

CAMICO MUTUAL INSURANCE COMPANY

Statutory Financial Statements and
Independent Auditor's Report

December 31, 2023 and 2022

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Independent Auditor's Report

To the Board of Directors
CAMICO Mutual Insurance Company

Opinions

We have audited the accompanying statutory financial statements of CAMICO Mutual Insurance Company (a California corporation), which comprise the statutory statements of admitted assets, liabilities, and policyholders' surplus as of December 31, 2023 and 2022, 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.

Unmodified Opinion on Statutory Basis of Accounting

In our opinion, the statutory financial statements referred to above present fairly, in all material respects, the admitted assets, liabilities, and policyholders' surplus of CAMICO Mutual Insurance Company (the Company) as of December 31, 2023 and 2022, 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 as described in Note 1.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles section of our report, the statutory financial statements do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Company as of December 31, 2023 and 2022, or the results of its operations or its cash flow for the years then ended.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Statutory Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

As described in Note 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 and pervasive.

Responsibilities of Management for the Statutory Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Statutory Financial Statements

Our objectives are to obtain reasonable assurance about whether the statutory financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the statutory financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the statutory financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the statutory financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the statutory financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

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 33 to 38 are presented for purposes of additional analysis and 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 audit 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

April 3, 2024

CAMICO MUTUAL INSURANCE COMPANY

Statutory Statements of Admitted Assets, Liabilities, and Policyholders' Surplus As of December 31, 2023 and 2022

	2023	2022
	<i>(In Thousands)</i>	
Admitted Assets		
Investments:		
Bonds	\$ 82,568	\$ 84,630
Common stocks	5,662	4,032
Other invested assets	1,629	1,457
Cash and cash equivalents	9,004	4,375
Total cash and invested assets	98,863	94,494
Accrued investment income	565	559
Premiums receivable	5,459	4,771
Reinsurance recoverable	163	652
Deferred tax assets, net	2,239	2,061
Other assets	2,009	2,137
Total admitted assets	\$ 109,298	\$ 104,674
Liabilities and Policyholders' Surplus		
Liabilities:		
Reserves for losses	\$ 19,778	\$ 19,960
Reserves for loss adjustment expenses	17,085	15,335
Unearned premiums	12,151	11,415
Advance premiums	3,751	3,845
Accounts payable and accrued expenses	1,846	1,380
Ceded reinsurance premiums payable	101	333
Other liabilities	7,550	6,484
Total liabilities	62,262	58,753
Policyholders' surplus:		
Surplus notes	7,000	8,000
Unassigned surplus	40,036	37,922
Total policyholders' surplus	47,036	45,922
Total liabilities and policyholders' surplus	\$ 109,298	\$ 104,674

See accompanying notes to statutory financial statements.

CAMICO MUTUAL INSURANCE COMPANY

Statutory Statements of Operations For the Years Ended December 31, 2023 and 2022

	2023	2022
	<i>(In Thousands)</i>	
Underwriting income:		
Net premiums earned	\$ 32,769	\$ 32,002
Losses incurred	8,127	10,380
Loss adjustment expenses incurred	10,189	8,585
Other underwriting expenses incurred	14,299	12,996
Net underwriting income	154	41
Net investment income	1,621	1,364
Net realized capital gains, net of tax	25	47
Net investment gain	1,646	1,411
Income after capital gains tax and before dividends to policyholders and federal income taxes	1,800	1,452
Federal income tax expense	702	275
Net income	\$ 1,098	\$ 1,177

See accompanying notes to statutory financial statements.

CAMICO MUTUAL INSURANCE COMPANY

Statutory Statements of Changes in Policyholders' Surplus For the Years Ended December 31, 2023 and 2022

	Surplus Notes	Unassigned Surplus <i>(In Thousands)</i>	Total
Balance at January 1, 2022	\$ 9,000	\$ 37,398	\$ 46,398
Net income	-	1,177	1,177
Change in:			-
Net unrealized capital gains	-	(343)	(343)
Nonadmitted assets	-	(251)	(251)
Net deferred taxes	-	6	6
Provision for reinsurance	-	(65)	(65)
Surplus notes	(1,000)	-	(1,000)
Balance at December 31, 2022	8,000	37,922	45,922
Net income	-	1,098	1,098
Change in:			
Net unrealized capital gains	-	404	404
Nonadmitted assets	-	284	284
Net deferred taxes	-	292	292
Provision for reinsurance	-	36	36
Surplus notes	(1,000)	-	(1,000)
Balance at December 31, 2023	\$ 7,000	\$ 40,036	\$ 47,036

See accompanying notes to statutory financial statements.

CAMICO MUTUAL INSURANCE COMPANY

Statutory Statements of Cash Flow For the Years Ended December 31, 2023 and 2022

	2023	2022
	<i>(In Thousands)</i>	
Cash flow from operating activities:		
Underwriting activities:		
Premiums collected, net of reinsurance	\$ 32,512	\$ 31,577
Losses and loss adjustment expenses paid, net of reinsurance	(16,259)	(17,315)
Underwriting expenses paid	(13,826)	(12,778)
Net cash provided by underwriting activities	2,427	1,484
Net investment income	1,798	1,948
Net cash provided by operating activities	4,225	3,432
Cash flow from investing activities:		
Purchase of bonds	(9,942)	(17,996)
Purchase of common stocks	(3,226)	(1,559)
Sale and maturity of bonds	11,890	16,243
Sale of common stocks	2,007	540
Net cash provided by (used in) investing activities	729	(2,772)
Cash flow from financing activities:		
Principal payment on surplus notes	(1,000)	(1,000)
Other	675	(181)
Net cash used in financing activities	(325)	(1,181)
Net change in cash and cash equivalents	4,629	(521)
Cash and cash equivalents, beginning of year	4,375	4,896
Cash and cash equivalents, end of year	\$ 9,004	\$ 4,375

See accompanying notes to statutory financial statements.

CAMICO MUTUAL INSURANCE COMPANY

Notes to Statutory Financial Statements
December 31, 2023 and 2022
(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, TransUnion. CAMICO specializes in insuring certified public accounting 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 with policy limits up to \$2,000 and EPLI in 50 states and Washington, D.C. The Company's California business represented 47% and 48% of its total premium written for the years ended December 31, 2023 and 2022, 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 certified public accountant (CPA) firms which are underwritten by other insurance companies. Additionally, CSI operates as a general agent (GA) under an agreement with Berkley Alliance Managers, an operating unit of Berkley Insurance Company. Under the GA agreement, CSI places professional liability coverage where policy limits exceed \$2,000 and provides administration and claims management under the program. Policies with professional liability coverage where limits are below \$2,000 and require an A rating are also included in the GA agreement.

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 statutory financial statements are not intended to present financial position, results of operations, or cash flow in conformity with accounting principles generally accepted in the United States of America (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 "nonadmitted 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 mostly carried at amortized cost, regardless of the Company's intent or ability to hold them to maturity.

CAMICO MUTUAL INSURANCE COMPANY

Notes to Statutory Financial Statements (Continued)
December 31, 2023 and 2022
(Dollars in Thousands)

1. Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

- 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.
- 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 policyholders' surplus.
- The current expected credit loss model is not consistent with the impairment or loss contingency model for recognizing credit losses in statutory accounting.
- 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.
- Leases are accounted for as operating leases; right of use assets and liabilities are not presented.

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 common stocks are generally reported at fair value or net asset value (NAV) as a practical expedient if the fair value is not readily determinable, 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 policyholders' surplus.

CAMICO MUTUAL INSURANCE COMPANY

Notes to Statutory Financial Statements (Continued)
December 31, 2023 and 2022
(Dollars in Thousands)

1. Summary of Significant Accounting Policies (Continued)

Investments (Continued)

Investments in common stocks 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 policyholders' surplus. The Company's share of earnings, losses, and other changes in policyholders' surplus are included in unrealized gains and losses as a direct credit or charge to policyholders' 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 policyholders' surplus. The investment is reflected as other invested assets in the accompanying statutory statements of admitted assets, liabilities, and policyholders' surplus.

Realized gains and losses on bonds and common stocks are reported net of capital gains tax 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 statutory statements of admitted assets, liabilities, and policyholders' surplus 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.

CAMICO MUTUAL INSURANCE COMPANY

Notes to Statutory Financial Statements (Continued)
December 31, 2023 and 2022
(Dollars in Thousands)

1. Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

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 by the 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 NAV.

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 \$359 and \$300 as of December 31, 2023 and 2022, respectively, for this coverage, and earned premiums was reduced by \$59 and increased by \$5 for the years ended December 31, 2023 and 2022, 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, 2023 and 2022.

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.

CAMICO MUTUAL INSURANCE COMPANY

Notes to Statutory Financial Statements (Continued) December 31, 2023 and 2022 (Dollars in Thousands)

1. Summary of Significant Accounting Policies (Continued)

Reserves for Losses and Loss Adjustment Expenses

Reserves for losses and loss adjustment expenses (LAE) are based on case by case estimates for reported claims and on estimates that are actuarially determined for incurred but not reported (IBNR) losses and LAE 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.

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 2023 and 2022 were \$214 and \$216, 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 policyholders' 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 admitted assets, liabilities, and policyholders' surplus as of December 31, after certain adjustments and consideration of any deferred tax liabilities.

CAMICO MUTUAL INSURANCE COMPANY

Notes to Statutory Financial Statements (Continued)
December 31, 2023 and 2022
(Dollars in Thousands)

1. Summary of Significant Accounting Policies (Continued)

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.

2. Investments

Bonds

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

	<u>Admitted Value</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Estimated Fair Value</u>
2023				
U.S. government States, territories, and possessions	\$ 3,741	\$ -	\$ (259)	\$ 3,482
U.S. political subdivisions of states, territories, and possessions	558	-	(38)	520
U.S. special revenue and special assessment obligations	1,778	7	(102)	1,683
Industrial and miscellaneous Commercial mortgage-backed securities	6,362	17	(319)	6,060
Residential mortgage-backed securities	44,210	154	(2,864)	41,500
Other loan-backed and structured securities	9,019	4	(809)	8,214
	12,813	214	(1,052)	11,975
	4,087	17	(96)	4,008
Total	<u>\$ 82,568</u>	<u>\$ 413</u>	<u>\$ (5,539)</u>	<u>\$ 77,442</u>

CAMICO MUTUAL INSURANCE COMPANY

Notes to Statutory Financial Statements (Continued)
December 31, 2023 and 2022
(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>
2022				
U.S. government States, territories, and possessions	\$ 3,780	\$ -	\$ (390)	\$ 3,390
U.S. political subdivisions of states, territories, and possessions	811	-	(55)	756
U.S. special revenue and special assessment obligations	1,620	-	(147)	1,473
Industrial and miscellaneous	6,832	-	(561)	6,271
Commercial mortgage- backed securities	46,641	23	(4,224)	42,440
Residential mortgage-backed securities	9,659	61	(990)	8,730
Other loan-backed and structured securities	11,732	162	(1,151)	10,743
	<u>3,555</u>	<u>-</u>	<u>(154)</u>	<u>3,401</u>
Total	<u>\$ 84,630</u>	<u>\$ 246</u>	<u>\$ (7,672)</u>	<u>\$ 77,204</u>

The estimated fair value of bonds is derived from market prices published by the 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.

CAMICO MUTUAL INSURANCE COMPANY

Notes to Statutory Financial Statements (Continued)
December 31, 2023 and 2022
(Dollars in Thousands)

2. Investments (Continued)

Bonds (Continued)

The admitted value and fair value of bonds at December 31, 2023 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.

	Admitted Value	Estimated Fair Value
Due in one year or less	\$ 3,308	\$ 3,256
Due after one year through five years	31,344	29,496
Due after five years through ten years	20,750	19,322
Due after ten years	1,247	1,172
Subtotal	56,649	53,246
Commercial mortgage-backed securities	9,019	8,213
Residential mortgage-backed securities	12,813	11,975
Other loan-backed and structured securities	4,087	4,008
Total	\$ 82,568	\$ 77,442

At December 31, 2023, the Company held 5 securities with an NAIC rating of 3 or higher, less than investment grade, with an admitted value and fair value of \$749 and \$749, 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
2023				
Mutual funds	\$ 3,653	\$ 487	\$ (56)	\$ 4,084
Common stocks - affiliated	5,810	-	(4,232)	1,578
Total	\$ 9,463	\$ 487	\$ (4,288)	\$ 5,662

CAMICO MUTUAL INSURANCE COMPANY

Notes to Statutory Financial Statements (Continued)
December 31, 2023 and 2022
(Dollars in Thousands)

2. Investments (Continued)

Common Stocks (Continued)

	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
2022				
Mutual funds	\$ 2,338	\$ 241	\$ (52)	\$ 2,527
Common stocks - affiliated	5,810	-	(4,305)	1,505
Total	\$ 8,148	\$ 241	\$ (4,357)	\$ 4,032

The Subsidiary, Controlled and Affiliated Entities (SCA) Sub-2 Form filing submitted on May 18, 2023 for the valuation of the affiliated stock as of December 31, 2022 for \$1,505 was reviewed by the NAIC.

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
2023				
U.S. government States, territories, and possessions	\$ 3,482	\$ (259)	\$ -	\$ -
U.S. political subdivisions of states, territories, and possessions	519	(38)	-	-
U.S. special revenue and special assessment obligations	1,441	(102)	-	-
Industrial and miscellaneous Commercial mortgage-backed securities	5,405	(319)	279	(1)
Residential mortgage-backed securities	35,147	(2,857)	905	(5)
Other loan-backed and structured securities	7,175	(758)	304	(51)
Total	\$ 62,089	\$ (5,450)	\$ 3,902	\$ (89)

CAMICO MUTUAL INSURANCE COMPANY

Notes to Statutory Financial Statements (Continued)
December 31, 2023 and 2022
(Dollars in Thousands)

2. Investments (Continued)

Other-than-Temporary Impairment Analysis (Continued)

	12 Months or Greater		Less than 12 Months	
	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses
2022				
U.S. government States, territories, and possessions	\$ 3,056	\$ (371)	\$ 335	\$ (19)
U.S. political subdivisions of states, territories, and possessions	100	(20)	656	(35)
U.S. special revenue and special assessment obligations	739	(88)	734	(59)
Industrial and miscellaneous Commercial mortgage- backed securities	1,230	(155)	5,041	(406)
Residential mortgage-backed securities	11,636	(1,760)	28,933	(2,464)
Other loan-backed and structured securities	3,546	(511)	4,871	(479)
	3,624	(672)	3,728	(479)
	451	(34)	2,949	(120)
Total	\$ 24,382	\$ (3,611)	\$ 47,247	\$ (4,061)

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 2023 and 2022.

CAMICO MUTUAL INSURANCE COMPANY

Notes to Statutory Financial Statements (Continued)
December 31, 2023 and 2022
(Dollars in Thousands)

2. Investments (Continued)

Other

The Company maintains certain deposits with states and state regulators as a security to assure the faithful performance of its obligations with policyholders. Pledged deposits included cash equivalents and bonds with carrying values are as follows as of December 31:

	2023		2022	
	Carrying Value	Percentage of Total Admitted Assets	Carrying Value	Percentage of Total Admitted Assets
On deposit with states:				
California	\$ 2,434	2.2%	\$ 2,434	2.3%
On deposit with other regulatory agencies:				
Arkansas	120	0.1	120	0.1
Georgia	28	0.0	28	0.0
Massachusetts	125	0.1	125	0.1
Nevada	209	0.2	209	0.2
New Hampshire	513	0.5	518	0.5
New Mexico	450	0.4	450	0.4
North Carolina	210	0.2	210	0.2
Tennessee	200	0.2	200	0.2
Virginia	244	0.2	244	0.3
Total	\$ 4,533	4.1%	\$ 4,538	4.3%

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

	2023	2022
Bonds	\$ 2,340	\$ 1,858
Mutual funds	91	47
Cash and cash equivalents	161	17
Total investment income earned	2,592	1,922
Investment expense	(971)	(558)
Net investment income earned	\$ 1,621	\$ 1,364

CAMICO MUTUAL INSURANCE COMPANY

Notes to Statutory Financial Statements (Continued)
December 31, 2023 and 2022
(Dollars in Thousands)

2. Investments (Continued)

Other (Continued)

Proceeds from sales of investments and gross realized gains and losses, net of capital gains tax, are as follows for the years ended December 31:

	2023	2022
Proceeds from sales of bonds	\$ 6,298	\$ 5,418
Proceeds from sales of common stocks	2,007	540
Total proceeds	\$ 8,305	\$ 5,958
Bonds gross realized gains	\$ 61	\$ 8
Bonds gross realized losses	(125)	(47)
Common stocks gross realized gains	98	99
Common stocks gross realized losses	(2)	-
Net realized gains	32	60
Capital gains tax	(7)	(13)
Net realized capital gains, net of tax	\$ 25	\$ 47

3. Fair Value Measurements

The following tables set forth by level within the fair value hierarchy assets both measured and carried at fair value or NAV as of December 31:

	Level 1	Level 2	Level 3	NAV	Estimated Fair Value
2023					
Bonds	\$ -	\$ 749	\$ -	\$ -	\$ 749
Cash equivalents	9,261	-	-	-	9,261
Mutual funds	-	-	-	4,084	4,084
Total	\$ 9,261	\$ 749	\$ -	\$ 4,084	\$ 14,094
2022					
Bonds	\$ -	\$ 1,065	\$ -	\$ -	\$ 1,065
Cash equivalents	637	-	-	-	637
Mutual funds	-	-	-	2,527	2,527
Total	\$ 637	\$ 1,065	\$ -	\$ 2,527	\$ 4,229

CAMICO MUTUAL INSURANCE COMPANY

Notes to Statutory Financial Statements (Continued) December 31, 2023 and 2022 (Dollars in Thousands)

3. Fair Value Measurements (Continued)

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:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>NAV</u>	<u>Estimated Fair Value</u>	<u>Admitted Value</u>
2023						
Bonds	\$ 3,482	\$ 73,960	\$ -	\$ -	\$ 77,442	\$ 82,568
Cash equivalents	9,261	-	-	-	9,261	9,261
Mutual funds	-	-	-	4,084	4,084	4,084
Total	<u>\$ 12,743</u>	<u>\$ 73,960</u>	<u>\$ -</u>	<u>\$ 4,084</u>	<u>\$ 90,787</u>	<u>\$ 95,913</u>
2022						
Bonds	\$ 3,390	\$ 73,814	\$ -	\$ -	\$ 77,204	\$ 84,630
Cash equivalents	637	-	-	-	637	637
Mutual funds	-	-	-	2,527	2,527	2,527
Total	<u>\$ 4,027</u>	<u>\$ 73,814</u>	<u>\$ -</u>	<u>\$ 2,527</u>	<u>\$ 80,368</u>	<u>\$ 87,794</u>

The admitted value of mutual funds is reported at NAV as a practical expedient. 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. Electronic 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 LAE incurred and other underwriting expenses incurred on the statutory statements of operations. The Company expensed \$983 and \$1,139 as of December 31, 2023 and 2022, respectively. EDP equipment, included in other assets, consist of the following as of December 31:

	<u>2023</u>	<u>2022</u>
EDP equipment	\$ 725	\$ 705
Accumulated depreciation	<u>(502)</u>	<u>(357)</u>
EDP equipment, net	<u>\$ 223</u>	<u>\$ 348</u>

Depreciation expense related to EDP equipment was \$145 and \$151 for the years ended December 31, 2023 and 2022, respectively.

CAMICO MUTUAL INSURANCE COMPANY

Notes to Statutory Financial Statements (Continued)
December 31, 2023 and 2022
(Dollars in Thousands)

5. Other Assets

Other assets consist of the following as of December 31:

	2023	2022
Guaranty funds	\$ 20	\$ 14
Deductible billed to policyholders, net	71	81
EDP equipment, net	223	348
Receivable from CSI	1,682	1,686
Other receivables	13	8
Total	\$ 2,009	\$ 2,137

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:

	2023	2022
Net reserves for losses and LAE at January 1	\$ 35,295	\$ 33,539
Incurred related to:		
Current year	23,274	19,748
Prior years	(4,958)	(783)
Total incurred	18,316	18,965
Paid related to:		
Current year	(6,890)	(5,787)
Prior years	(9,858)	(11,422)
Total paid	(16,748)	(17,209)
Net reserves for losses and LAE at December 31	\$ 36,863	\$ 35,295

Decreases in incurred losses and LAE during 2023 and 2022 pertaining to the previously reported amounts are the result of favorable development in estimates of insured events of previous years.

CAMICO MUTUAL INSURANCE COMPANY

Notes to Statutory Financial Statements (Continued)
December 31, 2023 and 2022
(Dollars in Thousands)

7. Other Liabilities

Other liabilities consist of the following as of December 31:

	2023	2022
Deferred compensation plans	\$ 3,946	\$ 3,236
Accrued employee benefits	1,079	1,121
Premium taxes, licenses, and fees payable	204	194
Provision for reinsurance	31	67
Other accrued expenses and liabilities	2,290	1,866
Total	<u>\$ 7,550</u>	<u>\$ 6,484</u>

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 policyholders' 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, 2023 through June 30, 2024, 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, 2022 through June 30, 2023, 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, 2021 through June 30, 2022, 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%.

Casualty Contingency

For claims made and reported to the Company from July 1, 2023 through June 30, 2024 and from July 1, 2022 through June 30, 2023, 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.

CAMICO MUTUAL INSURANCE COMPANY

Notes to Statutory Financial Statements (Continued)
December 31, 2023 and 2022
(Dollars in Thousands)

8. Reinsurance (Continued)

Quota Share Employment Practices Liability Insurance

During 2023 and 2022, 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, 2023 and 2022, the maximum retained loss for any Employment Practices Liability claim was \$500. The contract includes a 25% ceding commission.

Quota Share Cyber Liability

During 2023 and 2022, the Company had in place a quota share reinsurance agreement whereby 50% of the Company's cyber liability endorsement premium is ceded. For the years ended December 31, 2023 and 2022, the maximum retained loss for any Cyber CPA Endorsement claim was \$50. The contract includes a 20% ceding commission.

Financial Impact of Reinsurance

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

	2023		2022	
	Written	Earned	Written	Earned
Direct premiums	\$ 37,146	\$ 36,322	\$ 35,803	\$ 35,498
Ceded premiums	(3,641)	(3,553)	(3,517)	(3,496)
Net premiums	\$ 33,505	\$ 32,769	\$ 32,286	\$ 32,002

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 \$389 and \$373 for 2023 and 2022, respectively.

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:

	2023		2022	
	Unearned Premium	Return Commission	Unearned Premium	Return Commission
Ceded	\$ 1,189	\$ 145	\$ 1,101	\$ 133

CAMICO MUTUAL INSURANCE COMPANY

Notes to Statutory Financial Statements (Continued)
December 31, 2023 and 2022
(Dollars in Thousands)

8. Reinsurance (Continued)

Financial Impact of Reinsurance (Continued)

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

	2023		2022	
	Reserves	Incurred	Reserves	Incurred
Direct	\$ 38,401	\$ 18,920	\$ 36,601	\$ 19,495
Ceded	(1,538)	(604)	(1,306)	(530)
Net	\$ 36,863	\$ 18,316	\$ 35,295	\$ 18,965

The Company did not have any uncollectible reinsurance for the years ended December 31, 2023 and 2022.

Unsecured reinsurance recoverables balances including ceded case and IBNR at December 31, 2023, that exceed 3% of the Company's policyholders' surplus are summarized as follows:

	Amount	Percentage of Policyholders' Surplus
	Reinsurer:	
General Reinsurance Corp	\$ 2,007	4.3%

Effective March 22, 2022, the Company commuted the June 1, 2005 to May 31, 2009 excess of loss treaties with Amerinst Insurance Company Limited. The commutation resulted in a favorable impact on income of \$15 recorded as a reduction to other underwriting expenses for the year ended December 31, 2022.

9. Policyholders' Surplus

Surplus Notes

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%. Effective July 1, 2023, LIBOR was replaced with Secured Overnight Financing Rate (SOFR) plus a spread adjustment. The effective variable interest rate at December 15, 2023, was 8.8%.

CAMICO MUTUAL INSURANCE COMPANY

Notes to Statutory Financial Statements (Continued)
December 31, 2023 and 2022
(Dollars in Thousands)

9. Policyholders' Surplus (Continued)

Surplus Notes (Continued)

The accrual of interest and the payments of interest and principal can only be made from policyholders' surplus and only upon gaining approval from the California Department of Insurance. During 2023, with approval from the California Department of Insurance, the Company made a partial principal repayment of \$1,000 towards the \$8,000 principal balance of surplus notes.

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.

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

The following summarizes principal provisions of the notes as of December 31, 2023:

	Par / Carrying Value	Unapproved Principal and Interest	Interest Paid	
			Current Year	From Inception
Issued June 3, 2005 bearing interest at SOFR + 0.26% + 3.15%, due June 3, 2035	\$ 7,000	\$ -	\$ 656	\$ 9,429

Unassigned Surplus

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

	2023	2022
Unrealized losses, net	\$ (3,394)	\$ (3,798)
Nonadmitted assets	(1,104)	(1,388)
Deferred tax asset	2,577	2,285
Provision for reinsurance	(31)	(67)
Retained surplus	41,988	40,890
Total	\$ 40,036	\$ 37,922

CAMICO MUTUAL INSURANCE COMPANY

Notes to Statutory Financial Statements (Continued)
December 31, 2023 and 2022
(Dollars in Thousands)

10. Federal Income Taxes

The Company's federal income tax return is consolidated with CSI. The Company has a written agreement approved by the Company's Board of Directors, which sets forth the manner in which the total combined federal income tax is allocated to each entity which is a party to the consolidation. Pursuant to this agreement, the Company has the enforceable right to recoup federal income taxes paid in prior years in the event of future net losses which it may incur, or to recoup its net losses carried forward as an offset to future net income subject to federal income taxes.

The provision for federal income taxes for the years ended December 31, 2023 and 2022 was a tax expense of \$709 and \$288, respectively.

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

	2023	2022	Change
Gross deferred tax assets:			
Operating	\$ 2,981	\$ 2,701	\$ 280
Capital	20	20	-
Statutory valuation allowance:			
Operating	-	-	-
Capital	-	-	-
Adjusted gross deferred tax assets:			
Operating	2,981	2,701	280
Capital	20	20	-
Nonadmitted deferred tax assets:			
Operating	(142)	(244)	102
Capital	-	-	-
Subtotal net admitted deferred tax assets:			
Operating	2,839	2,457	382
Capital	20	20	-
Gross deferred tax liabilities:			
Operating	404	416	(12)
Capital	216	-	216
Net admitted deferred tax assets:			
Operating	2,435	2,041	394
Capital	(196)	20	(216)
Total net admitted deferred tax assets	\$ 2,239	\$ 2,061	\$ 178
Decrease in nonadmitted tax assets	\$ 102		

CAMICO MUTUAL INSURANCE COMPANY

Notes to Statutory Financial Statements (Continued)
December 31, 2023 and 2022
(Dollars in Thousands)

10. Federal Income Taxes (Continued)

The components of the admissibility calculation at December 31, 2023 by tax character are as follows:

	Operating	Capital	Total
SSAP No. 101 paragraph 11.a:			
Recoverable taxes	\$ -	\$ -	\$ -
Three year reversals	2,219	20	2,239
Admitted assets	-	-	-
SSAP No. 101 paragraph 11.b:			
Remaining three year reversals	2,219	20	2,239
Surplus limitation	6,380	20	6,400
Admitted assets	2,219	20	2,239
SSAP No. 101 paragraph 11.c:			
Remaining deferred tax assets	763	-	763
Deferred tax liabilities	620	-	620
Admitted assets	620	-	620

The components of the admissibility calculation at December 31, 2022 by tax character are as follows:

	Operating	Capital	Total
SSAP No. 101 paragraph 11.a:			
Recoverable taxes	\$ -	\$ -	\$ -
Three year reversals	2,041	20	2,061
Admitted assets	-	-	-
SSAP No. 101 paragraph 11.b:			
Remaining three year reversals	2,041	20	2,061
Surplus limitation	6,527	20	6,547
Admitted assets	2,041	20	2,061
SSAP No. 101 paragraph 11.c:			
Remaining deferred tax assets	660	-	660
Deferred tax liabilities	416	-	416
Admitted assets	416	-	416

The Authorized Control Level Risk-Based Capital (RBC) computed without net deferred tax assets (ExDTA ACL RBC ratio) at December 31, 2023 is 661%. The adjusted capital and surplus used to determine recovery period and threshold limitations is \$44,073.

CAMICO MUTUAL INSURANCE COMPANY

Notes to Statutory Financial Statements (Continued)
December 31, 2023 and 2022
(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:

	2023	2022
Deferred tax assets:		
Discounting of unpaid losses	\$ 628	\$ 603
Unearned premiums	510	479
Deferred compensation	1,247	1,018
Advance premiums	158	161
Nonadmitted assets	202	240
Impairments	20	20
Other	236	200
Total deferred tax assets	3,001	2,721
Deferred tax assets nonadmitted	(142)	(244)
Total admitted deferred tax assets	2,859	2,477
Deferred tax liabilities:		
Bond market discount	(78)	(27)
Fixed assets	(107)	(141)
Premium acquisition expenses	(157)	(161)
Unrealized gains	(216)	-
Other	(62)	(87)
Total deferred tax liabilities	(620)	(416)
Net admitted deferred tax assets	\$ 2,239	\$ 2,061

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

	2023	2022	Change
Deferred tax assets	\$ 3,001	\$ 2,721	\$ 280
Deferred tax liabilities	(620)	(416)	(204)
Net deferred tax assets	\$ 2,381	\$ 2,305	76
Tax effect on net unrealized capital gains			216
Change in deferred taxes			\$ 292

CAMICO MUTUAL INSURANCE COMPANY

Notes to Statutory Financial Statements (Continued) December 31, 2023 and 2022 (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:

	2023	2022
Provision computed at statutory rate	\$ 379	\$ 308
Tax-exempt income, net	3	3
Change in nonadmitted assets	38	(29)
Other	(3)	-
Total statutory income tax expense	\$ 417	\$ 282
Federal income tax expense	\$ 702	\$ 275
Tax on realized capital gains	7	13
Change in deferred taxes	(292)	(6)
Total statutory income tax expense	\$ 417	\$ 282

The Company does not have any income tax paid that would be available for recoupment in the event of future net losses.

As of December 31, 2023 and 2022, 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, 2023, the only material jurisdiction in which the Company is subject to examination is the U.S. federal jurisdiction for the tax years 2020 through the present.

CAMICO MUTUAL INSURANCE COMPANY

Notes to Statutory Financial Statements (Continued) December 31, 2023 and 2022 (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 \$283 and \$286 in 2023 and 2022, respectively.

The Company has a deferred compensation plan which allows senior management to defer all or part of their salary or incentive compensation. Amounts deferred under this plan totaled \$679 and \$562 in 2023 and 2022, respectively. Additionally, the Company has a deferred compensation plan for directors that allows members to defer all or part of their fees. Amounts deferred under this plan totaled \$238 and \$192 in 2023 and 2022, respectively.

The Company has a supplemental executive retirement plan (SERP) under which the Company contributed \$120 and \$115 as of December 31, 2023 and 2022, respectively.

12. Line of Credit

The Company has a secured revolving line of credit of \$10,000 with U.S. Bank at a rate of 2.5% with a LIBOR option, expiring May 31, 2024. LIBOR was replaced with SOFR effective July 1, 2023. The effective rate at December 31, 2023 is 7.8%.

The Company maintains pledged bonds with a par value of \$7,879 at December 31, 2023, as security for the line of credit. There was no outstanding balance on the line of credit at December 31, 2023 and 2022.

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, 2023 and 2022
(Dollars in Thousands)

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

Dividend Restrictions

The Company's ability to pay dividends is restricted by the California Insurance Code and requires prior notification to the California Department of Insurance. Amounts that may be paid as dividends on a non-cumulative basis generally must be paid from unassigned funds or earned surplus. The payment of "extraordinary" dividends must be approved in advance by the California Department of Insurance. A dividend is deemed "extraordinary" if, when aggregated with all other dividends paid within the preceding 12 months, the dividend exceeds the greater of (a) the Company's statutory net income for the preceding year or (b) 10% of surplus as regards policyholders as of the preceding December 31. The California Department of Insurance may disallow the payment of any dividend if, in the opinion of the California Department of Insurance, the payment would in any way violate California Department of Insurance regulations or be hazardous to policyholders, creditors, or the public.

The Company did not pay any dividends during the years ended December 31, 2023 and 2022.

Risk-Based Capital

A model for determining the 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 maintains capital and surplus in excess of any regulatory action or reporting level as of December 31, 2023.

14. Concentration of Credit Risk

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

The Company places its temporary cash and cash equivalents with high credit quality institutions, which, at times, may exceed federally insured limits. Management believes the Company is not exposed to any significant credit risk related to cash and cash equivalents. 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, 2023 and 2022, \$1,682 and \$1,686, respectively, were due from CSI to the Company. Net costs allocated from the Company to CSI for the years ended December 31, 2023 and 2022, were \$5,600 and \$5,320, respectively.

CAMICO MUTUAL INSURANCE COMPANY

Notes to Statutory Financial Statements (Continued) December 31, 2023 and 2022 (Dollars in Thousands)

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, lawsuits, and proceedings arising in the normal course of business. On the basis of present information and advice received from counsel, it is the opinion of management of the Company that the disposition or ultimate determination of these claims, lawsuits, or proceedings will not have a material adverse effect on the Company's financial position or results of operations.

The Company had a lease agreement for its corporate office in San Mateo, California which will terminate in 2030. The lease is secured with a \$101 letter of credit at U.S. Bank.

Rent expense for all leased properties was \$1,032 and \$1,063 as of ended December 31, 2023 and 2022, respectively.

Future minimum lease payments at December 31, 2023, under agreements classified as operating leases with terms in excess of one year, are as follows:

	Total Obligations
2024	\$ 1,065
2025	1,098
2026	1,131
2027	1,165
2028	1,200
Thereafter	1,651
Total	<u>\$ 7,310</u>

17. Subsequent Events

Management has evaluated subsequent events through April 3, 2024, which is the date the statutory financial statements were available to be issued. No events have occurred subsequent to December 31, 2023 requiring recording or disclosure in the statutory financial statements.

SUPPLEMENTARY INFORMATION

CAMICO MUTUAL INSURANCE COMPANY

Summary Investment Schedule

December 31, 2023

(Dollars in Thousands)

	Gross Investment Holdings		Admitted Assets as Reported in the Annual Statement			
	Amount	%	Amount	Securities Lending Reinvested Collateral Amount	Total	%
Long-term bonds:						
U.S. governments	\$ 5,657	6%	\$ 5,657	\$ -	\$ 5,657	6%
U.S. states, territories and possessions, etc. guaranteed	558	1%	558	-	558	1%
U.S. political subdivisions of states, territories, and possessions, guaranteed	1,778	2%	1,778	-	1,778	2%
U.S. special revenue and assessment obligations	21,957	22%	21,957	-	21,957	22%
Industrial and miscellaneous	52,618	53%	52,618	-	52,618	53%
Total long-term bonds	82,568	84%	82,568	-	82,568	84%
Common stocks:						
Parent, subsidiaries and affiliates other	1,578	1%	1,578	-	1,578	1%
Mutual funds	4,084	4%	4,084	-	4,084	4%
Total common stocks	5,662	5%	5,662	-	5,662	5%
Cash and cash equivalents:						
Cash	(257)	0%	(257)	-	(257)	0%
Cash equivalents	9,261	9%	9,261	-	9,261	9%
Total cash and cash equivalents	9,004	9%	9,004	-	9,004	9%
Other invested assets	1,629	2%	1,629	-	1,629	2%
Total cash and invested assets	<u>\$ 98,863</u>	<u>100%</u>	<u>\$ 98,863</u>	<u>\$ -</u>	<u>\$ 98,863</u>	<u>100%</u>

CAMICO MUTUAL INSURANCE COMPANY

Supplemental Investment Risk Interrogatories December 31, 2023 (Dollars in Thousands)

1. The Company's total admitted assets as reported on Page 2 of the Annual Statement: \$ 109,298
2. The Company's ten largest exposures to a single issuer/borrower/investment:

Issuer/Borrower/Investment	Investment Categories	Amount	Percentage of Total Admitted Assets
Federal National Mortgage Association	Unaffiliated bond	\$ 7,824	7.2%
Federal Home Loan Mortgage Association	Unaffiliated bond	7,297	6.7
Archipelago Partners	Other invested asset	1,629	1.5
CAMICO Svcs Inc.	Affiliated common stock	1,578	1.4
JPMorgan Chase & Co.	Unaffiliated bond	974	0.9
Morgan Stanley	Unaffiliated bond	789	0.7
Wells Fargo & Company	Unaffiliated bond	785	0.7
UnitedHealth Group Incorporated	Unaffiliated bond	672	0.6
BlackRock, Inc.	Unaffiliated bond	644	0.6
Bank of America Corporation	Unaffiliated bond	579	0.5

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

Bonds	Amount	Percentage of Total Admitted Assets
NAIC-1	\$ 65,503	59.9%
NAIC-2	16,316	14.9
NAIC-3	626	0.6
NAIC-4	123	0.1

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

Description	Amount	Percentage of Total Admitted Assets
Foreign investments	\$ 3,425	3.1%

CAMICO MUTUAL INSURANCE COMPANY

Supplemental Investment Risk Interrogatories (Continued) December 31, 2023 (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	\$ 3,425	3.1%

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:		
United Kingdom	\$ 1,217	1.1%
Netherlands	532	0.5

7-9. The Company does not have 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
HSBC Holdings plc	1FE	\$ 421	0.4%
UBS Group	1FE	261	0.2
Mitsubishi UFJ Financial Group, Inc.	1FE	220	0.2
TotalEnergies Capital	1FE	211	0.2
Shell International Finance B.V.	1FE	210	0.2
Rio Tinto Finance (USA) Plc	1FE	206	0.2
Diageo Capital plc	1FE	205	0.2
Trane Technologies Financing Limited	2FE	201	0.2
Sumitomo Mitsui Financial Group, Inc.	1FE	200	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.

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

CAMICO MUTUAL INSURANCE COMPANY

Supplemental Investment Risk Interrogatories (Continued)
December 31, 2023
(Dollars in Thousands)

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

Issuer	Amount	Percentage of Total Admitted Assets
Archipelago Partners	\$ 1,629	1.5%
CAMICO Svcs Inc.	1,578	1.4
Vanguard Fenway Funds – Vanguard Equity Income Fund	1,296	1.2
Vanguard White Funds – Vanguard Int Div App ETF	1,249	1.1
Vanguard Whitehall Funds - Vanguard International Dividend Appreciation ETF	509	0.5
Fidelity Concord Street Trust - Fidelity 500 Index Fund	255	0.2
Vanguard Valley Forge Funds - Vanguard Balanced Index Fund	106	0.1
Vanguard Index Funds - Vanguard Growth ETF	88	0.1
Vanguard Specialized Funds - Vanguard Real Estate ETF	67	0.1
Vanguard STAR Funds - Vanguard LifeStrategy Growth Fund	63	0.1

14. The Company does not have investments in nonaffiliated, privately placed equities.

14.06. The Company's largest fund managers is as follows:

Issuer	Total Invested	Diversified	Non- Diversified
First American Funds, Inc. - Government Obligation Fund	\$ 6,543	\$ 6,543	\$ -
Vanguard Money Market Reserves - Vanguard Federal Money Market Fund	2,719	2,719	-
Vanguard Fenway Funds - Vanguard Equity Income Fund	1,296	1,296	-
Vanguard Specialized Funds - Vanguard Dividend Appreciation ETF	1,249	1,249	-
Vanguard Whitehall Funds - Vanguard International Dividend Appreciation ETF	509	509	-
Fidelity Concord Street Trust - Fidelity 500 Index Fund	255	255	-
Vanguard Valley Forge Funds - Vanguard Balanced Index Fund	106	106	-
Vanguard Index Funds - Vanguard Growth ETF	88	88	-
Vanguard Specialized Funds - Vanguard Real Estate ETF	67	67	-
Vanguard STAR Funds - Vanguard LifeStrategy Growth Fund	63	63	-

CAMICO MUTUAL INSURANCE COMPANY

Supplemental Investment Risk Interrogatories (Continued)

December 31, 2023

(Dollars in Thousands)

15. Amounts and percentages of the Company's assets held in partnership interests are less than 2.5% of total admitted assets.
- 16-17. The Company does not hold mortgage loans.
- 18-19. The Company does not hold assets held in real estate or in mezzanine real estate.
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, 2023

1. The 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 noncancelable 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 statutory 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 36 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 GAAP; or
 - Accounted for that contract as reinsurance under GAAP and as a deposit under SAP.