Comment Letter from Staff of SEC dated June 23, 2021 and HoldCo's response letter dated July 28, 2021

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

DIVISION OF
CORPORATION FINANCE

June 23, 2021

Patrick Bracewell
President and Chief Executive Officer
Amalgamated Specialty Group Holdings, Inc.
8401 Connecticut Avenue, Suite 300
Chevy Chase, MD 20815

Re: Amalgamated Specialty Group Holdings, Inc.
Offering Statement on Form 1-A
Filed May 25, 2021
File No. 024-11534

Dear Mr. Bracewell:

We have reviewed your offering statement and have the following comments. In some of our comments, we may ask you to provide us with information so we may better understand your disclosure.

Please respond to this letter by amending your offering statement and providing the requested information. If you do not believe our comments apply to your facts and circumstances or do not believe an amendment is appropriate, please tell us why in your response. After reviewing any amendment to your offering statement and the information you provide in response to these comments, we may have additional comments.

Offering Statement on Form 1-A

General

1. We note your disclosure on page 88 that "[i]f less than 2,260,000 shares are subscribed for in the subscription offering, [you] may elect to offer the shares for sale in a public offering commencing during or upon completion of the subscription offering." It appears that your offering structure may constitute a delayed primary offering of securities. Please provide us with your legal analysis regarding how your offering structure complies with Securities Act Rule 251(d)(3). Further, please note that we will refer your response to the Office of Small Business Policy in the Division of Corporation Finance for further review.

Offering Circular Summary, page 1

2. Please add a new subsection detailing the reasons for the conversion and offering.

Our Structure Following the Conversion, page 4

3. Please revise the post-conversion diagram to include the voting and ownership percentages of MCW Holdings and the Other Shareholders in the Company and the Company's ownership in ACIC.

The Subscription Offering, page 5

4. Please disclose the approximate percentage of your outstanding common stock represented by the number of shares to be issued in the offerings.

Redemption of Subscription Rights, page 6

5. We note that each eligible member has a choice to either not purchase any shares in the offering and receive cash in the amount of $1,489.87 or to exercise subscription rights by purchasing shares in the offering for $10.00 per share. Please clarify the implied values of these choices by reference to your appraisal report and pro forma disclosures. Revise to include the pro forma per share disclosures that appear on page 40 and to highlight the implied value of the redemption price if it were applied to purchase subscription shares and the implied value of the $10 per share purchase price based on the pro forma numbers and appraisal report. Provide corresponding expanded disclosure in the main section.

Use of Proceeds, page 30

6. We note your disclosure that you may use a portion of the net proceeds to acquire other insurance companies and related businesses. Please disclose whether you currently have any understandings or agreements with any companies related thereto and provide the disclosure required by Item 6 of Part II of Form 1-A.

7. We note your disclosure that you may use a portion of the net proceeds to repay part or all of the $1.4 million of indebtedness that you will assume as part of the acquisition of ARM. Please provide the disclosure required by Instruction 6 to Item 6 of Part II of Form 1-A.

Dividend Policy, page 31

8. Please disclose your intentions regarding payment of dividends on your shares of common stock or explain why there is uncertainty with respect to dividend payments.

Unaudited Pro Forma Balance Sheet, page 35

9. We note your $20.1 million pro forma adjustment to total investments, cash and cash equivalents on page 35. Please revise to provide footnote disclosure of this significant adjustment that includes the planned investments referred to in use of proceeds on page 30.

10. Please revise to provide a footnote showing your calculation of the purchase price for

American Risk Management, Inc., the allocation of that purchase price to specific identifiable tangible and intangible assets and liabilities (including any fair value adjustments), and the resulting goodwill. Explain how you determined the values assigned to the assets and liabilities and the 550,000 shares of Series A Preferred Stock to be given as consideration.

The Conversion and Offering, page 87

11. Please include a brief discussion of the material terms of the District of Columbia mutual-to-stock conversion statute.

Offering Deadline, page 91

12. We note your disclosure that you may, in your sole discretion, terminate this offering at any time and for any reason. Please disclose under what circumstances you would terminate the offering early and any factors to be considered in any such termination.

Marketing Arrangements, page 95

13. Please revise to clearly disclose that Griffin Financial will act as your placement agent and use its best efforts to assist you in selling your common stock in this offering, as you disclose on the cover page. Also please disclose the information required by Item 5 of Part II of Form 1-A.

Proposed Management Purchases, page 97

14. Please revise the table to address the following pursuant to Item 12 of Part II of Form 1A:

- include the Series A Preferred Stock that will be entitled to 0.83 votes per share; and

- disclose the implied ownership percentages of Patrick J. Bracewell and Joseph S. Bracewell III upon conversion of the Series A Preferred Stock to be issued to MCW by virtue of their 94% ownership interest therein.

Alternatively, please tell us why you are not required to do so.

The Appraisal, page 98

15. We note in the appraisal report that Boenning made certain downward adjustments, including for size, earnings prospects, liquidity of issue, dividend outlook, new issue risks, and subscription interest. Please expand your disclosure to discuss the reasons for such adjustments.

16. We refer to your disclosure at the bottom of page 102. Please revise to explain in greater detail how Boenning calculated or otherwise determined that a discount of approximately 40% relative to the Guideline Group's price-to-book value ratio is warranted for ACIC.

Index to Financial Statements
General, page F-1

17. We note your disclosure on page 69 that Amalgamated Specialty Group Holdings, Inc. ("the registrant") was formed to acquire all of the capital stock of Amalgamated Casualty Insurance Company, has not engaged in any significant operations, and does not have any assets or liabilities. Please clarify if the registrant has been capitalized on other than a than nominal basis. Further, describe in sufficient detail, if applicable, any contingent liabilities and commitments of the registrant.

Exhibits

18. Noting your disclosure on page 96 that Griffin Financial will provide you with a fairness opinion for the ARM transaction, please file a consent from Griffin Financial. Refer to Item 17(11) of Part III of Form 1-A for guidance.

19. In its consent filed as Exhibit 11.2, Boenning disclaims that is comes within the category of persons whose consent is required under Section 7 of the Securities Act of 1933. Please have Boenning revise the consent to remove this disclaimer.

We will consider qualifying your offering statement at your request. If a participant in your offering is required to clear its compensation arrangements with FINRA, please have FINRA advise us that it has no objections to the compensation arrangements prior to qualification.

We remind you that the company and its management are responsible for the accuracy and adequacy of their disclosures, notwithstanding any review, comments, action or absence of action by the staff. We also remind you that, following qualification of your Form 1-A, Rule 257 of Regulation A requires you to file periodic and current reports, including a Form 1-K which will be due within 120 calendar days after the end of the fiscal year covered by the report.

You may contact Bonnie Baynes at (202) 551-4924 or Sharon Blume at (202) 551-3474 if you have questions regarding comments on the financial statements and related matters. Please contact Jessica Livingston at (202) 551-3448 or David Lin at (202) 551-3552 with any other questions.

Sincerely,

Division of Corporation Finance
Office of Finance

Stevens & Lee

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Lancaster, PA 17602
(717) 291-1031
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July 28, 2021

Jessica Livingston
Division of Corporation Finance
U.S. Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549

Re: Amalgamated Specialty Group Holdings, Inc.
Offering Statement on Form 1-A
Filed on May 25, 2021
File No. 024-11534

Dear Ms. Livingston:

On behalf of Amalgamated Specialty Group Holdings, Inc. (the "Company"), we are writing to respond to the comments set forth in the letter of the staff of the U.S. Securities and Exchange Commission (the "Staff") dated June 23, 2021, related to the above-referenced Offering Statement, which was filed on May 25, 2021 (the "Offering Statement"). In response to the comments in the Staff's letter, the Company has revised the Offering Statement, and the Company is filing via EDGAR Amendment No. 1 to the Offering Statement ("Amendment No. 1") together with this response letter.

The Company has reproduced below in italics the Staff's comments in the order in which they were set out in your letter, numbered correspondingly, and have provided the Company's response immediately below each comment. Page references in the Company's responses are to the offering circular included in the Offering Statement (the "Offering Circular").

Offering Statement on Form 1-A

General

1. *We note your disclosure on page 88 that "[i]f less than 2,260,000 shares are subscribed for in the subscription offering, [you] may elect to offer the shares for sale in a public offering commencing during or upon completion of the subscription offering." It appears that your offering structure may constitute a delayed primary offering of securities. Please provide us with your legal analysis providing how your offering statement complies with Securities Act Rule 251(d)(3). Further, please note that we will refer your response to the Office of Small Business Policy in the Division of Corporation Finance for further review.*

Stevens & Lee

U.S. Securities and Exchange Commission
Division of Corporation Finance
July 28, 2021

Response: We believe that paragraph (F) of Securities Act Rule 251(d)(3) permits continuous or delayed offerings such as the offerings described in the Company's Offering Statement. The subscription and public offerings will be commenced within two calendar days after the date the Offering Statement is qualified by the SEC, may continue for a period in excess of 30 calendar days from the date of initial qualification, and will be offered in an amount that the Company reasonably expects to be offered and sold within two years from the initial qualification date.

In mutual-to-stock conversion offerings, the subscription offering period is typically at least 30 days in order to provide policyholders sufficient time to receive and review the offering circular or prospectus, the stock order form, the proxy statement, and any question and answer brochure and to return the stock order form with payment for any shares that the policyholder wishes to purchase. Any community offering or public offering is typically conducted simultaneously with the subscription offering so that the Company can close the offering and accept orders for the shares once the total number of shares subscribed for by the policyholders and the number of shares available to be allocated to other interested purchasers can be determined.

Similar to the law in other states, under the District of Columbia insurance company mutual-to-stock conversion statute, the number of shares that can be sold in a conversion offering is based on an appraised value of the converting mutual insurance company and is typically based on the range of the value determined by the independent appraiser engaged by the converting mutual insurance company. Accordingly, the number of shares being offered by the Company ranges from a minimum of 2,260,000 shares to a maximum of 3,060,000 shares, which is based on the valuation range of $22,600,000 to $30,600,00 established by Boenning & Scattergood divided by the offering price of $10.00 per share.

Offering Circular Summary, page 1.

2. *Please add a new subsection detailing the reasons for the conversion and the offering.*

Response: The Company has revised page 2 of the Offering Circular to add a new subsection detailing ACIC's reason's for the conversion and the offering.

Stevens & Lee

U.S. Securities and Exchange Commission
Division of Corporation Finance
July 28, 2021

Our Structure Following the Conversion, page 4.

3. *Please revise the post-conversion diagram to include the voting and ownership percentages of MCW Holdings and Other Shareholders in the Company and the Company's ownership in ACIC.*

Response: The Company has revised the post-conversion diagram on page 5 of the Offering Circular to include the voting and ownership percentages of MCW Holdings and Other Shareholders in the Company and the Company's ownership percentage in ACIC.

The Subscription Offering, page 5

4. *Please disclose the approximate percentage of your outstanding common stock represented by the number of shares to be issued in the offerings.*

Response: The Company has revised the disclosure on page 6 of the Offering Circular to disclose that except for any restricted shares granted upon closing of the offerings, which will be subject to certain vesting requirements, the shares issued in the offerings will constitute 100% of the outstanding shares of the Company after completion of the offerings.

Redemption of Subscription Rights, page 6

5. *We note that each eligible member has a choice to either not purchase any shares in the offering and receive cash in the amount of $1,489.87 or to exercise subscription rights by purchasing shares in the offering for $10.00 per share. Please clarify the implied values of these choices by reference to your appraisal report and pro forma disclosures. Revise to include the pro forma per share disclosures that appear on page 40 and to highlight the implied value of the redemption price if it were applied to purchase subscription shares and the implied value of the $10 per share purchase price based on the pro forma numbers and appraisal report. Provide corresponding expanded disclosure in the main section.*

Response: The Company has revised the disclosure on page 7 of the Offering Circular to show a comparison of the Company's pro forma pro forma price-to-earnings ratio and pro forma price-to-tangible book value ratio with that of the peer group companies used in the appraisal performed by Boenning. Corresponding expanded disclosure has been added on page 94 of the Offering Circular.

Use of Proceeds, page 30

6. *We note your disclosure that you may use a portion of the proceeds to acquire other insurance companies and related businesses. Please disclose whether you currently have any understanding or agreements with any companies related thereto and provide the disclosure required by Item 6 of Part II of Form 1-A.*

Stevens & Lee

Response: The Company has revised the Offering Statement on page 31 to disclose that it currently has no understandings or agreement to acquire any companies or businesses.

7. *We note your disclosure that you may use a portion of the net proceeds to repay part or all of the $1.4 million of indebtedness that you will assume as part of the acquisition of ARM. Please provide the disclosure required by Instruction 6 to Item 6 of Part II of Form 1-A.*

Response: The Company has revised the disclosure on page 31 of the Offering Circular to disclose the material terms of the $1.4 million of indebtedness that will be assumed as part of the acquisition of ARM as required by Instruction 6 to Item 6 of Part II of Form 1-A.

Dividend Policy, page 31

8. *Please disclose your intentions regarding the payment of dividends on your shares of common stock or explain why there is uncertainty with respect to dividend payments.*

Response: The Company has revised the disclosure on page 32 of the Offering Statement to state that the Company currently does not intend to pay any cash dividends on the common stock for the foreseeable future.

Unaudited Pro Forma Balance Sheet, page 35.

9. *We note your $20.1 million pro forma adjustment to total investments, cash and cash equivalents on page 35. Please revise to provide footnote disclosure of this significant adjustment that includes the planned investments referred to in use of proceeds on page 30.*

Response: The $20.1 million pro forma adjustment to total investments, cash and cash equivalents represents the estimated net cash proceeds of the offerings at the midpoint of the offering range. The Company has revised the disclosure to add a footnote on page 37 of the Offering Circular of this significant adjustment and the planned investments referred to in the section titled "Use of Proceeds."

Stevens & Lee

U.S. Securities and Exchange Commission
Division of Corporation Finance
July 28, 2021

10. Please revise to provide a footnote showing your calculation of the purchase price for American Risk Management, Inc., the allocation of that purchase price to specific identifiable tangible and intangible assets and liabilities (including any fair value adjustments), and the resulting goodwill. Explain how you determined the values assigned to the assets and liabilities and the 550,000 shares of Series A Preferred Stock to be given as consideration.

Response: The Company has added a footnote on page 38 of the Offering Circular that shows the calculation of the purchase price for American Risk Management, Inc., the allocation of the purchase price to identifiable tangible and intangible assets and liabilities (including any fair value adjustments), and the resulting goodwill.

The allocation of the $6.9 million purchase price among the assets and liabilities of ARM was made in compliance with ASC Topic 805 based on a valuation of the tangible and intangible assets and goodwill of ARM prepared by an independent valuation firm engaged by the Company.

The Conversion and the Offering, page 87

11. Please include a brief discussion of the material terms of the District of Columbia mutual-to-stock conversion statute.

Response: The Company has revised the disclosure on page 89 of the Offering Circular to include a brief discussion of the material terms of the District of Columbia mutual-to-stock conversion statute.

Offering Deadline, page 91

12. We note your disclosure that you may, in your sole discretion, terminate this offering at any time and for any reason. Please disclose under what circumstances you would terminate the offering early and any factors to be considered in any such termination.

Response: The Company has revised the disclosure under the heading to indicate that the Company will not terminate the offering early absent catastrophic circumstances such as the occurrence of another pandemic, the outbreak of war, insurrection, or major hostilities, or other events that have a material adverse effect on economic conditions or the capital markets. If the offering is terminated prior to closing for any of such reasons, all of the funds submitted in connection with the purchase of shares in the offering will be returned to such purchasers by the escrow agent.

Marketing Arrangements, page 95

13. Please revise to clearly disclose that Griffin Financial will act as your placement agent and use its best efforts to assist you in selling your common stock in this offering, as you disclose on the cover page. Also please disclose the information required by Item 5 of Part II of Form 1-A.

Stevens & Lee

U.S. Securities and Exchange Commission
Division of Corporation Finance
July 28, 2021

Response: The Company has revised the disclosure on page 98 of the Offering Circular to clearly disclose that Griffin Financial will act as the Company's placement agent and to include the information required by Item 5 of Part II of Form 1-A.

Proposed Management Purchases, page 97

14. *Please revise the table to address the following pursuant to Item 12 of Part II of Form 1-A:*

- *include the Series A Preferred Stock that will be entitled to 0.83 votes per share; and*
- *disclose the implied ownership percentages of Patrick J. Bracewell and Joseph S. Bracewell III upon conversion of the Series A Preferred Stock to be issued to MCW by virtue of their 94% ownership interest therein.*

Response: The Company has revised table on page 100 of the Offering Circular to include the Series A Preferred Stock and the implied ownership percentages of Patrick J. Bracewell and Joseph S. Bracewell III upon the conversion of the Series A Preferred Stock to be issued to MCW.

The Appraisal, page 98

15. *We note in the appraisal report that Boenning made certain downward adjustments, including for size, earnings prospects, liquidity of issue, dividend outlook, new issue risks and subscription interest. Please expand your disclosure to discuss the reasons for such adjustments.*

Response: The Company has revised the disclosure on page 105 of the Offering Circular to include additional disclosure regarding the downward adjustments to the appraised value of the Company made by Boenning for size, earnings prospects, liquidity of issue, dividend outlook, new issue risks and subscription interest.

16. *We refer to your disclosure at the bottom of page 102. Please revise to explain in greater detail how Boenning calculated or otherwise determined that a discount of approximately 40% relative to the Guideline Group's price-to-book value ratio is warranted for ACIC.*

Response: The Company has revised the disclosure on page 105 of the Offering Circular to explain in greater detail how Boenning determined that a 40% discount relative to the Guideline Group's price-to-book value ratio was warranted for ACIC.

Stevens & Lee

U.S. Securities and Exchange Commission
Division of Corporation Finance
July 28, 2021

Index to Financial Statements General, page F-1

17. *We note your disclosure on page 69 that Amalgamated Specialty Group Holdings, Inc. ("the registrant") was formed to acquire all of the capital stock of Amalgamated Casualty Insurance Company, has not engaged in any significant operations, and does not have any assets or liabilities. Please clarify if the registrant has been capitalized on other than a [than] nominal basis. Further, describe in sufficient detail any contingent liabilities and commitments of the registrant.*

    Response: The Company has not been capitalized and will not be capitalized prior to the completion of the offerings. All of the Company's obligations are conditioned upon completion of the conversion and the offerings. ACIC is responsible for the payment of all conversion and offering expenses until the completion of the conversion and the offerings.

Exhibits

18. *Noting you disclosure on page 96 that Griffin Financial will provide you with a fairness opinion for the ARM transaction, please file consent from Griffin Financial. Refer to Item 17(11) of Part III of Form 1-A for guidance.*

    Response: The Company has filed a consent of Griffin Financial with Amendment No. 1.

19. *In its consent filed as Exhibit 11.2, Boenning disclaims that [is] comes within the category of persons whose consent is required under Section 7 of the Securities Act of 1933. Please have Boenning revise the consent to remove this disclaimer.*

    Response: The Company has filed a revised consent from Boenning that removes the disclaimer regarding Section 7 of the Securities Act of 1933.

Stevens & Lee

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If you have any questions or require any additional information with respect to the above, please do not hesitate to contact me at (610) 478-2242.

Sincerely,

STEVENS & LEE

/s/ Wesley R. Kelso

WRK:rjg
cc: Ms. Jessica Livingston (w/enc.) (by email)
Mr. Patrick J. Bracewell
Mr. Daniel McFadden
Mr. Jeffrey P. Waldron
Mr. Tim Nowak

Independent Auditor's Report and GAAP Financial Statements of Amalgamated Casualty Insurance Company for years ended December 31, 2020 and 2019

AMALGAMATED CASUALTY INSURANCE COMPANY AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 and 2019

AMALGAMATED CASUALTY INSURANCE COMPANY AND SUBSIDIARIES

YEARS ENDED DECEMBER 31, 2020 AND 2019

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Report of Independent Registered Public Accounting Firm

Board of Directors and Policyholders
Amalgamated Casualty Insurance Company

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Amalgamated Casualty Insurance Company (the Company) as of December 31, 2020 and 2019, and the related statements of operations, comprehensive earnings, equity, and cash flows, for the years then ended and the related notes to the consolidated financial statements. In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 2 to the consolidated financial statements, the Company has changed its method of accounting for leases as of January 1, 2019, due to the adoption of Accounting Standards Update 2016-02, Topic 842, *Leases*.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Johnson Lambert LLP

Vienna, Virginia

May 21, 2021

We have served as Company's auditor since 2019.

AMALGAMATED CASUALTY INSURANCE COMPANY AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2020 and 2019

Assets	2020	2019
Investments and cash:		
Fixed maturity securities, at fair value (amortized cost - $30,162,556 and $31,832,318, at December 31, 2020 and 2019, respectively)	$ 31,526,605	$ 32,631,111
Redeemable preferred stock, at fair value	1,388,655	1,496,570
Perpetual preferred stock, at fair value	597,432	641,073
Common stock, at fair value	1,373,925	988,887
Other invested assets	3,593,207	2,670,880
Real estate held for the production of income, net	31,686,171	32,451,136
Cash and cash equivalents	4,175,424	4,053,552
Restricted cash	179,507	163,750
Total investments and cash:	74,520,926	75,096,959
Accrued investment income	255,494	281,346
Premium and reinsurance balances receivable	3,544,854	5,429,603
Ceded unearned premiums	124,670	211,535
Reinsurance balances recoverable on unpaid losses	1,199,729	833,000
Deferred policy acquisition costs, net	378,225	218,459
Deferred rent	1,690,136	1,447,723
Leases in place	3,363,631	3,743,321
Right-of-use asset, net	1,973,887	2,191,500
Prepaid stock offering expenses	710,093	-
Other assets	531,001	485,777
Total assets	$ 88,292,646	$ 89,939,223
Liabilities and Equity		
Liabilities:		
Unpaid losses and loss adjustment expenses	$ 9,860,762	$ 12,414,778
Unearned premium	3,303,740	5,461,474
Reinsurance balances payable	4,189	116,736
Accrued expenses	686,128	614,655
Commissions payable to related party	646,536	957,251
Notes payable	28,019,224	28,353,405
Defined benefit plan unfunded liability	444,047	820,228
Operating lease liability, net	2,828,529	2,978,694
Other liabilities	305,191	408,854
Total liabilities	46,098,346	52,126,075
Equity:		
Accumulated other comprehensive income (loss), net of tax	(184,142)	(732,495)
Policyholder equity	41,631,652	37,761,672
Non-controlling interest	746,790	783,971
Total equity	42,194,300	37,813,148
Total liabilities and equity	$ 88,292,646	$ 89,939,223

See notes to consolidated financial statements.

AMALGAMATED CASUALTY INSURANCE COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2020 and 2019

	2020	2019
Revenues		
Net premiums earned	$ 8,133,452	$ 11,728,079
Income from real estate held for investment	2,064,497	2,276,487
Net investment income	1,446,781	1,515,952
Net realized investment losses	(14,820)	(213,669)
Net unrealized gains on equity securities	814,191	735,128
Service fee income	66,656	93,214
Gain on extinguishment of related party loan	400,306	-
Other income	1,580	2,459
Total revenues	12,912,643	16,137,650
Expenses		
Losses and loss adjustment expenses	2,683,939	8,828,688
Policy acquisition costs and other operating expenses	2,334,896	2,542,310
Related party commissions incurred	1,094,089	2,376,455
Depreciation and amortization	1,110,597	1,098,474
Real estate operating expense	141,796	121,726
Interest expense on debt	1,314,108	1,328,505
Lease expense	307,900	307,900
Sublease income	(47,138)	(47,138)
Other expenses	285,422	251,111
Total expenses	9,225,609	16,808,031
Income (loss) before income taxes	3,687,034	(670,381)
Income tax benefit		
Deferred income tax benefit	(145,765)	(206,197)
Total income tax benefit	(145,765)	(206,197)
Net gain (loss)	3,832,799	(464,184)
Net loss attributable to non-controlling interest	37,181	23,037
Net gain (loss) attributable to Amalgamated	3,869,980	(441,147)
Other comprehensive income (loss), net of tax		
Unrealized gains and losses on investments:		
Unrealized holding gains on AFS securities arising during the period, net of income tax expense of $100,520 and $247,074, respectively	339,768	935,342
Reclassification adjustment for losses (gains) included in net income, net of income tax (benefit) expense of ($5,101) and $781, respectively	19,190	(2,937)
Defined benefit plan, net of income tax expense (benefit) of $50,345 and ($41,657), respectively	189,395	(156,711)
Total other comprehensive income	548,353	775,694
Comprehensive income	$ 4,381,152	$ 311,510

See notes to consolidated financial statements.

AMALGAMATED CASUALTY INSURANCE COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EQUITY
YEARS ENDED DECEMBER 31, 2020 and 2019

	Policyholder equity	Accumulated other comprehensive income (loss)	Non-controlling interest	Total equity
Balance January 1, 2019	$ 39,154,635	$ (1,911,351)	$ 807,008	$ 38,050,292
Cumulative effect adjustment from ASU 2016-01	(403,162)	403,162	-	-
Cumulative effect adjustment from ASU 2016-02	(548,654)	-	-	(548,654)
Net gain (loss) attributable to Amalgamated	(441,147)	-	-	(441,147)
Unrealized holding gains on AFS securities arising during the period, net	-	935,342	-	935,342
Reclassification adjustment for losses (gains) included in net income	-	(2,937)	-	(2,937)
Defined benefit plan, net of income tax expense (benefit)	-	(156,711)	-	(156,711)
Net loss attributable to non-controlling interest	-	-	(23,037)	(23,037)
Balance December 31, 2019	37,761,672	(732,495)	783,971	37,813,148
Net gain (loss) attributable to Amalgamated	3,869,980	-	-	3,869,980
Unrealized holding gains on AFS securities arising during the period, net	-	339,768	-	339,768
Reclassification adjustment for losses (gains) included in net income	-	19,190	-	19,190
Defined benefit plan, net of income tax expense (benefit)	-	189,395	-	189,395
Net loss attributable to non-controlling interest	-	-	(37,181)	(37,181)
Balance December 31, 2020	$ 41,631,652	$ (184,142)	$ 746,790	$ 42,194,300

See notes to consolidated financial statements.

AMALGAMATED CASUALTY INSURANCE COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Net gain (loss)	$ 3,869,980	$ (441,147)
Adjustments to reconcile net gain (loss) to net cash provided by operating activities:		
Net realized capital loss on investments	14,820	213,668
Gain on extinguishment of related party loan	(397,810)	-
Net unrealized gains on equity securities	(574,451)	(933,496)
Depreciation of property and equipment	764,965	764,965
Deferred income taxes, net	(145,765)	(206,197)
Net amortization of premiums and discounts on investments	(88,266)	116,353
Amortization on acquired leases and finance costs	327,646	317,841
Interest expense	790	(848)
Changes in assets and liabilities which provided (used) cash:		
Premiums and agents' balances receivable	1,884,750	(1,008,001)
Deferred policy acquisition costs	(159,766)	(171,764)
Ceded unearned premiums	86,865	80,860
Reinsurance recoverable on paid losses	(112,547)	(193,175)
Reinsurance recoverable on unpaid losses	(366,729)	(129,897)
Accrued investment income	25,852	69,538
Deferred rent	(242,413)	(258,214)
Leases in place	379,690	317,841
Right-of-use asset, net	217,613	(2,191,500)
Prepaid stock offering expenses	(710,093)	-
Other assets	(45,223)	(55,373)
Unpaid losses and loss expenses	(2,554,016)	(164,936)
Unearned premiums	(2,157,734)	786,108
Accrued expenses and other liabilities	(360,626)	(713,037)
Commissions payable to related parties	(310,715)	182,710
Operating lease liability	(150,165)	2,978,694
Defined benefit plan	(376,181)	178,370
Non-controlling interest	(37,181)	(23,037)
Net cash provided by operating activities	(1,216,710)	(483,674)
Cash flows from investing activities:		
Purchases of:		
Fixed maturity securities and redeemable preferred stock, available for sale	(1,364,716)	(2,667,461)
Common stock and perpetual preferred stock	(867,637)	(73,012)
Other invested assets	(181,896)	(250,000)
Proceeds from sales, maturities and calls of:		
Fixed maturity securities and redeemable preferred stock, available for sale	3,095,488	5,444,498
Common stock and perpetual preferred stock	609,471	566,891
Other invested assets	-	255,322
Net cash provided by investing activities	1,290,710	3,276,238
Cash flows from financing activities:		
Proceeds from related party loan	397,810	-
Repayments of borrowed funds	(334,181)	(374,775)
Net cash used in financing activities	63,629	(374,775)
Net increase in cash and cash equivalents	137,629	2,417,789
Cash and cash equivalents at beginning of year	4,217,302	1,799,513
Cash and cash equivalents at end of period	$ 4,354,931	$ 4,217,302
Cash and cash equivalents	4,175,424	4,053,552
Restricted cash	179,507	163,750
Cash, cash equivalents and restricted cash	$ 4,354,931	$ 4,217,302
Supplemental information:		
Federal income tax paid	$ -	$ -
Interest paid	1,314,108	1,328,505

See notes to consolidated financial statements

Note 1 – Description of Business and Segment Information

Amalgamated Casualty Insurance Company ("Amalgamated" or the "Company") primarily provides commercial automobile property and casualty insurance policies on taxi cabs, sedans, and other public livery and light transportation vehicles for hire. The Company is a District of Columbia ("D.C.") corporation that was incorporated on August 2, 1938. The Company was organized and operates as a mutual insurance company under the regulatory authority of the District of Columbia Department of Insurance, Securities and Banking ("DCDISB"). The Company is licensed in 29 states and the District of Columbia. During 2020 and 2019, the Company wrote premiums in 17 states. The Company has a nonexclusive agency agreement with American Risk Management, Inc. ("ARM"), pursuant to which ARM is authorized to solicit business, issue policies and collect premiums for the Company. ARM is a wholly-owned subsidiary of MCW Holdings, Inc. ("MCW") and is considered a related party because the Company's Chief Executive Officer, who is also the Chairman of its Board of Trustees, owns a majority of the voting securities of ARM.

The Company owns 92.3% of ACIC Consolidated Properties, LLC, ("ACIC") a real-estate holding company, and its wholly owned subsidiaries, (collectively, "Properties"). Through its wholly owned subsidiaries, 717 8th Street LLC, 2805 M Street LLC, and 810 5th Street LLC, Properties, owns and leases three commercial real-estate properties located in D.C.

<u>Impact of the Coronavirus ("COVID-19")</u>

In December 2019, a novel strain of coronavirus ("COVID-19") was reported to have surfaced in China. Subsequently, the World Health Organization declared COVID-19 to constitute a "Public Health Emergency of International Concern" and characterized COVID-19 as a pandemic. Since March 2020, the public auto and livery businesses insured by the Company have been significantly impacted by travel restrictions and overall economic slowdown related to the prevalence of the virus throughout the United States of America. As a result, the Company experienced a significant decline in premium in-force and associated premium revenue in 2020. In addition, the COVID-19 Response Supplemental Emergency Amendment Act of 2020 required rent payments to be frozen across D.C. As a result, Properties' two retail buildings, located in D.C., had their rents frozen, resulting in reduced cash flow.

Note 1 – Description of Business and Segment Information, continued

The following table identifies selected financial data for the business segments described above:

Revenues:	2020	2019
Insurance operations	$ 10,846,566	$ 13,858,704
Real estate held for investment	2,066,077	2,278,946
Total revenues	$ 12,912,643	$ 16,137,650

Operating income:	2020	2019
Insurance operations	$ 4,169,472	$ (416,260)
Real estate held for investment	(482,438)	(254,121)
Income (loss) before income taxes	$ 3,687,034	$ (670,381)

Assets:	2020	2019
Insurance operations	$ 50,353,906	$ 51,177,202
Real estate held for investment	37,809,563	38,762,021
Total assets	$ 88,163,469	$ 89,939,223

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Principles of Consolidation

The consolidated financial statements consist of Amalgamated and its majority owned subsidiary. All significant intercompany transactions and account balances have been eliminated in consolidation.

Revenue Recognition

Net Premiums Earned

Insurance policies issued by the Company are short-duration contracts. Accordingly, premium revenues, net of premiums ceded to reinsurers, are recognized as earned in proportion to the amount of insurance protection provided, on a daily pro rata basis over the terms of the underlying policies. Unearned premiums represent premiums applicable to the unexpired portions of in-force insurance contracts at the end of the year.

Note 2 – Summary of Significant Accounting Policies, continued

Revenue Recognition, continued

Net Premiums Earned, continued

The Company recognizes a premium deficiency reserve when the sum of expected claim costs and claim adjustment expenses, unamortized acquisition costs and maintenance costs exceed related unearned premiums. The Company recorded a $306,379 and $903,471 premium deficiency charge against deferred acquisition costs for the years ended December 31, 2020 and 2019, respectively. The Company considers investment income, as a factor in the premium deficiency calculation.

Income from real estate held for investment

The Company accounts for leases in accordance with GAAP, which often requires significant judgment due to complex provisions. The two primary criteria that are used to classify transactions as sales-type or operating leases are (1) whether the lease term is equal to or greater than 75% of the economic life of the building and (2) whether the present value of the minimum lease payments is equal to or greater than 90% of the fair market value of the equipment at lease inception. Properties' leases are all considered to be "operating leases." Operating lease income and expense is recognized on a straight-line basis over the life of the lease.

Unpaid Losses and Loss Adjustment Expenses ("LAE")

Unpaid losses and LAE represent the Company's best estimates of the ultimate cost of all reported and unreported losses that are unpaid as of the balance sheet dates. The unpaid losses and LAE are estimated on an undiscounted basis, using individual case-basis valuations, statistical analyses, and various actuarial reserving methodologies. The projection of future claim payment and reporting is based on an analysis of the Company's historical experience, supplemented by an analysis of industry loss data. Unpaid losses and LAE include the net amount for claims, after deducting anticipated salvage and subrogation, which have been reported and are unpaid at statement date, as well as a provision for claims incurred but not reported at statement date. The Company believes that the unpaid losses and LAE are adequate to cover the ultimate cost of losses and claims to date; however, because of inherent uncertainty, including changes in reporting patterns, claims settlement patterns, judicial decisions, legislation, and economic conditions, actual loss experience may not conform to the assumptions used in determining the estimated amounts for such liability at the balance sheet date. Adjustments for these estimates are reflected in expense for the period in which the estimates are changed. Because of the nature of the business historically written, the Company believes that it has no exposure to environmental claim liabilities.

Reinsurance

In the ordinary course of business, the Company seeks to limit its exposure to losses on individual claims and the cumulative effect of adverse loss experience by entering reinsurance contracts with reinsurance companies.

Note 2 – Summary of Significant Accounting Policies, continued

Reinsurance, continued

Reinsurance balances receivable represent the Company's best estimate of paid and unpaid losses and LAE recoverable from reinsurers, and ceded losses receivable and unearned ceded premiums under reinsurance agreements. Ceded losses receivables are estimated using techniques and assumptions consistent with those used in estimating the liability for unpaid losses and LAE, in accordance with the terms of the reinsurance agreement. The Company believes that reinsurance receivables as recorded represent its best estimate of such amounts; however, as changes in the estimated ultimate liability for losses and LAE are determined, the estimated ultimate amount receivable from reinsurers will also change. Accordingly, the ultimate receivable could be significantly in excess of, or less than, the amount recorded in the consolidated financial statements. Adjustments in these estimates are reflected in the period in which the estimates are changed. As presented in the Consolidated Statements of Operations and Comprehensive Income, losses and LAE incurred are net of reinsurance recoveries.

The Company has evaluated its reinsurance arrangements and determined that significant insurance risk is transferred to its reinsurers. Reinsurance agreements have been determined to be short-duration prospective contracts and, accordingly, the costs of the reinsurance are recognized over the life of the contract in a manner consistent with the earning of premiums on the underlying policies subject to the reinsurance contract.

The Company estimates uncollectible amounts receivable from reinsurers based on an assessment of factors including the creditworthiness of the reinsurers and the adequacy of collateral obtained, where applicable. There was no allowance for uncollectible reinsurance as of December 31, 2020 or 2019, nor did the Company expense any uncollectible reinsurance for the years then ended. Significant uncertainties are inherent in the assessment of the creditworthiness of reinsurers and estimates of any uncollectible amounts due from reinsurers. Any change in the ability of the Company's reinsurers to meet their contractual obligations could have a material adverse effect on the consolidated financial statements.

Cash and Cash Equivalents

The Company considers cash at banks in checking and savings accounts, as well as, all highly liquid investments with maturities of three months or less to be cash equivalents. For purposes of reporting cash flows, cash and cash equivalents include cash in bank accounts and short-term investments, which when purchased were due to mature in three months or less.

Investments

Fixed maturity securities and redeemable preferred stock are classified as available for sale ("AFS") and valued at fair value. Unrealized gains and losses on these securities are excluded from net earnings but are recorded as a separate component of comprehensive income and equity, net of related deferred income taxes.

Note 2 – Summary of Significant Accounting Policies, continued

Investments, continued

Equity securities include common stock and perpetual preferred stock. Since January 1, 2019, equity securities have been carried at fair value, with subsequent changes in fair value recorded in net gain (loss). Prior to January 1, 2019, the accounting for subsequent changes in fair value of equity securities was consistent with the treatment of AFS unrealized gains and losses.

Interest on fixed maturity securities and short-term investments is credited to earnings on an accrual basis. Premiums and discounts are amortized or accreted over the lives of the related securities. Dividends on equity securities are credited to earnings on the ex-dividend date. Realized investment gains and losses are reported based upon the specific-identification method of investments sold to minimize taxable gains. Declines in the fair value of AFS investments below cost that are deemed other than temporary are charged to earnings resulting in the establishment of a new cost basis.

Premiums Receivable

Premiums receivable include balances due currently or installment premiums contractually due in the future and are presented net of an allowance for doubtful accounts, if any. The allowance for uncollectible amounts is based on an analysis of amounts receivable giving consideration to historical loss experience and current economic conditions and reflects an amount that, in the Company's judgment, is adequate. At December 31, 2020 and 2019, the Company had an allowance for uncollectible premium receivable balances of $226,625 and $0, respectively. In 2020 and 2019 the Company wrote off $10,189 and $27,387 of uncollectible premium, respectively. In addition at December 31, 2020 and 2019, Properties had an allowance for doubtful accounts of $115,908 and $50,114, respectively and had written-off uncollectible receivables of $112,856 and $31,064, respectively, for each of the years then ended.

Deferred Policy Acquisition Costs

Policy acquisition costs, consisting primarily of commissions, premium taxes, and certain other costs that vary directly with the production of premium revenue, are deferred and amortized over the period in which premiums are earned. Anticipated losses and LAE, expenses for maintenance of policies in force and investment income are considered in the determination of the recoverability of deferred policy acquisition costs. Deferred acquisition costs relate directly to the successful acquisition of a new or renewal insurance contract to qualify for deferral.

Deferred Rent on Real Estate Held for the Production of Income

Deferred rent on leased assets represents the cumulative difference between the actual cash receipts for rent and the rental income recorded in the financial statements, which is calculated on a straight-line basis.

Note 2 – Summary of Significant Accounting Policies, continued

Leases in Place

The acquisition of real estate held for the production of income includes various other assets. These other assets, leases in place, are recorded at cost and are being amortized over the life of the acquired lease terms. Upon the early termination of a lease, the cost and related accumulated amortization is eliminated from the accounts and any resulting gain or loss is reflected in the results of operations. Amortization is provided for under the straight-line method.

Properties leases are all considered to be operating leases. Income from real estate held for investment and real estate operating expense are reflected as separate line items in the Consolidated Statements of Operations.

Right-of-use Asset

The Company's lease on its main office is considered to be an operating lease. In accordance with GAAP, the Company's lease is reflected in the consolidated balance sheets as a right-of-use asset, with a corresponding operating lease liability. Lease expense and associated sublease income are reflected as separate line items in the Consolidated Statements of Operations.

Property and Equipment

Property and equipment (including major renewals, replacements, and betterments) with a cost of $5,000 or greater are capitalized and stated at cost. Expenditures for ordinary maintenance and repair items are charged to operations as incurred, while expenditures which substantially increase the useful life of the asset are capitalized. Depreciation is provided for using straight-line and accelerated methods for both financial reporting and income tax purposes over the estimated useful lives of the assets. Upon the sale or other disposition of property, the cost and related accumulated depreciation are eliminated from the accounts and any resulting gain or loss is reflected in the results of operations.

Restricted Cash

Restricted cash represents required replacement reserves of certain deposits required by a lender. The restricted cash is in a separate account with a financial institution. On January 1, 2020, the Company adopted Accounting Standards Update ("ASU") No. 2016-18, Statements of Cash Flows (Topic 230): Restricted Cash. This guidance is intended to clarify the presentation of restricted cash and cash equivalents on the statements of cash flows. All restricted cash consists of required replacement reserve deposits.

Above and Below Market Leases

Above-market and below-market in-place lease values for acquired properties are recorded based on the present value (using a discount rate that reflects the risks associated with the property acquired and the respective tenants) of the difference between (i) the contractual amounts to be paid pursuant to the in-place leases and (ii) management's estimates of fair market lease rates for the comparable

Note 2 – Summary of Significant Accounting Policies, continued

Above and Below Market Leases, continued

in-place leases, measured over a period equal to the remaining non-cancelable term of the lease. The value of above-market lease values is amortized as a reduction of rental income over the remaining terms of the respective leases. The value of below-market lease values is amortized as an increase to rental income over the remaining terms of the respective leases.

Income Taxes

Deferred income tax assets and liabilities are established for temporary differences between the financial reporting basis and tax basis of assets and liabilities at enacted tax rates expected to be in effect when such amounts are realized or settled. Properties is a limited liability company that files a partnership return. In lieu of entity level corporate taxes, its members are taxed on their respective shares of Properties' taxable income.

Assessments

The Company is subject to a variety of assessments including insurance related assessments, which are accrued in the period in which they have been incurred and charged to expense.

Concentration, Credit Risk and Market Risk

Financial instruments that potentially expose the Company to concentrations of credit risk consist primarily of debt securities other than U.S. government debt and agency securities, cash and cash equivalents, accounts receivable, reinsurance receivable and accrued investment income.

Non-U.S. government debt securities are diversified, and no one investment accounts for a significant portion of the Company's invested assets.

The Company maintains cash deposits in a financial institution that are insured through the Federal Deposit Insurance Corporation as well as cash deposits and securities at various brokerage firms that are insured with the Securities Investor Protection Corporation. Cash deposits and securities may exceed insured limits. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant risk on cash and cash equivalents.

Stressed conditions, volatility and disruptions in capital markets or financial asset classes could have an adverse effect on the Company, in part because the Company has a large investment portfolio supporting its insurance liabilities, which are sensitive to changing market factors. These market factors, which include interest rates, credit spreads, equity prices, and the volatility and strength of the capital markets, all affect the business and economic environment and, ultimately, the profitability of the Company's business. The Company manages its investments to limit credit and other market risks by diversifying its portfolio among various security types and industry sectors based on the Company's investment committee guidelines, which employ a variety of investment strategies.

Note 2 – Summary of Significant Accounting Policies, continued

Concentration, Credit Risk and Market Risk, continued

The Company receives a significant portion of its business and revenue from issuing insurance contracts to operators of taxi cabs and sedans in the D.C. metropolitan area.

Over 99% of ACIC's revenue for 2020 and 2019 is generated from the non-exclusive agency contract between ARM and ACIC. ARM's sole performance obligation under this contract is the solicitation of business on behalf of ACIC.

Use of Estimates

In preparing the consolidated financial statements, the Company is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the balance sheet dates, revenues and expenses for the years then ended, and the accompanying notes to the consolidated financial statements. Such estimates and assumptions could change in the future which could impact the amounts reported and disclosed herein. The most significant of these amounts is the liability for unpaid losses and LAE, settlement expenses and the pension benefit obligation. Other estimates include investment valuation, the collectability of reinsurance balances, recoverability of deferred tax assets, and deferred policy acquisition costs. These estimates and assumptions are based on the Company's best estimates and judgment. The Company evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors, which the Company believes to be reasonable under the circumstances. The Company adjusts such estimates and assumptions when facts and circumstances dictate. Although recorded estimates are supported by actuarial computations and other supportive data, the estimates are ultimately based on expectations of future events. As future events and their effects cannot be determined with precision, actual results could differ significantly from these estimates. Changes in those estimates resulting from continuing changes in the economic environment will be reflected in the consolidated financial statements in future periods.

Other Comprehensive Income

Other comprehensive income refers to revenues, expenses, gains and losses that are included in comprehensive income but are excluded from net gain (loss) as these amounts are recorded directly as an adjustment to equity; such items primarily arise from changes in unrealized gains and losses on available-for-sale securities, net pension liability and related income taxes.

Adopted Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued ASU 2014-09, *Revenue from Contracts with Customers*, that requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. While this guidance will replace most existing GAAP revenue recognition guidance, the scope of the guidance excludes insurance contracts. The new standard is effective on January 1, 2019. The standard permits the use of either the retrospective or the cumulative effect transition method. The Company adopted ASU 2014-09 effective January 1, 2019. Because the accounting for insurance contracts is outside of the scope

Note 2 – Summary of Significant Accounting Policies, continued

Adopted Accounting Pronouncements, continued

of the standard, the adoption of this guidance did not have an impact on the Company's consolidated financial position, results of operations or cash flows.

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments - Overall*. Effective January 1, 2019, the Company adopted the provisions of ASU 2016-01. The updated guidance requires equity investments, including limited partnership interests, except those accounted for under the equity method of accounting, that have a readily determinable fair value to be measured at fair value with any changes in fair value recognized in net income. Equity securities that do not have readily determinable fair values may be measured at estimated fair value or cost less impairment, if any, adjusted for subsequent observable price changes, with changes in the carrying value recognized in net income. A qualitative assessment for impairment is required for equity investments without readily determinable fair values. The updated guidance also eliminates the requirement to disclose the method and significant assumptions used to estimate the fair value of financial instruments measured at amortized cost on the balance sheet. The adoption of this guidance resulted in the recognition of $403,162 of net after-tax unrealized losses on equity investments as a cumulative effect adjustment that decreased retained earnings as of January 1, 2019 and increased accumulated other comprehensive income (loss) ("AOCI") by the same amount.

In February 2016, the FASB issued ASU 2016-02 – *Leases* ("Topic 842" or "ASU 2016-02"). In July 2018, FASB issued update ASU 2018-11 assisting stakeholders with implementation issues in adoption of the new lease standard. Under Topic 842, the Company recognized a right-of-use-asset and corresponding operating lease liability on the balance sheet for all leases, except for leases covering a period of less than 12 months. The operating lease liability has been measured at the present value of the future minimum lease payments taking into account renewal options if applicable, plus initial incremental direct costs such as commissions. The minimum payments are discounted using rates 3.5%, which approximates the Company's estimated incremental borrowing rate. The Company adopted Topic 842 effective January 1, 2019 using the cumulative effect adjustment transition method, which applies the provision of the standard at the effective date without adjusting the comparative financial statement and an associated operating lease liability. In addition, the Company has a sublease, which is also treated as an operating lease. The effect of the sublease reduced the right-of use asset and the operating lease liability. The right-of-use asset is amortized as rent expense on a straight-line basis. The adoption of Topic 842 resulted in recognizing a right-of-use asset of $3,004,616 and an associated operating lease liability of $3,376,429, at January 1, 2019. The Company also recognized a cumulative impairment charge at adoption of $176,841, which reduced the carrying value of the right-of-use asset by the same amount, with a cumulative reduction in opening retained earnings of $548,654, at January 1, 2019. The adoption of this ASU did not have a material effect on the Company's results of operations or liquidity.

In August 2016, the FASB issued ASU 2016-15 – Statement of Cash Flows (Topic 320): *Classification of Certain Cash Receipts and Cash Payments* ("ASU 2016-15"). The FASB issued the standard to clarify areas where GAAP has been either unclear or lacking in specific guidance. The Company adopted ASU 2016-15 effective January 1, 2019, and it did not have a material impact on the

Note 2 – Summary of Significant Accounting Policies, continued

Adopted Accounting Pronouncements, continued

Company's consolidated financial statements.

In March 2017, the FASB issued ASU 2017-08, *Receivables-Nonrefundable Fees and Other Costs,* that amends previous guidance on the amortization period for certain purchased callable debt securities held at a premium. This new guidance shortens the amortization period to the earliest call date. The intent of the new guidance is to align interest income recognition with the expectations incorporated in the market pricing on the underlying securities. The new standard is effective for annual and interim reporting periods beginning after December 15, 2019, with early adoption permitted. The Company evaluated and adopted this guidance with no impact on the current consolidated financial statements.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement*, that eliminates, adds, and modifies certain disclosure requirements related to fair value measurements. The guidance removes the requirements to disclose the amounts of, and reasons for, transfers between Level 1 and Level 2 of the fair value hierarchy, the policy for the timing of transfers between levels of the fair value hierarchy and the valuation processes for Level 3 fair value measurements. The guidance is effective for annual and interim reporting periods beginning after December 15, 2019 and permits early adoption. The Company has adopted this guidance, which is reflected in its consolidated financial statements.

Recent Accounting Pronouncements

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses*, that amends previous guidance on the impairment of financial instruments by adding an impairment model that requires an entity to recognize expected credit losses as an allowance rather than impairments as credit losses are incurred. The intent of this guidance is to reduce complexity and result in a more-timely recognition of expected credit losses. The guidance is effective for annual and interim reporting periods beginning after December 15, 2021. The Company does not expect the adoption of this guidance to have a significant impact on its financial position, results of operations or cash flows.

In December 2019, the FASB issued ASU 2019-12, *Income Taxes - Simplifying the Accounting for Income Taxes* ("ASU 2019-12"). Among other items, the amendments in ASU 2019-12 simplify the accounting treatment of tax law changes and year-to-date losses in interim periods. An entity generally recognizes the effects of a change in tax law in the period of enactment; however, there is an exception for tax laws with delayed effective dates. Under current guidance, an entity may not adjust its annual effective tax rate for a tax law change until the period in which the law is effective. This exception was removed under ASU 2019-12, thereby providing that all effects of a tax law change, including adjustment of the estimated annual effective tax rate, are recognized in the period of enactment, including adjustment of the estimated annual effective tax rate. Regarding year-to-date losses in interim periods, an entity is required to estimate its annual effective tax rate for the full fiscal year at the end of each interim period and use that rate to calculate its income taxes on a year-to-date basis. However, current guidance provides an exception that when a loss in an interim period exceeds the anticipated loss for the year, the income tax benefit is limited to the amount that would be recognized if the year-

Note 2 – Summary of Significant Accounting Policies, continued

Recent Accounting Pronouncements, continued

to-date loss were the anticipated loss for the full year. ASU 2019-12 removes this exception and provides that in this situation, an entity would compute its income tax benefit at each interim period based on its estimated annual effective tax rate. ASU 2019-12 is effective for fiscal years beginning after December 15, 2020, including interim periods within those annual periods. Early adoption is permitted. The Company is currently evaluating the impact of this guidance on its financial condition and results of operations, but does not expect it to have a material impact.

The Company has determined that all other recently issued accounting pronouncements do not or will not have a material impact on its consolidated financial position, results of operations and cash flows, or do not apply to its operations.

Note 3 – Investments

Available-for-Sale ("AFS") Fixed Maturity Securities

Following is a schedule of the cost, estimated fair values, and gross gains and losses of investments in securities classified as AFS fixed-maturity securities and equities at December 31, 2020 and 2019.

	Amortized		Gross Unrealized	
2020	cost	Fair value	Gains	Losses
Fixed maturity securities:				
U.S. government	$ 300,075	$ 304,842	$ 4,767	$ -
States, territories and possessions	41,105	44,868	3,763	-
Political subdivisions	7,109,275	7,484,540	380,751	(5,486)
Special revenue	12,608,444	13,426,609	819,102	(937)
Industrial and miscellaneous	8,858,696	9,033,539	409,602	(234,759)
Asset backed securities	1,244,961	1,232,207	-	(12,754)
Total fixed maturity securities	30,162,556	31,526,605	1,617,985	(253,936)
Redeeemable preferred stock	1,396,505	1,388,655	24,767	(32,617)
Total AFS securities	$ 31,559,061	$ 32,915,260	$ 1,642,752	$ (286,553)

Note 3 – Investments, continued

AFS Fixed Maturity Securities, continued

2019	Amortized cost	Fair value	Gross Unrealized Gains	Gross Unrealized Losses
Fixed maturity securities:				
U.S. government	$ 300,156	$ 301,704	$ 1,548	$ -
States, territories and possessions	442,641	447,776	5,135	-
Political subdivisions	7,320,222	7,491,006	176,164	(5,380)
Special revenue	13,653,780	14,091,436	469,768	(32,112)
Industrial and miscellaneous	8,842,358	9,067,584	265,031	(39,805)
Asset backed securities	1,273,161	1,231,605	96	(41,652)
Total fixed maturity securities	31,832,318	32,631,111	917,742	(118,949)
Redeeemable preferred stock	1,393,541	1,496,570	103,029	-
Total AFS securities	$ 33,225,859	$ 34,127,681	$ 1,020,771	$ (118,949)

As required by insurance regulations, certain fixed maturity investments amounting to $1,729,963 and $2,638,468 at December 31, 2020 and 2019, respectively, were on deposit with either regulatory authorities or banks. In addition, to fund required replacement reserves, Properties had restricted cash on deposit with a financial institution of $179,507 and $163,750 at December 31, 2020 and 2019, respectively.

The amortized cost and fair values of the Company's investments in AFS fixed maturity securities by contractual maturity as of December 31, 2020 are shown below. Expected maturities may differ from contractual maturities where borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	2020 Amortized Cost	2020 Fair Value
Due in one year or less	$ 300,075	$ 304,842
Due after one year through five years	14,823,749	15,118,227
Due after five years through ten years	7,519,814	8,058,048
Due after ten years	6,273,957	6,813,281
Asset backed securities	1,244,961	1,232,207
Total fixed maturity securities	30,162,556	31,526,605
Redeeemable preferred stock	1,396,505	1,388,655
Total AFS securities	$ 31,559,061	$ 32,915,260

Note 3 – Investments, continued

AFS Fixed Maturity Securities, continued

The schedule below summarizes the fair values of those fixed maturity securities in an unrealized loss position at December 31, 2020 and 2019. The schedule further classifies the securities based on the length of time they have been in an unrealized loss position.

	Less than 12 months		12 months or more		Total	
2020	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
Fixed maturity securities:						
Political subdivisions	$ 394,309	$ (5,486)	$ -	$ -	$ 394,309	$ (5,486)
Special revenue	-	-	52,364	(937)	52,364	(937)
Industrial and miscellaneous	772,346	(102,751)	542,154	(132,008)	1,314,500	(234,759)
Asset backed securities	44,051	(910)	1,188,156	(11,844)	1,232,207	(12,754)
Total fixed maturity securities	1,210,706	(109,147)	1,782,674	(144,789)	2,993,380	(253,936)
Redeeemable preferred stock	457,241	(32,617)	-	-	457,241	(32,617)
Total AFS securities	$ 1,667,947	$ (141,764)	$ 1,782,674	$ (144,789)	$ 3,450,621	$ (286,553)

	Less than 12 months		12 months or more		Total	
2019	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
Fixed maturity securities:						
Political subdivisions	$ -	$ -	$ 402,482	$ (5,380)	$ 402,482	$ (5,380)
Special revenue	2,455,418	(30,291)	79,452	(1,821)	2,534,870	(32,112)
Industrial and miscellaneous	1,250,980	(39,805)	-	-	1,250,980	(39,805)
Asset backed securities	-	-	1,158,348	(41,652)	1,158,348	(41,652)
Total fixed maturity securities	$ 3,706,398	$ (70,096)	$ 1,640,282	$ (48,853)	$ 5,346,680	$ (118,949)

The Company monitors the credit quality of its fixed income investments to assess if it is probable that the Company will receive its contractual or estimated cash flows in the form of principal and interest, in accordance with their terms.

The AFS portfolio contained 9 securities in an unrealized loss position as of December 31, 2020, 3 of which had been in an unrealized loss position for 12 consecutive months or longer and represent $144,789 in unrealized losses. As of December 31, 2019, the AFS portfolio contained 10 securities in an unrealized loss position, 3 of which had been in an unrealized loss position for 12 consecutive months or longer and represent $48,853 in unrealized losses. All fixed income securities in the investment portfolio continue to pay the expected coupon payments in accordance with the contractual terms of the securities. Credit-related impairments on fixed income securities that the Company does not plan to sell, and for which the Company is not more likely than not to be required to sell, are recognized in income before income taxes. Any non-credit related impairment is recognized in comprehensive income. Based on the Company's analysis, the fixed income portfolio is of high credit quality and it is believed it will recover the amortized cost basis of the fixed income securities.

Note 3 – Investments, continued

Other invested assets

In order to diversify its investment portfolio and improve expected returns, the Company has made non-controlling (typically less than 5%) investments in a number of unaffiliated, specialized equity investment vehicles (limited partnerships and one limited liability company), which are included in other invested assets. Such investments are broadly diversified and in the aggregate are less than 5% of the Company's investment portfolio. The limited partnerships generally limit or preclude redemptions within a period of time (the "lock-up" period, usually between one and three years) from the date of the investment. Subsequent to the expiry of any applicable lock-up periods, withdrawals or redemptions generally require between 30 to 90 days' advance notice, with redemptions being permitted on dates varying from month-end to annually, but typically quarter end. The Company also holds an equity investment in Trustar Bank, a related entity, which is a community bank serving the D.C. area; and an investment in CSE Opportunity Fund II, LLC, which makes short-term loans to finance the development of convenience stores in the mid-Atlantic region, each of which is valued at GAAP equity.

Since, amongst other qualifying criteria, these investments do not have a readily determined fair value, the Company values them applying the guidance of Accounting Standards Update Subtopic 820-10, *Fair Value Measurements and Disclosures - Overall*, which, as a practical expedient, permits the fair value of investments within its scope to be measured on the basis of net asset value per share (or its equivalent).

The following table is a schedule of the cost and estimated fair values of the Company's other invested assets at December 31, 2020 and 2019.

		Carrying	Gross Unrealized	
2020	Cost	Value	Gains	Losses
Limited partnership investments	$ 2,500,000	3,194,124	$ 725,543	$ (31,419)
Equity interest in Trustar Bank	250,000	217,187	-	(32,813)
Equity interest in CSE Opportunity Fund II, LLC	181,896	181,896	-	-
Total other invested assets	$ 2,931,896	3,593,207	$ 725,543	$ (64,232)

		Carrying	Gross Unrealized	
2019	Cost	Value	Gains	Losses
Limited partnership investments	$ 2,500,000	$ 2,420,880	$ 138,740	$ (217,860)
Equity interest in Trustar Bank	250,000	250,000	-	-
Total other invested assets	$ 2,750,000	$ 2,670,880	$ 138,740	$ (217,860)

Other invested assets contained two investments in an unrealized loss position as of December 31, 2020, one of which had been in an unrealized loss position for 12 months or more.

Unfunded commitments were $37,500 and $250,000 at December 31, 2020 and 2019, respectively and relate to the CSE Opportunity Fund II, LLC.

Note 3 – Investments, continued

Unrealized gains on equity securities, net

The portion of unrealized gains for the years ended December 31, 2020 and 2019 that relates to equity securities held as of the respective year end were $814,191 and $735,128.

Net Investment Income

A summary of net investment income for the years ended December 31, 2020 and 2019 is as follows:

	2020	2019
AFS, fixed maturity securities	$ 1,465,714	$ 1,364,030
AFS, redeeemable preferred stock	98,724	76,813
Perpetual preferred stock	56,480	53,316
Common stock	57,890	49,566
Other invested assets	-	143,150
Cash and short-term investments	7,347	21,434
Investment income	1,686,155	1,708,309
Less investment expenses	(239,374)	(192,357)
Net investment income	$ 1,446,781	$ 1,515,952

Investment related gains (losses)

The following summarizes of the proceeds from sales, maturities and calls of invested securities and the related gross realized gains and losses for the years ended December 31, 2020 and 2019.

2020	Proceeds	Gains	Losses	Net Realized Gains/(Losses)
AFS, fixed maturity securities	$ 2,964,284	$ 2,784	$ (48,820)	$ (46,036)
AFS, redeeemable preferred stock	131,204	21,745	-	21,745
Perpetual preferred stock	600,000	-	-	-
Common stock	9,471	9,471	-	9,471
Total	$ 3,704,959	$ 34,000	$ (48,820)	$ (14,820)

2019	Proceeds	Gains	Losses	Net Realized Gains/(Losses)
AFS, fixed maturity securities	$ 5,444,499	$ 11,139	$ (7,422)	$ 3,717
AFS, redeeemable preferred stock	-	-	-	-
Perpetual preferred stock	349,571	-	(2,277)	(2,277)
Common stock	217,320	29,570	-	29,570
Other invested assets	255,322	-	(244,679)	(244,679)
Total	$ 6,266,712	$ 40,709	$ (254,378)	$ (213,669)

Note 3 – Investments, continued

Impairment Review

Under current accounting standards, an Other-Than-Temporary-Impairment ("OTTI") write-down of fixed maturity securities, where fair value is below amortized cost, is triggered by circumstances where (1) an entity has the intent to sell the security, (2) it is more likely than not that the entity will be required to sell the security before recovery of its amortized cost basis, or (3) the entity does not expect to recover the entire amortized cost basis of the security. If an entity intends to sell the security before the recovery, an OTTI write-down is recognized in earnings equal to the difference between the security's amortized cost and its fair value. If an entity does not intend to sell the security or it is more likely than not that it will be required to sell the security before recovery, the OTTI write-down is separated into an amount representing the credit loss, that is recognized in income before income taxes, and the amount related to all other factors, which is recognized in other comprehensive income. Impairment losses result in a reduction of the underlying investment's cost basis.

The Company regularly evaluates its fixed maturity securities using both quantitative and qualitative criteria to determine impairment losses for other-than-temporary declines in the fair value of the investments. The following are the key factors used to determine whether a security is other-than-temporarily impaired:

- The extent to which the fair value is less than cost,
- The assessment of significant adverse changes to the cash flows on a fixed maturity investment,
- The occurrence of a discrete credit event resulting in the issuer defaulting on a material obligation, the issuer seeking protection from creditors under the bankruptcy laws, the issuer proposing a voluntary reorganization under which creditors are asked to exchange their claims for cash or securities having a fair value substantially lower than par value,
- The probability that the Company will recover the entire amortized cost basis of the fixed income securities prior to maturity, or
- The ability and intent to hold fixed maturities until maturity.

Quantitative and qualitative criteria are considered to varying degrees depending on the sector for which the analysis is being performed. The sectors are as follows:

Corporate Securities
The Company performs a qualitative evaluation of holdings that fall below the price threshold. The analysis begins with an opinion of industry and competitive position. This includes an assessment of factors that enable the profit structure of the business (e.g., reserve profile for exploration and production companies), competitive advantage (e.g., distribution system), management strategy, and an analysis of trends in return on invested capital. Analysts may also review other factors to determine whether an impairment exists, including liquidity and asset value cash flow generation.

Note 3 – Investments, continued

Impairment Review, continued

Municipal Securities
The Company analyzes the screened impairment candidates on a quantitative and qualitative basis. This includes an assessment of the factors that may be contributing to an unrealized loss and whether the recovery value is greater or less than current market value.

Asset Backed Securities
The Company uses the "stated assumptions" analytic approach which relies on actual 6-month average collateral performance measures (voluntary prepayment rate, gross default rate, and loss severity) sourced through third party data providers or remittance reports. The analysis applies the stated assumptions throughout the remaining term of the transaction using forecasted cashflows, which are then applied through the transaction structure (reflecting the priority of payments and performance triggers) to determine whether there is a loss to the security ("Loss to Tranche").

For all fixed income securities in a loss position on December 31, 2020 and 2019, the Company believes it is probable that it will receive all contractual payments in the form of principal and interest. In addition, the Company is not required to, nor does it intend to sell these investments prior to recovering the entire amortized cost basis for each security, which may be maturity. Accordingly, the fixed income securities in an unrealized loss position were not other-than-temporarily impaired at December 31, 2020 and 2019.

Note 4 – Fair Value Measurements

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

Level 1: is applied to valuations based on readily available, unadjusted quoted prices in active markets for identical assets.

Level 2: is applied to valuations based upon quoted prices for similar assets in active markets, quoted prices for identical or similar assets in inactive markets; or valuations based on models where the significant inputs are observable (e.g. interest rates, yield curves, prepayment speeds, default rates, loss severities) or can be corroborated by observable market data.

Level 3: is applied to valuations that are derived from techniques in which one or more of the significant inputs are unobservable. Financial assets are classified based upon the lowest level of significant input that is used to determine fair value.

Note 4 – Fair Value Measurements, continued

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

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

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

Collateralized Mortgage Obligations ("CMO") and Asset-backed Securities ("ABS"): The pricing source evaluation methodology includes principally interest rate movements and new issue data. Evaluation of the tranches (non-volatile, volatile, or credit sensitivity) is based on the pricing vendors' interpretation of accepted modeling and pricing conventions. This information is then used to determine the cash flows for each tranche, benchmark yields, pre-payment assumptions and to incorporate collateral performance. To evaluate CMO volatility, an option-adjusted spread model is used in combination with models that simulate interest rate paths to determine market price information. This process allows the pricing vendor to obtain evaluations of a broad universe of securities in a way that reflects changes in yield curve, index rates, implied volatility, mortgage rates, and recent trade activity. CMO and ABS with corroborate and observable inputs are classified as Level 2. With the exception of one ABS classified as Level 3, all CMO and ABS holdings are deemed to be Level 2.

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

Note 4 – Fair Value Measurements, continued

Assets measured at fair value on a recurring basis as of December 31, 2020 and 2019, were as summarized below.

2020	Quoted in active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Fixed maturity securities:				
U.S. government	$ 304,842	$ -	$ -	$ 304,842
States, territories and possessions	-	44,868	-	44,868
Political subdivisions	-	7,484,540	-	7,484,540
Special revenue	-	13,426,609	-	13,426,609
Industrial and miscellaneous	-	9,033,539	-	9,033,539
Asset backed securities	-	44,051	1,188,156	1,232,207
Total fixed maturity securities	304,842	30,033,607	1,188,156	31,526,605
Redeeemable preferred stock	-	1,388,655	-	1,388,655
Total AFS securities	304,842	31,422,262	1,188,156	32,915,260
Common stock	1,373,925	-	-	1,373,925
Perpetual preferred stock	-	597,432	-	597,432
Total marketable investments measured at fair value	$ 1,678,767	$ 32,019,694	$ 1,188,156	$ 34,886,617

2019	Quoted in active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Fixed maturity securities:				
U.S. government	$ 301,704	$ -	$ -	$ 301,704
States, territories and possessions	-	447,776	-	447,776
Political subdivisions	-	7,491,006	-	7,491,006
Special revenue	-	14,091,436	-	14,091,436
Industrial and miscellaneous	-	9,067,584	-	9,067,584
Asset backed securities	-	73,257	1,158,348	1,231,605
Total fixed maturity securities	301,704	31,171,059	1,158,348	32,631,111
Redeeemable preferred stock	-	1,496,570	-	1,496,570
Total AFS securities	301,704	32,667,629	1,158,348	34,127,681
Common stock	988,887	-	-	988,887
Perpetual preferred stock	-	641,073	-	641,073
Total marketable investments measured at fair value	$ 1,290,591	$ 33,308,702	$ 1,158,348	$ 35,757,641

As of December 31, 2020, and 2019, the reported fair value of the Company's investment in Level 3 AFS asset backed securities was $1,188,156 and $1,158,348, respectively. Fair value was determined by discounting the expected contractual cash-flows using two significant inputs: the interpolated

Note 4 – Fair Value Measurements, continued

treasury rate, corresponding to the weighted average life of the certificates, and an appropriate credit spread which was determined by considering the market spread for commercial mortgage-backed securities with similar characteristics (eg maturity, underlying assets and credit worthiness.)

2020	Beginning Balance at 1/1/2020	Transfers into Level 3	Transfers out of Level 3	Total gains included in Net Income	Total gains included in Equity	Purchases	Sales	Ending Balance at 12/31/2020
AFS securities:								
Asset backed securities	$1,158,348	$ -	$ -	$ -	$ 29,808	$ -	$ -	$1,188,156
Total AFS securities	$1,158,348	$ -	$ -	$ -	$ 29,808	$ -	$ -	$1,188,156

2019								
AFS securities:								
Asset backed securities	$1,126,080	$ -	$ -	$ -	$ 32,268	$ -	$ -	$1,158,348
Total AFS securities	$1,126,080	$ -	$ -	$ -	$ 32,268	$ -	$ -	$1,158,348

There were no transfers in or out of level 3 either year. Additionally, no securities were transferred in or out of levels 1 or 2 during the years ended December 31, 2020 and 2019.

Note 5 – Real Estate Held for the Production of Income

As of December 31, 2020, and 2019, Properties owned two commercial buildings and one building leased to the District of Columbia. One building is multi-tenant and the other two buildings are leased to single tenants. The leases are primarily triple net with 10 to 20-year terms. The properties comprised the following as of December 31:

	2020	2019	Depreciable lives
Land	$ 11,999,958	$ 11,999,958	
Building and improvements	21,457,097	21,457,097	39 years
Leasehold/tenant improvements	906,337	906,337	15 years
Furniture, fixtures & equipment	1,080,522	1,080,522	7 years
Real estate held for the production of income	35,443,914	35,443,914	
Accumulated depreciation	(3,757,743)	(2,992,778)	
Real estate held for the production of income, net	$ 31,686,171	$ 32,451,136	

Depreciation expense for the years ended December 31, 2020 and 2019 was $764,965 and $764,965, respectively.

Note 5 – Real Estate Held for the Production of Income, continued

Properties future rental income from non-cancelable operating leases for the years ended December 31, 2020 and 2019 was as follows:

		2020
2021	$	1,876,573
2022		1,926,642
2023		1,953,017
2024		1,855,723
2025		1,904,340
Thereafter		20,386,932
Future rental income from non-cancelable operating leases	$	29,903,227

In conjunction with the acquisition of the real estate, the following lease assets were acquired and are being amortized throughout the remaining terms of the lease as follows:

		2020		2019
Acquired leases	$	4,831,335	$	4,992,853
Accumulated amortizaton, acquired leases		(1,467,704)		(1,249,532)
Acquired leases, net of accumulated amortization	$	3,363,631	$	3,743,321

During 2020, the Company wrote off an acquired lease asset of $161,518 and associated accumulated amortization of $109,474. Amortization expense for the years ended December 31, 2020 and 2019 was $327,646 and $317,841, respectively.
In conjunction with the acquisition of the real estate, the following below market leases were acquired and are being offset by rent during the remaining terms of the lease as follows:

		2020		2019
Below-market lease	$	(133,703)	$	(133,703)
Rent offset		86,350		69,637
	$	(47,353)	$	(64,066)

During each of the years ended December 31, 2020 and 2019, $16,173 of lease income was recognized in order to offset the acquired below-market lease.

Income from real estate held for investment includes variable lease payments based on a tenant's gross revenue of ($19,400) and $84,406 for the years ended 2020 and 2019, respectively.

Note 6 – Deferred Policy Acquisition Costs

Changes in deferred policy acquisition costs for the years ended December 31, 2020 and 2019 were follows:

	2020	2019
Balance, January 1,	$ 1,121,930	$ 943,144
Premium deficiency reserve	903,471	896,449
Net balance January 1,	218,459	46,695
Acquisition costs deferred, during the year	1,306,045	2,696,877
Amortization charged to earnings	1,743,371	2,518,091
Balance, December 31,	684,604	1,121,930
Premium deficiency reserve	306,379	903,471
Net balance December 31,	$ 378,225	$ 218,459

Note 7 – Right-of-Use Asset and Operating Lease Liability

The Company leases three office suites in Chevy Chase, Maryland under an operating lease that commenced July 1, 2016 has an initial term expiring 15 years after commencement. The lease provides for a 2.5% annual increase in the base rent on the anniversary of the lease commencement date. The Company has an option to extend the lease for one 5-year renewal term at the fair market rent as of the date of the renewal term commencement. However, it is unlikely that the Company will exercise the renewal option. In accordance with Topic 842, the Company recorded an operating lease liability, representing the discounted present value of future lease payments and a right-of-use asset.

In 2017, the Company signed a sublease agreement to sublease a portion of its office space in Chevy Chase to another company. The sublease commenced on October 1, 2017 and expires September 30, 2024 and provides for 4.0% annual escalation in the base rent. Sublease income is recorded on a straight-line basis over the life of the lease. The cumulative difference between lease expense and lease payments is recorded as an adjustment to the right-of-use asset.

The Company has reduced the amount of the operating lease liability by the net present value of contractually committed future lease income. In addition, it has reduced the value of its right-of-use asset to reflect the impact of the subleases, which resulted in reduction to the value of the right-of use asset of $258,108 and a reduction in the Operating lease liability of the same amount. In addition, since the Company's sublease income is less than the pro-rata lease expense, the Company recognized an impairment charge of $58,737 and $224,345 in 2020 and 2019, respectively.

Note 7 – Right-of-Use Asset and Operating Lease Liability, continued

The following summarizes the line items in the consolidated balance sheet which include amounts for operating leases as of December 31, 2020 and 2019:

	2020		
	Operating Lease	**Sublease Agreement**	**Net of Sublease**
Operating lease right-of-use office space	$ 3,472,570	$ (258,108)	$ 3,214,462
Accumulated amortization	(859,363)	78,711	(780,652)
Impairment of right-of-use asset	(459,923)	-	(459,923)
Operating lease right-of-use asset	$ 2,153,284	$ (179,397)	$ 1,973,887
Operating lease liability	$ 3,009,755	$ (181,226)	$ 2,828,529

	2019		
	Operating Lease	**Sublease Agreement**	**Net of Sublease**
Operating lease right-of-use office space	$ 3,472,570	$ (258,108)	$ 3,214,462
Accumulated amortization	(660,461)	38,685	(621,776)
Impairment of right-of-use asset	(401,186)	-	(401,186)
Operating lease right-of-use asset	$ 2,410,923	$ (219,423)	$ 2,191,500
Operating lease liability	$ 3,199,938	$ (221,244)	$ 2,978,694

The Company had lease expense of $307,900 for the years ended December 31, 2020 and 2019, respectively. In addition, it had sublease income of $47,138 for each of the years then ended. Since the Company's per square foot sublease income is less than the Company's lease expense, the Company recorded an impairment expense in both 2019 and 2020. In considering the amount of any impairment, the Company incorporated estimates of free rent that would be granted to tenants, brokerage commissions, and the cost of anticipated tenant improvements. In 2019, the calculation was based on the decision made by the Company to sublet additional space, with an expectation that the additional space would be sublet starting in January 2020, at a rate per square foot that was lower than the rate paid by the Company. In the event, the space was not sublet and, because of COVID-19, the Company revised its estimates of the new sublease start date, as well as the rental income from both the anticipated sublease and the renewal of the existing sublease. As a result of these changes in estimates, the Company recorded a further impairment in 2020.

Note 7 – Right-of-Use Asset and Operating Lease Liability, continued

The components of lease expense and supplemental cash flow information related to leases for the years ended December 31, 2020 and 2019 are as follows:

	2020	2019
Cash paid for leases	$ -	$ -
Remaining lease term (in years)	10.50	11.50
Weighted average annual discount rate	3.50%	3.50%

	2020	2019
Sum of remaining payments	$ 3,629,498	$ 3,928,680
Less: imputed interest	(619,743)	(728,742)
Net present value of remaining payments	3,009,755	3,199,938
Less: net present value of sublease rent	181,226	221,244
Operating lease liability, net	$ 2,828,529	$ 2,978,694

Future minimum lease payments for the lease outlined above at the years ended December 31, 2020 are as follows:

	Minimum Commitments	Sublease Commitments	Net Commitments
2021	$ 306,661	$ 49,014	$ 257,647
2022	314,328	50,975	263,353
2023	322,186	53,014	269,172
2024	330,241	40,941	289,300
2025	338,497	-	338,497
Thereafter	2,017,585	-	2,017,585
	$ 3,629,498	$ 193,944	$ 3,435,554

Note 8 – Unpaid Losses and LAE

Activity in the liability for unpaid losses and LAE for the years ended December 31, 2020 and 2019 was as follows:

	2020	2019
Balance, January 1	$ 12,414,778	$ 12,579,714
Less reinsurance receivable	(833,000)	(703,103)
Net balance, January 1	11,581,778	11,876,611
Incurred losses and LAE related to:		
Current year	5,200,808	9,822,620
Prior years	(2,516,869)	(993,932)
Total incurred losses and LAE	2,683,939	8,828,688
Paid losses and LAE related to:		
Current year	1,365,345	3,270,115
Prior years	4,239,339	5,853,406
Total paid losses and LAE	5,604,684	9,123,521
Net balance, December 31	8,661,033	11,581,778
Plus reinsurance receivable	1,199,729	833,000
Balance, December 31	$ 9,860,762	$ 12,414,778

As a result of changes in estimates for unpaid losses and LAE related to insured events of prior years, the liability for losses and LAE decreased by $2,516,869 and $993,932 in 2020 and 2019, respectively. The favorable development in 2020 and 2019 was primarily attributable to re-estimation of unpaid losses and LAE, specifically in the commercial automobile liability line of business related to the two most prior accident years.

The Company made no significant changes in its reserving philosophy, key reserving assumptions or claims management personnel, and has made no significant offsetting changes in estimates that increased or decreased losses and LAE reserves in 2020 or 2019.

The Company determines incurred but not reported ("IBNR") reserves by subtracting the cumulative losses and LAE amounts the Company has paid and the case reserves the Company has established at the balance sheet date from an actuarial estimate of the ultimate cost of losses and LAE. Accordingly, IBNR reserves include actuarial projections of the cost of unreported claims, as well as actuarial projected development of case reserves on known claims and reopened claims. The Company's methodology for estimating IBNR reserves has been in place for many years, and the Company made no significant changes to that methodology during 2020 or 2019.

Note 8 – Unpaid Losses and LAE, continued

The Company generally prepares an initial estimate of ultimate losses and LAE for the current accident year by multiplying earned premium by an expected loss ratio for each line of business the Company writes. Expected loss ratios represent the Company's expectation of losses at the time the Company prices and writes policies before the emergence of any actual claims experience. The Company determines an expected loss ratio by analyzing historical experience and adjusting for loss cost trends, loss frequency and severity trends, premium rate-level changes, reported and paid loss emergence patterns and other known or observed factors.

The Company and its independent actuary utilized several generally accepted actuarial methodologies to estimate the ultimate cost of losses and LAE, including:

Paid Loss Development – historical patterns of paid loss development are used to project future paid loss emergence in order to estimate required reserves.

Incurred Loss Development – historical patterns of incurred loss development, reflecting both paid losses and changes in case reserves, are used to project future incurred loss emergence in order to estimate required reserves.

Paid Bornhuetter-Ferguson ("BF") – an estimated loss ratio for a particular accident year is determined and is weighted against the portion of the accident year claims that have been paid, based on historical paid loss development patterns. The estimate of required reserves assumes that the remaining unpaid portion of a particular accident year will pay out at a rate consistent with the estimated loss ratio for that year. This method can be useful for situations where an unusually high or low amount of paid losses exists at the early stages of the claims development process.

Incurred Bornhuetter-Ferguson ("BF") - an estimated loss ratio for a particular accident year is determined and is weighted against the portion of the accident year claims that have been reported, based on historical incurred loss development patterns. The estimate of required reserves assumes that the remaining unreported portion of a particular accident year will pay out at a rate consistent with the estimated loss ratio for that year. This method can be useful for situations where an unusually high or low amount of reported losses exists at the early stages of the claims development process.

Incremental Claim-Based Methods – historical patterns of incremental incurred losses and paid LAE during various stages of development are reviewed and assumptions are made regarding average loss and LAE development applied to remaining claims inventory. Such methods more properly reflect changes in the speed of claims closure and the relative adequacy of case reserve levels at various stages of development. These methods may provide a more accurate estimate of IBNR for lines of business with relatively few remaining open claims but for which significant recent settlement activity has occurred.

Note 8 – Unpaid Losses and LAE, continued

Frequency / Severity Based Methods – historical measurements of claim frequency and average paid claim size (severity) are reviewed for more mature accident years where a majority of claims have been reported and/or closed. These historical averages are trended forward to more recent periods in order to estimate ultimate losses for newer accident years that are not yet fully developed. These methods are useful for lines of business with slow and/or volatile loss development patterns, such as liability lines where information pertaining to individual cases may not be completely known for many years. The claim frequency and severity information for older periods can then be used as reasonable measures for developing a range of estimates for more recent immature periods.

Estimates of indicated Adjusting and Other ("A&O") reserves were developed based on the Company's historical average costs incurred to settle unpaid losses applied to case and IBNR reserves at December 31, 2020 and 2019.

The Company considers loss frequency and severity trends when developing expected loss ratios. Loss frequency is a measure of the number of claims per unit of insured exposure, and loss severity is a measure of the average size of claims. Factors that affect loss frequency include changes in operator experience, traffic density, miles driven, safety advances, weather patterns or geographic mix of business. Factors that affect loss severity include changes in policy limits, reinsurance retentions, inflation rates and judicial interpretations.

The Company creates a claim file when it receives notice of a claim (first notice of loss), in most cases that is a telephone call from the insured, claimant, attorney or another insurance company. Some claims are submitted by a fax from the insurance agent, on behalf of the insured. A claims adjuster is assigned immediately upon receipt of the first notice of loss based on customer need and including, but not limited to complexity, severity, geography, and availability. All claims, regardless of active coverage, are assigned for immediate review and investigation.

The Company generally creates a claim file for a policy at the policy level. If there is more than one type of claim (such as collision, medical and property damage) resulting from an accident, there will be separate features set under the same claim. A claim number is automatically assigned once a claim is entered into the administrative system. The Company accumulates the claim counts and report them by line of business. For purposes of the claim development tables presented below, the Company counts claims on policies issued even if such claims are eventually closed without making a loss payment, as claims the Company closes without making a loss payment typically generate loss expenses. The methods used to summarize claim counts have not changed significantly over the time periods reported in the tables below.

The Company is not aware of any claim trends that have emerged or that would cause future adverse development that have not already been contemplated in setting current carried reserves levels.

Note 8 – Unpaid Losses and LAE, continued

The following tables present information about incurred and paid claims development as of December 31, 2020 and 2019, net of reinsurance, as well as cumulative claim frequency and the total of IBNR reserves plus expected development on reported claims included within net incurred claims amounts. The tables include unaudited information about incurred and paid claims development for the years ended December 31, 2011 through 2020, which is presented as supplementary information.

Note 8 – Unpaid Losses and LAE, continued

All lines

Incurred Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance (Unaudited)
For the Year Ended December 31,

Accident Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total IBNR Plus Expected Development on Reported Claims	Cumulative Number of Reported Claims
	Unaudited											
(in thousands)												
2011	4,560	4,991	5,135	4,686	3,916	3,913	3,913	3,913	3,913	$ 3,913	-	1,435
2012		4,109	4,431	4,659	3,972	3,781	3,804	3,817	3,817	3,817	-	1,371
2013			3,928	4,330	4,568	3,850	3,826	3,752	3,752	3,752	-	1,008
2014				4,088	5,048	4,871	4,889	4,734	4,752	4,741	7	1,111
2015					6,419	7,549	7,371	7,355	7,355	7,354	7	1,473
2016						6,690	7,880	8,109	8,097	8,106	80	1,591
2017							10,397	12,271	11,978	11,964	263	1,535
2018								12,397	11,690	11,048	414	1,499
2019									9,823	7,964	821	952
2020										5,201	2,445	393
Incurred claims and allocated claims adjustment expense, net of reinsurance										67,860		

Note 8 - Losses and LAE, continued

All lines

Cumulative Paid Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance (Unaudited)
For the Year Ended December 31,

Accident Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
	Unaudited									
(in thousands)										
2011	2,021	3,057	3,647	3,818	3,910	3,913	3,913	3,913	3,913	$ 3,913
2012		1,689	2,680	3,236	3,603	3,758	3,817	3,817	3,817	3,817
2013			1,783	2,946	3,496	3,722	3,747	3,752	3,752	3,752
2014				2,200	3,619	4,265	4,544	4,702	4,704	4,708
2015					3,491	5,412	6,829	7,162	7,275	7,347
2016						3,379	6,222	7,363	7,900	7,935
2017							4,930	9,204	11,238	11,429
2018								4,558	7,726	9,539
2019									3,270	5,394
2020										1,365
Paid claims and allocated claim adjustment expenses, net of reinsurance										59,199
All outstanding Liabilities before 2011, net of reinsurance										-
Liabilities for claims and claims adjustment expenses, net of reinsurance										$ 8,661

Note 8 - Losses and LAE, continued

The following table presents a reconciliation of the net incurred and paid claims development tables to the liability for losses and loss expenses in the consolidated balance sheet:

	2020	2019
Net unpaid losses and defense and cost containment expenses,		
Commercial Auto/Liability	$ 7,345,613	$ 9,696,696
Auto Physical Damage	86,818	77,224
Total unpaid loss and defense and cost containment expenses, net of reinsurance	7,432,431	9,773,920
Reinsurance recoverable:		
Commercial Auto/Liability	1,070,552	833,000
Total reinsurance recoverable on unpaid loss and defense and cost containment expenses	1,070,552	833,000
Unallocated A&O Reserves	1,228,602	1,807,858
Total gross unpaid losses and LAE	$ 9,731,585	$ 12,414,778

The following table presents unaudited supplementary information about average historical claims duration as of December 31, 2020:

	Average annual percentage payout of incurred claims by age, net of reinsurance (Unaudited)									
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
All product lines	42.9 %	29.5 %	15.6 %	5.5 %	2.1 %	0.6 %	0.0 %	0.0 %	0.0 %	0.0 %

The percentages in the above table do not add up to 100% because they represent averages across all accident years at each development stage.

Note 9 - Reinsurance

The Company entered into an excess of loss reinsurance contract which provides the Company with excess of loss reinsurance coverage for commercial automobile liability losses, including 100% of losses in excess of policy limits and 100% of extra contractual obligations, occurring on or after April 1, 2017 through May 31, 2019. Under the agreement, coverage is provided for 80% of losses in excess of $200,000 up to $1.0 million per occurrence per policy. Subject to the terms of the contract, the Company has retained, net, a 20% share of the $800,000 liability in excess of $200,000, which is not reinsured.

The Company has purchased excess of loss coverage for commercial automobile liability losses, including 95% of losses in excess of policy limits and 95% of extra contractual obligations, occurring on or after January 1, 2017 through May 31, 2019. Under the agreement, coverage is limited to $1.0 million per policy in excess of $1.0 million of underlying coverage, with an aggregate limit of reinsurance of $2.0 million under the agreement.

Note 9 – Reinsurance, continued

Under a separate arrangement effective April 1, 2017, prior to May 31, 2019, when policy limits exceed \$1.0 million, the Company purchased reinsurance coverage on a facultative basis to reinsure the commercial automobile liability losses in excess of \$1.0 million not subject to underlying reinsurance coverage. The Company purchased coverage in line with the subject policy limits of up to \$4.0 million excess of \$1.0 million per occurrence, per policy. Under the same arrangement, subsequent to May 31, 2019, the Company purchased coverage in line with the subject policy limits of up to \$3.0 million excess of \$2.0 million per occurrence, per policy, to reinsure the commercial automobile liability losses in excess of the existing underlying reinsurance coverage.

Effective June 1, 2019, the Company's reinsurance treaties provide for coverage of \$1.6 million in excess of a \$400,000 Company retention, on commercial automobile liability losses, including losses in excess of policy limits and extra contractual obligation losses occurring on or after the effective date. Aggregate limits under the reinsurance treaties are \$6.0 million for losses under \$1.0 million and \$2.0 million for losses in excess of \$1.0 million.

On December 31, 2020 and 2019, the Company had reinsurance recoverable on paid and unpaid losses and LAE totaling \$1,262,224 and \$884,904, respectively and ceded unearned premium of \$124,670 and \$211,535, respectively. Excluding one reinsurer that is not rated by AM Best with a balance of \$0 in 2020 and \$16,924 in 2019, all of the Company's reinsurance amounts recoverable are due from companies with financial strength ratings of "A" or better by A.M. Best.

The effect of reinsurance on premiums written, premiums earned and loss and LAE incurred for the periods ended was December 31, 2020 and 2019 is as follows:

	2020			2019		
	Premium Written	Premium Earned	Losses & LAE Incurred	Premium Written	Premium Earned	Losses & LAE Incurred
Direct	\$ 6,302,666	\$ 8,460,400	\$ 3,278,651	\$ 13,128,203	\$ 12,342,095	\$ 9,606,357
Ceded	(240,083)	(326,948)	(594,712)	(533,156)	(614,016)	(777,669)
Net	\$ 6,062,583	\$ 8,133,452	\$ 2,683,939	\$ 12,595,047	\$ 11,728,079	\$ 8,828,688

Note 10 – Notes Payable

Properties has a mortgage with a financial institution that matures in February 2036 and has a fixed interest rate of 4.15% per annum. A balloon payment of the remaining mortgage is due at maturity. Installments of 95% of 810 5th Street LLC's net rental proceeds, less \$1,546 in replacement reserves and fees, are due monthly. Replacement reserves are included in other receivables. As of December 31, 2020, and 2019, monthly installments were \$113,081 and \$109,745, respectively. The mortgage outstanding balance as of December 31, 2020 and 2019 was \$22,515,026 and \$22,780,864, net of \$1,321,677 and \$1,408,819 of unamortized finance costs, respectively. The loan is secured by the property, held by 810 5th Street LLC, and a replacement reserve held in escrow.

Note 10 – Notes Payable, continued

In addition to the mortgage, Properties has two commercial lines of credit with the same financial institution with monthly payments totaling $32,806, maturing November 2025. Interest which was calculated at what was initially a floating rated, based off the 5-year treasury rate, subject to a floor of 4.25%, became fixed at 4.25% in November 2020. Accordingly, as of both December 31, 2020 and 2019, the interest rate was 4.25% per annum. The outstanding balance on the lines of credit as of December 31, 2020 and 2019 were $5,504,198 and $5,572,541, net of $35,478 and $42,694 in unamortized finance costs, respectively. The lines of credit are secured by the respective properties held by 717 8th Street LLC and 2805 M Street LLC. In order to obtain the loans, finance costs were incurred and are being amortized over the loans' terms. Interest expense included $94,359 of amortized finance costs in each of the years ended December 31, 2020 and 2019.

Under the terms of each of the credit facilities, each of the borrowers has granted the bank a right of set-off so that, in the event of a default, the bank may set-off the balance in the defaulting borrower's account against amounts owed to the bank. At December 31, 2020 and 2019, amounts included in cash and cash equivalents that were subject to the right of set-off were as follows:

Borrower	2020	2019
717 8th Street LLC	$ 135,684	$ 217,166
2805 M Street LLC	165,906	174,320
Total	$ 301,590	$ 391,486

Long-term debt maturity is summarized as follows:

	2020	2019
Current maturity	$ 498,390	$ 437,120
Long-term maturity	$ 28,783,631	$ 29,273,441
Unamortized finance costs	(1,262,797)	(1,357,156)
Long-term maturity, net of unamortized finance costs	27,520,834	27,916,285
Notes payable	$ 28,019,224	$ 28,353,405

Note 10 – Notes Payable, continued

Long-term debt maturities at December 31, 2020 and 2019 were as follows:

	2020
2022	$ 661,092
2023	733,625
2024	810,569
2025	5,433,928
Thereafter	21,144,417
Total long-term maturity	28,783,631
Unamortized finance costs	(1,262,797)
Long-term maturity, net of unamortized finance costs	$ 27,520,834

Note 11 – Employee Retirement Program

In 2007, the Company introduced a Safe Harbor 401(k) plan for its employees. Contributions of 3% of each employee's compensation are made each year. The Company's contribution for the Plan year ending December 31, 2020 and 2019 was $62,297 and $50,277, respectively.

Note 12 – Defined Benefit Pension Plan

General information

The Company has a non-contributory defined benefit pension plan (the "Plan"). The Plan benefits are based on years of service and the employee's compensation. The Plan covered all employees of Amalgamated who had completed one year of service and attained age 21 before June 20, 2006. As of June 20, 2006, the Company decided to freeze the accrual of the future benefits for the Plan. Accordingly, there have been nor will there be additional benefits credited to plan participants after June 20, 2006.

The normal retirement benefit is 2.5% of average monthly compensation multiplied by total years of service, limited to 35 years, but in no event less than $12.00 per month multiplied by total years of service, limited to 35 years. On June 20, 2006, the plan was amended to cease the accrual of future benefits. Upon reaching the plan's normal retirement date, participants are entitled to receive their accrued benefit as of June 20, 2006.

There were no new benefit provisions or plan amendments during the plan years ended December 31, 2020 and 2019.

The plan sponsor's funding policy is based on actuarially determined contributions that take into consideration the amount deductible for income tax purposes and the minimum required contributions under the Employee Retirement Income Security Act of 1974, as amended. The Company does not expect to make any required payments in 2021.

Note 12 – Defined Benefit Pension Plan, continued

Estimated future benefit payments are as follows:

Years Ending December 31,	2020
2021	$ 295,916
2022	295,308
2023	306,303
2024	302,348
2025	294,670
2026 to 2030	1,418,395

The benefit obligations, funded status and net periodic benefit costs related to the pension plan were as follows:

	2020	2019
Benefit obligations	$ 5,330,835	$ 5,204,972
Estimated fair value of plan assets	4,886,788	4,384,744
Underfunded status	$ (444,047)	$ (820,228)
Net periodic benefit costs	$ (57,595)	$ (9,998)

Note 12 – Defined Benefit Pension Plan, continued

A summary of assets, benefit obligations and funded status was as follows at December 31, 2020 and 2019:

	2020	2019
Change in benefit obligation:		
Benefit obligation at January 1,	$ 5,204,972	$ 4,544,987
Interest costs	162,953	185,469
Net actuarial loss during year	237,695	724,736
Benefits paid	(274,785)	(250,220)
Benefit obligation at December 31,	$ 5,330,835	$ 5,204,972
Change in plan assets:		
Estimated fair value of plan assets at January 1,	$ 4,384,744	$ 3,903,129
Actual return on plan assets	697,983	721,835
Employer contributions	78,846	10,000
Benefits paid	(274,785)	(250,220)
Fair value of plan assets at December 31,	$ 4,886,788	$ 4,384,744
Underfunded status at December 31,	$ (444,047)	$ (820,228)
Amounts recognized in the balance sheets consist of:		
Defined benefit plan - liability	$ (444,047)	$ (820,228)
AOCI, before income tax:		
Net actuarial loss	$ (1,587,743)	$ (1,827,483)

Note 12 – Defined Benefit Pension Plan, continued

Employer contributions are included in Other Expenses in the Consolidated Statements of Operations and Comprehensive Income for the years ended December 31, 2020 and 2019. The components of net periodic benefit costs and other changes in plan assets and benefit obligations recognized in OCI were as follows:

	2020	2019
Net periodic benefit costs:		
Service costs	$ -	$ -
Interest costs	162,953	185,469
Settlement and curtailment costs	-	-
Expected return on plan assets	277,122	244,583
Amortization of transition assets or obligations	-	-
Amortization of prior service costs	-	-
Amortization of actuarial loss	56,574	49,116
Recognized gain or loss due to settlement or curtailment	-	-
Total net periodic benefit costs	$ (57,595)	$ (9,998)

The weighted average assumptions used in determining benefit obligations for the Plan were as follows as of December 31, 2020 and 2019:

	2020	2019
Weighted average discount rate	2.52%	3.22%
Weighted average rate of compensation increase	-	-

Weighted average assumptions used to determine net periodic benefit costs were as follows as of December 31, 2020 and 2019:

	2020	2019
Weighted average discount rate	3.22%	4.22%
Expected long-term return on plan assets	6.50%	6.50%
Weighted average rate of compensation increase	-	-

As of December 31, 2020 a discount rate of 2.52% and the RP-2014 mortality table MP-2020 Improvement Scale projected generationally (3.22% and MP-2019 as of December 31, 2019) are used to determine the liability. There is no salary progression assumption used in the measurement of the plan, since there are no future benefit accruals. These assumptions were chosen by the Company.

Note 12 – Defined Benefit Pension Plan, continued

The Plan invests in a diversified mix of traditional asset classes, including investments in U.S. and foreign equity securities, fixed income securities and cash. The defined benefit pension plan asset allocation as of December 31, 2020 and 2019, and the measurement date presented as a percentage of total plan assets are as follows:

	2020	2019	Target Allocation
Equity securities	60.86%	56.08%	35 to 90%
Debt securities	39.14%	43.92%	5 to 55%
	100.00%	100.00%	

The Plan investments are made to maximize long-term returns, while recognizing the need for adequate liquidity to meet on-going benefit and administrative obligations. Risk tolerance of unexpected investment and actuarial outcomes is continually evaluated by understanding the Plan's liability characteristics.

Asset allocations and investment performance are formally reviewed quarterly by the Plan's trustees. More thorough analysis of assets and liabilities is also performed periodically. Investment goals include a return objective designed to satisfy the actuarial return objectives of the Plan. All investment practices are expected to be consistent with the Uniform Prudent Investor's Act.

Plan assets measured at fair value on a recurring basis as of December 31, 2020 and 2019, were as summarized below.

2020	Quoted in active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Fixed maturity securities:				
U.S. government	$ 445,359	$ -	$ -	$ 445,359
Industrial and miscellaneous	-	1,304,568	-	1,304,568
Asset backed securities	-	162,621	-	162,621
Total fixed maturity securities	445,359	1,467,189	-	1,912,548
Common stock	2,974,240	-	-	2,974,240
Total marketable investments measured at fair value	$ 3,419,599	$ 1,467,189	$ -	$ 4,886,788

Note 12 – Defined Benefit Pension Plan, continued

2019	Quoted in active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Fixed maturity securities:				
U.S. government	$ 311,227	$ -	$ -	$ 311,227
Industrial and miscellaneous	-	1,419,775	-	1,419,775
Asset backed securities	-	194,758	-	194,758
Total fixed maturity securities	311,227	1,614,533	-	1,925,760
Common stock	2,458,984	-	-	2,458,984
Total marketable investments measured at fair value	$ 2,770,211	$ 1,614,533	$ -	$ 4,384,744

Note 13 – Other Comprehensive Income

The following tables summarize the net change in after-tax accumulated other comprehensive income for the years ending December 31, 2020 and 2019 and significant amounts reclassified out of accumulated other comprehensive income for the years ending December 31, 2020 and 2019.

	Unrealized appreciation on investments, net	Defined Benefit Plan	Accumulated other comprehensive income (loss)
Balance at December 31, 2018	$ (624,350)	$ (1,287,001)	$ (1,911,351)
Cumulative effect adjustment from ASU 2016-01	403,162	-	403,162
Other Comprehensive income before reclassifications	935,342	(156,711)	778,631
Reclassifications from accumulated other comprehensive income	(2,937)	-	(2,937)
Balance at December 31, 2019	711,217	(1,443,712)	(732,495)
Other Comprehensive income before reclassifications	339,768	189,395	529,163
Reclassifications from accumulated other comprehensive income	19,190	-	19,190
Balance at December 31, 2019	$ 1,070,175	$ (1,254,317)	$ (184,142)

Note 14 – Related Parties

Under the terms of the nonexclusive agreement with the Company, ARM receives commissions in the amount of 18.3% of premiums for performing these services. Additionally, the Company and ARM have a cost-sharing agreement whereby ARM operates within the offices of the Company and uses one of the Company's employees to assist in performing its agency function. ARM reimburses the Company for 10% of the shared resources, office expenses, and shared personnel.

In 2019, the Company made an investment in Trustar Bank ("Trustar"), a newly formed financial institution. Certain members of the Board of Trustees of the Company maintain board of directors', advisory director, and executive management positions at Trustar. Accordingly, Trustar is considered a related party. The carrying value, which approximated fair value, of the investment in Trustar was $217,187 and $250,000 on December 31, 2020 and 2019, respectively.

Note 14 – Related Parties, continued

On March 27, 2020, the United States of America passed the COVID-19 Aid, Relief, and Economic Security Act ("CARES Act"), which includes various programs to aid businesses that have been adversely impacted by the COVID-19. The Paycheck Protection Program ("PPP") is a component of the CARES Act and is being administered by the Small Business Administration ("SBA"), an Agency of the United States of America SBA as part of their 7(a) loan program. Pursuant to the CARES Act, loans made under the PPP will be forgiven as long as the loan proceeds are used to cover payroll costs, mortgage interest, rent, and utility costs over the eight (8) week period after the loan is made, as long as employee and compensation levels are maintained.

On April 17, 2020, the Company closed on the PPP loan from Trustar, an authorized lender for the SBA, and received funds in the amount of $397,810. The Company utilized the PPP loan proceeds for eligible expenses and on December 3, 2020 the Company's application for loan forgiveness was approved by the SBA and the loan and accrued interest was retired by Trustar. The Company recognized a gain on the forgiveness of the loan and accrued interest of $400,306 in 2020.

The following table presents the amounts due from related parties as of December 31, 2020 and 2019 and transactions during the years then ended.

	2020	2019
Due from ARM - net collected premium	$ 469,252	$ 890,210
Due from ARM - cost-sharing reimbursement	63,633	40,136
Commission payable ARM	646,536	957,251
Commission expense ARM	1,094,089	2,376,455
Expense reimbursement per the cost-sharing agreement ARM	63,633	40,136
Cash balances on deposit with Trustar	$ 806,835	$ -
Trustar loan issued and extinguished	397,810	-
Interest expense on Trustar loan	2,496	-

All the above transactions and amounts owed or received were conducted in the normal course of business.

Note 15 – Commitments and Contingencies

Litigation

The Company is party to numerous claims, losses, and litigation matters that arise in the normal course of business. Many of such claims, losses, or litigation matters involve claims under policies that the Company underwrites as an insurer. The Company believes that the resolution of these claims and any resulting losses will not have a material adverse effect on the Company's financial condition, results of operations, or cash flows.

Note 16 – Income Taxes

The Company files a U.S. federal income tax return that includes the pass-through income or loss of majority owned direct and indirect subsidiaries. State tax returns are filed depending on applicable laws. The Company records adjustments related to prior years' taxes during the period in which they are identified, generally when the tax returns are filed. The effect of these adjustments on the current and prior periods (during which the differences originated) is evaluated based upon quantitative and qualitative factors and are considered in relation to the consolidated financial statements taken as a whole for the respective years.

The provision for income taxes for the year ending December 31, 2020 and 2019, is comprised of the following:

	2020	2019
Current federal income tax expense	$ -	$ -
Current state income tax expense	-	-
Deferred federal and state income tax benefit	(145,765)	(206,197)
Income tax expense benefit	$ (145,765)	$ (206,197)

A reconciliation of the expected income tax expense to the actual income tax expense and the reconciliation of the federal statutory rate to the Company's effective tax rate for the period ended December 31, 2020 and 2019 is presented below:

	2020	% of Pre-Tax Income
Provision for income taxes at the statutory federal rate	$ 835,424	21.0%
Increase (reduction) in taxes resulting from:		
Permanent differences:		
Dividends received deduction	(20,131)	-0.5%
Tax exempt interest income	(29,974)	-0.8%
Gain on extinguishment of related party loan	(84,064)	-2.1%
Pass-through entity income	(93,504)	-2.4%
Temporary differences:		
Valuation allowance adjustment	(791,195)	-19.9%
Prior year true-ups and other	37,680	0.9%
Actual income tax, as provided in the consolidated financial statements	$ (145,765)	-3.7%

Note 16 – Income Taxes, continued

	2019	% of Pre-Tax Income
Provision for income taxes at the statutory federal rate	$ (140,706)	21.0%
Increase (reduction) in taxes resulting from:		
Permanent differences:		
Dividends received deduction	(18,201)	2.7%
Tax exempt interest income	(47,545)	7.1%
Gain on extinguishment of related party loan	3,160	-0.5%
Pass-through entity income	(48,528)	7.2%
Temporary differences:		
Valuation allowance adjustment	1,008,206	-150.5%
Prior year net operating loss adjustments	(1,275,814)	190.4%
Prior year true-ups and other	313,230	-46.7%
Actual income tax, as provided in the consolidated financial statements	$ (206,197)	30.8%

Significant components of the Company's deferred tax assets and liabilities at December 31, 2020 and 2019 were as follows:

	December 31 2020	December 31 2019
Deferred tax assets:		
Unearned premiums	$ 135,558	$ 228,605
Loss discounting	73,261	106,352
Commission payable	113,207	153,859
Net operating loss carryforward	2,434,049	2,807,694
Lease liability	179,475	165,236
Other	190,693	69,807
Valuation allowance adjustment	(221,193)	(1,012,388)
Total deferred tax assets	2,905,049	2,519,166
Deferred tax liabilities:		
Deferred policy acquisition costs	79,427	45,876
Unrealized gains on investments	478,597	258,091
Deferred gain - 1031 exchange	1,878,987	1,878,987
Other	468,038	336,212
Total deferred tax liabilities	2,905,049	2,519,166
Net deferred tax liability	$ -	$ -

At December 31, 2020, the Company had net operating loss "NOL" carry forwards available for tax purposes of $11,590,712 that will begin to expire in 2032, and foreign tax credit carry-forwards of $890.

Note 16 – Income Taxes, continued

In 2015, the Company sold a building, placed the proceeds in trust and then reinvested the proceeds in similar use (like-kind) property, availing itself of the ability (pursuant to Section 1031 of the tax code) to defer the taxes that would otherwise have been due on the gain. As a result, the Company established has a deferred tax liability of $1,878,967 (as shown above).

In assessing the valuation of deferred tax assets, the Company considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. A valuation allowance against deferred tax assets has been established as the Company believes it is more likely than not the deferred tax assets will not be realized based on the historical taxable income of the Company, or by offset to deferred tax liabilities.

The Company had no material unrecognized tax benefits and no adjustments to liabilities or operations were required. There were no interest or penalties related to income taxes that have been accrued or recognized as of and for the years ended December 31, 2020 and 2019. If any had been recognized these would have been reported in income tax expense.

Generally, taxing authorities may examine the Company's tax returns for the three years from the date of filing. The Company's tax returns for the years ended December 31, 2018 through December 31, 2020 remain subject to examination.

Note 17 – Statutory Information and Dividend Restrictions

Amalgamated is regulated by the DCDISB. The DCDISB requires insurance companies domiciled in the District of Columbia to prepare statutory financial statements in accordance with Statements of Statutory Accounting Principles, as promulgated by the National Association of Insurance Commissioners, subject to any deviations prescribed or permitted by the DCISB.

State insurance departments and DCDISB impose risk-based capital ("RBC") requirements on insurance enterprises. The RBC Model serves as a benchmark for the regulation of insurance companies by state insurance regulators. RBC provides for targeted surplus levels based on formulas, which specify various weighting factors that are applied to financial balances or various levels of activity based on the perceived degree of risk and are set forth in the RBC requirements. Such formulas focus on four general types of risk: (a) the risk with respect to the company's assets (asset or default risk); (b) the risk of default on amounts due from reinsurers, policyholders, or other creditors (credit risk); (c) the risk of underestimating liabilities from business already written or inadequately pricing business to be written in the coming year (underwriting risk); and (d) the risk associated with items such as excessive premium growth, contingent liabilities, and other items not reflected on the balance sheet (off-balance sheet risk). The amount determined under such formulas is called the authorized control level RBC ("ACL").

Note 17 – Statutory Information and Dividend Restrictions, continued

The RBC guidelines define specific capital levels based on a company's ACL that are determined by the ratio of the company's total adjusted capital ("TAC") to its ACL. TAC is equal to statutory capital, plus or minus certain specified adjustments. The Company's TAC was above the ACL at December 31, 2020 and 2019 and is in compliance with RBC requirements as of the years then ended.

State insurance laws and the DCDISB restrict the ability of the Company to declare dividends. These restrictions are related to surplus and net investment income. All dividends are subject to approval by the DCDISB.

State insurance regulators and the DCDISB require insurance companies to maintain specified levels of statutory capital and surplus. Generally, dividends may only be paid out of unassigned surplus, and the amount of an insurer's unassigned surplus following payment of any dividends must be reasonable in relation to the insurer's outstanding liabilities and adequate to meet its financial needs. The Company did not pay any dividends in 2020 or 2019.

The following table presents selected information, as filed with insurance regulatory authorities, for Amalgamated as determined in accordance with statutory accounting practices prescribed or permitted by the DCDISB as of and for the years ended December 31, 2020 and 2019:

AMALGAMATED CASUALTY INSURANCE COMPANY	2020	2019
Statutory capital and surplus	$ 39,081,965	$ 35,185,947
Statutory unassigned surplus	39,081,965	35,185,947
Statutory net income (loss)	2,895,485	(1,212,300)

Note 18 – Subsequent Events

The Company expects that COVID-19 will continue to negatively impact its results, until the economy and related travel substantially recover from the effects of the pandemic. The extent of any additional impact of COVID-19 on the Company's operational and financial performance will depend on future developments. Uncertainty regarding availability, distribution and acceptance of effective vaccines make the timing and strength of the economic recovery, including travel related business, difficult to predict. Accordingly, the incremental financial impact of COVID-19 cannot be determined as of the date of these consolidated financial statements.

On February 3, 2021, the Amalgamated board of trustees approved a plan to demutualize the Company. Under the proposed plan Amalgamated will convert from a mutual insurance company into a stock insurance company through an amendment to its articles of incorporation. The plan of conversion will require the approval of the DCDISB and a simple majority of the Company's voting policyholders. On February 12, 2021, an application for approval of the plan of conversion was filed with the DCDISB. As part of the plan of conversion, the Company will become a subsidiary of Amalgamated Specialty Holdings Group, Inc. ("ASGH"), a newly formed Pennsylvania corporation. In a related transaction, on April 7, 2021, ASGH agreed to purchase 100% of the common stock of ARM

Note 18 – Subsequent Events, continued

from MCW. Upon the approval and completion of these transactions, both ARM and the Company will become subsidiaries of ASGH, which will be a publicly traded company.

On February 9, 2021, the Company closed on a second SBA-PPP loan from Trustar in the amount of $397,810.

In addition to the matters listed above, the Company has evaluated events that occurred subsequent to December 31, 2020 through May 21, 2021, the date on which the consolidated financial statements were issued for matters that required disclosure or adjustment to these consolidated financial statements.

Letter by Johnson Lambert LLP to DISB dated June 24, 2021 re Material Weakness re Amalgamated Casualty Insurance Company as of December 31, 2020

JohnsonLambert LLP
cpas + consultants

District of Columbia Department of Insurance, Securities and Banking
and the Audit Committee of the Board of Directors of Amalgmated Casualty Insurance Company

In planning and performing our audit of the statutory financial statements of Amalgmated Casualty Insurance Company (the Company) as of and for the year ended December 31, 2020, in accordance with auditing standards generally accepted in the United States of America, we considered the Company's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the statutory financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Therefore, unremediated material weaknesses may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses as of December 31, 2020.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Company's statutory financial statements will not be prevented, or detected and corrected, on a timely basis. We consider that the following deficiencies in internal control constitute a material weakness as of December 31, 2020:

As disclosed in Note 3 to the Company's audited statutory financial statements, we identified two adjustments, which resulted in correction of error adjustments related to accrued commissions and the Company's defined benefit plan accounting, which reduced the Company's policyholder surplus as of December 31, 2019 by approximately $1,610,000. Additionally, as disclosed in Note 4 to the Company's audited statutory financial statements we identified audit adjustments that in aggregate reduced the Company's surplus as of December 31, 2020 by approximately $297,000.

Furthermore, the completion of our audit was significantly delayed by management's inability to timely prepare accurate and complete statutory financial statements including all required disclosures in accordance with accounting practices prescribed or permitted by the District of Columbia Department of Insurance, Securities and Banking. We received multiple versions of the statutory financial statements containing significant errors and missing disclosures due to insufficient internal controls over management's preparation and review of the statutory financial statements. We believe these matters are indicative of material weaknesses in the Company's internal controls over financial reporting.

This communication is intended solely for the information and use of the audit committee, board of directors, management, others within the organization, and state insurance departments to whose jurisdiction the Company is subject and is not intended to be, and should not be, used by anyone other than these specified parties.

Johnson Lambert LLP

Vienna, Virginia
June 24, 2021