JohnsonLambert LLP
cpas + consultants

Nonprofits Insurance Alliance

Audited Combined Financial Statements

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

Nonprofits Insurance Alliance

Audited Combined Financial Statements

Years ended December 31, 2023 and 2022

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Report of Independent Auditors

Audit Committee of the Board of Directors
Nonprofits Insurance Alliance

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of NIA 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 NIA 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 NIA'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 combined financial statements, effective January 1, 2023, NIA 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 NIA'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 NIA'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 NIA'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 30 - 38 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

Nonprofits Insurance Alliance

Combined Balance Sheets

As of December 31, 2023 and 2022

	2023	2022
Assets		
Cash and cash equivalents	$ 49,080,355	$ 41,878,203
Investments in debt securities (amortized cost – $462,943,218 and $423,051,050)	433,046,439	380,933,735
Investments in equity securities	22,815,186	21,292,636
Loans receivable from member organizations(net of allowance for credit loss - $9,700 and $0)	509,713	523,585
Premium receivable (net of allowance for credit loss - $105,109 and $112,012)	97,352,623	73,334,014
Interest receivable	2,815,918	2,314,806
Prepaid expenses and other assets	3,255,558	2,089,109
Reinsurance recoverable	139,410,627	110,680,188
Prepaid reinsurance premium	43,085,343	36,263,468
Deferred acquisition costs	24,104,613	20,608,190
Property and equipment, net	58,791,853	46,959,125
Total assets	$ 874,268,228	$ 736,877,059
Liabilities and Total Equity		
Liabilities		
Loss and loss adjustment expense reserves	$ 452,606,187	$ 364,998,790
Assumed losses payable	4,324,591	2,011,607
Unearned premium	161,673,365	136,904,962
Accounts payable and other accrued liabilities	18,642,047	9,858,236
Reinsurance payable	9,791,442	1,169,544
	647,037,632	514,943,139
Subordinated debt	2,000,000	2,000,000
Total liabilities	649,037,632	516,943,139
Total Equity		
Members' contributions	900,507	900,507
Capital contributions	10,000,000	10,000,000
Accumulated earnings	244,227,403	251,150,711
Accumulated other comprehensive loss	(29,897,314)	(42,117,298)
Total equity	225,230,596	219,933,920
Total liabilities and equity	$ 874,268,228	$ 736,877,059

The accompanying notes are an integral part of these financial statements.

Nonprofits Insurance Alliance

Combined Statements of Comprehensive Income

Years Ended December 31, 2023 and 2022

	2023	2022
Revenues		
Gross written premium	$ 314,744,956	$ 270,734,121
Ceded written premium	(83,258,571)	(70,972,457)
Net written premium	231,486,385	199,761,664
Change in unearned premium, net	(17,946,528)	(14,680,229)
Net earned premium	213,539,857	185,081,435
Net investment income	12,894,316	9,297,174
Net investment gain (loss) on securities	3,310,308	(6,550,176)
Other income	1,555,577	33,148
Total revenues	231,300,058	187,861,581
Expenses		
Losses and loss adjustment expenses, net	175,474,952	137,050,260
Salaries and employee benefits	19,484,647	16,057,797
Commission expense, net	32,141,883	26,973,148
Other expense	11,121,884	10,801,264
Total expenses	238,223,366	190,882,469
Excess of expenses over revenue, prior to dividend	(6,923,308)	(3,020,888)
Dividend to policyholders	-	(111,265)
Net loss	(6,923,308)	(3,132,153)
Other comprehensive income (loss)		
Net unrealized holding gains (losses) arising during the year	11,644,713	(50,214,528)
Reclassification adjustment for net realized gains included in net loss	575,271	606,682
Other comprehensive income (loss)	12,219,984	(49,607,846)
Comprehensive income (loss)	$ 5,296,676	$ (52,739,999)

The accompanying notes are an integral part of these financial statements.

Nonprofits Insurance Alliance

Combined Statements of Changes in Total Equity

Years Ended December 31, 2023 and 2022

	Members' and Capital Contributions	Accumulated Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balances, January 1, 2022	$ 10,900,507	$ 254,282,864	$ 7,490,548	$ 272,673,919
Net loss	-	(3,132,153)	-	(3,132,153)
Other comprehensive loss (debt securities only)	-	-	(49,607,846)	(49,607,846)
Balances, December 31, 2022	10,900,507	251,150,711	(42,117,298)	219,933,920
Net loss	-	(6,923,308)	-	(6,923,308)
Other comprehensive income	-	-	12,219,984	12,219,984
Balances, December 31, 2023	$ 10,900,507	$ 244,227,403	$ (29,897,314)	$ 225,230,596

The accompanying notes are an integral part of these financial statements.

Nonprofits Insurance Alliance

Combined Statements of Cash Flows

Years Ended December 31, 2023 and 2022

	2023	2022
Cash flows from operating activities		
Net loss	$ (6,923,308)	$ (3,132,153)
Adj. to reconcile net income to net cash from operating activities		
Net investment (gain) loss on securities	(3,310,308)	6,550,176
Depreciation and amortization	1,896,897	1,213,530
Amortization of premium of debt securities	248,595	1,091,566
Changes in operating assets and liabilities		
Premium receivable	(24,018,609)	(12,453,222)
Interest receivable	(501,112)	(405,533)
Prepaid expenses and other assets	(1,166,449)	81,620
Reinsurance recoverable	(28,730,439)	(22,486,942)
Prepaid reinsurance premium	(6,821,875)	(5,556,463)
Deferred acquisitions costs	(3,496,423)	(3,355,782)
Loss and loss adjustment expense reserves	87,607,397	63,280,781
Assumed losses payable	2,312,984	517,426
Unearned premium	24,768,403	20,236,692
Reinsurance payable	8,621,898	(6,312,361)
Dividend payable	-	(1,045,065)
Accounts payable and other accrued liabilities	8,783,811	(404,317)
Net cash flow from operating activities	59,271,462	37,819,953
Cash flows from investing activities		
Purchase of investments	(128,401,111)	(111,825,468)
Proceeds from sales and maturities of investments	90,398,379	89,139,789
Principal collected on loans	13,873	67,605
Purchases of property and equipment	(14,080,451)	(11,259,095)
Net cash flows used in investing activities	(52,069,310)	(33,877,169)
Net change in cash and cash equivalents	7,202,152	3,942,784
Cash and cash equivalents, beginning of year	41,878,203	37,935,419
Cash and cash equivalents, end of year	$ 49,080,355	$ 41,878,203
Supplemental disclosure of cash flow information		
Interest paid	$ 40,000	$ 40,000

The accompanying notes are an integral part of these financial statements.

Note 1 - Organization

Nonprofits Insurance Alliance (NIA) consists of nonprofit companies whose primary activities include serving 501(c)(3) tax-exempt nonprofit organizations by providing a source of property and 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 Nonprofits Insurance Alliance of California, Inc. (NIAC), Alliance of Nonprofits for Insurance, Risk Retention Group, Inc. (ANI), National Alliance of Nonprofits for Insurance, Inc. (NANI), Alliance Member Services, Inc. (AMS), and AMS Insurance Services, Inc. (AMSIS).

NIAC operates as a risk pool in California pursuant to authorization under Section 5005.1 of the California Corporations Code. NIAC provides commercial general liability, social service professional liability, business automobile liability, auto physical and property damage, employer’s non owned and hired auto liability, improper sexual conduct and physical abuse liability, directors' and officers' (D&O) liability and umbrella liability coverage to its members.

ANI and NANI operate as captive insurance companies in Vermont pursuant to authorization under Section 6002, Vermont Statutes Annotated, and are subject to the rules, regulation and supervision of the Vermont Department of Financial Regulation (the Department). ANI provides commercial general liability, social service professional liability, employee benefits liability, business auto liability, employer's non owned and hired automobile liability, improper sexual conduct and physical abuse liability, D&O liability and umbrella liability coverage to its members. NANI provides quota share and excess of loss reinsurance to NIAC and ANI on certain lines, and provides quota share reinsurance to an unaffiliated carrier fronting certain lines of coverage for ANI members.

AMS is a nonprofit company incorporated in Vermont to provide management services to affiliates within NIA and is responsible for their overall operation, including policy services, claim management, member services, reinsurance negotiations, marketing, accounting and financial management, and general and administration management.

AMSIS is a wholly-owned for-profit subsidiary of AMS formed for the primary purpose of acting as managing general underwriter for certain other carriers providing property and other coverage for NIAC and ANI members. AMSIS is a licensed broker and claims adjuster in all states in which these other carriers provide coverage for NIAC or ANI members.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation
The accompanying combined financial statements include the accounts of NIAC, ANI, NANI, AMS and AMSIS. The combined 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). All balances and transactions between the companies have been eliminated in combination. NIA presents combined financial statements, rather than consolidated financial statements, as the companies within NIA do not have any ownership or economic interest in each other, only common management and board governance. NIA follows accounting and reporting policies for insurance enterprises.

Adoption of Accounting Standard
NIA 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 NIA from adopting the credit loss standard as of January 1, 2023.

Financial Statement Estimates
The preparation of combined 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
NIA 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. NIA 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 NIA intends to sell the investment or whether it is more likely than not that NIA 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.

Equity securities are reported at fair value with changes in fair value recognized in net income. Estimated fair values of equity securities are based on quoted market prices for identical assets in active markets.

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 investment is less than its cost or amortized cost.

NIA evaluates debt securities in an unrealized loss position for expected credit losses on an individual security basis. When NIA intends to sell a security, or when it is more likely than not that it will be required to sell a security before recovery, NIA 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.

Note 2 - Summary of Significant Accounting Policies (Continued)

Investments (Continued)
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 debt securities as of December 31, 2023.

NIA 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 $2,815,918 as of December 31, 2023, was excluded from the estimate of credit losses.

NIA 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. NIA 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
NIA includes in premium receivable the unpaid balance of premium due from policyholders that are payable in full on the effective date of the insurance policy or in installments under NIA’s installment payment plan. Premiums receivable are reported net of an allowance for credit losses. NIA 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 NIA'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 NIA’s ability to cancel the policy if the policyholder does not pay the premium. During both 2023 and 2022, NIA wrote off $42,000 of premium receivable.

Note 2 - Summary of Significant Accounting Policies (Continued)

Reinsurance

Reinsurance recoverable (including amounts related to claims incurred but not reported) and prepaid reinsurance premium 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 discussed below. NIA measures expected credit losses on reinsurance recoverables 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 are recorded as credit loss income (expense) on the statements of comprehensive income. There was no allowance for credit loss on reinsurance recoverables as of December 31, 2023.

Reinsurance payable represents ceded premium unpaid. Ceding commissions are recorded based on ceded written premium, and are deferred and recognized over the policy term, as discussed in the following paragraph. Ceding commissions are reported as an offset to commission expense.

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 $43,649,599 and $37,614,349 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.

Property and Equipment

Data processing equipment and office furniture and equipment are stated at cost, net of accumulated depreciation, and depreciated over five years using the straight-line method. The building is stated at cost, net of accumulated depreciation, and depreciated over 40 years using the straight-line method. Land is stated at historical cost. Upon retirement or disposition of property and equipment, any gain or loss is included in other income on the statements of comprehensive income.

Capitalized Software

Costs incurred in developing information systems technology are capitalized, in accordance with current accounting guidance, and amortized over their useful lives from the dates the systems technology becomes operational, which is generally up to seven years.

Note 2 - Summary of Significant Accounting Policies (Continued)

High Deductible Policies
Policies may be underwritten with deductibles ranging from $25,000 to $250,000. NIA has 15 and 19 policies in force with high deductibles of $100,000 or more as of December 31, 2023 and 2022, which may be unsecured or may require the policyholder to provide collateral to secure obligations up to the estimated policyholder liabilities.

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.

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

Other Expenses
Included in other expenses is AMSIS management fee revenue and commission expenses related to its role as managing general underwriter for certain other carriers providing property and other coverage for NIAC and ANI members. During the years ended December 31, 2023 and 2022 the amount of management fee revenue netted against other expenses was $0 and $3,753,179, respectively.

Policyholder Dividends
NIA accrues for policyholder dividends on the date they are declared by the Board of Directors, based on the estimated ultimate payout. Changes in the estimated ultimate payout are recognized in current operations.

Note 2 - Summary of Significant Accounting Policies (Continued)

Income Taxes
The companies within NIA, except for AMSIS, are tax-exempt for federal tax purposes under Section 501(c)(3) of the Internal Revenue Code and NIAC is tax-exempt in the State of California according to Section 23701z of the Revenue and Taxation Code. With the exception of premium taxes, ANI and NANI are not subject to any state taxes. During the years ended December 31, 2023 and 2022, NIA did not have any income subject to taxation as unrelated business income. Management concluded that all tax-exempt companies have properly maintained their exempt status and that no uncertain tax positions exist as of December 31, 2023. AMSIS income tax expense is considered de minimus and no significant deferred tax items exist as of December 31, 2023 and 2022.

Subsequent Events
NIA 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.

A member insured received an adverse court ruling of $14.8 million on December 1, 2023. Subsequent to year end, NIAC agreed to post collateral for an appeal bond that will enable the member to appeal the ruling. NIAC may either establish a letter of credit or submit a cash deposit. As of the date of the financial statements, the amount of collateral needed for the appeal bond has not been finalized. However, once posted, NIAC does not anticipate drawing on the collateral as it is only needed to facilitate the appeal process.

Note 3 - Investments

Investments in debt securities, carried in the accompanying combined 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	$ 71,233,365	$ 34,277	$ 6,441,254	$ 64,826,388
Municipal obligations	43,090,653	28,601	2,640,935	40,478,319
Corporate obligations	191,841,451	923,434	12,218,184	180,546,701
Residential mortgage-backed securities	127,185,742	423,402	8,744,804	118,864,340
Commercial mortgage-backed securities	13,133,153	57,479	805,488	12,385,144
Automobile asset-backed securities	16,458,854	39,554	552,861	15,945,547
Total debt securities	$ 462,943,218	$ 1,506,747	$ 31,403,526	$ 433,046,439

Note 3 - Investments (Continued)

2022	Amortized Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value
U.S. government and agency obligations	$ 59,614,321	$ 1,696	$ 7,162,792	$ 52,453,225
Municipal obligations	41,044,400	5,722	3,941,424	37,108,698
Corporate obligations	183,122,379	25,947	18,819,081	164,329,245
Residential mortgage-backed securities	102,906,194	93,245	10,045,536	92,953,903
Commercial mortgage-backed securities	9,418,932	-	976,936	8,441,996
Automobile asset-backed securities	26,879,834	-	1,297,531	25,582,303
Foreign government and agency obligations	64,991	-	626	64,365
Total debt securities	$ 423,051,051	$ 126,610	$ 42,243,926	$ 380,933,735

The amortized 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	$ 17,656,709	$ 17,420,071
Due after 1 year through 5 years	152,429,763	144,968,569
Due after 5 years through 10 years	114,330,692	105,116,215
Due after 10 years	21,748,305	18,346,553
Residential mortgage-backed securities	127,185,742	118,864,340
Commercial mortgage-backed securities	13,133,153	12,385,144
Automobile asset-backed securities	16,458,854	15,945,547
	$ 462,943,218	$ 433,046,439

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).

Note 3 - Investments (Continued)

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	$ 275,060	$ 18,081,523	$ 6,166,194	$ 42,467,080	$ 6,441,254	$ 60,548,603
Municipal obligations	27,523	5,539,325	2,613,412	32,670,286	2,640,935	38,209,611
Corporate obligations	12,965	3,901,988	12,205,219	147,389,987	12,218,184	151,291,975
Residential mortgage-backed securities	263,571	17,521,696	8,481,233	81,681,010	8,744,804	99,202,706
Commercial mortgage-backed securities	4,193	310,645	801,295	7,128,529	805,488	7,439,174
Automobile asset-backed securities	3,336	1,115,845	549,525	10,463,060	552,861	11,578,905
	$ 586,648	$ 46,471,022	$ 30,816,878	$ 321,799,952	$ 31,403,526	$ 368,270,974

	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	$ 4,907,449	$ 38,238,154	$ 2,255,343	$ 13,847,263	$ 7,162,792	$ 52,085,417
Municipal obligations	2,157,427	22,721,509	1,783,997	13,175,589	3,941,424	35,897,098
Corporate obligations	8,554,079	97,260,333	10,265,002	62,865,181	18,819,081	160,125,514
Residential mortgage-backed securities	5,261,053	64,663,720	4,784,483	23,825,488	10,045,536	88,489,208
Commercial mortgage-backed securities	195,094	2,089,062	781,842	6,352,934	976,936	8,441,996
Automobile asset-backed securities	84,690	2,343,235	1,212,841	23,239,068	1,297,531	25,582,303
Foreign government and agency obligations	626	64,365	-	-	626	64,365
	$ 21,160,418	$ 227,380,378	$ 21,083,508	$ 143,305,523	$ 42,243,926	$ 370,685,901

At December 31, 2023 and 2022, 1,330 and 1,467 debt securities, respectively were in an unrealized loss position. NIA 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.

Note 3 - Investments (Continued)

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 NIA'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 and 2022:

2023	Estimated Fair Value	Level 1	Level 2	Level 3
Debt securities:				
U.S. government and agency obligations	$ 64,826,388	$ 64,826,388	$ -	$ -
Municipal obligations	40,478,319	-	40,478,319	-
Corporate obligations	180,546,701	-	180,546,701	-
Residential mortgage-backed securities	118,864,340	-	118,864,340	-
Commercial mortgage-backed securities	12,385,144	-	12,385,144	-
Automobile asset-backed securities	15,945,547	-	15,945,547	-
Total debt securities	433,046,439	64,826,388	368,220,051	-
Equity securities	22,815,186	22,705,486	-	109,700
Total investments	$ 455,861,625	$ 87,531,874	$ 368,220,051	$ 109,700

2022	Estimated Fair Value	Level 1	Level 2	Level 3
Debt securities:				
U.S. government and agency obligations	$ 52,453,225	$ 52,453,225	$ -	$ -
Municipal obligations	37,108,698	-	37,108,698	-
Corporate obligations	164,329,245	-	164,329,245	-
Residential mortgage-backed securities	92,953,903	-	92,953,903	-
Commercial mortgage-backed securities	8,441,996	-	8,441,996	-
Automobile asset-backed securities	25,582,303	-	25,582,303	-
Foreign government and agency obligations	64,365	-	64,365	-
Total debt securities	380,933,735	52,453,225	328,480,510	-
Equity securities	21,292,636	21,194,336	-	98,300
Total investments	$ 402,226,371	$ 73,647,561	$ 328,480,510	$ 98,300

Note 3 - Investments (Continued)

The components of net investment gain (loss) on securities for the years ended December 31, 2023 and 2022 are as follows:

	2023	2022
Investment (losses) gains:		
Equity securities		
Unrealized gain (loss) on equity securities held as of December 31	$ 3,935,376	$ (5,943,494)
Gain recognized during the year on securities sold	331,417	-
Total	4,266,793	(5,943,494)
Debt securities		
Gross realized gains	210,159	326,125
Gross realized losses	(1,166,644)	(932,807)
Total	(956,485)	(606,682)
Total net investment gain (loss) on securities	$ 3,310,308	$ (6,550,176)

Note 4 - Property and Equipment

Property and equipment at December 31 consists of:

	2023	2022
Computers and software	$ 27,946,563	$ 21,965,189
Furniture and equipment	1,890,661	1,899,284
Internal software	15,948,541	8,329,128
Building	22,677,256	22,677,256
	68,463,021	54,870,857
Accumulated depreciation	(12,009,280)	(10,249,844)
	56,453,741	44,621,013
Land	2,338,112	2,338,112
Property and equipment, net	$ 58,791,853	$ 46,959,125

NIA recognized depreciation and amortization expense of $1,896,897 and $1,213,530 for the years ended December 31, 2023 and 2022, respectively.

The computers and software represents capitalized software costs for the development of a new policy and claims management system. This asset has not been placed in service as of December 31, 2023 and no amortization expense is recorded for the year ended December 31, 2023.

Note 5 - 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	$ 364,998,790	$ 301,718,009
Reinsurance recoverable on unpaid loss and LAE	(108,850,797)	(86,702,317)
Net loss and LAE reserves	256,147,993	215,015,692
Incurred related to		
Current year	147,943,851	124,960,286
Prior years	27,531,101	12,089,974
Total incurred	175,474,952	137,050,260
Paid related to		
Current year	26,963,175	24,914,133
Prior years	93,822,669	71,003,826
Total paid	120,785,844	95,917,959
Net loss and LAE reserves, December 31	310,837,101	256,147,993
Reinsurance recoverable on unpaid loss and LAE	141,769,086	108,850,797
Gross loss and LAE reserves, December 31	$ 452,606,187	$ 364,998,790

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 $27,531,101 and $12,089,974 for the years 2023 and 2022, respectively. Driving the 2023 changes are unfavorable development primarily on the auto liability and D&O lines driven by a combination of inflationary increases and claim severity. This adverse development is offset partially by favorable development on the improper sexual conduct and physical abuse line. Driving the 2022 development changes are unfavorable development primarily on the auto liability and D&O lines driven by a combination of inflationary increases and claim severity. As of December 31, 2023 and 2022, the amounts billed and recoverable for deductible policies were $2,145,311 and $1,781,839, respectively. These amounts are reported as offsets to losses and LAE incurred in the statements of comprehensive income.

Note 5 - 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	$ 2,217,993
Auto Liability	53,248,459
Directors & Officers	58,646,285
General Liability	77,399,075
Improper Sexual Conduct and Physical Abuse	65,748,691
Social Services Professional	30,136,082
Umbrella	5,433,272
Property	3,289,358
Other Casualty*	400,018
Liabilities for unpaid losses and LAE, net of reinsurance	296,519,233
Reinsurance recoverable	
Auto Physical Damage	112,143
Auto Liability	11,288,999
Directors & Officers	3,881,822
General Liability	17,667,923
Improper Sexual Conduct and Physical Abuse	17,633,248
Social Services Professional	6,631,386
Umbrella	78,597,096
Property	5,956,469
Total reinsurance recoverable on unpaid losses and LAE	141,769,086
Unallocated LAE	14,317,868
Total gross liability for unpaid losses and LAE	$ 452,606,187

*Reserves related to Other Casualty relate to accident years prior to 2008 and therefore do not have associated additional disclosures below.

Note 5 - Loss and Loss Adjustment Expense Reserves (Continued)

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	$ 2,743,022	$ 2,743,015	$ -	2,119
2015	2,726,130	2,726,130	-	2,377
2016	3,096,511	3,096,514	-	2,364
2017	3,038,749	3,038,769	-	2,316
2018	3,712,998	3,712,993	-	1,826
2019	4,226,491	4,234,813	-	2,433
2020	4,324,374	4,324,406	-	2,269
2021	6,998,307	6,958,049	3,806	3,179
2022	10,259,803	10,170,184	26,301	3,934
2023	11,037,160	8,940,679	220,520	3,902
Total	$ 52,163,545	$ 49,945,552	$ 250,627	

Auto Liability

Accident Year	Incurred	Cumulative Paid	Total IBNR Plus Expected Development on Reported Claims	Cumulative Number of Reported Claims
2014	$ 9,158,815	$ 9,158,797	$ -	1,759
2015	12,678,757	12,678,767	-	1,897
2016	10,970,836	10,932,906	-	1,665
2017	9,744,181	9,240,223	100,301	1,506
2018	14,742,147	13,546,955	44,086	1,227
2019	21,217,671	18,677,570	225,036	1,461
2020	13,130,781	10,986,586	422,751	1,149
2021	21,687,862	13,853,171	735,686	1,574
2022	26,833,853	12,014,726	3,161,976	1,989
2023	28,913,493	4,740,236	7,029,823	2,088
Total	$ 169,078,396	$ 115,829,937	$ 11,719,659	

Note 5 - Loss and Loss Adjustment Expense Reserves (Continued)

Directors & Officers

Accident Year	Incurred	Cumulative Paid	Total IBNR Plus Expected Development on Reported Claims	Cumulative Number of Reported Claims
2014	$ 10,562,808	$ 10,562,783	$ 26,954	408
2015	11,671,779	11,564,419	8,263	405
2016	12,007,925	11,992,276	599	407
2017	16,496,388	15,699,680	3,254	539
2018	13,406,617	12,415,573	97,698	491
2019	18,604,173	16,654,362	211,289	531
2020	22,509,983	17,914,732	991,692	552
2021	28,200,529	20,670,909	1,072,400	709
2022	26,528,222	12,611,497	9,041,469	618
2023	32,383,230	3,666,068	21,794,007	493
Total	$ 192,371,654	$ 133,752,299	$ 33,247,625	

General Liability

Accident Year	Incurred	Cumulative Paid	Total IBNR Plus Expected Development on Reported Claims	Cumulative Number of Reported Claims
2014	$ 7,365,371	$ 7,365,347	$ 102,478	1,042
2015	17,686,222	17,646,999	835	1,142
2016	14,887,594	14,305,324	25,276	1,000
2017	14,125,078	13,063,553	413,010	994
2018	16,067,212	14,676,890	626,907	1,052
2019	16,288,275	12,160,003	1,009,791	1,118
2020	23,193,730	15,815,655	956,909	876
2021	24,123,488	11,655,893	1,720,327	1,131
2022	28,117,085	6,787,661	7,263,608	1,204
2023	30,925,509	2,005,621	15,603,848	1,089
Total	$ 192,779,564	$ 115,482,946	$ 27,722,989	

Note 5 - Loss and Loss Adjustment Expense Reserves (Continued)

Improper Sexual Conduct and Physical Abuse

Accident Year	Incurred	Cumulative Paid	Total IBNR Plus Expected Development on Reported Claims	Cumulative Number of Reported Claims
2014	$ 4,611,618	$ 3,801,467	$ -	86
2015	9,393,354	8,994,803	132,504	145
2016	8,095,976	7,279,126	213,760	140
2017	8,073,277	4,157,616	757,349	137
2018	11,129,071	7,478,483	1,108,610	175
2019	7,393,604	3,583,503	1,495,533	133
2020	7,547,035	2,953,499	2,129,859	126
2021	13,839,145	3,209,357	4,481,922	250
2022	14,788,568	877,578	8,945,465	246
2023	19,913,521	269,464	16,248,771	179
Total	$ 104,785,169	$ 42,604,896	$ 35,513,773	

Social Services Professional

Accident Year	Incurred	Cumulative Paid	Total IBNR Plus Expected Development on Reported Claims	Cumulative Number of Reported Claims
2014	$ 5,560,910	$ 5,530,576	$ -	147
2015	3,373,297	3,373,310	-	97
2016	3,512,406	3,468,432	43,967	91
2017	2,887,451	2,383,960	72,519	98
2018	5,455,126	3,660,493	232,177	147
2019	5,431,290	4,208,909	573,828	124
2020	10,299,322	4,896,760	1,199,865	136
2021	5,300,470	1,133,280	979,889	200
2022	9,807,971	1,876,241	2,959,072	247
2023	8,968,725	167,961	6,144,108	119
Total	$ 60,596,968	$ 30,699,922	$ 12,205,425	

Note 5 - Loss and Loss Adjustment Expense Reserves (Continued)

Umbrella

Accident Year	Incurred	Cumulative Paid	Total IBNR Plus Expected Development on Reported Claims	Cumulative Number of Reported Claims
2014	$ 412,185	$ 411,435	$ -	5
2015	497,279	483,666	-	8
2016	326,616	326,608	7	7
2017	1,262,660	923,882	51,271	12
2018	879,989	444,152	14,021	11
2019	973,604	717,500	231,069	5
2020	1,323,751	891,852	206,925	8
2021	923,160	277,750	640,543	6
2022	1,249,505	168,491	1,048,916	5
2023	2,229,859	-	1,754,859	3
Total	$ 10,078,608	$ 4,645,336	$ 3,947,611	

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	968,443	968,446	-	598
2017	4,620,739	4,619,455	1,283	962
2018	3,999,674	3,999,657	-	1,098
2019	4,573,737	4,563,114	302	1,116
2020	5,738,784	5,689,574	37,493	1,320
2021	6,476,234	6,382,027	77,358	1,237
2022	8,261,665	8,026,783	141,771	1,262
2023	9,042,533	6,143,462	1,629,901	1,312
Total	$ 45,952,435	$ 42,663,077	$ 1,888,178	

Note 5 - Loss and Loss Adjustment Expense Reserves (Continued)

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 our 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, Cape Cod (paid and reported) method, initial expected loss method, paid development method, reported development method, and case reserve development 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 6 - Surplus Note

ANI has a surplus note loan agreement with a bank to borrow up to $2 million. The principal balance matures on October 15, 2024 and is payable to the bank with any unpaid interest. Interest is provided on the unpaid balance at an annual rate of 2%, payable in quarterly installments. Any payment of principal or interest is subject to prior written approval of the Insurance Commissioner of the State of Vermont and is subordinated to the prior payment of, or provision for, all general liabilities of ANI and the claims of policyholders and creditors of ANI.

At December 31, 2023 and 2022, the principal outstanding under the surplus note was $2 million. After receiving prior written approval from the Insurance Commissioner, ANI paid total accrued interest of $40,000 in both 2023 and 2022.

Note 7 - Reinsurance

In the normal course of business, NIA 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 NIA in the event the reinsurer is unable to or will not fulfill the obligations assumed under the agreements.

Note 7 - Reinsurance (Continued)

Prior to 2008, NIA's reinsurance structure varied, with retention on liability lines (excluding umbrella liability) ranging from $50,000 to $500,000. Umbrella liability was ceded at either 100% or 97.5%, and NIA participated in auto physical damage and business owners' property risks at varying quota share rates.

Beginning January 1, 2008, NIA purchased excess of loss reinsurance coverage from a third-party reinsurer, for NIAC business, $500,000 excess of a company retention of $500,000 per occurrence and for ANI business, $750,000 excess of a company retention of $250,000 per occurrence. Beginning January 1, 2010, NIAC changed its coverage to $400,000 excess of $600,000 retention per occurrence, and ANI changed its coverage to $650,000 excess of $350,000 retention per occurrence. These coverages were placed with NIA's third-party reinsurer. Beginning January 1, 2013, NIAC changed its coverage to $300,000 excess of $700,000 retention per occurrence and ANI changed its coverage to $550,000 excess of $450,000 retention per occurrence. In addition, both companies utilize an aggregate reinsurance cover of $3 million in excess of $1 million. The aggregate treaty provides for clash coverage on all liability lines except umbrella. Beginning January 1, 2013, NIA diversified risk by placing these coverages with various reinsurers.

NIAC and ANI offer umbrella coverage with a maximum limit of $10 million. Beginning January 1, 2013, NIAC umbrella policies are ceded 85% - 100% and ANI umbrella policies are ceded 92.5% - 100%, respectively, on a quota share treaty basis based on underlying coverage limits. Beginning January 1, 2013, NIA diversified its risk by placing these coverages with various reinsurers. Umbrella policies were previously ceded 90% and 95% by NIAC and ANI, respectively, on a quota share treaty basis to NIA's third-party reinsurer.

NIA assumes a 100% quota share of auto physical damage risks from an unaffiliated carrier who has fronted coverage for ANI insureds. NIA also participates in a property quota share reinsurance program with an unaffiliated carrier who has fronted coverage for NIAC and ANI members. NIA 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. Losses from $15 million up to $45 million are retained entirely by the unaffiliated carrier. Beginning August 1, 2016 NIAC began writing business property risks which are limited by facultative reinsurance to $10 million per risk. NIA purchases reinsurance on a per risk excess of loss basis from unaffiliated reinsurers in excess of $300,000 in 2023 and $200,000 in 2022. NIA also purchased catastrophe excess of loss coverage with unaffiliated reinsurers for $14 million in excess of $1 million per occurrence.

Note 7 - Reinsurance (Continued)

Management monitors the credit quality of its reinsurance recoverables on a quarterly basis through review of A.M. Best credit ratings and credit rating changes. As of December 31, 2023, 99.6% of the NIA's reinsurance paid and unpaid was due from reinsurers rated A or better by A.M. Best and 0.4% was due from reinsurers rated B. Risks reinsured would become an expense of NIA 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, NIA concluded that no allowance for credit losses was necessary.

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

	2023	2022
Ceded premiums earned	$ 84,737,926	$ 65,372,494
Ceded losses and loss adjustment expenses incurred	62,821,099	41,180,491

For the years ended December 31, 2023 and 2022, NIA received ceding commission of $11,781,229 and $10,601,460, respectively. The ceding commission is recorded as a reduction to commission expense. The maximum amount of return commission that would have been due to reinsurers if all reinsurance had been cancelled with the return of unearned premium reserves at December 31, 2023 and 2022 was $6,047,998 and $5,362,257, respectively.

Note 8 - Employee Benefit Plans

401(k) Profit Sharing Plan
Eligible employees of AMS may participate in a 401(k) plan. The employer contributed 6% of each employee's gross salary in 2023 and 2022, subject to Internal Revenue Service limitations. Eligibility for the plan occurs on the first day of each quarter. The amounts contributed by the employer to the plan were $1,023,540 and $863,885 in 2023 and 2022, respectively.

457 (b) Deferred Compensation Plan
AMS has a voluntary retirement program under Section 457 (b) of the Internal Revenue Code available to a select group of key employees upon seven months after the date of hire. The plan allows for qualified employees to contribute an amount not to exceed the lesser of the amount specified under Section 457 (e)(15) of the Code for such plan year or 100% of the participant's includible compensation for such year. It is fully vested at the time of contribution. NIA does not match contributions to this 457(b) plan.

Note 9 - Capital and Surplus

ANI and NANI are required by the Department to maintain capital and surplus at minimums of $1,000,000 and $750,000, respectively. Their ability to pay policyholder dividends is restricted and subject to prior regulatory approval. At December 31, 2023 and 2022, the reported capital of ANI and NANI was in excess of the minimum regulatory requirement.

ANI is subject to a risk based capital (RBC) requirement by its regulators. Under the requirement, an RBC ratio is calculated by applying factors to various assets, liabilities and premium amounts. The capital requirements are higher for items with greater underlying risk and correspondingly lower as the risk level decreases. The adequacy of ANI's capital and surplus is measured against the RBC as determined by a formula. At December 31, 2023 and 2022, ANI's RBC ratio was in excess of all action levels.

The NIAC and ANI Boards of Directors have adopted policyholder dividend plans. These plans are designed to reward NIAC and ANI members for length of continuous coverage, as well as for favorable claims experience of NIAC and ANI as a whole. The NIAC and ANI Boards of Directors retain the sole authority to declare a policyholder dividend. In any year that a policyholder dividend is declared, NIAC and ANI members who qualify will be entitled to receive a policyholder dividend upon renewal of their policy beginning June 1 through May 31. No NIAC or ANI policyholder dividends were declared for the 2022-2023 or 2023-2024 policy years.

Note 10 - Contingencies

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

Required Supplemental Information (Unaudited)

Nonprofits Insurance Alliance

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	$ 2,938,532	$ 2,988,538	$ 2,963,525	$ 2,860,689	$ 2,770,394	$ 2,184,235	$ 2,767,920	$ 2,743,004	$ 2,743,022	$ 2,743,022
2015		3,031,612	2,831,602	2,720,605	2,689,234	2,726,682	2,726,688	2,726,548	2,726,160	2,726,130
2016			2,981,879	3,202,902	3,129,354	3,120,218	3,120,238	3,096,513	3,096,512	3,096,511
2017				3,360,702	3,295,680	3,035,515	2,995,540	2,989,337	2,990,084	3,038,749
2018					3,935,697	3,827,456	3,827,456	3,705,984	3,713,317	3,712,998
2019						4,078,824	4,178,815	4,215,928	4,227,420	4,226,491
2020							4,840,759	5,150,347	4,341,774	4,324,374
2021								5,939,321	7,199,492	6,998,307
2022									9,634,299	10,259,803
2023										11,037,160
Total										$ 52,163,545

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

Accident Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
2014	$ 2,524,498	$ 2,747,502	$ 2,742,570	$ 2,742,015	$ 2,742,015	$ 2,743,015	$ 2,743,015	$ 2,743,015	$ 2,743,015	$ 2,743,015
2015		2,416,752	2,671,075	2,674,663	2,689,160	2,726,669	2,726,670	2,726,536	2,726,136	2,726,130
2016			2,753,246	3,149,764	3,099,536	3,115,440	3,096,490	3,096,515	3,096,515	3,096,514
2017				2,627,208	2,974,647	2,993,008	2,989,949	2,989,332	2,990,090	3,038,769
2018					3,180,794	3,717,767	3,717,614	3,706,005	3,713,321	3,712,993
2019						3,791,320	4,248,677	4,204,717	4,235,247	4,234,813
2020							3,921,866	4,337,288	4,339,648	4,324,406
2021								5,900,422	7,123,207	6,958,049
2022									8,529,213	10,170,184
2023										8,940,679
Total										49,945,552
All outstanding liabilities before 2014, net of reinsurance										-
Liabilities for losses and loss adjustment expenses, net of reinsurance										$ 2,217,993

Nonprofits Insurance Alliance

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

Auto Liability

	Incurred Losses and Allocated Loss Adjustment Expenses, Net of Reinsurance									
Accident Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
2014	$ 11,575,662	$ 11,575,662	$ 10,645,669	$ 10,351,730	$ 9,568,866	$ 9,468,861	$ 9,145,322	$ 9,153,663	$ 9,159,366	$ 9,158,815
2015		12,665,013	12,665,013	12,165,019	12,833,764	12,803,883	12,703,830	12,727,842	12,684,790	12,678,757
2016			13,763,730	13,428,751	11,149,787	11,574,793	11,054,841	11,079,651	11,003,720	10,970,836
2017				11,756,035	10,341,185	10,175,086	9,332,259	9,444,626	9,624,760	9,744,181
2018					13,369,176	13,671,076	12,471,096	14,155,031	13,808,620	14,742,147
2019						13,316,557	16,169,697	18,919,153	20,822,591	21,217,671
2020							14,564,962	13,063,569	14,629,260	13,130,781
2021								17,453,112	18,117,568	21,687,862
2022									20,923,796	26,833,853
2023										28,913,493
Total										$ 169,078,396

	Cumulative Paid Losses and Allocated Loss Adjustment Expenses, Net of Reinsurance									
Accident Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
2014	$ 2,771,319	$ 5,652,954	$ 8,252,637	$ 8,874,359	$ 9,067,061	$ 9,100,775	$ 9,133,636	$ 9,133,649	$ 9,159,339	$ 9,158,797
2015		2,886,230	5,444,517	8,043,033	11,241,357	11,844,305	12,409,163	12,427,099	12,664,444	12,678,767
2016			2,784,532	5,852,358	7,469,643	8,852,258	9,726,729	10,345,090	10,610,395	10,932,906
2017				2,397,211	3,935,669	6,076,283	7,328,389	7,775,757	8,606,426	9,240,223
2018					2,912,676	5,325,328	7,729,140	9,749,842	12,635,266	13,546,955
2019						3,766,833	10,476,061	12,896,965	16,057,832	18,677,570
2020							3,230,234	6,438,795	8,577,626	10,986,586
2021								3,362,983	7,918,486	13,853,171
2022									4,828,616	12,014,726
2023										4,740,236
Total										115,829,937
All outstanding liabilities before 2014, net of reinsurance										-
Liabilities for losses and loss adjustment expenses, net of reinsurance										$ 53,248,459

Nonprofits Insurance Alliance

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

Directors & Officers

Incurred Losses and Allocated Loss Adjustment Expenses, Net of Reinsurance

Accident Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
2014	$ 12,427,026	$ 12,427,026	$ 12,476,984	$ 10,712,052	$ 10,331,495	$ 10,396,504	$ 10,626,578	$ 10,686,612	$ 10,625,262	$ 10,562,808
2015		15,000,913	15,000,913	15,035,116	11,786,830	11,786,830	11,456,827	11,524,860	11,605,528	11,671,779
2016			15,913,632	15,913,900	13,024,569	12,024,575	11,849,507	11,519,996	12,033,012	12,007,925
2017				15,320,169	14,952,536	14,952,536	14,671,474	15,177,963	16,941,799	16,496,388
2018					16,782,578	16,114,246	15,669,259	15,503,948	13,551,084	13,406,617
2019						15,864,611	15,864,611	16,332,746	18,223,011	18,604,173
2020							15,922,871	18,530,082	19,253,047	22,509,983
2021								19,122,174	22,690,103	28,200,529
2022									23,950,071	26,528,222
2023										32,383,230
Total										$ 192,371,654

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

Accident Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
2014	$ 1,338,271	$ 4,692,470	$ 8,145,011	$ 9,398,505	$ 9,692,801	$ 10,054,266	$ 10,318,232	$ 10,560,894	$ 10,562,783	$ 10,562,783
2015		730,982	4,137,831	7,469,335	9,868,155	10,457,769	10,990,415	11,236,837	11,451,201	11,564,419
2016			976,089	5,653,396	9,288,511	10,162,717	10,768,923	11,076,646	11,908,349	11,992,276
2017				1,423,822	4,925,062	9,324,553	11,745,564	13,927,396	14,772,732	15,699,680
2018					1,190,710	5,167,352	7,354,178	10,562,972	11,196,071	12,415,573
2019						1,161,694	6,742,859	11,720,767	14,390,761	16,654,362
2020							1,565,943	7,591,285	15,073,109	17,914,732
2021								2,970,749	12,323,823	20,670,909
2022									2,969,331	12,611,497
2023										3,666,068
Total										133,752,299
All outstanding liabilities before 2014, net of reinsurance										26,930
Liabilities for losses and loss adjustment expenses, net of reinsurance										$ 58,646,285

Nonprofits Insurance Alliance

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

General Liability

	Incurred Losses and Allocated Loss Adjustment Expenses, Net of Reinsurance									
Accident Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
2014	$ 10,940,718	$ 11,585,365	$ 11,036,112	$ 8,040,507	$ 7,534,207	$ 7,765,125	$ 7,345,137	$ 7,334,010	$ 7,334,151	$ 7,365,371
2015		11,982,049	12,232,039	14,815,578	15,564,545	16,217,566	17,200,648	17,639,515	17,719,909	17,686,222
2016			12,451,053	12,451,053	12,806,375	13,753,506	13,929,920	14,392,737	15,133,004	14,887,594
2017				12,808,788	12,431,910	12,496,879	12,706,955	13,109,444	13,475,627	14,125,078
2018					1,313,023	13,890,223	15,036,521	16,046,661	16,300,831	16,067,212
2019						14,484,646	14,048,598	14,398,600	15,656,190	16,288,275
2020							16,175,162	17,646,360	20,073,450	23,193,730
2021								20,690,120	21,093,783	24,123,488
2022									25,816,960	28,117,085
2023										30,925,509
Total										$ 192,779,564

	Cumulative Paid Losses and Allocated Loss Adjustment Expenses, Net of Reinsurance									
Accident Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
2014	$ 1,190,721	$ 3,013,912	$ 4,282,925	$ 5,398,212	$ 6,013,201	$ 6,601,700	$ 7,042,630	$ 7,268,285	$ 7,288,711	$ 7,365,347
2015		1,386,810	3,313,698	7,575,161	12,316,537	14,222,696	15,758,115	16,743,624	17,544,129	17,646,999
2016			1,057,835	3,626,808	6,845,630	9,562,594	11,841,268	13,053,617	13,418,180	14,305,324
2017				995,416	3,188,532	6,247,186	8,771,511	10,859,985	11,853,731	13,063,553
2018					1,270,535	4,678,397	8,027,520	11,523,983	13,940,457	14,676,890
2019						1,127,771	3,814,018	7,192,613	9,948,614	12,160,003
2020							1,688,436	6,263,857	10,435,289	15,815,655
2021								1,420,556	5,789,951	11,655,893
2022									1,498,917	6,787,661
2023										2,005,621
Total										115,482,946
All outstanding liabilities before 2014, net of reinsurance										102,457
Liabilities for losses and loss adjustment expenses, net of reinsurance										$ 77,399,075

Nonprofits Insurance Alliance

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

Improper Sexual Conduct and Physical Abuse

	Incurred Losses and Allocated Loss Adjustment Expenses, Net of Reinsurance									
Accident Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
2014	$ 4,231,481	$ 4,231,481	$ 4,011,493	$ 3,476,478	$ 4,511,468	$ 4,711,573	$ 4,337,163	$ 3,957,176	$ 3,785,282	$ 4,611,618
2015		4,923,133	4,923,133	5,925,404	8,432,005	8,147,006	8,547,042	9,197,436	9,207,978	9,393,354
2016			4,515,752	5,415,781	8,983,615	9,367,668	9,567,670	8,170,702	7,997,184	8,095,976
2017				6,206,427	8,234,450	8,749,203	8,429,216	6,359,909	5,677,129	8,073,277
2018					8,065,987	12,181,036	12,730,500	13,076,800	10,851,568	11,129,071
2019						10,583,480	10,583,480	10,218,421	7,912,450	7,393,604
2020							16,024,552	12,249,729	11,586,512	7,547,035
2021								16,330,203	14,548,111	13,839,145
2022									23,368,462	14,788,568
2023										19,913,521
Total										$ 104,785,169

	Cumulative Paid Losses and Allocated Loss Adjustment Expenses, Net of Reinsurance									
Accident Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
2014	$ 40,507	$ 192,040	$ 1,290,797	$ 1,592,078	$ 2,780,608	$ 3,271,717	$ 3,408,354	$ 3,743,529	$ 3,785,304	$ 3,801,467
2015		50,785	667,812	1,207,494	3,447,593	5,487,413	7,563,307	8,680,969	8,886,173	8,994,803
2016			86,969	830,488	2,264,054	5,033,965	6,902,871	7,071,117	7,246,455	7,279,126
2017				81,837	1,147,813	2,160,428	2,910,847	3,370,081	3,661,367	4,157,616
2018					63,206	957,649	3,136,386	4,711,236	5,982,278	7,478,483
2019						87,832	355,201	835,092	1,734,019	3,583,503
2020							88,247	453,209	965,888	2,953,499
2021								181,781	1,302,031	3,209,357
2022									196,778	877,578
2023										269,464
Total										42,604,896
All outstanding liabilities before 2014, net of reinsurance										3,568,418
Liabilities for losses and loss adjustment expenses, net of reinsurance										$ 65,748,691

Nonprofits Insurance Alliance

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

Social Services Professional

	Incurred Losses and Allocated Loss Adjustment Expenses, Net of Reinsurance									
Accident Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
2014	$ 5,361,827	$ 5,361,827	$ 5,711,835	$ 5,941,811	$ 5,568,000	$ 5,462,445	$ 5,193,394	$ 5,431,245	$ 5,481,236	$ 5,560,910
2015		5,702,464	5,702,464	5,552,461	4,714,115	4,214,113	3,786,963	3,739,647	3,706,299	3,373,297
2016			6,709,918	7,459,925	5,344,005	3,803,728	3,718,579	3,684,689	3,402,830	3,512,406
2017				7,012,356	7,065,035	4,914,208	3,874,301	4,071,486	3,301,743	2,887,451
2018					7,734,678	6,267,766	5,525,692	5,415,579	4,886,875	5,455,126
2019						7,609,783	7,609,472	5,955,334	5,940,074	5,431,290
2020							8,302,128	7,710,921	8,556,243	10,299,322
2021								10,228,132	9,280,021	5,300,470
2022									7,921,776	9,807,971
2023										8,968,725
Total										$ 60,596,968

	Cumulative Paid Losses and Allocated Loss Adjustment Expenses, Net of Reinsurance									
Accident Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
2014	$ 130,458	$ 1,671,546	$ 3,016,588	$ 4,101,066	$ 4,532,415	$ 5,076,565	$ 5,106,897	$ 5,132,707	$ 5,154,156	$ 5,530,576
2015		56,463	548,670	1,750,604	2,412,560	2,916,281	2,972,268	3,004,313	3,072,589	3,373,310
2016			80,205	314,938	1,453,682	2,752,565	2,806,783	2,830,197	3,052,476	3,468,432
2017				46,202	259,452	1,566,630	1,773,944	2,031,512	2,313,287	2,383,960
2018					78,606	512,642	1,715,189	2,545,075	3,233,687	3,660,493
2019						44,092	445,087	2,638,708	3,953,178	4,208,909
2020							132,232	1,911,898	3,192,205	4,896,760
2021								142,751	435,240	1,133,280
2022									658,065	1,876,241
2023										167,961
Total										30,699,922
All outstanding liabilities before 2014, net of reinsurance										239,036
Liabilities for losses and loss adjustment expenses, net of reinsurance										$ 30,136,082

Nonprofits Insurance Alliance

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

Umbrella

Incurred Losses and Allocated Loss Adjustment Expenses, Net of Reinsurance

Accident Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
2014	$ 789,037	$ 789,037	$ 789,037	$ 789,037	$ 789,037	$ 585,792	$ 411,438	$ 411,438	$ 411,435	$ 412,185
2015		604,564	604,564	604,564	381,979	481,983	378,291	449,290	583,430	497,279
2016			742,405	742,405	559,839	421,080	297,413	425,845	327,015	326,616
2017				794,148	620,506	803,074	661,809	780,879	948,116	1,262,660
2018					774,425	374,425	323,231	372,231	449,257	879,989
2019						805,669	705,631	1,301,998	833,213	973,604
2020							1,032,218	1,038,218	1,132,097	1,323,751
2021								1,431,297	1,431,297	923,160
2022									1,580,894	1,249,505
2023										2,229,859
Total										$ 10,078,608

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

Accident Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
2014	$ -	$ 41,399	$ 411,436	$ 411,436	$ 411,436	$ 411,436	$ 411,435	$ 411,435	$ 411,435	$ 411,435
2015		-	384	91,966	92,342	92,905	333,919	420,274	421,016	483,666
2016			-	-	175,000	175,000	289,108	326,608	326,608	326,608
2017				-	-	367,526	617,264	773,882	923,882	923,882
2018					-	-	75,000	177,901	419,670	444,152
2019						-	300,000	650,000	717,500	717,500
2020							350,000	350,000	402,501	891,852
2021								-	-	277,750
2022									100,057	168,491
2023										-
Total										4,645,336
All outstanding liabilities before 2014, net of reinsurance										-
Liabilities for losses and loss adjustment expenses, net of reinsurance										$ 5,433,272

Nonprofits Insurance Alliance

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

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	$ 1,224,450	$ 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			1,409,279	1,110,282	1,209,942	986,956	983,158	968,592	968,446	968,443
2017				4,326,206	4,895,436	4,755,423	4,691,232	4,666,921	4,623,399	4,620,739
2018					5,654,248	4,063,378	4,063,379	3,987,378	4,032,582	3,999,674
2019						4,648,950	4,748,823	4,652,508	4,596,915	4,573,737
2020							6,075,445	5,882,583	5,741,979	5,738,784
2021								7,463,256	6,957,513	6,476,234
2022									7,733,781	8,261,665
2023										9,042,533
Total										$ 45,952,435

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			541,453	992,035	995,582	968,516	967,670	968,446	968,446	968,446
2017				3,019,439	4,483,541	4,598,953	4,542,208	4,603,666	4,619,649	4,619,455
2018					2,420,448	3,933,427	4,010,647	3,980,854	3,999,467	3,999,657
2019						3,069,020	4,540,824	4,620,429	4,581,973	4,563,114
2020							4,133,308	5,490,306	5,639,203	5,689,574
2021								4,430,203	6,285,112	6,382,027
2022									5,165,922	8,026,783
2023										6,143,462
Total										42,663,077
All outstanding liabilities before 2014, net of reinsurance										-
Liabilities for losses and loss adjustment expenses, net of reinsurance										$ 3,289,358

Nonprofits Insurance Alliance

Average Annual Percentage Payout of Incurred Losses by Age, Net of Reinsurance

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	87.1 %	12.2 %	(0.6)%	0.1 %	0.2 %	- %	0.4 %	- %	- %	- %
Auto Liability	21.5 %	24.0 %	19.6 %	14.9 %	8.6 %	5.0 %	2.4 %	1.6 %	0.2 %	- %
Directors & Officers	9.1 %	30.8 %	28.0 %	15.1 %	7.2 %	5.0 %	4.3 %	1.6 %	0.5 %	- %
General Liability	7.8 %	18.1 %	21.1 %	20.0 %	13.0 %	7.3 %	5.6 %	4.5 %	0.4 %	1.0 %
Improper Sexual Conduct and Physical Abuse	1.0 %	6.8 %	13.3 %	18.1 %	18.8 %	10.4 %	5.8 %	3.3 %	1.0 %	0.4 %
Social Services										
Professional	2.3 %	11.9 %	28.2 %	19.9 %	8.4 %	5.9 %	2.6 %	4.8 %	4.7 %	6.8 %
Umbrella	3.4 %	5.2 %	33.7 %	10.8 %	12.5 %	14.9 %	4.3 %	- %	6.3 %	- %
Property	64.6 %	33.6 %	1.3 %	0.3 %	0.3 %	0.1 %	- %	- %	- %	- %