

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2023
or

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For transition period from _____ to _____.

Commission File Number: 001-38046

ICC Holdings, Inc.

(Exact name of registrant as specified in its charter)

Pennsylvania

(State or other jurisdiction of
incorporation or organization)

225 20th Street, Rock Island, Illinois
(Address of principal executive offices)

(309) 793-1700

(Registrant's telephone number, including area code)

81-3359409

(I.R.S. Employer
Identification No.)

61201

(Zip Code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.01 per share	ICCH	The NASDAQ Stock Market LLC

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐
Non-accelerated filer ☒

Accelerated filer ☐
Smaller reporting company ☒
Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The number of shares of the registrant's common stock outstanding as of November 6, 2023 was 3,139,598.

Table of Contents

	<u>Page</u>
<u>PART I</u>	
Item 1	<u>Financial Statements</u>
	Condensed Consolidated Balance Sheets as of September 30, 2023 (unaudited) and December 31, 2022
	Condensed Consolidated Statements of Earnings and Comprehensive Earnings for the Three Month Periods Ended September 30, 2023 and 2022 (unaudited)
	Condensed Consolidated Statements of Earnings and Comprehensive Earnings for the Nine Month Periods Ended September 30, 2023 and 2022 (unaudited)
	Condensed Consolidated Statements of Stockholders Equity for the Three and Nine Month Periods Ended September 30, 2023 and 2022 (unaudited)
	Condensed Consolidated Statements of Cash Flows for the Nine Month Periods Ended September 30, 2023 and 2022 (unaudited)
	Notes to Unaudited Condensed Consolidated Financial Statements
Item 2	Management's Discussion and Analysis of Financial Condition and Results of Operations
Item 3	Quantitative and Qualitative Disclosures about Market Risk
Item 4	Controls and Procedures
<u>PART II</u>	
Item 1	Legal Proceedings
Item 1A	Risk Factors
Item 2	Unregistered Sales of Equity Securities and Use of Proceeds
Item 3	Default Upon Senior Securities
Item 4	Mine Safety Disclosures
Item 5	Other Information
Item 6	Exhibits
Signatures	

PART I — FINANCIAL INFORMATION
Item 1. Financial Statements
**ICC Holdings, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets**

	As of	
	September 30, 2023 (Unaudited)	December 31, 2022
Assets:		
Investments and cash:		
Fixed maturity securities (amortized cost of \$112,865,702 at 9/30/2023 and \$104,580,681 at 12/31/2022)	\$ 99,100,422	\$ 93,388,971
Common stocks at fair value	20,347,786	20,438,907
Preferred stocks at fair value	2,739,493	2,772,605
Other invested assets	7,512,170	4,722,137
Property held for investment, at cost, net of accumulated depreciation of \$634,738 at 9/30/2023 and \$609,282 at 12/31/2022	5,462,945	6,002,233
Cash and cash equivalents	2,665,558	3,139,986
Total investments and cash	137,828,374	130,464,839
Accrued investment income	912,054	791,812
Premiums and reinsurance balances receivable, net of allowances for credit losses of \$50,000 at 9/30/2023 and \$50,000 at 12/31/2022	35,725,932	31,270,460
Ceded unearned premiums	746,714	947,851
Reinsurance balances recoverable on unpaid losses and settlement expenses, net of allowances for credit losses of \$115,000 at 9/30/2023 and \$0 at 12/31/2022	16,350,203	13,610,295
Federal income taxes	4,400,021	3,318,730
Deferred policy acquisition costs, net	8,347,499	7,167,036
Property and equipment, at cost, net of accumulated depreciation of \$6,917,014 at 9/30/2023 and \$6,590,602 at 12/31/2022	3,348,616	3,313,719
Other Assets, net of allowances for credit losses of \$54,112 at 9/30/2023 and \$0 at 12/31/2022	1,368,836	1,277,469
Total assets	\$ 209,028,249	\$ 192,162,211
Liabilities:		
Unpaid losses and settlement expenses	\$ 80,542,478	\$ 67,614,063
Unearned premiums	45,967,059	40,527,182
Reinsurance balances payable	1,035,827	1,405,337
Corporate debt	15,000,000	15,000,000
Accrued expenses	6,015,982	6,072,020
Other liabilities	880,453	1,102,678
Total liabilities	149,441,799	131,721,280
Equity:		
Common stock ¹	35,000	35,000
Treasury stock, at cost ²	(5,700,588)	(5,463,535)
Additional paid-in capital	33,237,320	33,119,125
Accumulated other comprehensive (loss), net of tax	(11,034,747)	(8,841,517)
Retained earnings	44,983,544	43,701,233
Less: Unearned Employee Stock Ownership Plan shares at cost ³	(1,934,079)	(2,109,375)
Total equity	59,586,450	60,440,931
Total liabilities and equity	\$ 209,028,249	\$ 192,162,211

¹ Par value \$0.01; authorized: 2023 - 10,000,000 shares and 2022 - 10,000,000 shares; issued: 2023 - 3,500,000 shares and 2022 - 3,500,000 shares; outstanding: 2023 - 3,139,598 and 2022 - 3,153,741 shares

² 2023 - 360,402 shares and 2022 - 346,259 shares

³ 2023 - 193,408 shares and 2022 - 210,935 shares

See accompanying notes to consolidated financial statements .

ICC Holdings, Inc. and Subsidiaries
Condensed Consolidated Statements of Earnings and Comprehensive Earnings (Unaudited)

	For the Three-Months Ended September 30,	
	2023	2022
Net premiums earned	\$ 19,233,517	\$ 17,724,441
Net investment income	1,342,258	1,027,631
Net realized investment gains	199,928	41,206
Net unrealized losses on equity securities	(1,062,332)	(1,084,289)
Other income	51,000	85,402
Consolidated revenues	19,764,371	17,794,391
Losses and settlement expenses	13,436,464	10,386,524
Policy acquisition costs and other operating expenses	7,029,218	6,360,896
Interest expense on debt	46,409	46,409
General corporate expenses	220,092	189,708
Total expenses	20,732,183	16,983,537
(Loss) earnings before income taxes	(967,812)	810,854
Total income tax (benefit) expense	(198,850)	181,114
Net (loss) earnings	\$ (768,962)	\$ 629,740
Other comprehensive loss, net of tax	(3,025,254)	(3,408,937)
Comprehensive loss	\$ (3,794,216)	\$ (2,779,197)
Earnings per share:		
Basic:		
Basic net (loss) earnings per share	\$ (0.26)	\$ 0.21
Diluted:		
Diluted net (loss) earnings per share	\$ (0.26)	\$ 0.20
Weighted average number of common shares outstanding:		
Basic	2,945,199	3,060,693
Diluted	2,968,808	3,074,236

See accompanying notes to consolidated financial statements.

ICC Holdings, Inc. and Subsidiaries
Condensed Consolidated Statements of Earnings and Comprehensive Earnings (Unaudited)

	For the Nine-Months Ended September 30,	
	2023	2022
Net premiums earned	\$ 55,528,867	\$ 50,765,760
Net investment income	3,798,432	2,896,901
Net realized investment gains	268,375	785,600
Net unrealized gains (losses) on equity securities	279,100	(6,181,492)
Other income	160,714	333,059
Consolidated revenues	60,035,488	48,599,828
Losses and settlement expenses	36,698,631	34,390,330
Policy acquisition costs and other operating expenses	20,823,605	18,136,104
Interest expense on debt	137,713	149,661
General corporate expenses	616,304	563,626
Total expenses	58,276,253	53,239,721
Earnings (loss) before income taxes	1,759,235	(4,639,893)
Total income tax expense (benefit)	363,164	(980,726)
Net earnings (loss)	\$ 1,396,071	\$ (3,659,167)
Other comprehensive loss, net of tax	(2,193,230)	(12,370,138)
Comprehensive loss	\$ (797,159)	\$ (16,029,305)
Earnings per share:		
Basic:		
Basic net earnings (loss) per share	\$ 0.47	\$ (1.20)
Diluted:		
Diluted net earnings (loss) per share	\$ 0.47	\$ (1.19)
Weighted average number of common shares outstanding:		
Basic	2,945,686	3,061,961
Diluted	2,969,295	3,075,504

See accompanying notes to consolidated financial statements.

ICC Holdings, Inc. and Subsidiaries
Condensed Consolidated Statements of Stockholders' Equity (Unaudited)

	Common stock	Treasury stock	Unearned ESOP	Additional paid-in capital	Retained earnings	Accumulated other comprehensive earnings (loss)	Total equity
Balance, January 1, 2022	\$ 35,000	\$ (3,155,399)	\$ (2,343,745)	\$ 32,965,136	\$ 44,282,895	\$ 2,920,027	\$ 74,703,914
Purchase of treasury stock	—	(2,469,237)	—	—	—	—	(2,469,237)
Net loss	—	—	—	—	(3,659,167)	—	(3,659,167)
Other comprehensive loss, net of tax	—	—	—	—	—	(12,370,138)	(12,370,138)
Restricted stock unit expense	—	201,446 ¹	—	(49,871)	—	—	151,575
ESOP compensation expense	—	—	175,296	116,924	—	—	292,220
Balance, September 30, 2022	<u>\$ 35,000</u>	<u>\$ (5,423,190)</u>	<u>\$ (2,168,449)</u>	<u>\$ 33,032,189</u>	<u>\$ 40,623,728</u>	<u>\$ (9,450,111)</u>	<u>\$ 56,649,168</u>

	Common stock	Treasury stock	Unearned ESOP	Additional paid-in capital	Retained earnings	Accumulated other comprehensive earnings (loss)	Total equity
Balance, January 1, 2023	\$ 35,000	\$ (5,463,535)	\$ (2,109,375)	\$ 33,119,125	\$ 43,701,233	\$ (8,841,517)	\$ 60,440,931
Cumulative adjustment for adoption of ASU 2016-13, net of tax	—	—	—	—	(113,760)	—	(113,760)
Purchase of treasury stock	—	(395,727)	—	—	—	—	(395,727)
Net earnings	—	—	—	—	1,396,071	—	1,396,071
Other comprehensive loss, net of tax	—	—	—	—	—	(2,193,230)	(2,193,230)
Restricted stock unit expense	—	158,674 ¹	—	13,579	—	—	172,253
ESOP compensation expense	—	—	175,296	104,616	—	—	279,912
Balance, September 30, 2023	<u>\$ 35,000</u>	<u>\$ (5,700,588)</u>	<u>\$ (1,934,079)</u>	<u>\$ 33,237,320</u>	<u>\$ 44,983,544</u>	<u>\$ (11,034,747)</u>	<u>\$ 59,586,450</u>

¹Amount represents restricted stock units that have fully vested in the period.

See accompanying notes to consolidated financial statements.

ICC Holdings, Inc. and Subsidiaries
Condensed Consolidated Statements of Cash Flows (Unaudited)

	Nine-Month Periods Ended September 30,	
	2023	2022
Cash flows from operating activities:		
Net earnings (loss)	\$ 1,396,071	\$ (3,659,167)
Adjustments to reconcile net earnings (loss) to net cash provided by (used in) operating activities		
Net realized investment gains	(268,375)	(785,600)
Net unrealized (gains) losses on equity securities	(279,100)	6,181,492
Depreciation	541,656	555,853
Deferred income tax	(144,279)	(1,516,967)
Amortization of bond premium and discount	57,647	156,310
Stock-based compensation expense	452,165	443,795
Change in:		
Accrued investment income	(120,242)	(117,483)
Premiums and reinsurance balances receivable	(4,455,472)	(3,120,848)
Ceded unearned premiums	201,137	(10,261)
Reinsurance balances recoverable	(2,837,908)	(247,018)
Deferred policy acquisition costs	(1,180,463)	(663,641)
Unpaid losses and settlement expenses	12,928,415	6,795,641
Unearned premiums	5,439,877	3,981,518
Reinsurance balances payable	(369,510)	(140,581)
Accrued expenses	(56,038)	(227,905)
Current federal income tax	(323,761)	(51,091)
Other	(359,595)	776,736
Net cash provided by operating activities	10,622,225	8,350,783
Cash flows from investing activities:		
Purchases of:		
Fixed maturity securities	(18,181,637)	(15,502,187)
Common stocks	(3,158,620)	(2,945,823)
Preferred stocks	(285,649)	(1,208,744)
Other invested assets	(3,346,778)	(1,698,503)
Property held for investment	(1,138,302)	(723,619)
Property and equipment	(462,729)	(620,441)
Proceeds from sales, maturities and calls of:		
Fixed maturity securities	9,785,891	13,800,029
Common stocks	3,831,416	3,976,938
Preferred stocks	337,440	646,552
Other invested assets	354,276	227,482
Property held for investment	1,545,977	278,679
Property and equipment	17,789	17,064
Net cash used in investing activities	(10,700,926)	(3,752,573)
Cash flows from financing activities:		
Proceeds from loans	—	5,000,000
Repayments of borrowed funds	—	(8,455,342)
Purchase of treasury stock	(395,727)	(2,469,237)
Net cash used in financing activities	(395,727)	(5,924,580)
Net decrease in cash and cash equivalents	(474,428)	(1,326,370)
Cash and cash equivalents at beginning of year	3,139,986	4,606,378
Cash and cash equivalents at end of period	\$ 2,665,558	\$ 3,280,008
Supplemental information:		
Federal income tax paid	\$ 180,000	\$ 160,000
Interest paid	\$ 132,400	\$ 144,300

See accompanying notes to consolidated financial statements.

Notes to Unaudited Condensed Consolidated Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF BUSINESS

ICC Holdings, Inc. (the Company) is a Pennsylvania corporation that was organized in 2016. As used in this Form 10-Q, references to the "Company," "we," "us," and "our" refer to the consolidated group. On a stand-alone basis ICC Holdings, Inc. is referred to as the "Parent Company." The consolidated group consists of the holding company, ICC Holdings, Inc.; ICC Realty, LLC, a real estate services and holding company; Beverage Insurance Agency, Inc., a non-insurance subsidiary; Estrella Innovative Solutions, Inc., an outsourcing company; Southern Hospitality Education, LLC, dba Katkin, a full-service food safety and education company; and Illinois Casualty Company (ICC), an operating insurance company and parent company of ICC Properties, LLC, a real estate series limited liability company. Both ICC and ICC Properties, LLC are Illinois domiciled entities.

We are a specialty insurance carrier primarily underwriting commercial multi-peril, liquor liability, workers' compensation, and umbrella liability coverages for the food and beverage industry through our subsidiary insurance company, ICC. ICC writes business in Arizona, Colorado, Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Ohio, Pennsylvania, Utah, and Wisconsin and markets through independent agents. Approximately 23.1% and 20.3% of the premium is written in Illinois for the three months ended September 30, 2023 and 2022, respectively. For the nine months ended September 30, 2023 and 2022, approximately 23.5% and 22.2%, respectively, of the premium is written in Illinois. The Company operates as one segment.

B. PRINCIPLES OF CONSOLIDATION AND BASIS OF PRESENTATION

The unaudited condensed consolidated interim financial statements have been prepared in accordance with U.S. generally accepted accounting principles (GAAP) for interim financial reporting and with the instructions to Form 10-Q. Accordingly, they do not include all the disclosures required by GAAP for complete financial statements. As such, these unaudited condensed consolidated interim financial statements should be read in conjunction with the Company's Annual Report on Form 10-K, for the year ended December 31, 2022 (the "2022 10-K"). Management believes that the disclosures are adequate to make the information presented not misleading, and all normal and recurring adjustments necessary to present fairly the financial position at September 30, 2023 the results of operations of the Company and its subsidiaries for all periods presented have been made. The results of operations for any interim period are not necessarily indicative of the operating results for a full year.

The preparation of the unaudited condensed consolidated interim financial statements requires management to make estimates and assumptions relating to the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the unaudited condensed consolidated interim financial statements, and the reported amounts of revenue and expenses during the period. These amounts are inherently subject to change and actual results could differ significantly from these estimates.

C. SIGNIFICANT ACCOUNTING POLICIES

On January 1, 2023, the Company adopted ASU 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. ASU 2016-13 was issued to improve the recognition and measurement of credit losses and to provide more decision-useful information about those losses. This new impairment model is based on expected losses rather than incurred losses. ASU 2016-13 requires that a financial asset measured at amortized cost be presented at the net amount expected to be collected by means of an allowance for credit losses that is included in net earnings. Credit losses relating to available-for-sale debt securities are also required to be recorded through a reversible allowance for credit losses but is limited to the amount by which fair value is less than amortized cost. The Company applied this standard to fixed maturity securities, premiums and reinsurance balances receivable, reinsurance balances recoverable on unpaid losses and settlement expenses, and other assets using the loss-rate method. In total, the cumulative-effect adjustment made to the financials as of the beginning of the year resulted in a \$113,760 decrease in retained earnings.

D. PROSPECTIVE ACCOUNTING STANDARDS

There are no prospective accounting standards that would have a material impact on our financial statements as of September 30, 2023.

E. PROPERTY AND EQUIPMENT

Annually, the Company reviews the major asset classes of property and equipment held for impairment. For the periods ended September 30, 2023 and December 31, 2022, the Company recognized no impairments. Property and equipment are summarized as follows:

	As of	
	September 30, 2023	December 31, 2022
Automobiles	\$ 662,487	\$ 637,306
Furniture and fixtures	516,294	520,835
Computer equipment and software	4,991,669	4,720,932
Home office	4,095,180	4,025,248
Total cost	10,265,630	9,904,321
Accumulated depreciation	(6,917,014)	(6,590,602)
Net property and equipment	<u>\$ 3,348,616</u>	<u>\$ 3,313,719</u>

F. COMPREHENSIVE EARNINGS

Comprehensive (loss) earnings include net earnings (loss) plus unrealized gains (losses) on available-for-sale investment securities, net of tax. In reporting the components of comprehensive earnings on a net basis in the statement of earnings and comprehensive earnings, the Company used a 21% tax rate.

The following table presents changes in accumulated other comprehensive (loss) earnings for unrealized gains and losses on available-for-sale securities:

	Nine-Months Ended September 30,	
	2023	2022
Beginning balance	\$ (8,841,517)	\$ 2,920,027
Other comprehensive loss before reclassification	(2,239,651)	(12,370,634)
Amount reclassified from accumulated other comprehensive loss	46,421	496
Net current period other comprehensive loss	<u>(2,193,230)</u>	<u>(12,370,138)</u>
Ending balance	<u>\$ (11,034,747)</u>	<u>\$ (9,450,111)</u>

[Table of Contents](#)

The following table illustrates the components of other comprehensive earnings (loss) for each period presented in the condensed consolidated interim financial statements.

	Three-Month Periods Ended September 30,					
	2023			2022		
	Pre-tax	Tax	After-tax	Pre-tax	Tax	After-tax
Other comprehensive loss, net of tax						
Unrealized gains and losses on AFS investments:						
Unrealized holding losses arising during the period	\$(3,836,298)	\$ 805,622	\$(3,030,676)	\$(4,315,110)	\$ 906,173	\$(3,408,937)
Reclassification adjustment for losses included in net earnings	6,863	(1,441)	5,422	—	—	—
Total other comprehensive loss	<u>\$(3,829,435)</u>	<u>\$ 804,181</u>	<u>\$(3,025,254)</u>	<u>\$(4,315,110)</u>	<u>\$ 906,173</u>	<u>\$(3,408,937)</u>

	Nine-Month Periods Ended September 30,					
	2023			2022		
	Pre-tax	Tax	After-tax	Pre-tax	Tax	After-tax
Other comprehensive (loss) earnings, net of tax						
Unrealized gains and losses on AFS investments:						
Unrealized holding losses arising during the period	\$(2,835,001)	\$ 595,350	\$(2,239,651)	\$(15,659,030)	\$ 3,288,396	\$(12,370,634)
Reclassification adjustment for losses included in net earnings	58,761	(12,340)	46,421	628	(132)	496
Total other comprehensive loss	<u>\$(2,776,240)</u>	<u>\$ 583,010</u>	<u>\$(2,193,230)</u>	<u>\$(15,658,402)</u>	<u>\$ 3,288,264</u>	<u>\$(12,370,138)</u>

The following table provides the reclassifications from accumulated other comprehensive earnings for the periods presented:

Details about Accumulated Other Comprehensive (Earnings) Loss Component	Amounts Reclassified from Accumulated Other Comprehensive (Earnings) Loss				Affected Line Item in the Statement where Net Earnings is Presented
	Three-Month Periods Ended September 30,		Nine-Month Periods Ended September 30,		
	2023	2022	2023	2022	
Unrealized losses on AFS investments:					Net realized investment losses (gains)
	\$ 6,863	\$ —	\$ 58,761	\$ 628	
	(1,441)	—	(12,340)	(132)	Income tax expense (benefit)
Total reclassification adjustment, net of tax	\$ 5,422	\$ —	\$ 46,421	\$ 496	

G. RISKS AND UNCERTAINTIES

Certain risks and uncertainties are inherent to our day-to-day operations. Adverse changes in the economy could lower demand for our insurance products or negatively impact our investment results, both of which could have an adverse effect on the revenue and profitability of our operations. War, terrorism, supply chain disruptions, labor shortages and tightening, inflation and related monetary policy responses, and recession fears are also causing volatility and disruptions in credit and capital markets, adverse developments or general investor sentiment regarding the value of our investment securities as a result of rising interest rates or otherwise, and the business prospects of the industry we serve. The cumulative effects of these events on the Company cannot be predicted, but could reduce demand for our insurance policies, result in an increased level of losses, settlement expenses or other operating costs, or reduce the market value of invested assets held by the Company.

2. INVESTMENTS

The Company's investments are primarily composed of fixed income debt securities and common and preferred equity securities. We carry our equity securities at fair value and categorize all our fixed maturity debt securities as available-for-sale (AFS), which are carried at fair value. When available, quoted market prices are obtained to determine fair value for the Company's investments. If a quoted market price is not available, fair value is estimated using a secondary pricing source or using quoted market prices of similar securities. The Company has no investment securities for which fair value is determined using Level 3 inputs as defined in *Note 3 – Fair Value Disclosures*. Realized gains and losses on disposition of investments are based on specific identification of the investments sold on the settlement date, which does not differ significantly from trade date accounting.

Available-for-Sale Fixed Maturity and Equity Securities

The following tables are a summary of the proceeds from sales, maturities, and calls of AFS fixed maturity and equity securities and the related gross realized gains and losses.

For the Three-Months Ended September 30,				
	Proceeds	Gains	Losses	Net Realized Gains (Losses)
2023				
Fixed maturity securities	\$ 1,443,108	\$ —	\$ (6,863)	\$ (6,863)
Common stocks	1,807,080	395,780	(188,989)	206,791
Preferred stocks	—	—	—	—
2022				
Fixed maturity securities	\$ 1,185,955	\$ —	\$ —	\$ —
Common stocks	600,120	112,306	(59,628)	52,678
Preferred stocks	242,844	1,004	(12,476)	(11,472)
For the Nine-Months Ended September 30,				
	Proceeds	Gains	Losses	Net Realized Gains (Losses)
2023				
Fixed maturity securities	\$ 9,785,891	\$ —	\$ (58,761)	\$ (58,761)
Common stocks	3,831,416	800,571	(496,207)	304,364
Preferred stocks	337,440	29,371	(6,599)	22,772
2022				
Fixed maturity securities	\$ 13,800,029	\$ 105,918	\$ (106,546)	\$ (628)
Common stocks	3,976,938	1,052,648	(254,260)	798,388
Preferred stocks	646,552	8,749	(20,909)	(12,160)

The amortized cost and estimated fair value of fixed income securities at September 30, 2023, by contractual maturity, are shown as follows:

	Amortized Cost	Fair Value
Due in one year or less	\$ 3,497,651	\$ 3,445,857
Due after one year through five years	14,248,234	13,369,458
Due after five years through 10 years	24,218,640	21,394,002
Due after 10 years	24,913,629	19,062,474
Asset and mortgage-backed securities without a specific due date	45,801,155	41,653,431
Redeemable preferred stocks	186,393	175,200
Total fixed maturity securities	\$ 112,865,702	\$ 99,100,422

Expected maturities may differ from contractual maturities due to call provisions on some existing securities.

[Table of Contents](#)

The following table is a schedule of amortized cost and estimated fair values of investments in securities classified as available for sale at September 30, 2023 and December 31, 2022:

			Gross Unrealized	
	Amortized Cost	Fair Value	Gains	Losses
2023				
Fixed maturity securities:				
U.S. Treasury	\$ 1,352,015	\$ 1,265,703	\$ —	\$ (86,312)
MBS/ABS/CMBS	45,801,155	41,653,431	56,434	(4,204,158)
Corporate	44,540,438	39,523,491	2,882	(5,019,829)
Municipal	20,985,701	16,482,597	15,585	(4,518,689)
Redeemable preferred stock	186,393	175,200	—	(11,193)
Total fixed maturity securities	<u>\$ 112,865,702</u>	<u>\$ 99,100,422</u>	<u>\$ 74,901</u>	<u>\$ (13,840,181)</u>
			Gross Unrealized	
	Amortized Cost	Fair Value	Gains	Losses
2022				
Fixed maturity securities:				
U.S. Treasury	\$ 1,352,752	\$ 1,252,960	\$ —	\$ (99,792)
MBS/ABS/CMBS	41,858,596	38,803,341	51,477	(3,106,732)
Corporate	39,716,139	35,602,055	38,867	(4,152,951)
Municipal	21,437,389	17,541,694	78,117	(3,973,812)
Redeemable preferred stock	215,805	188,921	—	(26,884)
Total fixed maturity securities	<u>\$ 104,580,681</u>	<u>\$ 93,388,971</u>	<u>\$ 168,461</u>	<u>\$ (11,360,171)</u>

All the Company's collateralized securities carry an average credit rating of AA by one or more major rating agencies and continue to pay according to contractual terms. Included within MBS/ABS/CMBS, as defined in *Note 3 – Fair Value Disclosures*, are asset backed securities with fair values of \$7,261,802 and \$10,567,904, residential mortgage-backed securities of \$28,268,594 and \$19,288,540, and commercial mortgage-backed securities of \$6,123,034 and \$8,946,897 at September 30, 2023 and December 31, 2022, respectively. The Company has recorded no CECL allowances related to available for sale investments at September 30, 2023 and December 31, 2022, respectively.

ANALYSIS

The following tables display the total value of securities that were in an unrealized loss position as of September 30, 2023 and December 31, 2022. The tables segregate the securities based on type, noting the fair value, amortized cost, and unrealized loss on each category of investment as well as in total. The table further classifies the securities based on the length of time they have been in an unrealized loss position.

	September 30, 2023			December 31, 2022		
	< 12 Months	12 Months & Greater	Total	< 12 Months	12 Months & Greater	Total
Fixed Maturity Securities:						
U.S. Treasury						
Fair value	\$ —	\$ 1,265,703	\$ 1,265,703	\$ 615,367	\$ 637,594	\$ 1,252,961
Amortized cost	—	1,352,015	1,352,015	652,424	700,329	1,352,753
Unrealized loss	—	(86,312)	(86,312)	(37,057)	(62,735)	(99,792)
MBS/ABS/CMBS						
Fair value	14,212,477	24,654,698	38,867,175	21,199,819	12,833,310	34,033,129
Amortized cost	14,905,279	28,166,054	43,071,333	22,564,779	14,575,082	37,139,861
Unrealized loss	(692,802)	(3,511,356)	(4,204,158)	(1,364,960)	(1,741,772)	(3,106,732)
Corporate						
Fair value	7,432,556	31,742,390	39,174,946	27,688,403	5,829,396	33,517,799
Amortized cost	7,772,987	36,421,788	44,194,775	30,584,890	7,085,860	37,670,750
Unrealized loss	(340,431)	(4,679,398)	(5,019,829)	(2,896,487)	(1,256,464)	(4,152,951)
Municipal						
Fair value	5,123,048	11,123,964	16,247,012	11,502,050	2,079,831	13,581,881
Amortized cost	5,314,363	15,451,338	20,765,701	14,590,996	2,964,697	17,555,693
Unrealized loss	(191,315)	(4,327,374)	(4,518,689)	(3,088,946)	(884,866)	(3,973,812)
Redeemable preferred stock						
Fair value	153,300	21,900	175,200	188,921	—	188,921
Amortized cost	161,549	24,844	186,393	215,805	—	215,805
Unrealized loss	(8,249)	(2,944)	(11,193)	(26,884)	—	(26,884)
Total						
Fair value	26,921,381	68,808,655	95,730,036	61,194,560	21,380,131	82,574,691
Amortized cost	28,154,178	81,416,039	109,570,217	68,608,894	25,325,968	93,934,862
Unrealized loss	\$ (1,232,797)	\$ (12,607,384)	\$ (13,840,181)	\$ (7,414,334)	\$ (3,945,837)	\$ (11,360,171)

The fixed income portfolio contained 260 securities in an unrealized loss position as of September 30, 2023. Of these 260 securities, 204 have been in an unrealized loss position for 12 consecutive months or longer and represent \$ 12,607,384 in unrealized losses. All fixed income securities in the investment portfolio continue to pay the expected coupon payments under the contractual terms of the securities. Credit-related impairments on fixed income securities that we do not plan to sell, and for which we are not more likely than not to be required to sell, are recognized in net earnings. Any non-credit related impairment is recognized in comprehensive earnings. Current unrealized losses are the result of rising interest rates. Based on management's analysis, the fixed income portfolio is of a high credit quality, and it is believed it will recover the amortized cost basis of the fixed income securities. Management monitors the credit quality of the fixed income investments to assess if it is probable that the Company will receive its contractual or estimated cash flows in the form of principal and interest.

There were no CECL allowances recognized in net earnings during the nine months ended September 30, 2023 and no other-than-temporary impairments losses as of September 30, 2022. In addition, the Company is not required to, nor does it intend to sell these investments prior to recovering the entire amortized cost basis for each security, which may be at maturity.

UNREALIZED GAINS AND LOSSES ON EQUITY SECURITIES

Net unrealized losses and gains recognized during the three and nine months ended September 30, 2023 on equity securities held as of September 30, 2023 were unrealized losses of \$1,062,332 and unrealized gains of \$279,100. Net unrealized losses recognized during the three and nine months ended September 30, 2022 on equity securities held as of September 30, 2022 were \$1,084,289 and \$6,181,492.

Other Invested Assets

Other invested assets as of September 30, 2023 and December 31, 2022 were \$7,512,170 and \$4,722,137, respectively. Other invested assets as of September 30, 2023 include privately held investments of \$1,572,162, notes receivable of \$5,515,009, and a \$425,000 membership in the Federal Home Loan Bank of Chicago (FHLBC). As of December 31, 2022, privately held investments were \$214,630, notes receivable were \$4,082,507, and the membership in FHLBC was \$425,000.

As of September 30, 2023, privately held investments are comprised of a \$1,107,132 limited partnership carried at fair value, a \$250,000 SAFE investment carried at cost, and \$215,030 in stock carried at fair value. In November 2021, we agreed to commit up to \$10.0 million to a private investment fund, subject to regulatory approval, which may be callable from time to time by such fund. On May 31, 2023, we received a call for \$1.3 million for a limited partnership from the private investment fund. Our balance available for future endeavors with the private investment fund is \$8.7 million as of September 30, 2023. As of December 31, 2022, no calls were received. As of December 31, 2022, the privately held investments were entirely stock carried at fair value.

Notes receivable are carried at outstanding value plus accrued interest. As of September 30, 2023, most of the notes receivable bear interest between 3.9% and 8.25%. One note has interest at prime minus 25 basis points with a floor of 4.0%. For the nine months ended September 30, 2023, \$33,608 in note payments were received and \$8,025 in accrued principal and interest receivable was recorded. Comparatively, as of December 31, 2022, \$244,046 in note payments were received and \$10,496 in accrued principal and interest receivable was recorded. The Company had \$39,000 in CECL allowances recorded related to uncollectible note receivables at September 30, 2023 and no CECL allowance at December 31, 2022.

The membership in the FHLBC is carried at cost.

3. FAIR VALUE DISCLOSURES

Fair value is defined as the price in the principal market that would be received for an asset to facilitate an orderly transaction between market participants on the measurement date. The fair value of certain financial instruments is determined based on their underlying characteristics and relevant transactions in the marketplace. GAAP guidance requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The guidance also describes three levels of inputs that may be used to measure fair value.

The following are the levels of the fair value hierarchy and a brief description of the type of valuation inputs that are used to establish each level:

- **Level 1** is applied to valuations based on readily available, unadjusted quoted prices in active markets for identical assets.
- **Level 2** is applied to valuations based upon quoted prices for similar assets in active markets, quoted prices for identical or similar assets in inactive markets; or valuations based on models where the significant inputs are observable (e.g., interest rates, yield curves, prepayment speeds, default rates, loss severities) or can be corroborated by observable market data.
- **Level 3** is applied to valuations that are derived from techniques in which one or more of the significant inputs are unobservable. Financial assets are classified based upon the lowest level of significant input that is used to determine fair value.

As a part of the process to determine fair value, management utilizes widely recognized, third-party pricing sources to determine fair values. Management has obtained an understanding of the third-party pricing sources' valuation methodologies and inputs. The following is a description of the valuation techniques used for financial assets that are measured at fair value, including the general classification of such assets pursuant to the fair value hierarchy.

Corporate, Agencies, and Municipal Bonds—The pricing vendor employs a multi-dimensional model which uses standard inputs including (listed in order of priority for use) benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, market bids/offers and other reference data. The pricing vendor also monitors market indicators, as well as industry and economic events. All bonds valued using these techniques are classified as Level 2. All Corporate, Agencies, and Municipal securities are deemed Level 2.

Mortgage-backed Securities (MBS), Collateralized Mortgage Obligations (CMO), Commercial Mortgage-backed Securities (CMBS) and Asset-backed Securities (ABS)—The pricing vendor evaluation methodology includes principally interest rate movements and new issue data. Evaluation of the tranches (non-volatile, volatile, or credit sensitivity) is based on the pricing vendors' interpretation of accepted modeling and pricing conventions. This information is then used to determine the cash flows for each tranche, benchmark yields, pre-payment assumptions and to incorporate collateral performance. To evaluate CMO volatility, an option adjusted spread model is used in combination with models that simulate interest rate paths to determine market price information. This process allows the pricing vendor to obtain evaluations of a broad universe of securities in a way that reflects changes in yield curve, index rates, implied volatility, mortgage rates, and recent trade activity. MBS, CMBS, CMO and ABS with corroborated and observable inputs are classified as Level 2. All MBS, CMBS, CMO and ABS holdings are deemed Level 2.

U.S. Treasury Bonds, Common Stocks and Exchange Traded Funds—U.S. treasury bonds and exchange traded equities have readily observable price levels and are classified as Level 1 (fair value based on quoted market prices). All common stock holdings are deemed Level 1.

Preferred Stock—Preferred stocks do not have readily observable prices but do have quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets in markets that are not active; and inputs other than quoted prices and are classified as Level 2. All preferred stock holdings are deemed Level 2.

Due to the relatively short-term nature of cash and cash equivalents, their carrying amounts are reasonable estimates of fair value. Other invested assets include notes receivable, stock, a limited partnership, a SAFE investment, and a membership in the FHLBC. Notes receivable are carried at outstanding balance plus accrued interest. Stock and the limited partnership at fair value when available. The SAFE investment and the membership in FHLBC are carried at cost.

Assets measured at fair value on a recurring basis as of September 30, 2023, are summarized below:

	Quoted in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
AFS securities				
Fixed maturity securities				
U.S. treasury	\$ 1,265,703	\$ —	\$ —	\$ 1,265,703
MBS/ABS/CMBS	—	41,653,431	—	41,653,431
Corporate	—	39,523,491	—	39,523,491
Municipal	—	16,482,597	—	16,482,597
Redeemable preferred stocks	—	175,200	—	175,200
Total fixed maturity securities	1,265,703	97,834,719	—	99,100,422
Equity securities				
Common stocks	20,347,786	—	—	20,347,786
Perpetual preferred stocks	—	2,739,493	—	2,739,493
Total equity securities	20,347,786	2,739,493	—	23,087,279
Total marketable investments measured at fair value	\$ 21,613,489	\$ 100,574,212	\$ —	\$ 122,187,701

Assets measured at fair value on a recurring basis as of December 31, 2022, are summarized below:

	Quoted in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
AFS securities				
Fixed maturity securities				
U.S. treasury	\$ 1,252,960	\$ —	\$ —	\$ 1,252,960
MBS/ABS/CMBS	—	38,803,341	—	38,803,341
Corporate	—	35,602,055	—	35,602,055
Municipal	—	17,541,694	—	17,541,694
Redeemable preferred stocks	—	188,921	—	188,921
Total fixed maturity securities	1,252,960	92,136,011	—	93,388,971
Equity securities				
Common stocks	20,438,907	—	—	20,438,907
Perpetual preferred stocks	—	2,772,605	—	2,772,605
Total equity securities	20,438,907	2,772,605	—	23,211,512
Total marketable investments measured at fair value	\$ 21,691,867	\$ 94,908,616	\$ —	\$ 116,600,483

As noted in the previous tables, the Company has no assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) as of September 30, 2023 or December 31, 2022. Additionally, there were no securities transferred in or out of Levels 1 and 2 during the nine-month periods ended September 30, 2023 and 2022.

4. DEBT

Debt Obligation

Debt Obligations

The Company had \$15,000,000 in outstanding debt as of September 30, 2023 and December 31, 2022.

The Company also has borrowing capacity of \$ 44.3 million with the Federal Home Loan Bank of Chicago (FHLBC), which is 25% of net admitted statutory assets of Illinois Casualty Company as of the prior year-end. As of September 30, 2023, the Company has used \$ 15.0 million of that capacity.

As part of the Company's response to COVID-19, the Company obtained, in March 2020, a \$6.0 million loan from the FHLBC as a precautionary measure to increase its cash position, to provide increased liquidity, and to compensate for potential reductions in premium receivable collections. The term of the loan is five years bearing interest at 1.4%. The Company pledged \$6.8 million of fixed income securities as collateral for this loan.

In May 2021, the Company entered into a \$4.0 million, 0.74% fixed interest, five-year FHLBC loan.

In May 2022, the Company entered into a \$5.0 million, 1.36%, fixed interest, five-year FHLBC loan.

The Company has \$17.7 million in bonds pledged as collateral for all FHLBC loans.

Revolving Line of Credit

We increased our revolving line of credit with a commercial bank from \$ 2.0 million to \$4.0 million in July 2022. As of September 30, 2023, the balance on the line of credit was \$0. As of July 5, 2023, this line of credit is priced at prime plus 0.5% with a floor of 6.00% and renews annually with a current expiration date of July 5, 2024. The Company pledged \$4.0 million of business assets in the event the Company draws down on the line of credit. This agreement includes an annually calculated financial debt covenant requiring a minimum total adjusted capital of \$21.0 million. Total adjusted capital is the sum of an insurer's statutory capital and surplus as determined in accordance with the statutory accounting applicable to the annual financial statements required to be filed with Illinois Department of Insurance. As of September 30, 2023, our total adjusted capital is approximately \$ 59.9 million. There was no interest paid on the line of credit during the nine months ended September 30, 2023 and 2022.

5. REINSURANCE

In the ordinary course of business, the Company assumes and cedes premiums and selected insured risks with other insurance companies, known as reinsurance. A large portion of the reinsurance is put into effect under contracts known as treaties and, in some instances, by negotiation on each individual risk (known as facultative reinsurance). In addition, there are several types of treaties including quota share, excess of loss and catastrophe reinsurance contracts that protect against losses over stipulated amounts arising from any one occurrence or event. The arrangements allow the Company to pursue greater diversification of business and serve to limit the maximum net loss to a single event, such as a catastrophe. Through the quantification of exposed policy limits in each region and the extensive use of computer-assisted modeling techniques, management monitors the concentration of risks exposed to catastrophic events.

Through the purchase of reinsurance, the Company also generally limits its net loss on any individual risk to a maximum of \$ 1,000,000 for casualty and workers' compensation business and \$1,000,000 for property, although certain treaties contain an annual aggregate deductible before reinsurance applies.

Premiums, written and earned, along with losses and settlement expenses incurred for the periods presented is summarized as follows:

	Three-Month Periods Ended September 30,	
	2023	2022
WRITTEN		
Direct	\$ 24,495,429	\$ 20,900,412
Reinsurance assumed	60,457	59,970
Reinsurance ceded	(2,870,582)	(2,550,345)
Net	<u>\$ 21,685,304</u>	<u>\$ 18,410,037</u>
EARNED		
Direct	\$ 22,057,631	\$ 20,224,145
Reinsurance assumed	54,269	54,569
Reinsurance ceded	(2,878,383)	(2,554,273)
Net	<u>\$ 19,233,517</u>	<u>\$ 17,724,441</u>
LOSS AND SETTLEMENT EXPENSES INCURRED		
Direct	\$ 17,854,337	\$ 11,226,504
Reinsurance assumed	18,080	20,590
Reinsurance ceded	(4,435,953)	(860,570)
Net	<u>\$ 13,436,464</u>	<u>\$ 10,386,524</u>
	Nine-Month Periods Ended September 30,	
	2023	2022
WRITTEN		
Direct	\$ 68,899,622	\$ 61,695,027
Reinsurance assumed	135,570	129,328
Reinsurance ceded	(7,865,311)	(7,087,338)
Net	<u>\$ 61,169,881</u>	<u>\$ 54,737,017</u>
EARNED		
Direct	\$ 63,468,235	\$ 57,720,789
Reinsurance assumed	127,080	122,048
Reinsurance ceded	(8,066,448)	(7,077,077)
Net	<u>\$ 55,528,867</u>	<u>\$ 50,765,760</u>
LOSS AND SETTLEMENT EXPENSES INCURRED		
Direct	\$ 43,754,741	\$ 39,364,381
Reinsurance assumed	58,499	68,283
Reinsurance ceded	(7,114,609)	(5,042,334)
Net	<u>\$ 36,698,631</u>	<u>\$ 34,390,330</u>

6. UNPAID LOSSES AND SETTLEMENT EXPENSES

The following table is a reconciliation of the Company's unpaid losses and settlement expenses:

	For the Three-Months Ended September 30,	
	2023	2022
<i>(In thousands)</i>		
Unpaid losses and settlement expense - beginning of the period:		
Gross	\$ 76,584	\$ 70,381
Less: Ceded	14,603	15,527
Net	60,981	54,854
Increase in incurred losses and settlement expense:		
Current year	11,331	9,825
Prior years	2,105	562
Total incurred	13,436	10,387
Deduct: Loss and settlement expense payments for claims incurred:		
Current year	4,329	5,758
Prior years	7,011	5,620
Total paid	11,340	11,378
Net unpaid losses and settlement expense - end of the period	64,077	53,862
Plus: Reinsurance recoverable on unpaid losses net of CECL	16,350	14,768
Plus: CECL allowance for reinsurance recoverable on unpaid losses	115	—
Gross unpaid losses and settlement expense - end of the period	\$ 80,542	\$ 68,630
	For the Nine-Months Ended September 30,	
	2023	2022
<i>(In thousands)</i>		
Unpaid losses and settlement expense - beginning of the period:		
Gross	\$ 67,614	\$ 61,835
Less: Ceded	13,610	14,521
Net	54,004	47,314
Increase in incurred losses and settlement expense:		
Current year	33,333	29,309
Prior years	3,366	5,081
Total incurred	36,699	34,390
Deduct: Loss and settlement expense payments for claims incurred:		
Current year	9,045	11,752
Prior years	17,581	16,089
Total paid	26,626	27,841
Net unpaid losses and settlement expense - end of the period	64,077	53,862
Plus: Reinsurance recoverable on unpaid losses net of CECL	16,350	14,768
Plus: CECL allowance for reinsurance recoverable on unpaid losses	115	—
Gross unpaid losses and settlement expense - end of the period	\$ 80,542	\$ 68,630

For the nine months ended September 30, 2023 and 2022, we experienced unfavorable development of \$3,366,000 and \$5,081,000, respectively. The unfavorable development for the nine months ended September 30, 2023 is primarily due to additional information received on prior year accident claims for liquor liability (2022; two claims & 2021; three claims).

7. INCOME TAXES

The Company's effective tax rate for the nine month periods ended September 30, 2023 was 20.6% compared to 21.1% for the same period in 2022. Effective rates are dependent upon components of pretax earnings and losses and the related tax effects.

Income tax expense for the nine month periods ended September 30, 2023 and 2022 differed from the amounts computed by applying the U.S. federal tax rate of 21% to pretax income from continuing operations as demonstrated in the following table:

	For the Three-Months Ended September 30,	
	2023	2022
Provision for income taxes at the statutory federal tax rates	\$ (203,241)	\$ 170,279
Increase (reduction) in taxes resulting from:		
Dividends received deduction	(18,802)	(10,010)
Tax-exempt interest income	(8,450)	(12,011)
Proration of tax-exempt interest and dividends received deduction	6,604	(2,217)
Nondeductible expenses	22,512	32,766
Officer life insurance, net	1,949	2,307
Prior year true-up and other	578	—
Total	<u>\$ (198,850)</u>	<u>\$ 181,114</u>

	For the Nine-Months Ended September 30,	
	2023	2022
Provision for income taxes at the statutory federal tax rates	\$ 369,439	\$ (974,378)
Increase (reduction) in taxes resulting from:		
Dividends received deduction	(59,537)	(32,408)
Tax-exempt interest income	(27,316)	(38,323)
Proration of tax-exempt interest and dividends received deduction	21,074	9,581
Nondeductible expenses	57,555	60,177
Officer life insurance, net	1,949	(5,375)
Prior year true-up and other	—	—
Total	<u>\$ 363,164</u>	<u>\$ (980,726)</u>

Management believes it is more likely than not that all deferred tax assets will be recovered as the result of future operations, which will generate sufficient taxable income to realize the deferred tax asset.

As of September 30, 2023 and December 31, 2022, the Company does not have any capital or operating loss carryforwards. Periods still subject to IRS audit include 2020 through current year. There are currently no open tax exams. As of September 30, 2023 a significant portion of the Company's net deferred tax asset relates to unrealized losses on fixed income securities and equity securities.

8. EMPLOYEE BENEFITS**ESOP**

In connection with our conversion and public offering, we established an ESOP. The ESOP borrowed from the Company to purchase 350,000 shares in the offering. The issuance of the shares to the ESOP resulted in a contra account established in the equity section of the balance sheet for the unallocated shares at an amount equal to their \$10.00 per share purchase price.

The Company may make discretionary contributions to the ESOP and pay dividends on unallocated shares to the ESOP. ICC makes annual contributions to the ESOP sufficient to repay the loan. When loan payments are made, ESOP shares are allocated to participants based on relative compensation. The Company repurchases shares from participants that have left our employment. ICC Holdings contributed \$62,075 and \$92,080 to the ESOP for the nine months ended September 30, 2023 and 2022, respectively. No other contributions were made to the ESOP during these time periods.

A compensation expense charge is booked monthly during each year for the shares committed to be allocated to participants that year, determined with reference to the fair market value of our stock at the time the commitment to allocate the shares is accrued and recognized. For the nine months ended September 30, 2023, we recognized compensation expense of \$ 341,987 related to 17,530 shares of our common stock that are committed to be released to participants' accounts at December 31, 2023. For the nine months ended September 30, 2022, we recognized compensation expense of \$384,300 related to 17,530 shares of our common stock that were committed to be released to participants' accounts at December 31, 2022.

RESTRICTED STOCK UNITS

Restricted stock units (RSUs) were granted for the first time in February 2018 and more recently in April of each year. RSUs have a grant date value equal to the closing price of the Company's stock on the dates the shares are granted. The RSUs vest one third over three years beginning the first anniversary of the date of grant. The Company recognized \$ 172,253 and \$151,575 in RSU expense for the nine months ended September 30, 2023 and September 30, 2022, respectively.

	RSUs	Weighted Average Grant Date Fair Value
Nonvested at December 31, 2022	\$ 273,591	\$ 15.72
Granted	272,802	15.50
Vested	(172,253)	15.11
Nonvested at September 30, 2023	\$ 374,140	\$ 15.85

9. SUBSEQUENT EVENTS

On October 2, 2023, the Company purchased certain assets of Guild Insurance Inc. for \$1.0M. The primary revenue source from Guild Insurance is derived from the sale of insurance products to the food and beverage industry.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The Private Securities Litigation Reform Act of 1995 (the "Reform Act") provides a safe harbor for forward-looking statements made by or on behalf of ICC Holdings, Inc. ICC Holdings, Inc., and its representatives may, from time to time, make written or verbal forward-looking statements, including statements contained in ICC Holdings, Inc.'s filings with the Securities and Exchange Commission (SEC) and its reports to shareholders. Generally, the inclusion of the words "anticipates," "believes," "estimate," "expect," "future," "intend," "may," "plans," "seek," "will," or the negative of such terms and similar expressions identify statements that constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 and that are intended to come within the safe harbor protection provided by those sections. All statements addressing operating performance, events, or developments that ICC Holdings, Inc. expects or anticipates will occur in the future, including statements relating to sales growth, earnings or earnings per share growth, and market share, as well as statements expressing optimism or pessimism about future operating results, are forward-looking statements within the meaning of the Reform Act. The forward-looking statements are and will be based on management's then-current beliefs and assumptions regarding future events and operating performance and on information currently available to management and are applicable only as of the dates of such statements.

Forward-looking statements involve risks, uncertainties and assumptions, including, among other things, the factors discussed under the heading "Item 1A. Risk Factors" of ICC Holdings, Inc.'s Annual Report on Form 10-K and those listed below. Although we do not make forward-looking statements unless we believe we have a reasonable basis for doing so, we cannot guarantee their accuracy. Actual results may differ materially from those expressed in these forward-looking statements due to several uncertainties and risks, including the risks described in this Quarterly Report on Form 10-Q and other unforeseen risks. Readers should not put undue reliance on any forward-looking statements. These statements speak only as of the date of this Quarterly Report on Form 10-Q, even if subsequently made available by us on our website or otherwise, and we undertake no obligation to update or revise these statements to reflect events or circumstances occurring after the date of this Quarterly Report on Form 10-Q.

All of these factors are difficult to predict, and many are beyond our control. These important factors include those discussed under "Item 1A. Risk Factors" of ICC Holdings, Inc.'s 2022 Annual Report on Form 10-K and those listed below:

- the potential impact of fraud, operational errors, systems malfunctions, or cybersecurity incidents;
- future economic conditions in the markets in which we compete that are less favorable than expected;
- our ability to expand geographically;
- the effects of weather-related and other catastrophic events, including those related to health emergencies and the spread of infectious diseases and pandemics;
- the effect of legislative, judicial, economic, demographic and regulatory events in the jurisdictions where we do business, especially changes with respect to laws, regulations and judicial decisions relating to liquor liability;
- our ability to enter new markets successfully and capitalize on growth opportunities either through acquisitions or the expansion of our producer network;
- macroeconomic and market conditions and market volatility, including, but not limited to, changes in interest rates, inflation and the credit and capital markets causing a reduction of investment income or investment gains and a reduction in the value of our investment portfolio;
- heightened competition, including specifically the intensification of price competition, the entry of new competitors and the development of new products by new or existing competitors, resulting in a reduction in the demand for our products;
- infection rates, severity of pandemics, civil unrest and their effects on our business operations and claims activity, and any adverse impact to our insureds, brokers, agents, and employees;
- our debt and debt service requirements which may restrict our operation and financial flexibility, as well as imposing unfavorable interest and financing costs;
- our ability to maintain our existing credit facilities or obtain satisfactory new credit facilities or other borrowings;
- changes to our assessment as to whether it is more likely than not that we will be required to sell, or have the intent to sell, available for sale or fixed maturity investments before their anticipated recovery;
- our ability to implement business strategies, including our acquisition strategy and expansion plans;
- our acquisition strategy may not be successful in locating advantageous targets;
- our ability to successfully integrate any assets, liabilities, customers, systems and management personnel we acquire into our operations and
- our ability to realize related revenue synergies, strategic gains, and cost savings many be significantly harder to achieve, if at all, or may take longer to achieve;
- potential goodwill impairment charges, future impairment charges and fluctuations in the fair values of reporting units or of assets in the event projected financial results are not achieved within expected time frames;
- disruptions and negative investor sentiment caused by bank failures during 2023;
- the impact of acts of terrorism and acts of war;
- the effects of terrorist related insurance legislation and laws;
- changes in general economic conditions, including inflation, unemployment, interest rates and other factors;
- the cost, availability, and collectability of reinsurance;
- estimates and adequacy of loss reserves and trends in loss and settlement expenses;
- changes in the coverage terms selected by insurance customers, including higher limits;
- our inability to obtain regulatory approval of, or to implement, premium rate increases;
- our ability to obtain reinsurance coverage at reasonable prices or on terms that adequately protect us;

[Table of Contents](#)

- the potential impact on our reported net income that could result from the adoption of future auditing or accounting standards issued by the Public Company Accounting Oversight Board or the Financial Accounting Standards Board or other standard-setting bodies;
- unanticipated changes in industry trends and ratings assigned by nationally recognized rating organizations;
- adverse litigation or arbitration results;
- litigation tactics and developments, including those related to business interruption claims; and
- adverse changes in applicable laws, regulations or rules governing insurance holding companies and insurance companies, and environmental, tax or accounting matters including limitations on premium levels, increases in minimum capital and reserves, other financial viability requirements, and changes that affect the cost of, or demand for our products.

Because forward-looking information is subject to various risks and uncertainties, actual results may differ materially from that expressed or implied by the forward-looking information.

All subsequent written and oral forward-looking information attributable to ICC Holdings, Inc. or any person acting on our behalf is expressly qualified in its entirety by the cautionary statement contained or referred to in this section.

Overview

ICC is a regional property and casualty insurance company incorporated in Illinois and focused exclusively on the food and beverage industry. ICC is a wholly owned subsidiary of ICC Holdings, Inc.

For the nine months ended September 30, 2023, the Company had direct written premiums of \$68,900,000, net premiums earned of \$55,529,000, and net earnings of \$1,396,000. For the nine months ended September 30, 2022, the Company had direct premiums written of \$61,695,000, net premiums earned of \$50,766,000, and a net loss of \$3,659,000. At September 30, 2023, the Company had total assets of \$209,028,000 and equity of \$59,586,000. At December 31, 2022, the Company had total assets of \$192,162,000 and equity of \$60,441,000.

Principal Revenue and Expense Items

We derive our revenue primarily from premiums earned, net investment income and net realized and unrealized gains (losses) from investments.

Gross and net premiums written

Gross premiums written are equal to direct and assumed premiums before the effect of ceded reinsurance. Net premiums written is the difference between gross premiums written and premiums ceded or paid to reinsurers (ceded premiums written).

Net premiums earned

Premiums earned are the earned portion of our net premiums written. Gross premiums written include all premiums recorded by an insurance company during a specified policy period. Insurance premiums on property and casualty insurance contracts are recognized in proportion to the underlying risk insured and are earned ratably over the duration of the policies. At the end of each accounting period, the portion of the premiums that are not yet earned is included in unearned premiums and is realized as revenue in subsequent periods over the remaining term of the policy. Our policies typically have a term of twelve months. Thus, for example, for a policy that is written on July 1, 2023, one-half of the premiums would be earned in 2023 and the other half would be earned in 2024.

Net investment income and net realized gains (losses) on investments

We invest our surplus and the funds supporting our insurance liabilities (including unearned premiums and unpaid loss and loss adjustment expenses) in cash, cash equivalents, equities, fixed securities, and real estate. Investment income includes interest and dividends earned on invested assets as well as rental income on investment properties. Net realized gains and losses on invested assets are reported separately from net investment income. We recognize realized gains when invested assets are sold for an amount greater than their cost or amortized cost (in the case of fixed securities) and recognize realized losses when investment securities are written down as a result of an other-than-temporary impairment or sold for an amount less than their cost or amortized cost, as applicable. We recognize in earnings the change in unrealized gains and losses on equity securities when our equity securities are trading at an amount greater than or less than their cost, respectively. Net unrealized losses and gains on equity securities for the three and nine months ended September 30, 2023 were unrealized losses of \$1,062,000 and unrealized gains of \$279,000. Net unrealized losses for the three and nine months ended September 30, 2022 for equity securities were \$1,084,000 and \$6,181,000, respectively. Our portfolio of investment securities is managed by two independent third parties with managers specializing in the insurance industry. The board of directors' investment committee is responsible for establishing investment policies and monitoring risk limits and tolerances. We seek to protect customers' benefits by optimizing the risk/return relationship on an ongoing basis, avoiding high levels of investments that may be redeemed by the issuer, maintaining sufficiently liquid investments and avoiding undue asset concentrations through diversification. We are exposed to two primary sources of investment risk:

- credit risk, relating to the uncertainty associated with the continued ability of an obligor to make timely payments of principal and interest; and
- interest rate risk, relating to the market price and/or cash flow variability associated with changes in market yield curves.

Our ability to manage credit risk is essential to our business and our profitability. We devote considerable resources to the credit analysis of each new investment. We manage credit risk through industry, issuer and asset class diversification.

ICC's expenses consist primarily of:

Losses and settlement expenses

Losses and settlement expenses represent the largest expense item and include: (1) claim payments made, (2) estimates for future claim payments and changes in those estimates for prior periods, and (3) costs associated with investigating, defending, and adjusting claims.

Amortization of deferred policy acquisition costs and other operating expenses

Expenses incurred to underwrite risks are referred to as policy acquisition expenses. Variable policy acquisition costs consist of commission expenses, premium taxes and certain other underwriting expenses that vary with and are primarily related to the writing and acquisition of new and renewal business. These policy acquisition costs are deferred and amortized over the effective period of the related insurance policies. Fixed policy acquisition costs are expensed as incurred. These costs include salaries, rent, office supplies, and depreciation. Other operating expenses consist primarily of information technology costs, accounting, and internal control salaries, as well as audit and legal expenses.

Income taxes

We use the asset and liability method of accounting for income taxes. Deferred income taxes arise from the recognition of temporary differences between financial statement carrying amounts and the tax bases of our assets and liabilities. A valuation allowance is provided when it is more likely than not that some portion of the deferred tax asset will not be realized. The effect of a change in tax rates is recognized in the period of the enactment date.

Key Financial Measures

We evaluate our insurance operations by monitoring certain key measures of growth and profitability. In addition to reviewing our financial performance based on results determined in accordance with generally accepted accounting principles in the United States (GAAP), we utilize certain operational financial measures that we believe are valuable in managing our business and for comparison to our peers. These operational measures are combined ratio, written premiums, underwriting income, the losses and settlement expense ratio, the expense ratio, the ratio of net written premiums to statutory surplus and return on average equity.

We measure growth by monitoring changes in gross premiums written and net premiums written. We measure underwriting profitability by examining losses and settlement expense, underwriting expense, and combined ratios. We also measure profitability by examining underwriting income (loss) and net earnings (loss).

Losses and settlement expense ratio

The losses and settlement expense ratio is the ratio (expressed as a percentage) of losses and settlement expenses incurred to net premiums earned. We measure the losses and settlement expense ratio on an accident year and calendar year loss basis to measure underwriting profitability. An accident year loss ratio measures losses and settlement expenses for insured events occurring in a particular year, regardless of when they are reported, as a percentage of premiums earned during that year. A calendar year loss ratio measures losses and settlement expenses for insured events occurring during a particular year and the change in loss reserves from prior accident years as a percentage of premiums earned during that year.

Expense ratio

The underwriting expense ratio is the ratio (expressed as a percentage) of amortization of deferred policy acquisition costs and other operating expenses to premiums earned, and measures our operational efficiency in producing, underwriting, and administering our insurance business.

GAAP combined ratio

Our GAAP combined ratio is the sum of the losses and settlement expense ratio and the expense ratio and measures our overall underwriting profit. If the GAAP combined ratio is below 100%, we are making an underwriting profit. If our combined ratio is at or above 100%, we are not profitable without investment income and may not be profitable if investment income is insufficient.

Net premiums written to statutory surplus ratio

The net premiums written to statutory surplus ratio represents the ratio of net premiums written, after reinsurance ceded, to statutory surplus. This ratio measures our exposure to pricing errors in our current book of business. The higher the ratio, the greater the impact on surplus should pricing prove inadequate.

Underwriting income (loss)

Underwriting income (loss) measures the pre-tax profitability of our insurance operations. It is derived by subtracting losses and settlement expense, amortization of deferred policy acquisition costs, and underwriting and administrative expenses from net earned premiums. Each of these items is presented as a caption in our statements of earnings.

Net earnings (loss) and return on average equity

We use net earnings (loss) to measure our profit and return on average equity to measure our effectiveness in utilizing equity to generate net earnings. In determining return on average equity for a given year, net earnings (loss) is divided by the average of the beginning and ending equity for that year.

Critical Accounting Policies

The accounting policies and estimates considered by management to be critically important in the preparation and understanding of the Company's financial statements and related disclosures are presented in the Management's Discussion and Analysis of Financial Condition and Results of Operations section of the Company's Annual Report on Form 10-K for the year ended December 31, 2022.

Results of Operations

Our results of operations are influenced by factors affecting the property and casualty insurance industry in general. The operating results of the United States property and casualty insurance industry are subject to significant variations due to competition, weather, catastrophic events, regulation, general economic conditions, judicial trends, fluctuations in interest rates and other changes in the investment environment.

Our premium and underwriting results have been, and continue to be, influenced by market conditions. Pricing in the property and casualty insurance industry historically has been cyclical. During a soft market cycle, price competition is more significant than during a hard market cycle and makes it difficult to attract and retain properly priced commercial business. A hard market typically has a positive effect on premium growth.

The following summarizes our results for the nine months ended September 30, 2023 and 2022:

Premiums

Direct premiums written increased by \$7,205,000, or 11.7%, to \$68,900,000 for the nine months ended September 30, 2023 from \$61,695,000 for the same period of 2022. Net written premium increased by \$6,433,000, or 11.8%, to \$61,170,000 for the nine months ended September 30, 2023 from \$54,737,000 for the same period in 2022. Net premiums earned increased by \$4,763,000, or 9.4%, for the nine months ended September 30, 2023 as compared to the nine months ended September 30, 2022, consistent with our increased premium writings in 2023 and 2022.

For the nine months ended September 30, 2023, we ceded to reinsurers \$8,066,000 of earned premiums, compared to \$7,077,000 of earned premiums for the nine months ended September 30, 2022. Ceded earned premiums as a percent of direct premiums written increased to 11.7% from 11.5% for the nine months ended September 30, 2023 as compared to the nine months ended September 30, 2022 as a result of increased direct earned premiums.

Premiums are earned ratably over the term of the policy whereas written premiums are reflected on the effective date of the policy.

Investment Income

Net investment income increased by \$901,000, or 31.1%, to \$3,798,000 for the nine months ended September 30, 2023, as compared to \$2,897,000 for the same period in 2022. This increase is a result of increased rates on our fixed income portfolio and an increase in overall investment holdings.

Other Income

Other income is derived from policies we write and represents additional charges to policyholders for services outside of the premium charge, such as installment billing or policy issuance costs. Other income decreased by \$172,000, or 51.7%, during the nine months ended September 30, 2023 as compared to the same period in 2022 due to increased premiums written off and less favorable results from the disposals of fixed assets.

Unpaid Losses and Settlement Expenses

	For the Nine-Months Ended September 30,	
	2023	2022
(In thousands)		
Unpaid losses and settlement expense - beginning of the period:		
Gross	\$ 67,614	\$ 61,835
Less: Ceded	13,610	14,521
Net	54,004	47,314
Increase in incurred losses and settlement expense:		
Current year	33,333	29,309
Prior years	3,366	5,081
Total incurred	36,699	34,390
Deduct: Loss and settlement expense payments for claims incurred:		
Current year	9,045	11,752
Prior years	17,581	16,089
Total paid	26,626	27,841
Net unpaid losses and settlement expense - end of the period	64,077	53,862
Plus: Reinsurance recoverable on unpaid losses net of CECL	16,350	14,768
Plus: CECL allowance for reinsurance recoverable on unpaid losses	115	—
Gross unpaid losses and settlement expense - end of the period	\$ 80,542	\$ 68,630

Gross unpaid losses and settlement expenses increased by \$12,928,000, or 19.1%, in the nine months ended September 30, 2023 as compared to December 31, 2022. For the nine months ended September 30, 2023 and 2022, we experienced unfavorable development of \$3,366,000 and \$5,081,000, respectively.

Losses and Settlement Expenses

Losses and settlement expenses increased by \$2,309,000, or 6.7%, to \$36,699,000 for the nine months ended September 30, 2023, from \$34,390,000 for the same period in 2022. The increase in losses and settlement expenses was driven by elevated 2022 and 2021 liquor liability claims.

Policy Acquisition Costs and Other Operating Expenses and the Expense Ratio

Policy acquisition costs are costs we incur to issue policies, which include commissions, premium taxes, underwriting reports, and underwriter compensation costs. The Company offsets the direct commissions it pays with ceded commissions it receives from reinsurers. Other operating expenses consist primarily of information technology costs, accounting, and internal control salaries, as well as audit and legal expenses. Policy acquisition costs and other operating expenses increased by \$2,688,000, or 14.8%, to \$20,824,000 for the nine months ended September 30, 2023 from \$18,136,000 for the same period in 2022. The increase in these expenses is mainly due to increases in salaries, direct and contingent commissions. Salary expense is up due to increased costs associated with business growth. Direct commissions increased as a result of increased premiums.

Our expense ratio is calculated by dividing the sum of policy acquisition costs and operating expenses by net earned premiums. We use the expense ratio to evaluate the operating efficiency of our consolidated operations. Costs that cannot be readily identifiable as a direct cost of a product line remain in general corporate expenses.

Our expense ratio increased by 180 basis points from 35.7% to 37.5% for the nine months ended September 30, 2023 as compared to the same period in 2022.

General Corporate Expenses

General corporate expenses consist primarily of occupancy costs, such as rent and utilities, and CECL expenses. These costs are largely fixed and, therefore, do not vary significantly with premium volume but do vary with the Company's changes in properties held for investment. Our general corporate expenses increased by \$52,000, or 9.2%, for the nine months ended September 30, 2023 as compared to the same period in 2022.

Interest Expense

Interest expense decreased to \$138,000 for the nine months ended September 30, 2023 from \$150,000 for the same period during 2022 as a result of paying off the \$3.5 million loan the Company had with American Bank & Trust in April 2022.

Income Tax Expense

We reported income tax expense of \$363,000 and benefit of \$981,000 for the nine months ended September 30, 2023 and 2022, respectively. The increase in income tax expense in 2023 relates to the positive change in unrealized gains and losses. Our effective tax rate for the nine months ended September 30, 2023 was 20.6%, compared to 21.1% for the same period in 2022. Effective rates are dependent upon components of pretax earnings and losses and the related tax effects.

The Company has not established a valuation allowance against any of the net deferred tax assets.

The following summarizes our results for the three months ended September 30, 2023 and 2022:

Premiums

Direct premiums written increased by \$3,595,000, or 17.2%, to \$24,495,000 for the three months ended September 30, 2023 from \$20,900,000 for the same period of 2022. Net written premium increased by \$3,275,000, or 17.8%, to \$21,685,000 for the three months ended September 30, 2023 from \$18,410,000 for the same period in 2022. Net premiums earned increased by \$1,510,000, or 8.5%, for the three months ended September 30, 2023 as compared to the three months ended September 30, 2022, consistent with our increased premium writings in 2023.

For the three months ended September 30, 2023, we ceded to reinsurers \$2,878,000 of earned premiums, compared to \$2,554,000 of earned premiums for the three months ended September 30, 2022. Ceded earned premiums as a percent of direct premiums written decreased to 11.8% from 12.2% for the three months ended September 30, 2023 as compared to the three months ended September 30, 2022.

Premiums are earned ratably over the term of the policy whereas written premiums are reflected on the effective date of the policy.

Investment Income

Net investment income increased by \$314,000, or 30.5%, to \$1,342,000 for the three months ended September 30, 2023, as compared to \$1,028,000 for the same period in 2022. This increase is a result of increased rates on our fixed income portfolio and an increase in overall investment holdings.

Other Income

Other income is derived from policies we write and represents additional charges to policyholders for services outside of the premium charge, such as installment billing or policy issuance costs. Other income decreased by \$34,000, or 40.0%, during the three months ended September 30, 2023, as compared to the same period in 2022 due to increased premiums written off offset by more favorable results from the disposals of fixed assets.

Losses and Settlement Expenses

Losses and settlement expenses increased by \$3,049,000, or 29.4%, to \$13,436,000 for the three months ended September 30, 2023, from \$10,387,000 for the same period in 2022. The increase in losses and settlement expenses was driven by elevated 2022 and 2021 liquor liability claims and 2023 fire claims.

Policy Acquisition Costs and Other Operating Expenses and the Expense Ratio

Policy acquisition costs are costs we incur to issue policies, which include commissions, premium taxes, underwriting reports, and underwriter compensation costs. The Company offsets the direct commissions it pays with ceded commissions it receives from reinsurers. Other operating expenses consist primarily of information technology costs, accounting, and internal control salaries, as well as audit and legal expenses. Policy acquisition costs and other operating expenses increased by \$668,000, or 10.5%, to \$7,029,000 for the three months ended September 30, 2023 from \$6,361,000 for the same period in 2022. The increase in these expenses is mainly due to increases in direct commissions.

Our expense ratio is calculated by dividing the sum of policy acquisition costs and operating expenses by net earned premiums. We use the expense ratio to evaluate the operating efficiency of our consolidated operations. Costs that cannot be readily identifiable as a direct cost of a product line remain in general corporate expenses.

Our expense ratio increased by 60 basis points from 35.9% to 36.5% for the three months ended September 30, 2023 as compared to the same period in 2022.

General Corporate Expenses

General corporate expenses consist primarily of occupancy costs, such as rent and utilities, and CECL expenses. These costs are largely fixed and, therefore, do not vary significantly with premium volume but do vary with the Company's changes in properties held for investment. Our general corporate expenses increased by \$30,000, or 15.8%, for the three months ended September 30, 2023 as compared to the same period in 2022.

Interest Expense

Interest expense remained consistent at \$46,000 for the three months ended September 30, 2023 from \$46,000 for the same period during 2022.

Income Tax Expense

We reported income tax benefit of \$199,000 and expense \$181,000 for the three months ended September 30, 2023 and 2022, respectively. The decrease in income tax expense in 2023 relates to the loss in the Company's core insurance business and decrease in unrealized gains and losses for the three months ended September 30, 2023. Our effective tax rate for the three months ended September 30, 2023 was 20.5%, compared to 22.3% for the same period in 2022. Effective rates are dependent upon components of pretax earnings and losses and the related tax effects.

The Company has not established a valuation allowance against any of the net deferred tax assets.

Financial Position

The following summarizes our financial position as of September 30, 2023 and December 31, 2022:

Unpaid Losses and Settlement Expense

Our reserves for unpaid loss and settlement expense are summarized below:

	As of September 30, 2023	As of December 31, 2022
<i>(In thousands)</i>		
Case reserves	\$ 35,871	\$ 28,231
IBNR reserves	28,206	25,773
Net unpaid losses and settlement expense	64,077	54,004
Reinsurance recoverables, excluding CECL allowance	16,465	13,610
Reserves for unpaid loss and settlement expense	<u>\$ 80,542</u>	<u>\$ 67,614</u>

Actuarial Ranges

The selection of the ultimate loss is based on information unique to each line of business and accident year and the judgment and expertise of our actuary and management.

The following table provides case and IBNR reserves for losses and loss adjustment expenses as of September 30, 2023 and December 31, 2022.

As of September 30, 2023

<i>(In thousands)</i>	Case Reserves	IBNR Reserves	Total Reserves
Commercial liability	\$ 26,980	\$ 25,566	\$ 52,546
Property	6,306	(444)	5,862
Other	2,585	3,084	5,669
Total net reserves	35,871	28,206	64,077
Reinsurance recoverables, excluding CECL allowance	3,508	12,957	16,465
Gross reserves	<u>\$ 39,379</u>	<u>\$ 41,163</u>	<u>\$ 80,542</u>

As of December 31, 2022

<i>(In thousands)</i>	Case Reserves	IBNR Reserves	Total Reserves	Actuarially Determined Range of Estimates	
				Low	High
Commercial liability	\$ 21,356	\$ 22,737	\$ 44,093		
Property	3,690	(24)	3,666		
Other	3,185	3,060	6,245		
Total net reserves	28,231	25,773	54,004	\$ 48,006	\$ 57,398
Reinsurance recoverables	3,716	9,894	13,610	11,595	15,484
Gross reserves	<u>\$ 31,947</u>	<u>\$ 35,667</u>	<u>\$ 67,614</u>	<u>\$ 59,601</u>	<u>\$ 72,882</u>

Our actuary determined a range of reasonable reserve estimates which reflect the uncertainty inherent in the loss reserve process. This range does not represent the range of all possible outcomes. We believe that the actuarially determined ranges represent reasonably likely changes in the loss and settlement expense estimates, however actual results could differ significantly from these estimates. The range was determined by line of business and accident year after a review of the output generated by the various actuarial methods utilized. The actuary reviewed the variance around the select loss reserve estimates for each of the actuarial methods and selected reasonable low and high estimates based on his knowledge and judgment. In making these judgments the actuary typically assumed, based on his experience, that the larger the reserve the less volatility and that property reserves would exhibit less volatility than casualty reserves. In addition, when selecting these low and high estimates, the actuary considered:

- historical industry development experience in our business line;
- historical company development experience;
- the impact of court decisions on insurance coverage issues, which can impact the ultimate cost of settling claims;
- changes in our internal claims processing policies and procedures; and
- trends and risks in claim costs, such as risk that medical cost inflation could increase.

Our actuary is required to exercise a considerable degree of judgment in the evaluation of all of these and other factors in the analysis of our loss and settlement expense reserves, and related range of anticipated losses. Because of the level of uncertainty impacting the estimation process, it is reasonably possible that different actuaries would arrive at different conclusions. The method of determining the reserve range has not changed and the reserve range generated by our actuary is consistent with the observed development of our loss reserves over the last few years.

The width of the range in reserves arises primarily because specific losses may not be known and reported for some period and the ultimate losses paid and loss adjustment expenses incurred with respect to known losses may be larger than currently estimated. The ultimate frequency or severity of these claims can be very different than the assumptions we used in our estimation of ultimate reserves for these exposures.

Specifically, the following factors could impact the frequency and severity of claims, and therefore, the ultimate amount of loss and settlement expense paid:

- the rate of increase in labor costs, medical costs, and material costs that underlie insured risks;
- development of risk associated with our expanding producer relationships and our growth in new states or states where we currently have small market share; and
- impact of changes in laws or regulations.

The estimation process for determining the liability for unpaid loss and settlement expense inherently results in adjustments each year for claims incurred (but not paid) in preceding years. Negative amounts reported for claims incurred related to prior years are a result of claims being settled for amounts less than originally estimated (favorable development). Positive amounts reported for claims incurred related to prior years are a result of claims being settled for amounts greater than originally estimated (unfavorable development). For the nine months ended September 30, 2023 and 2022, we experienced unfavorable development of \$3,366,000 and \$5,081,000, respectively.

The potential for variability in our reserves is evidenced by this development. As a further illustration of reserve variability, we initially estimated unpaid loss and settlement expense net of reinsurance at the end of 2022 at \$54,004,000. As of September 30, 2023, that reserve was re-estimated at \$57,370,000, which is \$3,366,000 less favorable than the initial estimate.

The estimation of our reserves is based on several actuarial methods, each of which incorporates many quantitative assumptions. The judgment of the actuary plays an important role in selecting among various loss development factors and selecting the appropriate method, or combination of methods, to use for a given accident year.

Investments

Our investments are primarily composed of fixed maturity debt securities and both common and preferred stock equity securities. We categorize all our debt securities as available-for-sale (AFS), which are carried at fair value as determined by management based upon quoted market prices when available. If a quoted market price is not available, fair value is estimated using a secondary pricing source or using quoted market prices of similar securities. Changes in unrealized investment gains or losses on our AFS securities, net of applicable income taxes, are reflected directly in equity as a component of comprehensive earnings (loss) and, accordingly, have no effect on net earnings (loss). Equity securities are carried at fair value with subsequent changes in fair value recorded in net earnings (loss). Investment income is recognized when earned, and capital gains and losses are recognized when investments are sold, or credit loss has occurred.

Effective with the adoption of ASU 2016-13, Financial Instruments—Credit Losses, on January 1, 2023, we consider several factors, including, but not limited to, the following when evaluating whether a decline in value for AFS debt securities relates to credit losses:

- the extent to which fair value is less than amortized cost;
- adverse conditions related to the security, an industry, geographic area such as changes in the financial condition of the issuer of the security, changes in technology, or discontinuation of a segment of the business that may affect future earnings potential;
- the payment structure of the debt security and the likelihood of the issuer being able to make future payments;
- failure of the issuer of the security to make scheduled interest or principal payments; and
- any changes to the rating of the security by a rating agency.

In addition, we no longer consider the duration of the decline in value in assessing whether our fixed income securities available for sale have a credit loss impairment. If a credit loss is determined to exist, the credit loss impairment is recognized as a credit loss expense in the statement of operations with an offset to an allowance for credit losses. Subsequent changes (favorable and unfavorable) in expected credit losses are recognized immediately in net income as a credit loss expense or a reversal of credit loss expense. Credit losses are limited to the amount by which the amortized cost of the security exceeds fair value. The Company and its independent investment managers evaluated our available-for-sale securities and determined that as of January 1, 2023 and September 30, 2023, there were no securities for which an allowance for credit losses adjustment was needed.

The fair value and unrealized losses for our securities that were temporarily impaired are as follows:

	September 30, 2023					
	Less than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
(In thousands)						
U.S. Treasury	\$ —	\$ —	\$ 1,266	\$ (86)	\$ 1,266	\$ (86)
MBS/ABS/CMBS	14,212	(693)	24,655	(3,511)	38,867	(4,204)
Corporate	7,433	(341)	31,742	(4,680)	39,175	(5,021)
Municipal	5,123	(191)	11,124	(4,327)	16,247	(4,518)
Redeemable preferred stock	153	(8)	22	(3)	175	(11)
Total temporarily impaired fixed maturity securities	\$ 26,921	\$ (1,233)	\$ 68,809	\$ (12,607)	\$ 95,730	\$ (13,840)

	December 31, 2022					
	Less than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
(In thousands)						
U.S. Treasury	\$ 615	\$ (37)	\$ 638	\$ (63)	\$ 1,253	\$ (100)
MBS/ABS/CMBS	21,200	(1,365)	12,833	(1,742)	34,033	(3,107)
Corporate	27,689	(2,896)	5,829	(1,256)	33,518	(4,152)
Municipal	11,502	(3,089)	2,080	(885)	13,582	(3,974)
Redeemable preferred stock	189	(27)	—	—	189	(27)
Total temporarily impaired fixed maturity securities	\$ 61,195	\$ (7,414)	\$ 21,380	\$ (3,946)	\$ 82,575	\$ (11,360)

Corporate Bonds

The gross unrealized losses in the Corporate bond portfolio increased by about \$0.9 million from a loss of \$4,152,000 at the end of 2022 to a loss of \$5,021,000 as of September 30, 2023. This was driven by the movement in Treasury rates. The Treasury yield curve has shifted higher by 60-70 bps in the first 9 months of 2023 which has caused bond prices across fixed income sectors to drop. The Corporate bond portfolio has benefitted by spread tightening so far in 2023 (Corporate spreads are tighter by about 13 bps), but this has been overwhelmed by the higher Treasury rate environment.

Municipal Bonds

The gross unrealized losses in the Municipal portfolio increased by about \$0.5 million from a loss of \$3,974,000 at the end of 2022 to a loss of \$4,518,000 as of September 30, 2023. This was driven by the movement in Treasury rates. The Treasury yield curve has shifted higher by 60-70 bps in the first 9 months of 2023 which has caused bond prices across fixed income sectors to drop. The Municipal bond portfolio has benefitted by spread tightening so far in 2023 (Taxable Muni spreads are tighter by about 30 bps), but this has been overwhelmed by the higher Treasury rate environment.

We screen the portfolio for securities that hit certain thresholds and review those securities for potential impairment. The thresholds vary by sector. For Corporates, as an example, we screen for any holding that has a market price below \$80. For Municipals, we screen for securities that have an unrealized loss of more than 5% of book value. For structured securities, we use more quantitative analysis, including a discounted cash-flow model to measure the amount by which the present value of expected future cash flows is below the asset's amortized cost. When assessing whether the fair value of the security will be recovered, we may compare the present value of the cash flows likely to be collected, based on an evaluation of all available information relevant to the collectability of the security, to the amortized cost basis of the security. The shortfall of the present value of the cash flows expected to be collected in relation to the amortized cost basis is referred to as the "credit loss". If there is a credit loss, the impairment is other-than-temporary. Under the new guidance for AFS debt securities, if we identify that there is a credit risk, an allowance for credit losses (ACL) will be recorded in earnings. Any remaining portion of unrealized losses related to the noncredit-related component will continue to be recognized in other comprehensive income (loss), net of tax. If we determine that we intend to sell the security, or that it is more likely than not that we will be required to sell the security prior to recovering its amortized cost basis less any current-period credit losses, the prior allowance would be removed and the amortized cost basis would be adjusted to fair value.

[Table of Contents](#)

For the nine months ended September 30, 2023, the Company did not take a credit loss or impairment charge on any of its fixed income security holdings. Adverse investment market conditions, or poor operating results of underlying investments, could result in credit losses or impairment charges in the future.

We use quoted values and other data provided by independent pricing services in our process for determining fair values of our investments. The evaluations of such pricing services represent an exit price and a good faith opinion as to what a buyer in the marketplace would pay for a security in a current sale. This pricing service provides us with one quote per instrument. For fixed maturity securities that have quoted prices in active markets, market quotations are provided. For fixed maturity securities that do not trade daily, the independent pricing service prepares estimates of fair value using a wide array of observable inputs including relevant market information, benchmark curves, benchmarking of like securities, sector groupings, and matrix pricing. The observable market inputs that our independent pricing service utilizes may include (listed in order of priority for use) benchmark yields, reported trades, broker-dealer quotes, issuer spreads, two-sided markets, benchmark securities, market bids/offers, and other reference data on markets, industry, and the economy. Additionally, the independent pricing service uses an option adjusted spread model to develop prepayment and interest rate scenarios. The pricing service did not use broker quotes in determining the fair values of our investments.

Should the independent pricing service be unable to provide a fair value estimate, we would attempt to obtain a non-binding fair value estimate from a number of broker-dealers and review this estimate in conjunction with a fair value estimate reported by an independent business news service or other sources. In instances where only one broker-dealer provides a fair value for a fixed maturity security, we use that estimate. In instances where we can obtain fair value estimates from more than one broker-dealer, we would review the range of estimates and would select the most appropriate value based on the facts and circumstances. Should neither the independent pricing service nor a broker-dealer provide a fair value estimate, we would develop a fair value estimate based on cash flow analyses and other valuation techniques that utilize certain unobservable inputs. Accordingly, we would classify such a security as a Level 3 investment.

The fair value estimates of our investments provided by the independent pricing service at September 30, 2023 and December 31, 2022, respectively, were utilized, among other resources, in reaching a conclusion as to the fair value of our investments.

Our investment manager reviews the reasonableness of the pricing provided by the vendors they use and have pricing policy and procedures that are SSAE audited. Each month-end, they review 1) securities priced beyond a specific tolerance % from the prior month-end, 2) securities priced beyond a specific tolerance % from the prior two month-ends, 3) securities with valuations resulting in negative yields, and 4) securities deemed as outliers. Our investment manager reviews the aforementioned securities either to affirm that the valuations are appropriate or determine that a change to a different approved vendor is more appropriate based on current market information. The classification within the fair value hierarchy of Accounting Standards Codification (ASC) Topic 820, Fair Value Measurement, is then confirmed based on the final conclusions from the pricing review. On a quarterly basis, our investment manager provides a Price Validation report that measures the variance between trades our investment manager executed during the quarter and the vendor's pricing. Management reviews the Price Validation report from the investment manager quarterly to check the reasonableness of the investment managers vendor pricing procedures.

Deferred Policy Acquisition Costs

Certain acquisition costs consisting of direct and ceded commissions, premium taxes and certain other direct underwriting expenses that vary with and are primarily related to the production of business are deferred and amortized over the effective period of the related insurance policies as the underlying policy premiums are earned. At September 30, 2023 and December 31, 2022, deferred acquisition costs and the related unearned premium reserves were as follows:

(In thousands)	September 30, 2023	December 31, 2022
Deferred acquisition costs, net	\$ 8,347	\$ 7,167
Unearned premium reserves, net	45,220	39,579

The method followed in computing deferred acquisition costs limits the amount of deferred costs to their estimated realizable value, which gives effect to the premium to be earned, related investment income, loss and loss adjustment expenses, and certain other costs expected to be incurred as the premium is earned. Future changes in estimates, the most significant of which is expected loss and loss adjustment expenses, may require adjustments to deferred policy acquisition costs. If the estimation of net realizable value indicates that the deferred acquisition costs are not recoverable, they would be written off.

Income Taxes

We use the asset and liability method of accounting for income taxes. Deferred income taxes arise from the recognition of temporary differences between financial statement carrying amounts and the tax bases of our assets and liabilities. A valuation allowance is provided when it is more likely than not that some portion of the deferred tax asset will not be realized. The effect of a change in tax rates is recognized in the period of the enactment date.

[Table of Contents](#)

We exercise significant judgment in evaluating the amount and timing of recognition of the resulting tax liabilities and assets. These judgments require us to make projections of future taxable income. The judgments and estimates we make in determining our deferred tax assets, which are inherently subjective, are reviewed on a continual basis as regulatory and business factors change. Any reduction in estimated future taxable income may require us to record an additional valuation allowance against our deferred tax assets.

As of September 30, 2023 and December 31, 2022, we had no material unrecognized tax benefits or accrued interest and penalties. Federal tax years 2020 through the current year are open for examination.

Other Assets

As of September 30, 2023 and December 31, 2022, other assets totaled \$1,369,000 and \$1,277,000, respectively.

Outstanding Debt

The Company had \$15,000,000 in outstanding debt, as of September 30, 2023 and December 31, 2022.

The Company also has borrowing capacity of \$44.3 million with the Federal Home Loan Bank of Chicago (FHLBC), which is 25% of net admitted statutory assets of Illinois Casualty Company as of the prior year-end. As of September 30, 2023, the Company has used \$15.0 million of that capacity.

As part of the Company's response to COVID-19, the Company obtained, in March 2020, a \$6.0 million loan from the FHLBC as a precautionary measure to increase its cash position, to provide increased liquidity, and to compensate for potential reductions in premium receivable collections. The term of the loan is five years bearing interest at 1.4%. The Company pledged \$6.8 million of fixed income securities as collateral for this loan.

In May 2021, the Company entered into a \$4.0 million, 0.74% fixed interest, five-year FHLBC loan.

In May 2022, the Company entered into a \$5.0 million, 1.36%, fixed interest, five-year FHLBC loan.

The Company has \$17.7 million in bonds pledged as collateral for all FHLBC loans.

Revolving Line of Credit

We increased our revolving line of credit with a commercial bank from \$2.0 million to \$4.0 million in July 2022. As of September 30, 2023, the balance on the line of credit was \$0. As of July 5, 2023, this line of credit is priced at prime plus 0.5% with a floor of 6.00% and renews annually with a current expiration date of July 5, 2024. The Company pledged \$4.0 million of business assets in the event the Company draws down on the line of credit. This agreement includes an annually calculated financial debt covenant requiring a minimum total adjusted capital of \$21.0 million. Total adjusted capital is the sum of an insurer's statutory capital and surplus as determined in accordance with the statutory accounting applicable to the annual financial statements required to be filed with Illinois Department of Insurance. As of September 30, 2023, our total adjusted capital is approximately \$59.9 million. There was no interest paid on the line of credit during the nine months ended September 30, 2023 and 2022.

Other Liabilities

As of September 30, 2023 and December 31, 2022, other liabilities totaled \$880,000 and \$1,103,000, respectively.

ESOP

In connection with our conversion and public offering, the ESOP financed the purchase of 10.0% of the common stock issued in the offering for \$3,500,000 with the proceeds of a loan from ICC prior to the expiration of the offering. ICC makes annual contributions to the ESOP sufficient to repay that loan. See *Note 8 – Employee Benefits* of this Form 10-Q as well as the “Management — Benefit Plans and Employment Agreements —Employee Stock Ownership Plan” section of the Company’s Annual Report on Form 10-K for the year ended December 31, 2022.

Stock-based Incentive Plan

Under the ICC Holdings, Inc. 2016 Equity Incentive Plan, we reserved for issuance a total of 490,000 shares of common stock. Of this amount, 350,000 shares of common stock may be granted in the form of restricted stock and stock-settled restricted stock unit awards, and 140,000 shares of common stock may be granted in the form of stock options under the stock-based incentive plan. The grant-date fair value of any common stock used for restricted stock and restricted stock unit awards will represent unearned compensation. As we accrue compensation expense to reflect the vesting of such shares, unearned compensation will be reduced accordingly. We compute compensation expense at the time stock units are awarded based on the fair value of such options on the date they are granted. This compensation expense is recognized over the appropriate service period. Restricted stock units (RSUs) have been granted every year since 2018 and most recently in April 2023. The RSUs vest one third over three years from the first anniversary of the date of grant. See *Note 8 – Employee Benefits* of this Form 10-Q as well as the “Management — Benefit Plans and Employment Agreements” section of the Company’s 2022 Annual Report on Form 10-K.

Liquidity and Capital Resources

We generate sufficient funds from our operations and maintain a high degree of liquidity in our investment portfolio to meet the demands of claim settlements and operating expenses. The primary sources of funds are premium collections, investment earnings and maturing investments. We participate in the Insured Cash Sweep (ICS) with our local bank, which maintains our operating accounts. ICS ensures that our funds are spread throughout the ICS network and no balance is higher than \$250,000 each night so that all our funds are fully insured.

The increase in cash provided by operating activities of \$2.3 million during the nine months ended September 30, 2023 compared to the same period in 2022 was due to increases in Loss and Settlement Expense Reserves and Unearned Premiums.

We maintain investment and reinsurance programs that are intended to provide sufficient funds to meet our obligations without forced sales of investments. We maintain a portion of our investment portfolio in relatively short-term and highly liquid assets to ensure the availability of funds.

In addition to the investment and reinsurance programs mentioned, we have access to cash via the Federal Home Loan Bank of Chicago of \$44.3 million. We have drawn down \$15.0 million as of September 30, 2023. We also have a \$4.0 million line of credit with a local financial institution. As of September 30, 2023, our balance on the line of credit was \$0.

As of September 30, 2023, we have cash and other investments maturing within one year of \$15.1 million and an additional \$37.8 million maturing between one and five years.

We believe that over the next twelve to twenty-four months our cash generated from operations and investments will provide sufficient sources of liquidity to meet our needs. In the event they are not sufficient, we believe our cash available from financing activities will be sufficient to cover our cash flow needs.

Cash flows from continuing operations for the nine months ended September 30, 2023 and 2022 were as follows:

(In thousands)	Nine-Months Ended September 30,	
	2023	2022
Net cash provided by operating activities	\$ 10,622	\$ 8,351
Net cash used in investing activities	(10,701)	(3,752)
Net cash used in financing activities	(396)	(5,925)
Net decrease in cash and cash equivalents	<u>(475)</u>	<u>(1,326)</u>

ICC Holdings, Inc.’s principal source of liquidity is dividend payments and other fees received from ICC, Beverage Insurance Agency Inc., and ICC Realty, LLC. ICC is restricted by the insurance laws of Illinois as to the amount of dividends or other distributions it may pay to us. Under Illinois law, there is a maximum amount that may be paid by ICC during any twelve-month period. ICC may pay dividends to us after notice to, but without prior approval of the Illinois Department of Insurance in an amount “not to exceed” the greater of (i) 10% of the surplus as regards policyholders of ICC as reported on its most recent annual statement filed with the Illinois Department of Insurance, or (ii) the statutory net income of ICC for the period covered by such annual statement. Dividends in excess of this amount are considered “extraordinary” and are subject to the approval of the Illinois Department of Insurance.

The amount available for payment of dividends from ICC in 2023 without the prior approval of the Illinois Department of Insurance is approximately \$6.0 million based upon the insurance company’s 2022 annual statement. Prior to its payment of any dividend, ICC is required to provide notice of the dividend to the Illinois Department of Insurance. This notice must be provided to the Illinois Department of Insurance 30 days prior to the payment of an extraordinary dividend and 10 days prior to the payment of an ordinary dividend. The Illinois Department of Insurance has the power to limit or prohibit dividend payments if ICC is in violation of any law or regulation. These restrictions or any subsequently imposed restrictions may affect our future liquidity. ICC paid \$1.3 million and \$3.0 million in dividends to ICC Holdings, Inc. in the first nine months of 2023 and 2022, respectively.

The actual timing of gross loss and loss adjustment expense payments is unknown. Loss and loss adjustment expense reserves are based on our best estimates. We base our estimates on historical experience, complex and subjective judgements, and insurance market trends. Actual losses and settlement expenses paid may differ significantly from the reserve estimates in our financial statements.

Item 3. Quantitative and Qualitative Information about Market Risk

Market Risk

Market risk is the risk that we will incur losses due to adverse changes in the fair value of financial instruments. We have exposure to three principal types of market risk through our investment activities: interest rate risk, credit risk and equity risk. Our primary market risk exposure is to changes in interest rates. We have not entered, and do not plan to enter, into any derivative financial instruments for hedging, trading, or speculative purposes.

Interest Rate Risk

Interest rate risk is the risk that we will incur economic losses due to adverse changes in interest rates. Our exposure to interest rate changes primarily results from our significant holdings of fixed rate investments. Fluctuations in interest rates have a direct impact on the fair value of these securities.

The average maturity of the debt securities in our investment portfolio was 8.6 and 8.8 years as of September 30, 2023 and 2022, respectively. Our debt securities investments include U.S. government bonds, securities issued by government agencies, obligations of state and local governments and governmental authorities, and corporate bonds, most of which are exposed to changes in prevailing interest rates, and which may experience moderate fluctuations in fair value resulting from changes in interest rates. We carry these investments as available-for-sale. This allows us to manage our exposure to risks associated with interest rate fluctuations through active review of our investment portfolio by our management and board of directors and consultation with our third-party investment manager.

Fluctuations in near-term interest rates could have an impact on the results of operations and cash flows. Certain of these securities may have call features. In a declining interest rate environment these securities may be called by their issuer and replaced with securities bearing lower interest rates. If we are required to sell these securities in a rising interest rate environment, we may recognize losses.

As a general matter, we attempt to match the durations of our assets with the durations of our liabilities. Our investment objectives include maintaining adequate liquidity to meet our operational needs, optimizing our after-tax investment income, and our after-tax total return, all of which are subject to our tolerance for risk.

The table below shows the interest rate sensitivity of our fixed maturity investments measured in terms of fair value (which is equal to the carrying value for all our investment securities that are subject to interest rate changes):

Hypothetical Change in Interest Rates (In thousands)	September 30, 2023	
	Estimated Change in Fair Value	Fair Value
200 basis point increase	\$ (9,742)	\$ 89,358
100 basis point increase	(5,084)	94,016
No change	—	99,100
100 basis point decrease ¹	5,520	104,620
200 basis point decrease ¹	11,406	110,506

¹Assumes US rates are floored at 0%.

Credit Risk

Credit risk is the potential economic loss principally arising from adverse changes in the financial condition of a specific debt issuer. We address this risk by investing primarily in fixed maturity securities that are rated investment grade and at least 70% of our investment securities must be rated at least "A" by Moody's or an equivalent rating quality. We also independently, and through our independent third-party investment manager, monitor the financial condition of all the issuers of fixed maturity securities in the portfolio. To limit our exposure to risk, we employ diversification rules that limit the credit exposure to any single issuer or asset class.

Equity Risk

Equity price risk is the risk that we will incur economic losses due to adverse changes in equity prices.

Item 4. Controls and Procedures

A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected.

Disclosure Controls and Procedures

The Company maintains disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act") that are designed to ensure that required information is recorded, processed, summarized, and reported within the required timeframe as specified in the SEC's rules and forms. Our disclosure controls and procedures are also designed to ensure that information required to be disclosed is accumulated and communicated to the Company's management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

In connection with the preparation of this Quarterly Report on Form 10-Q, we carried out an evaluation under the supervision of and with the participation of management, including the Chief Executive Officer and the Chief Financial Officer, as of September 30, 2023, of the effectiveness of the design and operation of our disclosure controls and procedures. Based upon this evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that as of September 30, 2023, our disclosure controls and procedures were effective.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) of the Exchange Act) identified during the third quarter of 2023 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II — OTHER INFORMATION

Item 1. Legal Proceedings

There were no material changes to report.

Item 1A. Risk Factors

A description of the risks associated with our business, financial conditions and results of operations is set forth in Item 1A of our Annual Report on Form 10-K for the fiscal year ended December 31, 2022.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

The following table summarizes repurchases of common stock pursuant to share repurchase programs authorized by the Board of Directors.

Purchases of Equity Securities

Period	(a) Total number of shares (or units) purchased	(b) Average price paid per share (or unit)	(c) Total number of shares (or units) purchased as part of publicly announced plans or programs	(d) Maximum number (or approximate dollar value) of shares (or units) that may be purchased under the plans or programs (1)
July 1 – July 31, 2023	3,600	\$ 16.49	3,600	\$ 4,726,183
August 1 – August 31, 2023	3,400	\$ 16.28	3,400	\$ 4,670,831
September 1 – September 30, 2023	865	\$ 15.95	865	\$ 4,657,034
Total	<u>7,865</u>	<u>\$ 16.34</u>	<u>7,865</u>	<u>\$ 4,657,034</u>

(1) In December 2022, the Company announced the establishment of a \$5.0 million share repurchase program with no expiration date. The authorization is in addition to the existing share repurchase program authorized in August 2018.

Item 3. Default Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

During the quarter ended September 30, 2023, none of our directors or officers (as defined in Section 16 of the Securities Exchange Act of 1934, as amended) adopted or terminated a "Rule 10b5-1 trading arrangement" or a "non-Rule 10b5-1 trading arrangement: (each as defined in Item 408(a) and (c) of Regulation S-K).

Item 6. Exhibits

Exhibit Number	Description
3.1	Form of Amended and Restated Articles of Incorporation of ICC Holdings, Inc. (incorporated by reference to Exhibit 3.1 to Amendment No. 2 to the Registrant's Registration Statement on Form S-1 (File No. 333-214081) filed on December 23, 2016)
3.2	Form of Amended and Restated Bylaws of ICC Holdings, Inc. (incorporated by reference to Exhibit 3.2 to Amendment No. 2 to the Registrant's Registration Statement on Form S-1 (File No. 333-214081) filed on December 23, 2016)
31.1	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101	Inline XBRL (iXBRL) Documents attached as Exhibit 101
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on November 14, 2023.

ICC HOLDINGS, INC.

By: /s/ Arron K. Sutherland
Arron K. Sutherland
President, Chief Executive Officer and Director
(Principal Executive Officer)

By: /s/ Michael R. Smith
Michael R. Smith
Chief Financial Officer
(Principal Financial and Accounting Officer)

CHIEF EXECUTIVE OFFICER'S 302 CERTIFICATION

I, Arron K. Sutherland, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of ICC Holdings, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 14, 2023

/s/ Arron K. Sutherland

Arron K. Sutherland

Chief Executive Officer

(principal executive officer)

CHIEF FINANCIAL OFFICER'S 302 CERTIFICATION

I, Michael R. Smith, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of ICC Holdings, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 14, 2023

/s/ Michael R. Smith

Michael R. Smith

Chief Financial Officer

(principal financial officer)

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of ICC Holdings, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Arron K. Sutherland, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 14, 2023

/s/Arron K. Sutherland

Arron K. Sutherland
Chief Executive Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of ICC Holdings, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michael R. Smith, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 14, 2023

/s/ Michael R. Smith

Michael R. Smith
Chief Financial Officer