

CAMICO Mutual Insurance Company

Statutory Financial Statements and
Independent Auditor's Report

December 31, 2020 and 2019

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Independent Auditor's Report

To the Board of Directors
CAMICO Mutual Insurance Company

We have audited the accompanying statutory financial statements of CAMICO Mutual Insurance Company (the Company), which comprise the statutory statements of admitted assets, liabilities, and policyholders' surplus as of December 31, 2020 and 2019, and the related statutory statements of operations, changes in policyholders' surplus, and cash flow for the years then ended, and the related notes to statutory financial statements.

Management's Responsibility for the Statutory Financial Statements

Management is responsible for the preparation and fair presentation of these statutory financial statements in accordance with accounting practices prescribed or permitted by the California Department of Insurance. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of statutory financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these statutory 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 audit to obtain reasonable assurance about whether the statutory financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the statutory financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the statutory financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the statutory financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the statutory financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

As described in Note 1, the statutory financial statements are prepared by the Company on the basis of accounting practices prescribed or permitted by the California Department of Insurance, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the statutory financial statements of the variances between the statutory basis of accounting described in Note 1 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 financial statements referred to in the first paragraph do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Company as of December 31, 2020 and 2019, or the results of its operations or its cash flow for the years then ended.

Opinion on Statutory Basis of Accounting

In our opinion, the statutory financial statements referred to above present fairly, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flow for the years then ended in accordance with accounting practices prescribed or permitted by the California Department of Insurance.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the basic statutory financial statements taken as a whole. The summary investment schedule, the supplemental investment risk interrogatories, and the supplemental reinsurance interrogatories on pages 31 to 35 are not a required part of the basic statutory financial statements but are supplementary information required by the National Association of Insurance Commissioners’ *Accounting Practices and Procedures Manual*. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the statutory financial statements. The information has been subjected to the auditing procedures applied in the audits of the statutory 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 financial statements or to the statutory financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic statutory financial statements taken as a whole.

JLK Rosenberger, LLP

Glendale, California
March 24, 2021

CAMICO MUTUAL INSURANCE COMPANY

Statutory Statements of Admitted Assets, Liabilities, and Policyholders' Surplus As of December 31, 2020 and 2019

	2020	2019
	<i>(In Thousands)</i>	
Admitted Assets		
Investments:		
Bonds	\$ 82,811	\$ 80,429
Common stocks	2,765	2,693
Other invested assets	1,333	1,245
Cash, cash equivalents and short-term investments	5,234	4,470
Total cash and invested assets	92,143	88,837
Accrued investment income	542	525
Premiums receivable	3,839	3,894
Reinsurance recoverable	117	52
Deferred tax asset, net	2,486	2,955
Federal income tax recoverable	-	27
Other assets	1,564	1,256
Total admitted assets	\$ 100,691	\$ 97,546
Liabilities and Policyholders' Surplus		
Liabilities:		
Reserves for losses	\$ 19,965	\$ 19,521
Reserves for loss adjustment expenses	15,326	14,815
Unearned premiums	9,568	9,255
Advance premiums	3,844	3,757
Accounts payable and accrued expenses	2,022	1,197
Ceded reinsurance premiums payable	24	44
Other liabilities	4,674	5,407
Total liabilities	55,423	53,996
Policyholders' surplus:		
Surplus notes	10,000	10,000
Unassigned surplus	35,268	33,550
Total policyholders' surplus	45,268	43,550
Total liabilities and policyholders' surplus	\$ 100,691	\$ 97,546

See accompanying notes to statutory financial statements.

CAMICO MUTUAL INSURANCE COMPANY

Statutory Statements of Operations For the Years Ended December 31, 2020 and 2019

	2020	2019
	<i>(In Thousands)</i>	
Underwriting income:		
Net premiums earned	\$ 27,831	\$ 28,550
Losses incurred	6,586	9,583
Loss adjustment expenses incurred	8,703	8,287
Other underwriting expenses incurred	12,003	11,734
Net underwriting income (loss)	539	(1,054)
Net investment income	1,185	1,153
Net realized capital gains	269	523
Net investment gain	1,454	1,676
Other expense	-	(262)
Income before dividends to policyholders and federal income taxes	1,993	360
Federal income tax benefit	(27)	(26)
Net income	\$ 2,020	\$ 386

See accompanying notes to statutory financial statements.

CAMICO MUTUAL INSURANCE COMPANY

Statutory Statements of Changes in Policyholders' Surplus For the Years Ended December 31, 2020 and 2019

	Surplus Notes	Unassigned Surplus <i>(In Thousands)</i>	Total
Balance at January 1, 2019	\$ 10,000	\$ 32,644	\$ 42,644
Net income	-	386	386
Change in:			
Net unrealized capital gain	-	417	417
Nonadmitted assets	-	84	84
Net deferred taxes	-	(111)	(111)
Provision for reinsurance	-	130	130
Balance at December 31, 2019	10,000	33,550	43,550
Net income	-	2,020	2,020
Change in:			
Net unrealized capital gain	-	137	137
Nonadmitted assets	-	14	14
Net deferred taxes	-	(453)	(453)
Balance at December 31, 2020	\$ 10,000	\$ 35,268	\$ 45,268

See accompanying notes to statutory financial statements.

CAMICO MUTUAL INSURANCE COMPANY

Statutory Statements of Cash Flow For the Years Ended December 31, 2020 and 2019

	2020	2019
	<i>(In Thousands)</i>	
Cash flow from operating activities:		
Underwriting activities:		
Premiums collected, net of reinsurance	\$ 28,263	\$ 32,562
Losses and loss adjustment expenses paid, net of reinsurance	(14,399)	(18,430)
Underwriting expenses paid	(11,091)	(12,592)
Net cash provided by underwriting activities	2,773	1,540
Investment income, net	1,693	1,500
Net cash provided by operating activities	4,466	3,040
Cash flow from investing activities:		
Purchase of bonds	(31,562)	(39,033)
Purchase of common stocks	(24)	(36)
Sale and maturity of bonds	28,393	36,720
Sale of common stocks	-	8
Net cash used in investing activities	(3,193)	(2,341)
Cash flow from financing activities:		
Other	(509)	(390)
Net cash used in financing activities	(509)	(390)
Net change in cash, cash equivalent and short-term investments	764	309
Cash, cash equivalents and short-term investments at beginning of year	4,470	4,161
Cash, cash equivalents and short-term investments at end of year	\$ 5,234	\$ 4,470

See accompanying notes to statutory financial statements.

CAMICO MUTUAL INSURANCE COMPANY

Notes to Statutory Financial Statements
December 31, 2020 and 2019
(Dollars in Thousands)

1. Summary of Significant Accounting Policies

Nature of Operations and Organization

CAMICO Mutual Insurance Company (the Company or CAMICO) offers professional liability and employment practices liability insurance (EPLI) to certified public accountants on a claims-made basis. In addition, the Company offers first party cyber liability coverage as an endorsement to its professional liability policies. Claims for cyber liability coverage are managed by a third party administrator, Cyber Scout. CAMICO specializes in insuring certified public accounting (CPA) practices with limited or no Securities and Exchange Commission engagements, initial public offerings, or large company audit work. The Company is licensed to write professional liability insurance and EPLI in 49 states and Washington, D.C. The Company's California business represented 52% of its total premium written for the years ended December 31, 2020 and 2019, respectively.

The Company's wholly owned subsidiary, CAMICO Services, Inc. (CSI) operates under the dba CAMICO Insurance Services. CSI operates as an agent intermediary providing insurance products to CPA firms which are underwritten by other insurance companies. Additionally, CSI operates as a general agent (GA) under an agreement with Berkley Alliance Managers (BAM), an operating unit of Berkley Insurance Company. Under the GA agreement, CSI places professional liability coverage where policy limits exceed \$2 million and provides administration and claims management under the program.

Basis of Presentation

The accompanying statutory financial statements of the Company have been prepared in conformity with accounting practices prescribed or permitted by the California Department of Insurance. California has adopted the National Association of Insurance Commissioners' (NAIC) *Accounting Practices and Procedures Manual* (Statutory Accounting Principles).

These financial statements are not intended to present financial position, results of operations, or cash flow in conformity with U.S. generally accepted accounting principles (GAAP). Statutory Accounting Principles vary in some respects from GAAP, the more significant of these differences being:

- Premium income is taken into earnings over the periods covered by the policies, whereas the related acquisition and commission costs are expensed when incurred.
- Assets must be included in the statutory statements of admitted assets, liabilities, and policyholders' surplus at "admitted asset value" and "non-admitted assets" are excluded through a direct charge or credit to policyholders' surplus.
- Investments in bonds are not designated as available for sale, held to maturity, or trading, and investments in bonds are carried at amortized cost, regardless of the Company's intent or ability to hold them to maturity.
- Changes in the carrying value of common stocks attributable to fluctuations in fair value are recognized through a direct charge or credit to policyholders' surplus.

CAMICO MUTUAL INSURANCE COMPANY

Notes to Statutory Financial Statements (Continued)
December 31, 2020 and 2019
(Dollars in Thousands)

1. Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

- Majority-owned and controlled subsidiaries are not consolidated for individual entity statutory reporting. Investments in subsidiaries are accounted for under the statutory equity method and the Company's share of earnings and losses of the subsidiary are included in unrealized gains and losses credited or charged to policyholders' surplus.
- The criteria for realization of deferred tax assets are not consistent with GAAP and deferred tax assets are recognized through a direct charge or credit to surplus.
- Ceded reserves recoverable from reinsurers for losses and loss adjustment expenses are reflected as reductions to the related direct reserves rather than as assets.
- Policyholder dividends are recognized when declared.
- Surplus notes are reported as policyholders' surplus rather than as liabilities.
- A statement of comprehensive income is not provided.
- Cash flow presentation is not consistent with GAAP and a reconciliation of the net gain or loss from operations is not provided.

Investments

Investments in bonds, including loan-backed securities, are reported at amortized cost, adjusted for amortization of premiums or discounts and other-than-temporary declines in fair value. Amortization is calculated using the scientific interest method over the period to call or maturity. Loan-backed securities are valued using the retrospective adjustment method. Prepayment assumptions on loan-backed securities are determined based on information obtained from the investment custodian. Bonds with an NAIC designation of 3 or greater (less than investment grade) are reported at the lower of amortized cost or fair value.

Investments in equity securities are generally reported at fair value, adjusted for other-than-temporary declines in fair value, in accordance with the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* (IAO), with unrealized gains and losses, net of tax, recorded as a direct credit or charge to surplus.

Investments in common stock of affiliates are valued according to the statutory equity method of accounting. The Company's initial investment is recorded at cost and adjusted for the Company's share of statutory basis earnings, losses, and other changes in surplus. The Company's share of earnings, losses, and other changes in surplus are included in unrealized gains and losses as a direct credit or charge to surplus.

Investments in limited liability partnerships are carried at an amount based on its interest in the underlying audited GAAP equity of the investee, with unrealized gains and losses reported in unassigned surplus. The investment is reflected as other invested assets in the accompanying statutory statements of admitted assets, liabilities, and policyholders' surplus.

CAMICO MUTUAL INSURANCE COMPANY

Notes to Statutory Financial Statements (Continued) December 31, 2020 and 2019 (Dollars in Thousands)

1. Summary of Significant Accounting Policies (Continued)

Investments (Continued)

Realized gains and losses on bonds and equity securities are reported in the accompanying statutory statements of operations, based on the specific identification method.

Fair Value Measurements

Statutory accounting principles establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The fair value of a financial instrument is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (the exit price). Accordingly, when market observable data is not readily available, the Company's own assumptions are set to reflect those that market participants would be presumed to use in pricing the asset or liability at the measurement date. Financial assets and financial liabilities recorded in the balance sheets at fair value are categorized based on the reliability of inputs to the valuation techniques as follows:

Level 1 - Financial assets and financial liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in active markets that the Company can access.

Level 2 - Financial assets and financial liabilities whose values are based on (a) quoted prices for similar assets or liabilities in active markets, (b) quoted prices for identical or similar assets or liabilities in non-active markets, or (c) valuation models whose inputs are observable, directly or indirectly, for substantially the full term of the asset or liability.

Level 3 - Financial assets and financial liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect the Company's estimates of the assumptions that market participants would use in valuing the financial assets and financial liabilities.

The Company uses prices and inputs that are current as of the measurement date, including during periods of market disruption. In periods of market disruption, the ability to observe prices and inputs may be reduced for many instruments. This condition could cause an instrument to be reclassified from Level 1 to Level 2 or from Level 2 to Level 3.

Cash, Cash Equivalents and Short-Term Investments

Included with cash and cash equivalents are demand deposits with maturity dates within one year or less from the acquisition dates and exempt money markets as defined in the *Purposes and Procedures Manual of the NAIC IAO*. Money market mutual funds (MMMF) registered under the Investment Company Act of 1940 and regulated under rule 2a-7 of the Act are accounted for and reported as cash equivalents. Investments in MMMF are valued at fair value or net asset value.

Short-term investments consist of investments with remaining maturities of one year or less at the time of acquisition. Short-term investments are accounted for in the same manner as similar long-term investments.

CAMICO MUTUAL INSURANCE COMPANY

Notes to Statutory Financial Statements (Continued) December 31, 2020 and 2019 (Dollars in Thousands)

1. Summary of Significant Accounting Policies (Continued)

Premium Recognition

Premiums are recognized as earned on a daily pro-rata basis over the policy term. Unearned premiums are provided for the unexpired portion of the policy term.

A provision for “free” extended reporting endorsement coverage for certain policyholders due to death, disability, or retirement (DD&R) has also been recorded as unearned premiums. These premiums are earned as the estimate for required DD&R unearned premiums is revised. The Company recorded related estimated unearned premiums of \$315 and \$311 as of December 31, 2020 and 2019, respectively, for this coverage, and \$(4) and \$6 were recognized as earned premiums for the years ended December 31, 2020 and 2019, respectively. The unearned premiums reflect the Company’s best estimate of the future DD&R benefits.

For uncollected premiums receivable, after the calculation of non-admitted amounts, an evaluation is made of the remaining admitted assets to determine if there is an impairment, and an allowance is established.

Premium Deficiency Reserves

Premium deficiency reserves are established for the amount of the anticipated losses, loss adjustment expenses, commissions, and other acquisition and maintenance costs that have not previously been expensed in excess of the recorded unearned premium reserve on existing policies. The Company utilizes anticipated investment income as a factor in determining whether a premium deficiency reserve is required. There were no premium deficiency reserves at December 31, 2020 and 2019.

Reinsurance

Reinsurance premiums, commissions, and reserves related to reinsured business are accounted for on a basis consistent with those used in accounting for the original policies issued and the terms of the reinsurance contracts. Premiums ceded to other companies have been reported as a reduction of premiums earned. Amounts applicable to reinsurance ceded for unearned premiums and estimated reserves for losses and loss adjustment expenses have been reported as reductions of these items.

Reserves for Losses and Loss Adjustment Expenses (LAE)

Reserves for losses and LAE are based on case by case estimates for reported claims and on estimates that are actuarially determined for incurred but not yet reported losses and loss adjustment expenses based on experience, estimates of future rates of inflation, industry data, and other factors. Reinsurance assumed and ceded is considered in such estimates. Adjustments to loss and LAE reserves are charged or credited to expense in the period in which they become known. Salvage and subrogation recoverables are estimated using a case by case basis method.

Management believes that the liability for losses and LAE is adequate to cover the ultimate net cost of claims and the related adjustment expenses incurred to date. Amounts recorded for loss and LAE, however, are necessarily based on estimates, and accordingly, there can be no assurance that the ultimate liability will not exceed such estimates.

CAMICO MUTUAL INSURANCE COMPANY

Notes to Statutory Financial Statements (Continued) December 31, 2020 and 2019 (Dollars in Thousands)

1. Summary of Significant Accounting Policies (Continued)

Electronic Data Processing Equipment, Furniture, and Other

The admitted value of the Company's electronic data processing (EDP) equipment and operating software is limited to 3% of capital and surplus and reported net of accumulated depreciation. EDP equipment, operating software, and nonoperating software are depreciated using the straight-line method over the lesser of their useful lives or three years. Other furniture and equipment are depreciated using the straight-line method over five to seven years.

Leasehold improvements are carried at cost less accumulated amortization. The Company provides for the amortization of leasehold improvements using the straight-line method over the lesser of the useful life of the asset or the remaining original lease term, excluding options or renewal periods.

Depreciation and amortization expenses charged to operations in 2020 and 2019 were \$67 and \$73, respectively.

Income Taxes

Income taxes are provided for the tax effects of transactions reported in the statutory financial statements and consist of taxes currently due.

Deferred taxes are recognized, through a direct charge or credit to surplus, for temporary differences arising between the bases of certain assets and liabilities for tax reporting and their amounts reported in the accompanying statutory financial statements. Deferred taxes represent the future tax return consequences of those differences, which will be taxable when the assets and liabilities are recovered or settled. Deferred taxes are non-admitted for the portion in excess of the amount that can be recovered from application of loss carrybacks and the lesser of (a) the amount of deferred tax assets expected to be realized in three years from the balance sheet date or (b) fifteen percent of policyholders' surplus as reported in the Company's statutory statements of assets, liabilities, and policyholders' surplus as of December 31, after certain adjustments and consideration of any deferred tax liabilities.

Estimates

The preparation of statutory financial statements in conformity with accounting practices prescribed or permitted by the California Department of Insurance requires management to make estimates and assumptions that affect the reported amounts of admitted assets and liabilities and disclosure of contingent assets and liabilities at the date of the statutory financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

CAMICO MUTUAL INSURANCE COMPANY

Notes to Statutory Financial Statements (Continued)
 December 31, 2020 and 2019
 (Dollars in Thousands)

2. Investments

Bonds

The following is the admitted value and the fair value of the Company's bonds as of December 31:

	Admitted Value	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
2020				
U.S. Government States, territories, and possessions	\$ 4,678	\$ 19	\$ (13)	\$ 4,684
U.S. political subdivisions of states, territories, and possessions	704	52	-	756
U.S. special revenue and special assessment obligations	1,491	62	-	1,553
Industrial and miscellaneous Commercial mortgage-backed securities	7,607	311	-	7,918
Residential mortgage-backed securities	45,584	2,310	-	47,894
Other loan-backed and structured securities	10,216	307	(1)	10,522
	7,874	312	(8)	8,178
	4,657	78	-	4,735
Total	\$ 82,811	\$ 3,451	\$ (22)	\$ 86,240

CAMICO MUTUAL INSURANCE COMPANY

Notes to Statutory Financial Statements (Continued)
December 31, 2020 and 2019
(Dollars in Thousands)

2. Investments (Continued)

Bonds (Continued)

	<u>Admitted Value</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Estimated Fair Value</u>
2019				
U.S. Government States, territories, and possessions	\$ 4,791	\$ 12	\$ (3)	\$ 4,800
U.S. political subdivisions of states, territories, and possessions	697	13	-	710
U.S. special revenue and special assessment obligations	1,272	10	(2)	1,280
Industrial and miscellaneous Commercial mortgage-backed securities	5,593	71	(1)	5,663
Residential mortgage-backed securities	42,902	643	(30)	43,515
Other loan-backed and structured securities	8,870	64	(21)	8,913
	10,013	22	(62)	9,973
	6,291	44	(4)	6,331
Total	<u>\$ 80,429</u>	<u>\$ 879</u>	<u>\$ (123)</u>	<u>\$ 81,185</u>

The estimated fair value of bonds is derived from market prices published by the NAIC IAO. In the absence of IAO published market values, quoted market prices by other third party organizations are used as the basis for determining fair value.

The admitted value and fair value of bonds at December 31, 2020 by expected maturity are shown below. Expected maturities may differ from contractual maturities as borrowers may have the right to call or repay their obligations with or without call or prepayment penalties.

	<u>Admitted Value</u>	<u>Estimated Fair Value</u>
Due in one year or less	\$ 6,732	\$ 6,779
Due after one year through five years	33,396	34,645
Due after five years through ten years	25,185	26,699
Due after ten years	17,498	18,117
Total	<u>\$ 82,811</u>	<u>\$ 86,240</u>

CAMICO MUTUAL INSURANCE COMPANY

Notes to Statutory Financial Statements (Continued)
December 31, 2020 and 2019
(Dollars in Thousands)

2. Investments (Continued)

Bonds (Continued)

At December 31, 2020, the Company held 9 securities with an NAIC rating of 3 or higher, less than investment grade, with an admitted value and fair value of \$1,367 and \$1,406, respectively.

Common Stocks

Unrealized investment gains (losses) for common stocks as of December 31 are as follows:

	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
2020				
Mutual funds	\$ 1,158	\$ 288	\$ -	\$ 1,446
Common stocks - affiliated	5,810	-	(4,491)	1,319
Total	\$ 6,968	\$ 288	\$ (4,491)	\$ 2,765
2019				
Mutual funds	\$ 1,134	\$ 199	\$ -	\$ 1,333
Common stocks - affiliated	5,810	-	(4,450)	1,360
Total	\$ 6,944	\$ 199	\$ (4,450)	\$ 2,693

The Subsidiary, Controlled and Affiliated Entities (SCA) Sub-2 Form filing submitted on June 24, 2020 for the valuation of the affiliated stock for \$1,360 was reviewed by the NAIC.

CAMICO MUTUAL INSURANCE COMPANY

Notes to Statutory Financial Statements (Continued)
December 31, 2020 and 2019
(Dollars in Thousands)

2. Investments (Continued)

Other-than-Temporary Impairment Analysis

The gross unrealized losses and estimated fair values on investments, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position as of December 31 are as follows:

	12 Months or Greater		Less than 12 Months	
	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses
2020				
Bonds:				
U.S. Government	\$ -	\$ -	\$ 3,412	\$ (13)
Commercial mortgage-backed securities	-	-	327	(1)
Residential mortgage-backed securities	-	-	1,613	(8)
Total	\$ -	\$ -	\$ 5,352	\$ (22)
2019				
Bonds:				
U.S. Government	\$ 621	\$ -	\$ 196	\$ (3)
U.S. political subdivisions of states, territories, and possessions	-	-	443	(1)
U.S. special revenue and special assessment obligations	-	-	284	(1)
Industrial and miscellaneous	388	(1)	5,183	(30)
Commercial mortgage-backed securities	320	(1)	4,084	(20)
Residential mortgage-backed securities	1,910	(22)	5,350	(40)
Other loan-backed and structured securities	312	(1)	1,414	(3)
Total	\$ 3,551	\$ (25)	\$ 16,954	\$ (98)

CAMICO MUTUAL INSURANCE COMPANY

Notes to Statutory Financial Statements (Continued)
December 31, 2020 and 2019
(Dollars in Thousands)

2. Investments (Continued)

Other-than-Temporary Impairment Analysis (Continued)

The Company reviews its investment portfolio at least quarterly for securities that may have an other-than-temporary impairment (OTTI) in value. For any investment security deemed to be other-than-temporarily impaired, the investment's amortized cost is written down to fair value with a realized loss recognized in operations. Unrealized losses are primarily due to interest rate fluctuations during the year and as such do not qualify for OTTI as the Company has the ability and intent to hold until maturity or recovery. Based on a review of the bonds included in the table above, the Company determined that the unrealized losses were primarily a result of the interest rate environment and not the credit quality of the issuers. There were no securities impaired in 2020 and 2019.

The Company has minor ownership interests in a limited partnership (Archipelago Partners, L.P.). The Company did not recognize any OTTI write-down for its investment in the limited partnership during the years ended December 31, 2020 and 2019.

Other

At December 31, the Company had the following restricted assets:

	Carrying Value 2020	% of Total Admitted Assets	Carrying Value 2019	% of Total Admitted Assets
On deposit with states	\$ 2,433	2.4%	\$ 2,409	2.5%
On deposit with other regulatory agencies	2,072	2.1	2,055	2.1
Pledged as collateral not captured in other categories	9,083	9.0	9,425	9.7
Total	\$ 13,588	13.5%	\$ 13,889	14.3%

Net investment income earned for the years ended December 31 is derived as follows:

	2020	2019
Bonds	\$ 2,107	\$ 2,155
Mutual funds	24	27
Cash, cash equivalents, and short-term investments	8	28
Total investment income earned	2,139	2,210
Investment expense	(954)	(1,057)
Net investment income earned	\$ 1,185	\$ 1,153

CAMICO MUTUAL INSURANCE COMPANY

Notes to Statutory Financial Statements (Continued)
December 31, 2020 and 2019
(Dollars in Thousands)

2. Investments (Continued)

Other (Continued)

Proceeds from sale of bonds during 2020 and 2019 were \$14,326 and \$29,889, respectively. Proceeds from maturity of bonds during 2020 and 2019 were \$7,596 and \$2,395, respectively. Realized gains (losses) on sales of bonds and mutual funds for the year ended December 31 are as follows:

	2020	2019
Bonds:		
Gains	\$ 346	\$ 568
Losses	(77)	(53)
Total	269	515
Mutual funds:		
Gains	-	8
Total	-	8
Net realized capital gains	\$ 269	\$ 523

3. Fair Value Measurements

The following table sets forth by level within the fair value hierarchy all financial assets measured at fair value and their admitted value, in the aggregate, as of December 31:

	Level 1	Level 2	Level 3	Estimated Fair Value	Admitted Value
2020					
Bonds	\$ 4,684	\$ 81,556	\$ -	\$ 86,240	\$ 82,811
Cash equivalents	1,184	-	-	1,184	1,184
Total	5,868	81,556	-	87,424	83,995
Mutual funds	-	-	-	1,446	1,446
Total	\$ 5,868	\$ 81,556	\$ -	\$ 88,870	\$ 85,441
2020					
Bonds	\$ 4,800	\$ 76,385	\$ -	\$ 81,185	\$ 80,429
Cash equivalents	2,457	-	-	2,457	2,457
Total	7,257	76,385	-	83,642	82,886
Mutual funds	-	-	-	1,333	1,333
Total	\$ 7,257	\$ 76,385	\$ -	\$ 84,975	\$ 84,219

The admitted value of mutual funds is reported at net asset value (NAV) as a practical expedient.

CAMICO MUTUAL INSURANCE COMPANY

Notes to Statutory Financial Statements (Continued) December 31, 2020 and 2019 (Dollars in Thousands)

3. Fair Value Measurements (Continued)

The carrying value of cash, accrued interest, agents' balances, reinsurance recoverable on paid losses, reserves for losses and loss adjustment expenses, unearned premiums, and other accrued expenses approximates fair value due to the short maturity, short duration, and low interest rate environment of these instruments.

4. Data Processing Equipment

In July 2018, the Company began a project to replace its premium and loss system. The replacement project implementation costs include an annual licensing fee and EDP consulting costs. These costs are expensed as incurred and are reflected in loss adjustment expenses incurred and other underwriting expenses incurred on the statutory statement of operations. The Company expensed \$566 and \$1,600 as of December 31, 2020 and 2019, respectively.

Data processing equipment, included in other assets, consist of the following as of December 31:

	2020	2019
Data processing equipment	\$ 2,030	\$ 1,966
Accumulated depreciation	(1,968)	(1,920)
Data processing equipment, net	<u>\$ 62</u>	<u>\$ 46</u>

Depreciation expense related to data processing equipment was \$48 and \$47 for the years ended December 31, 2020 and 2019, respectively.

5. Other Assets

Other assets consist of the following as of December 31:

	2020	2019
Guaranty funds	\$ 9	\$ 9
Deductible billed to policyholders, net	115	103
Data processing equipment, net	62	46
Receivable from CSI	1,369	1,089
Other receivables	9	9
Total	<u>\$ 1,564</u>	<u>\$ 1,256</u>

CAMICO MUTUAL INSURANCE COMPANY

Notes to Statutory Financial Statements (Continued)
December 31, 2020 and 2019
(Dollars in Thousands)

6. Reserves for Losses and Loss Adjustment Expenses

The following table summarizes the activity in the Company's reserves for losses and LAE, net of reinsurance, for the years ended December 31:

	2020	2019
Net reserves for losses and LAE at January 1	\$ 34,336	\$ 35,120
Incurred related to:		
Current year	19,411	19,291
Prior years	(4,122)	(1,421)
Total incurred	15,289	17,870
Paid related to:		
Current year	(5,075)	(4,876)
Prior years	(9,259)	(13,778)
Total paid	(14,334)	(18,654)
Net reserves for losses and LAE at December 31	\$ 35,291	\$ 34,336

Decreases in incurred losses and LAE during 2020 and 2019 pertaining to the previously reported amounts are the result of favorable development in estimates of insured events of previous years.

The Company did not have paid direct losses related to extra contractual obligations for the years ended December 31, 2020 and 2019.

7. Other Liabilities

Other liabilities consist of the following as of December 31:

	2020	2019
Accrued and deferred compensation	\$ 402	\$ 331
Accrued employee benefits	1,578	1,353
Deferred fees	1,708	1,930
Premium taxes, licenses, and fees payable	178	84
Other accrued expenses and liabilities	808	1,709
Total	\$ 4,674	\$ 5,407

CAMICO MUTUAL INSURANCE COMPANY

Notes to Statutory Financial Statements (Continued)
December 31, 2020 and 2019
(Dollars in Thousands)

8. Reinsurance

In the ordinary course of business, the Company seeks to limit its exposure to losses on claims by entering into reinsurance contracts with other insurance companies. The Company utilizes its reinsurance program to cede severe/high-limit losses and to limit yearly aggregate losses in order to protect surplus and maintain conservative operating ratios. Reinsurance contracts do not relieve the Company from its obligations to policyholders. Certain reinsurance agreements contain provisions for premium adjustments based on loss experience with regards to such contracts. Such adjustments are recorded on an accrual basis and are initially settled with reinsurers after the contract period, with annual adjustments thereafter.

A summary of the current reinsurance contract terms is as follows:

Loss Ratio Protection

For the contract period from July 1, 2020 through June 30, 2021, the Company entered into a Loss Ratio Protection treaty. This treaty provides coverage up to 25% of subject premium if aggregate losses exceed 68% of subject premium. This treaty was placed at 100%.

For the contract period from July 1, 2019 through June 30, 2020, the Company entered into a Loss Ratio Protection treaty. This treaty provides coverage up to 25% of subject premium if aggregate losses exceed 67% of subject premium. This treaty was placed at 100%.

For the contract period from July 1, 2018 through June 30, 2019, the Company entered into a Loss Ratio Protection treaty. This treaty provides coverage up to 25% of subject premium if aggregate losses exceed 67% of subject premium. This treaty was placed at 92.5%.

Casualty Contingency

For claims made and reported to the Company from July 1, 2020 through June 30, 2021 and from July 1, 2019 through June 30, 2020, the Company has reinsurance over and above the underlying limits of \$5,000 in excess of \$2,000 for each and every claim. These treaties include coverage for extra contractual obligations subject to a 10% co-pay.

Quota Share Employment Practices Liability Insurance

During 2020 and 2019, the Company had in place an EPLI quota share reinsurance agreement whereby 50% of the Company's EPLI business is ceded. For the years ended December 31, 2020 and 2019, the maximum retained loss for any Employment Practices Liability claim was \$500. The contract includes a 25% ceding commission.

Quota Share Cyber Liability

During 2020 and 2019, the Company had in place a quota share reinsurance agreement whereby 50% of the Company's cyber liability endorsement premium is ceded with a 17% ceding commission. Beginning with the May 1, 2020 renewal, the ceding commission is 20%.

CAMICO MUTUAL INSURANCE COMPANY

Notes to Statutory Financial Statements (Continued)
December 31, 2020 and 2019
(Dollars in Thousands)

8. Reinsurance (Continued)

Financial Impact of Reinsurance

The effect of reinsurance on premiums written and earned for the years ended December 31 is as follows:

	2020		2019	
	Written	Earned	Written	Earned
Direct premiums	\$ 31,182	\$ 30,840	\$ 30,918	\$ 31,291
Ceded premiums	(3,038)	(3,009)	(2,772)	(2,741)
Net premiums	\$ 28,144	\$ 27,831	\$ 28,146	\$ 28,550

Included in ceded premiums are adjustments for prior year loss sensitive and structured treaties of \$(20) and \$(244) for 2020 and 2019, respectively. The Company's EPLI quota share, cyber quota share and prior year's excess of loss reinsurance agreements also contain a provision to reimburse acquisition costs through a ceding commission. Total ceding commission expense decreased other underwriting expenses by \$306 and \$282 for 2020 and 2019, respectively.

Financial Impact of Reinsurance

Return commission that would have been due reinsurers if all reinsurance were cancelled with the return of unearned premium reserves at December 31 is as follows:

	2020		2019	
	Unearned Premium	Return Commission	Unearned Premium	Return Commission
Ceded	\$ 940	\$ 115	\$ 912	\$ 103

The effect of reinsurance on losses and LAE incurred and reserved as of and for the years ended December 31 is as follows:

	2020		2019	
	Reserves	Incurred	Reserves	Incurred
Direct	\$ 37,284	\$ 15,765	\$ 36,425	\$ 17,456
Ceded	(1,993)	(476)	(2,089)	414
Net	\$ 35,291	\$ 15,289	\$ 34,336	\$ 17,870

The Company did not have any uncollectible reinsurance for the years ended December 31, 2020 and 2019, respectively.

CAMICO MUTUAL INSURANCE COMPANY

Notes to Statutory Financial Statements (Continued)
December 31, 2020 and 2019
(Dollars in Thousands)

8. Reinsurance (Continued)

Financial Impact of Reinsurance (Continued)

Unsecured reinsurance recoverables balances including ceded case and incurred but not reported (IBNR) at December 31, 2020, that exceed 3% of the Company's surplus are summarized as follows:

	<u>Amount</u>	<u>% of Surplus</u>
Reinsurer:		
General Reinsurance Corp	\$ 1,788	3.9%

Effective September 15, 2019, the Company commuted the following treaties with Hannover Re (Ireland) DAC and XL Bermuda: 2008 and 2009 aggregate stop loss treaties, and the July 1, 2010 and July 1, 2011 Excess of Loss treaties. The commutations resulted in (favorable) / unfavorable impacts on income for the year ended December 31, 2019 as follows:

	<u>Amount</u>
Losses incurred	\$ 30
LAE incurred	170
Premiums earned	(200)
Other	150

There were no commutations in 2020.

9. Policyholders' Surplus

In June 2005, the Company issued surplus notes to Preferred Term Securities XVII, Ltd. and First Tennessee Bank, N.A. in return for \$10,000 in cash. The surplus notes call for the Company to pay quarterly interest at London Interbank Offered Rate (LIBOR) plus 3.15%. The effective variable interest rate at December 15, 2020, was 3.40%.

The accrual of interest and the payments of interest and principal can only be made from surplus and only upon gaining approval from the California Department of Insurance.

Claims under the surplus notes are subordinated and are paid out of any assets remaining after payment of all liabilities, including senior claims and any senior indebtedness of the Company. Unrecorded interest expense of approximately \$14 at December 31, 2020, was expensed and paid in March 2021 upon receipt of approval by the California Department of Insurance for such payment.

The surplus notes were issued to a non-related party and does not include any terms to offset approved interest or principal payments with an amount receivable from a reported asset provided by the note holder.

CAMICO MUTUAL INSURANCE COMPANY

Notes to Statutory Financial Statements (Continued)
December 31, 2020 and 2019
(Dollars in Thousands)

9. Policyholders' Surplus (Continued)

The following summarizes principal provisions of the notes as of December 31, 2020:

	Par / Carrying Value	Unapproved Principal and Interest	Interest Paid	
			Current Year	From Inception
Issued June 3, 2005 bearing interest at LIBOR + 3.15%, due June 3, 2035	\$ 10,000	\$ -	\$ 400	\$ 8,033

The following balances make up unassigned surplus as of December 31:

	2020	2019
Unrealized losses, net	\$ (3,869)	\$ (4,006)
Nonadmitted assets	(831)	(846)
Deferred tax asset	2,734	3,186
Retained surplus	37,234	35,216
Total	\$ 35,268	\$ 33,550

10. Federal Income Taxes

The Company files a consolidated federal income tax return with its wholly owned subsidiary, CSI. The method of allocation between the companies has been formalized in a written tax allocation agreement. Allocation is based upon separate return calculations with current credit given for net losses and/or credits that result in an actual reduction in the tax liability of the consolidated group.

The provision for federal income taxes for the years ended December 31, 2020 and 2019 was a tax benefit of \$27 and \$26, respectively.

CAMICO MUTUAL INSURANCE COMPANY

Notes to Statutory Financial Statements (Continued)
December 31, 2020 and 2019
(Dollars in Thousands)

10. Federal Income Taxes (Continued)

The components of the net deferred tax asset at December 31 are as follows:

	2020	2019	Change
Gross deferred tax asset:			
Operating	\$ 3,053	\$ 3,528	\$ (475)
Capital	20	20	(0)
Statutory valuation allowance:			
Operating	-	-	-
Capital	-	-	-
Adjusted gross deferred tax asset:			
Operating	3,053	3,528	(475)
Capital	20	20	(0)
Nonadmitted deferred tax asset:			
Operating	(247)	(231)	(16)
Capital	-	-	-
Subtotal net admitted deferred tax asset:			
Operating	2,806	3,297	(491)
Capital	20	20	(0)
Gross deferred tax liabilities:			
Operating	340	362	(22)
Capital	-	-	-
Net admitted deferred tax asset:			
Operating	2,466	2,935	(469)
Capital	20	20	(0)
Total net admitted deferred tax asset	\$ 2,486	\$ 2,955	\$ (469)
Decrease in nonadmitted tax asset	\$ 16		

CAMICO MUTUAL INSURANCE COMPANY

Notes to Statutory Financial Statements (Continued)
December 31, 2020 and 2019
(Dollars in Thousands)

10. Federal Income Taxes (Continued)

The components of the admissibility calculation at December 31, 2020 by tax character are as follows:

	Operating	Capital
SSAP No. 101 paragraph 11.a:		
Recoverable taxes	\$ -	\$ -
Three year reversals	2,466	20
Admitted asset	-	-
SSAP No. 101 paragraph 11.b:		
Remaining three year reversals	2,466	20
Surplus limitation	6,417	20
Admitted asset	2,466	20
SSAP No. 101 paragraph 11.c:		
Remaining deferred tax assets	587	-
Deferred tax liabilities	340	-
Admitted asset	340	-

The components of the admissibility calculation at December 31, 2019 by tax character are as follows:

	Operating	Capital
SSAP No. 101 paragraph 11.a:		
Recoverable taxes	\$ -	\$ -
Three year reversals	2,935	20
Admitted asset	-	-
SSAP No. 101 paragraph 11.b:		
Remaining three year reversals	2,935	20
Surplus limitation	6,069	20
Admitted asset	2,935	20
SSAP No. 101 paragraph 11.c:		
Remaining deferred tax assets	593	-
Deferred tax liabilities	362	-
Admitted asset	362	-

The Authorized Control Level RBC computed without net deferred tax assets (ExDTA ACL RBC ratio) at December 31, 2020 is 612%. The adjusted capital and surplus used to determine recovery period and threshold limitations is \$42,782.

CAMICO MUTUAL INSURANCE COMPANY

Notes to Statutory Financial Statements (Continued)
December 31, 2020 and 2019
(Dollars in Thousands)

10. Federal Income Taxes (Continued)

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

	2020	2019
Deferred tax asset:		
Discounting of unpaid losses	\$ 652	\$ 631
Unearned premiums	402	389
Deferred compensation	993	789
Advance premiums	161	158
Nonadmitted assets	123	129
Impairments	20	20
Net operating loss carryforwards	614	1,268
Other	108	164
Total deferred tax asset	3,073	3,548
Deferred tax asset nonadmitted	(247)	(231)
Total admitted deferred tax asset	2,826	3,317
Deferred tax liability:		
Bond market discount	(30)	(30)
Premium acquisition expenses	(161)	(158)
Other	(149)	(174)
Total deferred tax liability	(340)	(362)
Net admitted deferred tax asset	\$ 2,486	\$ 2,955

The change in net deferred income taxes is comprised of the following:

	2020	2019	Change
Deferred tax asset	\$ 3,073	\$ 3,548	\$ (475)
Deferred tax liability	(340)	(362)	22
Net deferred tax asset	\$ 2,733	\$ 3,186	\$ (453)
Tax effect of unrealized gains			-
Change in deferred taxes			\$ (453)

CAMICO MUTUAL INSURANCE COMPANY

Notes to Statutory Financial Statements (Continued)
December 31, 2020 and 2019
(Dollars in Thousands)

10. Federal Income Taxes (Continued)

The Company's income tax provision differs from the amount obtained by applying the federal statutory rate of 21% to operating gain before federal income taxes as follows:

	2020	2019
Provision computed at statutory rate	\$ 418	\$ 76
Tax-exempt income, net	1	(2)
Change in nonadmitted asset	6	2
Other	1	9
Total statutory income tax expense	\$ 426	\$ 85
Federal income tax benefit	\$ (27)	\$ (26)
Change in deferred taxes	453	111
Total statutory income tax expense	\$ 426	\$ 85

The Company has a net operating loss carryforward of \$2,925 as of December 31, 2020 that will begin expiring in 2030. The Company does not have any income tax paid that would be available for recoupment in the event of future net losses. The Company's federal income tax returns are subject to an examination by the IRS within three years after the returns are filed.

As of December 31, 2020 and 2019, the Company has no uncertain tax positions and, therefore, has not recorded a contingent liability. There were no tax positions for which management believes it is reasonably possible that the total amount of tax contingencies will significantly increase or decrease within 12 months of the reporting date.

As of December 31, 2020, the only material jurisdiction in which the Company is subject to examination is the U.S. federal jurisdiction for the tax years 2017 through the present.

The alternative minimum tax (AMT) credit recognized as a current year recoverable or deferred tax asset consist of the following:

	2020	2019
Current year recoverable	\$ 27	\$ 27
Deferred tax asset	-	27
Beginning balance of AMT credit carryforward	27	54
Less: Amount recovered	(27)	(27)
Reporting entity ending balance	\$ -	\$ 27

CAMICO MUTUAL INSURANCE COMPANY

Notes to Statutory Financial Statements (Continued) December 31, 2020 and 2019 (Dollars in Thousands)

11. Employee Benefit Plans

The Company has a 401(k) defined contribution plan covering substantially all employees. Under the 401(k) plan, the Company matches 50% of employee contributions up to 6% of the employee's salary. Amounts expensed for this plan totaled \$231 and \$229 in 2020 and 2019, respectively.

The Company has a deferred compensation plan which allows senior management to defer all or part of their salary. In 2020 and 2019, \$46 and \$136, respectively, in salary was deferred under this plan. Additionally, the Company has a deferred compensation plan for directors that allows members to defer all or part of their fees. In 2020 and 2019, \$0 and \$27, respectively, was deferred under this plan.

On October 21, 2016, the Board of Directors approved a new supplemental executive retirement plan (SERP), 409A plan. The Company contributed \$106 and \$102 related to the SERP as of December 31, 2020 and 2019, respectively.

12. Line of Credit

The Company has a secured revolving line of credit of \$10,000 with Union Bank at a rate of 2.5% with a LIBOR option, expiring May 31, 2021. The effective rate at December 31, 2020 is 2.5%.

The Company maintains pledged bonds with a par value of \$8,819 at December 31, 2020, as security for the line of credit. There was no outstanding balance on the line of credit at December 31, 2020 and 2019.

13. Regulation, Dividend Restrictions, and Risk Based Capital

Regulation

All insurance companies are subject to insurance laws and regulations established by the states in which they transact business. The laws of the various states establish supervisory agencies with broad administrative and supervisory powers related to granting and revoking licenses to transact business, regulating trade practices, establishing guaranty associations, licensing agents, approving policy forms, filing premium rates and setting reserve requirements for certain lines of business, determining the form and content of required regulatory financial statements, conducting periodic examinations of insurers' records, determining the reasonableness and adequacy of capital and surplus, and prescribing the maximum concentrations of certain classes of investments. Most states have also enacted legislation that regulates insurance holding company systems, including acquisitions, extraordinary dividends, the terms of affiliate transactions, and other related matters. The Company and its insurance subsidiary have registered as a holding company system pursuant to such legislation in California and routinely report to other jurisdictions. It is not possible to predict the future impact of changing state and federal regulation on the operations of the Company and its insurance subsidiary.

CAMICO MUTUAL INSURANCE COMPANY

Notes to Statutory Financial Statements (Continued)
December 31, 2020 and 2019
(Dollars in Thousands)

13. Regulation, Dividend Restrictions, and Risk Based Capital (Continued)

Dividend Restrictions

Laws and minimum capitalization requirements generally restrict dividends from the Company. The California Insurance Code does not permit the payment of dividends that exceed the greater of net income or 10% of statutory surplus and can only be paid out of accumulated earned surplus without prior approval from the Insurance Commissioner. The Company may pay dividends in 2020 of \$3,355 (10% of the preceding year's surplus) or \$386 (preceding year's net income) without prior regulatory approval.

Risk Based Capital

A model for determining the risk based capital (RBC) requirements for property and casualty insurance companies was adopted in December 1993. Insurance companies are required to report their RBC ratios based on their most recent annual statement. The Company has calculated its RBC requirement based on its most recently filed annual statement and has \$34,789 of capital and surplus in excess of any regulatory action or reporting level.

14. Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist of cash, cash equivalents and short-term investments, bonds, premiums receivable, and reinsurance recoverables on paid and unpaid losses.

The Company places its cash, cash equivalents, and short-term investments with high credit quality financial institutions. Concentrations of credit risk with respect to bonds are limited due to the large number of such investments and their distribution across many different industries and geographic regions. The outstanding premiums receivable balance is generally diversified due to the large number of entities comprising the Company's customer base. To minimize its exposure to significant losses from reinsurance insolvencies, the Company evaluates the financial condition of its reinsurers and reinsures its business with highly rated reinsurers.

15. Related-Party Transactions

The Company provides certain administrative services related to professional liability policies brokered through CSI under the terms of a cost sharing agreement. As of December 31, 2020 and 2019, \$1,369 and \$1,089, respectively, were due from CSI to the Company. Net costs allocated from the Company to CSI for the years ended December 31, 2020 and 2019, were \$4,543 and \$4,269, respectively.

16. Commitments and Contingencies

The Company is subject to guaranty and other assessments by the states in which it writes business. The Company does not have an accrued liability for a guaranty fund or other assessments, as fees are prepaid by the Company and surcharged to policyholders in subsequent years.

The Company is subject to various claims and lawsuits arising in the normal course of business. The Company is not aware of any outstanding and/or unresolved extra contractual obligations and bad faith losses stemming from lawsuits that could have a material impact on its operations.

CAMICO MUTUAL INSURANCE COMPANY

Notes to Statutory Financial Statements (Continued) December 31, 2020 and 2019 (Dollars in Thousands)

16. Commitments and Contingencies (Continued)

The Company has a lease agreement for its corporate office in San Mateo, California, which extended through 2020. In the fourth quarter of 2018, the Company signed an agreement to extend the lease to March 31, 2021. On July 22, 2020, the Company entered into a new lease agreement which will terminate in 2029. The lease is secured with a \$101 letter of credit at Union Bank.

The Company also has a remote office in Atlanta, Georgia which extended through April 30, 2019. Effective May 16, 2016, the Company entered into a subleasing arrangement for this office, which ended on April 30, 2019, at least termination.

Rent expense for all leased properties was \$1,041 and \$935 as of ended December 31, 2020 and 2019, respectively. Rent expense in 2019 was reduced by \$20 collected from the Atlanta office sublease.

Future minimum lease payments at December 31, 2020, under agreements classified as operating leases with terms in excess of one year, are as follows:

	<u>Total Obligations</u>
2021	\$ 1,223
2022	1,243
2023	1,280
2024	1,318
2025	1,358
Thereafter	<u>6,237</u>
Total	<u>\$ 12,659</u>

The Company is named as a defendant in various legal actions arising principally from claims made under insurance policies and contracts. Those actions are considered by the Company in estimating the loss and LAE reserves. Management believes the resolution of those actions will not have a material effect on the Company's financial position or results of operations.

17. COVID-19

As a result of the spread of COVID-19, economic uncertainties have arisen which are likely to impact the fair value of investments and day to day administration of the business and premium volume. Management does not believe it is exposed to substantial risk from COVID-19 related claims, but other financial impact could occur. At this point, the extent to which COVID-19 may impact the Company's financial condition or results of operations is uncertain.

18. Subsequent Events

Management has evaluated subsequent events through March 24, 2021, which is the date the statutory financial statements were available to be issued. No events have occurred subsequent to December 31, 2020 requiring recording or disclosure in the statutory financial statements.

SUPPLEMENTARY INFORMATION

CAMICO MUTUAL INSURANCE COMPANY

Summary Investment Schedule December 31, 2020

	Gross Investment Holdings		Admitted Assets as Reported in the Annual Statement			
	Amount	%	Amount	Securities Lending Reinvested Collateral Amount	Total	%
	<i>(Dollars In Thousands)</i>					
Long-term bonds:						
U.S. Governments	\$ 7,267	7.9%	\$ 7,267	\$ -	\$ 7,267	7.9%
All other governments guaranteed	-		-	-	-	
U.S. states, territories and possessions, etc. guaranteed	704	0.8%	704		704	0.8%
U.S. political subdivisions of states, territories, and possessions, guaranteed	1,491	1.6%	1,491	-	1,491	1.6%
U.S. special revenue and assessment obligations	15,208	16.5%	15,208	-	15,208	16.5%
Industrial and miscellaneous	58,141	63.1%	58,141	-	58,141	63.1%
Total long-term bonds	<u>82,811</u>	<u>89.9%</u>	<u>82,811</u>	<u>-</u>	<u>82,811</u>	<u>89.9%</u>
Common stocks:						
Parent, subsidiaries and affiliates other	1,319	1.4%	1,319	-	1,319	1.4%
Mutual funds	1,446	1.6%	1,446	-	1,446	1.6%
Total common stocks	<u>2,765</u>	<u>3.0%</u>	<u>2,765</u>	<u>-</u>	<u>2,765</u>	<u>3.0%</u>
Cash and cash equivalents:						
Cash	4,050	4.4%	4,050	-	4,050	4.4%
Cash equivalents	1,184	1.3%	1,184	-	1,184	1.3%
Total cash and cash equivalents	<u>5,234</u>	<u>5.7%</u>	<u>5,234</u>	<u>-</u>	<u>5,234</u>	<u>5.7%</u>
Other invested assets	1,333	1.4%	1,333	-	1,333	1.4%
Total invested assets	<u>\$ 92,143</u>	<u>100%</u>	<u>\$ 92,143</u>	<u>\$ -</u>	<u>\$ 92,143</u>	<u>100%</u>

CAMICO MUTUAL INSURANCE COMPANY

Supplemental Investment Risk Interrogatories December 31, 2020 (Dollars in Thousands)

1. Company's total admitted assets: \$ 100,691

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

Issuer	Investment Categories	Amount	Percentage of Total Admitted Assets
Federal Natl Mtg Assn Gtd	Unaffiliated bond	\$ 5,753	5.7%
Freddie Mac	Unaffiliated bond	1,397	1.4
Archipelago Partners	Other invested asset	1,333	1.3
Wells Fargo & Company	Unaffiliated bond	1,096	1.1
Morgan Stanley	Unaffiliated bond	914	0.9
JPMorgan Chase & Co.	Unaffiliated bond	879	0.9
Bank of America Corporation	Unaffiliated bond	797	0.8
Citigroup Inc.	Unaffiliated bond	738	0.7
The Goldman Sachs Group,	Unaffiliated bond	722	0.7
State Street Corporation	Unaffiliated bond	655	0.7

3. Amounts and percentages of the Company's total admitted assets held in bonds and preferred stocks by NAIC rating.

	Amount	Percentage of Total Admitted Assets
Bonds:		
NAIC-1	\$ 61,795	61.4%
NAIC-2	19,649	19.5
NAIC-3	1,367	1.4

4. Amounts and percentages of the Company's total admitted assets in foreign investments:

Description	Amount	Percentage of Total Admitted Assets
Foreign Investments	\$ 3,304	3.3%

CAMICO MUTUAL INSURANCE COMPANY

Supplemental Investment Risk Interrogatories (Continued) December 31, 2020 (Dollars in Thousands)

5. The Company's aggregate foreign investment exposure categorized by NAIC sovereign designation:

Description	Amount	Percentage of Total Admitted Assets
Countries designated NAIC-1	\$ 3,030	3.0%
Countries designated NAIC-3	274	0.3

6. The Company's two largest investment exposures to a single country, categorized by NAIC sovereign rating:

Description	Amount	Percentage of Total Admitted Assets
Countries designated NAIC-1: Netherlands	\$ 1,079	1.1%
United Kingdom	792	0.8
Countries designated NAIC-3: Guernsey	274	0.3

7-9. The Company has no unhedged foreign currency exposure.

10. The Company's ten largest non-sovereign (i.e. non-governmental) foreign exposures:

Issuer	NAIC Rating	Amount	Percentage of Total Admitted Assets
ING Groep N.V.	1FE	\$ 428	0.4%
HSBC Holdings plc	1FE	285	0.3
Credit Suisse Group Funding (Guernsey) Limited	2FE	274	0.3
BHP Billiton Finance (USA) Limited	1FE	273	0.3
BPCE SA	1FE	250	0.2
Total Capital S.A.	1FE	223	0.2
Shell International Finance B.V.	1FE	223	0.2
Medtronic Global Holdings S.C.A.	1FE	214	0.2
Diego Capital plc	1FE	204	0.2
Barclays PLC	2FE	200	0.2

11. Amounts and percentages of the Company's assets held in Canadian investments and unhedged Canadian currency exposure are less than 2.5% of total admitted assets.

CAMICO MUTUAL INSURANCE COMPANY

Supplemental Investment Risk Interrogatories (Continued)

December 31, 2020

(Dollars in Thousands)

12. Amounts and percentages of the Company's assets held in contractual sales restrictions are less than 2.5% of total admitted assets.

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

Issuer	Amount	Percentage of Total Admitted Assets
Vanguard Whitehall Funds	\$ 920	0.9%
Vanguard Specialized Funds	526	0.5

14. Amounts and percentages of the Company's assets held in nonaffiliated, privately placed equities are less than 2.5% of total admitted assets.

15. Amounts and percentages of the Company's assets held in partnership interests are less than 2.5% of total admitted assets.

16. Amounts and percentages of the Company's assets held in mortgage loans are less than 2.5% of total admitted assets.

17. The Company does not have mortgage loans.

18. Amounts and percentages of the Company's assets held in real estate are less than 2.5% of total admitted assets.

19. Amounts and percentages of the Company's assets held in mezzanine real estate loans are less than 2.5% of total admitted assets.

20. The Company does not have any assets subject to securities lending, repurchase, reverse repurchase, dollar repurchase, or dollar reverse repurchase agreements.

21. The Company does not have any warrants not attached to other financial instruments, options, caps, or floors.

22. The Company does not have any assets of potential exposure for collars, swaps, or forwards.

23. The Company does not have any assets of potential exposure for futures contracts.

CAMICO MUTUAL INSURANCE COMPANY

Supplemental Reinsurance Interrogatories December 31, 2020 (Dollars in Thousands)

1. This Company has reinsured risk under a quota share reinsurance contract that includes a provision that would limit the reinsurer's losses below the stated quota share percentage (e.g. a deductible, a loss ratio corridor, a loss ratio cap, an aggregate limit, or any similar provisions).
2. The Company has not ceded risk through certain reinsurance contracts for which during the period covered by the statement: (i) it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; (ii) it accounted for that contract as reinsurance and not as a deposit; and (iii) the contract(s) contain one or more of the following features or other features that would have similar results:
 - A contract term longer than two years and the contract is noncancellable by the Company during the contract term;
 - A limited or conditional cancellation provision under which cancellation triggers an obligation by the Company, or an affiliate of the Company, to enter into a new reinsurance contract with the reinsurer, or an affiliate of the reinsurer;
 - Aggregate stop loss reinsurance coverage;
 - A unilateral right by either party to commute the reinsurance contract, whether conditional or not, except for such provisions which are only triggered by a decline in the credit status of the other party;
 - A provision permitting reporting of losses, or payment of losses, less frequently than on a quarterly basis (unless there is no activity during the period); or
 - Payment schedule, accumulating retentions from multiple years or any features inherently designed to delay timing of the reimbursement to the ceding entity.
3. The Company has not during the period covered by the statement ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates), for which during the period covered by the statement it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; excluding cessions to approved pooling arrangements or to captive insurance companies that are directly or indirectly controlling, controlled by, or under common control with (i) one or more unaffiliated policyholders of the Company, or (ii) an association of which one or more unaffiliated policyholders of the Company is a member where:
 - The written premium ceded to the reinsurer by the Company or its affiliates represents fifty percent (50%) or more of the entire direct and assumed premium written by the reinsurer based on its most recently available financial statement; or
 - Twenty-five percent (25%) or more of the written premium ceded to the reinsurer has been retroceded back to the Company or its affiliates.
4. Except for transactions meeting the requirements of paragraph 31 of SSAP No. 62R, Property and Casualty Reinsurance, the Company has not ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates) during the period covered by the statutory financial statements, and either:
 - Accounted for that contract as reinsurance (either prospective or retroactive) under statutory accounting principles (SAP) and as a deposit under generally accepted accounting principles (GAAP); or
 - Accounted for that contract as reinsurance under GAAP and as a deposit under SAP.