JohnsonLambert LLP
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National Alliance of Nonprofits for Insurance, Inc.

Audited Financial Statements

Years ended December 31, 2023 and 2022
with Report of Independent Auditors

National Alliance of Nonprofits for Insurance, Inc.

Audited Financial Statements

Years ended December 31, 2023 and 2022

Contents

Report of Independent Auditors

Audit Committee of the Board of Directors
National Alliance of Nonprofits for Insurance, Inc.

Opinion

We have audited the financial statements of National Alliance of Nonprofits for Insurance, Inc. (the Company), which comprise the balance sheets as of December 31, 2023 and 2022, and the related statements of comprehensive income, changes in total equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Other Information Included in the Annual Report

Management is responsible for the other information included in the Company's annual report (issued and presented separately from the audited financial statements). The other information comprises the information included in that annual report, but does not include the audited financial statements and our auditor's report thereon (incorporated by reference in the annual report). Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Adoption of New Accounting Standard

As discussed in Note 2 to the financial statements, effective January 1, 2023, the Company adopted Financial Accounting Standards Board Accounting Standards Update 2016-13 and subsequent amendments, *Financial Instruments—Credit Losses (Topic 326)*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the disclosures about short-duration insurance contracts, including incurred and cumulative paid losses and allocated loss adjustment expenses, net of reinsurance and average annual percentage payout of incurred losses by age, net of reinsurance, on pages 22 - 24 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Johnson Lambert LLP

Raleigh, North Carolina
March 22, 2024

National Alliance of Nonprofits for Insurance, Inc.

Balance Sheets

As of December 31, 2023 and 2022

	2023	2022
Assets		
Cash and cash equivalents	$ 2,520,839	$ 3,993,200
Investments in debt securities, at fair value (amortized cost - $17,023,030 and $15,960,882)	16,208,859	14,625,054
Premiums receivable (net of allowance for credit loss - $0 and $0)	11,817,276	8,258,745
Interest receivable	102,795	93,953
Prepaid expenses and other assets	18,198	-
Receivable from affiliates	-	47,295
Reinsurance recoverable	1,952,580	2,309,656
Prepaid reinsurance premium	723,709	487,387
Deferred acquisition costs	2,210,198	1,977,585
Total assets	$ 35,554,454	$ 31,792,875
Liabilities and Total Equity		
Liabilities		
Loss and loss adjustment expense reserves	$ 3,902,139	$ 2,978,278
Reinsurance payable on paid loss and loss adjustment expenses	4,451,543	2,011,608
Unearned premium	8,215,910	7,168,420
Reinsurance payable	547,306	382,877
Payable to affiliates	76,699	-
Accounts payable and other accrued liabilities	125,761	159,328
Total liabilities	17,319,358	12,700,511
Total Equity		
Accumulated earnings	19,049,267	20,428,192
Accumulated other comprehensive loss	(814,171)	(1,335,828)
Total equity	18,235,096	19,092,364
Total liabilities and equity	$ 35,554,454	$ 31,792,875

The accompanying notes are an integral part of these financial statements

National Alliance of Nonprofits for Insurance, Inc.

Statements of Comprehensive Income

Years Ended December 31, 2023 and 2022

	2023	2022
Revenues		
Gross written premium	$ 16,945,757	$ 15,002,864
Ceded premium	(1,435,632)	(1,027,392)
Net written premium	15,510,125	13,975,472
Change in unearned premium, net	(811,168)	(686,917)
Net earned premium	14,698,957	13,288,555
Net investment income	362,783	239,946
Net investment loss on securities	(85,589)	(45,662)
Other income	316,332	26,615
Total revenues	15,292,483	13,509,454
Expenses		
Losses and loss adjustment expenses, net	11,929,994	9,078,287
Commission expense, net	4,302,463	3,911,374
Management fee	278,000	278,000
Other expenses	160,951	177,288
Total expenses	16,671,408	13,444,949
Net (loss) income	(1,378,925)	64,505
Other comprehensive income (loss)		
Net unrealized holding gains (losses) arising during year	436,068	(1,410,757)
Reclassification adjustment for net realized losses included in net income	85,589	45,662
Other comprehensive income (loss)	521,657	(1,365,095)
Comprehensive loss	$ (857,268)	$ (1,300,590)

The accompanying notes are an integral part of these financial statements

National Alliance of Nonprofits for Insurance, Inc.

Statements of Changes in Total Equity

Years Ended December 31, 2023 and 2022

	Accumulated Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance as of January 1, 2022	$ 20,363,687	$ 29,267	$ 20,392,954
Net income	64,505	-	64,505
Other comprehensive loss	-	(1,365,095)	(1,365,095)
Balance as of December 31, 2022	20,428,192	(1,335,828)	19,092,364
Net loss	(1,378,925)	-	(1,378,925)
Other comprehensive income	-	521,657	521,657
Balance as of December 31, 2023	$ 19,049,267	$ (814,171)	$ 18,235,096

National Alliance of Nonprofits for Insurance, Inc.

Statements of Cash Flows

Years Ended December 31, 2023 and 2022

	2023	2022
Cash flows from operating activities		
Net (loss) income	$ (1,378,925)	$ 64,505
Adj. to reconcile net income to net cash from operating activities		
Net investment loss on securities	85,589	45,662
Amortization of premium of debt securities	604	37,881
Changes in operating assets and liabilities		
Premium receivable	(3,558,531)	197,167
Interest receivable	(8,842)	(22,458)
Prepaid expenses and other assets	(18,198)	-
Receivable from affiliates	47,295	(47,295)
Reinsurance recoverable	357,076	(639,175)
Prepaid reinsurance premium	(236,322)	(37,876)
Deferred acquisition costs	(232,613)	(203,927)
Loss and loss adjustment expense reserves	923,861	482,738
Reinsurance payable on paid loss and loss adj. expenses	2,439,935	517,426
Unearned premium	1,047,490	724,793
Reinsurance payable	164,429	80,667
Payable to affiliates	76,699	(49,906)
Accounts payable and other accrued liabilities	(33,567)	(738,590)
Net cash flows from operating activities	(324,020)	411,612
Cash flows from investing activities		
Purchase of investments	(6,152,369)	(3,867,127)
Proceeds from sales and maturities of investments	5,004,028	3,608,124
Net cash flows used in investing activities	(1,148,341)	(259,003)
Net change in cash and cash equivalents	(1,472,361)	152,609
Cash and cash equivalents, beginning of year	3,993,200	3,840,591
Cash and cash equivalents, end of year	$ 2,520,839	$ 3,993,200

The accompanying notes are an integral part of these financial statements

Note 1 - Organization

National Alliance of Nonprofits for Insurance, Inc. (the Company) is a nonprofit organization incorporated in 1999 in the State of Vermont. The Company operates as a captive insurance company pursuant to authorization under Section 6002, Vermont Statutes Annotated. The Company is subject to the rules, regulation and supervision of the Vermont Department of Financial Regulation (the Department). The Bill & Melinda Gates Foundation and the David and Lucile Packard Foundation provided initial capital contributions of $10 million to the Company and its affiliates, of which $8 million initially was allocated to the Company. In 2003, 2005 and 2015, contributed capital was reduced to $6 million, $4 million and $0, respectively after receiving approval from the Department to transfer $2 million, $2 million and $4 million, respectively of capital in each of those years from the Company to Alliance of Nonprofits for Insurance, Risk Retention Group, Inc. (ANI).

The Company is a member of the Nonprofits Insurance Alliance (NIA), which consists of nonprofit companies whose primary activities include serving 501(c)(3) tax-exempt nonprofit organizations by providing a source of liability insurance coverage tailored to the specialized needs of the nonprofit sector, and assisting these organizations to develop and implement successful loss control and risk management programs. NIA includes the Company, Nonprofits Insurance Alliance of California, Inc. (NIAC), ANI, Alliance Member Services, Inc. (AMS), and AMS Insurance Services, Inc. (AMSIS).

Property Business Assumed
The Company reinsures, through quota share assumption, auto physical damage and business property risks. The following describes property business assumed for policy years 2023 and 2022:

- With regard to auto physical damage risks, the Company assumes a 50% quota share from NIAC and also assumes a 100% quota share from an unaffiliated carrier who has fronted coverage for ANI insureds.

- With regard to business property risks, the Company participates in a quota share reinsurance program with an unaffiliated carrier who has fronted coverage for ANI insureds. The Company assumes a 10% quota share for incurred losses up to $15 million, per event, and a 100% quota share of losses in excess of $45 million per event; subject to a maximum cession limit of $450,000 each risk. The Company assumes from NIAC a 10% quota share of incurred losses of up to $10 million per risk for a maximum limit of $1 million. The Company reinsures part of the coverages as described in Note 5.

- For the years ended December 31, 2023 and 2022, the gross written premium of the Company included $9,189,261 and $8,841,258, respectively, for assumed reinsurance from the unaffiliated carrier.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation
The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). The Company follows accounting and reporting policies for insurance enterprises.

Adoption of Accounting Standard
The Company adopted Accounting Standards Update (ASU) 2016-13 and subsequent amendments, *Financial Instruments – Credit Losses (Topic 326)* (the guidance) on January 1, 2023. The guidance replaces the incurred loss impairment model with an expected loss model, also referred to as the current expected credit loss (CECL) model. The model requires companies to measure expected credit losses on financial assets measured at amortized cost and record an allowance for credit loss against those assets. The guidance also amends the impairment model for available for sale debt securities. Companies are required to measure expected credit losses and record an allowance for credit loss in lieu of a writedown when management does not intend to sell and does not believe that it is more likely than not, they will be required to sell available for sale debt securities before recovery. There was no impact to the Company from adopting the credit loss standard as of January 1, 2023.

Financial Statement 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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ materially from those estimates.

Credit Losses
The Company measures expected credit losses on financial assets held at amortized cost and available for sale debt securities, and records an allowance for credit loss when management determines a credit loss exists. Allowances for credit losses are recorded as contra-assets that reduce the corresponding financial assets on the balance sheets, with the offset recorded as credit loss income (expense) in the statements of comprehensive income. As the estimate of expected credit losses changes with subsequent evaluations, those increases and decreases are recognized in current operations. The Company writes off uncollectible amounts against the allowance for credit losses when it determines that a financial asset is partially or fully uncollectible. Credit losses are included within the other expenses line item on the statements of comprehensive income.

Note 2 - Summary of Significant Accounting Policies (Continued)

Credit Losses (Continued)
Prior to the adoption of the credit loss standard on January 1, 2023, financial assets reported at amortized cost were reviewed for impairment using an incurred loss model. Similarly, prior to January 1, 2023, management made a determination as to whether debt securities were other-than-temporarily impaired. Factors considered in identifying other-than-temporary impairment (OTTI) for debt securities included: (1) whether the Company intends to sell the investment or whether it is more likely than not that the Company will be required to sell the security prior to an anticipated recovery in value; (2) the likelihood of the recoverability of principal and interest for debt securities (i.e., whether there is a credit loss); (3) the length of time and extent to which the fair value has been less than amortized cost; and (4) the financial condition, near-term and long-term prospects for the issuer, including the relevant industry conditions and trends, and implications of rating agency actions and offering prices.

Investments
Investments in debt securities are classified as available for sale and are reported at fair value, with unrealized gains and losses reported as a component of other comprehensive income. Estimated fair values of debt securities are generally based on average bid prices, or the average bid prices of similar issues with the same life and expected yields.

Realized investment gains and losses are recognized based upon the specific identification of investments sold. Debt securities are considered impaired when the fair value of the security is less than its cost or amortized cost.

The Company evaluates debt securities in an unrealized loss position for expected credit losses on an individual security basis. When the Company intends to sell a security, or when it is more likely than not that it will be required to sell a security before recovery, the Company writes down the amortized cost of the security to its fair value with a charge to income. For securities that do not meet the criteria above, management evaluates whether the decline in fair value is due to credit factors or non-credit factors. In making this assessment, management considers the extent to which fair value is less than amortized cost, individual security ratings and changes made to those ratings by rating agencies, and adverse conditions specifically related to the security, among other factors. If this assessment indicates that a credit loss exists, management calculates and records the expected credit loss using a discounted cash flow analysis.

After recording the expected credit loss, any remaining difference between the fair value and amortized cost of the security is recorded as a non-credit loss through other comprehensive income. Changes in the allowance for credit losses are recorded as credit loss income (expense). There was no allowance for credit loss on available for sale debt securities as of December 31, 2023.

Note 2 - Summary of Significant Accounting Policies (Continued)

Investments (Continued)
The Company elected not to measure the credit loss allowance for accrued interest receivable on debt securities and writes off accrued interest as credit loss expense when it is greater than 90-days past due. For the year ended December 31, 2023, no accrued interest was written off to credit loss expense. Accrued interest receivable on debt securities in the amount of $102,795 as of December 31, 2023, was excluded from the estimate of credit losses.

The Company invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, liquidity, and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities may occur in the near term and those changes could materially affect the amounts reported on the balance sheets.

Cash and Cash Equivalents
Cash and cash equivalents include cash on deposit and money market mutual funds, and any securities with original maturities within three months of the acquisition date. The Company maintains certain cash and cash equivalent balances that exceed Federal Deposit Insurance Corporation insurance thresholds, which management does not consider to be a significant risk.

Premium Receivable
The Company includes in premium receivable funds withheld of $10,434,472 and $6,719,614 as of December 31, 2023 and 2022, respectively, as stipulated in a reinsurance contract. Premiums receivable are reported net of an allowance for credit losses. The Company measures expected credit losses on premiums receivable on a collective basis through review of aging schedules, or on an individual basis when more relevant. An expected credit loss is calculated based on the Company's ongoing review of amounts outstanding, historical loss data including delinquencies and write offs, and is then adjusted for current conditions, and reasonable and supportable forecasts. Credit risk is partially mitigated by the Company’s ability to cancel the policy if the policyholder does not pay the premium. During 2023 and 2022, the Company did not write off any premium receivable.

Reinsurance
Reinsurance recoverable (including amounts related to claims incurred but not reported) are reported as assets. Reinsurance recoverable on unpaid losses and loss adjustment expenses is estimated in a manner consistent with the gross liabilities relating to the underlying insured contracts, as described below. The Company has a funds withheld account which is held with an unaffiliated carrier.

Note 2 - Summary of Significant Accounting Policies (Continued)

Reinsurance (Continued)
The Company measures expected credit losses on reinsurance recoverables and funds withheld on a collective basis based on A.M. Best credit ratings, or on an individual basis when more relevant. Management first considers the impact of any collateral or credit enhancements related to specific reinsurance recoverables. An expected credit loss is calculated by applying a historical default rate to the receivable, adjusted for current conditions, and reasonable and supportable forecasts. Changes in the allowance for credit loss on reinsurance recoverables and funds withheld are recorded as credit loss income (expense) on the statements of comprehensive income. There was no allowance for credit loss as of December 31, 2023.

Deferred Acquisition Costs
Policy acquisition costs are deferred and amortized over the period of premium recognition. Deferred acquisition costs include commissions (net of ceding commissions), premium taxes and departmental costs associated with successful policy issuance. Amortization of acquisition costs was $4,342,248 and $3,946,306 for 2023 and 2022, respectively. Anticipated investment income is considered in determining if a premium deficiency exists. No premium deficiency reserve has been recorded as of December 31, 2023 or 2022.

Liability for Losses and Loss Adjustment Expenses
The liability for losses and loss adjustment expenses (LAE) consists of estimated costs of each unpaid claim reported prior to the close of the accounting period, as well as those incurred but not yet reported. Management believes that the reserves for losses and LAE at December 31, 2023 and 2022 are appropriately established in the aggregate and are adequate to cover the ultimate cost of reported and unreported claims attaching by that date, based upon an actuarial analysis prepared by a consulting actuary.

The establishment of appropriate reserves is an inherently uncertain process. Reserves are based on management's best estimates and, accordingly, the subsequent development of these reserves may not conform to the assumptions used in the determination. The ultimate liability could be significantly in excess or less than the amount indicated in the financial statements and the ultimate net cost to settle all claims may vary from these estimates. Reserves are regularly reviewed and updated using the most current information available. Any resulting adjustments are reflected in current operations.

Reinsurance Payable on Paid Losses and LAE
The reinsurance payable on paid losses and LAE represents amounts owed to NIAC, ANI and a third party cedent for losses and LAE paid by those entities, which the Company has assumed. This payable balance is regularly settled between the parties involved.

Note 2 - Summary of Significant Accounting Policies (Continued)

Revenue Recognition
Premiums are recognized as earned on a pro rata basis over the terms of the reinsured policies, usually twelve months. Unearned premium reserves are established to cover the unexpired portion of premium written.

Income Taxes
The Company is tax-exempt for federal tax purposes under Section 501(c)(3) of the Internal Revenue Code. With the exception of premium taxes, the Company is not subject to any state taxes. During the years ended December 31, 2023 and 2022 the Company did not have any income subject to taxation as unrelated business income. Management concluded that the Company has properly maintained its exempt status and no uncertain tax positions exist as of December 31, 2023.

Subsequent Events
The Company evaluated subsequent events through March 22, 2024, the date on which these financial statements were available to be issued, and considered any relevant matters in the preparation of the financial statements and note disclosures.

Note 3 - Investments

Investments in debt securities, carried in the accompanying balance sheets at estimated fair value, consist of the following as of December 31:

2023	Amortized Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value
U.S. government and agency obligations	$ 7,624,135	$ 14,224	$ 320,328	$ 7,318,031
Municipal obligations	1,725,658	2,228	84,655	1,643,231
Corporate obligations	5,617,228	2,001	397,681	5,221,548
Residential mortgage-backed securities	682,688	3,393	11,861	674,220
Commercial mortgage-backed securities	147,426	-	10,230	137,196
Automobile asset-backed securities	1,225,895	3,662	14,924	1,214,633
Total debt securities	$ 17,023,030	$ 25,508	$ 839,679	$ 16,208,859

2022	Amortized Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value
U.S. government and agency obligations	$ 6,250,933	$ 1,696	$ 491,940	$ 5,760,689
Municipal obligations	1,696,174	-	139,212	1,556,962
Corporate obligations	6,484,363	1,399	634,950	5,850,812
Residential mortgage-backed securities	311,101	123	15,432	295,792
Commercial mortgage-backed securities	153,867	-	16,678	137,189
Automobile asset-backed securities	1,064,444	-	40,834	1,023,610
Total debt securities	$ 15,960,882	$ 3,218	$ 1,339,046	$ 14,625,054

Note 3 - Investments (Continued)

The cost and estimated fair value of investments in debt securities at December 31, 2023, by contractual maturity, are shown below. Actual maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or repayment penalties.

	Amortized Cost	Estimated Fair Value
Due in 1 year or less	$ 2,360,641	$ 2,344,601
Due after 1 year through 5 years	9,976,875	9,491,393
Due after 5 years through 10 years	2,611,045	2,326,378
Due after 10 years	18,460	20,438
Residential mortgage-backed securities	682,688	674,220
Commercial mortgage-backed securities	147,426	137,196
Automobile asset-backed securities	1,225,895	1,214,633
	$ 17,023,030	$ 16,208,859

Gross realized gains and losses on sales of debt securities were $5,602 and $90,611 in 2023, respectively, and $5,897 and $51,559 in 2022, respectively.

Residential mortgage-backed securities consist entirely of issues of the Federal National Mortgage Association (Fannie Mae), the Federal Home Loan Mortgage Corporation (Freddie Mac) and the Government National Mortgage Association (Ginnie Mae).

At December 31, 2023 and 2022, unrealized losses on debt securities were as follows:

	Less Than 12 Months		12 Months or Greater		Total	
2023	Unrealized Losses	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses	Estimated Fair Value
U.S. government and agency obligations	$ 16	$ 31,316	$ 320,312	$ 5,009,310	$ 320,328	$ 5,040,626
Municipal obligations	-	-	84,655	1,451,184	84,655	1,451,184
Corporate obligations	47	21,936	397,634	5,126,150	397,681	5,148,086
Residential mortgage-backed securities	497	266,194	11,364	230,024	11,861	496,218
Commercial mortgage-backed securities	550	40,649	9,680	96,547	10,230	137,196
Automobile asset-backed securities	259	237,981	14,665	341,884	14,924	579,865
	$ 1,369	$ 598,076	$ 838,310	$ 12,255,099	$ 839,679	$ 12,853,175

Note 3 - Investments (Continued)

	Less Than 12 Months		12 Months or Greater		Total	
2022	Unrealized Losses	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses	Estimated Fair Value
U.S. government and agency obligations	$ 173,970	$ 2,939,796	$ 317,970	$ 2,453,086	$ 491,940	$ 5,392,882
Municipal obligations	54,353	660,060	84,859	896,902	139,212	1,556,962
Corporate obligations	276,944	2,978,782	358,006	2,801,639	634,950	5,780,421
Residential mortgage-backed securities	9,542	227,591	5,890	62,882	15,432	290,473
Commercial mortgage-backed securities	5,673	71,104	11,005	66,085	16,678	137,189
Automobile asset-backed securities	543	13,474	40,291	1,010,136	40,834	1,023,610
	$ 521,025	$ 6,890,807	$ 818,021	$ 7,290,730	$ 1,339,046	$ 14,181,537

At December 31, 2023 and 2022, 241 and 286 securities, respectively, were in an unrealized loss position. The Company determined that no specific allowance for credit loss is needed for these securities and believes that the decline in value of these securities is due to interest rate changes and other market conditions. These securities carry investment grade ratings and the issuers continue to make timely principal and interest payments.

Current accounting guidance establishes a three-level hierarchy, which prioritizes the inputs to valuation techniques used to measure fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets (Level 1), the next priority to quoted prices for identical assets in inactive markets or similar assets in active markets (Level 2) and the lowest priority to unobservable inputs (Level 3).

The following table presents the Company’s investment securities within the fair value hierarchy, indicating the objectivity and reliability of the inputs used to value those securities at December 31:

2023	Estimated Fair Value	Level 1	Level 2	Level 3
U.S. government and agency obligations	$ 7,318,031	$ 7,318,031	$ -	$ -
Municipal obligations	1,643,231	-	1,643,231	-
Corporate obligations	5,221,548	-	5,221,548	-
Residential mortgage-backed securities	674,220	-	674,220	-
Commercial mortgage-backed securities	137,196	-	137,196	-
Automobile asset-backed securities	1,214,633	-	1,214,633	-
Total investments	$ 16,208,859	$ 7,318,031	$ 8,890,828	$ -

Note 3 - Investments (Continued)

2022	Estimated Fair Value	Level 1	Level 2	Level 3
U.S. government and agency obligations	$ 5,760,689	$ 5,760,689	$ -	$ -
Municipal obligations	1,556,962	-	1,556,962	-
Corporate obligations	5,850,812	-	5,850,812	-
Residential mortgage-backed securities	295,792	-	295,792	-
Commercial mortgage-backed securities	137,189	-	137,189	-
Automobile asset-backed securities	1,023,610	-	1,023,610	-
Total investments	$ 14,625,054	$ 5,760,689	$ 8,864,365	$ -

Note 4 - Loss and Loss Adjustment Expense Reserves

Activity in the loss and LAE reserves for 2023 and 2022 is summarized as follows:

	2023	2022
Gross loss and LAE reserves, January 1	$ 2,978,278	$ 2,495,540
Reinsurance recoverable on unpaid loss and LAE	(1,309,817)	(1,010,927)
Net loss and LAE reserves	1,668,461	1,484,613
Incurred related to		
Current year	10,873,427	9,211,833
Prior years	1,056,567	(133,546)
Total incurred	11,929,994	9,078,287
Paid related to		
Current year	8,817,714	7,702,417
Prior years	2,194,486	1,192,022
Total paid	11,012,200	8,894,439
Net loss and LAE reserves, December 31	2,586,255	1,668,461
Reinsurance recoverable on unpaid loss and LAE	1,315,884	1,309,817
Gross loss and LAE reserves, December 31	$ 3,902,139	$ 2,978,278

As a result of changes in estimates of insured events in prior years, the loss and LAE reserves related to prior accident years increased by a net $1,056,567 in 2023. During 2022, the loss and LAE reserves related to prior accident years decreased by a net and $133,546. Driving the 2023 development changes are unfavorable development in the APD line. In 2022 the reserve development is considered de minimis.

Note 4 - Loss and Loss Adjustment Expense Reserves (Continued)

The reconciliation of the net incurred and paid losses development tables to the liability for losses and LAE on the balance sheet as of December 31, 2023 is as follows:

Net outstanding liabilities	
Auto Physical Damage	$ 1,550,950
Property	635,261
Casualty*	400,044
Liabilities for unpaid losses and LAE, net of reinsurance	2,586,255
Reinsurance recoverable	
Property	390,881
Casualty*	925,003
Total reinsurance recoverable on unpaid losses and LAE	1,315,884
Total gross liability for unpaid losses and LAE	$ 3,902,139

* Reserves for Casualty relate to accident years prior to 2014 and therefore, do not have associated additional disclosures below.

The following is information about incurred and cumulative paid losses and LAE, net of reinsurance, and total incurred-but-not-reported (IBNR) liabilities plus expected development on reported claims, net of reinsurance and the cumulative number of reported claims as of December 31, 2023, by category:

Auto Physical Damage

Accident Year	Incurred	Cumulative Paid	Total IBNR Plus Expected Development on Reported Claims	Cumulative Number of Reported Claims
2014	$ 2,015,718	$ 2,015,711	$ -	1,424
2015	2,015,600	2,015,600	-	1,593
2016	2,197,017	2,197,020	-	1,510
2017	2,135,256	2,135,276	-	1,463
2018	2,568,084	2,568,079	-	1,148
2019	3,033,271	3,037,280	-	1,553
2020	3,128,793	3,128,838	-	1,428
2021	5,188,410	5,172,754	-	2,114
2022	7,915,703	7,879,489	(29,854)	2,658
2023	8,468,173	6,965,028	77,096	2,679
Total	$ 38,666,025	$ 37,115,075	$ 47,242	

Note 4 - Loss and Loss Adjustment Expense Reserves (Continued)

Property

Accident Year		Incurred		Cumulative Paid		Total IBNR Plus Expected Development on Reported Claims	Cumulative Number of Reported Claims
2014	$	1,197,182	$	1,197,112	$	70	621
2015		1,073,444		1,073,447		-	597
2016		670,416		670,419		-	566
2017		1,162,167		1,162,167		-	639
2018		794,059		794,039		-	681
2019		796,785		786,736		-	678
2020		1,019,526		1,016,038		-	828
2021		1,187,068		1,175,558		1,449	788
2022		1,942,394		1,884,832		28,371	827
2023		2,383,253		1,830,685		254,325	849
Total	$	12,226,294	$	11,591,033	$	284,215	

Methodology for Determining Losses and LAE Reserves
Loss reserves are management's best estimate of ultimate losses and are based on the analysis performed by consulting actuaries. They analyze each portion of our business in a variety of ways and use multiple actuarial methodologies in performing these analyses, including; Bornhuetter-Ferguson (paid and reported) method, paid development method, reported development method, and IBNR to case ratio method. The selected ultimate losses are within the consulting actuaries' range of reasonable levels.

Methodology for Determining Incurred But Not Reported Reserves
Using generally accepted actuarial reserving techniques, we project our estimate of ultimate losses and LAE at each reporting date. Our IBNR reserve is the difference between the projected ultimate losses and LAE incurred and the sum of case losses and loss expense reserves and inception-to-date paid losses and LAE.

Significant Changes in Methodologies and Assumptions
There were no significant changes in methodologies or assumptions from the prior year.

Methodology for Determining Cumulative Number of Reported Claims
Reported claim counts represent claim events on a specified policy rather than individual claimants and include claims that did not or are not expected to result in an incurred loss.

Note 5 - Reinsurance

In the normal course of business, the Company uses excess of loss (both per risk and catastrophe) and quota share reinsurance contracts to limit its exposure to unanticipated loss severity and frequency. Such risks reinsured would become an expense of the Company in the event the reinsurer is unable to or will not fulfill the obligations assumed under the agreements.

Property
Beginning August 1, 2016 the Company began assuming a 10% quota share of business property risks from NIAC which are limited by facultative reinsurance to $10 million per risk. The Company and NIAC jointly buy reinsurance on a per risk excess of loss basis from unaffiliated reinsurers in excess of their combined retention. This retention was $300,000 for 2023 and $200,000 for 2022. The Company and NIAC also purchased catastrophe excess of loss coverage with unaffiliated reinsurers for $23 million in excess of $2 million per occurrence for both 2023 and 2022.

Management monitors the credit quality of its reinsurance recoverables on an annual basis through review of A.M. Best credit ratings and credit rating changes. As of December 31, 2023, 98.6% of the Company's reinsurance paid and unpaid was due from reinsurers rated A or better by A.M. Best and 1.4% was due from reinsurers rated B. Risks reinsured would become an expense of the Company in the event the reinsurers are unable to or will not fulfill the obligations assumed under the agreements. As of December 31, 2023 and 2022, the Company concluded that no allowance for credit losses was necessary.

The effects of reinsurance ceded on premiums earned and losses, which are stated net of reinsurance on the statements of comprehensive income, are quantified in the table below:

	2023	2022
Premium earned	$ 1,199,310	$ 946,016
Loss and LAE	1,237,125	798,580

Note 6 - Related Party Transactions

The Company has a management agreement with affiliate AMS. Based on the agreement, AMS is responsible for the Company's overall operations, including claims management, reinsurance negotiations, accounting and financial management, and general and administration management. The fees charged to the affiliated companies by AMS are determined only to recover the net expenses incurred by AMS. The management and administrative fees for the services provided by AMS were $300,001 for each of the years ended December 31, 2023 and 2022. As of December 31, 2023, the Company had a payable to AMS of $52,608 for these fees which is included in payable to affiliates on the balance sheets. As of December 31, 2022, the Company had a receivable from AMS of $71,387 for these fees which is included in receivable from affiliates on the balance sheets.

Note 6 - Related Party Transactions (Continued)

Balances for assumed reinsurance on policies written by NIAC and ANI include the following as of and for the years ended December 31, 2023 and 2022:

	2023	2022
Gross written premium	$ 7,756,496	$ 6,161,606
Gross earned premium	6,831,032	5,807,467
Loss and LAE incurred	4,795,459	4,125,103
Loss and LAE reserves	2,568,755	2,219,543
Ceding commission paid	1,660,070	1,348,666

Note 7 - Capital and Surplus

The Company is required by the Department to maintain capital and surplus at a minimum of $750,000. The Company’s ability to pay policyholder dividends is restricted and subject to prior regulatory approval. At December 31, 2023 and 2022, the Company’s reported capital was in excess of the minimum regulatory requirement.

Note 8 - Contingencies

In the normal course of business, lawsuits may arise against the Company. Contingent liabilities arising from litigation and other matters are not considered material in relation to the financial position of the Company.

Required Supplemental Information (Unaudited)

National Alliance of Nonprofits for Insurance, Inc.

Incurred and Cumulative Paid Losses and Allocated Loss Adjustment Expenses, Net of Reinsurance

The following is information about incurred and paid claims development, net of reinsurance and by category for years ended December 31:

Auto Physical Damage

Incurred Losses and Allocated Loss Adjustment Expenses, Net of Reinsurance

Accident Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
2014	$ 2,101,891	$ 2,151,897	$ 2,126,884	$ 2,074,048	$ 2,030,186	$ 2,027,719	$ 2,027,712	$ 2,015,698	$ 2,015,718	$ 2,015,718
2015		2,253,390	2,053,380	1,992,389	1,978,406	2,015,854	2,015,860	2,015,809	2,015,600	2,015,600
2016			2,244,072	2,265,084	2,225,106	2,215,970	2,215,990	2,197,018	2,197,017	2,197,017
2017				2,455,719	2,373,206	2,113,041	2,113,041	2,110,556	2,110,928	2,135,256
2018					2,765,424	2,638,440	2,638,440	2,564,589	2,568,249	2,568,084
2019						2,956,171	2,956,171	3,028,283	3,033,492	3,033,271
2020							3,423,716	3,628,164	3,141,513	3,128,793
2021								4,408,525	5,350,820	5,188,410
2022									7,310,210	7,915,703
2023										8,468,173
Total										$ 38,666,025

Cumulative Paid Losses and Allocated Loss Adjustment Expenses, Net of Reinsurance

Accident Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
2014	$ 1,812,726	$ 2,020,463	$ 2,015,266	$ 2,014,711	$ 2,014,711	$ 2,015,711	$ 2,015,711	$ 2,015,711	$ 2,015,711	$ 2,015,711
2015		1,779,897	1,967,502	1,969,256	1,978,368	2,015,873	2,015,873	2,015,806	2,015,606	2,015,600
2016			1,906,433	2,238,236	2,201,793	2,215,947	2,196,996	2,197,021	2,197,021	2,197,020
2017				1,861,065	2,094,877	2,112,638	2,110,863	2,110,558	2,110,937	2,135,276
2018					2,157,723	2,581,392	2,577,899	2,564,585	2,568,243	2,568,079
2019						2,688,369	3,066,770	3,021,051	3,037,497	3,037,280
2020							2,871,766	3,130,142	3,141,402	3,128,838
2021								4,490,883	5,324,861	5,172,754
2022									6,547,803	7,879,489
2023										6,965,028
Total										37,115,075
All outstanding liabilities before 2014, net of reinsurance										-
										$ 1,550,950

National Alliance of Nonprofits for Insurance, Inc.

Incurred and Cumulative Paid Losses and Allocated Loss Adjustment Expenses, Net of Reinsurance (Continued)

Property

	Incurred Losses and Allocated Loss Adjustment Expenses, Net of Reinsurance									
Accident Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
2014	$ 1,224,446	$ 1,224,446	$ 1,245,450	$ 1,198,450	$ 1,198,450	$ 1,197,113	$ 1,197,113	$ 1,197,113	$ 1,197,112	$ 1,197,182
2015		1,463,772	1,186,766	1,119,765	1,076,044	1,073,524	1,073,524	1,073,444	1,073,447	1,073,444
2016			1,129,591	780,595	844,810	684,822	684,822	670,414	670,419	670,416
2017				1,202,012	1,421,264	1,191,245	1,183,763	1,161,021	1,162,418	1,162,167
2018					739,828	834,821	834,822	792,502	794,141	794,059
2019						894,551	894,551	798,236	789,430	796,785
2020							1,334,139	1,141,277	1,005,715	1,019,526
2021								1,674,017	1,168,274	1,187,068
2022									1,879,492	1,942,394
2023										2,383,253
Total										$ 12,226,294

	Cumulative Paid Losses and Allocated Loss Adjustment Expenses, Net of Reinsurance									
Accident Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
2014	$ 714,017	$ 1,072,204	$ 1,111,494	$ 1,189,614	$ 1,196,047	$ 1,197,112	$ 1,197,112	$ 1,197,112	$ 1,197,112	$ 1,197,112
2015		717,263	1,113,345	1,075,468	1,075,982	1,073,515	1,073,204	1,073,447	1,073,447	1,073,447
2016			505,241	681,248	1,140,555	670,490	669,644	670,419	670,419	670,419
2017				758,340	688,642	1,140,555	1,142,983	1,161,008	1,162,276	1,162,167
2018					506,513	758,860	795,700	792,484	794,146	794,039
2019						533,332	738,947	779,612	787,729	786,736
2020							757,201	982,266	1,005,013	1,016,038
2021								840,163	1,133,749	1,175,558
2022									1,132,614	1,884,832
2023										1,830,685
Total										11,591,033
All outstanding liabilities before 2014, net of reinsurance										-
										$ 635,261

National Alliance of Nonprofits for Insurance, Inc.

Average Annual Percentage Payout of Incurred Losses by Age

The following is the average historical claims duration as of December 31, 2023 by category:

Average Annual Percentage Payout of Incurred Claims by Age, Net of Reinsurance										
Years	1	2	3	4	5	6	7	8	9	10
Auto Physical Damage	86.8 %	12.9 %	(0.7)%	0.1 %	0.2 %	- %	0.3 %	- %	- %	- %
Property	67.8 %	25.6 %	15.3 %	(8.8)%	0.3 %	0.1 %	- %	- %	- %	- %