REFINITIV

DELTA REPORT

10-Q

MCY - MERCURY GENERAL CORP

10-Q - MARCH 31, 2024 COMPARED TO 10-Q - SEPTEMBER 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS	921
CHANGES	340
DELETIONS	363
ADDITIONS	218

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 March 31, 2024

OR

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

For the transition period from ___________ to ___________

Commission File No. 001-12257

MERCURY GENERAL CORPORATION

(Exact name of registrant as specified in its charter)

California	**95-2211612**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
4484 Wilshire Boulevard	
Los Angeles, California	**90010**
(Address of principal executive offices)	**(Zip Code)**

Registrant's telephone number, including area code: (323) 937-1060

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	MCY	New York Stock Exchange

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	☒	Accelerated filer	☐
Non-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 the Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

At October 26, 2023 April 25, 2024, the registrant had issued and outstanding an aggregate of 55,371,127 shares of its Common Stock.

MERCURY GENERAL CORPORATION
INDEX TO FORM 10-Q

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

MERCURY GENERAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in thousands)

		September 30, 2023	December 31, 2022		
March 31, 2024				March 31, 2024	December 31, 2023
		(unaudited)		(unaudited)	
ASSETS	ASSETS				
Investments, at fair value:	Investments, at fair value:				
Fixed maturity securities (amortized cost $4,306,573; $4,226,790)		$4,114,657	$4,088,311		
Equity securities (cost $679,105; $668,843)		670,993	699,552		
Short-term investments (cost $212,715; $123,928)		211,778	122,937		

Investments, at fair value:			
Investments, at fair value:			
Fixed maturity securities (amortized cost $4,574,492; $4,394,983)			
Fixed maturity securities (amortized cost $4,574,492; $4,394,983)			
Fixed maturity securities (amortized cost $4,574,492; $4,394,983)			
Equity securities (cost $690,856; $654,939)			
Short-term investments (cost $163,454; $179,375)			
Total investments	Total investments	4,997,428	4,910,800
Cash	Cash	453,936	289,776
Receivables:	Receivables:		
Premiums			
Premiums			
Premiums	Premiums	624,953	571,910
Allowance for credit losses on premiums receivable	Allowance for credit losses on premiums receivable	(5,200)	(5,800)
Premiums receivable, net of allowance for credit losses	Premiums receivable, net of allowance for credit losses	619,753	566,110
Accrued investment income	Accrued investment income	58,273	52,474
Other	Other	18,262	11,358
Total receivables	Total receivables	696,288	629,942
Reinsurance recoverables (net of allowance for credit losses $6; $0)		26,446	25,895
Reinsurance recoverables (net of allowance for credit losses $0; $12)			
Deferred policy acquisition costs	Deferred policy acquisition costs	296,572	266,475
Fixed assets (net of accumulated depreciation $314,718; $332,938)		148,668	171,442
Fixed assets (net of accumulated depreciation $330,764; $322,729)			
Operating lease right-of-use assets	Operating lease right-of-use assets	17,843	20,183
Current income taxes	Current income taxes	75,279	55,136
Deferred income taxes	Deferred income taxes	66,156	42,903
Goodwill	Goodwill	42,796	42,796
Other intangible assets, net	Other intangible assets, net	8,553	9,212
Other assets	Other assets	92,273	49,628
Total assets	Total assets	$6,922,238	$6,514,188

LIABILITIES AND SHAREHOLDERS' EQUITY	LIABILITIES AND SHAREHOLDERS' EQUITY			
Loss and loss adjustment expense reserves	Loss and loss adjustment expense reserves	$2,723,776	$2,584,910	
Loss and loss adjustment expense reserves				
Loss and loss adjustment expense reserves				
Unearned premiums	Unearned premiums	1,748,554	1,545,639	
Notes payable	Notes payable	573,629	398,330	
Accounts payable and accrued expenses	Accounts payable and accrued expenses	166,750	151,686	
Operating lease liabilities	Operating lease liabilities	19,047	21,924	
Current income taxes				
Other liabilities	Other liabilities	316,150	289,568	
Total liabilities	Total liabilities	5,547,906	4,992,057	
Commitments and contingencies	Commitments and contingencies			Commitments and contingencies
Shareholders' equity:	Shareholders' equity:			
Common stock without par value or stated value: Authorized 70,000 shares; issued and outstanding 55,371; 55,371	Common stock without par value or stated value: Authorized 70,000 shares; issued and outstanding 55,371; 55,371	98,947	98,947	
Common stock without par value or stated value: Authorized 70,000 shares; issued and outstanding 55,371; 55,371				
Common stock without par value or stated value: Authorized 70,000 shares; issued and outstanding 55,371; 55,371				
Retained earnings	Retained earnings	1,275,385	1,423,184	
Total shareholders' equity	Total shareholders' equity	1,374,332	1,522,131	
Total liabilities and shareholders' equity	Total liabilities and shareholders' equity	$6,922,238	$6,514,188	

See accompanying Notes to Consolidated Financial Statements.

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MERCURY GENERAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share data)
(unaudited)

		Three Months Ended September 30,		Nine Months Ended September 30,	
		2023	2022	2023	2022
Revenues:	Revenues:				

Revenues:					
Revenues:					
Net premiums earned					
Net premiums earned					
Net premiums earned	Net premiums earned	$ 1,090,311	$ 996,939	$ 3,129,483	$ 2,947,000
Net investment income	Net investment income	60,965	44,563	171,287	118,469
Net realized investment losses		(90,001)	(144,213)	(60,772)	(581,237)
Net investment income					
Net investment income					
Net realized investment gains					
Net realized investment gains					
Net realized investment gains					
Other					
Other					
Other	Other	3,917	2,998	15,000	7,141
Total revenues	Total revenues	1,065,192	900,287	3,254,998	2,491,373
Total revenues					
Total revenues					
Expenses:					
Expenses:					
Expenses:	Expenses:				
Losses and loss adjustment expenses	Losses and loss adjustment expenses	823,742	787,462	2,651,081	2,436,175
Losses and loss adjustment expenses					
Losses and loss adjustment expenses					
Policy acquisition costs					
Policy acquisition costs					
Policy acquisition costs	Policy acquisition costs	181,569	168,870	518,813	487,444
Other operating expenses	Other operating expenses	69,192	68,585	207,223	208,305
Other operating expenses					
Other operating expenses					
Interest					
Interest					
Interest	Interest	5,918	4,273	16,398	12,822
Total expenses	Total expenses	1,080,421	1,029,190	3,393,515	3,144,746
Loss before income taxes		(15,229)	(128,903)	(138,517)	(653,373)
Income tax benefit		(7,002)	(30,600)	(43,459)	(147,471)
Net loss		$ (8,227)	$ (98,303)	$ (95,058)	$ (505,902)
Net loss per share:					
Total expenses					
Total expenses					
Income (loss) before income taxes					
Income (loss) before income taxes					
Income (loss) before income taxes					
Income tax expense (benefit)					
Income tax expense (benefit)					
Income tax expense (benefit)					

Net income (loss)					
Net income (loss)					
Net income (loss)					
Net income (loss) per share:					
Net income (loss) per share:					
Net income (loss) per share:					
Basic					
Basic					
Basic	Basic	$ (0.15)	$ (1.78)	$ (1.72)	$ (9.14)
Diluted	Diluted	$ (0.15)	$ (1.78)	$ (1.72)	$ (9.14)
Diluted					
Diluted					
Weighted average shares outstanding:					
Weighted average shares outstanding:					
Weighted average shares outstanding:	Weighted average shares outstanding:				
Basic	Basic	55,371	55,371	55,371	55,371
Basic					
Basic					
Diluted	Diluted	55,371	55,371	55,371	55,371
Diluted					
Diluted					

See accompanying Notes to Consolidated Financial Statements.

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MERCURY GENERAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(in thousands)
(unaudited)

		Three Months Ended September 30,		Nine Months Ended September 30,	
		2023	2022	2023	2022
Common stock, beginning of period	Common stock, beginning of period	$ 98,947	$ 98,947	$ 98,947	$ 98,943
Share-based compensation expense		—	—	—	15
Withholding tax on stock options exercised		—	—	—	(11)
Common stock, beginning of period					
Common stock, beginning of period					
Common stock, end of period					
Common stock, end of period					
Common stock, end of period	Common stock, end of period	98,947	98,947	98,947	98,947
Retained earnings, beginning of period	Retained earnings, beginning of period	1,301,192	1,563,418	1,423,184	2,041,338
Net loss		(8,227)	(98,303)	(95,058)	(505,902)
Retained earnings, beginning of period					
Retained earnings, beginning of period					
Net income (loss)					

Net income (loss)					
Net income (loss)					
Dividends paid to shareholders					
Dividends paid to shareholders					
Dividends paid to shareholders	Dividends paid to shareholders	(17,580)	(17,581)	(52,741)	(87,902)
Retained earnings, end of period	Retained earnings, end of period	1,275,385	1,447,534	1,275,385	1,447,534
Retained earnings, end of period					
Retained earnings, end of period					
Total shareholders' equity, end of period	Total shareholders' equity, end of period	$ 1,374,332	$ 1,546,481	$ 1,374,332	$ 1,546,481
Total shareholders' equity, end of period					
Total shareholders' equity, end of period					

See accompanying Notes to Consolidated Financial Statements.

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MERCURY GENERAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

		Nine Months Ended September 30,		Three Months Ended March 31,	
		2023	2022	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES	CASH FLOWS FROM OPERATING ACTIVITIES				
Net loss		$ (95,058)	$ (505,902)		
Net income (loss)					
Net income (loss)					
Net income (loss)					
Adjustments to reconcile net income to net cash provided by operating activities:	Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	Depreciation and amortization	54,154	64,647		
Net realized investment losses		60,772	581,237		
Net (gains) losses on sales of fixed assets		(5,857)	85		
Increase in premiums receivable		(53,643)	(25,202)		
(Increase) decrease in reinsurance recoverables		(551)	19,691		
Depreciation and amortization					
Depreciation and amortization					
Net realized investment gains					

Net losses on sales of fixed assets			
(Increase) decrease in premiums receivable			
Decrease (increase) in reinsurance recoverables			
Changes in current and deferred income taxes	Changes in current and deferred income taxes	(43,396)	(147,595)
Increase in deferred policy acquisition costs		(30,097)	(21,467)
(Increase) decrease in deferred policy acquisition costs			
Increase in loss and loss adjustment expense reserves	Increase in loss and loss adjustment expense reserves	138,866	206,304
Increase in unearned premiums	Increase in unearned premiums	202,915	115,660
Increase (decrease) in accounts payable and accrued expenses		16,088	(11,708)
Increase in accounts payable and accrued expenses			
Other, net	Other, net	(16,540)	9,121
Net cash provided by operating activities	Net cash provided by operating activities	227,653	284,871
CASH FLOWS FROM INVESTING ACTIVITIES	CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed maturity securities available for sale in nature:	Fixed maturity securities available for sale in nature:		
Fixed maturity securities available for sale in nature:			
Fixed maturity securities available for sale in nature:			
Purchases			
Purchases			
Purchases	Purchases	(459,389)	(1,299,431)

Sales	Sales	160,115	621,519
Calls or maturities	Calls or maturities	184,038	388,421
Equity securities available for sale in nature:	Equity securities available for sale in nature:		
Purchases	Purchases	(970,935)	(755,838)
Purchases			
Purchases			
Sales	Sales	987,078	843,283
Calls			
Changes in securities payable and receivable	Changes in securities payable and receivable	(12,844)	(11,303)
(Increase) decrease in short-term investments		(81,991)	39,634
Decrease (increase) in short-term investments			
Purchases of fixed assets	Purchases of fixed assets	(26,985)	(25,589)
Sales of fixed assets	Sales of fixed assets	29,873	3
Other, net	Other, net	6,143	3,808
Net cash used in investing activities	Net cash used in investing activities	(184,897)	(195,493)
CASH FLOWS FROM FINANCING ACTIVITIES	CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid to shareholders	Dividends paid to shareholders	(52,741)	(87,902)
Dividends paid to shareholders			
Dividends paid to shareholders			
Payments on finance lease obligations	Payments on finance lease obligations	(855)	(1,147)
Proceeds from bank borrowing	Proceeds from bank borrowing	175,000	—
Net cash provided by (used in) financing activities		121,404	(89,049)
Net increase in cash		164,160	329
Net cash (used in) provided by financing activities			
Net decrease in cash			
Cash:	Cash:		
Beginning of the year			
Beginning of the year			
Beginning of the year	Beginning of the year	289,776	335,557

End of period	End of period	$453,936	$ 335,886
SUPPLEMENTAL CASH FLOW DISCLOSURE	SUPPLEMENTAL CASH FLOW DISCLOSURE		
Interest paid	Interest paid	$ 19,534	$ 16,612
Income taxes (refunded) paid, net		$ (64)	$ 179
Interest paid			
Interest paid			
Income taxes paid, net			

See accompanying Notes to Consolidated Financial Statements.

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MERCURY GENERAL CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

1. General

Consolidation and Basis of Presentation

The interim consolidated financial statements include the accounts of Mercury General Corporation and its subsidiaries (referred to herein collectively as the “Company”). For the list of the Company’s subsidiaries, see Note 1. Summary of Significant Accounting Policies of the Notes to Consolidated Financial Statements in the Company’s Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023. These interim financial statements have been prepared in conformity with U.S. generally accepted accounting principles (“GAAP”), which differ in some respects from those filed in reports to insurance regulatory authorities. The financial data of the Company included herein are unaudited. In the opinion of management, all material adjustments of a normal recurring nature have been made to present fairly the Company's financial position at September 30, 2023 March 31, 2024 and the results of operations and cash flows for the periods presented. All intercompany transactions and balances have been eliminated.

Certain financial information that is normally included in annual financial statements prepared in accordance with GAAP, but that is not required for interim reporting purposes, has been omitted from the accompanying interim consolidated financial statements and related notes. Readers are urged to review the Company’s Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023 for more complete descriptions and discussions. Operating results and cash flows for the nine three months ended September 30, 2023 March 31, 2024 are not necessarily indicative of the results that may be expected for the year ending December 31, 2023 December 31, 2024.

Certain prior period amounts have been reclassified to conform to the current period presentation.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. These estimates require the Company to apply complex assumptions and judgments, and often the Company must make estimates about the effects of matters that are inherently uncertain and will likely change in subsequent periods. The most significant assumptions in the preparation of these consolidated financial statements relate to reserves for losses and loss adjustment expenses ("LAE"). Actual results could differ from those estimates. See Note 1. Summary of Significant Accounting Policies of the Notes to Consolidated Financial Statements in the Company’s Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023.

Earnings (Loss) per Share

Potentially There were no potentially dilutive securities representing 17,500 shares of common stock were excluded from the computation of diluted loss per share with anti-dilutive effect for the three and nine months ended September 30, 2023, because their effect would have been anti-dilutive. March 31, 2024. Potentially dilutive securities representing 17,500 shares of common stock were excluded from the computation of diluted loss per share for the three months ended September 30, 2022 March 31, 2023, because their effect would have been anti-dilutive. For the nine months ended September 30, 2022, 1,294 incremental shares were excluded from the computation of diluted loss per share as the Company generated a net loss.

Dividends per Share

The Company declared and paid a dividend per share of $0.3175 during each of the three months three-month periods ended September 30, 2023 March 31, 2024 and 2022, and dividends per share of $0.9525 and $1.5875 during the nine months ended September 30, 2023 and 2022, respectively. 2023.

Deferred Policy Acquisition Costs

Deferred policy acquisition costs consist of commissions paid to outside agents, premium taxes, salaries, and certain other underwriting costs that are incremental or directly related to the successful acquisition of new and renewal insurance contracts and are amortized over the life of the related policy in proportion to premiums earned. Deferred policy acquisition costs are limited to the amount that will remain after deducting from unearned premiums and anticipated investment income, the estimated losses and loss adjustment expenses, and the servicing costs that will be incurred as premiums are earned. The Company’s deferred policy acquisition costs are further limited by excluding those costs not directly related to the successful acquisition of insurance contracts. Deferred policy acquisition cost amortization was $181.6 million $196.0 million and $168.9 million $164.5 million for the three months ended September 30, 2023 March 31, 2024 and 2022, respectively, and $518.8 million and $487.4 million for the nine months ended September 30, 2023 and 2022, 2023, respectively. The Company does not defer advertising expenditures but expenses them as incurred. The Company recorded net advertising expense of approximately $2.4 million $3.3 million and $2.3 million $1.9 million for the three months ended September 30, 2023 March 31, 2024 and 2022, respectively, and $6.6 million and $10.0 million for the nine months ended September 30, 2023 and 2022, 2023, respectively.

Fixed Assets

A fixed asset classified as held for sale is measured at the lower of its carrying amount or fair value less cost to sell, and is presented separately from other fixed assets. An office building located in Clearwater, Florida was initially classified as a property held for sale at December 31, 2022, and $20.2 million of the property held for sale, which represented the fair value of the property less the estimated costs to sell, was included in other assets in the Company's consolidated balance sheets on that date. The Company completed the sale of this property on March 31, 2023 for a total sale price of $19.6 million, and recognized a loss of $1.8 million associated with the sale, which is included in other revenues in the Company's consolidated statements of operations for the nine months ended September 30, 2023. $9.8 million of the total sale price was received in the form of a promissory note (the "Note"). $8.5 million of the sale price, after settlement of selling expenses and outstanding amounts due on the property, was received in cash. Only the cash received on the sale of the property is included in the Company's consolidated statements of cash flows for the nine months ended September 30, 2023. The Note is secured by the property sold, and bears interest at an annual rate of 7.0% for the first two years, with an adjustment to the greater of 7.0% or the rate on a one-year U.S. Treasury Bill at the two-year anniversary for the remainder of the term. The term of the Note is four years and interest is paid in monthly installments. In connection with the sale of the property, the Company entered into a lease agreement whereby the Company leased 14,883 square feet of office space, or approximately 9% of the total space of the property sold, from the new owner of the property. The lease term is five years, commencing on April 1, 2023, and the average annual base rent is approximately $0.4 million.

The Company completed the sale of an office building located in Rancho Cucamonga, California in May 2023 for a total sale price of $22.3 million, and recognized a gain of $7.9 million associated with the sale, which is included in other revenues in the Company's consolidated statements of operations for the nine months ended September 30, 2023. The Company received $21.4 million in cash, after settlement of selling expenses. In connection with the sale of the property, the Company entered into a lease agreement whereby the Company leased 6,000 square feet of office space, or approximately 5% of the total space of the property sold, from the new owner of the property. The lease term is two years, commencing on May 16, 2023, and the average annual base rent is approximately $0.2 million. This office building was initially classified as a property held for sale at March 31, 2023, and $13.6 million of the property held for sale, which represented the carrying amount of the property, was included in other assets in the Company's consolidated balance sheets on that date.

In addition, an office building located in Brea, California was classified as a property held for sale at September 30, 2023, and $10.7 million $10.8 million of the property held for sale, which represented the carrying amount of the property on that date, was included in other assets in the Company's consolidated balance sheets. sheets at March 31, 2024. The Company is actively engaged in selling this office building as most of its employees currently work from home and this property is being used on a limited basis.

Reinsurance

Unearned premiums and loss and loss adjustment expense reserves are stated in the accompanying consolidated financial statements before deductions for ceded reinsurance. Unearned premiums and loss and loss adjustment expense reserves that are ceded to reinsurers are carried in other assets and reinsurance recoverables, respectively, in the Company's consolidated balance sheets. Earned premiums and losses and loss adjustment expenses are stated net of deductions for ceded reinsurance.

The Company is the assuming reinsurer under a Catastrophe Participation Reinsurance Contract (the "Contract") effective through December 31, 2025. The Company reimburses up to $30 million in losses for a proportional share of a portfolio of catastrophe losses under the Contract, to the extent the actual loss ratio exceeds the threshold loss ratio of 73.5%. If the actual loss ratio is less than the threshold loss ratio, the Company is eligible to receive a certain portion of the underwriting profit.

The Company is party to a Catastrophe Reinsurance Treaty (the "Treaty") covering a wide range of perils that is effective through June 30, 2024. The Treaty provides $1,111 million of coverage on a per occurrence basis after covered catastrophe losses exceed the $100 million Company retention limit. limit and 95% of such losses between $100 million and $140 million are retained by the Company. The Treaty specifically excludes coverage for any Florida business and for California earthquake losses on fixed property policies, such as homeowners, but does cover losses from fires following an earthquake. The Treaty provides for one full reinstatement of coverage limits with a minor exception at certain upper layers of coverage, and includes some additional minor territorial and coverage restrictions.

The effect of reinsurance on property and casualty premiums written and earned was as follows:

	Three Months Ended March 31,
	Three Months Ended March 31,
	Three Months Ended March 31,

		2024				
		2024				
		2024				
		Three Months Ended September 30,		Nine Months Ended September 30,		
		2023	2022	2023	2022	
		(Amounts in thousands)				(Amounts in thousands)
Premiums Written	**Premiums Written**					
Direct	Direct	$1,230,024	$1,049,088	$3,374,477	$3,086,222	
Direct						
Direct						
Ceded						
Ceded						
Ceded	Ceded	(30,889)	(22,805)	(78,463)	(57,776)	
Assumed	Assumed	195	138	15,293	10,582	
Assumed						
Assumed						
Net						
Net						
Net	Net	$1,199,330	$1,026,421	$3,311,307	$3,039,028	
Premiums Earned	**Premiums Earned**					
Premiums Earned						
Premiums Earned						
Direct						
Direct						
Direct	Direct	$1,110,013	$1,009,829	$3,174,296	$2,974,651	
Ceded	Ceded	(30,917)	(22,825)	(78,114)	(57,383)	
Ceded						
Ceded						
Assumed						
Assumed						
Assumed	Assumed	3,883	2,684	11,630	8,142	
Net	Net	$1,082,979	$ 989,688	$3,107,812	$2,925,410	
Net						
Net						

The Company recognized ceded premiums earned of approximately $30.9 million $31.1 million and $22.8 million $23.2 million for the three months ended September 30, 2023 March 31, 2024 and 2022, respectively, and $78.1 million and $57.4 million for the nine months ended September 30, 2023 and 2022, 2023, respectively, which are included in net premiums earned in its consolidated statements of operations. The Company recognized ceded losses and loss adjustment expenses of approximately $(0.3) $(0.8) million and $(1.8) million $7.5 million for the three months ended September 30, 2023 March 31, 2024 and 2022, respectively, and $3.8 million and $(14.7) million for the nine months ended September 30, 2023 and 2022, 2023, respectively, which are included in losses and loss adjustment expenses in its consolidated statements of operations. The negative ceded losses and loss adjustment expenses for the three months ended September 30, 2023 and 2022 and nine months ended September 30, 2022 March 31, 2024 were primarily the result of favorable development on prior years' catastrophe losses that had been ceded to the Company's reinsurers.

The Company's insurance subsidiaries, as primary insurers, are required to pay losses to the extent reinsurers are unable to discharge their obligations under the reinsurance agreements.

Revenue from Contracts with Customers (Topic 606)

The Company's revenue from contracts with customers is commission income earned from third-party insurers by its 100% owned insurance agencies, which amounted to approximately $5.2 million $5.7 million and $4.5 million $4.8 million, with related expenses of $2.7 million $3.2 million and $2.5 million $2.9 million, for the three months ended

September 30, 2023 March 31, 2024 and 2022, respectively, and $15.0 million and $13.5 million, with related expenses of $8.2 million and $8.0 million, for the nine months ended September 30, 2023 and 2022, 2023, respectively. All of the commission income, net of related expenses, is included in other revenues in the Company's consolidated statements of operations, and in other income of the Property and Casualty business segment in the Company's segment reporting (see Note 13. Segment Information).

As of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, the Company had no contract assets and contract liabilities, and no remaining performance obligations associated with unrecognized revenues.

Allowance for Credit Losses

Financial Instruments - Credit Losses (Topic 326) uses the "expected loss" methodology for recognizing credit losses for financial assets that are not accounted for at fair value through net income. The Company's investment portfolio, excluding accrued investment income, was not affected by Topic 326 as it applies the fair value option to all of its investments. The estimated allowance amounts for credit losses at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 primarily related to premiums receivable.

Premiums Receivable

The majority of the Company's premiums receivable are short-term in nature and are due within a year, consistent with the policy term of its insurance policies sold. Generally, premiums are collected prior to providing risk coverage, minimizing the Company's exposure to credit risk. In estimating an allowance for uncollectible premiums receivable, the Company assesses customer balances and write-offs by state, line of business, and the year the premiums were written. The estimated allowance is

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based on historical write-off percentages adjusted for the effects of current trends and reasonable and supportable forecasts, as well as expected recoveries of amounts written off.

The following table presents a summary of changes in allowance for credit losses on premiums receivable:

		Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022	
		(Amounts in thousands)				(Amounts in thousands)
Beginning balance	Beginning balance	$ 5,400	$ 6,000	$ 5,800	$ 6,000	
Provision during the period for expected credit losses	Provision during the period for expected credit losses	537	1,153	2,005	3,330	
Provision during the period for expected credit losses						
Provision during the period for expected credit losses						
Write-off amounts during the period						
Write-off amounts during the period						
Write-off amounts during the period	Write-off amounts during the period	(863)	(1,311)	(3,010)	(3,798)	
Recoveries during the period of amounts previously written off	Recoveries during the period of amounts previously written off	126	158	405	468	
Recoveries during the period of amounts previously written off						
Recoveries during the period of amounts previously written off						
Ending balance	Ending balance	$ 5,200	$ 6,000	$ 5,200	$ 6,000	
Ending balance						
Ending balance						

Accrued Interest Receivables

The Company made certain accounting policy elections for its accrued interest receivables allowed under Topic 326: a) an election to present accrued interest receivable balances separately from the associated financial assets on the balance sheet, and b) an election not to measure an allowance for credit losses on accrued interest receivable amounts and instead write off uncollectible accrued interest amounts in a timely manner by reversing interest income. The Company's accrued interest receivable balances are included in accrued investment income receivable in its consolidated balance sheets. There were no accrued interest receivable amounts considered uncollectible or written off during the three and nine months ended September 30, 2023 March 31, 2024 and 2022. 2023.

2. Recently Issued Accounting Standards

In March 2020, 2024, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update (“ASU”) 2024-01, "Compensation-Stock Compensation (Topic 718): Scope Application of Profits Interest and Similar Awards." ASU 2024-01 is intended to improve GAAP by adding an illustrative example that includes four fact patterns to demonstrate how an entity should apply the scope guidance in paragraph 718-10-15-3 to determine whether a profits interest award should be accounted for in accordance with Topic 718. The fact patterns in the illustrative example focus on the scope conditions in paragraph 718-10-15-3. The illustrative example is intended to reduce (1) complexity in determining whether a profits interest award is subject to the guidance in Topic 718 and (2) existing diversity in practice. ASU 2024-01 will be effective for the Company in the annual and interim periods beginning January 1, 2025, though early adoption is permitted. The Company is currently evaluating the impact of this ASU on its consolidated financial statements and related disclosures.

In December 2023, the FASB issued ASU 2023-09, "Income Taxes (Topic 740): Improvements to Income Tax Disclosures." ASU 2023-09 is intended to enhance the transparency and decision usefulness of income tax disclosures. The amendments in ASU 2023-09 address investor requests for enhanced income tax information primarily through changes to the rate reconciliation and income taxes paid information. ASU 2023-09 will be effective for the Company in the annual period beginning January 1, 2025, though early adoption is permitted. The Company is evaluating the presentational effect that ASU 2023-09 will have on its consolidated financial statements and expects presentation changes to its note on income taxes.

In November 2023, the FASB issued ASU 2023-07, "Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures." The amendments in ASU 2023-07 improve financial reporting by requiring disclosure of incremental segment information, including significant segment expenses, on an annual and interim basis for all public entities to enable investors to develop more useful financial analyses. Currently, Topic 280 requires that a public entity disclose certain information about its reportable segments. For example, a public entity is required to report a measure of segment profit or loss that the Chief Operating Decision Maker (“CODM”) uses to assess segment performance and make decisions about allocating resources. Topic 280 also requires other specified segment information, such as depreciation, amortization and depletion expense amounts, to be disclosed under certain circumstances. The amendments in ASU 2023-07 do not change or remove those disclosure requirements. The amendments in ASU 2023-07 also do not change how a public entity identifies its operating segments, aggregates those operating segments, or applies the quantitative thresholds to determine its reportable segments. The amendments in ASU 2023-07 are effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. The Company is currently evaluating the impact of this ASU on its consolidated financial statements and related disclosures.

In March 2020, the FASB issued ASU 2020-04, *"Reference"Reference Rate Reform (Topic 848), : Facilitation of the Effects of Reference Rate Reform on Financial Reporting.*" ASU 2020-04 provides optional expedients and exceptions for applying GAAP to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met. The amendments in this ASU apply only to contracts, hedging relationships, and other transactions that reference LIBOR or other interbank offered rates expected to be discontinued because of reference rate reform. ASU 2020-04 was effective for all entities as of March 12, 2020 through December 31, 2022. In December 2022, the FASB issued ASU 2022-06, *"Reference"Reference Rate Reform (Topic 848), Deferral of the Sunset Date of Topic 848,,*" which defers the sunset date of Topic 848 from December 31, 2022 to December 31, 2024. The Company does not expect any material impact on its consolidated financial statements and related disclosures resulting from applying these ASUs.

3. Financial Instruments

Financial instruments recorded in the consolidated balance sheets include investments, note receivable, other receivables, options sold, accounts payable, and unsecured notes payable. Due to their short-term maturities, the carrying values of other receivables and accounts payable approximate their fair values. All investments are carried at fair value in the consolidated balance sheets.

The following table presents the fair values of financial instruments:

	September 30, 2023	December 31, 2022
	(Amounts in thousands)	
Assets		
Investments	$ 4,997,428	$ 4,910,800
Note receivable	9,888	—
Liabilities		
Options sold	512	162
Notes payable	549,539	375,631

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	March 31, 2024	December 31, 2023
	(Amounts in thousands)	
Assets		
Investments	$ 5,453,126	$ 5,228,520
Note receivable	9,818	9,974
Liabilities		
Options sold	1,928	1,955
Notes payable	560,618	557,710

Investments

Interest and dividend income on investment holdings are recognized on an accrual basis at each measurement date and are included in net investment income in the Company’s consolidated statements of operations. The cost of investments sold is determined on a first-in and first-out method and realized gains and losses are included in net realized investment gains or losses in the Company's consolidated statements of operations.

In the normal course of investing activities, the Company either forms or enters into relationships with variable interest entities ("VIEs"). A VIE is an entity that either has investors that lack certain essential characteristics of a controlling financial interest, such as simple majority kick-out rights, or lacks sufficient funds to finance its own activities without financial support provided by other entities. The Company performs ongoing qualitative assessments of the VIEs to determine whether the Company has a controlling financial interest in the VIE and therefore is the primary beneficiary. The Company is deemed to have a controlling financial interest when it has both the ability to direct the activities that most significantly impact the economic performance of the VIE and the obligation to absorb losses or right to receive benefits from the VIE that could potentially be significant to the VIE. Based on the Company's assessment, if it determines it is the primary beneficiary, the Company consolidates the VIE in its consolidated financial statements.

From time to time, the Company forms special purpose investment vehicles to facilitate its investment activities involving derivative instruments such as total return swaps, or limited partnerships such as private equity funds. These special purpose investment vehicles are consolidated VIEs as the Company has determined it is the primary beneficiary of such VIEs. Creditors have no recourse against the Company in the event of default by these VIEs. The Company had no implied or unfunded commitments to these VIEs at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023. The Company's financial or other support provided to these VIEs and its loss exposure are limited to its collateral and original investment.

The Company invests, directly or indirectly through its consolidated VIEs, in limited partnerships or limited liability companies such as private equity funds. These investments are non-consolidated VIEs as the Company has determined it is not the primary beneficiary of such VIEs. The Company's maximum exposure to loss with respect to these VIEs is limited to the total carrying value that is included in equity securities in the Company's consolidated balance sheets. At September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, the Company had approximately $8 million $7 million and $9 million $8 million, respectively, in unfunded commitments to these VIEs.

Note Receivable

Note receivable resulted from In March 2023, the Company completed the sale of an office building. For additional information, see building located in Clearwater, Florida, for a total sale price of approximately $19.6 million. $9.8 million of the total sale price was received in the form of a promissory note (the "Note") and the remainder in cash. The Note 1. General—Fixed Assets. is secured by the property sold, and bears interest at an annual rate of 7.0% for the first two years, with an adjustment to the greater of 7.0% or the rate on a one-year U.S. Treasury Bill at the two-year anniversary for the remainder of the term. The term of the Note is four years and interest is paid in monthly installments. Interest earned on the Note is recognized in other revenues in the Company's consolidated statements of operations. The Company elected to apply the fair value option to the Note at the time it was first recognized. The fair value of note receivable is included in other assets in the Company's consolidated balance sheets, and interest earned on while the changes in fair value of note receivable is recognized are included in other revenues net realized investment gains or losses in the Company's consolidated statements of operations.

Options Sold

The Company writes covered call options through listed and over-the-counter exchanges. When the Company writes an option, an amount equal to the premium received by the Company is recorded as a liability and is subsequently adjusted to the current fair value of the option written. Premiums received from writing options that expire unexercised are treated by the Company as realized gains from investments on the expiration date. If a call option is exercised, the premium is added to the proceeds from the sale of the underlying security or currency in determining whether the Company has realized a gain or loss. The Company, as writer of an option, bears the market risk of an unfavorable change in the price of the security underlying the written option. Liabilities for covered call options are included in other liabilities in the Company's consolidated balance sheets.

Notes Payable

The fair values of the Company’s publicly traded $375 million unsecured notes at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 and its $200 million and $25 million drawn under the unsecured credit facility at September 30, 2023 March 31, 2024 and December 31, 2022, respectively, December 31, 2023 were obtained from a third party pricing service.

For additional disclosures regarding methods and assumptions used in estimating fair values, see Note 5. Fair Value Measurements.

4. Fair Value Option

The Company applies the fair value option to all fixed maturity and equity investment securities, short-term investments,

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and note receivable. The primary reasons for electing the fair value option were simplification and cost-benefit considerations as well as the expansion of the use of fair value measurement by the Company consistent with the long-term measurement objectives of the FASB for accounting for financial instruments.

Gains or losses due to changes in fair value of financial instruments measured at fair value pursuant to application of the fair value option are included in net realized investment losses in the Company’s consolidated statements of operations.

The following table presents gains (losses) recognized due to changes in fair value of financial instruments pursuant to application of the fair value option:

		Three Months Ended September 30,		Nine Months Ended September 30,	
		2023	2022	2023	2022
			(Amounts in thousands)		
		(Amounts in thousands)			
		(Amounts in thousands)			
		(Amounts in thousands)			
Fixed maturity securities	Fixed maturity securities	$ (70,855)	$ (83,257)	$ (53,915)	$ (329,458)
Equity securities	Equity securities	(29,452)	(45,779)	(38,820)	(220,469)
Equity securities					
Equity securities					
Short-term investments	Short-term investments	63	1,817	54	152
Total investment losses		$ (100,244)	$ (127,219)	$ (92,681)	$ (549,775)
Short-term investments					
Short-term investments					
Total investment gains					
Total investment gains					
Total investment gains					
Note receivable	Note receivable	(37)	—	88	—
Total losses		$ (100,281)	$ (127,219)	$ (92,593)	$ (549,775)
Note receivable					
Note receivable					
Total gains					
Total gains					
Total gains					

5. Fair Value Measurements

The Company employs a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The fair value of a financial instrument is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date using the exit price. Accordingly, when market observable data are not readily available, the Company's own assumptions are used to reflect those that market participants would be presumed to use in pricing the asset or liability at the measurement date.

Assets and liabilities recorded at fair value on the consolidated balance sheets are categorized based on the level of judgment associated with inputs used to measure their fair values and the level of market price observability, as follows:

Level 1 Unadjusted quoted prices are available in active markets for identical assets or liabilities as of the reporting date.

Level 2 Pricing inputs are other than quoted prices in active markets, which are based on the following:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in non-active markets; or
- Either directly or indirectly observable inputs as of the reporting date.

Level 3 Pricing inputs are unobservable and significant to the overall fair value measurement, and the determination of fair value requires significant management judgment or estimation.

In certain cases, inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. Thus, a Level 3 fair value measurement may include inputs that are observable (Level 1 or Level 2) and unobservable (Level 3). The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and consideration of factors specific to the asset or liability.

The Company uses prices and inputs that are current as of the measurement date, including during periods of market disruption. In periods of market disruption, the ability to observe prices and inputs may be reduced for many instruments. This condition could cause an instrument to be reclassified from Level 1 to Level 2, or from Level 2 to Level 3. The Company recognizes transfers between levels at either the actual date of the event or a change in circumstances that caused the transfer.

Summary of Significant Valuation Techniques for Financial Assets and Financial Liabilities

The Company’s fair value measurements are based on the market approach, which utilizes market transaction data for the same or similar instruments. The Company obtained unadjusted fair values on 98.2% 98.5% of its investment portfolio at fair value from an independent pricing service at September 30, 2023 March 31, 2024.

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Level 1 measurements - Fair values of financial assets and financial liabilities are obtained from an independent pricing service, and are based on unadjusted quoted prices for identical assets or liabilities in active markets. Additional pricing services and closing exchange values are used as a comparison to ensure that reasonable fair values are used in pricing the investment portfolio.

U.S. government bonds and agencies /Short-term bonds: Valued using unadjusted quoted market prices for identical assets in active markets.

Common stock: Comprised of actively traded, exchange listed U.S. and international equity securities and valued based on unadjusted quoted prices for identical assets in active markets.

Money market instruments: Valued based on unadjusted quoted prices for identical assets in active markets.

Options sold: Comprised of free-standing exchange listed derivatives that are actively traded and valued based on unadjusted quoted prices for identical instruments in active markets.

Level 2 measurements - Fair values of financial assets and financial liabilities are obtained from an independent pricing service or outside brokers, and are based on prices for similar assets or liabilities in active markets or valuation models whose inputs are observable, directly or indirectly, for substantially the full term of the asset or liability. Additional pricing services are used as a comparison to ensure reliable fair values are used in pricing the investment portfolio.

Municipal securities: Valued based on models or matrices using inputs such as quoted prices for identical or similar assets in active markets.

Mortgage-backed securities: Comprised of securities that are collateralized by residential and commercial mortgage loans valued based on models or matrices using multiple observable inputs, such as benchmark yields, reported trades and broker/dealer quotes, for identical or similar assets in active markets. The Company had holdings of $25.5 million $32.4 million and $27.3 million $33.0 million at fair value in commercial mortgage-backed securities at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively.

Corporate securities/Short-term bonds: Valued based on a multi-dimensional model using multiple observable inputs, such as benchmark yields, reported trades, broker/dealer quotes and issue spreads, for identical or similar assets in active markets.

Non-redeemable preferred stock: Valued based on observable inputs, such as underlying and common stock of same issuer and appropriate spread over a comparable U.S. Treasury security, for identical or similar assets in active markets.

Collateralized loan obligations ("CLOs"): Valued based on underlying debt instruments and the appropriate benchmark spread for similar assets in active markets.

Other asset-backed securities: Comprised of securities that are collateralized by non-mortgage assets, such as automobile loans, valued based on models or matrices using multiple observable inputs, such as benchmark yields, reported trades and broker/dealer quotes, for identical or similar assets in active markets.

Note receivable: Valued based on observable inputs, such as benchmark yields, and considering any premium or discount for the differential between the stated interest rate and market interest rates, based on quoted market prices of similar instruments.

Level 3 measurements - Fair values of financial assets and financial liabilities are based on inputs that are both unobservable and significant to the overall fair value measurement, including any items in which the evaluated prices obtained elsewhere are deemed to be of a distressed trading level. At September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, the Company did not have any financial assets or financial liabilities based on Level 3 measurements.

Fair value measurement using NAV practical expedient - The fair value of the Company's investment in private equity funds measured at net asset value ("NAV") is determined using NAV as advised by the external fund managers and the third party administrators. The NAV of the Company's limited partnership or limited liability company interest in such a fund is based on the manager's and the administrator's valuation of the underlying holdings in accordance with the fund's governing documents and GAAP. In accordance with applicable accounting guidance, private equity funds measured at fair value using the NAV practical expedient are not classified in the fair value hierarchy. At September 30, 2023 March 31, 2024, the Company had capital invested in five three

such funds: the strategy of three two such funds with a combined fair value of approximately $89.2 million $81.0 million at September 30, 2023 March 31, 2024 is to provide current income to investors by investing mainly in secured loans, CLOs or CLO issuers, and equity interests in vehicles established to purchase and warehouse loans; the strategy of another such fund with a fair value of approximately $0 at September 30, 2023 is to achieve favorable long-term financial returns and measurable positive social and environmental returns by investing in privately held technology, healthcare, specialty consumer goods and service companies; and the strategy

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of the other such fund with a fair value of approximately $1.7 million $2.8 million at September 30, 2023 March 31, 2024 is to achieve long-term capital appreciation through privately-negotiated venture capital investments in seed- and early-stage portfolio companies with technology-enabled business models. The Company had approximately $8 million $7 million in unfunded commitments at September 30, 2023 March 31, 2024 with respect to the private equity funds measured at NAV. The underlying assets of the funds are expected to be liquidated over the period of approximately one year to nine years from September 30, 2023 March 31, 2024. In addition, the Company does not have the ability to redeem or withdraw from the funds, or to sell, assign, pledge or transfer its investment, without the consent from the General Partner or Managers of each fund, but will receive distributions based on the liquidation of the underlying assets and the interest proceeds from the underlying assets.

The Company's financial instruments at fair value are reflected in the consolidated balance sheets on a trade-date basis. Related unrealized gains or losses are recognized in net realized investment gains or losses in the consolidated statements of operations. Fair value measurements are not adjusted for transaction costs.

The following tables present information about the Company's assets and liabilities measured at fair value on a recurring basis, and indicate the fair value hierarchy of the valuation techniques utilized by the Company to determine such fair values:

						March 31, 2024			
						Level 1	Level 2	Level 3	Total
		September 30, 2023							
		Level 1	Level 2	Level 3	Total				
						(Amounts in thousands)			
		(Amounts in thousands)							
Assets	**Assets**								
Fixed maturity securities:	Fixed maturity securities:								
Fixed maturity securities:									
Fixed maturity securities:									
U.S. government bonds and agencies									
U.S. government bonds and agencies									
U.S. government bonds and agencies	U.S. government bonds and agencies	$ 118,528	$ 42,657	$ —	$ 161,185				
Municipal securities	Municipal securities	—	2,645,979	—	2,645,979				
Mortgage-backed securities	Mortgage-backed securities	—	175,965	—	175,965				
Corporate securities	Corporate securities	—	590,545	—	590,545				
Collateralized loan obligations	Collateralized loan obligations	—	436,217	—	436,217				
Other asset-backed securities	Other asset-backed securities	—	104,766	—	104,766				
Total fixed maturity securities	Total fixed maturity securities	118,528	3,996,129	—	4,114,657				
Equity securities:	Equity securities:								
Common stock	Common stock	530,267	—	—	530,267				
Common stock									
Common stock									
Non-redeemable preferred stock	Non-redeemable preferred stock	—	49,865	—	49,865				
Private equity funds measured at net asset value (1)	Private equity funds measured at net asset value (1)				90,861				
Total equity securities	Total equity securities	530,267	49,865	—	670,993				

		Level 1	Level 2	Level 3	Total
Short-term investments:	Short-term investments:				
Short-term bonds					
Short-term bonds					
Short-term bonds	Short-term bonds	29,848	4,488	—	34,336
Money market instruments	Money market instruments	177,397	—	—	177,397
Other	Other	45	—	—	45
Total short-term investments	Total short-term investments	207,290	4,488	—	211,778
Other assets:	Other assets:				
Note receivable	Note receivable	—	9,888	—	9,888
Note receivable					
Note receivable					
Total assets at fair value	Total assets at fair value	$ 856,085	$ 4,060,370	$ —	$ 5,007,316
Liabilities	**Liabilities**				
Other liabilities:	Other liabilities:				
Other liabilities:					
Other liabilities:					
Options sold					
Options sold					
Options sold	Options sold	$ 512	$ —	$ —	$ 512
Total liabilities at fair value	Total liabilities at fair value	$ 512	$ —	$ —	$ 512

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		December 31, 2022				December 31, 2023			
		Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
		(Amounts in thousands)				(Amounts in thousands)			
Assets	**Assets**								
Fixed maturity securities:	Fixed maturity securities:								
U.S. government bonds		$ 103,519	$ 55,088	$ —	$ 158,607				
Fixed maturity securities:									
Fixed maturity securities:									
U.S. government bonds and agencies									
U.S. government bonds and agencies									
U.S. government bonds and agencies									
Municipal securities	Municipal securities	—	2,737,183	—	2,737,183				
Mortgage-backed securities	Mortgage-backed securities	—	166,260	—	166,260				

Corporate securities	Corporate securities	—	569,553	—	569,553
Collateralized loan obligations	Collateralized loan obligations	—	320,252	—	320,252
Other asset-backed securities	Other asset-backed securities	—	136,456	—	136,456
Total fixed maturity securities	Total fixed maturity securities	103,519	3,984,792	—	4,088,311
Equity securities:	Equity securities:				
Common stock	Common stock	558,169	—	—	558,169
Common stock					
Common stock					
Non-redeemable preferred stock	Non-redeemable preferred stock	—	51,236	—	51,236
Private equity funds measured at net asset value (1)	Private equity funds measured at net asset value (1)				90,147
Total equity securities	Total equity securities	558,169	51,236	—	699,552
Short-term investments:	Short-term investments:				
Short-term bonds	Short-term bonds	51,638	8,238	—	59,876
Short-term bonds					
Short-term bonds					
Money market instruments	Money market instruments	63,021	—	—	63,021
Other	Other	40	—	—	40
Total short-term investments	Total short-term investments	114,699	8,238	—	122,937
Other assets:					
Note receivable					
Note receivable					
Note receivable					
Total assets at fair value	Total assets at fair value	$ 776,387	$ 4,044,266	$ —	$ 4,910,800
Liabilities	**Liabilities**				
Other liabilities:	Other liabilities:				
Other liabilities:					
Other liabilities:					
Options sold					
Options sold					
Options sold	Options sold	$ 162	$ —	$ —	$ 162
Total liabilities at fair value	Total liabilities at fair value	$ 162	$ —	$ —	$ 162

(1) The fair value is measured using the NAV practical expedient; therefore, it is not categorized within the fair value hierarchy. The fair value amount is presented in this table to permit reconciliation of the fair value hierarchy to the amounts presented in the Company's consolidated balance sheets.

There were no transfers between Levels 1, 2, and 3 of the fair value hierarchy during the nine three months ended September 30, 2023 March 31, 2024 and 2022. 2023.

At September 30, 2023 March 31, 2024, there were no material assets or liabilities measured at fair value on a nonrecurring basis.

Financial Instruments Disclosed, But Not Carried, at Fair Value

The following tables present the carrying value and fair value of the Company's financial instruments disclosed, but not carried, at fair value, and the level within the fair value hierarchy at which such instruments are categorized:

	March 31, 2024				
	Carrying Value	Fair Value	Level 1	Level 2	Level 3
	September 30, 2023				
	Carrying Value	Fair Value	Level 1	Level 2	Level 3
	(Amounts in thousands)				
	(Amounts in thousands)				
Liabilities **Liabilities**					
Notes payable: Notes payable:					
Notes payable:					
Notes payable:					
Unsecured notes					
Unsecured notes					
Unsecured notes Unsecured notes	$ 373,629	$ 349,556	$ —	$ 349,556	$ —
Unsecured credit facility Unsecured credit facility	200,000	199,983	—	199,983	—
Total Total	$ 573,629	$ 549,539	$ —	$ 549,539	$ —

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	December 31, 2023				
	Carrying Value	Fair Value	Level 1	Level 2	Level 3
	December 31, 2022				
	Carrying Value	Fair Value	Level 1	Level 2	Level 3
	(Amounts in thousands)				
	(Amounts in thousands)				
Liabilities **Liabilities**					
Notes payable: Notes payable:					
Notes payable:					
Notes payable:					
Unsecured notes					
Unsecured notes					
Unsecured notes Unsecured notes	$ 373,330	$ 350,644	$ —	$ 350,644	$ —
Unsecured credit facility Unsecured credit facility	25,000	24,987	—	24,987	—
Total Total	$ 398,330	$ 375,631	$ —	$ 375,631	$ —

Unsecured Notes

The fair value of the Company's publicly traded $375 million unsecured notes at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 was based on the spreads above the risk-free yield curve. These spreads are generally obtained from the new issue market, secondary trading and broker-dealer quotes. See Note 11. Notes Payable for additional information on unsecured notes.

Unsecured Credit Facility

The fair values of the Company's $200 million and $25 million drawn under the unsecured credit facility at September 30, 2023 March 31, 2024 and December 31, 2022, respectively, are December 31, 2023 were based on the unadjusted quoted price for similar notes in active markets. See Note 11. Notes Payable for additional information on the unsecured credit facility.

6. Derivative Financial Instruments

The Company is exposed to certain risks relating to its ongoing business operations. The primary risk managed by using derivative instruments is equity price risk. Equity contracts (options sold) on various equity securities are intended to manage the price risk associated with forecasted purchases or sales of such securities. From time to time, the Company also enters into derivative contracts to enhance returns on its investment portfolio.

The following tables present the location and amounts of derivative fair values in the consolidated balance sheets and derivative gains or losses in the consolidated statements of operations:

				Derivatives	
	March 31, 2024			March 31, 2024	December 31, 2023
		Derivatives			
		September 30, 2023	December 31, 2022		
		(Amount in thousands)		(Amount in thousands)	
Options sold - Other liabilities	Options sold - Other liabilities	$ 512	$ 162		
Total	Total	$ 512	$ 162		

						Gains Recognized in Net Income (Loss)
		2024				
		2024				
		2024				
		Gains Recognized in Net Loss				
		Three Months Ended September 30,		Nine Months Ended September 30,		
		2023	2022	2023	2022	
		(Amounts in thousands)				(Amounts in thousands)
Options sold - Net realized investment losses		$2,968	$1,311	$5,793	$3,939	
Options sold - Net realized investment gains						
Total	Total	$2,968	$1,311	$5,793	$3,939	
Total						
Total						

Most options sold consist of covered calls. The Company writes covered calls on underlying equity positions held as an enhanced income strategy that is permitted for the Company's insurance subsidiaries under statutory regulations. The Company manages the risk associated with covered calls through strict capital limitations and asset diversification throughout various industries. See Note 5. Fair Value Measurements for additional disclosures regarding options sold.

7. Goodwill and Other Intangible Assets

Goodwill

There were no changes in the carrying amount of goodwill during the three and nine months ended September 30, 2023 March 31, 2024 and 2022. 2023. No accumulated goodwill impairment losses existed at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023. Goodwill is reviewed annually for impairment and more frequently if potential impairment indicators exist. No impairment indicators were identified during the three and nine months ended September 30, 2023 March 31, 2024 and 2022. 2023. All of the Company's goodwill is associated

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with the Property and Casualty

business segment (See Note 13. Segment Information for additional information on the reportable business segment).

Other Intangible Assets

The following table presents the components of other intangible assets:

		Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Useful Lives		Gross Carrying Amount				Accumulated Amortization		Net Carrying Amount		Useful Lives
		(Amounts in thousands)			(in years)		(Amounts in thousands)						(in years)		
As of September 30, 2023:															
As of March 31, 2024:															
Customer relationships															
Customer relationships															
Customer relationships	Customer relationships	$ 54,862	$ (53,644)	$ 1,218	11	$	55,107	$	$ (53,769)	$		$ 1,338	10		10
Trade names	Trade names	15,400	(9,465)	5,935	24	Trade names	15,400	(9,785)		(9,785)	5,615		5,615	24	
Technology	Technology	4,300	(4,300)	—	10	Technology	4,300	(4,300)		(4,300)	—		—	10	
Insurance license	Insurance license	1,400	—	1,400	Indefinite	Insurance license	1,400	—		—	1,400		1,400	Indefinite	Indefi
Total other intangible assets, net	Total other intangible assets, net	$ 75,962	$ (67,409)	$ 8,553											
As of December 31, 2022:															
As of December 31, 2023:															
As of December 31, 2023:															
As of December 31, 2023:															
Customer relationships															
Customer relationships															
Customer relationships	Customer relationships	$ 54,862	$ (53,467)	$ 1,395	11	$	54,862	$	$ (53,704)	$		$ 1,158	11		11
Trade names	Trade names	15,400	(8,983)	6,417	24	Trade names	15,400	(9,625)		(9,625)	5,775		5,775	24	
Technology	Technology	4,300	(4,300)	—	10	Technology	4,300	(4,300)		(4,300)	—		—	10	
Insurance license	Insurance license	1,400	—	1,400	Indefinite	Insurance license	1,400	—		—	1,400		1,400	Indefinite	Indefi

Total other intangible assets, net	Total other intangible assets, net	$ 75,962	$ (66,750)	$ 9,212

Other intangible assets are reviewed annually for impairment and more frequently if potential impairment indicators exist. No impairment indicators were identified during the three and nine months ended September 30, 2023 March 31, 2024 and 2022. 2023.

Other intangible assets with definite useful lives are amortized on a straight-line basis over their useful lives. Amortization expense for other intangible assets was $0.2 million and $0.3 million for the three months ended September 30, 2023 March 31, 2024 and 2022, respectively, and $0.7 million and $0.8 million for the nine months ended September 30, 2023 and 2022, respectively. 2023.

The following table presents the estimated future amortization expense related to other intangible assets as of September 30, 2023 March 31, 2024:

Year	Year	Amortization Expense	Year	Amortization Expense
		(Amounts in thousands)		(Amounts in thousands)
Remainder of 2023		$ 220		
2024		851		
Remainder of 2024				
2025	2025	807		
2026	2026	807		
2027	2027	807		
2028				
Thereafter	Thereafter	3,661		
Total	Total	$ 7,153		

8. Share-Based Compensation

In February 2015, the Company's Board of Directors (the "Board") adopted the 2015 Incentive Award Plan (the "2015 Plan"), replacing the 2005 Equity Incentive Plan which expired in January 2015. The 2015 Plan was approved at the Company's Annual Meeting of Shareholders in May 2015. A maximum of 4,900,000 shares of common stock are authorized for issuance under the 2015 Plan, with 4,830,000 shares of common stock available for future grant as of March 31, 2024 upon exercise of stock options, stock appreciation rights and other awards, or upon vesting of restricted stock unit ("RSU") or deferred stock awards. The Company

In February 2024, the Board adopted the 2024 Long-Term Incentive Plan (the “LTIP”) to provide certain key employees with the right to receive cash awards providing an opportunity to participate in the appreciation of the Company’s value and in order to retain these key employees and reward them for contributing to the success of the Company. Participants in the LTIP may be granted 80,000 a number of notional interests, or phantom stock options, 10,000 units ("PSUs"). Each PSU represents the right to receive payment of which were forfeited, with 4,830,000 shares the value of a share of the Company’s common stock available for future grant under the 2015 Plan as of September 30, 2023. upon vesting. PSUs may be granted subject to vesting

Share-based compensation expenses for all stock options granted

conditions, which may include service-based and/or modified are based on their estimated grant-date fair values. These compensation costs are recognized on a straight-line basis over the requisite service period of the award. The

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Company estimates forfeitures expected performance-based vesting conditions tied to occur in determining the amount of compensation cost to be recognized in each period. As of September 30, 2023, all outstanding stock options have a term of ten years from corporate and/or individual achievement objectives. An employee must remain employed through the date of grant and become exercisable in four equal installments on payment of an award to be eligible for any payout under the first through fourth anniversaries of the grant date. The fair value of stock option awards is estimated using the Black-Scholes option pricing model with the grant-date assumptions and weighted-average fair values. LTIP.

Stock Options

In February 2018, the Compensation Committee of the Company's Board of Directors awarded a total of 80,000 stock options to four senior executives under the 2015 Plan, which vested over the four-year requisite service period and had a term of ten years from the date of grant, except for 10,000 of these stock options that were forfeited in February 2019 following the departure of a senior executive. The fair values of these stock options were estimated on the date of grant using a closed-form option valuation model (Black-Scholes).

As of March 31, 2024, 17,500 of the total stock options awarded and vested under the 2015 Plan have not been exercised, each with a remaining term of approximately 3.9 years.

Performance-based PSUs

In February 2024, the Compensation Committee of the Board granted a total "target" award of 196,620 performance-based PSUs to certain executive officers and other key employees of the Company. These performance-based PSUs are settled in cash upon vesting and accounted for as liability-based awards. The payout value of the performance-based PSUs granted under the LTIP will be determined based on the achievement of specific, pre-established corporate performance objectives, and in part on individual performance, during the applicable three-year performance period (the "Performance Cycle"). The maximum payout level for the performance-based PSUs is 150% of the “target” award.

The following table provides presents the assumptions used in summary of the calculation performance-based PSU grants as of grant-date fair values of these stock options based on the Black-Scholes option pricing model: March 31, 2024:

Grant year			2024
Weighted-average grant-date fair value Three-year performance period ending December 31,	$	8.09	
Expected volatility	33.18 % 2026		
Risk-free interest rate Vesting shares, target	2.62 %	196,620	
Expected dividend yield Vesting shares, maximum	5.40	%	
Expected term in months	72 294,930		

Expected volatilities are based on historical volatility These performance-based PSUs vest at the end of the Company’s stock over Performance Cycle beginning with the term year of the stock options. The expected term grant, and then only if, and to the extent that, the Company’s performance during the Performance Cycle achieves the threshold established by the Compensation Committee of stock options represents the period of time that stock options granted are expected to be outstanding, and is estimated based on historical exercise patterns and post-vesting termination behavior. The risk-free interest rate Board. Each annual performance result is determined based on U.S. Treasury yields the average of the Company’s annual market share growth and its annual combined ratio. The vested number of performance-based PSUs for each grantee is based on the average of the Company's three annual performance results combined with equivalent remaining terms in effect the individual's performance during the Performance Cycle. The cash payout amount for each unit of the vested performance-based PSUs is equal to the average closing price per share of the Company’s common stock for the 30 calendar days preceding the determination of the final number of vested PSUs for each grantee at the time end of the grant. Performance Cycle.

As

Liabilities for the expected cash payout and associated compensation expenses are recognized based on management’s best estimate of September 30, 2023, the number of the performance-based PSUs expected to be vested resulting from the probable outcome of the performance-based vesting conditions, combined with the market price of the Company's common stock at the end of each reporting period. If the performance-based vesting conditions are not expected to be met for the Performance Cycle, no compensation cost will be recognized and any recognized compensation cost will be reversed. The Company had no unrecognized recorded approximately $0.8 million of share-based compensation expense related to stock options awarded under associated with the 2015 Plan.

No share-based compensation awards were granted during performance-based PSUs for the nine three months ended September 30, 2023. March 31, 2024, which is included in other operating expenses in its consolidated statements of operations.

9. Income Taxes

For financial statement purposes, the Company recognizes tax benefits related to positions taken, or expected to be taken, on a tax return only if the positions are “more-likely-than-not” sustainable. Once this threshold has been met, the Company’s measurement of its expected tax benefits is recognized in its consolidated financial statements.

The total amount of unrecognized tax benefits related to tax uncertainties decreased by approximately $2.1 million $1.9 million during the nine three months ended September 30, 2023. The decrease was March 31, 2024, primarily resulting from the result payment of a settlement the assessed amount related to a California Franchise Tax Board audit for tax years 2012 and 2013. year 2011.

The Company and its subsidiaries file income tax returns with the Internal Revenue Service and the taxing authorities of various states. Tax years that remain subject to examination by major taxing jurisdictions are 2020 through 2022 for federal taxes, and 2011 and 2020 through 2022 for California state taxes. The Company has certain unresolved matters related to California state tax assessment issues for 2011 tax year 2011 for California state taxes that are not material to its consolidated financial statements. Tax years 2012 through 2019 for California state taxes have been resolved with no outstanding issues.

Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial reporting basis and the respective tax basis of the Company’s assets and liabilities, and expected benefits of utilizing net operating loss, capital loss, and tax-credit carryforwards. The Company assesses the likelihood that its deferred tax assets will be realized and, to the extent management does not believe these assets are more likely than not to be realized, a valuation allowance is established. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates or laws is recognized in net income (loss) in the period that includes the enactment date.

At September 30, 2023 March 31, 2024, the Company’s deferred income taxes were in a net asset position, which included a combination of ordinary and capital deferred tax expenses or benefits. In assessing the Company’s ability to realize deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be

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realized. The ultimate realization of deferred tax assets is dependent upon generating sufficient taxable income of the appropriate character within the carryback and carryforward periods available under the tax law. Management considers the reversal of deferred tax liabilities, projected future taxable income of an appropriate nature, and tax planning strategies in making this assessment. The Company believes that through projected future taxable income of an appropriate nature, the use of prudent tax planning strategies, and the generation of capital gains, sufficient income will be realized in order to maximize the full benefits of its deferred tax assets. Although realization is not assured, management believes that it is more likely than not that the Company's deferred tax assets will be realized.

10. Loss and Loss Adjustment Expense Reserves

The following table presents the activity in loss and loss adjustment expense reserves:

		Nine Months Ended September 30,		Three Months Ended March 31,	
		2023	2022	2024	2023
		(Amounts in thousands)		(Amounts in thousands)	
Gross reserves, beginning of period	Gross reserves, beginning of period	$ 2,584,910	$ 2,226,430		
Reinsurance recoverables on unpaid losses, beginning of period	Reinsurance recoverables on unpaid losses, beginning of period	(25,322)	(41,377)		
Net reserves, beginning of period	Net reserves, beginning of period	2,559,588	2,185,053		
Incurred losses and loss adjustment expenses related to:	Incurred losses and loss adjustment expenses related to:				
Current year	Current year	2,683,219	2,386,233		
Current year					
Current year					
Prior years	Prior years	(32,138)	49,942		
Total incurred losses and loss adjustment expenses	Total incurred losses and loss adjustment expenses	2,651,081	2,436,175		
Loss and loss adjustment expense payments related to:	Loss and loss adjustment expense payments related to:				
Current year					
Current year					
Current year	Current year	1,461,077	1,267,535		
Prior years	Prior years	1,052,386	945,371		
Total payments	Total payments	2,513,463	2,212,906		

Net reserves, end of period	Net reserves, end of period	2,697,206	2,408,322
Reinsurance recoverables on unpaid losses, end of period	Reinsurance recoverables on unpaid losses, end of period	26,570	24,412
Gross reserves, end of period	Gross reserves, end of period	$ 2,723,776	$ 2,432,734

The decrease in the provision for insured events of prior years during the nine three months ended September 30, 2023 March 31, 2024 of $32.1 million $5.8 million was primarily attributable to lower than estimated loss adjustment expenses in the private passenger automobile line of insurance business, partially offset by unfavorable development on prior years' catastrophe losses. The decrease in the provision for insured events of prior years during the three months ended March 31, 2023 of $15.5 million was primarily attributable to lower than estimated losses and loss adjustment expenses in the private passenger automobile and homeowners lines of insurance business, partially offset by unfavorable development in the commercial property line of insurance business. The increase in the provision for insured events of prior years during the nine months ended September 30, 2022 of $49.9 million was primarily attributable to higher than estimated losses and loss adjustment expenses in the private passenger automobile line of insurance business. Extreme rates of inflation in 2022 have begun to moderate in 2023 but remain elevated. The impact of the inflationary pressures on loss severity in the automobile line of insurance business increased losses and loss adjustment expenses for the insured events of the current accident year for the nine months ended September 30, 2023 compared to the corresponding period in 2022.

For the nine three months ended September 30, 2023 March 31, 2024 and 2022, 2023, the Company incurred catastrophe losses net of reinsurance of approximately $223 million $72 million and $62 million $98 million, respectively. No reinsurance benefits were available for these losses as none of the catastrophe events during these periods individually resulted in losses in excess of the Company's retention limit. Catastrophe

losses during the nine three months ended September 30, 2023 March 31, 2024 resulted primarily from winter storms and rainstorms in California and convective storms in Texas and Oklahoma. Catastrophe losses during the three months ended March 31, 2023 resulted primarily from winter storms and rainstorms in California, Texas and Oklahoma, and the impact of Hurricane Hilary in California. Catastrophe losses during the nine months ended September 30, 2022 resulted primarily from winter storms, rainstorms and hail in Texas and Oklahoma, the impact of Hurricane Ian in Florida, and winter storms in California. Oklahoma. The Company experienced favorable development of approximately $4 million and unfavorable development of approximately $4 million on prior years' catastrophe losses for the nine three months ended September 30, 2023 and 2022, respectively.

March 31, 2024. There was no material development on prior years' catastrophe losses for the three months ended March 31, 2023.

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11. Notes Payable

The following table presents information about the Company's notes payable:

Lender							Lender	Interest Rate	Maturity Date	March 31, 2024	December 31, 2023
		Lender	Interest Rate	Maturity Date	September 30, 2023	December 31, 2022					
					(Amounts in thousands)						
					(Amounts in thousands)						
					(Amounts in thousands)						
					(Amounts in thousands)						
Senior unsecured notes(1)	Senior unsecured notes(1)	Publicly traded	4.40%	March 15, 2027	$ 375,000	$ 375,000					
Unsecured credit facility(2)	Unsecured credit facility(2)	Bank of America, Wells Fargo Bank, and U.S. Bank	Term SOFR plus 112.5-150.0 basis points	November 16, 2026	200,000	25,000					
Total principal amount	Total principal amount				575,000	400,000					

Less unamortized discount and debt issuance costs(3)	Less unamortized discount and debt issuance costs(3)	1,371	1,670
Total debt	**Total debt**	$ 573,629	$ 398,330

(1) On March 8, 2017, the Company completed a public debt offering issuing $375 million of senior notes. The notes are unsecured, senior obligations of the Company with a 4.4% annual coupon payable on March 15 and September 15 of each year commencing September 15, 2017. The notes mature on March 15, 2027. The Company used the proceeds from the notes to pay off amounts outstanding under the existing loan and credit facilities and for general corporate purposes. The Company incurred debt issuance costs of approximately $3.4 million, inclusive of underwriters' fees. The notes were issued at a slight discount of 99.847% of par, resulting in the effective annualized interest rate, including debt issuance costs, of approximately 4.45%.

(2) On March 31, 2021, the Company entered into an unsecured $75 million five-year revolving credit facility. On November 18, 2022, the Company entered into the First Amendment to this credit facility. The First Amendment extended the maturity date of the loan to November 16, 2026 from March 31, 2026 with possible further extension if certain conditions are met, increased the aggregate commitments by all the lenders to $200 million from $75 million, and replaced the LIBOR with the Term SOFR. On November 30, 2023, the Company entered into the Second Amendment to this credit facility, which further increased the aggregate commitments by all the lenders to $250 million from $200 million. The interest rates on borrowings under the credit facility are based on the Company's debt to total capital ratio and range from Term SOFR plus 112.5 basis points when the ratio is under 20% to Term SOFR plus 150.0 basis points when the ratio is greater than or equal to 30%. Commitment fees for the undrawn portions of the credit facility range from 12.5 basis points when the ratio is under 20% to 22.5 basis points when the ratio is greater than or equal to 30%. The debt to total capital ratio is expressed as a percentage of (a) consolidated debt to (b) consolidated shareholders' equity plus consolidated debt. The Company's debt to total capital ratio was 29.5% 26.4% at September 30, 2023 March 31, 2024, resulting in a 17.5 basis point commitment fee on any undrawn portion of the credit facility. As of October 26, 2023 April 25, 2024, a total of $200 million $200 million was drawn under this facility on a three-month revolving basis at an annual interest rate of approximately 6.75% 6.79%, with no remaining amount $50 million available to be drawn. The Company contributed $150 million of the total amount drawn to the surplus of its consolidated insurance subsidiaries, and used the remainder for general corporate purposes.

(3) The unamortized discount and debt issuance costs are associated with the publicly traded $375 million senior unsecured notes. These are amortized to interest expense over the life of the notes, and the unamortized balance is presented in the Company's consolidated balance sheets as a direct deduction from the carrying amount of the debt. The unamortized costs of approximately $0.7 million $0.8 million associated with entering into the $200 million $250 million unsecured revolving credit facility maturing on November 16, 2026 are included in other assets in the Company's consolidated balance sheets and amortized to interest expense over the term of the credit facility.

12. Contingencies

The Company is, from time to time, named as a defendant in various lawsuits or regulatory actions incidental to its insurance business. The majority of lawsuits brought against the Company relate to insurance claims that arise in the normal course of business and are reserved for through the reserving process. For a discussion of the Company's reserving methods, see the Company's Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023.

On September 10, 2021, the California Department of Insurance ("DOI") served the Company a Notice of Non-Compliance ("NNC"), alleging violations in connection with its 2014 Rating & Underwriting Examination Report, which was adopted by the California DOI in 2019. The NNC itemizes alleged violations, many of which management believes were corrected or otherwise resolved during the course of the examination, and seeks penalties. The Company has participated in lengthy and detailed discussions with the California DOI since the adoption of the examination report, in an attempt to address the issues deemed unresolved by the California DOI, and has taken several additional corrective actions approved by the California DOI. The Company is continuing discussions with the California DOI to resolve the outstanding issues, or at least

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obtain the agreement of the California DOI to remove the resolved items from the NNC before proceeding to a formal hearing process if a settlement is not reached. On August 1, 2022, the California DOI publicly announced its intention to pursue an administrative action against the Company with respect to certain outstanding issues. The Company filed served a written response to the NNC on September 29, 2022. , along with written discovery requests. The response, consisting of a notice of defense, a motion to strike, and a motion to dismiss, challenges the NNC on procedural and substantive grounds. On November 9, 2022, the California DOI served objections and non-substantive responses to the Company's discovery requests. On November 14, 2023, the California DOI granted Consumer Watchdog's petition to intervene in the NNC, although the Company did not agree to allow its involvement in the mediation, which took place on March 4, 2024. The Company is parties did not make any meaningful progress toward settlement, but are continuing settlement discussions with the California DOI. discussions. The parties are also conferring regarding the possible filing of an Amended NNC that would eliminate the resolved items and identify the remaining issues in dispute should the matter proceed to a hearing. The Company cannot reasonably predict the likelihood, timing or outcome of any hearing process or administrative action, nor can it reasonably estimate the amount of penalties, if any.

On October 5, 2021, the Company received a letter from the California DOI requesting additional information on the amount of premium refunds or credits that the Company has provided or plans to further provide to its private passenger automobile policyholders, and the methodology used in determining such refunds or credits for the time period of March 2020 through at least March 2021, due to reduced driving during the pandemic. On October 6, 2021, the California DOI issued a press release alleging that the Company and two other insurers have not provided enough premium relief to the policyholders through premium refunds or credits for lower frequency resulting from reduced driving during the pandemic. Two private actions against the Company were also filed during the first quarter of 2022, asserting substantially the same arguments on behalf of an alleged class of similarly situated policyholders, and seeking restitution of the allegedly excessive premiums charged during the pandemic. On November 21, 2022, after its review of loss and expense data requested from and provided by the Company, the California DOI notified the Company that an additional total refund of approximately $52 million should be provided to its private passenger automobile policyholders, purportedly based upon its analysis of the Company's data. The Company believes that the amounts returned to-date, including the mileage reductions on individual policies, have provided appropriate and material relief to its policyholders and that there is no legal basis for the California DOI or the courts to require the Company to issue additional refunds. The total amount of premiums returned to the Company's policyholders through refunds or credits is approximately $128 million, which reduced its net premiums earned for 2020. The Company also worked with its agents and policyholders to reclassify exposures on an individual policy basis, including reducing mileage on a large number of vehicles since the pandemic began. Management believes the mileage reductions significantly reduced premiums on those individual policies in a manner consistent with the Company's filed and approved rates. The Company engaged in discussions with the California DOI, and on April 24, 2023, the Company entered into a stipulated settlement agreement with the California DOI (the "Settlement Stipulation"), which fully resolved all issues related to the California DOI's alleged COVID refund obligations, with the exception of a similar issue involving Orion Indemnity Company, a small consolidated subsidiary of the Company, that was settled separately with the California DOI on May 15, 2023 for approximately $0.25 million to be paid to its existing California private passenger automobile policyholders. Under the Settlement Stipulation, the Company agreed to provide an aggregate credit amount of $25 million to the existing California private passenger automobile policyholders of Mercury Insurance Company ("MIC") and California Automobile Insurance Company ("CAIC"), significant consolidated subsidiaries of the Company, by means of a credit against the future private passenger automobile renewal premium obligations over a period not to exceed 18 months commencing on July 7, 2023. The renewal premium credits will be recorded as reductions to the Company's net premiums earned and written in the periods when the applicable policies are renewed. Although the Company believes the voluntary amounts returned to date have provided appropriate relief to its policyholders and there is no legal basis for the California DOI to require the Company to issue additional refunds, the Company agreed to the Settlement Stipulation to resolve the matter and facilitate timely review and approval of its pending rate applications. The Company filed a motion to dismiss the two private actions seeking COVID-related restitution, based on the California case law barring such retroactive relief and the resolution with the California DOI. In August 2023, the court granted the Company's motion to dismiss, and the judgment in the Company's favor is now final.

The Company establishes reserves for non-insurance claims related lawsuits, regulatory actions, and other contingencies when the Company believes a loss is probable and is able to estimate its potential exposure. For loss contingencies believed to be reasonably possible, the Company also discloses the nature of the loss contingency and an estimate of the possible loss, range of loss, or a statement that such an estimate cannot be made. In addition, the Company accrues for anticipated legal defense costs associated with such lawsuits and regulatory actions. While actual losses may differ from the amounts recorded and the ultimate outcome of the Company's pending actions is generally not yet determinable, the Company does not believe that the ultimate resolution of currently pending legal or regulatory proceedings, either individually or in the aggregate, will have a material adverse effect on its financial condition or cash flows.

In all cases, the Company vigorously defends itself unless a reasonable settlement appears appropriate. For a discussion of any additional regulatory or legal matters, see the Company's Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023.

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13. Segment Information

The Company is primarily engaged in writing personal automobile insurance and provides related property and casualty insurance products to its customers through 12 subsidiaries in 11 states, principally in California.

The Company has one reportable business segment - the Property and Casualty business segment.

The Company's Chief Operating Decision Maker evaluates operating results based on pre-tax underwriting results which is calculated as net premiums earned less (a) losses and loss adjustment expenses and (b) underwriting expenses (policy acquisition costs and other operating expenses).

Expenses are allocated based on certain assumptions that are primarily related to premiums and losses. The Company's net investment income, net realized investment gains or losses, other income, and interest expense are excluded in evaluating pretax underwriting profit. The Company does not allocate its assets, including investments, or income taxes in evaluating pre-tax underwriting profit.

Property and Casualty Lines

The Property and Casualty business segment offers several insurance products to the Company's individual customers and small business customers. These insurance products are: private passenger automobile which is the Company's primary business, and related insurance products such as homeowners, commercial automobile and commercial property. These related insurance products are primarily sold to the Company's individual customers and small business customers, which increases retention of the Company's private passenger automobile client base. The insurance products comprising the Property and Casualty business segment are sold through the same distribution channels, mainly through independent and 100% owned insurance agents, and go through a similar underwriting process.

Other Lines

The Other business segment represents net premiums written and earned from an operating segment that does not meet the quantitative thresholds required to be considered a reportable segment. This operating segment offers automobile mechanical protection warranties which are primarily sold through automobile dealerships and credit unions.

The following tables present table presents the Company's operating results by reportable segment:

	Three Months Ended September 30,	
	2023	2022

	Property & Casualty	Other	Total	Property & Casualty	Other	Total
			(Amounts in millions)			
Net premiums earned	$ 1,083.0	$ 7.3	$ 1,090.3	$ 989.7	$ 7.2	$ 996.9
Less:						
Losses and loss adjustment expenses	819.7	4.0	823.7	783.8	3.7	787.5
Underwriting expenses	247.1	3.7	250.8	233.6	3.8	237.4
Underwriting gain (loss)	16.2	(0.4)	15.8	(27.7)	(0.3)	(28.0)
Investment income			61.0			44.6
Net realized investment losses			(90.0)			(144.2)
Other income			3.9			3.0
Interest expense			(5.9)			(4.3)
Pre-tax loss			$ (15.2)			$ (128.9)
Net loss			$ (8.2)			$ (98.3)

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	Three Months Ended March 31,					Three Months Ended March 31,
	2024				2024	2023
	Property & Casualty	Other	Total	Property & Casualty	Other	Total

	Nine Months Ended September 30,					
	2023			2022		
	Property & Casualty	Other	Total	Property & Casualty	Other	Total
			(Amounts in millions)			
			(Amounts in millions)			
			(Amounts in millions)			
			(Amounts in millions)			
Net premiums earned	$ 3,107.8	$ 21.7	$ 3,129.5	$ 2,925.4	$ 21.6	$ 2,947.0
Less:						
Losses and loss adjustment expenses	2,639.4	11.7	2,651.1	2,425.1	11.1	2,436.2
Losses and loss adjustment expenses						
Losses and loss adjustment expenses						
Underwriting expenses	715.1	10.9	726.0	687.3	8.5	695.8
Underwriting (loss) gain	(246.7)	(0.9)	(247.6)	(187.0)	2.0	(185.0)
Underwriting loss						
Investment income			171.3			118.5
Net realized investment losses			(60.8)			(581.2)

Net realized investment gains			
Other income	Other income	15.0	7.1
Interest expense	Interest expense	(16.4)	(12.8)
Pre-tax loss		$ (138.5)	$ (653.4)
Net loss		$ (95.1)	$ (505.9)
Pre-tax income (loss)			
Net income (loss)			

The following tables present table presents the Company's net premiums earned and direct premiums written by reportable segment and line of insurance business:

	Three Months Ended September 30,					
	2023			2022		
	Property & Casualty	Other	Total	Property & Casualty	Other	Total
	(Amounts in millions)					
Private passenger automobile	$ 713.2	$ —	$ 713.2	$ 665.6	$ —	$ 665.6
Homeowners	244.0	—	244.0	213.0	—	213.0
Commercial automobile	78.4	—	78.4	68.0	—	68.0
Other	47.4	7.3	54.7	43.1	7.2	50.3
Net premiums earned	$ 1,083.0	$ 7.3	$ 1,090.3	$ 989.7	$ 7.2	$ 996.9
Private passenger automobile	$ 772.8	$ —	$ 772.8	$ 680.6	$ —	$ 680.6
Homeowners	307.7	—	307.7	251.8	—	251.8
Commercial automobile	93.7	—	93.7	66.5	—	66.5
Other	55.8	7.2	63.0	50.2	8.0	58.2
Direct premiums written	$ 1,230.0	$ 7.2	$ 1,237.2	$ 1,049.1	$ 8.0	$ 1,057.1

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Three Months Ended March 31,

	2024			2023		
	Property & Casualty	Other	Total	Property & Casualty	Other	Total

Three Months Ended March 31,

	Nine Months Ended September 30,					
	2023			2022		
	Property & Casualty	Other	Total	Property & Casualty	Other	Total
	(Amounts in millions)					
	(Amounts in millions)					
	(Amounts in millions)					
	(Amounts in millions)					
Private passenger automobile / Private passenger automobile	$ 2,048.5	$ —	$ 2,048.5	$ 1,990.9	$ —	$ 1,990.9

Homeowners	Homeowners	700.4	—	700.4	610.9	—	610.9
Commercial automobile	Commercial automobile	219.6	—	219.6	198.6	—	198.6
Other	Other	139.3	21.7	161.0	125.0	21.6	146.6
Net premiums earned	Net premiums earned	$ 3,107.8	$ 21.7	$ 3,129.5	$ 2,925.4	$ 21.6	$ 2,947.0
Private passenger automobile	Private passenger automobile	$ 2,105.6	$ —	$ 2,105.6	$ 2,015.6	$ —	$ 2,015.6
Private passenger automobile							
Private passenger automobile							
Homeowners	Homeowners	843.8	—	843.8	713.9	—	713.9
Commercial automobile	Commercial automobile	256.4	—	256.4	207.9	—	207.9
Other	Other	168.7	20.7	189.4	148.8	23.3	172.1
Direct premiums written	Direct premiums written	$ 3,374.5	$ 20.7	$ 3,395.2	$ 3,086.2	$ 23.3	$ 3,109.5

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

Forward-Looking Statements

The Private Securities Litigation Reform Act of 1995 provides a "safe harbor" for certain forward-looking statements. Certain statements contained in this report are forward-looking statements based on the Company's current expectations and beliefs concerning future developments and their potential effects on the Company. There can be no assurance that future developments affecting the Company will be those anticipated by the Company. Actual results may differ from those projected in the forward-looking statements. These forward-looking statements involve significant risks and uncertainties (some of which are beyond the control of the Company) and are subject to change based upon various factors, including but not limited to the following risks and uncertainties: changes in the demand for the Company's insurance products, inflation and general economic conditions, including general market risks associated with the Company's investment portfolio; the accuracy and adequacy of the Company's pricing methodologies; catastrophes in the markets served by the Company; uncertainties related to estimates, assumptions and projections generally; the possibility that actual loss experience may vary adversely from the actuarial estimates made to determine the Company's loss reserves in general; the Company's ability to obtain and the timing of the approval of premium rate changes for insurance policies issued in the states where it operates; legislation adverse to the automobile insurance industry or business generally that may be enacted in the states where the Company operates; the Company's success in managing its business in non-California states; the presence of competitors with greater financial resources and the impact of competitive pricing and marketing efforts; the Company's ability to successfully allocate the resources used in the states with reduced or exited operations to its operations in other states; changes in driving patterns and loss trends; acts of war and terrorist activities; pandemics, epidemics, widespread health emergencies, or outbreaks of infectious diseases; court decisions and trends in litigation and health care and auto repair costs; and legal, cybersecurity, regulatory and litigation risks. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as the result of new information, future events or otherwise. For a more detailed discussion of some of the foregoing risks and uncertainties, see the Company's Annual Report on Form 10-K filed with the United States Securities and Exchange Commission (the "SEC") on February 14, 2023 February 13, 2024.

OVERVIEW

A. General

The operating results of property and casualty insurance companies are subject to significant quarter-to-quarter and year-to-year fluctuations due to the effect of competition on pricing, the frequency and severity of losses, the effect of weather and natural disasters on losses, general economic conditions, the general regulatory environment in states in which an insurer operates, state regulation of insurance including premium rates, changes in fair value of investments, and other factors such as changes in tax laws. The property and casualty insurance industry has been highly cyclical, with periods of high premium rates and shortages of underwriting capacity followed by periods of severe price competition and excess capacity. These cycles can have a significant impact on the Company's ability to grow and retain business.

This section discusses some of the relevant factors that management considers in evaluating the Company's performance, prospects, and risks. It is not all-inclusive and is meant to be read in conjunction with the entirety of management's discussion and analysis, the Company's consolidated financial statements and notes thereto, and all other items contained within this Quarterly Report on Form 10-Q.

B. Business

The Company is primarily engaged in writing personal automobile insurance through 12 insurance subsidiaries ("Insurance Companies") in 11 states, principally California. The Company also writes homeowners, commercial automobile, commercial property, mechanical protection, and umbrella insurance. The Company's insurance policies are mostly sold through independent agents who receive a commission for selling policies. The Company believes that it has thorough underwriting and claims handling processes that, together with its agent relationships, provide the Company with competitive advantages.

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The following tables present direct premiums written, by state and line of insurance business, for the nine three months ended September 30, 2023 March 31, 2024 and 2022: 2023:

Three Months Ended March 31, 2024
(Dollars in thousands)

Nine Months Ended September 30, 2023
(Dollars in thousands)

		Private Passenger Automobile	Homeowners	Commercial Automobile	Other Lines (2)	Total								
		Private Passenger Automobile												
		Private Passenger Automobile												
		Private Passenger Automobile												
California														
California														
California	California	$1,713,133	$610,662	$181,024	$177,512	$2,682,331	79.0 %	$682,146	$		$208,000	$		$73,338
Texas	Texas	93,197	113,941	40,782	4,221	252,141	7.4 %	Texas	34,054	51,372		51,372	18,197	
Other states (1)	Other states (1)	299,270	119,185	34,640	7,653	460,748	13.6 %	Other states (1)	109,325	42,775		42,775	12,454	
Total	Total	$2,105,600	$843,788	$256,446	$189,386	$3,395,220	100.0 %	Total	$825,525	$		$302,147	$	$103,989
		62.0 %	24.9 %	7.6 %	5.6 %	100.0 %								
	63.5													

Three Months Ended March 31, 2023
(Dollars in thousands)

Nine Months Ended September 30, 2022
(Dollars in thousands)

		Private Passenger Automobile	Homeowners	Commercial Automobile	Other Lines (2)	Total								
		Private Passenger Automobile												
		Private Passenger Automobile												
		Private Passenger Automobile												
California														
California														
California	California	$1,672,123	$544,374	$143,991	$159,404	$2,519,892	81.1 %	$509,017	$		$173,130	$		$56,482
Texas	Texas	73,022	81,129	34,555	4,998	193,704	6.2 %	Texas	29,923	35,326		35,326	13,281	

Other states (1)	Other states (1)	270,407	88,396	29,391	7,672	395,866	12.7 %	Other states (1)	95,366	33,120		33,120	10,227		10
Total	Total	$2,015,552	$713,899	$207,937	$172,074	$3,109,462	100.0 %	Total	$634,306	$		$241,576	$		$79,990
		64.8 %	23.0 %	6.7 %	5.5 %	100.0 %									
	62.3														

(1) No individual state accounted for more than 5% of total direct premiums written.

(2) No individual line of insurance business accounted for more than 5% of total direct premiums written.

C. Regulatory and Legal Matters

The Department of Insurance (“DOI”) in each state in which the Company operates is responsible for conducting periodic financial, market conduct, and rating and underwriting examinations of the Insurance Companies in their states. Market conduct examinations typically review compliance with insurance statutes and regulations with respect to rating, underwriting, claims handling, billing, and other practices.

The following table presents a summary of recent and upcoming examinations:

State	Exam Type	Exam Period Covered	Status
CA, FL, GA, IL, OK, TX	Coordinated Multi-state Financial Market Conduct	2018-2021 2022	Received final examination reports. Examination commenced in the fourth quarter of 2023.

During the course of and at the conclusion of the examinations, the examining DOI generally reports findings to the Company. No material findings were noted in the final examination reports of the coordinated multi-state financial examination.

In January 2023, the California DOI approved a 6.9% rate increase on the private passenger automobile line of insurance business for Mercury Insurance Company ("MIC") and California Automobile Insurance Company ("CAIC"), consolidated subsidiaries of the Company. These rate increases became effective in March 2023. The California DOI approved an additional 6.99% rate increase on the private passenger automobile line of insurance business for MIC and CAIC in June 2023. These rate increases became effective in July 2023. In addition, in July 2023, the Company filed applications with January 2024, the California DOI for approved a 22.5% rate increase for MIC and a 6.99% 3.8% rate increase for CAIC on the private passenger automobile line of insurance business. These rate increases became effective in February 2024. The private passenger automobile line of insurance business of MIC and CAIC represented approximately 49% 47% and 5% 6%, respectively, of the Company's total net premiums earned for the nine three months ended September 30, 2023 March 31, 2024. California law allows for consumer groups to intervene in rate filings (See Item 1A. Risk Factors in the Company’s Annual Report on Form 10-K filed with the SEC for the year ended December 31, 2022 for additional information). The Company's current rate applications for MIC and CAIC filed in July 2023 have not been intervened.

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In March 2023, the California DOI approved a 12.6% rate increase on the California homeowners line of insurance business. This rate increase became effective in May 2023. In addition, in May 2023, the Company filed an application with March 2024, the California DOI for a approved an additional 6.99% rate increase on the California homeowners line of insurance business. This rate application has not been intervened. increase is expected to become effective in May 2024. The California homeowners line of insurance business represented approximately 16% of the Company's total net premiums earned for the nine three months ended September 30, 2023 March 31, 2024.

The Company is, from time to time, named as a defendant in various lawsuits or regulatory actions incidental to its insurance business. The majority of lawsuits brought against the Company relate to insurance claims that arise in the normal course of business and are reserved for through the reserving process. For a discussion of the Company’s reserving methods, see the Company’s Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023.

The Company establishes reserves for non-insurance claims related lawsuits, regulatory actions, and other contingencies when the Company believes a loss is probable and is able to estimate its potential exposure. For loss contingencies believed to be reasonably possible, the Company also discloses the nature of the loss contingency and an estimate of the possible loss, range of loss, or a statement that such an estimate cannot be made. In addition, the Company accrues for anticipated legal defense costs associated with such lawsuits and regulatory actions. While actual losses may differ from the amounts recorded and the ultimate outcome of the Company's pending actions is generally not yet determinable, the Company does not believe that the ultimate resolution of currently pending legal or regulatory proceedings, either individually or in the aggregate, will have a material adverse effect on its financial condition or cash flows.

In all cases, the Company vigorously defends itself unless a reasonable settlement appears appropriate. For a discussion of any additional regulatory or legal matters, see the Company’s Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023, and Note 12. Contingencies of the Notes to Consolidated Financial Statements of this Quarterly Report.

D. Critical Accounting Estimates

Loss and Loss Adjustment Expense Reserves ("Loss Reserves")

Preparation of the Company's consolidated financial statements requires management's judgment and estimates. The most significant is the estimate of loss reserves. Estimating loss reserves is a difficult process as many factors can ultimately affect the final settlement of a claim and, therefore, the loss reserve that is required. A key assumption in estimating loss reserves is the degree to which the historical data used to analyze reserves will be predictive of ultimate claim costs on incurred claims. Changes in the regulatory and legal environments, results of litigation, medical costs, the cost of repair materials, and labor rates, among other factors, can impact this assumption. In addition, time can be a critical part of reserving determinations since the longer the span between the incidence of a loss and the payment or settlement of a claim, the more variable the ultimate settlement amount could be. Accordingly, short-tail claims, such as property damage claims, tend to be more reasonably predictable than long-tail liability claims.

The Company calculates a loss reserve point estimate rather than a range. There is inherent uncertainty with estimates and this is particularly true with loss reserve estimates. This uncertainty comes from many factors which may include changes in claims reporting and settlement patterns, changes in the regulatory and legal environments, uncertainty over inflation rates, and uncertainty for unknown items. The Company does not make specific provisions for these uncertainties, rather it considers them in establishing its loss reserve by reviewing historical patterns and trends and projecting these out to current loss reserves. The underlying factors and assumptions that serve as the basis for preparing the loss reserve estimate include paid and incurred loss development factors, expected average costs per claim, inflation trends, expected loss ratios, industry data, and other relevant information.

The Company also engages independent actuarial consultants to review the Company's loss reserves and to provide the annual actuarial opinions under statutory accounting principles as required by state regulation. The Company analyzes loss reserves quarterly primarily using the incurred loss, paid loss, average severity coupled with the claim count development methods, and the generalized linear model ("GLM") described below. When deciding among methods to use, the Company evaluates the credibility of each method based on the maturity of the data available and the claims settlement practices for each particular line of insurance business or coverage within a line of insurance business. The Company may also evaluate qualitative factors such as known changes in laws or legal rulings that could affect claims handling or other external environmental factors or internal factors that could affect the settlement of claims. When establishing the loss reserve, the Company will generally analyze the results from all of the methods used rather than relying on a single method. While these methods are designed to determine the ultimate losses on claims under the Company's policies, there is inherent uncertainty in all actuarial models since they use historical data to project outcomes. The Company believes that the techniques it uses provide

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a reasonable basis in estimating loss reserves.

- The *incurred loss method* analyzes historical incurred case loss (case reserves plus paid losses) development to estimate ultimate losses. The Company applies development factors against current case incurred losses by accident period to calculate ultimate expected losses. The Company believes that the *incurred loss method* provides a

  reasonable basis for evaluating ultimate losses, particularly in the Company's larger, more established lines of insurance business which have a long operating history.
- The *paid loss method* analyzes historical payment patterns to estimate the amount of losses yet to be paid.
- The *average severity method* analyzes historical loss payments and/or incurred losses divided by closed claims and/or total claims to calculate an estimated average cost per claim. From this, the expected ultimate average cost per claim can be estimated. The *average severity method* coupled with the *claim count development method* provide meaningful information regarding inflation and frequency trends that the Company believes is useful in establishing loss reserves. The *claim count development method* analyzes historical claim count development to estimate future incurred claim count development for current claims. The Company applies these development factors against current claim counts by accident period to calculate ultimate expected claim counts.
- The GLM determines an average severity for each percentile of claims that have been closed as a percentage of estimated ultimate claims. The average severities are applied to open claims to estimate the amount of losses yet to be paid. The GLM utilizes operational time, determined as a percentile of claims closed rather than a finite calendar period, which neutralizes the effect of changes in the timing of claims handling.

The Company analyzes catastrophe losses separately from non-catastrophe losses. For catastrophe losses, the Company generally determines claim counts based on claims reported and development expectations from previous catastrophes and applies an average expected loss per claim based on loss reserves established by adjusters and average losses on previous similar catastrophes. For catastrophe losses on individual properties that are expected to be total losses, the Company typically establishes reserves at the policy limits.

At September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, the Company recorded its point estimate of approximately $2.72 billion $2.86 billion and $2.58 billion $2.79 billion ($2.70 2.83 billion and $2.56 billion $2.75 billion, net of reinsurance), respectively, in loss reserves, which included approximately $1.56 billion $1.66 billion and $1.45 billion $1.61 billion ($1.56 1.66 billion and $1.45 billion $1.61 billion, net of reinsurance), respectively, of incurred but not reported loss reserves ("IBNR"). IBNR includes estimates, based upon past experience, of ultimate developed costs, which may differ from case estimates, unreported claims that occurred on or prior to September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, and estimated future payments for reopened claims. Management believes that the liability for loss reserves is adequate to cover the ultimate net cost of losses and loss adjustment expenses incurred to date; however, since the provisions are necessarily based upon estimates, the ultimate liability may be more or less than such provisions.

The Company evaluates its loss reserves quarterly. When management determines that the estimated ultimate claim cost requires a decrease for previously reported accident years, favorable development occurs and a reduction in losses and loss adjustment expenses is reported in the current period. If the estimated ultimate claim cost requires an increase for previously reported accident years, unfavorable development occurs and an increase in losses and loss adjustment expenses is reported in the current period.

For a further discussion of the Company's reserving methods, see the Company's Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023.

RESULTS OF OPERATIONS

Three Months Ended September 30, 2023 March 31, 2024 Compared to Three Months Ended September 30, 2022 March 31, 2023

Revenues

Net premiums earned increased 9.4% 16.1% and net premiums written increased 16.6% 27.2% for the three months ended September 30, 2023 March 31, 2024, from the corresponding period in 2022. 2023. The increase increases in net premiums earned was and net premiums written were primarily due to rate increases and increases in the number of policies written in the California automobile and homeowners lines of insurance business and in certain lines of insurance business in states outside of California, combined with increases in the number of policies written outside of California. business.

Net premiums earned included ceded premiums earned of $30.9 million $31.1 million and $22.8 million $23.2 million for the three months ended September 30, 2023 March 31, 2024 and 2022, 2023, respectively. Net premiums written included ceded premiums written of $30.9 million $31.3 million and $22.8

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million $23.4 million for the three months ended September 30, 2023 March 31, 2024 and 2022, 2023, respectively. The increases in ceded premiums earned and ceded premiums written resulted mostly from higher reinsurance coverage and rates and growth in the covered book of business.

Net premiums earned, a GAAP measure, represents the portion of net premiums written that is recognized as revenue in the financial statements for the periods presented and earned on a pro-rata basis over the term of the policies. Net premiums written is a non-GAAP financial measure which represents the premiums charged on policies issued during a fiscal period, net of any applicable reinsurance. Net premiums written is a statutory measure designed to determine production levels.

The following is a reconciliation of net premiums earned to net premiums written:

		Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
		(Amounts in thousands)		(Amounts in thousands)	
Net premiums earned	Net premiums earned	$ 1,090,311	$ 996,939		
Change in net unearned premiums	Change in net unearned premiums	116,192	37,537		
Net premiums written	Net premiums written	$ 1,206,503	$ 1,034,476		

Expenses

Loss and expense ratios are used to interpret the underwriting experience of property and casualty insurance companies. The following table presents the Insurance Companies' loss, expense, and combined ratios determined in accordance with GAAP:

		Three Months Ended September 30, 2023	Three Months Ended September 30, 2022		Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
Loss ratio	Loss ratio	75.6 %	79.0 %			
Loss ratio						
Loss ratio					77.5 %	92.5 %
Expense ratio	Expense ratio	23.0 %	23.8 %	Expense ratio	23.4 %	23.3 %
Combined ratio	Combined ratio	98.6 %	102.8 %	Combined ratio	100.9 %	115.8 %

Loss ratio is calculated by dividing losses and loss adjustment expenses by net premiums earned. The loss ratio for the third first quarter of 2023 2024 and 2022 2023 was affected by favorable development of approximately $12 million $6 million and $1 million $15 million, respectively, on prior accident years' loss and loss adjustment expense reserves. The favorable development for the third first quarter of 2024 was primarily attributable to lower than estimated loss adjustment expenses in the private passenger automobile line of insurance business, partially offset by unfavorable development on prior years' catastrophe losses. The favorable development for the first quarter of 2023 was primarily attributable to lower than estimated losses and loss adjustment expenses in the private passenger automobile and homeowners lines of insurance business, partially offset by unfavorable development in the commercial property line of insurance business. The favorable development for the third quarter of 2022 was primarily attributable to lower than estimated losses and loss adjustment expenses in the commercial property and umbrella lines of insurance business.

In addition, the 2024 loss ratio was negatively impacted by approximately $68 million of catastrophe losses, excluding unfavorable development of approximately $4 million on prior years' catastrophe losses, primarily due to winter storms and rainstorms in California and convective storms in Texas and Oklahoma. The 2023 loss ratio was negatively impacted by approximately $36 million $98 million of catastrophe losses, excluding favorable primarily due to winter storms and rainstorms in California, Texas and Oklahoma. There was no material development of approximately $3 million on prior years' catastrophe losses primarily due to for the impact of Hurricane Hilary in California and extreme weather events outside of California. The 2022 loss ratio was negatively impacted by approximately $18 million of catastrophe losses, excluding unfavorable development of approximately $1 million on prior years' catastrophe losses, primarily due to the impact of Hurricane Ian in Florida and rainstorms in Texas and Oklahoma. three months ended March 31, 2023.

Excluding the effects of estimated prior periods' loss development and catastrophe losses, the loss ratio was 72.2% and 77.2% 84.3% for the third first quarter of 2023 2024 and 2022, 2023, respectively. The decrease in the loss ratio was primarily due to an increase in net premiums earned resulting from rate increases in the California automobile and homeowners lines of insurance business, and in certain lines of insurance business in states outside of California, partially offset by an increase in loss severity in the automobile line of insurance business. In addition, the decrease in the loss ratio was partly attributable to favorable development of approximately $12 million on prior accident years' loss and loss adjustment expense reserves for the third quarter of 2023, compared to favorable development of approximately $1 million for the corresponding period in 2022.

Expense ratio is calculated by dividing the sum of policy acquisition costs and other operating expenses by net premiums earned. The expense ratio for the three months ended September 30, 2023 decreased March 31, 2024 increased slightly compared to the corresponding period in 2022, aided 2023, which primarily resulted from increases in part expenses for profitability-related accruals and advertising, mostly offset by the effects of the rate increases discussed above. Expenses for real estate operations and office leases decreased as a result of the sale of certain office buildings and termination of certain office leases, as the majority of the Company's employees continue to work from home. In addition, expenses for certain profitability-related accruals decreased.

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Combined ratio is equal to loss ratio plus expense ratio and is the key measure of underwriting performance traditionally used in the property and casualty insurance industry. A combined ratio under 100% generally reflects profitable underwriting results, and a combined ratio over 100% generally reflects unprofitable underwriting results.

Income tax benefit expense (benefit) was $7.0 million $15.8 million and $30.6 million $(16.8) million for the three months ended September 30, 2023 March 31, 2024 and 2022, 2023, respectively. The decrease increase in income tax benefit expense was primarily due to a $113.7 million decrease $151.3 million increase in total pre-tax loss. income. The Company's effective income tax rate can be affected by several factors. These generally relate to large changes in the composition of fully taxable income, including net realized investment gains or losses, tax-exempt investment income, non-deductible expenses, and periodically, non-routine tax items such as adjustments to unrecognized tax benefits related to tax uncertainties. Income tax expense of $15.8 million on pre-tax income of $89.2 million, including tax-exempt investment income of $20.5 million, resulted in an effective tax rate of 17.7%, below the statutory tax rate of 21%, for the three months ended March 31, 2024, and income tax benefit of $7.0 million $16.8 million on pre-tax loss of $15.2 million $62.1 million, including tax-exempt investment income of $22.0 million, resulted in an effective tax rate of 46.0% 27.0%, above the statutory tax rate, of 21%, for the three months ended September 30, 2023, and income tax benefit of $30.6 million on pre-tax loss of $128.9 million, including tax-exempt investment income of $19.5 million, resulted in an effective tax rate of 23.7% for the corresponding period in 2022. 2023.

Investments

The following table presents the investment results of the Company:

		Three Months Ended September 30,		Three Months Ended March 31,	
		2023	2022	2024	2023
		(Dollars in thousands)		(Dollars in thousands)	
Average invested assets at cost (1)	Average invested assets at cost (1)	$ 5,106,049	$ 4,912,521		
Net investment income (2)					
Net investment income (2) (3)					

Before income taxes					
Before income taxes					
Before income taxes	Before income taxes	$ 60,965	$ 44,563		
After income taxes	After income taxes	$ 51,958	$ 38,653		
Average annual yield on investments (2)					
Average annual yield on investments (2) (3)					
Before income taxes					
Before income taxes					
Before income taxes	Before income taxes	4.8 %	3.6 %	4.4 %	4.0 %
After income taxes	After income taxes	4.1 %	3.2 %	After income taxes 3.8 %	3.5 %
Net realized investment losses		$ (90,001)	$ (144,213)		
Net realized investment gains					

(1) Fixed maturities and short-term bonds at amortized cost; equities and other short-term investments at cost. Average invested assets at cost are based on the monthly amortized cost of the invested assets excluding cash for each period.

(2) Net investment income includes approximately $5.6 million and $1.7 million of interest income earned on cash (approximately $4.5 million and $1.4 million after tax) for the three months ended March 31, 2024 and 2023, respectively. Average annual yield on investments does not include interest income earned on cash.

(3) Higher net investment income before and after income taxes for the three months ended September 30, 2023 March 31, 2024 compared to the corresponding period in 2022 2023 resulted largely from higher average yield combined with higher average invested assets. assets and cash. Average annual yield on investments before and after income taxes for the three months ended September 30, 2023 March 31, 2024 increased compared to the corresponding period in 2022, 2023, primarily due to the maturity and replacement of lower yielding investments purchased when market interest rates were lower with higher yielding investments, as a result of increasing overall market interest rates, as well as higher yields on investments based on floating interest rates.

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The following tables present the components of net realized investment gains or losses included in net loss: income (loss):

		Three Months Ended March 31, 2024				Three Months Ended March 31, 2024
		Gains (Losses) Recognized in Net Income				Gains (Losses) Recognized in Net Income
		Three Months Ended September 30, 2023		Sales	Changes in fair value	Total
		Gains (Losses) Recognized in Net Loss				
		Sales	Changes in fair value	Total		
		(Amounts in thousands)		(Amounts in thousands)		
Net realized investment gains (losses)	Net realized investment gains (losses)					
Fixed maturity securities (1) (2)	Fixed maturity securities (1) (2)	$ 973	$(70,855)	$(69,882)		

Fixed maturity securities (1)(2)				
Fixed maturity securities (1)(2)				
Equity securities (1)(3)	Equity securities (1)(3)	6,339	(29,452)	(23,113)
Short-term investments (1)	Short-term investments (1)	—	63	63
Note receivable (1)	Note receivable (1)	—	(37)	(37)
Options sold	Options sold	2,436	532	2,968
Total	Total	$9,748	$(99,749)	$(90,001)

	Three Months Ended September 30, 2022		
	Gains (Losses) Recognized in Net Loss		
	Sales	Changes in fair value	Total
	(Amounts in thousands)		
Net realized investment gains (losses)			
Fixed maturity securities (1)(2)	$ (30,841)	$ (83,257)	$ (114,098)
Equity securities (1)(3)	14,017	(45,779)	(31,762)
Short-term investments (1)	(1,481)	1,817	336
Options sold	1,216	95	1,311
Total	$ (17,089)	$ (127,124)	$ (144,213)

	Three Months Ended March 31, 2023		
	Gains (Losses) Recognized in Net Loss		
	Sales	Changes in fair value	Total
	(Amounts in thousands)		
Net realized investment gains (losses)			
Fixed maturity securities (1)(2)	$ (891)	$ 39,776	$ 38,885
Equity securities (1)(3)	5,621	3,240	8,861
Short-term investments (1)	—	34	34
Options sold	1,457	(229)	1,228
Total	$ 6,187	$ 42,821	$ 49,008

(1) The changes in fair value of the investment portfolio resulted from application of the fair value option.

(2) The decreases in fair value of fixed maturity securities for the third quarter of 2023 and 2022 three months ended March 31, 2024 primarily resulted from increases in market interest rates. The increases in fair value of fixed maturity securities for the three months ended March 31, 2023 primarily resulted from decreases in market interest rates.

(3) The primary cause for the decreases increases in fair value of equity securities for the third quarter of three months ended March 31, 2024 and 2023 and 2022 was the overall decline improvement in equity markets.

Net Income (Loss)

	Three Months Ended September 30,	
	2023	2022
	(Amounts in thousands, except per share data)	
Net loss	$ (8,227)	$ (98,303)
Basic average shares outstanding	55,371	55,371
Diluted average shares outstanding	55,371	55,371

Basic Per Share Data:				
Net loss	$	(0.15)	$	(1.78)
Net realized investment losses, net of tax	$	(1.28)	$	(2.06)
Diluted Per Share Data:				
Net loss	$	(0.15)	$	(1.78)
Net realized investment losses, net of tax	$	(1.28)	$	(2.06)

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Nine Months Ended September 30, 2023 Compared to Nine Months Ended September 30, 2022

Revenues

Net premiums earned increased 6.2% and net premiums written increased 8.8% for the nine months ended September 30, 2023, from the corresponding period in 2022. The increase in net premiums earned was primarily due to rate increases in the California automobile and homeowners lines of insurance business and in certain lines of insurance business in states outside of California, combined with increases in the number of policies written outside of California, partially offset by decreases in the number of private passenger automobile and homeowners policies written in California.

Net premiums earned included ceded premiums earned of $78.1 million and $57.4 million for the nine months ended September 30, 2023 and 2022, respectively. Net premiums written included ceded premiums written of $78.5 million and $57.8 million for the nine months ended September 30, 2023 and 2022, respectively. The increases in ceded premiums earned and ceded premiums written resulted mostly from higher reinsurance coverage and rates and growth in the covered book of business.

The following is a reconciliation of net premiums earned to net premiums written:

	Nine Months Ended September 30,			
	2023		2022	
	(Amounts in thousands)			
Net premiums earned	$	3,129,483	$	2,947,000
Change in net unearned premiums		202,566		115,267
Net premiums written	$	3,332,049	$	3,062,267

Expenses

The following table presents the Insurance Companies' loss, expense, and combined ratios determined in accordance with GAAP:

	Nine Months Ended September 30,	
	2023	2022
Loss ratio	84.7 %	82.7 %
Expense ratio	23.2 %	23.6 %
Combined ratio	107.9 %	106.3 %

The loss ratio for the nine months of 2023 and 2022 was affected by favorable development of approximately $32 million and unfavorable development of approximately $50 million, respectively, on prior accident years' loss and loss adjustment expense reserves. The favorable development for the nine months of 2023 was primarily attributable to lower than estimated losses and loss adjustment expenses in the private passenger automobile and homeowners lines of insurance business, partially offset by unfavorable development in the commercial property line of insurance business. The unfavorable development for the nine months of 2022 was primarily attributable to higher than estimated losses and loss adjustment expenses in the private passenger automobile line of insurance business.

In addition, the 2023 loss ratio was negatively impacted by approximately $227 million of catastrophe losses, excluding favorable development of approximately $4 million on prior years' catastrophe losses, primarily due to winter storms and rainstorms in California, Texas and Oklahoma, and the impact of Hurricane Hilary in California. The 2022 loss ratio was negatively impacted by approximately $58 million of catastrophe losses, excluding unfavorable development of approximately $4 million on prior years' catastrophe losses, primarily due to winter storms, rainstorms and hail in Texas and Oklahoma, the impact of Hurricane Ian in Florida, and winter storms in California.

Excluding the effects of estimated prior periods' loss development and catastrophe losses, the loss ratio was 78.5% and 79.0% for the first nine months of 2023 and 2022, respectively. The slight decrease in the loss ratio was primarily due to rate increases in the California automobile and homeowners lines of insurance business and in certain lines of insurance business in states outside of California, mostly offset by an increase in loss severity in the automobile line of insurance business. Extreme rates of inflation in 2022 have begun to moderate in 2023 but remain elevated. The Company has increased rates and filed for additional rate increases in many states and is taking various non-rate actions to improve profitability.

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The expense ratio for the nine months ended September 30, 2023 decreased slightly compared to the corresponding period in 2022, aided in part by the rate increases discussed above. Expenses for real estate operations and office leases decreased as a result of the sale of certain office buildings and termination of certain office leases, as the majority of the Company's employees continue to work from home. In addition, expenses for advertising and certain profitability-related accruals decreased.

Income tax benefit was $43.5 million and $147.5 million for the nine months ended September 30, 2023 and 2022, respectively. The decrease in income tax benefit was primarily due to a $514.9 million decrease in total pre-tax loss. Income tax benefit of $43.5 million on pre-tax loss of $138.5 million, including tax-exempt investment income of $65.8 million, resulted in an effective tax rate of 31.4%, above the statutory tax rate of 21%, for the nine months ended September 30, 2023, and income tax benefit of $147.5 million on pre-tax loss of $653.4 million, including tax-exempt investment income of $54.2 million, resulted in an effective tax rate of 22.6% for the corresponding period in 2022.

Investments

The following table presents the investment results of the Company:

	Nine Months Ended September 30,	
	2023	2022
	(Dollars in thousands)	
Average invested assets at cost (1)	$ 5,060,778	$ 4,889,050
Net investment income (2)		
Before income taxes	$ 171,287	$ 118,469
After income taxes	$ 146,571	$ 103,091
Average annual yield on investments (2)		
Before income taxes	4.5 %	3.2 %
After income taxes	3.9 %	2.8 %
Net realized investment losses	$ (60,772)	$ (581,237)

(1) Fixed maturities and short-term bonds at amortized cost; equities and other short-term investments at cost. Average invested assets at cost are based on the monthly amortized cost of the invested assets for each period.

(2) Higher net investment income before and after income taxes for the nine months ended September 30, 2023 compared to the corresponding period in 2022 resulted largely from higher average yield combined with higher average invested assets. Average annual yield on investments before and after income taxes for the nine months ended September 30, 2023 increased compared to the corresponding period in 2022, primarily due to the maturity and replacement of lower yielding investments purchased when market interest rates were lower with higher yielding investments, as a result of increasing overall market interest rates, as well as higher yields on investments based on floating interest rates.

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The following tables present the components of net realized investment gains or losses included in net loss:

	Nine Months Ended September 30, 2023		
	Gains (Losses) Recognized in Net Loss		
	Sales	Changes in fair value	Total
	(Amounts in thousands)		
Net realized investment gains (losses)			
Fixed maturity securities (1)(2)	$ (373)	$ (53,915)	$ (54,288)
Equity securities (1)(3)	26,405	(38,820)	(12,415)
Short-term investments (1)	(4)	54	50
Note receivable (1)	—	88	88
Options sold	5,591	202	5,793
Total	$ 31,619	$ (92,391)	$ (60,772)

	Nine Months Ended September 30, 2022		
	Gains (Losses) Recognized in Net Loss		
	Sales	Changes in fair value	Total
	(Amounts in thousands)		
Net realized investment gains (losses)			

Fixed maturity securities (1)(2)	$ (53,224)	$ (329,458)	$ (382,682)
Equity securities (1)(3)	20,311	(220,469)	(200,158)
Short-term investments (1)	(2,488)	152	(2,336)
Options sold	3,915	24	3,939
Total	$ (31,486)	$ (549,751)	$ (581,237)

(1) The changes in fair value of the investment portfolio resulted from application of the fair value option.

(2) The decreases in fair value of fixed maturity securities for the nine months ended September 30, 2023 and 2022 primarily resulted from increases in market interest rates.

(3) The primary cause for the decreases in fair value of equity securities for the nine months ended September 30, 2023 and 2022 was the overall decline in equity markets.

Net Income (Loss)

	Nine Months Ended September 30,	
	2023	2022
	(Amounts in thousands, except per share data)	
Net loss	$ (95,058)	$ (505,902)
Basic average shares outstanding	55,371	55,371
Diluted average shares outstanding	55,371	55,371
Basic Per Share Data:		
Net loss	$ (1.72)	$ (9.14)
Net realized investment losses, net of tax	$ (0.87)	$ (8.29)
Diluted Per Share Data:		
Net loss	$ (1.72)	$ (9.14)
Net realized investment losses, net of tax	$ (0.87)	$ (8.29)

	Three Months Ended March 31,	
	2024	2023
	(Amounts in thousands, except per share data)	
Net income (loss)	$ 73,462	$ (45,288)
Basic average shares outstanding	55,371	55,371
Diluted average shares outstanding	55,372	55,371
Basic Per Share Data:		
Net income (loss)	$ 1.33	$ (0.82)
Net realized investment gains, net of tax	$ 0.54	$ 0.70
Diluted Per Share Data:		
Net income (loss)	$ 1.33	$ (0.82)
Net realized investment gains, net of tax	$ 0.54	$ 0.70

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LIQUIDITY AND CAPITAL RESOURCES

A. Cash Flows

The Company has generated positive cash flow from operations each year since the public offering of its common stock in November 1985. The Company does not attempt to match the duration and timing of asset maturities with those of liabilities; rather, it manages its portfolio with a view towards maximizing total return with an emphasis on after-tax income. With combined cash and short-term investments of $665.7 million $692.6 million at September 30, 2023 March 31, 2024, the Company believes its cash flow from operations is adequate to satisfy its liquidity requirements without the forced sale of investments. Investment maturities are also available to meet the Company's liquidity needs. However, the Company operates in a rapidly evolving and often unpredictable business environment that may change the timing or amount of expected future cash receipts and expenditures. Accordingly, there can be no assurance that the Company's sources of funds will be sufficient to meet its liquidity needs or that the Company will not be required to raise additional funds to meet those needs or for future business expansion, through the sale of equity or debt securities or from credit facilities with lending institutions.

Net cash provided by operating activities for the nine three months ended September 30, 2023 March 31, 2024 was $227.7 million $192.6 million, a decrease an increase of $57.2 million $174.5 million compared to the corresponding period in 2022. 2023. The decrease increase was primarily due to increases an increase in premium collections, a decrease in payments for losses and loss adjustment expenses, and an increase in investment income received, partially offset by increases an increase in premium collections and investment income received. payments for policy acquisition costs. The Company utilized the cash provided by operating activities during the nine three months ended September 30, 2023 March 31, 2024 primarily for the net purchases of investment securities and payment of dividends to its shareholders.

The following table presents the estimated fair value of fixed maturity securities at September 30, 2023 March 31, 2024 by contractual maturity in the next five years:

		Fixed Maturity Securities
		(Amounts in thousands)
Due in one year or less	$	251,895 263,504
Due after one year through two years		203,604 187,645
Due after two years through three years		206,699 263,540
Due after three years through four years		317,319 328,398
Due after four years through five years		174,570 227,217
Total due within five years	$	1,154,087 1,270,304

B. Reinsurance

For California homeowners policies, the Company has reduced its catastrophe exposure from earthquakes by placing earthquake risks directly with the California Earthquake Authority ("CEA"). However, the Company continues to have catastrophe exposure to fires following an earthquake.

The Company is the assuming reinsurer under a Catastrophe Participation Reinsurance Contract (the "Contract") effective through December 31, 2025. The Company reimburses a group of affiliates of a ceding company for a proportional share of a portfolio of catastrophe losses based on the premiums ceded to the Company under the Contract, to the extent the actual loss ratio exceeds the threshold loss ratio of 73.5%. The total assumed premium under the Contract is $15.0 million for each of the 12 month 12-month periods ending December 31, 2023 through 2025 and $10.0 million for the 12 months ended December 31, 2022. The total possible amount of losses for the Company under the Contract is $30.0 million for each of the 12 month 12-month periods ending December 31, 2023 through 2025 and $25.0 million for the 12 months ended December 31, 2022. The Company recognized $3.8 million and $2.5 million in earned premiums for each of the three-month periods ended March 31, 2024 and $2.2 million 2023, and $2.2 million $(4.7) million and $2.7 million in incurred losses under the Contract for the three months ended September 30, 2023 March 31, 2024 and 2022, 2023, respectively, and $11.3 million and $7.5 million in earned premiums and $7.6 million and $6.3 million in under the Contract. The negative incurred losses for the nine three months ended September 30, 2023 and 2022, respectively. March 31, 2024 resulted primarily from favorable development on prior years' catastrophe losses that had been ceded to the Company under the Contract.

The Company is the ceding party to a Catastrophe Reinsurance Treaty (the "Treaty") covering a wide range of perils that is effective through June 30, 2024. For the 12 months ending June 30, 2024 and 2023, the Treaty provides approximately $1,111 million and $936 million of coverage, respectively, on a per occurrence basis after covered catastrophe losses exceed the Company retention limit of $100 million and $60 million, respectively. The Treaty specifically excludes coverage for any Florida business and for California earthquake losses on fixed property policies such as homeowners, but does cover losses from fires following an earthquake. The Treaty includes additional restrictions as noted in the tables below.

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Coverage on individual catastrophes provided for the 12 months ending June 30, 2024 under the Treaty is presented below in various layers:

	Catastrophe Losses and LAE		
	In Excess of	Up to	Percentage of Coverage
	(Amounts in millions)		
Retained	$ —	$ 100	— %
Layer of Coverage	100	140	5.0
Layer of Coverage (1) (3)	140	610	100.0
Layer of Coverage (2) (3) (4)	610	1,120	99.8
Layer of Coverage	1,120	1,250	100.0

(1) Approximately 4% of this layer covers California, Arizona and Nevada only.

(2) Approximately 30% of this layer covers California, Arizona and Nevada only.

(3) Layer of Coverage represents multiple actual treaty layers that are grouped for presentation purposes.

(4) Approximately 10% of this layer covers only California wildfires and fires following an earthquake in California, and is not subject to reinstatement.

Coverage on individual catastrophes provided for the 12 months ended June 30, 2023 under the Treaty is presented below in various layers:

	Catastrophe Losses and LAE		
	In Excess of	Up to	Percentage of Coverage
	(Amounts in millions)		
Retained	$ —	$ 60	— %
Layer of Coverage	60	100	19.5
Layer of Coverage	100	200	98.8
Layer of Coverage (1)	200	530	98.6
Layer of Coverage (2) (3) (4)	530	930	100.0
Layer of Coverage	930	1,035	98.9

(1) Approximately 5% of this layer covers California, Arizona and Nevada only.
(2) Approximately 33% of this layer covers California, Arizona and Nevada only.
(3) Layer of Coverage represents multiple actual treaty layers that are grouped for presentation purposes.
(4) Approximately 6% of this layer covers only California wildfires and fires following an earthquake in California, and is not subject to reinstatement.

The table below presents the combined total reinsurance premiums under the Treaty (annual premiums and reinstatement premiums) for the 12 months ending June 30, 2024 and 2023, respectively:

Treaty	Annual Premium (1)	Reinstatement Premium (2)	Total Combined Premium (2)
		(Amounts in millions)	
For the 12 months ending June 30, 2024	$ 99	$ —	$ 99
For the 12 months ended June 30, 2023	$ 74	$ —	$ 74

(1) The increase in the annual premium is primarily due to an increase in reinsurance coverage and rates and growth in the covered book of business.
(2) The reinstatement premium and the total combined premium for the treaty period ending June 30, 2024 are projected amounts to be paid based on the assumption that there will be no reinstatements occurring during this treaty period. The reinstatement premium for the treaty period ended June 30, 2023 is zero, as there were no actual reinstatement premiums paid.

The Treaty ending June 30, 2024 and 2023 each provides for one full reinstatement of coverage limits. Reinstatement premiums are based on the amount of reinsurance benefits used by the Company at 100% of the annual premium rate, with the

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exception of the reinstatement restrictions noted in the tables above, up to the maximum reinstatement premium of approximately $95 million and $72 million if the full amount of benefit is used for the 12 months ending June 30, 2024 and 2023, respectively.

The total amount of reinstatement premiums is recorded as ceded reinstatement premiums written at the time of the catastrophe event based on the total amount of reinsurance benefits expected to be used for the event, and such reinstatement premiums are recognized ratably over the remaining term of the Treaty as ceded reinstatement premiums earned.

The catastrophe events that occurred in 2023 2024 caused approximately $227 million $68 million in losses to the Company, resulting primarily from winter storms and rainstorms in California and convective storms in Texas and Oklahoma. No reinsurance benefits were available under the Treaty for these losses as none of the 2024 catastrophe events individually resulted in losses in excess of the Company's per-occurrence retention limit of $100 million under the Treaty for the 12 months ending June 30, 2024.

The catastrophe events that occurred in 2023 caused approximately $251 million in losses to the Company as of March 31, 2024, resulting primarily from rainstorms and hail in Texas and Oklahoma, winter storms and rainstorms in

California, and the impact of Hurricane Tropical Storm Hilary in California. No reinsurance benefits were available under the Treaty for these losses as none of the 2023 catastrophe events individually resulted in losses in excess of the Company's per-occurrence retention limit of $100 million and $60 million under the Treaty for the 12 months ending June 30, 2024 and 2023, respectively.

The catastrophe events that occurred in 2022 caused approximately $106 million in losses to the Company as of September 30, 2023, resulting primarily from the deep freeze of Winter Storm Elliott and other extreme weather events in Texas, Oklahoma and Georgia, winter storms in California, and the impact of Hurricane Ian in Florida. No reinsurance benefits were available under the Treaty for these losses as none of the 2022 catastrophe events individually resulted in losses in excess of the Company’s per-occurrence retention limit of $60 million and $40 million under the Treaty for the 12 months ending June 30, 2023 and 2022, respectively.

The Company carries a commercial umbrella reinsurance treaty and a per-risk property reinsurance treaty, and seeks facultative arrangements for large property risks. In addition, the Company has other reinsurance in force that is not material to the consolidated financial statements. If any reinsurers are unable to perform their obligations under a reinsurance treaty, the Company will be required, as primary insurer, to discharge all obligations to its policyholders in their entirety.

C. Invested Assets

Portfolio Composition

An important component of the Company’s financial results is the return on its investment portfolio. The Company’s investment strategy emphasizes safety of principal and consistent income generation, within a total return framework. The investment strategy has historically focused on maximizing after-tax yield with a primary emphasis on maintaining a well-diversified, investment grade, fixed income portfolio to support the underlying liabilities and achieve return on capital and profitable growth. The Company believes that investment yield is maximized by selecting assets that perform favorably on a long-term basis and by disposing of certain assets to enhance after-tax yield and minimize the potential effect of downgrades and defaults. The Company believes that this strategy enables the optimal investment performance necessary to sustain investment income over time. The Company’s portfolio management approach utilizes a market risk and consistent asset allocation strategy as the primary basis for the allocation of interest sensitive, liquid and credit assets as well as for determining overall below investment grade exposure and diversification requirements. Within the ranges set by the asset allocation strategy, tactical investment decisions are made in consideration of prevailing market conditions.

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The following table presents the composition of the total investment portfolio of the Company at September 30, 2023 March 31, 2024:

	Cost (1)			Cost (1)	Fair Value
		Cost (1)	Fair Value		
		(Amounts in thousands)		(Amounts in thousands)	
Fixed maturity securities:	Fixed maturity securities:				
U.S. government bonds and agencies	U.S. government bonds and agencies	$ 163,133	$ 161,185		
U.S. government bonds and agencies					
U.S. government bonds and agencies					
Municipal securities	Municipal securities	2,759,455	2,645,979		
Mortgage-backed securities	Mortgage-backed securities	195,897	175,965		
Corporate securities	Corporate securities	629,767	590,545		
Collateralized loan obligations	Collateralized loan obligations	442,252	436,217		
Other asset-backed securities	Other asset-backed securities	116,069	104,766		
		4,306,573	4,114,657		
	4,574,492				
Equity securities:	Equity securities:				
Common stock					
Common stock					
Common stock	Common stock	471,942	530,267		

Non-redeemable preferred stock	Non-redeemable preferred stock	64,860	49,865
Private equity funds measured at net asset value (2)	Private equity funds measured at net asset value (2)	142,303	90,861
		679,105	670,993
	690,856		
Short-term investments	Short-term investments	212,715	211,778
Total investments	Total investments	$5,198,393	$4,997,428

(1) Fixed maturities and short-term bonds at amortized cost; equities and other short-term investments at cost.

(2) The fair value is measured using the NAV practical expedient. See Note 5. Fair Value Measurements of the Notes to Consolidated Financial Statements for additional information.

At September 30, 2023 March 31, 2024, 46.6% 39.3% of the Company's total investment portfolio at fair value and 56.6% 47.8% of its total fixed maturity securities at fair value were invested in tax-exempt state and municipal bonds. Equity holdings consist of non-redeemable preferred stocks, dividend-bearing common stocks on which dividend income is partially tax-sheltered by the 50% corporate dividend received deduction, and private equity funds. At September 30, 2023 March 31, 2024, 83.8% 91.4% of short-term investments consisted of highly rated short-duration securities redeemable on a daily or weekly basis.

Fixed Maturity Securities and Short-Term Investments

Fixed maturity securities include debt securities, which are mostly long-term bonds and other debt with maturities of at least one year from purchase, and which may have fixed or variable principal payment schedules, may be held for indefinite periods of time, and may be used as a part of the Company's asset/liability strategy or sold in response to changes in interest rates, anticipated prepayments, risk/reward characteristics, liquidity needs, tax planning considerations, or other economic factors. Short-term instruments include money market accounts, options, and short-term bonds that are highly rated short duration securities and redeemable within one year.

A primary exposure for the fixed maturity securities is interest rate risk. The longer the duration, the more sensitive the asset is to market interest rate fluctuations. As assets with longer maturity dates tend to produce higher current yields, the Company's historical investment philosophy has resulted in a portfolio with a moderate duration. The Company's portfolio is heavily weighted in investment grade tax-exempt municipal bonds. Fixed maturity securities purchased by the Company typically have call options attached, which further reduce the duration of the asset as interest rates decline. The holdings that are heavily weighted with high coupon issues, are expected to be called prior to maturity. Modified duration measures the length of time it takes, on average, to receive the present value of all the cash flows produced by a bond, including reinvestment of interest. As it measures four factors (maturity, coupon rate, yield and call terms) which determine sensitivity to changes in interest rates, modified duration is considered a better indicator of price volatility than simple maturity alone.

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The following table presents the maturities and durations of the Company's fixed maturity securities and short-term investments:

	March 31, 2024		March 31, 2024	December 31, 2023
		September 30, 2023	December 31, 2022	
		(in years)		
		(in years)		
		(in years)		
		(in years)		
Fixed Maturity Securities	Fixed Maturity Securities			
Nominal average maturity:	Nominal average maturity:			
Nominal average maturity:				
Nominal average maturity:				

excluding short-term investments						
excluding short-term investments						
excluding short-term investments	excluding short-term investments	11.9	12.4	11.3		11.4
including short-term investments	including short-term investments	11.3	12.0	including short-term investments	10.9	11.0
Call-adjusted average maturity:	Call-adjusted average maturity:					
excluding short-term investments	excluding short-term investments	7.5	4.9			
excluding short-term investments						
excluding short-term investments					4.2	3.8
including short-term investments	including short-term investments	7.2	4.8	including short-term investments	4.1	3.6
Modified duration reflecting anticipated early calls:	Modified duration reflecting anticipated early calls:					
excluding short-term investments	excluding short-term investments	3.9	3.6			
excluding short-term investments						
excluding short-term investments					3.0	3.1
including short-term investments	including short-term investments	3.7	3.5	including short-term investments	2.9	3.0
Short-Term Investments	Short-Term Investments	—	—	Short-Term Investments	—	—

Another exposure related to the fixed maturity securities is credit risk, which is managed by maintaining a weighted-average portfolio credit quality rating of A+, at fair value, at September 30, 2023 March 31, 2024, consistent with the average rating at December 31, 2022 December 31, 2023. The Company's municipal bond holdings, of which 88.0% 76.7% were tax exempt, represented 56.6% 47.8% of its fixed maturity securities portfolio at September 30, 2023 March 31, 2024, at fair value, and are broadly diversified geographically. See Part I-Item 3. Quantitative and Qualitative Disclosures About Market Risks for a breakdown of municipal bond holdings by state.

To calculate the weighted-average credit quality ratings disclosed throughout this Quarterly Report on Form 10-Q, individual securities were weighted based on fair value and credit quality ratings assigned by nationally recognized securities rating organizations.

Taxable holdings consist principally of investment grade issues. At September 30, 2023 March 31, 2024, fixed maturity securities holdings rated below investment grade and non-rated bonds totaled $6.4 million and $12.8 million $16.7 million, respectively, at fair value, and represented 0.2% 0.1% and 0.3% 0.4%, respectively, of total fixed maturity securities. The majority of non-rated issues are a result of municipalities pre-funding and collateralizing those issues with U.S. government securities with an implicit AAA equivalent credit risk. At December 31, 2022 December 31, 2023, fixed maturity securities holdings rated below investment grade and non-rated bonds totaled $6.6 million $6.4 million and $26.5 million $15.1 million, respectively, at fair value, and represented 0.2% 0.1% and 0.6% 0.3%, respectively, of total fixed maturity securities.

The overall credit ratings for the Company's fixed maturity securities portfolio were relatively stable during the nine three months ended September 30, 2023 March 31, 2024, with 82.9% 97.2% of fixed maturity securities at fair value experiencing no change in their overall rating. 14.9% 2.1% and 2.2% 0.7% of fixed maturity securities at fair value experienced upgrades and downgrades, respectively, during the nine three months ended September 30, 2023 March 31, 2024.

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The following table presents the credit quality ratings of the Company’s fixed maturity securities by security type at fair value:

			September 30, 2023 (Dollars in thousands)							March 31, 2024 (Dollars in thousands)		
Security Type	Security Type		AAA(1)	AA(1)	A(1)	BBB(1)	Non-Rated/Other(1)	Total Fair Value(1)	Security Type	AAA(1)	AA(1)	A(1)
U.S. government bonds and agencies:	U.S. government bonds and agencies:											
Agencies	Agencies		$ 42,657	$ —	$ —	$ —	$ —	$ 42,657				
Agencies												
Agencies												
Treasuries	Treasuries		117,736	792	—	—	—	118,528				
Total	Total		160,393	792	—	—	—	161,185				
			99.5 %	0.5 %	— %	— %	— %	100.0 %				
		100.0								100.0%	— %	— %
Municipal securities:	Municipal securities:											
Insured												
Insured												
Insured	Insured		21,975	244,089	79,597	25,862	5,806	377,329				
Uninsured	Uninsured		78,116	754,361	1,298,386	126,045	11,742	2,268,650				
Total	Total		100,091	998,450	1,377,983	151,907	17,548	2,645,979				
			3.8 %	37.7 %	52.1 %	5.7 %	0.7 %	100.0 %				
		3.1								3.1%	41.5 %	48.9 %
Mortgage-backed securities:	Mortgage-backed securities:											
Commercial												
Commercial												
Commercial	Commercial		15,452	5,164	4,890	—	—	25,506				
Agencies	Agencies		12,603	—	—	—	—	12,603				
Non-agencies:	Non-agencies:											
Prime	Prime		35,854	92,334	8,137	—	344	136,669				
Prime												
Prime												
Alt-A	Alt-A		—	430	123	—	634	1,187				
Total	Total		63,909	97,928	13,150	—	978	175,965				
			36.3 %	55.6 %	7.5 %	— %	0.6 %	100.0 %				
		38.6								38.6%	51.8 %	9.1 %
Corporate securities:	Corporate securities:											
Communications												
Communications												
Communications	Communications		—	167	—	6,204	—	6,371				
Consumer, cyclical	Consumer, cyclical		—	1,845	—	39,157	—	41,002				
Consumer, non-cyclical	Consumer, non-cyclical		—	—	17,627	8,094	—	25,721				
Energy	Energy		—	6,569	3,363	31,781	—	41,713				
Financial	Financial		—	20,068	186,110	55,962	3,610	265,750				
Industrial	Industrial		—	62,101	84,741	44,060	—	190,902				
Technology	Technology		—	—	—	706	—	706				
Utilities	Utilities		—	—	8,773	9,607	—	18,380				
Total	Total		—	90,750	300,614	195,571	3,610	590,545				
			— %	15.4 %	50.9 %	33.1 %	0.6 %	100.0 %				

		—							—%	11.6 %	57.0 %
Collateralized loan obligations:	Collateralized loan obligations:										
Corporate	Corporate		101,940	106,010	228,267	—	—	436,217			
Corporate											
Corporate											
Total	Total		101,940	106,010	228,267	—	—	436,217			
			23.4 %	24.3 %	52.3 %	— %	— %	100.0 %			
		18.7							18.7%	28.8 %	50.5 %
Other asset-backed securities	Other asset-backed securities		7,629	—	64,241	32,896	—	104,766			
			7.3 %	— %	61.3 %	31.4 %	— %	100.0 %			
Other asset-backed securities											
Other asset-backed securities											
		2.0							2.0%	— %	60.3 %
Total	Total		$433,962	$1,293,930	$1,984,255	$380,374	$ 22,136	$4,114,657			
			10.5 %	31.4 %	48.2 %	9.2 %	0.5 %	100.0 %			
		10.2							10.2%	33.1 %	46.7 %

(1) Intermediate ratings are included at each level (e.g., AA includes AA+, AA and AA-).

U.S. Government Bonds and Agencies

At September 30, 2023 and December 31, 2022, the The Company had $161.2 million $200.3 million and $158.6 million $174.5 million, respectively, in

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U.S. government bonds or 4.5% and agencies, which represented 3.9% 4.0% of its fixed maturity securities portfolio, at fair value, in U.S. government bonds and agencies at each of those dates. March 31, 2024 and December 31, 2023, respectively. Moody's and Fitch ratings for U.S. government-issued debt were Aaa and AA+, respectively, at September 30, 2023, March 31, 2024 and Aaa and AAA, respectively, at December 31, 2022 December 31, 2023. The Company understands that market participants continue to use rates of return on U.S. government debt as a risk-free rate and have continued to invest in U.S. Treasury securities. The modified duration of the U.S. government bonds and agencies portfolio reflecting anticipated early calls was 1.2 1.0 years and 1.4 0.9 years at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively.

Municipal Securities

The Company had $2.65 billion $2.80 billion and $2.74 billion $2.78 billion, or 64.3% 62.3% and 67.0% 64.3% of its fixed maturity securities portfolio, at fair value, in municipal securities, $377.3 million $435.3 million and $395.2 million $431.2 million of which were insured, at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively. The underlying ratings for insured municipal bonds have been factored into the average rating of the securities by the rating agencies with no significant disparity between the absolute securities ratings and the underlying credit ratings as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023.

At September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, 69.5% 68.9% and 65.5% 70.3%, respectively, of the insured municipal securities, at fair value, most of which were investment grade, were insured by bond insurers that provide credit enhancement and ratings reflecting the credit of the underlying issuers. At September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, the average rating of the Company's insured municipal securities was A+, which corresponded to the average rating of the investment grade bond insurers. The remaining 30.5% 31.1% and 34.5% 29.7% of insured municipal securities at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively, were non-rated or below investment grade, and were insured by bond insurers that the Company believes did not provide credit enhancement. The modified duration of the municipal securities portfolio reflecting anticipated early calls was 4.2 3.1 years and 3.6 3.0 years at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively.

The Company considers the strength of the underlying credit as a buffer against potential market value declines which may result from future rating downgrades of the bond insurers. In addition, the Company has a long-term time horizon for its municipal bond holdings, which generally allows it to recover the full principal amounts upon maturity and avoid forced sales prior to maturity of bonds that have declined in market value due to the bond insurers' rating downgrades. Based on the uncertainty surrounding the financial condition of these insurers, it is possible that there will be future downgrades to below investment grade ratings by the rating agencies in the future, and such downgrades could impact the estimated fair value of municipal bonds.

Mortgage-Backed Securities

At September 30, 2023 and December 31, 2022, substantially all of the The Company had mortgage-backed securities portfolio of $176.0 million $193.0 million and $166.3 million, or 4.3% $186.9 million at March 31, 2024 and 4.1% December 31, 2023, respectively, which represented 4.3% of the Company's its fixed maturity securities portfolio, at fair value, at each of those dates. Substantially all of the Company's mortgage-backed securities portfolio at those dates was categorized as loans to “prime” residential and commercial real estate borrowers. The Company had holdings of $25.5 million $32.4 million and $27.3 million $33.0 million at fair value ($26.2 33.2 million and $28.4 million $34.2 million at amortized cost) in commercial mortgage-backed securities at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively.

The weighted-average rating of the entire mortgage-backed securities portfolio was AA and AA+ at each of September 30, 2023 March 31, 2024 and December 31, 2022. December 31, 2023, respectively. The modified duration of the mortgage-backed securities portfolio reflecting anticipated early calls was 9.0 4.6 years and 7.3 8.7 years at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively.

Corporate Securities

Corporate securities included in fixed maturity securities were as follows:

	March 31, 2024				March 31, 2024	December 31, 2023
		September 30, 2023	December 31, 2022			
		(Dollars in thousands)		(Dollars in thousands)		
Corporate securities at fair value	Corporate securities at fair value	$590,545	$569,553			
Percentage of total fixed maturity securities portfolio	Percentage of total fixed maturity securities portfolio	14.4 %	13.9 %	Percentage of total fixed maturity securities portfolio	15.7 %	13.9 %
Modified duration	Modified duration	2.5 years	3.1 years	Modified duration	2.6 years	2.4 years
Weighted-average rating	Weighted-average rating	A	A-	Weighted-average rating	A	A-

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Collateralized Loan Obligations

Collateralized loan obligations included in fixed maturity securities were as follows:

	March 31, 2024				March 31, 2024	December 31, 2023
		September 30, 2023	December 31, 2022			
		(Dollars in thousands)		(Dollars in thousands)		
Collateralized loan obligations at fair value	Collateralized loan obligations at fair value	$436,217	$320,252			
Percentage of total fixed maturity securities portfolio	Percentage of total fixed maturity securities portfolio	10.6 %	7.8 %	Percentage of total fixed maturity securities portfolio	11.0 %	11.2 %
Modified duration	Modified duration	3.6 years	4.6 years	Modified duration	3.6 years	3.5 years
Weighted-average rating	Weighted-average rating	AA-	A+	Weighted-average rating	AA-	AA-

Other Asset-Backed Securities

Other asset-backed securities included in fixed maturity securities were as follows:

	March 31, 2024				March 31, 2024	December 31, 2023
		September 30, 2023	December 31, 2022			
		(Dollars in thousands)		(Dollars in thousands)		
Other asset-backed securities at fair value	Other asset-backed securities at fair value	$104,766	$136,456			
Percentage of total fixed maturity securities portfolio	Percentage of total fixed maturity securities portfolio	2.5 %	3.3 %	Percentage of total fixed maturity securities portfolio	2.2 %	2.2 %
Modified duration	Modified duration	2.4 years	3.1 years	Modified duration	2.0 years	2.2 years
Weighted-average rating	Weighted-average rating	A	A+	Weighted-average rating	A-	A-

Equity Securities

Equity holdings of $671.0 million $801.1 million and $699.6 million $730.7 million at fair value, as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively, consisted of non-redeemable preferred stocks, common stocks on which dividend income is partially tax-sheltered by the 50% corporate dividend received deduction, and private equity funds. The Company had a net loss gain of $38.8 million $34.5 million and $220.5 million $3.2 million due to changes increases in fair value of the Company's equity securities portfolio for the nine three months ended September 30, 2023 March 31, 2024 and 2022, 2023, respectively. The primary cause for the decreases increases in fair value of the Company's equity securities portfolio for the nine three months ended September 30, 2023 March 31, 2024 and 2022 2023 was the overall decline improvement in equity markets.

The Company's common stock allocation is intended to enhance the return of and provide diversification for the total portfolio. At September 30, 2023 March 31, 2024, 13.4% 14.7% of the total investment portfolio at fair value was held in equity securities, compared to 14.2% 14.0% at December 31, 2022 December 31, 2023 .

D. Debt

On March 8, 2017, the Company completed a public debt offering issuing The Company's debts at March 31, 2024 were $375 million of senior notes. The unsecured notes that are publicly traded and $200 million drawn under an unsecured senior obligations credit facility. For additional information on these debts, see Note 11. Notes Payable of the Company, with a 4.4% annual coupon payable on March 15 and September 15 of each year commencing September 15, 2017. The notes mature on March 15, 2027. The Company used the proceeds from the notes Notes to pay off amounts outstanding under the existing loan and credit facilities and for general corporate purposes. The Company incurred debt issuance costs of approximately $3.4 million, inclusive of underwriters' fees. The notes were issued at a slight discount of 99.847% of par, resulting in the effective annualized interest rate, including debt issuance costs, of approximately 4.45%.

On March 31, 2021, the Company entered into an unsecured $75 million five-year revolving credit facility. On November 18, 2022, the Company entered into the First Amendment to this credit facility. The First Amendment extended the maturity date of the loan to November 16, 2026 from March 31, 2026 with possible further extension if certain conditions are met, increased the aggregate commitments by all the lenders to $200 million from $75 million, and replaced the LIBOR with the Term SOFR. The interest rates on borrowings under the credit facility are based on the Company's debt to total capital ratio and range from Term SOFR plus 112.5 basis points when the ratio is under 20% to Term SOFR plus 150.0 basis points when the ratio is greater than or equal to 30%. Commitment fees for the undrawn portions of the credit facility range from 12.5 basis points when the ratio is under 20% to 22.5 basis points when the ratio is greater than or equal to 30%. The debt to total capital ratio is expressed as a percentage of (a) consolidated debt to (b) consolidated shareholders' equity plus consolidated debt. The Company's debt to total capital ratio was 29.5% at September 30, 2023, resulting in a 17.5 basis point commitment fee on any undrawn portion of the credit facility. As of October 26, 2023, a total of $200 million was drawn under this facility on a three-month revolving basis at an annual interest rate of approximately 6.75%, with no remaining amount available to be drawn. The

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Company contributed $150 million of the total amount drawn to the surplus of its consolidated insurance subsidiaries, and used the remainder for general corporate purposes. Consolidated Financial Statements.

The Company was in compliance with all of the financial covenants pertaining to minimum statutory surplus, debt to total capital ratio, and risk based capital ratio under the unsecured credit facility at September 30, 2023 March 31, 2024.

For additional information on debt, see Note 11. Notes Payable of the Notes to Consolidated Financial Statements.

E. Regulatory Capital Requirements

Among other considerations, industry and regulatory guidelines suggest that the ratio of a property and casualty insurer's annual net premiums written to statutory policyholders' surplus should not exceed 3.0 to 1. Based on the combined surplus of all the Insurance Companies of $1.57 billion $1.70 billion at September 30, 2023 March 31, 2024, and net premiums written of $4.25 billion $4.74 billion for the twelve months ended on that date, the ratio of net premiums written to surplus was 2.71 2.79 to 1 at September 30, 2023 March 31, 2024.

Item 3. Quantitative and Qualitative Disclosures About Market Risks

The Company is subject to various market risk exposures primarily due to its investing and borrowing activities. Primary market risk exposures are changes in interest rates, equity prices, and credit risk. Adverse changes to these rates and prices may occur due to changes in the liquidity of a market, or to changes in market perceptions of creditworthiness and risk tolerance.

The following disclosure reflects estimates of future performance and economic conditions. Actual results may differ.

Overview

The Company's investment policies define the overall framework for managing market and investment risks, including accountability and controls over risk management activities, and specify the investment limits and strategies that are appropriate given the liquidity, surplus, product profile, and regulatory requirements of the subsidiaries. Executive oversight of investment activities is conducted primarily through the Company's investment committee. The Company's investment committee focuses on strategies to enhance after-tax yields, mitigate market risks, and optimize capital to improve profitability and returns.

The Company manages exposures to market risk through the use of asset allocation, duration, and credit ratings. Asset allocation limits place restrictions on the total amount of funds that may be invested within an asset class. Duration limits on the fixed maturity securities portfolio place restrictions on the amount of interest rate risk that may be taken. Comprehensive day-to-day management of market risk within defined tolerance ranges occurs as portfolio managers buy and sell within their respective markets based upon the acceptable boundaries established by investment policies.

Credit Risk

Credit risk results from uncertainty in a counterparty's ability to meet its obligations. Credit risk is managed by maintaining a high credit quality fixed maturity securities portfolio. As of September 30, 2023 March 31, 2024, the estimated weighted-average credit quality rating of the fixed maturity securities portfolio was A+, at fair value, consistent with the average rating at December 31, 2022 December 31, 2023.

The following table presents fixed maturity municipal securities by state in descending order of holdings at fair value at September 30, 2023 March 31, 2024:

States		Fair Value	Average Rating
		(Amounts in thousands)	
Florida	$	317,203 306,390	A
California		A+ 238,448	AA-
Texas		223,021 225,297	AA-
California		171,326	AA-
New York		167,629 210,687	AA-
Illinois		163,790 158,369	A+
Other states		1,603,010 1,656,486	A+
Total	$	2,645,979 2,795,677	

At September 30, 2023 March 31, 2024, the fixed maturity municipal securities portfolio was broadly diversified among the states and the

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largest holdings were in populous states such as Florida and Texas. California. These holdings were further diversified primarily among cities, counties, schools, public works, hospitals, and state general obligations. The Company seeks to minimize overall credit risk and ensure diversification by limiting exposure to any particular issuer.

Taxable fixed maturity securities represented 43.4% 52.2% of the Company's total fixed maturity securities portfolio at fair value at September 30, 2023 March 31, 2024. 9.0% 8.5% of the Company's taxable fixed maturity securities at fair value were comprised of U.S. government bonds and agencies at September 30, 2023 March 31, 2024. 0.2% of the Company's taxable fixed maturity securities at fair value, representing 0.1% of its total fixed maturity securities portfolio at fair value, were rated below investment grade at September 30, 2023 March 31, 2024. Below investment grade issues are considered "watch list" items by the Company, and their status is evaluated within the context of the Company's overall portfolio and its investment policy on an aggregate risk management basis, as well as their ability to recover their investment on an individual issue basis.

Equity Price Risk

Equity price risk is the risk that the Company will incur losses due to adverse changes in equity markets.

At September 30, 2023 March 31, 2024, the Company's primary objective for common equity investments was current income. The fair value of the equity investments consisted of $530.3 million $672.1 million in common stocks, $49.9 million $45.2 million in non-redeemable preferred stocks, and $90.9 million $83.8 million in private equity funds. Common stocks are typically valued for future economic prospects as perceived by the market.

Common stocks represented 10.6% 12.3% of total investments at fair value at September 30, 2023 March 31, 2024. Beta is a measure of a security's systematic (non-diversifiable) risk, which is measured by the percentage change in an individual security's return for a 1% change in the return of the market.

Based on hypothetical reductions in the overall value of the stock market, the following table illustrates estimated reductions in the overall value of the Company's common stock portfolio at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023:

		March 31, 2024			March 31, 2024	December 31, 2023
			September 30, 2023	December 31, 2022		
		(Amounts in thousands, except average Beta)				
		(Amounts in thousands, except average Beta)				
		(Amounts in thousands, except average Beta)				
		(Amounts in thousands, except average Beta)				
Average Beta	Average Beta		0.84	0.84		
Hypothetical reduction of 25% in the overall value of the stock market	Hypothetical reduction of 25% in the overall value of the stock market	$	110,826	$116,518		
Hypothetical reduction of 50% in the overall value of the stock market	Hypothetical reduction of 50% in the overall value of the stock market	$	221,652	$233,036		

Interest Rate Risk

Interest rate risk is the risk that the Company will incur a loss due to adverse changes in interest rates relative to the interest rate characteristics of interest bearing assets and liabilities. The Company faces interest rate risk as it invests a substantial amount of funds in interest sensitive assets and holds interest sensitive liabilities. Interest rate risk includes risks related to changes in U.S. Treasury yields and other key benchmarks, as well as changes in interest rates resulting from widening credit spreads and credit exposure to collateralized securities.

The fixed maturity securities portfolio, which represented 82.3% of total investments at September 30, 2023 March 31, 2024 at fair value, is subject to interest rate risk. The change in market interest rates is inversely related to the change in the fair value of the fixed maturity securities portfolio. A common measure of the interest sensitivity of fixed maturity securities is modified duration, a calculation that utilizes maturity, coupon rate, yield and call terms to calculate an average age to receive the present value of all the cash flows produced by such assets, including reinvestment of interest. The longer the duration, the more sensitive the asset is to market interest rate fluctuations.

The Company has historically invested in fixed maturity securities with a goal of maximizing after-tax yields and holding assets to the maturity or call date. Since assets with longer maturities tend to produce higher current yields, the Company's historical investment philosophy resulted in a portfolio with a moderate duration. Fixed maturity securities purchased by the Company typically have call options attached, which further reduce the duration of the asset as interest rates decline. The modified duration of the overall fixed maturity securities portfolio reflecting anticipated early calls was 3.7 2.9 years and 3.5 3.0 years at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively.

If interest rates were to rise by 100 and 200 basis points, the Company estimates that the fair value of its fixed maturity securities portfolio at September 30, 2023 March 31, 2024 would decrease by $161.2 million $134.2 million and $322.3 million $268.3 million, respectively. Conversely, if interest rates were to decrease, the fair value of the Company's fixed maturity securities portfolio would rise, and it may cause a

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higher number of the Company's fixed maturity securities to be called away. The proceeds from the called fixed maturity securities would likely be reinvested at lower yields, which would result in lower overall investment income for the Company.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The Company maintains disclosure controls and procedures designed to ensure that information required to be disclosed in the Company's reports filed under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms, and that such information is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow for timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating the cost benefit relationship of possible controls and procedures.

As required by Securities and Exchange Commission Rule 13a-15(b), the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures as of the end of the quarter covered by this Quarterly Report on Form 10-Q. Based on the foregoing, the Company's Chief

Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Control over Financial Reporting

There has been no change in the Company's internal control over financial reporting during the Company's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting. The Company's process for evaluating controls and procedures is continuous and encompasses constant improvement of the design and effectiveness of established controls and procedures and the remediation of any deficiencies which may be identified during this process.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

The Company is, from time to time, named as a defendant in various lawsuits or regulatory actions incidental to its insurance business. The majority of lawsuits brought against the Company relate to insurance claims that arise in the normal course of business and are reserved for through the reserving process. For a discussion of the Company's reserving methods, see the Company's Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023.

The Company establishes reserves for non-insurance claims related lawsuits, regulatory actions, and other contingencies when the Company believes a loss is probable and is able to estimate its potential exposure. For loss contingencies believed to be reasonably possible, the Company also discloses the nature of the loss contingency and an estimate of the possible loss, range of loss, or a statement that such an estimate cannot be made. In addition, the Company accrues for anticipated legal defense costs associated with such lawsuits and regulatory actions. While actual losses may differ from the amounts recorded and the ultimate outcome of the Company's pending actions is generally not yet determinable, the Company does not believe that the ultimate resolution of currently pending legal or regulatory proceedings, either individually or in the aggregate, will have a material adverse effect on its financial condition or cash flows.

In all cases, the Company vigorously defends itself unless a reasonable settlement appears appropriate. For a discussion of any additional legal matters, see the Company's Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023. See also "Overview-C. Regulatory and Legal Matters" in Part I-Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations of this Quarterly Report on Form 10-Q.

There are no environmental proceedings arising under federal, state, or local laws or regulations to be discussed.

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Item 1A. Risk Factors

The Company's business, results of operations, and financial condition are subject to various risks. These risks are described elsewhere in this Quarterly Report on Form 10-Q and in the Company's other filings with the SEC, including the Company's Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023. The risk factors identified in the Company's Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023 have not changed in any material respect.

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

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

During the three months ended September 30, 2023 March 31, 2024, no director or officer of the Company adopted or terminated a "Rule

10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K.

Item 6. Exhibits

15.1	Report of Independent Registered Public Accounting Firm.
15.2	Awareness Letter of Independent Registered Public Accounting Firm.
31.1	Certification of Registrant's Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Registrant's Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Registrant's Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002. This certification is being furnished solely to accompany this Quarterly Report on Form 10-Q and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Company.
32.2	Certification of Registrant's Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002. This certification is being furnished solely to accompany this Quarterly Report on Form 10-Q and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Company.
101.INS	XBRL Instance Document- the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

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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.

MERCURY GENERAL CORPORATION

Date: October 31, 2023 April 30, 2024	By:	/s/ Gabriel Tirador
		Gabriel Tirador
		President and Chief Executive Officer
Date: October 31, 2023 April 30, 2024	By:	/s/ Theodore R. Stalick
		Theodore R. Stalick
		Senior Vice President and Chief Financial Officer

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Exhibit 15.1

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders
Mercury General Corporation:

Results of Review of Interim Financial Information

We have reviewed the consolidated balance sheet of Mercury General Corporation and subsidiaries (the Company) as of September 30, 2023 March 31, 2024, the related consolidated statements of operations, and shareholders' equity for the three-month and nine-month periods ended September 30, 2023 and 2022, the related consolidated statements of cash flows for the nine-month three-month periods ended September 30, 2023 March 31, 2024 and 2022, 2023, and the related notes (collectively, the consolidated interim financial information). Based on our reviews, we are not aware of any material modifications that should be made to the consolidated interim financial information for it to be in conformity with U.S. generally accepted accounting principles.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheet of the Company as of December 31, 2022 December 31, 2023, and the related consolidated statements of operations, shareholders' equity, and cash flows for the year then ended (not presented herein); and in our report dated February 14, 2023 February 13, 2024, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated balance sheet as of December 31, 2022 December 31, 2023, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

Basis for Review Results

This consolidated interim financial information is the responsibility of the Company's management. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our reviews in accordance with the standards of the PCAOB. A review of consolidated interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the PCAOB, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

/s/ KPMG LLP

Los Angeles, California
October 31, 2023 April 30, 2024

Exhibit 15.2

Awareness Letter of Independent Registered Public Accounting Firm

October 31, 2023 April 30, 2024

The Board of Directors
Mercury General Corporation

Re: Registration Statement Nos. 333-125460, 333-202204, and 333-215344

With respect to the subject registration statements, we acknowledge our awareness of the use therein of our report dated October 31, 2023 April 30, 2024 related to our review of interim financial information.

Pursuant to Rule 436 under the Securities Act of 1933 (the Act), such report is not considered part of a registration statement prepared or certified by an independent registered public accounting firm, or a report prepared or certified by an independent registered public accounting firm within the meaning of Sections 7 and 11 of the Act.

/s/ KPMG LLP

Los Angeles, California

Exhibit 31.1

Certification of Chief Executive Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Gabriel Tirador, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Mercury General Corporation;

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 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 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: October 31, 2023 April 30, 2024

/s/ GABRIEL TIRADOR

Gabriel Tirador, Chief Executive Officer

Exhibit 31.2

Certification of Chief Financial Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Theodore R. Stalick, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Mercury General Corporation;

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 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 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: October 31, 2023 April 30, 2024

/s/ THEODORE R. STALICK

Theodore R. Stalick, Senior Vice President and Chief Financial Officer

Exhibit 32.1

Certification of Chief Executive Officer
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Pursuant to 18 U.S.C. §1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Mercury General Corporation (the "Company") hereby certifies, to such officer's knowledge, that:

(i) the accompanying Quarterly Report on Form 10-Q of the Company for the period ended September 30, 2023 March 31, 2024 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: October 31, 2023 April 30, 2024

/s/ GABRIEL TIRADOR

Gabriel Tirador, Chief Executive Officer

The foregoing certification is being furnished solely to accompany the Report pursuant to 18 U.S.C. §1350, and are not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and are not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

Exhibit 32.2

Certification of Chief Financial Officer
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Pursuant to 18 U.S.C. §1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Mercury General Corporation (the "Company") hereby certifies, to such officer's knowledge, that:

(i) the accompanying Quarterly Report on Form 10-Q of the Company for the period ended September 30, 2023 March 31, 2024 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: October 31, 2023 April 30, 2024	/s/ THEODORE R. STALICK
	Theodore R. Stalick, Senior Vice President and Chief Financial Officer

The foregoing certification is being furnished solely to accompany the Report pursuant to 18 U.S.C. §1350, and are not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and are not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

DISCLAIMER