Mutual Insurance Company of Arizona

Statutory Financial Report
with Supplemental Information
December 31, 2021 and 2020

Contents

Plante & Moran, PLLC
10 South Riverside Plaza
9th floor
Chicago, IL 60606
Tel: 312.207.1040
Fax: 312.207.1066
plantemoran.com

Independent Auditor's Report

To the Board of Trustees
Mutual Insurance Company of Arizona

Opinions

We have audited the statutory financial statements of Mutual Insurance Company of Arizona (the "Company"), which comprise the statutory statement of admitted assets, liabilities, and policyholders' surplus as of December 31, 2021 and 2020 and the related statutory statements of income, changes in policyholders' surplus, and cash flows for the years then ended, and the related notes to the statutory financial statements.

Unmodified Opinion on Statutory Basis of Accounting

In our opinion, the accompanying statutory financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020 and the results of its operations, changes in capital and surplus, and cash flows for the years then ended in accordance with the basis of accounting described in Note 2.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* section of our report, the statutory financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Company as of December 31, 2021 and 2020 or the results of its operations or its cash flows for the years then ended.

Basis for Unmodified Opinion on Statutory Basis of Accounting

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

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 2 to the statutory financial statements, these statutory financial statements are prepared by the Company in conformity with the accounting practices prescribed or permitted by the Arizona Department of Insurance, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the Arizona insurance code. The effects on the statutory financial statements of the variances between the accounting practices described in Note 2 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Responsibilities of Management for the Statutory Financial Statements

Management is responsible for the preparation and fair presentation of the statutory financial statements in accordance with the accounting practices prescribed or permitted by the Arizona Department of Insurance. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of statutory financial statements that are free from material misstatement, whether due to fraud or error.

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

To the Board of Trustees
Mutual Insurance Company of Arizona

Auditor's Responsibilities for the Audits of the Statutory Financial Statements

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

In performing audits in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the statutory financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the statutory financial statements.
- Obtain an understanding of internal control relevant to the audits in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the statutory financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

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

Plante & Moran, PLLC

March 24, 2022

Statutory Statement of Admitted Assets, Liabilities, and Policyholders' Surplus

December 31, 2021 and 2020
(000s omitted)

	2021	2020
Admitted Assets		
Cash and Invested Assets		
Bonds (Notes 3 and 5)	$ 942,281	$ 893,395
Common stocks (Notes 3 and 5)	204,767	179,744
Real estate - Net	1,973	2,018
Cash, cash equivalents, and short-term investments (Note 5)	15,039	31,476
Receivable for securities	-	3,739
Total cash and invested assets	1,164,060	1,110,372
Other Assets		
Investment income due and accrued	7,195	7,640
Premiums receivable	22,448	23,258
Reinsurance recoverable	-	17
Federal income tax recoverable	1,013	236
Electronic data processing equipment and software - Net	152	70
Other receivables	602	733
Total admitted assets	**$ 1,195,470**	**$ 1,142,326**
Liabilities and Policyholders' Surplus		
Liabilities		
Unpaid losses and loss adjustment expenses - Net (Note 7)	$ 233,096	$ 227,561
Commissions and accrued expenses	4,012	4,992
Taxes, licenses, and fees	413	7
Net deferred tax liability (Note 9)	17,917	12,094
Unearned premiums - Net	108,631	110,072
Advance premium	1,781	1,584
Ceded reinsurance premiums payable	1,439	839
Payable to subsidiary (Note 12)	112	112
Policyholder dividends payable	17,000	20,000
Other liabilities	5,290	4,665
Total liabilities	389,691	381,926
Policyholders' Surplus - Unassigned surplus	805,779	760,400
Total liabilities and policyholders' surplus	**$ 1,195,470**	**$ 1,142,326**

Statutory Statement of Income

Years Ended December 31, 2021 and 2020
(000s omitted)

	2021	2020
Underwriting Income		
Premiums earned - Net	$ 84,855	$ 83,340
Losses and loss adjustment expenses incurred (Note 7)	(60,189)	(50,255)
Other underwriting expenses incurred	(17,939)	(16,595)
Net underwriting income	6,727	16,490
Investment Income		
Net investment income earned (Note 6)	27,745	29,146
Net realized capital gains - Net of tax of $1,778 and $1,586 in 2021 and 2020, respectively	6,688	5,966
Net investment income	34,433	35,112
Other Income	10	3
Income before Dividends to Policyholders and Federal Income Tax	41,170	51,605
Dividends to Policyholders	16,997	32,072
Income before Federal Income Tax Incurred	24,173	19,533
Federal Income Tax Incurred (Note 9)	2,940	1,575
Net Income	**$ 21,233**	**$ 17,958**

Mutual Insurance Company of Arizona

Statutory Statement of Changes in Policyholders' Surplus

Years Ended December 31, 2021 and 2020

(000s omitted)

	2021	2020
Policyholders' Surplus - Beginning of year	$ 760,400	$ 728,734
Net income	21,233	17,958
Change in net unrealized capital gains and losses	23,008	13,583
Change in net deferred income tax	296	88
Change in nonadmitted assets	314	489
Change in provision for reinsurance	10	(10)
Change in unrecognized pension items	518	(442)
Policyholders' Surplus - End of year	**$ 805,779**	**$ 760,400**

See notes to statutory financial statements.

Statutory Statement of Cash Flows

Years Ended December 31, 2021 and 2020
(000s omitted)

	2021	2020
Cash from Operations		
Premiums collected - Net of reinsurance	$ 85,025	$ 80,049
Net investment income	34,149	35,514
Other income	10	3
Total	119,184	115,566
Losses and loss adjustment expenses paid	(54,655)	(57,375)
Underwriting expenses paid	(18,609)	(15,200)
Dividends paid to policyholders	(19,997)	(38,072)
Federal income taxes paid	(5,495)	(3,296)
Total	(98,756)	(113,943)
Net cash from operations	20,428	1,623
Cash from Investments		
Proceeds from investments sold, matured, or repaid:		
Bonds	171,197	170,506
Common stocks	27,724	25,678
Other invested assets	350	7,482
Receivable for securities	3,738	(2,808)
Cost of investments acquired:		
Bonds	(225,798)	(164,870)
Common stocks	(15,094)	(14,239)
Real estate	(131)	(74)
Other invested assets	-	(7,500)
Net cash (applied to) from investments	(38,014)	14,175
Cash Provided by Financing and Miscellaneous Sources - Other cash provided	1,149	200
Net Change in Cash, Cash Equivalents, and Short-term Investments	(16,437)	15,998
Cash, Cash Equivalents, and Short-term Investments - Beginning of year	31,476	15,478
Cash, Cash Equivalents, and Short-term Investments - End of year	**$ 15,039**	**$ 31,476**

Note 1 - Nature of Business

Mutual Insurance Company of Arizona (the "Company") is an Arizona-domiciled mutual insurance company founded by physicians in 1976 to underwrite medical professional liability insurance and related coverages. While the Company predominantly writes individual physicians and physician groups policy limits of $1 million per occurrence and $3 million in the aggregate, it has diversified its underwriting activity to include coverages for other health care professionals and entities.

Most of the Company's business is written directly by the Company; however, the Company utilizes independent agents and brokerage firms to write certain large physician groups. Currently, the majority of the business is produced within the state of Arizona. In addition to Arizona, the Company currently writes policies in Colorado, Nevada, and Utah and is licensed to write policies in California and New Mexico. During 2021 and 2020, the Company wrote approximately 6.5 and 6.4 percent, respectively, of total premiums in states other than Arizona.

While the Company is liable for the insurance coverages it writes, the Company reinsures significant portions of its overall liability exposure. Since 2007, the Company has retained liability of $2 million per occurrence. When conditions warrant, the Company commutes coverages for prior contracts.

Note 2 - Significant Accounting Policies

Basis of Presentation

These statutory financial statements have been prepared in accordance with accounting practices prescribed or permitted by the Arizona Department of Insurance (statutory accounting principles), which is a special purpose framework differing from accounting principles generally accepted in the United States of America (GAAP). Prescribed statutory accounting practices are those practices that are incorporated directly or by reference in state laws, regulations, and general administrative rules applicable to the state of domicile. A state may adopt the National Association of Insurance Commissioners' *Accounting Practices and Procedures Manual* in whole, or in part, as an element of prescribed statutory accounting practices. If, however, the state laws differ from the guidance provided in the National Association of Insurance Commissioners' (NAIC) *Accounting Practices and Procedures Manual*, the state laws will take precedence. Permitted statutory accounting practices encompass all accounting practices that are not prescribed but allowed by the state regulatory authority; such practices differ from state to state, may differ from company to company within a state, and may change in the future. The State of Arizona has adopted the NAIC's *Accounting Practices and Procedures Manual*. The Company has not adopted any permitted practices.

The more significant variances between statutory accounting principles and GAAP that affect the Company are as follows:

- Bonds are carried at values prescribed by the NAIC. Generally, bonds are stated at amortized cost (unless the NAIC requires fair value). Under GAAP, the Company's bonds would be reported at fair value, with unrealized gains and losses, net of related deferred taxes, reported in other comprehensive income.

- Unrealized gains or losses on common stocks are reported as a direct adjustment to surplus, net of related deferred taxes. Under GAAP, unrealized gains and losses would be reported in net income or loss.

- Investments in subsidiaries are carried at their statutory equity value in accordance with statutory accounting principles or as otherwise specifically determined by the Investment Analysis Office of the NAIC (IAO), with changes in statutory equity being charged or credited to unassigned surplus. Under GAAP, investments in subsidiaries would be consolidated, with intercompany activity being eliminated.

Note 2 - Significant Accounting Policies (Continued)

- Acquisition costs, such as commissions and other costs related to acquiring new business, are expensed as incurred; under GAAP, they are deferred and amortized to expense as premiums are earned.
- Deferred taxes are computed for federal income taxes only and subject to certain limitations based on prescribed rules. Changes in deferred taxes are reflected in surplus. Under GAAP, deferred taxes are provided for federal and state income taxes with changes reflected in operations or equity.
- Nonadmitted assets are excluded through a charge against surplus; under GAAP, these assets are recorded on the balance sheet, net of any valuation allowance.
- Statutory accounting principles permit amounts due to or from reinsurers to be netted against loss and loss adjustment expense reserves and unearned premiums. GAAP requires these reinsurance balances to be reported gross.
- The statutory basis statement of cash flows has been prepared in accordance with the prescribed format and differs in certain respects from the presentation required by GAAP. In addition, a reconciliation of net income to net cash provided by operating activities is not provided, as required by GAAP.
- Realized investment gains or losses are reported net of related income taxes, while under GAAP, such gains or losses are reported gross of tax.
- Comprehensive income and its components are not presented in the statutory basis financial statements but are required under GAAP.
- Dividends to policyholders, which represent return of premiums, are charged against income under statutory accounting principles.

Cash, Cash Equivalents, and Short-term Investments

Cash consists of cash on deposit and money market accounts. Cash equivalents consist of money market mutual funds and bonds, which are short-term, highly liquid investments with original maturities of three months or less that are both readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Short-term investments include securities that mature within one year from the date of acquisition.

Investments

Bonds are valued in accordance with the valuations prescribed by the NAIC. Generally, bonds are stated at amortized cost unless rated at three or below by the NAIC, in which case bonds are stated at the lower of amortized cost or fair value.

Unaffiliated common stocks are reported at fair value, as determined by quoted market prices, and the related net unrealized capital gains (losses) are recorded within unassigned surplus net of federal income taxes.

Management regularly reviews its investment portfolio to evaluate the necessity of recording impairment losses for other-than-temporary declines in the fair value of investments. A number of criteria are considered during this process, including, but not limited to, the current fair value compared to amortized cost or cost, as appropriate; the length of time the security's fair value has been below amortized cost or cost and by how much; and specific credit issues related to the issuer, current economic conditions, and the intent and ability to hold the security until recovery as of year end. Estimates for other-than-temporary declines in the fair value of invested assets are included in realized gains and losses on investments and result in a permanent reduction in the cost basis of the underlying investment.

Note 2 - Significant Accounting Policies (Continued)

Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investments securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statutory financial statements.

Investment Income

Investment income consists primarily of interest and dividends. Interest income includes amortization of premium and accretion of discount on bonds based on the effective interest method. Interest income is recognized on an accrual basis, and dividends are recorded as earned on the ex-dividend date. Realized capital gains and losses on securities sold are determined using the specific identification method and are reflected in operations, net of related taxes.

Premiums Receivable

Premiums receivable consist primarily of receivables related to group and individual direct business and other miscellaneous receivables. The Company routinely assesses the collectibility of these receivables. Based upon the Company's experience, any uncollectible premiums receivable as of December 31, 2021 and 2020 are not expected to exceed the nonadmitted amounts; therefore, no additional provision for uncollectible amounts has been recorded.

Real Estate

Investments in real estate relate to properties owned and occupied by the Company. Real estate is recorded at original cost and depreciated over its estimated useful life. For the years ended December 31, 2021 and 2020, depreciation expense for real estate investments totaled $176,390 and $164,848, respectively.

Electronic Data Processing (EDP) Equipment and Operating System Software

The Company has capitalized certain EDP equipment, software, furniture and fixtures, and office equipment, which are depreciated over their estimated useful lives. EDP equipment and operating system software are admitted assets, subject to certain limitations, while the remaining assets are nonadmitted.

Depreciation expense totaled $68,367 and $59,408 for the years ended December 31, 2021 and 2020, respectively.

Nonadmitted Assets

Assets included in the statutory financial statements are at admitted asset value. Nonadmitted assets, which are specifically designated by statutory accounting principles as assets that cannot be readily realized for the benefit of policyholders, are excluded through a direct charge to surplus.

Note 2 - Significant Accounting Policies (Continued)

Loss and Loss Adjustment Expense Reserves

Loss and loss adjustment expense (LAE) reserves are stated after deducting reinsurance ceded and are management's best estimates of unpaid losses. The liability for losses and loss adjustment expenses consists of (1) case reserve estimates for reported losses and LAE and (2) estimates for losses and LAE incurred but not reported (IBNR). Estimating the liability for loss and LAE reserves is complex. It requires significant judgments and assumptions about a number of internal variables and external factors. Examples of internal variables that affect estimating loss reserves include changes in claims handling practices and changes in business mix. Examples of external factors that affect estimating loss reserves include trends in loss costs, economic inflation, judicial changes, and legislative changes. In addition, certain claims may be paid out over a number of years, and there may be a significant lag between the time an insured loss occurs and the time it is reported. These variables and factors affect the amounts that are paid for losses and LAE. Because estimating reserves requires the use of assumptions and judgments, actual future losses will differ from management's best estimates. The aggregate amount of the reserves is determined by management after consultation with the Company's independent consulting actuary and is based upon experience of the Company and consideration of loss data reported by other companies writing medical professional liability insurance. Management believes that the loss and loss adjustment expense reserves are appropriately established in the aggregate and make a reasonable provision to cover the ultimate net cost of reported and unreported claims. These estimates are regularly reviewed and updated using the most current information available. The effects of changes in such estimates are included in the results of operations in the period such estimates are revised.

Loss and LAE reserves are not discounted and, therefore, do not reflect the time value of money.

Reinsurance

The Company reinsures portions of certain insurance policies it writes, thereby providing a greater diversification of risk and minimizing exposure on larger risks. Amounts recoverable from or payable to reinsurers are determined in a manner consistent with the assumptions used in determining the related loss reserve liabilities.

Ceded reinsurance premiums, losses, loss adjustment expenses, and commissions are accounted for on a basis consistent with those used in accounting for the original policies. Premiums earned and losses incurred are reflected in the accompanying statutory financial statements, net of related reinsurance. The Company remains contingently at risk with respect to any reinsurance ceded and would incur an additional loss if an assuming company were unable to meet its obligation under the reinsurance agreements.

Premiums

Premiums written are earned on a daily pro rata basis over the terms of the related policies after deductions for reinsurance ceded. An unearned premium liability is established for the portion of premiums written applicable to the unexpired terms of policies in force.

The Company issues an endorsement to its claims-made medical professional liability policy entitling policyholders to extend the claims reporting period beyond the policy period. Insured physicians who cease to be insured due to death, disability, or retirement from the practice of medicine, after at least one year of continuous coverage with the Company ending on the date of retirement and are age 55 or older, may receive this endorsement without paying additional premium. The Company records an unearned premium reserve for the estimated future costs of this benefit. As of December 31, 2021 and 2020, the death, disability, and retirement reserve included in unearned premiums on the statutory financial statements totaled $68.00 million and $69.25 million, respectively.

Note 2 - Significant Accounting Policies (Continued)

Premium Deficiency Reserve

A premium deficiency reserve is required when the anticipated losses, loss adjustment expenses, commissions, and other acquisition and maintenance costs exceed the recorded unearned premium reserve. The Company determines whether a premium deficiency reserve is necessary, including investment income as a factor, in the premium deficiency calculation. No premium deficiency reserve was required at December 31, 2021 and 2020.

Underwriting Expenses

Other underwriting expenses incurred in connection with acquiring new insurance business, including commissions, are charged to operations as incurred. Expenses incurred are presented net of ceding allowances received or receivable.

Income Taxes

A current asset or liability is recognized for the estimated federal income taxes payable or refundable at each reporting period.

The Company recognizes deferred tax assets and liabilities for the future federal tax consequences attributable to differences between the statutory financial statement carrying amounts of assets and liabilities and their respective tax bases based on enacted tax laws and statutory tax rates. Deferred taxes are reported net on the accompanying statutory statement of admitted assets, liabilities, and policyholders' surplus. Admitted deferred tax assets are limited under statutory accounting to those differences that are realizable within a defined period of time.

Policyholder Dividends

Policyholder dividends are recognized as liabilities when declared by the board of trustees and reflected in the statutory statement of income. As of December 31, 2021 and 2020, the Company had authorized, but not paid, policyholder dividends totaling approximately $17 million and $20 million, respectively, which were reflected as a liability and paid or credited to policyholders subsequent to year end.

During 2020, in response to the COVID-19 pandemic, the board of trustees declared a special policyholder dividend of $12 million, which was allocated and distributed to members of record as of April 30, 2020. The total dividend amount was disbursed as a check or credit to policyholders' billing accounts by June 30, 2020.

Risks and Uncertainties

The Company operates in a business environment, which is subject to various risks and uncertainties. Such risks and uncertainties include, but are not limited to, interest rate risks, investment market risks, credit risks, and legal and regulatory changes.

Concentration of Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the Company's deposits may not be returned to it. The Company's policy related to custodial credit risk of bank deposits is to maintain all deposits in a high-quality institution. As a result, the Company evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories. The Company maintains balances in its deposit accounts to adequately cover current operating and claim payment expenses and, as a result, generally requires balances that exceed the Federal Deposit Insurance Corporation (FDIC) insurance limits of $250,000 at December 31, 2021 and 2020. The Company believes it is impractical to insure all deposits. At December 31, 2021 and 2020, the Company has cash deposits in financial institutions in excess of the FDIC insurance limits totaling $8,304,090 and $9,606,557, respectively.

Note 2 - Significant Accounting Policies (Continued)

Use of Estimates

The preparation of statutory financial statements in conformity with statutory accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the statutory financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates in the statutory financial statements primarily include investment valuation, estimates of loss and loss adjustment expense reserves, unearned premium reserves, and pension assumptions. It is at least reasonably possible that these estimates will be materially revised in the near term.

Subsequent Events

The statutory financial statements and related disclosures include evaluation of events up through and including March 24, 2022, which is the date the statutory financial statements were available to be issued.

Note 3 - Investments

The details of the Company's investments at December 31 are as follows (in thousands):

	2021				
	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Carrying Value
Common stocks:					
Publicly traded stocks	$ 48,355	$ 118,145	$ (220)	$ 166,280	$ 166,280
Mutual funds	30,772	7,715	-	38,487	38,487
Subtotal	79,127	125,860	(220)	204,767	204,767
Bonds:					
U.S. government obligations	56,374	847	(770)	56,451	56,374
Foreign government obligations	4,294	7	(61)	4,240	4,294
Obligations of states and political subdivisions	290,368	12,926	(1,038)	302,256	290,368
Mortgage and asset backed	233,468	4,952	(1,974)	236,446	233,468
Corporate	357,691	15,923	(1,685)	371,929	357,777
Subtotal	942,195	34,655	(5,528)	971,322	942,281
Total	$ 1,021,322	$ 160,515	$ (5,748)	$ 1,176,089	$ 1,147,048

Note 3 - Investments (Continued)

	2020				
	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Carrying Value
Common stocks:					
Publicly traded stocks	$ 53,974	$ 91,721	$ (242)	$ 145,453	$ 145,453
Mutual funds	29,392	4,899	-	34,291	34,291
Subtotal	83,366	96,620	(242)	179,744	179,744
Bonds:					
U.S. government obligations	31,854	1,888	-	33,742	31,854
Obligations of states and political subdivisions	316,094	19,146	(98)	335,142	316,094
Mortgage and asset backed	220,725	9,796	(56)	230,465	220,725
Corporate	324,514	29,424	(61)	353,877	324,722
Subtotal	893,187	60,254	(215)	953,226	893,395
Total	$ 976,553	$ 156,874	$ (457)	$ 1,132,970	$ 1,073,139

The Company held no 5GI securities as of December 31, 2021. As of December 31, 2020, the Company held one 5GI security with a total carrying value of $2,389,618 and total fair value of $2,459,099.

The amortized cost and fair value of investment securities by contractual maturity at December 31, 2021 are shown below (in thousands). Actual maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Carrying Value	Fair Value
Due in one year or less	$ 41,531	$ 42,069
Due in one through five years	270,605	281,621
Due after five years through ten years	290,869	300,419
Due after ten years	105,808	110,767
Total	708,813	734,876
Mortgage and asset backed	233,468	236,446
Total	$ 942,281	$ 971,322

Proceeds from the sales of bonds and the related realized gains and losses for the years ended December 31, 2021 and 2020 are as follows (in thousands):

	2021	2020
Sales proceeds	$ 3,588	$ 39,170
Gross realized gains	75	584
Gross realized losses	-	(29)

Proceeds from the sales of common stocks and the related realized gains and losses for the years ended December 31, 2021 and 2020 are as follows (in thousands):

	2021	2020
Sales proceeds	$ 27,724	$ 25,662
Gross realized gains	9,306	9,087
Gross realized losses	(915)	(2,071)

Note 3 - Investments (Continued)

Information pertaining to investment securities with gross unrealized losses at December 31, 2021 and 2020, aggregated by investment category and length of time that individual securities have been in a continuous loss position, is as follows (in thousands):

	2021					
	Less Than 12 Months		12 Months or Greater		Total	
	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value
Common stocks - Publicly traded stocks	$ (217)	$ 1,932	$ (3)	$ 21	$ (220)	$ 1,953
Bonds:						
U.S. government obligations	(770)	35,079	-	-	(770)	35,079
Foreign government obligations	(61)	3,236	-	-	(61)	3,236
Obligations of states and political subdivisions	(921)	38,540	(117)	3,493	(1,038)	42,033
Mortgage and asset backed	(1,749)	112,972	(225)	8,217	(1,974)	121,189
Corporate	(1,462)	63,918	(223)	4,678	(1,685)	68,596
Subtotal	(4,963)	253,745	(565)	16,388	(5,528)	270,133
Total	$ (5,180)	$ 255,677	$ (568)	$ 16,409	$ (5,748)	$ 272,086

	2020					
	Less Than 12 Months		12 Months or Greater		Total	
	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value
Common stocks - Publicly traded stocks	$ (181)	$ 2,772	$ (61)	$ 693	$ (242)	$ 3,465
Bonds:						
Obligations of states and political subdivisions	(98)	8,159	-	-	(98)	8,159
Mortgage and asset backed	(56)	13,806	-	-	(56)	13,806
Corporate	(61)	7,226	-	-	(61)	7,226
Subtotal	(215)	29,191	-	-	(215)	29,191
Total	$ (396)	$ 31,963	$ (61)	$ 693	$ (457)	$ 32,656

As of December 31, 2021 and 2020, the portfolio had 221 and 115 securities, respectively, in an unrealized loss position. Management evaluated its investments with unrealized losses for impairment, and, based on the Company's ability and intent to hold the investments for a reasonable period of time sufficient for a forecasted recovery of fair value, the Company does not consider those investments to be other than temporarily impaired at December 31, 2021 and 2020.

Note 4 - Restricted Assets

A summary of restricted assets (including pledged assets) by restricted asset category as of December 31, 2021 and 2020 is as follows (dollars in thousands):

Restricted Asset Category	Gross Restricted Assets		Admitted Restricted Assets	
	2021	2020	2021	2020
On deposit with states	$ 2,441	$ 2,439	$ 2,441	$ 2,439
Total assets/admitted assets	$ 1,204,980	$ 1,152,150	$ 1,195,470	$ 1,142,326
Percentage of restricted assets	0.20 %	0.21 %	0.20 %	0.21 %

Note 5 - Fair Value Measurements

Accounting standards require certain assets and liabilities be reported or disclosed at fair value in the statutory financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that the Company has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets and other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Company's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

Note 5 - Fair Value Measurements (Continued)

The following tables present fair value information for the Company's financial instruments at December 31, 2021 and 2020 and the valuation techniques used by the Company to determine those fair values (in thousands):

	2021			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value
Common stocks:				
Publicly traded stocks	$ 166,280	$ -	$ -	$ 166,280
Mutual funds	38,487	-	-	38,487
Subtotal	204,767	-	-	204,767
Bonds:				
U.S. government obligations	-	56,451	-	56,451
Foreign government obligations	-	4,240	-	4,240
Obligations of states and political subdivisions	-	302,256	-	302,256
Mortgage and asset backed	-	236,446	-	236,446
Corporate	3,163	368,766	-	371,929
Subtotal	3,163	968,159	-	971,322
Cash and cash equivalents:				
Cash	5,588	-	-	5,588
Money market mutual funds	9,451	-	-	9,451
Subtotal	15,039	-	-	15,039
Total	$ 222,969	$ 968,159	$ -	$ 1,191,128

Note 5 - Fair Value Measurements (Continued)

	2020			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value
Common stocks:				
Publicly traded stocks	$ 145,453	$ -	$ -	$ 145,453
Mutual funds	34,291	-	-	34,291
Subtotal	179,744	-	-	179,744
Bonds:				
U.S. government obligations	-	33,742	-	33,742
Obligations of states and political subdivisions	-	335,142	-	335,142
Mortgage and asset backed	-	230,465	-	230,465
Corporate	-	353,877	-	353,877
Subtotal	-	953,226	-	953,226
Cash and cash equivalents:				
Cash	8,581	-	-	8,581
Money market mutual funds	22,895	-	-	22,895
Subtotal	31,476	-	-	31,476
Total	$ 211,220	$ 953,226	$ -	$ 1,164,446

The fair value of bonds at December 31, 2021 and 2020 was determined primarily based on Level 2 inputs. The Company estimates the fair value of these investments using quoted prices for identical or similar assets in markets that are not active, contractual cash flows, benchmark yields, and credit spreads.

Note 6 - Investment Income

Investment income is composed of the following for the years ended December 31, 2021 and 2020 (in thousands):

	2021	2020
Interest income:		
Bonds	$ 25,571	$ 27,061
Cash, cash equivalents, and short-term investments	2	85
Dividend income - Common stocks	3,773	3,485
Real estate - Home office	540	540
Gross investment income	29,886	31,171
Interest expense - Promissory note	(3)	(3)
Investment expenses	(2,138)	(2,022)
Net investment income earned	$ 27,745	$ 29,146

Note 7 - Unpaid Losses and Loss Adjustment Expenses

The following summarizes activity in the liability for unpaid losses and loss adjustment expenses as of December 31, 2021 and 2020 (in thousands):

	2021	2020
Gross unpaid losses and LAE at January 1	$ 236,854	$ 242,915
Less reinsurance recoverables	(9,293)	(8,234)
Net unpaid losses and LAE at January 1	227,561	234,681
Incurred related to:		
Current year	79,731	79,742
Prior years (excluding adjusting and other)	(18,950)	(24,439)
Prior years (adjusting and other)	(592)	(5,048)
Total incurred	60,189	50,255
Paid related to:		
Current year	7,368	6,444
Prior years	47,286	50,931
Total paid	54,654	57,375
Net unpaid losses and LAE as of December 31	233,096	227,561
Plus reinsurance recoverables	10,420	9,293
Gross unpaid losses and LAE as of December 31	$ 243,516	$ 236,854

As a result of changes to estimates for incurred losses and loss adjustment expenses attributable to insured events of prior years, the provision for loss and loss adjustment expenses decreased by approximately $20 million and $29 million during 2021 and 2020, respectively. Increases or decreases of this nature occur as the result of claim settlements during the current year and as additional information is received regarding individual claims, causing changes from the original estimates of the cost of these claims. Recent loss development trends are also taken into account in evaluating the overall adequacy of unpaid losses and loss adjustment expenses. During 2021, the favorable development primarily related to claims-made policies for loss years 2018, 2019, and 2020.

As a result of the COVID-19 pandemic, delays in medical care and judicial proceedings may affect loss development patterns and claims costs affecting estimates of expected development on reported and unreported claims for prior and current year coverage years. The potential impact cannot be fully determined with the information available to date adding to uncertainty in the loss reserve estimates. Therefore, it is possible that, as conditions and loss experience develop, additional reserve adjustments may be required.

Note 8 - Reinsurance

The following is a summary of the effects of reinsurance on the Company's statutory financial statements as of December 31, 2021 and 2020 (in thousands):

	2021	2020
Premiums written:		
Direct and assumed	$ 89,041	$ 85,457
Ceded	(5,627)	(5,883)
Net premiums written	$ 83,414	$ 79,574

Note 8 - Reinsurance (Continued)

	2021	2020
Premiums earned:		
Direct and assumed	$ 90,422	$ 89,418
Ceded	(5,567)	(6,078)
Net premiums earned	$ 84,855	$ 83,340
Unearned premiums:		
Direct and assumed	$ 110,859	$ 112,240
Ceded	(2,228)	(2,168)
Net unearned premiums	$ 108,631	$ 110,072
Losses and loss adjustment expenses incurred:		
Direct and assumed	$ 62,648	$ 54,393
Ceded	(2,459)	(4,138)
Net losses and loss adjustment expenses incurred	$ 60,189	$ 50,255
Unpaid losses and loss adjustment expenses:		
Direct and assumed	$ 243,516	$ 236,854
Ceded	(10,420)	(9,293)
Net unpaid losses and loss adjustment expenses	$ 233,096	$ 227,561

As of December 31, 2021 and 2020, the Company had no unsecured reinsurance recoverables in excess of 3 percent of policyholder surplus with any individual reinsurers for paid and unpaid losses, loss adjustment expenses, and unearned premiums.

Note 9 - Income Taxes

The components of the net deferred tax asset (liability) at December 31 are as follows (in thousands):

	2021			2020		
	Ordinary	Capital	Total	Ordinary	Capital	Total
Gross deferred tax assets	$ 9,862	$ -	$ 9,862	$ 9,834	$ -	$ 9,834
Statutory valuation allowance	-	-	-	-	-	-
Adjusted gross deferred tax assets	9,862	-	9,862	9,834	-	9,834
Deferred tax assets nonadmitted	-	-	-	-	-	-
Admitted deferred tax assets	9,862	-	9,862	9,834	-	9,834
Deferred tax liabilities	(1,376)	(26,403)	(27,779)	(1,645)	(20,283)	(21,928)
Net admitted deferred tax asset (liability)	$ 8,486	$ (26,403)	$ (17,917)	$ 8,189	$ (20,283)	$ (12,094)

Note 9 - Income Taxes (Continued)

	2021			2020		
	Ordinary	Capital	Total	Ordinary	Capital	Total
Federal income taxes paid in prior years recoverable through loss carrybacks (11a)	$ 5,124	$ -	$ 5,124	$ 5,136	$ -	$ 5,136
Lesser of (11b):	214	-	214	468	-	468
Deferred tax assets expected to be realized following the balance sheet date (11bi)	214	-	214	468	-	468
Limitation threshold (11bii)			123,532			115,865
Adjusted gross deferred tax assets offset by deferred tax liabilities (11c)	4,524	-	4,524	4,230	-	4,230
Admitted deferred tax assets	$ 9,862	$ -	$ 9,862	$ 9,834	$ -	$ 9,834

The following information was used to determine the recovery period and limitation threshold in 11b, above (dollars in thousands).

	2021	2020
Ratio percentage used to determine recovery period and threshold limitation amount	3,412 %	3,582 %
Amount of adjusted capital and surplus used to determine recovery period and threshold limitation in 11b, above (in thousands)	$ 823,545	$ 772,423

The Company does not have any unrecognized deferred tax liabilities.

During the years ended December 31, 2021 and 2020, the significant components of current income taxes were as follows (in thousands):

	2021	2020
Federal income tax on ordinary income	$ 2,940	$ 1,575
Federal income tax on net capital gains	1,778	1,586
Total federal income taxes incurred	$ 4,718	$ 3,161

The significant components of deferred tax assets at December 31 are as follows (in thousands):

	2021	2020
Ordinary:		
Discounting of unpaid losses and LAE	$ 3,766	$ 3,789
Unearned premiums	4,637	4,689
Fixed assets	40	43
Nonadmitted assets	133	133
Nondeductible accruals	1,286	1,180
Admitted deferred tax assets	$ 9,862	$ 9,834

Note 9 - Income Taxes (Continued)

The significant components of deferred tax liabilities as of December 31 are as follows (in thousands):

	2021	2020
Ordinary:		
Bond discount adjustments	$ (241)	$ (244)
Premium acquisition costs	(22)	(20)
Prepaid expenses	(22)	(18)
Transition adjustment for change in loss reserve discounting	(1,091)	(1,363)
Subtotal	(1,376)	(1,645)
Capital - Unrealized capital gains	(26,403)	(20,283)
Deferred tax liabilities	$ (27,779)	$ (21,928)

As of December 31, the change in net deferred income taxes consists of the following (in thousands):

	2021	2020	Change
Adjusted gross deferred tax assets	$ 9,862	$ 9,834	$ 28
Total deferred tax liabilities	(27,779)	(21,928)	(5,851)
Net deferred tax liability	$ (17,917)	$ (12,094)	(5,823)
Less change in tax effect of unrealized gains and losses			6,119
Change in net deferred income tax			$ 296

The following table reconciles the differences between federal income taxes incurred and the expected amount of income taxes, which is obtained by applying the statutory U.S. federal income tax rate to income before federal income taxes (dollars in thousands):

	2021	Percent	2020	Percent
Provision computed at statutory rate	$ 5,450	21.0 %	$ 4,435	21.0 %
Tax-exempt income deduction	(1,298)	(5.0)	(1,598)	(7.6)
Dividends received deduction	(204)	(0.8)	(235)	(1.1)
Proration of tax-exempt investment income	375	1.5	458	2.2
Change in deferred tax on nonadmitted assets	-	-	18	0.1
Change in deferred tax on pension plan	97	0.4	(13)	(0.1)
Nondeductible expenses	6	-	5	-
Under accrual of prior year taxes	15	0.1	13	0.1
Other	(19)	(0.1)	(10)	-
Total statutory income taxes	$ 4,422	17.1 %	$ 3,073	14.6 %
Total federal income taxes incurred	$ 4,718	18.2 %	$ 3,161	15.0 %
Change in net deferred income taxes	(296)	(1.1)	(88)	(0.4)
Total statutory income taxes	$ 4,422	17.1 %	$ 3,073	14.6 %

Note 9 - Income Taxes (Continued)

The following summarizes income tax that is available for recoupment in the event of future taxable losses in accordance with net operating loss carryback provisions (in thousands):

Year	Ordinary	Capital	Total
2021	$ 2,925	$ 1,778	$ 4,703
2020	1,577	1,586	3,163
2019	-	1,249	1,249

The Company's federal income tax return is consolidated with MICA Insurance Services, Inc. and MICA Specialty P.C.C., Inc. The method of allocation among companies is subject to written agreement, approved by the board of trustees, whereby allocation is made primarily on a separate return basis with current credit for any net operating losses or other items utilized in the consolidated tax return. Intercompany tax balances are settled monthly.

Note 10 - Defined Benefit Plan

The Company's defined benefit retirement plan (the "Plan") was established with an effective date of October 1, 2000. Plan benefits, which cover substantially all of its employees, are based on years of service and the employee's compensation during the last five years of employment. For 2020, mortality assumptions were based on the Pri-2012 mortality tables with the MP-2020 mortality improvement scale. In 2021, the mortality assumption was based on the Pri-2012 mortality table with the MP-2021 mortality improvement scale.

A reconciliation of beginning to ending balances of the projected benefit obligation and the fair value of plan assets is as follows (in thousands):

	2021	2020
Change in benefit obligation:		
Benefit obligations at beginning of year	$ 37,461	$ 34,310
Service cost	1,294	1,034
Interest cost	936	1,088
Actuarial loss	759	3,585
Expense payments	(23)	(20)
Benefit payments	(2,133)	(2,537)
Benefit obligations at end of year	38,294	37,460
Change in plan assets:		
Fair value of plan assets at beginning of year	45,001	42,230
Actual return on plan assets	3,107	5,327
Expense payments	(22)	(20)
Benefit payments	(2,133)	(2,537)
Fair value of plan assets at end of year	45,953	45,000
Funded status at end of year	$ 7,659	$ 7,540

Note 10 - Defined Benefit Plan (Continued)

Obligations and Funded Status

Amounts recognized in the statutory statement of admitted assets, liabilities, and policyholders' surplus consist of the following (in thousands):

	2021	2020
Overfunded plan asset	$ 7,659	$ 7,540
Nonadmitted asset	(7,659)	(7,540)
Total	$ -	$ -

Amounts in unassigned funds (policyholders' surplus) that have not yet been recognized as components of net periodic benefit cost consist of the following (in thousands):

	2021	2020
Unrecognized net loss	$ 6,093	$ 6,646
Unrecognized prior service cost	22	49
Total	$ 6,115	$ 6,695

The amounts expected to be recognized in net periodic benefit cost during 2022 include approximately $18,000 related to prior service cost and $377,000 related to unrecognized net loss.

The accumulated benefit obligation for the defined benefit retirement plan was approximately $34,645,000 and $33,878,000 at December 31, 2021 and 2020, respectively.

Net periodic benefit cost and its components at December 31 are as follows (in thousands):

	2021	2020
Service cost	$ 1,294	$ 1,034
Interest cost	936	1,088
Expected return on assets	(2,215)	(2,492)
Amortization of prior service cost	26	40
Amortization of actuarial loss	420	268
Total	$ 461	$ (62)

The activity in surplus for amounts not yet recognized as components of net periodic benefit cost is as follows (in thousands):

	2021	2020
Net gains (losses)	$ 133	$ (750)
Amortization of unrecognized net losses	414	268
Amortization of prior service cost	32	40
Other	(61)	-
Total	$ 518	$ (442)

Weighted-average assumptions used to determine benefit obligations at December 31 are as follows:

	2021	2020
Discount rate	2.50%	2.50%
Rate of compensation increase	4.00%	4.00%

Note 10 - Defined Benefit Plan (Continued)

Weighted-average assumptions used to determine net periodic benefit cost for the years ended December 31 are as follows:

	2021	2020
Discount rate	2.50%	3.25%
Expected long-term return on plan assets	5.00%	6.00%
Rate of compensation increase	4.00%	4.00%

The overall expected long-term rate of return on plan assets is estimated based on many factors, including the expected forecast for inflation, risk premiums for each asset class, expected asset allocation, current and future market conditions, and diversification and rebalancing strategies. Historical return patterns and correlations, consensus return forecasts, and other relevant financial factors are analyzed to check for reasonability and appropriateness.

Retirement Plan Assets

The Company's defined benefit retirement plan is invested in a diverse mix of traditional asset classes. Investments in U.S. and foreign equity securities, fixed-income securities, and cash are made to maximize long-term returns while recognizing the need for liquidity to meet ongoing benefit obligations. Passively managed equity investments are primarily used to increase overall plan returns. Fixed-income investments provide diversification benefits and liability hedging attributes that may be desirable.

The Plan's asset allocation as of December 31, 2021 and 2020 presented as a percentage of total plan assets was as follows:

	2021	2020
Cash and cash equivalents	0.12 %	0.11 %
Fixed-income funds	58.99	56.22
Equity funds	40.89	43.67
Total	100.00 %	100.00 %

Asset allocations and investment performance are reviewed periodically by the Plan's benefits administration committee. Forecasting of asset and liability growth is performed annually by the Plan's actuary.

The target allocation of plan assets is 40 percent equity securities and 60 percent debt securities for the years ended December 31, 2021 and 2020.

Note 10 - Defined Benefit Plan (Continued)

The following tables present fair value information about the defined benefit retirement plan assets at December 31, 2021 and 2020 and the valuation techniques used by the Plan to determine those values (in thousands):

	Fair Value Measurements at December 31, 2021			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Asset Classes				
Cash and cash equivalents	$ 53	$ -	$ -	$ 53
Fixed-income funds	27,106	-	-	27,106
Equity funds:				
U.S.	14,389	-	-	14,389
International	4,405	-	-	4,405
Total	$ 45,953	$ -	$ -	$ 45,953

	Fair Value Measurements at December 31, 2020			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Asset Classes				
Cash and cash equivalents	$ 52	$ -	$ -	$ 52
Fixed-income funds	25,301	-	-	25,301
Equity funds:				
U.S.	14,637	-	-	14,637
International	5,010	-	-	5,010
Total	$ 45,000	$ -	$ -	$ 45,000

The fair value of the Plan's equity funds and fixed-income funds is obtained from the Company's investment manager, and the primary inputs include quoted prices for identical securities in active markets.

Contributions

The Company did not have any regulatory contribution requirements for 2021 or 2020 and did not make a contribution to the defined benefit retirement plan in 2020 or 2021. The Company does not expect to have a regulatory contribution requirement and plans to make a voluntary contribution in 2022 up to $1,000,000.

Note 10 - Defined Benefit Plan (Continued)

Estimated Future Benefit Payments

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid (in thousands):

Years Ending	Retirement Benefits
2022	$ 1,496
2023	1,584
2024	1,600
2025	1,674
2026	1,693
2027 through 2031	9,666

Note 11 - Defined Contribution Plan

The Company sponsors a 401(k) profit-sharing plan for substantially all employees. Subject to annual compensation limits, each participant may elect to defer up to 60 percent of his or her compensation and have such amounts matched at the rate of 100 percent of the first 6 percent of the employee's eligible compensation. In addition, the Company may make a supplemental contribution to the plan in any plan year. The expense related to the plan totaled approximately $501,000 and $497,000 for the years ended December 31, 2021 and 2020, respectively.

The Company has no obligation to current or former employees for benefits after their employment but before their retirement other than for compensation related to earned vacation. The liability for earned but unused vacation has been accrued.

Note 12 - Related Party Transactions

The Company is the parent of a wholly owned noninsurance subsidiary, MICA Insurance Services, Inc. (MISI), an Arizona corporation. During 2013, MISI loaned $110,000 to the Company. The intercompany promissory note has a maturity date of March 31, 2023, with interest payments that are made annually on March 31 at 3.0 percent. The Company incurred interest expense of $3,300 for the years ended December 31, 2021 and 2020, and accrued interest was $2,475 at December 31, 2021 and 2020. The note balance and accrued interest are listed on the accompanying statutory statement of admitted assets, liabilities, and policyholders' surplus as payable to subsidiary.

MICA Risk Retention Group, Inc. (MICA RRG) was issued its certificate of authority by the District of Columbia Department of Insurance Securities and Banking (DISB) on March 21, 2014. The Company sponsored and capitalized MICA RRG with a surplus note dated May 1, 2014 in the amount of $1,000,000. The surplus note has a maturity date of August 1, 2038 with annual interest payments due in August at the prime rate plus 1.5 percent. Prior approval from the DISB is required for accrual and/or payments of interest by MICA RRG. No interest income was accrued or received as of and for the years ended December 31, 2021 and 2020, as the DISB did not approve interest amounts in either year. This note receivable has been nonadmitted in accordance with statutory accounting principles.

The Company is the parent of a wholly owned captive insurance company, MICA Specialty P.C.C., Inc. (MICA Specialty), a District of Columbia corporation. The Company funded MICA Specialty through purchase of its common stock totaling $100,000 and a surplus note totaling $350,000 in October 2014. The surplus note has a maturity date of August 1, 2038, with annual interest payments due in August at the prime rate plus 1.5 percent. Prior approval from the DISB is required for accrual and/or payments of interest by MICA Specialty. No interest income was accrued or received as of and for the years ended December 31, 2021 and 2020, as the DISB did not approve interest amounts in either year. The principal amount of $350,000 was received during 2021.

Note 12 - Related Party Transactions (Continued)

MICA Medical Foundation (the "Foundation") is a 501(c)(3) nonprofit corporation under and pursuant to the laws of the State of Arizona and is related through common management. With the approval from the board of trustees, the Company made contributions to the Foundation in 2021 and 2020.

The Company provides certain management and data processing services to MISI, MICA RRG, MICA Specialty, and the Foundation. These expenses are allocated between the entities based on service agreement provisions.

Note 13 - Nonadmitted Assets

As of December 31, 2021 and 2020, assets designated as nonadmitted and excluded from the statutory statement of admitted assets, liabilities, and policyholders' surplus are as follows (in thousands):

	2021	2020
Premiums receivable	$ 3	$ 7
Prepaid expenses	631	624
Surplus notes	1,000	1,350
Common stock - Affiliate	197	211
Overfunded pension plan	7,659	7,540
Furniture and fixtures	21	31
Total	$ 9,511	$ 9,763

Note 14 - Commitments and Contingencies

The Company is a defendant in various legal actions arising in the ordinary course of its business. Management is of the opinion that no litigation matters are outstanding or pending that will have a material effect on the Company's statutory financial position or results of operations.

The Company is subject to guarantee fund and other assessments by the states in which it writes business. Guarantee fund assessments should be accrued at the time of insolvencies. Other assessments should be accrued either at the time of the assessments or, in the case of premium-based assessments, at the time the premiums are written or, in the case of loss-based assessments, at the time the losses are incurred. There were no assessments warranting disclosures as of December 31, 2021.

Note 15 - Leases

The Company is obligated under operating leases primarily for office equipment, expiring at various dates through 2025. Total rent expense under these leases was $48,066 and $59,413 for 2021 and 2020, respectively.

Future minimum annual commitments under these operating leases are as follows (in thousands):

Years Ending December 31	Amount
2022	$ 42
2023	37
2024	11
2025	11
Total	$ 101

Note 16 - Regulatory Matters

Under the laws of the Arizona Department of Insurance, the Company is required to maintain a minimum statutory surplus as regards to policyholders of $600,000.

The NAIC requires insurance companies to submit annual risk-based capital (RBC) filings. The intent of this law is to help regulators identify insurers that are in financial difficulty by establishing minimum capital needs based on risks applicable to a specific insurer. The calculations for determining the amount of RBC utilize a series of dynamic formulas containing a variety of weighting factors that are applied to financial balances or levels of activity. As of December 31, 2021 and 2020, the Company's RBC level exceeded the minimum requirements.

Note 17 - Capital and Surplus

The portion of unassigned funds (policyholders' surplus) as of December 31, represented or reduced by each item below, is as follows (in thousands):

	2021	2020
Net unrealized capital gains	$ 125,727	$ 96,596
Deferred taxes related to net unrealized capital gains	(26,403)	(20,283)
Nonadmitted assets	(9,511)	(9,763)

Note 18 - Structured Settlements

The Company has purchased annuity contracts from life insurance companies under which the claimants are payees. The Company has a contingent liability of $239,349 as of December 31, 2021 should the issuers of these annuities fail to perform under the contracts.

Supplemental Information

plante moran

Plante & Moran, PLLC
10 South Riverside Plaza
9th floor
Chicago, IL 60606
Tel: 312.207.1040
Fax: 312.207.1066
plantemoran.com

Independent Auditor's Report on Supplemental Information

To the Board of Trustees
Mutual Insurance Company of Arizona

We have audited the statutory financial statements of Mutual Insurance Company of Arizona as of and for the year ended December 31, 2021 and have issued our report thereon dated March 24, 2022, which contained an unmodified opinion on those financial statements with respect to the statutory basis of accounting. Our audit was performed for the purpose of forming an opinion on the 2021 statutory financial statements as a whole. The supplemental summary investment schedule, schedule of investment risks interrogatories, and reinsurance interrogatories are presented for compliance with the National Association of Insurance Commissioners' instructions to annual audited financial reports and are not required parts of the statutory financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the 2021 statutory financial statements. The information has been subjected to the auditing procedures applied in the audit of the 2021 statutory financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the statutory financial statements or to the statutory financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the 2021 statutory financial statements as a whole.

Plante & Moran, PLLC

March 24, 2022

Summary Investment Schedule

December 31, 2021

	Gross Investment Holdings		Admitted Assets as Reported in the Annual Statements	
Investment Categories	Amount	Percentage	Amount	Percentage
1. Long-Term Bonds (Schedule D, Part 1)				
1.01 U.S. Governments	$ 57,132,849	4.903 %	$ 57,132,849	4.908 %
1.02 All Other Government	4,294,113	0.369	4,294,113	0.369
1.03 U.S. States, Territories and Possessions, etc., Guaranteed	19,221,575	1.650	19,221,575	1.651
1.04 U.S. Political Subdivisions of States, Territories and Possessions, Guaranteed	31,870,393	2.735	31,870,393	2.738
1.05 U.S. Special Revenue & Special Assessment Obligations, etc., Non-Guaranteed	367,565,755	31.543	367,565,755	31.576
1.06 Industrial and Miscellaneous	459,033,762	39.393	459,033,762	39.434
1.07 Hybrid Securities	-	-	-	-
1.08 Parent, Subsidiaries and Affiliates	-	-	-	-
1.09 SVO Identified Funds	3,163,324	0.271	3,163,324	0.272
1.10 Unaffiliated Bank Loans	-	-	-	-
1.11 Total Long-Term Bonds	942,281,771	80.864	942,281,771	80.948
2. Preferred Stocks (Schedule D, Part 2, Section 1)				
2.01 Industrial and Miscellaneous (Unaffiliated)	-	-	-	-
2.02 Parent Subsidiaries and Affiliates	-	-	-	-
2.03 Total Preferred Stock	-	-	-	-
3. Common Stocks (Schedule D, Part 2, Section 2)				
3.01 Industrial and Miscellaneous Publicly Traded (Unaffiliated)	166,280,406	14.270	166,280,406	14.285
3.02 Industrial and Miscellaneous Other (Unaffiliated)	-	-	-	-
3.03 Parent, Subsidiaries and Affiliates Publicly Traded	-	-	-	-
3.04 Parent, Subsidiaries and Affiliates Other	197,152	0.017	-	-
3.05 Mutual Funds	38,486,514	3.303	38,486,514	3.306
3.06 Unit Investment Trusts	-	-	-	-
3.07 Closed-End Funds	-	-	-	-
3.08 Total Common Stocks	204,964,072	17.590	204,766,920	17.591
4. Mortgage Loans (Schedule B)				
4.01 Farm Mortgages	-	-	-	-
4.02 Residential Mortgages	-	-	-	-
4.03 Commercial Loans	-	-	-	-
4.04 Mezzanine Real Estate Loans	-	-	-	-
4.05 Total Mortgage Loans	-	-	-	-
5. Real Estate (Schedule A)				
5.01 Properties Occupied by Company	1,973,030	0.169	1,973,030	0.169
5.02 Properties Held for Production of Income	-	-	-	-
5.03 Property Held for Sale	-	-	-	-
5.04 Total Real Estate	1,973,030	0.169	1,973,030	0.169
6. Cash, Cash Equivalents and Short-Term Investments				
6.01 Cash (Schedule E, Part 1)	5,587,749	0.480	5,587,749	0.480
6.02 Cash Equivalents (Schedule E, Part 2)	9,450,827	0.811	9,450,826	0.812
6.03 Short-Term Investments (Schedule DA)	-	-	-	-
6.04 Total Cash, Cash Equivalents and Short-Term Investments	15,038,576	1.291	15,038,575	1.292
7. Contract Loans	-	-	-	-
8. Derivatives (Schedule DB)	-	-	-	-
9. Other Invested Assets (Schedule BA)	1,000,000	0.086	-	-
10. Receivables for Securities	220	-	220	-
11. Securities Lending (Schedule DL, Part 1)	-	-	-	-
12. Other Invested Assets (Page 2, Line 11)	-	-	-	-
13. Total Invested Assets	$ 1,165,257,669	100.000 %	$ 1,164,060,516	100.000 %

Schedule of Investment Risks Interrogatories

December 31, 2021
(dollars in thousands)

1. Reporting entity's admitted assets as reported: $1,195,470

2. The 10 largest exposures to a single issuer/borrower/investment, by investment category, excluding (i) U.S. government securities, U.S. government agency securities, and those U.S. government money market funds listed in Part Six of the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* as exempt; (ii) property occupied by the Company; (iii) policy loans; and (iv) investment companies (mutual funds) and common trust funds that are diversified within the meaning of the Investment Company Act of 1940, at December 31, 2021 are as follows:

	Issuer	Description of Exposure	Amount	Percentage of Total Admitted Assets
2.01	Apple Inc	Various	$ 16,138	1.350 %
2.02	Microsoft Corp	Various	10,848	0.907 %
2.03	JPMorgan Chase & Co	Various	10,260	0.858 %
2.04	Home Depot Inc	Various	9,344	0.782 %
2.05	Toyota Motor Credit Corp	Bond	7,874	0.659 %
2.06	Wells Fargo & Company	Various	7,776	0.650 %
2.07	Trust Financial Corp	Various	7,149	0.598 %
2.08	Morgan Stanley	Various	6,928	0.580 %
2.09	New York St Urban Dev Corp Rev	Bond	6,821	0.571 %
2.10	Bank of America Corp	Various	6,794	0.568 %

3. Amounts and percentages of the reporting entity's total admitted assets held in bonds and preferred stocks by NAIC designation:

	Bonds				Preferred Stock		
	Rating	Amount	Percent		Rating	Amount	Percent
3.01	NAIC-1	$ 834,722	69.824 %	3.07	P/RP-1	$ -	- %
3.02	NAIC-2	106,255	8.888	3.08	P/RP-2	-	-
3.03	NAIC-3	-	-	3.09	P/RP-3	-	-
3.04	NAIC-4	-	-	3.10	P/RP-4	-	-
3.05	NAIC-5	-	-	3.11	P/RP-5	-	-
3.06	NAIC-6	1,304	0.109	3.12	P/RP-6	-	-

4. Assets held in foreign investments:

4.01	Are assets held in foreign investments less than 2.5% of admitted assets?		No
4.02	Total admitted assets held in foreign investments	$ 34,862	2.916 %
4.03	Foreign currency denominated investments	-	- %
4.04	Insurance liabilities denominated in that same foreign currency	-	- %

5. Aggregate foreign investment exposure categorized by NAIC sovereign rating:

5.01	Countries rated NAIC-1	$ 34,228	2.863 %
5.02	Countries rated NAIC-2	608	0.051 %
5.03	Countries rated NAIC-3 or lower	26	0.002 %

6. Largest foreign investment exposures by country, categorized by the country's NAIC sovereign designation

Countries rated NAIC-1:			
6.01	Country: United Kingdom	$ 9,664	0.808 %
6.02	Country: Netherlands	5,685	0.476 %
Countries rated NAIC-2:			
6.03	Country: Mexico	608	0.051 %
Countries rated NAIC-3:			
6.04	Country: Monaco	26	0.002 %

Schedule of Investment Risks Interrogatories (Continued)

December 31, 2021
(dollars in thousands)

7. Aggregate unhedged foreign currency exposure:

   Not applicable.

8. Aggregate unhedged foreign currency exposure categorized by NAIC sovereign designation:

   Not applicable.

9. Largest unhedged foreign investment exposures by country, categorized by the country's NAIC sovereign designation:

   Not applicable.

10. The 10 largest non-sovereign (i.e. non-governmental) foreign issues:

	Issuer	NAIC Rating	Amount	Percentage of Total Admitted Assets
10.01	UBS Group	1	$ 4,391	0.367 %
10.02	HSBC Holdings PLC	1	4,000	0.335 %
10.03	Saudi International Bond	1	3,297	0.276 %
10.04	Cooperative Rabobank UA	1	2,000	0.167 %
10.05	Toyota Motor Corp	1	2,000	0.167 %
10.06	Lloyds Banking Group PLC	1	1,999	0.167 %
10.07	UBS Group AG	1	1,998	0.167 %
10.08	Orix Corp	1	1,499	0.125 %
10.09	Shell International FIN	1	1,494	0.125 %
10.10	Accenture PLC	1	1,306	0.109 %

11. Amounts and percentages of the reporting entity's total admitted assets held in Canadian investments and unhedged Canadian currency exposure:

11.01	Are assets held in Canadian investments less than 2.5% of admitted assets?	Yes

12. Aggregate amounts and percentages of the reporting entity's total admitted assets held in investments with contractual sales restrictions:

12.01	Are assets held in investments with contractual sales restrictions less than 2.5% of admitted assets?	Yes

13. Amounts and percentages of admitted assets held in the 10 largest equity interests:

13.01	Are assets held in equity interests less than 2.5% of admitted assets?	No

	Name of Issuer	Amount	Percentage
13.02	Microsoft Corp	$ 9,837	0.823 %
13.03	Apple Inc	9,198	0.769 %
13.04	Alphabet Inc	5,391	0.451 %
13.05	Tesla Inc	4,933	0.413 %
13.06	Amazon.com Inc	4,501	0.377 %
13.07	Meta Platforms Inc	2,624	0.219 %
13.08	Home Depot Inc	2,366	0.198 %
13.09	JPMorgan Chase & Co	2,235	0.187 %
13.10	United Health Group Inc	2,009	0.168 %
13.11	Procter & Gamble Co	1,956	0.164 %

Schedule of Investment Risks Interrogatories (Continued)

December 31, 2021
(dollars in thousands)

14. Amounts and percentages of the reporting entity's total admitted assets held in nonaffiliated, privately placed equities:

14.01	Are assets held in nonaffiliated, privately placed equities less than 2.5% of admitted assets?	Yes

15. Amounts and percentages of the reporting entity's total admitted assets held in general partnership interests:

15.01	Are assets held in general partnership interests less than 2.5% of admitted assets?	Yes

16. Amounts and percentages of the reporting entity's total admitted assets held in mortgage loans:

16.01	Are mortgage loans reported in Schedule B less than 2.5% of total admitted assets?	Yes

17. Aggregate mortgage loans having the following loan-to-value ratios as determined by the most current appraisal as of the annual statement date:

Not applicable.

18. Amounts and percentages of the reporting entity's total admitted assets in each of the five largest investments in real estate:

18.01	Are assets held in real estate less than 2.5% of admitted assets?	Yes

19. Aggregate amounts and percentages of the reporting entity's total admitted assets held in investments held in mezzanine real estate loans:

19.01	Are assets held in mezzanine real estate loans less than 2.5% of admitted assets?	Yes

20. Amounts and percentages of the reporting entity's total admitted assets subject to the following types of agreements:

The Company does not have any securities lending arrangements or repurchase agreements.

21. Amounts and percentages of the reporting entity's total admitted assets for warrants not attached to other financial instruments, options, caps, and floors:

The Company does not have any of these types of warrants.

22. Amounts and percentages of the reporting entity's total admitted assets of potential exposure for collars, swaps, and forwards:

The Company does not have collars, swaps, or forwards.

23. Amounts and percentages of the reporting entity's total admitted assets of potential exposure for futures contracts:

The Company does not have futures contracts.

1. Disclose if any risks are reinsured under a quota share reinsurance contract with any other entity that includes a provision that would limit the reinsurer's losses below the stated quota share percentage (e.g., a deductible, a loss ratio corridor, a loss cap, an aggregate limit, or any similar provisions). If yes, indicate the number of reinsurance contracts containing such provisions and if the amount of reinsurance credit taken reflects the reduction in quota share coverage caused by any applicable limiting provision(s).

   None.

2. Disclose if the reporting entity reinsured any risk with any other entity and agreed to release such entity from liability, in whole or in part, from any loss that may occur on this risk, or portion thereof, reinsured.

   None.

3. Disclose if the reporting entity ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates) for which, during the period covered by the statement: (i) it recorded a positive or negative underwriting result greater than 5 percent of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves greater than 5 percent of prior year-end surplus as regards policyholders; (ii) it accounted for that contract as reinsurance and not as a deposit; and (iii) the contract(s) contain one or more of the following features or other features that would have similar results:

   a. A contract term no longer than two years and the contract is noncancelable by the reporting entity during the contract term;

      None.

   b. A limited or conditional cancellation provision under which cancellation triggers an obligation by the reporting entity, or an affiliate of the reporting entity, to enter into a new reinsurance contract with the reinsurer, or an affiliate of the reinsurer;

      None.

   c. Aggregate stop loss reinsurance coverage;

      None.

   d. A unilateral right by either party (or both parties) to commute the reinsurance contract, whether conditional or not, except for such provisions which are only triggered by a decline in the credit status of the other party;

      None.

   e. A provision permitting reporting of losses, or payment of losses, less frequently than on a quarterly basis (unless there is no activity during the period); or

      None.

   f. Payment schedule, accumulating retentions from multiple years or any features inherently designed to delay timing of the reimbursement to the ceding entity.

      None.

4. Disclose if the reporting entity, during the period covered by the statement, ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates) for which, during the period covered by the statement, it recorded a positive or negative underwriting result greater than 5 percent or prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves greater than 5 percent of prior year-end surplus as regards policyholders, excluding cessions to approved pooling arrangements or to captive insurance companies that are directly or indirectly controlling, controlled by, or under common control with (i) one or more unaffiliated policyholders of the reporting entity or (ii) an association of which one or more unaffiliated policyholders of the reporting entity is a member, whereby:

   a. The written premium ceded to the reinsurer by the reporting entity or its affiliates represents fifty percent (50%) or more of the entire direct and assumed premium written by the reinsurer based on its most recently available financial statement; or

      None.

   b. Twenty five percent (25%) or more of the written premium ceded to the reinsurer has been retroceded back to the reporting entity or its affiliates.

      None.

5. If affirmative disclosure is required for paragraphs 3 or 4, provide the following information:

   a. The aggregate financial statement impact gross of all such ceded reinsurance contracts on the balance sheet and statement of income.

      None.

   b. A summary of reinsurance contract terms indicating whether they apply to the contracts meeting the criteria in paragraphs 3 or 4; and

      None.

   c. A brief discussion of management's principal objectives in entering into the reinsurance contract, including the economic purpose to be achieved.

      None.

6. Except for transactions meeting the requirements of paragraph 31 of SSAP No. 62R, *Property and Casualty Reinsurance*, disclose if the reporting entity ceded any risk under any reinsurance contract (or multiple reinsurance contracts with the same reinsurer or its affiliates):

   a. Accounted for that contract as reinsurance (either prospective or retroactive) under statutory accounting principles (SAP) and as a deposit under generally accepted accounting principles (GAAP); or aggregate financial statement impact gross of all such ceded reinsurance contracts on the balance sheet and statement of income.

      None.

   b. Accounted for that contract as reinsurance under GAAP and as a deposit under SAP.

      None.

7. Not applicable based on question 6.