ICIMutual

AR24

Annual Report 2024

ICI Mutual at a Glance

48%
Defense Costs

29%
Costs of Correction

23%
Judgments and Settlements

Over $1.4B
Cumulative D&O/E&O Claims Paid

For the latest rating, access www.ambest.com

Data as of December 31, 2024

Assets Under Management

70%+

ICI Mutual Insureds Represent 70%+ of Industry Assets Under Management

Equity Growth and Dividends

John T. Mulligan
President

David Oestreicher
Chair of the Board of Directors

A Letter from the President and the Chair

As we write in the early months of 2025, emerging and evolving risks continue to challenge risk takers and risk managers, inside and outside the fund industry. Asset managers and insurers alike must navigate a complex risk landscape marked by volatility and unpredictability. We take this opportunity to remind our member-insureds of why we exist and how we are uniquely suited to support you and the broader fund industry during challenging times. As an industry mutual, our distinctive structure, our enduring self-governance model, and our unparalleled expertise all work together to position ICI Mutual as your strong, resilient partner in risk management.

In times like these, ICI Mutual's purpose serves as a lodestar. We are grateful to our member-insureds—past and present—for instilling a clear purpose to guide the Company through times of change. As our member-insureds deliver world-class investment management services to shareholders and other clients amid periods of uncertainty and instability, ICI Mutual remains laser-focused on its mission to them: to provide sustainable insurance solutions, thoughtful risk management insights, and fair-minded claims handling in any environment.

Different by Design

ICI Mutual's structure remains its greatest asset. Created by and operated for its member-insureds, the Company prioritizes specialization, stability, and long-term thinking. Our member-centric approach fosters a culture of trust and collaboration, where even the most complex risks and claims can be assessed and addressed.

Certainly, today's environment continues to present challenges for the fund industry and our member-insureds. Financial markets remain volatile. Regulatory priorities continue to shift. Geopolitical risks persist. As reported in recent years, and again highlighted in the recently published *Claims Trends*, fund industry claims reflect the complex world around us.

Yet, through it all, ICI Mutual remains steady—anchored by member-insureds who stand stronger together. Different by design, our business model reflects a philosophy rooted in partnership, long-term thinking, and mutual responsibility.

2024 was again a successful year for ICI Mutual. The Company's underwriting profit, in combination with its investment results, produced net income—after dividends and income taxes—of $14.5 million. In December, the Board of Directors declared a $6.0 million dividend, payable to Participating Members as a credit against their 2025 renewal premiums. This brings the total dividends declared over the life of the Company to $142 million. At year-end, ICI Mutual's equity reached $331 million, and AM Best once again affirmed the Company's "A" (Excellent) rating.

Management's detailed discussion of 2024's operating results is provided at pages 6-7.

A Model That Endures

ICI Mutual is governed by the people and institutions it insures. That distinction matters.

Our Board of Directors comprises professionals drawn from member-insured fund groups—independent directors, senior executives, and other leaders with direct knowledge of the issues facing the fund industry. Their engagement provides critical oversight and ensures that the Company remains responsive to member-insured needs.

Our financial foundation remains strong. Our reinsurance relationships—with more than two dozen highly rated reinsurers—continue to provide meaningful capacity and help us absorb the impact of large or unexpected claims. These partnerships are essential to the Company's ability to serve the fund industry broadly and consistently.

Unparalleled Expertise that Makes a Difference

We continue to understand that insurance for the fund industry requires more than policy language. It requires insight into fund governance, operational practices, and evolving regulatory and litigation risks. With our Board of Directors, at industry conferences, and at our own annual Risk Management Conference, we continually evaluate existing and emerging risks, and the potential for frequency and severity of loss.

During our nearly four decades of operation, we have partnered with our member-insureds to address their specialized insurance needs and their complex claims. Indeed, each claim we handle is an opportunity to demonstrate the difference that a mutual insurer makes. Our approach is principled, informed, and expert. We resolve matters with clarity and care.

Our underwriting process is similarly grounded in a deep understanding of fund industry operations and risks. Each member-insured is served by an underwriter who possesses a specialist focus. We can quickly and skillfully navigate the ever-changing landscape of investment products, priorities, and risks.

2024's Focus

Given the pace of innovation and change in the fund industry, ICI Mutual conducted a strategic review in 2024. Management asked the Company's key stakeholders what matters most to them. In surveys and interviews, representatives of the directors and officers, funds, and advisers who comprise our core constituencies resoundingly cited ICI Mutual's reputation as a "trusted" insurer. As a result of its review, the Company will continue to invest in areas that bring the most value to our members, particularly the Company's ability to identify real-world risks, provide relevant coverage, and adjust associated claims expertly.

Other areas of focus in 2024 included ongoing succession planning for the Board and management, increased investment in business development efforts, and deep engagement with the Company's reinsurance partners.

Looking Ahead

ICI Mutual does not shy from challenges. Our objective is to remain a resilient and reliable insurer for the fund industry. We know why we exist. We know whom we serve. And we know that our value is measured not only in the clarity of our coverage and claims process, but in trust earned.

In 2025, ICI Mutual will continue our targeted outreach efforts across the fund industry. Moreover, in recent years, we have observed a substantial "generational change" at member-insureds. To that end, ICI Mutual will also focus special attention on developing and maintaining strong relationships with the "next generation" of leaders and/or key decision-makers at member-insured fund groups.

We are grateful to the leaders who had the foresight to establish ICI Mutual more than 35 years ago and to our member-insureds who continue to support the Company and shape its direction. We appreciate the opportunity to serve a community that values expertise, mutuality, and long-term partnership and are committed to the responsibility that comes with it.

On behalf of the Board of Directors and our staff, thank you for your continued confidence in ICI Mutual. As we look ahead, we do so with clarity of purpose, strength of mission, and unwavering commitment to you.

John T. Mulligan
President

David Oestreicher
Chair of the Board of Directors

Financial Overview

ICI Mutual recorded an underwriting profit of $2.4 million in 2024, the nineteenth year out of the past twenty that underwriting income (net premiums earned) exceeded underwriting expenses (net losses incurred and net G&A expenses). Including positive investment results, net income before policyholder dividends and income taxes totaled $24.2 million.

Both gross premiums written of $79.9 million and net premiums earned of $18.9 million were modestly lower in 2024 than in 2023. On average, premiums remained generally stable across all insurance products (though premium rates increased on certain directors and officers/errors and omissions liability insurance policies with recent adverse loss experience). The Company continued to retain member-insureds in 2024 with a strong year-over-year retention rate of 93%.

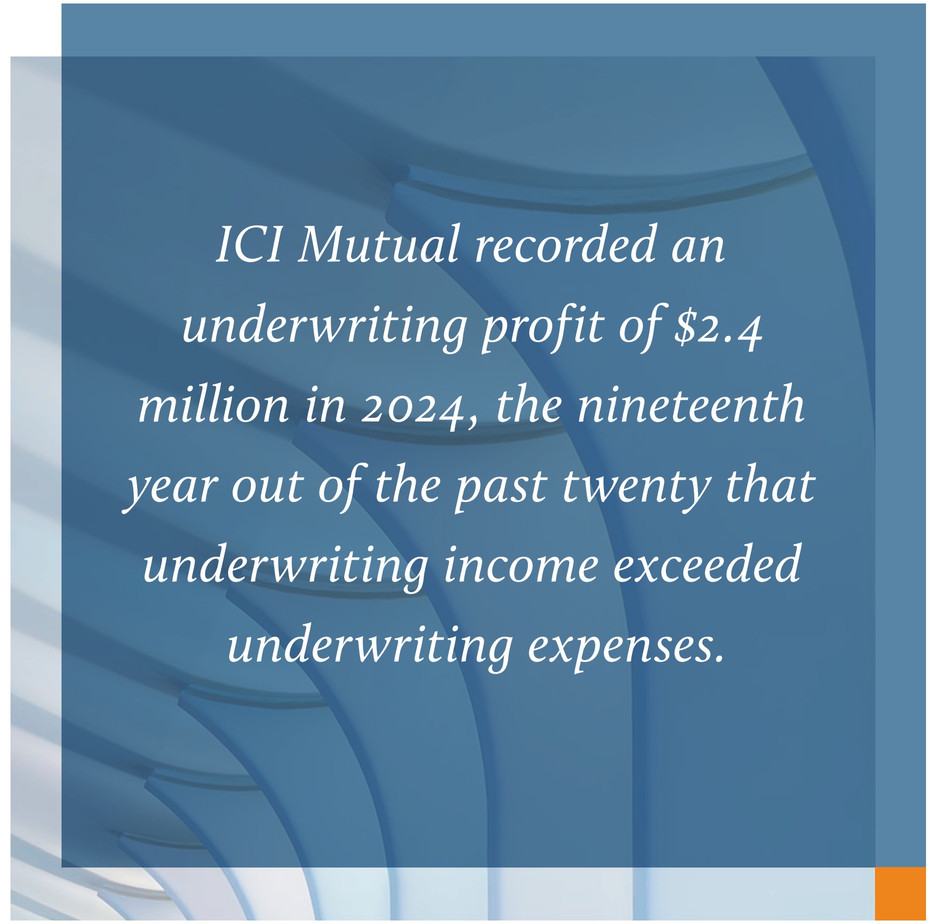
Net loss and loss adjustment expenses were $9.2 million for the year, a decrease from the $9.9 million experienced in 2023, primarily driven by favorable developments in certain prior year loss reserves. The Company's loss ratio for 2024 (net loss and loss adjustment expenses divided by net premiums earned) was 49%. The Company's combined ratio was 87% before dividends to Participating Members, and 119% after dividends to Participating Members.

Net investment income was $14.4 million in 2024, a modest increase compared to 2023.

A policyholder dividend of $6.0 million was declared by the Company's Board of Directors in December 2024 and is payable to Participating Members that renew eligible participating policies in 2025.

The provision for income taxes was $3.8 million, representing an effective tax rate of 21%.

Net income, after dividends and income taxes, was $14.5 million in 2024 as compared to net income, after dividends and income taxes, of $8.9 million in 2023. This improvement is primarily the result of lower operating expenses (approximately $3.4 million) and lower net realized losses on the sale of debt securities (approximately $2.2 million) in 2024 compared to 2023.



ICI Mutual recorded an underwriting profit of $2.4 million in 2024, the nineteenth year out of the past twenty that underwriting income exceeded underwriting expenses.

Total equity increased in 2024 by approximately $17 million to $331 million, primarily driven by the $14.5 million of net income, as well as by approximately $1.5 million in actuarial unrealized gains on benefit plans and $1 million in unrealized appreciation on debt securities. In 2024, the Company maintained its 32nd straight "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.

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 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 ensure 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 remain sustainable over time.

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 13, 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

What to Expect in the Claims Process (2023)

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)

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. 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.

Our financial foundation remains strong. Our reinsurance relationships—with more than two dozen highly rated reinsurers—continue to provide meaningful capacity and help us absorb the impact of large or unexpected claims.

Board of Directors

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

Heidi W. Hardin (Vice Chair) (E,I,N)
MFS Investment Management

Mark E. Carver (A,R)
UBS Asset Management Americas

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

Suzanne E. Christensen (A,R)
Franklin Templeton Investments

Caroline Cosby (E,U)
The Vanguard Group, Inc.

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

Ronald H. Fielding (I)
Saturna Investment Trust

Barry Fink (A)
American Century Funds

Robert F. Gunia (I)
Prudential Insurance Mutual Funds

Diana P. Herrmann*
Aquila Investment Management LLC

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

Christopher J. Kelley (U)
Amundi US

Jeffrey H. Kupor (U)
Invesco Ltd.

Karrie McMillan (I,U,N)
Principal Funds

James J. McMonagle (R)
Selected Funds

John T. Mulligan (E,I,R)
ICI Mutual Insurance Company

Jeffrey A. Naylor (R)
Investment Company Institute

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

Michelle R. Rosenberg (U)
Janus Henderson Investors

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

Hepsen Uzcan (A,R)
DWS

Derick A. White (U)
Strategic Risk Solutions

George H. Walker (Ex-Officio)
Neuberger Berman

Board Committees: Executive (E), Audit (A), Investment (I), Underwriting (U), Risk Management (R), Nominating (N).

Board of Directors as of December 31, 2024. * Resigned 11/25/24

Board of Directors from top left: Stefanie Chang Yu / Ronald H. Fielding / Jeffrey A. Naylor / Derick A. White / Kenneth C. Eich / Mel Spinella / David Oestreicher / Hepsen Uzcan / Michelle R. Rosenberg

Jeffrey H. Kupor / Heidi W. Hardin / Steven M. Joenk (seated) / Christopher J. Kelley / Robert F. Gunia / Karrie McMillan / John T. Mulligan / Mark E. Carver / Barry Fink / Suzanne E. Christensen

Not pictured: Caroline Cosby, Diana P. Herrmann, James J. McMonagle, Eric J. Pan

Officers and Staff

OFFICERS

John T. Mulligan
President

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

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

Margaret M. Sullivan
Vice President, Chief Underwriting Officer & Assistant Secretary

STAFF

William Y. Akishev
Director of Information Technology

Virginia S. Barry
Associate Counsel

Nadia Bustillo
Senior Accountant

Catherine M. Dalton
Underwriting Manager

Briana R. Davis
Lead Broker & Underwriter

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

Douglas B. Kuckelman
Head of Finance

Matthew D. MacKenzie
Underwriter

Meloney G. McKoy
Senior Accountant

Swenitha Nalli
Senior Underwriter

Colin K. Rouse
Assistant Controller

Gwen M. Taylor
Legal Insurance Assistant

David U. Thomas
Deputy General Counsel & Director of Cyber Risk Issues

Selected Financial Highlights

For the Years Ended	2024	2023
Gross Premiums Written	$ 79,925	$ 80,529
Net Premiums Earned	$ 18,925	$ 20,208
Net Loss and Loss Adjustment Expenses	$ 9,195	$ 9,918
Net Underwriting Income (Loss)	$ 2,407	$ (473)
Net Investment Income	$ 14,441	$ 13,812
Dividends to Policyholders	$ 5,962	$ 5,977
Net Income	$ 14,450	$ 8,885
Total Equity	$ 330,952	$ 314,056

Combined Ratio	2024	2023
Loss and General Expense Ratio	87%	102%
Policyholder Dividends	32%	30%
Combined Ratio including Policyholder Dividends	119%	132%

Dollar amounts in thousands

ICI Mutual

**ICI Mutual Insurance Company,
A Risk Retention Group**

1401 H Street NW, Suite 1150
Washington, DC 20005

800.643.4246
info@icimutual.com

www.icimutual.com

ICI Mutual

ICI MUTUAL Insurance Company
A Risk Retention Group

2024

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, 2024 and 2023, 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, 2024 and 2023, 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 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 cumulative paid claims and allocated claim adjustment expenses, net of reinsurance and subrogation, information, for years ended December 31, 2023 and prior and the average annual percentage payout of incurred claims by age, net of reinsurance, information as of December 31, 2024 on page 23 be presented to supplement the basic consolidated financial statements. Such information is the responsibility of management and, although not a part of the basic consolidated 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 consolidated 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 consolidated financial statements, and other knowledge we obtained during our audit of the basic consolidated 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.

PricewaterhouseCoopers LLP

New York, New York
April 23, 2025

ICI Mutual Insurance Company, a Risk Retention Group
Consolidated Balance Sheets
December 31, 2024 and 2023 (in 000's)

	2024	2023
Assets		
Cash and cash equivalents	$ 24,896	$ 29,080
Investments		
Debt securities, at fair value (amortized cost of $314,172 and $319,433, respectively)	286,772	290,619
Equity securities, at fair value	57,862	67,669
Money market funds	3,042	4,000
Total cash and investments	372,572	391,368
Prepaid expenses	368	376
Prepaid federal and state income taxes	4,671	2,483
Deferred policy acquisition costs	1,335	1,400
Premiums receivable	7,841	6,171
Interest receivable	2,559	2,477
Investment securities receivable	951	691
Reinsurance recoverables	277,598	244,341
Prepaid reinsurance premiums	35,957	35,040
Other amounts receivable under reinsurance contracts	4,556	1,503
Deferred income taxes	3,717	4,843
Right-of-use asset	4,319	4,628
Furniture and fixtures, net	1,050	1,064
Total assets	$ 717,494	$ 696,385
Liabilities and Equity		
Reserve for losses and loss adjustment expenses	$ 278,159	$ 246,613
Unearned premiums	46,485	46,449
Reinsurance premiums payable	3,349	3,151
Premium taxes payable	666	495
Accounts payable and other liabilities	5,079	5,618
Investment securities payable	1,992	2,433
Short-term borrowing	30,000	50,000
Benefits payable	6,127	12,320
Lease liability	5,729	6,074
Deferred commission income	2,956	2,719
Dividends payable	6,000	6,457
Total liabilities	386,542	382,329
Contingencies (Note 10)		
Contributed surplus	17,770	18,040
Accumulated other comprehensive loss	(20,095)	(22,811)
Accumulated earnings	333,277	318,827
Total equity	330,952	314,056
Total liabilities and equity	$ 717,494	$ 696,385

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, 2024 and 2023 (in 000's)

	2024	2023
Revenues		
Net premiums written	$ 18,045	$ 19,717
Change in net unearned premiums	880	491
Net premiums earned	18,925	20,208
Net investment income	14,441	13,812
Net realized losses on debt securities	(1,954)	(4,721)
Net unrealized gains on equity securities	11,758	11,109
Other income	289	281
Total revenues	43,459	40,689
Expenses		
Net loss and loss adjustment expenses	9,195	9,918
Net underwriting, general and administrative expenses	7,323	10,763
Interest expense	2,740	2,886
Total expenses	19,258	23,567
Income before dividends to policyholders and provision for income taxes	24,201	17,122
Dividends to policyholders	5,962	5,977
Income before provision for income taxes	18,239	11,145
Provision for income taxes	3,789	2,260
Net income	14,450	8,885
Other Comprehensive Income		
Net unrealized gains on debt securities:		
Net unrealized (losses) gains arising during the period, net of tax	(427)	6,492
Reclassification adjustment for losses realized in net income, net of tax	1,544	3,730
Net actuarial unrealized gains (losses) on employee benefit plans:		
Net unrealized gains (losses) arising during the period, net of tax	1,712	(404)
Reclassification adjustment for (gains) realized in net income, net of tax	(113)	(54)
Other comprehensive income, net of tax, net of reclassification adjustments	2,716	9,764
Comprehensive income	$ 17,166	$ 18,649
Net realized losses on debt securities		
Allowance for credit losses	$ -	$ -
Other net realized investment losses	(1,954)	(4,721)
Net realized losses on securities	$ (1,954)	$ (4,721)

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, 2024 and 2023 (in 000's)

	Contributed Surplus	Accumulated Other Comprehensive Income (Loss)	Accumulated Earnings	Total Equity
Balance at December 31, 2022	$ 18,040	$ (32,575)	$ 309,942	$ 295,407
Net Income	-	-	8,885	8,885
Other comprehensive income, net of tax, net of reclassification adjustments	-	9,764	-	9,764
Distributions of contributed surplus	-	-	-	-
Balance at December 31, 2023	$ 18,040	$ (22,811)	$ 318,827	$ 314,056
Net Income	-	-	14,450	14,450
Other comprehensive income, net of tax, net of reclassification adjustments	-	2,716	-	2,716
Distributions of contributed surplus	(270)	-	-	(270)
Balance at December 31, 2024	$ 17,770	$ (20,095)	$ 333,277	$ 330,952

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, 2024 and 2023 (in 000's)

	2024	2023
Cash Flows from Operating Activities		
Net income	$ 14,450	$ 8,885
Adjustments to reconcile net income to net cash (used in) provided by operating activities		
Amortization of premium	225	142
Deferred income taxes	404	1,518
Depreciation and amortization	95	490
Net realized losses on debt securities	1,954	4,721
Net unrealized gains on equity securities	(11,758)	(11,109)
Changes in operating assets and liabilities		
Prepaid expenses	9	31
Prepaid federal and state income taxes	(2,188)	682
Deferred policy acquisition costs	65	(49)
Premiums receivable	(1,670)	693
Interest receivable	(82)	(232)
Other receivables	-	26
Reinsurance recoverables	(33,257)	(44,285)
Prepaid reinsurance premiums	(917)	(1,845)
Other amounts receivable under reinsurance contracts	(3,053)	155
Right-of-use asset	309	277
Reserve for losses and loss adjustment expenses	31,546	58,214
Unearned premiums	37	1,354
Reinsurance premiums payable	198	(183)
Premium taxes payable	171	23
Accounts payable and other liabilities	(539)	1,832
Benefits payable	(4,169)	(1,111)
Lease liability	(345)	563
Deferred commission income	237	4
Dividends payable	(457)	184
Net cash (used in) provided by operating activities	(8,735)	20,980
Cash Flows from Investing Activities		
Proceeds from sales of investments	144,713	77,054
Proceeds from maturities of investments	1,875	1,480
Purchases of furniture and fixtures, net	(81)	(1,064)
Payments for purchases of investments	(122,644)	(79,903)
Change in money market funds	958	7,962
Net cash provided by investing activities	24,821	5,529
Cash Flows from Financing Activities		
Distributions of contributed surplus	(270)	-
Repayments to the FHLB	(20,000)	(25,000)
Net cash used in financing activities	(20,270)	(25,000)
Net (decrease) increase in cash and cash equivalents	(4,184)	1,509
Cash and cash equivalents at beginning of year	29,080	27,571
Cash and cash equivalents at end of year	$ 24,896	$ 29,080

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 2024 and 2023 agree with the audited financial statements. In addition,at December 31, 2024 and 2023, 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 a credit loss impairment has occurred. See Note 2 for a detailed explanation of the procedures utilized by the Company in calculating 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.

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. Commissions on reinsurance premiums ceded represent recovery of certain acquisition costs and are capitalized as a reduction to underwriter compensation and royalty fees at the ratio of reinsurance premiums ceded to gross written premiums and amortized at the same rate as the acquisition costs. Commissions in excess of the reduction to acquisition costs are capitalized as a deferred commission income liability and amortized at the same rate as the acquisition costs as a reduction to underwriting, general and administrative expenses.

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, 2024.

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 consolidated 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, 2024 and 2023.

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 2024 or 2023.

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.

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, 2024, 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 to determine the probability of default under the current expected credit loss ("CECL") model and only conducts business with reinsurers that are highly rated by reputable rating agencies. Based on its CECL analysis of current expectations and historical experience, the Company does not believe that any credit loss exists on amounts currently due from reinsurers. At December 31, 2024, no valuation reserve against reinsurance recoverables was recorded. The Company has accrued for legal expenses associated with the reinsurance recoverable matter disclosed in Note 8B.

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, 2024 and 2023, 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. In 2023, the Company repaid $45,000 of the $75,000 it had borrowed from the FHLB in December 2021 as part of its liquidity strategy. The Company borrowed an additional $20,000 in December 2023 and the amount outstanding as of December 31, 2023, was $50,000. The Company repaid $20,000 in December 2024 and the amount outstanding as of December 31, 2024, was $30,000. Total investment assets pledged as collateral to the FHLB were $63,740 and $62,587 as of December 31, 2024 and 2023, respectively. Total cash pledged as collateral was $6,751 and $5,000 as of December 31, 2024 and 2023, respectively. The Company incurred interest with the FHLB in the amount of $2,740 and $2,886 in 2024 and 2023, respectively.

Non-cash investing activity consisted of receivables from investments sold, not yet settled, of $947 and $691, and payables from investments purchased, not yet settled, of $1,992 and $2,433, at December 31, 2024 and 2023, 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, reduced 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 continued 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 $95 and $533 for 2024 and 2023, respectively. Accumulated depreciation totaled $95 and $0 at December 31, 2024 and 2023, respectively. In 2023, as part of the modified sublease with the ICI for office space at 1401 H Street in Washington, DC (see Note 1I), the Company expensed the remaining net balance of the fixed assets associated with its former office space on the 10th floor ($490) and capitalized a leasehold improvement asset in the amount of $1,064 associated with its new office space on the 11th floor.

K. Recent Accounting Pronouncements

Recently Adopted Accounting Standards

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 investments 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. The Company adopted this guidance as of January 1, 2023.

L. Correction in Presentation to the December 31, 2023 Consolidated Financial Statements

In previous years, the Company included interest expense incurred with the FHLB in net investment income in the Company's Consolidated Statements of Comprehensive Income. For the year ended December 31, 2024, the Company presented the interest expense incurred with the FHLB on a separate line of the Consolidated Statement of Comprehensive Income, in accordance with US GAAP. The Company revised the presentation for the comparative year ended December 31, 2023, by increasing 2023 net investment income, total revenues, and total expenses by $2,866, respectively. This correction related to financial statement presentation only and did not impact income before dividends and income taxes, net income or total equity.

M. Reclassifications

Certain amounts in prior year's Consolidated Financial Statements and Notes thereto have been reclassified to conform to the 2024 presentation.

N. 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 of December 31, 2024, and through the date the financial statements were available to be issued, April 23, 2025. The Company did not identify any subsequent events that require adjustment to and/or disclosure in the financial statements.

Notes to Consolidated Financial Statements (in 000's)

2. Investments

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

	December 31, 2024			
Debt securities available for sale	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Government, agencies and authorities securities	$ 59,324	$ 15	$ (5,970)	$ 53,369
Mortgage-backed	44,422	19	(4,541)	39,900
All other corporate bonds	210,426	683	(17,606)	193,503
Total debt securities	$ 314,172	$ 717	$ (28,117)	$ 286,772

	December 31, 2023			
Debt securities available for sale	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Government, agencies and authorities securities	$ 47,759	$ 94	$ (5,050)	$ 42,803
Mortgage-backed	42,596	-	(5,332)	37,264
All other corporate bonds	229,078	1,539	(20,065)	210,552
Total debt securities	$ 319,433	$ 1,633	$ (30,447)	$ 290,619

The amortized cost and fair value of debt securities at December 31, 2024, 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	$ 1,891	$ 1,881
Due after one year through five years	65,191	63,182
Due after five years through ten years	98,161	92,497
Due after ten years	148,929	129,212
Total debt securities	$ 314,172	$ 286,772

At December 31, 2024 and 2023, the gross unrealized gains and (losses) on investments in debt securities of $717 and $(28,117) and $1,633 and $(30,447) have been reflected in the Consolidated Balance Sheets as a component of accumulated other comprehensive income, net of deferred taxes of $5,754 and $6,051, respectively.

The change in gross unrealized gains on equity securities in 2024 and 2023 of $11,758 and $11,109, respectively, has been reflected in the Consolidated Statements of Comprehensive Income.

Notes to Consolidated Financial Statements (in 000's)

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, an intermediate 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 investment grade fixed income securities. The portfolio is also closely monitored for downgrades on corporate bonds and changes to projected 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. Intermediate duration profile on the bond portfolio limits the fair value impact from interest rate changes.

Unrealized loss position securities:

	December 31, 2024				
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	$ 52,024	$ (715)	$ (5,254)	$ (5,969)	82
Mortgage-backed	35,157	(45)	(4,497)	(4,542)	79
All other corporate bonds	140,363	(1,389)	(16,217)	(17,606)	456
Total debt securities	$ 227,544	$ (2,149)	$ (25,968)	$ (28,117)	617

	December 31, 2023				
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	$ 38,701	$ (144)	$ (4,906)	$ (5,050)	63
Mortgage-backed	36,994	(173)	(5,159)	(5,332)	83
All other corporate bonds	159,962	(628)	(19,437)	(20,065)	485
Total debt securities	$ 235,657	$ (945)	$ (29,502)	$ (30,447)	631

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 before recovery.

Credit Loss Impairment Evaluations

The Company reviews its investment securities regularly and determines whether credit loss impairments have occurred. For fixed maturities, the Company employs specific quantitative tests for those securities where the fair value is less than amortized cost to determine which securities require additional impairment review. If 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 a credit loss, and (b) the amount of the total impairment related to interest and all other factors. The amount of the impairment related to the credit loss is recognized through an allowance for credit losses. The amount of the 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 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 credit loss 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 an asset-backed (including mortgage-backed) security is 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 credit loss 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 credit loss 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.

Notes to Consolidated Financial Statements (in 000's)

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 a credit loss 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 adjustments to the credit loss allowance in the near term, which could be significant.

In addition, the Company evaluates other asset-backed securities for impairment 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 credit loss impairment by examining similar characteristics referenced above for corporate debt securities.

There were no credit loss impairments on debt securities included in the Consolidated Statements of Comprehensive Income in 2024 and 2023.

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 credit losses in future periods.

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, 2024	$ 123,937	$ 1,590	$ (3,544)
For the year ended December 31, 2023	$ 75,257	$ 500	$ (5,221)

Notes to Consolidated Financial Statements (in 000's)

Net investment income is calculated as follows:

	2024		
Debt securities available for sale	Gross Investment Income	Investment Expenses	Net Investment Income
U.S. Government, agencies and authorities securities	$ 1,662	$ (71)	$ 1,591
Mortgage-backed	1,490	(63)	1,427
All other corporate bonds	10,550	(447)	10,103
Equity securities	1,379	(59)	1,320
Total	$ 15,081	$ (640)	$ 14,441

	2023		
Debt securities available for sale	Gross Investment Income	Investment Expenses	Net Investment Income
U.S. Government, agencies and authorities securities	$ 1,327	$ (50)	$ 1,277
Mortgage-backed	1,234	(47)	1,187
All other corporate bonds	10,369	(393)	9,976
Equity securities	1,426	(54)	1,372
Total	$ 14,356	$ (544)	$ 13,812

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.

Notes to Consolidated Financial Statements (in 000's)

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 debt securities, exchange traded mutual funds, and money market 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 and FHLB stock.

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, 2024 and 2023.

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

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, 2024	Quoted Prices (Level 1)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investment in debt securities	$ 286,772	$ 25,299	$ 261,473	$ -
Investment in equity securities	57,862	56,391	1,471	-
Investment in money market funds	3,042	3,042	-	-
Total	$ 347,676	$ 84,732	$ 262,944	$ -

	December 31, 2023	Quoted Prices (Level 1)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investment in debt securities	$ 290,619	$ 23,480	$ 267,139	$ -
Investment in equity securities	67,669	65,436	2,233	-
Investment in money market funds	4,000	4,000	-	-
Total	$ 362,288	$ 92,916	$ 269,372	$ -

It is the Company's policy to recognize transfers of assets between levels of fair value hierarchy at the end of a reporting period. For the year ending December 31, 2024, and 2023, 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 2024 and 2023. 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, 2024 and 2023 are comprised of the following:

	2024	2023
Beginning balance	$ 1,400	$ 1,351
Additional costs capitalized		
Underwriting expenses	1,395	1,440
Royalty fees (Note 7)	799	805
Premium taxes	1,867	1,895
	4,061	4,140
Less ceding commissions		
Underwriting expenses	628	608
Royalty fees (Note 7)	360	340
	988	948
Less current year amortization		
Underwriting expenses	816	899
Royalty fees (Note 7)	448	452
Premium taxes	1,874	1,792
	3,138	3,143
Ending balance	$ 1,335	$ 1,400

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 both December 31, 2024 and 2023, $1,045 related to reserve premium for all such terminated policies that was included in contributed surplus. The Company recorded distributions of $270 and $0 in reserve premium to non-renewing Participating Members during the years ended December 31, 2024 and 2023, 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, 31.9% and 34.5% were attributable to Non-Participating policies during the years ended December 31, 2024 and 2023, respectively.

Notes to Consolidated Financial Statements (in 000's)

6. Provision for Income Taxes

The provision for income taxes consists of the following:

	2024	2023
Current provision	$ 3,385	$ 742
Deferred provision	404	1,518
Provision for income taxes	$ 3,789	$ 2,260

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

	2024	2023
Expected tax provision at 21%	$ 3,830	$ 2,340
State income taxes, net of federal benefit	(3)	31
Dividend received deduction	(62)	(61)
Foreign tax credits	(49)	(35)
Provision to return adjustments	52	(24)
Other	21	9
Actual provision for income taxes	$ 3,789	$ 2,260

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 $5,481 and $0 in 2024 and 2023, respectively.

The deferred income tax amounts reflected in the Consolidated Balance Sheets at December 31, 2024 and 2023 are comprised of the following items:

	2024	2023
Net unearned premiums	$ 443	$ 479
Discounting of loss reserves	666	625
Post-retirement employee benefits	1,968	3,362
Other than temporarily impaired securities	20	197
Policyholder dividend	1,260	1,356
Lease liability	1,180	1,276
Net unrealized losses on debt securities	5,754	6,014
Deferred commission income	621	571
Legal expense accrual	721	735
Other	405	470
Gross deferred tax assets	13,038	15,085
Deferred policy acquisition costs	(273)	(294)
Net unrealized gains on equity securities	(7,539)	(8,451)
Right-of-use asset	(884)	(972)
Lease amortization	(136)	(128)
Bond discount accretion	(489)	(397)
Gross deferred tax liabilities	(9,321)	(10,242)
Valuation allowance	-	-
Net deferred tax assets (liabilities)	$ 3,717	$ 4,843

Notes to Consolidated Financial Statements (in 000's)

The Company believes that as of December 31, 2024, there were no material uncertain tax positions that would require disclosure under GAAP. As of December 31, 2024, the Company's tax years from 2021 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 2024 and 2023 were $766 and $809, respectively. Royalties payable at December 31, 2024, and 2023 under this agreement were approximately $121 and $88, 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 $517 and $731 for 2024 and 2023, respectively. Amounts payable at December 31, 2024, and 2023 under this agreement were approximately $90 and $185, 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 2024 and 2023 were $454 and $630, 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
2025	$ 465
2026	477
2027	488
2028	501
2029	513
Thereafter	3,970
Total remaining lease payments	$ 6,414
Less amount representing interest	(685)
Total lease liability	$ 5,729

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:

	2024	2023
Reserve for losses and loss adjustment expenses	$ 236,101	$ 202,314
Unearned premiums	$ 35,957	$ 35,040

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 Lloyd's. (approximately 10%) at December 31, 2024, and St. Paul Fire and Marine Ins. Co. (approximately 19%) and Lloyd's. (approximately 11%) at December 31, 2023. 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 management determines, under the CECL model described in Note 1G, 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 $30.3 million of the amounts recoverable included on the Consolidated Balance Sheets at December 31, 2024 and 2023, respectively, reflect reinsurance amounts due from certain higher-level facultative reinsurers who are disputing coverage on a single claim paid by the Company in December 2021. The Company has commenced formal dispute resolution proceedings (i.e., arbitrations, as called for under the relevant reinsurance contracts) against these reinsurers. The Company accrued $3,500 in legal expenses as of December 31, 2023, which accrual represented the then estimated future costs of the formal dispute resolutions. Since the formal dispute resolution proceedings remain active and ongoing, the Company has accrued an additional $2,750 in legal expenses as of December 31, 2024, which additional accrual represents the current estimated future costs of the formal dispute resolutions. These accruals are included in Accounts payable and other liabilities on the Consolidated Balance Sheets and in Net underwriting, general, and administrative expenses on the Consolidated Statements of Comprehensive Income for 2023 and 2024, respectively. Management, in consultation with counsel, continues to believe that the reinsurance amounts are due under the relevant reinsurance contracts. As at December 31, 2024, and 2023, no valuation reserve against the reinsurance recoverables was recorded.

Premiums and losses and loss adjustment expenses in 2024 and 2023 have been adjusted as follows as a result of reinsurance:

	2024		2023	
Premiums	Written	Earned	Written	Earned
Direct	$ 79,925	$ 79,888	$ 80,529	$ 79,175
Ceded	(61,880)	(60,963)	(60,812)	(58,967)
Net	$ 18,045	$ 18,925	$ 19,717	$ 20,208

Losses and loss adjustment expenses	2024	2023
Direct	$ 115,602	$ 126,241
Ceded	(106,407)	(116,323)
Net	$ 9,195	$ 9,918

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:

	2024	2023
Balance at January 1	$ 246,613	$ 188,399
Less reinsurance recoverable, unpaid losses	(202,314)	(131,693)
Net balance at January 1	44,299	56,706
Incurred related to:		
Current year	17,815	22,750
Prior years	(8,620)	(12,832)
Total incurred	9,195	9,918
Paid related to:		
Current year	81	3,182
Prior years	11,355	19,143
Total paid	11,436	22,325
Net balance at December 31	42,058	44,299
Plus reinsurance recoverable, unpaid losses	236,101	202,314
Balance at December 31	$ 278,159	$ 246,613

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 $8,620 and $12,832 in 2024 and 2023, respectively. The decrease in 2024 was primarily the result of changes in estimates of incurred losses on D&O/E&O policies of $1,500, $4,800, and $1,050 related to insured events of 2023, 2021, and 2020, respectively. The decrease in 2023 was primarily the result of changes in estimates of incurred losses on D&O/E&O policies of $4,600, $2,200, $1,500, and $2,417 related to insured events of 2022, 2021, 2020, and 2019, 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, 2024, 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, 2015, to 2023, 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, as of December 31, 2024, is also presented as unaudited supplementary information below.

	Incurred claims and allocated claim adjustment expenses. net of reinsurance and subrogation ($000)										As of December 31,2024	
	For Years Ended December 31, (unaudited) for data from years 2015 to 2023											
Report Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	IBNR (Expected Development of Reported Claims) ($000)	Reported Non-Zero Claims Count
2015	24,715	27,950	26,600	26,540	27,000	27,000	27,000	27,000	27,714	27,730	0	56
2016		23,300	18,350	13,836	10,836	10,336	7,623	7,623	7,623	7,623	0	42
2017			22,970	19,700	15,849	12,149	9,946	8,196	7,845	7,846	0	32
2018				19,675	15,350	11,875	9,050	6,295	6,040	5,929	23	24
2019					19,850	15,508	12,633	10,058	7,641	7,644	0	28
2020						23,100	22,200	23,450	20,075	18,975	275	45
2021							19,367	15,020	12,820	8,020	4,047	36
2022								22,600	17,825	17,720	4,415	37
2023									22,750	20,539	8,433	48
2024										17,800	11,412	38
									Total	139,826		

	Cumulative paid claims and allocated claims adjustment expenses, net of reinsurance and subrogation ($000)									
	For Years Ended December 31, (unaudited) for data from years 2015 to 2023									
Report Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
2015	4,921	9,570	18,171	22,195	22,259	22,283	22,296	22,327	27,714	27,730
2016		198	4,191	5,999	6,011	5,980	7,623	7,623	7,623	7,623
2017			2,328	3,847	7,918	7,839	7,839	7,849	7,845	7,846
2018				396	5,549	5,595	5,609	5,609	5,646	5,603
2019					2,811	5,933	5,956	5,971	7,641	7,644
2020						3,740	7,357	12,816	18,426	18,428
2021							353	419	469	3,424
2022								1,317	7,785	8,136
2023									3,182	11,312
2024										81
									Total	97,827
	All outstanding liabilities before 2015, net of reinsurance ($000)									29
	Liabilities for claims and claims adjustment expenses, net of reinsurance ($000)									42,028

Average Annual Percentage Payout of Incurred Claims by Age, Net of Reinsurance, as of December 31, 2024 (unaudited)										
Years	1	2	3	4	5	6	7	8	9	10
Incremental Payout %	3.7%	35.3%	27.2%	19.5%	5.4%	4.5%	1.9%	1.4%	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, 2024
Net Outstanding Liabilities	
Liabilities for Unpaid Claims and Claims Adjustment Expenses, Net of Reinsurance	$ 42,028
Unallocated Claims Adjustment Expenses	30
Total Net Liability for Unpaid Claims and Claims Adjustment Expenses	42,058
Total Reinsurance Recoverable on Unpaid Claims	236,101
Total Gross Liability for Unpaid Claims and Claims Adjustment Expenses	$ 278,159

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 establishes accrual for litigation when it is probable that a loss has been incurred and the amount of that loss can be reasonably estimated. For litigation matters where a loss may be remote, reasonably possible, or is probable but not reasonably estimable, no accrual is established. The Company's policy is to accrue for associated legal expenses estimated to be incurred for litigation and/or formal dispute resolution. The Company has accrued for legal expenses associated with the reinsurance recoverable matter disclosed in Note 8B. The Company is not aware of any events that would give rise to a claim at December 31, 2024 and 2023.

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 $6,000 in both 2024 and 2023. $5,962 of the total dividends declared in 2023 were paid in 2024.

The 2024 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, 2024, before payment of the dividend, and the proportion of 2024 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, 2025, 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 17, 2024, prior to the payment of these dividends.

12. Employee Benefit Plans

A. Retirement Plans

The Company has two retirement plans for its employees: a noncontributory defined benefit plan and a 401(k) defined contribution plan. The Company also had a supplemental employee retirement plan that was terminated in 2024.

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, 2024 and 2023:

Notes to Consolidated Financial Statements (in 000's)

	2024	2023
Discount rate for benefit obligation	5.65%	5.00%
Discount rate for pension cost	5.00%	5.20%
Expected return on plan assets	6.25%	6.00%
Rate of compensation increase	4.00%	4.00%

Plan amounts recognized in the Consolidated Balance Sheets consist of:

	2024	2023
Noncurrent assets	$ 51	$ -
Current liabilities	-	-
Noncurrent liabilities	-	2,006
Total	$ 51	$ 2,006

Plan amounts recognized in accumulated other comprehensive income, net of tax, for the years ended December 31, 2024 and 2023 ($547 and $149, respectively), consist of:

	2024	2023
Net gain (loss)	$ 2,057	$ 559
Prior service cost	-	-
Total	$ 2,057	$ 559

Other components of the Plan for the years ended December 31, 2024 and 2023, were as follows:

	2024	2023
Projected benefit obligation	$ 14,494	$ 17,360
Fair value of plan assets	14,545	15,354
Funded status of the plan	$ 51	$ (2,006)
Employer contributions	$ -	$ 2,000
Lump sum payments	$ 2,130	$ -
Benefits paid	$ 46	$ 51

The Plan's accumulated benefit obligation is $11,954 as of December 31, 2024 and was $14,390 as of December 31, 2023. Net periodic pension cost for the Plan, including service cost of $288 and $436 and components other than service cost of $(449) and $109, totaled $(161) and $545 for the years ended December 31, 2024 and 2023, 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 $1,896 and $124 in 2024 and 2023, 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 $0 in both 2024 and 2023, respectively.

Notes to Consolidated Financial Statements (in 000's)

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.

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

	2024	**2023**
Asset Category:		
Equities	60%	60%
Fixed income securities	40%	40%
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	7.50%	60%	4.50%
Fixed income securities	4.00%	40%	1.50%
Total		100%	6.00%

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 and $2,000 to the Plan for the years ended December 31, 2024 and 2023, 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 2025.

The estimated net gain 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 $145 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**
2025	$ 1,860
2026	$ 780
2027	$ 1,450
2028	$ 1,180
2029	$ 1,450
2030-2034	$ 4,180

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 $23. The Company contributed approximately $167 and $166 to this plan in 2024 and 2023, respectively.

The Company maintained a supplemental employee retirement plan ("SERP") which was established for certain key employees. The SERP provided 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. In 2024, this plan was terminated, and all eligible and outstanding amounts were paid with a final lump-sum payment.

Defined Benefit Component:

The SERP used 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, 2023:

	2024	2023
Discount rate for benefit obligation	N/A	4.80%
Discount rate for pension cost	N/A	5.00%
Rate of compensation increase	N/A	0.00%

SERP amounts recognized in the Consolidated Balance Sheets consist of:

	2024	2023
Noncurrent assets	$ -	$ -
Current liabilities	-	3,768
Noncurrent liabilities	-	-
Total	$ -	$ 3,768

SERP amounts recognized in accumulated other comprehensive income, net of tax for the years ended December 31, 2024 and 2023 ($0 and $53, respectively), consist of:

	2024	2023
Net gain (loss)	$ -	$ 198
Prior service cost	-	-
Total	$ -	$ 198

Notes to Consolidated Financial Statements (in 000's)

Other components of the SERP for the years ended December 31, 2024 and 2023 were as follows:

	2024	2023
Projected benefit obligation	$ -	$ 3,768
Fair value of plan assets	-	-
Funded status of the plan	$ -	$ (3,768)
Employer contributions	$ 3,627	$ -
Lump sum payments	$ 3,627	$ -
Benefits paid	$ -	$ -

The SERP's accumulated benefit obligation was $3,768 as of December 31, 2023. Net periodic benefit cost for the plan, including service cost of $0 and $83, and components other than service cost of $(384) and $98, totaled $(384) and $181 for the year ended December 31, 2024 and 2023, respectively, and is included in "Underwriting, general and administrative expenses" in the Consolidated Statements of Comprehensive Income.

The SERP net loss that was recognized in other comprehensive income was $91 in 2023. The net gain/(loss) and prior service cost for this plan that was amortized from accumulated other comprehensive income into net periodic benefit cost was a settlement gain of $198 and $0 in 2024 and $73 and $0 in 2023, respectively.

The Company contributed the amount equal to the lump sum benefit paid in 2024 of $3,627. No future payments are anticipated.

The accrued liability included in the Consolidated Balance Sheet for the defined contribution component of the SERP was $236 at December 31, 2023 and the amounts recognized in the Consolidated Statements of Comprehensive Income for the defined contribution component of the SERP was $2 for 2023. The Company paid $244 in satisfaction of the defined contribution accrued liability with the difference in the accrued liability and the payment amount of $8 reflected in net periodic benefit cost in 2024.

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.

Notes to Consolidated Financial Statements (in 000's)

Plan amounts recognized in the Consolidated Balance Sheets consist of:

	2024	2023
Noncurrent assets	$ -	$ -
Current liabilities	130	120
Noncurrent liabilities	4,816	4,928
Total	$ 4,946	$ 5,048

Plan amounts recognized in accumulated other comprehensive income, net of tax, for the years ended December 31, 2024 and 2023 ($134 and $214, respectively), consist of:

	2024	2023
Net loss	$ 507	$ 806

Other components of the plan for the years ended December 31, 2024 and 2023, were as follows:

	2024	2023
Benefit obligation	$ 4,946	$ 5,048
Fair value of plan assets	-	-
Funded status of the plan	$ (4,946)	$ (5,048)
Employer contributions	$ 168	$ 139
Participant contributions	$ 8	$ 8
Benefits paid	$ 176	$ 147

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

	2024	2023
Retirees	$ (1,455)	$ (1,667)
Other active participants	(3,491)	(3,381)
Accumulated postretirement benefit obligation	$ (4,946)	$ (5,048)
Weighted average assumed discount rate to determine:		
The benefit obligation	5.65%	5.05%
The net benefit cost	5.05%	5.20%

Net periodic benefit cost for the plan, including service cost of $139 and $124, and components other than service cost of $307 and $226, totaled $446 and $350 for the years ended December 31, 2024 and 2023, 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 $324 and $(545) in 2024 and 2023, 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 $55 and $0 in 2024 and $6 and $0 in 2023, respectively.

Notes to Consolidated Financial Statements (in 000's)

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 2025 is $130.

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 $18 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
2025	$ 130
2026	$ 150
2027	$ 170
2028	$ 190
2029	$ 210
2030-2034	$ 1,300

For measurement purposes, a 8.5% increase in healthcare costs was assumed for fiscal year 2025, trending down to 4.5% in 2035 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 $27 and $26 for the years ended December 31, 2024 and 2023, respectively. Total payments from this plan totaled $122 and $0 for the years ended December 31, 2024 and 2023, respectively. Total deferred compensation plan liabilities were $492 and $587 at December 31, 2024 and 2023, 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, 2022	$ (32,986)	$ 411	$ (32,575)
Net unrealized gains (losses) arising during the period	6,492	(404)	6,088
Reclassification adjustment for losses (gains) realized in net income	3,730	(54)	3,676
Other comprehensive income (loss)	$ 10,222	$ (458)	$ 9,764
Balance at December 31, 2023	$ (22,764)	$ (47)	$ (22,811)
Net unrealized (losses) gains arising during the period	(427)	1,712	1,285
Reclassification adjustment for losses (gains) realized in net income	1,544	(113)	1,431
Other comprehensive income	$ 1,117	$ 1,599	$ 2,716
Balance at December 31, 2024	$ (21,647)	$ 1,552	$ (20,095)

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

For the Year Ended December 31, 2024	Pretax (Loss) or Income	Tax Expense or (Benefit)	Net of Tax Amount
Net unrealized gains on investments			
Net unrealized losses arising during the period	$ (540)	$ (113)	$ (427)
Reclassification adjustment for losses realized in net income	1,954	410	1,544
Net actuarial unrealized gains on employee benefit plans			
Net unrealized gains arising during the period	2,167	455	1,712
Reclassification adjustment for gains realized in net income	(143)	(30)	(113)
Other comprehensive income	$ 3,438	$ 722	$ 2,716

For the Year Ended December 31, 2023	Pretax (Loss) or Income	Tax Expense or (Benefit)	Net of Tax Amount
Net unrealized gains on investments			
Net unrealized gains arising during the period	$ 8,218	$ 1,726	$ 6,492
Reclassification adjustment for losses realized in net income	4,721	991	3,730
Net actuarial unrealized losses on employee benefit plans			
Net unrealized losses arising during the period	(511)	(107)	(404)
Reclassification adjustment for gains realized in net income	(68)	(14)	(54)
Other comprehensive income	$ 12,360	$ 2,596	$ 9,764

ICIMutual

ICI Mutual Insurance Company,
A Risk Retention Group

1401 H Street NW, Suite 1150
Washington, DC 20005

800.643.4246
info@icimutual.com

www.icimutual.com