	(1,116)	(816)	0	0	0	0	0	52.6 %	6.5 %	(46.1)%
2014	1,663	(361)	(68)	(72)	(422)	0	0	0	0	0	59.8 %	0.7 %	(59.1)%
2015		1,032	(234)	(337)	(449)	0	0	0	0	0	32.5 %	0.0 %	(32.5)%
2016			590	(140)	(188)	(262)	0	0	0	0	33.6 %	0.0 %	(33.6)%
2017				902	(39)	(432)	(431)	0	0	0	34.3 %	1.8 %	(32.5)%
2018					5,404	(125)	(4,990)	0	0	0	28.3 %	0.4 %	(27.9)%
2019						7,774	(2,451)	(5,215)	0	0	40.3 %	17.7 %	(22.6)%
2020							16,094	(623)	(8,404)	0	23.8 %	1.1 %	(22.7)%
2021								12,276	(609)	(11,090)	25.7 %	25.0 %	(0.6)%
2022									13,595	(328)	29.0 %		
2023										20,061			

Calendar Year Effect:	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Devel	(1,215)	(462)	(1,665)	(1,914)	(819)	(7,872)	(5,838)	(9,013)	(11,418)	
Loss Ratio Points	(70.4)%	(25.4)%	(62.0)%	(12.2)%	(3.0)%	(19.7)%	(11.3)%	(17.0)%	(16.5)%	

Information on Conversion of Limestone Mine Permits to Mine Licenses, November 2024

Pete Lien & Sons' Mine Permits prior to July 1, 2024

Permit	Unreclaimed Acres	Unreclaimed Acres Double-Bonded under Permit and License	Surety Held under Permit
58	50.36	50.36	\$284,500
216	14.82	0	\$10,000
Total	65.18	50.36	\$294,000

Simon Contractors' Mine Permits prior to July 1, 2024

Permit	Unreclaimed Acres	Unreclaimed Acres Double-Bonded under Permit and License	Surety Held under Permit
14	31.88	0	\$677,800
444	2.98	2.98	\$2,500
489	0.91	0.91	\$883,000
Total	35.77	3.89	\$1,563,300

Pete Lien & Sons' Mine Licenses

License	Unreclaimed Acres Prior to July 1, 2024	Unreclaimed Acres Added by Permit Conversion, July 2024	Surety Required Prior to July 1, 2024 (Adequate through June 30, 2026)	Required Surety on July 1, 2026	Required Surety on July 1, 2027	Required Surety on July 1, 2029
83-100 (19 sites)	959.31	14.82	\$20,000	\$100,000	\$200,000	\$300,000
21-0191 (1 site)	256.59	0	\$20,000	\$100,000	\$200,000	\$300,000
Total	1,215.90	14.82	\$40,000	\$200,000	\$400,000	\$600,000

Simon Contractors' Mine License

License	Unreclaimed Acres Prior to July 1, 2024	Unreclaimed Acres Added by Permit Conversion, July 2024	Surety Required Prior to July 1, 2024 (Adequate through June 30, 2026)	Required Surety on July 1, 2026	Required Surety on July 1, 2027	Required Surety on July 1, 2029
14-977 (12 sites)	569.79	31.88	\$20,000	\$100,000	\$200,000	\$300,000
Total	569.79	31.88	\$20,000	\$100,000	\$200,000	\$300,000

Process for Conversion of a Permitted Mine Site to a Licensed Mine Site: Since Pete Lien & Sons and Simon Contractors had mine licenses prior to July 1, 2024, the process for the conversion of the mine permit to a mine license is similar to the publication and notification requirements of SDCL 45-6-68 and 45-6-69, which are used when adding a new mine site to a license. Instead of a Notice of Intent, the operator publishes a "Notice of Conversion to License and Intent to Continue Operation". A copy of the notice is sent to DANR, Game, Fish,

and Parks, the Archaeological Research Center, and the local conservation district. Pete Lien and Sons and Simon Contractors published the notices in newspapers local to the mines and submitted copies to the required review agencies. Pete Lien and Sons' Notices of Conversion were published on July 23 and July 24, 2024. Simon Contractors' Notices of Conversion were published on July 10 and July 13, 2024. The operators' actions constitute the process for conversion of a mine permit to a mine license. The required board action associated with the conversion, which occurred on October 24, 2024, was approval of release of the surety associated with the converted mine permits.

Total number of agricultural limestone mining sites converting from Permit to License: 6

South Dakota's Licensed Mine Operators, November 2024

License Type	Number of Operators	Total Active Licensed Sites	Total Unreclaimed Acres
Private (Non-Exempt)	418	976	11,437.04
Public (Exempt)	93	478	1,623.04

Actual Mine License Surety—November 2024

(\$500/acre, \$20,000 statewide blanket)

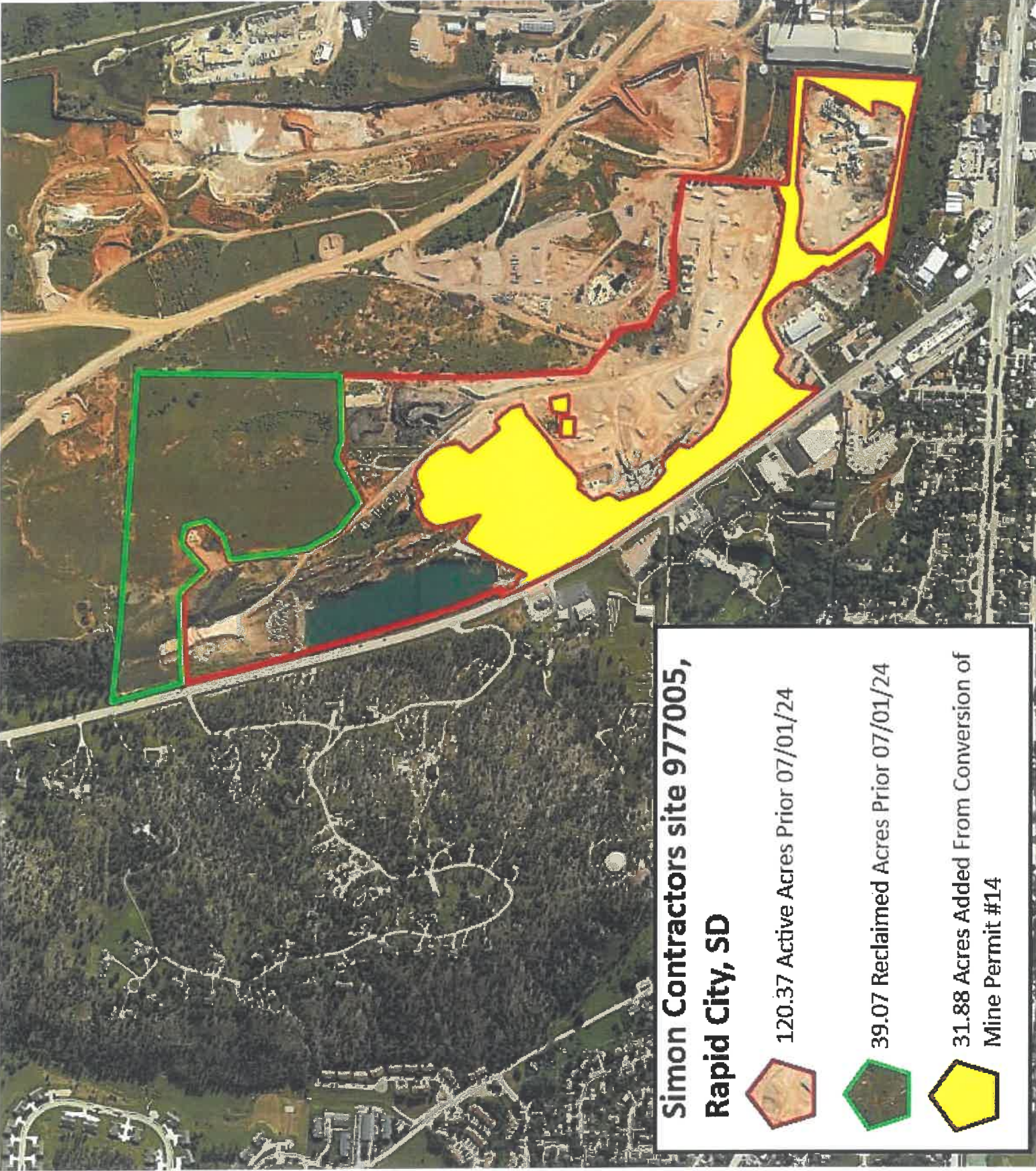
Reclamation Liability for All Private Mine Licenses	Surety Posted to Cover all Private Reclamation Liability	Reclamation Liability Not Covered by Surety	Percentage of Reclamation Liability Covered by Surety
\$44,188,899	\$3,699,209	\$40,489,690	8.4%

Projected Mine License Surety—July 2029

(\$3,850/acre, \$300,000 statewide blanket;

assumes disturbed acres and reclamation liability remains unchanged from 2024)

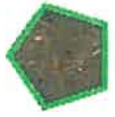
Reclamation Liability for All Private Mine Licenses	Surety Posted to Cover all Private Reclamation Liability	Reclamation Liability Not Covered by Surety	Percentage of Reclamation Liability Covered by Surety
\$44,188,899	\$22,736,208	\$21,452,691	51.5%



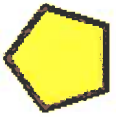
**Simon Contractors site 977005,
Rapid City, SD**



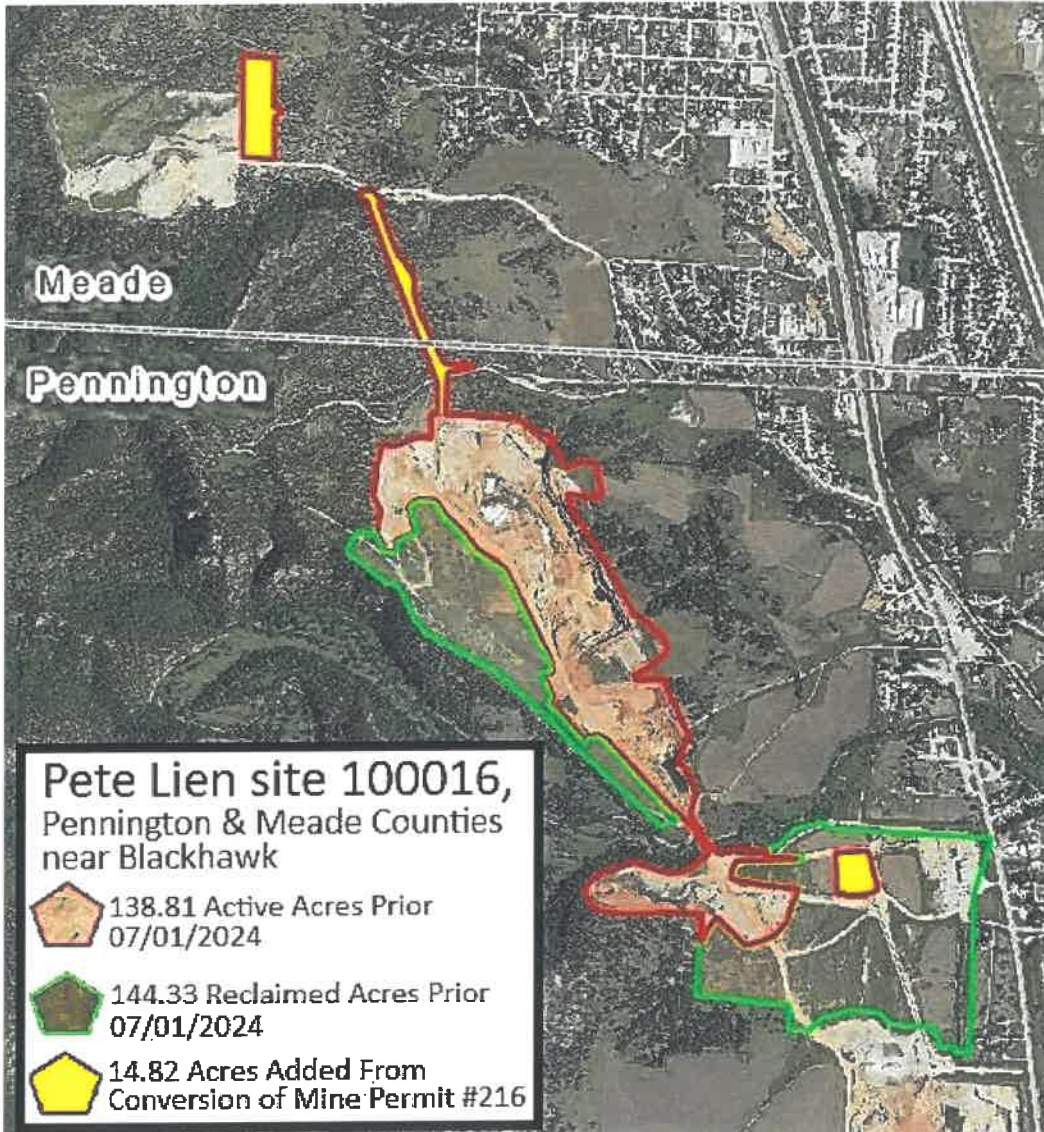
120.37 Active Acres Prior 07/01/24



39.07 Reclaimed Acres Prior 07/01/24



31.88 Acres Added From Conversion of
Mine Permit #14





**DEPARTMENT of AGRICULTURE
and NATURAL RESOURCES**

JOE FOSS BUILDING
523 E CAPITOL AVE
PIERRE SD 57501-3182
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November 6, 2024

MEMO TO: Members of the Board of Minerals and Environment
FROM: Jim Wendte, Administrator, Waste Management Program
SUBJECT: Solid Waste Permit Actions

Listed below are the solid waste permit actions since my last memo dated May 3, 2024.

Individual Permits Public Noticed and Issued

1. Town of Hayti – restricted use site (five-year renewal)
2. City of Menno – restricted use site (five-year renewal)
3. Dawson Construction (Howard) – restricted use site (five-year renewal)
4. Town of Claremont – restricted use site (five-year renewal)
5. City of Belle Fourche – municipal solid waste landfill (five-year renewal)
6. Valley Queen Cheese (Milbank) – dairy by-products land application (five-year renewal)
7. City of Hot Springs – restricted use site (five-year renewal)
8. Town of South Shore – restricted use site (five-year renewal)
9. City of Springfield – restricted use site (five-year renewal)
10. T&R Service Company (Colman) – resource recovery facility (five-year renewal)
11. Soukup Construction (Sioux Falls) – construction and demolition debris disposal site (five-year renewal)
12. City of Lake Norden – restricted use site (five-year renewal)
13. Northwest SD Regional Landfill (Bison) – municipal solid waste landfill (five-year renewal)
14. Willmott Gravel (White) – construction and demolition debris disposal site (five-year renewal)
15. Town of Tulare – restricted use site (five-year renewal)
16. Saputo Cheese (Big Stone City) – dairy by-product land application (five-year renewal)
17. City of Dell Rapids – restricted use site (five-year renewal)
18. City of Madison – yard waste compost site (five-year renewal)
19. City of Avon – restricted use site (five-year renewal)
20. Homestake Mining Co. (Central City) – construction and demolition debris disposal site (five-year renewal)
21. T&R Electric Supply (Colman) – resource recovery facility (five-year renewal)
22. Town of Olivet – restricted use site (five-year renewal)
23. City of Armour – restricted use site (five-year renewal)

Individual Permit Amendment Public Noticed and Issued

1. Tri-County Landfill Association – amendment to allow waste tire disposal in the landfill

General Permit Authorizations Issued

1. City of Kimball – restricted use site (five-year renewal)
2. City of Murdo – restricted use site (five-year renewal)
3. SD Developmental Center (Redfield) – restricted use site (five-year renewal)
4. Town of Java – restricted use site (five-year renewal)
5. Town of Camp Crook – restricted use site (five-year renewal)
6. Rosane Enterprises (Hot Springs) – restricted use site (five-year renewal)
7. Town of Hosmer – restricted use site (five-year renewal)
8. City of Howard – yard waste compost site (five-year renewal)

General Permit Authorization Amended

1. Town of Orient – amended authorization to expand the allowable acreage for the restricted use site