ICIMutual

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Annual Report

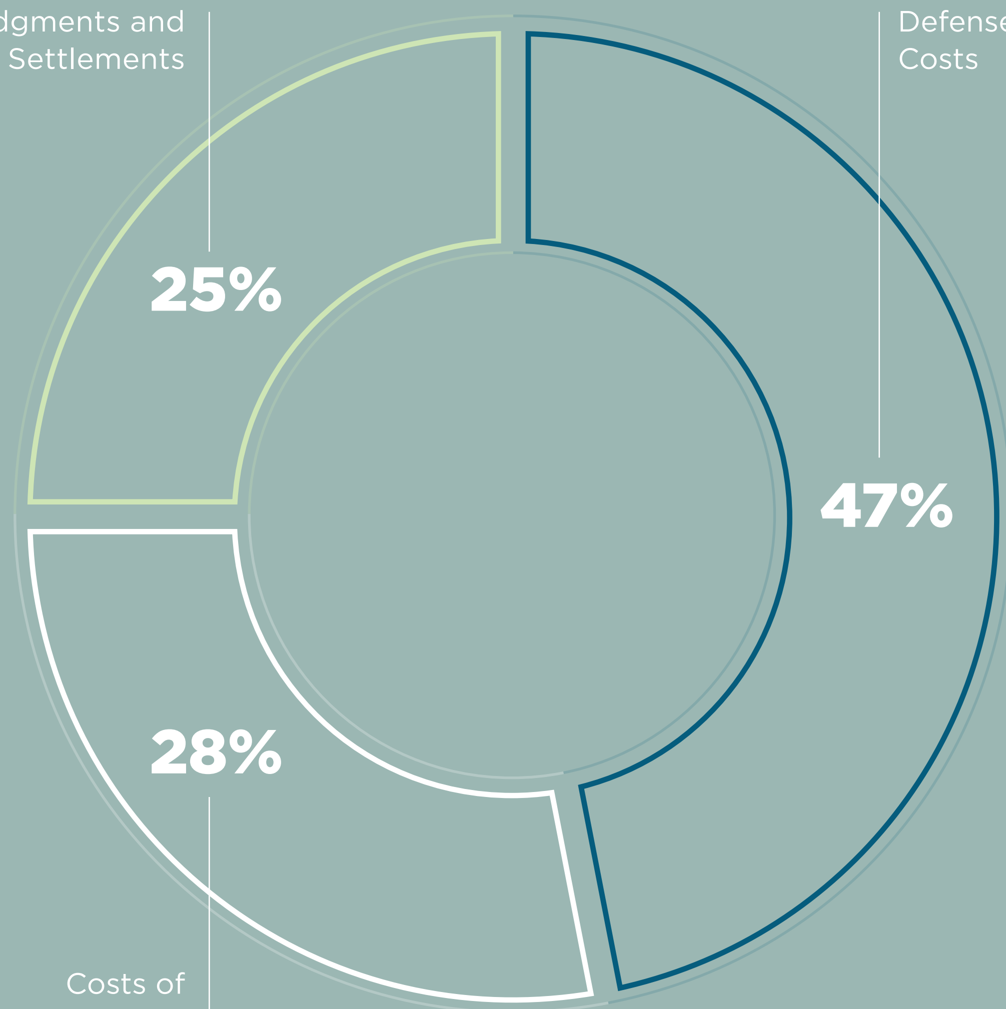
2022

ICI Mutual At A Glance

Data as of December 31, 2022

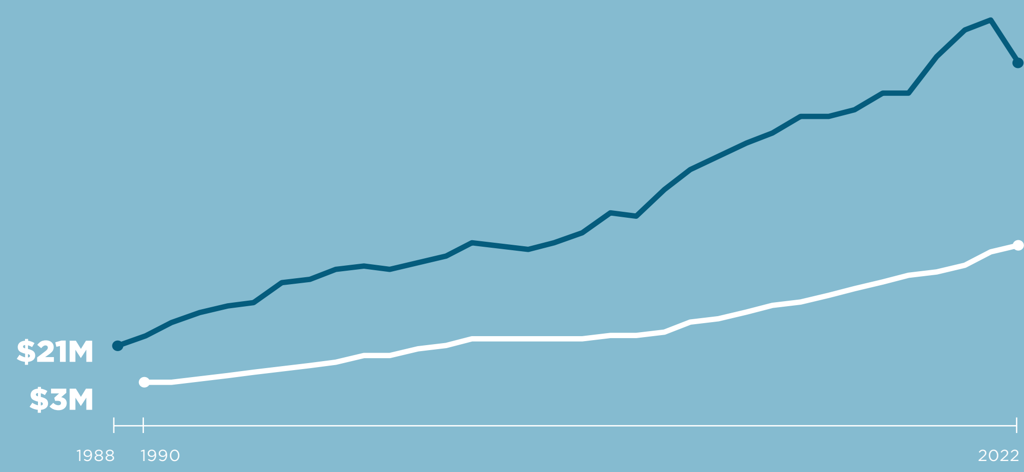
OVER $1.3B

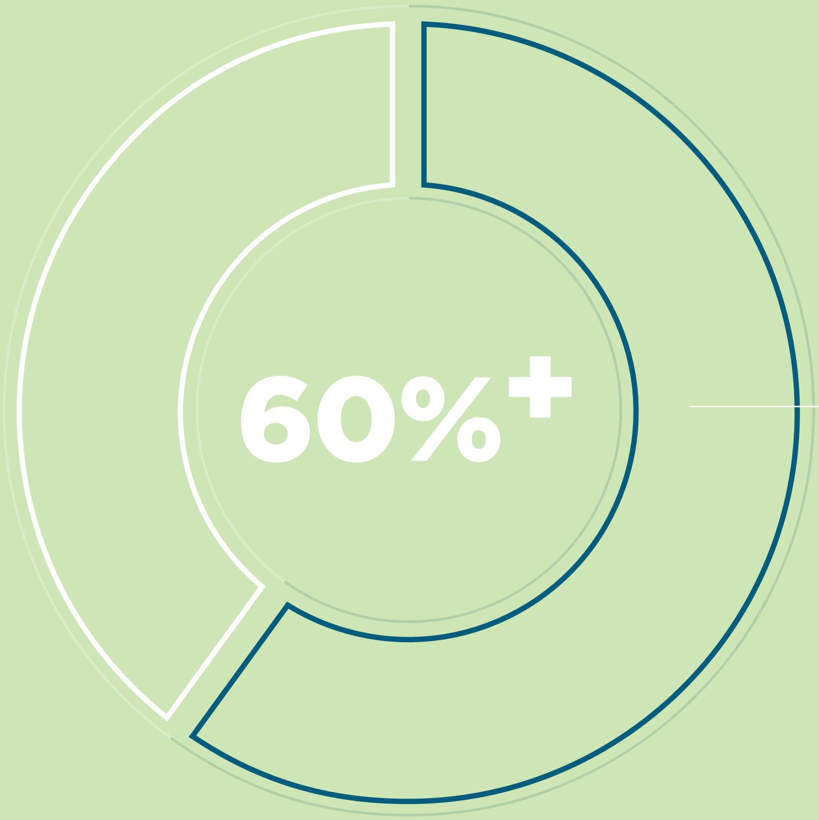
Cumulative D&O/E&O Claims Paid



For the latest rating, access www.ambest.com

EQUITY GROWTH AND DIVIDENDS





ICI Mutual Insureds Represent 60%+ of Industry Assets Under Management

ASSETS UNDER MANAGEMENT

A Letter
from the President and the Chair

Daniel T. Steiner
President

Stefanie Chang Yu
Chair

ICI Mutual remains firmly committed to the mission for which it was founded more than three decades ago. Amid a challenging fund industry claims environment and one of the worst years on record for the bond and stock markets, ICI Mutual in 2022 once again demonstrated its commitment to this mission—through its provision of sustainable insurance coverages tailored to address the fund industry's specialized risks; through its adherence to a prompt and fair-minded claims handling and claims resolution process; through its provision of substantial insurance capacity (supply) at prices rationally related to the fund industry's own risks; and through its delivery of fund industry-focused risk management, loss prevention, and insurance-related services.

We report below on claims developments, on ICI Mutual's investment results for the year, and on certain of the Company's 2022 initiatives, before closing with a look ahead to 2023.

Claims Developments

ICI Mutual has long used the catchphrase "waves and one-offs" to describe the fund industry claims environment. This catchphrase has reflected the industry's experience over the decades with both waves of substantially similar claims involving multiple fund groups and one-off claims involving individual fund groups. Claims developments of late suggest that the catchphrase be amended to read "waves, one-offs, and high severity clusters." The amendment reflects the emergence of clusters of claims that have little in common apart from their proximity in time and their high severity (with the exposure in each claim ultimately totaling $10 million or more in settlements, defense costs, and/or corrective payments, prior to any insurance recovery).

ICI Mutual has experienced two high severity clusters in recent years, with the second having emerged over just the past eighteen months. What explains this phenomenon? Unfortunately, the answer is not readily apparent.

The Company recorded a net underwriting profit of $1.3 million and earned $10.4 million in net investment income in 2022. Due primarily to market-driven net losses on securities held in the Company's investment portfolio, the Company recorded a net loss after dividends and income taxes of $8.2 million for the year and the Company's equity declined by approximately 12% from its 2021 all-time high. In May 2022, AM Best affirmed the Company's "A" (Excellent) rating and at year-end the Company's Board of Directors declared an "annual" dividend of $6.0 million (payable to the Company's Participating Members who renew their coverage in 2023).

Management's detailed discussion of 2022's operating results is provided at pages 8-9.

Reinsurance Partnerships

For ICI Mutual, much of the direct financial impact of this century's high severity claims has been absorbed by the several dozen highly rated reinsurers with whom ICI Mutual has forged long-standing partnerships and to whom ICI Mutual, pursuant to its long-standing business model, transfers a significant portion of its own risk.

The Company has made more than $1 billion in claims payments to its member-insureds thus far this century. The Company has, in turn, been fully reimbursed by its reinsurers for their shares of these payments (with the exception of one pending reinsurance recoverable matter, discussed in the footnotes to the Company's 2022 financial statements). But just as the cost of *insuring* high severity claims must be pooled and apportioned equitably over time between and among insureds and their insurers, the cost of *reinsuring* such claims must likewise be apportioned equitably over time between insurers and their reinsurers.

In this regard, the Company's experience with high severity clusters will drive a significant increase in its 2023-2024 treaty reinsurance costs. The Company expects that the phenomenon of high severity clusters will remain a factor in the Company's treaty and facultative reinsurance costs well into the future.

The number of claims reported to ICI Mutual annually has remained relatively stable and within historical norms for some years now, such that the emergence of the clusters cannot be attributed to an overall increase in claims frequency. And with the claims in these recent clusters having generally involved larger, long-established fund groups with highly resourced and experienced legal and compliance departments, the phenomenon cannot be attributed to overall deficiencies in industry risk management practices and protocols.

It is difficult to assess how often high severity clusters may be arising in the fund industry as a whole. It seems unlikely that they are limited to fund groups insured by ICI Mutual. What does this phenomenon mean for the fund industry claims environment and for fund industry insureds and their insurers going forward? Actuarial analysis suggests that it is too soon to say. But what can be said is this: the industry's experience this century evidences that the industry is periodically subject to high severity claims activity, whether in the form of waves of substantially similar claims or clusters of otherwise unrelated claims. And basic insurance principles dictate that in order to promote the continued availability of suitable breadth of insurance coverage and insurance capacity (supply) for such

ICI Mutual regularly undertakes initiatives to examine potential new and emerging fund industry risks and to assess their liability and insurance implications for funds, fund directors and officers, and fund advisers.

periodic activity, the cost of insuring high severity claims must necessarily be pooled and apportioned equitably over time between and among insureds and their insurers.

2022 Investment Results

Interest rate increases and other developments in 2022 fueled one of the worst performance years in modern times for the bond and stock markets. The Company's net investment income nevertheless remained strong and its realized losses on securities were modest. But as with a number of other insurance companies with conservative, highly liquid investment portfolios, interest rate increases and other developments in 2022 resulted in the Company incurring substantial unrealized losses on its securities. Due largely to unrealized losses on the Company's bond holdings, the Company's equity declined by approximately 12% from its 2021 all-time high. Given the relatively short (i.e., six year) duration of these bond holdings, however, it is reasonable to expect the unrealized losses on them to largely reverse as the bond holdings approach maturity. (For more information on the Company's 2022 investment results, see pages 8-9.)

The Company's Initiatives

ICI Mutual regularly undertakes initiatives to examine potential new and emerging fund industry risks and to assess their liability and insurance implications for funds, fund directors and officers, and fund advisers. In 2022, the Company's management and staff, under the oversight of the Company's Board of Directors, engaged in two such initiatives.

A Note from Daniel Steiner

This is my final annual letter, as I will be retiring later this year after a decade as President and twenty-five years with ICI Mutual. The Company's Board of Directors has elected John T. Mulligan, the Company's Senior Vice President and Chief Underwriting Officer, to succeed me as President.

A twenty-year veteran of the Company, John is a highly experienced executive and a proven leader. He is an expert in the fund industry's specialized liability risks, deeply knowledgeable about the workings of the insurance and reinsurance markets, and strongly committed to ICI Mutual and its mission. John's expertise, knowledge, and commitment position him to be highly effective in his new role and to lead the Company in meeting the challenges of the future.

It has been a privilege to serve as a steward of the Company and to promote and support its work as an "industry mutual" insurer for the fund industry. Little could I have imagined, when I first joined ICI Mutual as General Counsel in 1997, the level of professional satisfaction and wealth of personal and professional friendships that the decades to follow would bring.

I take this opportunity to recognize and thank the Company's directors, managers, and staff members, past and present, for their service, countless contributions, and untiring efforts on behalf of the Company. On a more personal note, I also express my deep appreciation for the support and guidance that they have provided to me during my tenure as President.

The first focused on environmental, social, and governance (ESG) issues, with special attention to risks associated with ESG investing. The second focused on cryptocurrencies and other digital assets, with special attention to risks associated with direct investment in such assets.

As with similar past examinations, these 2022 initiatives have laid the groundwork for the Company (1) to assist its member-insureds in understanding how different types of business insurance products (including the types of products offered by the Company) might be expected to respond to particular new and emerging risks, (2) to develop new underwriting protocols, as warranted, to gauge the potential effects that such risks may have on its member-insureds, and (3) to modify policy language (and/or develop explanatory materials), as appropriate, to provide more guidance to member-insureds as to the nature and scope of coverage afforded for the risks by the Company.

Looking Ahead to 2023

2023 will mark the Company's thirty-sixth full year of operations. In 2023, as in the past, the Company will once again utilize its experience and expertise to assist its member-insureds in assessing and managing their specialized and often complex risks. As in the past, the Company will continue to develop and deliver sustainable insurance coverages tailored to address these risks. And as in the past, the Company will provide its member-insureds with prompt and fair-minded claims handling when these risks generate claims. Indeed, these are all key components of the mission for which the Company was founded.

We look forward to the contributions that the Company will make in 2023 and beyond to meet the insurance and risk management needs of mutual funds and their directors, officers, and investment advisers. As always, there are certain to be challenges ahead. Thanks to the resilience and flexibility of its "industry mutual" model, the Company stands prepared to respond to them. We thank you, the Company's 100-plus member-insureds, for your long-standing loyalty and support. We invite and welcome any suggestions that you may have to ensure that ICI Mutual continues to serve your individual interests as member-insureds, along with the broader interests of the fund industry.

Daniel T. Steiner
President

Stefanie Chang Yu
Chair of the Board of Directors

FINANCIAL Overview

ICI Mutual recorded an underwriting profit of $1.3 million in 2022, the eighteenth consecutive year that underwriting income (net premiums earned) exceeded underwriting expenses (net losses incurred and G&A expenses). Net income before policyholder dividends and income taxes totaled $(4.3) million, with this net loss primarily a result of $13.3 million in market-driven unrealized losses on equity securities.

Gross premiums written in 2022 totaled $78.6 million while net premiums earned totaled $25.9 million. Both gross premiums and net premiums were lower than in 2021, due primarily to the non-recurrence in 2022 of certain premiums derived from tail coverages written and earned in 2021. On average, premium rates increased modestly for the directors and officers/errors and omissions liability insurance products underwritten by the Company (reflecting loss experience) and remained stable for independent directors liability and bond insurance products. The Company's year-over-year retention rate remained high, with approximately 95% of member-insureds renewing their coverages.

The Company's year-over-year retention rate remained high, with approximately 95% of member-insureds renewing their coverages.

Net loss and loss adjustment expenses equaled $11.4 million for the year, an increase from the $7.4 million experienced in 2021 and more in line with long-term average loss levels. The Company's loss ratio for 2022 (net loss and loss adjustment expenses divided by net premiums earned) was 44%. The Company's combined ratio was 95% before dividends to Participating Members, and 118% after dividends to Participating Members.

Net investment income equaled $10.4 million in 2022, which approximated the 2021 amount.

A policyholder dividend of $6.0 million was declared by the Company's Board of Directors in December 2022 and is payable to Participating Members that renew eligible participating policies in 2023.

The benefit for income taxes was $2.1 million.

Net loss, after dividends and income taxes, was $8.2 million in 2022 as compared to net income, after dividends and income taxes, of $18.3 million in 2021. This difference is primarily the result of (1) an approximate $20 million difference between the unrealized gains in 2021 and unrealized losses in 2022 on equity securities held in the Company's investment portfolio and (2) an approximate $6 million difference between net gains realized in 2021 and net losses realized in 2022 on debt securities sold by the Company.

Total equity decreased in 2022 by approximately $42 million to $298 million, as a result of the $8.2 million net loss, as well as a $33.3 million reduction in other comprehensive income resulting primarily from market-driven net unrealized losses on debt securities. Given the relatively short (i.e., six year) duration of these debt securities, it is reasonable to expect the unrealized losses on them to largely reverse as they approach maturity. In 2022, the Company maintained an "A" (Excellent) rating from AM Best.

ALIGNED Interests

A nationwide liability insurance crisis in the mid-1980s left the mutual fund industry at risk. The industry had insurance needs that commercial insurers were unable or unwilling to meet: the need for a stable, long-term source of substantial insurance capacity, and the need for insurance pricing that could be counted upon to be reliably and rationally related to the fund industry's own risks. In 1987, fund industry leaders, working with the Investment Company Institute (the industry's trade association), formed ICI Mutual.

As an industry mutual insurer, ICI Mutual is dedicated solely to serving the insurance and risk management needs of funds, fund directors and officers, and fund advisers, providing them with an expert and reliable long-term alternative to the uncertainties and cyclicality to which commercial insurance markets have historically been subject.

As an insurance company owned and governed by its member-insured fund groups, ICI Mutual's interests are fully aligned with the interests of its member-insureds.

More than three decades on, ICI Mutual continues to be an established, trusted presence and the top provider of professional liability insurance for the fund industry. ICI Mutual seeks to provide insurance capacity and to ensure relative stability of premium rates and policy terms through all stages of the insurance market cycle, to craft sustainable insurance coverages tailored to address existing, new, and emerging risks faced by fund groups, to address and resolve insurance claims promptly and fairly, and to provide the fund industry with focused risk management, loss prevention, and insurance-related services and assistance. As an insurance company owned and governed by its member-insured fund groups, ICI Mutual's interests are fully aligned with the interests of its member-insureds.

The Company's Board of Directors includes fund industry executives and fund independent directors from among the Company's member-insured fund groups. Each director brings demonstrated leadership and expertise to the Board, which plays a significant role in helping to shape Company policies and initiatives. The involvement and oversight of the Board ensures that ICI Mutual is operated to serve and benefit the Company's member-insureds.

KNOWLEDGE
& Expertise

Since its formation, ICI Mutual has continuously provided fund groups with core insurance coverages that respond to the key "real world" risks long faced by funds, fund directors and officers, and fund advisers. Over the years, the Company has also developed and introduced numerous additional coverages to address the industry's new and emerging risks. ICI Mutual's professional staff has significant expertise and experience with mutual fund and investment adviser issues and consults with industry experts (including industry representatives who serve on the Company's Board of Directors) during the process of developing insurance coverages.

By reason of its detailed and comprehensive knowledge of fund industry operations and claims, ICI Mutual is uniquely positioned to analyze and understand the industry's risks, and to craft insurance coverages that are tailored to address these risks and to remain sustainable over time.

Descriptions of ICI Mutual's core coverages may be found online at: www.icimutual.com/coverages. ICI Mutual also has the ability to craft custom coverages in response to particular needs of member-insureds.

Coverages

ICI Mutual's core insurance products are designed to address the specialized insurance needs of funds, fund directors and officers, and fund advisers.

The Directors and Officers/Errors and Omissions (D&O/E&O) Liability Policy protects individual directors and officers and insured companies against the financial impact of judgments, settlements, and legal defense costs incurred in shareholder lawsuits and regulatory investigations and proceedings, and the costs of correcting certain operational errors.

The Investment Company Blanket (Fidelity) Bond protects insured entities against specified losses caused by employee theft, third-party fraud, and certain other types of events, and meets the basic fidelity bonding requirement for funds under the Investment Company Act of 1940.

The Independent Directors Liability (IDL) Policy provides comprehensive coverage tailored to address the concerns and distinct insurance needs of fund independent directors.

Services

UNDERWRITING

ICI Mutual's underwriters focus solely on the mutual fund industry and are attuned to its specialized risks and challenges. Each member-insured fund group is assigned an underwriter who develops a thorough understanding of that fund group's business, processes, and procedures. This approach enables ICI Mutual to structure coverage and secure limits that appropriately reflect a fund group's individual needs and interests.

CLAIMS HANDLING

ICI Mutual is highly regarded for its prompt and fair-minded claims handling. Each submitted claim undergoes a careful analysis of the facts, circumstances, and applicable coverage language. ICI Mutual representatives work closely with affected member-insureds throughout the claims process.

RISK MANAGEMENT

ICI Mutual's expertise and knowledge of the fund industry are unrivaled among professional liability insurers. The Company has long provided member-insureds and the fund industry with a wide variety of risk management, loss prevention, and insurance-related services.

ICI Mutual's Risk Management Publications, listed on page 15, provide in-depth research and analysis on the fund industry's liability exposures and other topics of interest and are designed to help member-insured fund groups improve their risk management programs and risk profiles. Claims Trends and the Company's online Litigation Notebook address existing, new, and evolving areas of regulatory and litigation exposure and their implications for insurance claims and coverage. These publications and other materials can be accessed on the Company's website **(www.icimutual.com)**.

ICI Mutual sponsors an annual Risk Management Conference, at which industry experts and guest speakers present information on an array of risk management topics and facilitate discussion among risk managers, legal personnel, and other representatives of the Company's member-insureds.

The Company's professional staff regularly provides individualized assistance to fund groups in structuring insurance programs, selecting among insurance options, and establishing appropriate insurance limits. The staff also responds to requests from fund boards, outside counsel, and in-house personnel for presentations, written materials, and informal advice on insurance and claims-related issues and developments.

ICI Mutual's Risk Management PUBLICATIONS

INSURANCE

Operational Errors and Insurance: A Guide for Investment Advisers (2021)

ICI Mutual Then and Now (2017)

Independent Directors Liability (IDL) Insurance (2013)

Mutual Fund D&O/E&O Insurance (2009)

CLAIMS AND LITIGATION

Shareholder Litigation in the Fund Industry (2019)

Section 36(b) Litigation Since *Jones v. Harris* (2016)

Trends in Fee Litigation (2014)

ERISA Liability (2010)

Mutual Fund Prospectus Liability (2010)

What to Expect in the Claims Process (2007)

Independent Director Litigation Risk (2006)

Managing Defense Costs (2004)

INDUSTRY RISKS AND RISK MANAGEMENT

Managing Operational Risks of Private Accounts (2011)

Outsourcing by Advisers and Affiliated Service Providers (2008)

Managing Risks in Trade Allocation (2008)

Preparing for a Pandemic (2007)

Fair Valuation Study—The Role of the Board (with ICI and IDC) (2006)

Fair Valuation Study—An Introduction (with ICI and IDC) (2005)

Understanding Bond Fund Risks (2002)

Investment Management Compliance Risks (2002)

Managing Risk in Processing Corporate Actions (2001)

TECHNOLOGY-RELATED RISKS

Shareholder Authentication (2015)

Risk Management in the Digital Age (2012)

The Two Faces of Identity Theft (2006)

Computer Security Lite (2003)

FINANCIAL Stability

ICI Mutual's financial success can be attributed to its philosophy of conservative management in every aspect of its business. From underwriting to portfolio management to administration, the Company strives to use resources wisely, to invest prudently, and to manage risk effectively. Through adherence to this philosophy, ICI Mutual has developed and maintained the financial strength and stability necessary to meet the needs of its member-insureds.

> For over three decades, ICI Mutual has stood behind its member-insureds through significant financial market and fund industry-wide events and through various stages of the economic and insurance cycles.

For over three decades, ICI Mutual has stood behind its member-insureds through significant financial market and fund industry-wide events and through various stages of the economic and insurance cycles. The Company utilizes its strong network of reinsurance partners to manage and diversify its own risk, enabling it to provide robust limits of coverage to member-insureds and to promote relative stability of premium rates and coverage terms.

As an integral part of the fund industry, ICI Mutual provides a consistent source of insurance capacity at premiums rationally related to the fund industry's own risks.

BOARD of Directors

As of Dec. 31, 2022

Stefanie Chang Yu (Chair) (E, N)
Morgan Stanley Investment Management

David Oestreicher (Vice Chair) (E, I, N)
T. Rowe Price Associates, Inc.

Kevin M. Carome (U)
Invesco Ltd.

Joseph A. Carrier (R, N)
Franklin Templeton Investments

Mark E. Carver (R)
UBS Asset Management Americas

Caroline Cosby (R)
The Vanguard Group, Inc.

Kenneth C. Eich (E, A)
Davis Selected Advisers, L.P.

Ronald H. Fielding (I)
Saturna Investment Trust

Barry Fink (E, A, N)
American Century Funds

Robert F. Gunia (I)
Prudential Insurance Mutual Funds

Heidi W. Hardin (E, A, U, N)
MFS Investment Management

Diana P. Herrmann (E, A, R)
Aquila Investment Management LLC

Steven M. Joenk (I)
Equitable Financial Life Insurance Company

Joanne Kane (R)
Investment Company Institute

Karrie McMillan (U)
Principal Mutual Funds

James J. McMonagle*
Selected Funds

Eric J. Pan (E, U)
Investment Company Institute

Carmelo "Mel" Spinella (U)
Capital Research and Management Company

Daniel T. Steiner (E, I, R)
ICI Mutual Insurance Company

Hepsen Uzcan (A, R)
DWS

Derick A. White (U)
Strategic Risk Solutions

Yie-Hsin Hung (Ex-Officio)
State Street Global Advisors

Board Committees:

Executive (E)
Audit (A)
Investment (I)
Underwriting (U)
Risk Management (R)
Nominating (N)

**On Sabbatical*

Board of Directors pictured from left

Caroline Cosby
Derick A. White
Joseph A. Carrier
Karrie McMillan

Joanne Kane
Heidi W. Hardin
Kenneth C. Eich
Mark E. Carver (Seated)

Robert F. Gunia
Ronald H. Fielding
Mel Spinella
Hepsen Uzcan
Steven M. Joenk (Seated)

Stefanie Chang Yu
David Oestreicher
Daniel T. Steiner
Diana P. Herrmann

Not pictured

Kevin M. Carome
Barry Fink
James J. McMonagle
Eric J. Pan

OFFICERS and Staff

OFFICERS

Daniel T. Steiner
President

Julia S. Ulstrup
Senior Vice President, General Counsel & Secretary

John T. Mulligan
Senior Vice President, Chief Underwriting Officer & Assistant Secretary

Charles G. Preseau
Vice President, Chief Financial Officer & Treasurer

STAFF

William Y. Akishev
Director of Information Technology

Virginia S. Barry
Associate Counsel

Catherine M. Dalton
Underwriting Manager

Briana R. Davis
Lead Broker

John D. Driggers
Director, Data Analytics

Prabhat S. Friedland
Underwriting Analyst

Michael A. Heiser
Controller

Lizabeth S. Hurst
Corporate Communications

Carolyn B. Julia
Executive Assistant

Meloney G. McKoy
Senior Accountant

Swenitha Nalli
Senior Underwriter

Shafat Rahman
Senior Accountant

Colin K. Rouse
Assistant Controller

Margaret M. Sullivan
Director, Underwriting Department

Gwen M. Taylor
Legal Insurance Assistant

David U. Thomas
Senior Associate Counsel & Director of Cyber Risk Issues

Selected Financial HIGHLIGHTS

FOR THE YEARS ENDED		2022		2021
Gross Premiums Written	$	78,586	$	84,608
Net Premiums Earned	$	25,877	$	28,251
Net Loss and Loss Adjustment Expenses	$	11,398	$	7,385
Net Underwriting Profit	$	1,349	$	7,557
Net Investment Income	$	10,383	$	10,446
Dividends to Policyholders	$	6,000	$	11,490
Net (Loss) Income	$	(8,240)	$	18,288
Total Equity	$	298,357	$	339,973

COMBINED RATIO	2022	2021
Loss and General Expense Ratio	95%	73%
Policyholder Dividends	23%	41%
Combined Ratio including Policyholder Dividends	118%	114%

Dollar amounts in thousands

ICIMutual

ICI Mutual Insurance Company,
A Risk Retention Group

1401 H Street NW, Suite 1000
Washington, DC 20005

800.643.4246
info@icimutual.com

www.icimutual.com

ICIMutual

CES

Consolidated Financial Statements

2022

ICI MUTUAL Insurance Company A Risk Retention Group

ICI Mutual Insurance Company, a Risk Retention Group
Index
2022 and 2021 Consolidated Financial Statements

Report of Independent Auditors

To the Board of Directors of ICI Mutual Insurance Company, a Risk Retention Group

Opinion

We have audited the accompanying consolidated financial statements of ICI Mutual Insurance Company, a Risk Retention Group and its subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, including the related notes (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated 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 audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated 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 for one year after the date the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 US GAAS will

PricewaterhouseCoopers LLP · 300 Madison Avenue · New York, New York · 10017-6204
T: +1 (646) 471 3000/4000 · www.pwc.com

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 consolidated financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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.

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the incurred and paid claims development net of reinsurance, information and the average percentage payout of incurred claims by age, net of reinsurance, information, as of December 31, 2022 on pages 23 to 24 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the 2022 Annual Report, but does not include the consolidated financial statements and our auditors' report thereon. Our opinion on the consolidated financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the consolidated financial statements or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

PricewaterhouseCoopers LLP

New York, New York
April 26, 2023

ICI Mutual Insurance Company, a Risk Retention Group
Consolidated Balance Sheets
December 31, 2022 and 2021 (in 000's)

	2022	2021
Assets		
Cash and cash equivalents	$ 27,571	$ 19,699
Investments		
Debt securities, at fair value (amortized cost of $320,981 and $332,796, respectively)	279,228	341,400
Equity securities, at fair value	56,382	68,426
Money market funds	11,961	12,459
Total cash and investments	375,142	441,984
Prepaid expenses	407	453
Prepaid federal and state income taxes	3,165	1,543
Deferred policy acquisition costs	2,371	2,361
Premiums receivable	6,864	7,296
Interest receivable	2,245	2,001
Investment securities and other receivables	1,358	772
Reinsurance recoverables	200,056	141,066
Prepaid reinsurance premiums	33,195	32,907
Other amounts receivable under reinsurance contracts	1,658	1,869
Deferred income taxes	8,172	-
Right-of-use asset	4,905	-
Furniture and fixtures, net	490	617
Total assets	$ 640,028	$ 632,869
Liabilities and Equity		
Reserve for losses and loss adjustment expenses	$ 188,399	$ 131,523
Unearned premiums	45,095	43,635
Reinsurance premiums payable	3,333	3,372
Premium taxes payable	472	1,134
Deferred income taxes	-	2,771
Accounts payable and other liabilities	4,737	4,240
Short-term borrowing	75,000	75,000
Benefits payable	12,851	19,221
Lease liability	5,511	-
Dividends payable	6,273	12,000
Total liabilities	341,671	292,896
Contingencies (Note 10)		
Contributed surplus	18,040	18,161
Accumulated other comprehensive (loss) income	(32,575)	680
Accumulated earnings	312,892	321,132
Total equity	298,357	339,973
Total liabilities and equity	$ 640,028	$ 632,869

The accompanying notes are an integral part of these consolidated financial statements.

ICI Mutual Insurance Company, a Risk Retention Group
Consolidated Statements of Comprehensive Income
Years Ended December 31, 2022 and 2021 (in 000's)

	2022	2021
Revenues		
Net premiums written	$ 27,049	$ 27,652
Change in net unearned premiums	(1,172)	599
Net premiums earned	25,877	28,251
Net investment income	10,383	10,446
Net realized (losses) gains on debt securities	(2,956)	4,204
Net unrealized (losses) gains on equity securities	(13,343)	12,189
Other income	268	248
Total revenues	20,229	55,338
Expenses		
Net loss and loss adjustment expenses	11,398	7,385
Underwriting, general and administrative expenses	13,130	13,309
Total expenses	24,528	20,694
(Loss) income before dividends to policyholders and (benefit) provision for income taxes	(4,299)	34,644
Dividends to policyholders	6,000	11,490
(Loss) income before (benefit) provision for income taxes	(10,299)	23,154
(Benefit) provision for income taxes	(2,059)	4,866
Net (loss) income	(8,240)	18,288
Other Comprehensive (Loss) Income		
Net unrealized losses on debt securities:		
Net unrealized losses arising during the period, net of tax	(42,117)	(6,489)
Reclassification adjustment for losses (gains) realized in net (loss) income, net of tax	2,335	(3,321)
Net actuarial unrealized gains on employee benefit plans:		
Net unrealized gains arising during the period, net of tax	5,967	74
Reclassification adjustment for losses realized in net income, net of tax	560	1,028
Other comprehensive loss, net of tax, net of reclassification adjustments	(33,255)	(8,708)
Comprehensive (loss) income	$ (41,495)	$ 9,580
Net realized (losses) gains on debt securities		
Other-than-temporary impairment losses	$ -	$ -
Other net realized investment (losses) gains	(2,956)	4,204
Net realized (losses) gains on securities	$ (2,956)	$ 4,204

The accompanying notes are an integral part of these consolidated financial statements.

ICI Mutual Insurance Company, a Risk Retention Group
Consolidated Statements of Changes in Equity
December 31, 2022 and 2021 (in 000's)

	Contributed Surplus	Accumulated Other Comprehensive Income	Accumulated Earnings	Total Equity
Balance at December 31, 2020	$ 18,161	$ 9,388	$ 302,844	$ 330,393
Net income	-	-	18,288	18,288
Other comprehensive loss, net of tax, net of reclassification adjustments	-	(8,708)	-	(8,708)
Distributions of contributed surplus	-	-	-	-
Balance at December 31, 2021	$ 18,161	$ 680	$ 321,132	$ 339,973
Net loss	-	-	(8,240)	(8,240)
Other comprehensive loss, net of tax, net of reclassification adjustments	-	(33,255)	-	(33,255)
Distributions of contributed surplus	(121)	-	-	(121)
Balance at December 31, 2022	$ 18,040	$ (32,575)	$ 312,892	$ 298,357

The accompanying notes are an integral part of these consolidated financial statements.

ICI Mutual Insurance Company, a Risk Retention Group
Consolidated Statements of Cash Flows
Years Ended December 31, 2022 and 2021 (in 000's)

	2022	2021
Cash Flows from Operating Activities		
Net (loss) income	$ (8,240)	$ 18,288
Adjustments to reconcile net (loss) income to net cash provided by (used in) operating activities		
Amortization of premium	259	689
Deferred income taxes	(2,104)	(1,052)
Depreciation and amortization	1,007	136
Net realized losses (gains) on debt securities	2,956	(4,204)
Net unrealized losses (gains) on equity securities	13,343	(12,189)
Changes in operating assets and liabilities		
Prepaid expenses	46	86
Prepaid federal and state income taxes	(1,622)	(561)
Deferred policy acquisition costs	(11)	62
Premiums receivable	432	939
Interest receivable	(245)	(6)
Investment securities receivable	(582)	(485)
Reinsurance recoverables	(58,990)	(37,460)
Prepaid reinsurance premiums	(289)	478
Other amounts receivable under reinsurance contracts	210	(1,332)
Right-of-use asset	344	-
Reserve for losses and loss adjustment expenses	56,877	(14,857)
Unearned premiums	1,460	(1,078)
Reinsurance premiums payable	(38)	217
Premium taxes payable	(662)	412
Accounts payable and other liabilities	495	(2,131)
Benefits payable	1,893	2,317
Lease liability	(618)	-
Dividends payable	(5,727)	5,858
Net cash provided by (used in) operating activities	194	(45,873)
Cash Flows from Investing Activities		
Proceeds from sales of investments	65,057	145,006
Proceeds from maturities of investments	2,960	-
Payments for purchases of investments	(60,715)	(156,148)
Change in money market funds	497	(5,512)
Net cash provided by (used in) investing activities	7,799	(16,654)
Cash Flows from Financing Activities		
Distributions of contributed surplus	(121)	-
Borrowing from the FHLB	-	75,000
Net cash (used in) provided by financing activities	(121)	75,000
Net increase in cash and cash equivalents	7,872	12,473
Cash and cash equivalents at beginning of year	19,699	7,226
Cash and cash equivalents at end of year	$ 27,571	$ 19,699

The accompanying notes are an integral part of these consolidated financial statements.

1. Significant Accounting Policies

A. Basis of Presentation

ICI Mutual Insurance Company ("Mutual") was incorporated on August 26, 1987 as an association captive insurance company domiciled in the State of Vermont and commenced accepting insurance risks on March 1, 1988. Mutual, together with its wholly owned subsidiaries described below, are collectively referred to as "the Company." The Company primarily writes fidelity bonds and directors and officers and errors and omissions insurance for Members and Associate Members of the Investment Company Institute ("ICI") and their affiliated companies on a claims-made basis. These Members primarily provide services to the regulated investment company industry. On January 1, 2009, the Company converted from a Vermont association captive insurance company to a Vermont risk retention group ("RRG"), under the Federal Liability Risk Retention Act.

ICI Mutual Insurance Brokers, Inc. ("Brokers") is a wholly-owned subsidiary of Mutual. Brokers provides insurance brokerage services to insureds of Mutual.

ICIM Services, Inc. ("Services") is a wholly-owned subsidiary of Mutual. Services provides the underwriting function for Mutual under a written agreement. This agreement provides that Mutual will reimburse Services for all reasonable expenses associated with performing the underwriting function plus a 5% fee.

The Consolidated Financial Statements include the consolidated accounts of Mutual, Brokers, and Services, with all significant intercompany amounts eliminated in consolidation. The Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"), which are also in accordance with practices prescribed for RRGs by the Vermont Department of Financial Regulation ("VDFR").

GAAP requires management to make certain estimates and assumptions in the preparation of the financial statements. Actual results could differ from those estimates and assumptions.

The Company's annual statements filed with the VDFR for 2022 and 2021 agree with the audited financial statements. In addition, at December 31, 2022 and 2021, the Company is in compliance with VDFR's minimum surplus requirement of $1 million.

B. Investments

The Company's debt securities are classified as available-for-sale and, along with its equity securities, reported at fair value as defined in Note 3. Short-term securities and money market funds are stated at amortized cost which approximates fair value.

For securities where the fair value is less than the amortized cost basis for debt securities the Company must determine whether or not an other-than-temporary impairment has occurred. See Note 2 for a detailed explanation of the procedures utilized by the Company in calculating other-than-temporary impairment losses.

All debt investment transactions have credit exposure to the extent that a counterparty may default on an obligation to the Company. Credit risk is a consequence of carrying trading and investing positions. To manage credit risk, the Company focuses on higher quality fixed income securities, limits its exposure in any one investment, and monitors the portfolio quality, taking into account credit ratings assigned by recognized statistical rating organizations.

Interest income on debt securities is recorded on the accrual basis. Dividend income on equity securities is recorded on the ex-dividend date. Unrealized gains and losses from changes in the fair value of the Company's debt holdings, net of applicable federal income taxes, are reported as a separate component of equity. Realized gains and losses on the sale of the Company's debt securities are determined based on specific identification and are included along with unrealized gains and losses on equity securities in net income.

C. Premiums

Net earned premiums have been computed on a semimonthly pro rata basis over the term of the underlying insurance policies with the exception of premiums on "tail" policies which are earned when written. Ceded reinsurance premiums are charged against premiums earned on the same basis. Unearned premiums represent the portion of the gross premium written which is applicable to the unexpired terms of policies in force. Prepaid reinsurance premiums represent the portion of unearned premiums ceded to reinsurers. Commissions on reinsurance premiums ceded are earned when due and are reflected as a reduction to ceded reinsurance premiums.

D. Deferred Policy Acquisition Costs

Acquisition costs consist primarily of underwriter compensation, royalty fees and premium taxes associated with the successful acquisition and underwriting of new and renewal insurance business. These acquisition costs are being amortized over the expected policy period of related policies in proportion to the ratio of the annual earned premiums to the total premium revenue anticipated. Anticipated premium revenue was estimated using the same assumptions as those used for computing the reserve for losses and loss adjustment expenses. Expected losses, related expenses, and investment income are considered in measuring the recoverability of this asset.

E. Reserve for Losses and Loss Adjustment Expenses

The reserve for losses and loss adjustment expenses is based on management's individual case estimates of the ultimate cost of reported losses and estimates for incurred but not reported losses ("IBNR") determined in consultation with independent professional actuaries. The IBNR loss reserve is developed using a variety of actuarial methods to estimate the ultimate cost of losses and loss expenses by policy year. These methods include the reported loss development method, the reported Bornhuetter-Ferguson method, the loss ratio method, and the frequency-severity method. These represent standard actuarial methods that are based upon historical data for payment patterns, cost trends and other relevant factors specific to the Company. These methods produce a range of indications from which the best estimate is selected.

These estimates are continually reviewed and adjustments, if necessary, are reflected in the period known. In updating the Company's loss reserve estimates, inputs are considered and evaluated from many sources, including actual claims data, the performance of prior reserve estimates, observed industry trends, internal review processes, and the views of the Company's engaged third party actuary. However, given the nature of the Company's business, the ultimate amount of losses and loss adjustment expenses may vary significantly from the estimated amounts. There were no significant changes in methodologies and assumptions for the year ended December 31, 2022.

F. Provision for Income Taxes

The Company accounts for income taxes in accordance with Accounting Standards Codification (ASC) 740, "Accounting for Income Taxes." The codification requires that deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Valuation allowances are established when necessary to reduce deferred tax assets to an amount that, in the opinion of management, is more likely than not to be realized. No valuation allowance was deemed necessary at December 31, 2022 and 2021.

The guidance on accounting for uncertainty in income taxes describes how uncertain tax positions should be recognized, measured, presented and disclosed in the financial statements. This guidance requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Company's financial statements to determine whether the tax positions are "more-likely-than-not" to be sustained by the applicable tax authority. Tax positions not deemed to meet the "more-likely-than-not" threshold would be recorded as a tax benefit or expense in the current year. If applicable, interest and penalties are classified as other interest expense and are included in underwriting, general and administrative expenses in the Consolidated Statements of Comprehensive Income. There were no interest or penalties incurred in 2022 or 2021.

On August 16, 2022, the Inflation Reduction Act ("IRA") was signed into law and includes several tax changes, such as a new 15% minimum income tax on large corporations and a 1% excise tax on most stock buybacks. The IRA does not have a material impact on the Company's financial statements.

G. Reinsurance

The Company utilizes both treaty and facultative reinsurance to provide protection for claims in excess of the Company's normal retention limits ($3 million). Under the Company's annual treaty reinsurance program (which runs from April 1 to March 31), limits up to $15 million, less the Company's normal retention, are automatically assumed by the treaty participants. For the treaty year ending March 31, 2022, the Company retains 50% of the first $24 million in losses on cost of corrections coverage recoverable under the treaty.

Maximum recoveries under the reinsurance treaties are capped at $100 million for all treaty years subsequent to the treaty year ending March 31, 2005. A treaty year remains open until all noticed claims are paid or otherwise closed. As of December 31, 2022, ceded losses under all of the open treaty years were well below the respective treaty caps. Future adverse development on any of the treaty years could result in the respective caps for such treaty years being exceeded and such excess amounts, if any, would have to be paid out of the Company's accumulated earnings and Surplus. While management believes that the Company is adequately capitalized to meet its ongoing claims obligations, there can be no assurance that in the event a cap on a reinsurance treaty is exceeded, the Company's resources would be sufficient to meet all of its claims liabilities.

For those insureds that require limits in excess of $15 million on Fidelity Bonds, the Company issues additional limits of up to $5 million. For limits above $20 million on Fidelity Bonds or $15 million on D&O/E&O Policies, the Company purchases facultative (case by case) reinsurance from various other reinsurers. There is no cap on facultative reinsurance except for the actual limits reinsured. In addition, the Company can elect to retain additional limits in the excess layers, generally not more than $5 million per policy.

Although reinsurance agreements contractually obligate the Company's reinsurers to reimburse it for their proportionate shares of losses, they do not discharge the primary responsibility of the Company. Thus, in the event a reinsurer did not meet its obligation under its agreement with the Company, the Company would be responsible for such amount.

The Company monitors the credit worthiness of its reinsurers and only conducts business with reinsurers that are highly rated by reputable rating agencies. As of December 31, 2022, the Company does not believe that any amounts currently due from reinsurers will prove uncollectible. Accordingly, the Company has not made a separate provision for any amounts that might ultimately prove to be uncollectible from reinsurers in the future.

H. Cash and Liquidity

The Company considers all cash on hand and deposits in banks as cash and cash equivalents for purposes of the Consolidated Statements of Cash Flows. As of December 31, 2022 and 2021, the Company held $0 in cash equivalents.

The Company maintains liquid investments in amounts considered sufficient to pay claims and other operating expenses. It is also part of the Company's strategy to utilize its membership in the FHLB as a backup liquidity facility. The maximum amount the Company borrows fluctuates based on the amount of eligible collateral the Company holds at any given time, as well as on the amount of its investment in FHLB capital stock. As part of its liquidity strategy, the Company borrowed $75,000 from the FHLB in December 2021. The amount was still outstanding as of December 31, 2022, and is due by December 2, 2023. Total investment assets pledged as collateral to the FHLB was $87,862 and $14,200 in cash as of December 31, 2022. The Company paid interest to the FHLB in the amount of $1,274 and $17 in 2022 and 2021, respectively.

I. Leases

Effective January 1, 2022, the Company modified its sublease with the ICI for office space at 1401 H Street in Washington, DC that extended the term for 15 years to 2036 and, starting in 2023, reduces the square footage. Effective July 11, 2022, the Company exercised an option to terminate its sublease with the ICI for office space in Reston, VA as of December 31, 2023. These leases continue to be classified and accounted for as operating leases under ASC 842.

As per ASC 842, the right-of-use asset and lease liability in the Company's Consolidated Balance Sheets are calculated as the present value of the future minimum lease payments. Because the implicit rate is not readily determinable for its leases, the Company elected to use the risk-free rate as a discount rate for all asset classes. The risk-free rates used in this calculation were 1.84% and 3.01% for the Washington DC sublease and Reston VA sublease, respectively. The remaining cost of the leases are amortized as lease expense in the Consolidated Statements of Comprehensive Income on a straight line basis over the remaining term of the leases. Annual cash payments made to the ICI for the leased office space are disclosed in Note 7.

J. Furniture and Fixtures

Furniture and fixtures are stated at cost net of accumulated depreciation. The costs of significant additions and improvements, including leasehold improvements, are capitalized while expenditures for maintenance, repairs, and minor renewals are charged to expense as incurred. When assets are retired or otherwise disposed of, the assets and related accumulated depreciation and amortization are eliminated from the accounts and any resulting gain or loss is reflected in income. Provisions for depreciation are computed using the straight-line method based on useful lives ranging from three to twelve years. Depreciation expense was $127 and $136 for 2022 and 2021, respectively. Accumulated depreciation totaled $1,260 and $1,133 at December 31, 2022 and 2021, respectively.

K. Recent Accounting Pronouncements

Recently Adopted Accounting Standards

In December 2019, the FASB issued SU 2019-12, Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes. The amendments in this ASU simplify the accounting for income taxes by removing certain exceptions and clarifying certain requirements regarding franchise taxes, goodwill, consolidated tax expenses and annual effective tax rate calculations. The Company adopted this guidance effective January 1, 2021. There was no material impact to its financial statements as a result of this adoption.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). ASU 2016-02 requires the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under previous GAAP. Under the previous guidance, recognition of lease assets and liabilities was not required for operating leases. The Company adopted this guidance effective January 1, 2022, using the modified retrospective method, which applied the transition provisions through a cumulative adjustment as of this effective date of adoption rather than at the beginning of the earliest comparative period presented.

At adoption, the Company elected the package of practical expedients allowed under the transition provisions, including to: (1) not reassess current and expiring contracts for lease existence, lease classification, or initial direct costs; (2) not apply the new guidance to leases with terms of 12 months or less; (3) consider lease and non-lease components as a single component and asset class; and (4) use a risk-free rate in estimating the present value of future lease payments. Accordingly, the Company recognized a right-of-use asset of $5,249 (net of prior year-end deferred rent of $590 and rent incentive of $290) and a lease liability of $6,129 in the Consolidated Balance Sheets as of January 1, 2022. See Note 1.I. for additional information on the Company's leases.

Recently Issued Accounting Standards Not Yet Adopted

In June 2016, the FASB issued ASU 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. ASU 2016-13 replaces the existing incurred losses methodology for estimating allowances with a current expected credit losses methodology with respect to most financial assets measured at amortized cost and certain other instruments, including trade and other receivables, loans, held to maturity investment securities and off-balance sheet commitments. In addition, ASU 2016-13 requires credit losses relating to available for sale ("AFS") debt securities to be recorded through an allowance for credit losses rather than a reduction of the carrying amount. For non-public entities, the amendments in ASU 2016-13 are effective for annual and interim periods beginning after December 15, 2022. The Company is evaluating the impact of ASU 2016-13 on its financial statements.

Notes to Consolidated Financial Statements (in 000's)

L. Reclassifications

Certain amounts in prior year's Consolidated Financial Statements and Notes thereto have been reclassified to conform to the 2022 presentation.

M. Subsequent Events

Subsequent events are events or transactions that occur after the balance sheet date but before the financial statements are available to be issued. The Company has evaluated all such events occurring subsequent to the balance sheet date herein of December 31, 2022 and through the date the financial statements were available to be issued, April 26, 2023. The Company did not identify any subsequent events that require adjustment to and/or disclosure in the financial statements.

2. Investments

A summary comparison of amortized cost and fair value of debt securities is as follows:

	December 31, 2022			
Debt securities available for sale	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Government, agencies and authorities securities	$ 49,241	$ 40	$ (6,245)	$ 43,036
Mortgage-backed	47,677	-	(6,157)	41,520
All other corporate bonds	224,063	107	(29,498)	194,672
Total debt securities	$ 320,981	$ 147	$ (41,900)	$ 279,228

	December 31, 2021			
Debt securities available for sale	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Government, agencies and authorities securities	$ 50,671	$ 1,968	$ (582)	$ 52,057
Mortgage-backed	52,687	1,202	(487)	53,404
All other corporate bonds	229,438	8,383	(1,880)	235,941
Total debt securities	$ 332,796	$ 11,553	$ (2,949)	$ 341,400

The amortized cost and fair value of debt securities at December 31, 2022, by contractual maturity, are shown below. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Amortized Cost	Fair Value
Due in one year or less	$ 5,363	$ 5,251
Due after one year through five years	86,008	78,373
Due after five years through ten years	130,899	114,162
Due after ten years	98,711	81,442
Total debt securities	$ 320,981	$ 279,228

Notes to Consolidated Financial Statements (in 000's)

At December 31, 2022 and 2021, the gross unrealized losses and gains on investments in debt securities of ($41,900) and ($2,949) has been reflected in the Consolidated Balance Sheets as a component of accumulated other comprehensive income, net of deferred taxes of $8,768 and $1,807, respectively.

The change in gross unrealized loss and gains on equity securities in 2022 and 2021 of ($13,343) and $12,189, respectively, has been reflected in the Consolidated Statements of Comprehensive Income.

There are three key investment risks that can impact the Company's investment portfolio: Liquidity Risk, Credit Risk and Market Risk.

1. **Liquidity Risk:** Market conditions create a situation where liquid assets become illiquid. To offset this risk, the Company maintains significant holdings in U.S. Treasury securities and other relatively liquid securities, a relatively short investment portfolio duration, and membership in the FHLB.

2. **Credit Risk:** An issuer (or counterparty) is unable to pay their claim and defaults. To offset this risk, the Company maintains a well-diversified portfolio containing primarily high quality fixed income securities. The portfolio is also closely monitored for downgrades on corporate bonds and cash flows on structured securities.

3. **Market Risk:** Falling market value due to changing risks in a sector or interest rate risks. The Company monitors actual concentrations against both its investment guidelines and market conditions.

Unrealized loss position securities:

	December 31, 2022				
Debt securities available for sale	Fair Value	Gross Unrealized Losses < 12 months	Gross Unrealized Losses > 12 months	Total Gross Unrealized Losses	Numbers of Investment Positions
U.S. Government, agencies and authorities securities	$ 41,965	$ (3,216)	$ (3,029)	$ (6,245)	66
Mortgage-backed	41,520	(2,309)	(3,848)	(6,157)	90
All other corporate bonds	188,678	(17,313)	(12,185)	(29,498)	710
Total debt securities	$ 272,163	$ (22,838)	$ (19,062)	$ (41,900)	866

	December 31, 2021				
Debt securities available for sale	Fair Value	Gross Unrealized Losses < 12 months	Gross Unrealized Losses > 12 months	Total Gross Unrealized Losses	Numbers of Investment Positions
U.S. Government, agencies and authorities securities	$ 23,338	$ (256)	$ (326)	$ (582)	22
Mortgage-backed	22,500	(295)	(192)	(487)	40
All other corporate bonds	86,033	(1,540)	(340)	(1,880)	274
Total debt securities	$ 131,871	$ (2,091)	$ (858)	$ (2,949)	336

The Company does not have the intent to sell, nor is it more likely than not that the Company will be required to sell, securities in unrealized loss positions that are not other-than-temporarily impaired, before recovery.

Other-Than-Temporary Impairment Evaluations

The Company reviews its investment securities regularly and determines whether other-than-temporary impairments have occurred. For fixed maturities, if a decline in fair value is judged by management to be other-than-temporary, and the Company does not intend to sell the security and it is not more likely than not that it will be required to sell the security prior to recovery of the security's amortized cost, the impairment is bifurcated into (a) the amount of the total impairment related to the credit loss, and (b) the amount of the total impairment related to interest and all other factors. The amount of the other-than-temporary impairment related to the credit loss is recognized by a charge to total other-than-temporary impairment losses in the Consolidated Statements of Comprehensive Income, establishing a new cost basis for the security. The amount of the other-than-temporary impairment related to all other factors is recognized in other comprehensive income in the Consolidated Statements of Comprehensive Income. The factors considered by management in its regular review include, but are not limited to: the length of time and extent to which the fair value has been less than amortized cost; the financial condition and near-term prospects of the issuer; adverse changes in ratings announced by one or more rating agencies; subordinated credit support; whether the issuer of a debt security has remained current on principal and interest payments; current expected cash flows; whether the decline in fair value appears to be issuer specific or, alternatively, a reflection of general market or industry conditions (including, in the case of fixed maturities, the effect of changes in market interest rates); and the Company's intent to sell, or requirement to sell, the debt security before the anticipated recovery of its remaining amortized cost basis.

In assessing corporate debt securities for other-than-temporary impairment, the Company evaluates the ability of the issuer to meet its debt obligations and the value of the company or specific collateral securing the debt position. When evaluating whether a mortgage-backed security is other-than-temporarily impaired, the Company examines characteristics of the underlying collateral, such as delinquency and default rates, the quality of the underlying borrower, the type of collateral in the pool, the vintage year of the collateral, subordination levels within the structure of the collateral pool, the Company's intent to sell the security and whether it more likely than not will be required to sell the security before the recovery of its amortized cost basis. For all debt securities evaluated for other-than-temporary impairment (for which the Company does not have the intent to sell and it is not more likely than not that it will be required to sell the security before the recovery of its amortized cost basis), the Company considers the timing and amount of the cash flows.

The Company evaluates its mortgage-backed securities for other-than-temporary impairment using multiple inputs. Loan level defaults are estimated using appropriate modeling techniques. All bonds are modeled individually and each bond is assigned a custom default assumption based on projections for the mortgage pool, historical underlying collateral performance, and borrower characteristics.

Basic inputs to the model include data on:

- voluntary prepayments,
- defaults and,
- expected severity of losses in a liquidation scenario, taking into account loan size, geographic concentration, and loan to value percentages.

Additional variables are applied to each mortgage pool specific to structural elements such as triggers and financial guarantees to the extent that they exist. The cash flows generated by the collateral securing these securities are then determined with these default, loss severity and prepayment assumptions. These collateral cash flows are then utilized, along with consideration for the issuer's position in the overall structure, to determine the cash flows associated with the mortgage-backed securities held by the Company.

To the extent that the present value of the cash flows generated by a debt security is less than the amortized cost, a credit loss exists, and an other-than-temporary impairment is recognized through earnings. It is reasonably possible that further declines in estimated fair values of such investments, or changes in assumptions or estimates of anticipated recoveries and/or cash flows, may cause further other-than-temporary impairments in the near term, which could be significant.

In addition, the Company evaluates other asset-backed securities for other-than-temporary impairment (OTTI) by examining similar characteristics referenced above for mortgage-backed securities. The Company evaluates U.S. Treasury securities and obligations of U.S. Government corporations, U.S. Government agencies, and obligations of states and political subdivisions for other-than-temporary impairment by examining similar characteristics referenced above for corporate debt securities.

Other-than-temporary impairments on debt securities included in net realized gains on securities in the Consolidated Statements of Comprehensive Income were $0 in both 2022 and 2021.

Further deterioration in credit quality of the companies backing the securities, deterioration in the condition of the financial services industry, imbalance in liquidity in the marketplace, a worsening of the current economic environment, or additional declines in real estate values could affect the fair value of these securities and increase the potential that certain unrealized losses be designated as other-than-temporary in future periods and the Company may incur additional write-downs.

Notes to Consolidated Financial Statements (in 000's)

Proceeds from sales of debt securities and the associated gross realized gains and gross realized losses are as follows:

	Proceeds From Sales	Gross Realized Gains	Gross Realized Losses
For the year ended December 31, 2022	$ 68,017	$ 394	$ (3,350)
For the year ended December 31, 2021	$ 127,576	$ 4,719	$ (515)

Net investment income is calculated as follows:

	2022		
Debt securities available for sale	Gross Investment Income	Investment Expenses	Net Investment Income
U.S. Government, agencies and authorities securities	$ 1,141	$ (180)	$ 961
Mortgage-backed	1,446	(229)	1,217
All other corporate bonds	8,563	(1,355)	7,208
Equity securities	1,184	(187)	997
Total	$ 12,334	$ (1,951)	$ 10,383

	2021		
Debt securities available for sale	Gross Investment Income	Investment Expenses	Net Investment Income
U.S. Government, agencies and authorities securities	$ 755	$ (54)	$ 701
Mortgage-backed	1,438	(103)	1,335
All other corporate bonds	7,839	(562)	7,277
Equity securities	1,221	(88)	1,133
Total	$ 11,253	$ (807)	$ 10,446

3. Fair Value

The valuation techniques required by the authoritative accounting guidance on fair value measurements are based upon observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect our market expectations. These two types of inputs create the following fair value hierarchy:

Level 1 - Quoted prices for identical instruments in active markets.

Level 2 - Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable.

Level 3 - Instruments where significant value drivers are unobservable.

When available, the Company utilizes quoted market prices to determine fair value and classify such items in Level 1. In some cases, quoted market prices are used for similar instruments in active markets and/or model-derived valuations where inputs are observable in active markets and classify such items in Level 2. When there are limited or inactive trading markets, the Company utilizes industry–standard pricing methodologies, including discounted cash flow models, whose inputs are based on management assumptions and available current market information. These items are classified in Level 3. Further, the Company relies upon independent pricing vendors to assist in valuing certain instruments.

The following section describes the valuation methodologies used by management to measure different financial instruments at fair value.

Investments in fixed maturities and equity securities:

Pricing Level 1: Values are unadjusted quoted prices for identical securities in active markets accessible at the measurement date. Holdings consist of government securities and exchange traded mutual funds.

Pricing Level 2: Valuation is based on quoted prices for similar securities in active markets, quoted prices from those willing to trade in markets that are not active, or other observable inputs. This would include any bonds priced by Reuters.

Pricing Level 3: Valuation is derived from unobservable inputs using techniques such as broker quotes, pricing matrices and internal calculations. The Company did not hold any Level 3 securities for the years ended December 31, 2022 and 2021.

Priority of market value methodology:

1. Price from an independent pricing service, such as Reuters.
2. Market price from a broker-dealer
3. Matrix pricing

Notes to Consolidated Financial Statements (in 000’s)

All of the prices are monitored month-over-month to highlight any significant price change. Any security with a significant price change is verified using a secondary pricing source and/or verification from a broker-dealer.

The following is a summary of the inputs used in valuing the Company’s assets at fair value:

	December 31, 2022	Quoted Prices (Level 1)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investment in debt securities	$ 279,228	$ 29,403	$ 249,825	$ -
Investment in equity securities	56,382	53,126	3,256	-
Investment in money market funds	11,961	11,961	-	-
Total	$ 347,571	$ 94,490	$ 253,081	$ -

	December 31, 2021	Quoted Prices (Level 1)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investment in debt securities	$ 341,400	$ 31,078	$ 310,322	$ -
Investment in equity securities	68,426	65,377	3,049	-
Investment in money market funds	12,459	12,459	-	-
Total	$ 422,285	$ 108,914	$ 313,371	$ -

It is the Company’s policy to recognize transfers of assets between levels of the fair value hierarchy at the end of a reporting period. For the year ending December 31, 2022 and 2021, there were no transfers of assets between Level 1 and Level 2 of the fair value hierarchy. No securities were transferred out of Level 2 and into the Level 3 category as a result of limited or inactive markets during 2022 and 2021. The Company does not transfer out of Level 3 and into Level 2 until such time as observable inputs become available and reliable or the range of available independent prices narrow.

Notes to Consolidated Financial Statements (in 000's)

4. Deferred Policy Acquisition Costs

The deferred policy acquisition costs at December 31, 2022 and 2021 are comprised of the following:

	2022	2021
Beginning balance	$ 2,361	$ 2,423
Additional costs capitalized		
Underwriting expenses	1,702	1,566
Royalty fees (Note 7)	786	846
Premium taxes	1,726	2,240
	4,214	4,652
Less current year amortization		
Underwriting expenses	1,533	1,643
Royalty fees (Note 7)	779	854
Premium taxes	1,892	2,217
	4,203	4,714
Ending balance	$ 2,371	$ 2,361

5. Contributed Surplus

The Company has two classes of Members: Participating and Non-Participating. Participating Members are required to make a capital contribution ("reserve premium") equal to 100% of initial annual premium on Participating policies.

The reserve premium with respect to a Participating policy is required to be repaid to the Participating Member within 60 days if the Company terminates or fails to renew the policy; in all other cases, the reserve premium generally is not required to be repaid for five years after the insured cancels, terminates, or fails to renew the policy. At December 31, 2022 and 2021, $991 and $1,112, respectively, related to reserve premium for all such terminated policies that was included in contributed surplus. The Company recorded distributions of $121 and $0 in reserve premium to non-renewing Participating Members during the years ended December 31, 2022 and 2021, respectively.

Non-Participating Members are not required to contribute capital. Participating Members receive dividends, share in the Company's net worth, and receive a higher proportion of votes on corporate governance matters than Non-Participating Members. Of the premiums written, 33.8% and 43.1% were attributable to Non-Participating policies during the years ended December 31, 2022 and 2021, respectively.

Notes to Consolidated Financial Statements (in 000's)

6. Provision for Income Taxes

The provision for income taxes consists of the following:

	2022	2021
Current provision	$ 45	$ 5,918
Deferred (benefit) provision	(2,104)	(1,052)
Provision for income taxes	$ (2,059)	$ 4,866

Set forth below is a reconciliation of the expected and actual income tax provision:

	2022	2021
Expected tax provision at 21%	$ (2,163)	$ 4,862
State income taxes, net of federal benefit	199	96
Dividend received deduction	(54)	(57)
Foreign tax credits	(33)	(36)
Provision to return adjustments	(9)	(10)
Other	1	11
Actual provision for income taxes	$ (2,059)	$ 4,866

The Company files a consolidated federal income tax return. Income tax provisions are allocated to the Company's wholly-owned subsidiaries as if they had been calculated on a separate company basis. State income taxes are paid by Mutual, Brokers and Services on a separate company basis. Net payments for federal income taxes were $1,400 and $6,200 in 2022 and 2021, respectively.

The deferred income tax amounts reflected in the Consolidated Balance Sheets at December 31, 2022 and 2021 are comprised of the following items:

	2022	2021
Net unearned premiums	$ 583	$ 451
Discounting of loss reserves	782	707
Post-retirement employee benefits	3,028	4,284
Other than temporarily impaired securities	197	197
Policyholder dividend	1,317	2,520
Lease liability	1,157	-
Net unrealized losses on debt securities	8,731	-
Other	387	548
Gross deferred tax assets	16,182	8,706
Deferred policy acquisition costs	(498)	(496)
Net unrealized gains on debt securities	-	(1,807)
Net unrealized gains on equity securities	(6,118)	(8,920)
Right-of-use asset	(1,030)	-
Lease Amortization	(67)	-
Bond discount accretion	(297)	(254)
Gross deferred tax liabilities	(8,010)	(11,477)
Valuation allowance - -	-	-
Net deferred tax assets (liabilities)	$ 8,172	$ (2,771)

Notes to Consolidated Financial Statements (in 000's)

The Company believes that as of December 31, 2022, there were no material uncertain tax positions that would require disclosure under GAAP. As of December 31, 2022, the Company's tax years from 2019 forward were open under current Internal Revenue Service regulations and applicable state tax law and as such, potentially subject to examination.

7. Related Party Transactions

The Company is party to a royalty agreement and a services and facilities agreement with the lessor ICI. Under the royalty agreement, Mutual is required to pay 1% of gross written premium as a royalty fee to the ICI, limited to a total maximum of $1,000 in any calendar year. Royalty fees incurred and paid in 2022 and 2021 were $781 and $843, respectively.

The services and facilities agreement requires the Company to reimburse the ICI for actual direct and indirect expenses incurred on behalf of the Company. Service and facility fees amounted to approximately $754 and $927 for 2022 and 2021, respectively. Amounts payable at December 31, 2022 and 2021 under this agreement were approximately $193 and $79, respectively.

The Company subleases office space from the ICI at 1401 H Street in Washington DC, and in Reston, VA, under the terms of operating leases as described in Note 1.I. Cash payments for these leases in 2022 and 2021 were $710 and $649, respectively. The following is a maturity analysis of the annual cash payments for these leases and a reconciliation to the total lease liability accrued in the Company's Consolidated Balance Sheets:

Year	Lease Payments
2023	$ 602
2024	$ 454
2025	$ 465
2026	$ 477
2027	$ 488
Thereafter	$ 4,984
Total remaining lease payments	$ 7,470
Less amount representing interest	$ (1,959)
Total lease liability	$ 5,511

8. Reinsurance Agreements

The Company utilizes reinsurance agreements to provide protection for claims in excess of the Company's normal retention limits. In addition, the Company may utilize reinsurance agreements to provide increased limits of liability on a case-by-case basis.

A. **Reinsurance Balances:** The Company reports ceded reinsurance balances on a gross basis. Accordingly, the following balance sheet accounts are grossed up by the amounts noted below:

	2022	2021
Reserve for losses and loss adjustment expenses	$ 131,693	$ 79,178
Unearned premiums	$ 33,195	$ 32,907

Notes to Consolidated Financial Statements (in 000's)

B. **Reinsurance Recoverables:** Reinsurance recoverables were mostly concentrated with St. Paul Fire and Marine Ins. Co. (approximately 14%) and Endurance Specialty Ins. Ltd. (approximately 13%) at December 31, 2022, and Endurance Specialty Ins. Ltd. (approximately 14%) and National Liability & Fire Ins. Co. (approximately 13%) at December 31, 2021. Insurance risks ceded to reinsurance companies would become a liability in the event the reinsurers are unable to meet their obligations assumed under reinsurance contracts.

The establishment of a valuation reserve against reinsurance recoverables (1) would be required in the event that one or more reinsurers are financially unable to meet their contractual obligations on a claim or claims paid or reserved by the Company, and (2) could be required in the event that one or more reinsurers contest the validity of (or are otherwise unwilling to pay reinsurance amounts due on) a claim or claims paid or reserved by the Company.

Approximately $60.5 million of the amounts recoverable included on the Consolidated Balance Sheets at December 31, 2022 and 2021 reflects reinsurance amounts due from certain higher-level facultative reinsurers who are disputing (and who have issued related letters regarding) coverage on a single claim paid by the Company in December 2021. Management, in consultation with counsel, believes the reinsurance amounts to be due under the relevant reinsurance contracts. Should communications between the Company and these higher-level facultative reinsurers ultimately fail to lead to reimbursement of the reinsurance amounts due, the matter could proceed to arbitration. Management believes that a valuation reserve against reinsurance recoverables is not necessary at December 31, 2022.

The Consolidated Balance Sheet includes legal costs incurred in this matter through December 31, 2022. The Company's legal costs are being expensed as incurred.

Premiums and losses and loss adjustment expenses in 2022 and 2021 have been adjusted as follows as a result of reinsurance:

	2022		2021	
Premiums	Written	Earned	Written	Earned
Direct	$ 78,586	$ 77,126	$ 84,608	$ 85,686
Ceded	(51,537)	(51,249)	(56,956)	(57,435)
Net	$ 27,049	$ 25,877	$ 27,652	$ 28,251

Losses and loss adjustment expenses	2022	2021
Direct	$ 79,422	$ 91,575
Ceded	(68,024)	(84,190)
Net	$ 11,398	$ 7,385

9. Reserve for Losses and Loss Adjustment Expenses

The following table sets forth a reconciliation of beginning and ending reserve for losses and loss adjustment expenses in the Company's consolidated financial statements for the years indicated:

	2022	2021
Balance at January 1	$ 131,523	$ 146,380
Less reinsurance recoverable, unpaid losses	(79,178)	(95,737)
Net balance at January 1	52,345	50,643
Incurred related to:		
Current year	22,600	19,367
Prior years	(11,202)	(11,982)
Total incurred	11,398	7,385
Paid related to:		
Current year	1,317	353
Prior years	5,719	5,330
Total paid	7,036	5,683
Net balance at December 31	56,706	52,345
Plus reinsurance recoverable, unpaid losses	131,693	79,178
Balance at December 31	$ 188,399	$ 131,523

As a result of changes in estimates of incurred losses related to insured events of prior years, the reserve for losses and loss adjustment expenses decreased $11,202 and $11,982 in 2022 and 2021, respectively. The decrease in 2022 was primarily the result of changes in estimates of incurred losses on D&O/E&O policies of $3,967, $2,575, $2,750, and $1,750 related to insured events of 2021, 2019, 2018, and 2017, respectively. The decrease in 2021 was primarily the result of changes in estimates of incurred losses on D&O/E&O policies of $2,875, $2,750, $2,200, and $2,713 related to insured events of 2019, 2018, 2017, and 2016, respectively. No additional premiums or return premiums have been accrued as a result of the effects of insured events of prior years.

The following is information about incurred and paid claims development as of December 31, 2022, net of reinsurance, as well as cumulative claim frequency, and the total of incurred-but-not-reported plus expected development on reported claims included within the reserve for net losses and loss adjustment expenses. The information about incurred and paid claims development for the years ended December 31, 2013, to 2021, is presented as unaudited supplementary information. The cumulative number of reported claims are reported as the actual individual count, not in thousands.

This information is provided on a report year basis, consistent with the nature of the policies underwritten by the Company. Specifically, the Company writes claims-made policies that cover claims reported over the policy term rather than the date of the incident giving rise to the claim. Accordingly, the cumulative number of reported claims reflect all claims received by the Company and recorded on the Company's claims bordereau by date reported.

The following development data by report year is not disaggregated by line of business or any other measure as over 90% of the Company's incurred and paid losses over the development period is derived solely from domestic D&O/E&O coverage that shares the same characteristics.

Average annual percentage payout of incurred claims by age, net of reinsurance, is also presented as unaudited supplementary information below.

	Incurred claims and allocated claim adjustment expenses, net of reinsurance and subrogation ($000) For Years Ended December 31,										As of December 31, 2022	
Report Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	IBNR (Expected Development of Reported Claims) ($000)	Reported Non-Zero Claims Count
2013	17,250	14,100	11,416	9,614	6,481	3,331	2,559	2,559	2,559	2,559	0	24
2014		15,350	16,501	12,292	11,540	11,220	10,770	9,115	8,665	8,515	148	26
2015			24,715	27,950	26,600	26,540	27,000	27,000	27,000	27,000	650	56
2016				23,300	18,350	13,836	10,836	10,336	7,623	7,623	0	42
2017					22,970	19,700	15,849	12,149	9,946	8,196	343	32
2018						19,675	15,350	11,875	9,050	6,295	683	24
2019							19,850	15,508	12,633	10,058	1,808	29
2020								23,100	22,200	23,450	4,441	58
2021									19,367	15,020	10,565	52
2022										22,600	11,248	46
								Total		131,316		

	Cumulative paid claims and allocated claims adjustment expenses, net of reinsurance and subrogation ($000) For Years Ended December 31,									
Report Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
2013	120	1,331	1,377	1,960	1,978	1,986	2,559	2,559	2,559	2,559
2014		598	1,298	2,559	5,663	8,265	8,276	8,290	8,293	8,294
2015			4,921	9,570	18,171	22,195	22,259	22,283	22,296	22,327
2016				198	4,191	5,999	6,011	5,980	7,623	7,623
2017					2,328	3,847	7,918	7,839	7,839	7,849
2018						396	5,549	5,595	5,609	5,609
2019							2,811	5,933	5,956	5,971
2020								3,740	7,357	12,816
2021									353	419
2022										1,317
									Total	74,784
All outstanding liabilities before 2013, net of reinsurance ($000)										143
Liabilities for claims and claims adjustment expenses, net of reinsurance ($000)										56,675

Average Annual Percentage Payout of Incurred Claims by Age, Net of Reinsurance										
Years	1	2	3	4	5	6	7	8	9	10
Incremental Payout %	3.5%	35.3%	29.0%	18.0%	5.1%	4.5%	2.3%	1.2%	1.0%	0.1%

Reconciliation of the Disclosure of Incurred and Paid Claims Development to the Liability for Unpaid Claims and Claims Adjustment Expense:

	As of December 31, 2022
Net Outstanding Liabilities	
Liabilities for Unpaid Claims and Claims Adjustment Expenses, Net of Reinsurance	$ 56,675
Unallocated Claims Adjustment Expenses	31
Total Net Liability for Unpaid Claims and Claims Adjustment Expenses	56,706
Total Reinsurance Recoverable on Unpaid Claims	131,693
Total Gross Liability for Unpaid Claims and Claims Adjustment Expenses	$ 188,399

Notes to Consolidated Financial Statements (in 000's)

10. Contingencies

In the normal course of its business activities, the Company may be subject to various asserted and unasserted claims and lawsuits covering a wide range of matters. The Company is not aware of any events that would give rise to a claim at December 31, 2022 and 2021.

11. Policyholders' Dividend

In determining the level of dividend to declare, the Board of Directors ("Board") reviews the financial results of the Company as well as the anticipated capital levels needed to fund the Company's future operations and to maintain the Company's sound financial condition. After a review of all these factors, the Board declared total dividends of $6.0 million and $12.0 million in 2022 and 2021 respectively. $11.7 million of the total dividends declared in 2021 were paid in 2022.

The 2022 dividend will be allocated to Participating Members based equally on each Participating Member's share of the Company's net worth determined at December 31, 2022, before payment of the dividend, and the proportion of 2022 eligible gross earned premium of the Company attributable to each Participating Member. In accordance with the by-laws of the Company, dividends will only be paid to those eligible Participating Members that renew a participating policy in the year after the dividend declaration. Dividends are accounted for on the accrual basis and will be paid on or around the policy renewal date or May 15, 2023, whichever is later.

As per Title 8, Chapter 141, Section 6005 of the Vermont Statutes, the Company sought and received the approval of the Commissioner of the VDFR on December 19, 2022, prior to the payment of these dividends.

12. Employee Benefit Plans

A. Retirement Plans

The Company has three retirement plans for its employees: a noncontributory defined benefit plan, a 401(k) defined contribution plan, and a supplemental employee retirement plan.

The noncontributory defined benefit plan ("the Plan") covers substantially all regular full-time employees. The Company uses a December 31st measurement date for the Plan. Plan assets consist of equity and fixed income mutual funds.

The Plan uses the Projected Unit Credit Method as the actuarial cost method and the following weighted-average assumptions to determine the benefit obligation and net periodic pension cost for the years ended December 31, 2022 and 2021:

	2022	2021
Discount rate for benefit obligation	5.20%	2.95%
Discount rate for pension cost	2.95%	2.75%
Expected return on plan assets	5.50%	5.75%
Rate of compensation increase	4.00%	4.00%

Notes to Consolidated Financial Statements (in 000's)

Plan amounts recognized in the Consolidated Balance Sheets consist of:

	2022	2021
Noncurrent assets	$ -	$ -
Current liabilities	-	-
Noncurrent liabilities	3,585	7,421
Total	$ 3,585	$ 7,421

Plan amounts recognized in accumulated other comprehensive income, net of tax, for the years ended December 31, 2022 and 2021 ($123 and $(873), respectively), consist of:

	2022	2021
Net gain (loss)	$ 461	$ (3,285)
Prior service cost	-	-
Total	$ 461	$ (3,285)

Other components of the Plan for the years ended December 31, 2022 and 2021, were as follows:

	2022	2021
Projected benefit obligation	$ 15,288	$ 21,267
Fair value of plan assets	11,703	13,846
Funded status of the plan	$ (3,585)	$ (7,421)
Employer contributions	$ -	$ -
Lump sum payments	$ -	$ -
Benefits paid	$ 51	$ 51

The Plan's accumulated benefit obligation is $12,565 as of December 31, 2022 and was $17,196 as of December 31, 2021. Net periodic pension cost for the Plan, including service cost of $765 and $758 and components other than service cost of $141 and $289, totaled $906 and $1,047 for the years ended December 31, 2022 and 2021, respectively, and is included in "Underwriting, general and administrative expenses" in the Consolidated Statements of Comprehensive Income.

The Plan net gain that was recognized in other comprehensive income was $4,507 and $1,006 in 2022 and 2021, respectively. The net loss and prior service cost for the Plan that was amortized from accumulated other comprehensive income into net periodic pension cost was $235 and $0 in 2022 and $388 and $0 in 2021, respectively.

The Company determines the long-term expected rate of return on Plan assets by examining historical returns and the Plan's asset allocation. Factors such as inflation and current interest rates are also evaluated. The result is reviewed against benchmarking data to ensure that the return is a reasonable and appropriate assumption.

Notes to Consolidated Financial Statements (in 000's)

The Plan's asset allocation at December 31, by asset category, is as follows:

	2022	2021
Asset Category:		
Equities	61%	61%
Fixed income securities	39%	39%
Total	100%	100%

The Company's expected long-term rate of return and projected asset allocation are as follows:

	Expected Rate of Return	Guideline Asset Allocation	Expected Net Rate of Return
Asset Category:			
Equities	7.00%	60%	4.20%
Fixed income securities	3.25%	40%	1.30%
Total		100%	5.50%

The Plan's assets will be invested in a prudent manner for the exclusive purpose of providing benefits to Plan participants. The Company's objective is to maximize the return on assets, over the long term, by investing a majority of assets in equities. The inclusion of additional asset classes with differing rates of return, volatility, and correlation are utilized to reduce the risk by providing diversification relative to equities. The Company's investment policy states that equities will comprise 60% of assets, and fixed income securities 40% of assets. The actual allocation will be compared to the target allocation and the Plan's assets rebalanced as determined by the Company.

The Company made contributions of $0 to the Plan for both years ended December 31, 2022 and 2021, respectively. The Company's funding policy is to make annual contributions, if required, at least equal to normal costs determined to meet benefit payments, including lump sum distributions, and comply with funding requirements of ERISA. The Company does not expect to make contributions to the Plan in 2023.

The estimated net loss and prior service cost for the Plan that will be amortized from accumulated other comprehensive income into net periodic benefit cost over the next fiscal year are both $0.

Benefit payments expected to be paid from the Plan over the next five years and accumulated over the five years thereafter are as follows as of December 31:

Year	Benefits
2023	$ 2,510
2024	$ 640
2025	$ 860
2026	$ 810
2027	$ 1,440
2028-2032	$ 5,110

Notes to Consolidated Financial Statements (in 000's)

The 401(k) defined contribution plan covers substantially all employees. Effective January 1, 2007, the Company contributes amounts to the plan sufficient to credit each participant's account with an amount equal to 3% of the participant's eligible compensation, subject to IRS limitations, during the plan year. In addition, the Company matches 100% of the first 1% and 50% of the next 1% of employee voluntary contributions of the participant's eligible compensation. Participants are not required to contribute to the plan. Participants may voluntarily contribute up to 50% of eligible compensation paid to the participant during the plan year up to a maximum of $20. The Company contributed approximately $165 and $164 to this plan in 2022 and 2021, respectively.

The Company maintains a supplemental employee retirement plan ("SERP") which was established for certain key employees. The SERP provides benefits equal to what would be available under both the qualified non-contributory defined benefit plan and the 401(k) defined contribution plan, if there were no statutory limitations on the amount of compensation that could be covered by the qualified plans.

Defined Benefit Component:

The SERP uses the Projected Unit Credit Method as the actuarial cost method and the following weighted-average assumptions to determine the benefit obligation and net periodic pension cost for the years ended December 31, 2022 and 2021:

	2022	2021
Discount rate for benefit obligation	5.00%	2.60%
Discount rate for pension cost	2.60%	2.20%
Rate of compensation increase	0.00%	4.00%

SERP amounts recognized in the Consolidated Balance Sheets consist of:

	2022	2021
Noncurrent assets	$ -	$ -
Current liabilities	-	-
Noncurrent liabilities	3,423	4,306
Total	$ 3,423	$ 4,306

SERP amounts recognized in accumulated other comprehensive income, net of tax for the years ended December 31, 2022 and 2021 ($196 and $225, respectively), consist of:

	2022	2021
Net gain (loss)	$ 328	$ (740)
Prior service cost	-	-
Total	$ 328	$ (740)

Notes to Consolidated Financial Statements (in 000's)

Other components of the SERP for the years ended December 31, 2022 and 2021 were as follows:

	2022	2021
Projected benefit obligation	$ 3,423	$ 4,306
Fair value of plan assets	-	-
Funded status of the plan	$ (3,423)	$ (4,306)
Employer contributions	$ -	$ -
Lump sum payments	$ -	$ -
Benefits paid	$ -	$ -

The SERP's accumulated benefit obligation is $3,346 as of December 31, 2022, and was $3,832 as of December 31, 2021. Net periodic pension cost for the plan, including service cost of $104 and $90, and components other than service cost of $365 and $793, totaled $469 and $883 for the years ended December 31, 2022 and 2021, respectively, and is included in "Underwriting, general and administrative expenses" in the Consolidated Statements of Comprehensive Income.

The SERP net gain/(loss) that was recognized in other comprehensive income was $1,099 and $(581) in 2022 and 2021, respectively. The net loss and prior service cost for this plan that was amortized from accumulated other comprehensive income into net periodic benefit cost was $253 and $0 in 2022 and $715 and $0 in 2021, respectively.

The Company anticipates contributing amounts equal to the benefits payable in future plan years.

The estimated net gain and prior service cost for the SERP that will be amortized from accumulated other comprehensive income into net periodic benefit cost over the next fiscal year are $415 and $0, respectively.

Benefit payments expected to be paid from the SERP over the next five years and accumulated over the five years thereafter are as follows as of December 31:

Year	Benefits
2023	$ -
2024	$ 3,680
2025	$ -
2026	$ -
2027	$ -
2028-2032	$ -

The accrued liability included in the Consolidated Balance Sheet for the defined contribution component of the SERP was $234 at December 31, 2022 and $215 at December 31, 2021. Amounts recognized in the Consolidated Statements of Comprehensive Income for the defined contribution component of the SERP were $19 and $20 for 2022 and 2021, respectively.

Notes to Consolidated Financial Statements (in 000's)

B. Postretirement Benefit Plan

The Company provides health benefits to qualifying employees and retirees. The Company recognizes the expected cost of these benefits during the years in which employees render service. No assets are set aside for postretirement health benefits. The Company has not applied for benefits under the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (the "2003 Act") and any measures of the accumulated postretirement benefit obligation or net periodic postretirement benefit cost in the financial statements or accompanying notes do not reflect the effects of the 2003 Act on the Company's postretirement benefit plan.

As of December 31, 2010, the Company has included a 1% load in the plan's amounts to account for the anticipated impact of the excise tax on high-cost plans as a result of the Patient Protection and Affordable Care Act of 2010 (the "2010 Act"). The other provisions of the 2010 Act are not expected to have a material impact on the Company's postretirement benefit plan obligation.

Plan amounts recognized in the Consolidated Balance Sheets consist of:

	2022	2021
Noncurrent assets	$ -	$ -
Current liabilities	110	97
Noncurrent liabilities	4,187	5,890
Total	$ 4,297	$ 5,987

Plan amounts recognized in accumulated other comprehensive income, net of tax, for the years ended December 31, 2022 and 2021 ($556 and $528, respectively), consist of:

	2022	2021
Net loss	$ 481	$ 2,092

Other components of the plan for the years ended December 31, 2022 and 2021, were as follows:

	2022	2021
Benefit obligation	$ 4,297	$ 5,987
Fair value of plan assets	-	-
Funded status of the plan	$ (4,297)	$ (5,987)
Employer contributions	$ 121	$ 123
Participant contributions	$ 7	$ 7
Benefits paid	$ 129	$ 130

The following table shows the plan's obligation by participant as well as assumed discount rates:

	2022	2021
Retirees	$ (1,306)	$ (1,603)
Other active participants	(2,991)	(4,384)
Accumulated postretirement benefit obligation	$ (4,297)	$ (5,987)

Notes to Consolidated Financial Statements (in 000's)

Weighted average assumed discount rate to determine:		
The benefit obligation	5.20%	2.95%
The net benefit cost	2.95%	2.75%

Net periodic benefit cost for the plan, including service cost of $205 and $166, and components other than service cost of $396 and $347, totaled $600 and $513 for the years ended December 31, 2022 and 2021, respectively, and is included in "Underwriting, general and administrative expenses" in the Consolidated Statements of Comprehensive Income. The plan net gain (loss) that was recognized in other comprehensive income was $1,948 and $(332) in 2022 and 2021, respectively. The net loss and prior service cost for this plan that was amortized from accumulated other comprehensive income into net periodic benefit cost was $220 and $0 in 2022 and $198 and $0 in 2021, respectively.

The Company's policy is to contribute the amount required to fund postretirement benefits as they become due to retirees. The amount expected to be required in contributions to the plan during 2023 is $110.

The estimated net loss and prior service cost for the plan that will be amortized from accumulated other comprehensive income into net periodic benefit cost over the next fiscal year are $6 and $0, respectively.

Benefit payments expected to be paid from the plan over the next five years and accumulated over the five years thereafter are as follows as of December 31:

Year	Benefits
2023	$ 110
2024	$ 120
2025	$ 140
2026	$ 160
2027	$ 170
2028-2032	$ 1,050

For measurement purposes, a 7.5% increase in healthcare costs was assumed for fiscal year 2023, trending down to 4.5% in 2033 and thereafter.

C. Deferred Compensation Plan

During 2010, the Company adopted a deferred compensation plan for certain key employees. The amount and timing of awards to participants is at the sole discretion of the Company and amounts remain unfunded and unvested until the employee meets all of the criteria established by the Company for payment of the awarded amounts. Included in "Underwriting, general and administrative expenses" in the accompanying Consolidated Statements of Comprehensive Income are amounts attributable to this plan of approximately $8 and $2 for the years ended December 31, 2022 and 2021, respectively. Total deferred compensation plan liabilities were $562 and $554 at December 31, 2022 and 2021, respectively.

Notes to Consolidated Financial Statements (in 000's)

13. Accumulated Other Comprehensive Income

Changes in the Company's accumulated other comprehensive income by component, net of tax, are as follows:

	Unrealized Gains and (Losses) on Investments	Actuarial Unrealized Gains and (Losses) on Benefit Plans	Total
Balance at December 31, 2020	$ 16,606	$ (7,218)	$ 9,388
Net unrealized (losses) gains arising during the period	(6,489)	74	(6,415)
Reclassification adjustment for (gains) losses realized in net income	(3,321)	1,028	(2,293)
Other comprehensive (loss) income	$ (9,810)	$ 1,102	$ (8,708)
Balance at December 31, 2021	$ 6,796	$ (6,116)	$ 680
Net unrealized (losses) gains arising during the period	(42,117)	5,967	(36,150)
Reclassification adjustment for losses realized in net income	2,335	560	2,895
Other comprehensive (loss) income	$ (39,782)	$ 6,527	$ (33,255)
Balance at December 31, 2022	$ (32,986)	$ 411	$ (32,575)

The Company's other comprehensive income is calculated as follows:

For the Year Ended December 31, 2022	Pretax (Loss) or Income	Tax Expense or (Benefit)	Net of Tax Amount
Net unrealized losses on investments			
Net unrealized losses arising during the period	$ (53,313)	$ (11,196)	$ (42,117)
Reclassification adjustment for losses realized in net income	2,956	621	2,335
Net actuarial unrealized gains on employee benefit plans			
Net unrealized losses arising during the period	7,553	1,586	5,967
Reclassification adjustment for losses realized in net income	709	149	560
Other comprehensive loss	$ (42,095)	$ (8,840)	$ (33,255)

For the Year Ended December 31, 2021	Pretax Income or (Loss)	Tax Expense or (Benefit)	Net of Tax Amount
Net unrealized gains on investments			
Net unrealized losses arising during the period	$ (8,214)	$ (1,725)	$ (6,489)
Reclassification adjustment for gains realized in net income	(4,204)	(883)	(3,321)
Net actuarial unrealized gains on employee benefit plans			
Net unrealized gains arising during the period	94	20	74
Reclassification adjustment for losses realized in net income	1,300	272	1,028
Other comprehensive loss	$ (11,024)	$ (2,316)	$ (8,708)

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ICIMutual

ICI Mutual Insurance Company,
A Risk Retention Group

1401 H Street NW, Suite 1000
Washington, DC 20005

800.643.4246
info@icimutual.com

www.icimutual.com