

FCCI Mutual Insurance Holding Company and Subsidiaries

Consolidated Financial Statements
Years Ended December 31, 2024 and 2023

The report accompanying these financial statements was issued by BDO USA, P.C., a Virginia professional corporation, and the U.S. member of BDO International Limited, a UK company limited by guarantee.



FCCI Mutual Insurance Holding Company and Subsidiaries

Consolidated Financial Statements
Years Ended December 31, 2024 and 2023

FCCI Mutual Insurance Holding Company and Subsidiaries

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Independent Auditor's Report

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

Opinion

We have audited the consolidated financial statements of FCCI Mutual Insurance Holding Company and its subsidiaries (the Company), which comprise the consolidated balance sheets as of December 31, 2024 and 2023, and the related consolidated statements of operations and comprehensive 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 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 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.

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 within one year after the date that the consolidated financial statements are available to be issued.



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, 2024 and prior, and the historical claims duration information included in Note 7 Liability for Loss and LAE 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, which 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 GAAS, 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 audits 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.

BDO USA, P.C.

March 31, 2025

Consolidated Financial Statements

FCCI Mutual Insurance Holding Company and Subsidiaries

Consolidated Balance Sheets (in thousands)

December 31,	2024	2023
Assets		
Investments:		
Securities available-for-sale, at fair value:		
Fixed maturity securities (amortized cost of \$1,999,964 at 2024 and \$1,741,696 at 2023)	\$ 1,892,547	\$ 1,632,623
Common and preferred stocks (cost of \$309,952 at 2024 and \$362,782 at 2023)	365,879	405,490
Other invested assets, at amortized cost	4,899	3,095
Total Investments	2,263,325	2,041,208
Cash and cash equivalents	105,239	137,091
Accrued investment income	16,325	13,477
Amounts due from policyholders, net	494,919	447,097
Reinsurance recoverable and prepaid reinsurance premium	138,432	123,231
Deferred policy acquisition costs	92,214	83,274
Land, building, and equipment, net	82,685	74,542
Deferred tax asset	47,266	44,458
Goodwill	24,151	24,151
Other assets	28,467	23,753
Total Assets	\$ 3,293,023	\$ 3,012,282
Liabilities and Members' Equity		
Liabilities		
Loss and loss adjustment expenses	\$ 1,350,702	\$ 1,249,045
Unearned premiums	555,379	503,679
Accrued expenses and other liabilities	182,011	154,243
Accrued policyholder dividends	6,776	6,358
Premiums refundable and loss fund deposits	2,503	2,287
Income tax payable	1,291	8,328
Debt	111,750	111,750
Total Liabilities	2,210,412	2,035,690
Commitments and Contingencies (Note 13)		
Members' Equity		
Accumulated earnings	1,163,798	1,058,214
Accumulated other comprehensive loss	(81,187)	(81,622)
Total Members' Equity	1,082,611	976,592
Total Liabilities and Members' Equity	\$ 3,293,023	\$ 3,012,282

See accompanying notes to consolidated financial statements.

FCCI Mutual Insurance Holding Company and Subsidiaries

Consolidated Statements of Operations (in thousands)

<i>Year ended December 31,</i>	2024	2023
Revenues		
Net premiums earned	\$ 1,106,732	\$ 1,021,161
Net investment income	109,926	96,373
Change in unrealized gain on common stocks	13,220	(94)
Net realized (loss) gain	(15,964)	8,408
Service fees and other income	2,756	3,220
Total Revenues	1,216,670	1,129,068
Expenses		
Losses and loss adjustment expenses incurred	714,123	695,943
Policy acquisition expenses	224,572	195,737
General, administrative, and other expenses	159,401	142,155
Policyholder dividends	5,279	4,749
Total Expenses	1,103,375	1,038,584
Income, before income taxes	113,295	90,484
Income Tax Expense	7,711	18,717
Net Income Attributable to Members	\$ 105,584	\$ 71,767

See accompanying notes to consolidated financial statements.

FCCI Mutual Insurance Holding Company and Subsidiaries

Consolidated Statements of Comprehensive Income (in thousands)

<i>Year ended December 31,</i>	2024	2023
Net Income Attributable to Members	\$ 105,584	\$ 71,767
Other Comprehensive Income (Loss)		
Change in unrealized losses on investments, net of taxes of \$(351) and \$13,851, respectively	(1,109)	43,762
Reclassification adjustments for realized losses (gains) in net income, net of taxes of \$489 and \$2,761, respectively	1,544	8,723
	435	52,485
Total Comprehensive Income	\$ 106,019	\$ 124,252

See accompanying notes to consolidated financial statements.

FCCI Mutual Insurance Holding Company and Subsidiaries

Consolidated Statements of Members' Equity (in thousands)

	Accumulated Earnings	Accumulated Other Comprehensive Loss	Total Members' Equity
Balance, January 1, 2023	\$ 986,640	\$ (134,107)	\$ 852,533
Adoption of new accounting pronouncement (ASU 2016-13)	(193)	-	(193)
Comprehensive income:			
Net income	71,767	-	71,767
Change in unrealized loss on available-for-sale securities, net of taxes	-	52,485	52,485
Balance, December 31, 2023	1,058,214	(81,622)	976,592
Comprehensive income:			
Net income	105,584	-	105,584
Change in unrealized loss on available-for-sale securities, net of taxes	-	435	435
Balance, December 31, 2024	\$ 1,163,798	\$ (81,187)	\$ 1,082,611

See accompanying notes to consolidated financial statements.

FCCI Mutual Insurance Holding Company and Subsidiaries

Consolidated Statements of Cash Flows (in thousands)

Year ended December 31,	2024	2023
Cash Flows from Operating Activities		
Net income	\$ 105,584	\$ 71,767
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization expense	11,868	10,613
Deferred tax benefit	(2,948)	(7,100)
Net realized losses (gains) on equipment sold and retired	140	(262)
Net realized losses (gains) on investments	2,662	(8,360)
Net amortization of investments	(1,637)	1,579
Changes in assets and liabilities:		
Decrease (increase) in:		
Accrued investment income	(2,848)	(1,132)
Amounts due from policyholders, net	(47,822)	(41,604)
Reinsurance recoverables and prepaid reinsurance premium	(15,201)	(13,094)
Deferred policy acquisition costs	(8,940)	(8,316)
Income tax payable (recoverable)	(7,037)	15,110
Other assets	(112)	(2,238)
Increase (decrease) in:		
Loss and loss adjustment expenses	101,657	71,854
Unearned premiums	51,700	44,187
Accrued expenses and other liabilities	20,450	10,800
Accrued policyholder dividends	418	1,537
Premiums refundable and loss fund deposits	216	(783)
Net Cash Provided by Operating Activities	208,150	144,558
Cash Flows from Investing Activities		
Sales and maturities of investments	414,823	459,680
Purchases of investments	(634,674)	(474,006)
Proceeds from sales of property and equipment	123	385
Purchases of property and equipment	(20,274)	(20,788)
Net Cash Used in Investing Activities	(240,002)	(34,729)
Cash Flows from Financing Activities		
Principal payments on credit facility	-	(20,000)
Net Cash Used in Financing Activities	-	(20,000)
Net (Decrease) Increase in Cash and Cash Equivalents	(31,852)	89,829
Cash and Cash Equivalents, beginning of year	137,091	47,262
Cash and Cash Equivalents, end of year	\$ 105,239	\$ 137,091
Cash paid during the year for:		
Interest	\$ 2,711	\$ 3,031
Income taxes	17,299	10,292

See accompanying notes to consolidated financial statements.

FCCI Mutual Insurance Holding Company and Subsidiaries

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 (GAAP). 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 and 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. As of December 31, 2024 and 2023, the Company's balances exceeded federally insured limits by approximately \$58,907 and \$46,041, respectively.

FCCI Mutual Insurance Holding Company and Subsidiaries

Notes to Consolidated Financial Statements (in thousands)

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 (AFS) 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.

An AFS fixed maturity is impaired if the fair value of the security is below amortized cost. The impaired loss is charged to net income when the Company has the intent to sell the security or it is more likely than not the Company will be required to sell the security before recovery of the amortized cost. For impaired securities the Company intends to hold, an allowance for credit-related losses is recorded in investment losses when the Company determines a credit loss has been incurred based on certain factors, such as adverse conditions, credit rating downgrades, or failure of the issuer to make scheduled principal or interest payments. The Company relies on its external investment managers when making this determination. The credit loss recorded is the difference between the security's fair value and amortized cost, unless it is determined that a portion of the decline in value is not related to credit issues. Noncredit losses are recognized in other comprehensive income (loss) as a change in unrealized gains and losses on investments.

Effective January 1, 2023 for non-public companies, the Financial Accounting Standards Board (FASB) issued a new accounting standard, Accounting Standards Update (ASU) 2016-13 (Topic 326), *Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments*. The new accounting standard introduces the current expected credit losses methodology (CECL) for estimating allowances for credit losses. The Company recognizes an allowance for credit losses on AFS debt securities rather than an other-than-temporary impairment that reduces the cost basis of the investment. See below for additional disclosures regarding the adoption of ASU 2016-13.

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

FCCI Mutual Insurance Holding Company and Subsidiaries

Notes to Consolidated Financial Statements (in thousands)

equipment held under operating lease with terms greater than one year, are accounted for as a right-of-use (ROU) asset 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 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 ten 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.

Impairment of Long-Lived Assets

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 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, 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

FCCI Mutual Insurance Holding Company and Subsidiaries

Notes to Consolidated Financial Statements (in thousands)

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.

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 12.

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 - This is 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 - This is 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 - This is the risk that issuers of securities owned by the Company will default, or other parties, including policyholders, reinsurers, and the Special Disability Trust Fund (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 - This is 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.

FCCI Mutual Insurance Holding Company and Subsidiaries

Notes to Consolidated Financial Statements (in thousands)

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.

Reclassifications

Certain fiscal year 2023 amounts have been reclassified to conform to the current-year presentation.

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 Adopted Accounting Standards

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments (Topic 326)*. The updated guidance applied a new credit loss model requiring the Company to estimate credit losses for available-for-sale securities, amounts due from policyholders, and reinsurance recoverable expected over the life of an exposure or pool of exposures. The expected credit losses and subsequent adjustments are recorded through an allowance account that is deducted from the amortized cost basis of the financial asset. This update amended the former other-than-temporary impairment model for AFS securities by requiring recognition of impairments related to credit losses through an allowance account and limiting 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 no longer impacts the determination of whether a credit loss exists. The updated guidance was effective for the years ended December 31, 2024 and 2023. The Company adopted this update in 2023, with a cumulative-effect adjustment of \$193 to beginning accumulated earnings. This did not have a material impact on the consolidated financial statements or related disclosures.

In January 2017, the FASB issued ASU 2017-04, *Intangibles - Goodwill and Other: Simplifying the Test for Goodwill Impairment (Topic 350)*. The updated guidance eliminated 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 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 effective for the year ended December 31, 2023. The Company adopted this update in 2023. This did not have a material impact on the consolidated financial statements or related disclosures.

FCCI Mutual Insurance Holding Company and Subsidiaries

Notes to Consolidated Financial Statements (in thousands)

Subsequent Events

The Company has evaluated events subsequent to December 31, 2024, and through the consolidated financial statements' issuance date of March 31, 2025. No events occurring subsequent to the end of the year merited recognition or disclosure in this statement.

3. Investments

The amortized cost and fair value of AFS securities are as follows:

December 31, 2024

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury and U.S. government agencies and corporations	\$ 30,242	\$ 7	\$ (1,129)	\$ 29,120
States and political subdivisions	329,905	1,386	(37,367)	293,924
Mortgage-backed and asset-backed securities	968,262	3,706	(50,068)	921,900
Corporate bonds	590,086	3,307	(25,835)	567,558
Foreign government and foreign corporate bonds	81,469	569	(1,993)	80,045
Total Fixed Maturity Securities	1,999,964	8,975	(116,392)	1,892,547
Common stock	309,952	65,891	(9,964)	365,879
Total AFS Securities	\$ 2,309,916	\$ 74,866	\$ (126,356)	\$ 2,258,426

December 31, 2023

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury and U.S. government agencies and corporations	\$ 31,547	\$ 46	\$ (1,491)	\$ 30,102
States and political subdivisions	312,420	2,900	(31,674)	283,646
Mortgage-backed and asset-backed securities	824,777	3,179	(57,092)	770,864
Corporate bonds	500,514	4,435	(27,402)	477,547
Foreign government and foreign corporate bonds	72,438	840	(2,814)	70,464
Total Fixed Maturity Securities	1,741,696	11,400	(120,473)	1,632,623
Preferred stock	79	-	(44)	35
Common stock	362,703	57,070	(14,318)	405,455
Total AFS Securities	\$ 2,104,478	\$ 68,470	\$ (134,835)	\$ 2,038,113

FCCI Mutual Insurance Holding Company and Subsidiaries

Notes to Consolidated Financial Statements (in thousands)

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

December 31, 2024

	Amortized Cost ⁽¹⁾	Fair Value ⁽¹⁾
Due in one year or less	\$ 75,339	\$ 74,703
Due after one year through five years	819,989	802,988
Due after five years through ten years	725,750	682,621
Due after ten years	378,886	332,235
Total Fixed Maturities	\$ 1,999,964	\$ 1,892,547

⁽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 and commercial mortgage-backed securities are generated using sector level or CUSIP level prepayment, default, and loss severity assumptions. For residential mortgage-backed securities, 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.

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FCCI Mutual Insurance Holding Company and Subsidiaries

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, 2024

	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	\$ 3,650	\$ 227,856	230	\$ 62,674	\$ 379,901	370	\$ 66,324	\$ 607,757	600
Mortgage-backed and asset-backed securities	2,807	208,794	96	47,261	381,619	193	50,068	590,413	289
Common stocks	1,396	53,866	3	8,568	75,422	2	9,964	129,288	5
	\$ 7,853	\$ 490,516	329	\$ 118,503	\$ 836,942	565	\$ 126,356	\$ 1,327,458	894

December 31, 2023

	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	\$ 1,363	\$ 57,333	56	\$ 62,018	\$ 463,638	492	\$ 63,381	\$ 520,971	548
Mortgage-backed and asset-backed securities	679	51,420	34	56,413	556,863	228	57,092	608,283	262
Common and preferred stocks	444	4,689	4	13,918	149,073	3	14,362	153,762	7
	\$ 2,486	\$ 113,442	94	\$ 132,349	\$ 1,169,574	723	\$ 134,835	\$ 1,283,016	817

FCCI Mutual Insurance Holding Company and Subsidiaries

Notes to Consolidated Financial Statements (in thousands)

The Company's credit-related impairment assessment includes reviewing the extent and declining trend 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, 2024 and 2023 was \$7,276 and \$7,599, representing a 10.32% and 11.13% decline, respectively, on a common stock security.

The allowance for credit losses on fixed maturity securities was \$535 and \$1,617 as of December 31, 2024 and 2023, respectively. Changes in the allowance during 2024 and 2023 were \$(1,082) and \$1,617, respectively. The Company still holds two of the impaired securities at December 31, 2024.

The Company sold six securities that were previously impaired during 2024, recognizing a net gain on disposal of \$19. During 2024, the Company recognized \$543 of current expected credit loss impairments on two securities due to issuer-specific credit and quality events, consistent with management's criteria for recognizing credit-related declines in fair value.

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 will not establish an allowance for credit loss or write down a security to fair value unless it is determined that the impairment is credit-related. Management bases this conclusion on its current understanding, which includes the opinions of its outside investment consultant and outside investment manager, of the issuers of these securities, as described above.

It is possible that the Company could recognize impairment losses on some securities owned at December 31, 2024 by establishing an allowance for credit loss or writing down securities to fair value due to an intent to sell, if future events and information cause the Company to determine that a decline in value is credit-related.

Net investment income is summarized as follows:

<i>Year ended December 31,</i>	2024	2023
Bonds	\$ 89,484	\$ 75,908
Equity securities	19,454	21,816
Other invested assets	389	444
Cash, cash equivalents, and short-term investments	5,892	3,114
Gross Investment Income	115,219	101,282
Investment expenses	(5,293)	(4,909)
Net Investment Income	\$ 109,926	\$ 96,373

FCCI Mutual Insurance Holding Company and Subsidiaries

Notes to Consolidated Financial Statements (in thousands)

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

<i>Year ended December 31,</i>	2024	2023
Fixed maturity securities:		
Gross gains	\$ 1,530	\$ 1,098
Gross losses	(4,341)	(9,267)
Credit loss expense	1,082	(1,617)
Equity securities:		
Gross gains	11,656	20,334
Gross losses	(8,398)	-
Other invested assets:		
Gross losses	(17,189)	(442)
Write-downs on fixed maturity securities	(304)	(1,698)
Net Realized Gain (Loss)	\$ (15,964)	\$ 8,408

At December 31, 2024 and 2023, bonds, cash, and cash equivalents with fair values of \$20,815 and \$20,528, 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 7% and 4% of members' equity at December 31, 2024 and 2023, 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 Company currently carries one subprime holding at a National Association of Insurance Commissioners (NAIC) designation of 5.A.

Other Invested Assets

During 2015, FGI, 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 \$134 and \$531 as of December 31, 2024 and 2023, respectively, including its adjusted costs of \$4,665. Amortization was \$397 and \$416 for the years ended December 31, 2024 and 2023, respectively. During 2024 and 2023, the Company recognized \$523 and \$520, respectively, 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 one year 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, 2024.

FCCI Mutual Insurance Holding Company and Subsidiaries

Notes to Consolidated Financial Statements (in thousands)

During 2020, FGI 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 \$604 and \$743 as of December 31, 2024 and 2023, respectively, including its costs of \$9,322. Impairment of \$138 and \$208 was recognized during 2024 and 2023, 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, 2024. 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, 2024. The Company received a cash distribution of \$135 and \$209 during 2024 and 2023, respectively, and a future put payment of \$604 is expected to be received in 2025.

During 2021, FCCI 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 \$1,567 and \$1,822 as of December 31, 2024 and 2023, respectively, including its costs of \$16,772. Impairment of \$255 and \$234 was recognized during 2024 and 2023, respectively. 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 for the tax code. The project has maintained its qualified status as of December 31, 2024. The Company received a cash distribution of \$252 and \$235 during 2024 and 2023, respectively, and future cash distributions totaling \$1,567 are expected to be received during the next three years.

The Company's future cash distributions are as follows:

Year ending December 31,

2025	\$	297
2026		293
2027		977

During 2024, FGI 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 \$2,594 as of December 31, 2024, including its costs of \$19,390. Impairment of \$16,796 was recognized during 2024. During 2024, the Company received \$17,521 of federal solar tax credits. All federal renewable energy tax credits were received during 2024 and there are no remaining future federal tax credits pending as of December 31, 2024. 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, 2024. The Company will receive future cash distributions totaling \$2,594 which are expected to be received during the next six years.

FCCI Mutual Insurance Holding Company and Subsidiaries

Notes to Consolidated Financial Statements (in thousands)

The Company's future cash distributions are as follows:

Year ending December 31,

2025	\$	372
2026		343
2027		342
2028		342
2029		340
2030		855

Fair Value Measurements

Fair value is defined 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 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.

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. The Company holds membership stock in the Federal Home Loan Bank of Atlanta (FHLB), which it classifies as Level 2 due to lack of an active market. However, the carrying value of the stock is contractually specified by the FHLB. The contractual carrying value of the membership stock is \$7,222 and \$7,086 as of December 31, 2024 and 2023, respectively.

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

FCCI Mutual Insurance Holding Company and Subsidiaries

Notes to Consolidated Financial Statements (in thousands)

other valuation techniques that are believed to be used by market participants. The Company's Level 3 investment consists of common stock in an investment company measured based upon net asset value per share to determine the fair value.

Roll Forward of Level 3 Items

	Beginning Balance, January 1, 2024	Transfers Into Level 3	Transfers out of Level 3	Total Gains (Losses) Included in Income	Purchases	Sales	Ending Balance, December 31, 2024
Assets							
Common stocks	\$ 43,408	\$ -	\$ -	\$ (795)	\$ 50,000	\$ -	\$ 92,613
Total Assets	\$ 43,408	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Liabilities							
Total Liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

	Beginning Balance, January 1, 2023	Transfers Into Level 3	Transfers out of Level 3	Total Gains Included in Income	Purchases	Sales	Ending Balance, December 31, 2023
Assets							
Common stocks	\$ 31,127	\$ -	\$ -	\$ 303	\$ 11,978	\$ -	\$ 43,408
Total Assets	\$ 31,127	\$ -	\$ -	\$ 303	\$ 11,978	\$ -	\$ 43,408
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.

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FCCI Mutual Insurance Holding Company and Subsidiaries

Notes to Consolidated Financial Statements (in thousands)

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

December 31, 2024

	Total	Level 1	Level 2	Level 3
U.S. Treasury and U.S. government agencies and corporations	\$ 29,120	\$ 29,120	\$ -	\$ -
State and political subdivisions	293,924	-	293,924	-
Mortgage-backed and asset-backed securities	921,900	-	921,900	-
Corporate bonds	567,558	-	567,558	-
Foreign government and foreign corporate bonds	80,045	-	80,045	-
Total Fixed Maturity Securities	1,892,547	29,120	1,863,427	-
Common stock	365,879	266,044	7,222	92,613
Total Investment Securities	\$ 2,258,426	\$ 295,164	\$ 1,870,649	\$ 92,613

December 31, 2023

	Total	Level 1	Level 2	Level 3
U.S. Treasury and U.S. government agencies and corporations	\$ 30,102	\$ 30,102	\$ -	\$ -
State and political subdivisions	283,646	-	283,646	-
Mortgage-backed and asset-backed securities	770,864	-	770,864	-
Corporate bonds	477,547	-	477,547	-
Foreign government and foreign corporate bonds	70,464	-	70,464	-
Total Fixed Maturity Securities	1,632,623	30,102	1,602,521	-
Preferred stock	35	-	35	-
Common stock	405,455	354,961	7,086	43,408
Total Investment Securities	\$ 2,038,113	\$ 385,063	\$ 1,609,642	\$ 43,408

4. Amounts Due from Policyholders

Amounts due from policyholders are composed of the following:

December 31,	2024	2023
Premiums in course of collection	\$ 63,729	\$ 74,104
Premiums deferred not yet due	429,822	371,523
Premiums due on retrospectively rated policies	6,425	5,417
Amounts due on deductible policies	792	1,054
Amounts Due from Policyholders, Gross	500,768	452,098
Premiums receivable current expected credit loss allowance	(5,849)	(5,001)
Amounts Due from Policyholders, Net	\$ 494,919	\$ 447,097

The allowance for expected credit losses reflects the Company's best estimate of expected losses inherent in its amounts due from policyholders balance determined on the basis of historical

FCCI Mutual Insurance Holding Company and Subsidiaries

Notes to Consolidated Financial Statements (in thousands)

experience, specific allowances for known troubled accounts, and other currently available evidence and reasonable and supportable forecasts about future conditions.

5. Deferred Policy Acquisition Costs

Deferred policy acquisition costs are summarized as follows:

	2024	2023
Balance, January 1	\$ 83,274	\$ 74,958
Capitalized costs	204,167	186,562
Amortized costs	(195,227)	(178,246)
Balance, December 31	\$ 92,214	\$ 83,274

6. Land, Building, and Equipment

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

<i>December 31,</i>	2024	2023
Land	\$ 4,269	\$ 4,269
Building and improvements	51,087	50,935
Furniture and equipment	18,592	18,578
Property and equipment under operating leases	15,388	15,388
Software in use	104,529	84,201
Software under development	6,781	8,937
Land, Building, and Equipment, at cost	200,646	182,308
Accumulated depreciation and amortization	(117,961)	(107,766)
Land, Building, and Equipment, Net	\$ 82,685	\$ 74,542

Depreciation and amortization expense for land, building, and equipment, including property and equipment under operating leases, for the years ended December 31, 2024 and 2023 amounted to \$11,868 and \$10,613, respectively.

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.

FCCI Mutual Insurance Holding Company and Subsidiaries

Notes to Consolidated Financial Statements (in thousands)

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:

	2024	2023
Gross, January 1	\$ 1,249,045	\$ 1,177,191
Less:		
Reinsurance recoverable, unpaid losses	105,875	91,397
Florida Special Disability Trust Fund recoverable	1,321	1,247
Salvage and subrogation recoverables	11,089	10,011
Retroactive reinsurance reserves assumed	1,336	1,600
Liability for loss and LAE on deductible policies	1,053	950
Net, January 1	1,128,371	1,071,986
Incurred related to:		
Current year	709,843	705,431
Prior years	4,280	(9,488)
	714,123	695,943
Paid related to:		
Current year	221,805	250,923
Prior years	398,359	388,635
	620,164	639,558
Net, December 31	1,222,330	1,128,371
Plus:		
Reinsurance recoverable, unpaid losses	115,566	105,875
Florida Special Disability Trust Fund recoverable	1,040	1,321
Salvage and subrogation recoverables	9,865	11,089
Retroactive reinsurance reserves assumed	1,111	1,336
Liability for loss and LAE on deductible policies	790	1,053
Gross, December 31	\$ 1,350,702	\$ 1,249,045

The liability for loss and LAE developed unfavorably in 2024 and favorably in 2023.

The liability for loss and LAE is calculated by line of business and accident year and is 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.

FCCI Mutual Insurance Holding Company and Subsidiaries

Notes to Consolidated Financial Statements (in thousands)

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 LAE on a historical basis. The information is presented, net of reinsurance, and excludes unallocated LAE. 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 consolidated 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 IBNR 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.

The information about incurred and paid claims development for the years ended December 31, 2015 to 2023 is presented as unaudited supplementary information.

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FCCI Mutual Insurance Holding Company and Subsidiaries

Notes to Consolidated Financial Statements (in thousands)

Liability Lines

Year ended December 31,

Accident Year	Incurred Loss and Allocated LAE, Net of Reinsurance											IBNR	Cumulative Number of Reported Claims
	2015*	2016*	2017*	2018*	2019*	2020*	2021*	2022*	2023*	2024			
2015	\$ 193,491	\$ 200,107	\$ 200,705	\$ 208,061	\$ 207,114	\$ 207,932	\$ 207,213	\$ 211,337	\$ 210,547	\$ 211,203	\$ 3,207	\$ 8,315	
2016		251,559	247,710	248,361	248,838	251,804	252,932	254,186	254,797	253,502	4,268	9,344	
2017			244,503	236,417	244,911	252,308	253,043	252,626	254,448	256,293	4,822	9,140	
2018				239,605	243,107	253,091	260,782	259,767	258,891	252,451	6,637	9,304	
2019					263,016	270,589	272,696	272,939	272,343	274,514	9,063	9,474	
2020						260,888	234,036	232,816	238,180	240,809	13,462	7,052	
2021							333,243	302,413	309,345	328,234	28,173	8,011	
2022								357,893	333,542	358,954	51,358	7,886	
2023									392,190	366,132	80,548	6,809	
2024										444,668	135,662	5,715	
Total										\$2,986,760			

* Unaudited

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FCCI Mutual Insurance Holding Company and Subsidiaries

Notes to Consolidated Financial Statements (in thousands)

Year ended December 31,

Accident Year	Cumulative Paid and Allocated LAE, Net of Reinsurance									
	2015*	2016*	2017*	2018*	2019*	2020*	2021*	2022*	2023*	2024
2015	\$ 36,906	\$ 102,334	\$ 129,317	\$ 158,841	\$ 180,275	\$ 185,757	\$ 189,698	\$ 193,980	\$ 197,569	\$ 202,354
2016		43,040	102,008	153,656	182,875	203,273	216,733	236,223	241,948	244,985
2017			38,727	113,066	152,359	186,125	213,302	225,553	233,788	242,095
2018				44,052	105,722	155,125	195,812	219,039	232,960	239,775
2019					43,675	116,778	174,436	205,027	233,001	246,662
2020						34,775	86,400	133,623	172,831	201,716
2021							54,521	141,706	208,384	260,823
2022								58,156	143,649	219,881
2023									55,448	147,636
2024										55,303
Total										\$ 2,061,230
All Outstanding Liabilities, before 2015, net of reinsurance										\$ 23,779
Liabilities for Loss and LAE, net of reinsurance										\$ 949,309

* Unaudited

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

Year:	1	2	3	4	5	6	7	8	9	10
(%)	15.78	25.70	18.78	14.03	10.03	4.64	3.87	2.51	1.45	2.27

** Supplemental and unaudited

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FCCI Mutual Insurance Holding Company and Subsidiaries

Notes to Consolidated Financial Statements (in thousands)

Workers' Compensation

Year ended December 31,

Accident Year	Incurred Loss and Allocated LAE, Net of Reinsurance											IBNR	Cumulative Number of Reported Claims
	2015*	2016*	2017*	2018*	2019*	2020*	2021*	2022*	2023*	2024			
2015	\$ 175,710	\$ 173,426	\$ 174,287	\$ 174,213	\$ 171,845	\$ 170,045	\$ 169,717	\$ 168,586	\$ 168,469	\$ 168,055	\$ 2,664	\$ 10,602	
2016		221,211	189,891	183,741	177,178	175,007	172,973	172,770	172,643	172,282	3,173	10,345	
2017			184,367	152,670	144,583	139,150	136,632	135,322	134,492	134,225	3,399	9,499	
2018				171,987	153,533	144,932	142,164	141,181	142,942	141,170	3,619	8,660	
2019					176,050	170,016	163,097	161,468	159,960	159,538	3,601	8,211	
2020						144,215	128,788	125,579	122,405	122,326	3,530	6,449	
2021							131,943	129,560	123,318	125,983	3,944	6,163	
2022								108,966	101,690	102,953	4,383	5,477	
2023									120,174	101,114	6,865	5,070	
2024										97,362	13,036	4,751	
Total										\$1,325,008			

* Unaudited

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FCCI Mutual Insurance Holding Company and Subsidiaries

Notes to Consolidated Financial Statements (in thousands)

Year ended December 31,

Accident Year	Cumulative Paid and Allocated LAE, Net of Reinsurance									
	2015*	2016*	2017*	2018*	2019*	2020*	2021*	2022*	2023*	2024
2015	\$ 52,179	\$ 120,750	\$ 141,680	\$ 153,991	\$ 160,615	\$ 163,085	\$ 163,973	\$ 165,002	\$ 165,092	\$ 165,190
2016		61,748	122,199	149,637	157,844	161,853	163,193	164,541	166,105	167,807
2017			49,434	102,364	120,403	125,523	127,410	127,900	128,676	129,101
2018				49,198	99,766	120,062	125,293	126,916	129,843	130,937
2019					58,440	114,870	137,075	144,538	146,922	148,670
2020						43,532	90,846	106,101	111,805	114,353
2021							43,781	90,609	105,247	110,542
2022								35,699	73,227	84,616
2023									35,721	68,743
2024										29,830
Total										\$ 1,149,789
All Outstanding Liabilities, before 2015, net of reinsurance										\$ 53,902
Liabilities for Loss and LAE, net of reinsurance										\$ 229,121

* Unaudited

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

Year:	1	2	3	4	5	6	7	8	9	10
(%)	34.62	36.83	13.16	4.74	2.07	1.16	0.67	0.61	0.52	0.06

** Supplemental and unaudited

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FCCI Mutual Insurance Holding Company and Subsidiaries

Notes to Consolidated Financial Statements (in thousands)

Other Lines

Year ended December 31,

Accident Year	Incurred Loss and Allocated LAE, Net of Reinsurance											IBNR	Cumulative Number of Reported Claims
	2015*	2016*	2017*	2018*	2019*	2020*	2021*	2022*	2023*	2024			
2015	\$ 72,566	\$ 69,251	\$ 67,016	\$ 67,050	\$ 66,804	\$ 66,872	\$ 66,606	\$ 67,315	\$ 67,287	\$ 67,814	\$ 67,814	\$ 18	\$ 8,996
2016		80,793	75,777	74,834	74,257	74,293	74,210	74,270	74,167	73,989	73,989	1	10,203
2017			101,953	103,141	104,699	104,818	104,967	105,125	105,450	104,494	104,494	-	10,621
2018				107,659	102,807	102,395	103,294	105,721	105,369	105,136	105,136	3	10,810
2019					90,626	88,482	85,582	85,503	85,307	85,297	85,297	6	10,275
2020						101,995	97,870	95,421	95,860	97,463	97,463	53	9,589
2021							123,946	125,697	126,234	126,449	126,449	60	9,832
2022								171,624	170,140	170,271	170,271	395	10,440
2023									163,186	153,505	153,505	2,517	9,245
2024										135,532	135,532	18,185	7,835
Total										\$1,119,950	\$1,119,950		

* Unaudited

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FCCI Mutual Insurance Holding Company and Subsidiaries

Notes to Consolidated Financial Statements (in thousands)

Year ended December 31,

Accident Year	Cumulative Paid and Allocated LAE, Net of Reinsurance									
	2015*	2016*	2017*	2018*	2019*	2020*	2021*	2022*	2023*	2024
2015	\$ 55,789	\$ 66,842	\$ 66,832	\$ 66,732	\$ 66,539	\$ 66,612	\$ 66,606	\$ 67,270	\$ 67,244	\$ 67,269
2016		58,527	73,066	74,167	74,141	74,177	74,153	74,188	74,126	73,972
2017			76,439	98,454	103,761	104,396	104,605	105,009	105,331	104,494
2018				80,324	99,688	101,021	102,937	105,600	105,251	105,003
2019					71,528	83,865	84,665	85,112	85,147	85,110
2020						80,469	94,622	94,118	94,641	95,923
2021							99,824	122,957	125,743	125,560
2022								126,655	162,810	165,842
2023									129,874	148,468
2024										104,391
Total										\$ 1,076,032
All Outstanding Liabilities, before 2015, net of reinsurance										\$ (18)
Liabilities for Loss and LAE, net of reinsurance										\$ 43,900

* Unaudited

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

Year:	1	2	3	4	5	6	7	8	9	10
(%)	79.23	17.34	1.53	0.45	0.64	0.02	0.03	0.03	(0.13)	0.04

** Supplemental and unaudited

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FCCI Mutual Insurance Holding Company and Subsidiaries

Notes to Consolidated Financial Statements (in thousands)

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

December 31, 2024

Net liability for unpaid loss and LAE:			
Liability lines		\$	949,309
Workers' compensation			229,121
Other lines			43,900
Net		\$	1,222,330

8. 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:

<i>December 31,</i>		2024		2023
Recoverable for ceded loss and LAE reserves	\$	115,566	\$	105,875
Recoverable for paid ceded loss and LAE		15,844		10,544
Prepaid reinsurance premium		7,022		6,812
	\$	138,432	\$	123,231

The allowance for expected credit losses on reinsurance recoverables is \$141 and \$105 as of December 31, 2024 and 2023, respectively. The allowance takes into consideration past events, current conditions, and reasonable and supportable forecasts.

The following tables summarize the effect of reinsurance on premiums:

Year ended December 31, 2024

		Direct		Assumed		Ceded		Net
Written premiums	\$	1,229,647	\$	3,361	\$	74,419	\$	1,158,589
Earned premiums		1,177,686		3,415		74,369		1,106,732

Year ended December 31, 2023

		Direct		Assumed		Ceded		Net
Written premiums	\$	1,128,415	\$	2,905	\$	66,453	\$	1,064,867
Earned premiums		1,083,702		3,250		65,791		1,021,161

FCCI Mutual Insurance Holding Company and Subsidiaries

Notes to Consolidated Financial Statements (in thousands)

The following table summarizes the effect of reinsurance on loss and LAE incurred:

		Direct		Assumed		Ceded		Net
2024	\$	772,910	\$	2,291	\$	61,078	\$	714,123
2023		763,069		2,996		70,122		695,943

9. Income Tax

The components of income tax expense are as follows:

<i>Year ended December 31,</i>		2024		2023
Current income tax expense:				
Federal	\$	7,780	\$	23,079
State		2,879		2,739
Total Current Income Tax Expense		10,659		25,818
Deferred income tax benefit:				
Federal		(2,570)		(5,899)
State		(378)		(1,202)
Total Deferred Income Tax Benefit		(2,948)		(7,101)
Total Income Tax Expense	\$	7,711	\$	18,717

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FCCI Mutual Insurance Holding Company and Subsidiaries

Notes to Consolidated Financial Statements (in thousands)

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

<i>December 31,</i>	2024	2023
Deferred income tax assets:		
Discount of unearned and advance premiums	\$ 26,448	\$ 23,988
Unrealized loss on investment securities ⁽¹⁾	25,695	25,834
Discount of liability for loss and LAE	21,509	19,961
Research and experimental costs	14,245	10,076
Deferred compensation	6,720	5,201
Accrued vacation	1,660	1,602
Accrued policyholder dividends	1,259	1,246
Premiums receivable current expected credit loss allowance	1,152	871
Net state operating loss carryforwards	68	70
Other	2,666	2,836
Total Gross Deferred Income Tax Assets	101,422	91,685
Less: valuation allowance	(66)	(66)
Total Net Deferred Income Tax Assets	101,356	91,619
Deferred income tax liabilities:		
Deferred policy acquisition costs	22,170	20,020
Change in market value of equity portfolio	13,446	10,880
Depreciation and amortization	13,471	10,850
Loss reserve discount eight-year transition	1,320	2,640
Prepaid assets	1,827	1,754
Other	1,856	1,017
Total Deferred Income Tax Liabilities	54,090	47,161
Net Deferred Income Tax Assets	\$ 47,266	\$ 44,458

⁽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 \$68 related to net operating losses in the state of Indiana, the Company will need to generate future Indiana taxable income of approximately \$1,390 prior to the expiration of the net operating loss carryforwards in 2024 to 2025. Indiana taxable income for the years ended December 31, 2024 and 2023 was \$46 and \$37, 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, 2024. The amount of the deferred tax asset considered

FCCI Mutual Insurance Holding Company and Subsidiaries

Notes to Consolidated Financial Statements (in thousands)

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 expense recorded:

Year ended December 31,

	2024		2023	
	Amount	Effective Tax Rate (%)	Amount	Effective Tax Rate (%)
Expected tax	\$ 23,792	21.00	\$ 19,002	21.00
Tax credits	(19,094)	(16.85)	(1,525)	(1.69)
State income taxes, net of federal benefit	1,976	1.74	1,214	1.34
Tax-exempt interest	(783)	(0.69)	(1,029)	(1.14)
Other, net	1,820	1.61	1,055	1.18
Actual Income Tax Expense	\$ 7,711	6.81	\$ 18,717	20.69

The Company has adopted Accounting Standards Codification (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 its 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). The total amount of unrecognized tax benefits that, if recognized, would impact the effective tax rate is \$1,458. During 2024 and 2023, the Company accrued \$92 and \$71, respectively, in UTP interest and penalties as a component of income tax expense. During 2024, the Company reduced the UTP reserve by \$157 which was attributable to lapse of applicable statute of limitations. During the next 12 months, it is reasonably possible that there will be no decreases to uncertain tax positions.

The Company and its subsidiaries are subject to examinations for U.S. federal income tax as well as income tax in various state, and city jurisdictions. The Company's federal income tax returns for 2021 through the current period remain open to examination, with a limited exception for matters pertaining to the Company's refund claims for research tax credits on amended federal returns for tax years 2018 and 2019. As of the date of issuance, the Company is under IRS audit for periods 2022-2021. The IRS has completed their field exam and is in the process of presenting their findings to the Joint Committee on Taxation for review before they issue the Company a Revenue Agent's Report. The Company does not anticipate any significant changes to the 2022 and 2021 tax liability. The Company's relevant state and city filings that remain open vary. The Company does not expect the assessment of any significant additional tax in excess of amounts reserved.

FCCI Mutual Insurance Holding Company and Subsidiaries

Notes to Consolidated Financial Statements (in thousands)

10. 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 April 1, 2025. The Company is negotiating renewal. Bonds with a fair value of \$37,093 have been pledged as collateral. There was no balance outstanding on the LOC as of December 31, 2024 and 2023.

Federal Home Loan Bank Credit Facility

The Company is a member of the 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 4.75% 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, 2024 and 2023, the Company owned FHLB stock in the amount of \$7,222 and \$7,086, respectively. As of December 31, 2024, the Company's borrowing limit is \$447,597. 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 are summarized in the following table:

December 31, 2024

Description	Amount Outstanding	Date Issued	Maturity Date	Interest Rate (%)
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
	\$ 111,750			

11. 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 2024 and 2023 were \$8,605 and \$8,175, respectively.

FCCI Mutual Insurance Holding Company and Subsidiaries

Notes to Consolidated Financial Statements (in thousands)

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 2024 and 2023, the Company recognized expense related to these units of \$2,477 and \$1,671, respectively. As of December 31, 2024 and 2023, the Company has a liability for the Performance Units outstanding of \$10,243 and \$8,565, 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 2024 and 2023, the Company recognized expense related to Appreciation Rights of \$7,425 and \$4,359, respectively. As of December 31, 2024 and 2023, the Company has a liability for the Appreciation Rights outstanding of \$17,707 and \$13,069, respectively.

Costs for retirement and long-term incentive plans are allocated to each subsidiary based on the direct written premiums and the level of claims transactions to the totals for the consolidated Company.

12. Regulation

FCCI Mutual Insurance Holding 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 NAIC 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, 2024 and 2023, the insurance companies were adequately capitalized under the RBC requirements.

FCCI Mutual Insurance Holding Company and Subsidiaries

Notes to Consolidated Financial Statements (in thousands)

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

<i>December 31,</i>	2024	2023
Net income	\$ 76,850	\$ 48,947
Policyholders' surplus	1,007,908	908,425

13. 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.

14. Operating Leases

The Company leases certain office facilities and office equipment under operating leases, some of which contain renewal options under various terms at prevailing market rates. Renewal options that have not been exercised as of December 31, 2024 are excluded until management attains a reasonable level of certainty. The Company has recorded lease ROU assets and lease obligation liabilities for office facilities and office equipment based on the net present value of future lease payments. The lease ROU assets and lease obligation liabilities recorded under building and equipment, net, and accrued expenses and other liabilities were \$7,351 and \$8,193, respectively, at December 31, 2024, and \$9,649 and \$10,341, respectively, at December 31, 2023.

The weighted-average term of these leases was approximately three years at December 31, 2024. The weighted-average discount rate used to measure lease ROU assets and lease obligation liabilities was approximately 2.32% at December 31, 2024. 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 was \$2,298 and \$2,451 at December 31, 2024 and 2023, respectively. This is recorded under general, administrative, and other expenses.

A summary of remaining lease payments and obligation as of December 31, 2024 is as follows:

<i>Year ending December 31,</i>		
2025	\$	2,562
2026		2,264
2027		1,112
2028		903
2029		871
Thereafter		926
Amount representing interest		(445)
Lease Obligation Liabilities	\$	8,193