FCCI Mutual Insurance Holding Company and Subsidiaries

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Consolidated Financial Statements
As of and for the Years Ended December 31, 2022 and 2021

Independent Auditor's Report

Board of Directors and Members
FCCI Mutual Insurance Holding Company and Subsidiaries
Sarasota, Florida

Opinion

We have audited the consolidated financial statements of FCCI Mutual Insurance Holding Company and subsidiaries (the Company), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the related consolidated statements of (loss) income and comprehensive (loss) income, changes in members' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

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

Basis for Opinion

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

Responsibilities of Management for the 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.

Auditor's Responsibilities for the Audit of the 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 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 Supplementary Information

Accounting principles generally accepted in the United States of America require that the incurred and paid claims development information for the years ended December 31,2022 and prior, and the historical claims duration information included in Note 7 Liability for Loss and LAE be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

BDO USA, LLP

Certified Public Accountants
March 31, 2023

FCCI Mutual Insurance Holding Company and Subsidiaries

Consolidated Balance Sheets as of December 31, (in thousands)

	2022	2021
Assets		
Investments:		
Securities available for sale, at fair value:		
Fixed maturity securities (amortized cost of $1,696,831 at 2022 and $1,613,073 at 2021)	$ 1,520,277	$ 1,642,767
Common stocks (cost of $387,081 at 2022 and $417,187 at 2021)	429,884	536,554
Other invested assets, at amortized cost	3,953	20,802
Total investments	1,954,114	2,200,123
Cash and cash equivalents	47,262	42,766
Accrued investment income	12,345	9,857
Amounts due from policyholders, net	405,493	365,559
Reinsurance recoverable and prepaid reinsurance premium	110,137	106,350
Amounts due from Florida Special Disability Trust Fund	1,247	1,464
Deferred policy acquisition costs	74,958	67,396
Land, building and equipment, net	61,366	55,599
Deferred tax asset	53,969	-
Income tax recoverable	6,782	-
Goodwill	24,151	24,151
Other assets	19,252	18,357
Total assets	$ 2,771,076	$ 2,891,622
Liabilities and Members' Equity		
Liabilities:		
Loss and loss adjustment expenses	$ 1,177,191	$ 1,137,748
Unearned premiums	459,492	420,789
Accrued expenses and other liabilities	142,219	157,521
Accrued policyholder dividends	4,821	5,014
Premiums refundable and loss fund deposits	3,070	2,608
Deferred tax liability	-	15,332
Income tax payable	-	7,570
Debt	131,750	131,750
Total liabilities	1,918,543	1,878,332
Commitments and Contingencies (Note 14)		
Members' Equity:		
Accumulated earnings	986,640	990,735
Accumulated other comprehensive (loss) income	(134,107)	22,555
Total members' equity	852,533	1,013,290
Total liabilities and members' equity	$ 2,771,076	$ 2,891,622

See accompanying notes to consolidated financial statements.

Consolidated Statements of (Loss) Income for the Years Ended December 31, (in thousands)

	2022	2021
Revenues		
Net premiums earned	$ 942,030	$ 882,887
Net investment income	73,229	63,011
Change in unrealized gain on common stocks	(76,565)	49,283
Net realized (loss) gain	(7,203)	12,518
Service fees and other income	2,411	2,161
Total revenues	933,902	1,009,860
Expenses		
Losses and loss adjustment expenses incurred	646,108	581,442
Policy acquisition expenses	179,138	169,935
General, administrative and other expenses	132,685	127,349
Policyholder dividends	3,908	4,845
Total expenses	961,839	883,571
(Loss) income, before income taxes	(27,937)	126,289
Income tax (benefit) expense	(23,842)	26,005
Net (loss) income attributable to members	$ (4,095)	$ 100,284

See accompanying notes to consolidated financial statements.

FCCI Mutual Insurance Holding Company and Subsidiaries

Consolidated Statements of Comprehensive (Loss) Income for the Years Ended December 31, (in thousands)

	2022	2021
Net (loss) income attributable to members	$ (4,095)	$ 100,284
Other comprehensive loss, net of taxes:		
Change in unrealized losses on investments, net of taxes of ($51,316) and ($4,668)	(162,133)	(14,747)
Reclassification adjustments for realized losses (gains) in net income, net of taxes of $1,732 and and ($3,010)	5,471	(9,508)
	(156,662)	(24,255)
Total comprehensive (loss) income	$ (160,757)	$ 76,029

See accompanying notes to consolidated financial statements.

Consolidated Statements of Members' Equity for the Years Ended December 31, (in thousands)

	Accumulated Earnings	Accumulated Other Comprehensive Income (Loss)	Total Members' Equity
Balance, December 31, 2020	$ 889,423	$ 46,810	$ 936,233
Comprehensive income:			
Net income	100,284	-	100,284
Change in unrealized loss on available-for-sale securities net of taxes	-	(24,255)	(24,255)
Adoption of new accounting pronouncement (ASC 842)	1,028	-	1,028
Balance, December 31, 2021	990,735	22,555	1,013,290
Comprehensive income:			
Net loss	(4,095)	-	(4,095)
Change in unrealized loss on available-for-sale securities net of taxes	-	(156,662)	(156,662)
Balance, December 31, 2022	$ 986,640	$ (134,107)	$ 852,533

See accompanying notes to consolidated financial statements.

FCCI Mutual Insurance Holding Company and Subsidiaries

Consolidated Statements of Cash Flows for the Years Ended December 31, (in thousands)

		2022		2021
Cash flows from operating activities:				
Net (loss) income	$	(4,095)	$	100,284
Adjustments to reconcile net (loss) income to net cash provided by operating activities:				
Depreciation and amortization expense		9,819		9,782
Deferred tax (benefit) expense		(19,717)		11,575
Net realized gains on equipment sold and retired		(173)		(224)
Net realized losses (gains) on investments		84,339		(62,401)
Net amortization of investments		3,584		4,936
Changes in assets and liabilities:				
Decrease (increase) in:				
Accrued investment income		(2,488)		(530)
Amounts due from policyholders		(39,934)		(19,945)
Reinsurance recoverables and prepaid reinsurance premium		(3,787)		(20,830)
Amounts due from Florida Special Disability Trust Fund		217		196
Deferred policy acquisition costs		(7,562)		(4,413)
Income tax (recoverable) payable		(14,352)		6,804
Other assets		(2,656)		(658)
Increase (decrease) in:				
Loss and loss adjustment expenses		39,443		53,505
Unearned premiums		38,703		24,444
Accrued expenses and other liabilities		276		2,248
Accrued policyholder dividends		(193)		(1,123)
Premiums refundable and loss fund deposits		462		(217)
Net cash provided by operating activities		81,886		103,433
Cash flows from investing activities:				
Sales and maturities of investments		377,350		568,160
Purchases of investments		(440,151)		(681,458)
Proceeds from sales of property and equipment		424		450
Purchases of property and equipment		(15,013)		(6,871)
Net cash used in investing activities		(77,390)		(119,719)
Cash flows from financing activities:				
Proceeds from credit facility		-		-
Principal payments on credit facility		-		-
Net cash provided by (used in) financing activities		-		-
Net increase (decrease) in cash and cash equivalents		4,496		(16,286)
Cash and cash equivalents, beginning of year		42,766		59,052
Cash and cash equivalents, end of year	$	47,262	$	42,766
Cash paid during the year for:				
Interest	$	3,116	$	3,094
Income taxes	$	9,785	$	7,217

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements (in thousands)

1. Nature of Operations

FCCI Mutual Insurance Holding Company and subsidiaries (the Company) was created on August 27, 1998 when the policyholders of FCCI Mutual Insurance Company voted to reorganize into a mutual holding company. The Company is engaged in the commercial property and casualty insurance business. In connection with the reorganization, FCCI Group, Inc. was formed as an intermediate holding company for the purpose of holding investments in insurance operations. FCCI Mutual Insurance Company became FCCI Insurance Company, a stock insurance company by issuing 5 million shares of common stock to FCCI Group, Inc. No cash or other consideration was paid in connection with the reorganization.

2. Summary of Significant Accounting Policies

Basis of Presentation
The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America. The significant accounting policies followed by the Company are summarized below.

Principles of Consolidation
The consolidated financial statements include the accounts, after intercompany eliminations, of the Company as summarized below:

FCCI Mutual Insurance Holding Company
- FCCI Group, Inc. (FGI)
  - FCCI Services, Inc. (FSI)
    - FCCI Agency, Inc. (FAI)
  - FCCI Insurance Company (FCCI)
    - FCCI Insurance Group, Inc. (FIG)
      - Monroe Guaranty Insurance Company (MGI)
      - National Trust Insurance Company (NTI)
      - FCCI Commercial Insurance Company (FCIC)
      - FCCI Advantage Insurance Company (FAIC)
      - Brierfield Insurance Company (BIC)
      - FCCI Specialty Insurance Company (FSIC)

All of the above are wholly owned subsidiaries.

Cash and Cash Equivalents
Cash equivalents consist of short-term, highly liquid investments that are readily convertible to known amounts of cash. Only investments with original maturities of three months or less qualify as cash equivalents. The majority of these cash and cash equivalents are not insured.

Investments
The Company purchases equity and fixed maturity securities with the intent, expectation and capability to hold them indefinitely or until maturity. However, since securities may be sold prior to maturity they are classified as available-for-sale and are reported at fair value. Net unrealized gains and losses, net of deferred income tax, are reported as accumulated other comprehensive income (loss) for fixed maturities, and as accumulated earnings through net income for equity securities. Fair values are based on quoted market prices from independent pricing services when available or broker pricing if the security class lacks liquidity. A decline in fair value of any fixed income security below cost that is deemed to be other-than-temporary results in a charge to income. All fixed income holdings are continuously monitored to assess future prospects for individual securities as part of the Company's portfolio management, including the identification of other-than-temporary decline in fair values.

All fixed income securities in an unrealized loss position as of the reporting date are evaluated for other-than-temporary impairment. The Company does not define an arbitrary finite period as temporary. Rather, the Company believes the time frame should be related more closely to reasonable levels of liquidity in bond markets. In addition to issuer specific discrete credit events, management identifies fixed maturity securities as candidates for potential other-than-temporary impairment if they have been in an unrealized loss position for 13 consecutive months and the fair values are at least 20% below book value as of the balance sheet date. These securities are evaluated by management utilizing data and information from the Company's external investment consultants and investment manager to determine if the unrealized loss position is due to credit issues rather than market volatility, in which case an other-than-temporary impairment loss will be recognized in the income statement. This evaluation includes an analysis of expected future cash flows and projections of the probability and severity of defaults. In addition, if events indicate that the Company will not hold securities until the fair value recovers from an unrealized loss position, the Company will recognize an other-than-temporary impairment in the consolidated statement of income.

Realized gains and losses on the sales of securities are recognized based on the specific identification method, except for mutual fund equities which are based on the weighted average cost method. Premiums and discounts on securities are amortized using the effective interest rate method over their contractual lives or expected average lives for loan-backed securities. Interest rate adjustments associated with changes in projected cash flows on mortgage and asset-backed securities are accounted for using the retrospective method.

Deferred Policy Acquisition Costs
Costs that are directly associated with the acquisition of insurance policies such as commissions and premium taxes are deferred and amortized as the related premiums are earned. Indirect costs to acquire insurance policies are recorded as an expense as incurred. The Company considers anticipated investment income in determining whether a premium deficiency exists.

Land, Building and Equipment
Land is stated at cost. Buildings and equipment are stated at cost less accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, generally three to 39 years. Improvements, which increase the life of an asset, are capitalized and depreciated over the remaining estimated useful life of the asset. Property and equipment held under operating lease with terms greater than one year, are accounted for as a right-of-use asset in accordance with Accounting Standards Codification (ASC) 842, *Leases*, and are also classified as land, building and equipment, with the related lease obligations recorded in accrued expenses and other liabilities. Capitalized software costs are accounted for in accordance with ASC 350-40, *Internal Use Software*, and are recorded at cost less accumulated amortization. Upon successful testing of the system, amortization is charged to expense over the estimated useful life of the software, generally seven years.

Goodwill
Goodwill represents the excess of costs over fair value of assets of acquired businesses and is determined to have an indefinite useful life and is not amortized, but instead tested for impairment at least annually in accordance with ASC 350-20, *Goodwill*.

Impairment of Long-Lived Assets
In accordance with ASC 360, *Property, Plant and Equipment*, long-lived assets, such as property and equipment, and purchased intangibles subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require a long-lived asset to be tested for possible impairment, the Company first compares undiscounted future cash flows expected to be generated by an asset to the carrying value of the asset. If the carrying value of the long-lived asset is not recoverable on an undiscounted cash flow basis, an impairment is recognized to the extent that the carrying value exceeds its fair value. Fair value is determined through various valuation techniques under ASC 820, *Fair Value Measurements and Disclosures* (ASC 820), including discounted cash flow models, quoted market values, and third-party independent appraisals, as considered necessary.

Recognition of Revenue
Premiums are earned on a pro rata basis over the policy term, generally one year. The policy period for contract surety business is determined based on the estimated completion date of the contract. Premiums applicable to the unexpired terms of effective policies are recorded as unearned premiums. Premiums for certain lines of business, such as workers' compensation, are subject to revision based upon final determination of the exposure base, which occurs after the policy period. Retrospectively rated policy premiums are increased or decreased, subject to certain policy limitations, based upon the estimated loss experience of the insured during the policy period and subsequent calendar years. Service fees and commission income are earned pro rata over the term of the contract period or when the services are performed, if applicable. Reinsurance commission income is recognized pro rata over the term of the related insurance contract.

Loss and Loss Adjustment Expenses
The liability for loss and loss adjustment expenses (LAE) represents the ultimate estimated liability for reported claim costs (including LAE) that have not settled, and an estimate, based on experience, for claims that have been incurred but not yet reported. The liability for loss and LAE is estimated by

management based upon actuarial reviews of the Company's historical loss development experience and industry data. The Company does not discount the liability for loss and LAE.

Policyholder Dividends
At the sole discretion of the Boards of Directors of the insurance companies, and within regulatory guidelines, insureds with participating insurance contracts may be eligible to share in the profitability of the policy in the form of a dividend, based on the insured's individual loss experience. An estimated provision for policyholder dividends is accrued as the related premiums are earned based on historical profitability and published dividend tables. Changes in estimates are recognized in the period determined.

Reinsurance
Premiums and loss and LAE ceded under reinsurance contracts are reported as a reduction to premiums earned and loss and LAE incurred, respectively. Loss and LAE reserve amounts recoverable from reinsurers are estimated in a manner consistent with the claim liability associated with the reinsurance contract.

Florida Special Disability Trust Fund
Amounts due from the Florida Special Disability Trust Fund (SDTF) relate to recoverable amounts for certain claim costs related to injuries that aggravate or accelerate a preexisting injury or physical impairment. The receivable is comprised of three components: amounts paid by the Company which have been submitted to the SDTF pending reimbursement, amounts paid by the Company which have not yet been submitted to the SDTF, and amounts not yet paid by the Company.

Income Taxes
The Company files a consolidated federal income tax return. Deferred income taxes are recognized for assets and liabilities that have different values for financial statement and tax reporting purposes using enacted federal and state tax rates. A valuation allowance is recorded, as deemed necessary, to reduce a net deferred tax asset to the amount expected to be realized.

The Company's federal income tax return is consolidated with all of the entities noted on page 5.

Concentrations of Business Risks
The Company is inherently subject to various business risks. Following is a description of the most significant risks facing property and casualty insurers:

Catastrophic Loss Risk - The risk of losses due to geographic concentrations of property policies within storm-prone regions and accumulation of lives within a single location. The Company maintains reinsurance coverage to mitigate the risk of catastrophic losses.

Legal/Regulatory Risk - The risk that the legal or regulatory environment in which an insurer operates will change and create additional loss costs or expenses not anticipated by the insurer in pricing its products. Regulatory initiatives designed to reduce insurer profits or new legal theories may create costs for the insurer beyond those currently recorded in the consolidated financial statements. As the Company writes a significant amount of insurance business in the state of Florida, these risks might have a more significant effect on the Company than on a more geographically diversified insurance company.

Credit Risk - The risk that issuers of securities owned by the Company will default or other parties, including policyholders, reinsurers, and the SDTF that owe the Company money, will not pay. The Company minimizes this risk by adhering to a conservative investment strategy, closely monitoring premiums receivable, and contracting with reinsurance companies that meet certain rating criteria and other qualifications.

Interest Rate Risk - The risk that interest rates will change and cause a decrease in the value of an insurer's investments. To the extent that liabilities come due more quickly than assets mature, an insurer would have to sell assets prior to maturity and potentially recognize a loss in a rising interest rate environment. The Company mitigates this risk by attempting to match the duration of its assets with the duration of its liabilities and by maintaining working lines of credit.

Use of Estimates
The preparation of consolidated financial statements requires management to make a number of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from those estimates. Significant estimates include the liability for loss and LAE, amounts recoverable from reinsurers, deferred income tax assets and liabilities, the deferral of policy acquisition costs, amounts due from the Florida SDTF, accrued policyholder dividends, guaranty fund assessments, final premium audits, allowance for doubtful accounts, and retrospectively rated premiums.

Going Concern
Based upon its evaluation of relevant conditions and events, management does not have substantial doubt about the Company's ability to continue as a going concern.

Recently Issued Accounting Standards
In June 2016, the FASB issued ASU No. 2016-13 (Topic 326), *Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments.* The updated guidance applies a new credit loss model requiring entities to estimate credit losses expected over the life of an exposure or pool of exposures. The expected credit losses and subsequent adjustments will be recorded through an allowance account that is deducted from the amortized cost basis of the financial asset. This update amends the current other-than-temporary impairment model for available-for-sale securities by requiring recognition of impairments related to credit losses through an allowance account and limits the amount of credit loss to the difference between a security's amortized cost basis and its fair value. The length of time a security has been in an unrealized position will no longer impact the determination of whether a credit loss exists. The updated guidance was delayed by the FASB and is now effective for the year ending December 31, 2023, with early adoption permitted. The Company does not believe the adoption of this update will have a material impact on the future financial statements and related disclosures.

In January 2017, the FASB issued ASU No. 2017-04 (Topic 350), *Intangibles - Goodwill and Other: Simplifying the Test for Goodwill Impairment.* The updated guidance eliminates the requirement to calculate the implied fair value of goodwill (i.e., Step 2 of the current goodwill impairment test) to measure a goodwill impairment charge. Instead, entities will record an impairment charge by comparing a reporting unit's fair value with its carrying amount and recognizing an impairment charge for the excess of the carrying amount over estimated fair value (i.e., Step 1 of current guidance). The updated guidance was delayed by the FASB, and is now effective for fiscal year ending December 31, 2023, with early adoption permitted. The Company does not believe the adoption of this update will have an impact on the future financial statements and related disclosures.

Notes to Consolidated Financial Statements (in thousands)

Subsequent Events

The Company has evaluated events subsequent to December 31, 2022, and through the financial statements' issuance date of March 31, 2023. On February 23, 2023, the Company's line of credit with Bank of America in the amount of $25,000,000 was amended and an extension of the maturity date was approved to April 1, 2023.

3. Investments

The amortized cost and fair value of available for sale securities are as follows:

December 31, 2022	**Amortized Cost**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**
US Treasury and US government agencies and corporations	$ 31,500	$ -	$ (2,080)	$ 29,420
States and political subdivisions	358,518	1,358	(45,672)	314,204
Mortgage-backed and asset-backed securities	794,283	199	(80,217)	714,265
Corporate bonds	453,403	1,053	(45,357)	409,099
Foreign government and foreign corporate bonds	59,127	114	(5,952)	53,289
Total fixed maturity securities	1,696,831	2,724	(179,278)	1,520,277
Common stock	387,081	63,965	(21,162)	429,884
Total available-for-sale securities	$ 2,083,912	$ 66,689	$ (200,440)	$ 1,950,161

December 31, 2021	**Amortized Cost**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**
US Treasury and US government agencies and corporations	$ 26,341	$ 179	$ (271)	$ 26,249
State and political subdivisions	341,912	13,824	(541)	355,195
Mortgage-backed and asset-backed securities	736,584	7,941	(5,336)	739,189
Corporate bonds	444,569	15,736	(2,160)	458,145
Foreign government and foreign corporate bonds	63,667	1,017	(695)	63,989
Total fixed maturity securities	1,613,073	38,697	(9,003)	1,642,767
Common stock	417,187	119,676	(309)	536,554
Total available-for-sale securities	$ 2,030,260	$ 158,373	$ (9,312)	$ 2,179,321

The amortized cost and fair value of fixed maturity securities by contractual maturities are as follows:

December 31, 2022

	Amortized Cost[(1)]	**Fair Value[(1)]**
Due in one year or less	$ 43,002	$ 41,703
Due after one year through five years	711,720	660,707
Due after five years through ten years	611,286	544,421
Due after ten years	330,823	273,446
Total fixed maturities	$ 1,696,831	$ 1,520,277

(1) Includes principal paydowns on mortgage and asset-backed securities using estimated maturities.

Mortgage and asset-backed securities are classified in the maturity distribution based upon their projected cash flows. Projected cash flows for asset-backed securities (ABS) and commercial mortgage-backed securities (CMBS) are generated using sector level or CUSIP level prepayment, default, and loss severity assumptions. For residential mortgage-backed securities (RMBS), cash flows are generated using a probabilistic behavioral prepayment and credit model. Actual maturities and projected cash flows may differ from contractual maturities because borrowers may have the right to call or prepay obligations without call or prepayment penalties.

Notes to Consolidated Financial Statements (in thousands)

Gross unrealized losses on investment securities and the fair value of the related securities, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, are as follows:

December 31, 2022	Less Than 12 Months			12 Months or More			Total		
	Unrealized Losses	Fair Value	Total Number of Securities in an Unrealized Loss Position	Unrealized Losses	Fair Value	Total Number of Securities in an Unrealized Loss Position	Unrealized Losses	Fair Value	Total Number of Securities in an Unrealized Loss Position
Available for sale:									
Bonds	$ 71,781	$ 549,155	608	$ 27,280	$ 124,629	205	$ 99,061	$ 673,784	813
Mortgage-backed and asset-backed securities	28,711	360,165	165	51,506	335,697	108	80,217	695,862	273
Common stock	16,926	153,576	4	4,236	20,818	2	21,162	174,394	6
	$ 117,418	$ 1,062,896	777	$ 83,022	$ 481,144	315	$ 200,440	$ 1,544,040	1,092

December 31, 2021	Less Than 12 Months			12 Months or More			Total		
	Unrealized Losses	Fair Value	Total Number of Securities in an Unrealized Loss Position	Unrealized Losses	Fair Value	Total Number of Securities in an Unrealized Loss Position	Unrealized Losses	Fair Value	Total Number of Securities in an Unrealized Loss Position
Available for sale:									
Bonds	$ 2,671	$ 158,480	250	$ 996	31,586	45	$ 3,667	$ 190,066	295
Mortgage-backed and asset-backed securities	4,906	372,929	104	430	57,693	16	5,336	430,622	120
Common stock	129	11,416	1	180	13,329	1	309	24,745	2
	$ 7,706	$ 542,825	355	$ 1,606	102,608	62	$ 9,312	$ 645,433	417

The Company's other-than-temporary impairment assessment includes reviewing the extent and duration of declines in fair values of investments, the seniority and duration for the securities, historical and projected company financial performance, company specific news and other developments, the outlook for industry sectors, credit ratings and macro-economic changes, including government policy initiatives. The largest single unrealized loss at December 31, 2022 was $2,126, representing a 15.74% decline, on a common stock security.

During 2022 and 2021, the Company recognized $2,166 and $0, respectively, of other-than-temporary impairment losses to issuer-specific credit and quality events, consistent with management's criteria for recognizing other-than-temporary declines in fair value. The Company still holds the security impaired during 2022.

For fixed maturity securities, the Company currently does not believe it is probable that it will be unable to collect all amounts due according to the contractual terms of the investments. Because management has the ability and intent to hold these investments until a recovery of fair value, which may be maturity, management does not consider these securities to be other-than-temporarily impaired at December 31, 2022. Management bases this conclusion on its current understanding, which includes the opinions of their outside investment consultants and outside investment manager, of the issuers of these securities, as described above.

It is possible that the Company could recognize other-than-temporary impairment losses on some securities owned at December 31, 2022, if future events, information and the passage of time cause the Company to determine that a decline in value is other-than-temporary.

Net investment income is summarized as follows:

Year ended December 31,	2022	2021
Bonds	$ 56,869	$ 48,770
Equity securities	18,467	18,295
Other invested assets	1,143	85
Cash, cash equivalents and short-term investments	865	129
Gross investment income	77,344	67,279
Investment expenses	(4,115)	(4,268)
Net investment income	$ 73,229	$ 63,011

Net realized gains on investments sold or impaired were comprised of the following:

Year ended December 31,	2022	2021
Fixed maturity securities:		
Gross gains	$ 504	$ 5,610
Gross losses	(4,906)	(930)
Equity securities:		
Gross gains	15,143	7,978
Short-term investments:		
Gross gains	-	1
Other invested assets:		
Gross losses	(15,778)	(141)
OTTI charges incurred on fixed maturity securities	(2,166)	-
Net realized (loss) gain	$ (7,203)	$ 12,518

Notes to Consolidated Financial Statements (in thousands)

During 2022, ten securities incurred OTTI charges of $2,166 and the Company still holds the impaired securities as of December 31, 2022. The Company did not recognize any OTTI loss during 2021.

At December 31, 2022 and 2021, bonds, cash, and cash equivalents with fair values of $19,904 and $20,137, respectively, were pledged to various state and federal regulatory authorities.

The Company maintains a diversified portfolio and there were no concentrations in any one investment in excess of 8% and 6% of members' equity at December 31, 2022 and 2021, respectively.

The Company does not engage in direct subprime residential mortgage lending. The Company's exposure to subprime mortgage-related risk is limited to investments within the fixed maturity income investment portfolio, which contains securities collateralized by mortgages that have characteristics of subprime lending. Such characteristics include an interest rate above prime to borrowers who do not qualify for prime rate loans, borrowers with low credit ratings (FICO scores), unconventionally high initial loan-to-value ratios, and borrowers with less than conventional documentation of their income and/or net assets.

The Company minimizes subprime mortgage-related risk exposure by holding securities that carry an aggregate credit rating of B and by monitoring the underlying collateral performance on an ongoing basis.

The following chart summarizes the actual cost and the fair value of subprime mortgage-related risk exposure:

	Actual Cost	Fair Value	Other-Than-Temporary Impairment Losses Recognized to Date
Residential mortgage-backed securities	$ 34	29	-

Other Invested Assets

During 2015, FCCI Group, Inc., a company within the FCCI Insurance Group, entered into an Operating agreement with a third party for the purpose of investing in low-income housing property that will provide the Company with federal low-income housing tax credits and other tax benefits from operations.

The Company's carrying value of the investment is $947 and $1,389 as of December 31, 2022 and 2021, respectively, including its adjusted costs of $4,665. Amortization was $442 and $409 for years ending December 31, 2022 and 2021, respectively. During each year 2022 and 2021, the Company recognized $523 of federal tax credits. The investment is being amortized over 12 years from the initial date of acquisition using the proportional amortization method. The Company has three years of remaining unexpired federal tax credits. Each low-income property is subject to an annual regulatory review and the properties maintain their qualified status as of December 31, 2022.

During 2016, FCCI Group, Inc., entered into an operating agreement with a third party for the purpose of investing in solar renewable energy projects that will provide the Company with federal renewable energy or solar tax credits and other tax benefits from operations.

The Company's carrying value of the investment is $0 and $923 as of December 31, 2022 and 2021, respectively, including its costs of $8,557. Impairment of $923 and $48 was recognized during 2022 and 2021, respectively. During 2016, the Company received $7,227 of federal renewable energy tax credits, there are no remaining future federal tax credits pending as of December 31, 2022. The Company received $967 additional tax benefits from operations and cash distributions from the project during 2022. The investment is analyzed for impairment on an annual basis. There is a five year compliance period from the place in service date which was December 22, 2016. The project is subject to review and the facilities were developed, constructed and leased in a manner that qualifies for the energy credit under the applicable section of the tax code. The project has maintained its qualified status as of December 31, 2022.

During 2020, FCCI Group, Inc., entered into an operating agreement with a third party for the purpose of investing in solar renewable energy projects that will provide the Company with federal renewable energy or solar tax credits and other tax benefits from operations.

The Company's carrying value of the investment is $951 and $1,089 as of December 31, 2022 and 2021, respectively, including its costs of $9,322. Impairment of $138 and $94 was recognized during 2022 and 2021, respectively. During 2020, the Company received $8,398 of federal solar tax credits. All federal renewable energy tax credits were received during 2020 and there are no remaining future federal tax credits pending as of December 31, 2022. The investment will be analyzed for impairment on an annual basis. The project is subject to review and the facilities were developed, constructed and leased in a manner that qualified for the energy credit under the applicable section of the tax code. The project has maintained its qualified status as of December 31, 2022. The Company received a cash distribution of $147 during 2022 and will receive cash distributions and a put payment during years four through six.

The Company's future cash distributions and a put payment:

	Cash Distribution	Put Payment
2023	$ 159	$ -
2024	161	-
2025	-	631

During 2021, FCCI Insurance Company entered into an operating agreement with a third party for the purpose of investing in solar renewable energy projects that will provide the Company with federal renewable energy or solar tax credits and other tax benefits from operations.

The Company's carrying value of the investment is $2,055 as of December 31, 2022, including its cost of $16,772. During 2022, the Company paid $13,198 in capital contributions. Impairment of $14,717 was recognized during 2022. Federal renewable energy tax credits of $15,179 were received during 2022. All federal renewable energy tax credits were received during 2022 and there are no remaining future federal tax credits pending as of December 31, 2022. The investment will be analyzed for impairment on an annual basis. The project is subject to review and the facilities were developed, constructed and leased in a manner that qualified for the energy credit under the applicable section of the tax code. The project has maintained its qualified status as of December 31, 2022. The Company received a cash distribution of $29 during 2022 and future cash distributions totaling $2,055 are expected to be received during years three through seven.

The Company's future cash distributions:

Year ending December 31,	
2023	$ 267
2024	265
2025	296
2026	293
2027	934

Notes to Consolidated Financial Statements (in thousands)

Fair Value Measurements
The Company has adopted the provisions of ASC 820, which defines fair value as the exit price or the amount that would be (1) received to sell an asset or (2) paid to transfer a liability in an orderly transaction between marketplace participants at the measurement date. When determining an exit price, the Company must, whenever possible, rely upon observable market data.

The ASC 820 exit price notion requires the Company's valuation to also consider what a marketplace participant would pay to buy an asset or receive to assume a liability. Therefore, while the Company can consider pricing data from these outside services, the Company ultimately determines whether the data or inputs used by these outside services are observable or unobservable.

In accordance with ASC 820, the Company has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level that is significant to the fair value measurement of the instrument.

Level 1 and Level 2 Valuation Techniques
All invested assets of the Company measured at fair value are classified as Level 1 or Level 2. Financial assets that fall within Level 1 and Level 2 are priced according to observable data from identical or similar securities that have traded in the marketplace. Also within Level 2 are securities that are valued by outside pricing services because the inputs used in pricing the securities are market observable. The Company has evaluated the pricing methodology and has determined that the inputs are observable.

Level 3 Valuation Techniques
Management is required to use its own assumptions regarding unobservable inputs because there is little, if any, market activity in the assets or liabilities and management may be unable to corroborate the related observable inputs. Unobservable inputs require management to make certain projections and assumptions about the information that would be used by market participants in pricing assets or liabilities. Fair value measurements of non-exchange traded financial instruments are based primarily on valuation models, discounted cash flow models or other valuation techniques that are believed to be used by market participants.

Roll Forward of Level 3 Items

	Beginning Balance at 01/01/2022	Transfers into Level 3	Transfers out of Level 3	Total Gains and (Losses) Included in Income	Purchases	Sales	Ending Balance at 12/31/2022
Assets							
Common Stocks	$ 31,287	$ -	$ -	$ (160)	$ -	$ -	$ 31,127
Total Assets	$ 31,287	$ -	$ -	$ (160)	$ -	$ -	$ 31,127
Liabilities	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total Liabilities	$ -	$ -	$ -	$ -	$ -	$ -	$ -

Policy on Transfers into and out of Levels 1, 2 and 3
At the end of each reporting period, the Company evaluates whether or not an event has occurred or circumstances have changed that would cause an instrument to be transferred into or out of Levels 1, 2 and 3. The Company had no transfers into or out of Levels 1, 2 or 3 in the current year.

The following tables represent the fair value of fixed maturity and equity securities by hierarchy level:

December 31, 2022	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
US Treasury and US government agencies and corporations	$ 29,420	$ 29,420	$ -	$ -
State and political subdivisions	314,204	-	314,204	-
Mortgage-backed and asset-backed securities	714,265	-	714, 265	-
Corporate bonds	409,099	-	409,099	-
Foreign government and foreign corporate bonds	53,289	-	53,289	-
Total fixed maturity securities	1,520,277	29,420	1,490,857	-
Common stock(1)	423,026	391,899	-	31,127
Total investment securities	$ 1,943,303	$ 421,319	$ 1,490,857	$ 31,127

(1) The Company holds $6,858 of other common stock carried at its contractually specified redemption value.

Notes to Consolidated Financial Statements (in thousands)

December 31, 2021	**Total**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
US Treasury and US government agencies and corporations	$ 26,249	26,249	-	-
State and political subdivisions	355,195	-	355,195	-
Mortgage-backed and asset-backed securities	739,189	-	739,189	-
Corporate bonds	458,145	-	458,145	-
Foreign government and foreign corporate bonds	63,989	-	63,989	-
Total fixed maturity securities	1,642,767	26,249	1,616,518	-
Common stock(1)	530,441	499,154	-	31,287
Total investment securities	$ 2,173,208	525,403	1,616,518	31,287

(1) The Company holds $6,113 of other common stock carried at its contractually specified redemption value.

4. Amounts Due from Policyholders

Amounts due from policyholders are composed of the following:

December 31,	**2022**	**2021**
Premiums in course of collection	$ 66,319	$ 55,753
Premiums deferred not yet due	337,017	307,985
Premiums due on retrospectively rated policies	6,443	5,642
Amounts due on deductible policies	951	1,051
Amounts due from policyholders, gross	410,730	370,431
Allowance for doubtful accounts	(5,237)	(4,872)
Amounts due from policyholders, net	$ 405,493	$ 365,559

The allowance for doubtful accounts reflects the Company's best estimate of probable losses inherent in our amounts due from policyholders balance determined on the basis of historical experience, specific allowances for known troubled accounts, and other currently available evidence.

5. Deferred Policy Acquisition Costs

Deferred policy acquisition costs are summarized as follows:

	2022	**2021**
Balance, January 1	$ 67,396	$ 62,983
Capitalized costs	167,795	152,493
Amortized costs	(160,233)	(148,080)
Balance, December 31	$ 74,958	$ 67,396

6. Land, Building and Equipment

The major components of land, building and equipment are as follows:

December 31,	**2022**	**2021**
Land	$ 4,269	$ 4,269
Building and improvements	50,730	50,636
Furniture and equipment	17,886	19,840
Capitalized leases for property and equipment	11,397	10,095
Software in use	62,596	60,346
Software under development	14,791	4,965
Land, building and equipment, at cost	161,669	150,151
Accumulated depreciation and amortization	(100,303)	(94,552)
Land, building and equipment, net	$ 61,366	$ 55,599

Depreciation and amortization expense for land, building and equipment, including capital leases, for the years ended December 31, 2022 and 2021 amounted to $9,819 and $9,782, respectively.

Notes to Consolidated Financial Statements (in thousands)

7. Liability for Loss and LAE

The Company establishes a liability for loss and LAE that estimates the future payments of reported and unreported claims for losses and the related loss expenses with respect to insured events that have occurred. Liability for loss and LAE are estimates of the unpaid portion of losses that have occurred, including incurred but not reported (IBNR) losses, as a result the process of establishing this liability is subject to uncertainties that are normal, recurring, and inherent in the property and casualty business. The process requires reliance upon estimates based on available data that reflects past experience, current trends, and other information and the exercise of informed judgment. Changes in the Company's estimate of this liability may be required as information develops that varies from experience, provides additional data, or, in some cases, augments data previously not considered sufficient for use in determining reserves. The effect of these changes, net of reinsurance, is charged (unfavorable development) or credited (favorable development) to income for the periods in which they are determined.

In management's judgment, information currently available has been appropriately considered in estimating the Company's liability for losses and LAE. However, future changes in estimates of the Company's liability for insured events may materially affect results positively or adversely in future periods although such effects cannot be reasonably estimated.

Activity in the liability for loss and LAE is summarized in the table below:

	2022	2021
Gross, January 1	$ 1,137,748	$ 1,084,243
Less:		
Reinsurance recoverable, unpaid losses	93,936	72,065
Florida Special Disability Trust Fund recoverable (Note 8)	1,464	1,660
Salvage and subrogation recoverables	8,650	8,751
Retroactive reinsurance reserves assumed	1,732	1,939
Liability for loss and LAE on deductible policies	1,050	927
Net, January 1	1,030,916	998,901
Incurred related to:		
Current year	667,085	618,000
Prior years	(20,977)	(36,558)
	646,108	581,442
Paid related to:		
Current year	249,113	226,994
Prior years	355,925	322,433
	605,038	549,427
Net, December 31	1,071,986	1,030,916
Plus:		
Reinsurance recoverable, unpaid losses	91,397	93,936
Florida Special Disability Trust Fund recoverable (Note 8)	1,247	1,464
Salvage and subrogation recoverables	10,011	8,650
Retroactive reinsurance reserves assumed	1,600	1,732
Liability for loss and LAE on deductible policies	950	1,050
Gross, December 31	$ 1,177,191	$ 1,137,748

Notes to Consolidated Financial Statements (in thousands)

Incurred loss and LAE represents the sum of paid losses and changes in the liability for loss and LAE in the calendar year. The liability for loss and LAE developed favorably in 2022 and 2021.

The liability for loss and LAE are calculated by line of business and accident year and are established net of salvage, subrogation, and second injury funds.

Many factors affect the ultimate cost of claims, such factors include, but are not limited to, inflation, changes in laws and regulations, litigation and jury awards, changes in claimants' medical conditions, and changes in medical technologies and procedures. There is inherent uncertainty in the estimate since many claims will not be settled for several years.

The Company regularly updates its loss and LAE liability estimates as new information becomes available and as events unfold that may affect the resolution of unsettled claims. Changes to the liability for losses and LAE are reflected in the results of operations in the period the estimates are changed. The Company uses generally accepted actuarial models to determine estimates of ultimate liabilities.

The tables that follow present, by accident year, cumulative incurred losses and allocated loss adjustment expenses on a historical basis. The information is presented, net of reinsurance and excludes unallocated loss adjustment expenses. Also provided are the historical average annual percentage payout of incurred losses by age, net of reinsurance, as supplementary information. Although the claim for which liabilities are established may not be paid for several years, the Company does not discount loss and LAE liabilities in its financial statements for the time value of money in accordance with GAAP. The information contained in the years preceding the current calendar year is unaudited. The IBNR amounts include the estimate for incurred but not reported liabilities and for expected development on reported cases. The cumulative number of reported losses includes the number of direct reported occurrence count, both open and closed, by major line of business and accident year.

Liability Lines

Incurred Loss and Allocated Loss Adjustment Expenses, Net of Reinsurance
For the Years Ended December 31,

Accident Year	2013*	2014*	2015*	2016*	2017*	2018*	2019*	2020*	2021*	2022	IBNR	Cumulative Number of Reported Claims
2013	$129,759	$121,278	$119,006	$119,210	$119,273	$123,837	$123,423	$124,755	$124,404	$125,369	$3,015	6,185
2014	-	164,669	161,965	169,151	169,430	173,095	174,109	175,664	173,902	172,927	4,356	6,943
2015	-	-	193,491	200,107	200,705	208,061	207,114	207,932	207,213	211,337	6,614	8,237
2016	-	-	-	251,559	247,710	248,361	248,838	251,804	252,932	254,186	9,710	9,236
2017	-	-	-	-	244,503	236,417	244,911	252,308	253,043	252,626	13,221	9,027
2018	-	-	-	-	-	239,605	243,107	253,091	260,782	259,767	19,132	9,166
2019	-	-	-	-	-	-	263,016	270,589	272,696	272,939	28,643	9,088
2020	-	-	-	-	-	-	-	260,888	234,036	232,816	38,567	6,829
2021	-	-	-	-	-	-	-	-	333,243	302,413	58,693	7,662
2022										357,893	121,047	6,654
									Total	$2,442,273		

Cumulative Paid and Allocated Loss Adjustment Expense, Net of Reinsurance
For the Years Ended December 31,

Accident Year	2013*	2014*	2015*	2016*	2017*	2018*	2019*	2020*	2021*	2022
2013	$26,553	$58,973	$76,667	$93,313	$101,602	$105,890	$112,699	$115,429	$118,392	$119,622
2014	-	31,351	77,179	108,812	128,524	143,913	153,235	156,579	159,536	162,597
2015	-	-	36,906	102,334	129,317	158,841	180,275	185,757	189,698	193,980
2016	-	-	-	43,040	102,008	153,656	182,875	203,273	216,733	236,223
2017	-	-	-	-	38,727	113,066	152,359	186,125	213,302	225,553
2018	-	-	-	-	-	44,052	105,722	155,125	195,812	219,039
2019	-	-	-	-	-	-	43,675	116,778	174,436	205,027
2020	-	-	-	-	-	-	-	34,775	86,400	133,623
2021		-	-	-	-	-	-	-	54,521	141,706
2022										58,156
									Total	1,695,526
									All outstanding liabilities before 2012, net of reinsurance	21,785
									Liabilities for loss and loss adjustment expenses, net of reinsurance	$768,532

Average Annual Percentage Payout of Incurred Loss by Age, Net of Reinsurance**

Years	1	2	3	4	5	6	7	8	9	10
	17.12%	26.39%	17.68%	12.91%	8.90%	4.31%	4.22%	1.97%	2.07%	0.98%

* Unaudited
** Supplemental and unaudited

Notes to Consolidated Financial Statements (in thousands)

Workers' Compensation

Incurred Loss and Allocated Loss Adjustment Expenses, Net of Reinsurance
For the Years Ended December 31,

Accident Year	2013*	2014*	2015*	2016*	2017*	2018*	2019*	2020*	2021*	2022	IBNR	Cumulative Number of Reported Claims
2013	$ 186,661	$173,015	$172,470	$173,654	$173,295	$173,118	$172,001	$170,332	$170,687	$169,842	$3,521	11,597
2014	-	162,497	153,189	155,746	154,251	152,546	151,240	150,119	149,848	148,825	3,150	10,784
2015	-	-	175,710	173,426	174,287	174,213	171,845	170,045	169,717	168,586	3,406	10,601
2016	-	-	-	221,211	189,891	183,741	177,178	175,007	172,973	172,770	4,301	10,344
2017	-	-	-	-	184,367	152,670	144,583	139,150	136,632	135,322	4,870	9,499
2018	-	-	-	-	-	171,987	153,533	144,932	142,164	141,181	5,439	8,657
2019	-	-	-	-	-	-	176,050	170,016	163,097	161,468	5,978	8,208
2020	-	-	-	-	-	-	-	144,215	128,788	125,579	7,308	6,442
2021	-	-	-	-	-	-	-	-	131,943	129,560	10,275	6,141
2022										108,966	18,231	5,294
									Total	$1,462,099		

Cumulative Paid and Allocated Loss Adjustment Expense, Net of Reinsurance
For the Years Ended December 31,

Accident Year	2013*	2014*	2015*	2016*	2017*	2018*	2019*	2020*	2021*	2022
2013	$61,971	$122,886	$146,279	$158,843	$161,622	$163,770	$163,772	$164,336	$164,599	$164,914
2014	-	53,734	109,576	131,062	137,892	140,166	141,756	143,371	143,606	143,815
2015	-	-	52,179	120,750	141,680	153,991	160,615	163,085	163,973	165,002
2016	-	-	-	61,748	122,199	149,637	157,844	161,853	163,193	164,541
2017	-	-	-	-	49,434	102,364	120,403	125,523	127,410	127,900
2018	-	-	-	-	-	49,198	99,766	120,062	125,293	126,916
2019	-	-	-	-	-	-	58,440	114,870	137,075	144,538
2020	-	-	-	-	-	-	-	43,532	90,846	106,101
2021	-	-	-	-	-	-	-	-	43,781	90,609
2022										35,699
									Total	1,270,035
									All outstanding liabilities before 2012, net of reinsurance	61,641
									Liabilities for loss and loss adjustment expenses, net of reinsurance	$253,705

Average Annual Percentage Payout of Incurred Loss by Age, Net of Reinsurance**

Years	1	2	3	4	5	6	7	8	9	10
	34.81%	36.97%	13.76%	5.16%	1.99%	0.99%	0.60%	0.37%	0.15%	0.19%

* Unaudited
** Supplemental and unaudited

Notes to Consolidated Financial Statements (in thousands)

Other Lines

Incurred Loss and Allocated Loss Adjustment Expenses, Net of Reinsurance
For the Years Ended December 31,

Accident Year	2013*	2014*	2015*	2016*	2017*	2018*	2019*	2020*	2021*	2022	IBNR	Cumulative Number of Reported Claims
2013	$ 52,318	$50,991	$49,866	$49,305	$49,023	$48,958	$48,922	$48,906	$48,906	$48,905	$ -	6,954
2014	-	58,360	54,469	54,714	53,986	53,932	53,918	53,870	53,843	53,841	-	7,874
2015	-	-	72,566	69,251	67,016	67,050	66,804	66,872	66,606	67,315	2	8,995
2016	-	-	-	80,793	75,777	74,834	74,257	74,293	74,210	74,270	3	10,201
2017	-	-	-	-	101,953	103,141	104,699	104,818	104,967	105,125	4	10,620
2018	-	-	-	-	-	107,659	102,807	102,395	103,294	105,721	3	10,808
2019	-	-	-	-	-	-	90,626	88,482	85,582	85,503	22	10,269
2020	-	-	-	-	-	-	-	101,995	97,870	95,421	210	9,573
2021	-	-	-	-	-	-	-	-	123,946	125,697	2,119	9,789
2022										171,624	18,585	9,677
									Total	$933,422		

Cumulative Paid Loss and Allocated Loss Adjustment Expenses, Net of Reinsurance
For the Years Ended December 31,

Accident Year	2013*	2014*	2015*	2016*	2017*	2018*	2019*	2020*	2021*	2022
2013	$39,725	$48,439	$48,623	$49,109	$49,019	$48,958	$48,922	$48,906	$48,906	$48,905
2014	-	41,811	51,962	54,090	53,968	53,898	53,898	53,870	53,843	53,841
2015	-	-	55,789	66,842	66,832	66,732	66,539	66,612	66,606	67,270
2016	-	-	-	58,527	73,066	74,167	74,141	74,177	74,153	74,188
2017	-	-	-	-	76,439	98,454	103,761	104,396	104,605	105,009
2018	-	-	-	-	-	80,324	99,688	101,021	102,937	105,600
2019	-	-	-	-	-	-	71,528	83,865	84,665	85,112
2020	-	-	-	-	-	-	-	80,469	94,622	94,118
2021	-	-	-	-	-	-	-	-	99,824	122,957
2022										126,655
									Total	883,655
									All outstanding liabilities, before 2012, net of reinsurance	(18)
									Liabilities for loss and loss adjustment expenses, net of reinsurance	$49,749

Average Annual Percentage Payout of Incurred Loss by Age, Net of Reinsurance**

Years	1	2	3	4	5	6	7	8	9	10
	79.05%	17.73%	1.56%	0.50%	0.36%	0.07%	(0.02)%	0.30%	(0.01)%	0.00%

* Unaudited
** Supplemental and unaudited

Reconciliation of the net incurred loss and paid loss tables above to the liability for loss and LAE is as follows:

December 31, 2022		
Net liability for unpaid loss and loss adjustment expenses:		
Liability Lines	$	768,532
Workers' Compensation		253,705
Other Lines		49,749
Net, December 31	$	1,071,986

Notes to Consolidated Financial Statements (in thousands)

8. Florida Special Disability Trust Fund

The Florida Special Disability Trust Fund (SDTF) provides for the reimbursement of certain Florida workers' compensation claim costs related to injuries that occurred prior to 1998 and that aggravate or accelerate a preexisting injury or physical impairment. The Company submits claims to the SDTF, a Florida government trust fund for recovery of eligible claim costs. The SDTF is funded on a current basis through quarterly assessments imposed on insurance carriers, self-insurance funds, and self-insurers, based on Florida workers' compensation direct premiums written net of any related policyholder dividends.

The Company's receivable from the SDTF is comprised of the following three components:

December 31,	**2022**	**2021**
Amounts paid by the Company submitted to the SDTF pending reimbursement	$ 3	$ 24
Amounts paid by the Company not yet submitted to the SDTF	434	343
Amounts not yet paid by the Company	810	1,097
	$ 1,247	$ 1,464

The SDTF accepts submissions for recovery once per year for each subject claim.

For the years ended December 31, 2022 and 2021, assessments were $324 and $325, respectively, and the Company collected $294 and $616, respectively, in reimbursements.

9. Reinsurance

The Company has a reinsurance program that is intended to reduce overall risks, including exposure to large losses and catastrophic events. The Company limits the maximum net loss that can arise from claims by reinsuring certain levels of risks with reinsurers. In the ordinary course of business, the Company assumes premiums, losses and LAE from involuntary assigned risk pools.

The Company expects those companies with whom reinsurance has been placed to honor their obligations. However, in the event that all or any of the reinsuring companies are unable to meet their obligations for existing paid and unpaid loss recoverables, the Company would be liable for such defaulted amounts.

The following table summarizes reinsurance recoverables and prepaid reinsurance premium:

December 31,	**2022**	**2021**
Recoverable for loss and LAE reserves	$ 91,398	$ 93,935
Recoverable for paid loss and LAE	12,588	6,454
Prepaid reinsurance premium	6,151	5,961
	$ 110,137	$ 106,350

The following tables summarize the effect of reinsurance on premiums:

	Direct	**Assumed**	**Ceded**	**Net**
Year ended December 31, 2022				
Written premiums	$ 1,028,581	$ 4,662	$ 52,523	$ 980,720
Earned premiums	989,500	4,863	52,333	942,030
Year ended December 31, 2021				
Written premiums	$ 952,087	$ 4,076	$ 48,615	$ 907,548
Earned premiums	927,380	4,172	48,665	882,887

The following tables summarize the effect of reinsurance on loss and LAE incurred:

	Direct	**Assumed**	**Ceded**	**Net**
2022	$ 683,978	$ 3,154	$ 41,024	$ 646,108
2021	633,882	2,445	54,885	581,442

10. Income Tax

The components of income tax (benefit) expense are as follows:

Year ended December 31,	**2022**	**2021**
Current income tax (benefit) expense:		
Federal	$ (5,083)	$ 13,276
State	958	1,154
Total current income tax (benefit) expense	(4,125)	14,430
Deferred income tax (benefit) expense:		
Federal	(16,569)	9,707
State	(3,148)	1,868
Total deferred income tax (benefit) expense	(19,717)	11,575
Total income tax (benefit) expense	$ (23,842)	$ 26,005

Notes to Consolidated Financial Statements (in thousands)

The significant components of the net deferred income tax liability are as follows:

December 31,		**2022**		**2021**
Deferred income tax assets:				
Unrealized loss on investment securities[(1)]	$	42,446	$	612
Discount of unearned and advance premiums		21,870		20,007
Discount of liability for loss and LAE		19,016		19,917
Deferred compensation		4,830		5,790
Research and experimental costs		3,378		-
Accrued vacation		1,516		1,389
Allowance for doubtful accounts		1,009		995
Accrued policyholder dividends		930		974
Net state operating loss carryforwards		72		210
Other		2,632		1,513
Total gross deferred income tax assets		97,699		51,407
Less: valuation allowance		(68)		(204)
Total net deferred income tax assets		97,631		51,203
Deferred income tax liabilities:				
Deferred policy acquisition costs		18,021		16,203
Change in market value of equity portfolio		10,903		29,310
Depreciation and amortization		8,349		6,451
Loss reserve discount eight-year transition		3,960		5,280
Unrealized gain on investment securities[(1)]		-		7,139
Other		2,429		2,152
Total deferred income tax liabilities		43,662		66,535
Net deferred income tax asset (liability)	$	53,969	$	(15,332)

[(1)] Includes fixed maturity securities only.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. In order to fully realize the deferred tax asset of $72 related to net operating losses in the state of Indiana, the Company will need to generate future Indiana taxable income of approximately $1,473 prior to the expiration of the net operating loss carryforwards in 2023 to 2025. Indiana taxable income for the years ended December 31, 2022 and 2021 was $28 and $31, respectively. Accordingly, management believes it is not more likely than not that this deferred tax asset will be realized and has recorded a valuation allowance. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the remaining deferred tax assets are deductible, management believes it is more likely than not that the Company will realize the benefits of these deductible differences, net of the existing valuation allowances at December 31, 2022. The amount of the deferred tax asset considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carryforward period are reduced.

Following is a reconciliation of the provision for federal income tax at the U.S. corporate rate of 21% to the (benefit) expense recorded:

Year ended December 31,		**2022**			**2021**	
		Amount	**Effective Tax Rate (%)**		**Amount**	**Effective Tax Rate (%)**
Expected tax	$	(5,867)	21.00	$	26,521	21.00
Tax credits		(16,315)	58.40		(1,264)	(1.00)
State income taxes, net of federal benefit		(1,730)	6.19		2,387	1.89
Tax-exempt interest		(1,167)	4.18		(1,281)	(1.01)
Other, net		1,237	(4.43)		(358)	(0.29)
Actual income tax (benefit) expense	$	(23,842)	85.34	$	26,005	20.59

The Company has adopted ASC 740-10-05, *Accounting for Uncertainty in Income Taxes*, which clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements. This guidance prescribes a threshold for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Management has evaluated their tax positions and has identified a situation where it is "more likely than not" that the position taken will not be upheld. Therefore, the Company has recorded a reserve for uncertain tax positions (UTP) in the amount of $179. During 2022 and 2021, the Company accrued $32 and $44, respectively, in UTP interest and penalties as a component of income tax expense.

Notes to Consolidated Financial Statements (in thousands)

11. Debt

Lines of Credit/Credit Facility

Bank of America Line of Credit
The Company has a line of credit (LOC) from Bank of America, in the amount of $25,000 expiring on March 1, 2023. On February 23, 2023, the Company's line of credit was amended and an extension of the maturity date was approved to April 1, 2023. Bonds with a carrying value of $34,359 have been pledged as collateral. There was no balance outstanding on the LOC as of December 31, 2022 and 2021.

Federal Home Loan Bank Credit Facility
The Company is a member of the Federal Home Loan Bank of Atlanta (FHLB). As a requirement of membership, the Company owns FHLB stock in an amount that is adjusted annually based on the asset size of the Company. In addition to membership stock requirements, the FHLB also requires members to purchase additional FHLB stock in amounts equal to 4.5% of each advance. FHLB shares that are purchased at the time of an advance are automatically redeemed when the advance is repaid (proportionately if the advance is partially repaid). As of December 31, 2022 and 2021, the Company owned FHLB stock in the amount of $6,858 and $6,113, respectively. As of December 31, 2022, the Company's borrowing limit is $381,804. The Company's overall FHLB credit limit can fluctuate based on the Company's financial condition, and all balances must be adequately collateralized.

The Company's FHLB borrowings as of December 31, 2022 are summarized in the following table:

Description	Amount Outstanding	Date Issued	Maturity Date	Interest Rate (%)
5-Year Fixed Rate Note	$ 10,000	9/10/2019	9/10/2024	1.919
5-Year Fixed Rate Note	10,000	9/10/2019	9/10/2024	1.912
7-Year Fixed Rate Note	32,000	9/10/2019	9/10/2026	2.078
9-Year Fixed Rate Note	24,000	9/10/2019	9/11/2028	2.444
10-Year Fixed Rate Note	23,750	9/10/2019	9/10/2029	2.606
10-Year Fixed Rate Note	32,000	9/10/2019	9/10/2029	2.495
	$ 131,750			

12. Retirement and Deferred Compensation Plans

Retirement and Savings Plan
The Company has a retirement and profit sharing plan (defined 401(k) contribution plan) for which all employees are eligible to participate. Employees, at their option, may contribute a portion of their eligible earnings to the plan, which may qualify for a matching contribution by the Company. Based on the Company's financial results, an additional discretionary profit sharing contribution may be made to all eligible employees' accounts. All contributions by the Company are restricted to amounts authorized annually by the Board of Directors. Retirement benefits are based on the balance in each employee's account, including the amount vested in employer 401(k) matching contributions and profit sharing contributions. The plan may be cancelled at any time at the option of the Company. The Company's net contributions to the plan for 2022 and 2021 were $7,448 and $7,172, respectively.

Long-Term Incentive Plan
Directors and officers are eligible participants under the Company's Long-Term Incentive Plan (Incentive Plan), which offers two types of performance-based incentive awards, a Full Value Performance Unit Award (Performance Units) and a Performance Unit Appreciation Rights Award (Appreciation Rights).

After satisfaction or lapse of the restrictions, terms, and conditions established by the Incentive Plan with respect to a grant of Performance Unit awards, the Incentive Plan participant will receive a cash payment equal to the number of Performance Units multiplied by a Company Value as of the exercise date as defined in the Incentive Plan. During 2022 and 2021, the Company recognized expense related to these units of $403 and $2,149, respectively. As of December 31, 2022 and 2021, the Company has a liability for the Performance Units outstanding of $8,576 and $10,299, respectively.

Appreciation Rights may be exercised subject to the terms of the Incentive Plan and upon exercise, the Incentive Plan participant will receive the number of Appreciation Rights exercised multiplied by the increase in Company Value as of the exercise date compared to the Company Value on the grant date. During 2022 and 2021, the Company recognized expense related to Appreciation Rights of $841 and $5,964, respectively. As of December 31, 2022 and 2021, the Company has a liability for the Appreciation Rights outstanding of $11,173 and $13,488, respectively.

Directors' Deferred Compensation Plan
Certain members of FGI's Board of Directors have entered into a deferred compensation plan, which includes a deferred compensation payment of three times the Directors' annual fees at retirement subject to certain vesting criteria, which is to be partially funded through a special grant of Performance Units, described above. During 2022, the Company recognized expense of $45, and in 2021, a reduction in expense of $81, related to the deferred compensation plan. As of December 31, 2022 and 2021, the Company's liability for such deferred compensation, not funded by Performance Units, was $343 and $298, respectively.

Costs for retirement and deferred compensation plans are allocated to each subsidiary based on the direct written premiums and the level of claim transactions to the totals for the consolidated company.

Notes to Consolidated Financial Statements (in thousands)

13. Regulation

The Company and its insurance company subsidiaries are regulated by state insurance departments and are subject to insurance statutes of their domiciliary states. The insurance companies are required to file financial statements with the state insurance departments prepared on an accounting basis prescribed or permitted by such regulators (statutory basis). Included among the applicable insurance laws and regulations with which the insurance companies must comply is the requirement that they maintain sufficient surplus, as defined by the states.

Risk-Based Capital

The National Association of Insurance Commissioners and the domiciliary states utilize risk-based capital (RBC) standards. RBC is a method of measuring the amount of capital and surplus appropriate for an insurer to support its overall business operations in light of its size and risk profile. Under RBC standards, risks specific to insurance companies in such areas as asset risk and underwriting risk are evaluated and compared to the insurance companies' capital and surplus to determine solvency margins. Regulators use RBC standards to initiate actions relating to insurers that show signs of weak or deteriorating financial condition. At December 31, 2022 and 2021, the insurance companies were adequately capitalized under the RBC requirements.

Combined net income and policyholders' surplus of the Company's insurance subsidiaries, as determined in accordance with statutory accounting practices, are as follows:

December 31,	2022	2021
Net income	$ 42,751	$ 56,598
Policyholders' surplus	792,404	819,504

14. Commitments and Contingencies

Legal Proceedings

The Company's insurance subsidiaries are party to litigation and workers' compensation administrative proceedings involving claims arising in the normal course of business, none of which, in the opinion of management, will have a material adverse effect on the consolidated financial position, results of operations, or cash flows of the Company.

Lease Commitments

The Company leases certain office facilities and office equipment under operating leases, some of which contain renewal options under various terms at prevaling market rates. Renewal options that have not been exercised as of December 31, 2022, are excluded until management attains a reasonable level of certainty. In accordance with ASC 842, *Leases*, which the Company adopted as of January 1, 2021, the Company has recorded lease right-of-use assets and lease obligation liabilities for office facilities and office equipment based on the net present value of future lease payments. The lease right-of-use assets and lease obligation liabilities recorded under and, building, and equipment, net and accrued expenses and other liabilities were $6,476 and $6,782, respectively, at December 31, 2022, and $7,665 and $7,875, respectively, at December 31, 2021.

The weighted average term of these leases was approximately three years at December 31, 2022. The weighted average discount rate used to measure lease right-of-use assets and lease obligation liabilities was approximately 2.32% at December 31, 2022. The Company does not generally have access to the rate implicit in the lease and therefore uses its incremental borrowing rate as the discount rate.

Amortization expense related to the operating leases were $2,051 and $2,444 at December 31, 2022 and 2021, respectively.

A summary of remaining lease payments and obligation as of December 31, 2022 is as follows:

Year ending December 31,	Amount
2023	$ 2,261
2024	1,685
2025	1,643
2026	1,326
2027	176
Amount representing interest	(309)
Lease obligation liabilities	$ 6,782